

Quarterly Statement
January 1 to March 31, 2021

Q1



KNORR-BREMSE

Quarterly Statement

JANUARY 1 TO MARCH 31, 2021
KNORR-BREMSE AG

KNORR-BREMSE GROUP KEY PERFORMANCE INDICATORS (IFRS)

		Q1/2021	Q1/2020
Revenues	€ million	1,691.5	1,627.5
EBITDA	€ million	320.3	290.2
EBITDA margin	%	18.9	17.8
Operating EBITDA margin	%	18.9	17.8
EBIT	€ million	251.6	224.0
EBIT margin	%	14.9	13.8
Operating EBIT margin	%	14.9	13.8
Net income	€ million	176.3	141.9
Earnings per share (undiluted)	€	1.05	0.83
Order intake	€ million	1,798.9	1,588.0
Order book (March 31)	€ million	5,084.4	4,652.5
Operating cash flow	€ million	27.6	3.5
Free cash flow	€ million	(22.9)	(60.8)
Cash conversion rate	%	(13.0)	(42.9)
Capital expenditure (before IFRS 16 and acquisitions)	€ million	62.0	81.0
Capital expenditure in % of revenues	%	3.7	5.0
R&D costs	€ million	103.1	100.1
R&D costs in % of revenues	%	6.1	6.2
		3/31/2021	12/31/2020
Total assets	€ million	7,637.8	7,390.0
Equity (incl. non-controlling interests)	€ million	2,177.1	1,921.7
Equity ratio	%	28.5	26.0
ROCE (annualized)	%	28.2	25.6
Net financial (debt) / cash	€ million	53.4	102.8
Net working capital	€ million	1,075.7	746.4
Employees (at reporting date incl. leased personnel)		30,360	29,714

FIRST QUARTER 2021

- » Order intake of € 1,798.9 million 13.3% up from the previous year's level – primarily as a result of a very clear recovery in demand in the commercial vehicle business's core markets; this is also reflected in the order book's new record level of € 5,084.4 million (+9.3% compared to the previous year)
- » Revenues 3.9% up on the previous year at € 1,691.5 million as a result of noticeable growth in the global OE business in the Commercial Vehicle Systems segment – strong momentum in the Chinese market
- » Moderate downward trend in aftermarket revenues; stronger increase in OE revenues leads to decrease in the aftermarket share of total revenues from 37.0% to 33.6%
- » Major increase in profitability: EBIT up 12.3% to € 251.6 million, 110 basis point margin increase (RoS) compared to the previous year (13.8%) to 14.9% of revenues underlines profitable growth; trend in the EBIT margin (RoS) follows the EBITDA margin (+110 basis points)
- » Stable R&D ratio of 6.1% of revenues (previous year: 6.2%) due to continued investments in strategic, forward-looking innovation and technology projects
- » At € -22.9 million, free cash flow improves 62.4% compared to previous year (€ -60.8 million), partly due to a higher earnings contribution and the final payment received from a sale-and-leaseback transaction
- » Knorr-Bremse considers itself on track for full year 2021 and confirms its guidance:
- » Revenues: € 6,500 to 6,900 million (2020: € 6,157 million)
- » Operating EBIT margin: 13.0 to 14.5% (2020: 13.2%)

BUSINESS PERFORMANCE IN THE FIRST THREE MONTHS OF 2021

Order intake grows by 13.3% despite still volatile market environment

The Knorr-Bremse Group's order intake was significantly positive as of the end of March 2021 at € 1,798.9 million, 13.3% or € 210.9 million up from the same period of the previous year. This was due to strong demand in the commercial vehicle market. By contrast, demand in the rail vehicle market decreased in all regions due to Covid-19, particularly in Asia, where business in China and India took a substantial hit as a result of postponements of projects. In the commercial vehicle segment, however, global commercial vehicle production experienced a dynamic upturn, which is reflected in an increased order volume as of March. Clear growth was seen in all regions compared to the previous year, especially in the European market and the Chinese market.

This led to an order book that reached a new record level of € 5,084.4 million as of the end of March 2021 due to the positive order situation since the start of the second half of 2020 and thus exceeded (+€ 4,652.5 million) the previous year's level (9.3%).

Revenues up compared to previous year: +3.9%

In the first three months of the 2021 fiscal year, the Knorr-Bremse Group's revenues increased by 3.9% or € 64.1 million to € 1,691.5 million. After adjusting for currency effects (at 2020 actual exchange rates) and for acquisition effects, organic growth was 5.9%. The growth in revenues resulted from significant growth in the Commercial Vehicle Systems segment, more than compensating for the decrease in revenues in the Rail Vehicle Systems segment. The decrease in revenues in the Rail Vehicle Systems segment was due both to a decrease in the OE volume and to aftermarket revenues below the level of the previous year. The OE business decreased primarily in the areas of mass transit (light rail vehicles and metro cars) and regional & commuter in Europe and in North America was influenced by a weaker freight business than in the previous year. In the Asia region, a decrease in OE revenues in the areas of passenger cars and locomotives was offset by growth in the area of mass transit (light rail vehicles metro cars) and in high-speed trains, which was only able to partially compensate for the decrease. The aftermarket business was also moderately below the prior-year level due to Covid-19. At 44.4%, the aftermarket share of the division's total revenues was, however, slightly above the same period of the previous year (43.9%). In the Commercial Vehicle Systems segment, the significant rise in revenues was largely attributable to an increase in the number of trucks being produced worldwide, increased content per vehicle and related revenue growth in the OE business, mainly in the growth market of Asia and also in the core markets of Europe and North America. In the Asia region, Chinese OE revenues in particular were up significantly on the previous year. As a result of appreciable growth in the OE business, despite stable aftermarket revenues, the aftermarket share of the Commercial Vehicle Systems division's total revenues of 23.8% decreased compared to the previous year (28.7%).

At Group level, the aftermarket business accounted for 33.6% of total revenues (breakdown in accordance with management reporting), and although it declined compared to the prior-year figure of 37.0%, it was still robust, primarily as a result of a stronger increase in OE revenues.

High profitability: EBITDA and EBIT margin (RoS) exhibit strong growth

In the first three months of 2021, EBITDA of € 320.3 million was generated with an operating EBITDA margin of 18.9% (previous year: 17.8%). This is € 30.1 million or 10.4% more than in the prior-year period and was mainly caused by volume effects from increasing OE business with good conversion. Along with a positive trend in volume, lasting effects from our Covid-19 action program had a positive impact on the Group's profitability indicators.

EBIT of € 251.6 million also showed a volume-related increase of € 27.6 million or 12.3%. At 14.9%, the EBIT margin (RoS) was also very solidly above the prior-year level of 13.8%. In line with the positive development of the EBITDA margin, this likewise represented a solid 110 basis point increase in the margin in EBIT compared to the previous year.

CONSOLIDATED STATEMENT OF INCOME (CONDENSED)

in € million	Q1/2021	Q1/2020
Revenues	1,691.5	1,627.5
Change in inventory of unfinished/finished products	30.0	(0.8)
Own work capitalized	19.2	18.8
Total operating performance	1,740.7	1,645.4
Cost of materials	(855.3)	(780.1)
Personnel expenses	(414.9)	(400.9)
Other operating income and expenses	(150.2)	(174.3)
EBITDA	320.3	290.2
Depreciation and amortization	(68.7)	(66.2)
EBIT	251.6	224.0
Financial result	(9.3)	(25.5)
Income before taxes	242.3	198.5
Taxes on income	(65.9)	(56.7)
Net income	176.3	141.9
thereof profit (loss) attributable to non-controlling interests	7.2	7.5

The cost of materials ratio increased by a total of 270 basis points to 50.6% of revenues in the first three months of 2021, in part due to a changed sales mix and as a result of the increased costs for freight and procurement owing to the scarcity of semiconductors and partly also other components. However, this trend was offset by a slight decrease in the personnel expenses ratio of 10 basis points from 24.6% to 24.5% resulting from a disproportionately large rise in revenues. Furthermore, the ratio of total other operating income and expenses fell by 180 basis points from 10.7% to 8.9% of revenue, and was due in part to Covid-19-related savings, such as travel expenses, and to consistent cost management. At 4.1% of sales, depreciation and amortization remained at the prior-year level. The financial result, which was impacted in particular by negative currency translation differences in the previous year, reduced income before taxes by € -9.3 million and primarily comprises current interest expense. Income before taxes, at 14.3% of revenues, was a significant 210 basis points above the corresponding prior-year level of 12.2%. This was due not only to a positive EBIT contribution but also to an improved financial result compared to the previous year.

The tax rate fell by 130 basis points to 27.2% from 28.5% in the first three months of 2020. As a result, net income as of the end of March 2021 accounted for 10.4% of revenues, significantly above the prior-year level (8.7%).

FINANCIAL SITUATION

FREE CASH FLOW

in € million	Q1/2021	Q1/2020
Net income	176.3	141.9
Depreciation, amortization and impairment losses on intangible assets and property, plant and equipment	68.7	66.2
Non-cash changes in provisions	21.7	37.1
Non-cash changes in the measurement of derivatives	25.8	44.2
Other non-cash expenses and income	(1.4)	25.9
Income tax expense	65.9	56.7
Income tax payments	(29.8)	(55.3)
Changes to provisions	(29.1)	(48.4)
Changes to inventories, trade accounts receivable as well as other assets which cannot be allocated to investing or financing activities	(443.8)	(307.2)
Changes to trade accounts payable as well as other liabilities which cannot be allocated to investing or financing activities	166.2	29.9
Other	7.0	12.6
Cash flow from operating activities	27.6	3.5
Cash changes in intangible assets and property, plant and equipment	(50.4)	(64.3)
Free cash flow	(22.9)	(60.8)

The cash inflow from operating activities increased by € 24.1 million in fiscal 2021 compared with the same period of the previous year, to € 27.6 million. This resulted not only from an increase of € 34.5 million or 24.3% in net income to € 176.3 million but also from a remaining payment of € 50.0 million received in connection with the 2019 sale-and-leaseback transaction for the northern part of the Munich site. Measures to ensure delivery capability due to the increased business volume, which led to an increase in net working capital, had an offsetting effect.

Free cash flow in the first three months of 2021 amounted to € -22.9 million, up € 37.9 million on the prior-year level (€ -60.8 million). In addition to the higher cash flow from operating activities, this is also due to a decrease in disbursements for investments in intangible assets and property, plant and equipment.

CURRENT AND NON-CURRENT ASSETS

in € million	March 31, 2021	Dec. 31, 2020
Intangible assets and goodwill	899.2	887.8
Property, plant and equipment	1,589.1	1,544.7
Other non-current assets	405.1	360.1
Non-current assets	2,893.4	2,792.6
Inventories	927.7	844.6
Trade accounts receivable	1,519.5	1,141.1
Other financial assets	71.5	39.8
Contract assets	88.8	84.2
Cash and cash equivalents	1,989.3	2,277.0
Other current assets	147.6	210.5
Current assets	4,744.4	4,597.3

A seasonal increase compared with December 31, 2020 was recorded in trade accounts receivable. In this regard – as in previous years – we expect a substantial improvement by year end. Furthermore, the trend in inventories reflects, among other things, measures to preserve the global supply chains.

Overall, net working capital increased slightly by € 17.1 million to € 1,075.7 million compared with the first three months of 2020 (€ 1,058.6 million). By contrast, the commitment in revenue days improved by 1.3 days to 57.2 days and was thus below the prior-year level (58.5 days).

CAPITAL EXPENDITURE

		Q1/2021	Q1/2020
Capital expenditure (before IFRS 16 and acquisitions)	€ million	62.0	81.0
Capital expenditure in % of revenues	%	3.7	5.0

Investments in property, plant and equipment and intangible assets represented typical seasonal development in the current fiscal year compared to the comparatively high prior-year figure. Major investments were made in forward-looking research and development projects, including in the areas of automated driving and the further development of the steering systems business and electrification. Furthermore, investments were made for capacity expansions and automation projects.

CONSOLIDATED EQUITY

in € million	March 31, 2021	Dec. 31, 2020
Subscribed capital	161.2	161.2
Other equity	1,914.8	1,669.5
Equity attributable to the shareholders	2,076.0	1,830.7
Non-controlling shares	101.1	91.0
Total equity	2,177.1	1,921.7

As of March 31, 2021, the Knorr-Bremse Group had an equity ratio of 28.5%. The increase compared to December 31, 2020 (26.0%) was mainly attributable to the earnings contribution of the first quarter and the remeasurement of pension commitments with no effect on profit or loss.

CURRENT AND NON-CURRENT LIABILITIES

in € million	March 31, 2021	Dec. 31, 2020
Provisions (incl. pensions)	592.9	641.3
Financial liabilities	1,203.7	1,158.7
Other non-current liabilities	204.3	176.2
Non-current liabilities	2,001.0	1,976.2
Trade accounts payable	1,166.4	1,027.7
Financial liabilities	1,646.5	1,818.2
Contract liabilities	294.0	295.9
Other liabilities	352.8	350.3
Current liabilities	3,459.7	3,492.1
Total liabilities	5,460.7	5,468.3

There were significant changes in financial liabilities compared to December 31, 2020, especially in liabilities to banks. Overall, these were down € 244.4 million as of March 31, 2021, which was due to a further partial repayment of € 245.0 million of our drawn credit facilities of € 500.0 million as of December 31, 2020 from the Covid-19 action program. By contrast, other financial liabilities and lease liabilities increased. Moreover, there was a growth-related increase of € 138.7 million in trade accounts payable.

The following debt financing existed as of March 31, 2021:

- » Corporate bond of Knorr-Bremse AG in the amount of € 500.0 million (maturing in December 2021)
- » Corporate bond of Knorr-Bremse AG in the amount of € 750.0 million (maturing in June 2025)
- » Bank liabilities of Knorr-Bremse Group in the amount of € 360.1 million
- » Leases liabilities in the amount of € 413.7 million.

The Knorr-Bremse Group's financial situation is therefore extremely robust.

EMPLOYEES

AVERAGE NUMBER OF EMPLOYEES

	Q1/2021	Q1/2020
Wage earners	15,711	14,871
thereof leased personnel	2,818	2,529
Salaried employees	14,228	13,763
thereof leased personnel	208	224
Trainees	221	203
Total	30,160	28,838

As of the end of March 2021, the Group had an average of 30,160 employees (previous year: 28,838). The figures relate to full-time equivalents (FTE). The moderate increase (4.6%) compared to the previous year resulted at Group level not only from the acquisition of R.H. Sheppard (684 employees) but from all regions and was largely caused by revenue growth in the Commercial Vehicle Systems segment. An increase in the headcount in the regions of North America and Asia/Pacific due to volume factors was seen here. In the Asia/Pacific region, the average number of employees increased as of March 2021 as a result of the positive revenue trend, particularly in China. By contrast, in the Rail Vehicle Systems segment the average number of employees reduced mainly due to volume factors in the North America and Asia/Pacific regions.

INFORMATION ON REPORTABLE SEGMENTS

REVENUES BY SEGMENT

in € million	Q1/2021	Q1/2020
Rail Vehicle Systems	808.3	891.2
Commercial Vehicle Systems	891.0	741.6
Total (HGB)	1,699.3	1,632.8
Reconciliation to IFRS (Rail Vehicle Systems)	(2.8)	1.0
Reconciliation to IFRS (Commercial Vehicle Systems)	(4.7)	(5.8)
Other segments and consolidation	(0.3)	(0.5)
Group	1,691.5	1,627.5

EBT BY SEGMENT

in € million	Q1/2021	Q1/2020
Rail Vehicle Systems	128.4	147.5
Commercial Vehicle Systems	94.8	60.8
Total (HGB)	223.2	208.2
Reconciliation to IFRS (Rail Vehicle Systems)	14.7	3.0
Reconciliation to IFRS (Commercial Vehicle Systems)	18.6	13.7
Other segments and consolidation	(14.2)	(26.5)
Group	242.3	198.5

RAIL VEHICLE SYSTEMS SEGMENT

		Q1/2021	Q1/2020
Revenues	€ million	805.5	892.2
thereof aftermarket	%	44	44
EBITDA	€ million	175.1	186.1
EBITDA margin	%	21.7	20.9
Operating EBITDA margin	%	21.7	20.9
EBIT	€ million	145.0	156.5
EBIT margin	%	18.0	17.5
Operating EBIT margin	%	18.0	17.5
Order intake	€ million	714.0	874.2
Order book (March 31)	€ million	3,629.9	3,555.1

Order intake in the Rail Vehicle Systems segment fell by a total of € 160.2 million year-on-year, partly as a result of the impact of Covid-19 and postponements of projects, and amounted to € 714.0 million as of the end of March 2021 (previous year: € 874.2 million). After Europe and North America, the Asian market in particular – and here especially the Chinese aftermarket business and Indian OE business – was the hardest hit. By contrast, the order book rose by 2.1% to € 3,629.9 million as of March 31, 2021 (previous year: € 3,555.1 million) due to the favorable order situation, especially in the fourth quarter of 2020, underlining the segment's resilience and stability.

Revenues in the Rail Vehicle Systems segment came to € 805.5 million in the first three months of 2021, down by -9.7% on the same period of the previous year. In addition to a decrease in OE revenues, this also resulted from moderately lower aftermarket revenues. The development of the 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 in the Asia region to the passenger cars business. In the Asia region, significant growth in the Chinese metro cars business only partially compensated for the decrease in revenues in the Indian passenger cars business. The aftermarket share of the division's total revenues was at the prior-year level at 44%. By contrast, aftermarket revenues were moderately below the prior-year level in absolute terms. Slight growth in Europe was offset by decreases in aftermarket revenues in the Chinese and North American markets, which was due in part to extended overhaul cycles for trains.

Due to volume factors, EBITDA, at € 175.1 million, was moderately down by -5.9% on the prior-year figure of € 186.1 million. By contrast, the EBITDA margin performed encouragingly compared to the prior year and was at 21.7% as of March (previous year:

20.9%). The division benefited here from the Covid-19 action programs introduced in 2020. The absolute EBIT decreased by -7.3% compared to the prior-year level (€ 156.5 million) to € 145.0 million as of the end of March 2021 due to volume factors; by contrast, the EBIT margin (RoS) increased from 17.5% to 18.0% of revenues.

COMMERCIAL VEHICLE SYSTEMS SEGMENT

		Q1/2021	Q1/2020
Revenues	€ million	886.3	735.8
thereof aftermarket	%	24	29
EBITDA	€ million	148.7	107.6
EBITDA margin	%	16.8	14.6
Operating EBITDA margin	%	16.8	14.6
EBIT	€ million	115.9	76.8
EBIT margin	%	13.1	10.4
Operating EBIT margin	%	13.1	10.4
Order intake	€ million	1,085.3	714.7
Order book (March 31)	€ million	1,468.0	1,113.2

At € 1,085.3 million, the order intake of the Commercial Vehicle Systems segment in the first three months of 2021 was very significantly higher than the prior-year level by 51.9%. This development is due to the continuing market recovery worldwide, from which all regions benefited. In Asia/Pacific, this is due to pull-forward effects in China as a consequence of a new emissions standard in force from the second half of 2021. As a result of the positive order situation both in the second half of 2020 and in the first three months of 2021, the order book as of March 31, 2021 was considerably (31.9%) higher than the prior-year level.

The revenues of € 886.3 million achieved as of the end of March 2021 were significantly above the prior year by 20.5% and represented the highest quarterly revenues for the Commercial Vehicle Systems division in the history of the Company. The rise in revenues compared to the prior year was largely attributable to increasing commercial vehicle production worldwide and related revenue growth in the OE business, mainly in the core markets of Europe and North America as well as Asia/Pacific. In the North America region, the acquisition of R.H. Sheppard as of the end of the first half of 2020 added € 26.2 million to revenues as of March 2021. In the Asia region, the OE business's strong momentum in China continued. The share of aftermarket revenue in the Commercial Vehicle Systems division's total revenues fell to 23.8% while absolute revenue remained the same as of March 2021 compared to the same period of the previous year (28.7%) as a result of the significant increase in OE revenues.

Due to volume factors, EBITDA, at € 148.7 million, was very significantly up on the same period of the previous year by 38.2% (previous year: € 107.6 million), giving an operating EBITDA margin of 16.8% as of March 2021 (previous year: 14.6%). The significant growth in revenues at the same time as consistent continuation of the cost control measures we implemented led to an improvement in probability despite increased freight and procurement costs. The Commercial Vehicle Systems segment also recorded a large drop in EBIT of 51.0% to € 115.9 million as of the end of March 2021. This increased the EBIT margin (RoS) to 13.1% and represents a significant improvement in margin by 270 basis points compared to the prior year (10.4%) due to the positive operating leverage.

REVENUE BY COUNTRY OF KNORR-BREMSE COMPANY

in € million	Q1/2021	Q1/2020
Europe/Africa	799.1	773.4
North America	347.0	352.9
South America	24.6	24.2
Asia-Pacific	520.8	476.9
	1,691.5	1,627.5

As of the end of March 2021, 47% of the Group's revenues related to the Europe/Africa region (previous year: 48%), 21% to North America (previous year: 22%), 1% to South America (previous year: 1%), and 31% to Asia/Pacific (previous year: 29%).

SIGNIFICANT EVENTS IN THE REPORTING PERIOD

Covid-19

The Covid-19 pandemic continued unabated in the first quarter of 2021. This was accompanied by a continuing impact on the population in the form of contact and mobility restrictions or restrictions on business activities in large parts of the world. However, the improved availability of test capacities and the introduction of vaccines meant restrictions for public and economic life were lifted in individual countries. In China in particular, the measures taken led to an easing.

Change in leadership on 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.

Further partial repayment of credit facility

In the first three months of 2021, we were able to repay a further € 245 million of our drawn credit facilities from the € 750 million Covid-19 action program thanks to further stabilization of our business performance, which meant it was possible to reduce the credit facility to € 255 million.

Change in the composition of 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. The election of new members of the Supervisory Board is scheduled to be held at the Annual General Meeting of Knorr-Bremse AG on May 20, 2021, and the vacancy left by Mr. Thiele's passing will then be filled.

Acquisitions of companies

On March 12, 2021, Knorr-Bremse signed a purchase agreement for the acquisition of a German company and business activities in Europe and North America. The deal is expected to be closed in the second 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 high double-digit million euro range. The acquisition will serve to ensure the further growth and expansion of the product and service portfolio in the Rail Vehicle Systems division.

EVENTS AFTER THE REPORTING DATE

Full repayment of credit facility from the € 750 million Covid-19 action program

At the start of April, the remaining € 255 million from the € 750 million Covid-19 action program adopted was repaid in full due to our robust financial situation and stable business performance.

Expansion of the Executive Board of Knorr-Bremse AG

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.

OUTLOOK / FULL-YEAR GUIDANCE FOR 2021 CONFIRMED

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

CONSOLIDATED STATEMENT OF INCOME

CONSOLIDATED STATEMENT OF INCOME

In € thousand	Q1/2021	Q1/2020
Revenues	1,691,541	1,627,476
Change in inventory of unfinished/finished products	30,022	(838)
Own work capitalized	19,182	18,808
Total operating performance	1,740,745	1,645,446
Other operating income	29,381	29,644
Cost of materials	(855,318)	(780,054)
Personnel expenses	(414,922)	(400,852)
Other operating expenses	(179,586)	(203,945)
Earnings before interest, tax, depreciation and amortization (EBITDA)	320,300	290,238
Depreciation, amortization, and impairment losses	(68,697)	(66,218)
Earnings before interests and taxes (EBIT)	251,603	224,021
Interest income	2,956	10,026
Interest expenses	(11,403)	(15,274)
Other financial result	(885)	(20,247)
Income before taxes	242,271	198,526
Taxes on income	(65,934)	(56,655)
Profit/loss transfer	–	–
Net income	176,337	141,871
Thereof attributable to:		
Profit (loss) attributable to non-controlling interests	7,193	7,468
Profit (loss) attributable to the shareholders of Knorr-Bremse AG	169,144	134,403
Earnings per share in €		
undiluted	1.05	0.83
diluted	1.05	0.83

CONSOLIDATED BALANCE SHEET

CONSOLIDATED BALANCE SHEET

In € thousand	March 31, 2021	Dec. 31, 2020
Assets		
Intangible assets	501,732	491,595
Goodwill	397,445	396,174
Property, plant and equipment	1,589,109	1,544,731
Investments accounted for using the equity method	24,192	24,663
Other financial assets	164,890	140,786
Other assets	75,859	57,276
Income tax receivables	988	–
Assets from employee benefits	22,184	20,995
Deferred tax assets	116,988	116,416
Non-current assets	2,893,387	2,792,636
Inventories	927,719	844,590
Trade accounts receivable	1,519,468	1,141,139
Other financial assets	71,529	39,828
Other assets	113,744	161,793
Contract assets	88,825	84,217
Income tax receivables	33,813	48,714
Cash and cash equivalents	1,989,284	2,277,048
Current assets	4,744,382	4,597,329
Total assets	7,637,769	7,389,965

CONSOLIDATED BALANCE SHEET

In € thousand	March 31, 2021	Dec. 31, 2020
Equity		
Subscribed capital	161,200	161,200
Capital reserves	13,884	13,884
Retained earnings	13,300	13,300
Other components of equity	(241,359)	(317,579)
Profit carried forward	1,959,844	1,464,349
Profit attributable to the shareholders of Knorr-Bremse AG	169,142	495,499
Equity attributable to the shareholders of Knorr-Bremse AG	2,076,011	1,830,653
Equity attributable to non-controlling interests	101,086	91,008
thereof share of non-controlling interests in net income	7,193	36,672
Equity	2,177,097	1,921,661
Liabilities		
Provisions for pensions	296,641	354,887
Provisions for other employee benefits	18,607	17,437
Other provisions	277,679	269,010
Financial liabilities	1,203,743	1,158,737
Other liabilities	5,252	3,490
Income tax liabilities	63,730	58,194
Deferred tax liabilities	135,351	114,482
Non-current liabilities	2,001,003	1,976,237
Provisions for other employee benefits	20,394	19,172
Other provisions	191,921	194,015
Trade accounts payable	1,166,373	1,027,682
Financial liabilities	1,646,545	1,818,194
Other liabilities	87,951	90,287
Contract liabilities	293,989	295,868
Income tax liabilities	52,496	46,849
Current liabilities	3,459,669	3,492,067
Liabilities	5,460,672	5,468,304
Total equity and liabilities	7,637,769	7,389,965

CONSOLIDATED STATEMENT OF CASH FLOWS

CONSOLIDATED STATEMENT OF CASH FLOWS

In € thousand	Q1/2021	Q1/2020
Net income (including earnings share of minority interests)	176,335	141,871
Adjustments for		
Depreciation, amortization and impairment losses on intangible assets and property, plant and equipment	68,697	66,218
Change of impairment on inventories	(3,357)	7,783
Change of impairment on trade accounts receivable	1,482	4,865
Gain on the sale of consolidated companies and other business units	–	–
(Gain)/loss on the disposal of fixed assets	(117)	(1,863)
Reversing, adding to, and discounting provisions	21,656	37,110
Non-cash changes in the measurement of derivatives	25,759	44,194
Other non-cash expenses and income	(1,354)	25,938
Interest result	8,448	1,781
Investment result	582	–
Income tax expenses	65,934	56,655
Income tax payments	(29,814)	(55,275)
Changes of		
Inventories, trade accounts receivable and other assets which cannot be allocated to investing or financing activities	(443,792)	(307,203)
Trade accounts payable as well as other liabilities which cannot be allocated to investing or financing activities	166,214	29,868
Utilization of provisions	(29,100)	(48,440)
Cash flow from operating activities	27,572	3,502
Proceeds from the sale of intangible assets	302	615
Disbursements for investments in intangible assets	(23,088)	(25,545)
Proceeds from the sale of property, plant and equipment	9,123	10,092
Disbursements for investments in property, plant and equipment	(36,784)	(49,479)
Proceeds from financial investments and from the sale of financial investments	(195)	–
Disbursements for investments in financial assets	(26,526)	–
Disbursements for the acquisition of consolidated companies and other business units	(2,318)	–
Interest received	1,499	7,418
Disbursements for investments in plan assets (pensions)	(823)	(903)
Cash flow from investing activities	(78,810)	(57,802)
Proceeds from borrowings	20,763	214,273
Disbursements from the repayment of borrowings	(256,172)	(5,648)
Disbursements for lease liabilities	(14,170)	(14,412)
Interest paid	(6,011)	(4,294)
Dividends paid to non-controlling interests	(616)	(693)
Net payments from factoring	–	(17,547)
Proceeds from grants and subsidies	1,942	–
Cash flow from financing activities	(254,264)	171,680
Cash flow changes	(305,502)	117,380
Change in cash funds resulting from exchange rate and valuation-related movements	27,737	(11,916)
Change in cash funds resulting from changes to the group structure	–	–
Change in cash funds	(277,765)	105,464
Cash funds at the beginning of the period	2,240,723	1,853,466
Cash funds at the end of the period	1,962,958	1,958,930
Cash and cash equivalents	1,989,284	1,983,674
Short-term securities available for sale	2	2
Short-term liabilities to banks (less than 3 months)	(26,327)	(24,746)

This interim report contains statements regarding future developments which 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 which 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 which 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.