



Q3

FINANCIAL RESULTS Q3/22

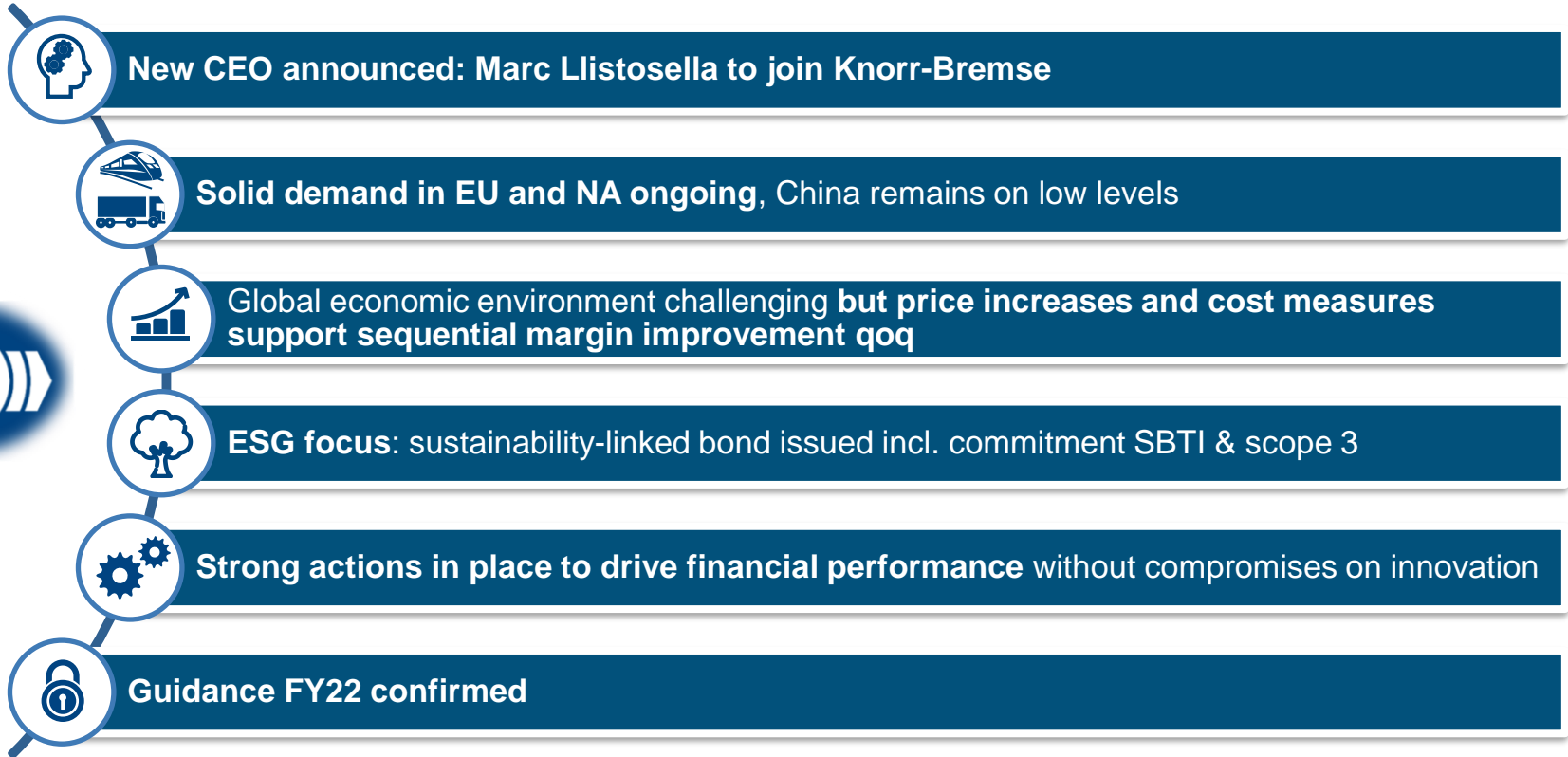
FRANK WEBER | CFO AND EXECUTIVE BOARD SPOKESMAN

NOVEMBER 10, 2022




KNORR-BREMSE


Summary of take-aways



Good demand ex China in a challenging global environment

Current situation

- 
- + No cancellations, but postponements ongoing
 - + Slightly increasing ridership globally
 - + Good tender development in EU, NA and APAC (ex CN)
 - + High backlog at OEMs provide sound outlook
 - Supply situation remains challenging
 - China: low investments in rolling stock and zero-Covid policy + BUT good investments in rail infrastructure

- 
- + TPRs¹ Q3/22: EU WE +15%, NA +40% and CN -25%
 - + Demand in EU and NA still on high level
 - OEM production still affected by supply issues
 - China: Zero-Covid policy burdens + BUT unchanged high attractive market for CVS with good CPV

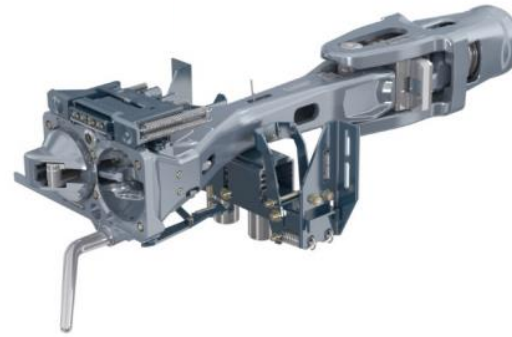
Until YE22

- + Good OI development expected to continue
- + AM: further improvement of rail traffic expected
- + Book-to-Bill FY22e: >1
- Ongoing inflation of input costs
- China: OE market remains challenging, e.g. Metro production -26% yoy
- + TPRs¹ FY22e: EU WE +8% and NA +10%
- China: only slow recovery of TPR expected + BUT content per vehicle growth continues
- + AM: continued growth
- + Pricing: additional agreements with big OEMs achieved, negotiations continue for further price increases (wave 2)
- Inflationary pressure from suppliers continues incl. higher energy and salary costs

RVS – Demonstrating its innovation leadership position at the world's largest railway trade fair InnoTrans



Examples



FreightLink
(Digital Automated Coupler)

ElectroAct System
(Electromechanical Brake)



TRAFFIC FLOW

TRAIN OPERATIONS
& MAINTENANCE

SMART SOLUTIONS &
APPLICATIONS

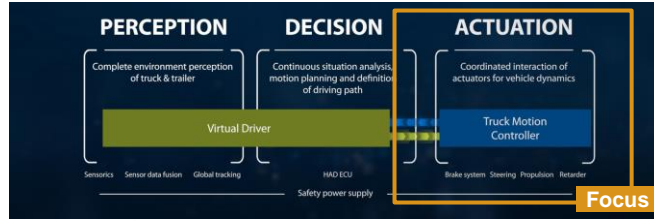
ECOLOGICAL
FOOTPRINT

CVS – Fascinating its customer with best-in-class products and setting clear focus areas on IAA Transportation and Automechanika



HIGHLY AUTOMATED DRIVING

TRUCK MOTION CONTROL



REDUNDANT SYSTEMS

e.g.,



Redundant Brake System

Redundant Steering System (e.g., Electric Power Steering)

Redundant Power Management Systems

e.g.,



Rotary Vane E-Compressor



Screw Compressor

ELECTRIFICATION



Innovation award at Automechanika for "Parts & Technology Solutions"

Financial highlights Q3/22

REVENUES OF **€ 1.79bn**
(+12.8% yoy)

11.3% op. EBIT MARGIN
(PY: 13.6%)



€ 855m



€ 938m



15.6%



9.2%



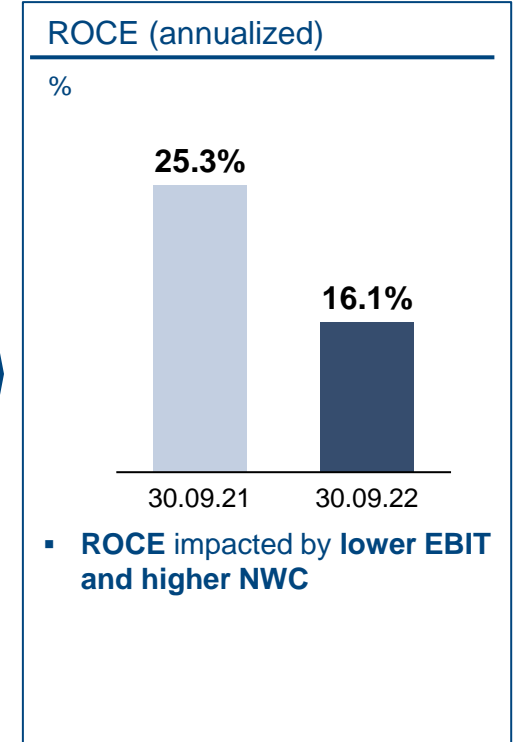
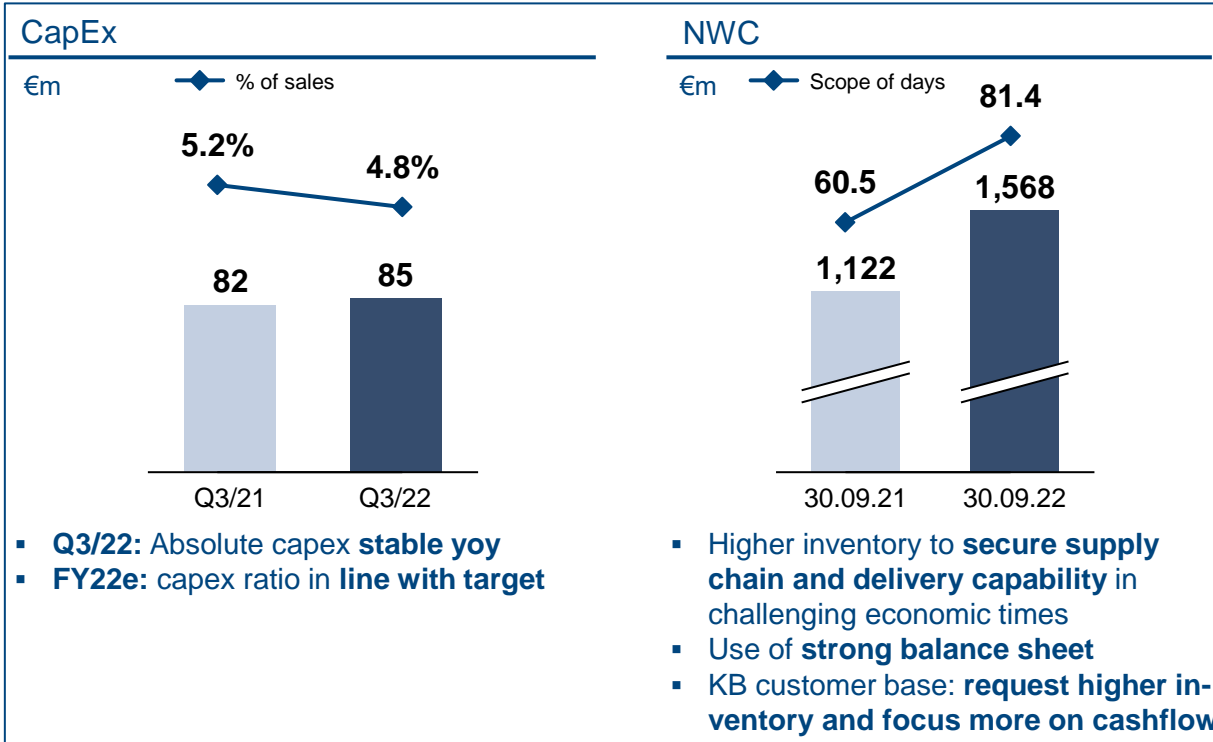
€ 38m FREE CASHFLOW
(PY: € 189m) **25%** Cash Conversion Rate

ORDER INTAKE **€ 1.88bn**
(+30.9% yoy)

ORDER BOOK **€ 6.88bn**
(+37.4% yoy)



NWC – supporting supply chain and delivery capability (“Customer First”) BUT measures implemented for improvements until YE22

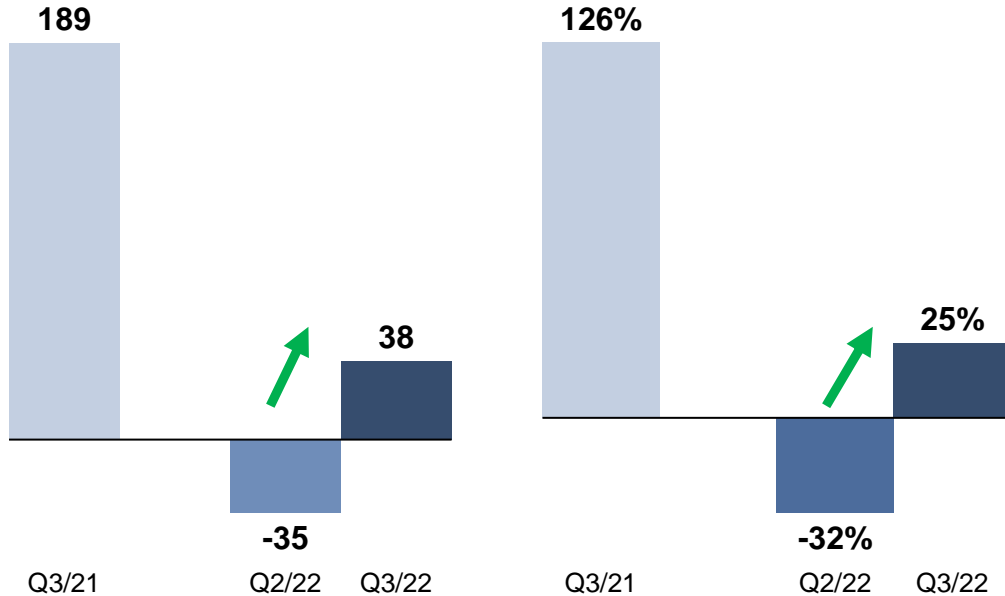


FCF development weaker yoy due to higher NWC but sequential improvement will accelerate in Q4/22

Free Cashflow¹

Cash Conversion Rate

€m



- **Turnaround:** sequential improvement of Free Cashflow as expected but still impacted by challenging macro-environment
- **Built-up of inventory** due to ongoing supply constraints, uncertain market environment and safeguarding revenue increase in the coming quarters resulting in **higher NWC**
- **Higher accounts receivables** due to an increased challenging business environment
- Business development and stringent measures implemented to support **positive FCF development in the coming quarter → strong improvement in Q4/22** expected

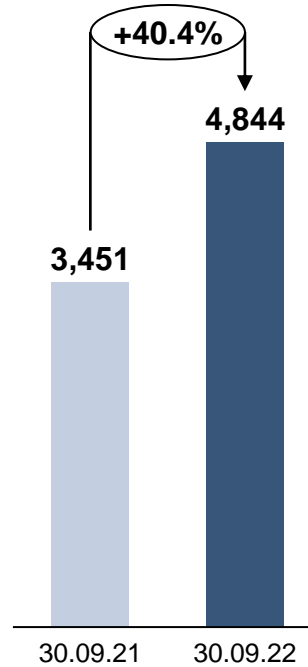
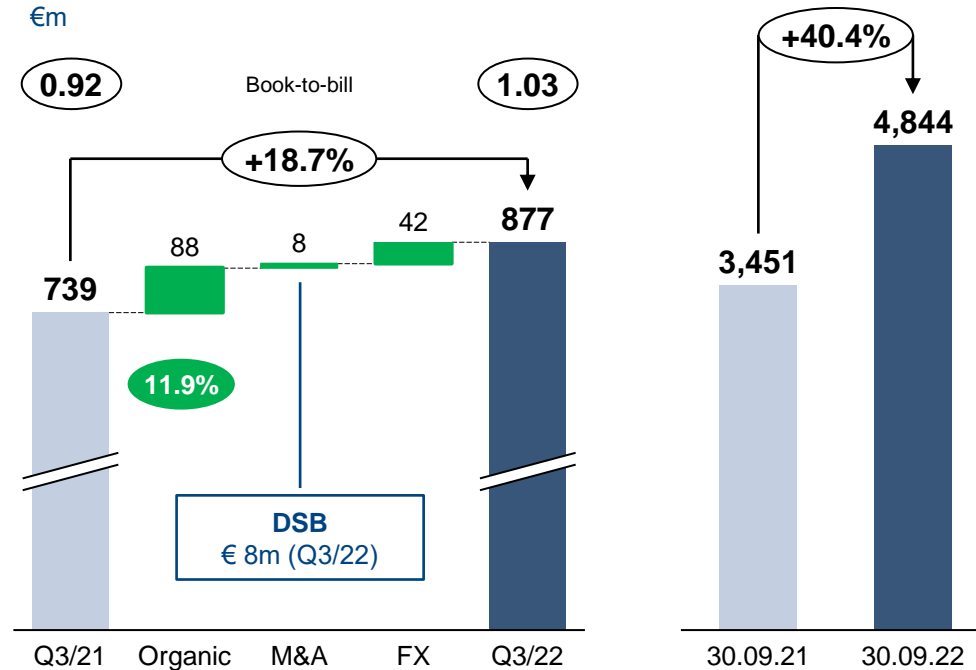
1) FCF before M&A

RVS – Strong order book secures high visibility for the quarters ahead



Order intake

Order book



Stronger OI in all regions

- **EU:** OE stronger in regional, commuter and locos; freight comparable on high level; AM comparable yoy
- **APAC:** Overall slightly lower; maintenance cycles in China leading to lower AM, Covid policy impacting OE and AM business; India comparable due to strong AM business, rest of APAC stronger
- **NA:** Overall lower; freight & loco OE and AM comparable yoy, passenger lower

Order book increased by 40%

- Order book well supported by resilient rolling stock market despite ongoing pressure from Covid, Russia and China
- Visibility for 2023 on high level

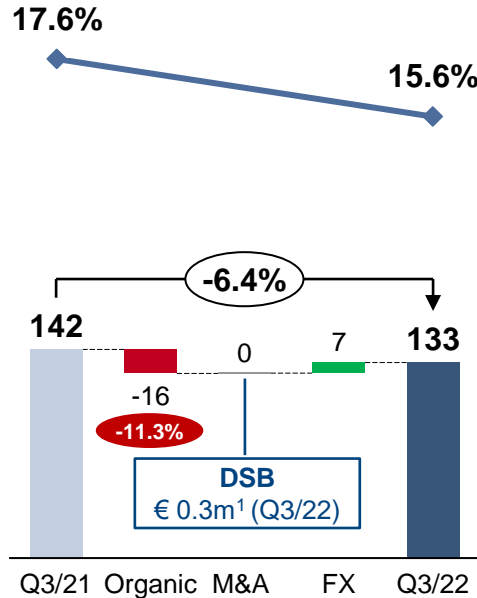
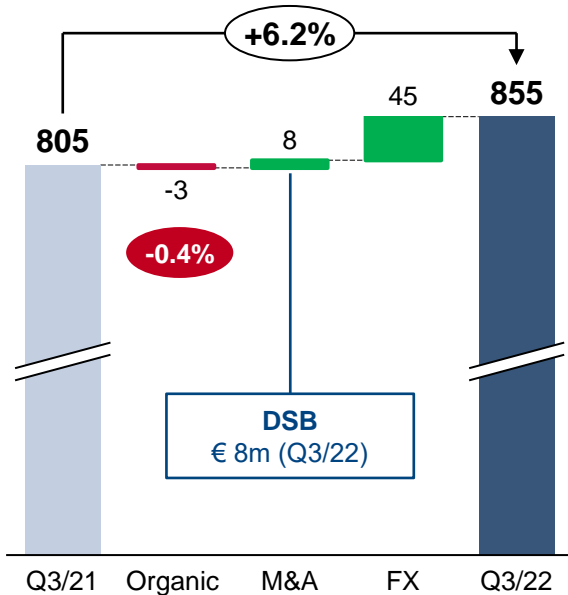
RVS – Good revenue growth while margins reflect impact from China and Russia



Revenue

op. EBIT / margin

€m



1) Before PPA

◆ EBIT margin

Revenue benefits from good OI in the last quarters

- **AM:** Driven by strong development in EU and APAC; revenue share at 48% (vs. 45% in Q3/21)
- **EU:** Overall flat; OE lower due to Russia, compensated by higher AM revenue
- **APAC:** Overall lower; OE lower, partially compensated by higher yoy AM revenue
- **NA:** Overall higher; lower OE passenger and AM over-compensated by much higher freight

EBIT margin lower

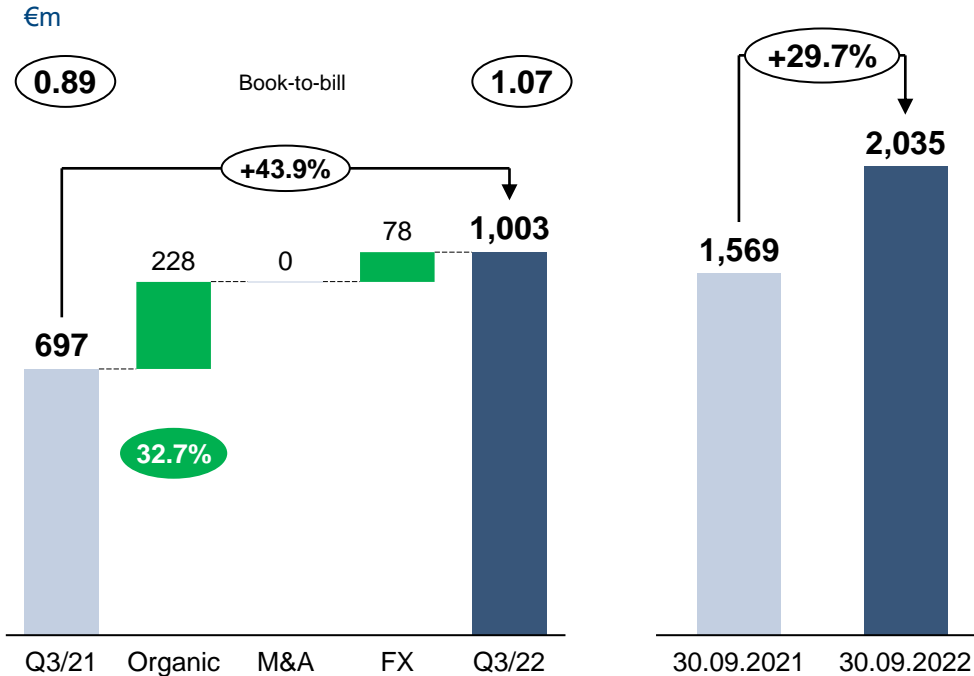
- **Russia:** sanctions led to lower contribution
- **China:** impact by significantly lower OE business
- **Higher inflation** costs only partly offset by price increases and cost measures so far
- **Strong AM** in APAC supportive

CVS – Solid order intake and strong order book fuel resilience



Order intake

Order book



Solid order intake despite low TPR in China

- **EU & NA:** Market demand remains on high level, short-term shift of orders into coming months continues, still no major cancellations
- **APAC:** Market weakness in China continues driven by weak economy and Zero-Covid policy BUT growth via content per vehicle, India demand still high, Japan lower

Order book still on record level

- Slight increase of order backlog qoq
- Customer production still limited by supply issues
- Visibility for 2023 already on high level

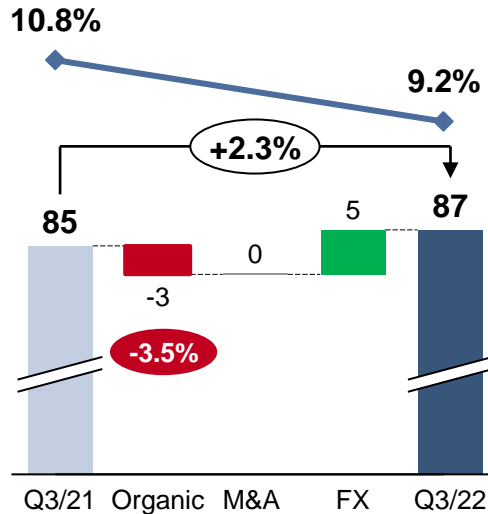
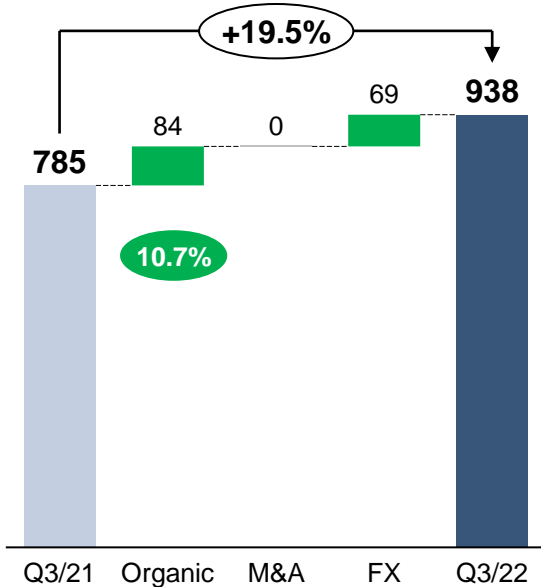
CVS – Revenue up and sequential improvement of profitability



Revenue

op. EBIT / margin

€m



◆ op. EBIT margin

Revenue driven by higher pricing despite flat TPRs

- **EU & NA:** Price increases drive revenue growth
- **APAC:** Only slight recovery of TPR sequentially due to ongoing Zero-Covid policy in CN, Indian market remains strong
- **AM** share stable yoy (29%) and up qoq (from 27%); accretive Cojali business will support AM development

Profitability benefits from price increases qoq, still lower yoy

- Sequential **margin improvement** to continue supported by additional price increases
- **Cost measures** implemented in China to address TPR reduction
- Continued invest in **prioritized R&D** initiatives

Guidance FY22 confirmed

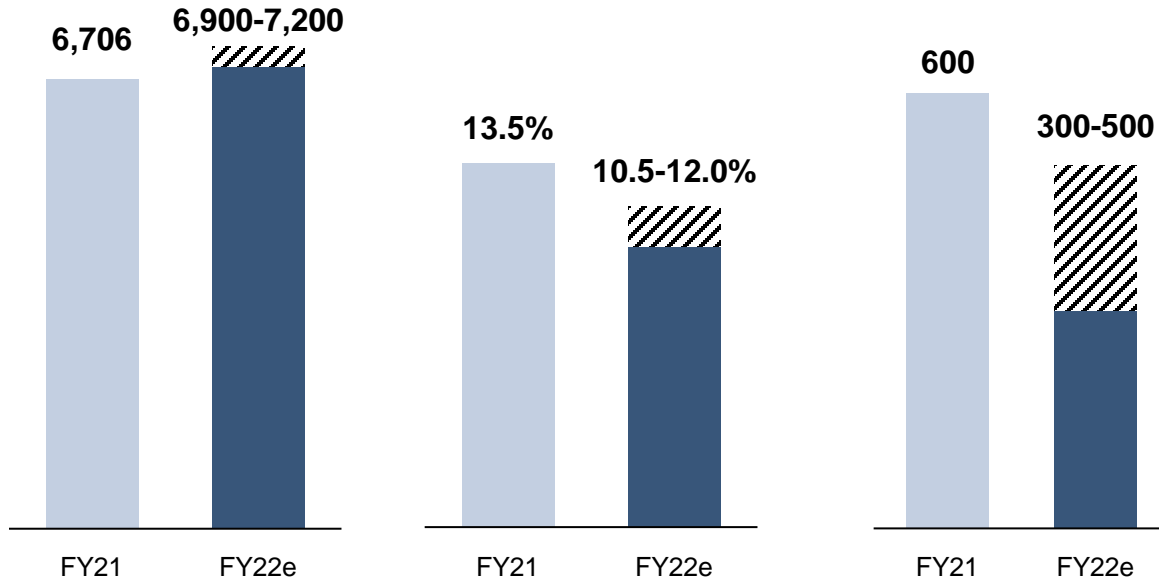
Revenue

Operating EBIT margin

Free Cashflow

Assumptions

€m



- No significant further deterioration in geopolitical and economic conditions compared to current situation
- No significant deterioration in gas and energy supply
- Current FX rates stable
- No further setbacks occur as a result of Covid

Summary– strong actions in place to drive financial performance without compromises on innovation



Price increases and cost measures will compensate inflation over time



Rock-solid balance sheet to master any potential economic crisis ahead



Portfolio management started to improve profitability



Focus on strategic and **accretive M&A opportunities**

Solid aftermarket business and continued investments in R&D to secure future innovation, cashflow and profitability

Q&A / Backup



Financial calendar: upcoming events and FY23 release dates

Date	Event
November 15, 2022	post Q3/22 Roadshow (Credit Suisse), Zurich
December 1, 2022	Société Générale Premium Review Conference, Paris
December 5, 2022	Goldman Sachs Conference, London (IR)
December 6, 2022	Berenberg Pennyhill Conference, London
December 7, 2022	UBS Paris Mobility Conference, virtually (IR)
January 5, 2023	ODDO Conference, Lyon (IR)
January 8-9, 2023	Commerzbank/ODDO German Investment Seminar, New York
January 17-18, 2023	German Corporate Conference Kepler Cheuvreux, Frankfurt
February 23, 2023	Preliminary FY22 results
May 5, 2023	Annual General Meeting
May 11, 2023	Q1/23 financial results
August 10, 2023	Q2/23 financial results
October 31, 2023	Q3/23 financial results

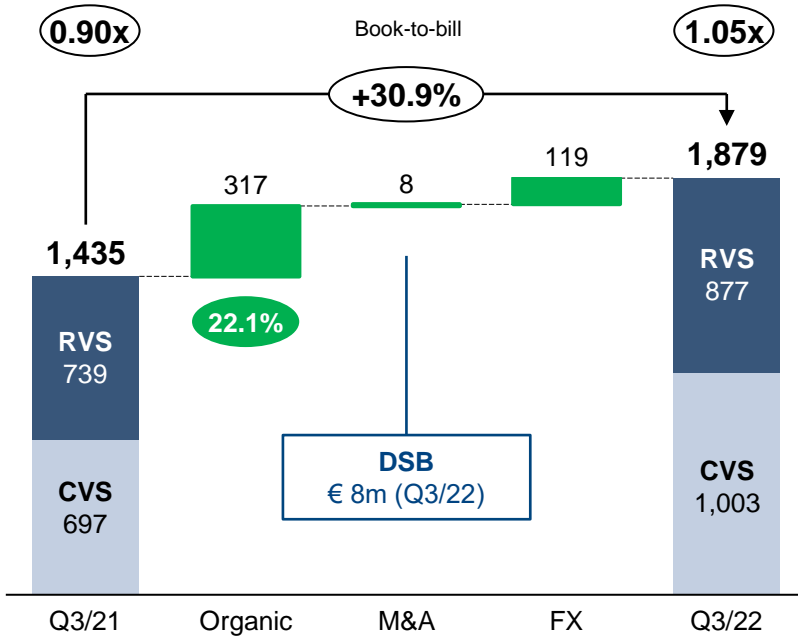
Backup



Group Q3/22 – Order intake and order book

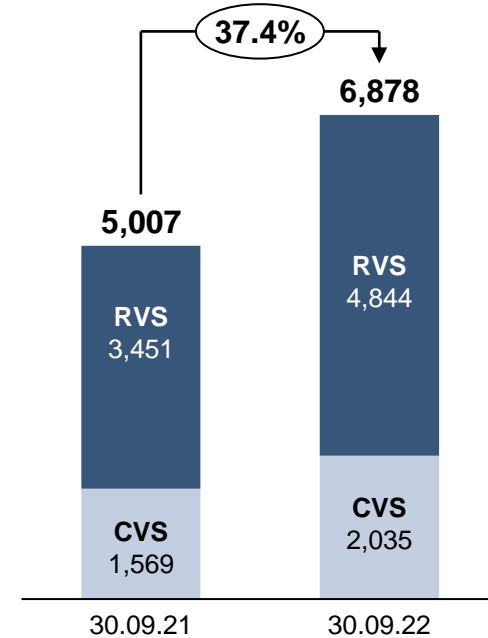
Order intake

€m



Order book

€m



○ Book-to-bill

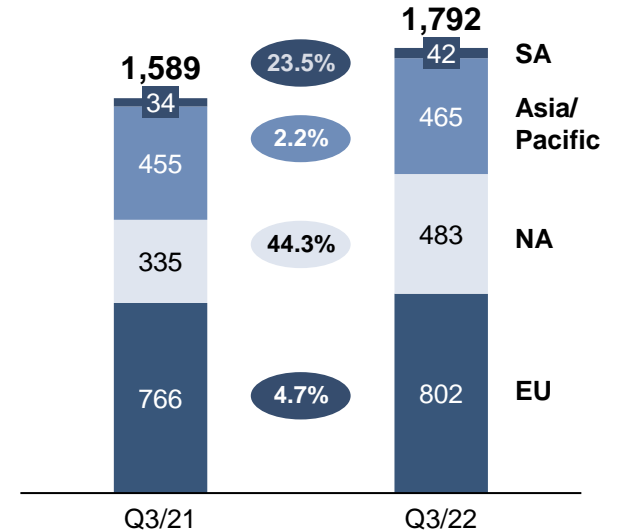
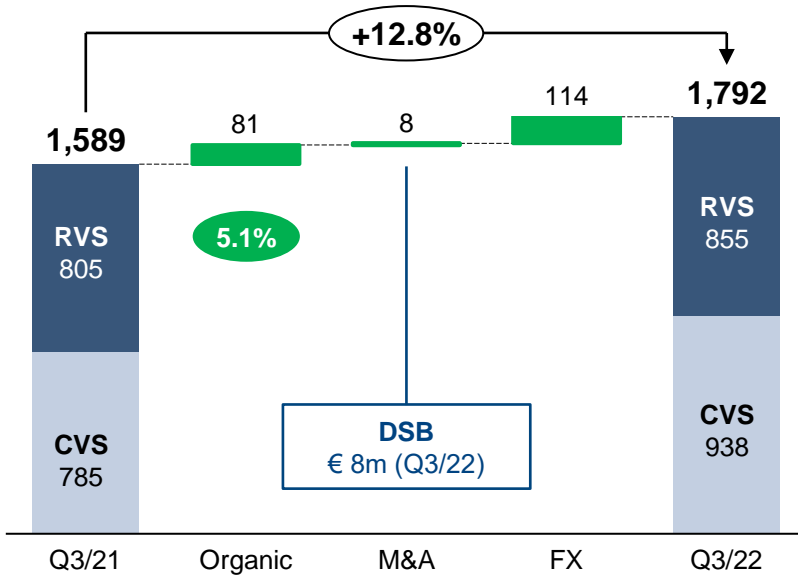
Group Q3/22 – Revenue

Revenue

€m

By business

By region

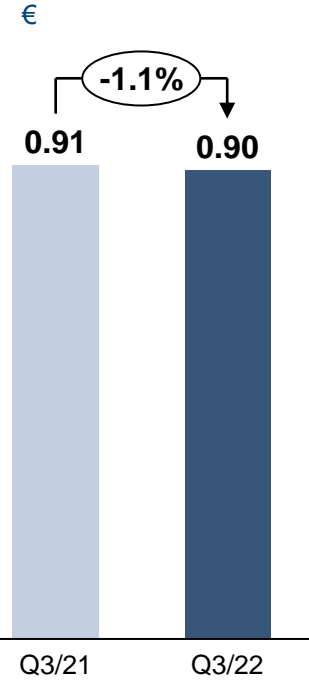
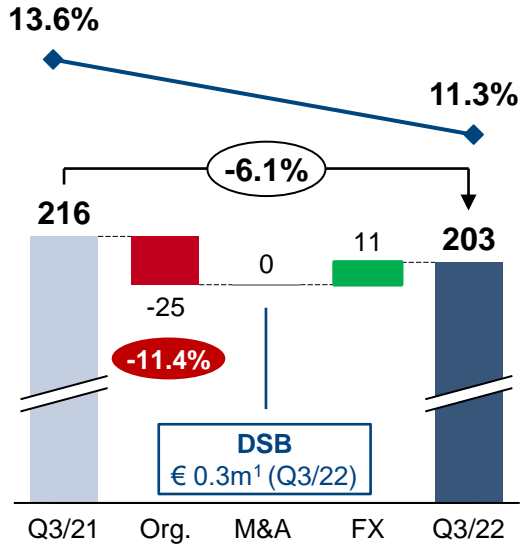
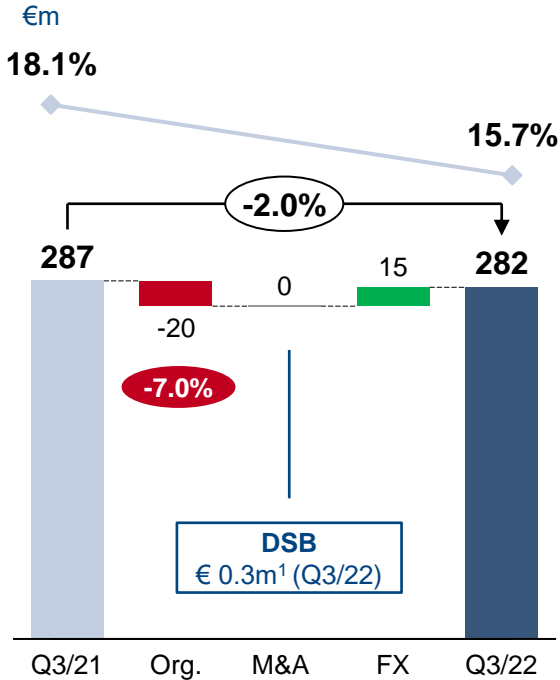


Group Q3/22 – Profitability and EPS

op. EBITDA / margin

op. EBIT / margin

EPS²



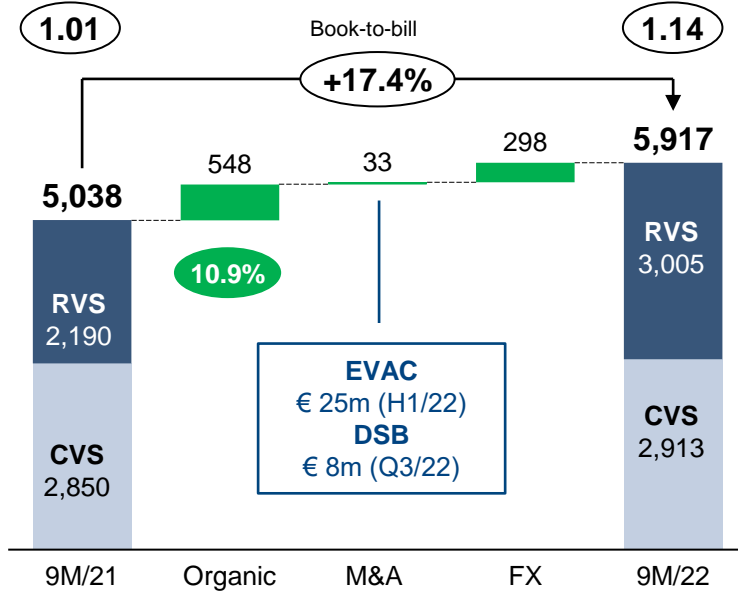
1) Before PPA 2) After minorities op. EBITDA margin

op. EBIT margin

Group 9M/22 – Order intake and order book

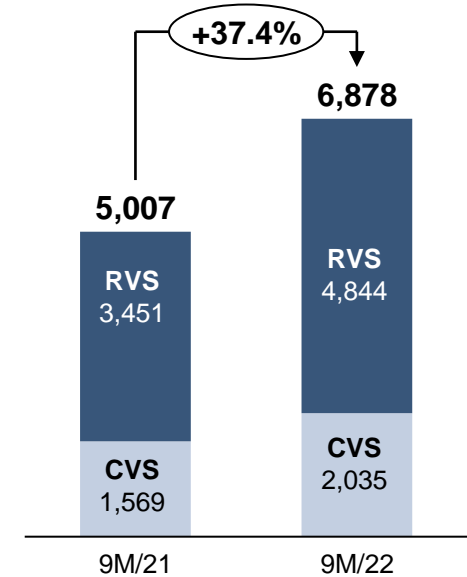
Order intake

€m



Order book

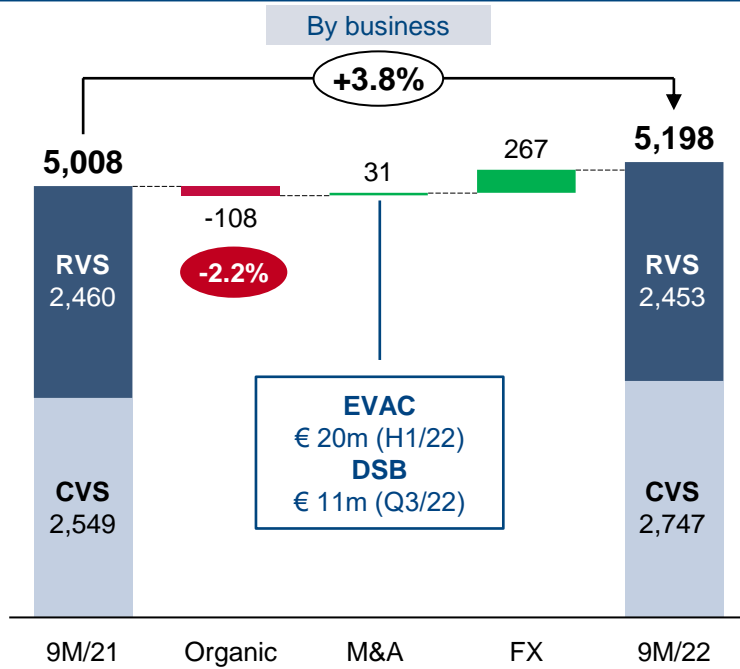
€m



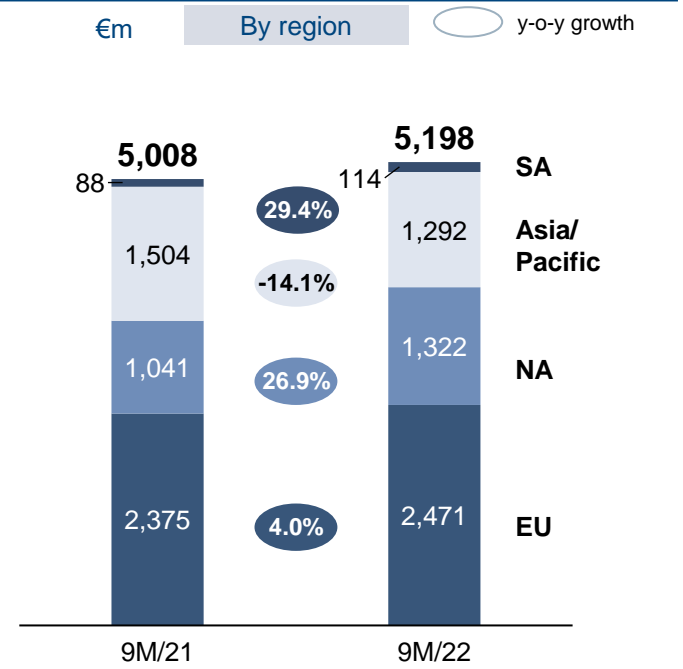
Group 9M/22 – Revenue

Revenue

€m

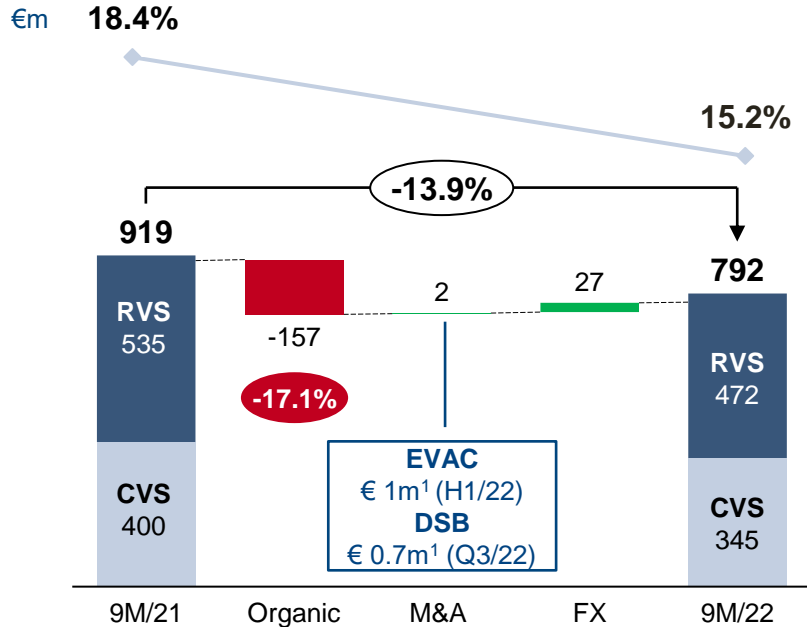


€m

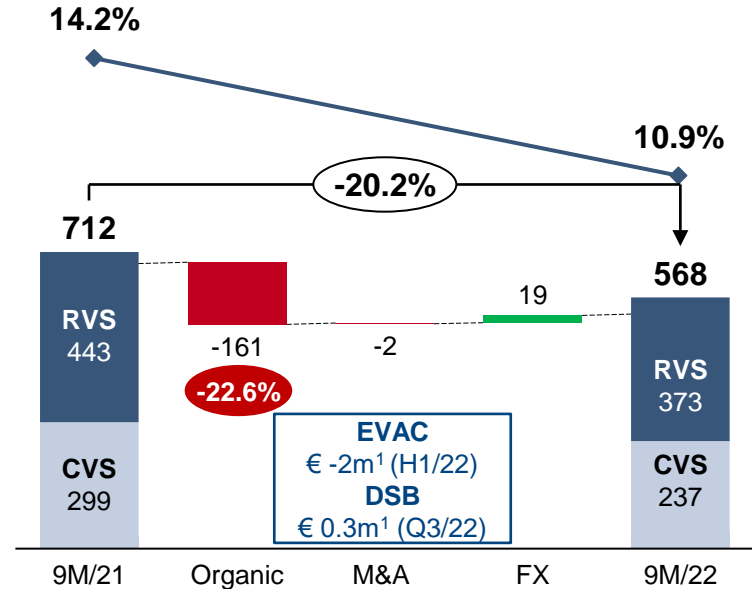


Group 9M/22 – Profitability

op. EBITDA / margin



op. EBIT/ margin



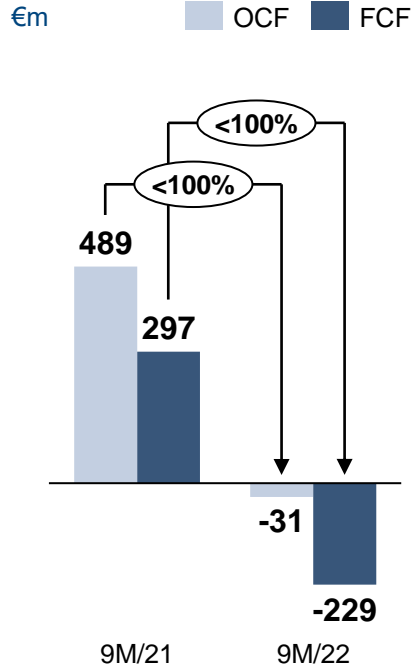
1) Before PPA

◆ op. EBITDA margin

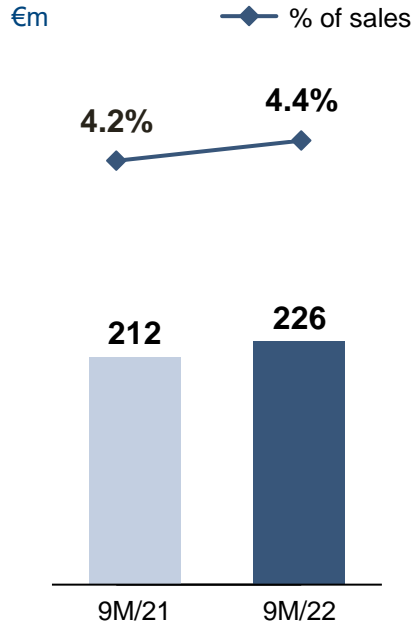
◆ op. EBIT margin

Group 9M/22 – FCF, CapEx, NWC and ROCE

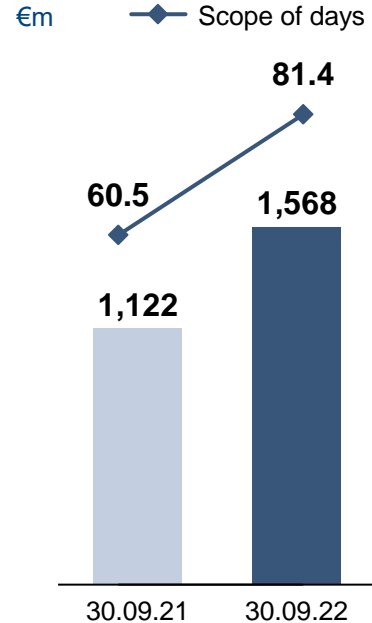
OCF & FCF



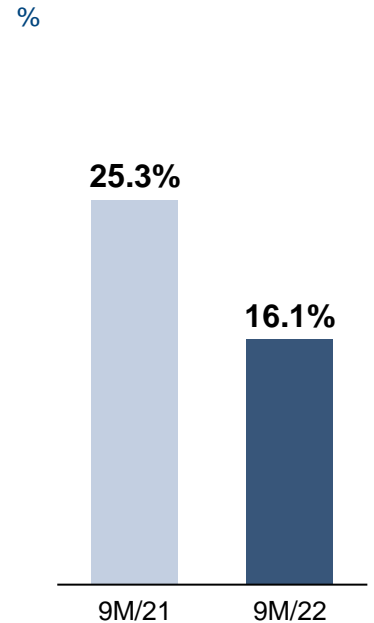
CapEx



NWC



ROCE (annualized)

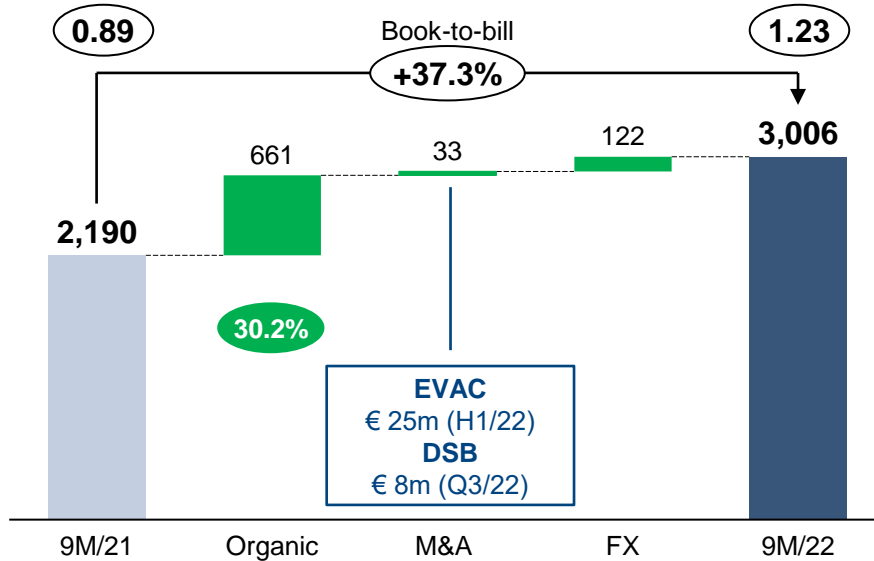


RVS 9M/22 – Order intake and order book

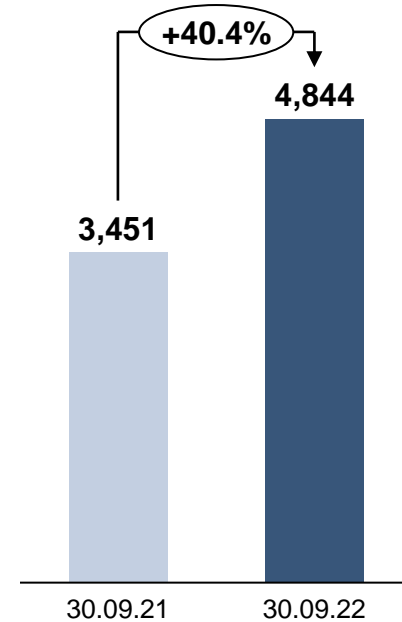


Order intake

€m



Order book



RVS 9M/22 – Revenue and profitability

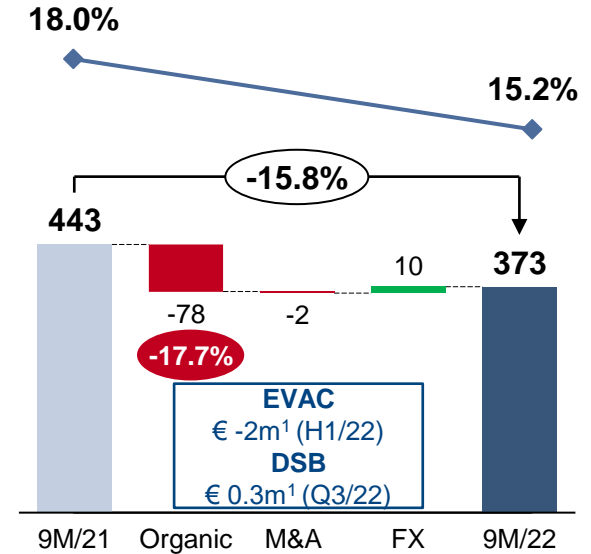
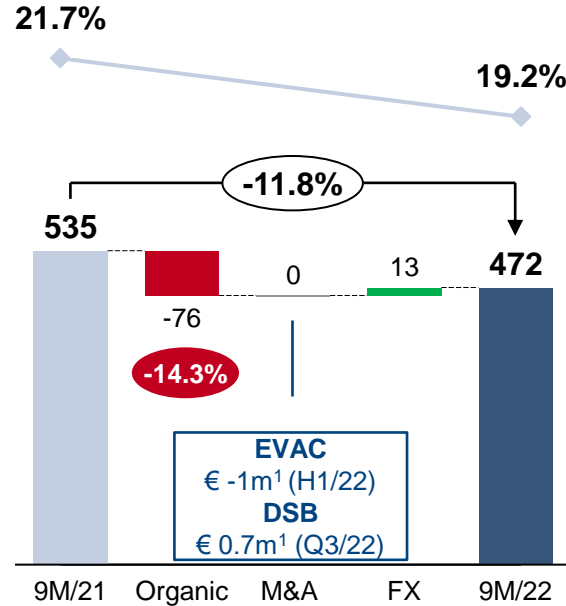
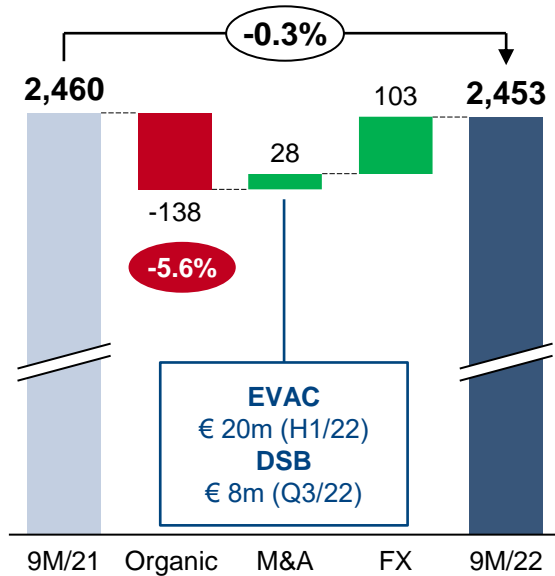


Revenue

op. EBITDA / margin

op. EBIT / margin

€m



1) Before PPA

◆ op. EBITDA margin

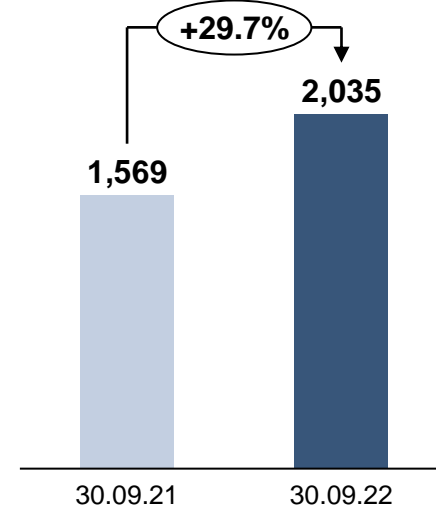
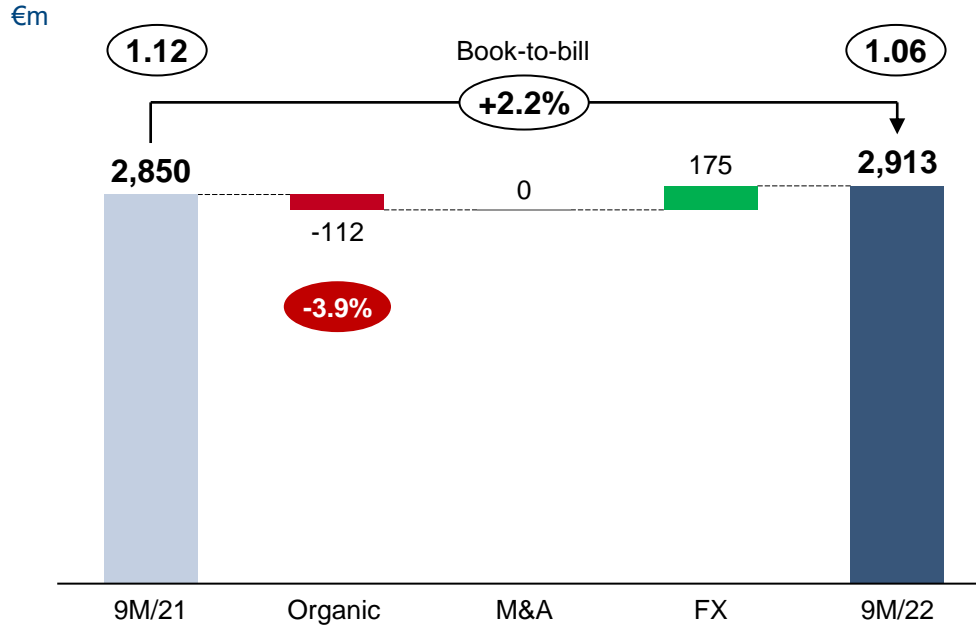
◆ op. EBIT margin

CVS 9M/22 – Order intake and order book



Order intake

Order book



CVS 9M/22 – Revenue and profitability

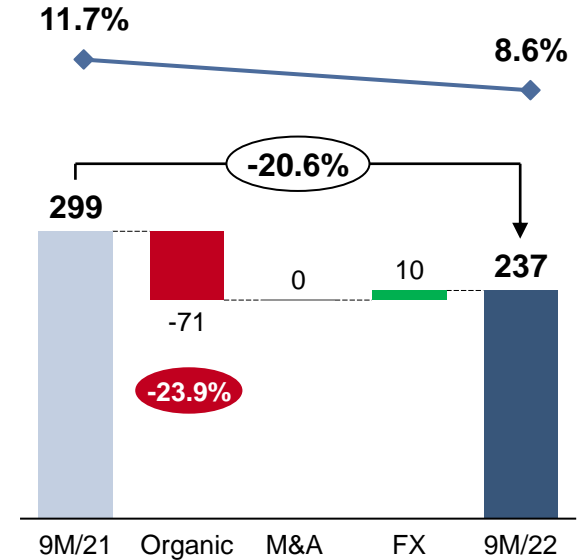
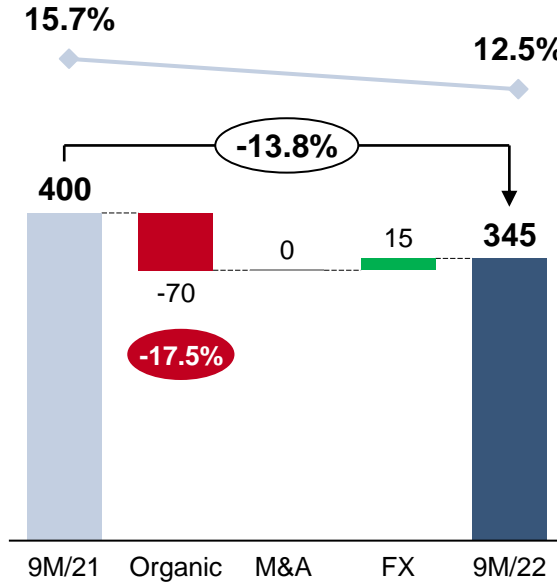
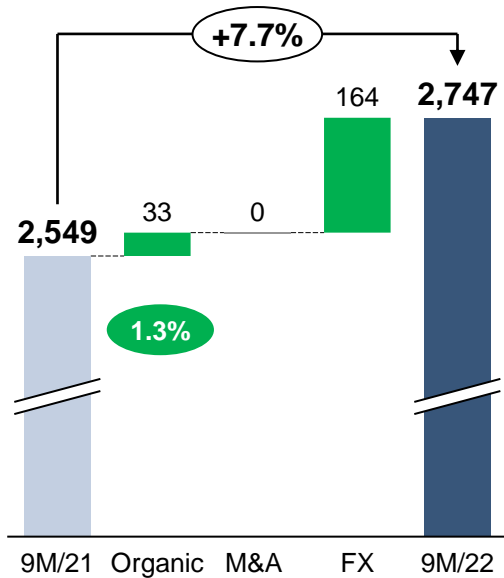


Revenue

op. EBITDA / margin

op. EBIT / margin

€m



◆ op. EBITDA margin

◆ op. EBIT margin

Group – Income statement

€m	2021				2021	2022			2021	2022
	Q1/21	Q2/21	Q3/21	Q4/21		Q1/22	Q2/22	Q3/22		
Revenues	1,691.5	1,727.4	1,589.2	1,697.5	6,705.6	1,669.4	1,736.7	1,792.0	5,008.1	5,198.0
Change in inventory of unfinished/finished products	30.0	22.2	17.9	-31.1	39.1	54.0	8.3	43.6	70.2	105.9
Own work capitalized	19.2	20.0	20.7	23.2	83.1	24.6	24.1	28.1	59.9	76.9
Total operating performance	1,740.7	1,769.6	1,627.9	1,689.6	6,827.8	1,748.0	1,769.1	1,863.8	5,138.2	5,380.8
Other operating income	29.4	6.5	34.7	41.4	111.9	30.8	36.9	30.3	70.6	98.0
Cost of materials	-855.3	-892.1	-816.0	-813.3	-3,376.7	-898.6	-940.9	-983.1	-2,563.4	-2,822.6
Personnel expenses	-414.9	-415.9	-396.7	-420.3	-1,647.7	-455.0	-440.8	-440.4	-1,227.5	-1,336.2
Other operating expenses	-179.6	-156.3	-165.7	-207.2	-708.8	-171.2	-189.4	-192.1	-501.6	-552.7
Earnings before interest, tax, depreciation and amortization (EBITDA)	320.3	311.9	284.2	290.2	1,206.5	254.0	235.0	278.4	916.3	767.4
Depreciation and amortization	-68.7	-68.0	-71.1	-82.6	-290.4	-72.4	-73.4	-78.5	-207.8	-224.3
Earnings before interests and taxes (EBIT)	251.6	243.8	213.1	207.5	916.1	181.5	161.6	199.9	708.5	543.1
Interest income	3.0	4.0	5.1	3.8	15.9	6.3	16.3	18.3	12.1	40.9
Interest expenses	-11.4	-13.9	-11.9	-18.6	-55.9	-11.7	-9.4	-10.9	-37.2	-31.9
Other financial result	-0.9	1.5	-7.8	11.9	4.7	-4.3	-4.8	-15.6	-7.2	-24.8
Income before taxes	242.3	235.4	198.5	204.6	880.8	171.8	163.7	191.7	676.2	527.3
Taxes on income	-65.9	-65.7	-48.4	-53.4	-233.4	-45.8	-52.3	-44.4	-180.1	-142.4
Net income	176.3	169.7	150.1	151.2	647.4	126.1	111.4	147.3	496.2	384.9
Profit (loss) attributable to non-controlling interests	7.2	5.6	4.1	9.1	26.1	2.6	5.6	2.4	16.9	10.6
Profit (loss) attributable to the shareholders of Knorr-Bremse AG	169.1	164.1	145.9	142.1	621.3	123.4	105.8	145.0	479.2	374.3
Earnings per share in Euro	1.05	1.02	0.91	0.88	3.85	0.8	0.65	0.90	2.97	2.32

Group – Cashflow (shortened)

€m	2021					2022			2021	2022
	Q1/21	Q2/21	Q3/21	Q4/21	2021	Q1/22	Q2/22	Q3/21	9M/21	9M/22
Net cash flows from/used in operating activities	27.6	196.1	265.1	486.8	975.5	-189.6	36.7	121.6	488.7	-31.3
Net cash flows from/used in investing activities	-78.8	-186.9	-71.0	-197.6	-534.4	-35.3	-125.8	-69.5	-336.7	-230.7
Net cash flows from/used in financing activities	-254.3	-530.2	-37.3	-603.1	-1,424.9	-36.2	-365.5	646.1	-821.8	244.4
Cash flow changes	-305.5	-521.1	156.7	-314.0	-983.8	-261.1	-454.7	698.1	-669.8	-17.6
Change in cash funds resulting from exchange rate and valuation-related movements	27.7	-1.5	11.9	28.6	66.8	11.4	39.4	15.6	38.1	66.5
Change of cash fund	-277.8	-522.6	168.7	-285.3	-917.0	-249.7	-415.2	713.7	-631.7	48.8
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	1,076.8	650.9	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	650.9	1,375.3	1,609.0	1,375.3

Group – Balance sheet / assets

€m	2021				2022		
	31.03.2021	30.06.2021	30.09.2021	31.12.2021	31.03.2022	30.06.2022	30.09.2021
Assets							
Intangible assets and goodwill	899.2	967.5	986.9	1,005.8	1,016.5	1,017.4	1,068.5
Property, plant and equipment	1,589.1	1,611.6	1,618.1	1,790.4	1,798.8	1,786.0	1,850.5
Investments accounted for using the equity method	24.2	23.0	23.0	22.1	22.5	83.8	84.0
Other financial assets	164.9	212.8	195.9	215.2	197.2	172.8	123.6
Other assets	75.9	74.9	75.3	79.1	82.5	89.0	91.7
Income tax receivables	1.0	1.0	1.7	1.0	1.1	1.1	0.7
Assets from employee benefits	22.2	29.0	22.0	30.1	7.3	30.3	9.3
Deferred tax assets	117.0	120.0	126.5	117.9	118.8	139.3	142.0
Non-current assets	2,893.4	3,039.8	3,049.6	3,261.5	3,244.5	3,320.8	3,370.5
Inventories	927.7	956.4	1,009.4	1,002.2	1,114.5	1,146.3	1,254.8
Trade accounts receivable	1,519.5	1,536.4	1,424.8	1,230.3	1,468.7	1,508.0	1,608.9
Other financial assets	71.5	71.7	38.7	63.8	53.8	84.3	90.0
Other assets	113.7	120.2	138.0	130.6	144.7	149.9	175.0
Contract assets	88.8	93.4	83.7	75.0	89.3	66.0	67.2
Income tax receivables	33.8	36.9	41.5	55.5	45.4	47.6	57.6
Cash and cash equivalents	1,989.3	1,502.0	1,640.6	1,380.2	1,113.8	876.1	1,398.8
Current assets	4,744.4	4,316.9	4,376.6	3,937.6	4,030.3	4,019.6	4,802.2
Total assets	7,637.8	7,356.7	7,426.2	7,199.2	7,274.8	7,340.4	8,172.7

Group – Balance sheet / liabilities

€m	2021				2022		
	31.03.2021	30.06.2021	30.09.2021	31.12.2021	31.03.2022	30.06.2022	30.09.2021
Equity							
Subscribed capital	161.2	161.2	161.2	161.2	161.2	161.2	161.2
Capital reserves	13.9	13.9	13.9	13.9	13.9	13.9	13.9
Retained earnings	13.3	13.3	13.3	13.3	10.3	10.0	10.3
Other components of equity	-241.4	-247.2	-250.9	-196.2	-157.9	-93.2	-49.7
Profit carried forward	1,959.8	1,714.8	1,714.8	1,714.8	2,336.1	2,037.9	2,012.6
Profit attributable to the shareholders of Knorr-Bremse AG	169.1	333.3	479.2	621.3	123.4	229.3	374.3
Equity attributable to the shareholders of Knorr-Bremse AG	2,076.0	1,989.2	2,131.5	2,328.3	2,487.1	2,359.0	2,522.6
Equity attributable to non-controlling interests	101.1	100.0	90.6	97.2	82.4	81.3	66.9
thereof share of non-controlling interests in net income	7.2	12.8	16.9	26.1	2.6	8.2	10.6
Equity	2,177.1	2,089.2	2,222.0	2,425.5	2,569.6	2,440.3	2,589.5
Liabilities							
Provisions for pensions	296.6	330.5	327.6	312.1	249.7	223.5	231.3
Provisions for their employee benefits	18.6	17.4	18.7	21.7	24.7	20.0	20.7
Other provisions	277.7	262.8	253.1	227.8	212.8	199.3	201.5
Financial liabilities	1,203.7	1,216.9	1,211.3	1,296.1	1,287.6	1,296.0	2,039.4
Other liabilities	5.3	4.2	4.3	3.9	4.2	4.2	4.0
Income tax liabilities	63.7	67.1	71.4	79.8	71.4	78.5	80.3
Deferred tax liabilities	135.4	135.4	147.3	134.9	164.3	159.1	161.5
Non-current liabilities	2,001.0	2,034.5	2,033.6	2,076.3	2,014.6	1,982.8	2,738.7
Provisions for other employee benefits	20.4	20.0	18.9	7.9	13.9	4.9	4.6
Other provisions	191.9	193.3	195.4	240.7	234.2	206.7	196.3
Trade accounts payable	1,166.4	1,175.1	1,112.5	1,166.1	1,149.9	1,123.6	1,152.0
Financial liabilities	1,646.5	1,395.9	1,411.8	852.4	896.3	1,061.7	982.0
Other liabilities	88.0	102.8	86.0	102.0	93.1	134.6	125.4
Contract liabilities	294.0	284.8	283.5	265.6	272.2	215.0	211.2
Income tax liabilities	52.5	61.1	62.5	62.7	31.1	49.7	41.8
Current liabilities	3,459.7	3,233.0	3,170.6	2,697.3	2,690.6	2,917.3	2,844.5
Liabilities	5,460.7	5,267.5	5,204.2	4,773.6	4,705.2	4,900.1	0.0
Total assets	7,637.8	7,356.7	7,426.2	7,199.2	7,274.8	7,340.4	8,172.7

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

Disclaimer

IMPORTANT NOTICE

This presentation has been prepared for information and background purposes only. It does not constitute or form part of, and should not be construed as, an offer of, a solicitation of an offer to buy, or an invitation to subscribe for, underwrite or otherwise acquire, any securities of Knorr-Bremse AG (the “Company”) or any existing or future member of the Knorr-Bremse Group (the “Group”), nor should it or any part of it form the basis of, or be relied on in connection with, any contract to purchase or subscribe for any securities of the Company, any member of the Group or with any other contract or commitment whatsoever. This presentation does not constitute and shall not be construed as a prospectus in whole or in part.

Any assumptions, views or opinions (including statements, projections, forecasts or other forward-looking statements) contained in this presentation represent assumptions, views or opinions of the Company as of the date indicated and are subject to change without notice. The Company disclaims any obligation to update or revise any statements, in particular forward-looking statements, to reflect future events or developments. All information not separately sourced is derived from Company’s data and estimates. Information contained in this presentation related to past performance is not an indication of future performance. The information in this presentation is not intended to predict actual results, and no assurances are given with respect thereto.

The information contained in this presentation has not been independently verified, and no representation or warranty, express or implied, is made as to the fairness, accuracy, completeness or correctness of the information contained herein, and no reliance should be placed on it. Neither the Company nor its advisers and any of their respective affiliates, officers, directors, employees, representatives and advisers, connected persons or any other person accepts any liability for any loss howsoever arising (in negligence or otherwise), directly or indirectly, from this presentation or its contents or otherwise arising in connection with this presentation. This shall not, however, restrict or exclude or limit any duty or liability to a person under any applicable law or regulation of any jurisdiction which may not lawfully be disclaimed (including in relation to fraudulent misrepresentation).

Historical financial or operative information contained in this presentation, if not taken or derived from our accounting records or our management reporting or unless otherwise stated, is taken or derived from financial statements prepared in accordance with either IFRS (for the financial years 2014-2019) or German GAAP (HGB) (for the financial years 1989-2019), each as indicated in this presentation, for the respective period. The financial statements prepared in accordance with IFRS may deviate substantially from (segmental or other) information in the financial statements prepared in accordance with German GAAP (HGB) and, thus, may not be fully comparable to such financial statements. Accordingly, such information prepared in accordance with German GAAP (HGB) is not necessarily indicative for the future results of operations, financial position or cash flows for financial statements prepared in accordance with IFRS. All amounts are stated in million euros (€ million) unless otherwise indicated. Rounding differences may occur. This presentation contains certain supplemental financial or operative measures that are not calculated in accordance with IFRS or German GAAP (HGB) and are therefore considered as non-IFRS measures. The Group believes that such non-IFRS measures used, when considered in conjunction with (but not in lieu of) other measures that are computed in accordance with IFRS, enhance the understanding of our business, results of operations, financial position or cash flows. There are, however, material limitations associated with the use of non-IFRS measures including (without limitation) the limitations inherent in the determination of relevant adjustments. The non-IFRS measures used by us may differ from, and not be comparable to, similarly-titled measures used by other companies.

This presentation includes “forward-looking statements.” These statements contain the words “anticipate”, “believe”, “intend”, “estimate”, “expect” and words of similar meaning. All statements other than statements of historical facts included in this presentation, including, without limitation, those regarding the Company’s financial position, business strategy, plans and objectives of management for future operations (including cost savings and productivity improvement plans) are forward-looking statements. By their nature, such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of the Company to be materially different from results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Company’s present and future business strategies and the market environment in which the Company will operate in the future. These forward-looking statements speak only as of the date of this presentation. Each of the Company, the relevant Group entities and their respective agents, employees and advisers, expressly disclaims any obligation or undertaking to update any forward-looking statements contained herein. You are urged to consider these factors carefully in evaluating the forward-looking statements in this presentation and not to place undue reliance on such statements.

To the extent available, the industry and market data contained in this presentation has come from official or third party sources. Third party industry publications, studies and surveys generally state that the data contained therein have been obtained from sources believed to be reliable, but that there is no guarantee, representation or warranty (either expressly or implied) of the accuracy or completeness of such data or changes to such data following publication thereof. Third party sources explicitly disclaim any liability for any loss or damage, howsoever caused, arising from any errors, omissions or reliance on any information or views contained in their reports. Accordingly, undue reliance should not be placed on any of the industry or market data contained in this presentation.