Andreas Spitzauer (Knorr-Bremse, Investor Relations)

Thank you, operator. Good afternoon as well as good morning, ladies and gentlemen. I hope all of you are very fine. My name is Andreas Spitzauer, head of Investor Relations. I want to welcome you to Knorr Bremse's presentation for the second quarter results of 2025.

Today, Marc Llistosella, our CEO, and Frank Weber, our CFO, will present the results of Knorr-Bremse, followed by a Q&A session. The conference call will be recorded and is available on our homepage, www dot knorr dash bremse dot com in the Investor Relations section.

It is now my pleasure to hand over to Marc Llistosella, please go ahead.

PRESENTATION

Marc Llistosella (Knorr-Bremse, CEO)

Many thanks, Andreas.

Ladies and gentlemen, welcome to our Capital Market Call for the first quarter 2025 results. Let's start with the key take-aways for today on page 2.

To keep it short and crisp: Knorr-Bremse is in good shape and quarter 1 developed as expected. We demonstrated resilience in ongoing challenging times – an ability we have maintained for more than two years now. Due to the decentralized setup of Knorr-Bremse and our strong "local-for-local" production and business approach, we have limited cross-border-shipments and high localization rates in all important regions. The overall balanced regional mix of Group revenues limits tariff risks, which we all have to face currently. Additionally, we have a solid foundation with strong customer relations, a superior financial position, industrial backbone, leading technologies and most importantly - the right people at the right positions and locations. The new U.S. tariffs clearly don't make our lives easier, but we are confident and have the options to pass on these extra-costs via price increases to our customers. Further potential implications and effects of the tariffs cannot fully be assessed at this point of time. But we monitor the situation closely and have a task force in place to react quickly, if necessary. Back to the part that is in our hands and that we control completely - our BOOST program. We are fully on track and continue to execute the implemented measures. You know that we are in the process of selling two more assets and the respective carve-outs are ongoing as we speak. KB Signaling's integration proceeds according to plan. We are working on further aspects of GREENFIELD and will provide an update on this topic in the course of the year. Our vision is clear: develop KB into a leading enabler for sustainable mobility and transportation in order to make it a high-quality CapGoods company again that creates value. We confirm our guidance for 2025 and are confident to reach our medium-term 2026 targets as well.

Let's now take a look at the market situation for Rail and Truck. Looking at the rail market, we can see that underlying demand remains very strong in all regions, also reflected in the high order intakes and record order books of RVS and its customers. We assume that demand will remain strong in the coming quarters - leading to an expected Book-to-Bill ratio of above 1 on a full year base. A good market development in China and the expectation that 2025 should be as good as 2024 for our Rail division are particularly pleasing for us. Please also bear in mind that Rail's legacy business, meaning the inflation-burdened business, has been reduced to a small residual amount, which is margin supportive as well. Truck markets continue to be challenging in all major regions. We expect the market environment to remain weaker in the first half of the year and still assume higher truck production rates in the second half of the year. Currently, it looks like Europe should develop slightly better and North America worse than originally expected. Both effects should balance each other out. Our assessments are based predominantly on many discussions with customers, but also on analysts' forecasts. As a result, we lowered our assumption regarding truck production rates in North America for 2025. In contrast to the weaker OE business in trucks, we expect resilient growth opportunities in the aftermarket business. However, we also see opportunities in the current tense truck markets overall: we are executing cost measures in our Truck Division and want to use the current situation to strengthen them. Our focus is on further optimizing our costs and structures.

Let's now turn to slide 4 and look at the first quarter financials. Some of them have already been published with the preliminary release on April 29. Order intake achieved a strong result with a 12% increase year-over-year to almost 2.4 billion euros. Both divisions contributed to this growth.Knorr-Bremse generated revenues of almost 2 billion Euros, more or less a stable development year-over-year. RVS compensated for CVS's market driven topline performance last year.From a regional point of view, the APAC region - especially China -, but also North and South America contributed to the revenue increase, while Europe reported a decline. Our operating EBIT margin benefited from the rail division, too, – in particular from a strong aftermarket business, operating leverage in general as well as our BOOST efficiency measures. Consequently, operating EBIT margin was stable year-over-year. At our Q4 results, we already announced potential restructuring measures, which we now intend to increase to 75 million euros. So far, these efforts have become more concrete and expenses of around 23 million euros were already realized in the first quarter. The development of rail's operating EBIT margin was solid, seeing an increase of 50 basispoints to 15.6%. CVS operating EBIT margin decreased by 150 basis points to 9.5%. Frank will provide more details later. Free Cashflow, usually negative in Q1 due to overall business dynamics, amounted to 15 million euros, well supported by strong operations. I would now like to hand over to Frank, who will outline more financials and dive into the divisional view.

Frank Weber (Knorr-Bremse, CFO)

Thanks Marc and let's move to slide 5. Capex amounted to 53 million Euros, which represents in relation to revenues only 2.7%. This is 19 million Euros and 90 basispoints below previous year's level. Following several years of higher Capex, we adjusted the target range of Capex to revenues going forward from 5-6% to now 4-5%, after the completion of several projects. You all know that we want to increase capex efficiency at the same time, which is what we are driving with the optimization of our global footprint initiatives. We have further improved our Net Working Capital efficiency on an apples-to-apples basis by roughly two days down to 67.2. Including KB Signaling we are now at a level of 1.56 billion euros and 71.6 days. All improvements are a result of the collect program measures and strongly supported our Free Cashflow development as well. Due to the acquisition-driven higher Capital Employed working capital, ROCE slightly decreased from 19.7% to 19.5%. You know that ROCE has a high priority for us with a target of more than 20% - a level which we are planning to achieve again in the coming quarters driven foremost by a higher level of profitability. Marc already mentioned our strong Free Cashflow. Consequently, the Cash Conversion rate was also quite high, reaching 10%. It is a very strong first quarter Cashflow performance and clearly shows the success of our collect initiatives bottom-line. The result was also supported by an expected one-time tax reimbursement that supported a better tax result of over 30 million euros net. But even without the tax effects, Free Cashflow would have been strong at only minus 18 million euros.

Let's take a closer look at the RVS performance on Slide 6. In terms of order intake, RVS again recorded a very strong quarter. We won contracts with a total volume of more than 1.3 billion Euros, representing a growth of around 24% year-over year, well supported by KB Signaling. The pure organic result with a growth rate of 19% was also quite strong. Rail demand overall remains very strong, supported by all major regions, and should continue throughout the whole year. As mentioned at our Full Year results, based on the existing tenders in the market, we assume that regarding order intake half-year 1 will be stronger than half-year 2. For the current quarter, we also expect that RVS should be able to post an order intake nicely above 1 billion euros again. As usual, my reminder on rail's order intake dynamics for you: please keep in mind that it is a lumpy project business and it does not fit well into quarterly reporting structures. Book-to-bill ratio stood at 1.23, which means RVS reached a book-to-bill ratio at or above 1 fourteen quarters in a row now – again a new record in KB's history. In 2025 we assume that rail's Book-to-Bill ratio should be above 1 again, which should also be the case in the second quarter. As a result: the order backlog increased by around 17%, reaching a strong level with more than 5.5 billion Euros. The high order backlog and the good quality of it provides a strong basis well into 2025 and beyond.

Let's move to slide 7. Quarter 1 revenues amounted to 1.07 billion Euros, an increase of 10% percent year-over-year. Our Aftermarket business developed nicely in Europe and APAC while OE business slightly decreased year-over-year. In North America, we saw an organically stable development. The very profitable aftermarket revenue share of RVS grew to 55%. From a regional point of view, revenue growth was fueled by all regions, including China. In Europe, good aftermarket business more than compensated for slightly declining OE sales. Driven by KB Signaling, North America recorded strong increases in both segments. The APAC region saw slight OE decline while aftermarket grew. China also saw growing revenues in both OE business and Aftermarket. Especially pleasing is the increase in High-Speed revenues year-over-year. Operating EBIT margin recorded an increase of 50 basis points to 15.6%, driven by operating leverage, fueled by a strong APAC region and a positive aftermarket development as well as KB Signaling being as strong as expected. In the quarters ahead, we believe in an acceleration of RVS profitability. In a nutshell, our last quarter overall developed as expected and as a reminder, Quarter 1 is always the weakest quarter due to Chinese New Year and a similar typical seasonality in our North American aftermarket business. In the current quarter, we expect that profitability of RVS should see a solid increase quarter-over-quarter and for the full year 2025, the operating margin of RVS is still expected to be well above 16%.

Let’s continue with the truck division on chart 8. Order intake in CVS amounted to 1.06 billion Euros, an increase of 1% year-over-year, which is a strong result in these tense truck markets around the world. Organically, order intake increased by 5% and on a quarter-over-quarter level, it was even up 20%. Order intakes from North America and APAC came in as weak as expected, while Europe and South America increased. Order intake in the current quarter should be below last year’s level driven especially by increased uncertainties related to tariffs in North America and weaker economic developments overall. Nevertheless, we still believe in a sequential pick-up of truck demand in Europe while North America remains very difficult to fully assess from today’s point of view. We are still confident to successfully fight current market challenges with our BOOST measures, our robust pricing power and our resilient aftermarket business, nevertheless with reduced market numbers in North America this is getting more difficult. Book-to-bill reached 1.19 in the past quarter. Our order book of more than 1.9 billion Euros at the end of March is 4% below the previous year level but considering our two divestments of GT and Sheppard it was a stable development. Quarter-over-quarter it even increased.

Let’s move on to chart 9. Revenues declined by 12% to 894 million Euros, which represents an organic decline of 8%. This development was as expected and represents a solid performance in the challenging environment. Thereof the OE business in CVS decreased – as expected – in Europe and North America whereas the APAC region saw a stable development. Our Aftermarket business was robust again and saw a stable or increasing development in all regions except North America, where it slightly declined. In the European market, our organic revenues have experienced a 12% decline, in line with the continuously weak market in both the truck and trailer segment. Revenues in North America declined organically by minus 6%, primarily driven by OE business. CVS was able to show strong resilience here, considering a decrease in heavy-duty truck production rates by more than 15% in the same quarter. Coming to the bottom line: operating EBIT of our CVS division amounted to 85 million Euros in the past quarter, down around 24% year-over-year. As a result, the operating EBIT margin declined by 150 basis points to 9.5%. The lower margin was mainly impacted by lower volumes and an unfavorable regional mix which impacted the profitability of our Truck division as well. Our supportive pricing stance, the success of our efficiency measures and the higher share of revenues in the aftermarket were in total unable to offset the previously mentioned burdens. For 2025, we continue to expect almost flat revenues compared with the reported figure for 2024. As a result, CVS should be able to reach a slightly improved operating EBIT margin towards 11%. This is a bit lower than our previous expectations due to the current economic challenges in the U.S., which are currently difficult to fully assess.

Profitability should improve going forward, but more in the second half of this year. The margin in the current quarter is expected to be only slightly better, primarily due to the expected weak truck market in North America. With that I hand over to Marc again.

Marc Llistosella (Knorr-Bremse, CEO)

Thank you, Frank. Let’s have a look at our guidance for 2025 on page 10. Based on the assumptions outlined on the right side of the guidance page, we expect the following for full year 2025: A revenue range of 8.1 to 8.4 billion Euros, which should lead to an operating EBIT margin between 12.5% and 13.5%. As a result, our Free Cashflow should then reach 700 and 800 million Euros. Compared to the first announcement of this guidance, we see that our expectations regarding RVS remain strong and unchanged. For CVS, our expectations are slightly more pessimistic due to lower market expectations for North America. Nevertheless, Group level guidance ranges remain unchanged. Due to the weak economic conditions in some regions, we see more opportunities and needs to increase our restructuring efforts. Therefore, the potential costs could now be around 75 million euros. As mentioned during our full year 2024 results presentation, the guidance is based on the exchange rate levels of February 2025. Therefore, due to FX movements, translation effects can occur. It also does not include larger impacts from tariffs – for example burdens on important economies – and it is based on stable geopolitical as well as macroeconomic conditions. Thanks a lot for your attention. We are now available for your questions.

Q&A

Moderator

Ladies and gentlemen, let's now proceed to the Q&A session. If you would like to ask a question, please press nine, followed by the star key on your telephone keypad. In case you wish to cancel that question, please press three, followed by the star key. Just one moment for the first question, please. The first question comes from Akash Gupta, JPMorgan, please go ahead. Your line is open.

Akash Gupta (JP Morgan)

Yes. Hi. Good afternoon everyone, and thanks for your time. I got two and I'll ask one at a time. My first one is on truck business. And this is for Frank. Frank, when I look at the drop through in the quarter, you had like 43% organic drop through on revenue decline of 76 million in the quarter. This is somewhat weaker than 21% we had in Q4 and 17% in Q3. My first question is that, was there anything that you can highlight behind this higher drop through that we have seen in the quarter? Any mix or any one of impact? And how should we see this drop through in second quarter? That's the first one.

Frank Weber (Knorr-Bremse, CFO)

Thanks, Akash. Rightly pointed out, as our rail drop through is quite nice exactly in the targeted range that we are having, the truck one is the weaker one has basically three impacts to that. One is the general mix effect that we are having. It's not only regional effect as North America has been dropping further than the European market. This is a negative market mix effect for us. Then also, some product mix effects occur when several customers are hit in different way than the other or in the previous quarter. So that's the one element of mixed effect in products and regions. The second is of course that we are having definitely some start of productions for major projects in the truck division over the last month. Like the GSBC, the NEXXT and the SYNACT products where amortisation for R&D kicks in, so cost increases, that also didn't help us ultimately. And then we have of course also have with the combination of our boost program some investments into further efficiency measures that will then kick in later on. These three things, mix, cost increases on the R&D side, regular amortisation and investments into the future, those three things, Akash.

Akash Gupta (JP Morgan)

Thank you. My second one is on the rail business. I think in your prepared remark, you said that rail OE business was down in Europe while aftermarket was up. I mean, if you just touch base on rail OE business on what's going on in Europe, because in Q1 earning season, we have heard from a couple of other rail suppliers like SKF as well that saw that the growth rates in rail Europe come down versus what it was in the last few quarters. Maybe if you can touch base a bit or elaborate a bit more on what's going on in rail OE Europe and when do you expect this market to return to growth? Thank you.

Frank Weber (Knorr-Bremse, CFO)

European market is rock solid still. For us, if we look at our tenders that are out there in the market and where we have been participating, we are still not seeing a single project being cancelled. This holds true now since five years. We do see some push outs in the one or the other project from one quarter to another or even two quarters. This is definitely something. If we look at the freight segment, if you search for some negatives, freight market per se is a bit weaker than it was but not different to what we expected it to be. But we don't see there are any big drop on the growth momentum in the market demand side, not at all.

Akash Gupta (JP Morgan)

Maybe we can say that this European OE slowdown in revenues in rail is just facing off backlog or timing effect and should be corrected in the coming quarter.

Frank Weber (Knorr-Bremse, CFO)

I don't know whether I can judge on that hypothesis because I don't know the root cause of their revenues, but this is a hypothesis that might be a valid one, but I can't judge on their revenues root causes, so to say.

Sven Weier (UBS)

Good afternoon. Thanks for taking my questions, I have got two. The first one is a follow up, Frank, on your statements regarding CVS margins in the full year, where is that you're working towards 11%. Shall we take that as a 10.5% to 11% guidance? And I was also wondering, with that, that would obviously imply that the margin in the second half would be like 11.5% or higher. Do you assume that the kind of tariff uncertainties are done after the 90 days and things are back to happy days in the second half? Or what are you currently assuming there, and are your restructuring measures of 75 million, are they consistent with this scenario or are they more consistent with a darker scenario? Thank you.

Frank Weber (Knorr-Bremse, CFO)

It's okay. Totally okay. I would say first of all, yeah, purely mathematically, that's right. But this is not kind of hockey stick hope that we are having for CVS, but rightfully we are seeing a bit of a better situation in the market in Europe and expect the market to grow sequentially. North America, as we said, is a bit difficult to assess, but we currently see a more flattish development coming from the first quarter. It should get from an operating leverage perspective also in Asia a bit better throughout the quarters of the year which benefits, of course, a certain way, a certain operating leverage on the profitability side. In addition, the more time so to say goes by until the decision for efficiency measures in the boost program. For example, the more effect it shows, bottom line, of course, that's the implementation of the boost measures which boost our profitability as well. If you take both together and combine it, that speaks for itself, that over time our margin should improve according to the boost measures and the market support, so to say. I would say we're not dreaming in regards to the market, like you said. As I said, even though it's hard to assess, we do believe that North America stays the weak, on a weak level like it was in the first quarter, Europe getting a bit better. As I said, China also stable to a bit better over throughout the years. This is a bit the scenario where also the 75 million is based upon. And those 75 million are also repeatedly. We are saying that not there to ensure our 26 numbers, but to strategically make this company even fitter, this has a more very strategic kind of focus, but nevertheless it's a good opportunity also now given the market environment, that's the way I would judge it. That's okay, Sven, or did I miss something out?

Sven Weier (UBS)

No, you did not. Did I understand you correctly that for the US you're also not assuming a pickup in the second house, so very kind of sideways from Q1?

Frank Weber (Knorr-Bremse, CFO)

No more. That's what Mark said, and my stuff as well. Our market expectation, like we said worsened for North America where we were still thinking so at the very beginning of the year, but we now expect it a bit to be weaker and Europe a bit better.

Sven Weier (UBS)

And just on the truck order intake comments you made, because I think you said it will be down year on year in Q2. I think it's probably a bit ungrateful to ask how trading was in April because of the Easter break, it's probably been, would've been weak anyhow. But should we expect like a number that start with an eight or how bad could Q2 be on orders?

Frank Weber (Knorr-Bremse, CFO)

No, the April didn't have an eight, absolutely not. But April was not that bad despite Easter, but not bad at all. But it's the American saying regards to our German saying, one swallow doesn't make a summer yet. But April was rather good there.

Marc Llistosella (Knorr-Bremse, CEO)

I would like to add something to Mr. Weier and also to Mr. Gupta's question because your questions, of course understandable. Nobody, and especially not in the banking environment has any clue what will happen in the next two months, nobody. I just remind you what we have seen and heard from our dear friends, so-called experts. In January we heard that the Euro and the US dollar will be a parity latest in the next six weeks to come. Now, the dollar is 1.13 to 1.14 to the Euro, so the experts were wrong. The experts said in January, US is the capital market to be, right? That was the sentence, that was the expertise. Now, everybody's fleeing from the American markets, and there's a rejustification to be in the European or in the non-American markets. Then in April, when the markets crashed temporarily, everybody was saying that the markets are just the beginning of a big, big, huge correction. Now, just four weeks later, the markets recovered, and we are even in Germany better than we were at the beginning of April. Then we heard that Europe will lack, that we heard in February, now Europe is better in terms of progression of GDP than America. All the experts were wrong. Four times wrong within four months. And the next and the last, and then they will not bother you with this, the inflation will rise or stay high. And now we see why this unreasonable tariff conflict, we see a massive deflationary pressure from China because they will flood the markets and that will bring down the inflation around the world but not the USA. Having said so, I understand fully your, let me say uncertainty, what is now our plan? I tell you very clear, and I try to do my best the last two and a half years. We do not care so much on others. We have to take care of ourselves. We have to bring down our costs. That's what is a fact. Everything else is a strategy, this is a fact. We have to address, and this is why we ask for 75 more million to spend. We want to make our personal costs lower in order to get it down. We want to make sure that our R&D process is only done in projects which are having a return within three to four years. We want to make sure that our CapEx is absolutely to what we decide, and the CapEx will be lower this year because we are very stringent in this. As you rightly said, and some of you said it and wrote it very often and frequently, the self-healing is the one which is thriving, and that is fully right, and that is absolutely what we want to do. We want to be prepared for the worst of the market. We want to be prepared when the markets are going up, but we cannot predict in this environment anything but ourselves. And what we can really work on is our self-healing that's our cost. Our cost we can work, there we can focus, and that's exactly what we do. We focus, focus, focus on execution, on cost reduction programs, that's what we do, that's what we focus. And I'm sorry, there will be a lot of questions. How do you see when Russia is going to pace? Will Ukraine be a rising market for our truck industry? Eventually, yes, eventually not, but the impact on our EBIT will be still insignificant. Sorry for that, but I think this was good to be said because that's the premise what we are planning, that's the planning, what we're working, and that's the planning also in the communication with you. What are you doing to face all that? We have to clean the house. We have to be prepared for the worst float we have ever seen, and we have to make sure that we will survive every form of crisis which will occur. Also, when you ask us, what is with your Indian growth plans when we see a war between Pakistan and India, we don't know so far how this works, but we know how to compensate it because India so far has not that dramatic impact.

Vivek Midha (Citigroup)

Thank you very much everyone, and good afternoon. I have a question around China where again, you've seen a good development in rail in the first quarter. On the last call, you commented that you expected normalisation in 25 after the strength in 24, something more like a flat-ish development. Should we think of this as phasing, or are things developing better than you may be expected? Thank you.

Frank Weber (Knorr-Bremse, CFO)

You're welcome. I would say it's with the normalisation, we mean that it's not maybe growing the way that it did in 24 on a year over year basis. It's now absolutely delivering, the market is delivering what we expected it to do. We have seen some good high speed build, some 60 high speed trains being built. We have seen nearly 1,100 metros being built in China in the first quarter. We see that the ridership levels in the first quarter have been two to three percentage points higher than the ridership levels in the first quarter of last year. That's not the significant growth anymore. If you just extrapolated, and that definitely speaks for what we forecasted. It's a rather normalisation, rather stable kind of development. All is fine in regards to that speech back then.

Gael de Bray (Deutsche Bank)

Yeah. Good afternoon, everybody. I have two questions, please. The first one is out of curiosity, what would the full year guidance for revenues and for cash flow look like if you had to update currency effects for two days level? And then the second question is rather on the M&A side. We've heard from IMI this morning that they placed their transport business and the review. Is this a business you could be potentially interested in? Thanks very much.

Frank Weber (Knorr-Bremse, CFO)

Well, can you repeat the second part of your question? Which company was that that you mentioned, or what was it?

Gael de Bray (Deutsche Bank)

It was IMI which said this morning that they are thinking about potentially divesting their transport business. I think they do pneumatic and hydraulic valves and actuators and a few other things for the truck market.

Frank Weber (Knorr-Bremse, CFO)

Okay. Thanks. Understood. Yeah, thanks for that question. As you know, and we always disclose the numbers again this morning in the backup, you see the exposure that we are having in in US dollar, roughly 2 billion dollars strong is our exposure. And if you assume 10% volatility in the FX rate, you end up with roughly an impact of 200 million euro in regards to the dollar. The first quarter we had around 1.04 or 1.05 Euro to Dollar. Currently, we're at 1.14 in this second as we speak, spot rates, so this is roughly let's say 10%. If they would occur for a 12 month basis, it would be 200 million. If they would occur for X months, you can calculate it, or we all have to calculate it by ourselves depending on how long these levels would stay. But this is always so to say service to you that we provide you with the exposures for all the currencies in the backup. But this is the number for US dollar. IMI, have not heard about this topic, and it's not on our table.

Gael de Bray (Deutsche Bank)

Okay. Not in your radar. Just coming back to the FX point, do you confirm you don't really have any transaction impact related to FX?

Frank Weber (Knorr-Bremse, CFO)

Not a big one. Of course, you always have to have true up on balances in each and every month. And that might be a bit of a transactional effect, but the rest of the transactional effects are minor to our understanding as of today, but only translationary effects that really count, maybe a bit of transactions in the moment that the FX rates drop significantly or at the month end where the FX drops significantly, then there might be a bit of a hiccup, but nothing else. The rest is basically translational.

Lucas Ferhani (Jefferies)

Hello. Good morning. Thanks for taking the question. I'll have two, maybe we do one at a time. The first one is just on the restructuring. If you can give a bit more detail on what's behind there, how much is maybe for trucks or rail. Is it all clear kind of what you need to do? Is it mainly labor, also looking at the footprint? Thank you.

Frank Weber (Knorr-Bremse, CFO)

You're welcome and thanks for that question we have maybe not dig so deep in the past on that. But yeah, it's rather comprehensive field of action that we are having on the plate here. It's a lot of footprint, plenty of footprint issues. I would say even a bit more rail related than truck related. Shed some light on it, would be like we are moving production basically as a headline from high cost country, high countries out into more best cost countries. For example, from Germany to parts of Eastern Europe, from Spain or Germany or Austria to India. Some examples that you understand what we are doing and also some capacity issues that we are facing given the market. There's also part of it, but the bigger chunk of it is the pure footprint strategy realisation that kicks off usually with adapting so to say your current labor workforce. So, both elements, but the big chunk is footprint and a bit more rail than truck.

Lucas Ferhani (Jefferies)
And then regarding the issue on the rail orders and then the H1 versus H2, I guess that doesn't include the potential deal in signalling that you kind of mentioned before.

Frank Weber (Knorr-Bremse, CFO)

No. I think good question as well. The distribution of the intakes throughout the year always depends on what tenders are in the market because it leads a long preparation time usually for tenders, so we know exactly which tenders are out there in the market, and just seeing the distribution of those tenders and applying certain percentage of how likely we will be able to win that contract. This implies the half year one and a half year two thing. The big or potentially big North American project that's in the signaling market is further delayed as we know at this point in time, so it's definitely not a topic that is relevant. If it would even come one day, not relevant for 25, maybe end of 26 but not earlier, it looks like it's further delayed due to political uncertainties more or less.

Lucas Ferhani (Jefferies)
Okay. Understood. And just the last one on the German stimulus and what we're seeing in terms of the increased governance spending. Obviously, it's not clear yet how it's going to be broken down, but most likely some of it will go to transport to rail. It was mentioned by Deutsche Bahn that they needed a lot more investments. Part of it for kind of trucks, also part of it for equipment. What's your view on when we could see that be unlocked and whether you think it's going to be kind of a big impact for rail or you don't necessarily see it as a huge support for you? Thank you.

Frank Weber (Knorr-Bremse, CFO)

Yeah, definitely. This is very helpful for us very clearly. We mentioned that beforehand it's nothing that we ever expected to happen so to say within the next month with an impact on our P&L, but definitely midterm, this will help us this whole program. It'll help us by the way, not only in rail, but because everybody's usually talking about rail impact only, it is also road. Infrastructure taken in the mouth of the politicians. We don't have the clear plan, but what some are uttering. This also relates to truck in future. In general, this is a very good thing basically for us and we will be definitely also in the eye of the storm of that. But it's nothing that will happen now over the next month and don't expect a billion of additional revenue kicking in. But it's slowly, so to say, helping the markets to grow for us. Some are clearly saying that also of course, the Deutsche Bahn demand is there and the investment need is there. But again, as said, it is too difficult to really assess. There is not a clear plan existing yet. I think we have to wait knowing the politics in or let's say political processes here in Germany. I think we have to wait another one, two, three months maybe until it's pretty clear what the plan is. By the way, similar procedure like we had with the green deal I think in 2022 it was, or 21. It also took quite a long time in order to get the real clarity what's behind the measures. And then I think we can discuss further if you agree. Thank you.

Claire Liu (Morgan Stanley)
Hi. Good afternoon. Thank you for taking my question. My first one is just on rail. Obviously excellent results on rail. And you mentioned support from signaling business, so I was wondering if you can quantify a little bit more in terms of how much signaling business grew in Q1 in both order intake and sales, and what do you see as a reasonable growth level for the full year, please. Thank you.

Frank Weber (Knorr-Bremse, CFO)

Yeah. Thank you, Claire. It's pretty easy for me to answer that question because in Q1, 24, we didn't have the KB signaling business. It's the first time in our books regarding the P&L and regarding the balance sheet, needless to say. You see in our walks that we are regularly providing basically the effect of the signaling business. If you look under this section of M&A, we have acquired that business with a return of around 16% EBIT margin and a 300 million dollar return revenue for a full year. We are on a level of around 70 million euro of revenues in the first quarter, and the margin is a bit better than what we bought. Thank you very much. I gave you already a full year indication. Thank you.

Claire Liu (Morgan Stanley)

Okay, thank you. And the second question is just on M&A pipeline. Given the current macroeconomic environment, do you see in your conversations in M&A, is there any slow down or potential kind of delay on anything, any comments that would be helpful? Thank you.

Frank Weber (Knorr-Bremse, CFO)

You of course we feel also the uncertainty talking to the, of course M&A banks and listening to what the market is doing and not doing currently. Uncertainty is definitely a factor, but we don't see any slowdown in the process of the two assets where we are still in the works in regards to selling them. We still believe that it is possible to get a signing done towards year end. Both longer procedures are not driven by the fact that there is a bit of something going on in the market uncertainty, but it's rather more technically complicated carve out process for at least one of the businesses, the bigger one, but has nothing to do with the hesitation in the market or that the market would be collapsing the M&A market - we don't see. A bit of hesitation, yes, but not a significant shift in patterns.

Andreas Spitzauer (Knorr-Bremse, Investor Relations)

Okay. Thank you very much for all your questions. If you have further ones, please get in contact with us, and wish you a great afternoon. Thanks, and bye-bye.