

Quarterly Statement
June 1 to September 30, 2021

Q3

FINANCIAL RESULTS Q3/21

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FRANK WEBER | CFO

NOVEMBER 12, 2021



KNORR-BREMSE

Q3/21 Highlights



-  **Financial KPIs improved yoy**
Revenues +4% yoy and op. EBIT margin at 13.6% (+90bps), EPS of € 0.91 (+11% yoy)
-  Order book of € 5bn provides **solid outlook** for quarters ahead
-  **Strong underlying demand momentum, but increasing impact from supply shortage**
Revenues +10% yoy and EBIT margin at 10.8% (+180bps)
-  **Continued impact from Covid with slow tender process and postponements**
Revenues -2% yoy, op. EBIT margin at 17.6% (-20bps)
-  **Employee share program successfully started: ~5,300 participants in 47 KB locations globally**
-  **FY21 Guidance narrowed and confirmed**

Current market and business environment



- + Market fundamentals in rail fully intact
- + No order cancellations and no major supply issues
- + Robust current orders for our OE customers, however, OI lead times for suppliers ~12-18 months
- Postponements of tenders and contracts continue
- Low rail traffic continues

Market recovery slower than expected



- + TPRs¹ Q3/21 (yoy): EU +5%, NA -6% and APAC -48%
- + Supply crisis well-managed by CVS so far
- + Global freight/ transportation demand on high level
- China: Lower demand in China due to introduction of CN6 emission standard and issues with energy supply
- Market demand > supply of critical supplier products due to shortages resulting in plant shutdowns at OEMs
- Higher input costs for supplies

Commercial vehicle demand still on a high level curbed by continued supply shortages

Outlook market and business environment – what do we expect?



- + Market fundamentals in rail fully intact
- + Market growth of 2-3% p.a. supported by stimulus programs
- Global rail traffic not back to pre-Covid levels globally anytime soon

Strong potential and attractiveness of rail market unchanged



- + TPRs¹ FY21e (yoy): EU +15%, NA +23%, APAC -12%
- + Underlying demand high despite some limitations by supply shortages
- + Strong AM demand should continue
- + China: substantial outperformance of CVS expected
- Supply chain will remain constrained well into 2022
- H2/21 overall weaker than H1/21 expected
- Higher input costs should remain

Robust underlying demand and strong team in place to manage further developments

Highlights 9M/21: strong development of key financials

ORDER INTAKE **€ 5.04bn**
(15.7% yoy)

ORDER BOOK **€ 5.01bn**
(12.3% yoy)



REVENUES OF **€ 5.01bn**
(9.1% yoy)

14.2% OP. EBIT MARGIN
(PY: 12.9%)

 **€ 2.46bn**
(-4.0% yoy)

 **€ 2.55bn**
(+25.8% yoy)

 op. **18.0%**
(PY: 18.4%)

 **11.7%**
(PY: 7.8%)



€ 297m FREE CASHFLOW
(PY: € 169m) **60%** Cash Conversion Rate

Highlights Q3/21: solid performance in a challenging environment

ORDER INTAKE **€ 1.44bn**
(-11.8% yoy)

ORDER BOOK **€ 5.01bn**
(12.3% yoy)



REVENUES OF **€ 1.59bn**
(3.6% yoy)

13.6% OP. EBIT MARGIN
(PY: 12.7%)



€ 805m
(-2.0% yoy)



€ 785m
(+10.3% yoy)



op. **17.6%**
(PY: 17.8%)



10.8%
(PY: 9.0%)

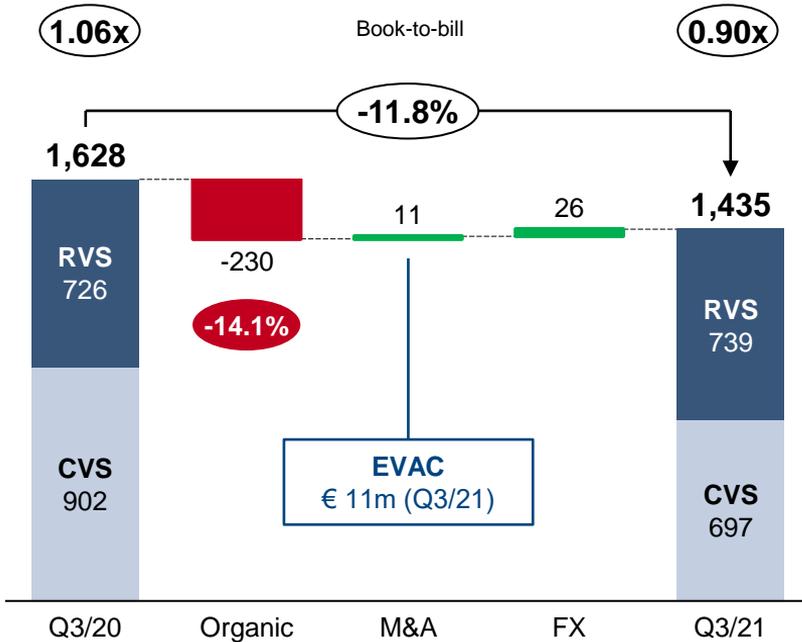


€ 189m FREE CASHFLOW
(PY: € 182m) **126%** Cash Conversion Rate

Order book increases and provides solid foundation for FY22

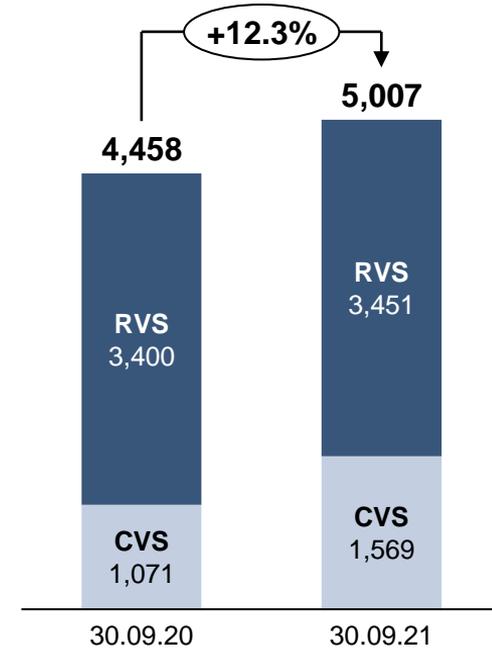
Order intake

€m



Order book

€m



Book-to-bill

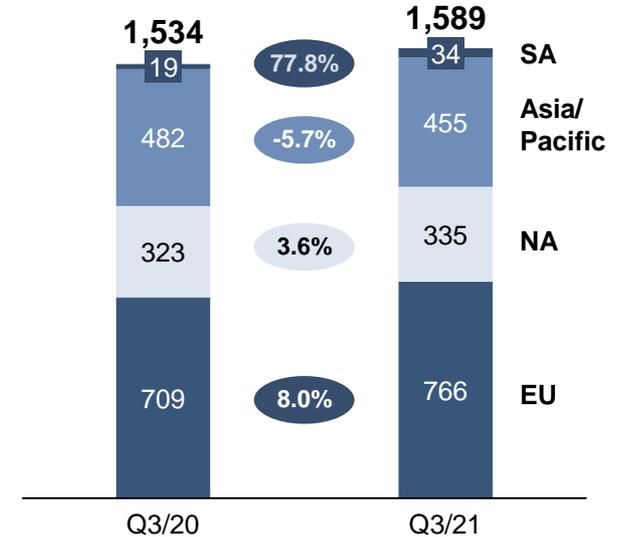
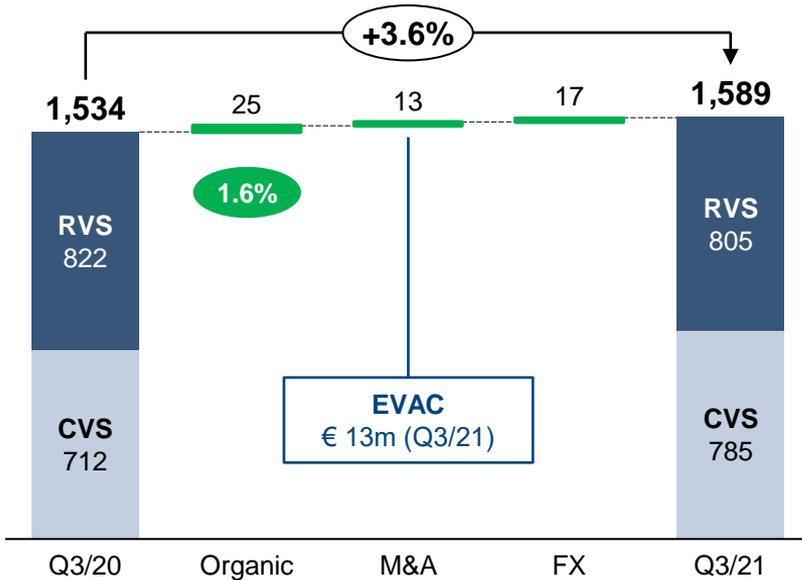
Revenue increase driven by Europe and North America

Revenue

€m

By business

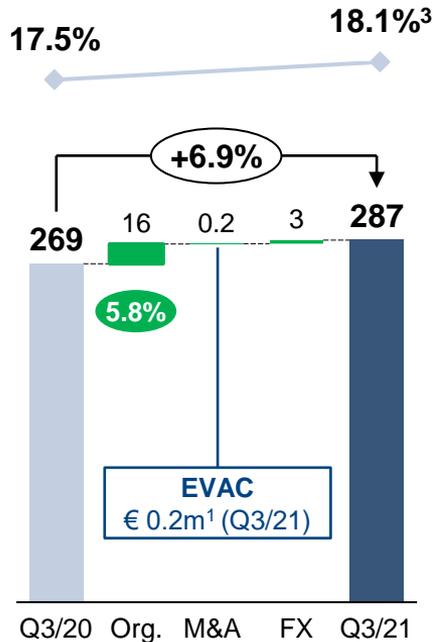
By region



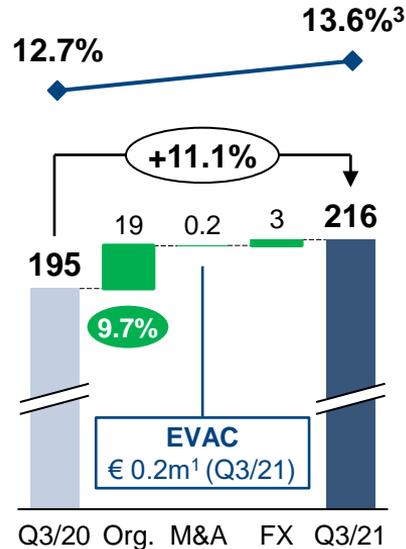
Operating profitability impacted by Covid and supply issues

op. EBITDA/ margin

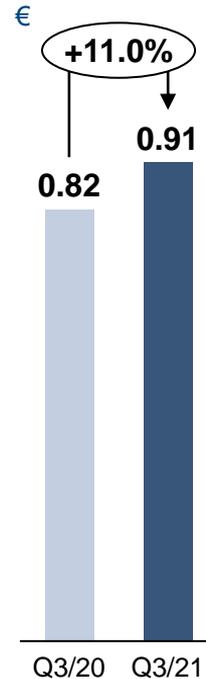
€m



op. EBIT/ ROS



EPS²

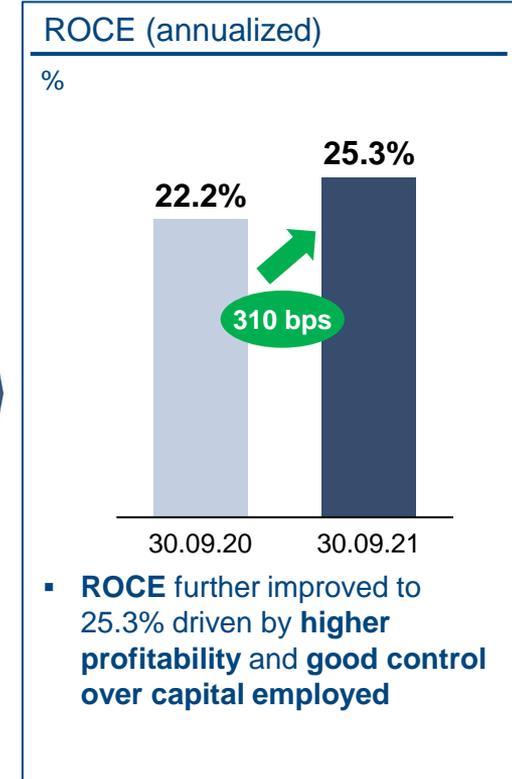
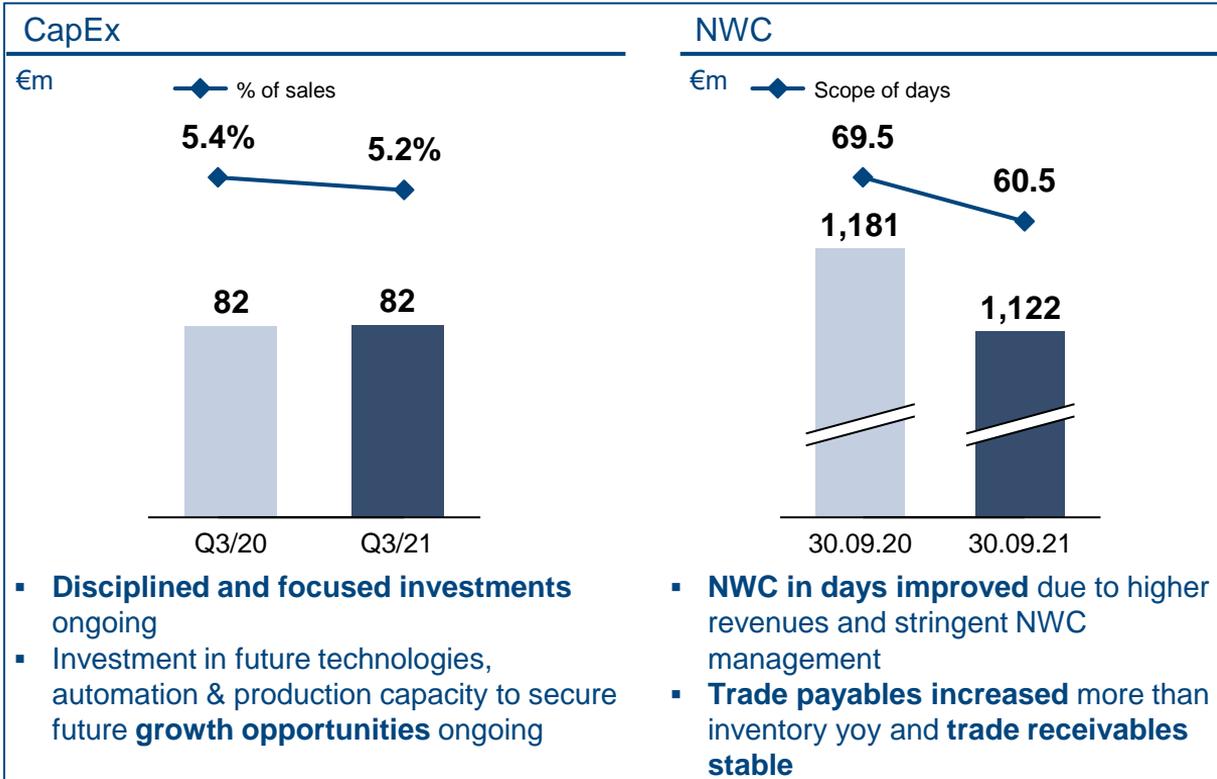


Op. EBIT margin at 13.6% in Q3/21

- Operating leverage, cost measures and fix cost discipline supported margin increase
- Margin impacted by adverse divisional mix in Q3/21
- Extra costs (e.g. freight, semiconductors) of ~€ 20m in Q3/21
- Revenue share of AM up from 36% in Q3/20 to 37% in Q3/21
- RVS: Regional mix, APAC lower than expected and less benefits from countermeasures against Covid weigh on profitability
- CVS: Strong operating leverage partially offset by Covid related costs (e.g. freight, supply chain)

1) Before PPA 2) After minorities 3) Reported EBITDA 17.9% and EBIT 13.4%

Focused capex spending and stringent NWC management drives ROCE

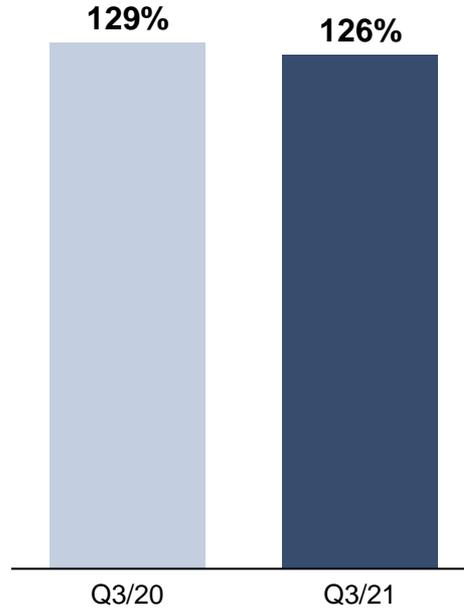
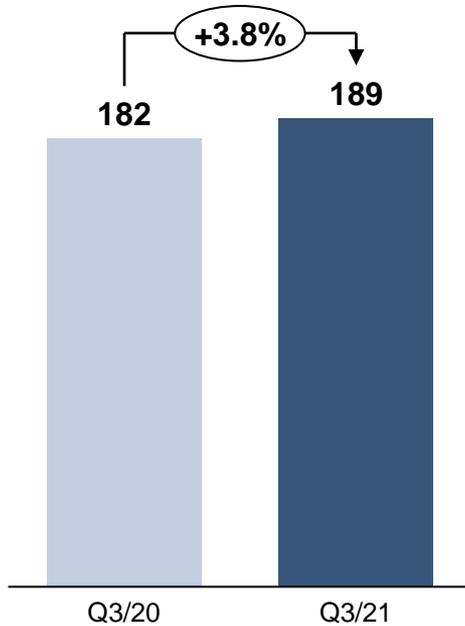


Strong Free Cashflow and Cash Conversion Rate >100%

Free Cashflow¹

Cash Conversion Rate

€m



- Free Cashflow **increased by 3.8% to € 189m**
- CCR with 126% on **high level and almost same level yoy**
- Stringent and focused **capex prioritization**
- **Tax rate** improved
- **Working capital** lowered

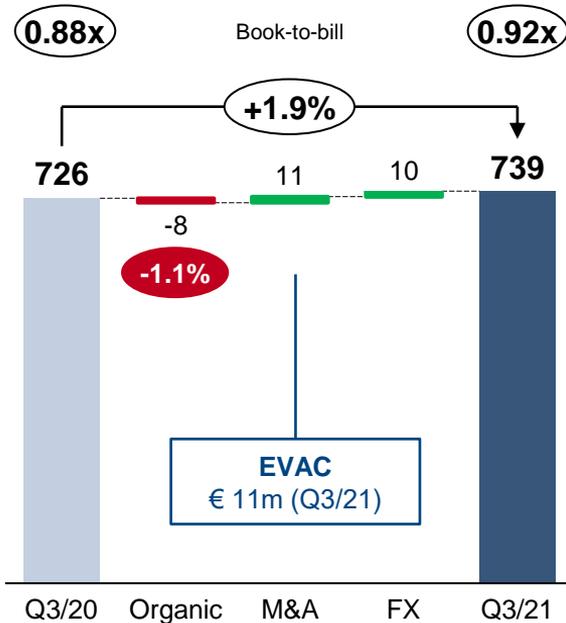
1) FCF before M&A

RVS: High order book provides solid visibility and strong OI in Q4/21 expected

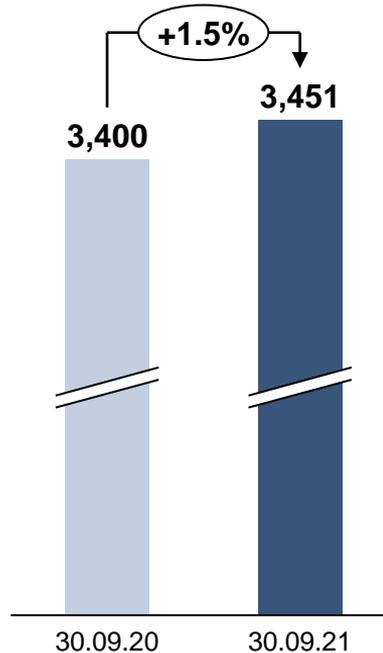


Order intake

€m



Order book



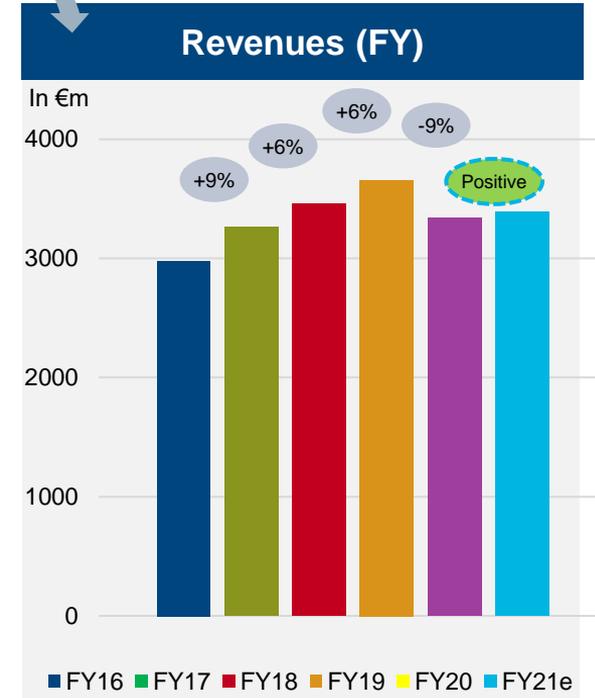
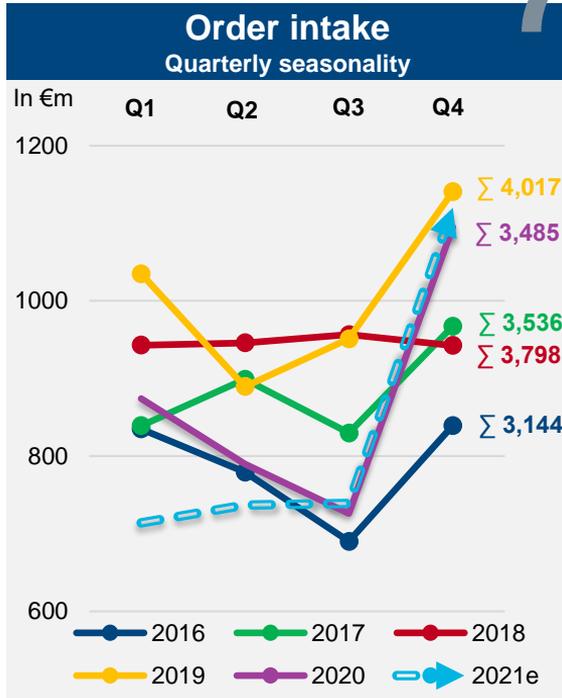
Order book increased by 1.5%yoy

- Order book well supported by resilient and stable rail industry despite Covid momentum in Q3/21; no cancellations of contracts

Low order intake due to slow recovery of rail traffic continued in Q3/21

- Postponements** and shift of tenders globally
- EU:** OE mainly impacted by Kiepe, but good development in Freight and Passenger Coaches; AM again higher yoy
- APAC:** Expansion of maintenance cycles in China ongoing; India lower yoy driven by Passenger
- NA:** OE stronger driven by light rail vehicles & Metro; AM higher driven by spare parts & overhauls

RVS: Order book continues to grow providing solid foundation for future growth



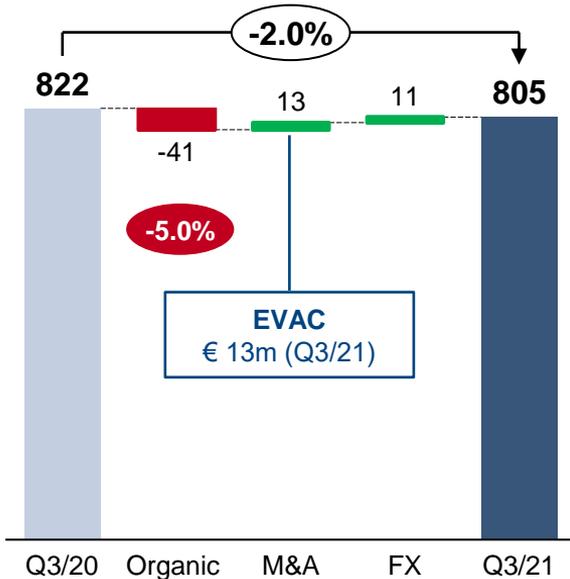
1) Based on current estimates

RVS: Covid impact persists on rail industry and RVS

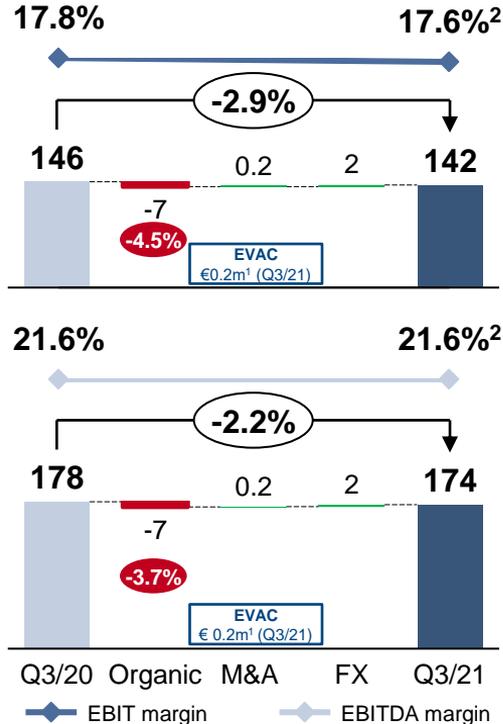


Revenue

€m



op. EBIT / EBITDA



Revenue slightly down in Q3/21 yoy

- **AM:** slightly up yoy, but still impacted by lower rail traffic
- **EU:** Overall slightly higher in both OE and AM
- **APAC:** Slightly lower yoy due to lower market demand in Metro and Highspeed; **China:** AM higher, but offset by lower Metro and Highspeed
- **NA:** Slightly lower driven by OE overall, AM solidly higher yoy

Covid and restructuring weigh on profitability

- **Restructuring costs** of ~€ 3m for U.S. freight business
- **Lower revenues** from accretive **APAC** business
- Implementation of **countermeasures**
- Limited impact from **inflation** (e.g. material prices, tariffs, logistics)

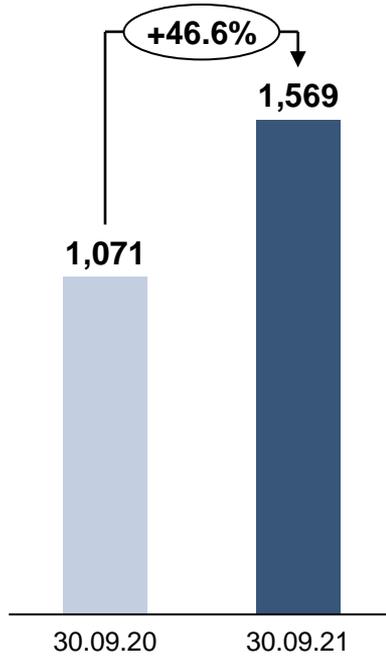
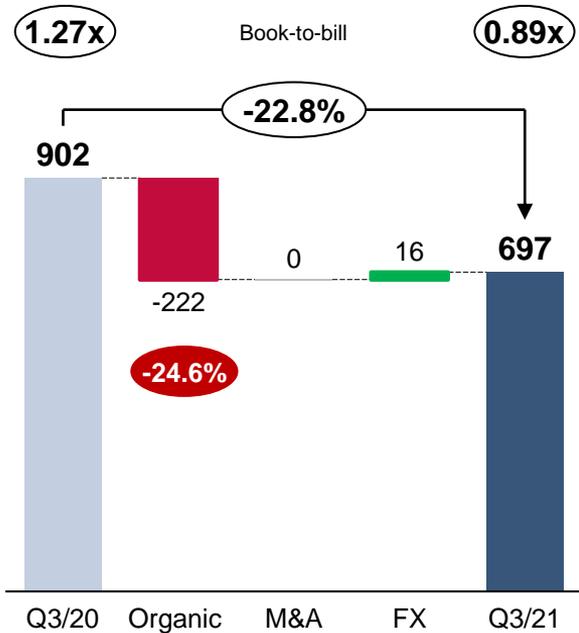
CVS: OI impacted by supply shortages – underlying demand and order book strong



Order intake

Order book

€m



OI development in Q3/21 impacted by high levels in H2/20 and H1/21

- **Supply shortages** constrained higher OI in Q3/21. Further postponements expected in Q4/21 and in 2022
- **EU/ NA:** High market demand continues; however, shortage situation limits truck production output, leading to shifts of orders to 2022
- **APAC:** Market weakness after pre-buy continued in Q3/21 as expected, India recovered further after lock-down, Japan stabilizing

Order book very solid on high level

- Short-term closures and line stops of OEMs lead to **shift of orders mostly into 2022**
- **No major cancellations** so far

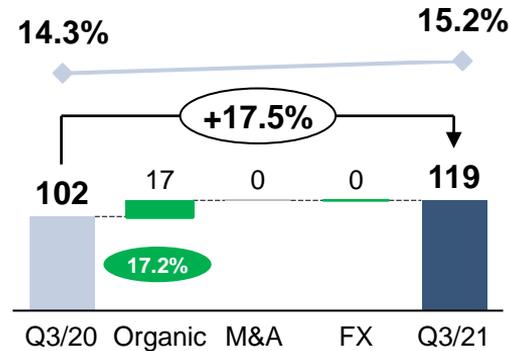
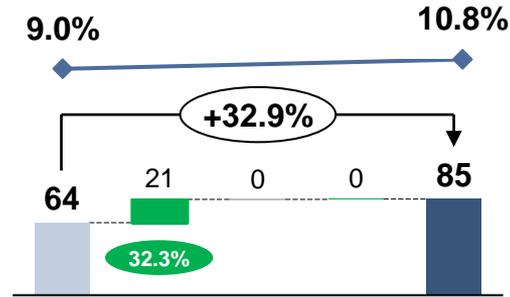
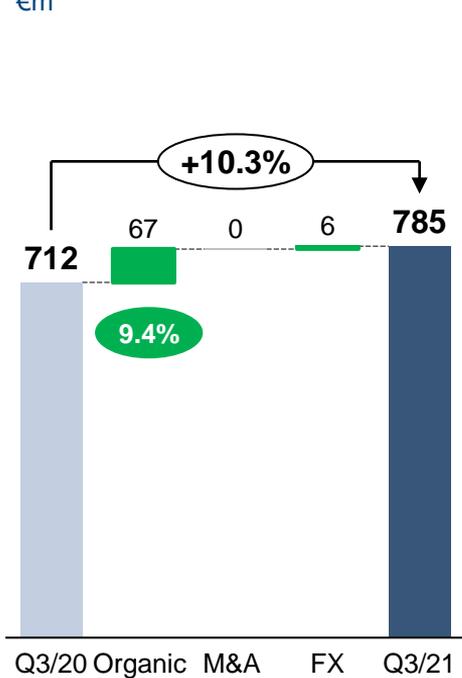
CVS: Solid profitability still impacted by extra costs



Revenue

op. EBIT / EBITDA

€m



◆ EBIT margin ◆ EBITDA margin

Revenues impacted by shortage related OEM production stops after record levels in H1/21

- **EU & NA:** Significant impact from supply chain crisis reflected in sharp reduction of production volumes, aftermarket remains strong
- **APAC:** Demand remains on lower level after end of pre-buy effect in China (CN6 since 07/21)
- **AM** share increased qoq and yoy

Profitability on solid level

- **Headwinds from net Covid extra costs of ~€ 20m** and other cost inflation
- **Continued investments in R&D** to sustain technology leadership

Purely market driven developments lead to a narrowing of the guidance ranges

Revenue guidance

€ 6,500-6,900m

€ 6,600-6,800m

RVS

- Slower recovery of global rail markets

CVS

- Stronger market than expected (TPR)
- Lower revenues by supply issues for truck market

Acquisition of EVAC

old

new

Operating EBIT margin (ROS) guidance

13.0-14.5%

Op. EBITDA margin
17.5-18.0%

13.0-13.5%

RVS

- Lower share on KB Group level
- Adverse regional mix within RVS

CVS

- Contribution margin

CVS

- Net extra costs (e.g. freight brokerparts)

Countermeasures

old

new

Outlook – positive development in FY22 expected, but still meaningfully impacted by the Covid pandemic and supply shortages

	Guidance FY21e	First indications FY22e	Assumptions FY22
Revenues	€ 6,600-6,800m	 Slight to solid	<ul style="list-style-type: none"> Stable economic environment in important markets No major FX changes FY22 vs. FY21 No additional major negative impact as a result of the Covid pandemic
Operating EBIT margin	13.0-13.5%	 Slight	
			Drivers FY22 <ul style="list-style-type: none"> Continued slow recovery in rail Supply chain constraints and increased inflation Further investments in R&D

Invitation to Knorr-Bremse's Capital Markets Day 2021



**November 29,
2021**

Key take aways



Q3/21 KPIs noticeably impacted by Covid pandemic, but long-term megatrends in both divisions unchanged and strong

Deep dive in strategy and divisional topics at CMD

Strong Covid-related impact on CVS (supply) and RVS (speed of recovery)

Guidance: FY21 narrowed and confirmed as well as positive outlook for FY22

Q&A / Backup



Financial calendar: upcoming events

Date	Event
November 29, 2021	Capital Markets Day
December 1, 2021	DZ Bank Conference
December 3, 2021	Société Générale EU Conference
December 6/7, 2021	Berenberg Conference (Pennyhill)
December 7, 2021	Roadshow
December 8, 2021	UBS Mobility Conference
December 13, 2021	Roadshow
January 7, 2022	ODDO Lyon Conference
January 10, 2022	Berenberg U.S. Conference
January 11, 2022	ODDO / Commerzbank U.S. Conference
January 17/18, 2022	GCC Kepler Cheuvreux, Frankfurt
February 24, 2022	Preliminary FY21 results / Press Conference
March 31, 2022	Annual and Sustainability Report FY21
May 12, 2022	Q1/22 results
May 24, 2022	Annual General Meeting
August 12, 2022	Q2/22 results
November 10, 2022	Q3/22 results

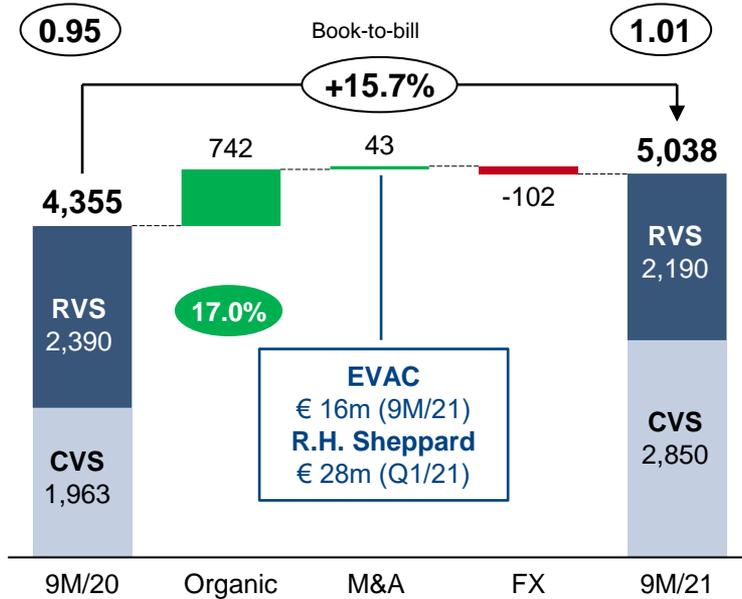
Backup



9M/21 – Group

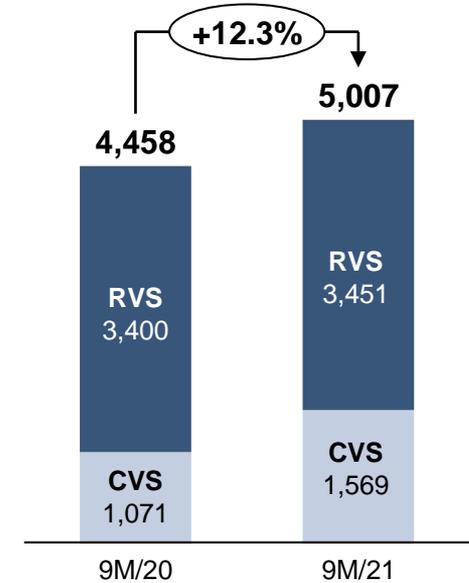
Order intake

€ m



Order book

€ m

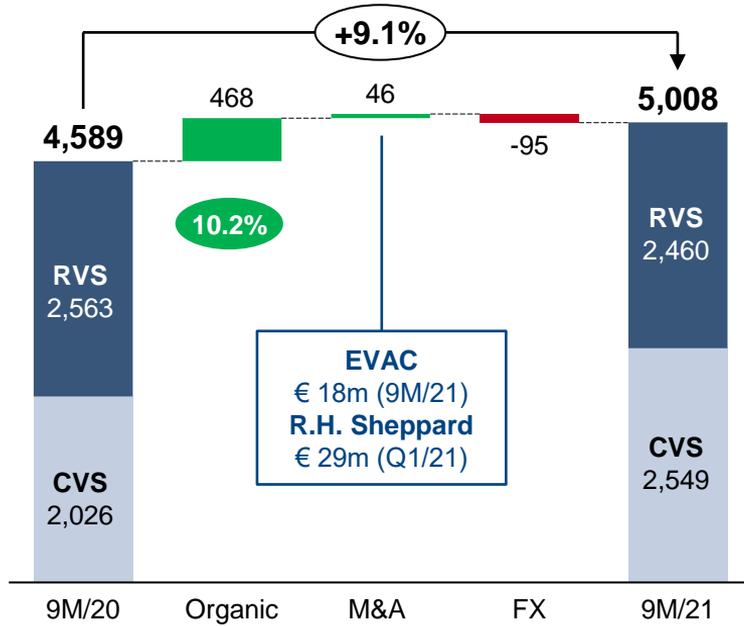


9M/21 – Group

Revenue

€ m

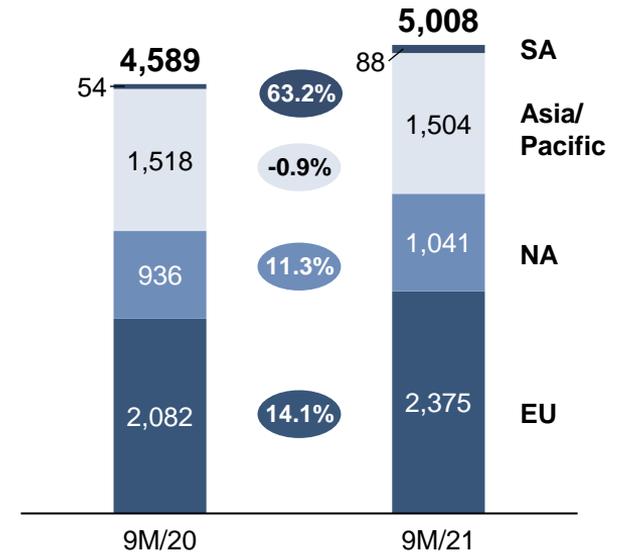
By business



€ m

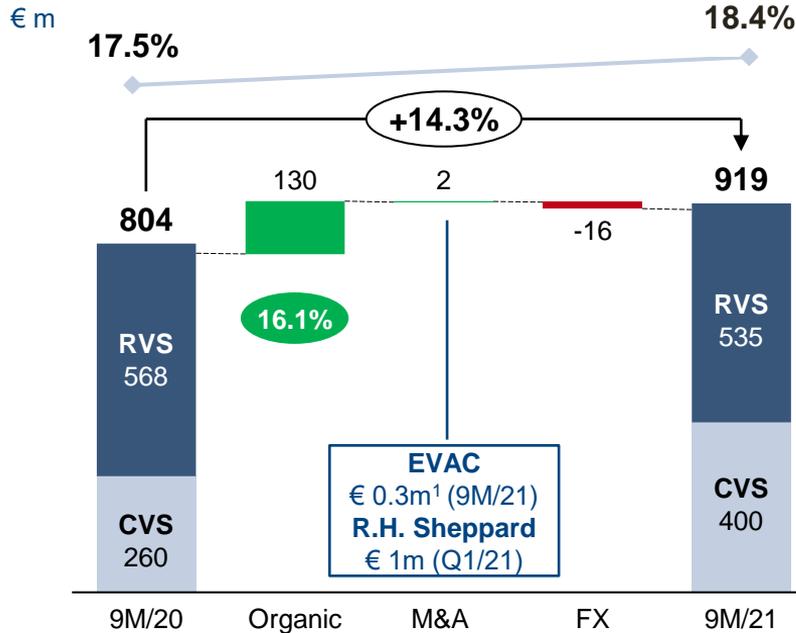
By region

○ y-o-y growth

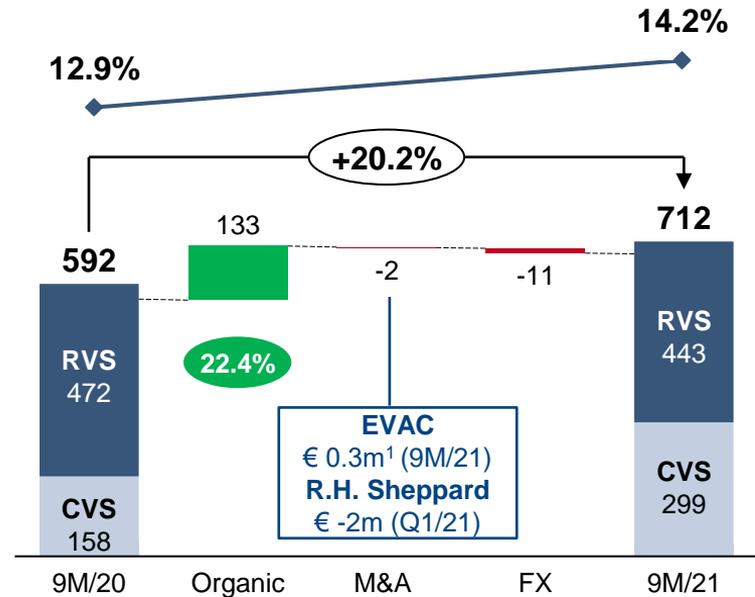


9M/21 – Group

op. EBITDA/ EBITDA Margin



op. EBIT/ EBIT Margin (ROS)

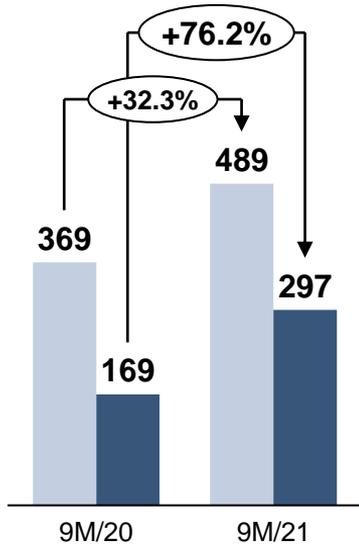


1) Before PPA

9M/21 – Group

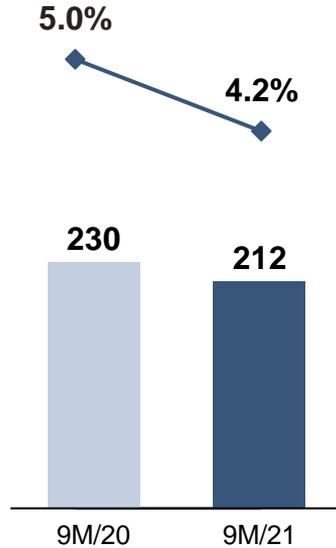
OCF & FCF

€ m OCF FCF



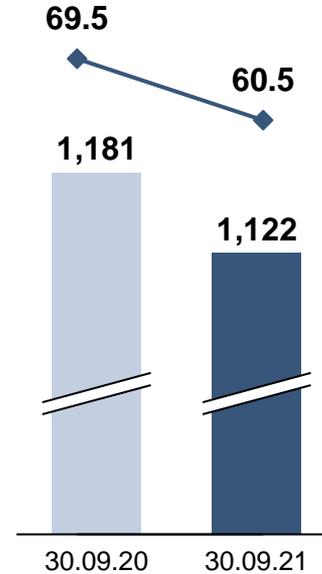
CapEx

€ m % of sales



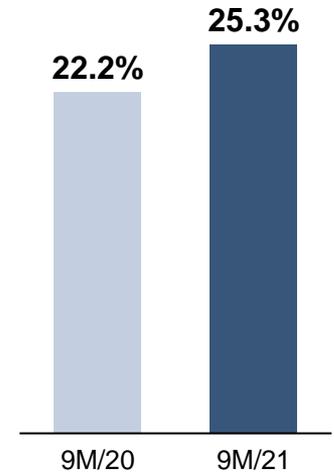
NWC

€ m Scope of days



ROCE (annualized)

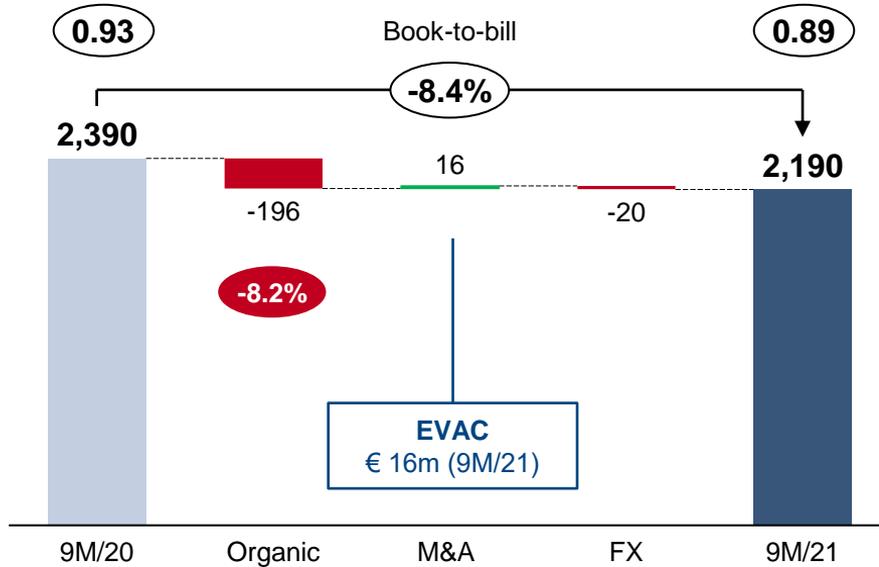
%



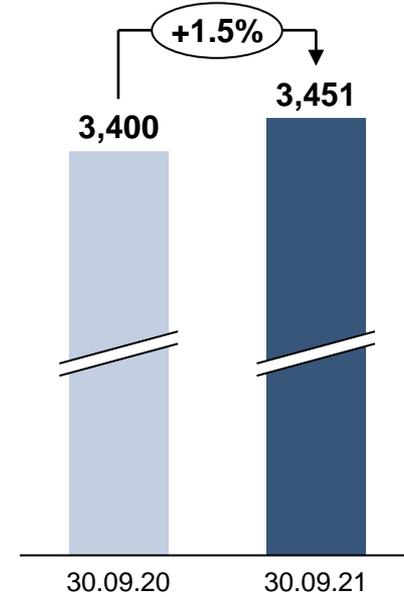
9M/21 – RVS

Order intake

€ m



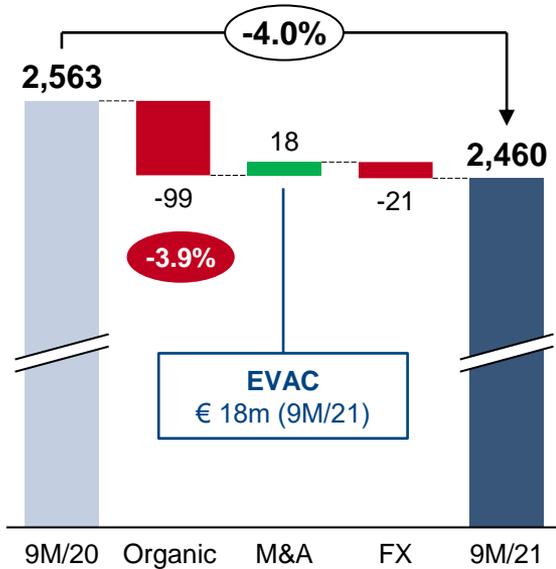
Order book



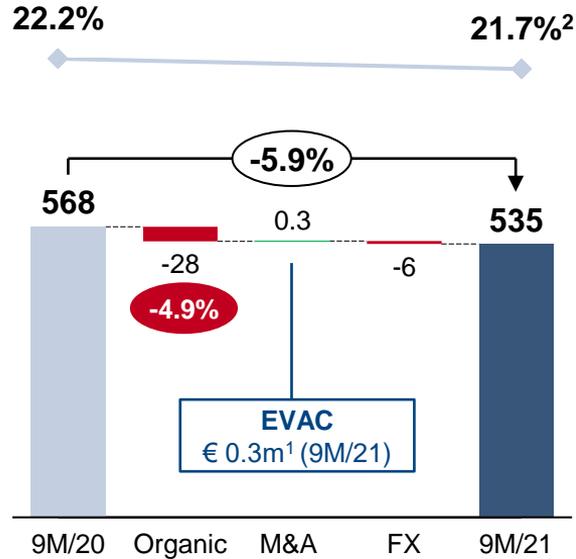
9M/21 – RVS

Revenue

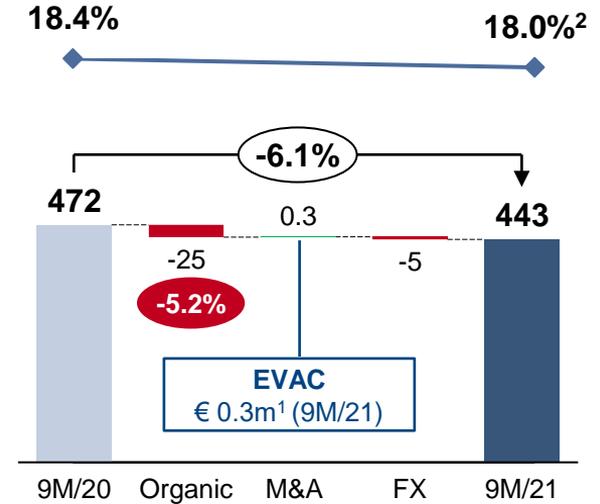
€ m



op. EBITDA / EBITDA margin



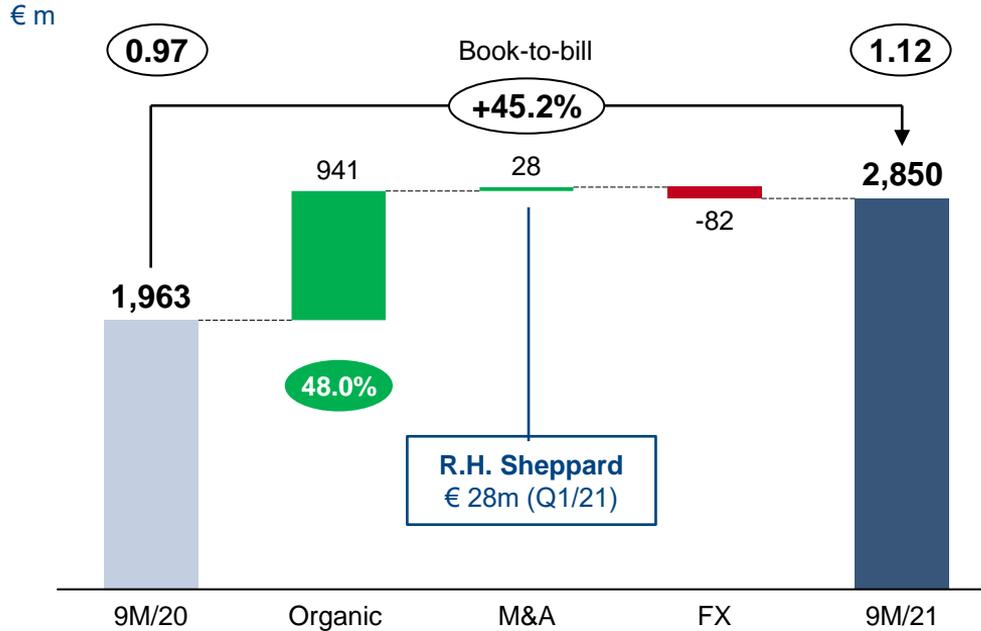
op. EBIT / EBIT margin (ROS)



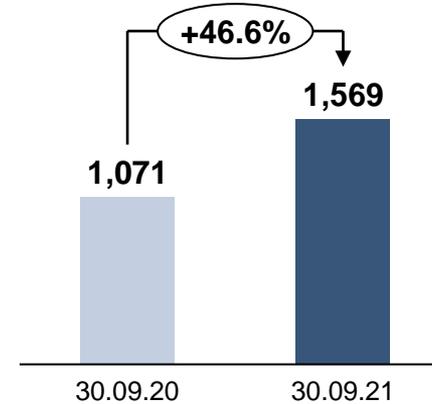
1) Before PPA 2) Reported: EBITDA 21.6% and EBIT 17.9%

9M/21 – CVS

Order intake



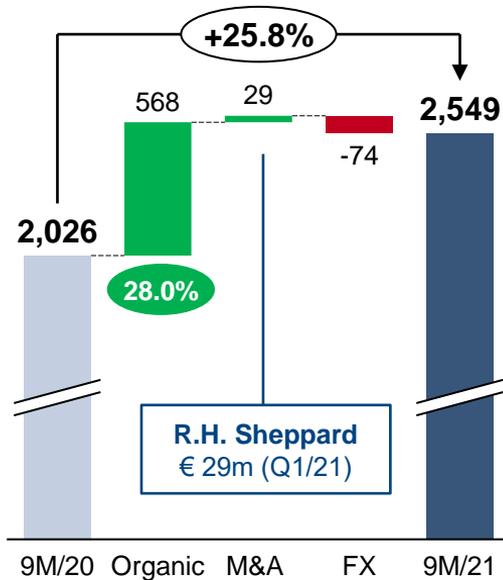
Order book



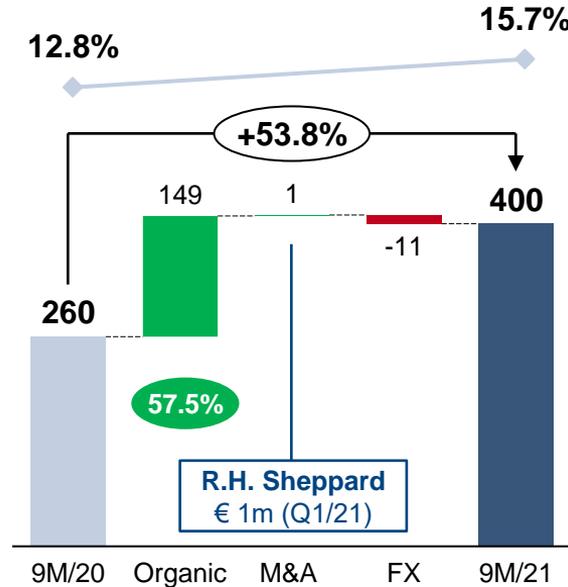
9M/21 – CVS

Revenue

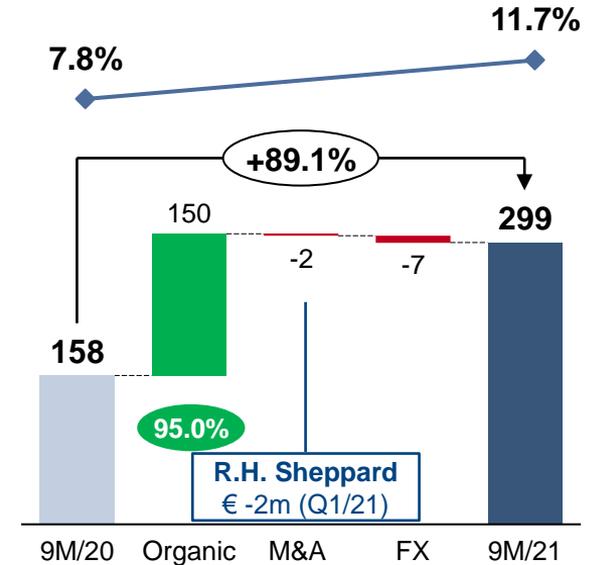
€ m



EBITDA / EBITDA margin



EBIT / EBIT margin (ROS)



Income statement

INCOME STATEMENT										
EUR million	2020					2021			2020	2021
	Q1/20	Q2/20	Q3/20	Q4/20	FY/20	Q1/21	Q2/21	Q3/21	9M/20	9M/21
Revenues	1,627.5	1,428.3	1,533.5	1,567.4	6,156.7	1,691.5	1,727.4	1,589.2	4,589.3	5,008.1
Change in inventory of unfinished/finished products	-0.8	15.1	-6.7	-18.9	-11.3	30.0	22.2	17.9	7.6	70.2
Own work capitalized	18.8	18.5	19.6	19.2	76.1	19.2	20.0	20.7	56.9	59.9
Total operating performance	1,645.4	1,461.9	1,546.5	1,567.7	6,221.5	1,740.7	1,769.6	1,627.9	4,653.9	5,138.2
Other operating income	29.6	19.1	27.4	16.0	92.2	29.4	6.5	34.7	76.2	70.6
Cost of materials	-780.1	-688.3	-736.4	-756.4	-2,961.1	-855.3	-892.1	-816.0	-2,204.7	-2,563.4
Personnel expenses	-400.9	-368.3	-374.9	-381.5	-1,525.5	-414.9	-415.9	-396.7	-1,144.0	-1,227.5
Other operating expenses	-203.9	-179.2	-194.0	-143.1	-720.2	-179.6	-156.3	-165.7	-577.1	-501.6
Earnings before interest, tax, depreciation and amortization (EBITDA)	290.2	245.3	268.7	302.7	1,106.9	320.3	311.9	284.2	804.2	916.3
Depreciation and amortization	-66.2	-71.7	-74.1	-80.8	-292.9	-68.7	-68.0	-71.1	-212.1	-207.8
Earnings before interests and taxes (EBIT)	224.0	173.5	194.6	221.9	814.0	251.6	243.8	213.1	592.1	708.5
Interest income	10.0	-0.8	4.8	5.4	19.4	3.0	4.0	5.1	14.0	12.1
Interest expenses	-15.3	-8.2	-12.3	-19.1	-54.9	-11.4	-13.9	-11.9	-35.8	-37.2
Other financial result	-20.2	-5.4	4.4	-6.7	-27.9	-0.9	1.5	-7.8	-21.2	-7.2
Income before taxes	198.5	159.1	191.5	201.5	750.6	242.3	235.4	198.5	549.1	676.2
Taxes on income	-56.7	-44.0	-51.0	-66.7	-218.4	-65.9	-65.7	-48.4	-151.6	-180.1
Net income	141.9	115.1	140.5	134.7	532.2	176.3	169.7	150.1	397.5	496.2
Profit (loss) attributable to non-controlling interests	7.5	12.4	8.4	8.4	36.7	7.2	5.6	4.1	28.3	16.9
Profit (loss) attributable to the shareholders of Knorr-Bremse AG	134.4	102.7	132.1	126.3	495.5	169.1	164.1	145.9	369.2	479.2
Earnings per share in Euro	0.83	0.64	0.82	0.78	3.07	1.05	1.02	0.91	2.29	2.97

Cashflow

CASHFLOW STATEMENT (shortened)										
	2020					2021			2020	2021
EUR million	Q1/20	Q2/20	Q3/20	Q4/20	FY20	Q1/21	Q2/21	Q3/21	9M/20	9M/21
Net cash flows from/used in operating activities	3.5	115.1	250.8	666.6	1,036.0	27.6	196.1	265.1	369.4	488.7
Net cash flows from/used in investing activities	-57.8	-195.5	-69.2	-253.9	-576.4	-78.8	-186.9	-71.0	-322.5	-336.7
Net cash flows from/used in financing activities	171.7	400.3	-324.7	-257.7	-10.4	-254.3	-530.2	-37.3	247.3	-821.8
Cash flow changes	117.4	319.9	-143.1	155.0	449.2	-305.5	-521.1	156.7	294.2	-669.8
thereof change in cash funds resulting from exchange rate and valuation-related movements	-11.9	-12.3	-13.9	-23.9	-62.0	27.7	-1.5	11.9	-38.1	38.1
Change of cash fund	105.5	307.6	-156.9	131.2	387.3	-277.8	-522.6	168.7	256.1	-631.7
Cash funds at the beginning of the period	1,853.5	1,958.9	2,266.5	2,109.6	1,853.5	2,240.7	1,963.0	1,440.4	1,853.5	2,240.7
Cash funds at the end of the period	1,958.9	2,266.5	2,109.6	2,240.7	2,240.7	1,963.0	1,440.4	1,609.0	2,109.6	1,609.0

Balance sheet / assets

BALANCE SHEET							
EUR thousand	2020				2021		
	31.03.2020	30.06.2020	30.09.2020	31.12.2020	31.03.2021	30.06.2021	30.09.2021
Assets							
Intangible assets and goodwill	858.8	896.2	888.5	887.8	899.2	967.5	986.9
Property, plant and equipment	1,437.2	1,490.0	1,479.5	1,544.7	1,589.1	1,611.6	1,618.1
Investments accounted for using the equity method	16.6	17.8	17.7	24.7	24.2	23.0	23.0
Other financial assets	52.5	57.8	59.9	140.8	164.9	212.8	195.9
Other assets	70.5	52.3	54.9	57.3	75.9	74.9	75.3
Income tax receivables	1.9	0.0	0.0	0.0	1.0	1.0	1.7
Assets from employee benefits	30.5	29.8	38.4	21.0	22.2	29.0	22.0
Deferred tax assets	118.8	123.9	122.8	116.4	117.0	120.0	126.5
Non-current assets	2,586.7	2,667.8	2,661.6	2,792.6	2,893.4	3,039.8	3,049.6
Inventories	865.4	933.2	904.2	844.6	927.7	956.4	1,009.4
Trade accounts receivable	1,353.6	1,411.6	1,427.7	1,141.1	1,519.5	1,536.4	1,424.8
Other financial assets	58.2	41.5	52.0	39.8	71.5	71.7	38.7
Other assets	128.7	167.0	172.5	161.8	113.7	120.2	138.0
Contract assets	91.7	91.4	91.3	84.2	88.8	93.4	83.7
Income tax receivables	68.9	61.3	43.8	48.7	33.8	36.9	41.5
Cash and cash equivalents	1,983.7	2,293.2	2,131.6	2,277.0	1,989.3	1,502.0	1,640.6
Current assets	4,550.2	4,999.2	4,823.1	4,597.3	4,744.4	4,316.9	4,376.6
Total assets	7,136.9	7,667.1	7,484.7	7,390.0	7,637.8	7,356.7	7,426.2

Balance sheet / liabilities

EUR thousand	2020				2021		
	31.03.2020	30.06.2020	30.09.2020	31.12.2020	31.03.2021	30.06.2021	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	34.2	34.2	34.2	13.3	13.3	13.3	13.3
Other components of equity	-233.5	-272.2	-305.7	-317.6	-241.4	-247.2	-250.9
Profit carried forward	1,754.5	1,464.3	1,464.3	1,464.3	1,959.8	1,714.8	1,714.8
Profit attributable to the shareholders of Knorr-Bremse AG	134.4	237.1	369.2	495.5	169.1	333.3	479.2
Equity attributable to the shareholders of Knorr-Bremse AG	1,864.6	1,638.5	1,737.0	1,830.7	2,076.0	1,989.2	2,131.5
Equity attributable to non-controlling interests	121.7	103.0	103.0	91.0	101.1	100.0	90.6
thereof share of non-controlling interests in net income	7.5	19.9	28.3	36.7	7.2	12.8	16.9
Equity	1,986.3	1,741.5	1,840.1	1,921.7	2,177.1	2,089.2	2,222.0
Liabilities							
Provisions for pensions	301.3	347.8	362.1	354.9	296.6	330.5	327.6
Provisions for the employee benefits	22.2	19.8	20.9	17.4	18.6	17.4	18.7
Other provisions	262.0	270.7	270.2	269.0	277.7	262.8	253.1
Financial liabilities	1,663.1	1,657.8	1,642.9	1,158.7	1,203.7	1,216.9	1,211.3
Other liabilities	5.1	3.4	2.5	3.5	5.3	4.2	4.3
Income tax liabilities	51.6	52.6	59.8	58.2	63.7	67.1	71.4
Deferred tax liabilities	85.9	94.7	97.0	114.5	135.4	135.4	147.3
Non-current liabilities	2,391.3	2,446.8	2,455.5	1,976.2	2,001.0	2,034.5	2,033.6
Provisions for other employee benefits	22.4	21.7	19.9	19.2	20.4	20.0	18.9
Other provisions	193.6	202.4	200.2	194.0	191.9	193.3	195.4
Trade accounts payable	978.0	946.2	959.0	1,027.7	1,166.4	1,175.1	1,112.5
Financial liabilities	1,170.8	1,859.8	1,592.2	1,818.2	1,646.5	1,395.9	1,411.8
Other liabilities	91.2	109.3	83.8	90.3	88.0	102.8	86.0
Contract liabilities	274.1	293.2	283.1	295.9	294.0	284.8	283.5
Income tax liabilities	29.1	46.2	50.9	46.8	52.5	61.1	62.5
Current liabilities	2,759.3	3,478.8	3,189.2	3,492.1	3,459.7	3,233.0	3,170.6
Liabilities	5,150.6	5,925.6	5,644.6	5,468.3	5,460.7	5,267.5	0.0
Total assets	7,136.9	7,667.1	7,484.7	7,390.0	7,637.8	7,356.7	7,426.2

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