

Quarterly Statement – Q1 2023
January 1 to March 31, 2023



KNORR-BREMSE

Quarterly Statement

JANUARY 1 TO MARCH 31, 2023
KNORR-BREMSE AG

KNORR-BREMSE GROUP KEY INDICATORS (IFRS)

		Q1/2023	Q1/2022
Revenues	€ million	1,907.6	1,669.4
EBITDA	€ million	276.6	254.0
EBITDA margin	%	14.5	15.2
Operating EBITDA margin	%	14.5	15.2
EBIT	€ million	190.1	181.5
EBIT margin	%	10.0	10.9
Operating EBIT margin	%	10.0	10.9
Net income	€ million	132.5	126.1
Earnings per share (basic)	€	0.77	0.77
Incoming orders	€ million	2,175.9	2,109.3
Order book (March 31)	€ million	7,116.0	5,998.0
Operating cash flow	€ million	(137.0)	(189.6)
Free cash flow	€ million	(198.9)	(231.3)
Cash conversion rate	%	(150.1)	(183.5)
Capital expenditure (before IFRS 16 and acquisitions)	€ million	64.3	64.3
Capital expenditure as % of revenues	%	3.4	3.9
R & D costs	€ million	130.6	118.3
R & D as % of revenues	%	6.8	7.1
		March 31, 2023	Dec. 31, 2022
Total assets	€ million	8,088.8	8,011.9
Equity (incl. non-controlling interests)	€ million	2,808.2	2,691.3
Equity ratio	%	34.7	33.6
ROCE (annualized)	%	16.3	16.8
Net financial debt/(cash)	€ million	1,023.0	(727.0)
Net working capital	€ million	1,520.7	1,101.0
Employees (at reporting date incl. leased personnel)		32,573	31,599

FIRST THREE MONTHS OF 2023

- » Order intake at € 2,175.9 million, € 66.6 million up on the previous year's level, influenced primarily by a record level of rail vehicle business
- » Order book at € 7,116.0 million, a significant € 1,118.0 million up on the previous year, reflecting a new record
- » Revenue, at € 1,907.6 million, a significant 14.3% up on the previous year's level
- » Positive development in aftermarket revenue; share in total revenue increased from 36.2% to 39.2%
- » Operating EBIT up by 5.6% to € 191.7 million with an operating EBIT margin (RoS) of 10.0% of revenue (previous year: 10.9%); the operating EBITDA also increased by 8.9% from € 254.0 million to € 276.7 million, but at 14.5% EBITDA margin was below the previous year's level (15.2%), mainly due to cost and mix factors
- » R & D ratio of 6.8% of revenue (previous year: 7.1%) resulting from continued investment in strategic and future-oriented projects for innovation and technology
- » Free cash flow, at € -198.9 million, € 32.4 million up on the previous year (€ -231.3 million), resulting from lower tax payments and increased quarterly income, among other things
- » Knorr-Bremse confirms its full-year guidance for 2023 despite challenging conditions:
 - » Revenue: € 7,300 million to € 7,700 million (2022: € 7,150 million)
 - » Operating EBIT margin: 10.5% to 12.0% (2022: 11.1%)

BUSINESS PERFORMANCE IN THE FIRST THREE MONTHS OF 2023

Further Growth (€ 66.6 Million) in Order Intake

The order intake of the Knorr-Bremse Group as at the end of March 2023 was positive at € 2,175.9 million, up 3.2% or € 66.6 million on the comparable period of the previous year. This development was mainly attributable to the continued high demand in the global rail vehicle market and the further increase in order intake in the Commercial Vehicle Systems division. Aftermarket business had significantly positive effects on this in all regions. The commercial vehicle market in the Europe and North America regions continued to reach a high level. Moreover, this segment saw a recovery of order intake in the Chinese market thanks to strong demand there while demand in the rest of the Asia-Pacific region remained stable.

The positive order developments led to an order book of € 7,116.0 million at the end of March 2023, up by a significant amount of € 1,118.0 million on the corresponding level in the previous year (€ 5,998.0 million) and reached a new record level which provides a solid basis for revenue development in the coming quarters.

Year-over-Year Revenue Development: 14.3%

The revenue of the Knorr-Bremse Group rose by 14.3% or € 238.2 million year over year, coming to € 1,907.6 million in the first three months of the 2023 fiscal year. This revenue development resulted from significant growth in the Commercial Vehicle Systems division, with the significantly increased revenue in the Rail Vehicle Systems segment adding to this. The increased revenue in the Rail Vehicle Systems segment was seen in all regions and was comprised of a greater OE volume as well as increased aftermarket revenue. The higher revenue in the Europe region was influenced positively by the expansion of business in Denmark in 2022. In the Asia region, the increased revenue – especially in the Chinese market – was more than able to compensate for the lower revenue in India. In North America, significant growth in OE and aftermarket revenue was achieved in the freight business. In the North American passenger business, the slight decline in OE revenue was overcompensated by additional RS-business. The aftermarket's share in the division's total revenue was 52.8% and significantly higher than the previous year (45.9%). In the Commercial Vehicle Systems segment, the increase resulted primarily from significant revenue growth in OE business in all regions, led by the core markets of Europe and North America. The implementation of price rises similarly ensured an increase in revenue, with OE revenue recovering in the Chinese market. The aftermarket business in the Commercial Vehicle Systems segment remained at the previous year's level despite the strong OE business, with the aftermarket's share in the total revenue of the Commercial Vehicle Systems division being 28.2% (previous year: 27.8%).

At the Group level, the aftermarket's share in total revenue was 39.2% (breakdown based on management reporting) and saw considerably positive development compared to the previous year's value of 36.2%.

EBIT (RoS) and EBITDA Margins - Increase but Margin under Pressure

In the first three months of 2023, operating EBIT of € 191.7 million was generated with an operating EBIT margin (RoS) of 10.0% (previous year: 10.9%). This was € 10.2 million or 5.6% more than in the comparable period of the previous year and was mainly attributable to cost, volume and mix factors. The costs causing this include higher freight and procurement costs due to persistent challenges in global supply chains as well as a generally strong increase in inflation. We are responding to this development with a comprehensive PCPP program (Profit and Cash Protection Program), which includes both revenue protection measures (e.g., pricing) and the optimization of variable and fixed cost structures. Inflation due to long-term OE contracts is only partially compensated for by price increases, especially in the Rail Vehicle Systems Division. Operating EBIT and the operating EBIT margin were adjusted for the impacts from writing down assets due to a portfolio adjustment in the Commercial Vehicle Systems segment. The unadjusted EBIT within the Group is € 190.1 million with an unadjusted EBIT margin (RoS) of 10.0%.

With operating EBITDA of € 276.6 million, a significant increase of € 22.6 million or 8.9% was able to be recorded due to cost and mix factors. The operating EBITDA margin was 14.5% and therefore below the previous year's level of 15.2%.

CONSOLIDATED STATEMENT OF INCOME (CONDENSED)

in € million	Q1/2023	Q1/2022
Revenues	1,907.6	1,669.4
Change in inventory of unfinished/finished products	5.4	54.0
Own work capitalized	27.1	24.6
Total operating performance	1,940.0	1,748.0
Cost of materials	(979.9)	(898.6)
Personnel expenses	(495.6)	(455.0)
Other operating income and expenses	(188.0)	(140.4)
EBITDA	276.6	254.0
Depreciation, amortization and impairment	(86.5)	(72.4)
EBIT	190.1	181.5
Financial result	(3.0)	(9.7)
Income before taxes	187.1	171.8
Taxes on income	(54.6)	(45.8)
Net income	132.5	126.1
thereof profit (loss) attributable to non-controlling interests	7.9	2.6

In the first three months of 2023, the material cost ratio shrank by a total of 240 basis points to 51.4% of revenue for reasons including a changed region and product mix in revenue as well as general inflationary pressure. The personnel expenses ratio saw a decline from the previous year (27.3%) of 130 basis points to 26.0% of revenue, which is attributable to the significant revenue increase. Other operating income and expenses totaled 9.9% of revenue, a figure above the previous year's level (8.4%). At 4.5% of revenue, depreciation and amortization developed at the previous year's level (4.3%). The negative financial result improved year over year and brought down pre-tax income in the current fiscal year by € 3.0 million (previous year: € 9.7 million). Pre-tax income was 9.8% of revenue and therefore 50 basis points down on the corresponding level of 10.3% in the previous year, which resulted primarily from the aforementioned cost burdens.

The tax rate rose as expected by 260 basis points to 29.2%, compared to 26.6% of the first three months in 2022. This led to net income for the period of 6.9% of revenue as at the end of March 2023, down on the previous year's level (7.6%).

FINANCIAL SITUATION

FREE CASH FLOW

in € million	Q1/2023	Q1/2022
Net income (including earnings share of minority interests)	132.5	126.1
Depreciation, amortization and impairment losses on intangible assets and property, plant and equipment	86.5	72.4
Adding to, reversing and discounting provisions	18.9	5.4
Non-cash changes in the measurement of derivatives	(26.9)	7.3
Other non-cash expenses and income	(18.7)	(1.7)
Income tax expense	54.6	45.8
Income tax payments	(29.0)	(64.8)
Changes in inventories, trade accounts receivable and other assets which cannot be allocated to investing or financing activities	(442.2)	(361.9)
Changes in trade accounts payable and other liabilities which cannot be allocated to investing or financing activities	86.0	3.0
Changes in provisions due to utilization	(28.9)	(31.1)
Other	30.0	10.0
Cash flow from operating activities	(137.0)	(189.6)
Cash changes in intangible assets and property, plant and equipment	(61.9)	(41.7)
Free cash flow	(198.9)	(231.3)

In the first three months of 2023, there was a € 52.6 million decrease from the previous year's quarter in the cash outflow from operating activities of € 137.0 million. This mainly results from the € 35.8 million decrease in income tax payments. The income tax payments in Q1 2022 included, among other things, non-recurring items from amended tax returns and increased tax pre-payments, while in Q1 2023 tax refunds for previous years reduced income tax payments.

The capital expenditure on property, plant and equipment rose by € 20.2 million, from € 41.7 million in Q1 2022 to € 61.9 million in Q1 2023.

Free cash flow in the first three months of 2023 amounted to € -198.9 million and was therefore € 32.4 million up on the previous year's level (€ -231.3 million).

CURRENT AND NON-CURRENT ASSETS

in € million	March 31, 2023	Dec. 31, 2022
Intangible assets and goodwill	1,337.7	1,340.2
Property, plant and equipment	1,820.0	1,814.5
Other non-current assets	473.1	455.1
Non-current assets	3,630.8	3,609.7
Inventories	1,267.1	1,141.9
Trade accounts receivable	1,644.5	1,343.3
Other financial assets	139.4	103.1
Contract assets	73.7	69.5
Cash and cash equivalents	954.1	1,342.6
Assets held for sale and disposal groups	169.5	170.2
Other current assets	209.6	231.6
Current assets	4,458.0	4,402.3

A seasonal increase compared with December 31, 2022, was recorded in trade accounts receivable. In this regard – as in previous years – we expect a noticeable improvement by year end. Furthermore, the trend in inventories reflects, among other things, measures to preserve the global supply chains.

Overall, the absolute net working capital increased by € 270.3 million to € 1,520.7 million compared to the first three months of 2022 (€ 1,250.4 million). The commitment period for the net working capital in days' sales also increased by 4.3 days to 71.7 days and was therefore above the previous year's corresponding level of 67.4 days.

CAPITAL EXPENDITURE

		Q1/2023	Q1/2022
Capital expenditure (before IFRS 16 and acquisitions)	€ million	64.3	64.3
Capital expenditure as % of revenues	%	3.4	3.9

The capital expenditure on property, plant and equipment and intangible assets was € 64.3 million and therefore at the level of the previous year, with an investment ratio of 3.4% in relation to revenue (previous year: 3.9%). Major investments in the first three months of 2023 were made primarily in further automation and digitization of our production processes, in the provision of production capacity for new and high-growth products and in research and development.

CONSOLIDATED EQUITY

in € million	March 31, 2023	Dec. 31, 2022
Subscribed capital	161.2	161.2
Other equity	2,511.1	2,400.6
Equity attributable to the shareholders	2,672.3	2,561.8
Non-controlling interests	135.9	129.5
Total equity	2,808.2	2,691.3

The Knorr-Bremse Group is reporting an equity ratio of 34.7% as at March 31, 2023. The slight increase compared to December 31, 2022 (33.6%), was mainly attributable to the profit contribution along with the simultaneous slight increase in total assets.

CURRENT AND NON-CURRENT LIABILITIES

in € million	March 31, 2023	Dec. 31, 2022
Provisions (incl. pensions)	426.4	435.6
Financial liabilities	2,042.5	2,022.2
Other non-current liabilities	203.9	197.4
Non-current liabilities	2,672.8	2,655.1
Trade accounts payable	1,260.2	1,214.0
Financial liabilities	567.6	655.9
Contract liabilities	207.5	214.3
Liabilities directly associated with assets held for sale	150.8	155.1
Other liabilities	421.8	426.3
Current liabilities	2,607.8	2,665.5
Total liabilities	5,280.6	5,320.6

Significant changes within the liabilities as at December 31, 2022, were seen most of all in the financial liabilities (–€ 67.9 million), provisions (–€ 11.3 million) and trade accounts payable (+€ 39.4 million). Financial liabilities included a € 109.1 million reduction in bank liabilities and a € 23.3 million settlement of purchase price liabilities in connection with the acquisition of Cojali in the previous year, offset by a € 58.1 million increase in liabilities to employees. Among the provisions, the warranty provisions were the main ones that grew in size, by an amount of € 10.3 million. Opposing effects were seen in the € 39.4 million reduction of trade accounts payable and lease liabilities as well as in the € 9.9 million reduction of income tax liabilities.

The following debt financing arrangements existed as at March 31, 2023:

- » Corporate bond of Knorr-Bremse AG in the amount of € 750.0 million (maturing in June 2025)
- » Corporate bond of Knorr-Bremse AG in the amount of € 700.0 million (maturing in September 2027)
- » Liabilities of the Knorr-Bremse Group to banks in the amount of € 96.8 million
- » Lease liabilities in the amount of € 533.3 million

EMPLOYEES

AVERAGE NUMBER OF EMPLOYEES

	Q1/2023	Q1/2022
Wage earners	17,006	15,928
thereof leased personnel	3,404	2,924
Salaried employees	15,567	14,659
thereof leased personnel	170	212
Trainees	0	204
Total	32,573	30,791

On average, the Group employed 32,573 people as at the end of March 2023 (previous year: 30,791). The disclosures for 2022 are based on full-time-equivalent (FTE) units, while the disclosures for 2023 are based on the employee head count (the number of employees). The modified disclosure method does not result in any material differences. In contrast to the previous year, trainees are allocated to wage earners. The slight increase (5.8%) on the corresponding period of the previous year results mainly from the growing revenue in Commercial Vehicle Systems. In addition, the average number of employees in the Commercial Vehicle Systems segment increased due to the acquisition of Cojali in the previous year (516 employees). The number of employees in the Rail Vehicle Systems segment increased only slightly and was attributable to factors including the acquisition of DSB Component Workshops (382 employees) in the previous year and the acquisition of Westcode (U.K.) Limited with 19 employees in the first quarter of 2023.

INFORMATION ON REPORTABLE SEGMENTS

REVENUES BY SEGMENT

in € million	Q1/2023	Q1/2022
Rail Vehicle Systems	855.2	775.0
Commercial Vehicle Systems	1,052.9	894.9
Other segments and consolidation	(0.6)	(0.6)
Group	1,907.6	1,669.4

EBT BY SEGMENT

in € million	Q1/2023	Q1/2022
Reconciliation to IFRS (Rail Vehicle Systems)	103.6	115.7
Reconciliation to IFRS (Commercial Vehicle Systems)	92.6	78.9
Other segments and consolidation	(9.0)	(22.7)
Group	187.1	171.8

Our two segments developed as follows during the first three months of 2023:

RAIL VEHICLE SYSTEMS SEGMENT

		Q1/2023	Q1/2022
Revenues	€ million	855.2	775.0
thereof aftermarket	%	53	46
EBITDA	€ million	149.8	154.0
EBITDA margin	%	17.5	19.9
Operating EBITDA margin	%	17.5	19.9
EBIT	€ million	111.8	121.7
EBIT margin	%	13.1	15.7
Operating EBIT margin	%	13.1	15.7
Incoming orders	€ million	1,000.3	1,080.5
Order book (March 31)	€ million	5,026.5	4,180.6

Order intake in the Rail Vehicle Systems segment, with a decline of € 80.2 million, is almost at the previous year's level and amounted to € 1,000.3 million as at the end of March 2023 (previous year: € 1,080.5 million). Due to the large order book as at December 31, 2022, the order book as at March 31, 2023, had grown by a significant 20.2% year over year to € 5,026.5 million (previous year: € 4,180.6 million).

Revenue in the Rail Vehicle Systems segment in the first three months of 2023 was € 855.2 million and therefore 10.3% up on the previous year. This development resulted mainly from slightly declining OE revenue, while aftermarket revenue has increased significantly. In Europe in particular, aftermarket revenue increased significantly. In OE business there was declining revenue in the regional and commuter as well as the high speed businesses, while growth in the metro and locomotive businesses had a compensatory effect. In North America, OE revenue as well as aftermarket business have increased. In the Asia region, the increased revenue resulted in particular from revenue in the Chinese metro business as well as high speed business. In contrast, the aftermarket's share in the division's total revenue was 52.8% and significantly higher than the corresponding level of the previous year (45.9%).

Operating EBIT was € 111.8 million as at March 2023 and therefore 8.2% down on the previous year's level (€ 121.7 million) for cost, volume and mix reasons, with an operating EBIT margin (RoS) of 13.1%, which was significantly down on the previous year (15.7%). The operating EBITDA was € 149.8 million and therefore 2.7% down on the previous year's value of € 154.0 million and led to an operating EBITDA margin of 17.5% of revenue as at March 2023 (previous year: 19.9%). The loss of Russia-based business above all was a burden, as were the high inflation rates globally.

COMMERCIAL VEHICLE SYSTEMS SEGMENT

		Q1/2023	Q1/2022
Revenues	€ million	1,052.9	894.9
thereof aftermarket	%	28	28
EBITDA	€ million	134.8	111.4
EBITDA margin	%	12.8	12.5
Operating EBITDA margin	%	12.8	12.5
EBIT	€ million	93.5	76.2
EBIT margin	%	8.9	8.5
Operating EBIT margin	%	9.0	8.5
Incoming orders	€ million	1,176.1	1,029.9
Order book (March 31)	€ million	2,090.6	1,831.8

Order intake in the Commercial Vehicle Systems segment was € 1,176.1 million in the first three months of 2023 and was therefore a significant 14.2% up on the previous year. In the European and North American markets in particular, the commercial vehicle industry continues to see high demand accompanied by a noticeable recovery in the Chinese market. This can also be seen in the development of the truck production rate, the main driving force for the Commercial Vehicle Systems segment, which developed positively year over year in Europe, North America and China. As a result of the positive orders in the second half of 2022, the order book as at March 31, 2023, was a significant 14.1% up on the previous year and reached a new record high.

The revenue of € 1,052.9 million attained as at the end of March 2023 was 17.7% up on the previous year. The year-over-year increase in revenue could be seen in the OE as well as aftermarket businesses and exhibited an at least stabilizing effect in almost all regions. As a result of this development and significant growth in the aftermarket, the share of aftermarket revenue in the total revenue of the Commercial Vehicle Systems division as at March 2023 increased slightly to 28.2% compared with the previous year (27.8%).

The operating EBIT in the Commercial Vehicle Systems segment successfully rose by a significant 24.8% from the previous year to € 95.2 million as at the end of March 2023. This also led to the operating EBIT margin (RoS) increasing to 9.0% compared with the previous year (8.5%). Key factors in this included passing on the cost increases caused by inflation to customers as well as the positive margin contributions of the Cojali companies acquired the previous year. Operating EBITDA, at € 134.8 million, was a significant 21.0% up on the previous year (€ 111.4 million) for cost and mix reasons, leading to an EBITDA margin of 12.8% as at March 2023 (previous year: 12.5%).

REVENUE BY COUNTRY OF KNORR-BREMSE COMPANY

in € million	Q1/2023	Q1/2022
Europe/Africa	956.6	847.2
North America	494.6	387.8
South America	34.5	34.4
Asia-Pacific	421.8	400.1
	1,907.6	1,669.4

As at the end of March 2023, 50% of the Group's revenue was attributable to the Europe/Africa region (previous year: 51%), 26% to North America (previous year: 23%), 2% to South America (previous year: 2%) and 22% (previous year: 24%) to Asia-Pacific.

SPECIAL EVENTS DURING THE REPORTING PERIOD

You can find explanations of the special events in business development in the “Events after the Reporting Date” chapter of the Annual Report 2022. The changes in the Executive Board must be designated as a special event during the reporting period. It is described further in the report.

Acquisition of Westcode (U.K.) Limited

Knorr-Bremse Systeme für Schienenfahrzeuge GmbH acquired Westcode (U.K.) Limited for a preliminary purchase price of approximately € 2.7 million through a purchase agreement dated December 22, 2022. The transaction closed on February 28, 2023, and was paid in cash on March 31, 2023. The goodwill of approximately € 0.2 million results mainly from the customer base that was obtained. Furthermore, the Group expects a positive effect of approximately € 3,3 million on 2023 revenue and a loss contribution of approximately € 0.2 million to pre-tax income (including when considering the effects of purchase price allocation). By acquiring Westcode (U.K.) Limited, Knorr-Bremse is expanding its business in the fields of air supply and braking and door systems in the British market.

Establishment of Knorr-Bremse Systems for Rail Vehicles Kazakhstan Limited Liability Partnership

A new company, Knorr-Bremse Systems for Rail Vehicles Kazakhstan Limited Liability Partnership, was established in February 2023 and incorporated into the consolidated financial statements.

EVENTS AFTER THE REPORTING DATE

Planned Sale of Foundry at R.H. Sheppard Co., Inc.

On April 28, 2023, Knorr-Bremse signed a sales agreement for the sale of the foundry and associated production buildings of R.H. Sheppard Co., Inc. The closing is expected to take place in the second quarter of 2023. The sales price is in the low double-digit million euro range. The sale of the foundry of R.H. Sheppard Co., Inc. is part of a portfolio optimization at the company.

Establishment of the Heinz Hermann Thiele Family Foundation

According to the press release published by the family foundation on April 11, 2023, the Heinz Hermann Thiele Family Foundation commenced operations on April 6, 2023 following its recognition. The family foundation's assets will include, among other things, the late Heinz Hermann Thiele's indirect interests in Knorr-Bremse. According to the press release, the foundation's operational management is vested in a three-person management board, advised and monitored by a foundation board. The foundation is based in Grünwald bei München.

On April 11, 2023, the Company received notification from the Heinz Hermann Thiele Family Foundation in accordance with section 38 (1) No. 1 of the German Securities Trading Act (WpHG) of a claim arising from a bequest concerning 58.99% of the shares in Knorr-Bremse.

Knorr-Bremse Truck Services Launched in the South American Market

At Automec 2023, the largest trade fair for the aftermarket in South America, Knorr-Bremse announced the launch of Knorr-Bremse TruckServices, the CVS aftermarket brand, in South America in late April 2023. On top of that, Knorr-Bremse also announced an expansion of its strategic partnership in South America and the local launch of a portfolio broadened to include wheel bearings and hubs from Spanish wheel bearing specialist Fersa Bearings.

OUTLOOK

Knorr-Bremse confirms its EBIT and cash flow guidance for the 2023 fiscal year as issued on February 23, 2023. Assuming that current exchange rates remain as they are, that geopolitical and macroeconomic environments remain mostly stable, that there are no new Covid-19 lockdowns, that inflationary cost increases will be compensated and that there are no additional supply chain issues caused by potential energy shortages, Knorr-Bremse expects revenue of € 7,300 million to € 7,700 million (2022: € 7,150 million), an operating EBIT margin between 10.5% and 12.0% (2022: 11.1%) and a free cash flow between € 350 million and € 550 million. The assessment of the development of all the other most significant financial performance indicators also remains unchanged.

CONSOLIDATED STATEMENT OF INCOME

CONSOLIDATED STATEMENT OF INCOME

In € thousand	Q1/2023	Q1/2022
Revenues	1,907,573	1,669,371
Change in inventory of unfinished/finished products	5,370	53,985
Own work capitalized	27,100	24,633
Total operating performance	1,940,043	1,747,989
Other operating income	22,317	30,836
Cost of materials	(979,872)	(898,627)
Personnel expenses	(495,631)	(455,021)
Other operating expenses	(210,288)	(171,192)
Earnings before interest, tax, depreciation and amortization (EBITDA)	276,569	253,985
Depreciation, amortization and impairment	(86,485)	(72,436)
Earnings before interest and taxes (EBIT)	190,084	181,549
Interest income	8,772	6,327
Interest expenses	(21,495)	(11,710)
Other financial result	9,771	(4,331)
Income before taxes	187,132	171,835
Taxes on income	(54,612)	(45,751)
Profit/loss transfer	-	-
Net income	132,520	126,084
Thereof attributable to:		
Profit (loss) attributable to non-controlling interests	7,853	2,640
Profit (loss) attributable to the shareholders of Knorr-Bremse AG	124,667	123,444
Earnings per share in €		
basic	0.77	0.77
diluted	0.77	0.77

CONSOLIDATED BALANCE SHEET

CONSOLIDATED BALANCE SHEET

In € thousand	March 31, 2023	Dec. 31, 2022
Assets		
Intangible assets	771,207	766,433
Goodwill	566,514	573,719
Property, plant and equipment	1,819,998	1,814,451
Investments accounted for using the equity method	75,280	79,567
Other financial assets	147,658	122,822
Other assets	94,872	92,427
Income tax receivables	754	282
Assets from employee benefits	24,051	19,499
Deferred tax assets	130,501	140,459
Non-current assets	3,630,835	3,609,659
Inventories	1,267,113	1,141,940
Trade accounts receivable	1,644,470	1,343,305
Other financial assets	139,438	103,116
Other assets	169,901	177,694
Contract assets	73,729	69,491
Income tax receivables	39,721	53,880
Cash and cash equivalents	954,097	1,342,587
Assets held for sale and disposal groups	169,510	170,245
Current assets	4,457,979	4,402,258
Total equity and liabilities	8,088,814	8,011,917

CONSOLIDATED BALANCE SHEET

In € thousand	March 31, 2023	Dec. 31, 2022
Equity		
Subscribed capital	161,200	161,200
Capital reserves	13,884	13,884
Retained earnings	10,320	10,320
Other components of equity	(138,097)	(123,910)
Profit carried forward	2,500,295	2,012,614
Profit attributable to the shareholders of Knorr-Bremse AG	124,666	487,680
Equity attributable to the shareholders of Knorr-Bremse AG	2,672,268	2,561,788
Equity attributable to non-controlling interests	135,915	129,533
thereof share of non-controlling interests in net income	7,853	18,575
Equity	2,808,183	2,691,321
Liabilities		
Provisions for pensions	223,882	219,835
Provisions for other employee benefits	17,804	21,536
Other provisions	184,691	194,192
Financial liabilities	2,042,509	2,022,161
Other liabilities	6,451	2,867
Income tax liabilities	6,430	5,782
Deferred tax liabilities	191,034	188,737
Non-current liabilities	2,672,801	2,655,110
Provisions for other employee benefits	6,648	10,486
Other provisions	169,624	171,381
Trade accounts payable	1,260,183	1,213,954
Financial liabilities	567,641	655,896
Other liabilities	100,631	106,441
Contract liabilities	207,473	214,258
Income tax liabilities	144,856	137,950
Liabilities directly associated with assets held for sale	150,774	155,120
Current liabilities	2,607,830	2,665,486
Liabilities	5,280,631	5,320,596
Total equity and liabilities	8,088,814	8,011,917

CONSOLIDATED STATEMENT OF CASH FLOWS

CONSOLIDATED STATEMENT OF CASH FLOWS

In € thousand	Q1/2023	Q1/2022
Net income (including earnings share of minority interests)	132,518	126,085
Adjustments for		
Depreciation, amortization and impairment losses on intangible assets and property, plant and equipment	86,485	72,436
Change of impairment on inventories	5,634	(2,168)
Change of impairment on trade accounts receivable and contract assets	6,698	3,184
(Gain)/loss on the disposal of fixed assets	819	(71)
Adding to, reversing and discounting provisions	18,945	5,429
Non-cash changes in the measurement of derivatives	(26,870)	7,302
Other non-cash expenses and income	(18,661)	(1,724)
Interest result	12,723	5,383
Investment result	4,077	3,658
Income tax expense	54,612	45,751
Income tax payments	(28,966)	(64,815)
Changes of		
inventories, trade accounts receivable and other assets that cannot be allocated to investing or financing activities	(442,176)	(361,901)
trade accounts payable as well as other liabilities that cannot be allocated to investing or financing activities	86,049	2,959
Provisions due to utilization	(28,911)	(31,118)
Cash flow from operating activities	(137,024)	(189,611)
Disbursements for investments in intangible assets	(29,150)	(28,700)
Proceeds from the sale of property, plant and equipment	2,364	22,630
Disbursements for investments in property, plant and equipment	(35,137)	(35,626)
Proceeds from financial investments and from the sale of investments	11,816	17,755
Disbursements for investments in financial assets	(39,568)	(12,830)
Disbursements for the acquisition of consolidated companies and other business units	(25,406)	-
Interest received	5,424	2,428
Disbursements for investments in plan assets (pensions)	(1,036)	(999)
Cash flow from investing activities	(110,692)	(35,341)
Proceeds from borrowings	9,236	10,967
Disbursements from the repayment of borrowings	(4,752)	(5,008)
Disbursements for lease liabilities	(17,515)	(16,205)
Interest paid	(6,111)	(5,606)
Dividends paid to non-controlling interests	-	(14,235)
Payments for acquisition of non-controlling interests	-	(6,498)
Proceeds from grants and subsidies	2,061	433
Cash flow from financing activities	(17,080)	(36,154)
Cash flow changes	(264,797)	(261,107)
Change in cash funds resulting from exchange rate and valuation-related movements	(11,614)	11,426
Change in cash funds	(276,411)	(249,681)
Cash funds at the beginning of the period	1,210,739	1,326,495
Cash funds at the end of the period	934,327	1,076,814
Cash and cash equivalents	954,097	1,113,818
Short-term securities available for sale	2	2
Reclassification as assets held for sale and disposal groups	4,342	-
Short-term bank debt (less than 3 months)	(24,114)	(37,006)

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

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

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