

Quarterly Statement
January 1 to September 30, 2021

Q3



KNORR-BREMSE

Quarterly Statement

JANUARY 1 TO SEPTEMBER 30, 2021
KNORR-BREMSE AG

KNORR-BREMSE GROUP KEY PERFORMANCE INDICATORS (IFRS)

		Nine Months		Third Quarter	
		2021	2020	2021	2020
Revenues	€ million	5,008.1	4,589.3	1,589.2	1,533.5
EBITDA	€ million	916.3	804.2	284.2	268.7
EBITDA margin	%	18.3	17.5	17.9	17.5
Operating EBITDA margin	%	18.4	17.5	18.1	17.5
EBIT	€ million	708.5	592.1	213.1	194.6
EBIT margin	%	14.1	12.9	13.4	12.7
Operating EBIT margin	%	14.2	12.9	13.6	12.7
Net income	€ million	496.2	397.5	150.1	140.5
Earnings per share (basic)	€	2.97	2.29	0.91	0.82
Incoming orders	€ million	5,038.1	4,355.0	1,435.2	1,627.9
Order book (September 30)	€ million	5,006.9	4,457.7	5,006.9	4,457.7
Operating cash flow	€ million	488.7	369.4	265.1	250.8
Free cash flow	€ million	297.0	168.5	188.8	181.8
Cash conversion rate	%	59.9	42.4	125.8	129.4
Capital expenditure (before IFRS 16 and acquisitions)	€ million	212.0	230.0	82.5	82.1
Capital expenditure as % of revenues	%	4.2	5.0	5.2	5.4
R&D costs	€ million	315.6	294.0	103.8	99.2
R&D as % of revenues	%	6.3	6.4	6.5	6.5
		Sept. 30, 2021	Dec. 31, 2020		
Total assets	€ million	7,426.2	7,390.0		
Equity (incl. non-controlling interests)	€ million	2,222.0	1,921.7		
Equity ratio	%	29.9	26.0		
ROCE (annualized)	%	25.3	25.6		
Net financial debt/(cash)	€ million	33.5	(102.8)		
Net working capital	€ million	1,121.8	746.4		
Employees (at reporting date incl. leased personnel)		30,612	29,714		

FIRST NINE MONTHS OF 2021

- ▮ Incoming orders of € 5,038.1 million up 15.7% on the prior-year level, primarily due to a very significant recovery in demand in the commercial vehicle business's core markets
- ▮ Order book at € 5,006.9 million increased by as much as 12.3% year-on-year
- ▮ Revenues up 9.1% on the previous year at € 5,008.1 million as a result of noticeable growth in the global OE business in the Commercial Vehicle Systems segment
- ▮ Despite a moderate increase in aftermarket revenues in absolute terms, the share of total revenues fell from 37.1% to 35.0%
- ▮ Strong increase in profitability: operating EBIT up 20.2% to € 711.7 million, 130 basis point margin increase (ROS) compared with the previous year (12.9%) to 14.2% of revenues underlines profitable growth; operating EBITDA margin at 18.4% also up year-on-year (17.5%)
- ▮ Stable R&D ratio of 6.3% of revenues (previous year: 6.4%) due to continued investments in strategic, forward-looking innovation and technology projects
- ▮ Free cash flow significantly improved at € 297.0 million, up 76.2% year-on-year (€ 168.5 million) due among other things to a higher earnings contribution and an improved net working capital
- ▮ Knorr-Bremse sees itself on course and has narrowed the guidance for FY 2021:
 - ▮ Revenues: € 6,600 million to € 6,800 million (2020: € 6,157 million)
 - ▮ Operating EBIT margin: 13.0% to 13.5% (2020: 13.2%)

BUSINESS PERFORMANCE IN THE NINE MONTHS OF 2021

Incoming orders up 15.7%

The Knorr-Bremse Group's order intake was significantly positive at € 5,038.1 million as of the end of September 2021, up 15.7% or € 683.1 million on the same period of the previous year. This was attributable in particular to strong demand in the global commercial vehicle market. By contrast, demand in the rail vehicle market decreased in all regions, due among other things to Covid-19 and as a result of projects being postponed. This was particularly the case in Asia, where business in China and Australia took a substantial hit, as well as in Europe. In the commercial vehicle segment, however, global commercial vehicle production experienced a dynamic upturn, which is reflected in an increased order volume as of September 2021. Significant growth was seen in all regions compared with the previous year, especially in the European market and the North American market.

The positive trend in the order situation led to an order book of € 5,006.9 million at the end of September 2021, which was significantly (12.3%) higher than the corresponding prior-year level (€ 4,457.7 million) and will provide a solid basis for revenue development in the upcoming quarters.

Revenues up compared with previous year: +9.1%

In the first nine months of the 2021 fiscal year, revenues of the Knorr-Bremse Group rose by 9.1% or € 418.8 million to € 5,008.1 million. The growth in revenues was attributable to significant growth in the Commercial Vehicle Systems segment, which more than made up for the decrease in revenues in the Rail Vehicle Systems segment that was largely due to a declining OE volume and to aftermarket revenues that fell slightly short of the prior-year level. The OE business declined in Europe primarily in the areas of mass transit (metro cars and light rail vehicles) and locomotives and in North America because of a weaker regional & commuter business plus a diminishing freight business. Market factors led to a fall in OE revenues in the Asia region in the metro cars, high-speed trains and railway carriage businesses. The aftermarket business was slightly below the prior-year level in absolute terms, also due to Covid-19. However, at 44.7%, **the aftermarket share of the division's total revenues** was slightly higher than in the same period of the previous year (44.1%). In the Commercial Vehicle Systems segment, the significant rise in revenues was chiefly attributable to an increase in the number of trucks being produced worldwide, increased content per vehicle and related revenue growth in the OE business, mainly in the core markets of Europe and North America and in Asia, principally in China. As a result of very strong growth in the OE business, despite a sharp rise in aftermarket revenues, **the Commercial Vehicle Systems division's total revenues of 25.7%** decreased compared with the previous year (28.3%).

At Group level, despite an increase in aftermarket revenues in absolute terms, the share of total revenues was 35.0% (breakdown in accordance with management reporting), down overall on the prior-year figure of 37.1% due to a sharper rise in OE revenues.

High profitability: EBIT margin (ROS) and EBITDA margin exhibit growth

In the first nine months of 2021, operating EBIT of € 711.7 million was generated with an operating EBIT margin (ROS) of 14.2% (previous year: 12.9%). This is € 119.6 million or 20.2% more than in the prior-year period and was mainly attributable to volume effects from increasing OE business with good conversion despite increased freight and procurement costs. Along with a positive trend in volume, lasting effects from our cost-cutting program had a positive impact on the Group's profitability indicators.

Operating EBITDA of € 919.5 million also saw a significant, volume-related increase of € 115.3 million or 14.3%. At 18.4%, the operating EBITDA margin was solidly higher than the prior-year level of 17.5% and therefore showed a margin increase of 90 basis points compared with the previous year.

To determine operating earnings figures (EBIT/EBITDA, also as a percentage of revenues), restructuring expenses for the Rail Vehicle Systems division in North America were adjusted by € 3.1 million against the reported earnings figures.

CONSOLIDATED STATEMENT OF INCOME (CONDENSED)

in € million	Nine Months		Third Quarter	
	2021	2020	2021	2020
Revenues	5,008.1	4,589.3	1,589.2	1,533.5
Change in inventory of unfinished/finished products	70.2	7.6	17.9	(6.7)
Own work capitalized	59.9	56.9	20.7	19.6
Total operating performance	5,138.2	4,653.9	1,627.9	1,546.5
Cost of materials	(2,563.4)	(2,204.7)	(816.0)	(736.4)
Personnel expenses	(1,227.5)	(1,144.0)	(396.7)	(374.9)
Other operating income and expenses	(431.0)	(500.9)	(131.1)	(166.5)
EBITDA	916.3	804.2	284.2	268.7
Depreciation, amortization and impairment	(207.8)	(212.1)	(71.1)	(74.1)
EBIT	708.5	592.1	213.1	194.6
Financial result	(32.3)	(43.0)	(14.6)	(3.1)
Income before taxes	676.2	549.1	198.5	191.5
Taxes on income	(180.1)	(151.6)	(48.4)	(51.0)
Net income	496.2	397.5	150.1	140.5
thereof profit (loss) attributable to non-controlling interests	16.9	28.3	4.1	8.4

The cost of materials ratio increased by a total of 320 basis points to 51.2% of revenues in the first nine months of 2021, in part due to a changed sales mix and as a result of the increased costs for freight and procurement owing to the scarcity of semiconductors and other components. However, this trend was offset by a slight decrease in the personnel expenses ratio of 40 basis points from 24.9% to 24.5% resulting from a disproportionately large rise in revenues. Furthermore, the total of other operating income and expenses decreased by 230 basis points from 10.9% to 8.6% of revenues. At 4.1% of sales, depreciation, amortization and impairment remained moderately below the prior-year level (4.6%). The financial result was up on the prior-year figure, which had been impacted in particular by negative currency translation differences, and reduced earnings before taxes by a total of € 32.3 million. Income before taxes, at 13.5% of revenues, was a significant 150 basis points above the corresponding prior-year level of 12.0%. This was due not only to a positive EBIT contribution but also to the improved financial result.

The tax rate fell by 100 basis points from 27.6% to 26.6% in the first nine months of 2021. As a result, net income as of September 2021 accounted for 9.9% of revenues, solidly above the prior-year level (8.7%).

FINANCIAL SITUATION

FREE CASH FLOW

in € million	Nine Months	
	2021	2020
Net income (including minority interests)	496.2	397.5
Depreciation, amortization and impairment losses on intangible assets and property, plant and equipment	207.8	212.1
Adding to, reversing and discounting provisions	65.0	132.3
Non-cash changes in the measurement of derivatives	34.4	16.0
Other non-cash expenses and income	(1.6)	(15.8)
Income tax expense	180.1	151.6
Income tax payments	(128.8)	(66.1)
Changes in inventories, trade accounts receivable and other assets which cannot be allocated to investing or financing activities	(386.3)	(386.7)
Changes in trade accounts payable and other liabilities which cannot be allocated to investing or financing activities	66.1	13.4
Changes in provisions due to utilization	(85.0)	(133.0)
Other	40.9	48.2
Cash flow from operating activities	488.7	369.4
Cash changes in intangible assets and property, plant and equipment	(191.7)	(200.9)
Free cash flow	297.0	168.5

The cash inflow from operating activities increased by € 119.3 million year-on-year to € 488.7 million in the first nine months of 2021. In addition to an increase in net income of € 98.7 million or 24.8% to € 496.2 million, this was also due to a remaining payment of €50.0 million received in the first quarter of 2021 as part of the sale-and-leaseback transaction for the northern part of the Munich site carried out in 2019, as well as to improved net working capital.

Free cash flow in the first nine months of 2021 amounted to € 297.0 million, up € 128.5 million on the prior-year level (€ 168.5 million). This is mainly attributable to the higher cash flow from operating activities as well as to slightly lower disbursements for investments in intangible assets and property, plant and equipment.

CURRENT AND NON-CURRENT ASSETS

in € million	Sept. 30, 2021	Dec. 31, 2020
Intangible assets and goodwill	986.9	887.8
Property, plant and equipment	1,618.1	1,544.7
Other non-current assets	444.6	360.1
Non-current assets	3,049.6	2,792.6
Inventories	1,009.4	844.6
Trade accounts receivable	1,424.8	1,141.1
Other financial assets	38.7	39.8
Contract assets	83.7	84.2
Cash and cash equivalents	1,640.6	2,277.0
Other current assets	179.5	210.5
Current assets	4,376.6	4,597.3

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

Overall, net working capital in absolute terms decreased slightly by € 59.2 million to € 1,121.8 million compared with the first nine months of 2020 (€ 1,181.1 million). The commitment in revenue days improved by 9.0 days to 60.5 days and was thus markedly below the prior-year level (69.5 days).

CAPITAL EXPENDITURE

		Nine Months	
		2021	2020
Capital expenditure (before IFRS 16 and acquisitions)	€ million	212.0	230.0
Capital expenditure as % of revenues	%	4.2	5.0

Investments in intangible assets and property, plant and equipment decreased moderately compared with the previous year. The comparatively high capital expenditure as a percentage of revenues in the previous year was due to the low sales volume owing to Covid-19. Major investments were made in forward-looking research and development projects in the first nine months of 2021, including in the areas of automated driving and the further development of the steering systems business and electrification. Furthermore, investments were made for expanding the capacity of high-growth product groups and for automation projects.

CONSOLIDATED EQUITY

in € million	Sept. 30, 2021	Dec. 31, 2020
Subscribed capital	161.2	161.2
Other equity	1,970.3	1,669.5
Equity attributable to the shareholders	2,131.5	1,830.7
Non-controlling interests	90.6	91.0
Total equity	2,222.0	1,921.7

As of September 30, 2021, the Knorr-Bremse Group had an equity ratio of 29.9%. The increase compared with December 31, 2020 (26.0%) was mainly due to a higher earnings contribution.

CURRENT AND NON-CURRENT LIABILITIES

in € million	Sept. 30, 2021	Dec. 31, 2020
Provisions (incl. pensions)	599.4	641.3
Financial liabilities	1,211.3	1,158.7
Other non-current liabilities	222.9	176.2
Non-current liabilities	2,033.6	1,976.2
Trade accounts payable	1,112.5	1,027.7
Financial liabilities	1,411.8	1,818.2
Contract liabilities	283.5	295.9
Other liabilities	362.8	350.3
Current liabilities	3,170.6	3,492.1
Total liabilities	5,204.2	5,468.3

There were significant changes in financial liabilities compared with December 31, 2020, especially in liabilities to banks. Overall, **these decreased by €489.4 million as of September 30, 2021**. This reduction is due primarily to the repayment in full in the first half of 2021 of the remaining credit facilities of € 500.0 million from the Covid-19 action program. By contrast, other financial liabilities and lease liabilities increased. Moreover, there was a growth-related **increase of € 84.8 million in trade accounts payable**.

The following debt financing existed as of September 30, 2021:

- » Corporate bond of Knorr-Bremse AG in the amount of € 500.0 million (maturing in December 2021)
- » Corporate bond of Knorr-Bremse AG in the amount of € 750.0 million (maturing in June 2025)
- » Bank liabilities of Knorr-Bremse Group in the amount of € 115.2 million
- » Leases liabilities in the amount of € 426.3 million.

EMPLOYEES

AVERAGE NUMBER OF EMPLOYEES

	Nine Months	
	2021	2020
Wage earners	15,741	14,694
thereof leased personnel	2,819	2,381
Salaried employees	14,387	13,906
thereof leased personnel	227	216
Trainees	221	200
Total	30,349	28,800

At the end of September 2021, the Group had an average of 30,349 employees (previous year: 28,800). The figures relate to full-time equivalents (FTE). The moderate increase (54%) compared with the corresponding prior-year period was mainly attributable to the significant sales growth in the Commercial Vehicle Systems segment and was seen here primarily in production. In the Rail Vehicle Systems segment, the average number of employees rose only slightly and was attributable in part to the acquisition of the EVAC Group with 105 employees and to a strategic development for forward-looking topics, including in the R&D area.

INFORMATION ON REPORTABLE SEGMENTS

REVENUES BY SEGMENT

in € million	Nine Months	
	2021	2020
Rail Vehicle Systems	2,483.0	2,580.6
Commercial Vehicle Systems	2,567.5	2,046.0
Total (HGB)	5,050.6	4,626.7
Reconciliation to IFRS (Rail Vehicle Systems)	(23.3)	(18.1)
Reconciliation to IFRS (Commercial Vehicle Systems)	(18.1)	(19.8)
Other segments and consolidation	(1.0)	0.5
Group	5,008.1	4,589.3

EBT BY SEGMENT

in € million	2021	2020
Rail Vehicle Systems	404.8	451.3
Commercial Vehicle Systems	238.2	113.4
Total (HGB)	643.0	564.7
Reconciliation to IFRS (Rail Vehicle Systems)	19.8	7.1
Reconciliation to IFRS (Commercial Vehicle Systems)	50.8	31.7
Other segments and consolidation	(37.4)	(54.4)
Group	676.2	549.1

Our two segments performed as follows in the first nine months of 2021:

RAIL VEHICLE SYSTEMS SEGMENT

		Nine Months		Third Quarter	
		2021	2020	2021	2020
Revenues	€ million	2,459.7	2,562.5	805.1	821.7
thereof aftermarket	%	45	44	45	44
EBITDA	€ million	531.6	568.1	170.9	177.9
EBITDA margin	%	21.6	22.2	21.2	21.6
Operating EBITDA margin	%	21.7	22.2	21.6	21.6
EBIT	€ million	439.8	472.0	138.9	146.3
EBIT margin	%	17.9	18.4	17.3	17.8
Operating EBIT margin	%	18.0	18.4	17.6	17.8
Incoming orders	€ million	2,189.7	2,390.0	739.2	725.7
Order book (September 30)	€ million	3,451.4	3,400.5	3,451.4	3,400.5

Incoming orders in the Rail Vehicle Systems segment fell by a total of €200.3 million year-on-year, partly due to the impact of Covid-19 and to postponements of projects, and resulting in an order intake of €2,189.7 million as of the end of September 2021 (previous year: €2,390.0 million). After Europe, the Asian market – and here in particular the Chinese business – was the hardest hit. By contrast, the order book as of September 30, 2021 rose by 1.5% to €3,451.4 million (previous year: €3,400.5 million), buoyed by the high order volume in the fourth quarter of 2020.

Revenues in the Rail Vehicle Systems segment came to €2,459.7 million in the first nine months of 2021, down by -4.0% compared with the previous year. In addition to a decrease in OE revenues, this also stemmed from slightly lower aftermarket revenues. In Europe, a decline in revenues from mass transit (metro cars and light rail vehicles) and locomotives was offset by growth in the business for high-speed trains and regional & commuter. The year-on-year drop in OE revenues in North America was attributable to the regional & commuter business and to the freight business. Declining OE revenues in Asia were due to the Chinese high-speed trains and metro cars business, but also to the railway carriage business in India, and were offset only in part by growth in regional & commuter and light rail vehicles. At 44.7%, **the aftermarket share of the division's total revenues was slightly above the previous year's level (44.1%)**, with moderate growth in Europe being offset by decreases in aftermarket

revenues in the Chinese and American markets, which was due in part to extended overhaul cycles for trains in China. The acquisition of the EVAC Group as of the end of the first half of 2021 added € 17.5 million to revenues as of September 2021.

Owing to volume and mix factors, operating EBIT at € 443.0 million as of September 2021 was down -6.1% on the prior-year level (€ 472.0 million), giving an operating EBIT margin (ROS) of 18.0%, moderately below the preceding year (18.4%). The division benefited among other things from the cost-cutting program launched in the previous year, which had a stabilizing effect. Operating EBITDA at € 534.7 million was also down moderately by -5.9% on the prior-year figure of € 568.1 million due to volume and mix factors, giving an operating EBITDA margin of 21.7% of revenues as of September 2021 (previous year: 22.2%). To determine operating earnings figures (EBIT/EBITDA, also as a percentage of revenues), the above-mentioned restructuring expenses in North America were adjusted by € 3.1 million against the reported earnings figures.

COMMERCIAL VEHICLE SYSTEMS SEGMENT

		Nine Months		Third Quarter	
		2021	2020	2021	2020
Revenues	€ million	2,549.4	2,026.3	784.5	711.6
thereof aftermarket	%	26	28	29	27
EBITDA	€ million	399.8	259.8	119.4	101.6
EBITDA margin	%	15.7	12.8	15.2	14.3
Operating EBITDA margin	%	15.7	12.8	15.2	14.3
EBIT	€ million	298.7	158.0	84.8	63.8
EBIT margin	%	11.7	7.8	10.8	9.0
Operating EBIT margin	%	11.7	7.8	10.8	9.0
Incoming orders	€ million	2,849.7	1,962.6	696.7	902.0
Order book (September 30)	€ million	1,569.3	1,070.6	1,569.3	1,070.6

The order intake in the Commercial Vehicle Systems segment at € 2,849.7 million for the first nine months of 2021 was very significantly up by 45.2% on the corresponding prior-year period fueled by a global market recovery that benefited all regions. Here, the positive development of the order situation was boosted by the high level in the first half of 2021. In the third quarter of 2021, persistent supply bottlenecks for the entire commercial vehicle industry led to reduced production volumes for commercial vehicle manufacturers and thus to postponements and declining order intake, particularly in Europe and North America. The Asia/Pacific region likewise registered diminishing orders in the third quarter of 2021 after a new emissions standard in China had previously led to pull-forward effects. The significant overall growth in incoming orders in the first nine months of the fiscal year was also reflected positively in the order book, which as of September 30, 2021 was very significantly up by 46.6% on the corresponding prior-year figure and remained at a high level.

At € 2,549.4 million as of the end of September 2021, revenues were down by a significant 25.8% on the same period of the previous year. Despite the aforementioned supply bottlenecks throughout the commercial vehicle industry, the growth in revenues year-on-year was largely attributable to an increase in the number of trucks being produced worldwide and related revenue growth in the OE business, mainly in the core markets of North America and Europe and in Asia/Pacific, particularly in China. The aftermarket share of revenues also saw marked growth, especially in the German and North American markets. However, the share of aftermarket revenue in the Commercial Vehicle Systems division's total revenues fell to 25.7% as of September 2021 compared with the previous year (28.3%) despite the growth in the aftermarket business, as a result of the even stronger rise in OE revenues.

Operating and reported EBIT in the Commercial Vehicle Systems segment jumped by as much as 89.1% to € 298.7 million as of the end of September 2021. This increased the EBIT margin (ROS) to 11.7%, a very significant margin improvement of 390 basis points compared with the previous year (7.8%) thanks to the positive operating leverage. The marked growth in revenues at the same time as consistent continuation of the cost control measures we implemented led to an improvement in probability despite increased freight and procurement costs. Reported and operating EBITDA was also up a very significant 53.8% to € 399.8 million on the same period of the prior year (€ 259.8 million), giving a EBITDA margin of 15.7% as of September 2021 (previous year: 12.8%).

REVENUE BY COUNTRY OF KNORR-BREMSE COMPANY

in € million	Nine Months		Third Quarter	
	2021	2020	2021	2020
Europe/Africa	2,375.1	2,082.1	765.7	709.2
North America	1,041.1	935.7	334.8	323.0
South America	88.0	53.9	33.5	18.8
Asia-Pacific	1,503.9	1,517.5	455.2	482.5
	5,008.1	4,589.3	1,589.2	1,533.5

As of the end of September 2021, 47% of the Group's revenues related to the Europe/Africa region (previous year: 45%), 21% to North America (previous year: 20%), 2% to South America (previous year: 1%), and 30% to Asia/Pacific (previous year: 33%).

SIGNIFICANT EVENTS IN THE REPORTING PERIOD

Explanations of the significant events in the course of business can be found in the notes to the condensed interim consolidated financial statements as of June 30, 2021 in the sections entitled “Events in the reporting period” and “Events after the reporting date”. The acquisition of the EVAC Group, which is described in the “Changes in the scope of consolidation and acquisitions” section of the notes, is one of the significant events in the reporting period.

EVENTS AFTER THE REPORTING DATE

Changes in the Executive Board

Dr. Peter Laier, member of the Executive Board of Knorr-Bremse AG and globally responsible for the Commercial Vehicle Systems division (CVS), is to resign from the Executive Board at his own request with effect from December 31, 2021, in order to pursue new professional perspectives. The Supervisory Board of Knorr-Bremse AG has initiated the search for a successor. The division will be managed on an interim basis by the CEO Dr. Jan Mrosik from January 1, 2022.

Final purchase price payment for Bendix Spicer Foundation Brake LLC

The purchase price liability of €24.0 million recognized in connection with the acquisition of the minority interests in Bendix Spicer Foundation Brake LLC as of December 31, 2020 was settled in full as of October 1, 2021.

Stake taken in Israeli start-up Autobrains

Knorr-Bremse acquired a minority shareholding of 5.72% in the Israeli start-up **Autobrains** for € 22.5 million on October 28, 2021. The company provides video object recognition based on self-learning artificial intelligence (AI) to facilitate system solutions for **driver assistance systems and automated driving**. **Autobrains’ proven self-learning AI** technology has the potential to significantly shape ADAS and HAD development in the commercial vehicle industry. It needs less data and computing power, enabling significant reductions in development times and costs. The collaboration will complement the existing partnership between Knorr-Bremse and Continental with regard to radar and camera systems for driver assistance systems and automated driving.

OUTLOOK

We have narrowed our guidance for revenues, EBIT and EBITDA based on advanced business performance and compared with the assessment of the trends in the key performance indicators made in the 2020 Annual Report. Knorr-Bremse now expects **revenues of € 6,600 million to € 6,800 million (2020: € 6,157 million)** versus € 6,500–6,900 million previously, an operating EBIT margin of between 13.0% and 13.5% (2020: 13.2%) versus 13.0% to 14.5% previously, and an operating EBITDA margin of between 17.5% and 18.0% (2020: 18.0%) versus 17.5% to 19.0% previously. All other key financial performance indicators are expected to develop as previously forecast.

CONSOLIDATED STATEMENT OF INCOME

CONSOLIDATED STATEMENT OF INCOME

in € thousand	Nine Months	
	2021	2020
Revenues	5,008,139	4,589,311
Change in inventory of unfinished/finished products	70,161	7,608
Own work capitalized	59,889	56,944
Total operating performance	5,138,189	4,653,863
Other operating income	70,564	76,166
Cost of materials	(2,563,369)	(2,204,741)
Personnel expenses	(1,227,458)	(1,144,028)
Other operating expenses	(501,591)	(577,079)
Earnings before interest, tax, depreciation and amortization (EBITDA)	916,335	804,180
Depreciation, amortization and impairment	(207,795)	(212,074)
Earnings before interest and taxes (EBIT)	708,540	592,107
Interest income	12,070	14,000
Interest expenses	(37,241)	(35,801)
Other financial result	(7,159)	(21,202)
Income before taxes	676,210	549,104
Taxes on income	(180,054)	(151,648)
Net income	496,156	397,456
Thereof attributable to:		
Profit (loss) attributable to non-controlling interests	16,933	28,269
Profit (loss) attributable to the shareholders of Knorr-Bremse AG	479,223	369,187
Earnings per share in €		
basic	2.97	2.29
diluted	2.97	2.29

CONSOLIDATED BALANCE SHEET

CONSOLIDATED BALANCE SHEET

In € thousand	Sept. 30, 2021	Dec. 31, 2020
Assets		
Intangible assets	574,156	491,595
Goodwill	412,779	396,174
Property, plant and equipment	1,618,136	1,544,731
Investments accounted for using the equity method	23,043	24,663
Other financial assets	195,938	140,786
Other assets	75,341	57,276
Income tax receivables	1,704	–
Assets from employee benefits	22,032	20,995
Deferred tax assets	126,512	116,416
Non-current assets	3,049,641	2,792,636
Inventories	1,009,415	844,590
Trade accounts receivable	1,424,754	1,141,139
Other financial assets	38,732	39,828
Other assets	137,953	161,793
Contract assets	83,656	84,217
Income tax receivables	41,509	48,714
Cash and cash equivalents	1,640,585	2,277,048
Current assets	4,376,604	4,597,329
Total assets	7,426,245	7,389,965

CONSOLIDATED BALANCE SHEET

In € thousand	Sept. 30, 2021	Dec. 31, 2020
Equity		
Subscribed capital	161,200	161,200
Capital reserves	13,884	13,884
Retained earnings	13,300	13,300
Other components of equity	(250,934)	(317,579)
Profit carried forward	1,714,824	1,464,349
Profit attributable to the shareholders of Knorr-Bremse AG	479,223	495,499
Equity attributable to the shareholders of Knorr-Bremse AG	2,131,497	1,830,653
Equity attributable to non-controlling interests	90,550	91,008
thereof share of non-controlling interests in net income	16,933	36,672
Equity	2,222,047	1,921,661
Liabilities		
Provisions for pensions	327,586	354,887
Provisions for other employee benefits	18,735	17,437
Other provisions	253,087	269,010
Financial liabilities	1,211,273	1,158,737
Other liabilities	4,284	3,490
Income tax liabilities	71,355	58,194
Deferred tax liabilities	147,297	114,482
Non-current liabilities	2,033,617	1,976,237
Provisions for other employee benefits	18,877	19,172
Other provisions	195,440	194,015
Trade accounts payable	1,112,523	1,027,682
Financial liabilities	1,411,799	1,818,194
Other liabilities	85,998	90,287
Contract liabilities	283,467	295,868
Income tax liabilities	62,476	46,849
Current liabilities	3,170,580	3,492,067
Liabilities	5,204,197	5,468,304
Total equity and liabilities	7,426,244	7,389,965

CONSOLIDATED STATEMENT OF CASH FLOWS

CONSOLIDATED STATEMENT OF CASH FLOWS

in € thousand	Nine Months	
	2021	2020
Net income (including minority interests)	496,156	397,456
Adjustments for		
Depreciation, amortization and impairment losses on intangible assets and property, plant and equipment	207,795	212,074
Change of impairment on inventories	1,982	11,562
Change of impairment on trade accounts receivable and contract assets	14,755	13,130
Loss on the sale of consolidated companies and other business units	–	111
(Gain)/loss on the disposal of fixed assets	(1,570)	2,165
Adding to, reversing and discounting provisions	64,967	132,304
Non-cash changes in the measurement of derivatives	34,364	15,983
Other non-cash expenses and income	(1,607)	(15,821)
Interest result	25,171	21,800
Investment result	566	(584)
Income tax expense	180,054	151,648
Income tax payments	(128,776)	(66,126)
Changes of		
Inventories, trade accounts receivable and other assets which cannot be allocated to investing or financing activities	(386,296)	(386,696)
Trade accounts payable as well as other liabilities which cannot be allocated to investing or financing activities	66,134	13,416
Provisions due to utilization	(84,996)	(133,031)
Cash flow from operating activities	488,700	369,393
Proceeds from the sale of intangible assets	888	15,055
Disbursements for investments in intangible assets	(77,283)	(88,217)
Proceeds from the sale of property, plant and equipment	16,476	11,464
Disbursements for investments in property, plant and equipment	(131,758)	(139,155)
Proceeds from financial investments and from the sale of investments	7,037	1,747
Disbursements for investments in financial assets	(69,707)	(2,997)
Proceeds from the sale of consolidated companies and other business units	–	552
Disbursements for the acquisition of consolidated companies and other business units	(86,905)	(125,911)
Interest received	6,976	7,651
Disbursements for investments in plan assets (pensions)	(2,454)	(2,710)
Cash flow from investing activities	(336,730)	(322,523)
Proceeds from borrowings	36,694	773,074
Disbursements from the repayment of borrowings	(522,840)	(119,700)
Disbursements for lease liabilities	(43,933)	(44,751)
Interest paid	(29,068)	(16,295)
Dividends paid to parent company shareholders	(245,024)	(290,160)
Dividends paid to non-controlling interests	(23,684)	(45,924)
Net payments from factoring	–	(15,356)
Disbursement from the settlement of derivatives	(301)	–
Proceeds from grants and subsidies	6,362	6,429
Cash flow from financing activities	(821,794)	247,317
Cash flow changes in cash funds	(669,825)	294,187
Change in cash funds resulting from exchange rate and valuation-related movements	38,136	(38,099)
Change in cash funds resulting from changes to the group structure	–	–
Change in cash funds	(631,689)	256,088
Cash funds at the beginning of the period	2,240,725	1,853,464
Cash funds at the end of the period	1,609,036	2,109,553
Cash and cash equivalents	1,640,585	2,131,637
Short-term securities available for sale	2	2
Short-term liabilities to banks (less than 3 months)	(31,551)	(22,084)

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.