

Press release

Munich, November 12, 2021

Knorr-Bremse delivers a very solid performance in the first nine months of 2021

- Order intake up 15.7% to EUR 5,038.1 million due to a very significant recovery in demand in commercial vehicle core markets
- Order book of EUR 5,006.9 million as of September 30, 2021 up 12.3% year-on-year
- Revenues grow by 9.1% to EUR 5,008.1 million in the first nine months largely due to appreciable growth in the global commercial vehicle business
- Strong increase in profitability: operating EBIT of EUR 711.7 million up 20.2% on the previous year, operating EBIT margin (Ros) expanded by 130 basis points to 14.2% (previous year: 12.9%)
- Operating EBITDA margin increased by 90 basis points to 18.4% from 17.5% in the previous year
- Full-year guidance for 2021 narrowed: revenue of EUR 6,600–6,800 million (2020: EUR 6,157 million), operating EBIT margin of between 13.0% and 13.5% (2020: 13.2%), operating EBITDA margin of between 17.5% and 18.0% (2020: 18.0%)

Munich, November 12, 2021 – Knorr-Bremse AG, the global market leader for braking systems and a leading supplier of other rail and commercial vehicle systems, achieved very good results in the first nine months of 2021 and reports a strong balance sheet for the third quarter.

Dr. Jan Mrosik, Chairman of the Executive Board of Knorr-Bremse AG: *“Knorr-Bremse showed a very good performance in the first nine months of 2021 in a demanding environment. Despite the challenges in the supply chain and postponements of projects in the rail market, we are well above the prior-year level on the whole. Demand remains robust and intact in our markets. We are strategically expanding our activities in the fields of digitalization and software and took an important step in our strategy for driver assistance systems and automated driving with our recent acquisition of a stake in the Israeli artificial intelligence (AI) start-up AutoBrains.”*

Frank Markus Weber, Chief Financial Officer of Knorr-Bremse AG: *“At around EUR 5 billion, the Group’s order book is up more than 12% on the prior-year period and will provide a solid basis for revenue development in the upcoming quarters. Thanks to our revenue growth and stringent cost management, we increased our operating EBIT margin (Ros) by 130 basis points year-on-year to over 14%. We also achieved a very good free cash flow result with a cash conversion rate of 126% in the third quarter of 2021.”*

Order intake up 15.7%, revenue increased by 9.1%

In the first nine months of 2021, Knorr-Bremse markedly increased order intake in the Group by 15.7% above the previous year’s level to EUR 5,038.1 million (previous year: EUR 4,355.0 million). This was based on strong demand in the global commercial vehicle market and led to the order book reaching EUR 5,006.9 million as of September 30, 2021 (previous year: EUR 4,457.7 million).

The dynamic development of the commercial vehicle market was also reflected in the Group’s revenues in the first nine months of the reporting year with a 9.1% rise to EUR 5,008.1 million (previous year: EUR 4,589.3 million).

Significant year-on-year growth was recorded primarily in the Europe and North American markets.

Significantly increased profitability: operating EBIT margin (Ros) rises to 14.2%

In the first nine months of 2021, operating EBIT (adjusted by restructuring expenses of RVS in North America) of EUR 711.7 million was achieved with an operating EBIT margin (ROS) of 14.2% (previous year: 12.9%). This is EUR 119.6 million or 20.2% more than in the same period of the previous year.

Operating EBITDA of EUR 919.5 million also saw a significant volume-related increase of EUR 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 on the previous year.

Free cash flow amounted to EUR 279.0 million in the first nine months of 2021, a very significant rise on the previous year's level of EUR 168.5 million.

Rail Vehicle Systems (RVS) sees stable margins despite slow market recovery

In the first nine months of 2021, the RVS division's business continued to be impacted by the Covid-19 pandemic, which led to postponement of projects. Incoming orders thus fell year-on-year by 8.4% from EUR 2,390.0 million to EUR 2,189.7 million. After Europe, especially the Asian market – and here in particular the Chinese business – was the hardest hit. By contrast, the order book increased by 1.5% to EUR 3,451.4 million as of September 30, 2021 (previous year: EUR 3,400.5 million).

The RVS division experienced a 4.0% decrease in revenues to EUR 2,459.7 million (previous year: EUR 2,562.5 million). The fall in revenue was primarily due to decreased OE volume, as well as to a slight year-on-year decline in revenues from the rail services business. In Europe, a decline in revenues from mass transit 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 weaker 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 only partly offset by growth in regional & commuter and light rail vehicles.

Operating EBIT (adjusted by restructuring expenses in North America) fell by 6.1% to EUR 439.8 million due to volume and mix effects (previous year: EUR 472.0 million); the operating EBIT margin (Ros) was nevertheless a comparatively robust 18.0% (previous year: 18.4%). At EUR 534.7 million for the first nine months, operating EBITDA was also moderately (5.9%) below the prior-year level (previous year: EUR 568.1 million) owing to volume and mix effects and led to an operating EBITDA margin of 21.7% (previous year: 22.2%).

Commercial Vehicle Systems (CVS) sees very strong revenue and earnings growth

Incoming orders in the CVS division increased by very significant 45.2% in the first nine months of 2021, bringing the order intake to EUR 2,849.7 million (previous year: EUR 1,962.6 million). This trend is attributable to a global market recovery that benefited all regions and boosted results in the first half of 2021 in particular. 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 growth in order intake was also reflected in the order book, which grew by a very significant 46.6% year-on-year to EUR 1,569.3 million as of September 30, 2021 (previous year: EUR 1,070.6 million).

In terms of revenues, CVS recorded significant growth of 25.8% to EUR 2,549.4 million in the first nine months of 2021 (previous year: EUR 2,026.3 million). Despite supply bottlenecks throughout the commercial vehicle industry, this was largely 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 Europe and North America and in Asia/Pacific, particularly in China.

CVS's operating and reported EBIT improved very significant by 89.1% to EUR 298.7 million in the first nine months of 2021 (previous year: EUR 158.0 million), resulting in a very significant margin improvement (Ros) of 3.9 percentage points to 11.7% (previous year: 7.8%). The CVS division's operating and reported EBITDA increased very substantially by 53.8% to EUR 399.8 million (previous year: EUR 259.8 million). At 15.7%, the EBITDA margin was 2.9 percentage points higher year-on-year (previous year: 12.8%).

Group narrows full-year guidance for 2021

Knorr-Bremse now expects revenues of EUR 6,600 million to EUR 6,800 million (2020: EUR 6,157 million) versus EUR 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.

The full quarterly statement is available on the website www.knorr-bremse.com. Explanations and reconciliations to the financial KPIs used can be found in Knorr-Bremse AG's 2020 Annual Report (available at [Investor Relations \(knorr-bremse.com\)](http://Investor Relations (knorr-bremse.com))), in particular starting on p. 73 and on p. 201.

Key figures for the Knorr-Bremse Group:

(The table shows the reported key figures for EBITDA and EBIT. The operating figures have been adjusted for restructuring expenses for RVS in North America).

	January – September			Third Quarter		
	2021	2020	Δ	2021	2020	Δ
	EUR million	EUR million		EUR million	EUR million	
Order intake	5,038.1	4,355.0	15.7%	1,435.2	1,627.9	(11.8%)
Order book (September 30)	5,006.9	4,457.7	12.3%	5,006.9	4,457.7	12.3%
Revenues	5,008.1	4,589.3	9.1%	1,589.2	1,533.5	3.6%
EBITDA	916.3	804.2	13.9%	284.2	268.7	5.8%
<i>EBITDA margin</i>	18.4%	17.5%	80bps	17.9%	17.5%	40bps
EBIT	708.5	592.1	19.7%	213.1	194.6	9.5%
<i>EBIT margin</i>	14.1%	12.9%	120bps	13.4%	12.7%	70bps
Free cash flow	297.0	168.5	76.2%	188.8	181.8	3.8%
Capital expenditure (before IFRS 16 and acquisitions)	212.0	230.0	(7.8%)	82.5	82.1	0.4%
R&D costs as % of revenues	6.3%	6.4%	(10bps)	6.5%	6.5%	0bps
Earnings per share (in EUR)	2.97	2.29	0.68	0.91	0.82	0.09

Key figures for the Knorr-Bremse Group's divisions:

(The table shows the reported key figures for EBITDA and EBIT. The operating figures have been adjusted for restructuring expenses for RVS in North Aermica).

	January – September			Third Quarter		
	2021	2020	Δ	2021	2020	Δ
	EUR million	EUR million		EUR million	EUR million	
RVS division						
Revenues	2,459.7	2,562.5	(4.0%)	805.1	821.7	(2.0%)
EBITDA	531.6	568.1	(6.4%)	170.9	177.9	(3.9%)
<i>EBITDA margin</i>	21.6%	22.2%	(60bps)	21.2%	21.6%	(40bps)
EBIT	439.8	472.0	(6.8%)	138.9	146.3	(5.1%)
<i>EBIT margin</i>	17.9%	18.4%	(50bps)	17.3%	17.8%	(50bps)
CVS division						
Revenues	2,549.4	2,026.3	25.8%	784.5	711.6	10.3%
EBITDA	399.8	259.8	53.8%	119.4	101.6	17.5%
<i>EBITDA margin</i>	15.7%	12.8%	290bps	15.2%	14.3%	90bps
EBIT	298.7	158.0	89.1%	84.8	63.8	32.9%
<i>EBIT margin</i>	11.7%	7.8%	390bps	10.8%	9.0%	180bps

About Knorr-Bremse

Knorr-Bremse (ISIN: DE000KBX1006, ticker symbol: KBX) is the global market leader for braking systems and a leading supplier of other safety-critical rail and commercial vehicle systems. Knorr-Bremse's products make a decisive contribution to greater safety and energy efficiency on rail tracks and roads around the world. Some 29,500 expert, dedicated employees at over 100 sites in more than 30 countries deliver products and services to satisfied customers worldwide. In 2020, Knorr-Bremse's two divisions together generated revenues of EUR 6.2 billion. For 115 years, the Company has been at the cutting edge of its industries, driving innovation in mobility and transportation technologies with a leading edge in connected system solutions. Knorr-Bremse is one of Germany's most successful

industrial companies and profits from the key global megatrends: urbanization, sustainability, digitalization, and mobility.

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