

Press release

## **Knorr-Bremse records strong order intake in the first quarter; profitability shaped by global economic development**

- **Order intake benefits from higher customer demand, growing significantly by 17.3% to € 2.1 billion (Q1 2021: € 1.8 billion); order book grows by 18% to a record level of € 6.0 billion despite significant disruptions to international supply chains**
- **Revenue remains nearly stable at € 1.67 billion (Q1 2021: € 1.69 billion) despite volatile market development around the globe; EBIT margin at 10.9% (Q1 2021: 14.9%) despite cost increases and coronavirus developments in China**
- **Group-wide profit optimization program launched to compensate for increased raw material and energy prices and supply bottlenecks in the availability of key components**
- **Process has begun to look into the sale of Group subsidiary Kiepe Electric**
- **Operating guidance for 2022: Knorr-Bremse confirms full-year guidance**

**Munich, May 12, 2022** – Today, Knorr-Bremse AG, the global market leader for braking systems and a leading supplier of other safety-critical rail and commercial vehicle systems, published its results for the first quarter of 2022.

Frank Weber, CFO and interim spokesman for the Executive Board of Knorr-Bremse AG: “In the first quarter of 2022, Knorr-Bremse achieved solid results in spite of a currently extraordinarily difficult situation on the global markets. The overall good start to the current year with a high order intake reflects the high level of customer demand as well as the continuing trend toward green mobility. We have initiated various measures and expect a positive development from this for the year as a whole. We are nevertheless confronted with major global challenges this year: in particular, the ongoing supply bottlenecks, the high inflation and the effects of the terrible war in Ukraine with the associated sanctions imposed against Russia have made an impact on our business. Moreover, we have also felt the measures to limit the coronavirus pandemic in China. We are already taking action against these challenges with targeted measures – primarily comprising price compensation for our systems and products, as well as internal cost-cutting measures.”

### **Order intake still on record pace, revenue nearly stable despite volatile market environment**

Order intake at Knorr-Bremse AG once again increased significantly in the first quarter of 2022, improving by 17.3% compared to the previous year and amounting to € 2,109.3 million (Q1 2021: € 1,798.9 million). At € 5,998.0 million (Q1 2021: € 5,084.4 million), the order book increased by 18.0% and was thus clearly above the previous year. Despite the worsening economic outlook around the world, Knorr-Bremse managed to generate revenue at a nearly constant level in the first quarter of 2022, amounting to € 1,699.4 million (Q1 2021: € 1,691.5 million). In Europe and North America in particular, demand remained consistently high in both divisions.

In the first quarter, free cash flow amounted to € -231.3 million and developed as planned. This is primarily due to the building up of inventories to counteract supply bottlenecks and to be able to accommodate the expected positive development in revenue in the coming quarters. At 10.9%, the operating EBIT margin decreased compared to the same quarter in the previous year (Q1 2021: 14.9%), above all due to the massive impact of the coronavirus pandemic in China with its zero-Covid policy. Moreover, increases in prices for raw materials, energy and components, along with high levels of inflation in general, are making a negative impact.

### **Group-wide profit optimization program launched**

Knorr-Bremse has already responded to this overall economic development and approved measures to optimize profit: the goal is to fully account for the economic effects of high inflation through price compensations vis-à-vis customers and a Group-wide cost reduction program. Some of the corresponding negotiations with customers have already been successfully concluded and will have a positive effect in the coming quarters. Additionally, in mid-April, the Group-wide Profit & Cash Protection Program (PCPP) was launched to consistently optimize costs. The program is comprised of short- as well as long-term measures.

As part of profit optimization, Knorr-Bremse also regularly assesses its own portfolio structure to separate itself from investments in companies that no longer fit in the corporate and profitability strategy. Within this context, the Executive Board of Knorr-Bremse AG decided to begin looking into possibilities also for the sale of the subsidiary Kiepe Electric to further increase the profitability of the Knorr-Bremse Group. From the effect of the sale alone, Knorr-Bremse expects by 2025 the Rail Vehicle division's EBIT margin to improve by 60-90 basis points. Kiepe Electric offers solutions and concepts for reduced-emission public transportation for trams, regional trains and buses. The company generated revenue of around € 100 million in the 2021 fiscal year. Preserving the jobs at Kiepe Electric will play an important role in negotiations with potential buyers.

### **Rail Vehicle Systems (RVS) division expects increasing demand**

The order book of the RVS division increased by 15.2% to € 4,180.6 million in the first quarter of 2022 (Q1 2021: € 3,629.9 million). Order intake in the division rose by 51.3% compared to the same quarter in the previous year to € 1,080.5 million (Q1 2021: € 714.0 million). Despite the challenges presented by the coronavirus pandemic, Knorr-Bremse benefited from the basically positive development of the rail industry around the world: after postponements of orders in the two prior fiscal years, the RVS division expects to benefit from a continued increase in demand over the course of the year. At the same time, the situation in China for the RVS division is difficult as expected due to the local coronavirus policies and the hesitancy of the markets to invest.

Revenue in the RVS division fell by -3.8% in the first quarter of 2022 to € 775.0 million (Q1 2021: € 805.5 million). As expected, at 15.7%, the operating EBIT margin was below the prior-year figure of 18.0%. In addition to challenges in the supply chain and cost increases, the continued low level of passengers on account of the Covid-19 pandemic is impacting the OE business in China in particular.

## **Commercial Vehicle Systems (CVS) division records continued growth in order book**

In the first quarter, at € 1,831.8 million, the Commercial Vehicle Systems (CVS) division generated an order book 24.8% higher than the same quarter in the previous year (Q1 2021: € 1,468.0 million), thereby reaching a new record level. In contrast, order intake fell by -5.1% to € 1,029.9 million (Q1 2021: € 1,085.3 million).

At € 894.9 million, revenue in the CVS division remained nearly at the same level in the first quarter of 2022 (Q1 2021: € 886.3 million). At 8.5%, the operating EBIT margin came in below the prior-year figure of 13.1%. This reflects the lower volume of new vehicle production in particular in China, which declined by more than half, as well as cost effects from supply bottlenecks and inflation-related pressure. Demand for new vehicles remained nearly constant in the other core markets of Europe, North America and Asia (especially India), while the lower number of new vehicles led to an increase in aftermarket business.

## **Knorr-Bremse confirms full-year guidance for 2022**

The guidance for the 2022 fiscal year from February 24, 2022, is confirmed. At this time, it is not yet possible to completely and conclusively assess the financial effects of the Russian war in Ukraine. Accordingly, the guidance does not contain any direct negative effects. The guidance is still subject to largely stable exchange rates, that there are no significant Covid-19-related setbacks and that there is no significant deterioration in the geopolitical and economic framework conditions compared to the current situation. Additionally, Knorr-Bremse expects the difficulties due to international supply bottlenecks to continue.

In light of this, Knorr-Bremse's expectations for the 2022 fiscal year of revenues between € 6,800 million and € 7,200 million, operating EBIT margin between 12.5% and 14.0% and free cash flow between € 500 million and € 600 million remain unchanged.

## **Knorr-Bremse donates € 1.3 million to support relief efforts in the war in Ukraine**

The Executive Board of Knorr-Bremse AG was quick to harshly condemn the Russian attacks on Ukraine and also concluded clear consequences for its own business, in accordance with recent sanctions. Among other things, this affects the exit from the joint venture KB KAMA, also no new business (OE) is being acquired. At the same time, Knorr-Bremse decided to provide concrete aid to the people affected in Ukraine as well as the refugees via an internal donation campaign: thanks to the high degree of participation of the workforce and generous individual donations, which were matched by the company, more than € 1.3 million in total was collected. With this money, Knorr-Bremse is supporting the aid in Ukraine provided by the German Red Cross and UNICEF, the UN's aid agency for children, among others. Additionally, Knorr-Bremse joined the Job Aid for Ukrainian Refugees initiative and helps refugees with their integration in Germany and with finding a job through the company's own offers.

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The full quarterly statement is available on the website [www.knorr-bremse.com](http://www.knorr-bremse.com).

**Key figures for the Knorr-Bremse Group:**

	January - March		
	2022	2021	Δ
	EUR million	EUR million	
<b>Order intake</b>	2,109.3	1,798.9	+17.3%
<b>Order book (March 31)</b>	5,998.0	5,084.4	+18.0%
<b>Revenues</b>	1,669.4	1,691.5	-1.3%
<b>EBITDA</b>	254.0	320.3	-20.7%
<b>Operating EBITDA margin</b>	15.2%	18.9%	-3.7 bp
<b>EBIT</b>	181.5	251.6	-27.8%
<b>Operating EBIT margin</b>	10.9%	14.9%	-4.0 bp
<b>Free cash flow</b>	-231.3	-22.9	>100%
<b>Capital expenditure (before IFRS 16 and acquisitions)</b>	64.3	62.0	+3.7%
<b>R&amp;D costs in % of revenues</b>	7.1%	6.1%	+1.0 bp
<b>Earnings per share (in €)</b>	0.77	1.05	-26.7%

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

	January - March		
	2022	2021	Δ
	EUR million	EUR million	
<b>RVS division</b>			
Revenues	775.0	805.5	-3.8%
EBITDA	154.0	175.1	-12.1%
Operating EBITDA margin	19.9%	21.7%	-1.8 bp
EBIT	121.7	145.0	-16.1%
Operating EBIT margin	15.7%	18.0%	-2.3 bp
<b>CVS division</b>			
Revenues	894.9	886.3	+1.0%
EBITDA	111.4	148.7	-25.1%
Operating EBITDA margin	12.5%	16.8%	-4.3 bp
EBIT	76.2	115.9	-34.2%
Operating EBIT margin	8.5%	13.1%	-4.6 bp

**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. About 30,500 employees at over 100 sites in more than 30 countries use their competence and motivation to satisfy customers worldwide with products and services. In 2021, Knorr-Bremse's two divisions together generated revenues of EUR 6.7 billion. For more than 115 years the company has been the industry innovator, driving innovation in mobility and transportation technologies with an edge in connected system solutions. One of Germany's most successful industrial companies, Knorr-Bremse profits from the key global megatrends of urbanization, sustainability, digitalization and automated driving.

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