

Transcript: Conference Call Q3/25 Results Knorr-Bremse AG

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Andreas Spitzauer: Thank you, operator. Good afternoon as well as good morning, Ladies and Gentlemen. I hope all of you are very fine. My name is Andreas Spitzauer, Head of Investor Relations and I want to welcome you to Knorr-Bremse's presentation for the third quarter results of 2025.

Today, Marc Llistosella, our CEO, and Frank Weber, our CFO, will present the results of Knorr-Bremse, followed by a Q&A session. The conference call will be recorded and is available on our homepage, www.knorr-bremse.com in the Investor Relations section. It is now my pleasure to hand over to Marc Llistosella, please go ahead.

Marc Llistosella: Thank you, Andreas.

Ladies and gentlemen, welcome to our Capital Market Call for the third quarter 2025. Let's start with the key take-aways for today on page 2.

Slide 2

We are reporting a strong quarter today. In uncertain times we continued to focus on our earnings by using our financial flexibility, keeping strict cost control PLUS staying close to customers and driving our service business. Knorr-Bremse benefits from dominant market positions in both divisions, a diversified revenue generation and ongoing stringent execution. RVS is in strong shape. It posted stronger organic growth and continuously increases its profitability quarter over quarter by the implementation of BOOST. In addition, RVS' performance underlines the great potential of the rail industry in total. As a consequence, we are expanding this successful division with the acquisition of "duagon". Coming to CVS. One thing is clear - the development of profitability is the most important indicator of our success. AND our truck colleagues delivered. Despite an extremely challenging North American truck market, CVS managed a slight margin expansion. An extraordinary achievement, which is based on the benefits of our cost and efficiency measures, well supported by a more resilient aftermarket business. The BOOST program overall remains the center piece of our strategy and is fully on track. Regarding our Brownfield measures, we are well on track of the sale of the last asset within the SELL-IT program. This asset within rail generates roughly 300 million euros in revenues and is clearly dilutive. Looking at Greenfield, our clear path of additional growth and accretive business expansion for Knorr-Bremse. In the field of subscription-based and data-driven services we recently acquired Travis Road Services. Together with Cojali's highly attractive services, we want to strengthen the less cyclical activities in the Truck segment, striving for a leading position in Europe and later beyond.

Last but not least, we confirm our operating guidance for 2025.

Slide 3

Let's now have a closer look at our duagon acquisition on chart 3.

Duagon, a Swiss based company, is a leading supplier of electronics and software solutions for safety-related applications in rail, being active in Europe, North America, China and India.

We are convinced that duagon is an excellent strategic fit for Knorr-Bremse's existing portfolio. Beyond strengthening the RVS segment, the acquisition also unlocks substantial synergies in electronics – for example, in braking and door systems where we are already global experts.

Furthermore, the products will enhance the global operations of two key KB business units: Selectron and KB Signaling. As trains and rail networks become increasingly digitalized, the acquisition enables both the railway electronics and signaling technology units to fully capitalize on the rapidly growing market. For KB Signaling, which is expanding its North American business globally, duagon offers additional opportunities for international growth.

The accretive transaction reinforces KB's BOOST strategy and marks another milestone on its transformation journey. By integrating duagon, Knorr-Bremse strengthens its position in high-growth digital markets and increases the revenue share of the RVS segment overall, currently from 55% to even beyond, driving sustainable value creation.

The acquisition fulfills all of the M&A guardrails, which we set more than two years ago and follow for the time being.

We welcome all new colleagues to the team and look forward to a successful future.

Slide 4

Let's now have a look at the market situation for Rail and Truck.

Overall, the demand in rail is our least problem within the KB group. Underlying demand remains robust across all regions, as evidenced by a strong order intake and record order books for RVS and its customers. We expect this momentum to continue in the coming quarters, resulting in a full-year Book-to-Bill ratio well above 1. The only exception is the freight market, which continues to face some challenges. Also here, we see a low concentration in the North American market.

The market development in China remains pleasing on a high level this year, which is quite supportive for our profitability as well.

Truck markets show a mixed picture, as you all aware of and as you have already heard from our customers and peers. Truck production rate in Europe moved higher in the past quarter. But currently, we are observing a slight softening in market momentum including some postponements into next year, which also corresponds to the perceptions of our truck OEMs.

The North American truck market is in very challenging time. Truck production rates declined significantly in the third quarter, and a near-time recovery appears unlikely. Therefore, we lowered our expectations regarding truck production rates for the second half of this year as the usual autumn recovery has also been significantly weaker this year compared to previous years.

Our North American customers are still taking single days off and slowing down production lines in their factories. So far they are acting rationally and only adjusting their workforce as they know that markets can catch up quickly once a recovery starts. As a result, we have reduced our North American workforce by around 15%+ in recent months. Help yourself, then helps you God. At the same time, we are using the current situation to consistently implement our structural measures.

The better – than originally expected – development in Europe cannot compensate fully the weaker than expected development in North America. Nevertheless, every crisis presents opportunities. We should benefit via operating leverage from a lower fix cost base when the crisis in North America comes to an end which will happen.

With that, I'll hand over to Frank, who will walk you through the financial details.

Slide 5

Frank Weber: Thanks Marc and Hello everybody. Thanks for joining us today.

Please turn to slide 5 and let's have a look at the good financials of the third quarter. Order intake achieved a strong result at almost 2 billion euros. The market-driven decline in truck was overcompensated by the strong rail order intake and led to a more than 5% organic growth. Knorr-Bremse generated revenues of 1.9 billion Euros, organically with nearly 3% a slightly higher figure year-over-year. Our operating EBIT margin was positively impacted by both divisions, driven in particular by our portfolio adjustments, a strong aftermarket performance, our operating leverage and the respective cost measures, and of course by KB Signaling. As a result, the operating EBIT margin improved by 100 basis points year-over-year. With the 13.3% operating EBIT margin we delivered the best profitability within the last 16 quarters for KB. Our Free Cashflow in Quarter 3 amounted to 159 million euros and converted once again into more than 100%.

We are proud of our global teams, maneuvering KB so successfully through a rather challenging 2025.

Slide 6

Let's move to slide 6. Capex amounted to 78 million Euros, which represents in relation to revenues 4.2%. Spendings in absolute numbers decreased by 2 million Euros. This development is fully in line with our strategy to optimize capex spending following our lowered target range of Capex to revenues of 4-5%. We expect some higher capex spending in the running quarter as usual. A pleasing development saw once again our Net Working Capital, which decreased significantly year over year respectively by seven days versus prior year. Including KB Signaling we are at a level of 1.6 billion euros and 72 days. The continuous improvement in NWC is based on the ongoing success of our "Collect" program including improvements basically in all major net working capital ingredients. Especially the lower level of inventory supported the improvement of working capital by more than 160 million Euros year over year.

Free Cashflow amounted to 159 million euros. This is only a slightly lower figure compared to prior year driven by the unfavorable development of FX. On a 9-month view, Free Cashflow even increased by more than 70 million euros. Quarter 4 will be the strongest quarter as always, following our usual seasonal pattern.

Cash Conversion rate in quarter 3 amounted to a strong 104%.

Despite the acquisition-driven higher Capital Employed, our ROCE nicely increased from 18.6% to 21%. ROCE remains a key priority for us and we expect to further grow it in the future, primarily driven by higher profitability.

Slide 7

Let's take a closer look at the RVS performance on Slide 7. RVS once again delivered a very strong quarter in terms of order intake, reaching nearly 1.2 billion euros. This corresponds to an organic growth of 6%, driven by solid operations and contributions from KB Signaling. Global Rail demand overall remains strong.

For the current quarter, we expect that RVS should be able to post an order intake between 1 to 1.1 billion Euros. Our Book-to-bill ratio stood at 1.12, which means RVS reached a book-to-bill ratio at or above 1 for sixteen quarters in a row. As a consequence, order backlog increased by around 8% and 12% organically, reaching again a new record level with almost 5.7 billion Euros. The high order backlog and the good quality of it provides a strong basis for the rest of the year and beyond.

Slide 8

Let's move to slide 8. Revenues in Quarter 3 amounted to 1.05 billion Euros, an increase of almost 6% year-over-year, following a bit of weaker organic growth in Q1 and Q2 and even despite significant FX headwinds. Our aftermarket business developed also very nicely in Europe, North America and APAC. From a regional point of view, revenue growth was fueled by Europe and North America. In Europe, both OE and aftermarket business grew nicely. North America increased its aftermarket business and OE business, despite FX headwinds. The APAC region saw a very stable aftermarket development while OE slightly declined. China only slightly decreased year-over-year in both OE and aftermarket. We are pleased about that stable development in China, especially in High-Speed, loco business and the aftermarket. There are still no signs of a better metro market. We improved our operating EBIT margin by 100 basispoints to 17.0%, which is already beyond our mid-term guidance for next year. This superb improvement is driven by the positive aftermarket development, operating leverage, our BOOST measures as well as the positive contribution of KB Signaling.

In the current quarter, we expect a book-to-bill ratio of around 1. The EBIT margin of RVS should be flat quarter over quarter and on a full year level the operating margin is expected to be at around 16.5%.

Chart 9

Let's continue with the truck division on chart 9. Order intake in CVS amounted to 783 million Euros below our initial expectations at the beginning of the quarter due to the missing pick-up in the North American truck market after the summer break. On the other side organically orders increased by 4%. On year-over-year organic level, this growth was driven by Europe and the APAC region which recorded slight organic growth while North America was significantly down, hit by the sharp downturn in the U.S. market. Order intake in the current quarter should be rather flat quarter over quarter, supported by Europe and the APAC region. The North American market remains very difficult to fully assess at this point of time, but we expect no improvement of the market dynamics until year end. Book-to-bill reached 0.94 in the past quarter. Our order book of more than 1.7 billion Euros at the end of September is 7% below the previous year's level, but at the same time, it is only 2% organically lower.

Chart 10

Let's move on to our CVS division on chart 10. Revenues declined to 833 million Euros, which represents minus 9% year over year. This development is solely driven by the divestments of GT and Sheppard as well

as the negative translational FX impact from the US dollar and the Rimimbi especially. In organic terms, the development was stable which represents a solid performance in this challenging environment.

OE business in CVS decreased – as expected – in North America and South America predominantly driven by lower truck production rates and FX. Europe recorded good and the APAC region even significant growth.

Our aftermarket business performed much better than OE in the past quarter. The OE business grew in Europe and China, but the strong market decrease in North America could not be compensated by aftermarket growth. In addition to the sale of Sheppard and the strong euro exchange rate compared to the US dollar, the low truck production rate had a particular negative impact on performance, especially in the U.S.. In the current quarter we expect that CVS total revenues should be flat to very slightly increasing versus Q3. Coming to the bottom line: operating EBIT of CVS amounted to 87 million Euros in the past quarter, down around 4% year-over-year. Given the massive market headwinds and the unfavorable FX, a very resilient number. The profitability was impacted by lower OE volumes and an unfavorable regional mix, which could be more than compensated by benefits from our BOOST measures, a higher aftermarket revenue share, solid contribution from our portfolio adjustments as well as a recovery from tariff burdens. As a result, the operating EBIT margin increased 50 basispoints year over year to 10.5% in such a tough environment. For Q4, profitability should slightly improve quarter over quarter, well supported by cost measures and a good aftermarket development with the foundation of stable markets in Europe and in North America. Overall, we are confident to further fight ongoing market challenges with our long-term BOOST program as well as our short-term measures in North America, our robust pricing power and our resilient aftermarket business.

On a full year base, CVS should be able to reach an operating EBIT margin around the same level as last year. With that I hand over to Marc again.

Slide 11

Marc Llistosella: Thank you, Frank.

Let's have a look at our guidance for 2025 on slide 11.

To make it very short and crisp: We basically confirm all KPIs of our guidance shown on the chart. Just another three months to go. Please bear in mind, however, that due to the stronger Euro and the weaker truck market in North America, the lower end of our revenue guidance is more likely to be achieved. Our countermeasures are having a positive effect on the EBIT margin outlook, meaning that the midpoint represents a very realistic expectation. Free cash flow is also being affected by the strong euro, but we are also comfortable to reach the mid-point of the guidance. Having said so, we are ready for the next year to go. We have a very, very busy year 2025 and we are very confident that with our self-healing activities, which had impact of a reduction in workforce, for example only in trucks from 15,000 in the last 18 months, to now 12,000 people. We are ready for the lift of next year. And the 10-10.5% we are aiming for 2025, compared to the results in years 2023 and 2025 have a much higher value because we are ready to go for next year in a much better fix cost base.

Thanks a lot for your attention. We are now available for your questions.

Q&A Session

Operator: And the first question comes from Sven Weier UBS. Please go ahead with your question.

Sven Weier: Yes, good afternoon. It's Sven from UBS. Thanks for taking my questions. The first question is around, you know, in the past couple of years, you've always given kind of indications for the year ahead. You didn't do this this time. Is the reason because you feel quite happy with where consensus sits, or do you refer that simply to lack of visibility that you have, especially on the truck side? That's the first question. Thank you.

Frank Weber: Thank you very much, Sven. So in the past years, there have been mixed feedbacks to us giving an outlook already in October for the next year. Some were saying, why are they doing this? And others have been highly appreciating it. So this time around, we decided not to do it. Why? Because, as you rightfully said, we're totally fine with where the consensus currently sits for next year, I would say. This is it. And, of course, markets are also a bit less predictable these days, especially when it comes to the truck market, I would say, and there especially the region of North America. But that's the answer to it, Sven.

Sven Weier: Yeah, thank you, Frank. And it's fair to say that when I look at current consens, for me the risk is more on the downside on truck, but maybe on the upside on rail. So that could be a bit of a wash from today's point of view, at least.

Frank Weber: Yeah. Nothing to add, Sven.

Sven Weier: Thanks.

Sven Weier: The follow-up, if I may, is just on truck margins, right? I mean, it will be around 10.5%, and I guess it's probably fair to say that reaching the 13.5% next year is really tough, to say the least. But we know that, of course. I just wonder, I mean, how prepared and how far are you ready to go to reach that target, you know, within the foreseeable future, let's say, in terms of additional measures that you take? I mean, we talked about this in the past, right, where I think there are still some very obvious areas, such as R&D, which still seems extremely high for the truck business and the way it performs at the moment. But at the same time, it also seems a bit of a no-go zone for me. So are there any sacred cows in terms of your willingness to achieve the target? Thank you.

Frank Weber: Yeah, thanks, Sven. Let me put this a bit into a broader perspective. When we gave the midterm guidance some three years ago, obviously the market assumptions, even though we were not at all anyhow aggressive looking at the market, because we always wanted to make it kind of a self-help story at all, were significantly different, especially when it comes to the U.S., but also when it comes to Europe. The market expectations back then were based on 22 levels. And so that was the starting point to it. We feel totally fine with a long-term view on truck that the margin of 13.5% is definitely not out of reach and is a targeted number that we have on the plate if the market turns out to be more favorable than it is today. Given the current situation, look at the quarter three alone. U.S. is minus 28% in truck production rate. We only declined 13% in revenues. I think a great sign of resilience. And with all those measures that also Marc mentioned with our adjustment of the current fixed cost structure that we are doing under boost, plus the footprint reallocation going into the strategic future, where we are also touching quite a lot of global footprint facilities, we are right on track, I think, with a weaker market to achieve around 12% of return. So as a first step, I would see us moving up from this 10.5% levels with a disastrous market, with better fixed cost structure into a world of the 12-ish, and then strategically into above 13% return level. I also mentioned to you many times, Sven, that maybe the 15% that we had in the all-time high, one or two years at CVS is maybe not achievable anymore, but the 13.5% is strategically a perfect fit for the profitability target of this company. And R&D, let me remind us all, is not a no-touch area for us. We had a certain range of products that hit the market recently and are still going to hit the market, so we have a certain time where we have high R&D spendings, but we have also told you that going into the future we see our 6% to 7% range of R&D for the group, rather to go down to the lower end of that range towards the 6-ish number over

time. So we're heavily working on prioritizing our R&D, but we will not be penny-wise, pound-foolish, and spoil our future by cutting some of the R&D costs in innovation and customization for our customers.

Sven Weier: And did I understand this correctly, Frank, that with the measures that you have put in place now and even without the market really recovering, you could go from 10.5% to 12% and then the rest will come from a market recovery? Is that a fair summary?

Frank Weber: This is, in a nutshell, a fair summary.

Sven Weier: Okay. Understood. Thank you, Frank.

Frank Weber: You're welcome, Sven.

Operator: And the next question is from Akash Gupta, JP Morgan. Please go ahead with your question.

Akash Gupta: Yes. Hi. Good afternoon. Thanks for your time. I have a couple of questions on M&A that you announced in the last couple of quarters. The first one is on this TRAVIS Road Services, which is quite an exciting area to expand into. The question I have is that can you talk about the synergies with the rest of the portfolio, and can this allow you to accelerate your aftermarket spare parts revenue or directionally to acquire this company was purely based on an ecosystem that you have within you with expertise that may help growing this business? So that's the first one.

Marc Llistosella: Going into the services in a stagnating market, as the truck industry is, is also following the digitalization of the industry. And the more we are setting up now a platform, which is now fulfilling most of the end customers' requirements, is for us a massive access point to future and current profit sources. This market is completely different in their business ecologic and also in the logic. Here, managing mobility as a service is more and more in the up run to do. So the insurance of making assets working and the truck is an asset, nothing more, nothing less. That is something where we are more investigating in the future. With our first step in 2022 with Cojali, we stepped into this business. Why did we do that? It was one part of that was, of course, to ensure that our parts will be then delivered to the customer. But this is a multi-brand. In fact, the brand is not relevant. It's a service to end customers. And that makes us a much, much wider scope and gives us a wider access to profit sources, which currently were not reachable. So to make it very short, whether this is going to break path from Knorr Brands or not, for this kind of businesses and services, it's not that relevant. It's a side effect. The more effect is, as you know, in platforms, the more you can cover with a platform, especially if it is directed to the customer, the more you have a control, the more you have access to profit sources, which so far were not reachable for us. What I mean with that, we are now currently having, with this acquisition, a real decisive part in our chain of pearls. The chain of pearls is 12 to 14 buckets. And now we are covering, with this acquisition, 12 of the 14 buckets. There's one more to come, and that's exactly what we are now targeting in the next two months to come. And then we would be the only one in the market who is covering it from A to Z, from number one to number 14, which is extremely exciting because that gives us a completely different picture on the truck business.

Akash Gupta: Thank you, and my follow-up is on acquisition of duagon's electronics business. I think one thing which caught my eye was that you are giving 2026 revenues and margin. Normally, either we get this year's expectation or previous year reported. So maybe if you can talk about what sort of growth we are expecting in this business, and if the business doesn't reach to 175 million revenues next year, would there be an implication on selling prices? And the background of this question is that in Knorr, we have seen in the past that the company bought assets with some projection that didn't materialize. So just what sort of safety net do you have this time around? Thank you.

Marc Llistosella: I would ask you for one thing in terms of fairness, Mr. Gupta. You take the acquisitions before 2022, and you take the acquisitions after 2022. So when you give me any evidence of failing our predictions in any form of acquisition which we have done after 2022, I'm very happy to discuss it with you. For the acquisitions before 2022, I cannot

take any form of responsibility. Of course, I can explain to you endlessly that a lot of these investments were not leading anywhere but to, I would say, dilutive business. In Cojali, we bought a company which is completely exceeding. We bought it to a company value of roughly 400. Now we have an estimate of over 1 billion. That is a fact. And then we can give you the numbers for that. The next acquisition which we did was one KB Signaling in the rail business, and this business was coming out so far extremely positive. It came out extremely positive in EBIT margin, and it came out also extremely positive in terms of revenue. So all our predictions were even overran. Now the last acquisition was the duagon and also the TRAVIS, and in the duagon, we are very, very comfortable that we are targeting the 16% because this business is also very, how you say, taking into place what we are already having with Selectron and also KB Signaling. It's a perfect fit, you know, it's additional, it's not a new adventure, in fact, it's like a mosaic that we are parting now, putting the peaks, all the pieces together to have one picture. So having said so, we are very, very absolutely convinced that with duagon, we have another asset in the class of KB Signaling, what we did last year. And we are very confident that the numbers which we have, you know, foreseen are absolutely realistic. I would even say they're conservative. You can see the business is already generating a very, very reasonable, very healthy profit line. And then coming to your question, which was a little bit provocative, when you compared that with all the acquisitions done before 2022, none of these businesses had a real profitability proven in the past. In duagon, we have a profitability record, and we have also a return record, which is proven now it is on us to make it and to lift it.

Akash Gupta: Thank you.

Frank Weber: And the growth record, and they also have a growth record now, which we expect to be close to double digit.

Marc Llistosella: I think for Akash, it's more important the profitability than only the growth. Growth without profit is not meaningless. And that, I think, is the main difference. The past was very, very much driven by growth, growth, growth, growth. And the question of profitability was like, it will come. This is completely different to 2022. We are first ensuring that every form of acquisition has to be accretive, either immediately, like KB Signaling, or very short-term minded. That means within 12 to 24 months. Anything else is not touched.

Akash Gupta: Thank you.

Operator: The next question is from Vivek Midha, Citi. Please go ahead with your question.

Vivek Midha: Thank you very much, everyone, and good afternoon. Hope you can hear me well. My first question is on CVS. It's in a similar vein to Sven's question, but just looking to better understand the mechanics. You mentioned 15% reduction in the North American CVS workforce and also broadly lowering the fixed cost base in that division. So should we think about these layoffs as permanent layoffs? I'm interested in understanding how much impact there's been from structural cost savings versus more temporary measures such as furloughs. In order to understand how the margins can improve when the volumes come back. Thank you.

Frank Weber: Of course, there's always a flexibility that we keep in the plants looking at the normal market times of around, I would say, around 10 in some countries, even more. Kind of flex workers, temp workers, what have you, basically in the field of blue colors, not so much on the white color side, but on the blue color side, of course, in order to breathe through certain market conditions. That's clear. So the 15% that also Marc mentioned does include to some extent also the blue colors, of course, directly affected and indirect workers in the plant areas. But the thing is that also on the white color side, we did more than 10% of cost reductions, and that's directly impacting the fixed cost, and that's why this is sustainable and is lowering the break-even point quite significantly for that business going into the future. So it's a mixture of both, but it has a sustainable effect because the white color reduction has a similar dimension like the blue color reduction.

Marc Llistosella: I would like to add to Frank's comments. The company is always quoted to have 32,500 people employed. This is not the case. We have currently 30,520 people employed. The

target is very clear. Whatever happens to the revenues, whatever happens to anything else, this number has to go down. Because what? For the last 22 years, the revenue per employee was not moving up. I have never seen this in my life, and this is exactly why we're addressing it. It has to move up in terms of truck above 300,000 euros, and it has to move up to 250,000 to 260,000 for RVS. There's a difference in the structure. This is explaining why there is a difference. So far, we are below these numbers. And that means as long as we have not reached these numbers, there will be no longer a substantial buildup of workforce, whatever the revenue is bringing or not. So, we have a very clear target and very clear line. We want to reduce, number one, the break-even. This is very clear. This is not for discussion. Whether the market is up or down, the break-even has to be target, number one. In the last years, we had a break-even in derailment, I would say. For the last 24 months, we are really pressurizing down this kind of break-even. What is the most important part of this break-even by 60% to 70% is the personal expenses. The personal expenses were highest in 2024. Even the numbers were fine, but this was not even noticed by others. We have noticed it. So, we have to bring down the personal expenses significantly in truck. We have reached a number which was close to 22%. Now, by the last months, we are in the reach of 19%. And the target is to be below 20%. In terms of RVS, we have reached a number exceeding 27.5% personal expenses costs. And that has to be brought down to 25%. With that, we will improve significantly our break-even. And with that, we will be more and more independent from the ups and downs of the market. And as you rightly described it, the self-healing has to be done and has to be preceded. So, to your question, do we have to then expect when the market is going up to see significant upscaling of workforce? The answer is clear, no way. Number two on this is we are now starting an AI campaign and initiative where exactly the white colors are addressed. Yes, and we want to do repetitive work more and more by digital AI agents. And that's exactly what we started with our initiative where we have now settled the first start in Chennai, where we are focusing AI experts to bring us substantial and also long-term lasting solutions to make sure that for repetitive work, we're not hiring people. So, in short words, no, we are not estimating to have higher people. Second, we are breaking down absolutely our break-even. And we have very clear targets and very clear KPIs how to lead that.

Vivek Midha: Fully understood. Thank you. My second question is a bit of a mid-long-term question around RVS. You've done a 17% margin in the third quarter and guiding for a similar margin in the fourth quarter. That's above your mid-term target for the division. So, my question very broad is where next do you see for the division over the mid-term and long-term? I appreciate you maybe want to give a fuller answer to this at some point in the future, but interested in some early thoughts. Thank you.

Frank Weber: Yeah, thanks, Vivek. I mean, I refer a bit, of course, to the question or the answer to the question of Sven. We're totally fine with the consensus as it stands for next year. There, the margin is on that level or even slightly above the 17%. This is, I think, a number that's totally fine for the rail division. This is, as we also said quite a few times, not the end. We have plenty of measures in place. Some already started to implement with also strategic, as I said before, footprint reorganizations so that a margin beyond the 17%, 17%, 18% is reachable for the rail division. We are aiming strategically to go towards 19%. Somehow, this is the idea of the business, and that should pose a very great profitable growth for this business.

Vivek Midha: Thank you very much.

Frank Weber: Now it's out. You also said so before, I think, last year.

Operator: Okay, and the next question comes from William Mackie from Kepler Cheuvreux. Please go ahead with your question.

William Mackie: Yeah. Good afternoon, Marc, Frank. Thank you for the time. So my first question, Marc, to you really is to go back to the M&A that you've undertaken around service and the efforts to expand specifically in CVS. I just wonder if you can talk a little to how the development of competitive tension evolves as you push into the aftermarket in the heavy truck industry. That's somewhere, I guess, many of the OEMs, as you well know from your past lives, are also looking to expand and capture value. So how does that

balance evolve in your mind between the existing installed base, supporting it, capturing the data, and leveraging that for your benefit rather than, you know, and avoiding too much competition with your OEMs? And then the more simple question is that you have an exceptionally strong balance sheet and great cash performance. Looking forward, you've talked to capital allocation and guardrails, but just a little bit more flavor on how you see the pipeline evolving and where you can enhance your string of pearls to strengthen the business. Okay.

Marc Llistosella: I come with number two first because it's not limited to CVS when I speak about potential acquisition candidates in the near future. As you can imagine, we started with brownfields. Yeah, Boost was mainly brownfields. Help yourself, then you will be helped. That's what we have done. We are on our way. By the way, Boost is not finished by next year. Boost is a continuous improvement process and program now, which will last for years to come. And this is why I made so much emphasize on the break-even, on the personal expenses, on the ratios. This has to go through now with everybody. So coming to the pearls, the platform business itself has one very important criteria. It has to be brand independent. The more you are captive, the more you limit your brand, you limit also your platform and your reach. And what we do now, together with Cojali and TRAVIS and also with the other things to come, by the way, all of them will not exceed the range what you have seen so far. So they will be mid-sized to small-sized cabs. But it is more to capture and to occupy the place than to say, oh, I have already the biggest in this art. And here, the problem or the competition for the captives, like our customers, they are very, very centered about and around their brand. For them, it is nearly impossible to have a multi-brand approach. The multi-brand approach makes us independent. And this is why I said it's not important only to sell our pads and our break disks via this channel. For us, it's more important to see the movement of everything that is going in this domain. And here we have an axis now where we are, especially for the second life cycle of trucks, you know, after three years, the warranty is over. And then 70% to 75% of our customers are leaving the captive service facilities. And this is not only in Europe. This is also in America. So they're going to independent dealerships. And these independent dealerships have one big strength. Their strength is they are flexible, they're agile, and especially they're not brand-dependent. And this is where we are stepping in. So we are not really going into competition with our customers and clients. In the first three years, we are going more for the last seven years, which are trucks normally last in Europe. Or in America, it's eight years more. So together, it's between 11 and 12 years before it will be getting to markets which eventually are a little bit different. So this kind of span we are then addressing, this kind of span we are addressing. And there we know by ourselves that the use take, the take quota for original parts, spare parts, is getting significantly lower than in the first three years. And this market is highly interesting, highly competitive. But what we're aiming here is to be like a spider in the net. Whatever you move, we notice. And hopefully, we will participate. And I must say, it's a very good – I'm very proud of the team because they came up with that over the last two and a half years. And they have now formed something like a platform strategy, which could make us very, very, very profitable in this regard. Because, you know, in this kind of services and platform, you have completely different propositions on profitability.

William Mackie: Thank you very much. My follow-up relates to the CVS business. Congratulations on the continual evidence of the strong muscle memory and cutting costs at Knorr-Bremser in CVS in the face of weaker markets. I noticed the gross margins were relatively flat year on year, actually. My question goes to the general pricing environment for CVS, perhaps specifically in North America. In a market where you've seen falling volumes, how effective have the teams been in passing through prices to mitigate cost-related headwinds from tariffs or other factors or just to be able to maintain the underlying gross profitability? Thank you.

Marc Llistosella: So the American team is very close to the market. The American team is, by the way, even more agile when it comes to swings. So to lay off PayPal is much, much faster. It's much more efficient than we see it in Europe, especially in Germany. They are closer to the customer, much closer. And in America, we have a customer which is also very, very much involved into after-sales business. And that is, in this regard, specifically, per car. So what we see is that we are very close in cooperation with our customers here. They understand when we have to increase the prices, and they understand also the pressure

we are running through and going through. One thing is for sure. The American, North American truck market is by far the most profitable market in the world. Yeah. The American market is a protected market. That has to be very clearly mentioned. You don't see there a lot of Asians really coming in. And the market itself is very settled, saturated, and also allocated. So you have players. You don't have new players. So here it's very clear that it is a very mature market with extremely interesting margins. The European market is more competitive with much lower margins to have. Yeah. The margins here are roughly, on average, below 400 basic points below, not only for the OAS, but also for the OEMs. The truck market in Asia is completely different, highly competitive, very low margin, and very difficult to have a leading position to be defended because there's always a new player who's attacking you. So our focus in terms of profitability is very, very clear in the North American market. It's very, very clear also in the European market. And for expansion in terms of only in growth and also in technology, in trying out, that is the Asian market itself. You know it also by the content per vehicle, which is a fraction in China to North America. It's a fraction. So everything what in America and Europe is coming up with digitalization and any form of redundant systems, safety systems, that is the market where we are in. So it is playing in our favor because here we can't be replaced that easily. Here we are not just a commodity. Here we are a differentiating factor. So that is what plays in our cards in these two markets and which makes us very, very learning in the Asian market. So long story short, the team is very ready to go with that. They're very qualified. We have very technical, instrumented, and technical-based salespeople. So that means they're not just salespeople on the commercial side, but mainly also on the technical side. We have a good differentiation to our competitors, and we are seen also as a leading force here when it comes to marketable market innovations.

William Mackie: Thank you very much.

Operator: And the next question is from Ben Uglow, OXCAP. Please go ahead with your question.

Ben Uglow: Yeah. Hi, guys. I hope all are well. I have a couple. First of all, on the RVS margin improvement, the one percentage point, I mean, historically, that is a very big number, a big gain. And I guess my question is, Frank, maybe could you give us a bit more detail of what's in that one percentage point? How much of this is simply just due to OE and aftermarket type mix? And is there any significant regional variation in there, i.e., have we seen one region doing better? And the reason, obviously, why I mentioned this is in the past, your China margins were higher, et cetera. So, I just wanted to understand the basis of that improvement.

Frank Weber: Good to hear you again, Ben. Thank you. I missed the beginning, maybe. The 100 base points you talk about rail, right? The quality of.

Ben Uglow: Yeah.

Frank Weber: Clear, I mean, I would say regional difference is China is stable as expected, rather a bit of operating leverage, so to say, with a bit of headwinds on FX side. So, it's not China driving it, Europe has gained growth and operating leverage, and North America supported by KB Signaling. So, this is from a regional view it. So, all that in Europe and North America basically being positive, a bit of a weakness on the rail freight side in North America, which goes hand-in-hand with what we see in the truck market in North America. So, that's it, how I see it from a regional point of view. Of course, aftermarket share, which is the big, when it comes to the sales channel mix, has supported us in that improvement of profitability. We are now running at the level of around 55% of aftermarket share globally, which is an improvement compared to last year. So, that is a good driver. And the third element is the continuous boost measures that we are implementing more and more. Those three drivers are basically the bit of a positive America, Europe, aftermarket, and the cost measures.

Ben Uglow: Understood. That is helpful. Thank you, Frank. And then, I guess, a question for Marc. Trying to sort of understand what's going on in the North American truck market at the moment is extremely difficult. And a lot of companies are making all kinds of different statements, I would say. In terms of your customer conversations, in terms of your kind

of day-to-day dialogue with truck OEMs, how would you characterize those conversations over the last sort of couple of months? Is it just getting better? Sorry. Is it just getting worse? Or are things even changing at the margin? The reason why I ask this is different companies are talking about a better line of sight on tariffs. Some companies even talk about EPA 2027. So, I wanted to know from your point of view, how are those conversations?

Marc Llistosella: What we see is a normalization. Most of our customers are very conservative, as you can imagine. They supported the current government massively. Some of them even paid. And then, after they were enthusiastic in the first four months of this year, there came a certain form of irritation for another four months, till August. And now, we are in a phase of frustration, and frustration in the sense of standby. Nobody wants to move. Nobody wants to make a mistake. For example, this morning, we have been informed that Mr. Xi Jinping and Mr. Trump came to a conclusion when it comes to rare earth. This came for all of us a little bit by surprise. You know, the market has developed already this week based on that. On Saturday, we had the first signals that they come. Exactly 10 days before, we had in the press and also the capital markets was predicting a massive friction between the superpowers. And, you know, this kind of erratic or non-predictable movements lead in truck industry to stand by. They won't cut. They won't increase. They will just wait. The consumer confidence will be, for them, eventually more important. The container traffic will be, freight movement will be more important. Currently, we see not only the trucks hammered by that, but also the freight trains. We see that this is an impact on both industries, not only on the one industry. And we would say the worst is behind us because uncertainty is even worse than bad news. You know this better than me. The uncertainty is now, I would say, the fog is clearing up. And with that, we could imagine, but we are not paying on that. Don't get me wrong. We are prepared for it, but we are not paying on that. That we can eventually see in the next quarters to come a massive release and a massive improvement on the sentiment. And we are very confident to see this massive because someone wants to be in the midterms. We know the midterms next year in November, and we know if the economy is stupid, and we know this has to run, and everybody will do everything to make it run in America. And now we are a little bit more confident than we have been eventually in August.

Ben Uglow: That's super helpful, Thank you.

Frank Weber: Just a minor addition from my side, Ben, also looking at the interest rates, I think the light signals currently being set, talking to the fleet customers directly, our sales guys, of course, on a daily basis. They are also saying, okay, whatever the kind of fleet age might be, and whatever the right theoretical point towards a new buy of a truck would be, if I don't have the money, it's too costly for me to borrow money. And I think this is also the right signals that the Fed is maybe currently sending towards any recovery.

Ben Uglow: That's great. Super helpful. Thank you very much.

Marc Llistosella: You're welcome, Ben.

Operator: The next question is from Gael de Bray, Deutsche Bank. Please go ahead with your question.

Gael de Bray: Oh, thank you. Good afternoon. I have two questions, please, two of them relating to RVS. The first one is on the share of aftermarket, which apparently dropped in Q3 pretty substantially compared to H1. 50% or so in Q3, 50% or so in Q3 versus 57% in the first half. So it appears that there's been a big sequential decrease in aftermarket revenues for RVS in Q3. So I guess my question is what's been driving this? And then the second question is around the growth dynamics in broader terms for RVS. I mean, RVS has enjoyed very strong commercial dynamics with orders continuously surprising on the upside over the past few quarters, even over the past couple of years now. However, at the same time, RVS revenue growth has come a bit short of expectations this year with Q3. I mean, this was, again, the case this quarter. So could you elaborate on the lead times and whether one could expect to see finally some acceleration in organic revenue growth next year? Thank you.

Frank Weber: Yeah, you're welcome. So first, let me start with the aftermarket. I mean, the bigger chunk was there in the first and second quarter, driven by also some signaling replacements and aftermarket growth momentum that we have seen. And if I'm not mistaken, it was you, Gael, who asked me the questions at the quarter two call, why the signaling business is so strong in profitability. So it was rather a bit of exceptionally high in quarter one, in quarter two, that aftermarket share driven by the signaling business. And where I said already in July, it will come down quite naturally, not sustainably, but naturally come down in the second quarter, second half of the year 25. That is the reason. So number one question, KB Signaling, major driver to it with exceptional situation, quarter one, quarter two. And the second question, rail demand going forward, as Marc also said right in the beginning, is the least issue that we are currently seeing. We have in plenty of jurisdictions support programs out there fueling the demand quite sustainably. One trillion package in the U.S. The bypass is an infrastructure law. We have the German stimulus program. We have Brazil investing 15 billion, Italy 25 billion over the years to come, Egypt, Turkey, what have you. So all these, so to say, programs leading to a fueling of the market growth that we kind of see between two to three percent as a basis, should be going up with all those programs, should be going up with all those programs, above those numbers. And we are totally fine, so to say, to reach our five to seven percent, let me put it this way, CAGR of organic growth for the rail business over the years to come. And by the way, this is not a different number from what we said some three years ago, as the situation in rail is non-cyclical. We said back then it's six to seven percent over several years. One year it's ten percent, the next it's maybe four, then it's seven. Something around that is what we see. The lead time second element of your second question is very different. Yeah, I mean, it depends on the product itself that we are selling ultimately a brake system. You would have at least when the design phase is finalized, you have a lead time of 12 to 18 months for a more sophisticated product like a brake system, brake control unit. When it comes to a door system, it's after the design phase kind of six to nine, maybe 12 months, six to 12. Let's put it this way. And towards a more simple product, HVAC system, it's three to six months. So it takes always the design phase of the train. Then at these additional lead times, this is what we are looking at on a regular basis. Sometimes you have also project pushouts from one of the other customers. This is then a bit of irregularity in the market. But in a normal market, I would say those are the lead times. And with that order book that we're having, we're so pleased, so to say, that we couldn't even afford much more order intake in order to get them all, so to say, produced within the next 12 months. We are, I would say, fully booked, basically.

Gael de Bray: Understood. Thank you very much.

Frank Weber: You're welcome, Gael.

Operator: And the last question is from Tore Fangmann from Bank of America. Please go ahead with a question.

Tore Fangmann: Perfect. Good afternoon. Thank you for taking my question. Just one left from my side. When we look into the truck market, I think a few of the OEMs have now opened their books for 26 from September onwards. Could you just give us any indication on how your discussions with the truck OEMs are going right now and any first idea of what this would mean into, like, the start, the Q1, the Q2 of 26? Thank you.

Frank Weber: Thanks, Tore. Nothing spectacular, I would say. Sometimes it's what I recall since quite some time, that after summer break, internal news in big corporations flow a bit hesitant at first. And then towards October, November, basically the sales guys come up with a good or with a rather bad news, so to say, towards their supervisors. This is what we usually say. That's why we also said a bit we see a bit of a softening in Europe because some orders in the EDI system, then you just, if you only have two more months to go, you rather shift into the new year, into January and February. You realize you can't get them done in December anymore, so Christmas is coming like a surprise, kind of, and then you shift a bit orders into February, but that's the usual thing that happens basically each and every year. We don't see anything special this time around. I think we have to, in North America, see how many days around Thanksgiving the plants on the customer

side will be closed down and what they do with Christmas break. But as we also said, we expect a rather flattish market, quarter, quarter four, compared to quarter three, maybe a tiny little bit less truck production rate there. But nothing spectacular in the discussions with our customers. And what we see is what Paccar and Volvo announced, I think, is pretty straightforward. Nothing more to add on our side.

Marc Llistosella: Yeah, just to add from my side, for the capital market, it's relevant whether we perform or not. And we are performing exactly to what we predicted. We performed in 24 to our predictions and announcements. We perform now to our predictions and announcements in 25. And now give me a reason why should you not believe that we are performing exactly as we plan it for 2026 with 14-plus percent EBIT margin. I wouldn't see it because the pattern certainly gives my words more gravity than anything else. So I don't see the doubt. Whether the truck is with currently 44 percent of revenue share, whether this is now coming up or not, as I said at the beginning, I don't believe in dependence of markets. I believe in your own abilities to play with the market so that it's more important whether your costs are under control than whether the market is going up by 2 percent or going down by 3 percent. It is our absolute obligation that for next year, the 14 percent has to be achieved. And we are doing everything on the cost situation and our what we can address. What we can't address, we can't address. We can hope. For markets, you can only hope. For costs, you can do. And what we do is we do what we do. And for the last whatever it was, 16 months, we did it. And we did it as predicted. We did it as announced. And now you can say, yeah, but what makes us think that in the next 11 quarters or 12 quarters, you will do what you announce? Sorry to say, I can only offer you the past. For the last 12 quarters, we did always and over fulfilled what we announced. And I can give you absolutely our understanding and our obligation is to do the same in the next year and the same as in the fourth quarter. Whether the market is bad or good, sorry to say, with this, we will not have an excuse. Then we have to overcompensate. If left is going wrong and right is going right, we have to overcompensate it because overall, the result is 13 percent we wanted to reach in 2025. This is what to go for, 14 plus that is the target for 26. That's what to go for. Whether the market is good or bad, no excuse. We have to reach it. Thank you.

Tore Fangmann: Thank you.

Andreas Spitzauer: Okay. Thank you very much for your time. If you have further questions, please reach out. And yeah, we wish you a great afternoon. Thanks a lot.