

Quarterly Statement
January 1 to March 31, 2021

Q1

FINANCIAL RESULTS Q1/21

DR. JAN MICHAEL MROSIK | CEO

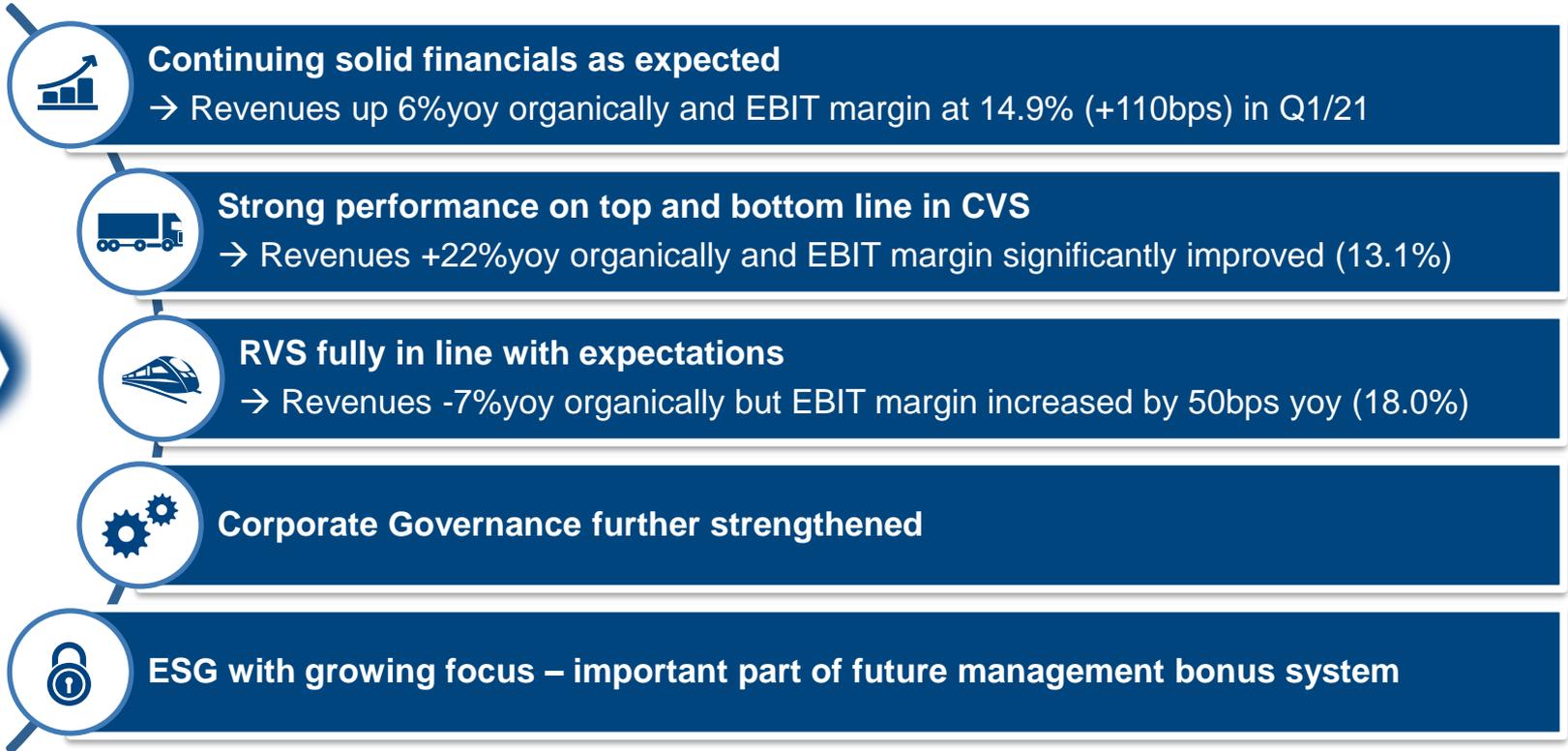
FRANK MARKUS WEBER | CFO

MAY 14, 2021



KNORR-BREMSE

Highlights in Q1/21



Shareholding of KB's anchor investor stable and secured



Anchor investor Thiele family

- Strong commitment of Thiele family in KB shareholding
- Julia Thiele-Schürhoff continues her mandate in KB's Supervisory Board
- Family foundation to be established

**Continuity
and
Stability**



Supervisory and Executive Board of KB

- Prof. Dr. Mangold prolongs his mandate as Chairman of the Supervisory Board by two years
- Dr. Sommer (former CEO of ZF Friedrichshafen) takes over Supervisory Board mandate
- Strong and experienced Executive Board completed with Dr. Mrosik and Dr. Mayfeld

Knorr-Bremse's business principles will continue:

INNOVATION – QUALITY – COST DISCIPLINE – HIGH-PERFORMANCE CULTURE

Further recovery of markets strongly depends on COVID-19 and supply status

Current market situation



- + Continuously no cancellations
- + No major supply issues in rail industry experienced
- Negative impact by COVID-19 ongoing:
 - Overall low rail traffic weighs on AM business
 - Shifts in demand in China/ India (into H2/21 & FY22)
 - Currently no recovery of passenger or freight globally
 - Shifts ongoing in EU

Market expectations towards YE21

- + General market fundamentals intact (e.g. decarbonization efforts) and increasing government subsidies for rail transport
- + Long-term tailwind from infrastructure programs for rail industry globally (Green Deal (~€750bn), U.S. 5y transp. plan (~\$60bn), India National Rail Plan (~\$30bn until '22) etc.)
- Global rail traffic not to reach pre-COVID-19 levels soon



- + Q1/21: TPRs¹ especially strong in APAC (+80%) and EU (+19%), NA (+7%)
- + China: strong underlying demand, partly supported by pull-in effects from introduction of CN6 at 07/21
- First significant challenges in supply of semiconductors and partly with other components, all customer supplies secured so far for Q1
- + Solid TPRs¹ expected in EU (+12%) and NA (+21%), → Strongly depending on supply situation
- + Slight growth in AM business expected in FY21 vs. FY20
- Slowdown in China expected from mid 2021
- Especially supply of semicond. highly uncertain until YE21
Assumption: significant impact expected until YE21 and potentially beyond

1) yoy figure, TPR defines all truck units produced in a specified time; ~>16t and Class ; Source: LMC

Expected development of RVS in FY21



Q1/21

Q2-Q4/21e

ORDERS

- Q1/21 strongly impacted by: 1) seasonality of tenders in FY21, 2) strong development in Q4/20 3) low rail traffic leading to tense financial situation for rail operators
- APAC region (esp. AM and HS in China; India) main driver for RVS through significant postponements of contracts

- Underlying demand in rail mirrored by strong OI of RVS's customer base will be supportive
- Higher OI expected until YE21, but strongly depending on COVID-19

AFTERMARKET

- Rail traffic still influenced by COVID-19, despite # of trains on tracks relatively solid, but on lower level than normal (e.g. Trains on tracks compared to pre-COVID-19: UK ~80%, GER ~85%, FR ~70-100%)

- Improvement of rail traffic and AM demand expected, but highly depending on COVID-19 development

CHINA

- Stable KB's market share in OE and AM
- No direct impact from Autonomous Policy faced

- Stable market share in OE and AM expected
- Very limited short-term impact from Autonomous Policy expected

Expected development of CVS in FY21



Q1/21

Q2-Q4/21e

REGIONS

- EU/NA:
 - Strong demand – no supply issue so far
 - Transportation industry expands capacity
- CN: Record TPR and strong performance

- Development will highly depend on supply shortage and COVID-19
- EU/NA:
 - Ongoing recovery demand expected towards YE21
 - No signs of declining demand in transportation industry
- CN: Significant slowdown of TPR in H2/21

CONTENT PER VEHICLE

- Extraordinarily TPR growth outperformed CPV growth

- CPV growth generally continuing due to regulatory framework (e.g. introduction of CN6 in 07/21 etc.)

SUPPLY SHORTAGES

- CVS managed supply shortages very well
- Despite significant semiconductor shortage and other components (e.g. electronics, metals etc.) customer supply could be secured

- Semiconductor shortage will impact truck industry in the upcoming quarters (OEMs and suppliers)
- Tightness of supply excl. semiconductors currently appears to be manageable

Operating highlights: strong execution of RVS and CVS



eCUBATOR started to bundle expertise in electric mobility



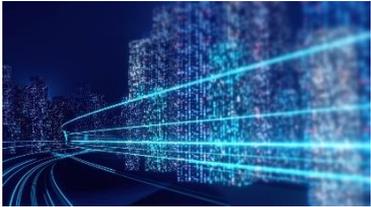
Expansion of **truck capacities** within China to meet high demand



10y contract for braking and air treatment systems (€ 1bn) signed with big European truck OEM



Major order of 254 Metro rail cars for Atlanta metropolitan area



Big data: KB and DB sign frame contract for the use of train operating data



Major contract with Talgo for 23 ECx trains and option for 77 more trains



Large contract with Hitachi Rail to supply systems for 30 new **LRV** in Turin with option for 40 more units



Major contract with Stadler to equip **606 metro cars** in Berlin

Financial highlights Q1/21: superb KPIs improved in all dimensions based on signs of recovery

REVENUES OF **€ 1.69bn**
(+3.9% yoy)

14.9% EBIT MARGIN (ROS)
(PY: 13.8%)



€ 805m



€ 886m



18.0%



13.1%



€ -23m FREE CASHFLOW
(PY: € -61m)

-13% Cash Conversion Rate

ORDER INTAKE **€ 1.80bn**
(+13.3% yoy)

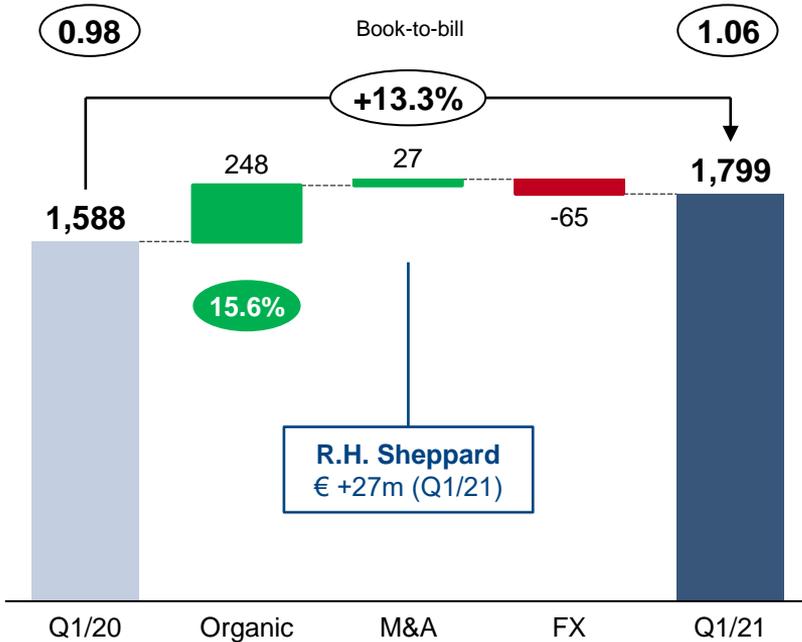
ORDER BOOK **€ 5.08bn**
(9.3% yoy)



Order intake rises third quarter in a row leading to once again record-high order book

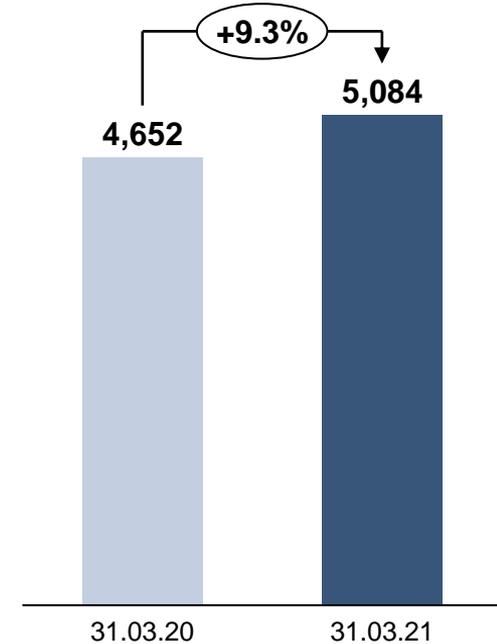
Order intake

€m



Order book

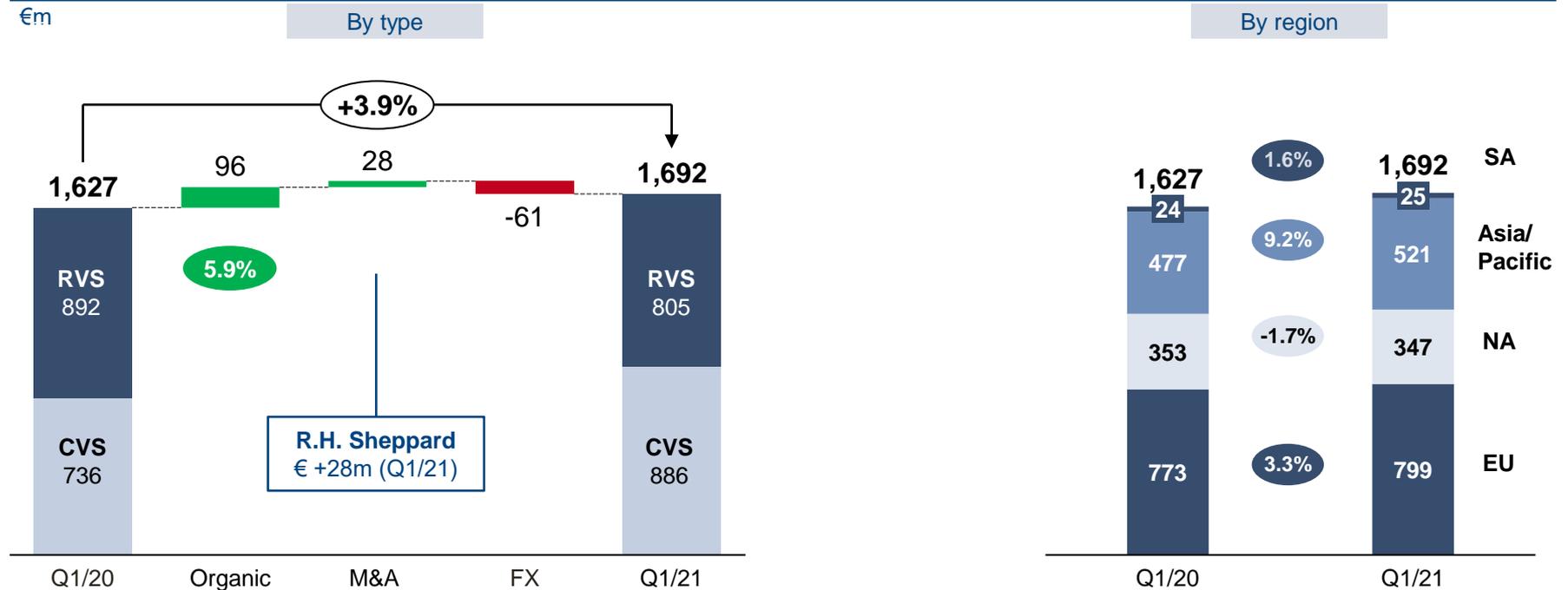
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Revenue increase mirrors ongoing recovery and strong order book provides high visibility for revenue development in FY21

Revenue

€m

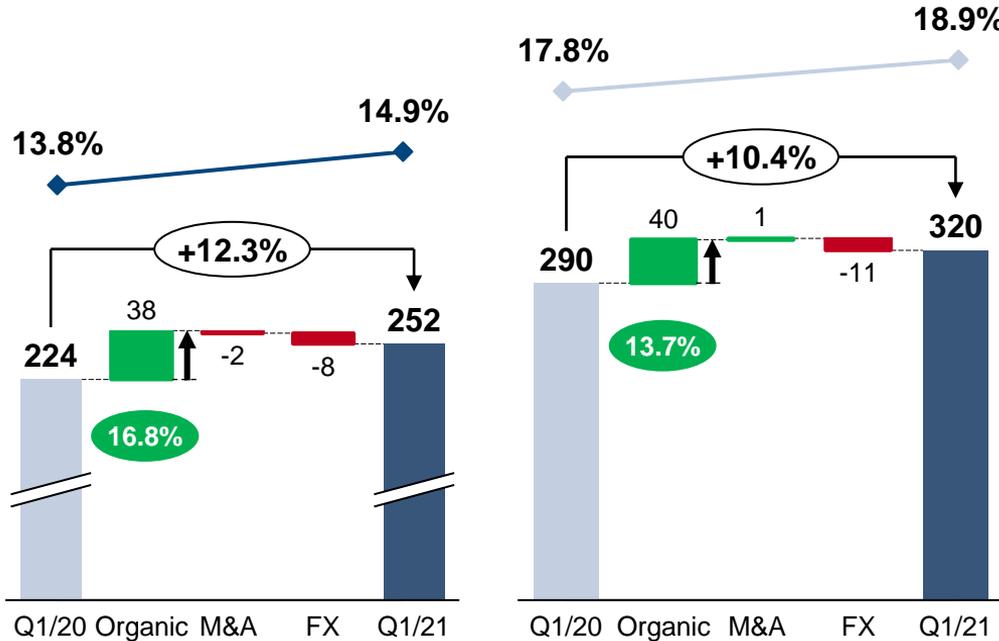


Strong profitability increase by 110bps shows good conversion of revenues into profit

EBIT/ ROS

EBITDA/ E. Margin

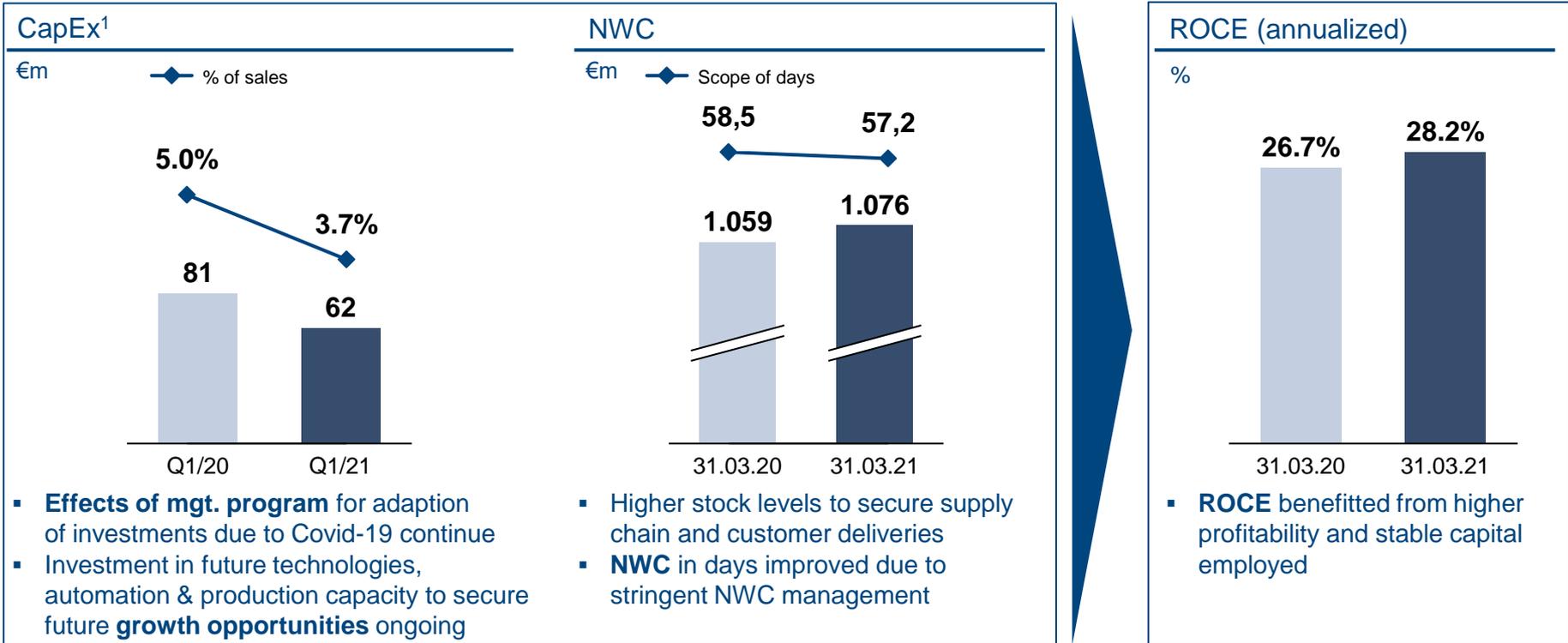
€m



EBIT margin (ROS) increased by 110bps in Q1/21yoy

- Operating leverage and benefits from cost measures supported margin increase
- Revenue share of AM decreased from 37% in Q1/20 to 34% in Q1/21, due to strong OE business growth
- RVS: COVID-19 led to ongoing postponements of contracts. Higher revenue recognition on average in Q2-Q4/21 vs. Q1/21
- CVS: Strong support by higher TPRs in the main markets globally; negative impact from supply shortage and extra costs related to the COVID-19 pandemic could be compensated in Q1/21
- FX headwinds on EBIT mainly from USD and INR
- EBITDA margin follows strongly increasing EBIT margin

Focused spending and stringent NWC management in place to ensure ROCE



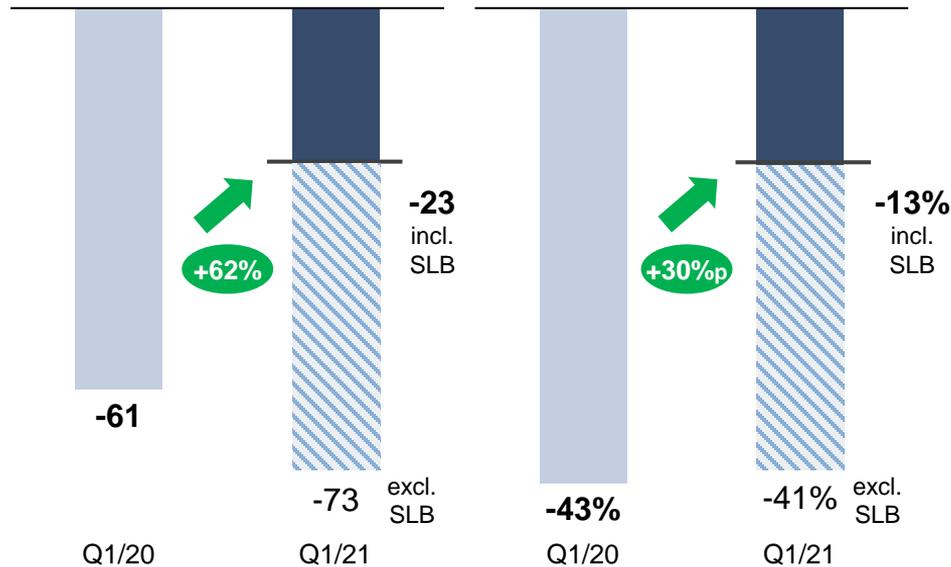
1) Capex are adjusted for sale & lease back transactions

FCF significantly improved, despite headwinds from strong FY20 year-end effects and usual weak seasonality in Q1

Free Cashflow¹

Cash Conversion Rate

€m



- Free Cashflow increased by ~€ 38m yoy
- Improvement of CCR by ~30%p
- Business development and stringent measures taken to secure **strong improvement of Free Cashflow** in course of 2021
- Benefits from higher profits on **Free Cashflow** could not mitigate impacts by COVID-19 pandemic, but countermeasures in place
- **Strong Free Cashflow in Q4/20** (<€500m) took its toll in Q1/21
- Sale-and-Lease-Back transaction of Nordgelände² in Munich supported **FCF by ~€ 50m**

1) FCF before M&A 2) Sale-and-Lease-Back transaction of Nordgelände in Munich executed and announced in 2019

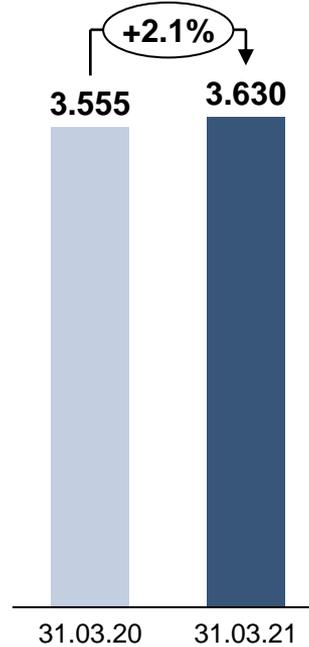
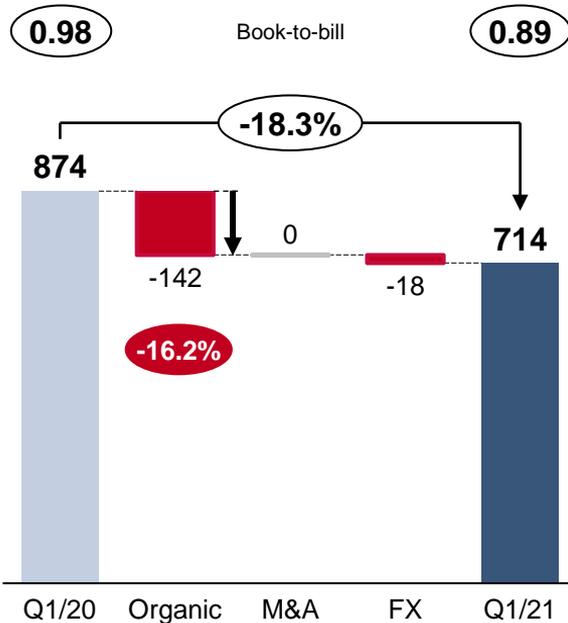
RVS: OI facing lumpiness of tenders and award timing in 2021, while strong order book secures high visibility until YE21



Order intake

Order book

€m



Order book increased by 2.1 %yoy

- **Order book** well supported by resilient and stable rail industry despite COVID-19. No cancellations of contracts.

Weaker Q1/21 order intake as expected

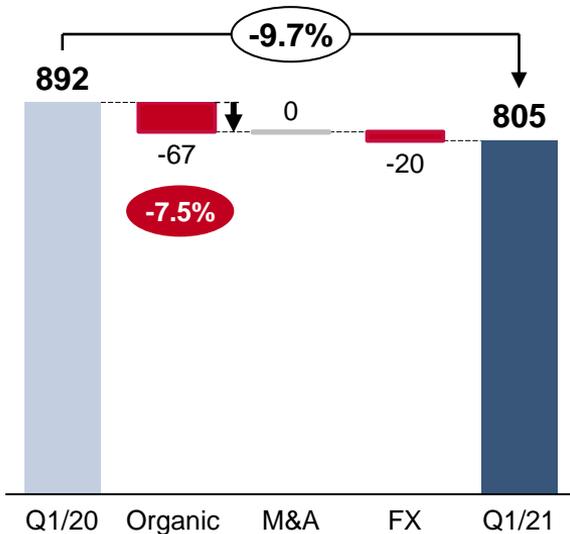
- Major Impact by timing of large-volume tender award
- Q1/21 negatively impacted after strong Q4/20
- **EU:** OE mainly impacted by Kiepe, but good development in Freight; AM higher yoy
- **APAC:** Stretch of maintenance cycles in China leading to lower AM, extended Chinese New Year impacting OE and AM business, OE decline in India due to COVID-19
- **NA:** OE comparable yoy mainly driven by Metro; AM lower due to reduced transport volumes, leading to lower utilization of existing vehicles

RVS: improved profitability despite revenue decrease, strong resilience

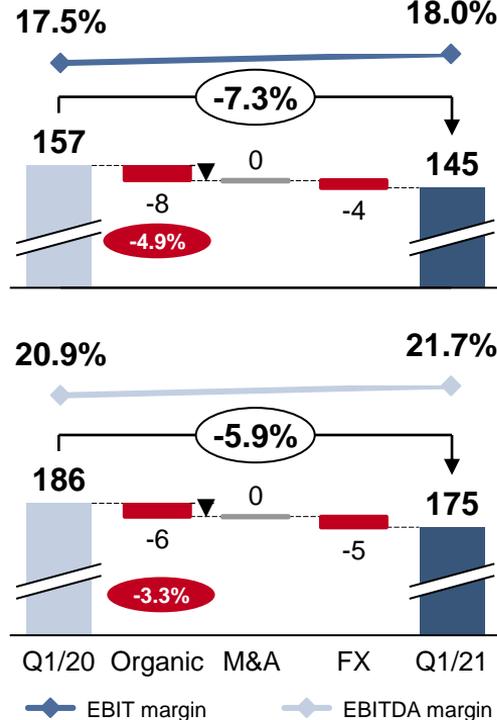


Revenue

€m



EBIT / EBITDA



Revenue development as expected in Q1/21

- **AM:** Lower rail traffic/ maintenance burdened the development in Q1/21 yoy
- **EU:** OE lower yoy mainly impacted by Kiepe; RS overall slightly higher yoy
- **APAC:** Stretch of maintenance cycles in China leading to lower AM; OE decline in India due to COVID-19
- **NA:** Generally lower revenue mainly driven by weak OE market (Freight, R&C) and AM

Remarkable EBIT margin of 18.0%, despite revenue decrease

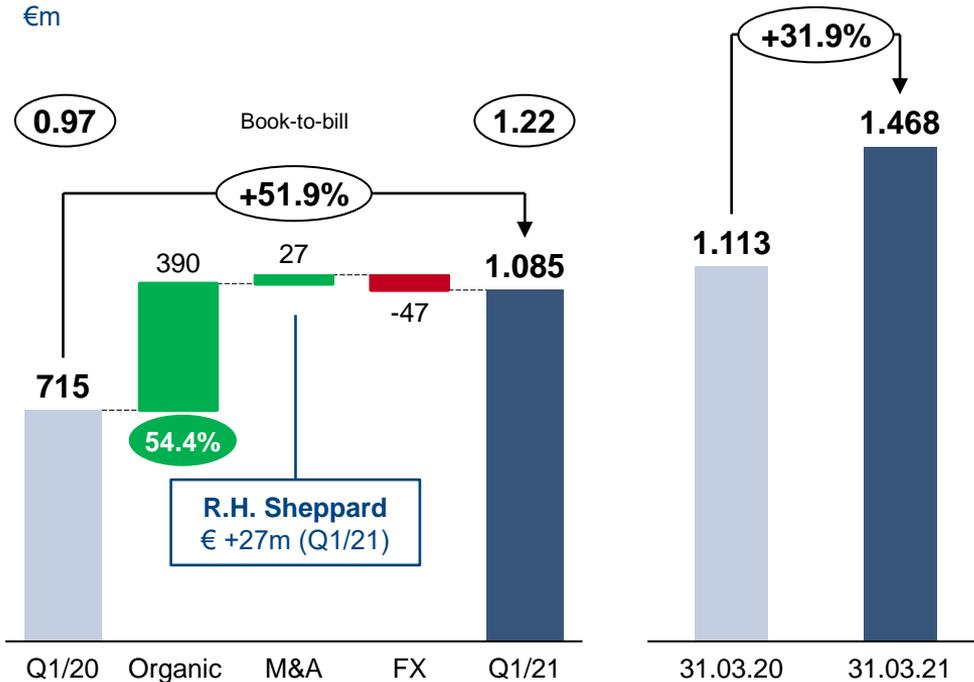
- Profitability shows resilience overall
- Margin burdened by volume reduction
- Cost savings supportive

CVS: extremely strong OI and order book reflect high demand in market



Order intake

Order book



Significant organic order growth in comparison to beginning of COVID-19 crisis at end of Q1/20

- **EU/ NA:** Market recovery qoq continued in Q1/21 and lead to solid growth, crisis in semiconductor and other raw material supply not yet reflected in demand as OEMs not cancel, but only shift orders towards YE21
- **APAC:** Recovery in Japan continued, current severe COVID-19 situation in India not yet impacted orders, China with another all-time high TPR in March

Order book positively impacted by high Q1/21 order intake

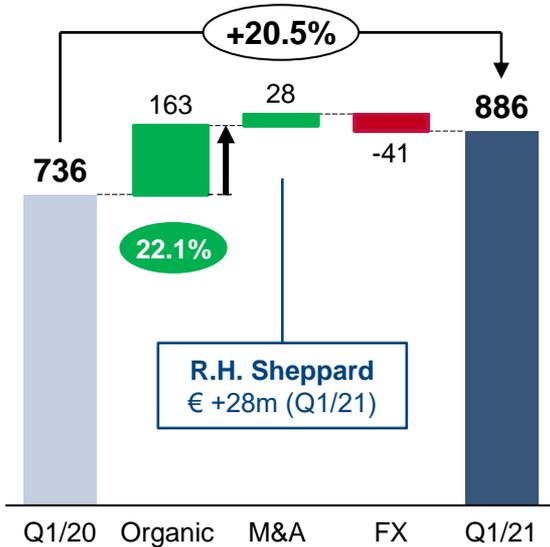
- Growth order backlog < growth in order intake due to strong revenue in Q1/21
- Strong order backlog mirrors good underlying demand, but planned call-offs by OEMs are postponed to future quarters

CVS: all-time high quarterly revenues with significantly improved profitability

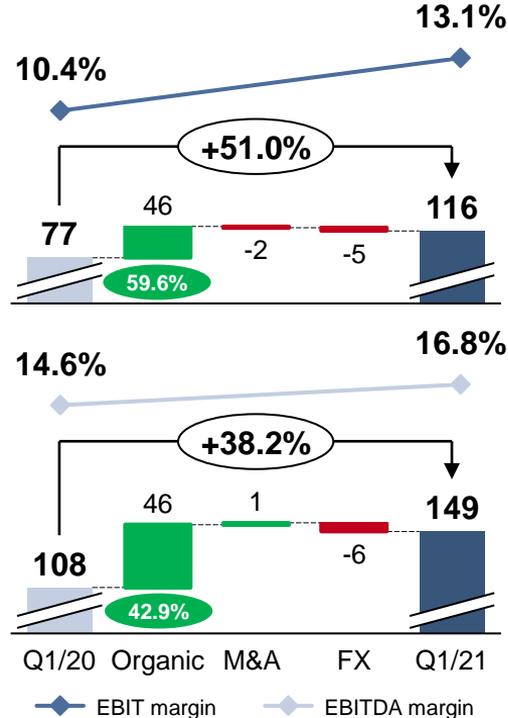


Revenue

€m



EBIT / EBITDA



Increased market demand combined with latest acquisitions lead to record sales

- **EU & NA:** Improvement in all channels, supply crisis well managed so far, but expected in Q2/21
- **APAC:** Record levels in China and India, risk of strict lockdown in India due to massive COVID-19 wave rising
- **AM** roughly stable in all regions yoy

Solid margin increase despite COVID-19 challenges, cost control programs initiated

- Operating leverage and cost measures taken in FY20 well supported profitability
- Global container shortages and congested harbors lead to higher freight expenses
- Broker fees and increased special freights to deal with semiconductor crisis

Continuous improvements in ESG are KB's priority

ESG goals within mgt bonus system (2022)

INTERNAL

- KB contribution to CO₂ neutrality
- Workplace accidents

50%

EXTERNAL



ROBECOSAM
We are Sustainability Investing.

RATED BY
ISS ESG

50%



Recent developments in ESG at KB

Environment

- Further driving decarbonization via climate strategy¹
- Lower vehicle emissions – eCubator founded as think tank for future product excellence

Society & Employees

- Women in leading positions (13.2%²) – e.g. completion of Executive Board with Dr. Claudia Mayfeld
- Human rights – Policy established for suppliers and employees
- Roll-out of global employee stock program
- Global Care – Start of Global Safe Hub Initiative (education model) and reducing waterborne diseases in developing countries
- Local Care – Coaching program for weaker students and re-start of “get involved”³

Governance

- Improved reporting timelines in line with DCGK⁴
- Strengthening KB's Supervisory & Executive Board
- EcoVadis – Rating increased to “GOLD”

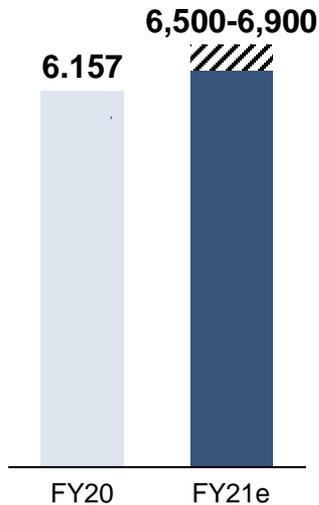


New KB sustainability strategy in the making

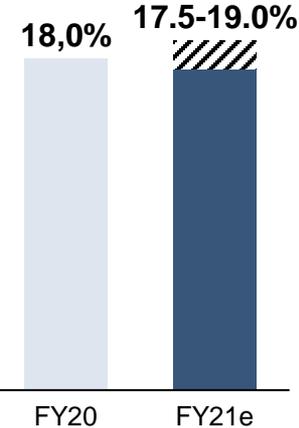
Group Guidance 2021 confirmed

Revenue

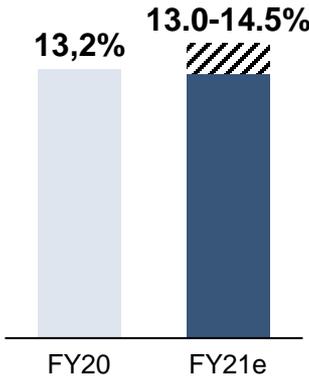
€ m



EBITDA margin



EBIT margin (ROS)



Assumptions

- Stable economic environment in important markets
- FX rates based on March 2021¹
- No further setbacks occur as a result of COVID-19
- We assume it will be possible to largely compensate for decreases in revenues in CVS resulting from current supply bottlenecks for electronic components of the semiconductor industry in the course of 2021, but are continuously monitoring the situation

ROCE:	FTE:	NWC:	Capex:
25-30%	29,500-30,500	45-50 days	5.0-6.0% of revenue

1) Assumptions unchanged vs. initial guidance from March 4, 2021

Key Take Aways



Very solid Q1/21 KPIs overall in turbulent times



Impact of COVID-19 and supply shortages will continue



Corporate Governance and ESG overall further strengthened



Fully on track to fulfill guidance FY21

Q&A / Backup



Financial calendar: upcoming events

Date	Event
May 18, 2021	Berenberg U.S. Conference
May 20, 2021	Annual General Meeting
May 26, 2021	Post Q1/21 Roadshow
May 27, 2021	UBS U.S. Conference, Best of Europe
June 8-9, 2021	UBS Global Industrials and Transportation Conference
June 10, 2021	JPM CEO Conference, London
June 11, 2021	Warburg Highlights, Hamburg
June 16, 2021	dbAccess Conference, Berlin
August 13, 2021	Q2/21 financial results
November 12, 2021	Q3/21 financial results

Note: due to COVID-19, all conferences and roadshows take place virtually until further notice

Q1/21: income statement

INCOME STATEMENT						
EUR million	2020					2021
	Q1/20	Q2/20	Q3/20	Q4/20	FY/20	Q1/21
Revenues	1,627.5	1,428.3	1,533.5	1,567.4	6,156.7	1,691.5
Change in inventory of unfinished/finished products	-0.8	15.1	-6.7	-18.9	-11.3	30.0
Own work capitalized	18.8	18.5	19.6	19.2	76.1	19.2
Total operating performance	1,645.4	1,461.9	1,546.5	1,567.7	6,221.5	1,740.7
Other operating income	29.6	19.1	27.4	16.0	92.2	29.4
Cost of materials	-780.1	-688.3	-736.4	-756.4	-2,961.1	-855.3
Personnel expenses	-400.9	-368.3	-374.9	-381.5	-1,525.5	-414.9
Other operating expenses	-203.9	-179.2	-194.0	-143.1	-720.2	-179.6
Earnings before interest, tax, depreciation and amortization (EBITDA)	290.2	245.3	268.7	302.7	1,106.9	320.3
Depreciation and amortization	-66.2	-71.7	-74.1	-80.8	-292.9	-68.7
Earnings before interests and taxes (EBIT)	224.0	173.5	194.6	221.9	814.0	251.6
Interest income	10.0	-0.8	4.8	5.4	19.4	3.0
Interest expenses	-15.3	-8.2	-12.3	-19.1	-54.9	-11.4
Other financial result	-20.2	-5.4	4.4	-6.7	-27.9	-0.9
Income before taxes	198.5	159.1	191.5	201.5	750.6	242.3
Taxes on income	-56.7	-44.0	-51.0	-66.7	-218.4	-65.9
Net income	141.9	115.1	140.5	134.7	532.2	176.3
Profit (loss) attributable to non-controlling interests	7.5	12.4	8.4	8.4	36.7	7.2
Profit (loss) attributable to the shareholders of Knorr-Bremse AG	134.4	102.7	132.1	126.3	495.5	169.1
Earnings per share in Euro	0.83	0.64	0.82	0.78	3.07	1.05

Q1/21: cashflow

CASHFLOW STATEMENT (shortened)						
	2020					2021
EUR million	Q1/20	Q2/20	Q3/20	Q4/20	FY/20	Q1/21
Net cash flows from/used in operating activities	3.5	115.1	250.8	666.6	1,036.0	27.6
Net cash flows from/used in investing activities	-57.8	-195.5	-69.2	-253.9	-576.4	-78.8
Net cash flows from/used in financing activities	171.7	400.3	-324.7	-257.7	-10.4	-254.3
Cash flow changes	117.4	319.9	-143.1	155.0	449.2	-305.5
thereof change in cash funds resulting from exchange rate and valuation-related movements	-11.9	-12.3	-13.9	-23.9	-62.0	27.7
Change of cash fund	105.5	307.6	-156.9	131.2	387.3	-277.8
Cash funds at the beginning of the period	1,853.5	1,958.9	2,266.5	2,109.6	1,853.5	2,240.7
Cash funds at the end of the period	1,958.9	2,266.5	2,109.6	2,240.7	2,240.7	1,963.0

Q1/21: balance sheet / assets

BALANCE SHEET									
EUR thousand	2019				2020				2021
	31.03.2019	30.06.2019	30.09.2019	31.12.2019	31.03.2020	30.06.2020	30.09.2020	31.12.2020	31.03.2021
Assets									
Intangible assets and goodwill	840.0	813.9	838.4	842.2	858.8	896.2	888.5	887.8	899.2
Property, plant and equipment	1,430.5	1,454.0	1,470.2	1,469.2	1,437.2	1,490.0	1,479.5	1,544.7	1,589.1
Investments accounted for using the equity method	2.0	13.6	18.3	16.6	16.6	17.8	17.7	24.7	24.2
Other financial assets	85.6	63.4	64.5	63.5	52.5	57.8	59.9	140.8	164.9
Other assets	16.1	44.0	48.7	73.9	70.5	52.3	54.9	57.3	75.9
Income tax receivables	0.0	0.0	4.9	0.0	1.9	0.0	0.0	0.0	1.0
Assets from employee benefits	30.6	30.3	31.7	31.6	30.5	29.8	38.4	21.0	22.2
Deferred tax assets	138.5	164.9	172.0	126.6	118.8	123.9	122.8	116.4	117.0
Non-current assets	2,543.4	2,584.1	2,648.7	2,623.6	2,586.7	2,667.8	2,661.6	2,792.6	2,893.4
Inventories	910.5	877.2	865.7	815.0	865.4	933.2	904.2	844.6	927.7
Trade accounts receivable	1,511.7	1,512.5	1,452.8	1,149.0	1,353.6	1,411.6	1,427.7	1,141.1	1,519.5
Other financial assets	24.6	34.9	46.6	62.6	58.2	41.5	52.0	39.8	71.5
Other assets	117.2	147.1	137.1	152.1	128.7	167.0	172.5	161.8	113.7
Contract assets	125.8	99.3	81.3	89.9	91.7	91.4	91.3	84.2	88.8
Income tax receivables	103.4	112.2	127.5	73.9	68.9	61.3	43.8	48.7	33.8
Cash and cash equivalents	1,582.8	1,426.5	1,505.2	1,880.7	1,983.7	2,293.2	2,131.6	2,277.0	1,989.3
Current assets	4,376.1	4,209.6	4,216.3	4,223.2	4,550.2	4,999.2	4,823.1	4,597.3	4,744.4
Total assets	6,919.5	6,793.7	6,865.0	6,846.8	7,136.9	7,667.1	7,484.7	7,390.0	7,637.8

Q1/21: balance sheet / liabilities

BALANCE SHEET									
EUR thousand	2019				2020				2021
	31.03.2019	30.06.2019	30.09.2019	31.12.2019	31.03.2020	30.06.2020	30.09.2020	31.12.2020	31.03.2021
Equity									
Subscribed capital	161.2	161.2	161.2	161.2	161.2	161.2	161.2	161.2	161.2
Capital reserves	13.9	13.9	13.9	13.9	13.9	13.9	13.9	13.9	13.9
Retained earnings	35.1	34.3	31.9	34.2	34.2	34.2	34.2	13.3	13.3
Other components of equity	-134.8	-188.3	-208.6	-179.3	-233.5	-272.2	-305.7	-317.6	-241.4
Profit carried forward	1,448.3	1,164.1	1,149.5	1,166.0	1,754.5	1,464.3	1,464.3	1,464.3	1,959.8
Profit attributable to the shareholders of Knorr-Bremse AG	182.5	343.4	433.9	588.4	134.4	237.1	369.2	495.5	169.1
Equity attributable to the shareholders of Knorr-Bremse AG	1,706.2	1,528.5	1,581.8	1,784.4	1,864.6	1,638.5	1,737.0	1,830.7	2,076.0
Equity attributable to non-controlling interests	118.3	122.6	115.4	117.1	121.7	103.0	103.0	91.0	101.1
thereof share of non-controlling interests in net income	10.1	20.3	31.0	43.6	7.5	19.9	28.3	36.7	7.2
Equity	1,824.5	1,651.2	1,697.1	1,901.5	1,986.3	1,741.5	1,840.1	1,921.7	2,177.1
Liabilities									
Provisions for pensions	314.1	360.2	397.0	343.3	301.3	347.8	362.1	354.9	296.6
Provisions for the employee benefits	24.5	25.1	23.8	19.5	22.2	19.8	20.9	17.4	18.6
Other provisions	247.5	255.5	262.4	273.1	262.0	270.7	270.2	269.0	277.7
Financial liabilities	1,746.2	1,618.6	1,635.8	1,658.2	1,663.1	1,657.8	1,642.9	1,158.7	1,203.7
Other liabilities	8.7	6.3	5.4	5.6	5.1	3.4	2.5	3.5	5.3
Income tax liabilities	99.5	97.9	101.3	51.9	51.6	52.6	59.8	58.2	63.7
Deferred tax liabilities	91.1	104.6	76.9	80.8	85.9	94.7	97.0	114.5	135.4
Non-current liabilities	2,531.6	2,468.2	2,502.7	2,432.5	2,391.3	2,446.8	2,455.5	1,976.2	2,001.0
Provisions for other employee benefits	17.1	26.1	31.2	29.1	22.4	21.7	19.9	19.2	20.4
Other provisions	253.1	255.4	240.9	197.6	193.6	202.4	200.2	194.0	191.9
Trade accounts payable	1,081.0	1,054.9	1,034.6	967.4	978.0	946.2	959.0	1,027.7	1,166.4
Financial liabilities	779.7	860.1	888.4	875.6	1,170.8	1,859.8	1,592.2	1,818.2	1,646.5
Other liabilities	82.5	139.1	127.1	131.0	91.2	109.3	83.8	90.3	88.0
Contract liabilities	295.7	291.4	280.7	277.4	274.1	293.2	283.1	295.9	294.0
Income tax liabilities	54.3	47.4	62.2	34.6	29.1	46.2	50.9	46.8	52.5
Current liabilities	2,563.3	2,674.4	2,665.1	2,512.8	2,759.3	3,478.8	3,189.2	3,492.1	3,459.7
Liabilities	5,095.0	5,142.6	5,167.8	4,945.2	5,150.6	5,925.6	5,644.6	5,468.3	5,460.7
Total assets	6,919.5	6,793.7	6,865.0	6,846.8	7,136.9	7,667.1	7,484.7	7,390.0	7,637.8

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