

Quarterly Statement  
January 1 to March 31, 2020

# Q1



**KNORR-BREMSE**

# Quarterly Statement

JANUARY 1 TO MARCH 31, 2020  
KNORR-BREMSE AG

## KEY FIGURES KNORR-BREMSE GROUP (IFRS)

		Q1/2020	Q1/2019
Revenues	€ million	1,627.5	1,755.3
EBITDA	€ million	290.2	333.7
EBITDA margin	%	17.8	19.0
Operating EBITDA margin	%	17.8	19.0
EBIT	€ million	224.0	274.6
EBIT margin	%	13.8	15.6
Operating EBIT margin	%	13.8	15.6
Net income	€ million	141.9	192.6
Earnings per share (undiluted)	€	0.83	1.13
Order intake	€ million	1,588.0	1,893.2
Order book (March 31)	€ million	4,652.5	4,700.5
Operating cash flow	€ million	3.5	89.1
Free cash flow	€ million	(60.8)	32.1
Cash conversion rate	%	(42.9)	16.7
Capital expenditure (before IFRS 16 and acquisitions as well as SLB)	€ million	81.0	62.2
Capital expenditure in % of revenues	%	5.0	3.5
R&D costs	€ million	100.1	105.2
R&D in % of revenues	%	6.2	6.0
		3/31/2020	12/31/2019
Total assets	€ million	7,136.9	6,846.8
Equity (incl. non-controlling interests)	€ million	1,986.3	1,901.5
Equity ratio	%	27.8	27.8
ROCE (annualized)	%	26.7	34.1
Net financial (debt) / cash	€ million	(36.0)	57.7
Net working capital	€ million	1,058.6	809.1
Employees (at reporting date incl. leased personnel)		28,663	28,905

## FIRST QUARTER 2020

- » Business performance in the first quarter of 2020 impacted by Covid-19 first in Asia, then in Europe and North America
- » Order book at € 4,652.5 million nearly level with previous year despite challenging market conditions
- » Solid development: Revenues at € 1,627.5 million down 7.3% year-on-year due to the declining OE business
- » Aftermarket revenues: Appreciable growth of 11.0% (+600 basis points) year-on-year had a stabilizing effect
- » Robust profitability levels: EBITDA margin at 17.8% of revenues (previous year: 19.0%)
- » Cash funds of € 2.0 billion ensure flexibility for operations
- » Operating cash flow: € 3.5 million, down 96.1% year-on-year due mainly to lower earnings
- » Extensive action program to stabilize earnings and safeguard delivery capability has been implemented; higher liquidity through new lines of credit ensures flexibility for operations

## BUSINESS PERFORMANCE IN THE FIRST THREE MONTHS OF 2020

### Order intake down by 16.1% due in particular to Covid-19

Amid challenging market conditions, the order intake of the Knorr-Bremse Group was down by **16.1% or € 305.2 million** year-on-year at the end of March 2020, falling to € 1,588.0 million. This trend was primarily attributable to softening demand dynamics for both rail and commercial vehicles due mainly to the effects of the Covid-19 pandemic. In the rail vehicles market, the decline was especially pronounced in Asia, where business in China took a particular hit. In the Commercial Vehicles Systems segment, global commercial vehicle production witnessed a perceptible downturn in Europe, North and South America, but also in Asia, reducing order volumes for Knorr-Bremse. The decrease in vehicle production is attributable in part to a market slowdown that had been anticipated even before the emergence of Covid-19. However, there have also been corrections in demand taking the form of cancellations of customer orders as a consequence of the lockdowns and the related shuttering of commercial vehicle manufacturing facilities.

This gives an order book of € 4,652.5 million, which thanks to the positive order situation in the Rail Vehicle Systems segment in recent quarters is almost on a par with the high level of the previous year (€ 4,700.5 million) (-1.0%).

### Revenues down by 7.3% in volatile market – aftermarket has a stabilizing effect

In the first three months of the 2020 fiscal year, revenues of the Knorr-Bremse Group fell by 7.3% or € 127.8 million to € 1,627.5 million. After adjusting for currency effects (at 2019 exchange rates) as well as for disposal and acquisition effects, revenues were down 7.9%. On the whole, revenues in the Rail Vehicle Systems segment came in just slightly below the prior-year figure, with noticeable growth in the aftermarket business compensating to a large extent for the somewhat weaker OE business. In Europe, the OE business was impacted primarily by diminishing volumes of light rail vehicles and in North America by a weaker freight business than in the previous year. In the Asia region, a declining due to Covid-19 in the OE business for high-speed trains and locomotives was offset by growth in the business for railway carriages and metro cars. In the Commercial Vehicle Systems segment, the decline in revenues was largely attributable to a decrease in the number of trucks being produced worldwide and related revenue shortfalls in the OE business, mainly in Europe and North America. In the Asia region, Hitachi Automotive Systems, Ltd., which had been acquired in the preceding fiscal year and was reported for the first time in the figures for the first six months of 2019, added € 22.6 million to revenues in the first three months of 2020. Furthermore, aftermarket revenues rose compared with the first quarter of 2019.

At Group level, the share of the aftermarket business accounted for 37.0% of total revenues (breakdown in accordance with management reporting). This represents a marked increase of 600 basis points compared with the same quarter of the previous year and also reflects the changes in customer preferences as a consequence of Covid-19. The growth in the aftermarket business went a long way toward stabilizing revenues and earnings in the first quarter and underlines the robustness of our business model.

### EBITDA and EBIT margin moderately below prior-year level

In the first three months of 2020, EBITDA of € 290.2 million was generated with an EBITDA margin of 17.8% (previous year: 19.0%). This is € 43.4 million or 13.0% less than in the prior-year period and was mainly caused by volume effects from a declining OE business, which were offset by high-margin earnings contributions from growth in the aftermarket business. The positive trend in the sales mix helped to stabilize earnings and improve the Group's profitability.

EBIT of € 224.0 million also showed a volume-related decline of € 50.6 million or 18.4%. At 13.8%, the EBIT margin fell short of the prior-year level of 15.6%. The higher deviation from EBITDA than in the same quarter of the previous year can be ascribed to higher depreciation and amortization resulting from increased investment activity.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONDENSED)

in € million	Q1/2020	Q1/2019
Revenues	1,627.5	1,755.3
Change in inventory of unfinished/finished products	(0.8)	21.7
Own work capitalized	18.8	15.4
Total operating performance	1,645.4	1,792.4
Cost of materials	(780.1)	(908.0)
Personnel expenses	(400.9)	(391.0)
Other operating income and expenses	(174.3)	(159.7)
EBITDA	290.2	333.7
Depreciation and amortization	(66.2)	(59.1)
EBIT	224.0	274.6
Financial result	(25.5)	(4.8)
Income before taxes	198.5	269.8
Taxes on income	(56.7)	(77.2)
Net income	141.9	192.6
thereof profit (loss) attributable to non-controlling interests	7.5	10.1

The cost of materials ratio improved by 380 basis points to 47.9% of revenues in the first three months of 2020, mainly on the strength of an improved sales mix and efficiency gains. However, this trend was offset by an increase in the personnel expenses ratio of 230 basis points from 22.3% to 24.6%. The total of other operating income and expenses increased by 160 basis points from 9.1% to 10.7% of revenues. Accounting for 4.1% of revenues, depreciation and amortization stood at 70 basis points above the prior-year level, largely due to the increase in investment activity. The financial result, which was impacted in particular by currency translation differences, reduced income before taxes by € 25.5 million. The latter, at 12.2% of revenues, was 320 basis points below the corresponding prior-year level of 15.4%.

The tax rate fell slightly by 10 basis points to 28.5% from 28.6% in the first three months of 2019. As a result, net income as of the end of March 2020 accounted for 8.7% of revenues, a drop of 230 basis points year-on-year.

## FINANCIAL SITUATION

### FREE CASH FLOW

in € million	Q1/2020	Q1/2019
Net income	141.9	192.6
Depreciation, amortization and impairment losses on intangible assets and property, plant and equipment	66.2	59.1
Non-cash changes in provisions	37.1	58.8
Non-cash changes in valuation of derivatives	44.2	–
Other non-cash expenses and income	25.9	36.0
Income tax expense	56.7	77.2
Income tax payments	(55.3)	(50.1)
Changes of provisions	(48.4)	(36.9)
Changes of inventories, trade accounts receivable as well as other assets which cannot be allocated to investing or financing activities	(307.2)	(304.2)
Changes of trade accounts payable as well as other liabilities which cannot be allocated to investing or financing activities	29.9	48.7
Other	12.6	8.1
Cash flow from operating activities	3.5	89.1
Cash changes in intangible assets and property, plant and equipment	(64.3)	(57.0)
Free cash flow	(60.8)	32.1

The cash inflow from operating activities decreased in the first three months of the current fiscal year by € 85.6 million year-on-year to € 3.5 million. Alongside a drop in net income of € 50.7 million, or 26.3%, to € 141.9 million, this was primarily due to the **change in provisions, which rose by a total of € 33.2 million year-on-year** due in part to the payment of \$ 12 million under an agreement to settle a class action lawsuit in the United States.

Free cash flow in the first three months of 2020 amounted to € –60.8 million, down € 92.9 million on the prior-year level (€ 32.1 million). In addition to the significantly lower cash flow from operating activities, this is due to higher disbursements for investments in intangible assets and property, plant and equipment.

### CURRENT AND NON-CURRENT ASSETS

in € million	3/31/2020	12/31/2019
Intangible assets and goodwill	858.8	842.2
Property, plant and equipment	1,437.2	1,469.2
Other non-current assets	290.6	312.2
Non-current assets	2,586.7	2,623.6
Inventories	865.4	815.0
Trade accounts receivable	1,353.6	1,149.0
Other financial assets	58.2	62.6
Contract assets	91.7	89.9
Cash and cash equivalents	1,983.7	1,880.7
Other current assets	197.6	226.0
Current assets	4,550.2	4,223.2

A largely seasonal increase compared with December 31, 2019 was recorded in trade accounts receivable and inventories. In this regard – as in previous years – we expect a substantial improvement by year end. Furthermore, the trend in inventories reflects measures to preserve the global supply chains, particularly in the aftermarket business.

Overall, net working capital improved by € 85.5 million to € 1,058.6 million compared with the first three months of 2019 (€ 1,144.1 million). This slightly reduced the commitment in days' sales to 58.5 days from the prior-year level (58.7 days).

## CAPITAL EXPENDITURE

		Q1/2020	Q1/2019
Capital expenditure (before IFRS 16 and acquisitions as well as SLB)	€ million	81.0	62.2
Capital expenditure in % of revenues	%	5.0	3.5

The trend in investments in intangible assets and property, plant and equipment underlines the Group's long-term growth and innovation priorities. In addition to the ongoing expansion of production capacity at the North American sites in Huntington and Bowling Green, major investments were made especially in replacement and expansion projects for production facilities and their automation, as well as in supplier tools and IT projects. Moreover, strategic investments were made in continued software development in the steering systems business.

## CONSOLIDATED EQUITY

in € million	3/31/2020	12/31/2019
Subscribed capital	161.2	161.2
Other equity	1,703.4	1,623.2
Equity attributable to the shareholders	1,864.6	1,784.4
Non-controlling interests	121.7	117.1
Total equity	1,986.3	1,901.5

As of March 31, 2020, the Knorr-Bremse Group had an equity ratio of 27.8% and is therefore flat on the level as of December 31, 2019 (27.8%).

## CURRENT AND NON-CURRENT LIABILITIES

in € million	3/31/2020	12/31/2019
Provisions (incl. pensions)	585.6	636.0
Financial liabilities	1,663.1	1,658.2
Other non-current liabilities	142.6	138.3
Non-current liabilities	2,391.3	2,432.5
Trade accounts payable	978.0	967.4
Financial liabilities	1,170.8	875.6
Contract liabilities	274.1	277.4
Other liabilities	336.3	392.4
Current liabilities	2,759.3	2,512.8
Total liabilities	5,150.6	4,945.2

Significant changes compared to December 31, 2019 arose in the lease liabilities reported under financial liabilities as well as in higher bank liabilities resulting from the use of additional lines of credit to expand our financial flexibility as part of the Covid-19 action program. Overall, **bank liabilities rose by € 205.4 million** as of March 31, 2020. A decrease in provisions and other liabilities had an offsetting effect.

No financing transactions were conducted in the first three months of 2020. The following debt financing existed as of March 31, 2020:

- » Corporate bond of Knorr-Bremse AG in the amount of € 500.0 million (due in December 2021)
- » Corporate bond of Knorr-Bremse AG in the amount of € 750.0 million (due in June 2025)
- » Bank liabilities of Knorr-Bremse Group in the amount of € 402.1 million
- » Leases liabilities in the amount of € 365.4 million.

The Knorr-Bremse Group's financial situation therefore continues to be extremely robust.

## EMPLOYEES

### AVERAGE NUMBER OF EMPLOYEES

	Q1/2020	Q1/2019
Wage earners	14,871	15,550
thereof leased personnel	2,529	2,532
Salaried employees	13,763	13,393
thereof leased personnel	224	258
Trainees	203	206
Total	28,838	29,149

As of the end of March 2020, the Group had an average of 28,838 employees (previous year: 29,149). The moderate decrease (–1.1%) compared with the previous year was mostly seen in the Europe and North America regions in both divisions. In the Rail Vehicle Systems segment, the sale of the Powertech Group in 2019 contributed to the decline compared with Q1/2019. By contrast, the average number of employees in the Asia-Pacific region increased as of March 2020, mostly in the Commercial Vehicle Systems segment due to the Hitachi acquisition in 2019.

## INFORMATION ON REPORTABLE SEGMENTS

### REVENUES BY SEGMENT

in € million	Q1/2020	Q1/2019
Rail Vehicle Systems	891.2	903.6
Commercial Vehicle Systems	741.6	851.1
Total	1,632.8	1,754.7
Reconciliation to IFRS for Rail Vehicle Systems	1.0	7.8
Reconciliation to IFRS for Commercial Vehicle Systems	(5.8)	(5.0)
Other segments and consolidation	(0.5)	(2.2)
Group	1,627.5	1,755.3

### EBT BY SEGMENT

in € million	Q1/2020	Q1/2019
Rail Vehicle Systems	147.5	143.4
Commercial Vehicle Systems	60.8	104.8
Total	208.2	248.2
Reconciliation to IFRS for Rail Vehicle Systems	3.0	32.9
Reconciliation to IFRS for Commercial Vehicle Systems	13.7	10.2
Other segments and consolidation	(26.5)	(21.5)
Group	198.5	269.8

### RAIL VEHICLE SYSTEMS SEGMENT

		Q1/2020	Q1/2019
Revenues	€ million	892.2	911.3
thereof aftermarket	%	44	38
EBITDA	€ million	186.1	199.5
EBITDA margin	%	20.9	21.9
Operating EBITDA margin	%	20.9	21.9
EBIT	€ million	156.5	171.0
EBIT margin	%	17.5	18.8
Operating EBIT margin	%	17.5	18.8
Order intake	€ million	874.2	1,035.0
Order book (March 31)	€ million	3,555.1	3,336.1

The order intake in the Rail Vehicle Systems segment as of the end of March 2020 decreased by 15.5% year-on-year. The Asian market, and here in particular the Chinese business, was the hardest hit. However, based on the positive order situation in recent quarters, the order book increased by 6.6% year-on-year.

Revenues in the Rail Vehicle Systems segment came to € 892.2 million in the first three months, down by just 2.1% on the same quarter of the previous year. The OE business performed less robustly in Europe and North America than in the strong prior-year period. In the Asia region, a declining OE business for high-speed trains and locomotives was offset by growth in the business for railway carriages and metro cars. Overall, noticeable growth in the aftermarket business compensated to a large extent for the weakening OE business. The aftermarket share (service business) consequently was higher than in the previous year.

In absolute terms, EBITDA, which amounted to € 186.1 million as of the end of March 2020, was down 6.7% on the high prior-year level, giving an EBITDA margin of 20.9% of revenues compared with 21.9% in the previous year. At 17.5%, the EBIT margin was also below the prior-year level of 18.8%.

## COMMERCIAL VEHICLES SYSTEMS SEGMENT

		Q1/2020	Q1/2019
Revenues	€ million	735.8	846.1
thereof aftermarket	%	29	23
EBITDA	€ million	107.6	140.7
EBITDA margin	%	14.6	16.6
Operating EBITDA margin	%	14.6	16.6
EBIT	€ million	76.8	114.1
EBIT margin	%	10.4	13.5
Operating EBIT margin	%	10.4	13.5
Order intake	€ million	714.7	859.4
Order book (March 31)	€ million	1,113.2	1,377.1

The order intake in the Commercial Vehicle Systems segment in the first three months was down 16.8% on the previous year. This was due to the expected perceptible downturn in global commercial vehicle production in Europe and North and South America, but also in Asia. In addition, initial corrections could be seen in the form of cancellations of customer orders as a consequence of the Covid-19 lockdowns and the related shuttering of commercial vehicle manufacturing facilities. Consequently, the order book also contracted significantly (-19.2%) year-on-year as of March 31, 2020.

Revenues as of the end of March 2020, at € 735.8 million, were down 13.0% on the prior-year period. This decrease was attributable to a drop in delivery requests by customers in the European and North American market, which reduced OE revenues. By contrast, the aftermarket recorded growth compared with the prior-year quarter. As a result, the aftermarket share rose perceptibly from 23% in the previous year to 29% of revenues.

In absolute terms, EBITDA decreased by 23.5% year-on-year, generating an EBITDA margin of 14.6% of revenues compared with 16.6% in the previous year. The Commercial Vehicle Systems segment also recorded a large drop in EBIT of 32.7% to € 76.8 million as of the end of March 2020. This narrowed the EBIT margin by 310 basis points to 10.4% and is attributable to higher depreciation and amortization, principally as a result of increased investment activity.

## REVENUE BY COUNTRY OF KNORR-BREMSE COMPANY

in € million	Q1/2020	Q1/2019
Europe/Africa	773.4	843.4
North America	352.9	406.5
South America	24.2	28.0
Asia-Pacific	476.9	477.4
	1,627.5	1,755.3

As of the end of March 2020, 48% of the Group's revenues related to the Europe/Africa region (prior year: 48%), 22% to North America (prior year: 23%), 1% to South America (prior year: 2%) and 29% to Asia-Pacific (prior year: 27%).

## SIGNIFICANT EVENTS IN THE REPORTING PERIOD

### Covid-19

Since late January 2020, the rapid spread of the coronavirus (Covid-19) worldwide has had a growing impact on public life, macroeconomic growth, and also the performance of Knorr-Bremse AG. Softening demand as a consequence of the temporary closure of customer operations is one of the main reasons for this. Knorr-Bremse responded swiftly with an extensive action program to safeguard the Company's stability in this challenging environment. In addition to taking out additional lines of credit in the amount of € 750 million to increase the Company's flexibility for operations, this mainly included initiatives to stabilize earnings and safeguard delivery capability.

### Acquisition of R.H. Sheppard

On January 30, 2020, Knorr-Bremse signed an agreement to buy R.H. Sheppard Co., Inc., USA, a leading manufacturer of steering systems for commercial vehicles. Knorr-Bremse is acquiring Sheppard from WABCO Holdings Inc., USA, which is selling Sheppard as part of ZF Friedrichshafen AG's intended acquisition of WABCO. The purchase price is USD 149.5 million. Closing is expected in the first half of 2020.

### Change in Executive Board

On March 2, 2020, the Supervisory Board of Knorr-Bremse AG appointed Frank Markus Weber as a member of the Executive Board and as CFO of Knorr-Bremse AG with effect from July 1, 2020. During the period from May 1, 2020 until Mr. Weber takes office, Mr. Eulitz will manage the CFO's department on top of his own Board responsibilities.

## EVENTS AFTER THE REPORTING DATE

### Change in Executive Board

The CFO of Knorr-Bremse AG, Ralph Heuwing, voluntarily stepped down from the Executive Board with effect from April 30, 2020 to embark on a new career path.

## OUTLOOK

As the economic impact of the Covid-19 crisis is extremely difficult to quantify, we are still unable to provide a reliable indication of how business will develop for the remainder of the year. In general, we estimate that the most important performance indicators will develop as outlined in the 2019 Annual Report.

## CONSOLIDATED STATEMENT OF INCOME

### CONSOLIDATED STATEMENT OF INCOME

<b>in € thousand</b>	Q1/2020	Q1/2019
Revenues	1,627,476	1,755,265
Change in inventory of unfinished/finished products	(838)	21,735
Own work capitalized	18,808	15,351
Total operating performance	1,645,446	1,792,351
Other operating income	29,644	18,944
Cost of materials	(780,054)	(907,998)
Personnel expenses	(400,852)	(391,000)
Other operating expenses	(203,945)	(178,621)
Earnings before interest, tax, depreciation and amortization (EBITDA)	290,238	333,674
Depreciation and amortization	(66,218)	(59,101)
Earnings before interests and taxes (EBIT)	224,021	274,573
Interest income	10,026	7,819
Interest expenses	(15,274)	(14,346)
Other financial result	(20,247)	1,717
Income before taxes	198,526	269,763
Taxes on income	(56,655)	(77,159)
Net Income	141,871	192,604
Thereof attributable to:		
Profit (loss) attributable to non-controlling interests	7,468	10,112
Profit (loss) attributable to the shareholders of Knorr-Bremse AG	134,403	182,492
<b>Earnings per share in €</b>		
undiluted	0.83	1.13
diluted	0.83	1.13

## CONSOLIDATED BALANCE SHEET

### CONSOLIDATED BALANCE SHEET

in € thousand	3/31/2020	12/31/2019
Assets		
Intangible assets and goodwill	858,838	842,180
Property, plant and equipment	1,437,242	1,469,212
Investments accounted for using the equity method	16,585	16,570
Other financial assets	52,460	63,471
Other assets	70,454	73,930
Income tax receivables	1,863	-
Assets from employee benefits	30,473	31,611
Deferred tax assets	118,774	126,598
Non-current assets	2,586,690	2,623,572
Inventories	865,410	815,011
Trade accounts receivable	1,353,581	1,148,999
Other financial assets	58,209	62,565
Other assets	128,709	152,088
Contract assets	91,683	89,885
Income tax receivables	68,900	73,900
Cash and cash equivalents	1,983,674	1,880,738
Current assets	4,550,166	4,223,186
Balance sheet total	7,136,856	6,846,758

## CONSOLIDATED BALANCE SHEET

in € thousand	3/31/2020	12/31/2019
<b>Equity</b>		
Subscribed capital	161,200	161,200
Capital reserves	13,884	13,884
Retained earnings	34,156	34,156
Other components of equity	(233,519)	(179,311)
Profit carried forward	1,754,462	1,166,041
Profit attributable to the shareholders of Knorr-Bremse AG	134,403	588,423
Equity attributable to the shareholders of Knorr-Bremse AG	1,864,586	1,784,393
Equity attributable to non-controlling interests	121,711	117,121
thereof share of non-controlling interests in net income	7,468	43,595
<b>Equity</b>	<b>1,986,297</b>	<b>1,901,514</b>
<b>Liabilities</b>		
Provisions for pensions	301,338	343,273
Provisions for other employee benefits	22,190	19,545
Other provisions	262,029	273,147
Financial liabilities	1,663,103	1,658,190
Other liabilities	5,119	5,627
Income tax liabilities	51,600	51,908
Deferred tax liabilities	85,926	80,789
Non-current liabilities	2,391,307	2,432,480
Provisions for other employee benefits	22,351	29,136
Other provisions	193,628	197,585
Trade accounts payable	978,038	967,447
Financial liabilities	1,170,849	875,567
Other liabilities	91,184	131,044
Contract liabilities	274,066	277,351
Income tax liabilities	29,137	34,635
Current liabilities	2,759,252	2,512,764
<b>Liabilities</b>	<b>5,150,559</b>	<b>4,945,244</b>
<b>Balance sheet total</b>	<b>7,136,856</b>	<b>6,846,758</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

### CONSOLIDATED STATEMENT OF CASH FLOWS

in € thousand	Q1/2020	Q1/2019
Net income (including earnings share of minority interests)	141,871	192,604
Adjustments for		
Depreciation, amortization and impairment losses on intangible assets and property, plant and equipment	66,218	59,101
Change of impairment on inventories	7,783	2,489
Change of impairment on trade accounts receivable	4,865	2,474
Gain on the sale of property, plant, and equipment	(1,863)	(3,285)
Non-cash changes in provisions	37,110	58,771
Non-cash changes in valuation of derivatives	44,194	–
Other non-cash expenses and income	25,938	35,997
Interest result	1,781	6,527
Investment result	–	(116)
Income tax expense	56,655	77,159
Income tax payments	(55,275)	(50,134)
Changes of		
inventories, trade accounts receivable as well as other assets, which cannot be allocated to investing or financing activities	(307,203)	(304,216)
Trade accounts payable trade as well as other assets which cannot be allocated to investing or financing activities	29,868	48,718
Provisions	(48,440)	(36,944)
Cash flow from operating activities	3,502	89,144
Proceeds from the sale of intangible assets	615	–
Disbursements for investments in intangible assets	(25,545)	(19,846)
Proceeds from the sale of property, plant and equipment	10,092	5,334
Disbursements for investments in property, plant and equipment	(49,479)	(42,497)
Disbursements from financial investments and from the sale of investments	–	(2,954)
Disbursements for financial investments	–	(12,906)
Disbursements for the acquisition of consolidated companies and other business units	–	(163,482)
Interest received	7,418	3,197
Disbursements for investments in plan assets (pensions)	(903)	(671)
Cash flow from investing activities	(57,802)	(233,825)
Proceeds from borrowings	214,273	10,114
Disbursements from the repayment of borrowings	(5,648)	(910)
Disbursements for lease liabilities	(14,412)	(13,822)
Interest paid	(4,294)	(2,681)
Dividends paid to non-controlling interests	(693)	(1,050)
Net payments from factoring	(17,547)	(18,881)
Cash flow from financing activities	171,680	(27,230)
Cash flow changes	117,380	(171,911)
Change in cash funds resulting from exchange rate and valuation-related movements	(11,916)	19,409
Change in cash funds resulting from changes to the group structure	–	(195)
Change of cash fund	105,464	(152,697)
Cash and cash equivalents at the beginning of the period	1,853,466	1,718,695
Cash and cash equivalents at the end of the period	1,958,930	1,565,998
Cash and cash equivalents	1,983,674	1,582,816
Short-term securities available for sale	2	51
Short-term liabilities to banks (less than 3 months)	(24,746)	(16,869)

This interim report contains statements regarding future developments which can represent forward-looking statements. Such statements are to be recognized in terms, among others, such as "expect", "anticipate" and their negation and similar variations or comparable terminology. These statements – just as every business activity in a global environment – are always associated with uncertainty. These statements are based on convictions and assumptions of the management board of Knorr-Bremse AG, which in turn are based on currently-available information. The following factors could affect the success of our strategic and operational measures: macroeconomic or regional developments, changes in the general economic conditions, especially a continuing economic recession, changes in exchange rates and interest rates, changes in energy prices and material costs, insufficient customer acceptance of new Knorr-Bremse products or services, including growing competitive pressure. Should these factors or other uncertainties arise, or the assumptions underlying the statements turn out to be incorrect, the actual results can vary from the forecast results. Knorr-Bremse assumes no obligation and does not intend to continually update or correct forward-looking statements and information. They relate to the conditions as of the date of their publication.

This document contains supplementary financial figures not precisely defined in the relevant financial reporting framework which represent or could represent so-called alternative performance indicators. For the assessment of the net assets, financial position and results of operations of Knorr-Bremse, these supplementary financial figures should not be used in isolation or as alternatives to the financial figures presented in the consolidated financial statements and determined in accordance with the relevant financial reporting framework. Other companies which present or report performance figures with similar designations may calculate these differently. Due to rounding, it is possible that individual figures in this and other documents do not add up exactly to the reported total and that reported percentages do not reflect the absolute values to which they relate.

This document is a quarterly report pursuant to Section 53 of the Stock Exchange Regulations issued by the Frankfurt Stock Exchange.