FINANCIAL RESULTS Q1/20
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DR. PETER LAIER I HEAD OF CVS
DR. JÜRGEN WILDER I HEAD OF RVS
MAY 28, 2020
Q1/20: Solid financial results despite impact from COVID-19

Early & fast reaction to COVID-19 already end of January with related actions

Growing AM supported development in Q1/20

RVS: No project cancellations; customer plants impacted; growing AM share

CVS: Revenue developments better than regional TPRs and higher AM share

Financial strength underlines resilience of KB business model
Q1/20 - MARGIN RESILIENCE IN A CHALLENGING ENVIRONMENT

ORDER INTAKE
€ 1.59bn
-16.1% yoy

ORDER BOOK
€ 4.65bn
-1.0% yoy

REVENUE
€ 1.63bn
-7.3% yoy

EBITDA MARGIN
17.8%
PY: 19.0%

20.9% EBITDA MARGIN

Knorr-Bremse AG
Q1/20: FIRM ORDER BOOK, BUT COVID-19 IMPACT ON ORDER INTAKE

**Order intake**

<table>
<thead>
<tr>
<th>€m</th>
<th>By type</th>
<th>€m</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,893.2</td>
<td>Organic</td>
<td>-337.1</td>
</tr>
<tr>
<td>0.9</td>
<td>M&amp;A net disposals</td>
<td>+31.0</td>
</tr>
<tr>
<td>1,588.0</td>
<td>FX</td>
<td></td>
</tr>
</tbody>
</table>

**Order book**

| €m  | | €m  |
|-----| |-----|
| 4.700,5 | | 4.652,5 |

**By type**

- **Organic decrease**: -16.1%
- **M&A impact**:
  - Hitachi Steering Business: € +20m (Q1/20)
  - Powertech: € -19m (Q1/19)

**Book-to-bill**

- 31.03.19
- 31.03.20

**Org. decrease**: -17.8%
ONLY MODERATE REVENUE DECLINE AND FAST RECOVERY IN CHINA

Revenue

€m

By type

Q1/19 | Organic | M&A net disposals | FX | Q1/20 | M&A impact

-136.7 | -0.1 | +9.0 | 1,627.5

-7.3% Org. decrease

By region

Q1/19 | Q1/20

SA

28.0 | 24.2

-13.6% -0.1%

Asia/Pacific

477.4 | 476.9

-0.1% -13.2%

EU

843.4 | 773.4

-8.3% -13.2%

Knorr-Bremse AG | 5

Hitachi Steering Business
€ +22m (Q1/20)

Powertech
€ -22m (Q1/19)
LIMITED DECREASE OF MARGIN UNDERPINS RESILIENCE OF KB

Development of EBITDA margin in Q1/20

- Operating leverage burdened by lower revenue and mitigation costs
- Early and fast measures taken to mitigate COVID-19 impact on employees, customers and KB results
- Revenue share from AM increased from 31% in Q1/19 to 37% in Q1/20
- RVS: High APAC revenue share impacted by COVID-19; Freight market NA negatively hit. Positive effects from disposal of Powertech and continuously strong development of AM business.
- CVS: Stronger revenue decrease than RVS, Positive impact from fast cost adaption measures, fast recovery of TPR in China

EBITDA

€m  Margin

19.0%  17.8%

333.7  290.2

Q1/19  Q1/20

Market slowdown

LIMITED DECREASE OF MARGIN UNDERPINS RESILIENCE OF KB
### FCF IMPACTED BY COVID-19 INDUCED SLOWDOWN

<table>
<thead>
<tr>
<th>FCF(^1) &amp; OCF</th>
<th>CapEx(^1)</th>
<th>NWC</th>
<th>Op. ROCE (annualized)</th>
</tr>
</thead>
<tbody>
<tr>
<td>€m</td>
<td>% of sales</td>
<td>€m</td>
<td>%</td>
</tr>
<tr>
<td>FCF</td>
<td>OCF</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q1/19</td>
<td>Q1/20</td>
<td></td>
<td></td>
</tr>
<tr>
<td>89.1</td>
<td>32.1</td>
<td>1,144.1</td>
<td>32.2%</td>
</tr>
<tr>
<td>32.1</td>
<td>89.1</td>
<td>1,058.6</td>
<td>26.7%</td>
</tr>
</tbody>
</table>

- FCF decrease driven by lower profit
- Higher capex
- Settlement of class action in the U.S. (USD 12m)
- Mgt. program installed to adapt CapEx 2020 to Covid-19 situation
- Continue expansion of production capacity and automation
- Continue selective investments in strategic businesses (e.g. steering)
- COVID-19 reflected in NWC decrease
- Stringent supply chain & stock management
- Safety stock regarding some critical suppliers to ensure ongoing customer deliveries
- ROCE on solid level despite COVID-19 impact

1) FCF and capex are adjusted for sale & lease back transactions.
RVS: RESILIENT ORDER BOOK DESPITE COVID-19

Order intake €m

<table>
<thead>
<tr>
<th>By type</th>
<th>Q1/19</th>
<th>Q1/20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organic decrease</td>
<td>1,035.0</td>
<td>874.2</td>
</tr>
<tr>
<td>M&amp;A net disposals</td>
<td>-148.7</td>
<td>+7.4</td>
</tr>
<tr>
<td>FX</td>
<td>-19.5</td>
<td></td>
</tr>
</tbody>
</table>
| Powertech        | -148.7 | -14.4%
|                  | € -19m |

Order book €m

<table>
<thead>
<tr>
<th>Order book increased by 6.6%yoy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Order book increase yoy by end of March, overcompensating the Powertech divestment</td>
</tr>
<tr>
<td>NA: Freight, locomotives and AM decreased due to lower transport volumes, leading to lower utilization of existing vehicles and lower demand</td>
</tr>
<tr>
<td>APAC: Impact by COVID-19 particularly in China (earlier than other countries in APAC), leading to OE delays and lower AM demand by operators</td>
</tr>
<tr>
<td>EU: On similar OI level in Q1/20 vs. Q1/19</td>
</tr>
<tr>
<td>Tough comparable financial figures: strong OI in Q4/19 due to timing of tender awards led to balanced OI in Q1/20</td>
</tr>
</tbody>
</table>
## RVS: SOLID MARGIN IN DIFFICULT BUSINESS ENVIRONMENT

<table>
<thead>
<tr>
<th>Revenue</th>
<th>€m</th>
<th>EBITDA / EBITDA margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>Org. increase</td>
<td>-21.7</td>
<td>21.9%</td>
</tr>
<tr>
<td>Revenue Q1/19</td>
<td>911.3</td>
<td>199.5</td>
</tr>
<tr>
<td>Organic M&amp;A net disposals</td>
<td>+0.1%</td>
<td>-6.7%</td>
</tr>
<tr>
<td>Powertech € -22m</td>
<td>-21.7</td>
<td>186.1</td>
</tr>
<tr>
<td>FX</td>
<td>+2.1</td>
<td>20.9%</td>
</tr>
<tr>
<td>Org. increase Q1/20</td>
<td>892.2</td>
<td></td>
</tr>
</tbody>
</table>

### Organic revenue flat yoy in Q1/20
- **EU**: generally higher, strongly driven by AM
- **APAC**: lower due to OE and AM, partially compensated by increase in pass cars (mainly India) and Metro. **China**: overall lower due to COVID-19 peak in Feb.
- **NA**: generally lower mainly driven by market decrease in Freight and Locomotive, but stronger AM
- **AM** revenue share further increased

### EBITDA margin of 20.9% in Q1/20
- Positive contribution from cost and cash measures
- Positive impact from higher AM share
- Project and geographic mix (e.g. lower share from Freight in NA)
- COVID-19 effect in APAC
CVS: OI DECREASE IN LINE WITH TRUCK MARKET DEVELOPMENT

<table>
<thead>
<tr>
<th>Order intake</th>
<th>Order book</th>
</tr>
</thead>
<tbody>
<tr>
<td>€m</td>
<td></td>
</tr>
<tr>
<td>By type</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Q1/19</td>
<td>Q1/20</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>859.4</td>
<td>714.7</td>
</tr>
<tr>
<td>-188.7</td>
<td>+23.6</td>
</tr>
<tr>
<td>-22.0%</td>
<td></td>
</tr>
<tr>
<td>Org. decrease</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Hitachi Steering Bus.</td>
<td>€ +20m</td>
</tr>
</tbody>
</table>

Good Book to Bill rate despite COVID-19

- **EU/ NA:** Pre-COVID-19 normalization of market demand after years of strong growth in line with expectations; First impact of COVID-19 in March 2020
- **APAC:** Delays in February and March due to COVID-19 followed by fast market recovery in China
- **SA:** Impact of Covid-19 since beginning of April

Good development of order book in Q1/20

- Order book at end of Q1/20 only 1.9% below YE19 showing a stable situation vs. pre-COVID-19
- **EU/ NA:** Q1/19 strongly supported by pre-buy effects; Q1/20 weaker due to market downswing and COVID-19
CVS: REVENUE DEVELOPMENT IN ALL REGIONS BETTER THAN TPR

Revenue impacted by weaker economy and COVID-19, but AM increase and better than TPR (-27% yoy) in Q1/20

<table>
<thead>
<tr>
<th>Development yoy in Q1/20</th>
<th>NA</th>
<th>EU</th>
<th>APAC</th>
</tr>
</thead>
<tbody>
<tr>
<td>TPR (Class 8)</td>
<td>-31%</td>
<td>-33%</td>
<td>-25%</td>
</tr>
<tr>
<td>CVS (Revenue)</td>
<td>-17%</td>
<td>-19%</td>
<td>+17%</td>
</tr>
</tbody>
</table>

- **EU & NA**: Weaker revenue in Q1/20 due to expected market downswing, first impact by COVID-19 in second half of March
- **APAC**: Main COVID-19 effect in China in February with solid recovery through March; Other Asian countries impacted by COVID-19 from second half of March onwards
- AM increased by 9.7% yoy to € 211.3m in Q1/20

**AM up and fast reaction to COVID-19 mitigate EBITDA impact**

- Global cost adaption program incl. short-term measures set up to fight COVID-19 impact and to safeguard profitability
- Dilutive effect from Hitachi Steering Business
- EBITDA margin at 14.6% despite lower revenue

**By type**

- **Hitachi Steering Bus.**: € +22m

**Revenue development in all regions**

- Org. decrease
- TPR (Class 8): -31% yoy
- CVS (Revenue): -17% yoy

**EU & NA:**
- Weaker revenue in Q1/20 due to expected market downswing, first impact by COVID-19 in second half of March

**APAC:**
- Main COVID-19 effect in China in February with solid recovery through March; Other Asian countries impacted by COVID-19 from second half of March onwards

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- EBITDA margin at 14.6% despite lower revenue

**Source:** LMC Automotive Global Commercial Vehicle Forecast (Quarter 1, 2020).
IMPACT BY COVID-19
RVS - POSITIVE LONG TERM TREND IN RAIL IS UNCHANGED

Strong rail market fundamentals driven by sustainable transport needs. No cancellation of orders in backlog. Resilient market mid-term. **Objective of a 5% average annual growth rate of sales over the period 2019/20-2022/23** should be slightly impacted from temporary tender activity slowdown.

Alstom

Order backlog of USD 33.1bn in transportation. **Gradual recovering in the second half of the year.**

Bombardier

With some 151m passengers DB Long-Distance set a new passenger record in 2019 (+1.9% yoy). New capital expenditures rose by 41% to € 5.6bn in 2019. **DB’ aim is to substantially increase the performance of rail in Germany.**

Deutsche Bahn

Siemens Mobility, an integral part of Siemens AG, was largely able to steer clear of the effects of the coronavirus crisis in Q2. **Despite pandemic-related restrictions limiting access to customer locations, Siemens Mobility continued to successfully execute its projects.** Resilient performance supported by high order backlog of € 32bn.

Siemens Mobility

Strong order book with more than € 1.2bn in manufacturing projects that provide long-term revenue visibility and ensure industrial activity for the period 2020-2024. **Customer commitment to the continuity of ongoing manufacturing projects.**

Talgo

OE business

- No cancellations, but selective tender process shifts
- Temporarily closed customer plants nearly all reopened
- Temporary lower utilization of trains unlikely to impact positive long term trend of rail mobility
- **China:** 1) COVID-19 impact in Feb., but V-shape recovery beginning in Mar. 2) Support by market demand and governmental stimuli
- **Europe:** 1) COVID-19 impact in Q2/20 expected 2) Governmental support in many countries 3) Investments in eco-friendly mobility continues
- **NA:** 1) COVID-19 impact in Q2/20 expected 2) Lower demand in Freight for longer expected, but limited exposure of RVS

AM business

- AM impacted to a lesser extent by COVID-19 due to lockdowns, lower mileage and temporary closures of depots in H1/20
RVS - IMPACT BY COVID-19

OWN OPERATIONS
• Early and strong health measures implemented globally to safeguard employees
• All plants are open again after selective short term closures and further ramp-up of capacity globally well on track
• High level of localization supportive

SUPPLY CHAIN
• No supplier closed due to COVID-19 anymore (peak ~20%)
  – Asia: China back to normal/ India still issues
  – Europe: much improved
  – NA: ok
• Supplier strategy pays off
  – Dual sourcing of strategic components
  – High level of localization

COUNTER MEASURES
• >250 cost and cash measures defined and partly implemented
• China: limited efficiency measures necessary
• Europe: 20% short-time work in admin departments
• NA: some layoffs due to weak freight market

FINANCIAL IMPACT1
• Lock downs, supply chain issues and customer plant/depot closures impact OE and AM in H1/20
• Expected development: H2/20 > H1/20
• OE: no cancellations, but selective tender process shifts
• AM: - Resilient AM mitigates OE pressure
  - Train availability improving, utilization low
  - OE contracts include age limits of components

1) Under the condition of a further recovery of COVID-19.
1) Cautious regarding the demand recovery even after the end of production lockdowns
2) U.S. and Europe demand would not recover similar to China
3) The new normal in the U.S. and Europe could be 20% below previous levels.

As market conditions improve throughout the year, we have confidence that the company is positioned to build upon its quarter performance and take advantage of what we expect to be a stronger second half.

Across all industries, we expect to increase the rate of production from May onwards and perhaps we will be able to return to normal levels in June or July.

Without clear forward visibility on the COVID-19 endgame, the crystal ball is particularly opaque, as the economy begins to reemerge from its medically-induced coma... Coupling an otherwise structurally sound pre-COVID economy, with strong governmental support and rising pent-up demand, there is a case for the economy to rebound into 2021.

OE business
- Nearly all customer plants are open again
- Support from content per vehicle growth continues
- EU: 1) Slow down of TPR after many years of strong growth as expected 2) Clear impact by COVID-19 started end of March and first signs of recovery on a lower level
- NA: 1) Normalization of TPR after many years of strong growth as expected 2) Strong COVID-19 impact started in Q2/20 and lasting
- China: 1) COVID-19 impact in Feb./Mar. 2) Apr./May very strong recovery 3) Additional market share gains

AM business
- AM demand with high resilience (e.g. growth in Q1/20 yoy)
- Pent-up demand AM after end of lockdowns expected
CVS – HIGH AVAILABILITY OF DELIVERY FOR CUSTOMERS ENSURED

OWN OPERATIONS
• Early and strong health measures implemented globally to safeguard employees
• Only a few plants closed for some days, mandated by governments, all plants are running with
  – Flexible shifts depending on customer demand
  – Step by step demand increase in some regions
• High level of localization supportive

SUPPLY CHAIN
• ~1% of total suppliers are temporary closed (peak >20%)
  – Asia: China V-shape recovery/ Japan improved
  – Europe: Significant improvement no major obstacles
  – NA: Some issues in Mexico, but manageable so far
• Supplier strategy pays off
  – Dual sourcing of important components
  – High level of localization

COUNTER MEASURES
• Large global cost adaption and cash program started early
• China: early measures implemented, now mainly withdrawn
• Europe: 40% short-time work implemented
• NA: layoffs due to weaker customer demand

FINANCIAL IMPACT¹
• NA/ SA: Clear negative impact by lower truck production rates expected
• EU: Lower truck production rates expected, but some improvement over the year expected
• CHINA: Impacted as well, but good recovery incl. higher revenues in upcoming months expected
• Resilient AM and content per vehicle strengthen margin

1) Under the condition of a further recovery of COVID-19.
COVID-19 MEASURES – EARLY START AND FAST IMPLEMENTATION

High flexibility of cost and cash structure

- Cost adaption and cash measures close to € 200m in implementation
- Proven track record driving efficiency and cost adaption in the past
- Potential in NWC and capex, if needed
- Gross cash of € 2.5bn offers high flexibility
- Asset-light business model of KB leads to lower fix cost proportion
- Personnel costs
  - EU: Short time work mainly started in Q2/20
  - NA: Lay-offs implemented
- Material costs provide high level of cost flexibility (~50% of total costs)

Gross cash

€ 2.5bn

as of May 2020
OUTLOOK¹ - 2020 WILL PROVE OUR RESILIENT BUSINESS MODEL

- Measures implemented to secure employees’ health
- Cost adaption and cash measures defined and in implementation
- € 2.5bn cash provide enough financial stability and flexibility
- Strong order book is a positive indication for the coming months
- Ready to support recovery of customer demand

Financial outlook 2020 to be provided with Q2/20 results

¹) Under the condition of a further recovery of COVID-19.
# FINANCIAL CALENDAR

## Upcoming events

<table>
<thead>
<tr>
<th>Event</th>
<th>Date</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investor meetings (conference calls)</td>
<td>29.05.20</td>
<td>Munich</td>
</tr>
<tr>
<td>dbAccess Berlin Conference 2020 (virtual)</td>
<td>03./04.06.20</td>
<td>Berlin</td>
</tr>
<tr>
<td>Annual General Meeting 2020 (virtual)</td>
<td>30.06.20</td>
<td>Munich</td>
</tr>
<tr>
<td>Release Half Year/Second Quarter 2020 Report</td>
<td>10.09.20</td>
<td>Munich</td>
</tr>
</tbody>
</table>
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