

DRIVING RESPONSIBILITY

FINANCIAL RESULTS Q1/20

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MAY 28, 2020

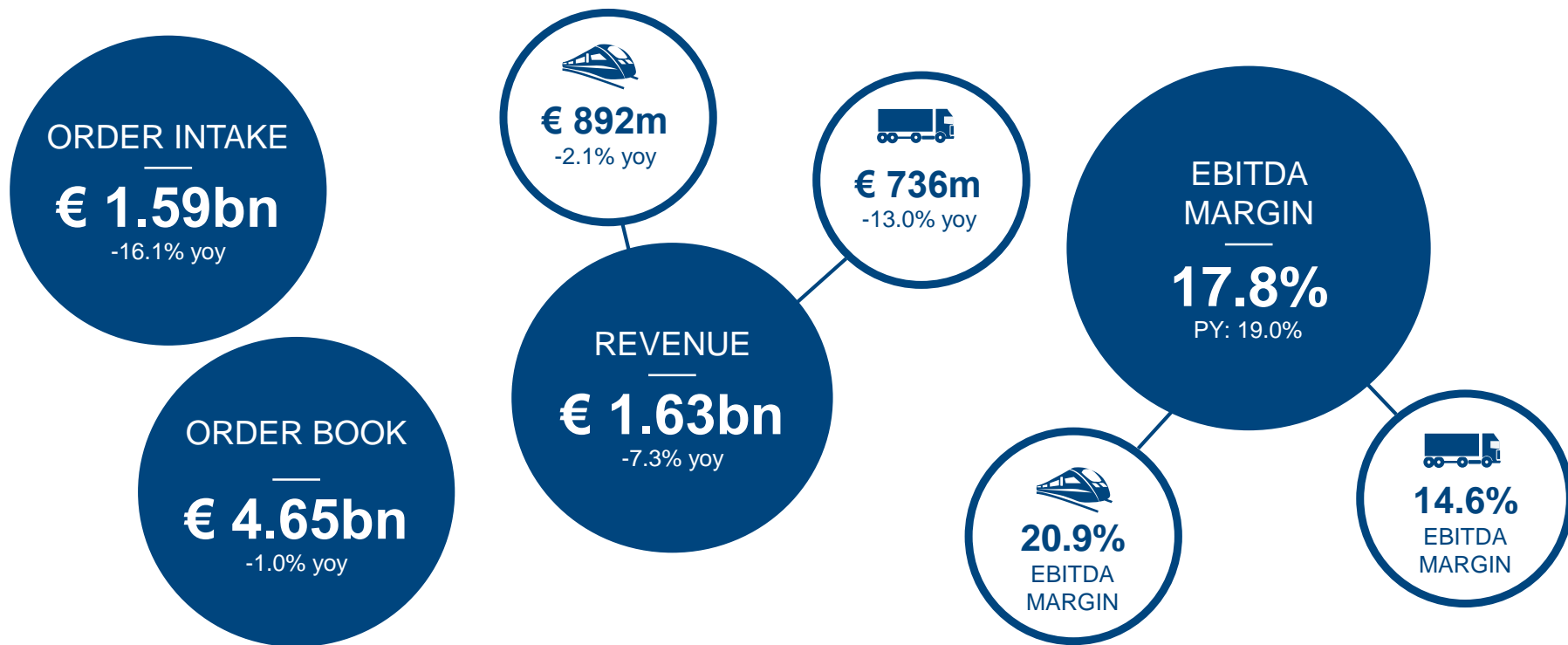


KNORR-BREMSE

HIGHLIGHTS Q1/20

-  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

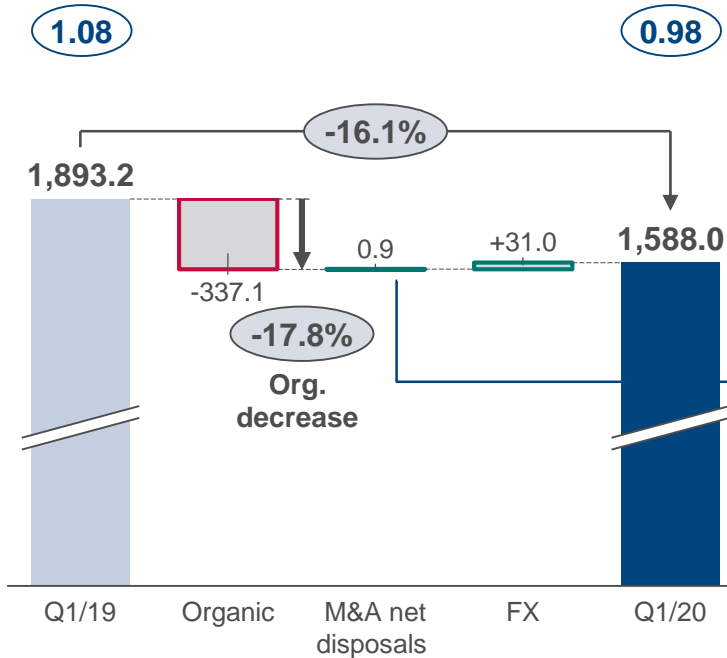


Q1/20: FIRM ORDER BOOK, BUT COVID-19 IMPACT ON ORDER INTAKE

Order intake

€m

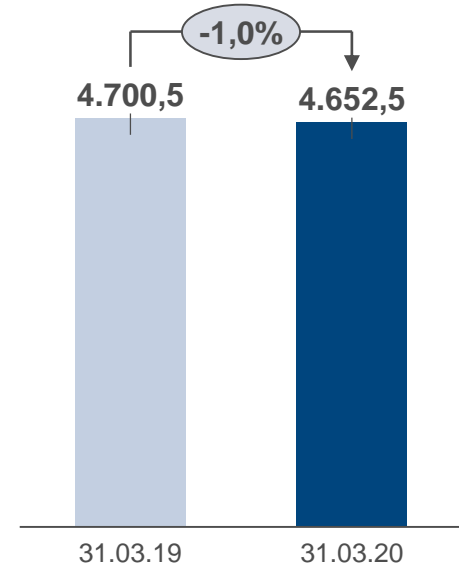
By type



○ Book-to-bill

Order book

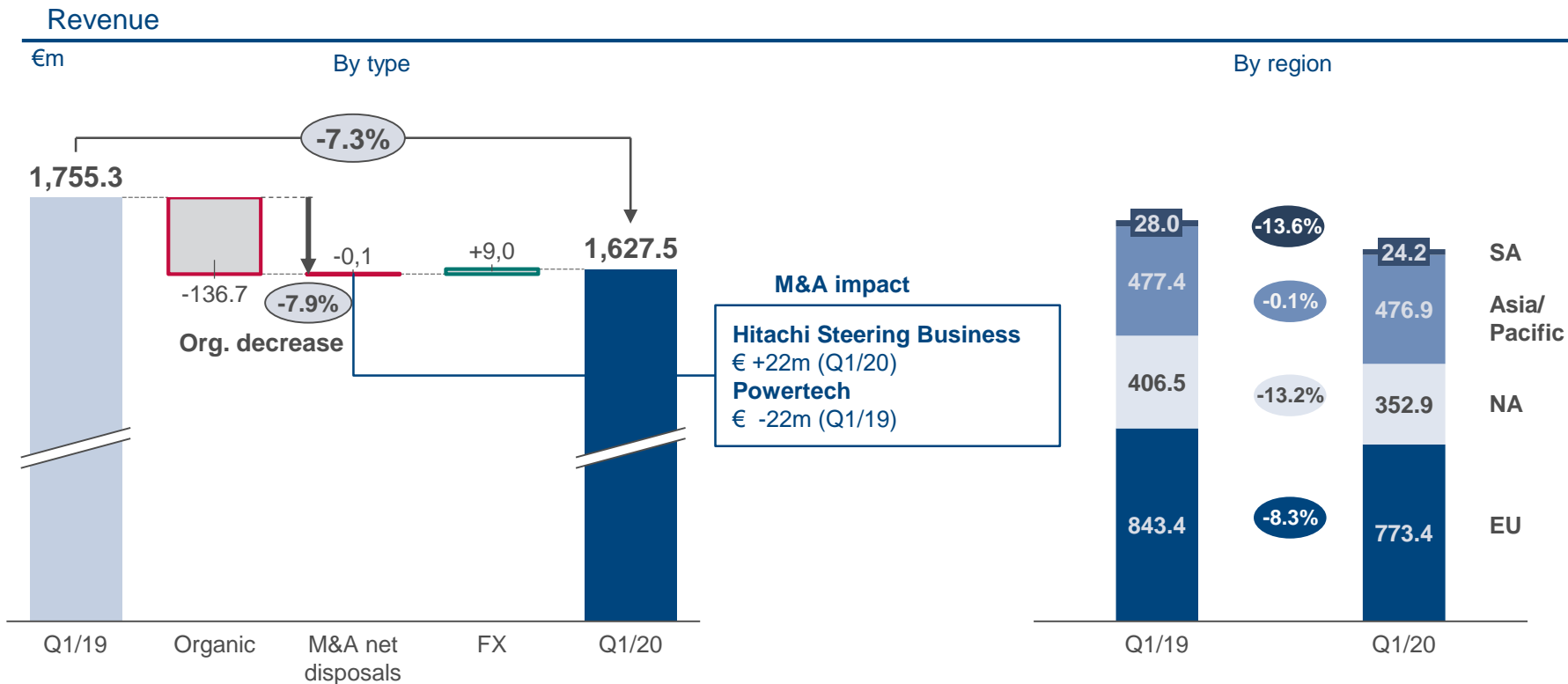
€m



M&A impact

Hitachi Steering Business
 € +20m (Q1/20)
Powertech
 € -19m (Q1/19)

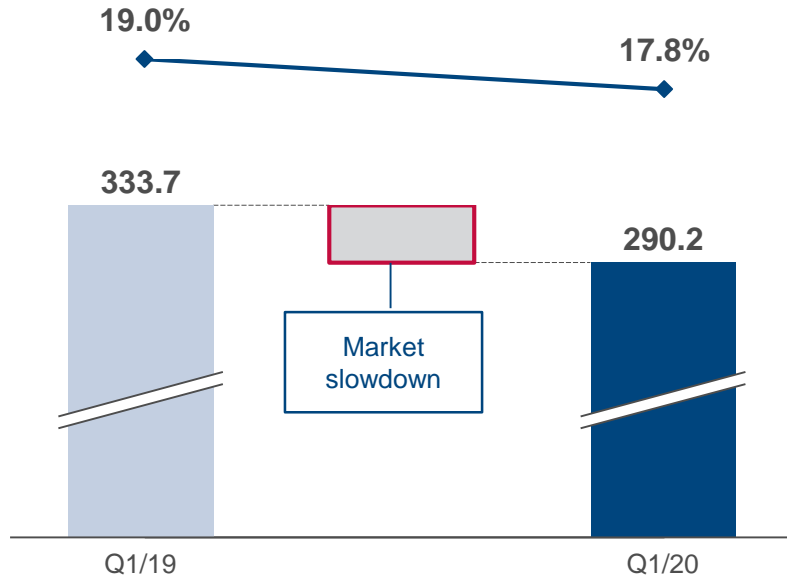
ONLY MODERATE REVENUE DECLINE AND FAST RECOVERY IN CHINA



LIMITED DECREASE OF MARGIN UNDERPINS RESILIENCE OF KB

EBITDA

€m ◆ Margin

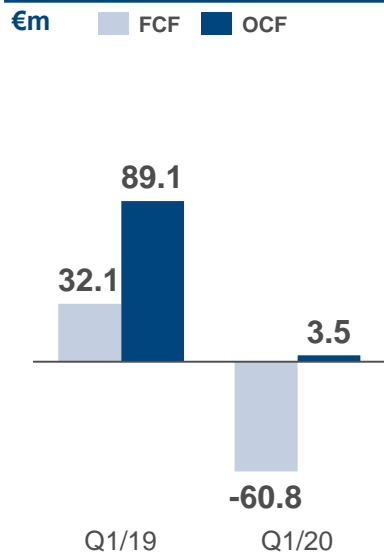


Development of EBITDA margin in Q1/20

- 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

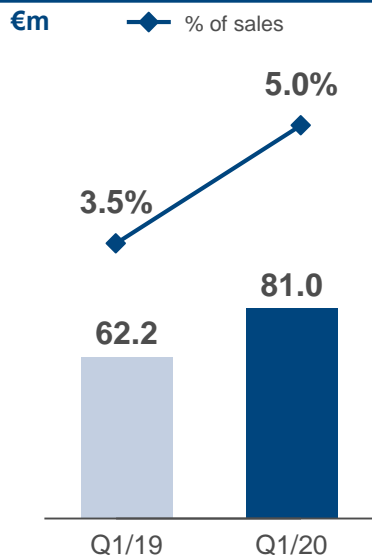
FCF IMPACTED BY COVID-19 INDUCED SLOWDOWN

FCF¹ & OCF



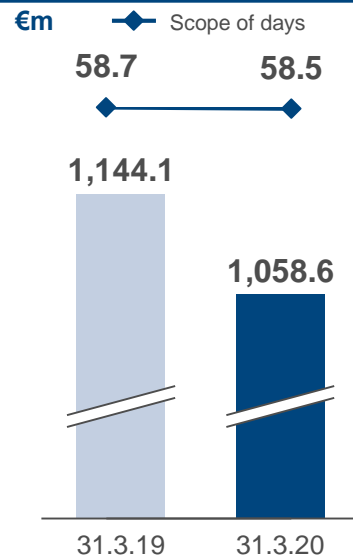
- FCF decrease driven by lower profit
- Higher capex
- Settlement of class action in the U.S. (USD 12m)

CapEx¹



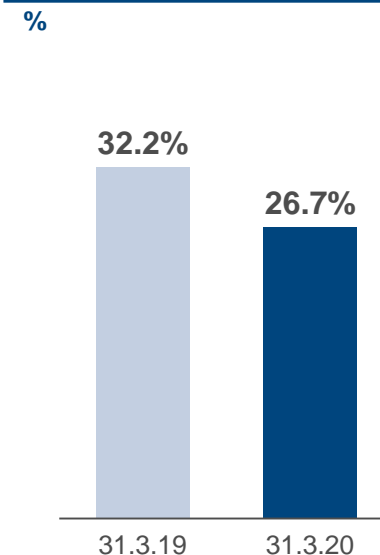
- Mgt. program installed to adapt CapEx 2020 to Covid-19 situation
- Continue expansion of production capacity and automation
- Continue selective investments in strategic businesses (e.g. steering)

NWC



- COVID-19 reflected in NWC decrease
- Stringent supply chain & stock management
- Safety stock regarding some critical suppliers to ensure ongoing customer deliveries

Op. ROCE (annualized)



- 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

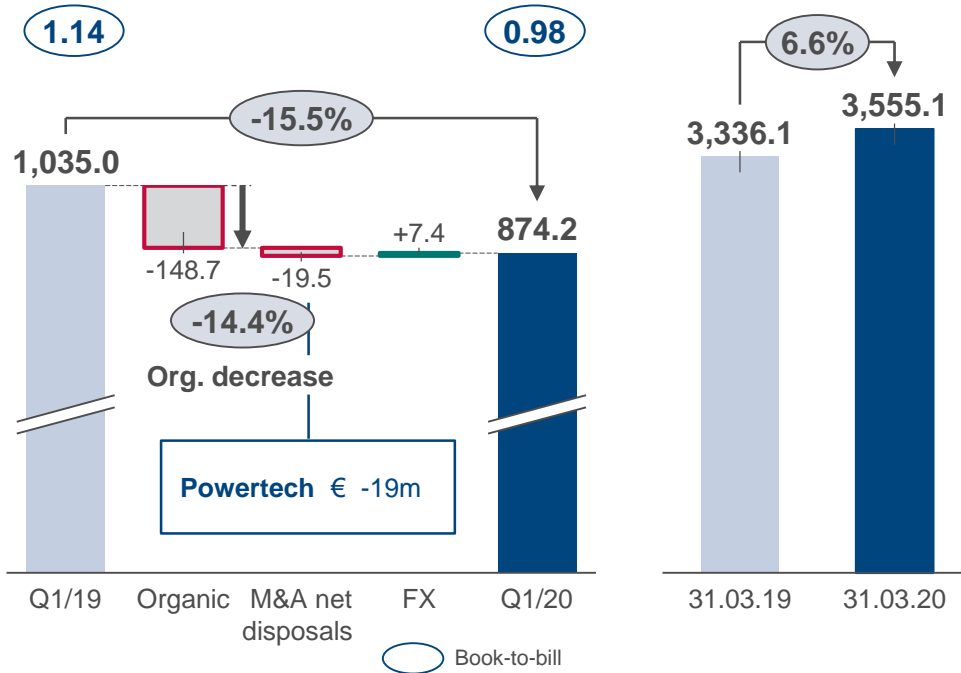


Order intake

Order book

€m

By type



Order book increased by 6.6%yoy

- Order book increase yoy by end of March, overcompensating the Powertech divestment
- **NA:** Freight, locomotives and AM decreased due to lower transport volumes, leading to lower utilization of existing vehicles and lower demand
- **APAC:** Impact by COVID-19 particularly in China (earlier than other countries in APAC), leading to OE delays and lower AM demand by operators
- **EU:** On similar OI level in Q1/20 vs. Q1/19
- Tough comparable financial figures: strong OI in Q4/19 due to timing of tender awards led to balanced OI in Q1/20

RVS: SOLID MARGIN IN DIFFICULT BUSINESS ENVIRONMENT

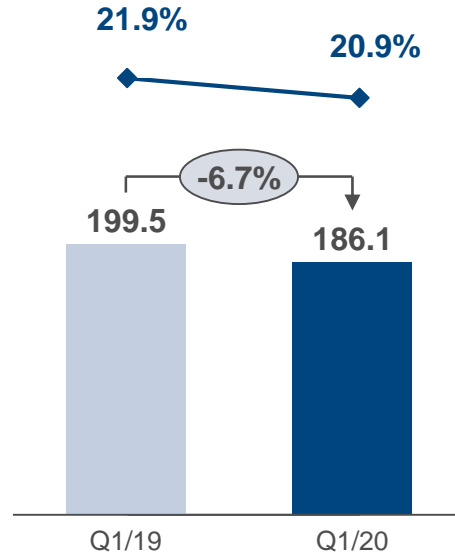
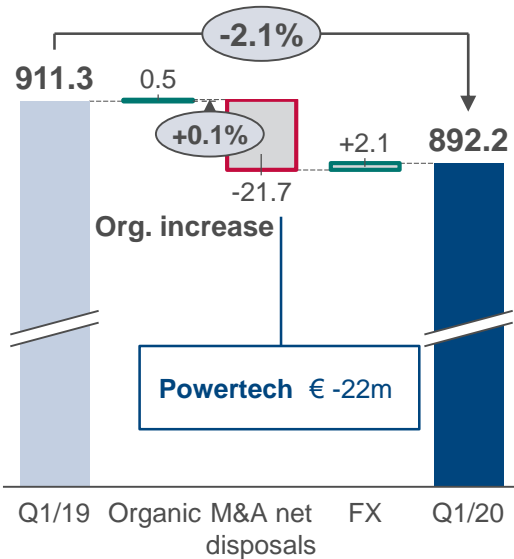


Revenue

EBITDA / EBITDA margin

€m

By type



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

◆ EBITDA margin

CVS: OI DECREASE IN LINE WITH TRUCK MARKET DEVELOPMENT

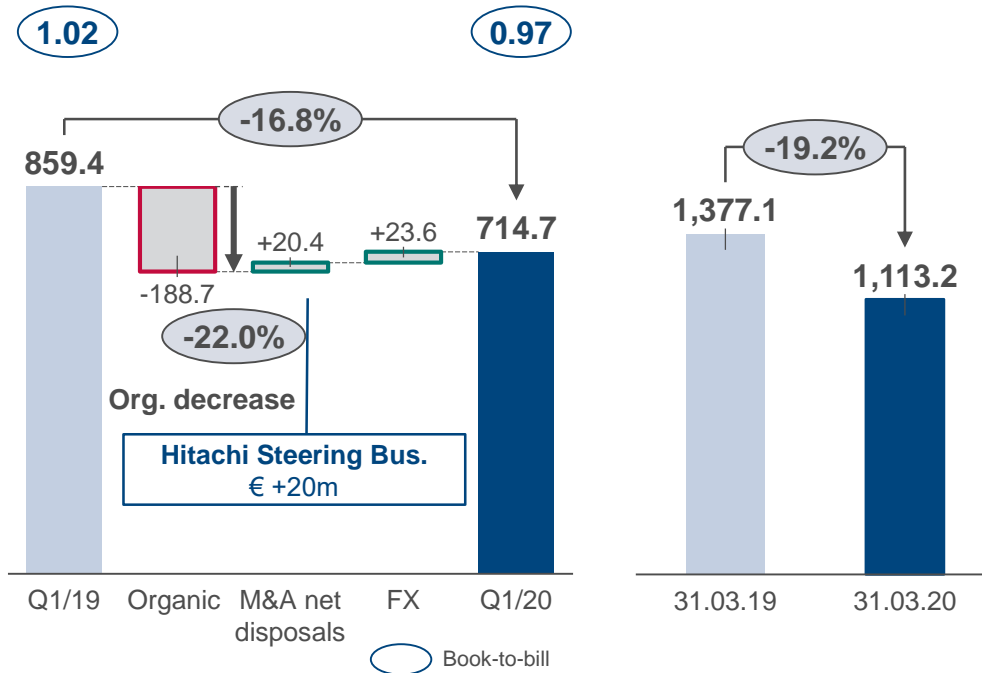


Order intake

Order book

€m

By type



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

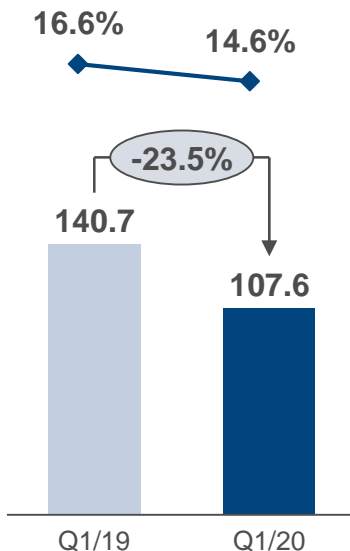
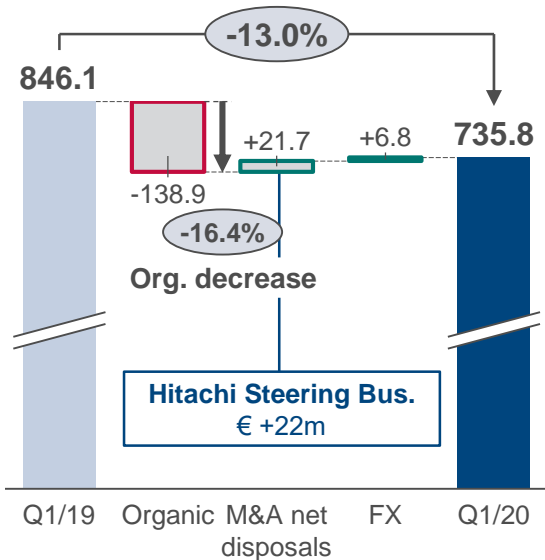


Revenue

EBITDA / EBITDA margin

€m

By type



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

Development yoy in Q1/20	NA	EU	APAC
TPR (Class 8)	-31%	-33%	-25%
CVS (Revenue)	-17%	-19%	+17%

- **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

IMPACT BY COVID-19



RVS - POSITIVE LONG TERM TREND IN RAIL IS UNCHANGED



“ 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

“ 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 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

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

CVS – CONTENT PER VEHICLE AND AM MITIGATED COVID-19 IMPACT



- “ 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.

Volvo/ MS

- “ 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.**

Navistar

- “ 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.**

Daimler Trucks/ Handelsblatt

- “ The effects of the corona pandemic have forced us to **reconsider our investment priorities and research and development projects.** And we are bracing ourselves for a substantial decline in both sales revenue and operating profit in the second quarter. All key figures will be negatively impacted.

Traton

- “ 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.**

ACT Research

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)

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.

Q&A / BACKUP



FINANCIAL CALENDAR

Upcoming events

Event	Date	Location
Investor meetings (conference calls)	29.05.20	Munich
dbAccess Berlin Conference 2020 (virtual)	03./04.06.20	Berlin
Annual General Meeting 2020 (virtual)	30.06.20	Munich
Release Half Year/Second Quarter 2020 Report	10.09.20	Munich
Release Nine Months/Third Quarter 2020 Report	19.11.20	Munich

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