



DRIVING INNOVATION

PRELIMINARY FINANCIAL RESULTS FY20

DR. JAN MICHAEL MROSIK | CEO

FRANK MARKUS WEBER | CFO

MARCH 4, 2021



KNORR-BREMSE



Heinz Hermann Thiele

1941-2021





Dr. Jan Michael Mrosik – new CEO of Knorr-Bremse

Business experience at Siemens

- COO of Digital Industries
- CEO of Digital Factory Division
- CEO of Energy Management Division
- CEO of Business Unit Energy Automation
- CEO of Siemens Telecommunications Ltd. in South Africa
- Education: PhD in Electrical Engineering and Business Administration (RWTH University, Aachen)

Responsibilities

- CEO and Member of the Executive Board of Knorr-Bremse AG
- Strategy, Communications, Human Resources, Audit and IT/ Digitalization



KB Group Highlights FY20

Strengthen Corporate Governance

- Completion of Management Team
- Earlier Reporting implemented
- Supervisory Board strengthened



Business Expansion



Highlights in FY20 – win of major orders

Largest entrance system contract ever for London underground



KB and **TMH International** sign contract for 1,300 passenger cars for Egypt



KB becomes a **strategic partner** for a new high-speed train generation in Russia

Equipment contract for **23 ECx** (2021)



RailVision integrates detection systems into **SBB Cargo's locomotives**

Brakes, doors and HVACs for **>600 Stadler Metro cars** in Berlin (2021)



Expansion of leadership in our core business

Operational highlights in FY20 – securing market leading position

Major contract with **Schmitz Cargobull** for trailer air disk brakes extended



Retrofittable **turning assistant** to improve traffic safety



KB expands **Chinese truck capacities** and continues **cooperation with Dongfeng**



Rotary Vane: development of new e-compressor platform for variable eTruck air requirements



KB wins '**Best Brand**' award



Strong development in challenging times

We delivered what we have promised for FY20

**Guidance
achieved in
FY20**



Promised

Outperformance in major markets

Resilient profitability

Countermeasures against COVID-19

Strong cash preservation in crisis year

Shortening of disclosure times



Delivered

Knorr-Bremse gained market shares during crisis

EBITDA margin of 18.0%

Strong cost savings implemented

FCF of € 729m and CCR¹ of 137%

≤90 days following DCGK / -26 days improved

1) Cash Conversion Rate

COVID-19 pandemic still impacting our business

We are prepared
to adjust
counter-
measures
quickly, if
necessary

Market

Rail



Most OEMs back to operation level, operators underutilized, stimulus programs put in place



China moderately developing, India market still uncertain



Strong impacts on freight and transit market, project decisions delayed

Truck



Strong demand recovery for trucks and trailers



China continues on high level, India started to recover, Japan recovers continuously



Strong demand recovery for trucks and trailers. High number of infected people negatively influence industrial processes (e.g. logistics)

Business development

Supplies

- Supply chain fully stabilized and increasing demand secured
- Only very few critical suppliers still impacted
- Supply chain teams globally established
- Truck: global shortage of semiconductors

Own plants

- Safety measures introduced effective to safeguard operations, employees and customer effectively
- Processes stable and supporting volume increase
- Productivity level almost at pre-COVID-19 level

Rail and truck market should continue to recover in FY21



Near future

- + No cancellations of contracts by rail operators, but postponements
- + Recovery demand leads to growth of OEMs' order intake
- Reduction of rail traffic impacting AM business



- + Strong market recovery in Europe and NA
- + Regulatory requirements (e.g. CN 6) lead to decent demand in China
- Challenges in supply of components, esp. electronics, and raw materials

Until YE21

- + Further recovery of demand from postponements in FY20 expected
 - Recovery of OE demand in passenger and freight
 - AM demand rather flat (FY21 = FY20)
- + Increasing demand in Europe and NA
- + Slight growth in AM business expected
- Lower demand in China expected from mid 2021 driven by new emission regulations
- Shortage of components should have an impact into H2/21

Innovations secure tomorrow's profitable growth of KB

RELIABLE INNOVATIVE LEADING

Well positioned for future trends

DRIVEN TO CREATE THE BEST SOLUTIONS.

~3,800 engineers supporting our innovation leadership

Autonomous Driving

Global Scalable Brake Control



Torque overlay steering



E-mobility



HVAC: efficient and effective clean[air] technology



Reproducible Braking Distance



FY20: excellent performance in an extraordinary year

REVENUES OF **€ 6.16bn**
(-11.2% yoy)

18.0% EBITDA MARGIN
(PY: rep.19.2% / op. 18.8%)



€ 3.34bn



€ 2.82bn



22.9%



13.5%



€ 729m FREE CASHFLOW
(yoy: -15.3% incl. SLB / +9.2% excl. SLB)¹

137% CCR²

ORDER INTAKE **€ 6.44bn**
(-8.8% yoy)

ORDER BOOK **€ 4.98bn**
(+6.1% yoy)



1) SLB = Sale and Lease Back

2) CCR = Cash Conversion Rate

FY20: guidance achieved and good forecast quality despite Covid-19

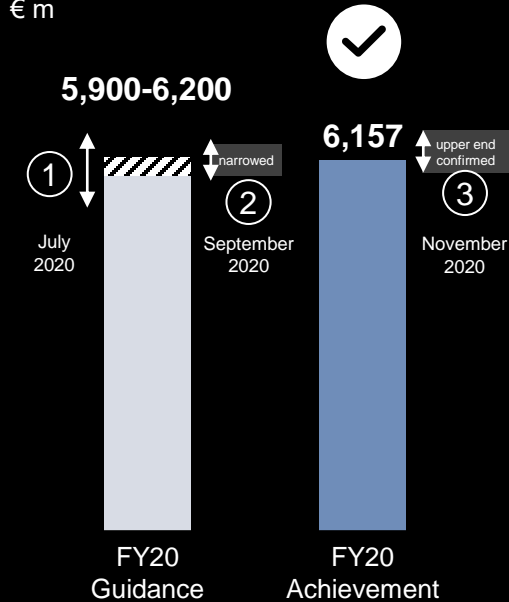
Other KPIs

- Order backlog **+6.1%** ✓
- EBIT margin at **13.2%** ✓
- Net Income of **€ 532m** ✓
- EPS of **€ 3.07** ✓

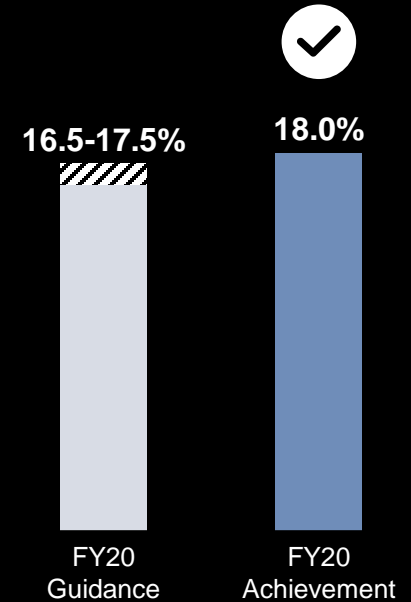


Revenue

€ m

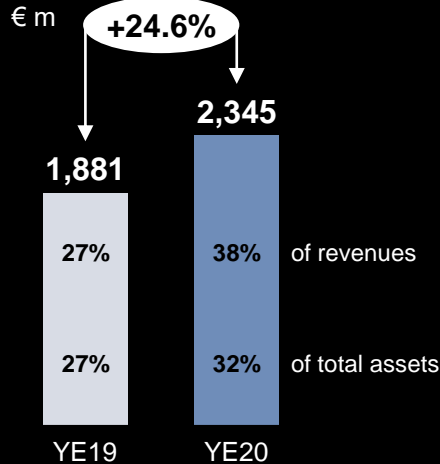


EBITDA margin

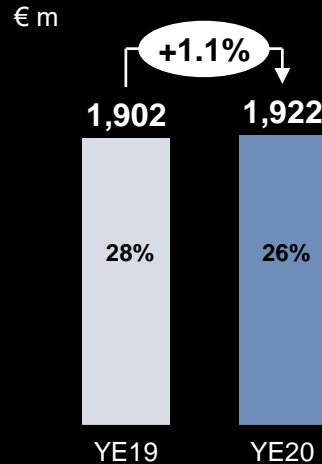


FY20: strong balance sheet in challenging business environment

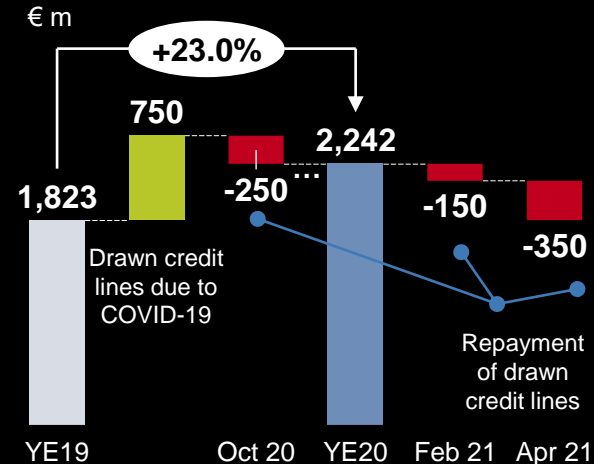
Liquidity¹



Equity + Equity Ratio



Gross Debt²



Rating

MOODY'S **A2**
STANDARD & POOR'S **A**

confirmed within 2020

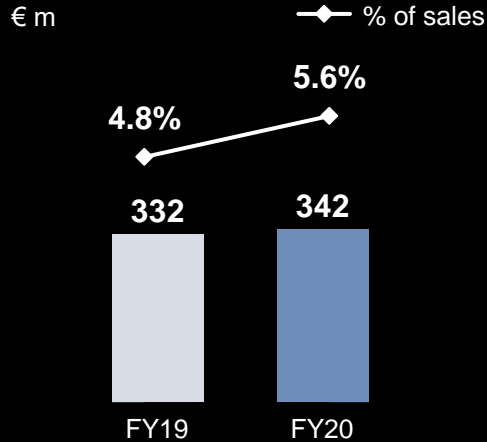


Gross Debt/ EBITDA **2.03x**
Net Debt/ EBITDA **-0.09x**

1) Cash and cash equivalents, incl. securities 2) Including: bank loans, lease liabilities and bonds as well as debt instruments; ex Bosch liability

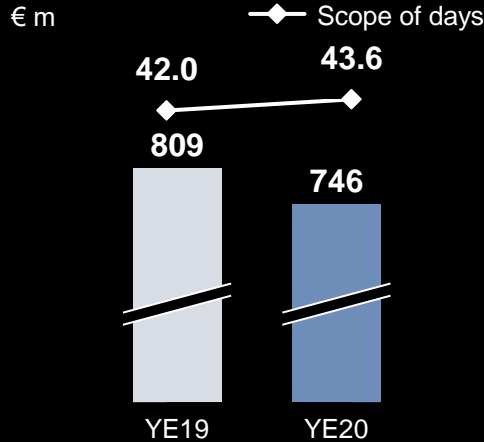
FY20: KB pushes future technologies and capacity to drive profitable growth

CapEx¹



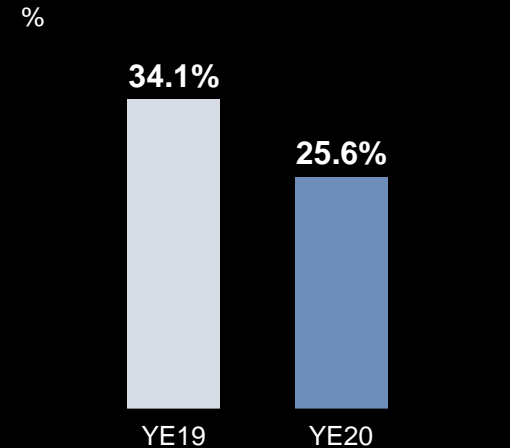
- **Portfolio prioritization and critical review** performed
- Only **selective scale back of investments** due to COVID-19 pandemic

NWC



- **CUSTOMER FIRST** – higher stock levels at mid 2020 to secure supply chain, strongly reversed until YE20
- **Optimization in Q4/20** but **higher NWC** expected in FY21

ROCE



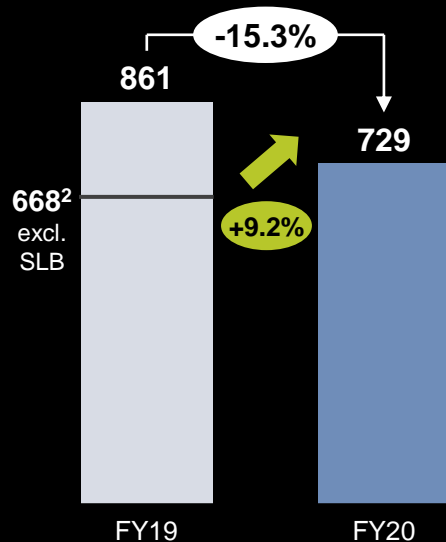
- **ROCE** impacted by lower profitability, investments and WC measures

1) Capex adjusted for Sale and Lease Back transaction 2019

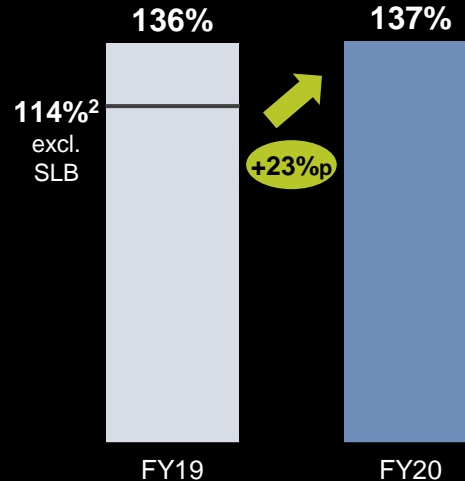
FY20: Extremely strong FCF due to strict countermeasures and strong management focus

Free Cashflow¹

€ m



Cash Conversion Rate



Development in FY20

- Good earnings quality
- Strict and disciplined cash management, e.g.
 - CapEx/ R&D prioritization
 - NWC, e.g. lowered accounts receivables
 - Tax refunds and no pre-payments

Development in Q4/20

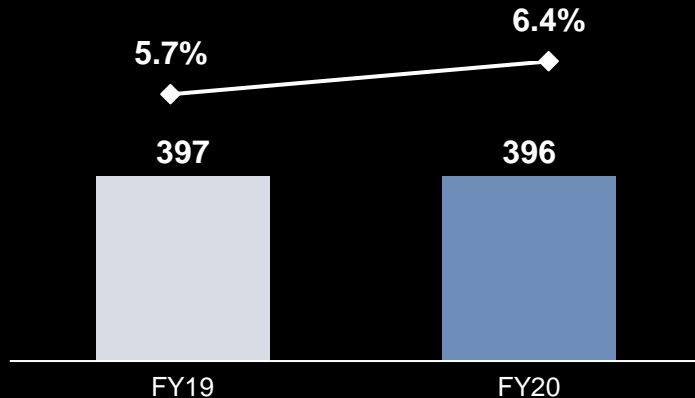
- Cash payments: lumpiness and seasonality had positive impact on development in Q4/20
- Tailwind 2020 leads to headwind 2021 due to lower NWC base YE20

1) Free Cashflow before M&A 2) SLB = Sale and Lease Back transaction, FCF adjusted by € 193m and net income adjusted by € 45m

FY20: Continued technology investments and headcount strictly managed

R&D

€ m ◆ % of sales



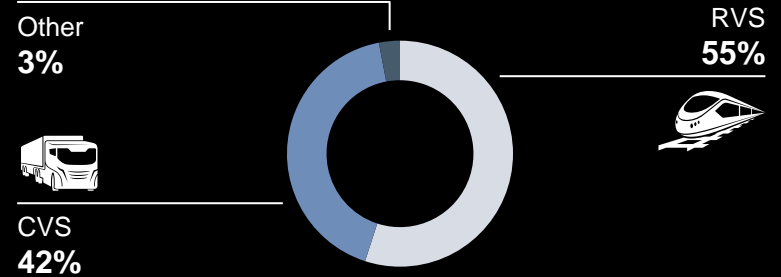
- Portfolio prioritization performed
- Absolute R&D expenditures on continuously high level
- Long-term R&D/ revenue ratio going forward: 5-6%

1) Average numbers including leasing

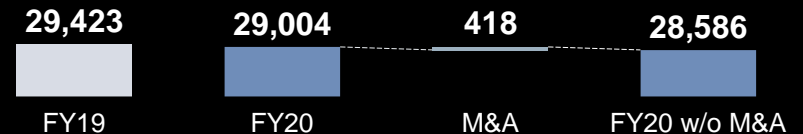
2) R.H. Sheppard had 677 employees at YE20

Employees¹

FTEs



- Average headcount reduced to mitigate COVID-19 impact, however increased again to manage upswing towards YE20
- M&A: R.H. Sheppard added since June 2020²
- Careful ramp up of headcount as market and revenues grow





FY20: KB improved ESG status and is fully on track to carbon neutrality in 2021

- EEnvironment**
- 50% CO₂ emission reduction by 2030 and carbon neutrality by FY21
 - **Circular Economy** improvements
 - Remanufactured and overhauled products¹ as well as EcoDesign

- SSociety & Employees**
- Various **Gender Equality and Diversity** initiatives in place
 - **Conflict Minerals Policy**
 - **Supplier Code of Conducts** is integral part of supplier contracts

- GGovernance**
- **Compliance** standards regularly evaluated and improved
 - Supervisory Board strengthened
 - Shortening of **reporting timelines**
 - ESG to be included in management **bonus system in 2022**

Ratings improved in 2020 and overall at good levels



A-



A



C+



50



19.0

1) ~10% of KB revenues

Q4/20 results underpin rock solid business performance

REVENUES OF **€ 1.57bn**
(-3.5% yoy)

19.3% EBITDA MARGIN
(PY: rep. 21.3% / op. 18.7%)



€ 774m



€ 793m



25.3%



15.3%



€ 560 FREE CASHFLOW

(yoy: +10.9% incl. SLB / +79.4% excl. SLB)¹

416% CCR²

ORDER INTAKE **€ 2.09bn**
(+9.1% yoy)

ORDER BOOK **€ 4.98bn**
(+6.1% yoy)



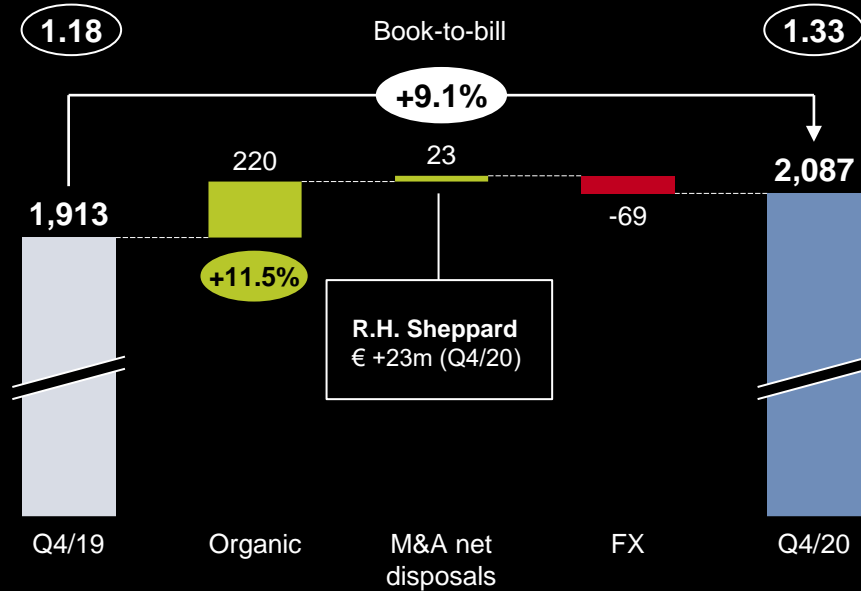
1) SLB = Sale and Lease Back

2) CCR = Cash Conversion Rate

Q4/20: Book-to-bill well above 1 and record order book being strong tailwind for FY21

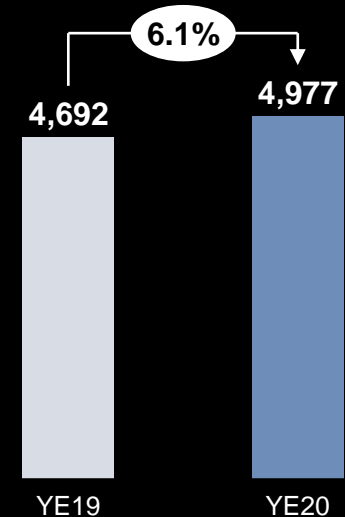
Order intake

€ m



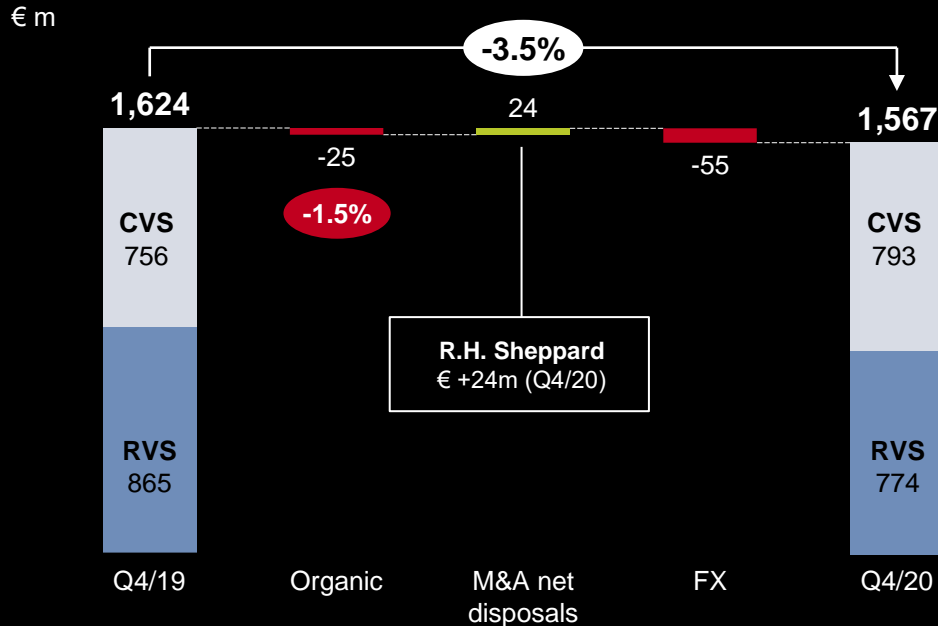
Order book

€ m

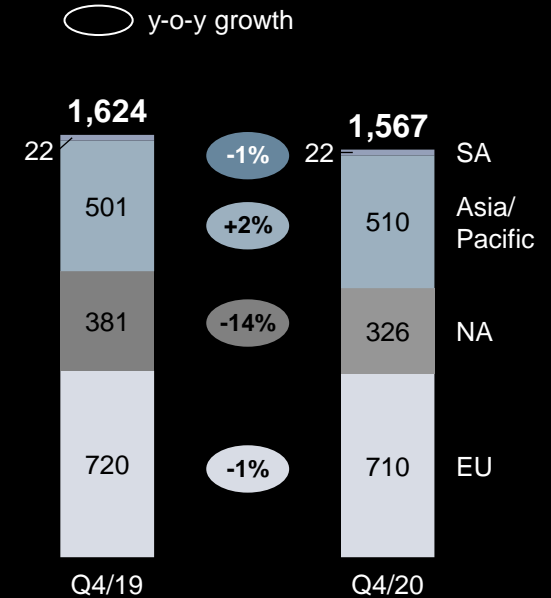


Q4/20: Only slight revenue decrease despite ongoing impact from COVID-19

Revenue



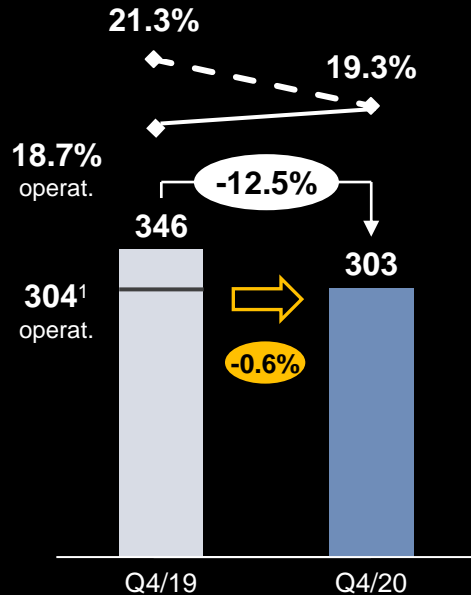
by region



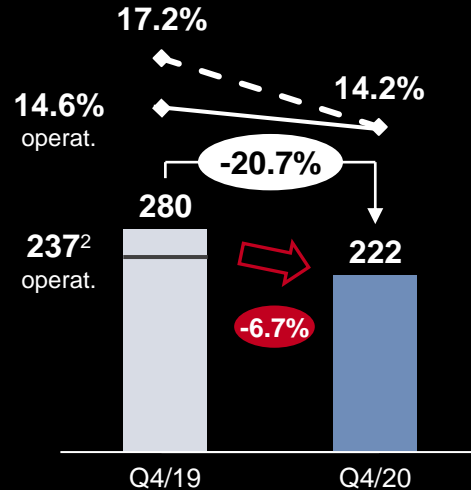
Q4/20: Reduced but quite strong profitability due to strict COVID-19 management

EBITDA/ E. Margin

€ m



EBIT/ E. Margin



Development in Q4/20

- **Operating leverage** burdened by lower revenue and mitigation costs
- **Cost measures** taken to mitigate COVID-19 impact on KB environment
- Revenue share from AM slightly decreased from 37% in Q4/19 to 35% in Q4/20
- **RVS strong:** 1) Strict cost measures overcompensated volume driven EBITDA reduction 2) Powertech divestment supportive yoy and 3) Favorable development AM vs. OE business
- **CVS on recovery path:** 1) Strict cost measures throughout 2020 2) Market recovery in H2/20 3) R.H. Sheppard still dilutive 4) AM vs. OE development not favorable

1) Adjusted for Sale and Lease Back € -45m and Wülfrath € +3m

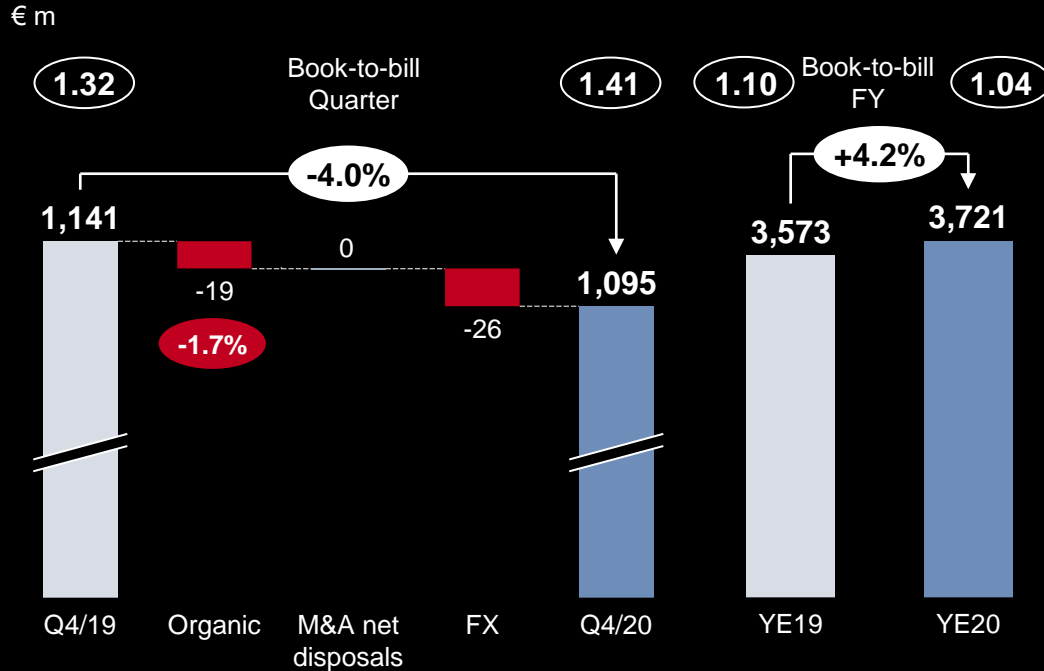
2) Adjusted for Sale and Lease Back € -45m and Wülfrath € +3m

RVS: Book-to-bill and order book are a solid foundation for FY21



Order intake

Order book



Order book increased by 4.2 %yoy

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

Development of OI in Q4/20

- EU:** Slightly lower compared to Q4/19; OI mainly driven by OE contract awards for Germany and Russia (esp. PC & Metro) as well as Italy (esp. R&C), UK (esp. HS); strong upside in AM
- APAC:** Comparable to Q4/19; OI mainly driven by contracts for China (esp. Metro), Taiwan and Australia (R&C); India still impacted by COVID-19
- NA:** Freight & Loco OE&RS slightly higher compared to Q4/19; Mass Transit comparable to Q4/19, mainly driven by AM and OE LRV

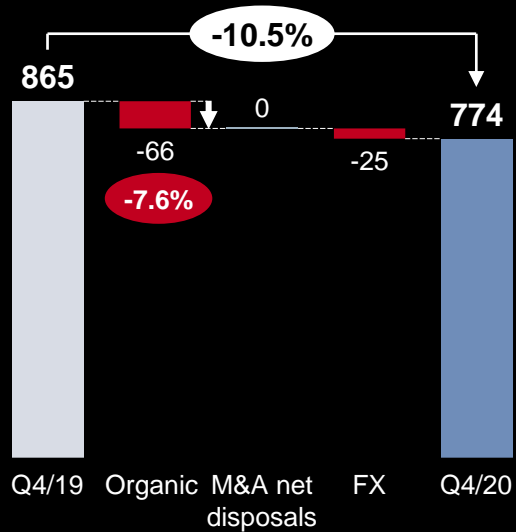
RVS: Better quarter-over-quarter profitability despite lower revenues



€ m

Revenue

€ m

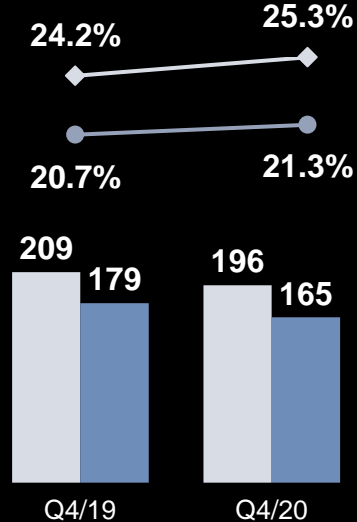


EBITDA / EBIT

■ EBITDA ■ EBIT

◆ EBITDA margin

● EBIT margin



Revenue decreased 10.5% yoy in Q4/20

- **AM:** Pull-in effects into H1/20 and lower ridership in trains burdened development in Q4/20
- **EU:** Decrease of OE driven by COVID-19
- **APAC:** Decrease in OE almost fully compensated by increase in AM
- **NA:** Generally lower due to COVID-19

EBITDA margin of 25.3% in Q4/20 on good level

- COVID-19 saving measures well supportive
- AM share: 47% vs. 44% in Q4/19

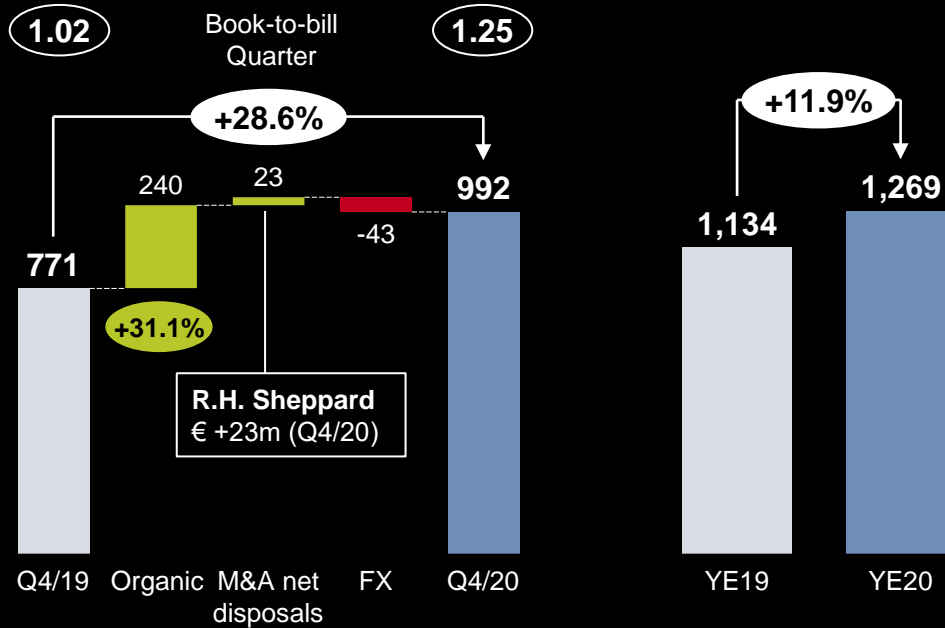
CVS: Significant increase of OI will support good start into 2021



Order intake

Order book

€ m



Very favorable book-to-bill ratio, still affected by COVID-19 pandemic

- **EU/ NA:** Market recovery continued in Q4/20. Q4/19 was impacted by slower demand after boom in H1/19, which leads to higher spread in OI
- **APAC:** OI increased also in Japan and India after low demand Q3/20, China still on high level

Order book at YE20 above pre-COVID-19 level at YE19

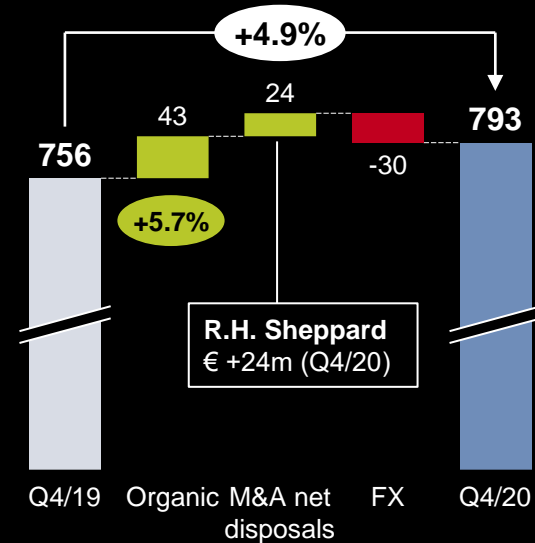
- Development of order book according to order intake
- **EU/ NA:** Effect of inverse market trends end of 2019 and 2020 also visible in order book
- Acquisition of R.H. Sheppard supports order book at YE20 vs. YE19

CVS: profitability back at Q4/19 levels



Revenue

€ m

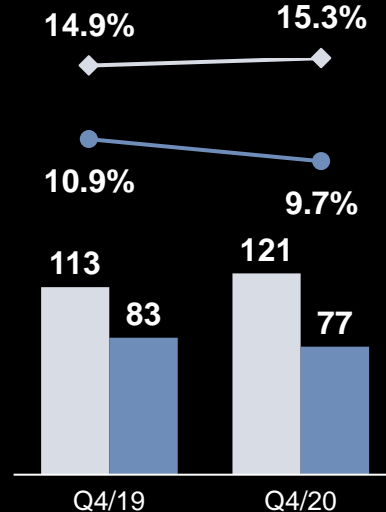


EBITDA¹ / EBIT¹

■ EBITDA ■ EBIT

◆ EBITDA margin

● EBIT margin



Q4/20 highest quarterly revenue in 2020

- **EU & NA:** Strong improvement vs. previous quarter driven by strong market demand
- **APAC:** Recovery of markets in Japan and India, China stable, increased content per vehicle yoy
- Share of AM vs. Q3/20 reduced due to further recovery of OE business, still 2020 share above 2019

Profitability well supported by recovery of revenues and strong cost cutting measures

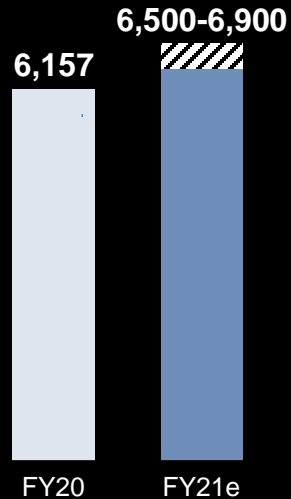
- Global cost adaption program finalized successfully
- Improved profitability also despite first impacts in Q4/20 from supply chain limitations
- Margin from R.H. Sheppard steering business dilutive, but Q4/20 better than Q3/20

1) Operating | rep.: EBITDA: EUR 110m (14.5%); rep EBIT: EUR 80m (10.5%)

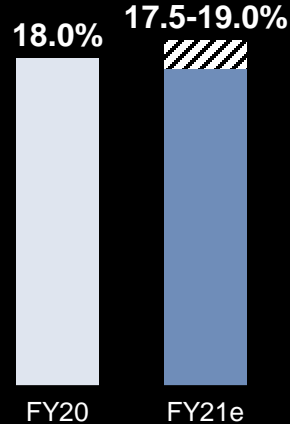
Group Guidance 2021

Revenue

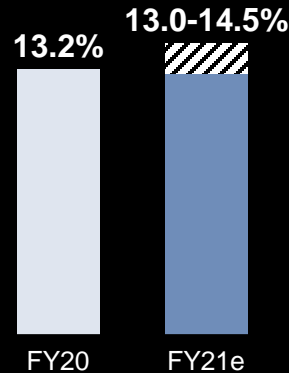
€ m



EBITDA margin



EBIT margin



Assumptions

- Stable economic environment in important markets
- Current FX rates
- No further setbacks occur as a result of COVID-19
- Although bottlenecks in the semiconductor industry might impact revenues, it is currently assumed that lost production volume can be made up in the further course of 2021

ROCE:
25-30%

FTE:
29,500-30,500

NWC:
45-50 days

Capex:
5.0-6.0% of revenue



KB runs a unique business

– entrepreneurial, innovative and successful

- Business model intact – proof in 2020
 - Growing faster than the markets
 - High resilience of profitability
- Long-term growth opportunities in Rail and Truck
- Focus on attractive segments
- Emphasis on ESG
- KB promised and delivered





RVS – opportunities and challenges

Opportunities

- Global stimulus programs
- Global target: CO₂ reduction
- Green Deal in Europe
- Attractive segments within rail

Challenges

- Impact from COVID-19 pandemic
- Autonomous policy in China



CVS – opportunities and challenges

- Opportunities**
- Growth in Content per Vehicle
 - E-mobility of trucks
 - Combination of braking and steering
 - Automated driving trucks

- Challenges**
- Impact from COVID-19 pandemic
 - Shortage of components
 - Intensifying competitive environment

Top priorities of KB management team



Secure innovation leadership in Rail and Truck



Growing faster than the markets



Strengthen Corporate Governance further



Strengthen ESG



Drive profitable growth and Free Cashflow

KB is well prepared for the future

Future

Strong positioning - setup, technology and markets

Resiliency

Increased market share and solid profitability during pandemic

Corporate Governance

Good corporate governance today and further improvement ahead

Strong foundation

Stability and continuity proven in difficult situations



Q&A

The Q&A session will take place via Conference Call, audio-only.



Investor relations contact



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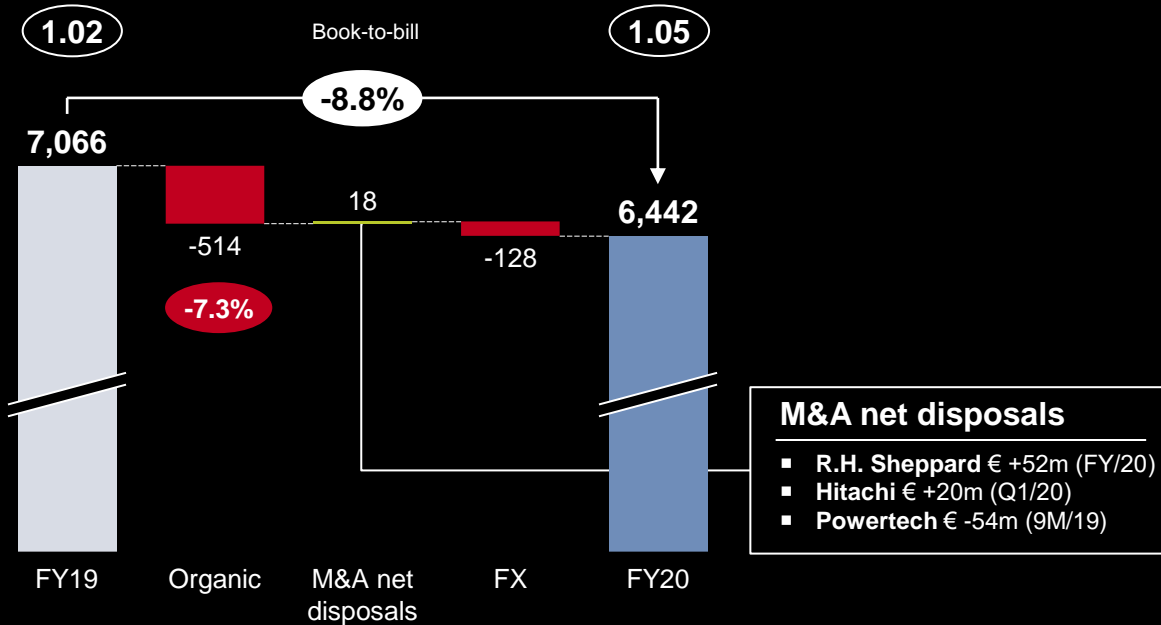
Backup



FY/20 – Group

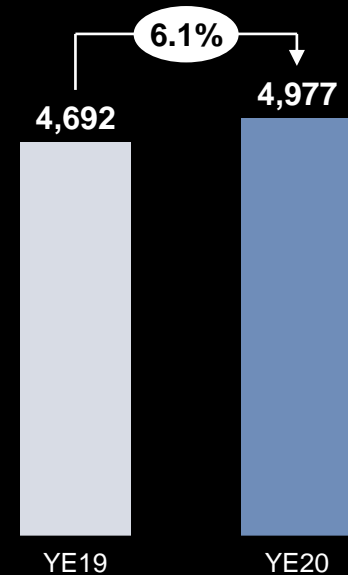
Order intake

€ m



Order book

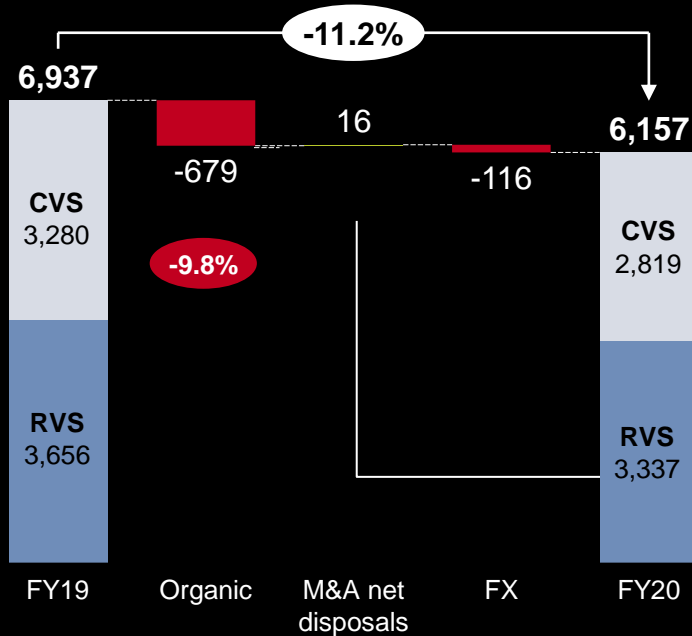
€ m



FY/20 – Group

Revenue

€ m



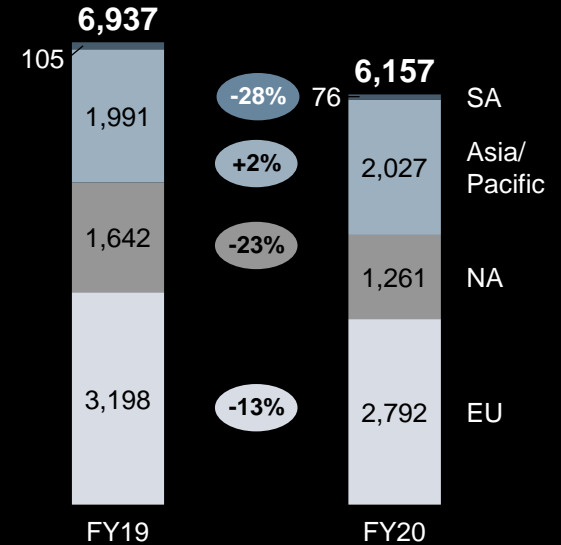
M&A net disposals

- R.H. Sheppard € +53m (FY/20)
- Hitachi € +22m (9M/20)
- Powertech € -59m (9M/19)

Revenue by region

€ m

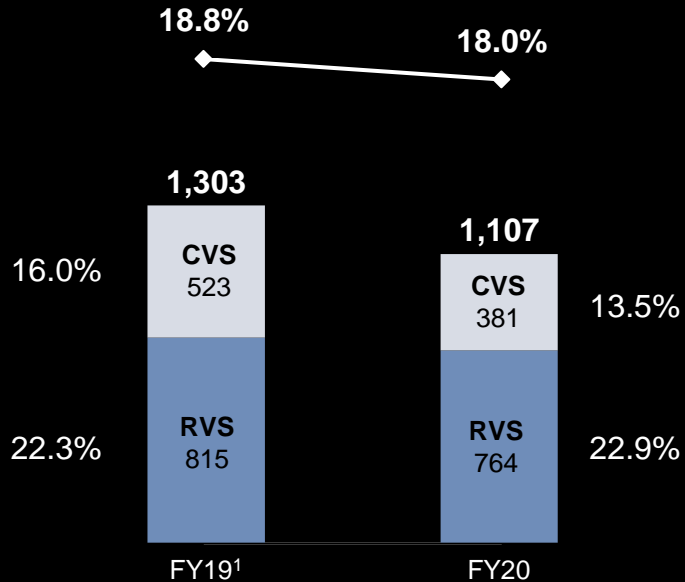
○ y-o-y growth



FY/20 – Group

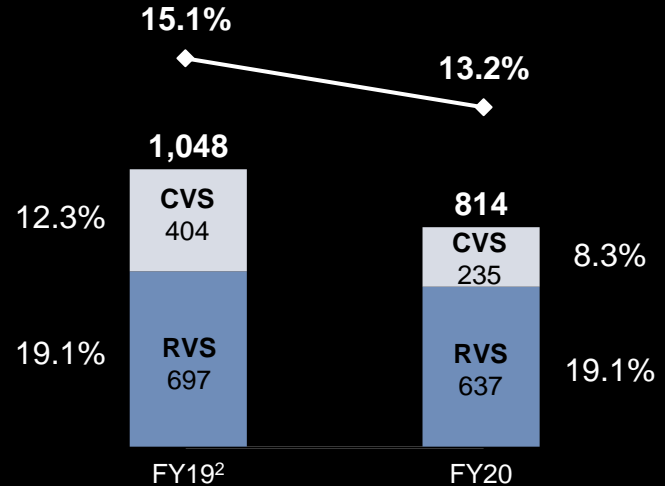
EBITDA/ EBITDA Margin

€ m



EBIT/ EBIT Margin

€ m



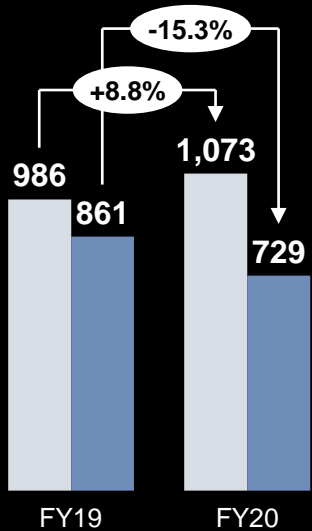
1) Operating | rep.: EBITDA: EUR 1,329m (19.2%)

2) Operating | rep EBIT: EUR 1,063m (15.3%)

FY/20 – Group

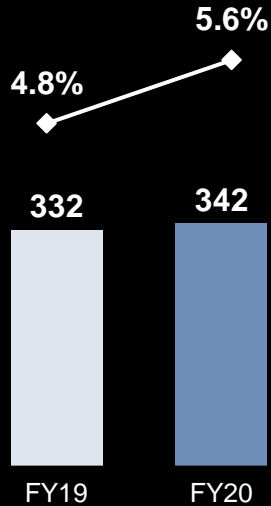
OCF & FCF¹

€ m ■ OCF ■ FCF



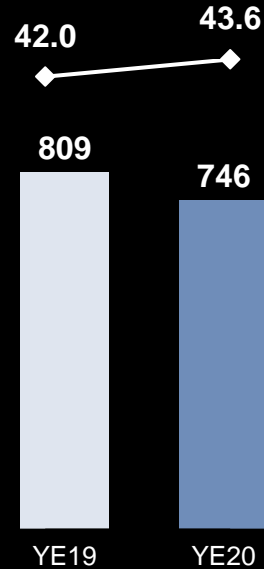
CapEx²

€ m ◆ % of sales



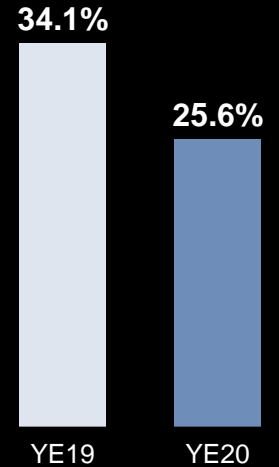
NWC

€ m ◆ Scope of days



ROCE

%



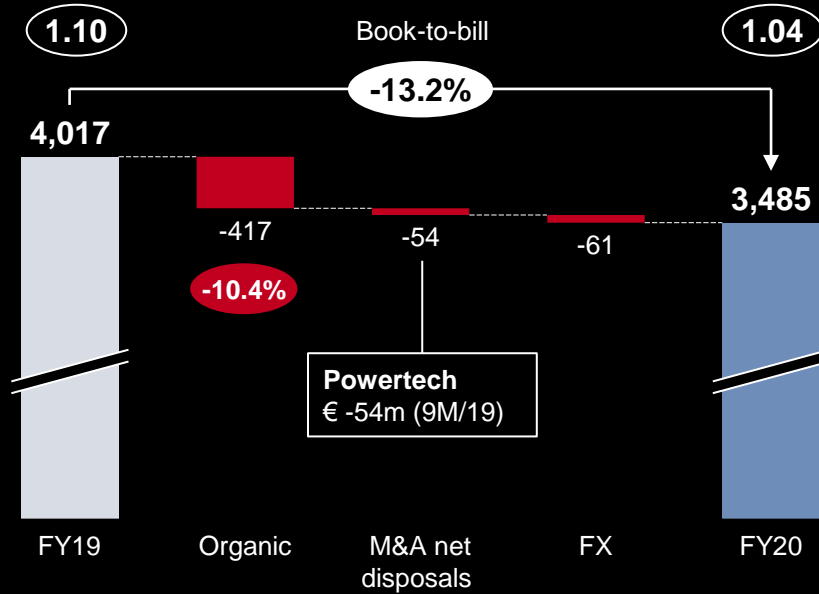
1) Incl. Sale & Lease back

2) FY19 adjusted for Sale and Lease Back EUR -33m

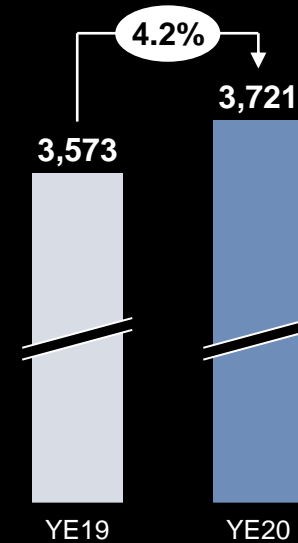
FY/20 – RVS

Order intake

€ m



Order book

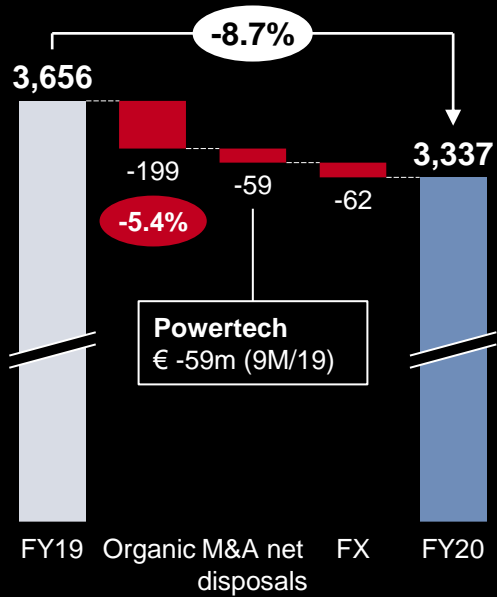


FY/20 – RVS

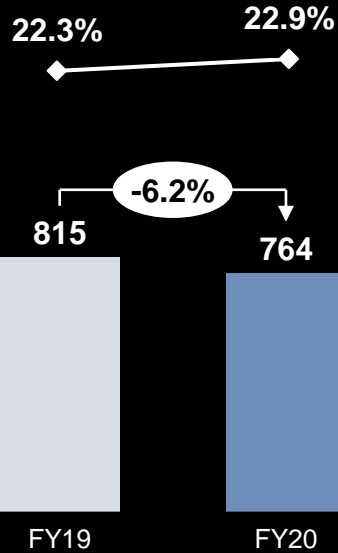


Revenue

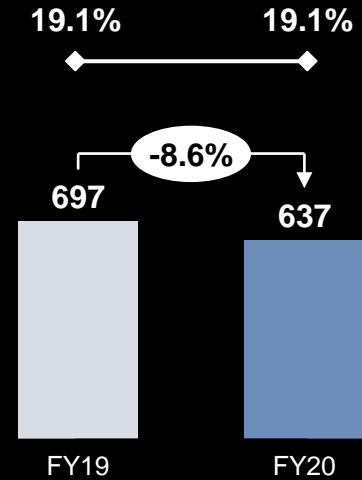
€ m



EBITDA / EBITDA margin



EBIT / EBIT margin



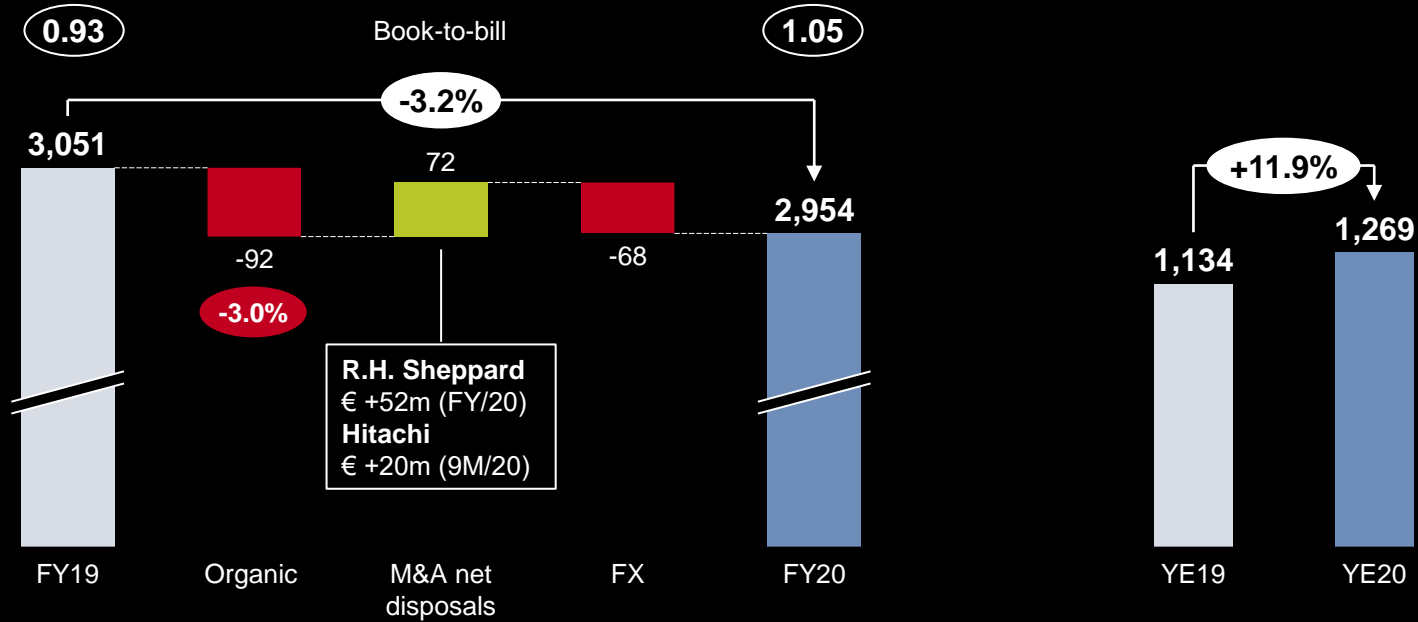
FY/20 – CVS



Order intake

Order book

€ m

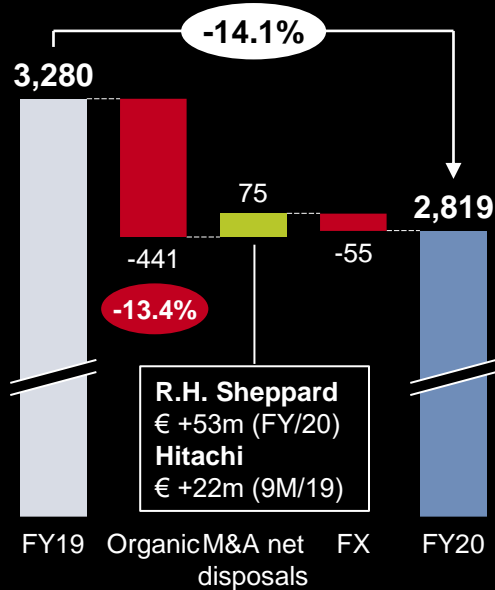


FY/20 – CVS

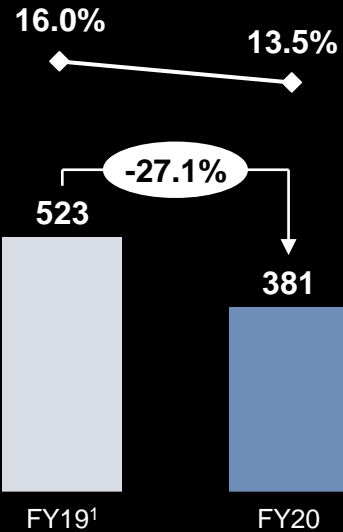


Revenue

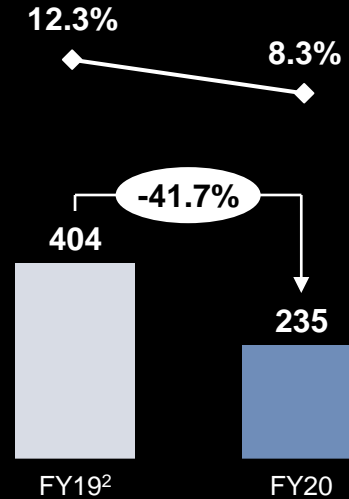
€ m



EBITDA / EBITDA margin



EBIT / EBIT margin



1) Operating | rep.: EBITDA: EUR 504m (15.4%)

2) Operating | rep EBIT: EUR 374m (11.4%)