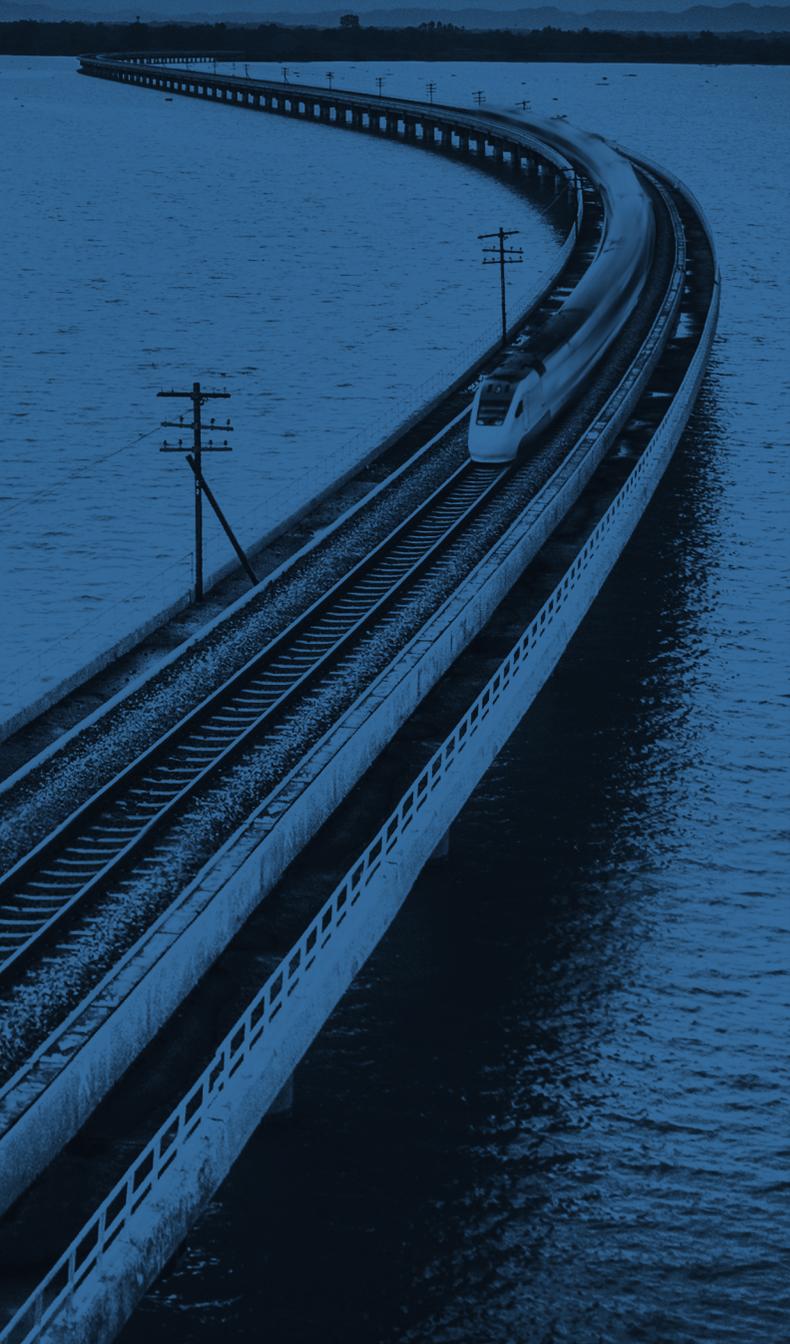


Quarterly Statement
January 1 to September 30, 2020

Q3



KNORR-BREMSE

Quarterly Statement

JANUARY 1 TO SEPTEMBER 30 2020
KNORR-BREMSE AG

KNORR-BREMSE GROUP KEY PERFORMANCE INDICATORS (IFRS)

		Nine Months		Third Quarter	
		2020	2019	2020	2019
Revenues	€ million	4,589.3	5,312.7	1,533.5	1,711.1
EBITDA	€ million	804.2	982.2	268.7	313.3
EBITDA margin	%	17.5	18.5	17.5	18.3
Operating EBITDA margin	%	17.5	18.8	17.5	18.3
EBIT	€ million	592.1	783.0	194.6	249.8
EBIT margin	%	12.9	14.7	12.7	14.6
Operating EBIT margin	%	12.9	15.2	12.7	14.6
Net income	€ million	397.5	464.9	140.5	101.2
Earnings per share (basic)	€	2.29	2.69	0.82	0.56
Order intake	€ million	4,355.0	5,153.0	1,627.9	1,571.8
Order book (September 30)	€ million	4,457.7	4,402.9	4,457.7	4,402.9
Operating cash flow	€ million	369.4	554.4		
Free cash flow	€ million	168.5	355.3		
Cash conversion rate	%	42.4	76.4		
Capital expenditure (before IFRS 16, acquisitions, and SLB)	€ million	230.0	195.2		
Capital expenditure in % of revenues	%	5.0	3.7		
R&D costs	€ million	294.0	307.3		
R&D costs in % of revenues	%	6.4	5.8		
		September 30,	December 31,		
		2020	2019		
Total assets	€ million	7,484.7	6,846.8		
Equity (incl. non-controlling interests)	€ million	1,840.1	1,901.5		
Equity ratio	%	24.6	27.8		
ROCE (annualized)	%	22.2	34.1		
Net financial (debt) / cash	€ million	(326.6)	57.7		
Net working capital	€ million	1,181.1	809.1		
Employees (at reporting date incl. leased personnel)		29,263	28,905		

FIRST NINE MONTHS 2020

- » Business performance continues to be impacted by the effects of the Covid-19 pandemic
- » Order intake down 15.5% year-on-year at € 4,355.0 million, largely due to lockdowns worldwide in the second quarter, though demand recovered very significantly in the third quarter, especially in the CVS division; by contrast, the order backlog developed encouragingly at € 4,457.7 million (up 1.2% year-on-year)
- » Revenues down –13.6% on prior-year figure at € 4,589.3 million owing to a declining OE business; revenues in Asia up year-on-year, primarily due to growth in the Chinese commercial vehicle business
- » Positive trend in aftermarket revenues, climbing from 33.6% to 37.1% of total revenues and having a stabilizing effect on earnings performance
- » Robust profitability levels confirmed: Operating EBITDA margin at 17.5% of revenues (9M 2019: 18.8%)
- » Increased R&D ratio of 6.4% of revenues (9M 2019: 5.8%) due to higher and selected investments in strategic, forward-looking innovation and technology projects
- » Further stabilization of the operating cash flow at € 369.4 million; reduction year-on-year (€ 554.4 million) mainly due to lower earnings contributions and measures taken to maintain delivery capability
- » Free cash flow: At € 168.5 million for the first nine months and € 181.8 million in Q3 as a consequence of strong growth, with a high cash conversion rate of 129.4%; here, the action program implemented to stabilize earnings and cash flows took effect
- » Cash funds of € 2.1 billion ensure flexibility for operations at a high level
- » Action program implemented to stabilize earnings and cash flows took effect and will be systematically continued
- » Full-year guidance for 2020 confirmed:
 - » Revenue: € 5,900 to € 6,200 million (2019: € 6,937 million)
 - » Operating EBITDA margin: 16.5 to 17.5% (2019: 18.8%)

BUSINESS PERFORMANCE NINE MONTHS 2020

Order intake down 15.5% due in particular to Covid-19

In a market environment that continues to be impacted by the effects of the Covid-19 pandemic, order intake of the Knorr-Bremse Group was down 15.5% or € 798.0 million year-on-year at the end of September 2020, falling to € 4,355.0 million. This was due to declining demand in both the rail and the commercial vehicle markets. In the rail vehicle market, all regions were affected – particularly Asia, where business in India took a substantial hit. In the commercial vehicle segment, global commercial vehicle production experienced a noticeable downturn as a result of lockdowns around the world and the related shuttering of commercial vehicle manufacturing facilities in the second quarter, which is reflected in reduced order volumes as of September. However, ever since the summer, the regions of Europe and North America have been seeing a surge in demand and been outperforming the market.

This gives an order book of € 4,457.7 million, which, on account of the favorable order situation in the fourth quarter of the previous year in particular, slightly exceeds the high prior-year level (€ 4,402.9 million) (+1.2%).

Revenues down 13.6% in volatile market

In the first nine months of the 2020 fiscal year, revenues of the Knorr-Bremse Group fell by 13.6% or € 723.4 million to € 4,589.3 million. After adjusting for currency effects (at 2019 exchange rates) as well as for disposal and acquisition effects, revenues were down 12.1%. The revenue decline in the Rail Vehicle Systems segment was mainly attributable to falling OE volumes, whereas, in absolute terms, aftermarket revenues came in only slightly below the prior-year level. In Europe, the OE business was impacted primarily by diminishing volumes of mass transit (light rail vehicles and metro cars) and in North America by a weaker freight business than in the previous year. In the Asia region, declining OE revenues in the business for high-speed trains and locomotives were offset by strong growth, particularly for metro cars, which nearly compensated for the shortfall. 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, OE revenues in China in particular were up significantly on the previous year. A more robust trend in aftermarket revenues than for OE revenues led to a significant increase in the aftermarket share of total revenues in the Commercial Vehicle Systems division, which rose from 24.8% to 28.3%.

At Group level, the aftermarket business accounted for 37.1% of total revenues (breakdown in accordance with management reporting), up markedly on the prior-year figure of 33.6% and underpinning the robustness of our business model.

EBITDA and EBIT margins remain robust

In the first nine months of 2020, EBITDA of € 804.2 million was generated with an operating EBITDA margin of 17.5% (September 30, 2019: 18.8%). This is € 178.1 million or 18.1% less than in the prior-year period and was mainly attributable to volume effects from a declining OE business, which were offset by high-margin earnings contributions from a persistently robust aftermarket business. Along with a positive trend in the sales mix, effects from our Covid-19 action program had a stabilizing effect on the Group's profitability indicators.

EBIT of € 592.1 million also showed a volume-related decline of € 190.9 million or –24.4%. At 12.9%, the operating EBIT margin fell short of the prior-year level of 15.2%. 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 INCOME (CONDENSED)

in € million	Nine Months		Third Quarter	
	2020	2019	2020	2019
Revenues	4,589.3	5,312.7	1,533.5	1,711.1
Change in inventory of unfinished/finished products	7.6	17.3	(6.7)	18.1
Own work capitalized	56.9	53.4	19.6	22.3
Total operating performance	4,653.9	5,383.3	1,546.5	1,751.6
Cost of materials	(2,204.7)	(2,663.5)	(736.4)	(863.9)
Personnel expenses	(1,144.0)	(1,209.0)	(374.9)	(403.7)
Other operating income and expenses	(500.9)	(528.6)	(166.5)	(170.7)
EBITDA	804.2	982.2	268.7	313.3
Depreciation and amortization	(212.1)	(199.2)	(74.1)	(63.5)
EBIT	592.1	783.0	194.6	249.8
Financial result	(43.0)	(119.0)	(3.1)	(97.9)
Income before taxes	549.1	664.1	191.5	151.9
Taxes on income	(151.6)	(199.2)	(51.0)	(50.7)
Net income	397.5	464.9	140.5	101.2
thereof profit (loss) attributable to non-controlling interests	28.3	31.0	8.4	10.7

The cost of materials ratio improved by 210 basis points to 48.0% of revenues in the first nine 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 210 basis points from 22.8% to 24.9% resulting from a disproportionately large drop in revenues and exceptional charges. The total of other operating income and expenses increased by 100 basis points from 9.9% to 10.9% of revenues. Accounting for 4.6% of revenues, depreciation and amortization stood at 90 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 € 43.0 million. In the same period of the previous year, the financial result was € -119.0 million, partly due to the sale of the Powertech Group. Earnings before taxes, at 12.0% of revenues, were a moderate 50 basis points below the previous year's level of 12.5%.

The tax rate fell significantly by 240 basis points to 27.6% from 30.0% in the first nine months of 2019. As a result, net income as of the end of September 2020 accounted for 8.7% of revenues, virtually on a par with the previous year (8.8%).

FINANCIAL SITUATION

FREE CASH FLOW

in € million	Nine Months	
	2020	2019
Net income	397.5	464.9
Depreciation, amortization and impairment losses on intangible assets and property, plant and equipment	212.1	199.2
Non-cash changes in provisions	132.3	219.5
Non-cash changes in the measurement of derivatives	16.0	53.1
Other non-cash expenses and income	(15.8)	(45.3)
Income tax expense	151.6	199.2
Income tax payments	(66.1)	(189.0)
Changes to provisions	(133.0)	(95.5)
Changes to inventories, trade accounts receivable as well as other assets which cannot be allocated to investing or financing activities	(386.7)	(331.2)
Changes to trade accounts payable as well as other liabilities which cannot be allocated to investing or financing activities	13.4	(38.1)
Other	48.2	117.7
Cash flow from operating activities	369.4	554.4
Cash changes in intangible assets and property, plant and equipment	(200.9)	(199.2)
Free cash flow	168.5	355.3

The cash inflow from operating activities decreased in the first nine months of the current fiscal year by € 185.0 million year-on-year, falling to € 369.4 million. Alongside a drop in net income of € 67.4 million, or 14.5%, to € 397.5 million, this was partly due to measures to safeguard delivery capacity, which increased working capital.

Free cash flow in the first nine months of 2020 amounted to € 168.5 million, down € 186.7 million on the prior-year level (€ 355.3 million). This is mainly attributable to the significantly lower cash flow from operating activities as well as to slightly higher disbursements for investments in intangible assets and property, plant and equipment.

CURRENT AND NON-CURRENT ASSETS

in € million	September 30,	December 31,
	2020	2019
Intangible assets and goodwill	888.5	842.2
Property, plant and equipment	1,479.5	1,469.2
Other non-current assets	293.7	312.2
Non-current assets	2,661.6	2,623.6
Inventories	904.2	815.0
Trade accounts receivable	1,427.7	1,149.0
Other financial assets	52.0	62.6
Contract assets	91.3	89.9
Cash and cash equivalents	2,131.6	1,880.7
Other current assets	216.2	226.0
Current assets	4,823.1	4,223.2

A seasonal increase compared with December 31, 2019 was recorded in trade accounts receivable. 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.

Overall, net working capital increased by € 96.6 million to € 1,181.1 million compared with the first nine months of 2019 (€ 1,084.5 million). At 69.5 days, the commitment in revenue days was up significantly on the prior-year level (55.1 days).

CAPITAL EXPENDITURE

		Nine Months	
		2020	2019
Capital expenditure (before IFRS 16, acquisitions, and SLB)	€ million	230.0	195.2
Capital expenditure in % of revenues	%	5.0	3.7

The trend in investments in intangible assets and property, plant and equipment underlines the Group's long-term growth and innovation priorities. Major investments were made in forward-looking research and development projects as well as in intangible assets and property, plant and equipment. Among other things, investments were made in autonomous driving, further development in the steering systems business and electrification.

CONSOLIDATED EQUITY

		September 30, 2020	December 31, 2019
in € million			
Subscribed capital		161.2	161.2
Other equity		1,575.8	1,623.2
Equity attributable to the shareholders		1,737.0	1,784.4
Non-controlling shares		103.0	117.1
Total equity		1,840.1	1,901.5

As of September 30, 2020, the Knorr-Bremse Group has an equity ratio of 24.6%. The decline compared with December 31, 2019 (27.8%) was mainly due to higher total equity and liabilities attributable to the increase in financial liabilities, compounded by lower earnings contributions as a result of the Covid-19 pandemic.

CURRENT AND NON-CURRENT LIABILITIES

		September 30, 2020	December 31, 2019
in € million			
Provisions (incl. pensions)		653.2	636.0
Financial liabilities		1,642.9	1,658.2
Other non-current liabilities		159.3	138.3
Non-current liabilities		2,455.5	2,432.5
Trade accounts payable		959.0	967.4
Financial liabilities		1,592.2	875.6
Contract liabilities		283.1	277.4
Other liabilities		354.8	392.4
Current liabilities		3,189.2	2,512.8
Total liabilities		5,644.6	4,945.2

Significant changes compared with 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 in the amount of € 750 million to expand our financial scope as part of the Covid-19 action program. On the whole, bank liabilities rose by € 645.8 million as of September 30, 2020. A decrease in other liabilities had an offsetting effect.

The € 100 million loan from the European Investment Bank (EIB) was repaid on schedule in the first half of 2020. The following debt financing existed as of September 30, 2020:

- » Corporate bond of Knorr-Bremse AG in the amount of € 500.0 million (maturing in December 2021)
- » Corporate bond of Knorr-Bremse AG in the amount of € 750.0 million (maturing in June 2025)
- » Bank liabilities of Knorr-Bremse Group in the amount of € 842.6 million
- » Leases liabilities in the amount of € 365.8 million.

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

EMPLOYEES

AVERAGE NUMBER OF EMPLOYEES

	2020	2019
Wage earners	14,694	15,736
thereof leased personnel	2,381	2,603
Salaried employees	13,906	13,638
thereof leased personnel	216	259
Trainees	200	187
Total	28,800	29,562

At the end of September 2020, the Group had an average of 28,800 employees (September 30, 2019: 29,562). The figures relate to full-time equivalents (FTE). The moderate decrease (-2.6%) as compared with the previous year can be ascribed to both divisions in the regions of Europe and North and South America. In the Rail Vehicle Systems segment, the sale of the Powertech Group in 2019 contributed to the decline compared with Q3/2019. In the Commercial Vehicle Systems segment, Europe and North America implemented a headcount reduction precipitated by declining revenues, though in North America the acquisition of R.H. Sheppard had an offsetting effect. By contrast, the average number of employees in the Asia-Pacific region increased as of September 2020, mostly in the Commercial Vehicle Systems segment as a result of a positive revenue trend and the further expansion of our steering business.

INFORMATION ON REPORTABLE SEGMENTS

REVENUES BY SEGMENT

in € million	Nine Months	
	2020	2019
Rail Vehicle Systems	2,580.6	2,802.4
Commercial Vehicle Systems	2,046.0	2,550.2
Total	4,626.7	5,352.7
Reconciliation to IFRS (Rail Vehicle Systems)	(18.1)	(11.0)
Reconciliation to IFRS (Commercial Vehicle Systems)	(19.8)	(26.4)
Other segments and consolidation	0.5	(2.6)
Group	4,589.3	5,312.7

EBT BY SEGMENT

in € million	Nine Months	
	2020	2019
Rail Vehicle Systems	451.3	425.1
Commercial Vehicle Systems	113.4	265.8
Total	564.7	690.8
Reconciliation to IFRS (Rail Vehicle Systems)	7.1	(1.2)
Reconciliation to IFRS (Commercial Vehicle Systems)	31.7	25.0
Other segments and consolidation	(54.4)	(50.6)
Group	549.1	664.1

RAIL VEHICLE SYSTEMS SEGMENT

		Nine Months		Third Quarter	
		2020	2019	2020	2019
Revenues	€ million	2,562.5	2,791.4	821.7	915.4
thereof aftermarket	%	44	42	44	44
EBITDA	€ million	568.1	605.6	177.9	188.6
EBITDA margin	%	22.2	21.7	21.6	20.6
Operating EBITDA margin	%	22.2	21.7	21.6	20.6
EBIT	€ million	472.0	518.0	146.3	158.6
EBIT margin	%	18.4	18.6	17.8	17.3
Operating EBIT margin	%	18.4	18.6	17.8	17.3
Order intake	€ million	2,390.0	2,875.9	725.7	951.2
Order book (September 30)	€ million	3,400.5	3,296.9	3,400.5	3,296.9

Order intake in the Rail Vehicle Systems segment fell by a total of € 486.0 million year-on-year in all regions as a consequence of the coronavirus crisis, amounting to € 2,390.0 million as of the end of September 2020 (September 30, 2019: € 2,875.9 million). After Europe, the Asian market – and here in particular the Indian business – was the hardest hit. By contrast, the order book rose to € 3,400.5 million as of September 30, 2020 (September 30, 2019: € 3,296.9 million) due to the favorable order situation, mainly in the fourth quarter of 2019.

Revenues in the Rail Vehicle Systems segment came to € 2,562.5 million in the first nine months, down by 8.2% on the same period of the previous year. This decrease stems primarily from declining OE revenues. In Europe, this was mainly attributable to mass transit (light rail vehicles and metro cars), in North America to the freight business, and in Asia to the business for high-speed trains and locomotives. In the Asia region, strong growth in the metro cars business and higher revenues in the business for railway carriages almost compensated for the shortfall. In absolute terms, aftermarket revenues were down only slightly overall on the year-earlier figure, with growth in Europe and North America largely making up for weaker aftermarket revenues in the Asia market.

Due to volume factors, EBITDA, at € 568.1 million, was down just 6.2% on the prior-year figure (September 30, 2019: € 605.6 million). This led to a positive trend in the EBITDA margin year-on-year, which stood at 22.2% as of the end of September (September 30, 2019: 21.7%). The division benefited from positive mix effects in Europe and a steady improvement in profitability in Asia at a high level. In absolute terms, EBIT, which amounted to € 472.0 million as of the end of September 2020, also fell 8.9% short of the high prior-year level (€ 518.0 million), giving an EBIT margin of 18.4% of revenues (9M 2019: 18.6%).

COMMERCIAL VEHICLE SYSTEMS SEGMENT

		Nine Months		Third Quarter	
		2020	2019	2020	2019
Revenues	€ million	2,026.3	2,523.8	711.6	797.1
thereof aftermarket	%	28	25	27	30
EBITDA	€ million	259.8	393.8	101.6	129.6
EBITDA margin	%	12.8	15.6	14.3	16.3
Operating EBITDA margin	%	12.8	16.3	14.3	16.3
EBIT	€ million	158.0	294.2	63.8	99.5
EBIT margin	%	7.8	11.7	9.0	12.5
Operating EBIT margin	%	7.8	12.7	9.0	12.5
Order intake	€ million	1,962.6	2,279.6	902.0	621.1
Order book (September 30)	€ million	1,070.6	1,119.6	1,070.6	1,119.6

At € 1,962.6 million, the order intake of the Commercial Vehicle Systems segment in the first nine months was down 13.9% on the previous year. Following steep corrections in demand and customer cancellations in the second quarter of 2020, which was marked by the global lockdown, perceptible growth was recorded in the third quarter versus the same period of 2019. This was attributable in particular to catch-up effects in Europe and North America. In the Asia region, the positive trend in order intake year-on-year that was already evident at the end of the first half of 2020 had been further extended after nine months. As a result, the order book as of September 30, 2020 was also a comparatively moderate 4.4% short of the year-earlier figure.

Revenues as of the end of September 2020, at € 2,026.3 million, were down 19.7% on the prior-year period. The decrease in revenues was largely attributable to a decline in truck production worldwide and related revenue shortfalls in the OE business, mainly in Europe and North America, though positive trends were apparent in the third quarter. In the North America region, the acquisition of R.H. Sheppard as of the end of the first half of 2020 added € 29.4 million to revenues. In the Asia region, the strong momentum in OE sales growth in China continued compared with the previous year. The share of the aftermarket business of the Commercial Vehicle Systems division's total revenues rose to 28.3% as of September 2020 versus the same period last year (24.8%).

Due to volume factors, EBITDA, at € 259.8 million, was down 34.0% on the prior-year figure (September 30, 2019: € 393.7 million), giving an operating EBITDA margin of 12.8% as of September (September 30, 2019: 16.3%). The recovery in revenues in our core markets of Europe and North America in the third quarter, along with consistent continuation of the cost control measures we implemented, brought about an improvement in profitability compared with the first half of 2020. The Commercial Vehicle Systems segment also recorded a large drop in EBIT of 46.3% to € 158.0 million as of the end of September 2020. This narrowed the EBIT margin to 7.8% 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	Nine Months		Third Quarter	
	2020	2019	2020	2019
Europe/Africa	2,082.1	2,477.5	709.2	785.6
North America	935.7	1,262.0	323.0	420.8
South America	53.9	82.7	18.8	27.4
Asia-Pacific	1,517.5	1,490.6	482.5	477.4
	4,589.3	5,312.7	1,533.5	1,711.1

As of the end of 2020, 45% of the Group's revenues related to the Europe/Africa region (prior year: 47%), 20% to North America (prior year: 24%), 1% to South America (prior year: 2%), and 33% to Asia-Pacific (prior year: 28%).

SIGNIFICANT EVENTS IN THE REPORTING PERIOD

Covid-19

The global spread of the Covid-19 pandemic that began in March 2020 has rapidly and increasingly impacted on public life, macroeconomic development, and also the business performance of the Knorr-Bremse Group. Softening demand as a consequence of the temporary closure of customer operations in the second quarter 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 and protect our employees to the best of our ability.

In addition to taking out additional lines of credit in the amount of € 750 million to increase the Company's flexibility for operations, actions chiefly included initiatives to stabilize earnings and cash flows and safeguard delivery capability. These initiatives comprise, among others, temporary cost control measures such as use of short-time working allowances and similar arrangements in other countries, insofar as these are possible at the sites of the Knorr-Bremse Group. Furthermore, we took advantage of tax breaks involving advance tax payments. Over and above this, we continuously monitor our supply chains and safeguard them as necessary by temporarily supporting selected suppliers or by stockpiling.

Extensive safeguards have been implemented for our employees worldwide, including site-specific hygiene concepts and the necessary organizational and infrastructural changes. Examples are a strict separation of teams in both production and administration, increased mobile working, and provision of protective equipment.

Acquisition of R.H. Sheppard

On January 30, Knorr-Bremse signed a purchase agreement with Wabco Holdings Inc. for the acquisition of 100% of the shares of R.H. Sheppard Co., Inc., subsequently closing the deal on June 1, 2020. The preliminary purchase price for Sheppard of USD 149.5 million or € 135.5 million was paid in full as of June 30, 2020. The final purchase price increased by USD 4.0 million to USD 153.5 million due to contractually agreed working capital adjustments in the fourth quarter. Following the acquisition of the commercial vehicle steering business of Hitachi Automotive Systems in Japan during the past fiscal year, the acquisition of Sheppard is another step towards becoming a global provider of integrated steering and brake systems for commercial vehicles for Knorr-Bremse.

Change in the composition of the Supervisory Board

At the Annual General Meeting on June 30, 2020, Heinz Hermann Thiele, Dr. Thomas Enders, and Dr. Theodor Weimer were elected as new members of the Supervisory Board of Knorr-Bremse AG. Mr. Thiele's consultancy agreement with Knorr-Bremse AG was terminated early without severance as of June 30, 2020. Dr. Wolfram Mörsdorf, Wolfgang Tölsner, and Georg Weiberg stepped down from the Supervisory Board of Knorr-Bremse AG at the end of the AGM. The new Supervisory Board members have been appointed for the remainder of the original term of office of the departing members, i.e., until the end of the 2021 AGM.

Change of leadership

Ralph Heuwing voluntarily stepped down from the Executive Board of Knorr-Bremse AG with effect from April 30, 2020. Frank Markus Weber was appointed as a member of the Executive Board and the Group's new CFO with effect from July 1, 2020.

Change in leadership on the Executive Board

The Chairman of the Executive Board of Knorr-Bremse AG and Member of the Executive Board responsible for labor relations as Labor Director pursuant to Section 33 of the Codetermination Act (MitbestG), Bernd Eulitz, left the Company by mutual agreement as of August 31, 2020. The Supervisory Board fully supports the successful corporate strategy of Knorr-Bremse AG. The reason for Bernd Eulitz's resignation was a difference of opinion regarding leadership and the active shaping of strategic corporate development.

EVENTS AFTER THE REPORTING DATE

Change of leadership

At its meeting on November 4, 2020, the Supervisory Board of Knorr-Bremse AG unanimously appointed Dr. Jan Michael Mrosik as Chairman of the Executive Board of Knorr-Bremse AG effective January 1, 2021 for a period of three years. The responsibilities of the Chairman of the Executive Board are assumed in the interim by Executive Board members Dr. Peter Laier, Frank Markus Weber, and Dr. Jürgen Wilder.

Acquisition of the remaining shares in Bendix Spicer Foundation Brake

Bendix Commercial Vehicle Systems LLC acquired the remaining 20% of the shares in Bendix Spicer Foundation Brake, LLC from Dana Commercial Vehicle Products LLC with legal effect from October 1, 2020 (closing date). The purchase price amounts to USD 46 million, plus final adjustments to be agreed between the parties based on the closing balance sheet of Bendix Spicer Foundation Brake, LLC as of September 30, 2020, which will be finalized in fiscal year 2020. The purchase price is due in two installments; USD 21 million has already been paid and the remaining purchase price installment is due by September 30, 2021.

Partial repayment of credit facility

In October, we were able to repay an amount of € 250 million of the credit facilities drawn on from the € 750 million Covid-19 action program thanks to further stabilization of our business performance.

OUTLOOK / FULL-YEAR GUIDANCE FOR 2020 CONFIRMED

In general, we estimate that the most important performance indicators will develop unchanged, as outlined in the 2020 half-year financial report. Knorr-Bremse therefore continues to expect revenues of € 5,900 million to € 6,200 million (2019 reported: € 6,937 million) and an operating EBITDA margin between 16.5% and 17.5% (2019: 18.8%).

CONSOLIDATED STATEMENT OF INCOME

CONSOLIDATED STATEMENT OF INCOME

in € thousand	Nine Months	
	2020	2019
Revenues	4,589,311	5,312,664
Change in inventory of unfinished/finished products	7,608	17,256
Own work capitalized	56,944	53,384
Total operating performance	4,653,863	5,383,304
Other operating income	76,166	40,534
Cost of materials	(2,204,741)	(2,663,478)
Personnel expenses	(1,144,028)	(1,209,012)
Other operating expenses	(577,079)	(569,112)
Earnings before interest, tax, depreciation and amortization (EBITDA)	804,180	982,237
Depreciation, amortization, and impairment losses	(212,074)	(199,211)
Earnings before interests and taxes (EBIT)	592,107	783,026
Interest income	14,000	18,174
Interest expenses	(35,801)	(38,665)
Other financial result	(21,202)	(98,468)
Income before taxes	549,104	664,066
Taxes on income	(151,648)	(199,172)
Net income	397,456	464,894
Thereof attributable to:		
Profit (loss) attributable to non-controlling interests	28,269	30,990
Profit (loss) attributable to the shareholders of Knorr-Bremse AG	369,188	433,904
Earnings per share in €		
basic	2.29	2.69
diluted	2.29	2.69

CONSOLIDATED BALANCE SHEET

CONSOLIDATED BALANCE SHEET

in € thousand	September 30, 2020	December 31, 2019
Assets		
Intangible assets and goodwill	888,476	842,180
Property, plant and equipment	1,479,455	1,469,212
Investments accounted for using the equity method	17,690	16,570
Other financial assets	59,904	63,471
Other assets	54,861	73,930
Income tax receivables	-	-
Assets from employee benefits	38,392	31,611
Deferred tax assets	122,812	126,598
Non-current assets	2,661,589	2,623,572
Inventories	904,171	815,011
Trade accounts receivable	1,427,690	1,148,999
Other financial assets	52,038	62,565
Other assets	172,456	152,088
Contract assets	91,317	89,885
Income tax receivables	43,791	73,900
Cash and cash equivalents	2,131,637	1,880,738
Current assets	4,823,100	4,223,186
Total assets	7,484,689	6,846,758

CONSOLIDATED BALANCE SHEET

in € thousand	September 30, 2020	December 31, 2019
Equity		
Subscribed capital	161,200	161,200
Capital reserves	13,884	13,884
Retained earnings	34,156	34,156
Other components of equity	(305,689)	(179,311)
Profit carried forward	1,464,304	1,166,041
Profit attributable to the shareholders of Knorr-Bremse AG	369,188	588,423
Equity attributable to the shareholders of Knorr-Bremse AG	1,737,042	1,784,393
Equity attributable to non-controlling interests	103,024	117,121
thereof share of non-controlling interests in net income	28,269	43,595
Equity	1,840,066	1,901,514
Liabilities		
Provisions for pensions	362,092	343,273
Provisions for other employee benefits	20,922	19,545
Other provisions	270,206	273,147
Financial liabilities	1,642,914	1,658,190
Other liabilities	2,526	5,627
Income tax liabilities	59,758	51,908
Deferred tax liabilities	97,043	80,789
Non-current liabilities	2,455,462	2,432,480
Provisions for other employee benefits	19,882	29,136
Other provisions	200,238	197,585
Trade accounts payable	959,049	967,447
Financial liabilities	1,592,214	875,567
Other liabilities	83,831	131,044
Contract liabilities	283,069	277,351
Income tax liabilities	50,879	34,635
Current liabilities	3,189,161	2,512,764
Liabilities	5,644,623	4,945,244
Total equity and liabilities	7,484,689	6,846,758

CONSOLIDATED STATEMENT OF CASH FLOWS

CONSOLIDATED STATEMENT OF CASH FLOWS

in € thousand	Nine Months	
	2020	2019
Net income (including minority interests)	397,456	464,894
Adjustments for		
Depreciation, amortization and impairment losses on intangible assets and property, plant and equipment	212,074	199,211
Change of impairment on inventories	11,562	9,736
Change of impairment on trade accounts receivable	13,130	6,253
Gain on the sale of consolidated companies and other business units	111	82,069
Gain/(loss) on the sale of property, plant, and equipment	2,165	(940)
Non-cash changes in provisions	132,304	219,481
Non-cash changes in the measurement of derivatives	15,983	53,123
Other non-cash expenses and income	(15,821)	(45,345)
Interest result	21,800	20,491
Investment result	(584)	91
Income tax expense	151,648	199,172
Income tax payments	(66,126)	(189,040)
Changes of		
Inventories, trade accounts receivable and other assets, which cannot be allocated to investing or financing activities	(386,696)	(331,177)
Trade accounts payable as well as other liabilities which cannot be allocated to investing or financing activities	13,416	(38,077)
Provisions	(133,031)	(95,521)
Cash flow from operating activities	369,393	554,422
Proceeds from the sale of intangible assets	15,055	–
Disbursements for investments in intangible assets	(88,217)	(70,737)
Proceeds from the sale of property, plant and equipment	11,464	20,174
Disbursements for investments in property, plant and equipment	(139,155)	(148,606)
Proceeds from financial investments and from the sale of financial investments	1,747	–
Proceeds/disbursements for the sale of consolidated companies and other business units	552	(29,069)
Disbursements for financial investments	(2,997)	(16,764)
Disbursements for the acquisition of consolidated companies and other business units	(125,911)	(194,252)
Interest received	7,651	10,549
Disbursements for investments in plan assets (pensions)	(2,710)	(2,013)
Cash flow from investing activities	(322,523)	(430,717)
Proceeds from borrowings	773,074	40,851
Disbursements from the repayment of borrowings	(119,700)	(46,317)
Disbursements for lease liabilities	(44,751)	(36,820)
Interest paid	(16,295)	(22,720)
Dividends paid to parent company shareholders	(290,160)	(283,737)
Dividends paid to non-controlling interests	(45,924)	(23,434)
Net payments from factoring	(15,356)	(6,063)
Proceeds from grants and subsidies	6,429	–
Cash flow from financing activities	247,317	(378,240)
Cash flow changes	294,187	(254,535)
Change in cash funds resulting from exchange rate and valuation-related movements	(38,099)	29,343
Change in cash funds resulting from changes to the group structure	–	(195)
Change in cash funds	256,088	(225,387)
Cash funds at the beginning of the period	1,853,464	1,718,695
Cash funds at the end of the period	2,109,553	1,493,308
Cash and cash equivalents	2,131,637	1,505,175
Short-term securities available for sale	2	52
Short-term liabilities to banks (less than 3 months)	(22,084)	(11,139)

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.