ANNUAL PRESS CONFERENCE ON PRELIMINARY RESULTS 2020

DR. JAN MICHAEL MROSIK I CEO
FRANK MARKUS WEBER I 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

top EMPLOYER DEUTSCHLAND GERMANY 2020
CERTIFIED EXCELLENCE IN EMPLOYEE CONDITIONS

Business Expansion

SHEPPARD A Bendix CVS Company • A member of Knorr-Bremse
Bendix

Highlights in FY20 – win of major orders

Largest entrance system contract ever for London underground

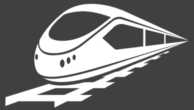
KB and **TMH International** sign contract for 1,300 passenger cars for Egypt

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

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

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

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**

KB wins **'Best Brand' award**

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

Strong development in challenging times

We delivered what we have promised for FY20

Guidance achieved in FY20

Promised	Delivered
Outperformance in major markets	Knorr-Bremse gained market shares during crisis
Resilient profitability	EBITDA margin of 18.0%
Countermeasures against COVID-19	Strong cost savings implemented
Strong cash preservation in crisis year	FCF of € 729m and CCR[1] of 137%
Shortening of disclosure times	≤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

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)

Near future

- ⊕ 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

- ⊕ 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

Well positioned for future trends

~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

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%** CCR[2]

ORDER INTAKE **€ 2.09bn**
(+9.1% yoy)

ORDER BOOK **€ 4.98bn**
(+6.1% yoy)

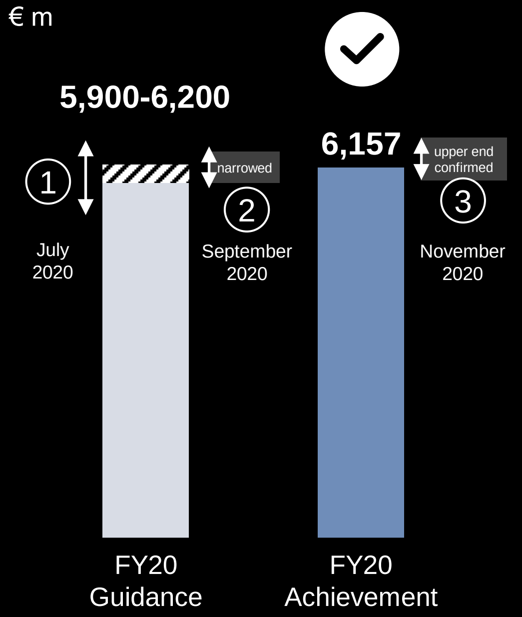
1) SLB = Sale and Lease Back 2) CCR = Cash Conversion Rate

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

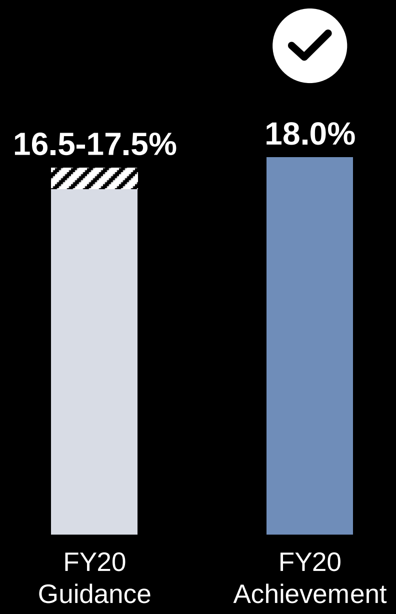
Other KPIs

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

Revenue



EBITDA margin



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% CCR[2]

ORDER INTAKE **€ 6.44bn**

(-8.8% yoy)

ORDER BOOK **€ 4.98bn**

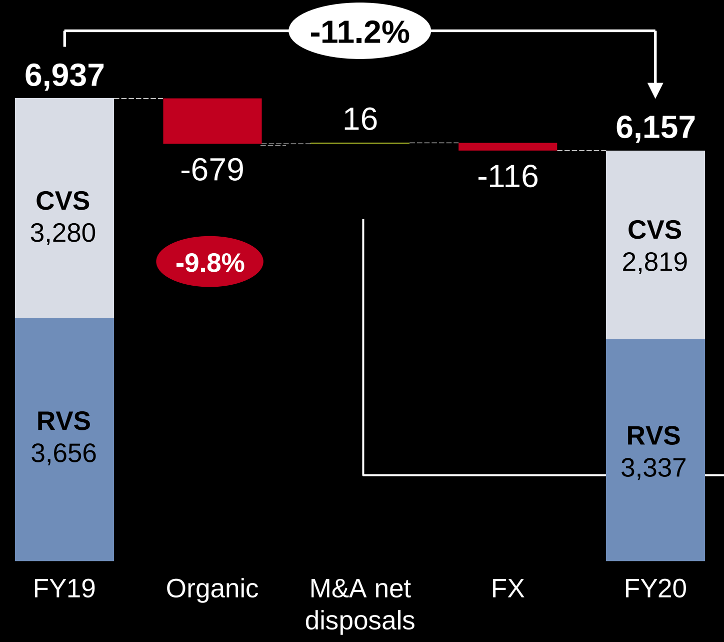
(+6.1% yoy)

1) SLB = Sale and Lease Back 2) CCR = Cash Conversion Rate

FY20: sales decline driven by CVS, North America and Europe

Revenue

€ m



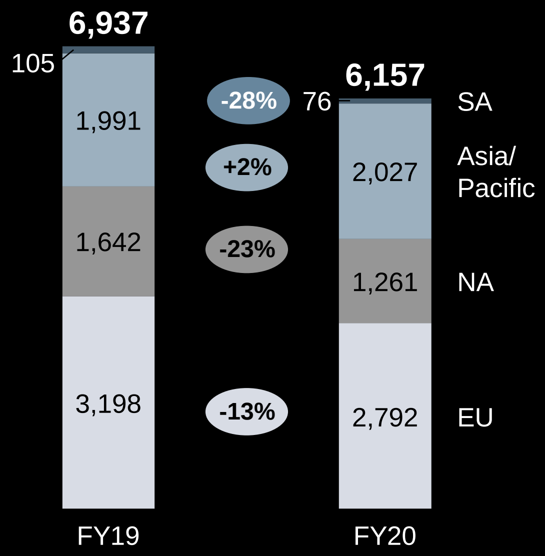
M&A net disposals

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

Revenue by region

€ m

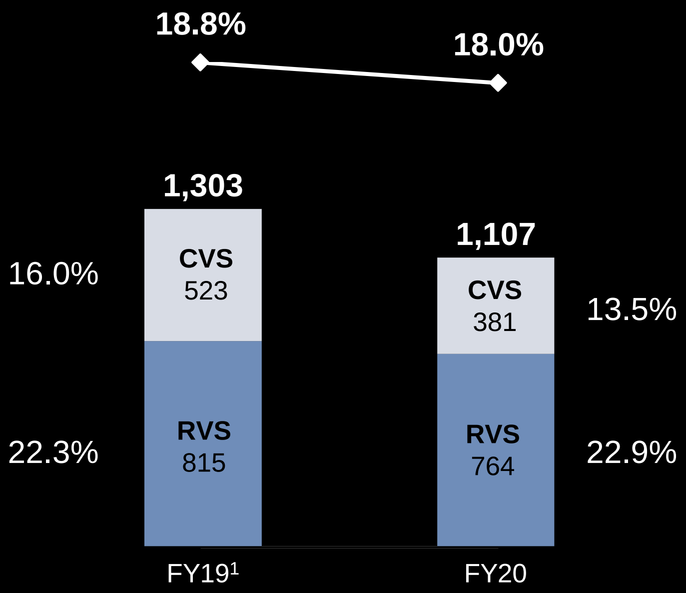
y-o-y growth



FY20: very resilient overall profitability

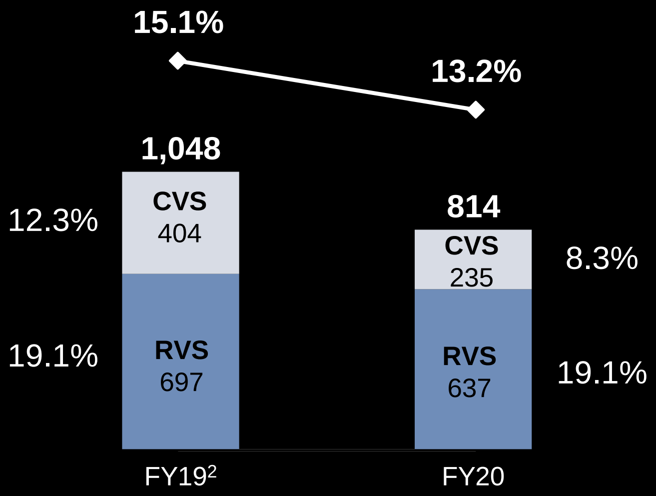
EBITDA/ EBITDA Margin operating

€ m



EBIT/ EBIT Margin operating

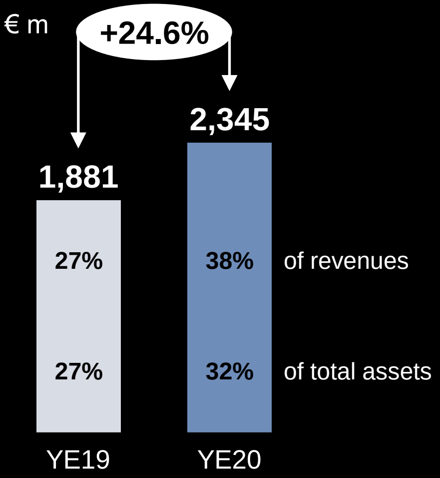
€ m



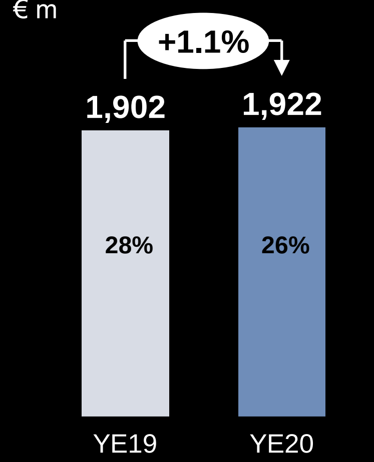
1) Operating | rep.: EBITDA: EUR 1,329m (19.2%)   2) Operating | rep EBIT: EUR 1,063m (15.3%)

FY20: strong balance sheet in challenging business environment

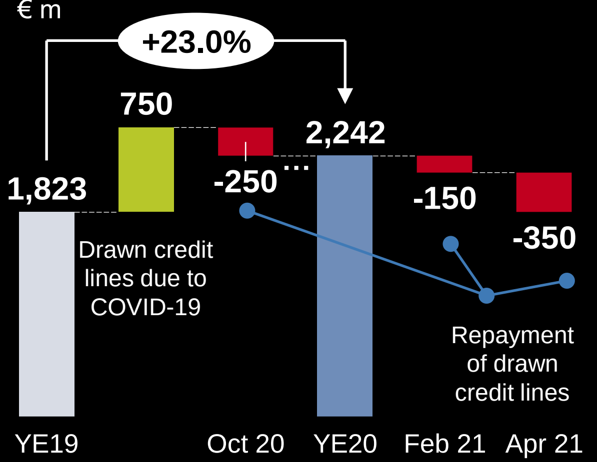
Liquidity[1]



Equity + Equity Ratio



Gross Debt[2]



Rating

Moody's A2

Standard & Poor's A

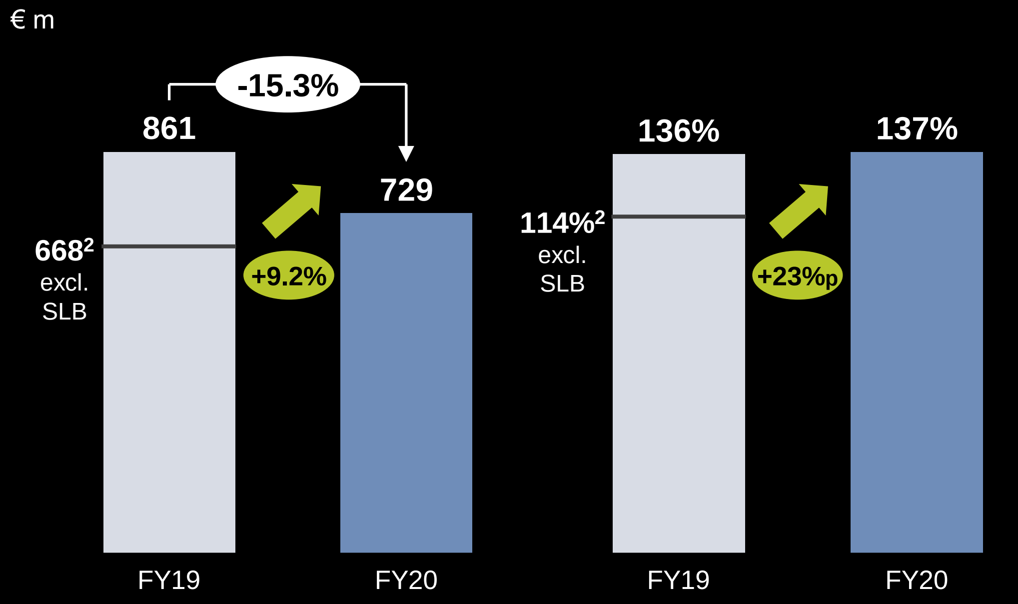
confirmed within 2020

Gross Debt/ EBITDA	Net Debt/ EBITDA
2.03x	**-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: extremely strong FCF due to strict countermeasures and strong management focus

Free Cashflow[1] **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: KB improved ESG status and is fully on track to carbon neutrality in 2021

Environment

- 50% CO_2 emission reduction by 2030 and carbon neutrality by FY21
- **Circular Economy** improvements
  - Remanufactured and overhauled products[1] as well as EcoDesign

Society & Employees

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

Governance

- **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

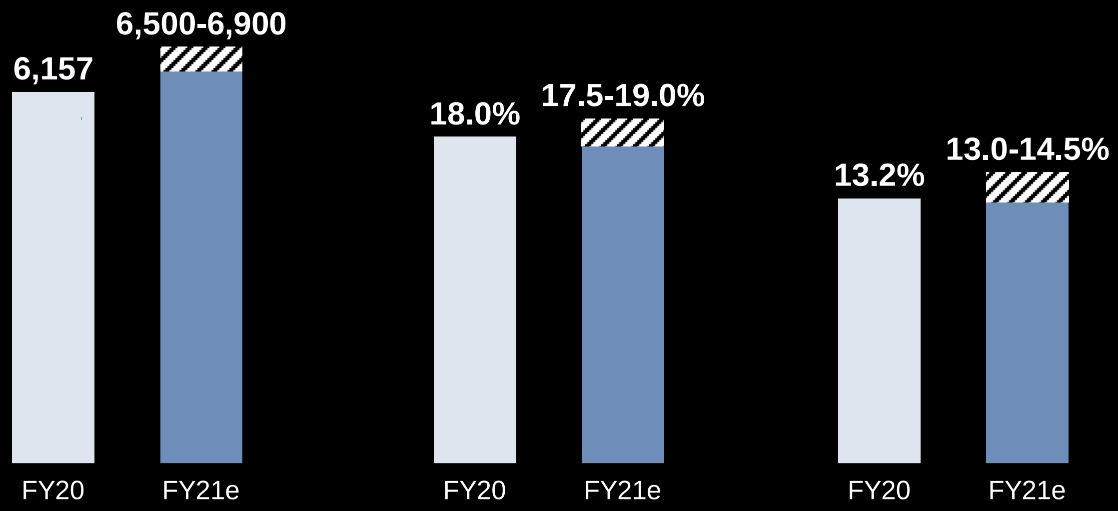
CDP	MSCI ESG Ratings	ISS ESG	RobecoSAM	Sustainalytics
A-	A	C+	50	19.0

1) ~10% of KB revenues

Group Guidance 2021

Revenue | EBITDA margin | EBIT margin

€ m



ROCE:	FTE:	NWC:	Capex:
25-30%	29,500-30,500	45-50 days	5.0-6.0% of revenue

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

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: CO_2 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.

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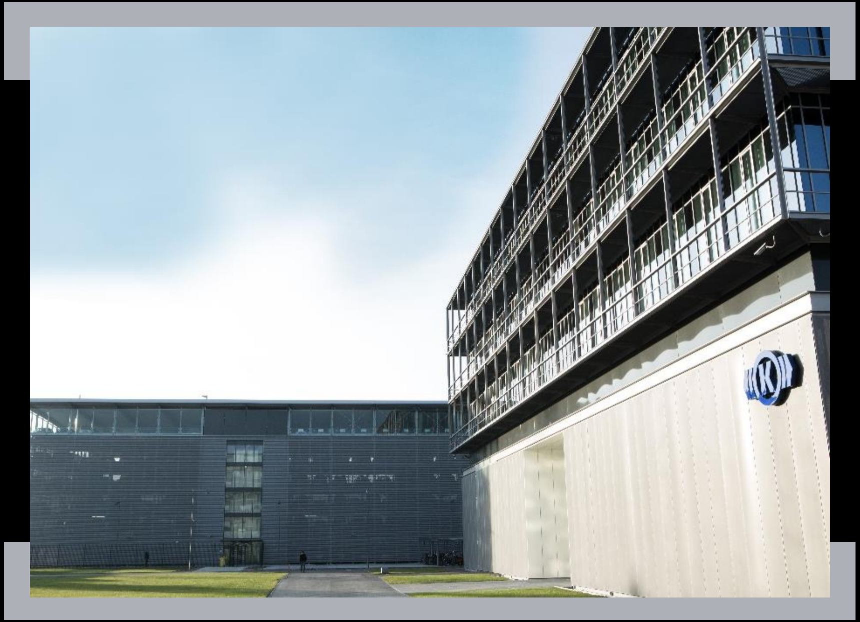
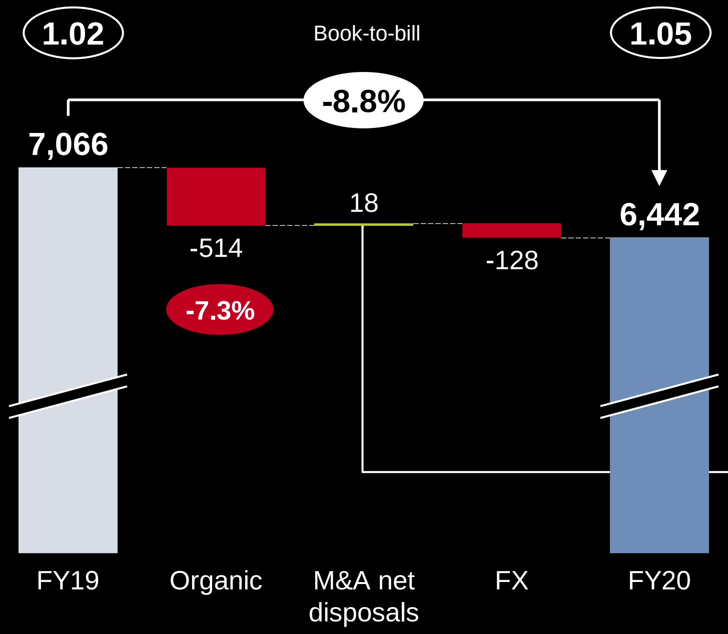
Backup



FY/20 – Group

Order intake

€ m

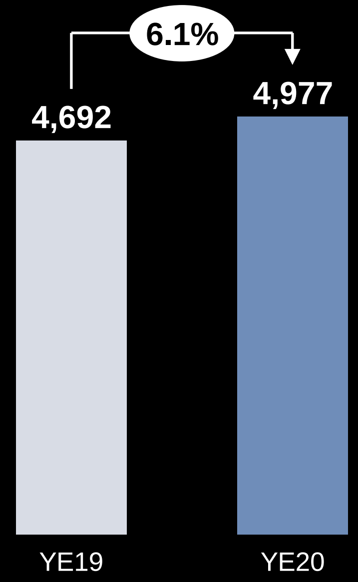


M&A net disposals

- **R.H. Sheppard** € +52m (FY/20)
- **Hitachi** € +20m (Q1/20)
- **Powertech** € -54m (9M/19)

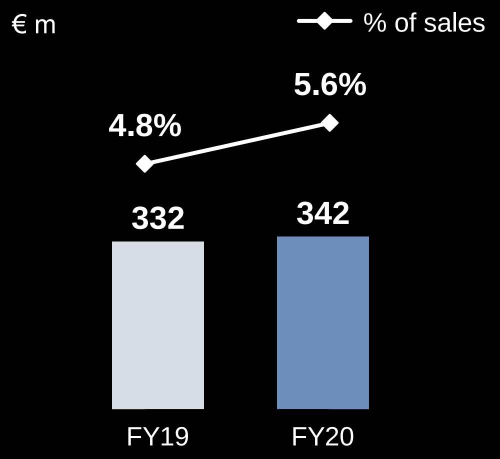
Order book

€ m



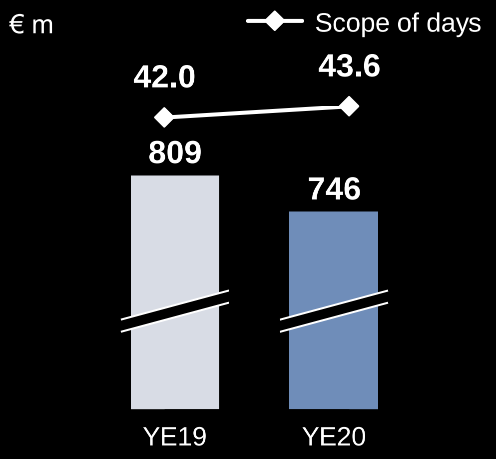
FY20: KB pushes future technologies and capacity to drive profitable growth

CapEx[1]



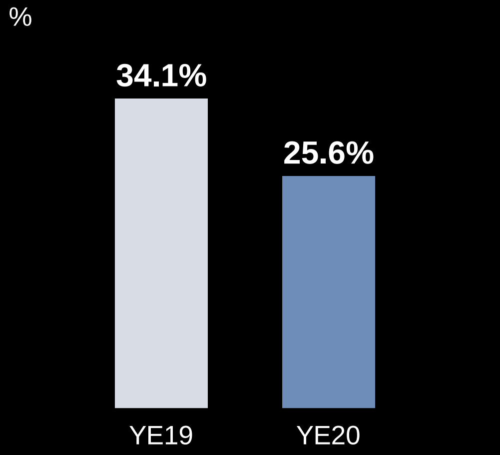
- **Portfolio prioritization and critical review** performed
- Only **selective scale back of investments** due to COVID-19 pandemic

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



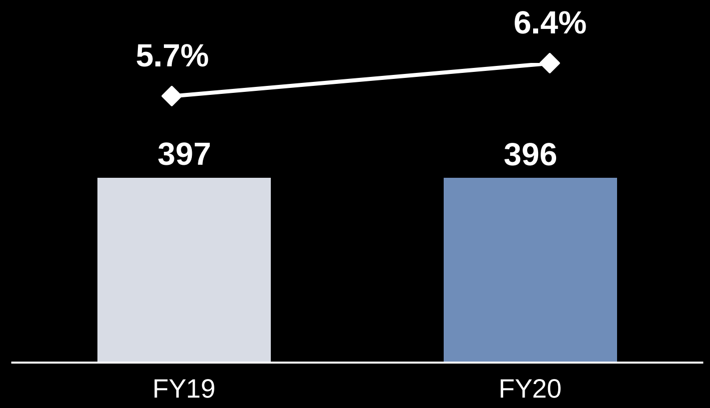
- **ROCE** impacted by lower profitability, investments and WC measures

1) Capex adjusted for sale & lease back transaction 2019

FY20: Continued technology investments and headcount strictly managed

R&D

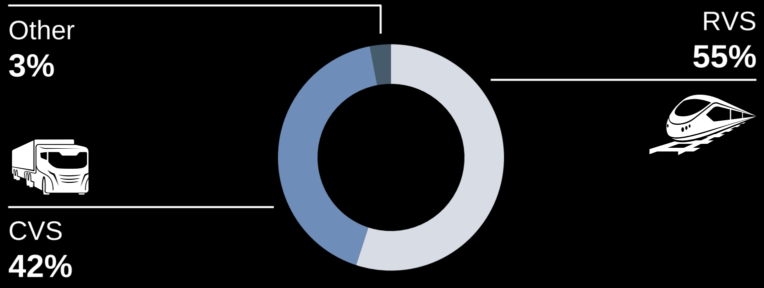
€ m — % of sales



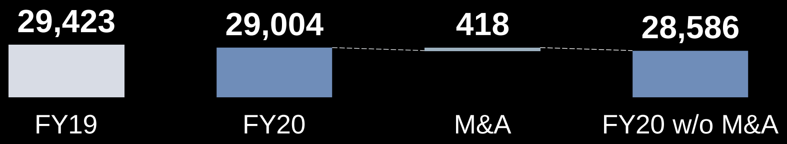
- Portfolio prioritization performed
- Absolute R&D expenditures on continuously high level
- Long-term R&D/ revenue ratio going forward: 5-6%

Employees[1]

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 2020[2]
- Careful ramp up of headcount as market and revenues grow

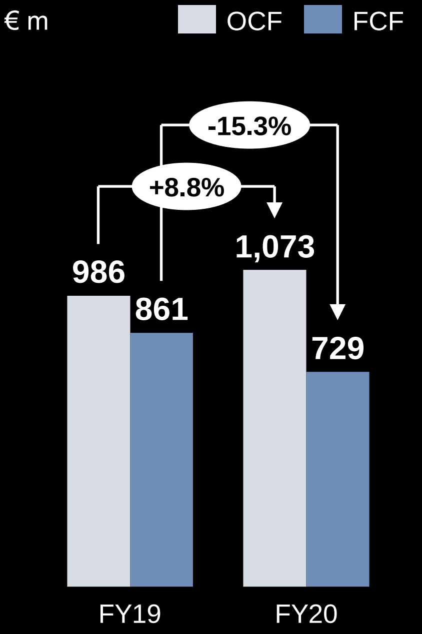


1) Average numbers including leasing

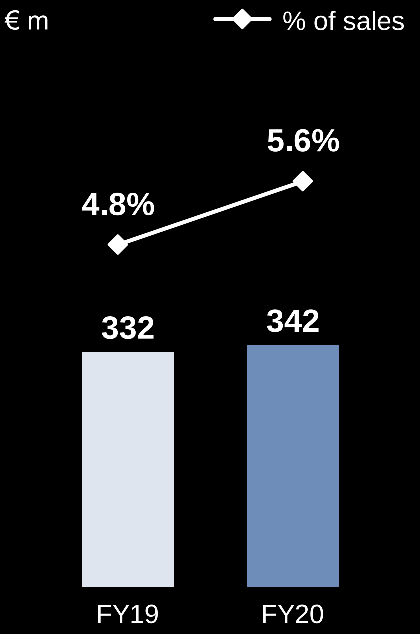
2) R.H. Sheppard had 677 employees at YE20

FY/20 – Group

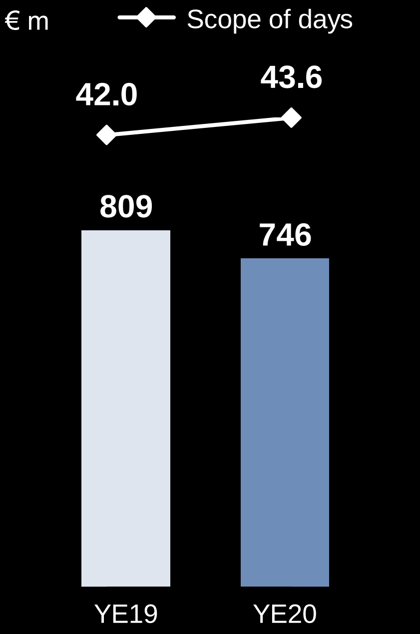
OCF & FCF[1]



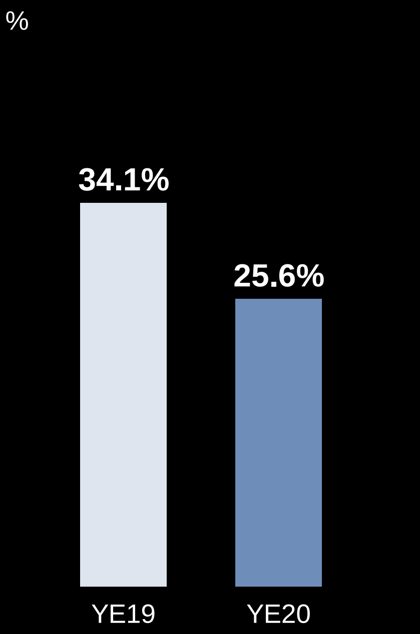
CapEx[2]



NWC



ROCE



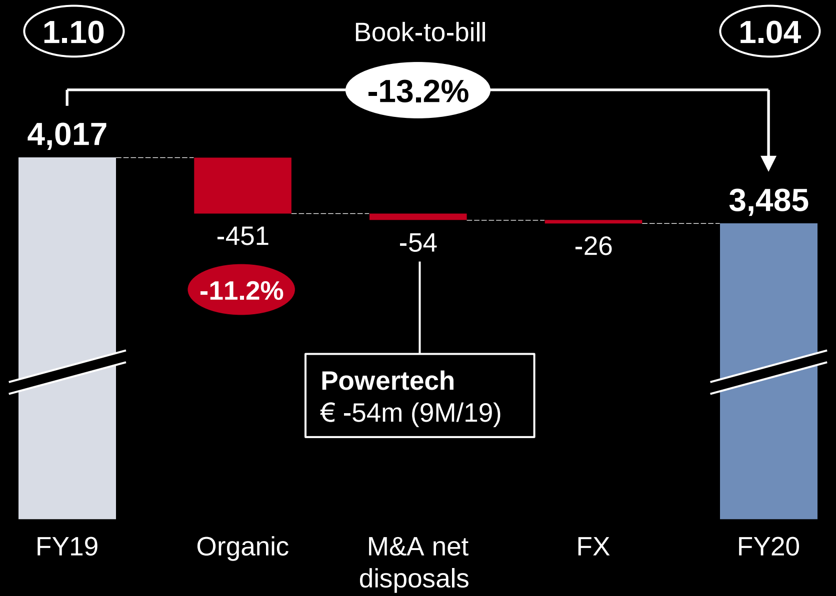
1) Incl. Sale & Lease back

2) FY19 adjusted for Sale & Lease back EUR -33m

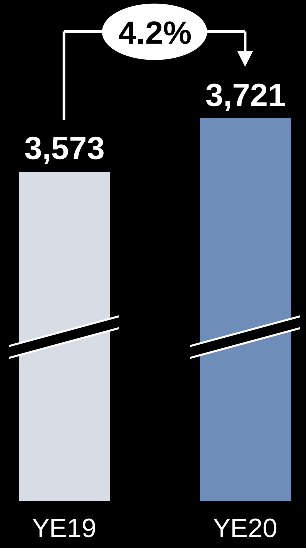
FY/20 – RVS

Order intake

€ m



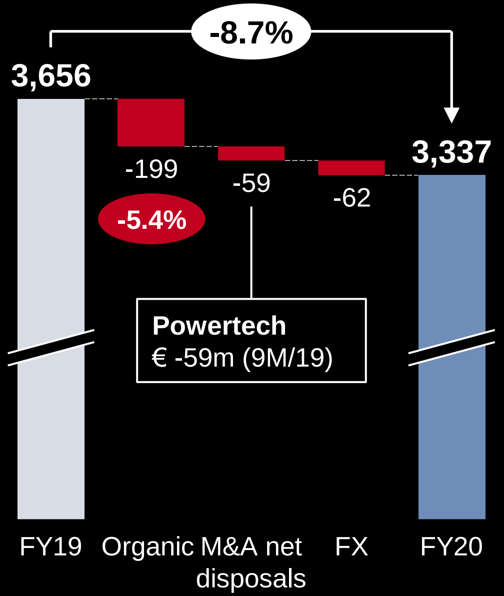
Order book



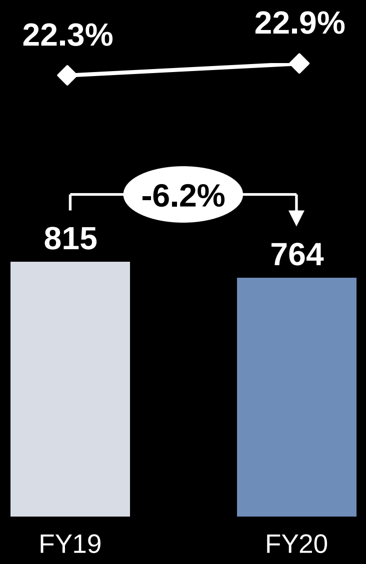
FY/20 – RVS

Revenue

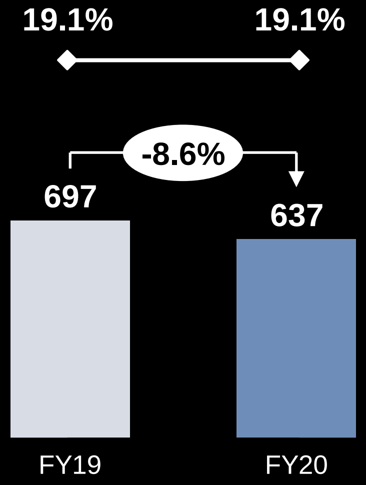
€ m



EBITDA / EBITDA margin



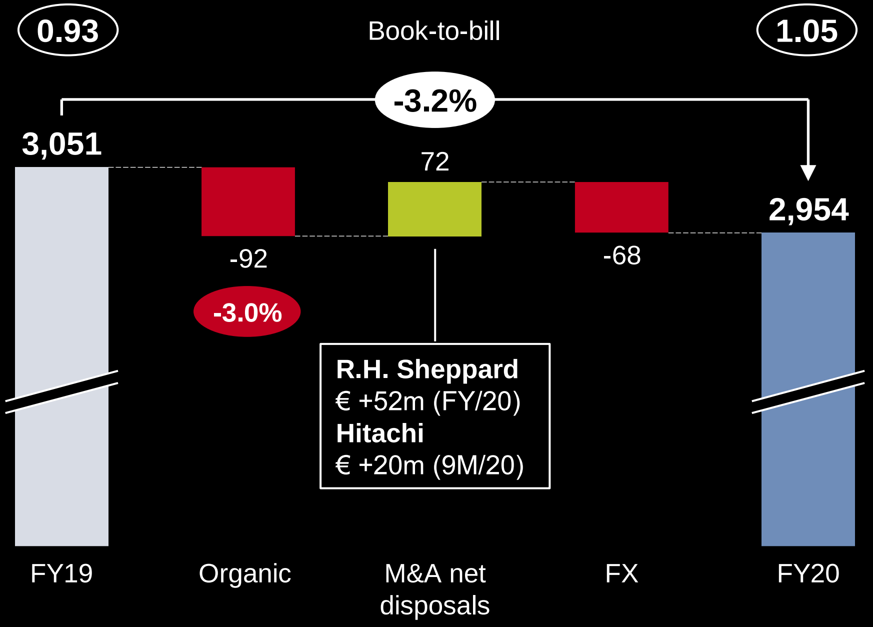
EBIT / EBIT margin



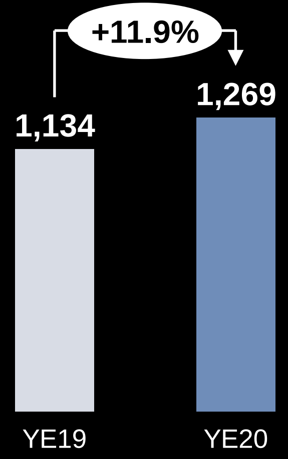
FY/20 – CVS

Order intake

€ m



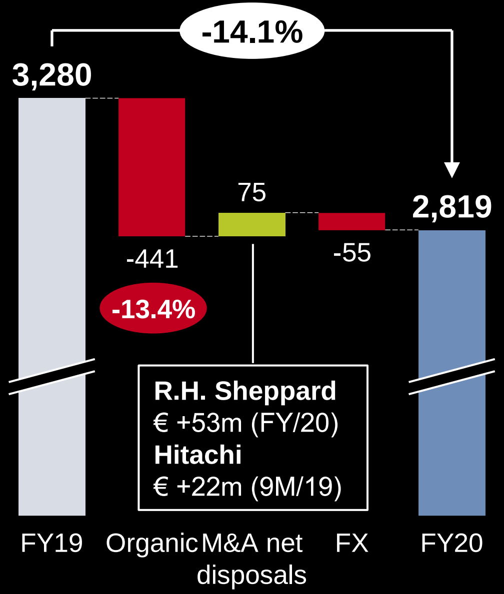
Order book



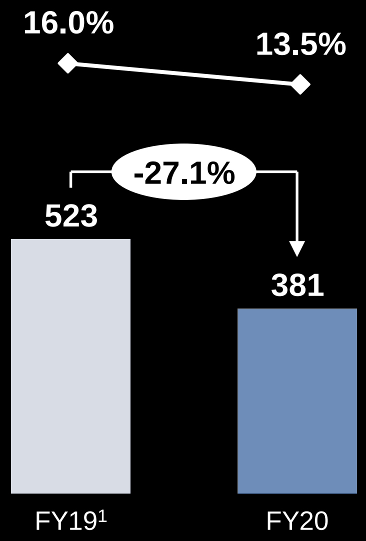
FY/20 – CVS

Revenue

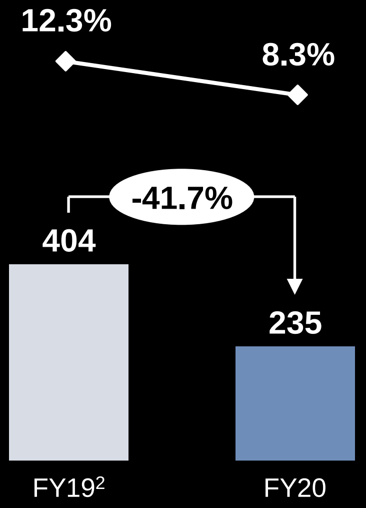
€ m



EBITDA / EBITDA margin



EBIT / EBIT margin



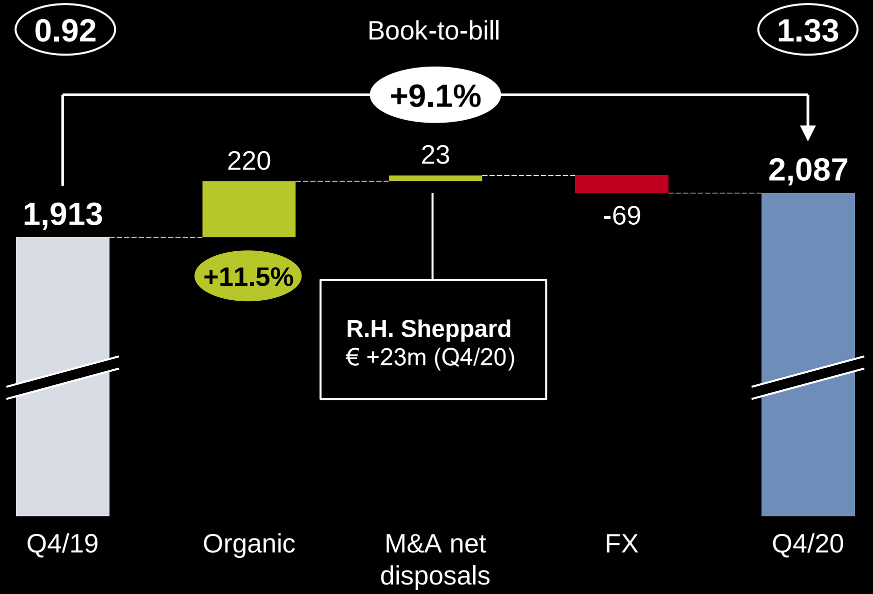
1) Operating | rep.: EBITDA: EUR 504m (15.4%)

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

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

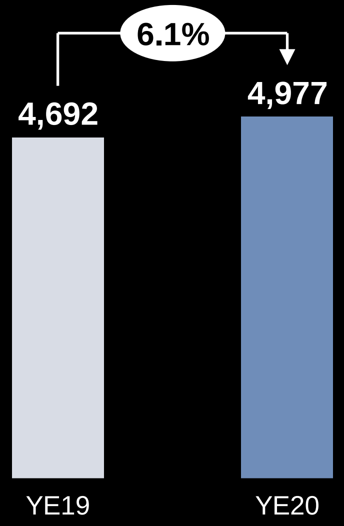
Order intake

€ m



Order book

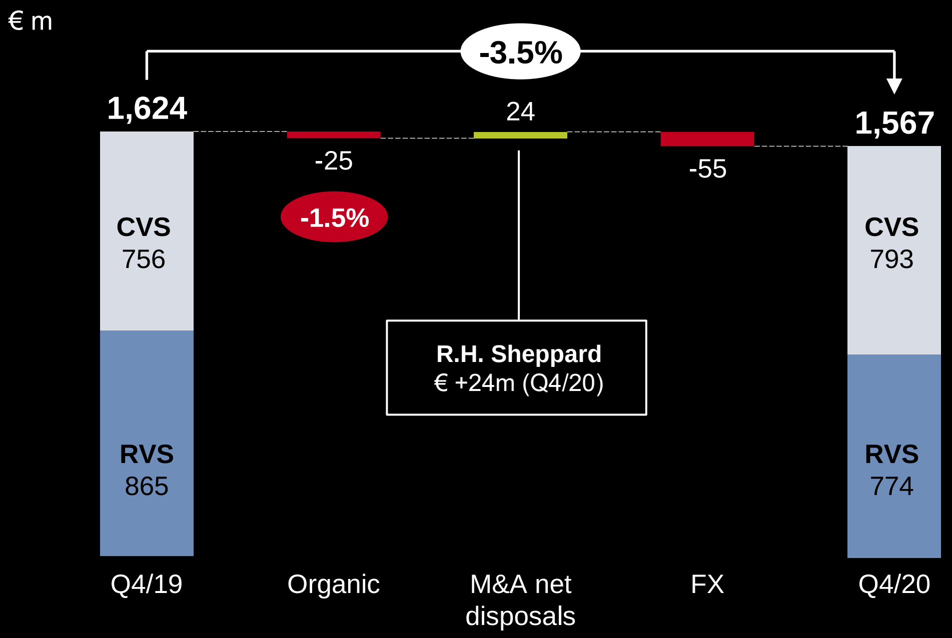
€ m



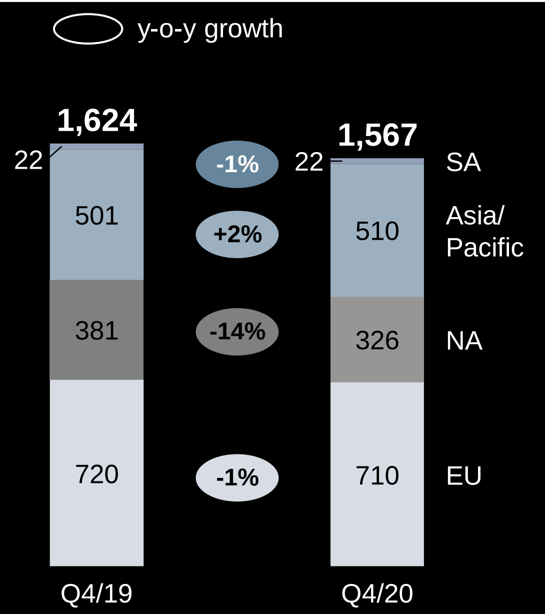
KNORR-BREMSE

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

Revenue



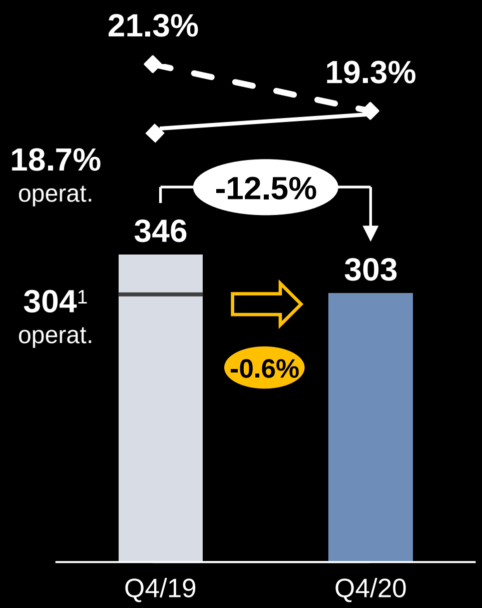
by region



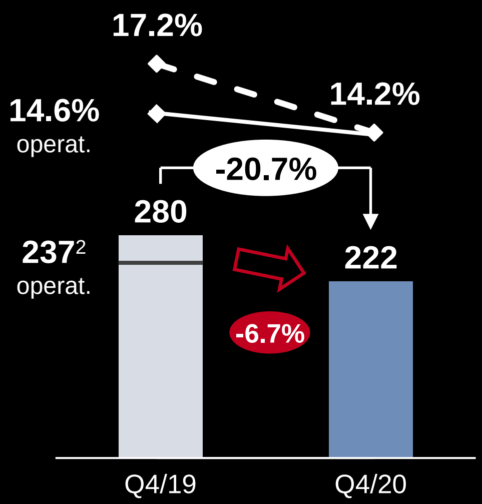
Q4/20: Reduced but quite strong profitability due to strict COVID-19 management

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

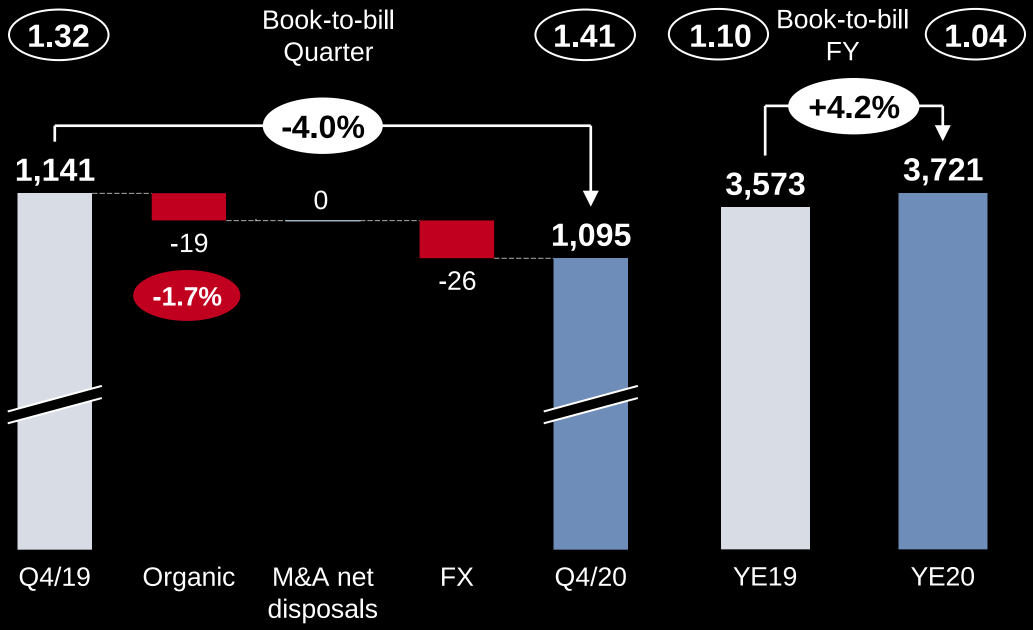
2) Adjusted for Sale and Lease Back € -45m and Wülfrath € +3m

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

Order intake

Order book

€ m



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

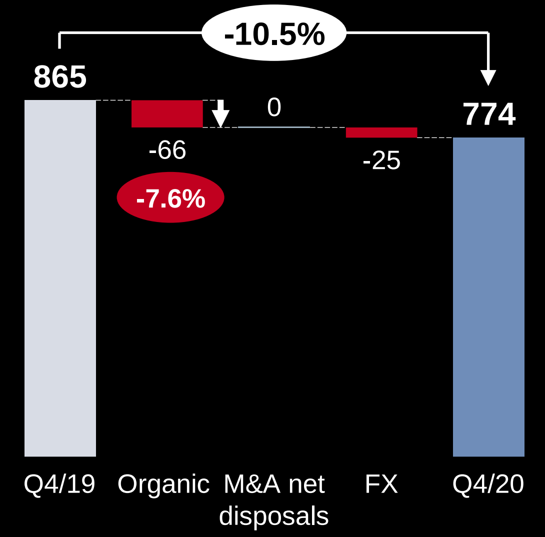
- **EU**: Slightly lower compared to Q4/19;
  OI mainly driven by OE contract awards for Germany and Russia (esp. PC & Metro) as well as Italy (esp. R&C), UK (esp. HS); strong upside in AM
- **APAC**: Comparable to Q4/19; OI mainly driven by contracts for China (esp. Metro), Taiwan and Australia (R&C); 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

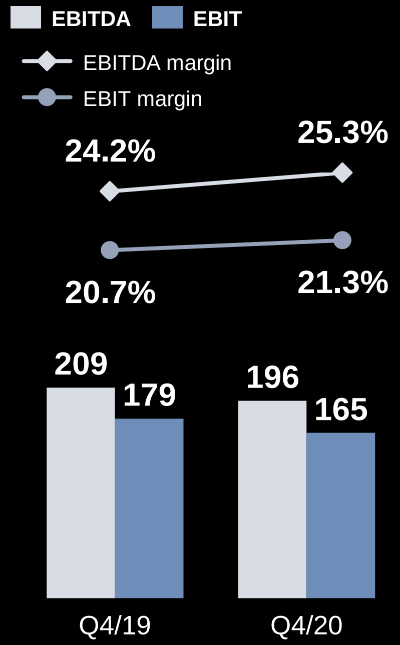
€ m

Revenue

€ m



EBITDA / EBIT



Revenue decreased 10.5% yoy in Q4/20

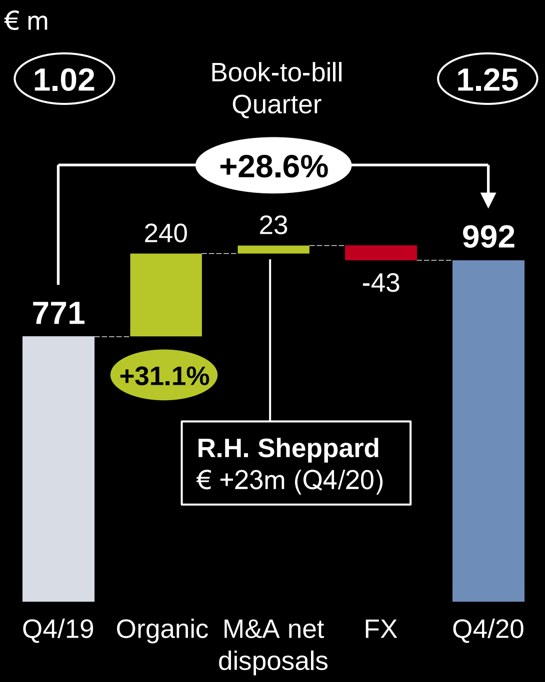
- **AM**: Pull-in effects into H1/20 and lower ridership in trains burdened development in Q4/20
- **EU**: Decrease of OE driven by COVID-19
- **APAC**: Decrease in OE almost fully compensated by increase in AM
- **NA**: Generally lower due to COVID-19

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

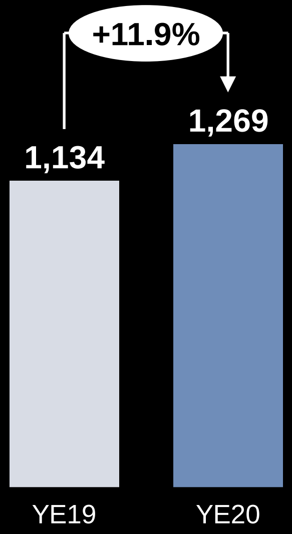
- COVID-19 saving measures well supportive
- AM share: 47% vs. 44% in Q4/19

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

Order intake



Order book



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

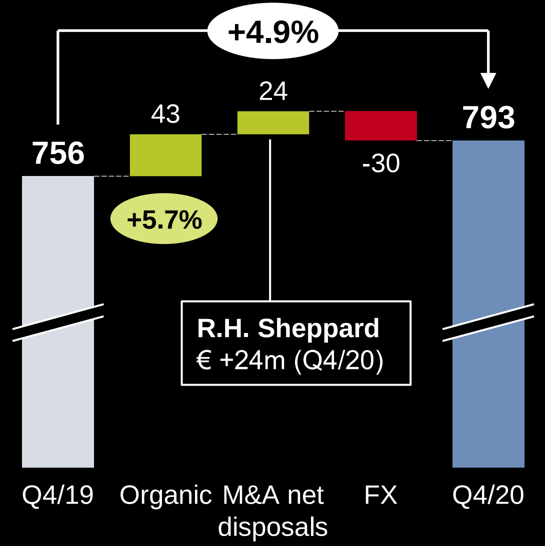
Order book at YE20 above pre-COVID-19 level at YE19

- 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

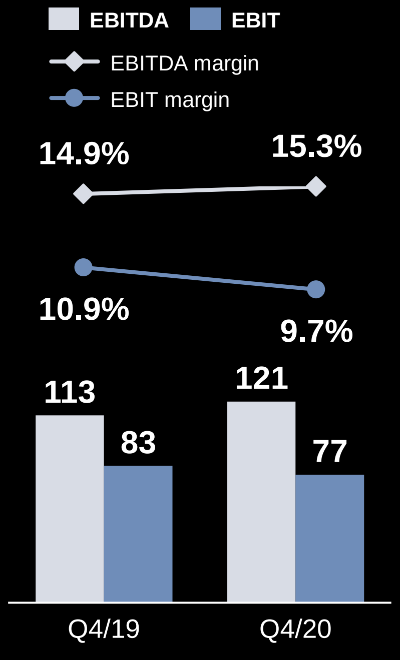
CVS: profitability back at Q4/19 levels

Revenue

€ m



EBITDA[1] / EBIT[1]



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%)

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