



DRIVING RESPONSIBILITY

PRELIMINARY FINANCIAL RESULTS FY 2019

BERND EULITZ | CEO

RALPH HEUWING | CFO

MARCH 11, 2020



KNORR-BREMSE

AGENDA

1 | HIGHLIGHTS 2019

BERND EULITZ

2 | FINANCIAL PERFORMANCE Q4/19

RALPH HEUWING

3 | GUIDANCE 2020 AND STRATEGY UPDATE

BERND EULITZ



HIGHLIGHTS 2019

WE DELIVERED WHAT WE PROMISED FOR 2019



- 1 | Both RVS and CVS outperformed their respective markets and gained market share vs. main competitors ✓
- 2 | Both RVS and CVS delivered on their guidance ✓
 - RVS revenue +5.6%yoy (market: +2.6%¹) @ 22.3% op. EBITDA margin
 - CVS revenue +3.8%yoy (market: -4.5%²) @ 16.0% op. EBITDA margin
- 3 | CVS took early action to prepare for TPR slowdown ✓
 - 2020 a year to prove Knorr-Bremse's resilience
- 4 | Strong operational execution ✓
 - Unprofitable units (Wülfrath, Powertech) discontinued or sold
 - Increased AM contribution to 34.3% of group sales
 - M&A focus on innovation, growth and portfolio improved
- 5 | Management team completed ✓
Top employer for engineers in Germany

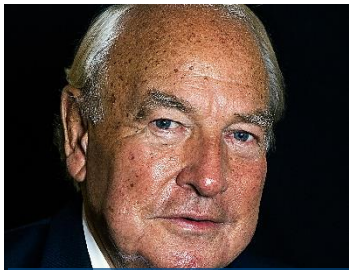
1) Unife: average market growth 2015-2017 and 2021-2023

2) Global truck production rate FY19 vs. FY18

2019 – A YEAR FULL OF HIGHLIGHTS



Contract for braking and HVAC systems for Alstom HS trains



Heinz Hermann Thiele celebrates 50th anniversary at Knorr-Bremse AG



ADB capacity expansion in the U.S.



Bernd Eulitz new CEO of Knorr-Bremse AG



KB and Alstom signed a 25-year service agreement for locomotives in Kazakhstan



Multi-year truck supply agreement for >3m brake actuators in Europe



Successful test of self-operating freight train



Turning assistant extends CVS product portfolio

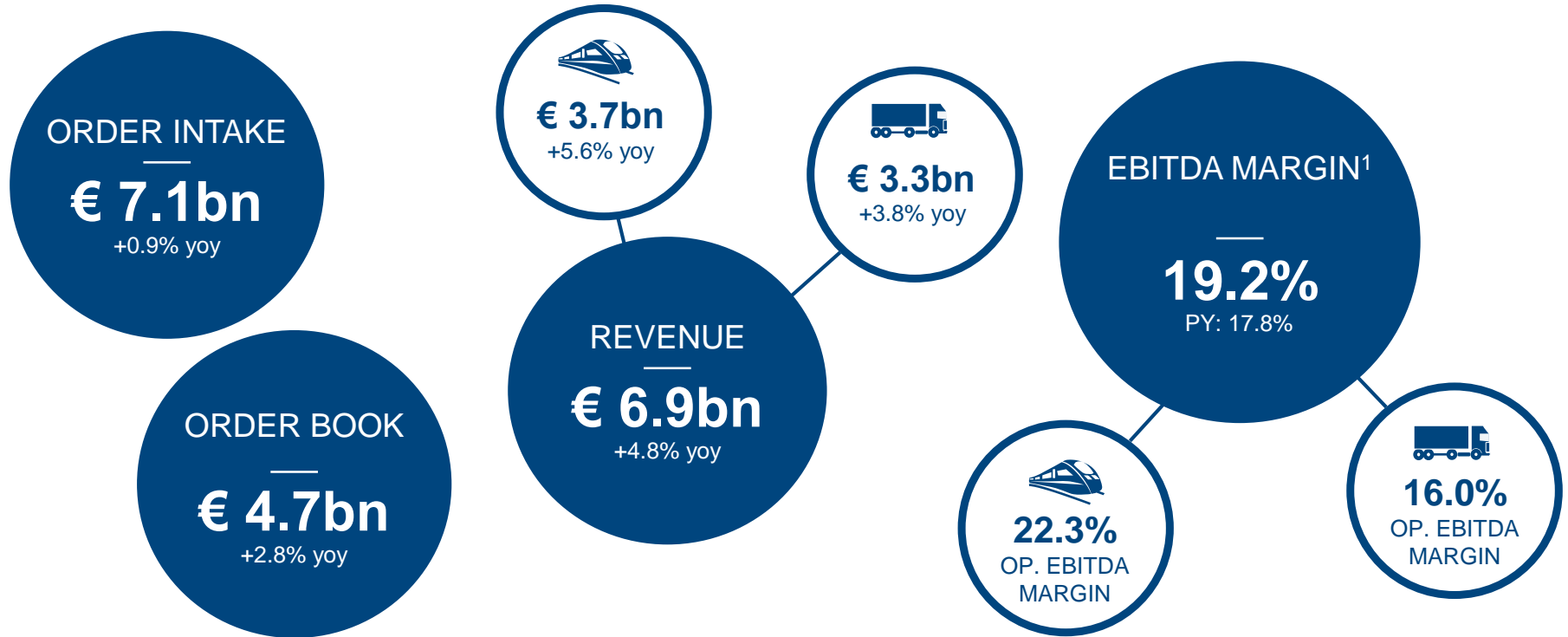


Offering of digital solutions extended with investments in Railnova & RailVision



Disposal of Powertech to Radial Capital Partners

STRONG FINANCIAL PERFORMANCE IN FY19



1) FY19: including IFRS16, restructuring cost for Wülfrath and book gain from sale and lease back

PY: w/o IFRS16 impact

WE DELIVERED ON OUR FY19 GUIDANCE

Divisions

Revenue

op. EBITDA margin¹



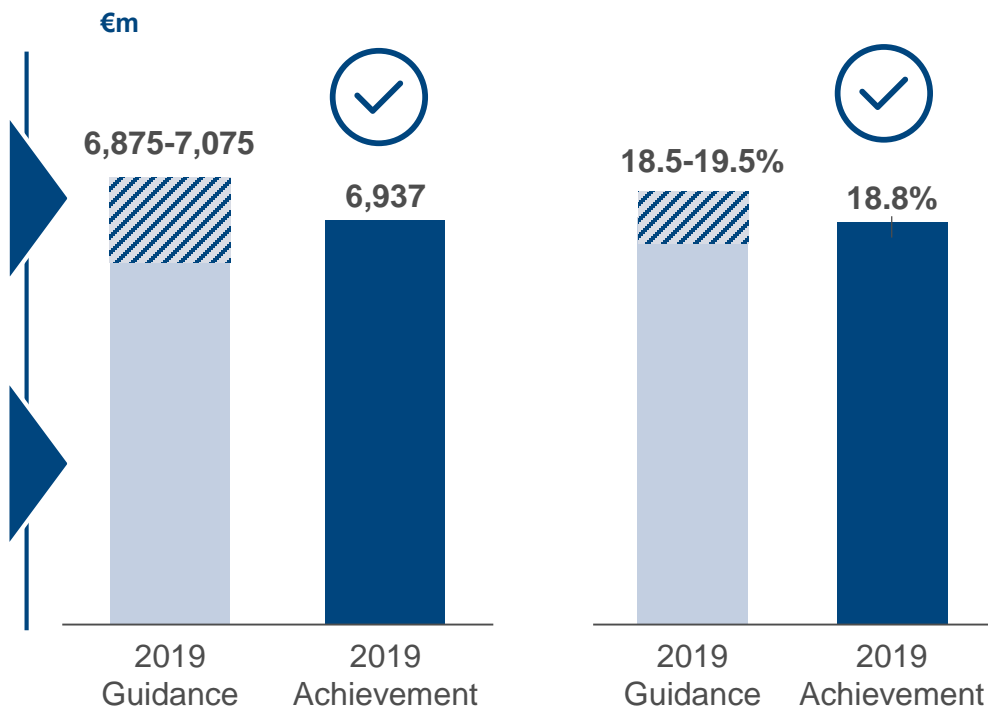
RVS

- Guidance achieved: Revenue of € 3.66bn (€ 3.615-3.715bn) and op. EBITDA margin at 22.3% (20.8-21.8%)
- Rail industry provided resilience in challenging macro-economic environment
- Customers with continued strong demand
- Market share gains



CVS

- Guidance achieved: Revenue of € 3.28bn (€ 3.210-3.360bn) and op. EBITDA margin at 16.0% (16.0-17.5%)
- Resilient AM business supporting revenue
- Content per vehicle growth supported top-line
- Efficiency program successfully implemented
- Market share gains



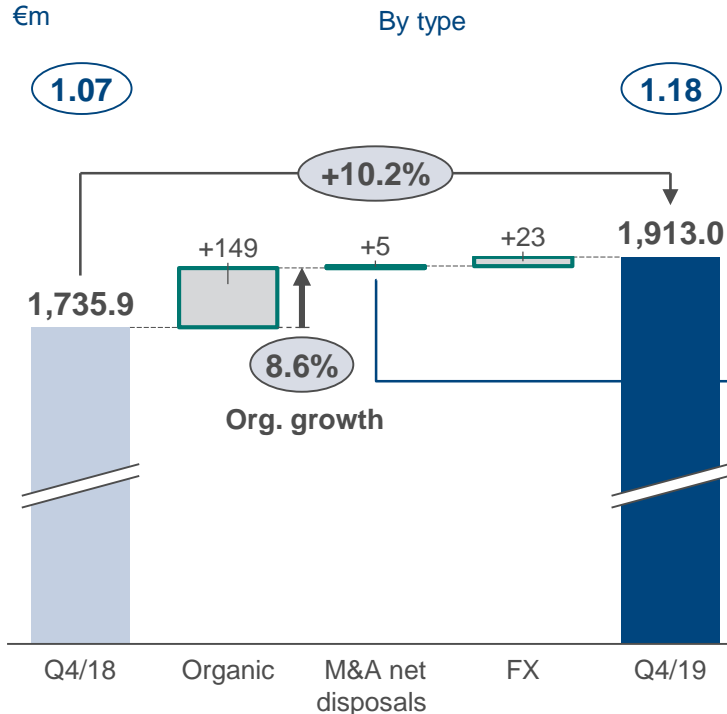
1) Operating EBITDA margin excl. restructuring costs for Wülfrath and book profit from sale & lease back in Munich, but incl. IFRS16

FINANCIAL PERFORMANCE Q4/19



STRONG ORDER INTAKE IN Q4/19 PROVIDES SOLID BASIS FOR FY20

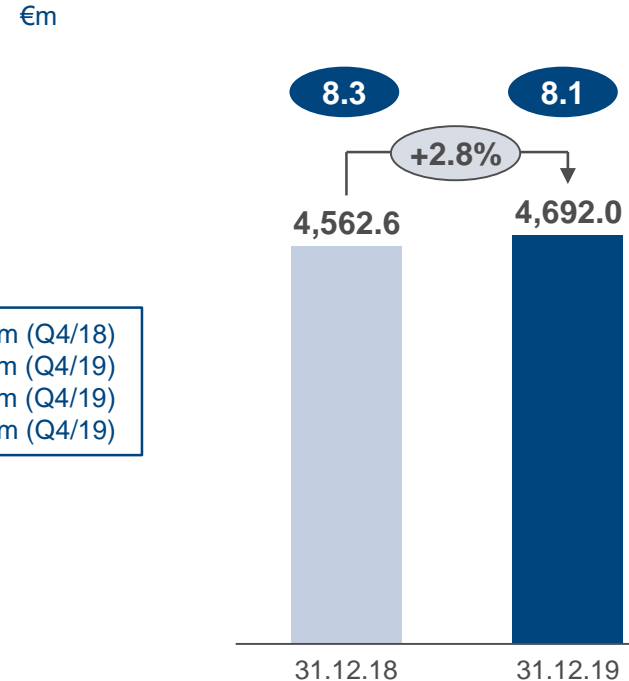
Order intake



M&A impact

BP/Sydac	€ -1m (Q4/18)
Hitachi	€ +21m (Q4/19)
Snyder	€ +4m (Q4/19)
Powertech	€ -18m (Q4/19)

Order book



1) BP: BluePrint

○ Book-to-bill

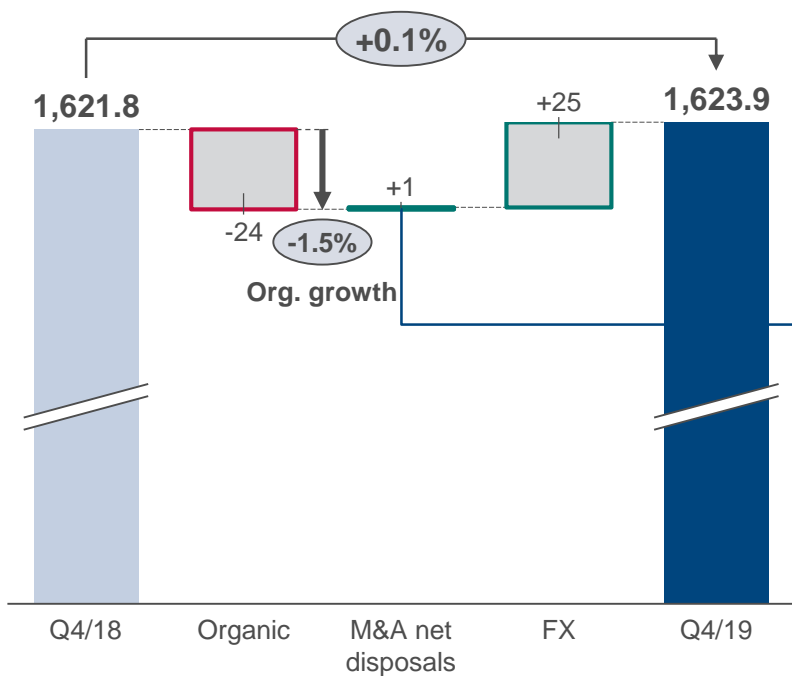
STABLE REVENUE IN Q4/19 DUE TO STRONG SUPPORT FROM APAC

Revenue

€m

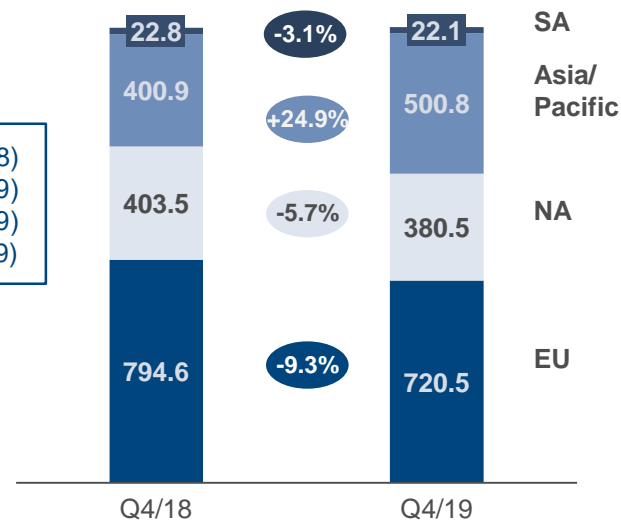
By type

By region



M&A impact

BP/Sydac	€ - 4m (Q4/18)
Hitachi	€ +22m (Q4/19)
Snyder	€ + 4m (Q4/19)
Powertech	€ -22m (Q4/19)

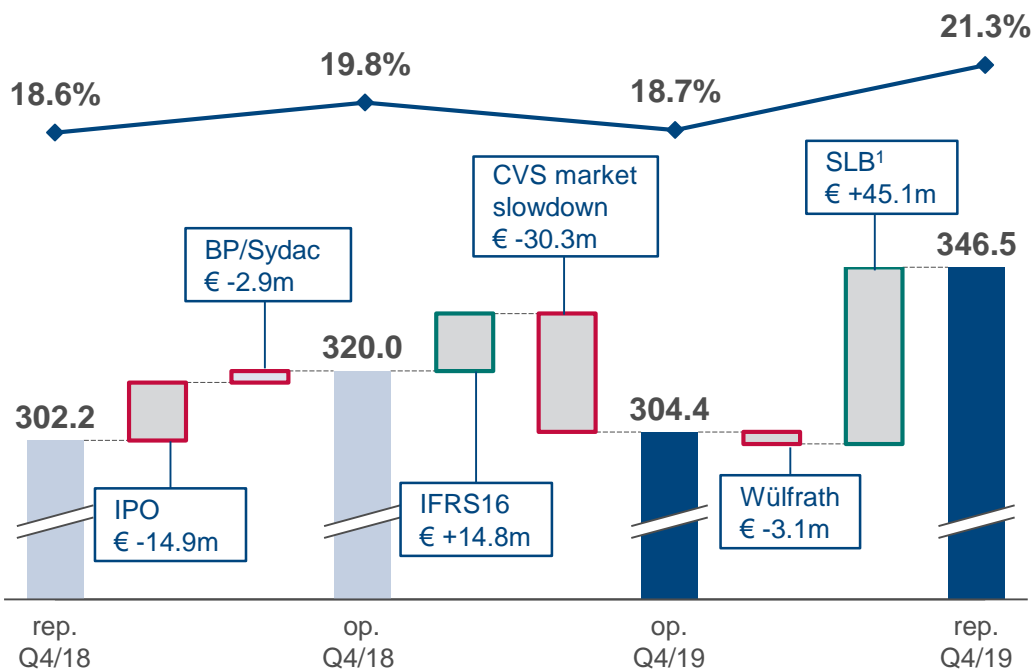


(x.X%) y-o-y growth

OPERATING EBITDA MARGIN IN Q4/19 WITHIN FY GUIDANCE RANGE

EBITDA

€m ◆ Margin



Strong increase in reported EBITDA by € 44.3m

- Reflecting completion of SLB transaction in Munich

Operating EBITDA margin at 18.7%

- RVS: strong quarterly margin driven by strong AM business, positive revenue mix, disposal of Powertech
- CVS: positive impact from cost measures could not compensate topline pressure
 - Minor additional restructuring charge for Wülfrath
- Other: one-off charges for management change and demolition costs at Munich site
- Adverse FX bottom-line impact

EBIT pattern following EBITDA

1) SLB: Sale-and-lease-back transaction

RVS: STRONG ORDER INTAKE IN Q4/19

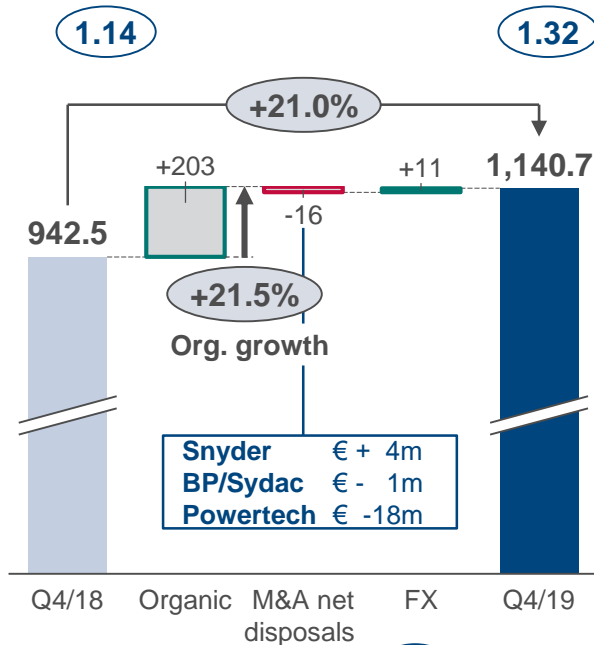


Order intake

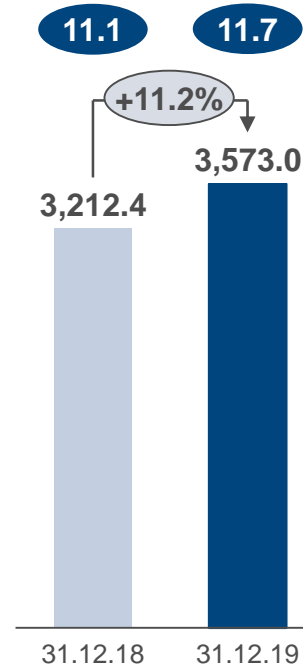
Order book

€m

By type



Snyder	€ + 4m
BP/Sydac	€ - 1m
Powertech	€ -18m



Book-to-bill ratio improved sequentially from 1.04 in Q3/19 to 1.32 in Q4/19

- **EU:** positive momentum across all segments (high speed, regional, metro, passenger coach)
- **APAC:** continued strong order intake from China metro and AM, Indian coaches and HVAC in Australia
- **NA:** freight significantly impacted by decreasing transportation demand and lower freight rates

Solid growth in order book continued: € +361m

- Visibility increased to almost 12 months

Visibility in months defined as $\frac{\text{Order book}}{\text{FY Revenue}} \times 12$

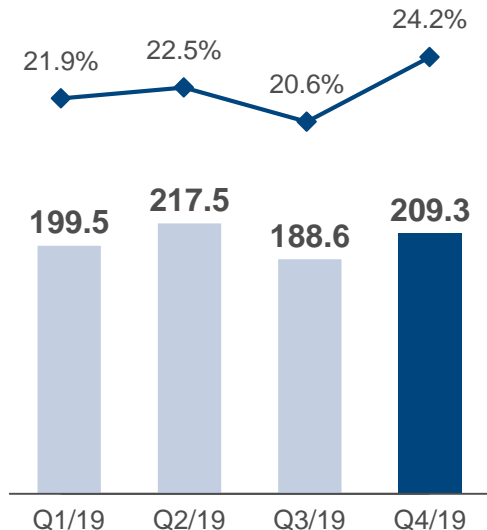
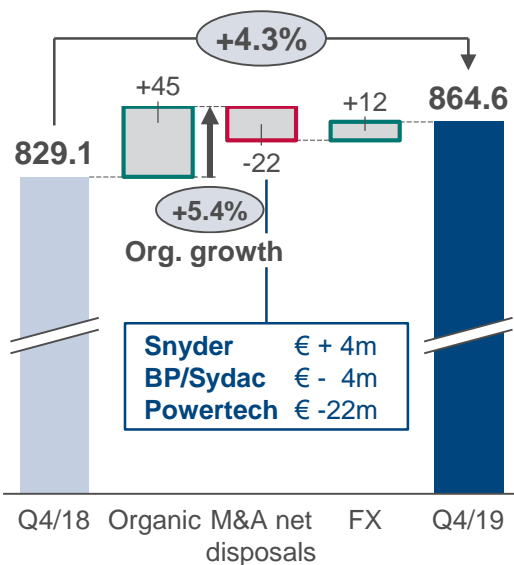
RVS: STRONG MARGIN IN Q4/19 BALANCES Q3/19



Revenue

op. EBITDA

€m By type



Organic revenue growth of 5.4% over Q4/18

- **EU:** generally lower, driven by timing of projects in high speed and metro, positive AM development
- **APAC:** overall stronger due to passenger, metro and regional as well as strong AM
 - **China:** stronger driven by metro and AM, high speed slightly weaker
- **NA:** generally better due to metro and regional, freight decreasing
- AM revenue share up from 40.8% to 43.5% vs. Q4/18

Operating EBITDA margin of 24.2% in Q4/19 (Q4/18: 23.8%)

- Favorable OE/AM mix, favorable project mix
- Strong contribution from China and India
- Support from sale of Powertech

◆ EBITDA margin

CVS: RECOVERY FROM STRONG ORDER CORRECTION IN Q3/19

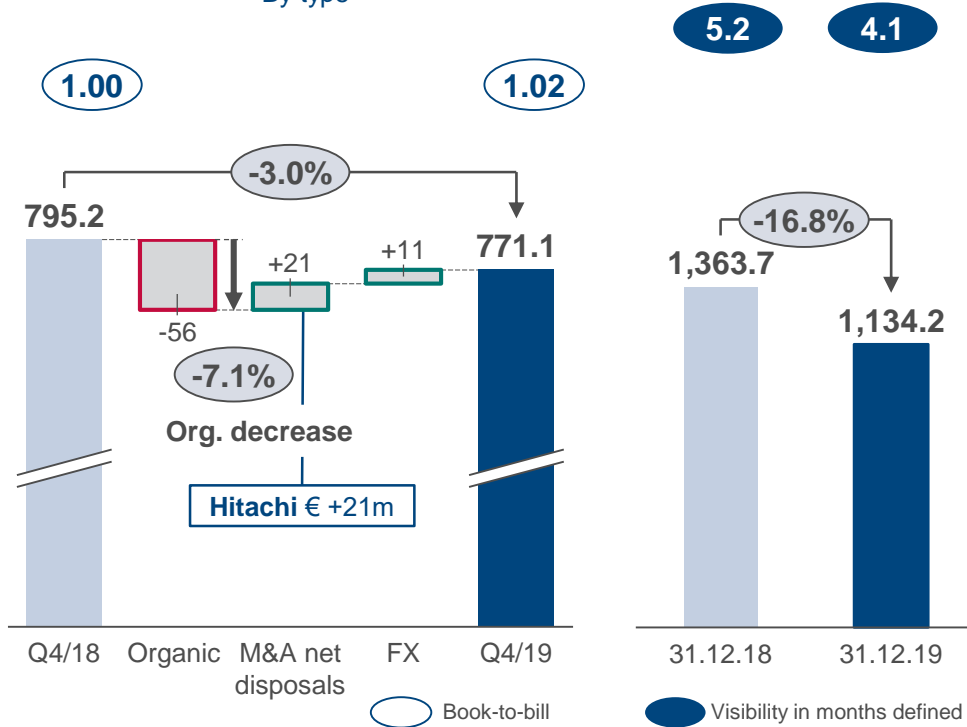


Order intake

Order book

€m

By type



Book-to-bill ratio improved sequentially from 0.78 in Q3/19 to 1.02 in Q4/19

- **EU:** normalization of market demand after many years of very strong growth
- **NA:** deceleration started in Q4 as expected
- **APAC:** continued good growth in China and weak market in India with minor impact on CVS' top line

Order book reflects market correction

- Visibility of 4+ months virtually unchanged to Q3/19

CVS: Q4/19 MARGIN REFLECTING EXPECTED REVENUE DECLINE

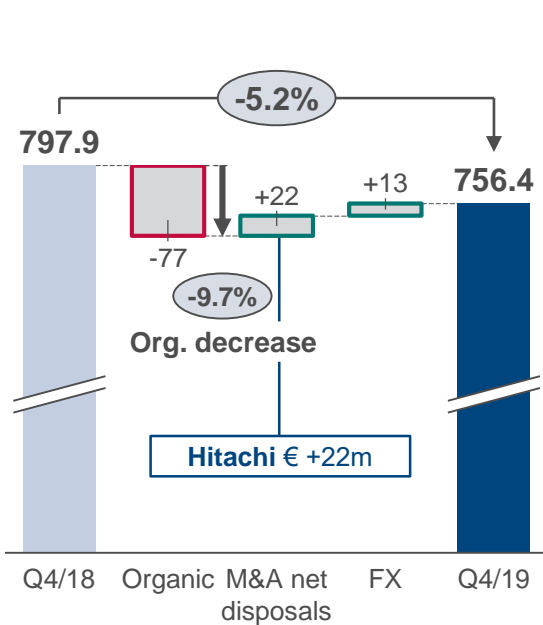


Revenue

op. EBITDA

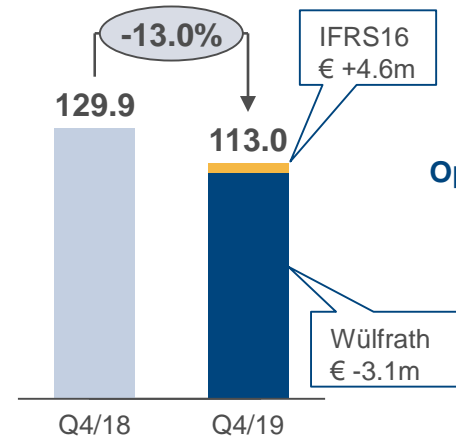
€m

By type



rep. 16.3%
op. 16.3%

rep. 14.5%
op. 14.9%



CVS outperformed TPRs across all regions

- **EU:** Pre-buy in H1/19 and market normalization impacting Q4/19, FY19 TPR still 5% above long-term average
- **NA:** Market downswing started in Q4/19, accelerated by customer de-stocking
- **APAC:** China strong and continued market share gains, India soft, but lower impact on topline
- AM revenue share up from 24.0% to 28.7% vs. Q4/18

Operating EBITDA margin softened by 140bps vs. Q4/18

- Reflecting moderate negative operating leverage from organic revenue decline of ~10%
- Continued R&D outspending in ADAS/HAD/TOS etc.
- Dilution from Hitachi Steering, operating losses at Wülfrath
- Efficiency program with good traction, well prepared for 2020

◆ EBITDA margin

GUIDANCE 2020



IMPACT BY COVID-19 ON KNORR-BREMSE

EMPLOYEE SAFETY

- We protect our employees worldwide from Covid-19
- Strict travel and precautionary guidelines implemented
- Only one remote field service employee of KB tested Covid-19 positive so far
- Sufficient number of masks have been secured and are available in the production plants

SUPPLY CHAIN

- Implemented dual sourcing strategy and focus on local value creation pay off
- Early active supply chain monitoring and mitigating activities
- So far no supply chain shortage

OPERATION IN CHINA

- KB has 5,000 employees in China
- Chinese New Year break extended by one week
- All plants are back in operation now
- Availability of workforce improved to >80% again

IMPACT

- Financial impact on FY20 not quantifiable yet
- Group revenues in February are ~€ 60m below budget
- Full catch-up until YE20 is possible, if
 - no plant has to be closed for longer
 - containment of Covid-19 in the near future
 - normalization of supply chain and customer offtake in the near future

GUIDANCE 2020 – MARKET ENVIRONMENT AND FOCUS

Market environment



- Political and macro uncertainty elevated
- World economy still growing, but slowing
- Uncertain Covid-19 impact on economy and KB business
- Solid growth continues, primarily in passenger
- Maturing installed base will drive AM business
- Moderate Covid-19 impact in H1/20 expected
- Meaningful lower truck production rates expected
 - NA: -20 to -30%
 - EU: -10 to -20%
 - AP: 0 to -15%
- Support from aftermarket and efficiency measures
- Proportionally smaller Covid-19 impact in H1/20 expected

Management focus

- Building a strong management team
- Turning KB into a visible champion
- Combining strong entrepreneurial KB spirit with benefits of the capital market governance
- Continuation of profitable growth strategy
- Accelerated investments in R&D and IT
- New products and innovation at INNOTRANS fair
- Continued execution of cost efficiency program
- Higher investments in R&D and IT
- Driving innovation in ADAS, e-mobility and autonomous driving
- New products and innovation at IAA TRUCK fair

GUIDANCE 2020 – FINANCIALS

Divisions

Group Revenue²

op. EBITDA margin²

Assumptions

- Stable economic environment and limited FY impact by Covid-19
- Current FX rates



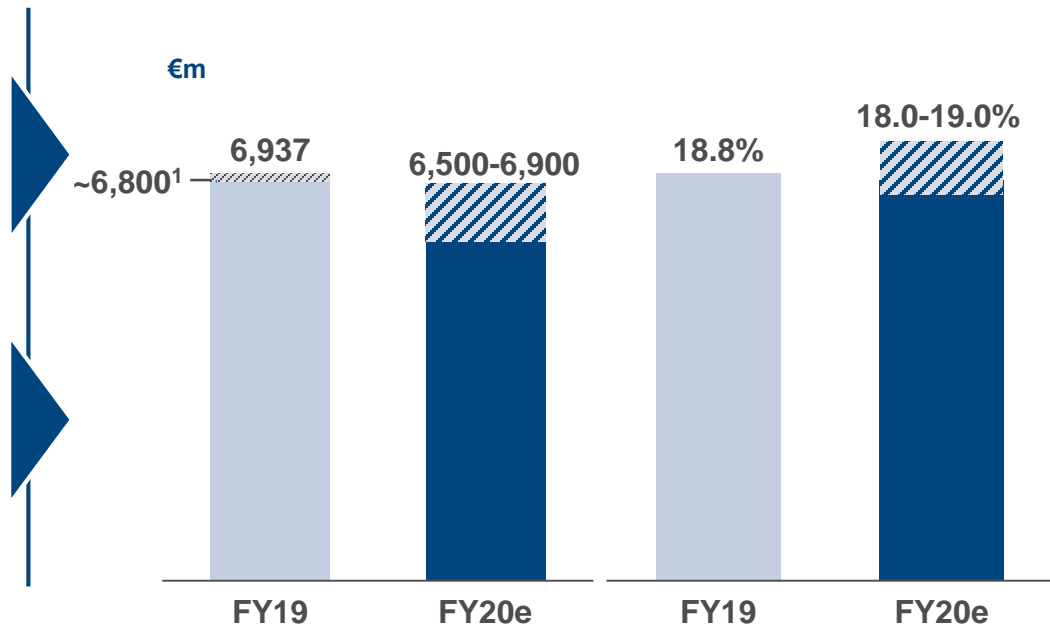
RVS

- Revenue: € 3,600-3,800m (FY19¹: € 3,526m)
- Op. EBITDA margin: 21.0-22.5% (FY19: 22.3%)



CVS

- Revenue²: € 2,900-3,100m (FY19: € 3,280m)
- Op. EBITDA margin²: 14.5-16.0% (FY19: 16.0%)



1) Reported revenue of € 3,656 in FY19 excl. € 120-140m Powertech & Kiepe Electric general contracting; 2) Excluding planned acquisition of Sheppard in FY20

STRATEGY UPDATE



OUR VALUE PROPOSITION FOR KNORR-BREMSE GROUP



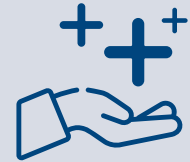
Make transport **safer**,
more **reliable** and more
efficient



Shape the **future of rail**
and **commercial vehicle**
transportation



Outgrow market and
maintain **best in class**
margin



Increase **value for**
customers, employees
& **shareholders**

We address society's challenges with our products and corporate responsibility



WE CONFIRM AND CONTINUE OUR SUCCESSFUL STRATEGY

1 Capture Megatrend Opportunities

2 Expand Technology Leadership

3 Leverage Global Presence



5 Continuous Efficiency & Excellence

4 Grow Profitable Aftermarket

Targets until 2022¹: organic revenue growth of 4.5-5.5% p.a. and EBITDA margin expansion by +150bps

STRONG R&D SECURES OUR TECHNOLOGY LEADERSHIP

~12,000 single patents granted and applied

Targeted R&D ratio:
6-7% of revenue

~3,600 R&D employees¹

addressing industry trends with superior technological solutions

INDUSTRY TRENDS

COMMERCIAL VEHICLE SYSTEMS



Traffic Safety



Emission Reduction
+ E-Mobility



Automated Driving



Connectivity

RAIL VEHICLE SYSTEMS



Transport Capacity



Availability



Eco Friendliness

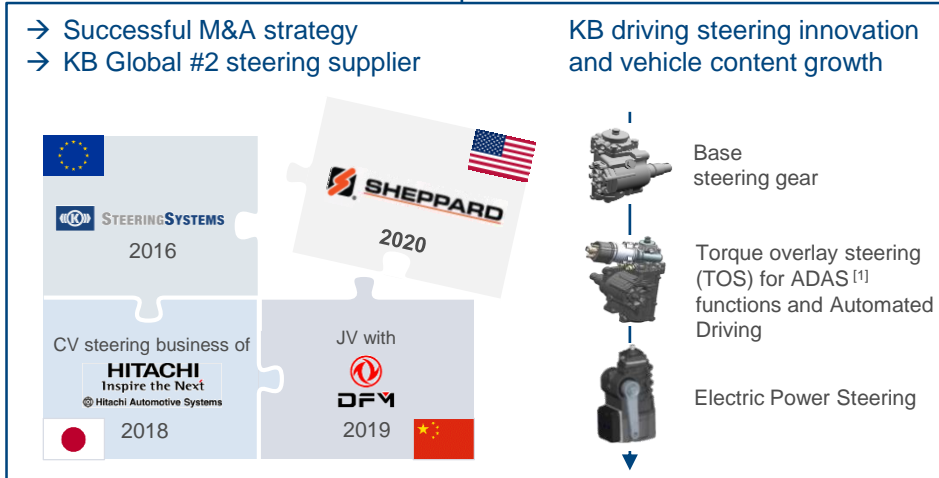
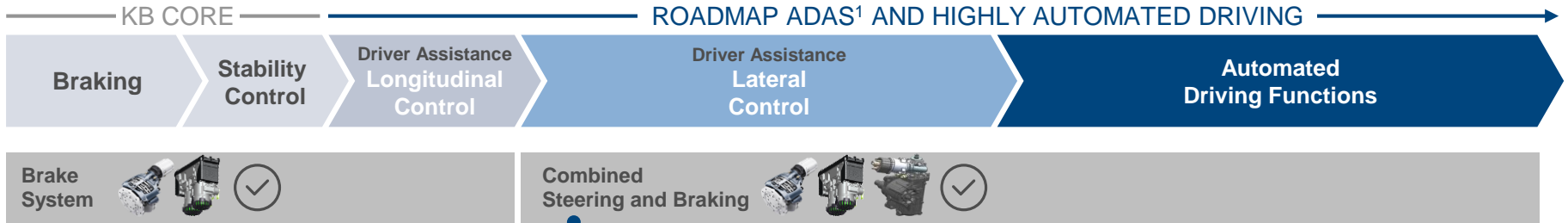


Life Cycle Management

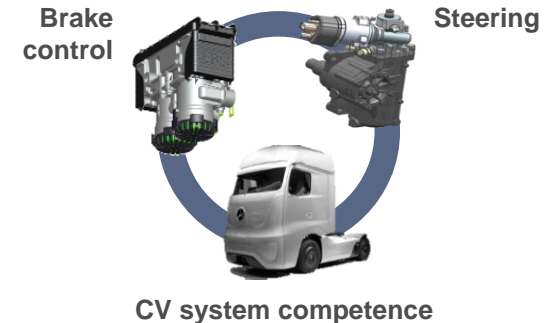
1) FTE at YE19



COMMERCIAL VEHICLE SYSTEMS: EXAMPLE STEERING BUSINESS



Combined braking and steering for superior vehicle dynamic control and obligatory redundancy



1) ADAS = Advanced Driver Assistance Systems



RAIL VEHICLE SYSTEMS: EXAMPLE AFTERMARKET BUSINESS

Aftermarket Growth Levers



1



Use installed fleet & utilize global footprint

Efficient spare part solutions |
Service of Knorr-Bremse products |
Obsolescence management

2



Additional growth from modernization

Modernization |
Upgrade solutions |
Increased scope by cross-product solutions

3



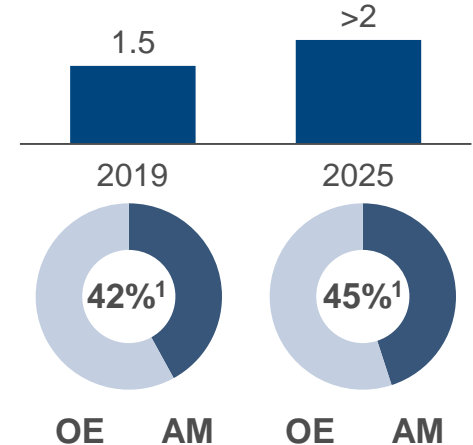
New service models & digital solutions

Digitization & new service models |
Service of third party Rail components |
Co-operations & partnerships



Ambition

Grow business beyond € 2bn



1) Aftermarket (AM) share of total sales

KNORR-BREMSE TO BECOME CLIMATE NEUTRAL FROM 2021

CLIMATE NEUTRALITY FROM 2021

- KB renews its climate strategy with even more ambitious targets
- 50% CO₂ emission reduction by 2030
- Additionally: Increasing purchase of renewable energy and carbon offsetting
- Starting point of CO₂ emissions in 2018 at 143,000 tons



CONTRIBUTION BY OUR PRODUCTS

- Rail is a cornerstone of eco-friendly transport solutions
- Truck products support lower fuel consumption
- ~9% of KB's revenues are driven by remanufactured and recycled products
- Circular economy supported by remanufactured and overhauled products



FOCUS ON 5 SDGs

- In 2018 ~150 top managers of KB committed to 5 core United Nations Sustainability Development Goals
- Sponsorship of Executive Board Members to drive initiatives around the KB world



ECODESIGN FOR REDUCED CARBON FOOTPRINT



1) CO2-savings during operation, manufacturing process and end-of life recycling or disposal. Acc. to ISO 14040 for Life Cycle Assessments;

2) CO2-savings during manufacturing process

MID TERM GUIDANCE CONFIRMED

Assumptions

- Stable political and macro environment
- Stable FX, based on current rates

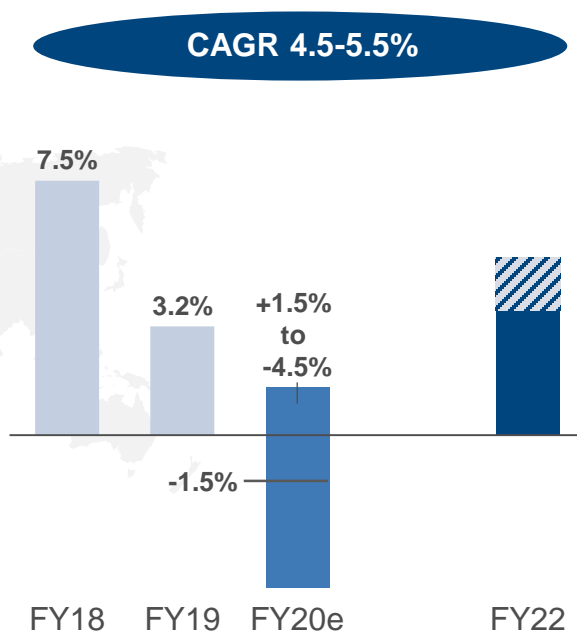
RVS

- Successful execution of AM strategy
- Continued solid growth of passenger rail with strong support from global ESG initiatives

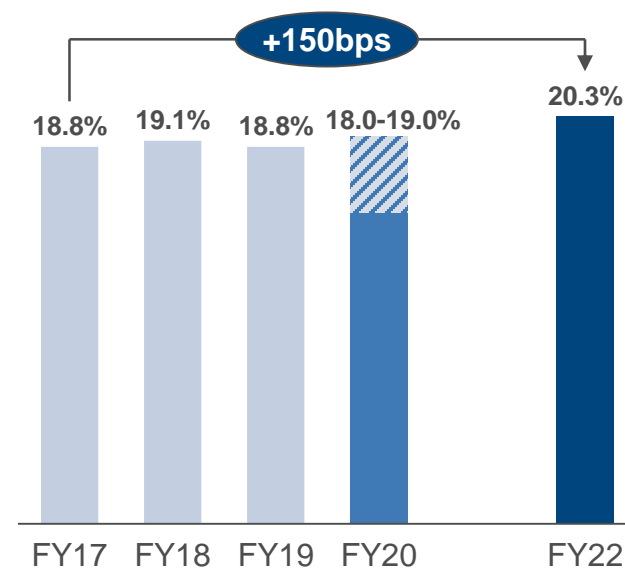
CVS

- TPR recovery in 2021 and 2022
 - Assumption: CAGR of 1%
- Continued content per vehicle growth
- Initially, steering margins dilutive
- Successful execution of efficiency program

Organic revenue growth



Operating EBITDA margin



Note: All years include the IFRS 16 impact of ~ 70bps

Q&A / BACKUP

Strong preliminary FY19 results



Guidance 2019 achieved



Strong R&D for our technology leadership



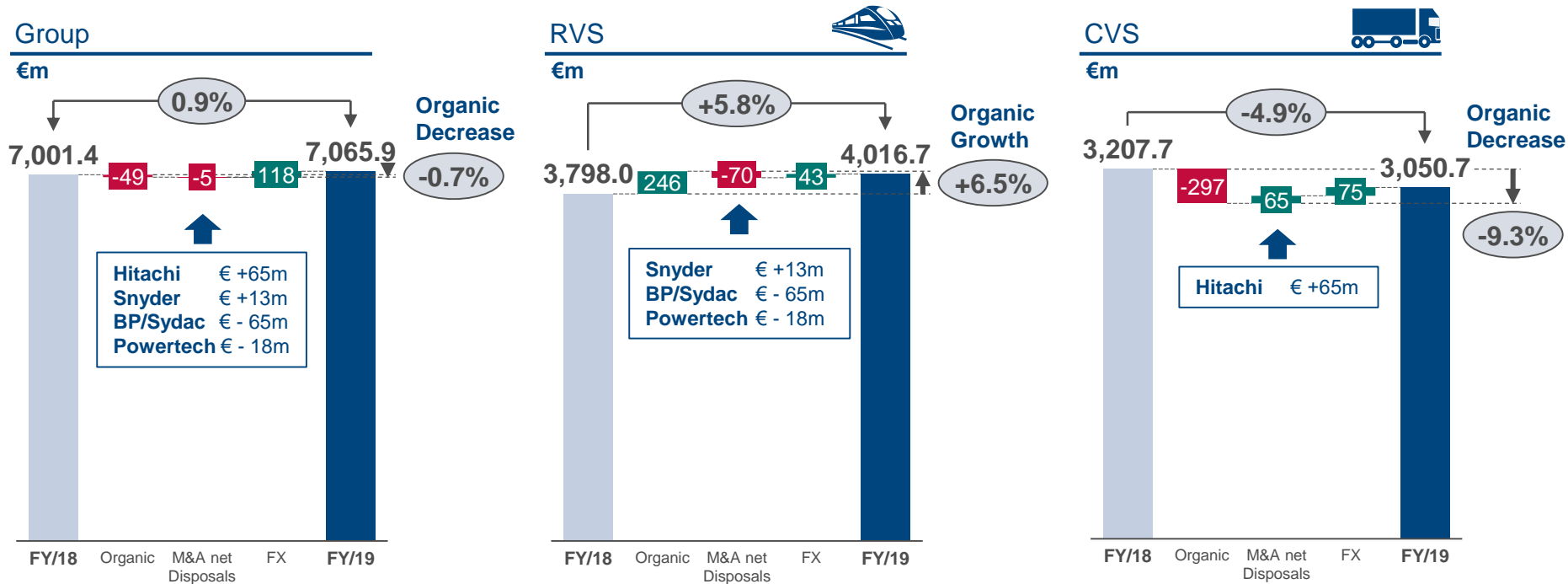
We confirm and continue our successful strategy



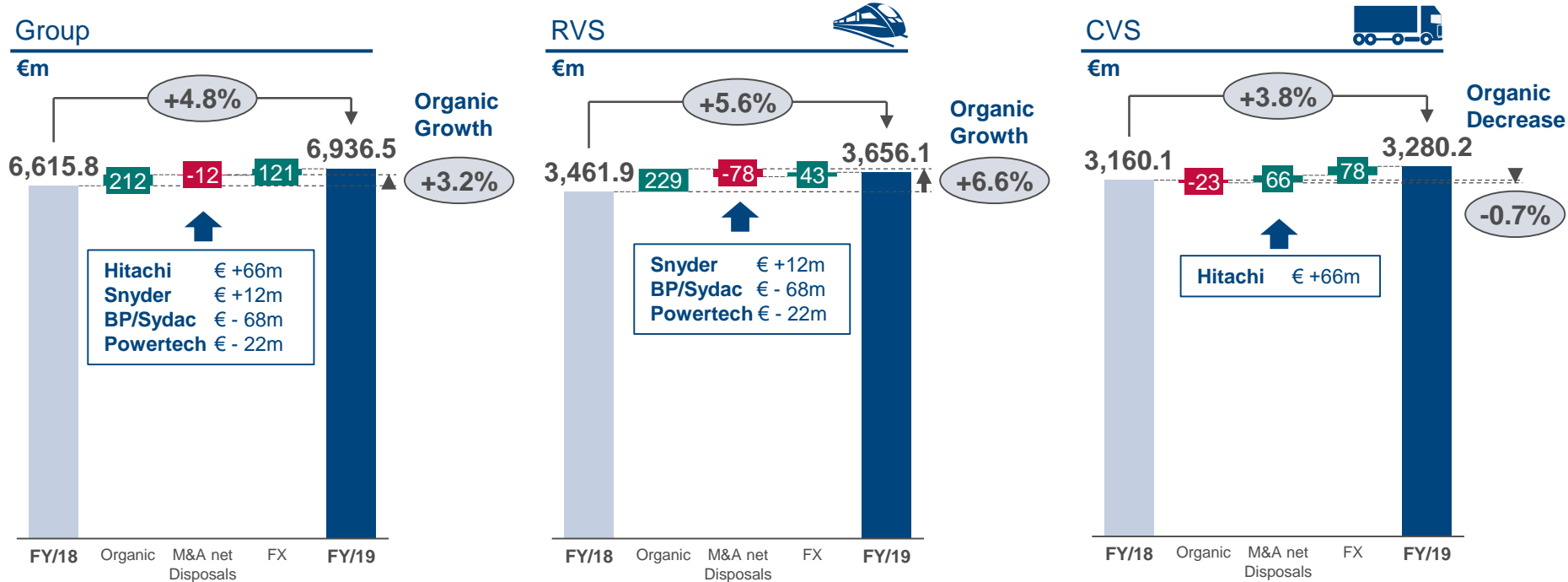
Knorr-Bremse to become CO₂ neutral from 2021



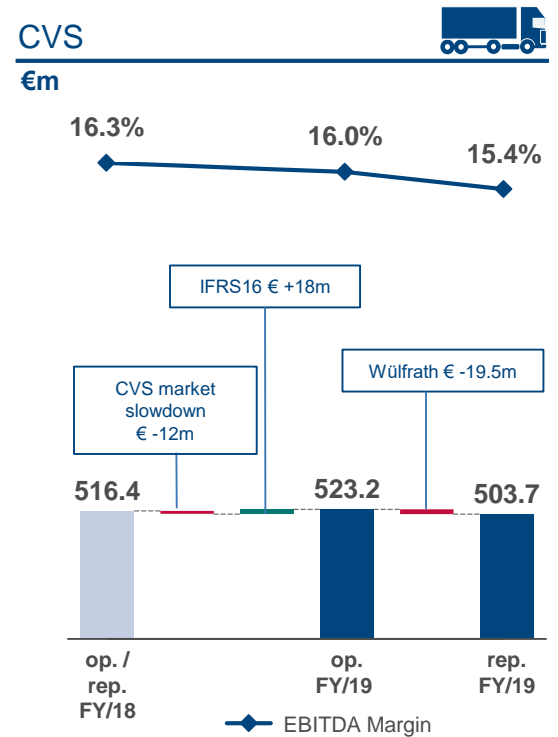
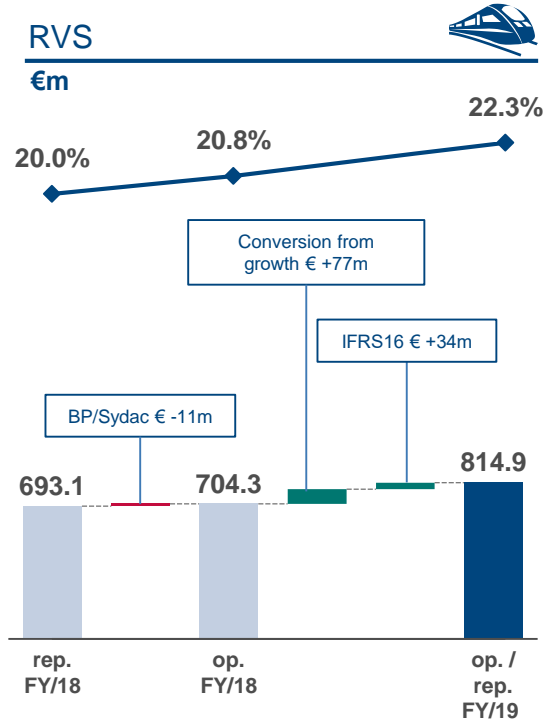
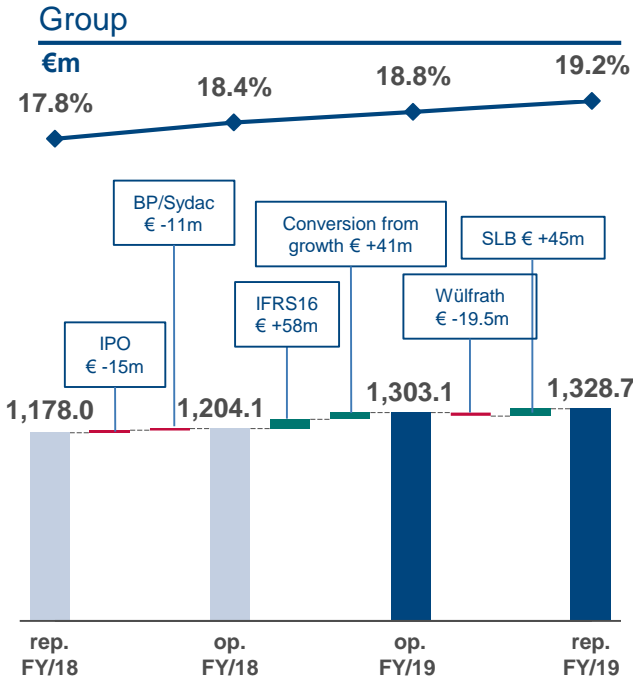
ORDER INTAKE FOR GROUP, RVS & CVS FY/19



REVENUE FOR GROUP, RVS & CVS FY/19



EBITDA FOR GROUP, RVS & CVS FY/19



◆ EBITDA Margin

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