

Press release

Munich, March 4, 2021

Knorr-Bremse presents excellent results in an exceptional 2020, confirming solid level of profitability

- **Guidance 2020 fully met:** Group performance on target
- **Order book at new record level** of EUR 4,977.0 million as of December 31, 2020 (previous year: EUR 4,692.0 million)
- **Good sales development** despite Covid-19 pandemic: Group sales of EUR 6,156.7 million -11.2% below previous year (previous year: EUR 6,936.5 million)
- **Solid earnings level:** EBITDA down -16.7% at EUR 1,106.9 million (previous year: EUR 1,328.7 million), EBITDA margin down to 18.0% compared to 19.2% in previous year
- **Very strong free cash flow:** EUR 729 million
- **RVS division** increased EBITDA margin to 22.9%, up 60 basis points from 22.3% in the previous year
- **CVS division** with solid EBITDA margin of 13.5% (previous year: 15.4%) thanks to rapid market recovery
- **Outlook for 2021:** sales EUR 6,500 to EUR 6,900 million, EBITDA margin corridor 17.5% to 19.0%, EBIT margin between 13.0% and 14.5%

Munich, March 4, 2021 – Knorr-Bremse AG, the global market leader for braking and other systems for rail and commercial vehicles, today presented its preliminary results for fiscal year 2020.

Dr. Jan Mrosik, CEO of Knorr-Bremse AG: *„For Knorr-Bremse, as for all companies, 2020 was heavily influenced by the Corona pandemic. It was a challenging year for the Company, but above all for our employees, which we were nevertheless able to end with a strong fourth quarter. Once again we demonstrated Knorr-Bremse's resilient business model: stronger growth than the market and resilient profitability. With an order book of around EUR 5 billion, we have reached a new record level and aim to continue the positive development in 2021.“*

Frank Markus Weber, CFO of Knorr-Bremse AG: *„Despite the significant impact of the Corona pandemic in 2020, we succeeded in achieving very good profitability with an EBITDA margin of 18.0% and also generated a strong free cash flow of 729 million euros. In the past fiscal year, we were able to ensure good liquidity at all times and have an excellent balance sheet overall.“*

Successful countermeasures in turbulent market environment 2020

The Covid-19 pandemic impacted on overall economic development and also on the business performance of the Knorr-Bremse Group.

In 2020, the global market for rail vehicles was impacted above all in the first half of the year in Asia and especially China. In Europe, the USA and other countries, by contrast, renewed restrictions weighed on business development in the middle of the second half of 2020. Overall, transport volumes in 2020 are expected to decline by around 36% in passenger traffic and by around 7% in rail freight traffic. However, with supply chains largely maintained, operators took advantage of the reduced passenger and freight volumes for maintenance and overhaul work. As a result, the service business saw only minor declines last year.

The global commercial vehicle market also suffered massively from the effects of the pandemic in 2020. This was reflected above all in temporary plant closures by major customers in the second quarter of 2020. However, the extremely rapid recovery in the Asian market, driven primarily by pull-forward effects in China, largely compensated for this. The

market also recovered surprisingly quickly in Europe and North America, with the result that overall global commercial vehicle production in 2020 was down by only one percent year-on-year.

At the beginning of 2020, Knorr-Bremse responded with a comprehensive program of measures. The aim was not only to protect the health of employees, but also to ensure the stability of the company. As well as drawing on additional credit lines to increase operational room for maneuver, these included strict measures to stabilize earnings and cash flow and safeguard supply capability.

Order book at a new record level – sales at the upper end of the forecast range

Despite the difficult market conditions, the Knorr-Bremse Group's order intake was down -8.8% to EUR 6,441.8 million, not quite reaching the record level of the previous year. The order book as of December 31, 2020 reached a new record level of EUR 4,977.0 million (previous year: EUR 4,692.0 million), representing growth of 6.1%.

In a volatile market environment characterized by the effects of the Covid-19 pandemic, revenues for the Knorr-Bremse Group at both divisions were 2020 -11.2% down on the previous year to EUR 6,156.7 million (previous year: EUR 6,936.5 million), but nevertheless reached the forecast sales range of EUR 5,900 to EUR 6,200 million.

At Group level, this decline affected all regions except Asia. Here, sales increased by 1.8% to EUR 2,027.3 million (previous year: EUR 1,991.3 million).

In the aftermarket segment, sales fell by -5.2% in 2020, which was significantly less than business in the original equipment segment, which recorded losses of around -14.4%. The share of total sales thus rose from 34.3% in the previous year to 36.6%, demonstrating Knorr-Bremse's robust business model.

Solid EBITDA and EBIT margin thanks to stringent measures

Thanks to the good product mix with a higher aftermarket share as well as quickly initiated countermeasures and strict cost discipline, EBITDA amounted to EUR 1,106.9 million in 2020 (previous year: EUR 1,328.7 million). The EBITDA margin was 18.0% (previous year: 19.2%) and exceeded the forecast margin corridor of 16.5-17.5%. Adjusted for restructuring expenses at the Wülfrath location (EUR 19.5 million) and a sale-and-lease-back transaction in Munich (EUR 45.1 million), the operating EBITDA margin in the previous year was 18.8%.

EBIT amounted to EUR 814.0 million (previous year: EUR 1,062.9 million) in 2020. At 13.2%, the EBIT margin was below the previous year's figure of 15.3%. Adjusted for restructuring expenses at the Wülfrath site and the book gain realized as part of the sale-and-lease-back transaction in Munich, the operating EBIT margin in 2019 was 15.1%.

This resulted in a net income of EUR 532.2 million or 8.6% of sales. In the previous year, the book gain from a sale-and-lease-back transaction in Munich had a positive effect, resulting in earnings after taxes of EUR 632.0 million or 9.1%.

Earnings per share reached 2020 EUR 3.07, compared to EUR 3.65 in the previous year.

Rail Vehicle Systems division (RVS) with consistently stable profitability

Order intake in the RVS division decreased 2020 by -13.2% to EUR 3,485.1 million (previous year: EUR 4,016.7 million) as a result of the Covid-19 pandemic. In contrast, the order backlog as of December 31, 2020, increased to EUR 3,721.4 million (previous year: EUR 3,573.0 million) due to the positive order situation, especially in the second half of 2020.

Revenue of the RVS division was -8.7% lower year-on-year at EUR 3,336.8 million (previous year: EUR 3,656.1 million) and thus within the forecast. The development of sales was mainly due to a decline in OE volumes.

At EUR 764.2 million, EBITDA was down a comparatively moderate -6.2% on the prior-year figure (previous year: EUR 814.9 million) due to volume-related factors. This led to a pleasing development of the EBITDA margin, which was 22.9% (previous year: 22.3%).

The RVS division starts 2021 with a major order to equip 606 new subway cars for Berlin's public transport operator Berliner Verkehrsbetriebe (BVG). As part of a multi-system order worth a low three-digit million euro sum, Knorr-Bremse will supply braking, boarding and HVAC systems to Stadler Germany, which manufactures the rail vehicles. Part of the contract is for the supply of spare parts and digital maintenance services over 32 years. Through further option calls, the total equipment volume could be up to 1,500 cars.

Commercial Vehicle Systems division (CVS) significantly increases profitability over the course of the year

The CVS division recorded a decline in order intake of -3.2% to EUR 2,954.2 million (previous year: EUR 3,050.7 million) in 2020. Order book as of December 31, 2020 was significantly up on previous year by 11.9% to EUR 1,269.0 million (previous year: EUR 1,134.2 million).

Correspondingly, revenue of the CVS division decreased significantly by -14.0% to EUR 2,819.4 million in 2020 (previous year: EUR 3,280.2 million).

EBITDA decreased in 2020 by -24.3% to EUR 381.2 million (previous year: EUR 503.7 million). At 13.5%, the EBITDA margin was -1.9 percentage points below that of the previous year (15.4%). Adjusted for restructuring expenses of EUR 16.4 million at the Wülfrath site, the operating EBITDA margin in the previous year was 16.0%.

In the course of the year, a consistent market recovery can be observed after the slumps in the second quarter 2020: In Q4 2020, the further market recovery in Europe and North America continued, while the Chinese market has already been showing sustained high demand since summer of 2020. The EBITDA margin in Q4 2020 was 15.3%, up 0.8 percentage points on the comparable prior-year quarter of 14.5%.

Investments in research and development and in growth and automation projects increased

Research and development expenses amounted to EUR 396.4 million in 2020 and were thus almost at the previous year's level (previous year: EUR 396.9 million). As a result of declined revenues, the ratio of R&D expenses to Group revenues increased from 5.7% in 2019 to 6.4% in 2020.

Significant investments were made in future-oriented research and development projects such as automated driving in the CVS division, the further development of the steering business, and e-mobility. For example, the GSBC product platform was further developed. In the RVS division, development activities focused on solutions for automated train operation, e.g. the RBD reproducible brake distance, eco-design and the digitalization of products for example for improved life cycle management.

The Knorr-Bremse Group's investments in property, plant and equipment and intangible assets reflect the Group's growth and innovation priorities. In 2020, investments reached EUR 341.7 million, equivalent to 5.6% of sales (previous year: 4.8%).

As of December 31, 2020, the Knorr-Bremse Group employed a total of 29,714 people, 809 or 2.8% more than in the previous year (previous year: 28,905). The increase was mainly due to the acquisition of R.H. Sheppard in the CVS division with 677 employees.

Positive outlook for 2021

Our outlook for 2021 assumes that the global economy and the political environment will develop stably and that there will be no further restrictions due to the Corona pandemic. Furthermore, we imply to be able to compensate for any sales losses due to current supply bottlenecks of electronic components in the semiconductor industry in the course of 2021.

Against this basis, we expect sales of between EUR 6,500 million and EUR 6,900 million, an operating EBITDA margin of between 17.5% and 19.0% and an operating EBIT margin of between 13.0% and 14.5% for fiscal year 2021.

The above figures are preliminary and unaudited. The complete annual financial statements and annual report will be published on the website www.knorr-bremse.com on March 31, 2021.

The annual press conference with CEO Dr. Jan Mrosik and CFO Frank Markus Weber on the preliminary figures for 2020 will be broadcast today at 9:00 CET. The broadcast can be followed on our website at www.knorr-bremse.com.

A webcast for investors with CEO Dr. Jan Mrosik and CFO Frank Markus Weber to discuss the preliminary figures for 2020 will take place today at 13:00 CET. The presentations are available on our website at www.knorr-bremse.com.

Key Figures of Knorr-Bremse Group:

Group:	Full year			4. quarter		
	2020	2019	Δ	2020	2019	Δ
	EUR million	EUR million		EUR million	EUR million	
Order intake	6,441.8	7,065.9	(8.8%)	2,086.8	1,912.9	+9.1%
Order book	4,977.0	4,692.0	+6.1%	4,977.0	4,692.0	+6.1%
Revenues	6,156.7	6,936.5	(11.2%)	1,567.4	1,623.9	(3.5%)
EBITDA	1,106.9	1,328.7	(16.7%)	302.7	346.5	(12.6%)
<i>EBITDA margin</i>	18.0%	19.2%	(120 bp)	19.3%	21.3%	(200 bp)
EBIT	814.0	1,062.9	(23.4%)	221.9	279.9	(20.7%)
<i>EBIT margin</i>	13.2%	15.3%	(210 bp)	14.2%	17.2%	(300 bp)
R&D in % of sales	6.4%	5.7%	+70 bp			
Capital expenditure	341.7	331.8	+3.0%			
Net income	532.1	632.1	(15.8%)			
Earnings per share	3.07	3.65	(15.8%)			
Free cash flow	728.9	86.5	(15.3%)			
Employees	29,714	28,905	+2.8%			

Divisions:	Full Year			4. quarter		
	2020	2019	Δ	2020	2019	Δ
	EUR million	EUR million		EUR million	EUR million	
RVS						
Order intake	3,485.1	4,016.7	(13.2%)	1,095.2	1,140.7	(4.0%)
Revenues	3,336.8	3,656.1	(8.7%)	774.2	864.6	(10.5%)
EBITDA	764.2	814.9	(6.2%)	196.1	209.3	(6.3%)
<i>EBITDA margin</i>	22.9%	22.3%	+60 bp	25.3%	24.2%	+110 bp
EBIT	636.6	696.7	(8.6%)	164.6	178.6	(7.9%)
<i>EBIT margin</i>	19.1%	19.1%	0 bp	21.3%	20.7%	+60 bp
CVS						
Order intake	2,954.2	3,050.7	(3.2%)	991.6	771.1	+28.6%
Revenues	2,819.4	3,280.2	(14.0%)	793.2	756.4	+4.9%
EBITDA	381.2	503.7	(24.3%)	121.4	110.0	+10.4%
<i>EBITDA margin</i>	13.5%	15.4%	(190 bp)	15.3 %	14.5%	+80 bp
EBIT	235.1	373.8	(37.1%)	77.2	79.6	(3.0%)
<i>EBIT margin</i>	8.3%	11.4%	(310 bp)	9.7%	10.5%	(80 bp)

About Knorr-Bremse

Knorr-Bremse (ISIN: DE000KBX1006, ticker symbol: KBX) is the global market leader for braking systems and a leading supplier of other safety-critical rail and commercial vehicle systems. Knorr-Bremse's products make a decisive contribution to greater safety and energy efficiency on rail tracks and roads around the world. About 29,700 employees at over 100 sites in more than 30 countries use their competence and motivation to satisfy customers worldwide with products and services. In 2020, Knorr-Bremse's two divisions together generated revenues of EUR 6.2 billion. For 115 years the company has been the industry innovator, driving innovation in mobility and transportation technologies with an edge in connected system solutions. Knorr-Bremse is one of Germany's most successful industrial companies and profits from the key global megatrends: Urbanization, sustainability, digitalization and mobility.

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