

Press release

Munich, 16 July 2020

Knorr-Bremse: Financial performance in Q2 2020 significantly exceeds expectations

- **First indications for the second quarter of 2020: preliminary revenues of around EUR 1.4 billion and a very healthy operating EBITDA margin of approx. 17%**
- **Outlook for 2020: Revenues expected to reach EUR 5.8 to 6.2 billion, with an operating EBITDA margin of 16.0 to 17.5%**

Munich, 16 July 2020 – Knorr-Bremse AG has considerably surpassed expectations in compensating for the anticipated downturn in business caused by the Covid-19 pandemic during the second quarter of 2020. Based on first indications, the company is anticipating revenues of approximately EUR 1.4 billion (previous year: EUR 1.8 billion) and an operating EBITDA margin of approximately 17% (previous year: 19.1%) for the reporting period April to June 2020.

According to a Vara Research report of 15 June 2020, analysts estimate revenues of just EUR 1.2 billion and an operating EBITDA margin of only 9% for the second quarter of 2020.

Bernd Eulitz, CEO of Knorr-Bremse AG: *"In the second quarter of 2020, Knorr-Bremse's business model once again proved to be particularly resilient. A rapid response to the global spread of the Covid-19 pandemic that became apparent in March 2020 helped to limit the negative impact on Knorr-Bremse's performance. Faced with temporary closures of customer and supplier plants, we were able to react swiftly by implementing consistent cost and efficiency measures. We therefore expect to finish the second quarter of 2020 with higher revenues of around EUR 1.4 billion and an improved EBITDA margin of around 17%, exceeding capital market estimates. Nevertheless, we expect the Covid-19 pandemic to have a noticeable negative impact on our key financial figures for the full year 2020. As a result, our revenues and operating EBITDA margin are likely to be lower than in 2019."*

By introducing a stringent cost-cutting program in both divisions at an early stage, Knorr-Bremse was able to significantly mitigate the effects of the market downturn on its own business. In both divisions, short-time working measures had a positive impact on earnings in the second quarter of 2020. In the Rail division, short-time working was lifted again as early as 1 July 2020 in response to rising demand. It was noticeable that customers brought forward their stocking of spare parts in the second quarter, which had a positive impact on revenues and earnings. Similarly, a favorable product mix in the second quarter, including strong figures in braking systems, led to improved performance in terms of profitability.

While the Truck division's business in Europe and North and South America suffered a sharp decline in the second quarter under the impact of the Covid-19 pandemic, the Truck business in China saw a strong recovery in April and May, with production rates at record levels. Overall, the relatively good performance of the aftermarket business continued in the second quarter of 2020. At the earnings level, temporary cost-saving measures such as the introduction of short-time working at all European locations had a positive effect on the EBITDA margin in the second quarter of 2020.

"Based on the improved figures at the end of June 2020, the recovery is likely to continue overall in the second half of the year, though not as clearly as in the second quarter. Knorr-Bremse has a very solid financial basis. We have also proven that we can swiftly take the right measures," says Frank Weber, CFO of Knorr-Bremse AG. In particular, Knorr-Bremse expects some of the effects that positively influenced the Rail division in the first half-year, such as advance purchases in the aftermarket business and a favorable product mix, not to continue in the same way in the second half of the year. In the Truck division, demand in China is expected to normalize. The record level of production in China is therefore unlikely to be sustained, which will contribute to a slower recovery. In addition, predictions of commercial vehicle demand in the second half of 2020 are currently still subject to a high degree of uncertainty, particularly in Europe and North America.

Based on the preliminary figures of the first half-year 2020 and the expected development in the second half-year, the Executive Board of Knorr-Bremse AG publishes a new outlook for the 2020 fiscal year. Barring further lockdowns due to the Covid-19 pandemic and the resulting negative impacts on business up to the end of the year, revenues in the region of EUR 5.8 to 6.2 billion (2019: EUR 6.937 billion) and an operating EBITDA margin of 16.0 to 17.5% (2019: 18.8%) are expected for the 2020 fiscal year. This outlook for the whole of 2020 is based on current exchange rates.

The full half-year report and Q2 2020 report will be published, as scheduled, on 10 September 2020.

Explanations and reconciliations of the key financial figures used can be found in the Knorr-Bremse AG Annual Report 2019 (available at <https://ir.knorr-bremse.com/download/companies/knorrbremse/Annual%20Reports/DE000KBX1006-JA-2019-EQ-E-00.pdf>), specifically on pages 75 onwards and page 102.

About Knorr-Bremse

Knorr-Bremse (ISIN: DE000KBX1006, Ticker symbol: KBX) is the global market leader for braking and other 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 29,000 employees at over 100 sites in more than 30 countries use their competence and motivation to satisfy customers worldwide with products and services. In 2019, Knorr-Bremse's two divisions together generated revenues of EUR 6.9 billion (IFRS). For more than 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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