

Press release

Munich, 7 March 2019

Knorr-Bremse AG presents strong preliminary full-year 2018 numbers – guidance fully delivered – profitable growth expected to continue in 2019

- **Knorr-Bremse AG looks back at a successful 2018: strategic and financial objectives achieved**
- **Confident outlook 2019 despite growing economic and political risks**
- Knorr-Bremse gained admission to Germany's MDAX on 5 March 2019 and will enter the index on 18 March 2019
- **Strong revenue growth:** FX-adjusted 2018 revenues grow by 10.5%. Reported revenues up 7.5% to 6,616 mEUR (PY: 6,154 mEUR). Both segments contribute: RVS +6.2%, CVS +9.3%
- **Continued solid profitability:** EBITDA and EBIT margins, adjusted for IPO cost reimbursement, at 18.0% (PY: 18.1%) and 14.9% (PY: 14,7%). Operating EBITDA and EBIT margins, eliminating disposal effects, at 18.4% and 15.6%
- **Strong order book:** Order book grows by 9.2% to 4,563 mEUR (PY: 4,177 mEUR), underscoring good medium-term prospects
- **Guidance for fiscal year 2019:** Revenues 6,800-7,000 mEUR, EBITDA margin corridor 18.0%-19.0%, assuming a stable economic and political environment
- The Executive Board intends to propose a dividend within the range of 40-50% of net profit, as determined by the company's dividend policy

Munich, 7 March 2019 – Knorr-Bremse AG, the global market leader for braking systems and a leading supplier of safety-critical rail and commercial vehicle systems, today published its preliminary full-year 2018 results.

“Knorr-Bremse looks back at a successful 2018 and we are pleased with the positive development of both our businesses. Despite uncertain and volatile markets, the demand for Knorr-Bremse rail and truck systems rose to new heights. We are particularly proud to have won 26 projects for metro lines in China alone – evidence of the high regard our systems are held in”, says Klaus Deller, CEO of Knorr-Bremse AG. “With organic growth as well as strategic acquisitions in both divisions, we have paved the way for our active participation in the global megatrends urbanisation, eco-efficiency, digitization and automated driving. This positioning is also reflected in the price development of our share.”

With the most recent acquisition by the CVS division of the steering business of Hitachi Automotive Systems, Knorr-Bremse took an important step towards becoming a global supplier of driver assistance and highly automated driving solutions.

Strong organic growth

Currency-adjusted, revenues 2018 grew by 10.5%. Reported full-year revenues increased by 7.5% to 6,616 mEUR (2017: 6,154 mEUR). The Rail Vehicle Systems (RVS) segment grew dynamically, by 6.2% yoy. The Commercial Vehicle Systems (CVS) segment grew particularly strongly, by 9.3% yoy. Revenue growth across the two segments was almost entirely organic. All regions contributed. The strong OE business was the main driver of this

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growth, which, together with the portfolio disposals, led to a reduced aftermarket share to 33.8% (PY: 35.3%) of total revenues.

Continued solid profitability

At Group level, Knorr-Bremse generated a reported EBITDA of 1,178 mEUR, an increase of 5.6% on 2017 (1,116 mEUR). This corresponds to a margin of 17.8%, slightly lower than 2017 and within the guidance corridor. Adjusted for the reimbursement of IPO costs by the selling shareholder, EBITDA was 1,193 mEUR, corresponding to a margin of 18.0%. As per IFRS, this was credited to the balance sheet rather than the P&L account.

Operationally, eliminating revenues (of 68 mEUR) and losses (of -11 mEUR) of rail maintenance and simulator businesses, which were disposed in 2018, EBITDA amounted to 1,204 mEUR and a margin of 18.4%. These high profitability levels were achieved despite a smaller Aftermarket share, higher material costs, and supply-chain constraints. The R&D ratio fell slightly to 5.5% (2017: 5.8%) due to the high sales growth, but again reached a high level compared to the competition.

Group EBIT for 2018 came to 972 mEUR, up 7.6% yoy (2017: 904 mEUR) and corresponding to a margin of 14.7%, level with last year. Adjusted EBIT margin reached 14.9%, operating EBIT margin 15.6%.

Order intake and book underscore medium-term outlook

With 7,001 mEUR and a book-to-bill ratio of 1.06, Knorr-Bremse's order intake surpassed the 7 bnEUR mark for the first time in company history. Its order book reached a new high of 4.563 mEUR at the end of 2018, an increase of 9,2% against prior year (4,177 mEUR).

Segments

Rail Vehicle Systems (RVS)

RVS revenues were 6.2% higher than prior year at 3,462 mEUR (2017: 3,260 mEUR), enabling an EBITDA margin of 20.0% (2017: 19.6%). In Europe, growth was driven by the Locomotives, R&C and Metro businesses. In Asia, the Indian OE business and Chinese Rail Services grew particularly strongly. In North America, the freight business showed a positive development. Additionally, growth in volume and stringent cost measures enabled this EBITDA improvement. Adjusted for disposals, Aftermarket revenues grew by 5.8% and their share of RVS revenues amounted to 40%.

Commercial Vehicle Systems (CVS)

CVS revenues grew by 9.3% over prior year, to 3,160 mEUR (2017: 2,891 mEUR), driven by a rise of 6% in the global Truck Production Rate as well as continued outperformance on content growth, especially within the air disc brake category. Europe showed resilient, above-market growth, North America outperformed a dynamic market in the region. China also grew despite a decreasing TPR. However, profitability faced headwinds from material price inflation and supply-chain constraints, leading to an EBITDA margin of 16.4% (2017: 17.4% with an unusually strong Q4 2017). The Aftermarket share of CVS revenues during the period amounted to 27%.

R&D expenses and employment above last year

During 2018, the company spent 364 mEUR (2017: 359 mEUR) on R&D activities. Strong top-line growth led to a slightly reduced R&D ratio of 5.5% (2017: 5.8%), positioning Knorr-Bremse above its competitors.

The number of employees at the end of the year rose by 2.7% to 28,452, thereby less than sales.

MDAX inclusion as of 18 March 2019

On 5 March, Deutsche Börse admitted Knorr-Bremse to its MDAX segment as per its fast entry rules. Ralph Heuwing, CFO: "After our capital market debut in October, this is an important milestone for Knorr-Bremse and its shareholders. Based on our guidance for 2019, we are confident to continue generating value for all stakeholders."

Outlook for 2019

Macroeconomic and political risks are rising, trade conflicts and Brexit being only two examples. That said, assuming economic and political stability, the company expects to generate 6,800-7,000 mEUR in revenues for the full year 2019, and an EBITDA margin within a range of 18.0-19.0%. This is consistent with the medium-term outlook given at last year's IPO, which remains unchanged.

The above figures are preliminary and unaudited. Full results and the the full annual report will be available from 30 April 2019 on www.knorr-bremse.com

An investor conference call with CEO Deller and CFO Heuwing to discuss the preliminary full-year 2018 numbers will take place today at 2pm CET. Presentations are available on our website at www.knorr-bremse.com

Key figures of Knorr-Bremse Group:

	Full year			4th quarter		
	2018	2017	Δ	2018	2017	Δ
	mEUR	mEUR		mEUR	mEUR	
Revenues	6,616	6,154	+7.5%	1,622	1,591	+1.9%
Revenues RVS	3,462	3,260	+6.2%	829	847	-2.1%
Revenues CVS	3,160	2,891	+9.3%	798	740	+7.8%
EBITDA	1,178	1,116	+5.6%	302	337	-10.5%
<i>margin</i>	17.8%	18.1%	-0.3 ppt	18.6%	21.2%	-2.6 ppt
EBITDA RVS	693	639	+8.5%	193	200	-3.5%
EBITDA CVS	517	504	+2.6%	130	154	-15.6%
EBIT	972	904	+7.6%	254	287	-11.5%
Order intake	7,001	6,657	+5.2%	1,736	1,791	-3.1%
Order book	4,563	4,177	+9.2%			
R&D in % of revenue	5.5%	5.8%	-0.3 ppt			

About Knorr-Bremse

Knorr-Bremse 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. For more than 110 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, eco-efficiency, digitization and automated driving.

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. Localization is a central focus of Knorr-Bremse's strategy. Knorr-Bremse delivers braking, entrance, control and auxiliary power supply systems, HVAC and driver assistance systems for rail vehicles, as well as braking, steering, powertrain and transmission control solutions, and driver assistance systems for commercial vehicles.

In 2018, Knorr-Bremse's two divisions together generated revenues of EUR 6.6 billion (IFRS). A comprehensive aftermarket & services business with high entry barriers gives these revenues increasingly cyclically independent stability. The company benefits from strong, entrepreneurial and experienced management. Technical excellence, reliability, passion and responsibility are deeply embedded in its corporate culture.

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