

Press release

Munich, May 29, 2019

Knorr-Bremse starts powerful into 2019

- **New record level:** Order intake of EUR 1,893m leading to a record order book of EUR 4,701m (more than 8 months of revenue)
- **Dynamic Development:** Strong revenue growth of 8.8% to EUR 1,755m, outperforming rail and truck markets
- **High profitability:** EBITDA margin at 19.0% compared to 18.3% in Q1 2018
- **Updated Guidance for fiscal year 2019:** Revenues EUR 6,875m – 7,075m, EBITDA margin of 18.5% - 19.5%

Munich, May 29, 2019 – Knorr-Bremse AG, the global market leader for braking systems and a leading supplier of other safety-critical rail and commercial vehicle systems, today published its first quarter results of 2019.

Ralph Heuwing, CFO of Knorr-Bremse AG: „We have had a strong start into the year 2019. Our operating performance, both in terms of sales and earnings, is a convincing proof of Knorr-Bremse's outstanding business model with a global presence and local production in all markets. Our record order book of EUR 4.7bn promises a healthy continuation in 2019. With several exciting M&A transactions over the last months we are heading for strengthening and expanding our already strong market positions in CVS and RVS. The acquisition of the commercial vehicle steering business of Hitachi Automotive Systems, in particular, positions us very well for combining braking and steering technologies, a key requirement for highly automated driving.”

Dynamic development

During the first three months of fiscal year 2019, order intake of Knorr-Bremse Group grew by 5.3% to EUR 1,893m compared to EUR 1,798m in Q1 2018. With EUR 4,701m the order book reached a new record level after EUR 4,361m at the end of Q1 2018. The high level of order backlog provides a sufficient visibility for the coming quarters.

Revenues increased by 8.8% to EUR 1,755m after EUR 1,614m in Q1 2018. Both segments and all major regions supported the growth.

With its focus on rail and commercial vehicles, Knorr-Bremse is thus clearly setting itself apart from other industrial goods markets, particularly the automotive sector.

Further improvement of EBITDA and EBIT

Based on the strong revenue growth Knorr-Bremse Group generated in the first three months of 2019 an EBITDA of EUR 334m after EUR 295m in in the same period a year earlier (+13.0%). The result benefitted from first time adoption of IFRS 16 which contributed EUR 13m or 70 bp. EBITDA-margin respectively reached 19.0% after 18.3% in Q1 2018, a plus of 70 bp.

EBIT reached EUR 275m in Q1 2019 after EUR 229m in Q1 2018. The EBIT-margin rose to 15.6% in Q1 2019 after 14.2% in the previous year's quarter. Q1 2018 had been impacted

by an asset impairment in preparation to the potential disposal of the rail vehicle maintenance business.

Segments

Rail Vehicle Systems RVS with strong top and bottom line momentum

Revenues of the RVS segment in the first three months grew strongly by 9.4% to EUR 911m after EUR 833m in Q1 2018. The strong development was driven by aftermarket business and positive volume and mix effects in all regions. The disposal of the loss-making businesses of the Blueprint Group and Sydac supported its profitability as well.

In Europe major growth came from the OE business, especially Freight Cars, Regional & Commuter and Metro. In Asia/Pacific we saw an outperformance of the OE business in India and an increase in the Chinese aftermarket. In North and South America revenues showed a positive development in Onboard, Freight and Aftermarket business. The Aftermarket share of revenues during the period reached 38% after 36% in the first three months 2018. In Q1 2019 EBITDA of the RVS segment increased by 27.3% to EUR 200m. The EBITDA margin increased from 18.8% in Q1 2018 to 21.9% in Q1 2019.

Commercial Vehicle Systems CVS benefitted from strong US market

Despite global economic uncertainty CVS posted high growth numbers. Its top line increased by 8.4% over last year's first quarter and reached EUR 846m in Q1 2019. Increasing content per vehicle across the globe resulted in a higher demand for Knorr-Bremse products and systems of CVS.

Especially growth in driver assistance systems as well as the ongoing migration from air drum brakes to air disc brakes were the main drivers for the positive development of North American CVS business. The segment outperformed the truck production rate which advanced by only 1.6%. The European business showed a solid revenue development. In the Asia/Pacific region revenues of Chinese business were moderately higher despite lower truck production rate. A stronger OE business resulted in a lower Aftermarket share in sales of 23% compared to 25% in Q1 2018.

CVS achieved an EBITDA of EUR 141m in the first quarter 2019 after EUR 132m in Q1 2018. The EBITDA margin declined moderately to 16.6% after 16.9% due to a different mix of products sold, and thus remained at a similar level to Q3/Q4 2018.

Regions

Regional revenue contributions show an increase of business in North America which grew by 27.1%, partly due to currency effects. The regional split of revenues was: 48.0% Europe/Africa (prior year 50.9%), 23.2% North America (prior year 19.8%), 1.6% South America (prior year 1.8%) and 27.2% Asia/Pacific (prior year 27.5%).

Capital expenditure and employment above last year

During the first three months of 2019, the company invested EUR 98m (EUR 85m before asset deals) in tangible and intangible assets (EUR 41m Q1 2018). This reflected, amongst other, capacity expansion in the air disk brake manufacturing in North-America as well as ongoing site investment in Munich, as well as an effect from IFRS 16 of EUR 17m in Q1 2019.

The average number of employees during the period rose by 455 to 29.149.

Updated Outlook for 2019

Assuming a stable economic environment and under consideration of the M&A transactions in 2019 as well as the first time application of IFRS16 Knorr-Bremse updated and increased its outlook for 2019. The Company now expects to generate EUR 6,875m – 7,075m in revenues for the full year 2019 (previous guidance: EUR 6,800m – 7,000m; reported 2018: EUR 6,616m) and an EBITDA margin within a range of 18.5% to 19.5% (previous guidance: 18.0% to 19.0%; reported 2018: 17.8%).

The full quarterly statement is available on the website at www.knorr-bremse.com

Key figures of Knorr-Bremse Group:

	1st quarter		
	2019	2018	Δ
	mEUR	mEUR	
Revenues	1,755	1,614	+8.8%
EBITDA	334	295	+13.0%
<i>margin</i>	19.0%	18.3%	+0.7 ppt
Order book	4,701	4,361	+7.8%
Free Cashflow	26.8	41.8	-35.9%
Capital expenditure	98.5	41.5	+137.4%
R&D in % of revenues	6.0%	6.0%	

About Knorr-Bremse

Knorr-Bremse (ISIN: DE000KBX1006, Tickersymbol: 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 28,500 employees at over 100 sites in more than 30 countries use their competence and motivation to satisfy customers worldwide with products and services. In 2018, Knorr-Bremse's two divisions together generated revenues of EUR 6.6 billion. For more than 114 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.

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