

Press release

Munich, September 12, 2019

Knorr-Bremse continues profitable growth in first half of 2019 and confirms full-year guidance

- **Strong growth:** Revenues up 8.4% in first half of 2019 to €3,602 million—best first-half revenues in company history
 - RVS division with strong growth, particularly in aftermarket business
 - CVS division once again outgrows commercial vehicle market
- **Healthy earnings performance:** Operating EBITDA margin (adjusted for restructuring expenses) increased from 18.0% to 19.0%
- **Earnings per share:** 21.1% increase to €2.13
- **Full-year guidance for 2019 confirmed**

Munich, September 12, 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 results for the first half of 2019.

Ralph Heuwing, CFO of Knorr-Bremse AG: “After a highly successful start to 2019, we posted the best half-year revenues in our company’s history despite a difficult market environment and one of the best half-year earnings. Our two divisions complement each other ideally in regional performance and continued to gain market share. This confirms Knorr-Bremse’s special business model. Earnings are also substantially higher than in the prior year. Overall, we are highly satisfied with the company’s performance and confirm our guidance for the full year. We are nevertheless taking precautionary measures with regard to efficiency and cost control in order to safeguard our competitiveness and profitability.”

Dynamic performance

In the first half of 2019, Knorr-Bremse continued to benefit from its strong market position and the international megatrends of Urbanization, Digitization, Eco-Efficiency and Automated Driving.

The Knorr-Bremse Group’s incoming orders increased by 1.8% in the first half of fiscal year 2019 to €3,581 million, compared with €3,517 million in the first half of 2018. The order book reached €4,542 million, compared with €4,372 million at the end of the first half of 2018. At a high level of nearly eight months of revenue, the forward order book paves the way for solid business performance over the remainder of the year.

Knorr-Bremse continued the successful trend from the first quarter of 2019 through to the end of the first half year. Revenues rose in the first half of 2019 by 8.4% to €3,602 million, compared with €3,322 million in the same period of 2018. Both divisions and all key regions contributed to the strong revenue growth. The aftermarket share of total revenues was unchanged at 32% in the first half of 2019 (prior year adjusted for activities sold in the meantime).

With its focus on rail and commercial vehicles, Knorr-Bremse’s resilience sets itself clearly apart from other industrial goods markets and in particular the automotive sector.

Significant improvement in EBITDA and EBIT margins

Based on the strong revenue growth as well as due to economies of scale and improvements in the order mix, Knorr-Bremse generated EBITDA of €669 million in the first six months of 2019, compared with €582 million in the prior-year period (an increase of 14.9%). The reported EBITDA margin amounted to 18.6% (H1 2018: 17.5%). Adjusted for restructuring expenses for Wülfrath in the amount of €16.4 million, the operating EBITDA margin for the first half of 2019 came to 19.0%. In the first half of 2018 (after adjusting for one-time expenses and operating losses from activities disposed of in the meantime), the operating EBITDA margin had been 18.0%. Knorr-Bremse is proactively preparing for an economic slowdown in the truck market with the closure of the Wülfrath plant and other cost-cutting measures.

EBIT rose in the first half of 2019 by 12.9% to €533 million, compared with €472 million in the first half of 2018. The reported EBIT margin stood at 14.8%, 0.6 percentage points up on the prior-year period (14.2%). The operating EBIT margin (before restructuring expenses of €26.8 million for Wülfrath) rose to 15.6% in the first half of 2019. After adjusting for one-time expenses and operating losses from disposals, the operating EBIT margin in the first half of 2018 had been 15.3%.

Knorr-Bremse continued consequently on its course of innovation. The R&D rate was 5.6% (H1 2018: 5.7%).

Segments

Rail Vehicle Systems (RVS): strong revenue and earnings growth

Revenues in the RVS division rose in the first six months of 2019 by 7.6% to €1,876 million, compared with €1,744 million in the first half of 2018.

The increase in revenues mostly related to growth in the service business in Europe and Asia (and there particularly in China and India). OE revenues in Europe also increased, mainly in the regional and commuter train as well as metro segments. North America saw revenue growth in locomotives, freight cars and service. OE business accounted for some 60% of divisional revenues (H1 2018: 60%), while the aftermarket business (RailServices) share of revenues accounted for 40% (H1 2018: 40%; 39% adjusted for companies disposed of in 2018).

EBITDA in the RVS division rose by 29.4% to €417 million in the first half of 2019 (H1 2018: €322 million). The EBITDA margin increased from 18.5% in the first half of 2018 to 22.2% in the first half of 2019. Adjusted for the revenues and losses of divested businesses (Blueprint and Sydac), the operating EBITDA margin in the prior-year period had been 19.4%. The year-on-year improvement in EBITDA is mainly due to higher volumes and revenue mix effects.

Commercial Vehicle Systems (CVS): strong performance in North America and Asia

Revenues in the CVS division grew by 9.5%, from €1,577 in the first half of 2018 to €1,727 million. A worldwide increase in content per vehicle, gains in market share and positive currency effects made for substantial growth relative to the truck production rate, which was slightly down year on year. There are initial signs of a market slowdown among commercial vehicle manufacturers, given substantial reductions in incoming orders, which from today's

perspective might lead to weaker demand growth for suppliers in North America and Europe during the next year. In this environment, the CVS division performed significantly better than the general demand trend and the competition.

Revenue growth in the first half of 2019 mainly related to positive performance in North America and the Asia region. The European business, on the other hand, showed a mixed picture with growth in the OE business and a slight decrease in aftermarket revenues. Business performance in the Asian market was positive due to increased content per vehicle, gains in market share and the revenue contribution from the Hitachi Automotive acquisition in Japan, which was included in the consolidated financial statements for the first time. OE business grew globally by three percentage points to 78% of divisional revenues (H1 2018: 75%). The aftermarket share of revenues decreased to 22% (H1 2018: 25%) due to inventory optimization efforts on the part of our customers.

CVS increased EBITDA in the first half of 2019 by 1.8% to €264 million, compared with €260 million in the first half of 2018. The reported EBITDA margin correspondingly amounted to 15.3%, down from 16.5% a year earlier. Adjusted for the restructuring expenses for the Wülfrath location, the operating EBITDA margin, at 16.3%, was almost level with the prior-year period (16.5%).

Regions: Strong growth in North America

Growth in the first half of 2019 was driven by all regions. The regional revenue split in the first half of 2019 shows a slight strengthening in the North America region. In a dynamic market environment, notably in commercial vehicles, revenues in the North America region alone grew by 23%, partly supported by currency effects. The regional split was as follows:

Europe/Africa:	47% (H1 2018: 50%)
North America:	23% (H1 2018: 20%)
South America:	2% (H1 2018: 2%)
Asia-Pacific:	28% (H1 2018: 28%)

Year-on-year growth in capital expenditure and workforce

In the first six months of 2019, Knorr-Bremse invested €134 million or 3.7% of revenues (H1 2018: €106 million or 3.2% of revenues) in property, plant and equipment and intangible assets. Alongside ongoing site development projects in Munich, capital expenditure also targeted upgrading and expansion projects such as expansion of production capacity for air disc brakes at the Huntington, U.S., location.

As of June 30, 2019, Knorr-Bremse employed 16,558 people in the Rail Vehicle Systems division (June 30, 2018: 16,674) and 12,562 in the Commercial Vehicle Systems division (June 30, 2018: 12,025). In total, the Knorr-Bremse Group had 29,812 employees as of June 30, 2019 (June 30, 2018: 29,326).

Full-year guidance for 2019 confirmed

Assuming an ongoing stable economic environment, taking into account M&A transactions made in 2019 and the application of IFRS 16, and before restructuring measures, Knorr-Bremse has confirmed its guidance for 2019. The company expects revenues of €6,875–€7,075 million (2018 reported: €6,616 million) and an operating EBITDA margin, meaning before restructuring expenses, in the range 18.5%–19.5% (2018 reported: 17.8%).

The full half-year report for 2019 is available at www.knorr-bremse.com.

Knorr-Bremse Group key figures:

	Half year			Second quarter		
	2019	2018	Δ	2019	2018	Δ
	€ million	€ million		€ million	€ million	
Incoming orders	3,581.2	3,517.0	+1.8%	1,688.0	1,719.5	-1.8%
Order book	4,542.3	4,371.8	+3.9%	4,542.3	4,371.8	+3.9%
Revenues	3,601.5	3,322.2	+8.4%	1,846.3	1,708.4	+8.1%
EBITDA	669.0	582.2	+14.9%	335.3	286.9	+16.9%
<i>EBITDA margin</i>	18.6%	17.5%	+1.1ppt	18.2%	16.8%	+1.4ppt
<i>Operating EBITDA margin</i>	19.0%	18.0%	+1.0ppt	19.1%	17.0%	+2.1ppt
EBIT	533.2	472.3	+12.9%	258.7	242.9	+6.5%
<i>EBIT margin</i>	14.8%	14.2%	+0.6ppt	14.0%	14.2%	-0.2ppt
<i>Operating EBIT margin</i>	15.6%	15.3%	+0.3ppt	15.5%	14.5%	+1.0ppt
Free cash flow	178.1	150.2	+18.6%	151.3	108.4	+39.6%
Capital expenditure (before IFRS 16 and acquisitions)	133.7	106.1	+25.9%	68.2	64.6	+5.5%
R&D as % of revenues	5.6%	5.7%	-0.1ppt	5.3%	5.4%	-0.1ppt
Earnings per share (€)	2.13	1.76	+0.37	1.00	0.85	+0.15

	Half year			Second quarter		
	2019	2018	Δ	2019	2018	Δ
	€ million	€ million		€ million	€ million	
RVS division						
Revenues	1,876.0	1,744.2	+7.6%	964.7	910.8	+5.9%
EBITDA	417.0	322.2	+29.4%	217.5	165.4	+31.5%
<i>EBITDA margin</i>	22.2%	18.5%	+3.7ppt	22.5%	18.2%	+4.3ppt
<i>Operating EBITDA margin</i>	22.2%	19.4%	+2.8ppt	22.5%	18.6%	+3.9ppt
CVS division						
Revenues	1,726.7	1,577.3	+9.5%	880.6	796.5	+10.6%
EBITDA	264.2	259.6	+1.7%	123.5	127.4	-3.1%
<i>EBITDA margin</i>	15.3%	16.5%	-1.2ppt	14.0%	16.0%	-2.0ppt
<i>Operating EBITDA margin</i>	16.3%	16.5%	-0.2ppt	15.9%	16.0%	-0.1ppt

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. Some 28,500 expert, dedicated employees at over 100 sites in more than 30 countries deliver products and services to satisfied customers worldwide. In 2018, Knorr-Bremse's two divisions together generated global revenues of €6.6 billion. For more than 114 years, the Company has been at the cutting edge of its industries, driving innovation in mobility and transportation technologies with a leading edge in connected system solutions. One of Germany's most successful industrial companies, Knorr-Bremse profits from the key global megatrends of urbanization, ecoefficiency, digitization and automated driving.

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