

Press Release

Munich, November 27, 2019

Knorr-Bremse AG firmly on track after nine months: sales and profitability up further

- **Outlook for the 2019 fiscal year confirmed:** Sales of between EUR 6,875m and EUR 7,075m, operating EBITDA margin of between 18.5% and 19.5%
- **Further growth:** Group sales increase by 6.4% to EUR 5,313m from January to September 2019
- **Increased profitability:** Operating EBITDA margin of 18.8% vs. 17.9% in prior-year period
- **High inflow of money:** Operating cash flow increases by 71.1% to EUR 554m
- **Sale and lease-back transaction in Munich announced:** Book profit of EUR 46m in Q4 - cash inflow in 2019 and 2020/2021

Munich, November 27, 2019 – Knorr-Bremse, the global market leader for braking systems and a leading supplier of other rail and commercial vehicle systems, today published its nine-month results for 2019.

Ralph Heuwing, CFO of Knorr-Bremse AG said on the occasion of the publication of the results: "We continued our growth in the third quarter of 2019. Despite growing uncertainty, especially in the commercial vehicles segment, we once again managed to increase sales and profitability over the previous year. Our measures for sustainable long-term growth, which we introduced this summer, are beginning to show positive effects. Considering the development of the business, we are confident that we will reach our sales forecast of between EUR 6,875m and EUR 7,075m and an operating EBITDA margin of between 18.5 and 19.5 percent".

Incoming orders at a high level, despite volatile market environment

Defying the volatile market environment, the Knorr-Bremse Group's order intake stood at EUR 5,153m at the end of September (prior-year period: EUR 5,266m). This means the prior year's high was almost reached again.

The rail vehicle market continued to benefit from growth in Asia. In the commercial vehicles division, on the other hand, the economic slowdown in Europe and the resulting sharp decline in commercial vehicles production had a counteracting effect, and led to a decline in new orders. By contrast, the North American market and the business in Asia continued to grow slightly in the reporting period.

After the first nine months, Knorr-Bremse AG's order book totaled EUR 4,403m. This is a decline of 1.0% vs. the prior-year level of EUR 4,449m. While slightly below the prior year's high, the order book is still high, providing an order range of 7.6 months (prior year: 8.0 months). This means that the robust business development can be expected to continue over the next quarters.

Overall, sales between January and September 2019 rose by 6.4% to EUR 5,313m (prior year: 4,994). Adjusted for currency effects, sales increased by 4.5%. Both divisions once again contributed to this growth.

With its robust business model and focus on rail and commercial vehicles, Knorr-Bremse thus continues to set itself apart from other industrial goods markets and particularly the automotive sector, and its competitors.

EBITDA further improved

Based on a further increase in revenues and strict cost control, the Knorr-Bremse Group increased its EBITDA by 12.1% to EUR 982m by the end of September (prior year: EUR 876m). This includes an effect of EUR 40m from the transition to IFRS 16.

EBITDA margin thus increased to 18.5 in the reporting period (previous year: 17.5) %. Adjusted for restructuring expenses for Wülfrath, the operating EBITDA margin was 18.8 (previous year: 17.9) %. In addition to the strong operating performance, efficiency measures introduced in summer also contributed to this result.

The EBIT of the Knorr-Bremse Group increased by 9.0% to EUR 783m in the first nine months of 2019 (prior year: EUR 718m). This corresponds to an EBIT margin of 14.7 (prior year: 14.4) %. Adjusted for restructuring expenses for Wülfrath, the operating EBIT margin was 15.2 % and thus remained at the prior year's high level.

Segments

Rail Vehicle Systems (RVS) reports further increase in sales and earnings

The RVS division increased sales by 6.0% between January and September 2019 to EUR 2,791m (prior year: EUR 2,633m). In addition to further growing its aftermarket business, RVS also benefited from OE growth in Asia as well as in Europe and North America.

European OE sales (mainly Regional & Commuter, HST and LRV) and service business sales were increased both in Europe and particularly also in China and India. By contrast, the North American freight business showed first signs of a slowdown in the third quarter.

The aftermarket share of sales reached 42% in the reporting period (prior year: 41%).

Thanks to positive volume and mix effects, EBITDA improved significantly by 21.3% in the reporting period to reach EUR 606m (prior year: EUR 499m). This corresponds to an EBITDA margin of 21.7 (prior year: 19.0) %.

Commercial Vehicle Systems (CVS) continues revenue growth – Economic slowdown in Europe

Order intake in the CVS division dropped by 5.5% to EUR 2,280m in the first nine months. This is attributable, especially in the third quarter, to the slowdown of the European economy and the consequent cutback of our customers' vehicle production.

CVS division sales at the end of September were EUR 2,524m (prior year: EUR 2,362m) and, hence, by 6.8% above the prior year. The increase in sales was mainly the result of further increases in truck production and the resulting growth in OE sales in North America. Sales in Europe declined slightly due to the economic slowdown. In addition, the acquisition of Hitachi Automotive Systems, Ltd. end of March contributed revenues in the amount of EUR 44m in the first nine months.

The aftermarket share fell slightly to 25 (prior year: 26) % of sales.

EBITDA increased by 1.9% to EUR 394m (387m) in the first three quarters of 2019. By contrast, the EBITDA margin dropped to 15.6 (prior year: 16.4) %. Adjusted for Wülfrath-related restructuring expenses, the operating EBITDA margin was 16.3 (previous year: 16.4) % and, hence, almost unchanged.

Regions

The regional sales contributions showed a significant increase in the North American business. The regional breakdown of sales as at the end of September 2019 was as follows:

- Europe/Africa 47% (prior year: 49%)
- Asia/Pacific 28% (prior year: 28%)
- North America 24% (prior year: 21%)
- South America 2% (prior year: 2%)

High investments – number of employees above the prior year's level

In the first nine months of 2019, Knorr-Bremse invested EUR 214m (prior year: EUR 167m) in new property, plant and equipment and intangible assets, before IFRS 16 and acquisitions. In addition to ongoing on-site projects at the Group's headquarters in Munich, the company also invested in the expansion of production capacities at its North American sites in Huntington and Bowling Green as well as in supplier tools, further replacement and expansion projects for production facilities and IT projects.

The average number of employees during the first nine months rose by 534 to 29,562.

Sale and lease-back transaction at group headquarters in Munich

For the fourth quarter, Knorr-Bremse announced an extensive sale and lease-back transaction in Munich, with which land and buildings will be sold to OPES Business Park am Oberwiesenfeld GmbH and leased back immediately on a long-term basis. As a result, the company will receive a total net cash inflow of around EUR 200m, thereof EUR 134m in 2019 and EUR 66m in 2020/2021. The company expects a book profit of EUR 46m to be recognized in the fourth quarter of 2019 as a result of this transaction. OPES is a property management company and a related party that is part of the real estate companies of Mr. Thiele.

Outlook for the 2019 fiscal year confirmed

Assuming a stable economic environment and taking into account the M&A transactions in 2019 and the first-time application of IFRS 16, Knorr-Bremse confirms its outlook for 2019. In line with the increased forecast as of the end of May, the company continues to expect sales of EUR 6,875m and EUR 7,075m for the current financial year (2018: EUR 6,616m) and an operating EBITDA margin, i.e. before restructuring expenses, with a range of 18.5–19.5% (2018: 18.4%). This does not include effects from the sale and lease-back transaction.

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

Key performance indicators of the Knorr-Bremse Group:

	January–September			Q3		
	2019	2018	Δ	2019	2018	Δ
	mEUR	mEUR		mEUR	mEUR	
Order intake	5,153.0	5,265.5	-2.1%	1,571.8	1,748.5	-10.1%
Order book	4,402.9	4,448.5	-1.0%	4,402.9	4,448.5	-1.0%
Sales	5,312.7	4,994.0	+6.4%	1,711.1	1,671.8	+2.4%
EBITDA	982.2	875.9	+12.1%	313.3	293.7	+6.7%
<i>EBITDA margin</i>	18.5%	17.5%	+1,0ppt	18.3%	17.6%	+0,7ppt
<i>Operating EBITDA margin</i>	18.8%	17.9%	+0,9ppt	18.3%	17.8%	+0,5ppt
EBIT	783.0	718.3	+9.0%	249.8	246.0	+1.6%
<i>EBIT margin</i>	14.7%	14.4%	+0,3ppt	14.6%	14.7%	-0,1ppt
<i>Operating EBITDA margin</i>	15.2%	15.2%	+0,0ppt	14.6%	14.8%	-0,2ppt
Free cash flow	335.1	137.2	+144.1%	156.9	-13.0	n/a
Investments (before IFRS16 and acquisition)	213.9	166.8	+28.3%	80.3	60.6	+32.5%
R&D in% of sales	5.8%	6.8%	-1,0ppt	6.1%	8.9%	-2,8ppt
Earnings per share (in EUR)	2.69	2.89	-0.20	0.56	1.13	-0.57

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 28,500 employees at over 100 sites in more than 30 countries use their skills and motivation to satisfy customers worldwide with products and services. In 2018, Knorr-Bremse's two divisions together generated sales of 6.6 billion euros. 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 mega trends: urbanization, eco-efficiency, digitization and automated driving.

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