

Press release

Munich, 28 November 2018

Knorr-Bremse presents strong figures for the first nine months of 2018

- **Successful IPO:** Shares placed on 12 October amidst challenging market backdrop
- **Strong growth:** Revenues grow by 9.5% to 4.994 mEUR during the first nine months of 2018. Both segments contributing
- **Improved profitability:** EBITDA rises by 12.6% against previous year to 876 mEUR, margin expands by 40 basis points to 17.5% (previous year 17.1%)
- **Strong order book:** Order backlog grows by 11.9% against previous year to 4.449 mEUR, underscoring good medium-term prospects
- **Guidance for fiscal year 2018:** Revenues 6.6-6.7bn EUR, EBITDA margin of 17.5%-18.5%

Munich, 28 November 2018 – 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 first nine-month results as a listed company.

Klaus Deller, Knorr-Bremse AG's CEO, said: „Our company is performing exactly as we had expected. At the leading trade fares in September we demonstrated that we are driving the industry as innovation leader, and that Knorr-Bremse continues to be viewed as the benchmark in our industry. Our above-average R&D costs of 6.8% of revenues pay dividends and we intend to generate above-average growth, based on sector megatrends, also in the medium term.” Ralph Heuwing, CFO, adds: „Our nine-month figures deliver on our promise and confirm the positive development of the full year. We are confident that Knorr-Bremse will be able to present strong results for the year of its debut on the stock exchange 2018.”

Strong organic growth

During the first nine months of fiscal year 2018, revenues increased by 9.5%, or 432 mEUR, to 4.994bn EUR. Currency adjusted the revenues would have increased by an additional ca. 2%.

In the Rail Vehicle Systems (RVS) segment, the rise is primarily due to growth in the European brakes business, as well as positive developments in Asia/Australia. In China, a moderate decrease in the high-speed business was overcompensated by increases in Mass Transit, Regional/Commuter, Locomotives, and the Aftermarket business. Moreover, revenues in the Indian passenger as well as the North American freight businesses continue to show positive momentum.

Growth in the Commercial Vehicle Systems (CVS) segment was the result of a higher truck production rate and resulting revenue increases in the OE business, first and foremost in North America. That said, all other markets also showed revenue growth.

EBITDA and EBIT margins improved further

During the first nine months of the year 2018, the group generated an EBITDA of 876 mEUR, an increase of 98 mEUR or 12.6% on the same period last year. As a result, EBITDA margin rose by 40 basis points to 17.5%, from 17.1%.

Based on this increase and lower disposal-related write-downs, the group was able to lift its EBIT by 101 mEUR, or 16.5%, to 718 mEUR.

Order backlog underscores medium-term outlook

Knorr-Bremse's order backlog reached a new high of 4.449bn EUR at the end of the third quarter, an increase of 11.9% against prior year. Both segments contributed: worldwide orders in RVS are robust; in CVS the truck production rate and content per vehicle continue to be on the rise.

Segments

Revenues in RVS were 9.1% higher than prior year at 2.633 mEUR. EBITDA came in at 499 mEUR during the same period, leading to an EBITDA margin of 19.0% (prior year 18.2%). EBIT margin grew by 140 basis points to 15.8%, primarily owing to positive margin contributions from Asia.

The Aftermarket share of revenues during the period amounted to 40%. As a result of the strong revenue contribution of the OE business, this was slightly lower than the 42% of the prior year.

Revenues in CVS were 9.8% over prior year, at 2.362 mEUR. EBITDA increased to 386 mEUR, leading to a slightly improved margin of 16.4% (16.3% for the same period 2017). EBIT margin came in at 13.7%, also higher than last year (13.4%). Hence, the segment delivered a solid result in spite of a slight decrease of the Aftermarket contribution of 26% of revenues (28% prior year), which was due to the North America business.

Regions

Regional revenue contributions were almost unchanged on last year: 49.4% Europe/Africa (prior year 50.0%), 21.3% North America (prior year 21.5%), 1.6% South America (prior year 1.6%), 27.7% Asia/Australia (prior year 26.9%).

Investments and employment above last year

During the first nine months of 2018, the company invested 230 mEUR in tangible and intangible assets (148 mEUR prior year). In particular, capex was focused on additional capacity, productivity improvements and replacements. The figure also includes the asset deal of Federal Mogul's friction material business. R&D expenses rose slightly to 6.8% of revenues, from 6.7% during the same period last year.

The average number of employees during the period rose by 2.491 to 29.028.

Outlook for 2018

Assuming a stable economic backdrop, the company expects to generate 6.7-6.8bn EUR in revenues for the full year 2018 (2017: 6.154 mEUR), and an EBITDA margin within a range of 17.5% to 18.5% (2017: 18.1%).

The medium-term outlook remains unchanged.

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

Key figures of Knorr-Bremse Group:

	Nine months			3rd quarter		
	2018	2017	Δ	2018	2017	Δ
	mEUR	mEUR		mEUR	mEUR	
Revenues	4,994	4,563	+9.5%	1,672	1,587	+5.4%
EBITDA	876	778	+12.6%	294	260	+12.9%
<i>margin</i>	17,5%	17,1%	+0.4 ppt	17.6%	16.4%	+1.2 ppt
Order backlog	4,449	3,977	+11.9%			
Free Cashflow	137	190	-27.6%			
Investments	230	148	+55.3%			
R&D in % of revenue	6.8%	6.7%	+0.1 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 2017, Knorr-Bremse's two divisions together generated revenues of EUR 6.2 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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