

Press release

Munich, March 11, 2020

Knorr-Bremse AG presents strong preliminary FY19 results – Aims for climate neutrality in 2021

- **Guidance 2019 fully achieved:** Group and both divisions performing to plan
- **Proof of resilience:** Order intake up by 0.9% to 7,066 mEUR after strong Q4 (+10.2%)
- **Dynamic revenue growth:** Group revenues up by 4.8% to 6,937 mEUR (2018: 6,616 mEUR), both segments outgrew their respective markets: RVS +5.6% and CVS +3.8%
- **Continued profit growth:** 12,8% increase in reported EBITDA to 1,329 mEUR (2018: 1,178 mEUR), 8.2% increase in operating EBITDA to 1,303 mEUR (2018: 1,204 mEUR), operating EBITDA margin increase to 18.8% from 18.4% in previous year
- **Guidance for 2020:** Solid outlook for 2020 despite downturn in truck production, revenues 6,500 - 6,900 mEUR, operating EBITDA margin corridor 18.0% - 19.0%, assuming limited Covid-19 impact and stable economic and political conditions, China business currently recovering and global supply chain has remained stable
- **Company to become carbon neutral by 2021:** Enhanced focus on energy efficiency, green electricity self-production and procurement to halve its CO₂ emissions by 2030, remainder to be offset by high quality certificates

Munich, March 11, 2020 – Knorr-Bremse, the global market leader for braking and other systems for rail and commercial vehicles, today reported strong preliminary full-year 2019 results, with total revenues up 4.8% and reported EBITDA margin up 140bp to 19.2%.

“2019 was a successful year for us. We delivered on our capital market guidance and secured our market leadership. With the plant closure in Wülfrath and the exit from the Powertech business we took important measures to safeguard our profitability going forward”, said Bernd Eulitz, CEO of Knorr-Bremse AG. “In the fourth quarter, both our businesses CVS and RVS benefited from strong orders, which underlines the resilience of our business model in a challenging economic environment.”

Strong order intake underlines the resilient business model of Knorr-Bremse

With 7,066 mEUR and a book-to-bill ratio of 1.02, Knorr-Bremse's order intake expanded by 0.9%. The company's order book reached a new peak of 4,692 mEUR at the end of 2019, an increase of 2.8% (2018: 4,563 mEUR).

Dynamic revenue growth and continued profit growth

Full-year revenues increased by 4.8% to 6,937 mEUR (2018: 6,616 mEUR) and thereby outperformed both respective markets. Rail Vehicle Systems (RVS) grew by 5.6% to 3,656 mEUR (2018: 3,462 mEUR) vs. a rolling stock market growth of +2.6%. Commercial Vehicle Systems (CVS) grew by 3.8% to 3,280 mEUR (2018: 3,160mEUR), outgrowing global truck production rate of -4.5% significantly. Both RVS and CVS revenues benefited from a healthy aftermarket and strong support from the APAC region.

At Group level, Knorr-Bremse generated a reported EBITDA of 1,329 mEUR, an increase of 12.8% on 2018 (1,178 mEUR). This corresponds to a margin of 19.2%, significantly higher than 2018 (17.8%). Operating EBITDA, excluding restructuring costs and book profit from the

sale and lease back transaction in Munich, but including IFRS 16 effects, amounted to 1,303 mEUR (2018: 1,204 mEUR) and an operating margin of 18.8% (2018: 18.4%) – well within the guidance corridor.

Group EBIT for 2019 came to 1,063 mEUR, up 9,3% yoy (2018: 972 mEUR) and corresponding to a margin of 15.3%, 60 bps over last years level at 14.7%. Operating EBIT margin reached 15.1%, after 15.6% in 2018.

Segments

Rail Vehicle Systems (RVS)

Order intake in the division RVS grew by 5.8% to 4,017 mEUR (2018: 3,798 mEUR). Reported revenues at 3,656 mEUR were 5.6% higher than in the previous year (2018: 3,462 mEUR). Major growth drivers were the regional / commuter and freight businesses. In Europe the market in 2019 showed a temporary normalization of demand. Timing of projects in highspeed and metro caused a shift of revenues between the quarters. Asia showed an overall stronger business from passenger, freight and regional as well as strong aftermarket business. In North America, the regional business showed a positive development. The Powertech business was sold end of Q3 2019.

Higher revenues and a favourable project and aftermarket mix contributed to an EBITDA margin of 22.3% (2018: 20.0%), operating EBITDA margin stood at 22.3% (2018: 20.8%).

Aftermarket revenues grew by 9.1% and generated 42.0% of total revenues (2018: 40.7%).

Commercial Vehicle Systems (CVS)

CVS order intake at 3,051 mEUR came out 4.9% lower than in the previous year (3,208 mEUR), while revenues grew by 3.8% over prior year, to 3,280 mEUR (2018: 3,160 mEUR). In contrast, in 2019 the global truck production rate (TPR) declined by -4.5%, proving continued Knorr-Bremse's outperformance. Europe showed a market normalization while the TPR was still 5.0% above long-term average. China also grew despite a decreasing TPR. In North America the expected market downswing started in Q4 2019 accelerated by customer de-stocking.

Operating EBITDA margin softened by 30 basis points to an further above average 16.0% (2018: 16.3%) reflecting a moderate negative operating leverage from organic revenue decline. Margin was slightly diluted by the Hitachi acquisition, Japan, and operating losses at the Wülfrath site which will be closed in 2020. Cost measures set up in Q4 2019 had a positive impact but could not fully compensate revenue decrease.

The aftermarket share of CVS revenues during the period grew to 25.7% from 25.2% in 2018.

R&D expenses and employment above last year

During 2019, the company increased its R&D spend by 9.1% to 397 mEUR (2018: 364 mEUR). Strong top-line growth led to a moderate increase in the R&D ratio of 5.7% (2018: 5.5%). With more than 3,600 employees in the R&D business Knorr-Bremse positions itself as innovation leader clearly ahead of its competitors. Key areas of development for RVS covered brake distance management, SmartSlide door systems, environmental friendly CO₂ airconditioning (HVAC) and digital products and services. CVS focused on the next generation of air disk brakes, the new modular global electronic brake system as well as products and systems for eMobility and autonomous driving.

The number of employees at the end of the year rose by 1.6% to 28,905, thereby less than sales.

Solid outlook for 2020 despite truck downturn in truck production

The measures to contain Covid-19 spread in China lead to a moderate revenue impact of approx. 60 mEUR in February 2020 for our Chinese business relative to our original plan. While the well-being of our employees deserved our immediate care, we also put significant attention to our global supply chain. As of now, we remain confident to manage the delivery of our products without major disruptions. More than 80% of our Chinese workforce has been allowed to return to our plants by now and production is ramping up fast to planned capacities. As the Chinese government is executing economic stimulus measures with first initiatives announced in the Rail segment, we remain positive and strongly committed on the development of our business in China.

Albeit too early and too dynamic to quantify the full-year impact of Covid-19, it is likely to negatively impact the financial performance in H1/20. The ability to compensate for any revenue shortfall until year end 2020, while from today's perspective possible, will depend on the further development of Covid-19 spread, also outside of China. Assuming economic and political stability, the company expects to generate revenues of 6,500-6,900 mEUR for the full year 2020, and an operating EBITDA margin in the range of 18.0-19.0%. In case the global economy was to deteriorate beyond today's expectation, we are prepared to act fast with appropriate cost programs.

Bernd Eulitz: "Looking ahead, Knorr-Bremse is determined to continue its profitable growth strategy towards 2022. With the cost efficiency measures initiated last year, we have prepared the company well for temporarily slower growth in the CVS business. We will also continue to actively leverage the four megatrends urbanization, sustainability, digitalization and mobility and further invest in R&D and IT." In September 2020 Knorr-Bremse will showcase its newest products and innovations at this year's IAA and InnoTrans for its CVS and RVS divisions, respectively.

Climate neutrality by 2021 and halving CO₂ emissions by 2030

Knorr-Bremse committed itself to the ambitious goal of becoming carbon neutral by 2021. With this, the company would be one of the first major industrial companies to accomplish this important goal. "While following our profitable growth path with accelerated R&D and IT investments, we will contribute to address society's challenges. We renew our commitment to ESG excellence. Sustainability is at the heart of our business model. The transformation of global mobility is a crucial part in tackling climate change. Through our products, we provide compelling answers to sustainable mobility solutions of the future," says Bernd Eulitz, CEO of Knorr-Bremse.

Knorr-Bremse will gradually raise the proportion of the renewable energy it generates or sources and continuously increase the energy efficiency of all its sites. The company has set the target to halve its CO₂ emission by 2030. Further the company will compensate CO₂ emissions, which have not yet been scaled down by carbon offsets to achieve climate neutrality as early as 2021.

Knorr-Bremse's efforts are in line with the UN's Sustainable Development Goals (SDGs) and the Paris Agreement of 2015 (COP21). "We believe that our increased climate efforts will not only generate a positive impact for society and the environment, but also provide attractive long-term financial returns," remarks Ralph Heuwing, CFO of Knorr-Bremse and in charge of

Corporate Responsibility. “The inclusion in the new DAX 50 ESG index with a low average exposure is a nice confirmation of our efforts.”

The above figures are preliminary and unaudited. Full results and the the full annual report will be available from April 23, 2020 on www.knorr-bremse.com

The annual press conference with CEO Bernd Eulitz and CFO Ralph Heuwing on the preliminary FY 2019 numbers will be broadcasted today at 9:00am CET. The broadcast will be available on our website at www.knorr-bremse.com

An investor conference call with CEO Bernd Eulitz and CFO Ralph Heuwing to discuss the preliminary FY 2019 numbers will take place today at 1:15pm CET. Presentations are available on our website at www.knorr-bremse.com

Key figures of Knorr-Bremse Group:

	Full year			4th quarter		
	2019	2018	Δ	2019	2018	Δ
	mEUR	mEUR		mEUR	mEUR	
Order intake	7,066	7,001	+0.9%	1,913	1,736	+10.2%
Order book	4,692	4,563	+2.8%			
Revenues	6,937	6,616	+4.8%	1,624	1,622	+0.1%
EBITDA	1,329	1,178	+12.8%	346	302	+14.7%
<i>margin</i>	19.2%	17.8%	+140bp	21.3%	18.6%	+270bp
Operating EBITDA*	1,303	1,204	+8.2%	304	320	(4.9%)
<i>Operating EBITDA margin*</i>	18.8%	18.4%	+40bp	18.7%	19.8%	(110bp)
EBIT	1,063	972	+9.3%	280	254	+10.1%
R&D in % of revenue	5.7%	5.5%	+20bp			
Employees	28,905	28,452	+1.6%			

* 2019 excludes restructuring costs and book profit from sale & lease back in Munich, but includes IFRS 16 effects; 2018 eliminating disposals and IPO cost-reimbursement

Key figures of the divisions:

	Full year			4th quarter		
	2019	2018	Δ	2019	2018	Δ
	mEUR	mEUR		mEUR	mEUR	
RVS						
Order intake	4,017	3,798	+5.8%	1,141	943	+21.0%
Revenues	3,656	3,462	+5.6%	865	829	+4.3%
EBITDA	815	693	+17.6%	209	194	+8.0%
margin	22.3%	20.0%	+230bp	24.2%	23.4%	+80bp
Operating EBITDA*	815	704	+15.7%	209	197	+6.4%
Operating EBITDA margin*	22.3%	20.8%	+150bp	24.2%	23.8%	+40bp
CVS						
Order intake	3,051	3,208	(4.9%)	771	795	(3.0%)
Revenues	3,280	3,160	+3.8%	756	798	(5.2%)
EBITDA	504	516	(2.5%)	110	130	(15.4%)
margin	15.4%	16.3%	(90bp)	14.5%	16.3%	(180bp)
Operating EBITDA*	523	516	+1.3%	113	130	(13.0%)
Operating EBITDA margin*	16.0%	16.3%	(30bp)	14.9%	16.3%	(140bp)

* 2019 excludes restructuring costs and book profit from sale & lease back in Munich, but includes IFRS 16 effects; 2018 eliminating disposals and IPO cost-reimbursement

About Knorr-Bremse

Knorr-Bremse (ISIN: DE000KBX1006, ticker symbol: KBX) is the global market leader for braking and other 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 29,000 employees at over 100 sites in more than 30 countries use their skills and motivation to satisfy customers worldwide with products and services. In 2019, Knorr-Bremse's two divisions together generated sales of 6.9 billion euros. For more than 115 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, sustainability, digitalization and mobility.

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