

Press Release

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Knorr-Bremse ideally placed for further growth after record figures in 2017

- Sales up 13.5% at EUR 6.24 billion (2016: EUR 5.49 bn)
- EBITDA rose to EUR 1.06 billion (2016: EUR 1.01 bn) despite extraordinary expenses
- Net income increased to EUR 580 million (2016: EUR 550 m)
- R&D expenditure reached EUR 359 million or 6% of sales (2016: EUR 328 m)
- 2018 targets: sales growth to EUR 6.4 – 6.6 billion; EBITDA margin 17 – 19%

Knorr-Bremse, the world's leading manufacturer of braking systems and additional sub-systems for rail and commercial vehicles, can look back on a record year.

In fiscal 2017, the Company posted an increase in sales to a record EUR 6.24 billion (2016: EUR 5.49 bn) on the back of expansion of its systems offering and its global market position. Despite substantial extraordinary expenses (in the amount of EUR 75 m) resulting from foreign exchange effects, the bid for Haldex and the cost of conversion to IFRS, EBITDA for 2017 totaled EUR 1.06 billion (2016: EUR 1.01 bn). In line with IFRS, adjusted EBITDA (still to be audited) reached EUR 1.14 billion. Net income rose to EUR 580 million (2016: EUR 550 m). Incoming orders were 16.3% up on the previous year, outpacing consolidated sales growth to reach EUR 6.66 billion (2016: EUR 5.72 bn). Orders on the books at year-end were up 19.8% at EUR 4.98 billion (2016: EUR 4.15 bn).

“Despite high extraordinary expenses we closed our books on 2017 with a set of record figures and will continue to pursue our path to profitable and sustainable growth,” said Klaus Deller, Chairman of the Executive Board of Knorr-Bremse AG. “Digitalization, autonomous driving, and electrification are the trends of the future that will shape the business of our two divisions over the coming decade. Thanks not least to targeted acquisitions such as Knorr-Bremse SteeringSystems for automated driving or Kiepe Electric for electrification, we are ideally positioned for these developments and together with our customers and partners we are going to actively shape the transportation of the future,” Deller added.

“Since 2005, Knorr-Bremse has posted average sales growth of 7.1% and EBITDA growth of 9.7%. On top of this, the Company can boast an outstanding financial profile with which we are well equipped to face the current and future challenges of the market,” said Ralph Heuwing, Chief Financial Officer of Knorr-Bremse AG.

Generating new impetus for growth

In fiscal 2017, Knorr-Bremse continued to drive forward its strategy for profitable and sustainable growth. Through the integration of Kiepe Electric, the globally active supplier of electrical equipment for rail vehicles and buses, Knorr-Bremse added state-of-the-art drive technology for rail and commercial vehicles to its portfolio. In addition, Knorr-Bremse expanded its collaboration with Dongfeng Motor Group of China to include development of automated manual transmissions for the truck market in Asia. With this step, Knorr-Bremse obtained even wider access to the world's largest commercial vehicle market.

In March 2017, the Company also completed its acquisition of the Bosch Transmissions Systems (TRS) division in Japan. The transmission components developed, manufactured and marketed by TRS for on-highway commercial vehicles open up additional opportunities

for growth in what is a key market. By accessing the steering business through Knorr-Bremse SteeringSystems, the Company has also become the world's first vendor to be able to offer braking and steering systems with smart connectivity from a single source. This puts Knorr-Bremse in a position to provide the basis for complex driver assistance systems, all the way to fully autonomous vehicles. Knorr-Bremse sees great potential for growth in this sector.

High investments in research & development

As a core element of its strategy for profitable and sustainable growth, Knorr-Bremse further expanded its research & development (R&D) activities. Total expenditure on R&D and customer-specific development modifications rose to EUR 359 million in fiscal 2017 (2016: EUR 328 m), which equates to approximately 6% of sales.

Workforce reaches almost 28,000 employees

At year-end 2017, the Knorr-Bremse Group employed a total of 27,705 persons (year-end 2016: 24,565) which represents a year-on-year increase of 12.8%.

Development of business by division

The **Rail Vehicle Systems** division posted sales of EUR 3.33 billion (2016: EUR 2.99 bn). Adjusted for foreign exchange effects, this is the highest level of sales ever recorded by the division. The sharp rise in sales revenues reflects in particular buoyant market demand in Europe, as well as the contribution to sales of the newly acquired Kiepe Electric. At the same time, developments in North America and the Asia/Australia region were also positive. One key milestone was the order covering the braking systems for approximately 1,500 cars for the Chinese high-speed segment, some of which are also to be equipped with IFE entrance systems and/or HVAC systems from Merak. Also in China, the volume of overhaul work on vehicles with braking systems increased to more than 2,000 cars. The division reported income before taxes of EUR 543 million (2016: EUR 512 m).

The **Commercial Vehicle Systems division** also returned record sales of EUR 2.93 billion (2016: EUR 2.52 bn). Income before taxes totaled EUR 385 million (2016: EUR 328 m). All regions contributed equally to this top-class performance. In particular, the expansion of collaboration with Dongfeng Motor Group of China to include development of the transmission control units for new generations of heavy-duty trucks will continue to have a positive impact on the development of the division.

Knorr-Bremse cares

At both global and local levels, Knorr-Bremse assumes responsibility for responding to societal challenges. The Company's commitment is based on two pillars: Knorr-Bremse Global Care e.V. and Knorr-Bremse Local Care. In 2017, both divisions of the Knorr-Bremse Group supported the independent charitable organization Knorr-Bremse Global Care. Global Care aims to support projects for people in need, both in countries where there are Knorr-Bremse sites and in developing countries around the world. In 2017, funding of two million euros reached a total of 36,310 people worldwide. Key project areas were the fields of education and WASH (water, sanitation and hygiene).

Heading into fiscal 2018 with confidence

For fiscal 2018, Knorr-Bremse is anticipating a continuing volatile market environment. The topics of digitalization, autonomous driving, and electrification will shape the business of both divisions over the coming decade and beyond. Against this backdrop, the Knorr-Bremse Group is aiming for a modest rise in sales to between EUR 6.4 and 6.6 billion and targeting an EBITDA margin of 17 to 19%. "In view of the foreseeable changes in our markets, we will be making above-average investments in product development in order to

be even better equipped to deal with the restructuring of the entire industry and thus well placed to face the future,” commented Deller.

Knorr-Bremse at a glance

In EUR millions	2016	2017	Change year on year
Sales	5,494	6,236	+13.5%
Rail Vehicle Systems	2,990	3,325	+11.2%
Commercial Vehicle Systems	2,523	2,928	+16.1%
EBITDA	1,011	1,060	+4.8%
EBIT	832	853	+2.5%
EBT	829	841	+1.4%
Rail Vehicle Systems	512	543	+6.1%
Commercial Vehicle Systems	328	385	+17.4%
Net income for the year	550	580	+5.5%
Free cash flow	301	308	+2.3%
Capital expenditure	195	186	-4.6%
R&D expenditure	328	359	+9.5%
Employees (number)	24,565	27,705	+12.8%

Caption 1: Klaus Deller, Chairman of the Executive Board of Knorr-Bremse AG: “Digitalization, autonomous driving, and electrification are the trends of the future that will shape the business of our two divisions over the coming decade. Together with our customers we will be leveraging our expertise and global presence to influence and shape the transportation of the future.” | © Knorr-Bremse

Caption 2: “Since 2005, Knorr-Bremse has posted average sales growth of 7.1% and EBITDA growth of 9.7%. On top of this, the Company can boast an outstanding financial profile with which we are well equipped to face the current and future challenges of the market,” said Ralph Heuwing, Chief Financial Officer of Knorr-Bremse AG. | © Knorr-Bremse

Caption 3: The years ahead can be expected to bring a further increase in the volumes handled by parcel and courier services, driven mainly by online retailing. This will be accompanied by a rise in freight traffic by rail and road. | © Knorr-Bremse

Caption 4: The Knorr-Bremse Development Center in Munich hosts more than 100 high-tech test benches and other testing facilities. | © Knorr-Bremse

Knorr-Bremse is the leading manufacturer of braking systems and supplier of additional sub-systems for rail and commercial vehicles, with sales totaling over EUR 6 billion in 2017. In 30 countries, some 28,000 employees develop, manufacture, and service braking, entrance, control, and energy supply systems, HVAC and driver assistance systems, as well as steering systems, and powertrain and transmission control solutions. As a technology leader, through its products the company has been making a decisive contribution to greater safety by road and rail since 1905.

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