

Financial Results Q1/19 – Capital Market Call

RALPH HEUWING | CFO

MAY 29, 2019

Q1

January 1 to March 31, 2019

Disclaimer

IMPORTANT NOTICE

This presentation has been prepared for information and background purposes only. It does not constitute or form part of, and should not be construed as, an offer of, a solicitation of an offer to buy, or an invitation to subscribe for, underwrite or otherwise acquire, any securities of Knorr-Bremse AG (the “Company”) or any existing or future member of the Knorr-Bremse Group (the “Group”), nor should it or any part of it form the basis of, or be relied on in connection with, any contract to purchase or subscribe for any securities of the Company, any member of the Group or with any other contract or commitment whatsoever. This presentation does not constitute and shall not be construed as a prospectus in whole or in part.

Any assumptions, views or opinions (including statements, projections, forecasts or other forward-looking statements) contained in this presentation represent assumptions, views or opinions of the Company as of the date indicated and are subject to change without notice. The Company disclaims any obligation to update or revise any statements, in particular forward-looking statements, to reflect future events or developments. All information not separately sourced is derived from Company’s data and estimates. Information contained in this presentation related to past performance is not an indication of future performance. The information in this presentation is not intended to predict actual results, and no assurances are given with respect thereto.

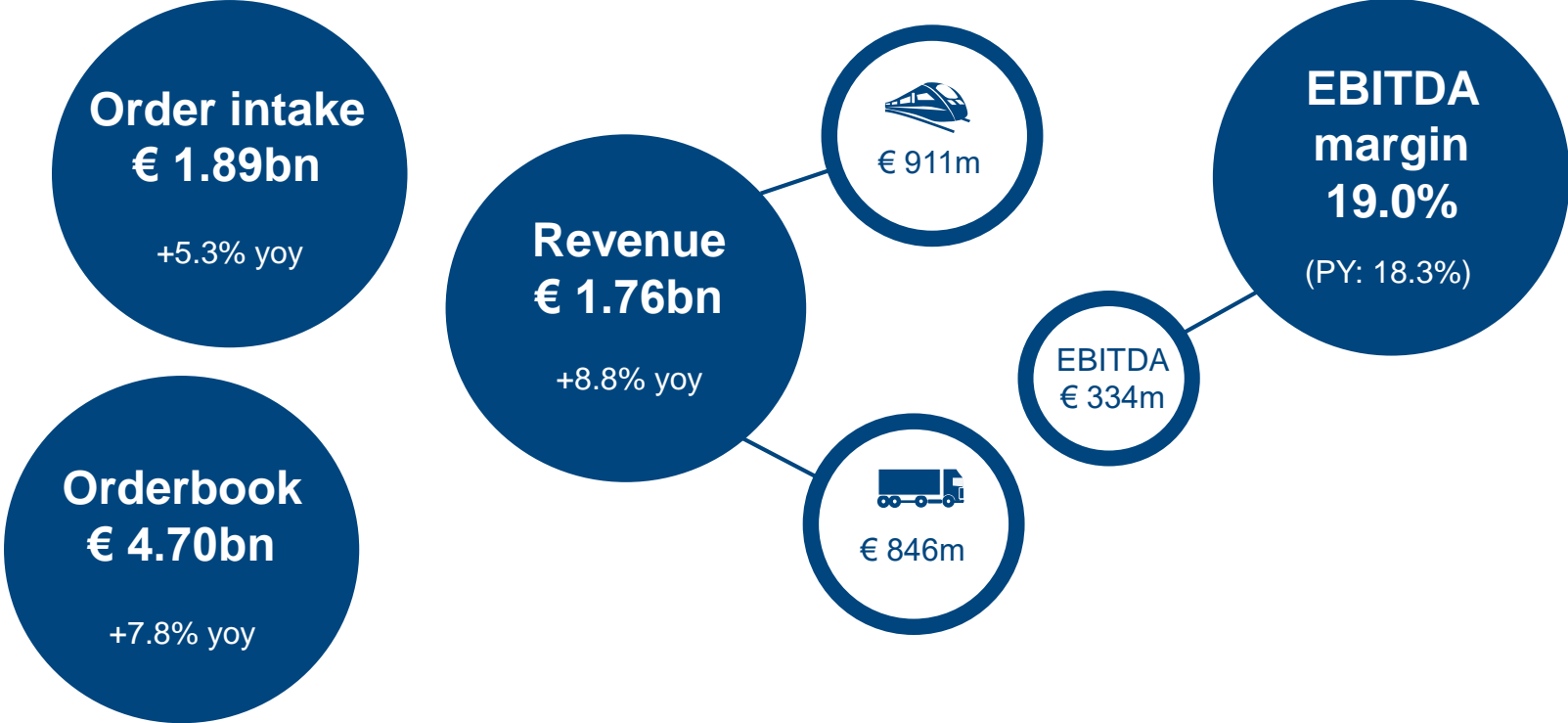
The information contained in this presentation has not been independently verified, and no representation or warranty, express or implied, is made as to the fairness, accuracy, completeness or correctness of the information contained herein, and no reliance should be placed on it. Neither the Company nor its advisers and any of their respective affiliates, officers, directors, employees, representatives and advisers, connected persons or any other person accepts any liability for any loss howsoever arising (in negligence or otherwise), directly or indirectly, from this presentation or its contents or otherwise arising in connection with this presentation. This shall not, however, restrict or exclude or limit any duty or liability to a person under any applicable law or regulation of any jurisdiction which may not lawfully be disclaimed (including in relation to fraudulent misrepresentation).

Historical financial or operative information contained in this presentation, if not taken or derived from our accounting records or our management reporting or unless otherwise stated, is taken or derived from financial statements prepared in accordance with either IFRS (for the financial years 2014-2019) or German GAAP (HGB) (for the financial years 1989-2019), each as indicated in this presentation, for the respective period. The financial statements prepared in accordance with IFRS may deviate substantially from (segmental or other) information in the financial statements prepared in accordance with German GAAP (HGB) and, thus, may not be fully comparable to such financial statements. Accordingly, such information prepared in accordance with German GAAP (HGB) is not necessarily indicative for the future results of operations, financial position or cash flows for financial statements prepared in accordance with IFRS. All amounts are stated in million euros (€ million) unless otherwise indicated. Rounding differences may occur. This presentation contains certain supplemental financial or operative measures that are not calculated in accordance with IFRS or German GAAP (HGB) and are therefore considered as non-IFRS measures. The Group believes that such non-IFRS measures used, when considered in conjunction with (but not in lieu of) other measures that are computed in accordance with IFRS, enhance the understanding of our business, results of operations, financial position or cash flows. There are, however, material limitations associated with the use of non-IFRS measures including (without limitation) the limitations inherent in the determination of relevant adjustments. The non-IFRS measures used by us may differ from, and not be comparable to, similarly-titled measures used by other companies.

This presentation includes “forward-looking statements.” These statements contain the words “anticipate”, “believe”, “intend”, “estimate”, “expect” and words of similar meaning. All statements other than statements of historical facts included in this presentation, including, without limitation, those regarding the Company’s financial position, business strategy, plans and objectives of management for future operations (including cost savings and productivity improvement plans) are forward-looking statements. By their nature, such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of the Company to be materially different from results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Company’s present and future business strategies and the market environment in which the Company will operate in the future. These forward-looking statements speak only as of the date of this presentation. Each of the Company, the relevant Group entities and their respective agents, employees and advisers, expressly disclaims any obligation or undertaking to update any forward-looking statements contained herein. You are urged to consider these factors carefully in evaluating the forward-looking statements in this presentation and not to place undue reliance on such statements.

To the extent available, the industry and market data contained in this presentation has come from official or third party sources. Third party industry publications, studies and surveys generally state that the data contained therein have been obtained from sources believed to be reliable, but that there is no guarantee, representation or warranty (either expressly or implied) of the accuracy or completeness of such data or changes to such data following publication thereof. Third party sources explicitly disclaim any liability for any loss or damage, howsoever caused, arising from any errors, omissions or reliance on any information or views contained in their reports. Accordingly, undue reliance should not be placed on any of the industry or market data contained in this presentation.

Financial highlights Q1/19 – successful start into 2019



In Q1/19 Knorr-Bremse invested over € 200m in M&A

Hitachi

Sentient

RailVision

Snyder

Railnova

Closing

29.03.2019

01.02.2019

13.03.2019

15.03.2019

10.04.2019

Hitachi Steering

sentient



Purchase price / Stake / FY sales

€ 165m / 100% / € 80m¹⁾

€ 15m / 50% / n/a

\$ 10m / 21.3% / n/a

\$ 19m / 100% / \$ 14m

€ 7m / 32% / € 4m

- CVS power steering components/systems
- Milestone for providing ADAS & HAD systems

Strategic invest in software and IP rights for CVS power steering

Strategic invest in obstacle detection systems for automated driving

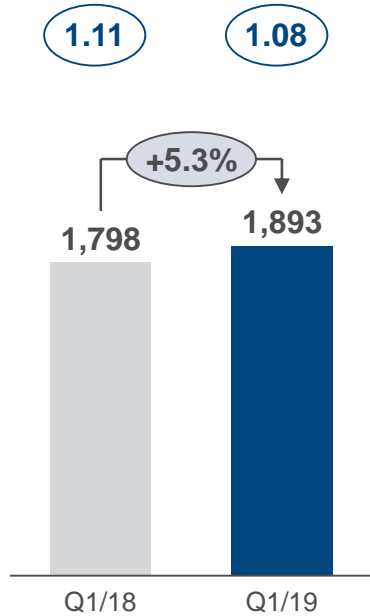
AM potential for remanufacturing of locomotive components

Strategic invest in predictive fleet diagnostics

Q1/19 key figures: strong top-line development

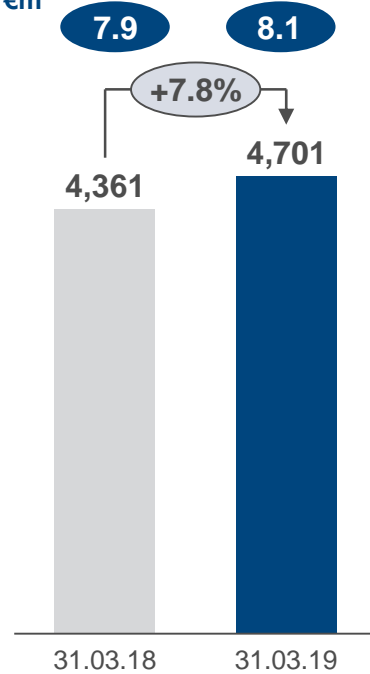
Order intake

€m



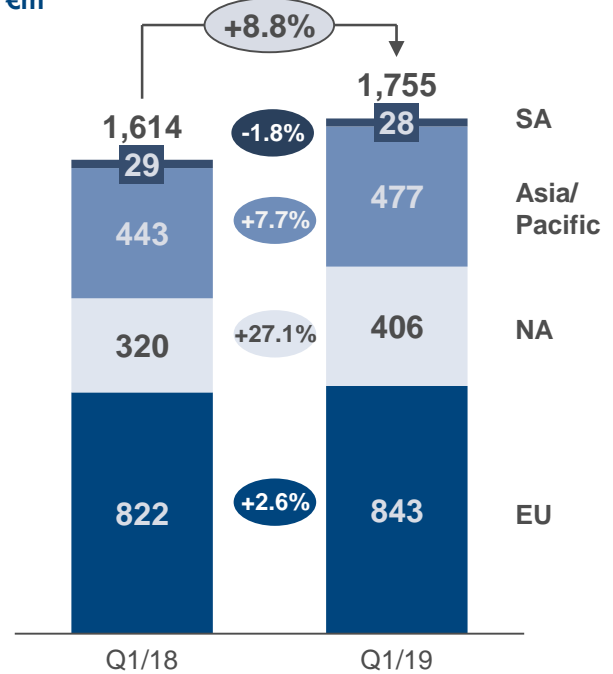
Order book

€m



Revenue

€m

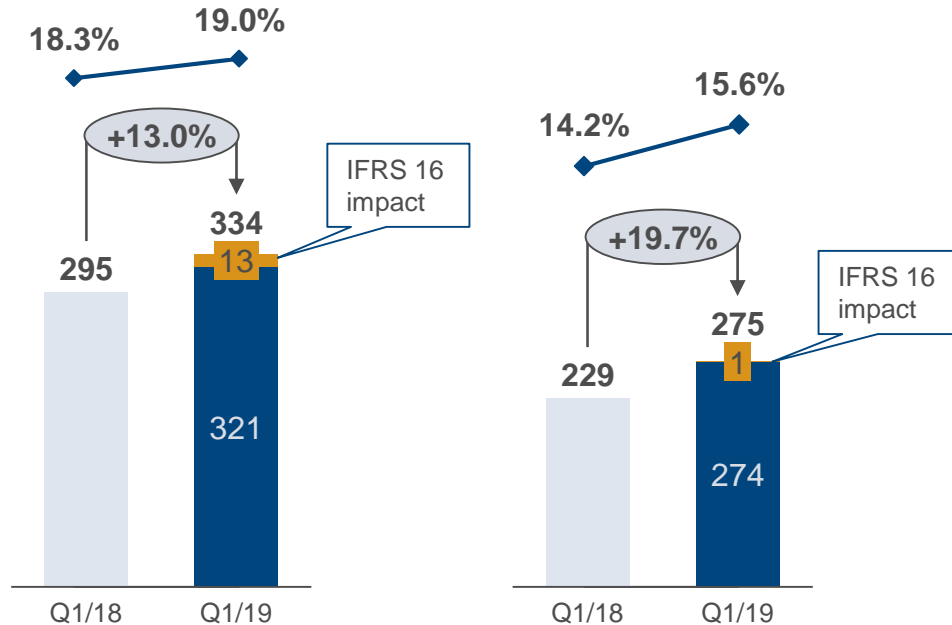


Q1/19 key figures: solid margin development

EBITDA

€m

EBIT

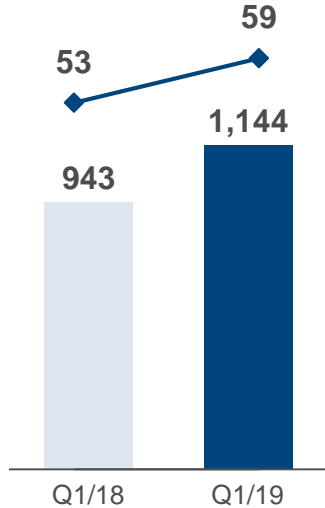


- Margins above 2018 and within guidance
- RVS with margin expansion vs. Q1/19
- CVS in line with Q3/Q4 2018
- Stable AM share at 31% (Q1/18: 31%)
- IFRS16 impact in Q1/19:
 - EBITDA +70bp
 - EBIT +5bp
- Disposal impact in Q1/18:
 - EBITDA € -8m
 - EBIT € -29m

Good development of operating cash flow in Q1/19

NWC

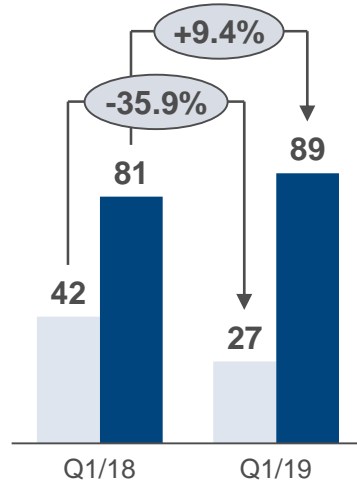
€m ◆ Scope of days



Improvement of NWC towards year end expected

FCF&OCF

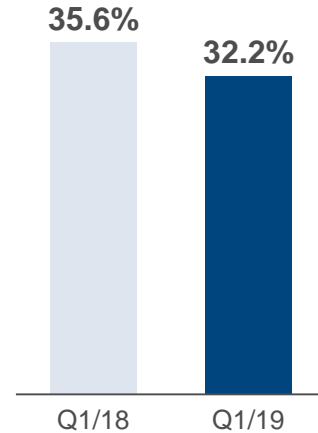
€m ■ FCF ■ OCF



Development of FCF mainly driven by CapEx increase

ROCE

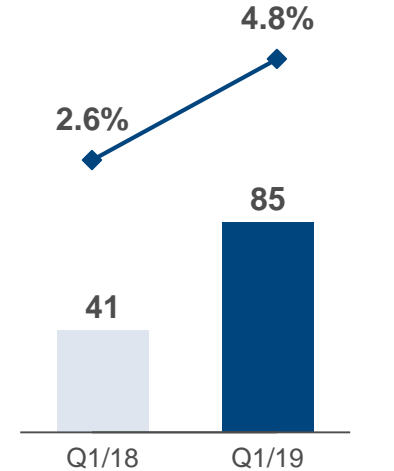
%



IFRS16 impact on ROCE of -300bps in Q1/19

CapEx¹

€m ◆ % of sales



Expansion of ADB capacity in NA and site investment in Munich

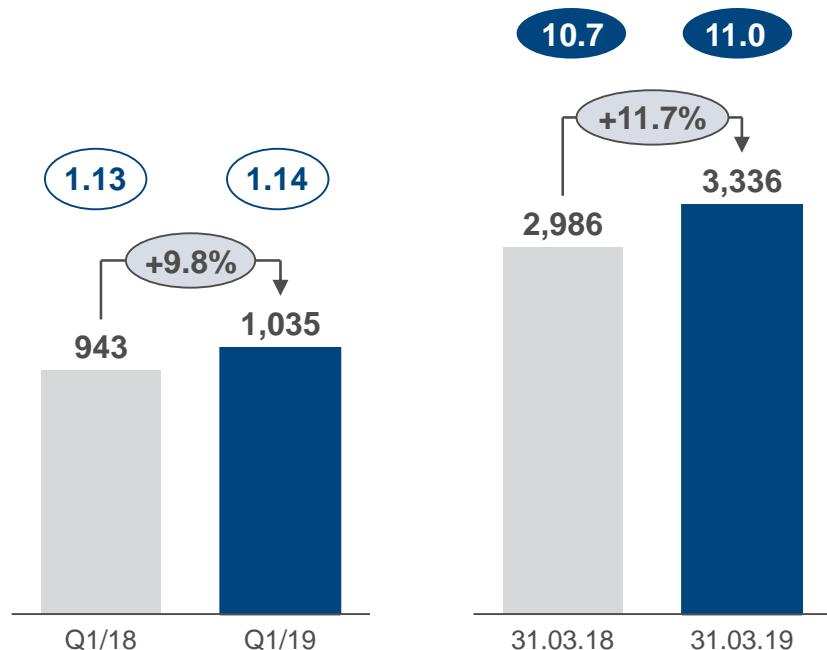
RVS: Strong order book development provides good visibility for 2019



Order intake

Order book

€m



Strong growth in order intake: € +92m

- Driven by demand from Metro (EU & NA), Freight & Locomotive (NA)
- Growing order intake AM China
- Book to bill of 1.14 supports revenues for coming quarters

Even stronger growth in order book: € +350m

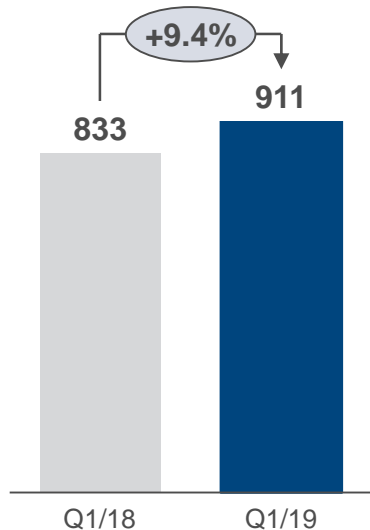
- Visibility of 11 months
- Mirroring customers' record order books



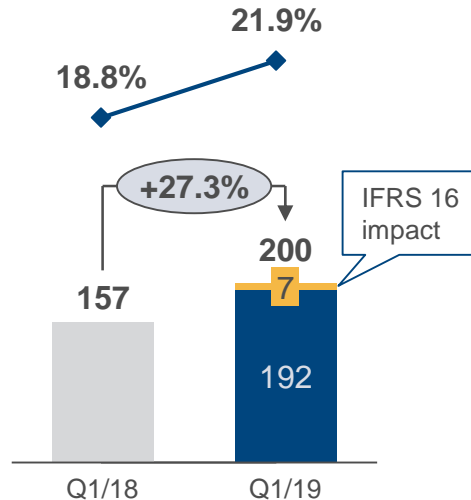
RVS: Strong revenue growth with solid margin expansion

Revenue

€m



EBITDA



Strong revenue growth: € +78m

- EU: Growth in OE (Freight Cars, R&C, Metro)
- Asia: Outperformance esp. OE India & AM China
- NA /SA: Positive development in onboard, freight & aftermarket
- AM share of 38% (Q1/18: 36%)

Strong EBITDA and EBITDA margin development

- Operating leverage and performance improvement
- Positive OE/AM mix effect
- IFRS 16 impact on EBITDA margin in Q1/19: 80bp
- EBIT margin of 18.8% (Q1/18: 13.8% due to disposal losses)

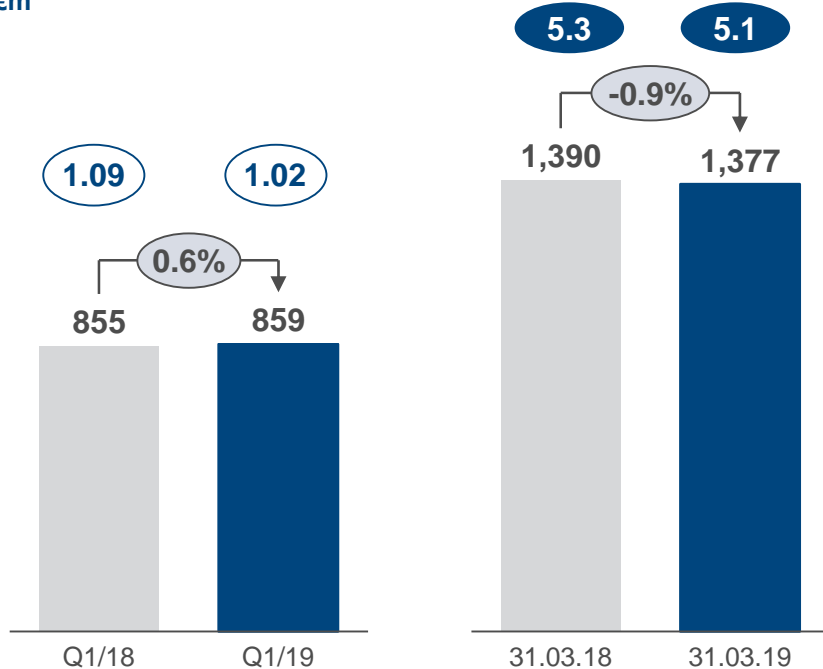
CVS: Solid order intake despite global headwinds



Order intake

Order book

€m



Order intake continues on a high level

- Book to bill (1.02) suggesting no contraction in demand
- NA orders clearly outperformed TPR growth and benefitted from increased content per vehicle growth (i.e. ADAS, ADB)
- Solid OE order bookings in major key markets EU, Asia & NA

Order book unchanged, providing 5.1 months of visibility

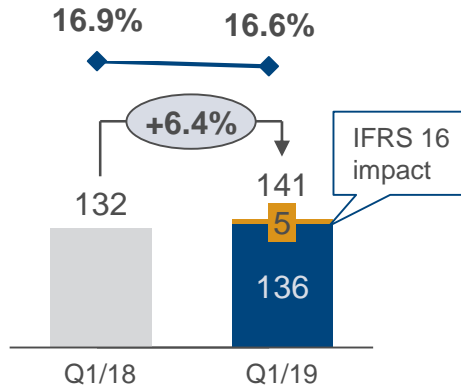
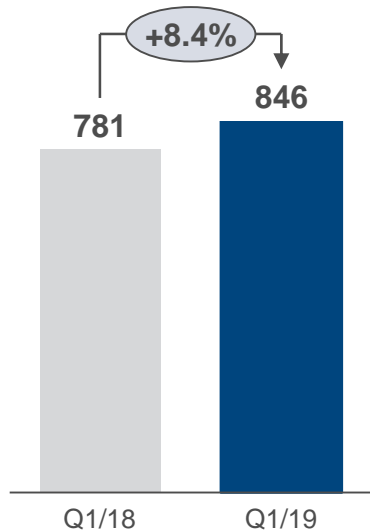
CVS: Strong revenue growth with margins at Q3/Q4 2018 levels



Revenue

EBITDA

€m



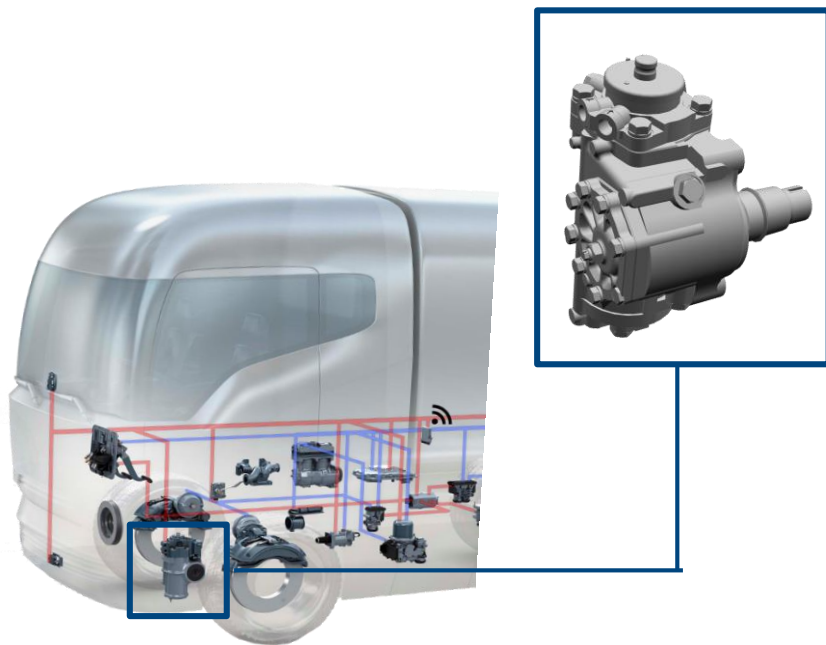
Strong revenue growth

- Global TPR continuing on high level (+1.6% vs. Q1/18)
- EU: Stable on prior year level
- Asia: Stable overall, despite TPR decrease in China
- NA: Outperformance of market in both OE and AM
- AM share of 23% (Q1/18: 25%)

Moderate EBITDA growth at Q3/Q4 margin levels

- Material cost and supply chain situation unchanged
- Negative OE/AM mix effect
- Investments in ADAS/HAD to continue
- IFRS 16 impact on EBITDA margin in Q1/19: 50bp
- EBIT margin of 13.5% (Q1/18: 14.2%)

Acquisition of Hitachi's Steering business – closed on March 29, 2019



Strategic rationale

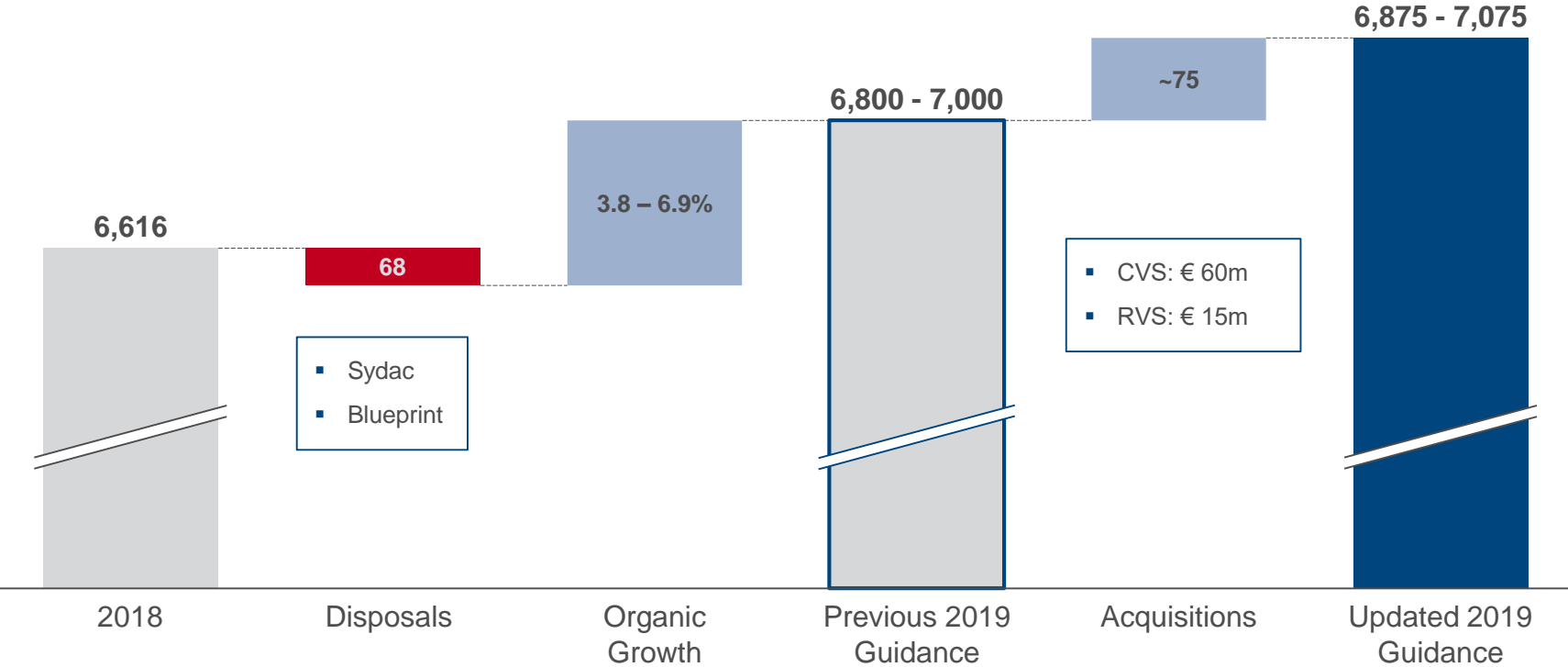
- Braking and steering increasingly understood as integrated system in ADAS/HAD scenario
- Market access in Asia (focus Japan and China)
- Expansion of product portfolio of CVS
- Increased content per vehicle

Financial impact expected (€m)

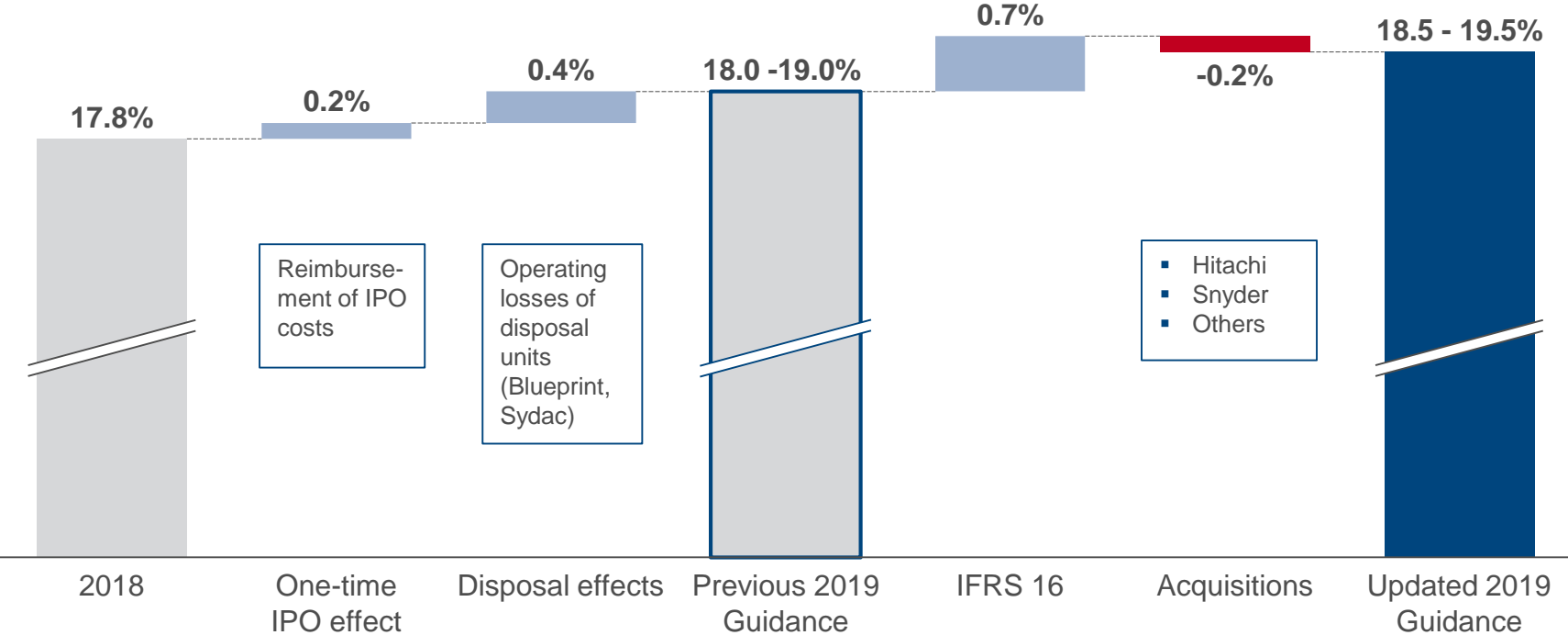
Hitachi's Steering business	04/19 – 12/19e
Revenue	€ +60m
EBITDA	€ +6m
EBIT (operating)	€ +4m
PPA effect	€ -5m

Revenue bridge from 2018 to updated 2019 guidance

€m



EBITDA margin bridge from 2018 to updated 2019 guidance



Q&A

Q1

January 1 to March 31, 2019



Financial calendar

Upcoming events

Event	Date [dd.mm.yyyy]	Location
db Access	06.06.2019	Berlin
JPM CEO Conference	13.-14.06.2019	London
Annual General Meeting	18.06.2019	Munich

Investor relations contact



Andreas Spitzauer

Phone: +49 89 3547 182310
Mobile: +49 175 5281320
Email: Andreas.Spitzauer@knorr-bremse.com



Justinian Späth

Phone: +49 89 3547 181085
Mobile: +49 160 6149309
Email: Justinian.Spaeth@knorr-bremse.com