

Q3

January 1 to September 30, 2019



KNORR-BREMSE



Quarterly Statement

JANUARY 1 TO SEPTEMBER 30, 2019
KNORR-BREMSE AG

Key figures Knorr-Bremse Group (IFRS)

		Nine Months		3rd Quarter	
		2019	2018	2019	2018
Revenues	€ million	5,312.7	4,994.0	1,711.1	1,671.8
EBITDA	€ million	982.2	875.9	313.3	293.7
EBITDA margin	%	18.5	17.5	18.3	17.6
Operating EBITDA margin	%	18.8	17.9	18.3	17.8
EBIT	€ million	783.0	718.3	249.8	246.0
EBIT margin	%	14.7	14.4	14.6	14.7
Operating EBIT margin	%	15.2	15.2	14.6	14.8
Net income	€ million	464.9	496.9	101.2	189.9
Earnings per share (basic)	€	2.69	2.89	0.56	1.13
Incoming orders	€ million	5,153.0	5,265.5	1,571.8	1,748.5
Order book (September 30)	€ million	4,402.9	4,448.5	4,402.9	4,448.5
Operating cash flow	€ million	554.4	324.1		
Free cash flow	€ million	335.1	137.2		
Cash conversion rate	%	72.1	27.6		
Capital expenditure (before acquisitions)	€ million	267.9	166.8		
Capital expenditure (before IFRS 16 and acquisitions)	€ million	213.9	166.8		
Capital expenditure as % of revenues (before IFRS 16 and acquisitions)	%	4.0	3.3		
R&D costs	€ million	307.3	338.1		
R&D as % of revenues	%	5.8	6.8		
		September 30, 2019	December 31, 2018		
Total assets	€ million	6,865.0	6,262.2		
Equity (including non-controlling interests)	€ million	1,697.1	1,607.1		
Equity ratio	%	24.7	25.7		
ROCE (annualized)	%	30.8	36.4		
Net financial (debt) / cash	€ million	(257.4)	250.2		
Net working capital	€ million	1,084.5	861.9		
Total employees (as of Sep. 30, incl. leased personnel)	in FTE	29,171	28,452		

Highlights nine months of 2019

- » Revenue: Further increase by +6.4% compared to prior year
- » EBITDA: +12.1% to EUR 982.2 million, margin increase by 100 basis points to 18.5% of revenue; operating margin at 18.8%
- » EBIT: +9.0% to EUR 783.0 million, margin increase by 30 basis points to 14.7% of revenue; operating margin at 15.2%
- » Operating cash flow: EUR 554.4 million, +71.1% compared to prior year
- » Significant increase of cash conversion rate from 27.6% to 72.1% reflects a positive result of operations and consistent cash management
- » Outlook for 2019 confirmed
 - » Revenue: EUR 6,875 to EUR 7,075 million (2018: EUR 6,616 million)
 - » Operating EBITDA margin: 18.5 to 19.5% (2018: 18.4%)

Business performance nine months 2019

Order intake continues to be stable despite volatile market environment

The order intake of Knorr-Bremse Group was at a continued high level of EUR 5,153.0 million, as at September 30 overall showing a stable development in a volatile market environment. The high level achieved in the prior year's period was almost (-2.1%) reached. The rail vehicle market continued to benefit from growth in Asia. In the commercial vehicle division, on the other hand, the economic slowdown in Europe and the resulting sharp decline in the commercial vehicle production had a counteracting effect, particularly in the third quarter. By contrast, the North American market and business in Asia continued to grow slightly in the first nine months.

Revenues on new record level: +6.4%

In the first nine months of fiscal year 2019, revenues of Knorr-Bremse Group increased by 6.4%, or EUR 318.6 million, to EUR 5,312.7 million. At 2018 exchange rates, currency-adjusted revenue growth was 4.5%, and currency- and acquisition-adjusted revenue growth was 4.7%. Both divisions contributed to this sales growth. In the Rail Vehicle Systems division, European OE revenues (mainly Regional & Commuter, HST and LRV) and revenues in the service business in Europe, and in China and India especially, increased. Revenues also continued to develop positively in the Indian passenger rail business. In the Commercial Vehicle Systems division, the increase of revenue was mainly caused by further increases in the truck production and the resulting growth in OE sales in North America. Revenues in Europe declined slightly due to the economic slowdown. Moreover, the acquisition of Hitachi Automotive Systems, Ltd. end of March contributed to revenues EUR 44 million in the first nine months.

At Group level, aftermarket revenues accounted for 34% of total revenue (allocation according to management reporting) and were thus at prior year's level. Adjusted for disposals of companies of the previous year, the share of aftermarket sales was 90 basis points higher than the level of the prior year.

EBITDA and EBIT margin growth including effects from the conversion to IFRS 16

In the first nine months of 2019, an EBITDA of EUR 982.2 million and an EBITDA-margin of 18.5% (prior year: 17.5%) was generated. This represents an increase of EUR 106.4 million, or 12.1%, compared to prior year. An effect from the first-time adoption of IFRS 16 in the amount of EUR 40.2 million is included. Adjusted for restructuring expenses Wülfrath (EUR 16.4 million), the operating EBITDA margin was 18.8%. In comparison, the prior year operating margin was 17.9% (adjusted for effects of disposals made in 2018).

Showing an EBIT amounting to EUR 783.0 million, an increase of EUR 64.7 million or 9.0% was achieved. The effect of converting to IFRS 16 included in this figure was EUR 5.4 million. The reported EBIT margin of 14.7 % was above the previous year's level of 14.4 %. The operating margin amounted to 15.2% (before restructuring expenses Wülfrath in the amount of EUR 26.8 million) and confirms the high prior-year level of 15.2% (adjusted for disposals made in 2018).

CONSOLIDATED STATEMENT OF INCOME (CONDENSED)

€ million	Nine Months		3rd Quarter	
	2019	2018	2019	2018
Revenues	5,312.7	4,994.0	1,711.1	1,671.8
Changes in inventories of unfinished/finished products	17.3	29.1	18.1	(0.2)
Other own work capitalized	53.4	40.9	22.3	21.1
Total operating performance	5,383.3	5,064.0	1,751.6	1,692.7
Cost of materials	(2,663.5)	(2,519.5)	(863.9)	(839.1)
Personnel expenses	(1,209.0)	(1,119.8)	(403.7)	(373.4)
Other operating income and expenses	(528.6)	(548.8)	(170.7)	(186.5)
EBITDA	982.2	875.9	313.3	293.7
Depreciation and amortization	(199.2)	(157.6)	(63.5)	(47.7)
EBIT	783.0	718.3	249.8	246.0
Financial result	(119.0)	(47.1)	(97.9)	(5.3)
Earnings before taxes	664.1	671.2	151.9	240.7
Taxes on income	(199.2)	(174.2)	(50.7)	(50.7)
Net income	464.9	496.9	101.2	189.9
thereof net income attributable to non-controlling interests	31.0	31.0	10.7	7.5

During first nine months of 2019, cost of materials ratio improved by 40 basis points to 50.1% of revenue, that can be largely attributed to efficiency gains and an improved sales mix. This development was offset by a slight increase in the personnel expense ratio by 40 basis points from 22.4% to 22.8%. The ratio of total other operating income and expenses improved by 110 basis points from 11.0% to 9.9% of revenue, partly as a result of the first-time adoption of IFRS 16 and a sustainable cost management. At 3.7% of revenue, depreciation and amortization were up 50 basis points compared to the prior year's level, mainly due to a higher investment activity as well as the conversion to IFRS 16. As a result of the disposal of Powertech, which negatively impacted the financial result by EUR 82.1 million, earnings before taxes were down 90 basis points compared to the prior year, at 12.5% of revenue.

The tax rate increased to 30.0% compared to 26.0% during the first nine months of 2018, primarily due to non-deductible expenses resulting from the Powertech divestment. As of the end of September 2019, this resulted in a net income for the period of 8.8% of revenue, a temporary decline of 120 basis points compared to the previous year. The planned sale and lease-back measure at the location in Munich scheduled for the fourth quarter should compensate for this effect to a large extent. The company expects a book profit of EUR 46 million to be recognized in the fourth quarter of 2019 as a result of this transaction. In total this measure will show a cash inflow of EUR 200 million, thereof approximately EUR 134 million in fiscal year 2019 and additionally around EUR 66 million in the years 2020/2021, depending on the completion of ongoing construction projects. Further information can be found on page 10.

Financial Situation

FREE CASH FLOW

€ million	Nine Months	
	2019	2018
Net income	464.9	496.9
Depreciation and amortization for intangible assets, depreciation of property, plant and equipment and impairments	199.2	157.6
Income tax expense	199.2	174.2
Income tax payments	(189.0)	(162.0)
Changes to provisions	124.0	20.2
Changes to inventories, trade accounts receivables and other assets not classified as investing or financing activities	(331.2)	(441.3)
Changes to trade accounts payables, and other liabilities not classified as investing or financing activities and other liabilities	15.0	(7.2)
Other	72.4	85.5
Cash flow from operating activities	554.4	324.1
Investments in intangible assets and property, plant and equipment (cash relevant)	(219.3)	(186.8)
Free cash flow	335.1	137.2

The cash flow from operating activities in the first nine months of the current fiscal year 2019 increased significantly by EUR 230.3 million, or 71.1% compared to the same period of the previous year, to reach the amount of EUR 554.4 million. Net working capital increased slightly by EUR 6.0 million to EUR 1,084.5 million (previous year: EUR 1,078.5 million) originating from a decline of EUR 32.0 million, or 6.4%, in net income to the amount of EUR 464.9 million for the period. However, net working capital days' sales decreased by 3.2 days to 55.1 days (previous year: 58.3 days). In addition to higher depreciation and amortization, higher provisions also had positive effects on cash flow from operating activities.

Free cash flow amounted to EUR 335.1 million in the first nine months of 2019 and was thus EUR 197.8 million, or 144.1%, above the previous year's level (EUR 137.2 million). The slight decrease in cash outflows for investments in intangible assets and the significant increase in cash outflows for investments in property, plant and equipment were offset by an even stronger increase in cash inflow from operating activities.

CURRENT AND NON-CURRENT ASSETS

€ million	September 30, 2019	December 31, 2018
Intangible assets and goodwill	838.4	643.2
Property, plant and equipment	1,470.2	1,167.2
Other non-current assets	340.1	281.5
Non-current assets	2,648.7	2,091.8
Inventories	865.7	836.3
Trade accounts receivables	1,452.8	1,237.4
Other financial assets	46.6	24.3
Contract assets	81.3	99.3
Cash and cash equivalents	1,505.2	1,756.0
Other current assets	264.6	217.1
Current assets	4,216.3	4,170.4

The increase in intangible assets resulted primarily from the business combination Hitachi Automotive Systems, Ltd. Moreover, the trade accounts receivables rose due to higher sales volumes. The increase in tangible assets is mainly attributable to the first-time adoption of IFRS 16 lease accounting.

CAPITAL EXPENDITURE

		Nine Months	
		2019	2018
Capital expenditure (before acquisitions)	€ million	267.9	166.8
Capital expenditure (before IFRS 16 and acquisitions)	€ million	213.9	166.8
Capital expenditure as % of revenues (before IFRS 16 and acquisitions)	%	4.0	3.3

Besides projects at the location in Munich, major investments were made into the expansion of production capacities at the North American locations of Huntington and Bowling Green. In addition, investments were made primarily into supplier tools, into replacement and expansion projects for production facilities and equipment, and into IT projects.

CONSOLIDATED EQUITY

€ million	September 30, 2019	December 31, 2018
Subscribed capital	161.2	161.2
Other equity	1,420.6	1,340.7
Equity attributable to the shareholders of Knorr-Bremse AG	1,581.8	1,501.9
Non-controlling interests	115.4	105.2
Total equity	1,697.1	1,607.1

As of September 30, 2019, the Knorr-Bremse Group has an equity ratio of 24.7%. The slight decline compared to December 31, 2018 (25.7%) is attributable to an increase in total assets as a consequence of IFRS 16 and investment activities.

CURRENT AND NON-CURRENT LIABILITIES

€ million	September 30, 2019	December 31, 2018
Provisions (including pensions)	683.2	575.6
Financial liabilities	1,635.8	1,529.6
Other non-current liabilities	183.7	179.9
Non-current liabilities	2,502.7	2,285.1
Trade accounts payables	1,034.6	995.9
Financial liabilities	888.4	642.9
Contract liabilities	280.7	315.1
Other liabilities	461.3	416.0
Current liabilities	2,665.1	2,370.0
Total liabilities	5,167.8	4,655.1

The first-time adoption of IFRS 16 resulted in significant changes in financial liabilities as of December 31, 2018. As a result, as of September 30, 2019, lease liabilities increased by EUR 274.1 million, of which EUR 245.4 million resulted from the first-time application as of January 1, 2019. In addition, there was a growth-related increase in trade accounts payables.

In the first nine months of 2019, no financing transactions were carried out. The following debt financing existed as of September 30, 2019:

- » Corporate bond of Knorr-Bremse AG in the amount of EUR 500.0 million
- » Corporate bond of Knorr-Bremse AG in the amount of EUR 750.0 million
- » Bank liabilities of Knorr-Bremse Group in the amount of EUR 240.1 million
- » Leases liabilities in the amount of EUR 274.1 million

Employees

AVERAGE NUMBER OF EMPLOYEES

	Nine Months	
	2019	2018
Wage earners	15,736	15,578
thereof leased personnel	2,603	2,803
Salary earners	13,638	13,253
thereof leased personnel	259	374
Trainees	187	196
Total	29,562	29,028

At the end of September 2019, the Group had an average of 29,562 employees (previous year: 29,028). The moderate increase compared to the previous year was largely due to growth and acquisitions and mainly attributable to the regions Asia and North America. The divestment of companies in the Rail Vehicle Systems division of the previous year had a counteracting effect.

Information on reportable segments

REVENUES BY SEGMENTS

€ million	Nine Months	
	2019	2018
Rail Vehicle Systems	2,802.4	2,644.2
Commercial Vehicle Systems	2,550.2	2,386.4
Total	5,352.7	5,030.6
Reconciliation to IFRS for Rail Vehicle Systems	(11.0)	(11.5)
Reconciliation to IFRS for Commercial Vehicle Systems	(26.4)	(24.2)
Other Segments and consolidations	(2.6)	(0.9)
Group	5,312.7	4,994.0

EBT BY SEGMENTS

€ million	Nine Months	
	2019	2018
Rail Vehicle Systems	425.1	395.1
Commercial Vehicle Systems	265.8	300.8
Total	690.8	695.9
Reconciliation to IFRS for Rail Vehicle Systems	(1.2)	11.6
Reconciliation to IFRS for Commercial Vehicle Systems	25.0	18.3
Other Segments and consolidations	(50.6)	(54.6)
Group	664.1	671.2

RAIL VEHICLE SYSTEMS SEGMENT

		Nine Months		3rd Quarter	
		2019	2018	2019	2018
Revenues	€ million	2,791.4	2,632.8	915.4	888.5
thereof aftermarket	%	42	41	44	41
EBITDA	€ million	605.6	499.3	188.6	177.1
EBITDA margin	%	21.7	19.0	20.6	19.9
Operating EBITDA margin	%	21.7	19.8	20.6	20.4
EBIT	€ million	518.0	416.5	158.6	156.8
EBIT margin	%	18.6	15.8	17.3	17.6
Operating EBIT margin	%	18.6	17.3	17.3	17.9
Order intake	€ million	2,875.9	2,855.4	951.2	966.6
Order book (September 30)	€ million	3,296.9	3,099.0	3,296.9	3,099.0

Order intake in the Rail Vehicle Systems segment at the end of September 2019 confirmed the high level of prior year (+0.7%). This was primarily due to continued solid demand in the Asian market with a strong performance in the service business. Based on a strong 3rd quarter, the order book increased by 6.4% year-on-year.

In the first nine months, revenue in the Rail Vehicle Systems segment was up by EUR 2,791.4 million, an increase of 6.0%, compared to the previous year, mainly because of growth in the Asian as well as in the European and the North American business. The aftermarket share of the Rail Vehicle Systems segment (service business) was 42% of revenue, up from 41% in the previous year. Adjusted for the divested companies, the prior-year figure was 39%.

An EBITDA increase of 21.3%, mostly due to volume and mix effects, led to a significant year-on-year increase in the EBITDA margin from 19.0% to 21.7% as of September 2019 (previous year, after adjustments for disposals (operating EBITDA margin): 19.8%). The EBIT margin of 15.8%, or 17.3% adjusted for the companies divested, increased noticeably to 18.6% of revenue. The

effects of IFRS 16 included in 2019 amount to EUR 22.7 million for EBITDA and EUR 3.8 million for EBIT.

COMMERCIAL VEHICLE SYSTEMS SEGMENT

		Nine Months		3rd Quarter	
		2019	2018	2019	2018
Revenues	€ million	2,523.8	2,362.2	797.1	784.9
thereof aftermarket	%	25	26	30	27
EBITDA	€ million	393.8	386.5	129.6	126.8
EBITDA margin	%	15.6	16.4	16.3	16.2
Operating EBITDA margin	%	16.3	16.4	16.3	16.2
EBIT	€ million	294.2	324.3	99.5	105.5
EBIT margin	%	11.7	13.7	12.5	13.4
Operating EBIT margin	%	12.7	13.7	12.5	13.4
Order intake	€ million	2,279.6	2,412.6	621.1	784.1
Order book (September 30)	€ million	1,119.6	1,366.5	1,119.6	1,366.5

Order intake in the Commercial Vehicle Systems segment in the first nine months was 5.5% below the prior-year level. This was caused in particular by the economic slowdown in the commercial vehicle market in the third quarter and the associated reduction in the vehicle production of our customers, especially in the European market. As a result, the order book as of September 30, 2019 was also lower (-18.1%).

As of September 2019, revenues of EUR 2,523.8 million were 6.8% higher than in the previous year. The aftermarket share of revenues fell slightly from 26% in the previous year to 25%.

In absolute terms, EBITDA rose by 1.9% in comparison to the same period of the previous year, with a reported EBITDA margin of 15.6% of revenues compared to 16.4% in the previous year. The operating margin, i.e. adjusted for restructuring expenses of Wülfrath, was at the previous year's level. By contrast, as of September 2019, EBIT in the Commercial Vehicle Systems segment fell by 9.3%. This led to a decline of 200 basis points in the EBIT margin and 100 basis points in the operating EBIT margin, partly due to higher depreciation and amortization according to IFRS 16, Wülfrath and increased investment activity. The effects of IFRS 16 in 2019 amount to EUR 14.3 million for EBITDA and EUR 1.6 million for EBIT.

CONSOLIDATED REVENUES BY GROUP COMPANY LOCATION

€ million	Nine Months		3rd Quarter	
	2019	2018	2019	2018
Europe/Africa	2,477.5	2,466.8	785.6	814.2
North America	1,262.0	1,065.8	420.8	384.6
South America	82.7	79.9	27.4	28.1
Asia-Pacific	1,490.6	1,381.5	477.4	444.8
Total	5,312.7	4,994.0	1,711.1	1,671.8

As of the end of September 2019, 47% of the Group revenues can be allocated to the region Europe/Africa (prior year: 49%), 24% to North America (prior year: 21%), 2% to South America (prior year: 2%) and 28% to Asia-Pacific (prior year: 28%).

Significant events in the reporting period

IFRS 16 „Leases“

Since January 1, 2019, Knorr-Bremse AG has adopted the new IFRS 16 “Leases” for the accounting of leases for the first time. Explanations of the effects from the first-time adoption of IFRS 16 are provided in the Notes to the condensed interim consolidated financial statements of Knorr-Bremse AG as of June 30, 2019 in Chapter 2 “Financial reporting standards issued by the IASB and applied for the first time”.

Sale of Powertech business

By agreement dated September 30, 2019, the Powertech business (electrical power systems for rail and industrial applications) was divested. Powertech includes the three German companies Knorr-Bremse Powertech GmbH, Knorr-Bremse Powertech GmbH & Co. KG and Knorr-Bremse Powertech Verwaltungs GmbH, the US company Knorr-Bremse Powertech Corp. and other business activities in Australia, Spain and the People's Republic of China. In 2018 the business unit reported revenues of approximately EUR 90 million and a result (EBIT) of about EUR -19 million. For fiscal year 2019, the business unit reported revenues of EUR 58.8 million and losses (EBIT) of EUR -19.9 million until September 2019. Due to the divestment, consolidated net income was reduced by EUR 82.1 million, comprising a negative purchase price, negative deconsolidation effects and other transaction-related one-off expenses. Following this one-off effect in fiscal year 2019, the EBIT margin from continuing operations will improve by 50 basis points.

Change of management board

On September 18, 2019 the Supervisory Board of Knorr-Bremse AG appointed Bernd Eulitz as chairman of the management board and director of employment relations (“Arbeitsdirektor”). He joined the company at November 1, 2019.

Events after the reporting date

Change of management board

The Chief Financial Officer of Knorr-Bremse AG, Ralph Heuwing, will resign from the executive board at his own request with effect as of April 30, 2020, in order to pursue new professional perspectives. Mr. Heuwing will accompany the introduction of the new CEO, Bernd Eulitz, who joined Knorr-Bremse on November 1, 2019. He has also agreed to remain responsible for the preparation of the annual financial statements for fiscal year 2019. The Supervisory Board of Knorr-Bremse AG has already initiated the search for a successor.

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 200 million, thereof EUR 134 million in 2019 and EUR 66 million in 2020/2021. The company expects a book profit of EUR 46 million 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 / Full-year guidance for 2019 confirmed

The current outlook considers the effects of known acquisitions (e.g. Hitachi Automotive Systems, Sentient AB, RailVision and Snyder Equipment Company Inc.), as well as the effects from the conversion to IFRS 16. However, it does not take into account structural measures such as the planned closure of the Wülfrath plant. Assuming the macroeconomic environment remains stable, the company continues to expect revenues for the full year 2019 to reach EUR 6,875 to EUR 7,075 million and an operating profit margin (EBITDA) of 18.5% to 19.5% (2018: 18.4%). This does not include effects from the sale and lease-back transaction.

Consolidated statement of income

CONSOLIDATED STATEMENT OF INCOME

€ thousand	Nine Months		3rd Quarter	
	2019	2018	2019	2018
Revenues	5,312,664	4,994,045	1,711,148	1,671,804
Changes in inventories of unfinished/finished products	17,256	29,098	18,087	(177)
Other own work capitalized	53,384	40,851	22,337	21,079
Total operating performance	5,383,304	5,063,994	1,751,572	1,692,706
Other operating income	40,534	52,511	15,326	4,707
Cost of materials	(2,663,478)	(2,519,520)	(863,888)	(839,127)
Personnel expenses	(1,209,012)	(1,119,837)	(403,684)	(373,381)
Other operating expenses	(569,112)	(601,286)	(186,048)	(191,250)
Earnings before interest, tax, depreciation and amortization (EBITDA)	982,237	875,862	313,278	293,655
Depreciation, amortization and impairment	(199,211)	(157,569)	(63,501)	(47,691)
Earnings before interests and taxes (EBIT)	783,026	718,294	249,777	245,964
Interest income	18,174	17,403	6,728	6,179
Interest expenses	(38,665)	(28,566)	(12,761)	(10,328)
Other financial result	(98,468)	(35,973)	(91,821)	(1,157)
Income before taxes	664,066	671,158	151,923	240,659
Taxes on income	(199,172)	(174,235)	(50,721)	(50,727)
Net income	464,894	496,923	101,202	189,932
Thereof:				
Profit attributable to non-controlling interests	30,990	30,964	10,654	7,508
Profit attributable to the shareholders of Knorr-Bremse AG	433,904	465,958	90,549	182,424
Earnings per share in €				
Undiluted	2.69	2.89	0.56	1.13
Diluted	2.69	2.89	0.56	1.13

Consolidated balance sheet

CONSOLIDATED BALANCE SHEET

€ thousand	September 30, 2019	December 31, 2018
Assets		
Intangible assets and goodwill	838,381	643,159
Property, plant and equipment	1,470,234	1,167,184
Investments accounted for using the equity method	18,308	1,873
Other financial assets	64,518	74,990
Other assets	48,669	38,167
Income tax receivables	4,850	0
Assets arising from employee benefits	31,724	28,373
Deferred tax assets	172,005	138,101
Non-current assets	2,648,689	2,091,847
Inventories	865,732	836,326
Trade accounts receivables	1,452,826	1,237,381
Other financial assets	46,618	24,260
Other assets	137,149	123,433
Contract assets	81,293	99,284
Income tax receivables	127,481	93,650
Cash and cash equivalents	1,505,175	1,756,033
Current assets	4,216,274	4,170,367
Total assets	6,864,963	6,262,213

CONSOLIDATED BALANCE SHEET

€ thousand	September 30, 2019	December 31, 2018
Equity		
Subscribed capital	161,200	161,200
Capital reserves	13,884	13,884
Retained earnings	31,867	39,924
Other components of equity	(208,609)	(161,024)
Profit carried forward	1,149,541	855,127
Profit attributable to the shareholders of Knorr-Bremse AG	433,904	592,792
Equity attributable to the shareholders of Knorr-Bremse AG	1,581,787	1,501,902
Equity attributable to non-controlling interests	115,362	105,208
Thereof profit attributable to non-controlling interests	30,990	36,644
Equity	1,697,149	1,607,110
Liabilities		
Provisions for pensions	396,951	307,547
Provisions for other employee benefits	23,828	24,511
Other provisions	262,380	243,578
Financial liabilities	1,635,782	1,529,557
Other liabilities	5,444	4,741
Income tax liabilities	101,343	92,599
Deferred tax liabilities	76,936	82,603
Non-current liabilities	2,502,664	2,285,136
Provisions for other employee benefits	31,188	11,612
Other provisions	240,850	233,213
Trade accounts payables	1,034,646	995,945
Financial liabilities	888,429	642,895
Other liabilities	127,107	133,303
Contract liabilities	280,733	315,122
Income tax liabilities	62,197	37,877
Current liabilities	2,665,149	2,369,968
Total Liabilities	5,167,814	4,655,103
Total equity and liabilities	6,864,963	6,262,213

Consolidated statement of cash flows

CONSOLIDATED STATEMENT OF CASH FLOWS

€ thousand	Nine Months	
	2019	2018
Net income (including profit attributable to non-controlling interests)	464,894	496,923
Adjustments for		
Depreciation and amortization of intangible assets, depreciation of property, plant and equipment and impairments	199,211	157,569
Change in valuation allowance on inventories	9,736	7,284
Change in valuation allowance on trade accounts receivables	6,253	961
Loss/(Gain) on disposal of non-current assets and disposal of consolidated entities and other business units	81,129	(1,439)
Other non-cash expenses and income	(45,345)	66,811
Net interest income	20,491	11,163
Net investment income	91	759
Income tax expense	199,172	174,235
Income tax payments	(189,040)	(161,951)
Changes in		
Inventories, trade accounts receivables and other assets not classified as investing or financing activities	(331,177)	(441,300)
Trade accounts payables and other liabilities not classified as investing or financing activities	15,046	(7,153)
Provisions	123,960	20,206
Cash flow from operating activities	554,422	324,067
Disbursements for investments in intangible assets	(70,737)	(72,239)
Proceeds from the sale of property, plant and equipment	20,174	15,338
Disbursements for investments in property, plant and equipment	(148,606)	(114,584)
Proceeds / (disbursements) from the sale of financial assets	0	(514)
Disbursements from the sale of consolidated companies and other business units	(29,069)	0
Disbursements for investments in financial assets	(16,764)	0
Disbursements for the acquisition of consolidated companies and other business units	(194,252)	(3,200)
Interest received	10,549	11,396
Disbursements for investments in plan assets (pensions)	(2,013)	(6,976)
Cash flow from investing activities	(430,717)	(170,779)

Proceeds from borrowings	40,851	852,004
Cash repayments of borrowings	(46,317)	(101,112)
Disbursements for lease liabilities (until 2018 disbursements for finance lease liabilities)	(36,820)	(4,933)
Interests paid (as of 2019 including interests paid for IFRS 16)	(22,720)	(7,486)
Dividends paid to shareholders of the parent company	(283,737)	(851,295)
Dividends paid to non-controlling interests	(23,434)	(19,010)
Net proceeds from factoring	(6,063)	(11,522)
Payments for the repurchase of own shares	0	(130,615)
Cash flow from financing activities	(378,240)	(273,969)
Changes in cash funds	(254,535)	(120,681)
Changes in cash funds from exchange rate and valuation related movements	29,343	13,299
Changes in cash funds resulting from changes in the scope of consolidation	(195)	(1,406)
Net change in cash funds	(225,387)	(108,788)
Cash funds at the beginning of the period	1,718,695	1,578,829
Cash funds at the end of the period	1,493,308	1,470,041
Cash funds are comprised as follows:	1,493,308	1,470,041
Cash and cash equivalents	1,505,175	1,504,780
Short-term marketable securities	52	54
Short-term bank debt (less than 3 months)	(11,919)	(34,793)

This interim report contains statements regarding future developments which can represent forward-looking statements. Such statements are to be recognized in terms, among others, such as "expect", "anticipate" and their negation and similar variations or comparable terminology. These statements – just as every business activity in a global environment – are always associated with uncertainty. These statements are based on convictions and assumptions of the management board of Knorr-Bremse AG, which in turn are based on currently-available information. The following factors could affect the success of our strategic and operational measures: macroeconomic or regional developments, changes in the general economic conditions, especially a continuing economic recession, changes in exchange rates and interest rates, changes in energy prices and material costs, insufficient customer acceptance of new Knorr-Bremse products or services, including growing competitive pressure. Should these factors or other uncertainties arise, or the assumptions underlying the statements turn out to be incorrect, the actual results can vary from the forecast results. Knorr-Bremse assumes no obligation and does not intend to continually update or correct forward-looking statements and information. They relate to the conditions as of the date of their publication.

This document contains supplementary financial figures not precisely defined in the relevant financial reporting framework which represent or could represent so-called alternative performance indicators. For the assessment of the net assets, financial position and results of operations of Knorr-Bremse, these supplementary financial figures should not be used in isolation or as alternatives to the financial figures presented in the consolidated financial statements and determined in accordance with the relevant financial reporting framework. Other companies which present or report performance figures with similar designations may calculate these differently. Due to rounding, it is possible that individual figures in this and other documents do not add up exactly to the reported total and that reported percentages do not reflect the absolute values to which they relate.

This document is a quarterly report pursuant to Section 53 of the Stock Exchange Regulations issued by the Frankfurt Stock Exchange.