

Press release

Munich, March 31 2011

Knorr-Bremse stays on course for growth

- **Sales: EUR 3.71 billion (2009: EUR 2.76 billion)**
- **Incoming orders: EUR 4.04 billion (2009: EUR 3.18 billion)**
- **Net income: EUR 239 million (2009: EUR 99 million)**
- **Further growth expected for 2011**

Knorr-Bremse Group

The Knorr-Bremse Group increased its sales by just under EUR 1 billion, or 34.5%, to EUR 3.71 billion for fiscal year 2010 (2009: EUR 2.76 billion). This revenue growth can be in particular attributed to strong gains by the Rail Vehicle Systems division in Asia, as well as worldwide recovery in commercial vehicle markets.

The **Rail Vehicles division** increased its sales to EUR 2.02 billion (2009: EUR 1.55 billion). In addition to regional growth, the focus in the past year was on targeted acquisitions and joint ventures to expand its market presence. With the acquisition of the Sigma Coachair Group in Australia, Knorr-Bremse has become one of the world's leading manufacturers of rail vehicle air conditioning systems. The acquisition of Heine Resistors in Dresden led to strengthening of the power resistor segment. In addition, completion of the joint venture with Icer Brakes in May expanded the division's product portfolio with organic brake linings and brake pads. Among other things, as part of its strategic development of production sites, the world's largest Knorr-Bremse rail vehicle plant was opened in Budapest, Hungary, in 2010, with over 30,000 m² of factory and office space. The factory in Suzhou, China, was also expanded to 22,500 m².

The **Commercial Vehicles division** of Knorr-Bremse shared in the accelerating recovery of worldwide commercial vehicle markets in 2010 and posted sales of EUR 1.70 billion (2009: EUR 1.22 billion). Despite this recovery, commercial vehicle markets in both Europe and North America still remained well below pre-crisis levels in 2010. Development of the worldwide production network was advanced in the Commercial Vehicle Systems division by moving the Czech production site to Liberec, Czech Republic, early in 2010, and innovative production and logistics concepts were introduced at this site. In 2010, the Commercial Vehicle Systems division was voted "Best Brand in the Commercial Vehicle Sector" in the brakes category for the fifth time running.

Incoming orders increased to EUR 4.04 billion (2009: EUR 3.18 billion) for the Group, based on consistently high demand from China in the Rail Vehicle Systems division, as well as a near-doubling of incoming orders in the Commercial Vehicles division compared to the previous year. **Net income** was EUR 239 million (2009: EUR 99 million), which corresponds to a net return on sales of 6.4% (2009: 3.6%).

The **Group workforce** grew by 12.8% for the reporting year, from 14,432 (12/31/2009) to 16,277 salaried employees, or 18,053 employees including leased workers (12/31/2010). This expansion took place owing to positive business development, particularly in Asia, as well as first-time consolidation of new companies. Group-wide, 57% of workers were employed in Europe, 22% in the Americas and 21% in Asia/Australia at year-end 2010. Knorr-Bremse had a total of 3,235 workers at its five German sites (Munich, Aldersbach,

Berlin, Dresden and Schwieberdingen) at year-end 2010 (2009: 3,071). 1,999 workers, or 12% of the Group's total workforce, were involved in research and development in 2010.

The three major regions where the Knorr-Bremse Group operates – Europe, the Americas and Asia/Australia – contributed to the sales trend as follows:

Europe region

In the Europe region, sales increased to EUR 2.29 billion (2009: EUR 1.84 billion). In a weak market environment, marked by numerous project postponements in the local passenger rail and freight markets, the Rail Vehicle Systems division showed a positive sales trend with growth of 14%, due in particular to increased deliveries to Asia. This significant growth in Europe can be attributed to the Commercial Vehicle Systems division in particular, which increased its sales by 41% over the previous year. This division benefited from the continuing recovery in the commercial vehicle industry as a result of an improved business environment, and saw further expansion of its market presence.

Americas region

The Group achieved sales of EUR 892 million for the entire Americas region (2009: EUR 661 million). Although the domestic North American market for freight cars and locomotives was in its third successive year of decline, the Rail Vehicle Systems division grew by 14%. In the Commercial Vehicles division, market conditions improved noticeably over the previous year, even in North America. However, the number of vehicles manufactured in 2010 remained well below pre-crisis levels. Knorr-Bremse's sales in the Commercial Vehicles division increased considerably over the previous year (+31%). In South America, both divisions saw significant gains: 174% in the Rail Vehicles division, and 62% in the Commercial Vehicles division.

Asia/Australia region

Sales for companies in the Asia Pacific region in 2010 grew by over 90% to 1.04 billion EUR (2009: EUR 529 million). The Rail Vehicles division more than doubled its sales, and thus once again surpassed the previous year's record sales by a significant margin. The main driver for positive development in this region is the expansion of rail networks in China and India. In the wake of an order from China in 2009, the largest in the company's history, Knorr-Bremse strengthened its market position in Asia through additional orders to equip high-speed and commuter trains. The Commercial Vehicles division in Asia also showed positive growth and showed a significant increase of 63% in its revenues.

Prospects for the year 2011

The Knorr-Bremse Group expects overall positive business development for the year 2011 in an environment of continued volatility. The Group anticipates positive market development for both divisions in Europe, particularly in freight and commercial transport. In North America, recovery is expected in the rail-based freight market, as well as a moderate increase in commercial vehicle production. In South America, there are signs of stabilization at a high level for both divisions. In Asia, good opportunities for growth continue to develop in the rail and commercial vehicle market, though these will be influenced by further developments in Japan. Based on regional market development and incoming orders in 2010, Knorr-Bremse is planning on increasing sales across the Group in 2011. However, the continuing uncertainty in financial and commodity markets, especially in view of current events in the Arab world, does not permit any quantifiable predictions at this time.

The **Knorr-Bremse Group** is the world's leading manufacturer of braking systems for rail and commercial vehicles. For more than 100 years now the company has pioneered the development, production, marketing and servicing of state-of-the-art braking systems. In the rail vehicle systems sector, the product portfolio also includes automatic electro-pneumatic or electric door systems, air conditioning systems, control components and windscreen wiper systems, as well as platform screen doors. In the commercial vehicle systems sector, the product range includes complete braking systems with driver assistance systems, as well as torsional vibration dampers and powertrain-related solutions, such as the Pneumatic Booster System (PBS) and transmission control systems for greater efficiency and lower fuel consumption.

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