

Press release

Munich, March 27, 2012

Knorr-Bremse delivers growth of more than 500 million euros

- **Sales: 4.24 bn. EUR (previous year: 3.71 bn. EUR)**
- **Incoming orders: 4.07 bn. EUR (previous year: 4.04 bn. EUR)**
- **Net income: 329 mn. EUR (previous year: 239 mn. EUR)**
- **All regions above 1 bn. EUR in revenues for first time**

Knorr-Bremse Group

The Knorr-Bremse Group increased **sales** during the 2011 fiscal year by more than one-half billion euros (14%) to 4.24 bn. EUR (previous year: 3.71 bn. EUR). The group again benefited in 2011 from its strong global position in the rail vehicle systems and commercial vehicles sectors. At 2.19 bn. EUR in sales, the Rail Vehicle Systems division contributed 51% of the group's overall revenues; the Commercial Vehicles division produced the remaining 49% at 2.07 bn. EUR.

In the **Rail Vehicles division** the improved sales figures can be attributed to growth in North America, reflecting recovery on the freight market, and to the Europe market. Alongside targeted acquisitions and joint ventures, 2011 also saw a focus on regional growth as part of a strategy to expand its market presence. One important milestone in expanding the Russian business came in late October with approval of KAB60 control valves designed especially for Russian freight traffic. As part of the ongoing strategic development of the worldwide network, 2011 will also see expansions of the Chinese engineering and production sites in Suzhou (braking systems), Qingdao (door systems) and Shanghai (air conditioning systems). The acquisition of Canada's Technologies Lanka company has led to improved technology in the door systems area. The doors business was also reinforced through the acquisition of Kalmar Tagkompetens, a Swedish service provider. The acquisition of Comet Fans in Italy extended Knorr-Bremse's product portfolio for fans for rail vehicle applications.

The **Commercial Vehicles division** benefited in particular from the sustained rejuvenation of the commercial vehicles market in Europe and North America. The founding of a joint venture for the manufacture of components for commercial braking systems and the power train in partnership with China's CAFF Automotive Braking & Steering Systems helped pave the way for a significant expansion of China-based activities in the commercial vehicles area. Knorr-Bremse's North American subsidiary Bendix added object recognition and data management for assist systems to its competencies through the acquisition of diverse assets of the Iteris company. The launch of serial delivery of anti-lock braking systems for agricultural vehicles during this reporting year also helped Knorr-Bremse make its entry into a new business area. In 2011, the Commercial Vehicle Systems division was voted "Best Brand in the Commercial Vehicle Sector" in the brakes category for the sixth time running. The division was also singled out for a VDA Logistik Award based on its efficient production and logistics processes.

Incoming orders within the group rose slightly from the prior year based on rising demand in both divisions in the North American region, to 4.07 bn. EUR from 4.04 bn. EUR a year ago. **Net profits** totaled 329 mn. EUR (previous year: 239 mn. EUR), corresponding to a ROI of 7.8% (PY: 6.4%). The growth reflects both improved economy of scale and in particular improved efficiency in workflow and process optimization. The consistent pursuit of

the Knorr-Bremse philosophy of development and on-site production of product families for its customers, including in the emergent BRIC states, played a decisive factor in the group's success. It also means that a large share of the workforce is located in low-wage countries, across all departments.

The **Group workforce** grew by 11.1% for the reporting year, to 20,050 employees from 18,053 (12/31/2010). The growth reflected the strong business results, especially in North America and Asia, as well as the first-time consolidation of new businesses. At the close of 2011, 52% of employees across the group were employed in Europe, a further 23% in America and another 25% in Asia/Australia. The 2011 year-end head count showed 3,848 employees at Knorr-Bremse's five German facilities in Munich, Aldersbach, Berlin, Dresden and Schwieberdingen, 19% of the overall group workforce (PY: 3,431). An additional 3,184 employees, or 16% of the total group workforce, were engaged in R&D and project planning during 2011.

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 2.58 billion EUR (2009: 1.84 billion EUR). In an improving market environment for local public transport and in light of stabilization of the freight market, the Rail Vehicle Systems division produced positive 2011 sales figures reflecting 3% growth. The significant growth in Europe comes thanks in particular to the Commercial Vehicle Systems division, which increased sales by 25% year-over-year. It profited from the ongoing recovery of the commercial vehicle industry and from its own improved market position.

Americas region

The Group rose above the 1 billion euro sales mark in 2011, on sales of 1,065 million EUR for the Americas region (2010: EUR 891 million). The Rail Vehicle Systems division posted a 20% rise on the back of an improved domestic market for freight cars and locomotives. In the Commercial Vehicles division, the North American business climate was also improved over the previous year. Knorr-Bremse sales in the Commercial Vehicle division rose a healthy +21% year-on-year. The two corporate divisions rose markedly in South America as well, by 16% for the Rail Vehicle division and 13% for the Commercial Vehicles division.

Asia/Australia region

Sales for the subsidiaries in the Asia-Pacific region grew slightly in 2011 by 4% to 1.08 bn EUR (PY: 1.04 bn. EUR). The Rail Vehicle division solidified its strong sales growth from recent years, not only maintaining those high levels but improving them by a moderate 2%. On the heels of the large-scale projects in China in recent years, Knorr-Bremse strengthened its market position in Asia by expanding its business with air conditioning systems, as well as orders to equip local public transit trains and the expansion of its service network. The Asian Commercial Vehicle division also saw positive development, raising revenues by 14%.

Outlook for 2012

The Group is forecasting moderate growth for 2012. In Europe the Group is anticipating unchanged market volume year-on-year for rail vehicles for passenger, freight and commercial hauling. A slight drop is expected on the European commercial vehicle market. In North America the Group is counting on further moderate recovery of the rail-based freight market and growth in commercial vehicle production. Mixed trends are anticipated for South Amer-

ica. The market for rail freight vehicles seems poised to improve slightly, while a drop in passenger rail traffic is expected. Due to the introduction of the Euro V emission standards, a drop in commercial vehicle production is anticipated. In Asia the Group is expecting growth in the Rail Vehicle division based primarily on strength from India. Commercial vehicle production will likely remain stable. Based on the trends on the regional markets and incoming orders from 2011, Knorr-Bremse is forecasting slightly improved earnings at the group level for 2012.

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 intelligent door systems, control components, air conditioning systems, windscreen wiper systems and platform doors systems. Knorr-Bremse also offers virtual driving simulators and e-learning systems for optimal training of rail personnel. In the commercial vehicle systems sector, the portfolio ranges from complete braking systems with driver assistance systems, torsional vibration dampers and power train-related solutions to transmission control systems for greater efficiency and lower fuel consumption.

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