

Press release

Munich, 24.03.2015

Knorr-Bremse remains on the road to success

- **Net income €560 million in 2014**
- **Sales revenues up 21% at €5.20 billion**
- **Rail division sales in China exceed €1 billion**
- **Strategic expansion into train control management technology**
- **Strengthening commercial vehicle division in China: joint venture with Dongfeng**
- **Over €1 billion invested in sites and production facilities since 2010**

The Knorr-Bremse Group

Knorr-Bremse posted sales revenues of €5.20 billion in the 2014 financial year – an increase of 21% over 2013 (€4.30 billion). All regions and divisions contributed to this growth, with the Rail Vehicle Systems division increasing sales revenues by 33% to €2.98 billion (2013: €2.25 billion), and the Commercial Vehicle Systems division posting sales revenues that were 8% higher, at €2.23 billion (2013: €2.07 billion). A high level of market penetration, combined with positive market trends, boosted the value of incoming orders by 16% to €5.50 billion (2013: €4.75 billion).

Net income moved ahead by 53% to €560 million (2013: €367 million), resulting in a net return on sales of 10.8% (2013: 8.5%). This positive development was due partly to the growth in sales revenues but also to the systematic measures taken in recent years to improve process efficiency and optimize costs, which enabled Knorr-Bremse to compensate for considerable price increases and cost pressures, particularly in the OE segment.

As Klaus Deller, Chairman of the Executive Board of Knorr-Bremse AG, commented: “This success is the result of the company’s long-term strategic orientation. Our investments over the last two decades are now bearing fruit and providing the basis for substantial growth. They have enabled us to expand our regional presence and strengthen our systems competence with a view to further increasing customer value and continuously improving our processes.”

At the Munich site, the basic shell for the new test and development center for the development of innovative braking systems is now in place. Total investment in this state-of-the-art building, which will accommodate 350 engineers and technicians from both divisions as well as more than 100 different test rigs, amounts to some €90 million. Concentrating braking technology expertise from the rail and commercial vehicle divisions will boost joint developments and foster synergies.

Investments rose to €161 million in 2014 (2013: €159 million). Expenditure on R&D and customer-specific developments was €295.5 million (2013: €252.5 million) and accounted for 5.7% of revenues (2013: 5.9%). 3,176 employees – 13% of the workforce – were employed in research and development in 2014. If all models of financing are included, the Group has invested more than €1 billion in sites and production facilities over the last five years in order to secure its future.

By the end of 2014 the Knorr-Bremse Group had a **workforce** of 23,916 – an increase of 14.8% over 2013 (20,833). This significant growth in the number of highly qualified employees was mainly the result of recruitment to new jobs at the Group's global production and development sites as well as first-time consolidation of newly-acquired companies.

By the end of the year, 52.6% of Group employees were in Europe, 21.1% in America and 26.3% in Asia/Australia. The six German locations in Aldersbach, Berlin, Dresden, Holzkirchen, Munich and Schwieberdingen accounted for a total of 4,846 employees (2013: 4.087) – the equivalent of 20% of the total Group workforce.

Europe, Africa and Middle-East region

In the European region, sales revenues rose 9% to €2.45 billion (2013: €2.25 billion). In the rail segment the market level-pegged with the previous year, but revenues were boosted by an expansion of business into the power supply systems segment with the acquisition of the two companies PCS and Transtechnik. Knorr-Bremse also strategically expanded its product portfolio by acquiring Selectron Systems AG in order to strengthen its systems competence in train control management and create potential synergies for customers. In Europe, truck production declined by 9.5% in 2014 (2013: +7.3%). The higher level in 2013 was due in particular to advance purchases in anticipation of introduction of the Euro 6 standard.

North and South America region

In North America and South America, the company increased sales revenues by 14% to €1.16 billion (2013: €1.02 billion). Against a background of positive economic growth the rail freight business in North America developed well, and strategically important orders were also secured in the passenger and service segments. In the commercial vehicle sector the Group's North American subsidiary Bendix posted sales revenues of more than US\$1 billion for the first time in 2014, increasing market share and securing important aftermarket orders. By contrast, economic development in South America stagnated, and the market for rail freight vehicles remained at a low level, whereas demand in the passenger segment rose slightly. Truck production in South America in 2014 declined by 28.4% following a rise of 40.9% the previous year, due to the discontinuation of state subsidy programs.

Asia and Australia region

2014 saw sales in the Asia and Australia region increase by 54% to €1.59 billion (2013: €1.03 billion). In the rail sector, Knorr-Bremse benefited in particular from expansion of the Chinese high-speed rail network and growing demand for mass transit systems, and achieved sales revenues of more than €1 billion for the first time. Against the background of a stable market in the commercial vehicle sector, the company took an important strategic step towards further strengthening its position in the Chinese market: In the new joint venture with Dongfeng Electronic & Technology Co. Ltd., Knorr-Bremse will produce components for complete commercial vehicle braking systems, enabling it to respond better to customer requirements in this technologically developing market.

First sustainability report in compliance with Global Reporting Initiative standards

Knorr-Bremse meets its corporate responsibilities by giving the pursuit of social objectives equal priority with economic and ecological ones. The company will publish its first Sustainability Report during the first six months of 2015.

Knorr-Bremse Global Care celebrates 10th anniversary

In 2014 the charitable organization Knorr-Bremse Global Care spent €1.8 million supporting 50 projects in 29 different countries on four continents. Since 2005 a total of €12.5 million has been spent in 50 countries of the world on 170 projects that have improved the living conditions of almost 450,000 people.

Outlook for 2015

The Group is expecting more moderate growth in sales revenues and net income against a background of restrained global economic performance in 2015. "We have been able to significantly exceed our targets for 2014," sums up Executive Board Chairman Klaus Deller. "Our strategy of substantial growth will continue. With the acquisition of Selectron we have

gained access to the field of train control management and will be able to generate further value for our customers by networking rail vehicle systems. Similarly our new joint venture with Dongfeng, which has got off to a successful start, promises to significantly boost the expansion of our commercial vehicle activities in China. Everything that we do is driven by a determination to generate added value for our customers. Our company is thriving, and we aim to grow it further. In addition to our efforts to generate continued organic growth we are equally determined to meet our targets by making strategic acquisitions.”

Picture caption 1: Klaus Deller, Chairman of the Executive Board of Knorr-Bremse AG, commented: “This success is the result of the company’s long-term strategic orientation. Our investments over the last two decades are now bearing fruit and providing the basis for substantial growth. They have enabled us to expand our regional presence and strengthen our systems competence with a view to further increasing customer value and continuously improving our processes.”

Picture caption 2: The Lanxin Line in north-west China: On their 1,776 kilometer journey between Lanzhou and Ürümqi the high-speed trains cross the Gobi Desert, reaching a height of 3,610 meters above sea level. In conjunction with CSR Sifang, the Knorr-Bremse joint venture Merak-Jinxin developed a roof-mounted HVAC system complete with anti-sand filter and low-temperature cooling. The demands made on the system are extreme: Because solar radiation is more intense when the air is thin, the temperature in the interior of the passenger cars can rise to 30°C or more even though the outside temperature is only 15°C.

Picture caption 3: In the Commercial Vehicle Systems division, North American subsidiary Bendix posted sales revenues of more than US\$1 billion for the first time in 2014 and secured important aftermarket orders. An important role was played by products from its remanufacturing portfolio.

Picture caption 4: At the Munich site, the basic shell for the new test and development center is now in place. Total investment in this state-of-the-art building amounts to some €90 million.

The **Knorr-Bremse Group** is the world’s leading manufacturer of braking systems for rail and commercial vehicles. For more than 110 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 entrance systems, HVAC systems, power conversion systems, control components, and windscreen wiper systems, as well as platform screen doors, friction material, driver assistance systems, and control technology. Knorr-Bremse also offers driving simulators and e-learning systems for optimum train crew training. In the commercial vehicle systems sector, the product range includes complete braking systems with driver assistance systems, as well as torsional vibration dampers, powertrain-related solutions and transmission control systems for enhanced energy efficiency and fuel economy.

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