

Press release

Munich, 18 March 2013

Knorr-Bremse grows slightly and invests in the future

- **Group sales increase slightly by 1% reaching 4.3 billion euros**
- **Both corporate sectors are above the previous year level**
- **Future investments of more than 250 million euros (2011 – 2014) in modern buildings and production facilities on the global growth markets**

The Knorr-Bremse Group

The Knorr-Bremse Group could once again attain sales of over 4 billion euros in the 2012 business year. Sales increased slightly in an internationally difficult business environment by 1% to 4.3 billion euros (previous year 4.2 billion euros). The group benefited also in 2012 from a strong worldwide arrangement in the two corporate sectors of rail vehicle systems and commercial vehicle systems: The former contributed 51% to corporate sales with its sales of 2.22 billion euros and the latter 49% with 2.10 billion euros.

In the **rail vehicle sector**, the trend can be explained primarily by the impulses from the North American region owing to growth in passenger traffic and the freight market. In 2012, preparations for stronger activities in Russia were especially in the spotlight. After approval from the Russian Railway Company RZD, it was possible to launch the “Knorr-Bremse 1520” joint venture in early 2013 for the production of braking technology products for rail vehicles in Russia and other CIS countries. As part of the modernization of the worldwide production and development network, considerable sums for new constructions and efficient production facilities were also invested in 2012. New factories were opened in Westminster (USA), Faridabad (India) and Granville (Australia) and a new location inaugurated in Buccinasco (Italy). In addition, the largest European production facility for systems for rail vehicles in Budapest received the “Factory of the Year” award in the category of “Outstanding Value Stream” for its efficient production and logistics processes in 2012.

The **commercial vehicle sector** could post increases in North American and Asia in 2012 that compensated for a weak market environment, particularly in Europe during the second half of the year. Among other things, the expansion and modernization of the worldwide production and development network was pushed in the reporting year. Apart from the new construction of production facilities in Pune (India) and Itupeva (Brazil), the build-up of a development location across the divisions in Pune

was in focus. For the seventh time in a row, the “Best Brand of the Commercial Vehicle Sector” prize was given to the systems sector in the category of brakes.

Investments (166 million euros) were above depreciations (160 million euros), rising 4% compared to the previous year. To safeguard the future and expand capacity, Knorr-Bremse invests more than 250 million euros in state-of-the-art production facilities and building structures in the global growth markets over a medium-term 4-year period (2011 – 2014). The focus here is on the implementation of efficient and cost-optimized processes as well as flexible procedures for enhancing customer use and significantly reducing delivery times. The technology group will therefore continue to pursue its strategy which is geared towards the long-term success of the group.

The **annual surplus** amounted to 295 million euros (vs. 329 million in the previous year). This corresponds to a 10% decline and a 6.9% profit-sales ratio (vs. 7.8% in the previous year). The most important drivers of this trend were especially the negative sales mix effect and the rising price and cost pressure in 2012. Efficiency increases through improved processes and procedures as well as a higher proportion of employees across all functional areas in low-wage countries could not compensate for this decline.

Incoming orders in the group (3.95 billion euros) were constant with respect to 2011 (4.07 billion euros) owing to stable demand in both sectors.

The **group workforce** totaled at the end of the reporting year 19,120 employees (previous year 20,050). The decline is explained primarily by weakening business activities in the North American commercial vehicle market at the end of the year and the beginning of the move to a new location in Brazil. In the entire group, 54% of employees worked in Europe, 22% in the Americas and 24% in Asia/Australia at the end of the year. In the five German locations of Munich, Aldersbach, Berlin, Dresden and Schwieberdingen, Knorr-Bremse employed a staff of 3,750 (vs. 3,848 the year before) at the end of 2012, which corresponds to a 20% share of the group workforce. 3,193 employees (i.e. 17% of the group’s entire workforce) worked in R&D and project planning in 2012.

The three large regions of Europe, the Americas and Asia/Australia, according to which the Knorr-Bremse Group runs its business operations, contributed to the sales trend as follows:

European Region

In the European region, the sales trend was positive by 1% with respect to the previous year (2.18 billion in 2012 vs. 2.17 billion euros in 2011). In a slightly positive market environment, the rail vehicle systems sector posted a higher sales trend in 2012 with final customers. After a slight market recovery in 2011, the European commercial vehicle market declined once again strongly (-11%) in the reporting year. Sales fell slightly in this difficult climate.

American Region

The group could once more exceed the sales mark of 1 billion euros; it achieved 1.07 billion euros in 2012 (vs. 1.02 billion euros in the previous year). Due to a positive trend in the North American market for passenger vehicles and a continuing recovery in the domestic freight car and locomotive market, the rail vehicle systems sector grew significantly. In the commercial vehicle sector, basic conditions have once again improved in North America compared to the previous year: Knorr-Bremse sales in this sector could be increased owing to a strong first half of 2012 compared to the year before. In South America, both corporate divisions were confronted by a difficult market environment and declining sales.

Asian/Australian Region

Sales in the companies of the Asia-Pacific region were constant in 2012 (1.05 billion euros vs. the same amount in 2011). After the rail vehicle sector achieved significant high-level growth rates in recent years, figures declined slightly. Worth mentioning in the reporting year were especially the follow-up order of the Japanese railway company JR East for installing braking equipment in the Shinkansen E7 and the first order of the Japanese railway company JR West for the Shinkansen W7. The Asian commercial vehicle market had a positive trend, increasing earnings significantly. After the KB-CAFF joint venture concluded in the previous year, production was expanded for producing braking components for the local market in Chongqing in the reporting year.

Outlook for 2013

The group assumes a stable trend for 2013. In Europe, the group expects an almost unchanged market volume for the rail vehicle systems sector in the transportation of passengers, freight and goods compared to the previous year. In the European commercial vehicle market, a decline is expected once again. In North America, the group is assuming a slight decline in the rail-bound freight market and commercial vehicle production. In South America, a stable trend in the rail vehicle division and a slightly positive trend in the commercial vehicle division are becoming apparent. In Asia, the group is expecting impulses particularly from India and Southeast Asia in the rail vehicle sector. Commercial vehicle production will likely have a stable trend.

Based on the regional market development and 2012 incoming orders, Knorr-Bremse expects a stable trend at the group level for 2013.

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 and windscreen wiper systems, as well as platform screen doors. 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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