

Press Release

Munich, March 25, 2010

After a difficult year in 2009, Knorr-Bremse is anticipating moderate growth in 2010

- **Sales in 2009: EUR 2.76 billion (2008: EUR 3.38 billion)**
- **Incoming orders: EUR 3.19 billion (2008: EUR 3.21 billion)**
- **Net income for the year: EUR 99 million (2008: EUR 192 million)**
- **Moderate growth expected in 2010**

Knorr-Bremse Group

In fiscal 2009 the Knorr-Bremse Group posted **consolidated sales** of EUR 2.76 billion (2008: EUR 3.38 billion) in a difficult economic environment. The company once again benefited from its strong strategic position with two divisions, Rail Vehicle Systems and Commercial Vehicle Systems, in markets that developed differently. The Rail Vehicle Systems division contributed EUR 1.55 billion or 56 % to consolidated sales (2008: EUR 1.43 billion) while the Commercial Vehicle Systems division contributed EUR 1.22 billion or 44 % (2008: EUR 1.97 billion). Despite a sharp downturn in its freight car and locomotive business and a lower volume of aftermarket sales as a result of vehicles being idled, the Rail Vehicle Systems division still managed to post an increase in sales, primarily in Asia/Australia but also in Europe. The Commercial Vehicle Systems division, by contrast, witnessed a drastic fall in truck production in almost all of its markets and experienced a marked drop in overall sales.

Knorr-Bremse was quick to respond to the slump in demand in the commercial vehicle sector as well as the decline in business in several regions and market segments in the rail vehicle sector. In order to adapt processes and structures to the lower level of market activity, in the Commercial Vehicle Systems division 2009 brought the introduction of further measures from the cost-cutting program that had been triggered towards the end of 2008. The associated adjustment in staffing levels was, however, kept substantially lower than the scale of the market downturn, particularly in the development sector, in order to ensure that innovations were still driven forward in close collaboration with customers. The management of the Group's working capital and cash flow was also aligned with the revised situation. The Knorr-Bremse's net indebtedness was reduced by EUR 124 million compared to the previous year, which almost entirely cleared the Group's net debt.

Incoming orders in 2009 were almost unchanged year-on-year at EUR 3.19 billion (2008: EUR 3.21 billion) not least on account of record orders from China for the Rail Vehicle Systems division. **Net income** for the year totaled EUR 99 million (2008: EUR 192 million), corresponding to a net return on sales of 3.6% (2008: 5.7%).

In 2009 the size of the **Group workforce** declined by just under 4% to 14,432 employees on December 31 (2008: 14,999). The number of employees in the rail vehicle sector rose by around 7% to 8,256 (2008: 7,688) as a result of further expansion in Asia/Australia. In the commercial vehicle sector, by contrast, the headcount fell 16% to 6,014 employees (2008: 7,160), although this reduction was still far lower than the scale of the market downturn. Across the Group, at year-end 2009 59% of the workforce was employed in Europe (2008: 62%), 22% in the Americas (2008: 24%) and 18% in Asia/Australia (2008: 14%). At the Group's four German locations in Munich, Aldersbach, Berlin, and Schwieberdingen, Knorr-Bremse had a total of 3,071 employees on the payroll at year-end 2009 (2008: 3,506). In 2009 1,885 employees or 13% of the total Group workforce were employed in Research & Development.

The development of business in the Group's three regions was as follows:

Europe

In the European region sales declined to EUR 1.84 billion in 2009 (2008: EUR 2.46 billion). Despite a sharp downturn in the rail freight-car market, the Rail Vehicle Systems division was able to post an increase in sales of around 3% on the back of orders from European vehicle manufacturers in the passenger transportation sector and projects in the Middle East. Thus, Knorr-Bremse was commissioned to supply braking and platform screen door systems for the new Mecca metro to the value of EUR 40 million. This was in stark contrast to the picture in the European commercial vehicle market, where output in the OEM sector was 65% down on the previous year. Sales at the Commercial Vehicle Systems division fell 48%.

The Americas

For the Americas as a whole, Knorr-Bremse reported sales of EUR 661 million (2008: EUR 772 million). In North America, both divisions had to contend with a weaker operating environment than in the previous year. The Rail Vehicle Systems division was impacted by the marked decline in the volume of rail freight, posting a drop in sales of almost 9%. In the commercial vehicle sector, despite what already had been a very low market volume in the previous year, 2009 brought the third successive annual decline in truck output. As a result, sales at the Commercial Vehicle Systems division fell by around 16%. In South America both divisions were hit hard by shrinking markets. Production of rail freight cars in the region was down 80% in 2009, while truck output sank by around 30%. This led to a downturn of approximately 11% in regional sales at the Rail Vehicle Systems division, while sales at the Commercial Vehicle Systems division fell 22%.

Asia/Australia

Sales at the Knorr-Bremse Group companies in the Asia/Australia region moved ahead by around 40% in 2009 to EUR 529 million (2008: EUR 377 million). This positive development was led by the Rail Vehicle Systems division, which posted an increase in sales of almost 80% in the region. The main driver was once again China, where Knorr-Bremse obtained the largest order in its over 100-year history, valued at around EUR 500 million: Together with its Chinese partners, the company is to equip more than 2,720 cars for the Chinese CRH3 high-speed train with braking and door systems. In addition, 1,280 of these cars will be equipped with air-conditioning systems from Knorr-Bremse. The Commercial Vehicle Systems division had to contend with a difficult operating environment in Asia, as well, and sales were down by some 27%.

Outlook for 2010

For 2010 the Knorr-Bremse Group is anticipating only moderate global economic growth in what will in general remain a difficult economic environment. For the Rail Vehicle Systems division the company is expecting to see a further slight drop in market volume for freight cars in Europe and the Americas. The rail passenger transportation sector, by contrast, is set to remain stable in the Americas and in Europe, and show further strong growth in Asia. The high level of incoming orders for Knorr-Bremse from Asia is indicative of the region's continuing economic growth. For the Commercial Vehicle Systems division Knorr-Bremse expects the modest market recovery in the fourth quarter of 2009 to be followed by a stable worldwide market scenario at the current level of activity. Based on these market developments, Knorr-Bremse is anticipating a moderate increase in consolidated sales in 2010. However, the prevailing uncertainties in the financial and real markets mean that it is currently impossible to quantify the level of growth.

Active cash management, the virtual elimination of net debt and the company's creditworthiness based on investment grade ratings from both Standard & Poor's and Moody's are the cornerstones on which Knorr-Bremse can base its continued pursuit of a strategy geared to long-term success in 2010, despite the prevailing difficult economic backdrop. This strategy is reflected in particular in the investments in new facilities at Budapest, Hungary for the Rail Vehicle Systems division and in Liberec, Czech Republic for the Commercial Vehicle Systems division. This will lead to the further expansion of capacities in the rail vehicle sector and to the introduction of advanced production and logistics concepts at both divisions. In the Indian growth market too, Knorr-Bremse is adhering to its long-term strategy: In the rail vehicle systems sector the company is investing in a new production plant in Faridabad, while in the commercial vehicle sector it has acquired the remaining shares in the former joint venture with Tata Autocomp. Systems Ltd.. In 2010 Knorr-Bremse will be forging ahead with the selective expansion of its fields of activity through the introduction of innovative products in close collaboration with customers. At the same time, the integration of recent acquisitions into the Group's global production network will drive the expansion of its market position in several areas.

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. Other lines of business in the rail vehicle systems sector include 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 system for enhanced energy efficiency and fuel economy.

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