

## Press Release

Munich, April 1, 2008

### Knorr-Bremse maintains pattern of growth

- **Sales rise 4.2% to EUR 3.251 billion (2006: EUR 3.121 billion).**
- **Incoming orders increase 6.4% to EUR 3.767 billion (2006: EUR 3.541 billion).**
- **Net income up 6.6% to EUR 197.8 million (2006: EUR 185.5 million).**
- **Expansion of local structures in Russia.**

#### Knorr-Bremse Group

The Knorr-Bremse Group once again sustained the pattern of growth of previous years in fiscal 2007, attaining new record levels of sales, net income and incoming orders.

**Consolidated sales** were up 4.2% at EUR 3.251 billion (2006: EUR 3.121 billion) – adjusted for exchange rate fluctuations, this equates to operating growth of 6.6%. The Rail Vehicle Systems division contributed EUR 1.304 billion (2006: EUR 1.174 billion) or approximately 40% to the consolidated total, while the Commercial Vehicle Systems division contributed around 60% or EUR 1.966 billion (2006: EUR 1.968 billion). Strong growth in Europe, South America and Asia more than offset the downturn in the US truck market. The introduction of more stringent exhaust emissions regulations in this market led to a drop in sales at Knorr-Bremse of EUR 175 million. In regional terms, Europe once again accounted for the lion's share of sales in 2007 with 67% (2006: 63%). 23% of sales were posted in the Americas (2006: 30%) and 10% in the Asia/Australia region (2006: 7%).

**Incoming orders** rose to EUR 3.767 billion in 2007 (2006: EUR 3.541 billion). **Net income** increased to EUR 197.8 million (2006: EUR 185.5 million), which equates to a net return on sales of 6.1% (2006: 5.9%). The equity ratio of the Knorr-Bremse Group continued to rise, reaching 32.6% (2006: 30.0%). The rating agencies Standard & Poor's and Moody's both maintained their investment grade rating in the year under review (BBB+ and Baa1 respectively).

At year-end 2007, the **Group workforce** totaled 13,943 persons or 7.0% more than at the end of 2006 (13,035). The increases took place mainly in Asia and Europe. At year-end 2007, 65% of the Group's employees worked in Europe, 24% in the Americas and 11% in Asia/Australia. At its four German sites – Munich, Aldersbach, Berlin and Schwieberdingen – Knorr-Bremse employed 3,398 persons at year-end 2007, which was 298 or 9.6% more than one year previously. By strengthening the workforce in this way, in particular in the Research &

Development sector, Knorr-Bremse is preparing the ground for the Group's projected future growth. At the end of 2007, 1,682 employees or 12% of the total headcount worked in Research & Development.

Business in the three regions developed as follows:

### **Europe**

In the European region sales moved ahead to EUR 2.356 billion (2006: EUR 2.106 billion). Building on their strong market positions in 2007, both divisions made equal contributions to this regional rise in consolidated sales, each posting growth of over 11%. The Commercial Vehicle Systems division benefited from the ongoing boom in commercial vehicle production, particularly in the new EU member states and in the other Eastern European countries. Following a year of stagnation for the European rail vehicle market in 2006, the Rail Vehicle Systems division profited from a distinct market upturn in 2007 and increased its market share. Extensive long-term framework agreements governing mass transit and mainline projects were concluded with the key rail vehicle manufacturers in 2007.

### **The Americas**

In North America 2007 brought different developments at the two divisions. As expected, the U.S. OEM truck market slumped by around 40%. As a result, Knorr-Bremse's North American commercial vehicle operations posted a drop in sales of around 29%. In the rail vehicle sector Knorr-Bremse was able to offset the moderate downturn in the passenger transportation segment through rising sales in the freight sector. Overall, the Rail Vehicle Systems division reported a 1.5% increase in sales in North America over 2006. In South America, driven by healthy OEM and trailer business, as well as by rising exports, sales in the commercial vehicle sector moved ahead 36%. In the rail vehicle sector a weak market environment led to a 10% drop in sales against 2006. In the Americas region as a whole, the Group posted sales of EUR 791 million in 2007 (2006: EUR 960 million).

### **Asia/Australia**

Sales in the Asia/Australia region rose by almost 60% to EUR 330 million in 2007 (2006: EUR 208 million). The Commercial Vehicle Systems division is well established in the key Japanese, Indian and Chinese markets with local production facilities. Sales in this sector increased by 25%. The Rail Vehicle Systems division posted regional growth of around 85% in 2007. The ramping up of production at the four joint ventures founded in 2006 in China and the opening of the extension to the company's own production plant in Suzhou all contributed to this positive development. In Australia, Knorr-Bremse won an order worth EUR 140 million for the development, production, supply and maintenance of braking and door systems for suburban trains.

### **Outlook for 2008**

The Knorr-Bremse Group has made a good start to 2008 and is set to post further growth in the current financial year. The company expects to see sales increase at least at the same rate as in 2007.

In Europe, the Group is expecting the market environment to remain positive for both divisions in 2008, with the commercial vehicle market even likely to exceed the very high level attained in

2007. The European rail vehicle market is expected to continue its upward progress throughout 2008 and beyond, particularly in the freight car and multiple unit segments.

In North America, the company is expecting a modest recovery in the OEM truck market. North American sales in the rail vehicle sector are expected to show a slight downturn as a result of the weaker economy. In South America, Knorr-Bremse is projecting a stable volume of business for both divisions.

The Asian market continues to present good business prospects for both divisions. For the Rail Vehicle Systems division, the signs in China, the largest market in Asia, are set for further above-average growth rates. Thanks to the consistent expansion of its production capacities, Knorr-Bremse is able to meet the increasing demands in terms of localization. Along with production and sales operations, the coming year will see the establishment and expansion of engineering capacities in China. The Indian market is also heading for further growth. In Japan, the market will remain stable at its current high level.

The positive overall outlook is offset by a number of fundamental risks:

The development of raw materials and energy prices may influence business development, as indeed may potential economic slowdowns on account of the North American financial crisis, which is far from over and the overall effects of which cannot be predicted.

Knorr-Bremse will nevertheless be maintaining its strategy for growth based on better penetration of mature markets, selective expansion of the company's fields of activity, investment in innovations and human resources, and accessing new markets.

### **Expansion of local structures in Russia**

Both divisions – Commercial Vehicle Systems and Rail Vehicle Systems – will be expanding their local structures in Russia in 2008. The joint venture with KAMAZ that will be the exclusive supplier to Russia's largest truck builder and will also supply other manufacturers in the CIS states, represents an important step in setting the stage for the future development of the Knorr-Bremse Commercial Vehicle Systems division in the Russian market.

The Rail Vehicle Systems division has made substantial investments in 2007 to adapt its products to operating conditions in Russia and have them certified accordingly. In Munich the division set up a cold chamber and a new test rig for Russian brake technology. As a result of these efforts, Knorr-Bremse will become the only manufacturer that can comply with all four of the world's established technical standards.

The **Knorr-Bremse Group** is the world's leading manufacturer of braking systems for rail and commercial vehicles. For more than hundred years now the company has pioneered the development, production and marketing of state-of-the-art braking systems. Other lines of business include automatic door systems, rail vehicle air conditioning systems and torsional vibration dampers for internal combustion engines. Further information about the Knorr-Bremse Group is available at [www.Knorr-Bremse.com](http://www.Knorr-Bremse.com).

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