



Annual General Meeting of Knorr-Bremse AG

Speech by CEO Marc Llistosella and
CFO Frank Markus Weber

Munich, April 30, 2024

Check against delivery on the day of the Annual General Meeting.

Marc Llistosella, CEO of Knorr-Bremse AG

Thank you very much, Dr. Ploss.

Dear shareholders,

ladies and gentlemen,

On behalf of the entire Executive Board, I too would like to extend you a warm welcome.

2023 was a year full of records, and it also brought a few changes. It was a year in which we made important and path-defining decisions for the future of Knorr-Bremse. That's why, for me, our Annual General Meeting today is also a time for an initial reflection and to explain our next steps to you. Let's start with a look back at my first year as Chief Executive Officer of Knorr-Bremse. Afterward, I will give you an overview of the most important operational results from 2023.

Then, my Executive Board colleague Frank Weber will provide you with a deeper insight into our figures as well as an initial outlook for the current fiscal year.

On behalf of the Executive Board, I will spend the third section further explaining the BOOST 2026 strategy program that we presented last summer and outline the first successes that we have already achieved thanks to our strong teamwork.

Knorr-Bremse is undergoing a transformation that we are shaping together. We are determined in our actions and always have our eyes set on our goal of ensuring our global technology and market leadership, now and in the future.

And to get straight to the point: I am positively impressed by our company which I have now had the privilege of leading as CEO for one year. At the Annual General Meeting 12 months ago, I described my initial impressions, mentioning our employees' comprehensive expertise and high commitment to performance. Since then, I have visited many of our locations worldwide and met with many "Knorrians" in person – and my initial impressions have been additionally reinforced. We have absolute professionals at work here. They are passionate about their products, their customers, and the company's success. Today, I can sense the willingness to change things across the entire company – and that is world-class. It is precisely this spirit, this willingness to change that we need in order to remain a global market and technology leader and gain even more benefits from this. However, we must become faster and more agile.

We have realigned our management team and, with Nicolas Lange, who has been with the company for more than 20 years, gained a very experienced rail expert on the Executive Board. He is a "railie through and through", who will enhance the team and contribute the necessary speed and readiness for change to the division.

For us on the Executive Board, we have defined a clear list of priorities that we want to tackle together. This particularly includes cultural change at Knorr-Bremse: We are in the middle of a period of transformation which calls for clear management and goals as well as new freedom to unleash entrepreneurial spirit. To this end, we have revised our leadership principles, which we will now be actively implementing throughout the company jointly with all management staff.

With more than 30,000 employees around the world, we have highly motivated teams that have helped in every way to make 2023 a record year in terms of revenues, order intake, and order books. We were able to enhance our profitability and substantially boost our free cash flow. Our net debt is very low and balance sheet robust – all in all we thus have strong financial underpinnings that are the envy of many other companies. With our new BOOST2026 strategy program, we have initiated steps to give our company even more power in the future. But more about this in a moment.

As you can see: We on the Knorr-Bremse team have already achieved a great deal in a short space of time and made our company significantly stronger.

Before I begin speaking about our success over the past year, I would like to thank all our team members. This success is owed to our employees globally. On behalf of the entire Executive Board, I want to thank them very deeply for their strong dedication.

Ladies and Gentlemen,

Let me now begin with our main messages for the previous year.

2023 was another tough year. The continuing war in Europe, geopolitical tensions, and only a gradual decline in inflation – all these factors influenced our business. Despite these challenges, however, Knorr-Bremse achieved all of its ambitious goals. One of the most important achievements was this: We have managed to turn the trend on profitability. What particularly helped us with this was our BOOST 2026 strategy program, our PCPP profit optimization program, and our already legendary cost management.

Once again, we proved that Knorr-Bremse can conquer a crisis.

This pronounced resilience is not merely wishful thinking, as it can also be seen in black and white in our figures: Our order books and order intake as well as our revenues reached new records. Our strong balance sheet additionally gives us the financial flexibility we need to operate in the market successfully. We are fully on track with our strategy program and have already implemented the first measures. With the sale of Kiepe Electric and Safety Direct in the US, we are already able to report initial success in the adjustment of our portfolio – and further important success in this field will be coming soon. We are looking at growth options and are driving further developments beyond our current core business so that we can add

value in the future, too. Just recently, we were able to announce the acquisition of the conventional rail signal technology business of Alstom Signaling in North America.

Through it, we have unlocked new prospects for profitable growth, technological competence, and future, digital business models. By taking this path, we are not just building on our highly profitable rail business. We will also become one of the US market leaders in the rail control, command, and signaling segment, or CCS for short, with a particularly lucrative aftermarket business.

The transaction pursues a compelling industrial logic and is a very good match for our development and growth path, as we announced in our BOOST 2026 strategy program. With the acquisition, we are taking a significant step toward the transformation from being a supplier of vehicle systems to a supplier of overall rail systems. We expect the transaction to close in summer this year.

As you can see: We don't just talk but also act. And we are headed in the right direction. We on the Knorr-Bremse team are proud of what we have achieved.

Having said that, though, we will continue to face major challenges and adverse market conditions in the year ahead.

Now I would like to talk more about some of the success in our two divisions last year. It reflects our customers' great confidence in the quality of our products and systems.

We were able to underscore our innovativeness in our Truck division with the further development of a number of important products and solutions, such as the iTEBS X system, for example. At the end of last year, Knorr-Bremse commenced mass deliveries of the new-generation intelligent electronic trailer braking system. Co-developed with Cojali, in which Knorr-Bremse holds a majority stake, the intelligent service system permits diagnostics to be performed on trailers fitted with the iTEBS X system. In addition to renowned companies and research institutes, Knorr-Bremse is working as a prime development partner on putting autonomous trucks on the road.

Knorr-Bremse is also driving forward the digital transformation in rail transport. In early 2024, we launched a smart product solution for network-connected passenger and freight trains in cooperation with Nexxiot, an investment of ours in Switzerland. Thanks to intelligent analytics, customers will benefit from improved train availability, operational efficiency, and punctuality. Our CubeControl system is already the most frequently installed brake control system on rail worldwide. After intensive development, we presented the new CubeControl last year. This is an intelligent platform that connects numerous elements of the braking system even more intelligently.

In addition, our Rail division again received important contracts in 2023. Among other things, Knorr-Bremse will be fitting out a total of 52 metrotrains comprising a total of 156 cars in the Indian cities of Bhopal and Indore with braking and air conditioning systems in a partnership with Alstom and providing comprehensive service over a

period of 15 years. We were also awarded a further big-ticket contract in our core Asian market of China. Knorr-Bremse received an order from the world's largest rolling stock manufacturer CRRC to equip 36 trains for the Chengdu megacity with braking systems. As well as this, it secured an extensive multi-system order in Italy, under which we will be fitting out new-generation metro trains for Hitachi Rail for future deployment in the Milan region. With this contract for Hitachi, Knorr-Bremse was also able to include its new passenger train coupling systems in an equipment project for the first time. The first trains are scheduled to go into operation this spring.

Our Truck division was also very successful in 2023. For example, the further integration of Cojali, in which we hold a majority interest, continued successfully. The company has even performed significantly better than we expected when buying it. Working in cooperation with Cojali, we also developed the first cloud-based configuration platform – OCT, or Online Configuration for Trailers. It meets the new statutory requirements with regard to the software update management system and cybersecurity.

In this way, vehicle manufacturers can very easily adapt the trailer brake control systems to the individual technical requirements of the vehicles, while managing and tracking all software changes throughout the entire product life cycle.

These operational successes in both divisions are examples of the core elements of our success story. This success did not happen by chance; rather, it is the result of the hard work of our employees all around the world.

When I initially took up my role, I said how important openness and transparency in the company are. And how important it is for the Executive Board to take the lead by providing clear orientation and putting this into practice. Together with our managers, we defined our new leadership principles last year, setting out how we want to lead the people in this company in the future, with the courage to act entrepreneurially, with trust, team spirit, and personal responsibility.

Working together on the Executive Board, we jointly initiated this cultural change and made great progress. This entails a culture of accepting errors as well as the roll-out of a worldwide diversity strategy together with a transparent remuneration system which we want to introduce step by step at all locations in Germany.

The prerequisite for our first-class performance is the trust our customers place in us as a global market and technology leader. This marked confidence our customers display in the quality of our products and services is evidenced by the very clear successes of our two divisions:

Looking at the rail market, we can see that underlying demand is very strong in all regions, something that is reflected in the consistently good order intake. On an especially gratifying note, the aftermarket in China in particular is profiting from increased passenger numbers. Tendering in the sector remains strong, resulting in persistently large order books for our global OEM customers. The portfolio of legacy

orders heavily affected by inflation has shrunk considerably. Overall, the inflation-related effects on our business have thus declined substantially.

The truck market also benefited from continued strong demand in 2023, particularly in Europe and North America. The truck production rate in this period developed well in both regions and, in China, there was even an increase of more than 50%. This year, we anticipate somewhat slower growth in the truck production rate as well as opportunities particularly for growth in content per vehicle as well as our service business. We agree with the market assessment of our major truck OEM customers in European and North America for this year. If these markets do actually shrink, we will take appropriate countermeasures to safeguard our profitability.

Dear shareholders,

We were able to achieve all our targets for revenues, EBIT margin, and free cash flow in the past fiscal year.

This commercial success is also something that you should profit from directly, and you can see this in our proposed dividend. The Executive and Supervisory Boards are proposing at this Annual General Meeting to pay a dividend of € 1.64 per share for the past fiscal year. This would equate to a ratio of 46 percent of consolidated net income. This figure is stably within our communicated long-term distribution ratio of 40 to 50% of consolidated net income. It is simultaneously 13% more than the previous year's dividend.

If you agree to our proposal, the company will distribute a total of approximately € 264 million to you, our shareholders, after this Annual General Meeting.

Ladies and gentlemen, I will now hand over to our Chief Financial Officer, Frank Weber. He will explain the financial figures in more detail to you, before presenting our guidance for 2024.

Frank Weber, CFO of Knorr-Bremse AG

Thank you very much, Marc.

Dr. Ploss,

dear shareholders,

ladies and gentlemen,

I would like to wish you a warm welcome.

Before I present to you our excellent results for the previous year, I too would like to express to the entire Knorr-Bremse team across the world my deep gratitude and

recognition of their extraordinary dedication. These results would not have been possible without this achievement.

I will start by summarizing the most important financial figures from last year.

Last year, Knorr-Bremse generated record revenues of € 7.9 billion, which represented growth of around 11%. Both divisions achieved significant growth and contributed equally to the company's development. Europe and North America especially saw strong growth, and the recovery in China also had a positive effect.

Our operating EBIT margin profited from economies of scale, the efficiency measures that were implemented, and our successful pricing negotiations. Accordingly, the operating EBIT margin rose to 11.3%, and even 12.3% in the fourth quarter – the best result in the last nine quarters – despite the strong impacts of inflation.

In particular, our Commercial Vehicle Systems division gained around 100 basis points compared with 2022 and achieved an operating EBIT margin of 10% due to successful price negotiations with customers and efficiency measures.

The Rail division had a challenging fiscal year due to inflation, however it closed the year with a very strong operating EBIT margin of 14.3%. Rail Vehicle Systems last year needed to manage many old contracts that were concluded before the strong increase in inflation and, accordingly, were burdened by higher costs. However, our countermeasures enabled us to achieve a turnaround in the fourth quarter of 2023 – just as we had promised.

We are looking to the future with confidence – not least because of our full order books, rail system investments, and uninterrupted trend toward green mobility.

Likewise, our order intake and order book reached strong results, highlighting the robustness of our markets. We are very satisfied, particularly with the strong improvement in cash flow.

Ladies and gentlemen,

Our top priority, now and in the future, is to maintain an excellent financial profile, which means that we have a rock-solid footing and, simultaneously, a high degree of flexibility.

We greatly value having high equity, which is reflected in the almost € 3 billion and excellent equity ratio of 35% at year end.

Our liquidity was over € 1.4 billion at the end of the year, despite debt repayments of just under € 120 million. As a consequence, we were able to reduce net debt by 14% to € 627 million. The leverage ratio, that is, the ratio of net debt to EBITDA, was therefore 0.51, an improvement of over 20% on the previous year.

Overall, our balance sheet is an extremely solid underpinning for our business operations. Simultaneously, our financial profile is significantly stronger when

compared with similar industrial companies, especially when you consider the current environment of high interest rates and, in some cases, difficult market conditions.

Our credit ratings from Standard & Poor's and Moody's remain at a very good level at A- and A3, which emphasizes our strong resilience.

Let's now look at some more details on our free cash flow, which for me was the highlight of last year.

We were able to improve the development of free cash flow from quarter to quarter over the previous year and achieved an outstanding € 488 million just in the fourth quarter alone. The overall free cash flow for 2023 was € 552 million and was therefore at the upper end of our forecast. The change in free cash flow resulted mainly from a significant improvement in net income and optimizations of net working capital.

We are delighted to have achieved a very strong level on this once again. Thanks to a strong second half of the year and a remarkable fourth quarter in particular, we achieved a cash conversion rate of 96%. As promised, we are within our target range of 80–90% – even slightly above it. We wish to achieve this range in 2024, too.

Despite all measures to reduce our accounts receivable and inventories, we have still ensured reliable supply certainty for our customers. This customer-first strategy is a key criterion for success in our business operations.

Our internal Collect program, which is made up of interdepartmental teams such as direct/indirect procurement, logistics, supply chain, and sales and aftermarket, is continuing to run unchanged this year. The aim is to further improve the efficiency of Knorr-Bremse's net working capital systematically, and we are on a good path for this.

Dear shareholders,

I would like to conclude my piece today by speaking again about the acquisition of the Alstom rail signal technology business in North America, which Mr. Llistosella already mentioned earlier.

As part of our strategy of profitable growth, we always focus on improving margins. To this end, we have implemented things such as a good, disciplined M&A strategy, which was basis for the decision regarding the acquisition of Alstom Signaling in North America.

- We were able to acquire the accretive asset for a very good purchase price of EUR 630 million and believe that this asset can grow in the mid-single-digit range and also improve profitability in the medium term.

- We will become more „railish“ again, as RVS' revenue share will pass the 50% mark going forward. Rail is a resilient business with attractive future growth potentials and high margins. - A clear value driver for us!
- Additionally, Alstom Signaling North America comes with a large chunk of aftermarket business. RVS' accretive aftermarket share will therefore further increase.
- And another decisive advantage: the takeover will enable us to better balance the global distribution of sales and profits and thus reduce risk.

Ladies and Gentlemen,

Now it's time to come to our guidance for the 2024 fiscal year. Before that, though, allow me to start with a short remark. The outlook for the current year is based on an assumption of largely stable exchange rates and on the underlying geopolitical and economic conditions being essentially stable.

Against this background, we are confirming our operating forecast for 2024 and expect revenues of € 7.7 to 8.0 billion, noting that revenues from Kiepe Electric are no longer included in this figure. Furthermore, we expect an operating EBIT margin between 11.5 and 12.5% as well as free cash flow between € 550 and 650 million.

We have had a good start to the current fiscal year so far and it will continue to be support for these ambitious targets and high expectations of us this year, too.

Thank you for your attention and now back to our CEO.

Marc Llistosella, CEO of Knorr-Bremse AG

Thanks, Frank.

Dear shareholders,

I would now like to turn to our BOOST 2026 strategy program and show you where we currently stand.

When I joined Knorr-Bremse a year ago, I quickly realized that this company knew exactly what it is capable of and where it stands. The unanswered question, however, was: Where should Knorr-Bremse go from here? We have provided the answer to this strategic question with BOOST, which defines a clear, common target.

At Knorr-Bremse, we want to be substantially quicker and more efficient and develop greater clout. To this end, we have launched several initiatives in the “Products, People & Processes” area, which you can see here on the chart.

The most important goal is to secure our global technology and market leadership as the basis for making the best possible use of the current market volume and opening up new future markets for us. At the same time, we also wish to become more profitable. You could say that Margin is king!

And how do we plan to achieve this? First of all, by cleaning up. We will initially be focusing on brownfield measures, also known as housekeeping, as we first want to put our house in order. The measures that this entails include optimizing the product and investment portfolio just as much as it does boosting the attractive aftermarket business, which provides the underpinnings for our resilience and profitability. In a nutshell, “brownfield” means doing the things we’re already doing even better in the future.

BOOST is a streamlined efficiency program which includes total revenues of € 1.4 billion. We systematically embarked on portfolio optimization and the fix-it program last summer and are currently on track. As a basic principle, we are scrutinizing all business areas including those that are currently earning very good money – because: We want to make use of our full potential.

Obviously, we are taking a more critical look at business areas that are delivering poor earnings, that have business activities that no longer match us, or that have products that are no longer sufficiently attractive across their life cycle. Here, we have defined clear requirements: Wherever the analysis indicates that we are not the best owner of a particular line of business, we will initiate a consistent separation process or implement a firm turnaround plan in the relevant parts of the company.

We are aligning everything towards ensuring sustainable value creation.

Here, too, we have already begun to implement the things that we have announced. The sale of Kiepe Electric has closed, and in the US we recently announced the sale of Safety Direct. The next sell-it and fix-it measures are in the pipeline and will be launched in the first half of 2024. The planned measures are expected to increase our operating EBIT margin by around 200 basis points by 2026.

At the same time as the brownfield activities, we are also working on greenfield initiatives that primarily feature options for further growth for Knorr-Bremse. Here, we will be broadening our company’s existing range in line with the motto: “Expansion – and go beyond“.

The fact is that our current business model is working very successfully. We don’t have to reinvent ourselves, because Knorr-Bremse has an excellent base. However, we do need to continue developing, including beyond our core business so far, so that our company continues to be successful.

The greenfield activities, for example, will spur our growth by means of digital business models derived from partnerships and acquisitions. We want to exploit the digital megatrends in the Rail and Truck divisions as well as in related and attractive fields of business. As part of this transformation, we will be widening our existing

portfolio to continue creating value in the future. Our successful investments in new technologies and digitization – as exemplified by our interests in Cojali and Nexxiot – mark preliminary steps in this direction. And they will be followed by further exciting business areas that are lucrative for Knorr-Bremse, just as our recently announced entry into the North American rail signal technology business shows.

May I emphasize one thing again at this stage: We will make this transformation of our company sustainable, targeted, and with limited risk, and carry it out in accordance with our clear financial rules.

I have a motto for M&A, something which has always served me well: “Don’t go shopping when you’re hungry.” We all know what happens otherwise. We spend a lot of money and get home only to realize that we don’t need all the things we bought in a moment of exuberance. Knorr-Bremse also knows what it’s talking about in this regard.

Looking forward, we will follow clear guiding principles with unambiguous criteria. Our decision to buy a company or an interest in it will be based on an analysis and not some gut feeling.

Let me give you two examples to show the growth areas that will clearly contribute to our BOOST strategy moving forward.

Our aftermarket business has proven to be very resilient, especially in difficult economic times. Even in the Covid crisis or other economically difficult phases, such as the constraints afflicting global supply chains, we registered only a brief dip in revenues in the Truck division, while revenues in the Rail division remained stable. Aftermarket business is a success story in both divisions, making an important contribution to our company’s profitability today.

Looking forward, we want to additionally widen the share of aftermarket business in total revenues from the current roughly 40 percent at the Group level. For this too, we are planning to be supported by digital business models as well as sustainable solutions for our customers. To provide security for our service business, we will be taking the best practices that have proved themselves in individual regions and rolling them out globally.

The rising demand for rolling stock as well as the urgently needed digitalization of the railways are opening up further potential for growth for us in aftermarket business. Knorr-Bremse is one of the world’s few manufacturers to meet all major international rail standards and this gives us a clear competitive edge in the market.

In the Truck division, we are strengthening our very good partnership with Cojali to significantly expand our core business in the field of digitization and to tap a larger customer base with new service solutions.

The second example showing our growth potential is India, a market which, as you know, I am very familiar with thanks to my own experience in truck business. We see

India as one of the most attractive markets of the future for Knorr-Bremse: A strong trend towards urbanization and related infrastructure spending are currently the main drivers of growth in this country. The Indian market is developing very dynamically. And the national government has defined the rail industry as a strategic priority. Accordingly, this sector is attracting the corresponding funding.

India thus has everything it needs to be an important growth engine in the coming years, especially for our Rail division. It has the world's largest population as well as a clear commitment to modernization and infrastructure upgrades, which can be seen in the growing demand for rail vehicles. In addition, the operating companies are striving to significantly improve comfort and safety in trains.

We are already well poised to capitalize on this strong demand: We have more than 1,500 employees in India and already hold a firm position in the market as a long-standing established partner of the operating company Indian Railways. So, we have local capacities that we can scale up even further in the future: To this end, we will be investing around 60 million euros in expanding our capacity.

As you can see: We are not only well positioned in India. In addition, we are ready to contribute even more to this country's incredible growth story in both our Rail and our Truck division.

Ladies and gentlemen, I would like to briefly return to our core messages. To what we have set out to do and to what you, our esteemed shareholders, can expect of us:

We will be focusing on our strengths with BOOST. And continuing to scale them up. Our BOOST program follows a clear direction of unlocking value – all our initiatives aim to increase the value of Knorr-Bremse. Our profitability has top priority.

In specific figures, this is what BOOST means: In 2026, we want to achieve revenues of € 8 to 9 billion euros, an operating EBIT margin of over 14%, and a cash conversion rate of 80 to 90%. The figures that Frank Weber and I have presented to you today show that we are headed in the right direction.

If we improve the things we are already doing even more and position ourselves today for success in new fields of business in the future, this will generate benefits for everyone – you, our shareholders, customers, and, of course, the employees at Knorr-Bremse.

So, as you can see, we have defined a clear roadmap and joint goals according to which we want to act systematically. We have successfully implemented the first few measures. We still have a long way to go, but our transformation is in full swing. Our figures show that our commitment is paying off.

We are headed in the right direction. This applies not only to our financial figures, but also to our core business itself, the basis of all our success. That means our highly

committed employees, our excellent engineering achievements, and our high-tech products.

And who could judge that better than the Chairman of our Supervisory Board, who just recently visited our plant in Berlin with the full Supervisory Board.

Let's watch a short film about this together:

(Videotrailer)

Ladies and Gentlemen,

On behalf of the entire Executive Board, I wish to give my deep thanks to our customers and business partners and, of course, you, our shareholders, for your relationship with Knorr-Bremse. Thank you for listening. I'll now hand over back to you, Dr. Ploss.