

Report of the Supervisory Board

Dear Shareholders,

We would like to preface the Report of the Supervisory Board for the past fiscal year with a few words in memory of Heinz Hermann Thiele, who passed away on February 23, 2021, just months before his 80th birthday.

The Supervisory Board mourns his loss, both as Deputy Chair and as a member of the Executive Committee. Upon the outbreak of the coronavirus pandemic, he once again showed his selfless devotion and passionate commitment to our Company by rising to the occasion and advising us how best to tackle the economic impact of the Covid-19 crisis on Knorr-Bremse AG. Thanks to his knowledge of our markets, customers and business partners, his advice proved as wise and prudent as ever, to the benefit of the Company and our employees.

For over five decades, Knorr-Bremse and Heinz Hermann Thiele were effectively one and the same thing. He left us an extraordinary legacy – an obligation which the Supervisory Board willingly acknowledges and accepts: to continue to lead the Company forward into a successful future. On March 3, 2021, at our first meeting after his death, his place at the Supervisory Board table was left empty and we took the opportunity, in silence, to thank a great entrepreneur and human being, and to express to his family our grief and heartfelt condolences.

As Chair of the Supervisory Board, I am pleased to present the Report of the Supervisory Board for the fiscal year just ended.

To a historically unprecedented degree, 2020 was dominated by the global economic impact of the Covid-19 pandemic. Managing the crisis created major challenges for the senior management and the entire management team, and the Supervisory Board was intensively involved on many occasions. The preliminary results published on March 4, 2021 show that so far we succeeded in steering the Company safely and profitably through the greatest economic crisis of recent decades. Nevertheless, it is a crisis which continues to make great demands not only of Knorr-Bremse's management teams and workforce, but also of our shareholders, suppliers, customers and competitors. The economic impact and structural ramifications are only now beginning to emerge.

On behalf of the Supervisory Board, I would like to express our heartfelt thanks to Dr. Mörsdorf, Mr. Tölsner and Mr. Weiberg, who have been members of the Supervisory Board since 2009 and 2013 respectively, and who stepped down from the board following the Annual General Meeting on June 30, 2020. The high level of technical expertise they brought to the table made a significant contribution to Knorr-Bremse's success, and their personalities also enriched the work of the Supervisory Board. To replace them as shareholder representatives, Heinz Hermann Thiele, Dr. Thomas Enders and Dr. Theodor Weimer were elected to the Supervisory Board. When selecting candidates, we used the Supervisory Board's skills profile as our guideline, the goal being to recruit a diverse range of members covering a wide range of competencies. I firmly believe that with Mr. Thiele, Dr. Enders and Dr. Weimer, we have succeeded in attracting eminently suitable and highly qualified candidates to join our Supervisory



Professor Dr. Klaus Mangold,
Chair of the Supervisory Board

Board. Not only Dr. Enders and Dr. Weimer will be on hand to give valuable advice to Knorr-Bremse AG and the Executive Board in the current challenging circumstances, they will also help us grasp the opportunities lying ahead. The five-year term of office of the Supervisory Board ends – for all Supervisory Board members – at this year’s Annual General Meeting on May 20, 2021. We will set down the candidates we are proposing as shareholder representatives on the new Supervisory Board in our invitation to the Annual General Meeting, which will be sent out in early April.

The Company assists members of the Supervisory Board by providing a detailed and suitable induction course, as well as subsequent training and professional development; the Company also covers the associated costs. Following the appointment of Dr. Enders and Dr. Weimer, a standard half-day personal onboarding session was held in early September, with all members of the Executive Board in attendance. The session provided the newly elected Supervisory Board members with a complete overview of the Company and our global structures, as well as our operating activities and the products of our two divisions. For familiarization purposes, newly appointed Supervisory Board members are also given the minutes of all meetings held over the preceding 12 months, together with the Company’s current Corporate Governance documentation. The Supervisory Board conducts regular reviews to establish how effectively it is fulfilling its duties in both plenary sessions and committee meetings. For the first time, we will be conducting an external efficiency review in spring 2021. This will include all members of the Executive Board and Supervisory Board, as well as the Head of our Corporate Office.

Cooperation Between the Supervisory Board and the Executive Board

The Supervisory Board performed its duties with diligence and due care as required by law, the Company’s Articles of Association and the Supervisory Board’s rules of procedure. The challenges thrown up by the Covid-19 pandemic required particularly close and regular exchanges between the Supervisory Board and the Executive Board. The Supervisory Board not only advised the Executive Board on fundamental operational matters, liquidity management and cost reduction, it also gave advice on matters relating to the health and safety of employees.

In addition, the Supervisory Board advised the Executive Board on managing the Company, preparing and implementing acquisitions and disposals, and on other strategic projects such as the closure of the Wülfrath plant. At the same time, the Supervisory Board monitored the Executive Board's business management with the aid of regularly updated reports on business performance, planning and the risk situation. At all times, the Supervisory Board was guided by the principles of good and responsible corporate governance. In terms of supervision and advice, it focused primarily on ensuring that the management of business operations and the Group as a whole was lawful, proper, effective and commercially robust. The individual advisory and oversight duties of the Supervisory Board are set out in the procedural rules of the Supervisory Board and the Executive Board. In accordance with the latter, the Supervisory Board is, for instance, closely involved in the business planning and review of strategic projects and issues. The rules include a list of specific Executive Board decisions that require the consent of the Supervisory Board, some of which call for detailed scrutiny in advance and require consideration of complex facts and circumstances from a supervisory and advisory perspective, according to strict rules of members' own business judgement. Several matters requiring its approval were brought before the Supervisory Board in fiscal 2020.

The Executive Board provided the Supervisory Board with regular, timely and comprehensive information at and between meetings in written and oral reports. These reports encompassed all material facts relating to the Group's strategic development, planning, business performance and financial position during the year, as well as details of the Group's risk situation and risk management, compliance (cf. p. 204 of the Annual Report), Knorr-Bremse AG's direct competitors (peers), the Group's position on the capital market – including the expectations of

1.01 Supervisory board members' attendance at meetings in fy 2020

Name	Supervisory Board (plenary)	Executive Committee	Audit Committee	Nominations Committee
Professor Dr. Klaus Mangold (Chair)	12 (12)	14 (14)	9 (9)	1 (1)
Kathrin Dahnke (Deputy Chair until June 30)	10 (12)	5 (6)	9 (9)	1 (1)
Dr. Thomas Enders (from June 30)	5 (6)			
Dr. Wolfram Mörsdorf (until June 30)	6 (6)			
Heinz Hermann Thiele (Deputy Chair from June 30 until February 23, 2021)	5 (6)	8 (8)		
Julia Thiele-Schürhoff	11 (12)			1 (1)
Wolfgang Tölsner (until June 30)	6 (6)			
Georg Weiberg (until June 30)	6 (6)			
Dr. Theodor Weimer (from June 30)	6 (6)			
Franz-Josef Birkeneder (Deputy Chair)	12 (12)	14 (14)	9 (9)	
Michael Jell	12 (12)	14 (14)		
Werner Ratzisberger	12 (12)		9 (9)	
Annemarie Sedlmair	12 (12)			
Erich Starkl	12 (12)			
Günter Wiese	11 (12)			
Meeting attendance as %	96.53%	98.21%	100%	100%

(In brackets: number of meetings during the term of office of the respective Supervisory Board or committee member)

analysts and investors – and current events. With the Executive Board, we discussed all significant business transactions and the Company's ongoing development. The Supervisory Board was involved in a timely manner in all decisions of fundamental importance to the Company. We were also swiftly informed of any urgent matters arising between scheduled meetings. Similarly, between meetings of the Supervisory Board, as Chair of the Supervisory Board I was also regularly updated by the Executive Board – in an in-depth, intensive dialogue – on the current business situation of and key developments within the Company. I also held regular discussions with major investors on matters of importance to the Supervisory Board.

We recorded a consistently high participation rate at our meetings during fiscal 2020. The average attendance at plenary Supervisory Board meetings was 96.53%. Only four Supervisory Board members were unable to attend one or two meetings each out of a total of twelve. The attendance table below, which shows almost 100% participation in meetings by members of the Supervisory Board and its committees, attests to their high level of commitment to the Supervisory Board's work.

Any Supervisory Board or committee members who were unable to attend meetings participated in the voting by means of notices in writing or proxies. The timely advance distribution of documents by the Executive Board facilitated preparation for meetings by Supervisory Board members and largely obviated the need for handouts on the day.

Deliberations in the Supervisory Board and its Committees

Meetings and resolutions of the plenary board are prepared by the Executive Committee and the Audit Committee. The Supervisory Board previously set up a Mediation Committee, but there was no need to convene it during the reporting period. In the first half of the year, the Nominations Committee was regularly involved in searching for and selecting suitable candidates for election as shareholder representatives at the Annual General Meeting in June 2020. As Chairs of the Audit Committee and Executive Committee respectively, Ms. Dahnke and I regularly submitted detailed reports to the Supervisory Board. The main matters covered are set out below.

Prior to Supervisory Board meetings, shareholder representatives and employee representatives regularly met in separate preliminary briefings, which were on occasion also attended by the CEO and other Executive Board members.

Key Topics Discussed by the Supervisory Board

The Supervisory Board met for a total of twelve meetings during the reporting period. These were mostly held as physical meetings in Munich and Aldersbach – observing all applicable social distancing and hygiene rules – and occasionally also as videoconferences. The Supervisory Board also regularly met without members of the Executive Board present. Here is a summary of the main topics of discussion at the meetings:

1. On March 2, 2020, the Supervisory Board deliberated on performance-related and maximum compensation for serving Executive Board members for fiscal 2020, as well as appropriate STI financial targets and strategic EPS targets for the new share-based long-term incentive. The new remuneration system for the Executive Board was submitted for the Annual General Meeting's approval on June 18, 2020 and described in detail in the relevant AGM invitation. Details of the new remuneration system are also described in the Compensation Report (starting on page 58 of the Annual Report).

The Supervisory Board also appointed Frank Markus Weber as a member of the Executive Board for a period of three years with effect from July 1, 2020. Taking over as CFO from Ralph Heuwing, who departed the Company with effect from April 30, 2020, Mr. Weber is responsible for Corporate Accounting/Taxes, Corporate Controlling, Corporate Risk Management, Corporate Treasury, Corporate Legal, Compliance & Patents, Investor Relations, Corporate M&A, Corporate Responsibility, and Corporate Real Estate Management. Bernd Eulitz assumed the duties of CFO during the interim period between May 1 and June 30, 2020. The Supervisory Board has found an excellent successor in Mr. Weber. Most recently, Mr. Weber held senior executive positions in the Daimler Group, where he was involved in numerous major business decisions. Thanks to his tenure as CFO at both Mitsubishi Fuso Truck & Buses in Tokyo, Japan, and Daimler Trucks Asia, he possesses in-depth knowledge and experience of international controlling and M&A, as well as restructuring projects.

2. At extraordinary meetings held on March 27 and April 7, 2020, the Supervisory Board repeatedly held in-depth discussions of the impact of the Covid-19 pandemic on the Company's business situation, the countermeasures developed and implemented by the Executive Board, and the crisis projection scenarios also developed by the Executive Board. Along with measures to shore up liquidity by securing further credit facilities and cutting costs by, for example, temporarily introducing short-time working in both divisions and on all the Company's sites in Germany, discussions centered on how best to protect the Company and its employees and actively manage supply chains to safeguard delivery capacity to customers at all times.
3. On April 21, 2020, the Supervisory Board considered the results of the audit of the annual financial statements and the Executive Board's proposal for the distribution of net earnings in the form of a dividend for fiscal 2019 of €1.80 per share. The Board also deliberated on other resolutions for submission to the Annual General Meeting, specifically an amendment to the Company's Articles of Association to implement the statutory transparency and disclosure requirements of the Second Shareholder Rights Directive (ARUG II), the approval of the remuneration system, and the nomination of Mr. Thiele, Dr. Enders and Dr. Weimer as members of the Supervisory Board. These resolutions were formally approved on May 7, 2020, in line with the Audit Committee's recommendation. I would like to take this opportunity to again expressly thank Dr. Mörsdorf, Mr. Tölsner and Mr. Weiberg, who left the Supervisory Board on June 30. In addition, the meeting focused on the Supervisory Board's (renewed) discussion of the economic consequences of the Covid-19 pandemic and the status of countermeasures, along with various strategic issues such as the restructuring of the Wülfrath plant, the post-merger integration (PMI) status of the minority stakes in startups Rail Vision and Railnova acquired by the RVS division, and the PMI status of the commercial vehicle steering systems business acquired from Hitachi in early 2019.
4. At the Supervisory Board meeting on May 7, 2020, as well as nominating the three shareholder representatives as discussed above, the Board resolved to revise the Supervisory Board's rules of procedure to reflect amendments to the German Corporate Governance Code (GCGC) which came into force in March, as well as the statutory provisions of ARUG II and an amendment to the German Federal Financial Supervisory Authority's (BaFin) issuer guidelines. The Supervisory Board's rules of procedure can be viewed on the Knorr-Bremse AG website under Corporate Governance.

5. At its meeting on June 29, 2020, the Supervisory Board focused on preparations for the virtual Annual General Meeting to be held the following day. Directly after the General Meeting, the Supervisory Board elected Heinz Hermann Thiele as Deputy Chair to succeed Ms. Dahnke. In this role, Mr. Thiele is also a member of the Executive Committee. The composition of the Audit Committee (Kathrin Dahnke, Prof. Dr. Klaus Mangold, Franz-Josef Birkeneder, Werner Ratzisberger) and Nominations Committee (Prof. Dr. Klaus Mangold, Kathrin Dahnke, Julia Thiele-Schürhoff) remain unchanged. The Audit Committee will continue to be chaired by Ms. Dahnke in her capacity as a financial expert.

At the same June 29, 2020 meeting, the Supervisory Board also considered the economic impact of the Covid-19 pandemic, the status of countermeasures, and various business performance scenarios for the remainder of the year. As part of long-term liquidity and financial planning, the Supervisory Board approved the reinstatement of the Debt Issuance Program which allows Knorr-Bremse to issue its own bonds on the capital market. The Supervisory Board also discussed PMI planning for the Sheppard acquisition, the Company's global HR strategy, and the status of major legal disputes in which the KB Group is involved.

6. On August 12, 2020, the Supervisory Board held a further extraordinary meeting to discuss the early departure by mutual agreement of CEO Bernd Eulitz from the Executive Board. The Supervisory Board conducted a detailed review of the contractual conditions of his departure, the interim arrangements for assigning his responsibilities to the remaining members of the Executive Board, and the relevant notification of the capital market.
7. As part of its annual two-day strategy meeting the Supervisory Board reviewed in October the strategic direction of the Knorr-Bremse Group's two divisions and key innovation projects. Discussions focused chiefly on the Knorr-Bremse Group's global innovation management, the digitalization of operational activities and products, plus the maintenance and expansion of our market position in China in the light of the latter's "autonomous policy". As part of our sustainability strategy, the Supervisory Board decided to link ESG criteria to the Executive Board's short-term variable remuneration (STI) with effect from January 1, 2022. The required changes to the remuneration system will be submitted to this year's Annual General Meeting for approval.
8. M&A and restructuring issues are a recurring topic at Supervisory Board meetings. On October 15, 2020, the Supervisory Board considered the details of and responsibilities arising from the integration of U.S. steering systems manufacturer Sheppard, the closure and winding up of the Wülfrath plant, the arbitration proceedings with Robert Bosch, and the quality strategy of the Rail division. The Supervisory Board further discussed the Group-wide transition to IFRS-based accounting as a necessary prerequisite for the timely preparation of quarterly, half-yearly (interim) and annual financial statements. This has become even more relevant as a result of impending changes to the DAX and MDAX indexes.
9. On November 4, 2020, the Supervisory Board appointed Dr. Jan Mrosik as a member of the Executive Board and CEO for a period of three years with effect from January 1, 2021. The appointment was the result of an intensive search based on a created search profile. By virtue of his many years at Siemens AG, Dr. Mrosik possesses a great deal of experience in managing complex business units. Moreover, he has extensive expertise in the areas of automation and digitalization. As well as Corporate Strategy, Communications, Internal Audit and Knorr Excellence, in his capacity as board member for labor relations Dr. Mrosik is also responsible for Human Resources. As Chief Digital Officer and Chief Information

Officer, he is further responsible for Digitalization, Corporate Information Technology, and Business Services. On behalf of the Supervisory Board, I would like to express our thanks to Dr. Laier, Mr. Weber and Dr. Wilder for overseeing these areas in the interregnum prior to Dr. Mrosik's assumption of his role.

10. Following extensive deliberations at its meeting on December 9, 2020, the Supervisory Board approved the Executive Board's plan for fiscal 2021 and medium-term plan (2021-2023) for the Group and both divisions. Dr. Laier and Dr. Wilder presented an overview of current M&A activities to the Supervisory Board, together with plans for the implementation of the first tangible digitalization projects. The Supervisory Board also considered IT security at Knorr-Bremse as well as areas where action may be needed, and then discussed the key points of a possible employee share program. Finally, the Supervisory Board approved the Executive Board's revised areas of responsibility following the new CEO's appointment. A summary of the new areas of responsibility appears on page 204 of the Corporate Governance Statement.

Executive Committee

The Executive Committee coordinates the work of the Supervisory Board, prepares its meetings and supervises implementation of resolutions adopted by the Supervisory Board and its committees. It is further charged with drafting resolutions on business dealings with Executive Board members pursuant to Section 112 AktG, with approving contracts with Supervisory Board members in compliance with Section 114 AktG, and with long-term succession planning for the Executive Board, as well as preparations for the appointment of Executive Board members (including the terms of their employment contracts). In matters falling within the original remit of the Supervisory Board, the Executive Committee also decides on the deferral of disclosures of insider information pursuant to Section 17 (4) of the Market Abuse Regulation (MAR).

The Executive Committee met on a total of fourteen occasions during the reporting period, in particular to prepare agendas for Supervisory Board meetings and resolutions requiring Supervisory Board approval. In one urgent case, the Executive Committee took a decision using the document circulation procedure. Whenever the Supervisory Board needed to adopt a resolution, the Executive Committee concluded each of its meetings by making a recommendation to the Supervisory Board. The Committee Chair regularly reported to the Supervisory Board on the Executive Committee's work.

The Executive Committee repeatedly considered the operational impact of the Covid-19 pandemic, the scenarios developed by the Executive Committee and the resulting measures taken to protect employees and mitigate the damage to business activities.

Another high-priority issue that occupied the Executive Committee was the search for successors for Mr. Heuwing as CFO and Mr. Eulitz as CEO. The Chair of the Supervisory Board regularly updated members of the Executive Committee on the progress of the intensive selection process and the interviews conducted to date, and involved the committee in the final selection of the candidates. The evaluation of successor candidates for the two departing Executive Board members was an important focus of the Presidium's work. The Executive

Committee also looked in detail at the conditions of departure for Mr. Heuwing and Mr. Eulitz, the negotiations conducted with the two Board members, and the respective notifications of the capital market.

The Executive Committee also reviewed personnel changes on the Supervisory Board that came into effect at the 2020 Annual General Meeting.

The Executive Committee comprises the following members:

- Professor Dr. Klaus Mangold (Chair)
- Franz-Josef Birkeneder
- Kathrin Dahnke (until June 30, 2020)
- Heinz Hermann Thiele (from June 30, 2020 until February 23, 2021)
- Michael Jell

Audit Committee

The Audit Committee submits a recommendation to the Supervisory Board for the appointment of an auditor. It prepares Supervisory Board resolutions for the approval of the annual financial statements, the proposed distribution of net earnings, and the Declaration of Compliance. It also appoints the auditor on behalf of the Supervisory Board. Furthermore, the Audit Committee is responsible for overseeing the auditor, approving any additional non-audit services provided by the auditor, scrutinizing interim and quarterly financial reports, overseeing the accounting process, and monitoring risk management issues. The latter includes monitoring the effectiveness of the internal control system (ICS), the risk management system (RMS), the internal audit system, and the compliance management system (CMS). The Chair of the Audit Committee, Ms. Dahnke, is in regular contact with the auditor, in some cases bilaterally, and regularly reports to the Supervisory Board on the work of the committee.

The Audit Committee held a total of nine meetings during the year under review. Among other things, it reviewed – on the day before publication in each case – the quarterly and half-yearly figures, as well as the provisional figures for the preceding fiscal year.

At its meeting on March 10, 2020, the Audit Committee discussed the most recent reports from Internal Audit and the provisional figures for fiscal 2019, which were published the following day. On April 15, 2020, the Audit Committee examined the annual and consolidated financial statements and the findings of the external auditor, KPMG. At its meeting on April 21, 2020, the Audit Committee then signed off the reports in preparation for approval by the Supervisory Board by the Audit Committee, the consolidated non-financial report (Sustainability Report), as well as – following intensive scrutiny of the legal transactions between the Knorr-Bremse Group and Mr. Thiele and companies associated with him – the Report on Relations with Affiliated Companies (Dependent Company Report). In addition, the Audit Committee considered the Executive Board's proposal for the distribution of net earnings. As the figure of € 1.80 per share was within the bandwidth of 40-50% of distributable net income specified during the IPO, the committee recommended that the Supervisory Board should approve the proposal. Finally, the meeting covered the regular reports on the Knorr-Bremse Group's internal control system (ICS) and compliance management system (CMS), as well as the status of major legal disputes.

At its meetings on October 5 and October 15, 2020, the Audit Committee considered among other things the potential ramifications of the Wirecard affair for the work of the Audit Committee and the Supervisory Board. The agenda also included the status of and future steps toward the Group-wide transition to IFRS-based accounting, along with regular reports on risk management and internal auditing, a report by Corporate Treasury on currency management and the hedging of foreign currency risks, and the presentation of a concept for the profitable investment of the Knorr-Bremse Group's strategic liquidity (given short-term availability and low risk) by launching a special fund.

The presentation of the Q3 quarterly report was the main focus of the Audit Committee's meeting on November 17, 2020, together with a presentation by analysts. Finally, the meeting on December 9, 2020 centered on preparations for auditing the annual and consolidated financial statements, including the designation of key audit areas, planning of schedules for the financial statements and audit (with the aim of publishing the annual and consolidated financial statements within 90 days for the first time, in compliance with Section F.2 of the GCGC), and approval of the proposed auditor's fee for auditing the financial statements. The Audit Committee also reviewed the regular reports on risk management, including an update on IT security, and on internal auditing, which included details of the key findings of the CMS and RMS audit and actions initiated to date.

The Audit Committee comprises the following members:

- Kathrin Dahnke (Chair)
- Franz-Josef Birkeneder
- Professor Dr. Klaus Mangold
- Werner Ratzisberger

Nominations Committee

The remit of the Nominations Committee is to propose, whenever required, suitable candidates for the Supervisory Board to nominate for election as new Supervisory Board members at an Annual General Meeting. In the first half of the year, meetings of the Nominations Committee were repeatedly concerned with the search for and selection of suitable candidates for appointment as shareholder representatives by the Annual General Meeting in June 2020. In view of the impending re-election of the Supervisory Board in 2021, the committee also deliberated on long-term succession planning for the Supervisory Board.

The Nominations Committee comprises the following members:

- Professor Dr. Klaus Mangold (Chair)
- Kathrin Dahnke
- Julia Thiele-Schürhoff

Mediation Committee

The Mediation Committee proposes candidates for appointment to the Executive Board if a resolution on the appointment of such a board member does not obtain a two-thirds majority of votes as required by Section 31 (3) 1 of the German Codetermination Act (MitbestG). The Mediation Committee was not convened during the reporting period.

The Mediation Committee comprises the following members:

- Professor Dr. Klaus Mangold
- Franz-Josef Birkeneder
- Kathrin Dahnke
- Michael Jell

Corporate Governance

The Supervisory Board attaches great importance to good corporate governance. This includes regularly and comprehensively considering the corporate governance requirements for German listed companies, in particular the requirements of the German Stock Corporation Act (AktG), the German Codetermination Act (MitbestG), and the recently revised German Corporate Governance Code (GCGC, version dated December 16, 2019). Jointly with the Executive Board, the Supervisory Board issued the Declaration of Compliance for the reporting period on December 9, 2020, as required by Section 161 AktG and updated it March 30, 2021. The declaration was published on the Company's website and can also be found in its version of December 9, 2020 on page 191 of the Annual Report. With the exception of Recommendation F.2 of the GCGC (relating to the publication of the interim report within 45 days) and Recommendation G.11 (relating to clawback clauses in the service agreements of Executive Board members), and section G.11 (concerning subsequent changes to the target values and comparison parameters of the variable remuneration components of the Executive Board), Knorr-Bremse AG is in compliance with all GCGC recommendations and suggestions in fiscal 2021. The reasons underlying these departures from the code are explained in detail in the Corporate Governance Statement.

Conflicts of Interest

When taking its decisions, the Supervisory Board constantly watched out for potential conflicts of interest. Consequently, no conflicts of interest occurred in fiscal 2020.

Annual and Consolidated Financial Statements

The Supervisory Board took the necessary steps to ensure that the annual and consolidated financial statements and other financial reports for the 2020 fiscal year were properly audited in compliance with the statutory requirements.

KPMG AG Wirtschaftsprüfungsgesellschaft, Munich (KPMG) audited the annual financial statements of Knorr-Bremse AG prepared by the Executive Board in accordance with German GAAP (the German Commercial Code – HGB), the combined management report of Knorr-Bremse AG and the Knorr-Bremse Group, and the consolidated financial statements for the 2020 fiscal year prepared according to International Financial Reporting Standards (IFRS), and issued an unqualified audit opinion in each case. KPMG was appointed auditor for the 2020 fiscal year at the Annual General Meeting on June 30, 2020. KPMG has acted as auditor

for the Knorr-Bremse Group since the IPO in 2018. Prior to the IPO, KPMG had previously been appointed to audit the Group's annual and consolidated financial statements. The independent auditor responsible for the audit within the meaning of Section 319a (1) 4 HGB has been Johannes Hanshen. Another responsible auditor is Professor Dr. Kai Andrejewski.

Prior to publication, the auditor also regularly holds detailed discussions of the half year financial statements with the Audit Committee, and reports the provisional figures on the status of the audit of the annual and consolidated financial statements before they are published. The auditor reviewed the report of the Executive Board on relations with affiliated companies (Section 312 AktG), and issued the following statement on the report: "Based on our judgement and audit, duly carried out in accordance with professional standards, we confirm that: 1. the factual statements made in the report are correct; 2. the payments made by the Company in relation to the legal transactions listed in the report were not unreasonably high, or else the negative factors were offset; 3. the measures cited in the report do not indicate any circumstances that would give rise to an assessment differing substantially from that of the Executive Board."

The above-mentioned reports, the Executive Board's proposal for the distribution of net earnings, and the auditor's reports were submitted in good time to all members of the Supervisory Board or were available for inspection at the Supervisory Board meeting on March 30, 2021. At its meetings on March 3, March 26 and March 30, 2021, the Audit Committee examined all these documents in advance and committee chair Kathrin Dahnke reported on them to the Supervisory Board at its meeting on March 30, 2021. The Executive Board presented the annual statements and reports to the Supervisory Board where they were discussed in detail. The independent auditors, who were present at the meetings, reported on their findings. The key audit areas for the fiscal year under review had been determined beforehand by the Audit Committee, as follows: the process of preparing the annual and consolidated financial statements; revenue recognition and costs associated with project business pursuant to IFRS 15; the capitalization and valuability of specific development projects pursuant to IAS 38; fraud risk associated with revenue recognition; reporting on the project-related system transition ("IFRS goes ERP"); the value of specific holdings in affiliated companies and associated receivables, plus a review of specific warranty provisions.

The Audit Committee did not identify any weaknesses in the risk management system, the internal control system, the internal audit system or the compliance management system. On the basis of our own examination of the annual financial statements, the consolidated financial statements and the combined Group management report, we did not find any grounds for objections and therefore concur with the Executive Board's evaluation of the position of Knorr-Bremse AG and the Knorr-Bremse Group. At the Audit Committee's recommendation, we approve the financial statements for 2020; the annual financial statements of Knorr-Bremse AG are thereby adopted. We discussed in detail the proposal for the distribution of net earnings with the Executive Board and are in agreement with the Executive Board's proposed dividend of € 1.52 per eligible share for the 2020 fiscal year. This brings us within the dividend payout range of 40-50% of net income which was communicated during the IPO. This year's virtual Annual General Meeting will resolve whether to accept this proposal on May 20, 2021.

Changes on the Supervisory Board and Executive Board

The composition of the Supervisory Board and the Executive Board on December 31, 2020 is set out on page 22 and page 9 respectively.

Supervisory Board

Immediately upon conclusion of the Annual General Meeting on June 30, 2020, Dr. Mörsdorf, Mr. Tölsner and Mr. Weiberg stepped down from the Supervisory Board. The General Meeting appointed Heinz Hermann Thiele, Dr. Thomas Enders and Dr. Theodor Weimer as their successors.

Executive Board

With effect from July 1, 2020, Frank Markus Weber was appointed as a member of the Executive Board and CFO of Knorr-Bremse AG. Mr. Weber succeeds Mr. Heuwing, who left the Company at his own request on April 30, 2020. On behalf of the Supervisory Board, I would like to thank Mr. Heuwing for his enormous commitment. He made a significant contribution to the ongoing development of the Company's vigorous growth strategy and financial strength. Above all, we are indebted to him for the successful IPO and the impressive positioning of Knorr-Bremse AG on the capital market.

With effect from January 1, 2021, Dr. Jan Michael Mrosik was appointed as a member and Chair of the Executive Board (CEO) for a term of three years. Dr. Mrosik takes over from Mr. Eulitz, who left the company on August 31, 2020. Mr. Weber, Dr. Laier and Dr. Wilder took on Mr. Eulitz's duties during the interregnum prior to Dr. Mrosik's assumption of his role.

Thanks

The year 2020 was dominated by the Covid-19 pandemic, presenting Knorr-Bremse with almost unprecedented challenges. The Supervisory Board would like to thank the members of the Executive Board, the various managers and all the employees of the Knorr-Bremse Group who safely and successfully steered the Company through the crisis, and continue to do so. The key performance indicators for 2020 – and especially the rise in the share price over the year – are powerful proof of this impressive achievement.

Munich, March 30, 2021

Best regards and all
the best
yours Klaus Mangold

Professor Dr. Klaus Mangold
Chair of the Supervisory Board