

Press release

Knorr-Bremse Lays Groundwork for the Future: Global Strategy Update “Next Level” with Strong Focus on Profitable Growth

- **Strategic initiatives in three action areas, “products, people, and processes,” are generating additional, profitable growth and added value**
- **Target vision for 2026: Knorr-Bremse is seeking to secure its position as a global market leader for the long term with operational excellence**
- **Efficiency program: portfolio measures planned with revenue of up to € 1.4 billion**
- **Ambitious growth targets announced for 2026: revenue of € 8 to 9 billion, an operating EBIT margin of more than 14%, and a cash conversion rate of 80% to 90%**

Munich, July 18, 2023 – Knorr-Bremse AG is seeking to become significantly faster, more efficient, and more effective. The company today published “Next Level KB”, an update of its previous corporate strategy to help achieve this objective. It aims to secure its global leadership of markets and technologies and to generate further, profitable growth. The core of the strategy update is the program “BOOST 2026” (Knorr-Bremse **O**perational **O**ptimization **S**trategy and **T**ransformation) which provides an array of strategic initiatives in three action areas called “products, people, and processes.”

The Knorr-Bremse Executive Board, under the leadership of new Chief Executive Officer Marc Llistosella, has deeply analyzed the market situation and business development since the beginning of the year to adapt the existing strategy accordingly. With this newly published update, Knorr-Bremse is demonstrating how it wishes to safeguard sustainable growth and further increase its profitability. All measures and strategic directions have been formulated to be future oriented and flexible so that the constantly changing and challenging market conditions can be accounted for.

Returning to Success with Strategic Foresight

Marc Llistosella, Chief Executive Officer of Knorr-Bremse AG: “The most important objective for us on the Executive Board and in the management team is to secure our company’s position as world market and technology leader in the long term – by consistently increasing our profitability, while simultaneously unlocking new, future markets for ourselves. Our market position remains steady and thus provides the basis for our future success. We do not need to reinvent Knorr-Bremse, though we do need to get back on track. With our strategy update, we have put together a clear road map for tackling the current and future challenges in a reinforced and focused manner. Occasionally, there will even be decisions that seem tough; however, they cannot be avoided. Wherever the analysis indicates that we are not the best owner of a particular line of business, we will consistently initiate a separation process or implement a firm turnaround plan in the relevant parts of the company. This will affect revenue of up to € 1.4 billion in total.”

The program has been designed to last multiple years and there will be continuous reviews of its effectiveness. Marc Llistosella: “With foresight and an opening for new ideas, we will together continuously ensure innovation and the development of a modern corporate culture. We all share the same vision. With it, we will restore confidence as a team and add lasting value for Knorr-Bremse. This is my most important message to our shareholders, our customers, and all employees.”

A Worthwhile BOOST: Sights Set on Improved Value Creation

With the “BOOST” Program, Knorr-Bremse is entering a transitional period in which the company wishes to significantly increase its efficiency, speed, and effectiveness. In the years following the IPO in 2018, there were a series of developments independently of the company that had far-reaching consequences. They were a significant burden on the historically above-average business growth of the preceding years and continue to be a burden, with the Covid-19 crisis, slower economic growth in China, and Russia’s invasion of Ukraine being just a few key examples of these global developments. The resulting weakened economic performance, coupled with risen energy costs, increased fragility in supply chains, and slower payments from customers in east Asia, along with increased tendencies toward economic isolation and new ESG (environment, social, and governance) requirements have increased the pressure further. Knorr-Bremse’s top-level management is countering the pressure with its new program of effective measures for the company. The strategic groundwork and initiated measures are intended to translate into new growth and improved profitability for Knorr-Bremse by 2026.

Frank Markus Weber, Chief Financial Officer of Knorr-Bremse AG: “Knorr-Bremse stands for quality, reliability, and safety. We intend for these attributes to be reflected more strongly in our profitability and resilience in the future. This is thanks to our compelling action plan, with which we are going to create value at an accelerated pace. Our successful Profit and Cash Protection Program (PCPP) will be integrated into ‘BOOST’, continued determinedly, and expanded as needed. The result will be a significant improvement of our profit: We are planning for revenue to rise to € 8 to 9 billion, for an operating EBIT margin of over 14%, and for a cash conversion rate between 80% and 90% by 2026.”

Clear Road Map for the Future

Marc Llistosella: “The ‘BOOST’ Program is our road map for the coming years until 2026. In the first part of the process, what we are calling the “brownfield phase,” we must complete a few fundamental tasks. They will provide a basis for us to enjoy the future commercial prospects in the second part, which we are calling the “greenfield phase.” We are excellently equipped for the impending journey. Our continued strong global market position, with our Commercial Vehicle Systems products having 30% market share and our braking systems in the Rail Vehicle Systems division having 50% market share, provides us with the best foundation for reacting to new market conditions and driving innovation successfully as a global industry leader.”

The first part of the “BOOST” Program, the brownfield phase, has a clear focus on efficiency gains. The optimization of the product and company portfolios will be a major aspect of it and make for a significant improvement in profitability. The company wishes to distance itself from unprofitable investments where the products and technologies do not help add value in the long term. It plans to further strengthen its attractive aftermarket business as that business represents the backbone of the overall Group’s resilience. On top of that, there is a clear ambition to further strengthen the company’s innovation and technology prowess so that Knorr-Bremse can continue to have a pioneering role as an innovation leader. The heavy

R & D expenditure of the past, the progressing digitalization of Knorr-Bremse's products and solutions, the increasing number of innovations developed in-house, and support for new, innovative technologies serve as the basis for this future success.

The second, or greenfield, part expands the spectrum that the company has had so far. In the future, Knorr-Bremse will rely on accelerated growth through digital business models from partnerships and M&A. Examples of this future model include the existing majority interest in Cojali in the Commercial Vehicle Systems division and the strategic partnership and minority interest in Nexxiot in the Rail Vehicle Systems division. A further focus during this phase will be on Knorr-Bremse's key role as a driver of "green transportation," which will result from the company helping to successfully realize its customers' ESG targets with system solutions that are rigorously aligned with the customers' needs. In addition, clear strategic and financial guidelines will be added to the present M&A strategy in order to complement the company's organic growth with profitable acquisitions in the future.

Financial Guidance for 2023 Fiscal Year Confirmed

Knorr-Bremse confirms its financial guidance for the 2023 fiscal year. Assuming that exchange rates remain as they are, that the geopolitical and macroeconomic environments remain mostly stable, that there are no new Covid-19 lockdowns, that inflationary cost increases will be compensated and that there are no additional supply chain issues caused by potential energy shortages, the company expects revenue between € 7,300 million and € 7,700 million, an operating EBIT margin of 10.5% to 12.0% and free cash flow of € 350 million to € 550 million for the 2023 fiscal year.

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About Knorr-Bremse

Knorr-Bremse (ISIN: DE000KBX1006, ticker symbol: KBX) is the global market leader for braking systems and a leading supplier of other safety-critical rail and commercial vehicle systems. The products made by Knorr-Bremse contribute tremendously to increased safety and energy efficiency on railways and highways. About 32,600 employees who work at over 100 locations in more than 30 countries apply their expertise and motivation each day to meet their customers' needs for products and services. In 2022, both divisions of Knorr-Bremse generated a total of € 7.1 billion in revenue. For more than 115 years now, the company has been an innovative force in its industries. It fuels developments in mobility and transport technology and has moved to the forefront of connected system solutions. Knorr-Bremse is one of Germany's most successful industrial groups and profits from major global megatrends: urbanization, sustainability, digitalization, and mobility.

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