



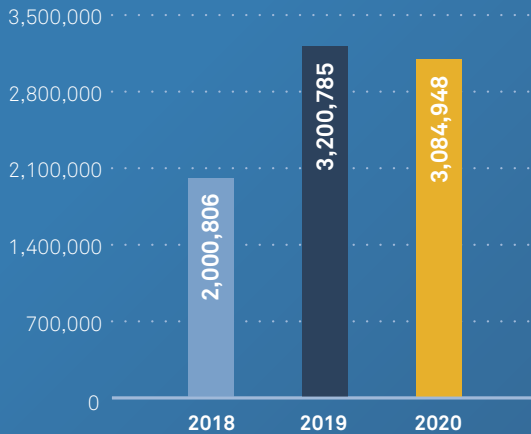
ANNUAL REPORT 2020

STADLER

2020 RESULTS AT A GLANCE

NET REVENUE

in thousands of CHF



4.33

ORDER INTAKE IN CHF BILLION

Previous year: 5.12

5.1%

EBIT MARGIN

Previous year: 6.1%

156.1

EBIT IN CHF MILLION

Previous year: 193.7

16.1

ORDER BACKLOG IN CHF BILLION

Previous year: 15.0

34,912

REGISTERED SHAREHOLDERS AS AT 31.12.2020

Previous year: 30 419

NET REVENUE BY GEOGRAPHICAL MARKET

in thousands of CHF

● Germany, Austria, Switzerland:	1,502,759
● Western Europe:	963,548
● Eastern Europe:	457,488
● CIS:	68,207
● America:	83,909
● Rest of the world	9,037



12,303

EMPLOYEES WORLDWIDE

(average FTE 1.1. – 31.12.2020)

Previous year: 10 918

**STADLER – THE SYSTEM PROVIDER OF SOLUTIONS
IN RAIL VEHICLE CONSTRUCTION WITH
HEADQUARTERS IN BUSSNANG, SWITZERLAND.**

SUSTAINABLE MOBILITY – TRAIN AFTER TRAIN

Stadler has been building rail vehicles for over 75 years. The company operates in two reporting segments: the “Rolling Stock” segment focuses on the development, design and production of high-speed, intercity and regional trains, locomotives, metros, light rail vehicles and passenger coaches. With innovative signalling solutions Stadler supports the interplay between vehicles and infrastructure. Our software engineers in Wallisellen develop Stadler’s own solutions in the areas of ETCS, CBTC and ATO. The “Service & Components” segment offers customers a variety of services, ranging from the supply of individual spare parts, vehicle repairs, modernisation and overhauls to complete full-service packages. This ensures that after delivery, the vehicles continue to meet our customers’ most demanding requirements in terms of reliability, availability and environmental sustainability over their entire life cycle of 30 years on average. Every step of the way, Stadler does its best to make sure that wherever they are in the world, passengers get to their destination safely, quickly and in comfort. On the following pages you can find out everything worth knowing about Stadler’s business activities in the past year, presented in a transparent manner.

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LOCATIONS AT A GLANCE

Stadler builds trains, locomotives and light rail vehicles for the whole world. We build rail vehicles in close contact with our customers, thereby setting the course for customer relations that extend beyond the construction period. We listen, we ask, we deliver.

Locations	Production	Compo- nents	Service
STADLER SWITZERLAND			
Bussnang, Canton of Thurgau	•		•
Altenrhein, Canton of St.Gallen	•		
St. Margrethen, Canton of St.Gallen	•		
Winterthur, Canton of Zurich		•	
Biel, Canton of Bern		•	
Bern, Canton of Bern			•
Lugano, Canton of Ticino			•
Wallisellen, Canton of Zurich			•
Wil, Canton of St.Gallen			•

Locations	Production	Compo- nents	Service
STADLER AROUND THE WORLD			
Algeria, Algiers			•
Denmark, Aarhus			•
Denmark, Odense			•
Germany, Berlin	•		•
Germany, Augsburg			•
Germany, Essingen			•
Germany, Herne			•
Germany, Jena			•
Germany, Mannheim (formerly VIPCO)			•
Germany, Rendsburg			•
Germany, Schönwalde-Glien		•	•
France, Montceau-les-Mines			•
Finland, Helsinki			•
Israel, Kishon			•
Italy, Merano			•
Italy, Sassari/Macomer			•
Italy, Bolzano			•
Italy, Venice/Bologna			•
Italy, Turin			•
Netherlands, Hengelo			•
Netherlands, Leeuwarden			•
Netherlands, Venlo			•
Norway, Dammen			•
Norway, Bergen			•
Norway, Oslo			•

Locations	Production	Compo- nents	Service
STADLER AROUND THE WORLD (continued)			
Austria, Gmunden			•
Austria, Vienna			•
Poland, Siedlce	•		
Poland, Środa Wielkopolska		•	
Poland, Warsaw			•
Poland, Katowice			•
Poland, Łódź			•
Portugal, Entroncamento			•
Portugal, Poceirão			•
Russia, St. Petersburg			•
Sweden, Hagalund			•
Sweden, Stockholm			•
Sweden, Tillberga			•
Sweden, Västerås			•
Serbia, Belgrade			•
Spain, Valencia	•	•	•
Spain, Alicante			•
Spain, Mallorca			•
Spain, Madrid			•
Spain, Lleida			•
Turkey, Kirikkale			•
Hungary, Szolnok		•	•
Hungary, Puztaszabolcs			•
Hungary, Budapest-Istvántelek			•
Hungary, Szombathely			•
UK, Cardiff			•
UK, Glasgow			•
UK, Liverpool			•
UK, Newcastle			•
UK, Norwich			•
UK, Sheffield			•
USA, Denton			•
USA, Irving			•
USA, Salt Lake City	•		
Belarus, Minsk	•	•	•

• Stadler locations
Light blue areas: countries Stadler trains have been sold to

KEY FIGURES

in millions of CHF or as noted	2020	as % of net revenue	2019	as % of net revenue	Change in %
Stadler					
Order intake	4,331.5		5,117.3		(15%)
Order backlog	16,105.6		15,026.1		7%
Net revenue	3,084.9	100.0%	3,200.8	100.0%	(4%)
Gross margin ¹	315.3	10.2%	356.2	11.1%	(11%)
EBITDA ²	251.9	8.2%	269.9	8.4%	(7%)
Operating result (EBIT)	156.1	5.1%	193.7	6.1%	(19%)
Profit for the period	138.4	4.5%	128.5	4.0%	8%
Earnings per share (in CHF)	1.38		1.27		8%
Net cash flow from operating activities	(205.8)		(186.8)		(10%)
Capital expenditure ³	288.3		248.7		16%
Free cash flow ⁴	(458.9)		(328.9)		(40%)
Net working capital ⁵	450.0		27.4		
Work in progress (net) ⁶	(317.3)		(803.8)		
Net cash ⁷	(608.2)		5.6		
Equity ratio	19.1%		22.3%		
Staff as FTEs	12,303		10,918		13%
“Rolling Stock” segment					
Order intake	2,875.3		4,283.9		(33%)
Order backlog	11,995.6		12,254.3		(2%)
Net revenue (third parties)	2,741.6	88.9%	2,939.8	91.8%	(7%)
“Service & Components” segment					
Order intake	1,456.3		833.5		75%
Order backlog	4,110.0		2,771.8		48%
Net revenue (third parties)	343.3	11.1%	260.9	8.2%	32%

¹ Gross margin is calculated as net revenue less cost of goods sold and services provided

² EBITDA is calculated as the sum of EBIT and depreciation and amortisation

³ Capital expenditure is calculated as the sum of investments in property, plant and equipment and intangible assets

⁴ Free cash flow is calculated as EBITDA less capital expenditure less change in net working capital

⁵ Net working capital is calculated by subtracting the sum of trade payables, liabilities from work in progress, other current liabilities, current provisions and deferred income and accrued expenses from the sum of trade receivables, inventories, work in progress, other current receivables, compensation claims from work in progress and accrued income and deferred expenses

⁶ Work in progress (net) is calculated as work in progress (asset) less liabilities from work in progress

⁷ Net cash is calculated as cash and cash equivalents less current and non-current financial liabilities

STRONG SECOND HALF OF THE YEAR DESPITE THE CORONAVIRUS CRISIS



Peter Spuhler
Chairman of the Board and Group CEO a. i.

Dear Shareholders,

Stadler received numerous new orders worth a total of 4.33 billion Swiss francs last year despite the pandemic. As expected, order intake was around 15 percent down on the exceptionally high figure achieved the previous year (2019: 5.12 billion Swiss francs). Although there have been delays in the awarding of significant individual contracts due to the coronavirus crisis and appeals brought by competitors, Stadler has not perceived a collapse in demand. No ongoing orders were cancelled or tenders suspended. The order backlog rose to more than 16 billion Swiss francs (2019: 15 billion Swiss francs), thereby ensuring solid basic capacity utilisation for Stadler.

In the first half of the year, there were interruptions in supply chains due to the pandemic. In addition, due to official requirements, individual plants were either temporarily closed or had to provisionally reduce their production capacity. Restrictions on travel by customers and employees led to delayed approval and vehicle acceptance procedures. As a result, revenues were postponed and final invoices for vehicles had to be delayed, which also placed a burden on operating cash flow. The substantially reduced timetable frequencies in public transport also led to fewer kilometres travelled and hence to lower revenue and profit from services.

The negative effects of the coronavirus crisis from the first half of 2020 normalised slightly in the second half of the year. Thanks to the immediate measures introduced, such as accelerated homologation and acceptance processes as well as strict optimisation programmes, Stadler succeeded in partially compensating for the delays suffered in the first half of the year. After a 16 percent decline in revenue in the first half of 2020 compared to the same period of the previous year, revenue in the second half of the year increased by 3.1 percent compared to the second half of 2019. As a result, the full-year revenue of 3.08 billion Swiss francs was only slightly below the record result achieved in 2019 (2019: 3.20 billion Swiss francs). Production at all plants is now largely back to normal and Stadler was able to deliver 465 trains, light rail vehicles and locomotives in the full year (previous year: 444 vehicles). The coronavirus crisis nevertheless continued to influence orders in the second half of the year with regard to the supply chain, homologation processes and deliveries.

The operating result in terms of EBIT declined accordingly in comparison with the previous year and stood at 156.1 million Swiss francs (2019: 193.7 million Swiss francs). In the second half of the year, Stadler was able to increase profitability from 0.5 to 7.0 percent compared to the first half of 2020 (H2 2019: 7.0 percent), resulting in an EBIT margin of 5.1 percent for the full year (2019: 6.1 percent). The lower profitability overall is mainly due to delays in revenues and interruptions in supply chains caused by coronavirus. Despite strong growth, revenue – and hence profit contributions – in the above-average margin Service & Components segment was significantly below Stadler's own expectations and the capacities available due to the scaling down of timetables. The depreciation of the Norwegian krone against the Swiss franc also had a negative impact on the EBIT margin. The devaluation led to currency losses of around 30 million Swiss francs on remaining call-off orders from a framework agreement signed in 2008. All currency risks from this contract have now been eliminated.

Net profit increased to 138.4 million Swiss francs in the past financial year compared to the prior-year period (previous year: 128.5 million Swiss francs).

Net debt increased to 608 million Swiss francs as at 31 December 2020 compared to 5.6 million on 31 December 2019. This rise is due in particular to pandemic-related delays in homologation processes and customer acceptances, as well as receipt of the associated final payments. This resulted in an increase in net working capital. Overall, this led to a cash flow from operating activities of -205.8 million Swiss francs in the past financial year (previous year: -186.8 million Swiss francs). In addition, Stadler continued to invest heavily in the development of innovative products and in the growth of the Group.

GROWTH OF THE ROLLING STOCK SEGMENT IN THE SECOND HALF OF THE YEAR

Order intake in the Rolling Stock segment amounted to 2.88 billion Swiss francs in the 2020 financial year. The decrease of around 33 percent compared with the previous year (2019: 4.28 billion Swiss francs) is due to an exceptionally high basis of comparison in 2019 as well as to delays in the awarding of significant individual contracts that had been expected in 2020. In the Rolling Stock segment, the order backlog therefore decreased slightly to 12.0 billion Swiss francs at the end of 2020 (2019: 12.3 billion Swiss francs).

Following the year-on-year decline in revenue of more than 20 percent in the first half of 2020, revenue in the Rolling Stock segment in the second half of the year was up slightly on the previous year's level (H2 2019: 1.94 billion Swiss francs), rising to 1.95 billion Swiss francs. However, due to delayed deliveries, the full-year revenue of 2.74 billion Swiss francs was 6.7 percent below the previous year's figure of 2.94 billion Swiss francs.

FURTHER ACCELERATION OF GROWTH IN THE SERVICE & COMPONENTS BUSINESS DESPITE CORONAVIRUS

Order intake in the Service & Components reporting segment was 1.46 billion Swiss francs in 2020, 75 percent above the previous year's level of 0.83 billion Swiss francs. This record result in the Service & Components reporting segment was thanks partly to the service contract for the Tyne & Wear Metro network in the UK over a period of 35 years and to the supply of spare parts for the new underground cars for the Berlin public transport company Berliner Verkehrsbetriebe over a period of 32 years. Stadler received a strategically relevant order from the Netherlands: 36 FLIRT trains will be retrofitted with the GUARDIA European Train Control System (ETCS) for the regional transport operator Arriva Nederland.

Growth in the strategically important service business continued to accelerate in 2020. In the first half of 2020, many rail operators scaled down their timetables due to the pandemic. As long-term service contracts are usually settled on the basis of kilometre performance, revenue in the service business as a whole fell short of Stadler's expectations. The company nevertheless succeeded in continuing to drive growth in its strategically important service business, prompting an increase in revenue of 32 percent to 343.3 million Swiss francs in the past financial year (2019: 260.9 million Swiss francs).

SIGNIFICANT MILESTONES IN THE SIGNALLING BUSINESS

Stadler has been constantly developing and expanding its signalling division since 2016. The successes of the previous years continued in 2020. For example, the GUARDIA European Train Control System (ETCS) received approval in 2020 to operate in Poland. There, the system is used in the FLIRT trains of the railway operator Koleje Mazowieckie. In Switzerland, the system will be used for the first time in BLS's new FLIRT trains, which were unveiled to the public in 2020. ETCS projects are also under way in other countries, including Hungary, Slovenia, Italy and Germany.

STADLER INVESTS IN GROWTH AND INNOVATIVE RAIL VEHICLES

In 2020, Stadler invested a total of 288 million Swiss francs in growth, including the development and expansion of its sites. In its home market of Switzerland, Stadler moved into the new production plant in St. Margrethen. Total investments amount to over 86 million Swiss francs, 36.6 million of which were made in 2020. In Germany, the expansion of the new production hall is progressing with an investment volume of up to 70 million euros, 42.6 million euros of which were incurred in 2020. In Poland, Stadler expanded its commissioning capacities with a new hall at the Siedlce site at a cost of 9.6 million Swiss francs. Production capacities at the plant in Minsk and in Szolnok, Hungary, were also increased with investments of 12 million Swiss francs and 11.4 million Swiss francs respectively. In Hungary, Stadler is also investing 28.8 million Swiss francs in the construction of a new hall for the overhaul of bogies.

In order to be able to continue to offer sustainable, attractive mobility solutions, Stadler is investing in innovative rail vehicles, such as the new low-floor tram, which was ordered for the first time for the city of Darmstadt, Germany, at the beginning of 2020. Features such as complete accessibility, panoramic windows and high interior ceilings ensure a pleasant travel experience. The new bogie technology also makes the trams particularly maintenance-friendly and thus even more economical to operate. In addition to its existing well-rounded, broad product portfolio, Stadler is making inroads into new drive technologies. Stadler is developing its first hydrogen train for the rail operator of San Bernardino County in California. Nahverkehrsverbund Schleswig-Holstein in northern Germany ordered 55 battery-powered trains after Stadler emerged as the winner of Germany's first green technology tender. In addition to the joint project with the Austrian Zillertalbahn, another hydrogen concept for the European market is in the works.

OUTLOOK: ANTICIPATED RETURN TO SIGNIFICANT GROWTH IN REVENUE AND IMPROVED PROFITABILITY

Thanks to the ongoing solid demand, and assuming that the effects of the pandemic will soon be normalised, the order intake for 2021 is expected to reach around 4 to 5 billion Swiss francs again, and revenue should stand at between 3.5 and 3.8 billion Swiss francs. Under these conditions, Stadler is anticipating an EBIT margin of over 6 percent for the current financial year. In order to provide the required capacities, Stadler is expecting investments of around 200 million Swiss francs in 2021. A positive free cash flow is predicted for the current year. The Board of Directors intends to put forward a proposal to the General Meeting for the payment of a dividend of 85 million Swiss francs (0.85 Swiss francs per share) for the 2020 financial year. Subject to the normalisation of the coronavirus situation, the medium-term financial targets of an EBIT margin of 8 to 9 percent from 2023 onwards and a dividend policy with a payout ratio of approximately 60 percent are confirmed.

THANKS TO EMPLOYEES AND SHAREHOLDERS

We would like to thank our employees at all our locations for their great commitment and exceptional dedication, even with due observance of protective measures. Once again this year, the teamwork put into practice in all areas at Stadler continued to form the basis for the success of the company, and in particular for its ability to react rapidly and appropriately to challenges.

We would also like to thank our shareholders for the trust they place in us. Even though we will once again not be able to organise a General Meeting with your personal presence this year due to the coronavirus situation, we look forward to your feedback – and to the moment when we can meet you in person at our future General Meetings after the pandemic, which will hopefully end soon.

Best regards,



Peter Spuhler
Chairman of the Board and Group CEO a. i.

2020 – THE YEAR IN REVIEW

JANUARY

Stadler was awarded a contract for its new tram family for the first time: HEAG mobilo, the Darmstadt tram operator, placed an initial order for 14 low-floor trams of the latest generation, with an option for up to 30 more vehicles.



FEBRUARY

Stadler and Nexus signed a contract for the supply and maintenance of 42 METRO trains for Tyne & Wear Metro in the north-east of England. As part of the contract, Stadler agreed to build a new maintenance plant and take on the maintenance of the trains for 35 years. In future, passengers on all the UK's underground trains outside London will travel on Stadler trains.

MARCH

Stadler emerged as the winner of the largest tender ever issued by the Berliner Verkehrsbetriebe in order to supply up to 1,500 underground cars for use in the German capital's underground network. The total volume of the framework agreement represents up to three billion euros. Stadler also expanded its location in Berlin-Pankow.



APRIL

Another order for the delivery of trams arrived from Poland. MPK Kraków, the municipal transport company in Kraków, ordered up to 60 new TANGO trams. Taking into account an order already placed in 2018, this means that Stadler will now deliver a total of up to 110 vehicles to Kraków.





JUNE

In Poland, Stadler received the first national approval for its ETCS train control system GUARDIA, which was developed by AngelStar, a joint venture between Mermec and Stadler. The system is now used in the FLIRT vehicles of the regional rail operator Koleje Mazowieckie (KM).



JULY

Stadler extended the rental contract for the existing production buildings in Altenrhein. Although the new plant in St. Margrethen started full operation in April 2020, Stadler needed additional production capacity in Switzerland due to the high order volume.

AUGUST

Stadler received an order from Jena for the delivery of 24 TRAMLINK trams with an option for up to 19 additional vehicles. Stadler also agreed to take on the maintenance of the trams for 24 years, with an optional extension of up to eight more years.

SEPTEMBER

In Erlen, Stadler and BLS celebrated the roll-out of the latest generation of FLIRT vehicles. Stadler is building a total of 58 FLIRT trains for the Swiss rail operator, which will be put into service in stages from 2021. In addition, the GUARDIA train control system will be used for the first time in Switzerland in these FLIRT models.



NOVEMBER

Stadler reached a major milestone with the world's highest rack railway up Pikes Peak in the USA. The first of three vehicles was approved for commissioning. The vehicle was put through its paces at the commissioning centre in Erlen.



DECEMBER

An order for seven freight locomotives came in from South America. This was the first order for Stadler in Uruguay. The diesel-electric locomotives manufactured in Valencia will be delivered to Uruguay at the end of 2022.



CONTINUOUS
DEMAND DESPITE
THE PANDEMIC



In March 2020, Berliner Verkehrsbetriebe (BVG) and Stadler signed a framework agreement for up to 1,500 underground cars.

Despite the global coronavirus pandemic, Stadler was able to continue its steady and sustainable growth in 2020. This is evidenced by the high order intake of over 4.33 billion Swiss francs and the increased order backlog of over 16 billion Swiss francs compared to the previous year. Stadler was also able to report a record order intake of 1.46 billion Swiss francs in the service segment.

Stadler looks back on a successful year in 2020. Although the coronavirus pandemic has temporarily reduced mobility behaviour in many countries, there is no hiding the fact that the need for modern and environmentally friendly mobility solutions will continue to grow worldwide in the long term. This is clearly reflected in the order intake. In 2020, Stadler recorded total incoming orders of over 4.33 billion Swiss francs. At over 16 billion, the order backlog stood at a level above that of the previous year. Order intake only includes orders for which the legally valid contract signature has taken place and the financing on the part of the customer has been clarified. Orders with ongoing objection periods or financing negotiations are not booked by Stadler as incoming orders.

GROWING ORDER INTAKE

In 2020, Stadler was able to sell a total of 549 trains, light rail vehicles and locomotives. In the mainline sector, the Spanish Administrator of Railway Infrastructures (ADIF) commissioned Stadler to build three FLIRT units, which will be used to monitor the railway infrastructure. In Switzerland, BLS exercised an option for six additional electric FLIRT vehicles from the works supply contract signed in 2018. Also in Switzerland, Swiss Federal Railways (SBB) tasked Stadler with the construction and delivery of four more FLIRT units for long-distance services on the line between Bern and La Chaux-de-Fonds. An order for a further twelve electric FLIRT vehicles for Koleje Mazowieckie was received from Poland. In Sweden, AB Transito exercised the third option for

twelve KISS vehicles from the framework agreement signed in 2016. This means that AB Transito has ordered a total of 53 KISS trains so far.

Order backlog stands at 16 billion Swiss francs.

Stadler had a particularly successful year in the urban transport sector. In Germany, Stadler emerged as the winner of a tender issued by the Berliner Verkehrsbetriebe for the delivery of up to 1,500 underground cars for use on the underground network in the German capital. This is one of the largest supply contracts ever awarded in Europe. Stadler will deliver 376 cars in a first call-off order. A further 230 cars have been ordered on a firm basis, but the corresponding call-off order will be placed at a later date. Also in Germany, HEAG mobilo Darmstadt commissioned Stadler to develop, build and deliver 14 next-generation trams. Stadler has thereby managed to launch its new tram family successfully on the market within a very short space of time. In addition, Jenaer Nahverkehr GmbH ordered 24 TRAMLINK vehicles. An order for 42 METRO trains for Tyne & Wear Metro came from the UK. This success in the north-east already represents METRO's third major contract in the UK. In addition, Merseytravel ordered another METRO train for Liverpool. Stadler will soon be delivering trams to Italy for the first time: Azienda Transporti Milanese S.p.A. has placed an order for 30 TRAMLINK vehicles. The Hungarian rail operator MAV exercised an option for four more CITYLINK vehicles.

In the main-line locomotive sector, Stadler succeeded in entering a new market in 2020: in Uruguay, Stadler and PORTREN AG signed an order for the delivery of seven EURO4001 vehicles for freight transport. In Spain, Ferrocarrils de la Generalitat de Catalunya (FGC) commissioned Stadler to build and deliver five locomotives for freight transport. In addition, the leasing company European Loc Pool ordered a total of ten more EURODUAL vehicles, while Alpha Trains ordered five EURO6000 units.

Stadler also achieved various successes in the Tailor Made business in 2020. One particular highlight was the signing of a framework agreement with the Austrian Federal Railways (ÖBB) for the development, production and delivery of up to 20 new fire-fighting and rescue multiple units. ÖBB ordered five vehicles in a first call-off order. In Switzerland, Stadler signed another framework agreement with Matterhorn Gotthard Bahn (MGB) for the delivery of a total of 27 multiple units. The first step was a call-off order in 2020 for twelve three-car rack-and-pinion multiple units. The Rhaetian Railway also ordered a further 20 multiple units for regional transport in the canton of Graubünden. This brings the fleet to a total of 56 vehicles. The Lauterbrunnen-Mürren mountain railway and Transports publics fribourgeois (TPF) also ordered three new multiple units each. In addition, an order was placed by TRAVYS for the manufacture and delivery of four locomotives. Furthermore, Huawei Technologies AG placed an order from China for eight multiple units.

RECORD ORDER INTAKE IN THE SERVICE BUSINESS

Incoming orders in the Service and Components business amounted to a record 1.46 billion Swiss francs in 2020, well above the previous year’s level. In the UK, Stadler will take on the maintenance of the 42 new METRO trains as well as of the existing fleet of 89 two-car vehicles for Tyne & Wear Metro for a period of 35 years. As part of the contract, Stadler is building a new service depot especially for this purpose. In the USA, Stadler signed full-service contracts with DART Area Rapid Transit (DART) for eight FLIRT vehicles and with the Denton County Transportation Authority (DCTA) for eleven GTW units. In Germany, Stadler signed a maintenance contract with Keolis for twelve FLIRT trains. In Scandinavia, Stadler also signed a contract for the maintenance of 81 FLIRT vehicles for the Finnish VR Group. Stadler was also able to integrate services into many of the rolling stock contracts concluded in 2020. The supply of spare parts for the entire service life of the new underground cars

The first visualisation of the new METRO for Tyne & Wear Metro in the north-east of England



for BVG in Germany is particularly noteworthy. This goes hand in hand with the full service of the 30 TRAMLINK vehicles for ATM in Italy and for the 22 FLIRT trains for Comboios de Portugal. In the modernisation and refit sector, Stadler received orders for 17 KISS vehicles from Deutsche Bahn and for 32 FLIRT trains from Arriva in the Netherlands, among others.

CONTINUED PROGRESS IN SIGNALLING

The development of the signalling division continues to progress. Stadler has been constantly developing its own signalling division since 2016. At the Wallisellen signalling location, several teams of highly qualified engineers are working on the implementation of the signalling strategy for the mainline, branchline and metro products. Stadler celebrated a milestone in the field of autonomous driving (also called Automatic Train Operation or ATO) in February: together with its partners in the pilot project, Stadler carried out a journey with a train that accelerated and braked automatically. This was the first time that passengers in the Netherlands had travelled on board a train operated by ATO. In June, Stadler and Arriva Nederland signed a contract for the retrofitting of 36 FLIRT units with the GUARDIA European Train Control System (ETCS). In the same month, Stadler's joint venture AngelStar

successfully obtained the first national approval for GUARDIA in Poland. In Switzerland, GUARDIA had already received generic approval from the Federal Office of Transport (FOT) in April 2019. The next step being type approval, in spring 2021 the BLS will put GUARDIA into operation on its Stadler vehicles. In addition to Germany, approval procedures are under way in nine other countries. A particular highlight followed in the USA at the end of the year: Stadler will equip the 127 METRO trains from the 2019 contract signed with the Metropolitan Atlanta Rapid Transit Authority (MARTA) with Stadler's newly developed CBTC system. Stadler and MARTA signed the corresponding contract in December. This is the first time that Stadler has been able to include its own train control system in a metro project and represents an important milestone towards opening up the signalling market in the metro sector worldwide.

RAPID RECOVERY FROM CYBER ATTACK

In May, Stadler's IT network was attacked with malware. Thanks to complete and functional back-up data and the great dedication of the IT team, short-term operational restrictions were quickly overcome and the affected systems were brought back up and running very quickly.

Order intake in the Service & Components reporting segment in 2020 was significantly higher than the previous year's figure.



14 latest-generation trams were ordered by HEAG mobilo GmbH in January 2020

The new plant in St. Margrethen optimises the production conditions for double-decker multiple units and increases Stadler's competitiveness.

A NEW FACE ON THE BOARD OF DIRECTORS

Doris Leuthard was elected to the Board of Directors at the Annual General Meeting in April 2020. This makes her the second woman on the Board after Barbara Egger-Jenzer. Doris Leuthard was head of the Federal Department of the Environment, Transport, Energy and Communications from 2010 until December 2018. Prior to that, she was head of the Federal Department of Economic Affairs. She was President of Switzerland in 2010 and 2017. From 1999 until her election to the Federal Council, she was a member of the National Council of the Christian Democratic People's Party (CVP). She held a leading role within the CVP from 2001 onwards, initially as Vice President and subsequently as President. Doris Leuthard began her professional career as a jurist and lawyer in the Canton of Aargau.

Friedrich Merz, a long-standing member of the Board of Directors, did not stand for re-election. After 16 years as a member of the Board of Directors of Stadler, he has decided to concentrate fully on politics from now on.

CHANGE IN THE GROUP EXECUTIVE BOARD

In May 2020, there was a change at the top of the Executive Board: on account of differences of opinion regarding the development of Stadler, the Board of Directors and Group CEO Dr Thomas Ahlburg

decided by mutual agreement to terminate their working relationship. Until the appointment of a new Group CEO, the executive Chairman of the Board of Directors, Peter Spuhler, took over the position ad interim. Peter Spuhler had already led the company as Group CEO from 1989 to 2018.

In September, Stadler announced a long-planned change in the composition of its Group Executive Board: Jürg Gygax is stepping down as Head of the Service Division at his own request as of 31 March 2021. He joined Stadler at the beginning of 2005 as a member of the Group Executive Board. In 2013, he took over the development of the global service business. Jürg Gygax has decided to retire early after more than 15 years at Stadler. In order to ensure a smooth generational change, he will remain available to Stadler for some time in an advisory capacity. Daniel Baer will take over as Head of the Service Division as of 1 April 2021. He first joined Stadler in 2004 and is currently a member of the Executive Board of Stadler Service AG. He had previously worked in various technical and management roles in the Service Division. Before that, he had held several positions at ABB and Huber+Suhner. Daniel Baer has a Master's degree in industrial engineering from Zurich University of Applied Sciences and a diploma in engineering from ABB Technical School. He also completed a vocational apprenticeship as an electrician.



Doris Leuthard, member of the Stadler Board of Directors since April 2020



After a construction period of two years, Stadler moved into the new production plant in St. Margrethen

IDEAL CONDITIONS THANKS TO INVESTMENTS

In 2020, Stadler invested a total of 288 million Swiss francs in growth, including the development and expansion of its sites. In its home market of Switzerland, Stadler moved into the new production plant in St. Margrethen after a construction period of around two years. Total investments amount to over 86 million Swiss francs, 36.6 million of which were made in 2020. Thanks to the new production site, the production conditions in the competence centre for double-decker multiple-unit trains will be optimised and Stadler's competitiveness increased. The new plant on the Altfeld site in St. Margrethen comprises around 35,000 square metres of production and storage space. Car bodies can be moved efficiently using several overhead cranes, and the site also has a rail siding linked to St. Margrethen station. This allows the plant to meet the high demands that Stadler places on a competence centre for double-decker multiple units. In addition to areas for production and storage, Stadler has also built offices for around 450 employees over 5,000 square metres of floor space.

In Germany, the expansion of the Berlin Pankow location continues with a new production hall that is optimally geared to the needs of the competence centre for trams, light rail vehicles and metro vehicles. The operating concept not only includes the construction of a new production hall, but will also create optimised space for logistics and commissioning during a later phase. The investment volume amounts to just under 70 million euros, 42.6 million of which were incurred in 2020. In Poland, Stadler expanded its commissioning capacities with a new hall at the Siedlce site at a cost of 9.6 million Swiss francs. Production capacities at the plant in Minsk and in Szolnok, Hungary, were also increased with investments of 12 million Swiss francs and 11.4 million Swiss francs respectively. In Hungary, Stadler is also investing 28.8 million Swiss francs in the construction of a new hall for the overhaul of bogies.



SIGNALLING

ETCS GUARDIA ON TRACK

The GUARDIA ETCS train control system developed by Stadler with Mermec in the AngelStar joint venture had already received generic approval in December 2019. GUARDIA was approved for country-specific operation for the first time in June 2020. The FLIRT vehicles equipped with GUARDIA for the operator Koleje Mazowieckie (KM) will run in the Polish region of Mazovia. The approval process for the train control system – consisting of hardware and software – is under way in numerous other countries. In Switzerland, GUARDIA had already been given the go-ahead for field tests by the Federal Office of Transport (FOT) in a type approval process in April 2020. In June 2020, Stadler also obtained its first contract to retrofit trains with its own ETCS system. Stadler will equip 36 FLIRT trains from the Arriva Netherlands fleet with GUARDIA.

IMAGE

The driver's cab of a FLIRT train of the Polish railway operator KM



NEW PLANT

INVESTMENT IN SWITZERLAND AS A BUSINESS LOCATION

Stadler started full operations at the newly built site in St. Margrethen in April 2020. On the 67,000 square metre site, around 1,400 employees will develop and produce mainly double-decker multiple-unit trains for Switzerland and abroad. Due to the high order volume, around 320 employees continue to work at the Altenrhein plant. The investment of around 86 million Swiss francs in the plant in St. Margrethen is a clear commitment by Stadler to Switzerland as a business location. Stadler paid particular attention to environmental protection during the construction: the company greened a roof area of 22,000 square metres and installed 6,000 square metres of solar panels.

IMAGE

The Stadler plant in St. Margrethen





NEW UNDERGROUND TRAINS

FOR BERLIN, FROM BERLIN

Stadler will deliver up to 1,500 new underground cars to the German capital from 2022. In March 2020, Stadler won a tender issued by the Berliner Verkehrsbetriebe (BVG) for a total volume of up to three billion euros. The framework agreement, which has a minimum order volume of 606 cars, also covers the provision of spare parts for a period of 32 years. Stadler will supply 376 cars for two- to four-car vehicle units for small and large profile sections in a first call-off order from 2022 onwards. Stadler is already ensuring environmentally friendly mobility in the German capital thanks to its IK series.

IMAGE

Visualisation of the new Berlin underground







SMILE**SMILE
HOMOLOGATION IN
ITALY AND GERMANY**

Stadler obtained an operating licence for SMILE vehicles in double traction in Switzerland back in May 2019. In March 2020, the European Union Agency for Railways (ERA) also granted the homologation for the new high-speed train, called “Giruno” by SBB, for Italy in double traction. The homologation for Germany was achieved in October 2020. These are two important milestones for the SMILE, which SBB ordered from Stadler in October 2014. The SMILE is the first series-produced high-speed train to offer step-free entrance areas for both 55-centimetre and 76-centimetre platforms.

IMAGE

The SMILE in the Gotthard Base Tunnel



SETTING THE COURSE FOR SUSTAINABLE MOBILITY



Stadler's FLIRT H2 train (visualisation)

Rail vehicles play an essential role in the future of mobility. They make a significant contribution to addressing social and political issues.

For example, growing urbanisation in many regions of the world requires efficient public transport. Stadler's attractive range of light rail vehicles is increasing its appeal. The new tram family from Stadler offers a particularly high level of passenger comfort thanks to its innovative low-floor architecture. Features such as complete accessibility, panoramic windows and high interior ceilings ensure a pleasant travel experience. The new bogie technology also makes the trams particularly maintenance-friendly and thus even more economical to operate.

Above all, however, trains make a key contribution to achieving the climate targets set by the governments of many countries. Railways are already the most environmentally friendly means of transport today. But Stadler is looking further ahead. In order to make trains and locomotives even more resource-efficient, the company is opting for solutions such as lightweight construction. In this way, less power is required to move a train.

Materials such as aluminium and high-performance plastics are also recyclable when a train is taken out of service after decades of use.

Rail transport is the key to achieving climate targets

But the way trains and locomotives are powered also contributes to making rail transport even more resource-efficient. This is already the case on electrified railway lines, especially if the traction current comes from sustainable sources. But even if a line is not electrified, or only partially electrified, Stadler offers solutions that do not require large investments in the line's infrastructure. That is why Stadler is also making inroads into new drive technologies in addition to its existing well-rounded, broad product portfolio. Both hydrogen trains and battery-powered vehicles are already being put on the rails by Stadler. Stadler also has hybrid drives in its range.

55 FLIRT battery-operated units will soon be in service in northern Germany, operated by Nahverkehrsverbund Schleswig-Holstein GmbH (NAH.SH). In 2020, Stadler successfully completed the research project for the development and testing of a battery-powered vehicle, which was funded by the Federal Ministry for Economic Affairs and Energy and carried out in cooperation with the Technical University of Berlin and the Jülich Research Centre. During the three-year project phase, valuable insights were gained, especially in the last year, during numerous test and trial runs with the test carrier that had been developed. For presentation and testing purposes, Stadler has already built a FLIRT battery-powered unit that runs in northern Germany. Stadler was successful in a green technology tender issued by NAH.SH in 2019. FLIRT battery-powered units will replace the previous diesel vehicles on routes with no overhead contact lines on sections of up to 80 kilometres.

The rail operator of San Bernardino County in the US state of California has also ordered a hydrogen-powered FLIRT vehicle from Stadler. Good progress is being made on this order as well. The vehicle concept, and in particular the innovative drive concept of the new train, has been defined and approved. Further development milestones will follow until the train finally enters into service in 2024.

Alongside battery- and hydrogen-powered trains, hybrid vehicles are another way to help further reduce local emissions in rail transport. Stadler's EURO DUAL is a dual-mode locomotive for passenger and freight transport, for instance. It is designed with both an electric and a diesel-electric drive, which means that it can be used on both electrified and non-electrified railway lines.

In addition to the new drive variants, digital technologies in particular help to make rail transport even more efficient whilst further improving safety at the same time. To this end, Stadler has set up its own subsidiary within the Group that is dedicated to digitalisation.



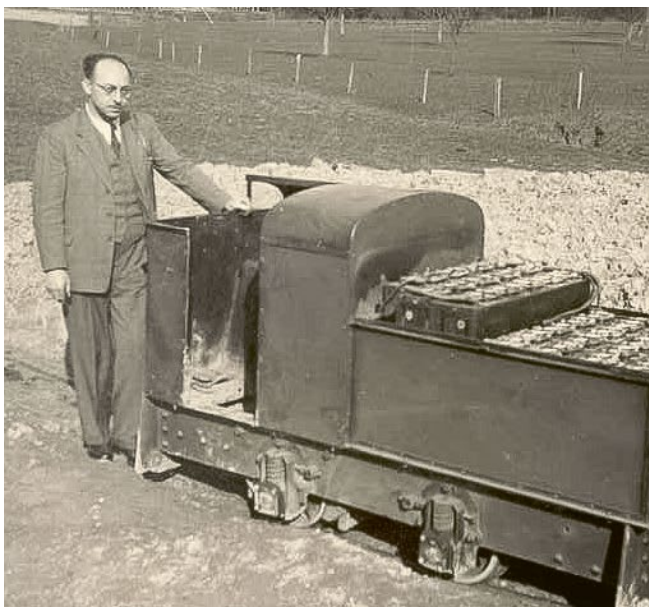
Own solutions for digitalisation

Stadler Signalling's range of products and services covers various areas. It includes, for example, GUARDIA, Stadler's own European Train Control System (ETCS). GUARDIA was developed by AngelStar, a joint venture between Stadler and Mermec. Stadler received the first national approval in Poland in 2020. Approval is under way in other European countries. Stadler is also developing CBTC systems (short for Communication-Based Train Control) – i.e. train control systems which are mainly used in local transport – for example for the future METRO trains for the Metropolitan Atlanta Rapid Transit Authority (MARTA) in Atlanta, USA, for which Stadler is also manufacturing new trains.

Stadler Signalling also develops solutions in the field of Automatic Train Operation (ATO), which enable various degrees of automation in train transport. For example, in the spring of 2020 Stadler, together with ProRail, the province of Groningen and Arriva Netherlands, carried out a journey in the Dutch region of Groningen with a train that accelerated and braked automatically. For the first time, passengers in the Netherlands were able to travel on board a train featuring ATO (Automatic Train Operation).

Digitalisation, green drives, attractive vehicles in urban, local, long-distance and freight transport and Stadler's goal of high quality will continue to create added value in rail transport in the future – both for rail operators and for their passengers.

Added value in rail transport



GREEN FROM THE START

Even the first vehicle manufactured by our company founder Ernst Stadler in 1942 ran on batteries. This battery-operated tractor was an ancestor of the battery-powered FLIRT which will soon be operating in northern Germany. This shows that green drive technologies without local emissions have been a part of Stadler's DNA right from day one.

IMAGE

Ernst Stadler with the battery-operated tractor

CORPORATE GOVERNANCE

The principles and rules of corporate governance at Stadler are laid down in numerous documents, in particular the Articles of Association*, the Organisational Regulations and the Regulations of the Board of Directors' Committees. In terms of content and structure, in this report Stadler follows the Directive on information relating to Corporate Governance (DCG) of the SIX Swiss Exchange and the associated guidelines.

Unless otherwise stated, all figures refer to 31 December 2020. Information is continuously updated at <https://www.stadlerrail.com/en/investor-relations/>. The Articles of Association* of Stadler Rail AG, to which reference is made throughout this report, are also available on this website. Reference is in some cases made to the financial section of this Annual Report. The Remuneration Report is shown starting on page 49.

1. GROUP STRUCTURE AND SHAREHOLDERS

Group structure

Stadler Rail AG is a company incorporated under Swiss law headquartered in Bussnang. The shares of the company are listed on the SIX Swiss Exchange (security number 217818, ISIN CH0002178181, security symbol SRAIL). The market capitalisation as at 31 December 2020 stood at CHF 4,042 million.

The Group Executive Board consists of the Group CEO and eight other members who report directly to the Group CEO. Cross-group functions include the Heads of Finance, Sales, the General Secretariat and Communications. Five Executive Vice Presidents (EVPS) are currently responsible for the economic performance and operational management of the Service and Components divisions and the geographical regions Switzerland, Germany, Spain and Central Europe. Subsidiaries are established for legal, commercial and financial reasons.

As at 31 December 2020, the Stadler Group comprised 37 companies worldwide (fully consolidated; Equity: four companies). An overview of Group companies, including the company name, registered office and share capital, as well as the percentage of shares held by the Stadler Group, is shown on page 94. The management organisation of the Stadler Group is independent of the legal structure of the Group and of the individual companies.

Significant shareholders

As at 31 December 2020 Stadler was aware that the following shareholders held three percent or more of all voting rights of the company:

- PCS Holding AG, Warth-Weiningen, Switzerland; Peter Spuhler, Warth-Weiningen; 41.5 percent (30.5 percent indirectly via PCS Holding, 11 percent directly);
- RSBG SE, Essen, Germany; RAG Foundation, Essen; 4.5 percent
- 15 members of the Board of Directors and the Group Executive Board; each member holds less than 3 percent of the shares/voting rights;
- In connection with the IPO of Stadler Rail AG, 21 people originally formed a lock-up group with 56.6 percent of the voting rights. According to a notification to the SIX Swiss Exchange on 16 April 2020, this was dissolved after the lock-up period expired on 12 April 2020.

All notifications from shareholders holding three percent or more of all voting rights in the company were reported to the Disclosure Office of the SIX Swiss Exchange pursuant to Article 120 of the Financial Market Infrastructure Act (FinMIA) and published on its electronic publication platform. They can be viewed via the search function at <https://www.ser-ag.com/en/resources/notifications-market-participants/official-notices.html>.

As at 31 December 2020, Stadler Rail AG held 18,591 treasury shares.

Cross-investments

Stadler is not aware of any cross-investments in which the capital or voting shareholdings on either side exceed a threshold of five percent.

2. CAPITAL STRUCTURE

Share capital

As at 31 December 2020, the share capital of Stadler Rail AG amounted to CHF 20,000,000.00 and was divided into 100,000,000 fully paid-up registered shares with a nominal value of CHF 0.20 each. The shares are listed on the SIX Swiss Exchange (security number 217818, ISIN CH0002178181, security symbol SRAIL).

Authorised share capital

In accordance with Article 5 of the Articles of Association, Stadler Rail AG has authorised share capital with a nominal value of CHF 2,000,000.00, which represents ten percent of the existing share capital. According to Article 5 of the Articles of Association, the Board of Directors is authorised to increase the share capital at any time until 17 March 2021 by a maximum amount of CHF 2,000,000.00 by issuing a maximum of 10,000,000 fully paid-up new registered shares with a nominal value of CHF 0.20 each. Increases in partial amounts shall be permissible.

* https://www.stadlerrail.com/media/pdf/statuten_stadler_rail_de_en.pdf

The subscription and acquisition of the new registered shares and every subsequent transfer of these registered shares shall be subject to the transfer restrictions pursuant to Article 6 of the Articles of Association.

The Board of Directors shall determine the issue price, the type of contribution, the date of issue, the conditions for the exercise of subscription rights and the commencement of dividend entitlement. The Board of Directors may issue new registered shares by means of a firm underwriting through a bank, a banking syndicate or another third party and a subsequent offer of these shares to the existing shareholders or third parties. The Board of Directors is authorised to permit, to restrict or to exclude the trade with subscription rights. In the event of subscription rights not being exercised, the Board of Directors may, at its discretion, either allow such rights to expire worthless, or place them or the shares to which they are entitled either at market conditions or use them otherwise in the interests of the company.

In case of a capital increase out of the authorised capital in accordance with Article 5 of the Articles of Association, the Board of Directors is empowered to withdraw or restrict the shareholders' subscription rights and to allocate such rights to individual shareholders or third parties in the event:

- a. of the new shares being used to acquire companies, parts thereof or participations, to acquire products, intellectual property or licenses or for the financing or refinancing of such transactions, or for the financing of new investment projects undertaken by the company;
- b. of the new shares being used either to extend the shareholder base in certain financial or investor markets, in conjunction with the listing of new shares on domestic or foreign stock exchanges or for purposes of the participation of strategic partners;

- c. of new shares being placed nationally or internationally (including by way of private placement) at not less than market conditions for the purpose of raising equity in a swift and flexible manner that would be difficult to arrange or only at materially less favourable conditions if the subscription rights to the new shares were not restricted or withdrawn;
- d. in case of good cause in the sense of Article 652b, paragraph 2 of the Swiss Code of Obligations.

Conditional capital for employee benefit plans

In accordance with Article 4 of the Articles of Association, Stadler Rail AG has conditional share capital for employee benefit plans with a nominal value of CHF 400,000.00, which represents two percent of the existing share capital.

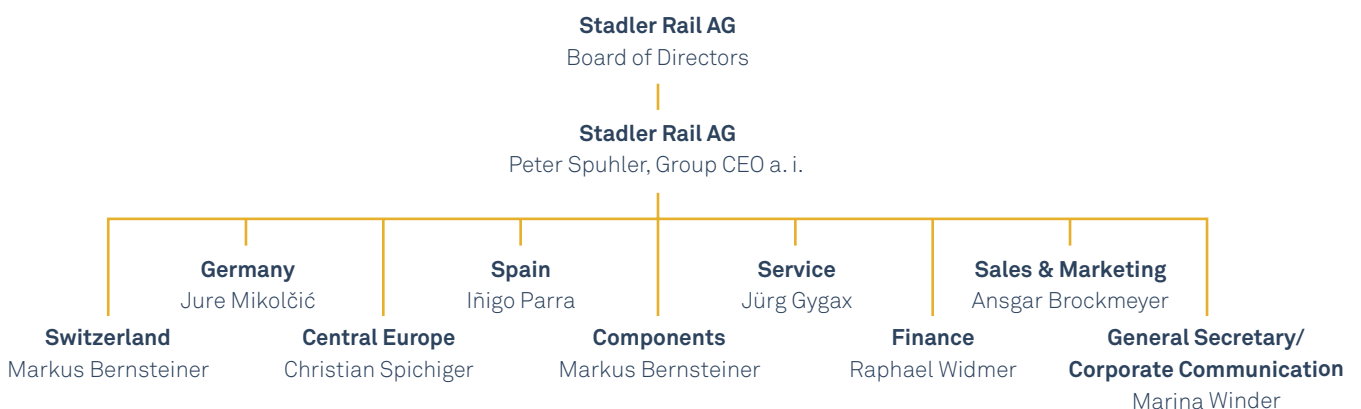
The share capital of the company may be increased by up to CHF 400,000.00 through the issuance of up to 2,000,000 fully paid-up registered shares, each with a nominal value of CHF 0.20, through the exercising of rights or entitlements in respect of shares (share related rights) granted to employees or directors of the company, its consolidated subsidiaries or other entities in which the company has a direct or indirect stake of at least 50% in accordance with regulations and terms and conditions to be specified by the Board of Directors.

Shareholders' subscription rights and advance subscription rights are excluded.

The acquisition of registered shares based on Article 4 of the Articles of Association and any subsequent transfer of such registered shares are subject to the transfer restrictions pursuant to Article 6 of the Articles of Association.

Organisation

Status as at 31 December 2020



Changes in capital

The share capital of Stadler Rail AG has not changed since the IPO on 12 April 2019.

Participation and profit sharing certificates

Stadler Rail AG has issued neither participation nor profit sharing certificates.

Shares

Stadler Rail AG has issued 100,000,000 fully paid-up registered shares with a nominal value of CHF 0.20 each. According to Article 15 of the Articles of Association, each share entitles its holder to one vote at the General Meeting of Stadler Rail AG. Only those shareholders entered in the share register as shareholders with voting rights in accordance with Article 6 of the Articles of Association by a specific qualifying day (record date) designated by the Board of Directors are entitled to vote at the General Meeting. In the absence of such designation, the record date shall be ten days prior to the General Meeting. The Board of Directors is authorised to specify or supplement the provisions laid down in Article 15 of the Articles of Association in the notice of a General Meeting or in general regulations or guidelines.

The company shall keep a share register in which owners and usufructuaries' family and given names (or the company name in the case of legal entities), address and citizenship (or the registered office in the case of legal entities) are registered. Any person registered in the share register who changes their address must inform the company accordingly.

Persons acquiring registered shares shall on application be entered in the share register without limitation as shareholders with voting rights, provided they expressly declare to have acquired the said shares in their own name and for their own account.

Persons not expressly declaring themselves to be holding shares for their own account ("nominees") in their application for entry in the share register or upon request by the company shall be entered in the share register as shareholders with voting rights without any further inquiry up to a maximum of five percent of the issued share capital at the time. Above this limit, shares held by nominees shall be entered in the share register with voting rights only if the nominee in question in the application for registration or thereafter upon request by the company makes known the names, addresses and shareholdings of the beneficial owners for whose account he is holding one percent or more of the outstanding share capital available at the time and provided that the disclosure requirements stipulated in the Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading (Financial Market Infrastructure Act,

FinMIA) is complied with. The Board of Directors may enter into a contractual agreement with such a nominee which, in particular, further specifies the disclosure of beneficial owners and contains rules on the representation of shareholders and the voting rights. The Board of Directors may withhold registration with voting rights until the nominee has entered into such an agreement. For the purposes of the Articles of Association (i) a "nominee" is a financial intermediary that does not expressly declare in the application form to hold the shares for its own account and shall include, without limitation, a custodian, nominee of such a custodian, depositary, or nominee of such a depositary; and (ii) a "beneficial owner" shall include, without limitation, any beneficial owner of depositary interests or depositary receipts representing shares of the company.

After hearing the registered shareholder or nominee, the Board of Directors may cancel such person's registration in the share register with retroactive effect as of the date of registration if such registration was made based on false or misleading information. Any such cancellation must be communicated immediately to the shareholder concerned.

In accordance with Article 7 of the Articles of Association, the company may issue its registered shares in the form of single certificates, global certificates or uncertificated securities. As far as is legally permissible, the company may convert shares issued in one of these classes into another class of share at any time and without the consent of the shareholders. The company shall bear the costs incurred. A shareholder has no right to request a conversion of the registered shares issued in one form into another form. Each shareholder may, however, ask the company at any time to issue a certificate for the registered shares held by him in accordance with the share register. A disposition of shares in the form of uncertificated securities which are not registered in the main register of a custodian shall be effected by way of a written declaration of assignment and requires, as a condition for validity, to be notified to the company. In contrast, a disposition of shares which exist in the form of book entry securities based on uncertificated securities registered in the main register of a custodian shall be effected solely by entries in securities accounts in accordance with applicable law, without prerequisite to be notified to the company; a disposition of such shares by way of assignment without corresponding entry in a securities account is excluded.

In accordance with Article 8 of the Articles of Association, the company shall only accept one representative per share. The voting right and the rights associated therewith may be exercised vis-à-vis the company by a shareholder, usufructuary or nominee only to the extent that such person is registered in the share register with voting rights.

Restrictions on transferability and nominee registrations

In accordance with Article 6 of the Articles of Association, persons acquiring registered shares shall on application be entered in the share register without limitation as shareholders, provided they expressly declare to have acquired the said shares in their own name and for their own account.

Pursuant to Article 6 of the Articles of Association, persons not expressly declaring themselves to be holding shares for their own account (“nominees”) in their application for entry in the share register or upon request by the company shall be entered in the share register as shareholders with voting rights without any further inquiry up to a maximum of five percent of the issued share capital at the time. Above this limit, shares held by nominees shall be entered in the share register with voting rights only if the nominee in question in the application for registration or thereafter upon request by the company makes known the names, addresses and shareholdings of the beneficial owners for whose account he is holding one percent or more of the outstanding share capital available at the time and provided that the disclosure requirements stipulated in the Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading (Financial Market Infrastructure Act, FinMIA) is complied with. The Board of Directors may withhold registration with voting rights until the nominee has entered into an agreement which, in particular, further specifies the disclosure of beneficial owners and contains rules on the representation of shareholders and the voting rights.

The restrictions on registration in accordance with Article 6 of the Articles of Association also apply to shares acquired by the exercise of subscription, pre-emptive, option or conversion rights.

Pursuant to Article 6 of the Articles of Association, legal entities and partnerships or other groups of persons or joint ownerships that are related to each other through capital ownership, voting rights, common control or otherwise, as well as individuals or legal entities or partnerships acting in concert (in particular, as a syndicate) in view of a circumvention of the provisions concerning the nominees are deemed to be one shareholder or one nominee.

The company may in special cases approve exceptions to the above restrictions.

Until an acquirer becomes a shareholder with voting rights for the shares in accordance with Article 6 of the Articles of Association, she/he may neither exercise the voting rights connected with the shares nor other rights associated with the voting rights pursuant to Article 8 of the Articles of Association.

In accordance with Article 18 of the Articles of Association, a resolution of the General Meeting passed by at least two thirds of the represented share votes and the absolute majority of the represented shares’ par value is required for the easement or abolition of the restrictions on the transferability of the registered shares.

Convertible bonds and options

Stadler Rail AG has no convertible bonds and no options outstanding.

3. BOARD OF DIRECTORS

The composition, the general rights, duties and responsibilities, as well as the functioning of the Board of Directors (BoD) of Stadler Rail AG are based on the Swiss Code of Obligations as well as the Articles of Association and the Organisational Regulations of Stadler Rail AG.

Members of the Board of Directors

The Board of Directors of Stadler Rail AG is composed of at least five members in accordance with Article 19 of the Articles of Association. On 31 December 2020, the Board of Directors comprised eight members. With the exception of the executive Chairman of the Board of Directors Peter Spuhler (“eVRP”), all members of the Board of Directors are non-executive. Following the resignation of Dr Thomas Ahlburg from the Group Executive Board and until a successor is appointed, Peter Spuhler also took over as Group CEO on an interim basis as of 21 May 2020.

Friedrich Merz did not stand for re-election at the General Meeting on 30 April 2020 and has stepped down from the Board of Directors. Former Federal Councillor Doris Leuthard was newly elected to the Board of Directors.

Independence of non-executive members

None of the non-executive members of the Board of Directors has exercised an operational activity for Stadler in the three financial years preceding the reporting period. Two of the non-executive members of the Board of Directors provide services for Stadler Rail AG or its subsidiaries at irregular intervals. Hans-Peter Schwald provides legal services as a partner of BianchiSchwald, and Kurt Rüegg provides financial advisory services as Managing Partner of Alantra AG.

Permitted activities outside the Stadler Group

In accordance with Article 28 of the Articles of Association, a member of the Board of Directors may not hold more than the following number of further mandates:

- a. up to fifteen mandates in companies, whereof up to five in listed companies;
- b. up to twenty mandates in foundations, associations, charitable organisations and similar organisations.

Mandates held in different legal entities of the same group, in companies connected with each other, or by order of the company or of another legal entity pursuant to the above-mentioned Article 28 of the Articles of Association (including pension funds and joint ventures) shall not count as separate mandates. The limits set out in Article 28 of the Articles of Association may be exceeded for a short period.

A “mandate” within the meaning of Article 28 of the Articles of Association is a mandate in the highest management or administrative bodies of legal entities which are obliged to be registered in the commercial register or in a corresponding foreign register, with the exception of the company and legal entities controlled by the company or which control it.

Election, term of office and principles of the election procedure

The Chairman and the other members of the Board of Directors are elected individually by the General Meeting for a term of office of one year until the conclusion of the next Ordinary General Meeting. Re-election is possible. As a rule, members of the Board of Directors resign at the next Ordinary General Meeting after reaching their seventieth birthday. In the event of special circumstances, in particular if the member of the Board of Directors holds more than 20 percent of the voting rights of the company, the Board of Directors may exceptionally increase this age limit for the corresponding member, taking into account the average age of all members.

According to Article 11 of the Articles of Association, the General Meeting is also responsible for electing and recalling the members of the Compensation Committee, the statutory auditors and the independent proxy.

When nominating new candidates to the Board of Directors, care is taken to ensure a balanced composition of the Board. Industry and international management experience as well as special professional skills are taken into account.

Internal organisation

The Board of Directors is responsible for the ultimate management of the company and for the supervision of its management. It bears responsibility for the business of the company and the Group as well as for sustainable corporate success. The Board of Directors determines the strategic objectives of the company, ensures that the company has the necessary financial and human resources to achieve its objectives, and supervises and oversees the management of the company. The Board of Directors is authorised to pass resolutions on all matters that are not expressly reserved for the General Meeting or another corporate body by law, the Articles of Association or the Organisational Regulations.

The supreme responsibility of the Board of Directors for the strategy and management of the business operations of the company and the Group includes in particular:

- (i) the determination of the overall business strategy, taking into account the information, proposals and options presented by the Group CEO; and
- (ii) the approval of all business operations and decisions to the extent that such approval exceeds the authority delegated by the Board of Directors to the committees, the eVRP, the Group CEO or the Group Executive Board.

The eVRP chairs the meetings of the Board of Directors and the General Meetings and fulfils the other tasks and duties set out in the Organisational Regulations. The eVRP supervises the Group through the Board of Directors. He or she communicates actively with the Group CEO and the Group Executive Board. The eVRP and the Group CEO hold regular meetings (usually weekly). The eVRP may inspect the minutes of all corporate bodies of the Group and attend all meetings of the Group Executive Board, the Extended Group Executive Board and the Sales department. Together with the Group CEO, the eVRP is responsible for ensuring effective communication with shareholders or stakeholders, including authorities, regulators and public organisations. The eVRP coordinates the committees and synchronises their tasks in relation to each other. He may attend their meetings provided that he is not personally affected by them.



A Capricorn train from the Rhaetian Railways

STADLER BOARD OF DIRECTORS



Peter Spuhler (1959)

Executive Chairman of the Board
Group CEO a. i.
 Swiss citizen

INITIAL ELECTION TO THE BOARD OF DIRECTORS

Board member and Chairman since 1989

EDUCATION, PROFESSIONAL EXPERIENCE, CAREER

Studied business administration at HSG St. Gallen; Group CEO of Stadler Rail AG from 1989 to the end of 2017; Group CEO a. i. of Stadler Rail AG since 21 May 2020

OTHER ACTIVITIES AND VESTED INTERESTS

Chairman of the Board of Directors of various companies of the Stadler Group, Estonia Train Finance AG, Nordic Train Finance AG, PCS Holding AG and Aebi Schmidt Holding AG; member of the Board of Directors of several other companies, including European Loc Pool AG, Allreal Holding AG, Autoneum Holding AG, Rieter Holding AG and Evonik Industries AG; since 1 April 2019, Peter Spuhler is a shareholder of Robert Bosch Industrietreuhand KG and a member of the Advisory Board of Robert Bosch GmbH; from 1999 to 2012 he was a member of the Swiss National Council and a member of the Board of Directors of Von Roll Holding AG (2002 to 2004), UBS AG (2004 to 2008) and Kühne Holding AG (2006 to 2008)

COMMITTEE MEMBERSHIPS

Chairman of the Nomination Committee; member of the Compensation and Strategy Committees

Executive



Hans-Peter Schwald (1959)

Vice Chairman
 Swiss citizen

INITIAL ELECTION TO THE BOARD OF DIRECTORS

Board member since 1989; Vice Chairman since 2002

EDUCATION, PROFESSIONAL EXPERIENCE, CAREER

lic. iur. (law graduate) HSG, lawyer; Senior Partner at the law firm BianchiSchwald LLC

OTHER ACTIVITIES AND VESTED INTERESTS

Chairman of Autoneum Holding AG, VAMED Management und Service Schweiz AG and VAMED Health Project Schweiz AG as well as of Schweizer VAMED Rehakliniken and Chairman of the Board of AVIA Vereinigung unabhängiger Schweizer Importeure und Anbieter von Energieprodukten, Genossenschaft; member of the Board of Directors of PCS Holding AG, Rieter Holding AG and member of the Board of Directors of other Swiss stock corporations

COMMITTEE MEMBERSHIPS

Member of the Strategy and Audit Committees

Non-executive



Barbara Egger-Jenzer (1956)

Member
 Swiss citizen

INITIAL ELECTION TO THE BOARD OF DIRECTORS

Board member since 2019

EDUCATION, PROFESSIONAL EXPERIENCE, CAREER

lic. iur. (law graduate) from the University of Bern; lawyer; former state councillor of the canton of Bern and head of the Federal Department of the Environment, Transport, Energy and Communications (2002 to 2018)

OTHER ACTIVITIES AND VESTED INTERESTS

Member of the Board of Directors of Kraftwerke Oberhasli AG (since 2018) and Chairwoman of the Board of Directors since March 2020; Senior Advisor at Energy Infrastructure Partners, Zurich; member of the Board of Directors of BKW Energie AG and BLS AG from 2002 to 2018

COMMITTEE MEMBERSHIPS

Member of the Nomination and Compensation Committees

Non-executive

The Board of Directors of Stadler Rail AG is chaired by Peter Spuhler. A team of eight prominent figures from business and politics jointly performs the tasks of the Board.



Dr Christoph Franz (1960)

Member
German and Swiss citizen

INITIAL ELECTION TO THE BOARD OF DIRECTORS

Board member since 2011

EDUCATION, PROFESSIONAL EXPERIENCE, CAREER

Graduated in industrial engineering from the Technical University Darmstadt, Germany; doctorate in economics (Dr. rer. pol.); honorary professor of business administration at the University of St.Gallen; former CEO of Deutsche Lufthansa AG (2009 to 2014) and Swiss International Airlines AG (2004 to 2009)

OTHER ACTIVITIES AND VESTED INTERESTS

Chairman of the Board of Directors of Roche (since 2014); Vice Chairman of the Board of Directors of Zurich Insurance Group; member of the Assembly and Council of the Assembly of the International Committee of the Red Cross, Geneva

COMMITTEE MEMBERSHIPS

Chairman of the Compensation Committee; member of the Nomination Committee

Non-executive



Fred Kindle (1959)

Member
Swiss citizen

INITIAL ELECTION TO THE BOARD OF DIRECTORS

Board member since 2008

EDUCATION, PROFESSIONAL EXPERIENCE, CAREER

Graduated in mechanical engineering from ETH Zurich; MBA from Northwestern University (Kellogg Graduate School of Management), Evanston, USA; consultant with Clayton, Dubilier & Rice LLC (partner from 2008 to 2015); former Group CEO of ABB

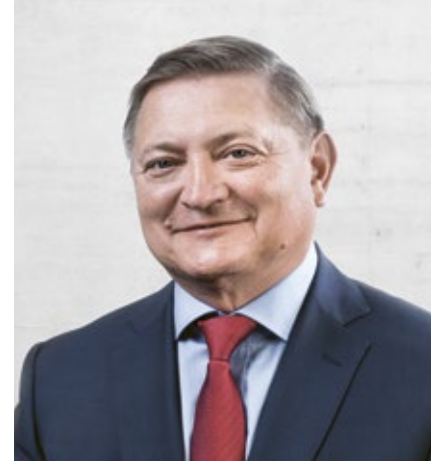
OTHER ACTIVITIES AND VESTED INTERESTS

Chairman of the Board of Directors of VZ Holding AG (since 2014); member of the Board of Directors of Schneider Electric (Rueil-Malmaison) since 2016. Member of the Board of Directors of Zurich Insurance Group from 2006 to 2018

COMMITTEE MEMBERSHIPS

Chairman of the Strategy Committee

Non-executive



Wojciech Kostrzewa (1960)

Member
Polish citizen

INITIAL ELECTION TO THE BOARD OF DIRECTORS

Board member since 2012

EDUCATION, PROFESSIONAL EXPERIENCE, CAREER

Studied economics at the University of Kiel (Diplom-Volkswirt); studied law at the University of Warsaw, Poland; 1998 to 2004 Chairman and CEO of mbank SA; 2005 to 2018 Chairman and CEO of the media conglomerate ITI Group; since 2017 member of the Board of Directors and since January 2019 CEO of Billon Group Ltd

OTHER ACTIVITIES AND VESTED INTERESTS

Since 2017, member and Deputy Chairman of the Supervisory Board and Chairman of the Audit Committee of ERGO Hestia SA as well as ERGO Hestia TUnZ SA (life insurance); Chairman of the Management Board of the Polish Business Roundtable since May 2019; member of the Supervisory Board and Chairman of the Audit Committee of CANAL+ Polska SA since 2020; and Deputy Chairman of the Confederation of Employers Konfederacja Lewiatan, Warsaw, Poland, from 2007 to 2020

COMMITTEE MEMBERSHIPS

Member of the Audit Committee

Non-executive



Doris Leuthard (1963)

Member
Swiss citizen

INITIAL ELECTION TO THE BOARD OF DIRECTORS

Board member since 2020

EDUCATION, PROFESSIONAL EXPERIENCE, CAREER

Studied law at the University of Zurich before being admitted to the bar; member of the Swiss National Council from 1999 to 2006; member of the Swiss Federal Council from 2006 to 2018, including eight years (2010 to 2018) as head of the Federal Department of the Environment, Transport, Energy and Communications (DETEC); President of the Swiss Confederation in 2010 and 2017

OTHER ACTIVITIES AND VESTED INTERESTS

President of the Ulrico Hoepli-Stiftung; member of the Board of Directors of the Coop Group, Bell Food Group, Transgourmet AG and Coop Mineralöl AG; President of the Jury for the Business Environment Prize; Co-President of the Steering Committee of the Europa Forum Lucerne; President of the Swiss Digital Initiative Foundation, Geneva; member of the Board of Trustees of the ETH Zurich Foundation

COMMITTEE MEMBERSHIPS

Member of the Strategy Committee

Non-executive



Kurt Rüegg (1960)

Member
Swiss citizen

INITIAL ELECTION TO THE BOARD OF DIRECTORS

Board member since 2002

EDUCATION, PROFESSIONAL EXPERIENCE, CAREER

HWV business graduate; 1999 to 2014 development of Swiss Capital Corporate Finance AG, 2014 merger of this company with the globally active N+1 Group, which was renamed Alantra AG in 2016, since 2016 Chairman Investment Banking of the Alantra Group and, in this capacity, member of the Group Executive Committee as well as Chairman of the Board of Directors and Managing Partner of Alantra AG, Zurich

OTHER ACTIVITIES AND VESTED INTERESTS

Chairman of the Board of Directors of Alantra AG; member of the Board of Directors of St.Galler Kantonalbank AG, Casino Theater AG and PCS Holding AG

COMMITTEE MEMBERSHIPS

Chairman of the Audit Committee

Non-executive

The Board of Directors consists of the eVRP, the Vice Chairman and the other members. The eVRP and the other members of the Board of Directors are elected individually by the General Meeting for a term of office of one year until the conclusion of the next Ordinary General Meeting. Re-election is possible. The Board of Directors is otherwise self-constituting, subject to the provisions of the law and the Articles of Association. The Board of Directors also designates a secretary, who need not be a member of the Board of Directors.

The Board of Directors meets as often as business requires, but at least four times a year. Meetings are called by the eVRP or, if he is prevented from doing so, by the Vice Chairman. Meetings of the Board of Directors may be held physically, by telephone or by video conference. Each member of the Board of Directors and the Group CEO is entitled to ask the eVRP to convene a meeting, stating the reason for doing so. The eVRP or, in the event that he is prevented from doing so, the Vice Chairman shall chair the meeting. The Board of Directors may make decisions if the majority of its members are present. The presence of the eVRP or Vice Chairman is obligatory. The Group CEO and members of the Group Executive Board may attend the meetings as guests. They do not have the right to vote. The Board of Directors meets at least twice a year without the presence of the Group CEO and the members of the Group Executive Board. The eVRP is free to invite the Group CEO to the private meetings.

The Board of Directors adopts resolutions by an absolute majority of the votes cast. Each member has one vote. The Chairman of the meeting has the casting vote in the event of a tie. Resolutions may also be passed by written consent (including by e-mail), provided that no member of the Board of Directors requests oral deliberation (in writing, including by e-mail). Circular resolutions of this kind require the approval of a majority of all members of the Board of Directors. They shall be entered in the minutes of the next Ordinary General Meeting.

In 2020, the members of the Board of Directors met physically for three regularly scheduled meetings. Another regularly scheduled meeting took place via video conference due to coronavirus. Each face-to-face meeting lasted approximately one day; one of the meetings took place abroad. The meeting by video conference was reduced to the decision-making part and lasted about half a day. At two of the four meetings, one member of the Board of Directors was absent and excused each time. At another meeting, one member was absent until halfway through, then joined by telephone. The agenda for Board meetings is set by the eVRP. Any member of the Board of Directors may request that items be added to the agenda. Board meetings are generally also attended by the Group CEO and the Group CFO, as well as by the other members of the Group Executive Board. They present the results, the outlook and the budget of their operating units and the projects that require the approval of the Board of Directors.

Committees

Subject to the authority of the General Meeting, the Board of Directors may, based on the Organisational Regulations, form committees for specific areas. The permanent committees are the Nomination Committee, the Compensation Committee, the Strategy Committee and the Audit Committee. The Board of Directors may form other committees and issue committee charters for them. Subject to the election of the members of the Compensation Committee by the General Meeting, the Board of Directors appoints the members of the committees and their chairmen from among the members of the Board of Directors. The committee charters govern the duties, mandates, responsibilities and reporting of the committees.

The Nomination Committee consists of three members. The chairman of this committee is Peter Spuhler. The other members are Christoph Franz and Barbara Egger-Jenzer. Friedrich Merz resigned from the Board of Directors at the General Meeting held on 30 April, and therefore also stepped down from the Nomination Committee. The Nomination Committee meets at the invitation of its Chairman as often as business requires, but at least twice a year. The task of the Nomination Committee is to support the Board of Directors in the performance of its duties, in particular in the following areas:

- Succession planning and nomination at Board of Director and Group Executive Board level;
- Monitoring and assessment of developments in the field of corporate governance and regular reviews of its structures.

The members of the Nomination Committee held five regular meetings in 2020. At the first session before the General Meeting, three out of four Committee members were present. On the other four dates after the General Meeting, all the members were present each time.

The Compensation Committee consists of three members. The chairman of this committee is Christoph Franz. The other members are Peter Spuhler and Barbara Egger-Jenzer. Friedrich Merz resigned from the Board of Directors at the General Meeting held on 30 April, and therefore also stepped down from the Compensation Committee. The Compensation Committee meets at the invitation of its Chairman as often as business requires, but at least twice a year. The task of the Compensation Committee is to assist the Board of Directors in the performance of its duties, in particular in determining and reviewing the remuneration strategy and guidelines and the qualitative and quantitative criteria for remuneration, as well as in preparing proposals for the General Meeting regarding the remuneration of the Board of Directors and the Group Executive Board. It also has decision-making powers with regard to the remuneration (including target agreements) of the Group CEO and other members of the Group Executive Board.

The members of the Compensation Committee held four regular meetings in 2020. At the first session before the General Meeting, all four Committee members were present. On the second date before the General Meeting, one member was absent. All members were present at the two other meetings after the General Meeting.

The Strategy Committee is composed of four members of the Board of Directors. The chairman is Fred Kindle, and the other members are Peter Spuhler, Hans-Peter Schwald and Doris Leuthard. Doris Leuthard joined the Strategy Committee after the General Meeting held on 30 April. The Strategy Committee meets at the invitation of its Chairman as often as business requires, but at least twice a year. The Strategy Committee may invite management representatives and other persons to its meetings. The task of the Strategy Committee is to support the Board of Directors in the performance of its strategic tasks. The Strategy Committee performs the following tasks in particular:

- Support and monitoring in the area of strategic planning;
- Monitoring and assessment of developments and changes in Stadler's environment and regular reviews of Stadler's short- and long-term strategic orientation;
- Assistance in strategic matters such as acquisitions, disposals, joint ventures, restructuring measures and similar matters;
- Preparation and supervision of special projects on behalf of and for the attention of the Board of Directors.

The members of the Strategy Committee held two regular meetings in 2020. All three Committee members were present at the first session before the General Meeting. At the second meeting after the General Meeting, all four members – including the new member Doris Leuthard – were present.

The annual two-day strategy seminar with the entire management, which was planned for November 2020, had to be cancelled due to coronavirus.

The Audit Committee consists of three members. The chairman of this committee is Kurt Rüegg. The other members are Hans-Peter Schwald and Wojciech Kostrzewa. The Audit Committee meets whenever necessary, but at least twice a year. The Audit Committee develops and implements the principles for external auditing for the attention of the Board of Directors. The Audit Committee performs the following tasks in particular:

- The Audit Committee reviews the design of the accounting system (applicable accounting standards, reporting liquidity, valuation approaches) in terms of appropriateness, reliability and effectiveness and, if necessary, takes the necessary measures to make changes to it.
- The Audit Committee assesses the audit reports of the statutory and group auditors, reports to the Board of Directors and assists the Board of Directors in the nomination of the statutory and group auditors for the attention of the General Meeting.
- The Audit Committee approves the audit programme for the following year and reports to the Board of Directors.

The members of the Audit Committee held three regular meetings in 2020. All three committee members were present at all meetings.

Division of responsibilities

In accordance with the Organisational Regulations, the Board of Directors has delegated operational management to the Group Executive Board under the leadership of the Group CEO. The Organisational Regulations set out the following with regard to the duties and powers of the Group Executive Board: the Group Executive Board, under the leadership of the Group CEO, is responsible to the Board of Directors for the management of the company. Under the direction of the Group CEO, it implements the corporate strategy as adopted by the Board of Directors and ensures that the decisions of the Board of Directors are implemented in accordance with applicable law, the Articles of Association, the Organisational Regulations and the resolutions of the General Meeting. In addition, the Group CEO regularly informs the Board of Directors at its meetings about the current business performance and all significant business transactions of the company and the Group, including expected opportunities and risks. In the event of extraordinary events (including unexpected material developments, litigation and proceedings), the Group CEO shall immediately notify the eVRP.

Information and control instruments vis-à-vis the Group Executive Board

The Board of Directors receives a monthly report from the Group Executive Board containing information on current tenders, order intake and order backlog, as well as statements on the development of major current orders. Key figures are also reported in comparison with the budget, including appropriate explanations on hourly rates, productivity, personnel, operating costs and liquidity as well as investments. As well as being given details of the quarterly financial statements (balance sheet, income statement and cash flow statement), the Board of Directors is informed at each meeting about the course of business, important orders and risks, as well as current earnings and liquidity planning.

The projects approved by the Board of Directors are monitored by means of a special project controlling system, which is submitted to the Board of Directors on a quarterly basis. Once a year, the Board of Directors discusses and approves the strategic plan drawn up by the Group Executive Board along with the financial plan. Financial statements are prepared twice a year for publication. In addition, the eVRP, the Group CEO and the Group CFO remain in regular contact on all major corporate policy issues.

4. GROUP EXECUTIVE BOARD

As at 31 December 2020, the Group Executive Board consisted of nine people: the Group CEO, the Group CFO, the EVP for Marketing & Sales, the EVP for each division (Switzerland, Germany, Central Europe, Spain, Components, Service), the Head of the General Secretariat and the Head of Communications & PR.

During the reporting year, Dr Thomas Ahlburg resigned from the Group Executive Board as of 21 May 2020. Until the appointment of a successor, Peter Spuhler took over as Group CEO on an interim basis.

Further information on the members of the Group Executive Board is provided on pages 42 to 44.

Permitted activities outside the Stadler Group

In accordance with Article 28 of the Articles of Association, a member of the Group Executive Board may not hold more than the following number of further mandates:

- a. up to four mandates in companies, whereof up to two in listed companies;
- b. up to ten mandates in foundations, associations, charitable organisations and similar organisations.

Mandates held in different legal entities of the same group, in companies connected with each other, or by order of the company or of another legal entity pursuant to the above-mentioned Article 28 of the Articles of Association (including pension funds and joint ventures) shall not count as separate mandates. The limits set out in Article 28 of the Articles of Association may be exceeded for a short period.

A “mandate” within the meaning of Article 28 of the Articles of Association is a mandate in the highest management or administrative bodies of legal entities which are obliged to be registered in the commercial register or in a corresponding foreign register, with the exception of Stadler Rail AG and legal entities controlled by Stadler Rail AG or which control it.

Management contracts

There are no management contracts between Stadler Rail AG and third parties.

STADLER'S GROUP EXECUTIVE BOARD



Peter Spuhler (1959)

Executive Chairman of the Board Group CEO a. i. Swiss citizen

MEMBER OF THE GROUP EXECUTIVE BOARD SINCE 2020 (PREVIOUSLY FROM 1989 UNTIL THE END OF 2017)

EDUCATION, PROFESSIONAL EXPERIENCE, CAREER

Studied business administration at HSG St. Gallen; Group CEO of Stadler Rail AG from 1989 to the end of 2017; Group CEO a. i. of Stadler Rail AG since 21 May 2020

OTHER ACTIVITIES AND VESTED INTERESTS

Chairman of the Board of Directors of various companies of the Stadler Group, Estonia Train Finance AG, Nordic Train Finance AG, PCS Holding AG and Aebi Schmidt Holding AG; member of the Board of Directors of several other companies, including European Loc Pool AG, Allreal Holding AG, Autoneum Holding AG, Rieter Holding AG and Evonik Industries AG; since 1 April 2019, Peter Spuhler is a shareholder of Robert Bosch Industrietreuhand KG and a member of the Advisory Board of Robert Bosch GmbH; from 1999 to 2012 he was a member of the Swiss National Council and a member of the Board of Directors of Von Roll Holding AG (2002 to 2004), UBS AG (2004 to 2008) and Kühne Holding AG (2006 to 2008)



Markus Bernsteiner (1966)

Executive Vice President of the Components Division and Switzerland Division as well as Deputy Group CEO (internal) and CEO of Stadler Rheintal AG Swiss citizen

MEMBER OF THE GROUP EXECUTIVE BOARD IN VARIOUS FUNCTIONS SINCE 1999

EDUCATION, PROFESSIONAL EXPERIENCE, CAREER

Exec. M.B.A. HSG; Machine Mechanic FA; several degrees in Management (Quality System Manager SA, dipl. Quality System Manager EOQ), University of St. Gallen (KMU dipl. HSG, AMP-HSG); 1999 Head of Production and COO of Stadler Bussnang AG; 2006 CEO of Stadler Bussnang AG and Head of Production; 2007 to 2011 CEO of Stadler Bussnang AG; 2011 COO of the Switzerland Division and CEO of Stadler Bussnang AG; 2012 to 2014 Executive Vice President of the Switzerland Division; from 2014 to 2018 Executive Vice President of the Components Division and Head of Business Application; 2019 Executive Vice President of the Components Division and CEO of Stadler Rheintal AG; 2020 Executive Vice President of the Components Division and Executive Vice President of the Switzerland Division, Deputy Group CEO (internal) and CEO of Stadler Rheintal AG

OTHER ACTIVITIES AND VESTED INTERESTS

Member of the Board of Directors of LRS Engineering AG (since 2012), Trunz AG (since 2014) and Aebi Schmidt AG (since 2018); member of the Board of Trustees of the Stadler Group Pension Fund from 2015 to 2020



Ansgar Brockmeyer (1966)

Executive Vice President of the Marketing & Sales Division and Deputy Group CEO (external) German citizen

MEMBER OF THE GROUP EXECUTIVE BOARD SINCE 2019

EDUCATION, PROFESSIONAL EXPERIENCE, CAREER

Graduated in electrical engineering from RWTH Aachen University; doctorate from RWTH Aachen University in 1997; from 1997 to 2013 various positions at Siemens Verkehrstechnik (now Siemens Mobility), most recently as CEO of Business United High-Speed and Commuter Rail in Krefeld (Germany); from 2013 to 2018 Chairman of the Executive Board of Knorr-Bremse Asia Pacific (Holding) Ltd. in Hong Kong

OTHER ACTIVITIES AND VESTED INTERESTS

From 2007 to 2013 and again since 2019, lecturer at RWTH Aachen University

Peter Spuhler has eight men and one woman at his side on the Group Executive Board.



Jürg Gygax (1957)

Executive Vice President of the Service Division
Swiss citizen

MEMBER OF THE GROUP EXECUTIVE BOARD SINCE 2005

EDUCATION, PROFESSIONAL EXPERIENCE, CAREER

Certified HTL technician at the former Swiss Textile College Wattwil; Executive Management Program at the University of Michigan, Ann Arbor, USA (1993); degree course of the Swiss Association of Corporate Management Courses SKU (2006); from 1981 to 1990 employed in various functions at Rieter AG; from 1990 to 2002 employed in various functions at Saurer AG; from 2002 to 2005 CEO and Chairman of the Executive Board of Mowag AG; from 2005 to 2011 CEO of Stadler Winterthur AG; from 2011 to 2012 ad interim CEO of Stadler Altenrhein AG

OTHER ACTIVITIES AND VESTED INTERESTS

Member of the Board of Trustees of the Stadler Group Pension Fund from 2006 to 2020 and of the Technology Advisory Board of the FHS St. Gallen until July 2020



Jure Mikolčić (1974)

Executive Vice President of the Germany Division and CEO of Stadler Pankow GmbH (since 1 January 2021 Stadler Deutschland GmbH)
German citizen

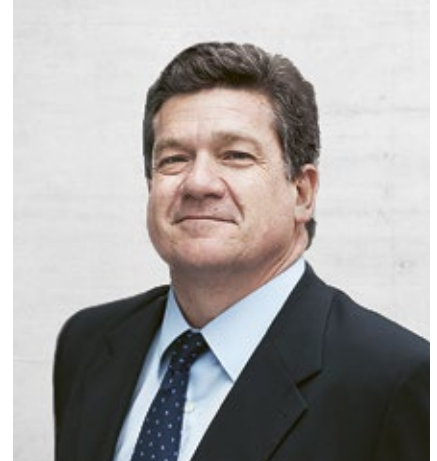
MEMBER OF THE GROUP EXECUTIVE BOARD SINCE 2019

EDUCATION, PROFESSIONAL EXPERIENCE, CAREER

Graduated in economics from the University of Trier (2000); from 2001 worked for Siemens in various functions; from 2011 to April 2015 sales manager for mass transit systems in Germany at Siemens; between May 2015 and January 2019 at Knorr-Bremse Systeme für Schienenfahrzeuge GmbH as CEO of Knorr-Bremse PowerTech GmbH and Knorr-Bremse PowerTech GmbH & Co. KG; since February 2019 CEO of Stadler Pankow GmbH (since 1 January 2021 Stadler Deutschland GmbH)

OTHER ACTIVITIES AND VESTED INTERESTS

Member of the Presidium of the German Railway Industry Association (VDB), Vice President for Vehicles



Iñigo Parra (1964)

Executive Vice President of the Spain Division and CEO of Stadler Rail Valencia S.A.U.
Spanish citizen

MEMBER OF THE GROUP EXECUTIVE BOARD SINCE 2016

EDUCATION, PROFESSIONAL EXPERIENCE, CAREER

Graduated from the Walter Haas Business School at the University of California, Berkeley, USA in 1984; degree in advanced mechanical engineering from the University of Zaragoza in Spain (1988); Master's degree in business administration and business management (I.E.S.E.) from the University of Navarra in Spain (1990); from 2000 to 2001 studied at the Advanced Management Seminar, INSEAD, at the University of Fontainebleau, France; from 2005 to 2015 CEO of Vossloh España S.A. (Stadler Valencia S.A.U.'s predecessor); since 2016 CEO of Stadler Rail Valencia S.A.U.

OTHER ACTIVITIES AND VESTED INTERESTS

Member of the Board of Directors of GD Energy Services since 2007; member of the Advisory Board of Rafael Hinojosa S.A. since May 2007; President of APD Zona Levante since September 2014; Chairman of the Supervisory Board of Colegio Guadalaviar since January 2016; member of the Supervisory Board of Afin SGR since May 2015 and President of Foro EHT/CV since January 2017



Christian Spichiger (1962)

**Executive Vice President
of the Central Europe Division**
Swiss citizen

**MEMBER OF THE GROUP EXECUTIVE BOARD
SINCE 2013**

**EDUCATION, PROFESSIONAL EXPERIENCE,
CAREER**

Degree in Electrical Engineering HTL (1989);
Degree in Industrial Engineering FH (2002);
MBA in General Management at the Zurich
School of Economics (2002); from 2006 to
2015 he was CEO of Stadler Polska Sp. z o.o.



Raphael Widmer (1964)

Group CFO
Swiss citizen

**MEMBER OF THE GROUP EXECUTIVE BOARD
SINCE 2016**

**EDUCATION, PROFESSIONAL
EXPERIENCE, CAREER**

lic. oec. HSG; MBA from IESE Business School
Barcelona; Swiss certified public accountant;
before joining Stadler from 2005 to 2008
worked as CFO at ABB Lummus Global, from
2008 to 2010 as Group Senior Vice President
and Head of SCM Indirect Spend ABB Group,
and from 2010 to 2016 as Global CFO
and Head of Finance and Control – BU High
Voltage at ABB Ltd.

**OTHER ACTIVITIES AND
VESTED INTERESTS**

Member since 2017 and President of
the Board of Trustees of the Pension Fund
of Stadler Rail AG since 2019



Marina Winder (1982)

**General Secretary and Head of
Communications & PR**
Austrian citizen

**MEMBER OF THE GROUP EXECUTIVE BOARD
SINCE 2015**

**EDUCATION, PROFESSIONAL EXPERIENCE,
CAREER**

lic. phil. I from the University of Zurich (2008);
journalist at the Federal Parliament and
reporter for the regional media of the NZZ
Media Group (January 2013 to June 2015)

5. REMUNERATION, SHAREHOLDINGS AND LOANS

The content and method of determining the remuneration and the shareholding programmes as well as information on the remuneration, shareholdings and loans of the Board of Directors and Group Executive Board can be found in the Remuneration Report starting on page 51 and in the Annual Financial Statements starting on page 109.

6. PARTICIPATION RIGHTS OF SHAREHOLDERS

Restrictions on voting rights

Stadler Rail AG has no restrictions on voting rights.

Statutory quorums

In accordance with Article 17 of the Articles of Association, the General Meeting passes its resolutions and conducts its elections by a simple majority of the votes cast, irrespective of the number of shareholders present and shares represented, unless a mandatory provision of the law or the Articles of Association stipulates otherwise. Abstentions and invalid votes shall not be considered as votes cast.

Convocation of the General Meeting, agenda and proxy voting

In accordance with Article 12 of the Articles of Association, the General Meeting is convened by the Board of Directors or, if necessary, by the statutory auditors. Liquidators and, in the case of bond issues, representatives of bond holders shall also be entitled to convene a General Meeting.

The time and place of the General Meeting, which may be held abroad, is determined by the Board of Directors or by any other body authorised to convene the General Meeting.

The Ordinary General Meeting takes place every year within six months after the close of the financial year. Extraordinary General Meetings shall be called as and when necessary, and in particular in the cases set out by law.

A general meeting may also be called by one or more shareholders who together represent at least ten percent of the share capital. Shareholders who together represent at least five percent of the share capital or shares with a total nominal value of at least one million Swiss francs may request that an item be placed on the agenda of a General Meeting, provided they submit details thereof to the company in writing at least 45 calendar days in advance of the General Meeting concerned.

In accordance with Article 13 of the Articles of Association, notice of the Ordinary or Extraordinary General Meeting shall be given by publication in the Swiss Official Gazette of Commerce at least 20 calendar days before the date of the meeting. If the postal and/or e-mail addresses of the shareholders are known, notice may also be given by post and/or e-mail. As well as specifying the date, time and location of the meeting, the notice convening the meeting must list the items on the agenda and the motions proposed either by the Board of Directors or by the shareholders who asked for a General Meeting to be held or for an item to be put on the agenda.

Twenty calendar days before the Ordinary General Meeting at the latest, the Annual Report and the Auditors' Report must be made available at the headquarters of the company for inspection by the shareholders. The notice convening the General Meeting must specify this condition and state that the shareholders have the right to ask for these documents to be sent to them.

Pursuant to Article 15 of the Articles of Association, a shareholder may be represented at the General Meeting by granting a written power of attorney to a third party who need not be a shareholder. The Board of Directors may issue procedural rules in connection with the participation and representation of shareholders at the General Meeting and, in particular, may regulate in more detail the issuing of instructions to the independent proxy. It shall ensure that shareholders may also issue electronic powers of attorney and instructions to the independent proxy, and shall be authorised to waive, in whole or in part, the requirement for a qualified electronic signature, in derogation of Article 15 of the Articles of Association.

In accordance with Article 16 of the Articles of Association, the independent proxy is elected by the Ordinary General Meeting for a term of one year until the conclusion of the next Ordinary General Meeting. Ulrich B. Mayer, lic. iur., lawyer, has been designated as the independent proxy until the conclusion of the Ordinary General Meeting 2021.

In accordance with Article 17 of the Articles of Association, a nominal vote may be carried out by electronic or written voting or by show of hands. In order to expedite the counting of votes, the Chairman may determine, in the case of written votes, that only the votes of shareholders abstaining or voting against shall be counted and that the remaining shares represented at the General Meeting at the time of voting shall be counted as yes votes.

The Chairman may at any time have an open or electronic ballot or vote repeated by means of a written ballot or vote if, in his opinion, there are doubts about the result. In this case, the preceding open or electronic ballot or vote shall be deemed not to have taken place.

Entries in the share register

In accordance with Article 6 of the Articles of Association, the company shall keep a share register in which owners and usufructuaries' family and given names (or the company name in the case of legal entities), address and citizenship (or the registered office in the case of legal entities) are registered. In accordance with Article 15 of the Articles of Association, each share entitles its holder to one vote. Only those persons who have been duly entered in the share register with voting rights by a date specified by the Board of Directors (record date) are entitled to vote at the General Meeting. In the absence of such designation, the record date shall be ten days prior to the General Meeting. The Board of Directors is authorised to specify or supplement these provisions in the notice of the General Meeting or in general regulations or guidelines.

7. CHANGE OF CONTROL AND DEFENSIVE MEASURES

Mandatory tender offer

According to Article 9 of the Articles of Association, the duty to make a public tender offer pursuant to Article 135, paragraph 1 FinMIA only applies if the threshold of 49 percent of the voting rights is exceeded (opting-up).

Change of control clauses

There are no control clauses in Stadler's employment and mandate contracts.

8. STATUTORY AUDITORS

Duration of the mandate and term of office of the lead auditor

KPMG AG, Zurich, have been Stadler's statutory auditors since the 2011 financial year. Kurt Stocker, a licensed audit expert, has been the lead auditor for this mandate at KPMG since the 2017 financial year. The term of office of the lead auditor is limited to seven years.

Audit fees and additional fees

KPMG has invoiced Stadler around 0.9 million Swiss francs for the 2020 financial year for services in connection with the audit of the annual financial statements of Group companies, Stadler's consolidated financial statements and the Remuneration Report. KPMG charged around 0.2 million Swiss francs for additional services such as tax and transaction advice.

Information instruments of the external auditors

The external auditors report in writing on relevant audit activities and other important events relating to the company. The auditors have access to the minutes of the meetings of the Board of Directors.

The Audit Committee of the Board of Directors assesses the performance, remuneration and independence of the statutory and group auditors on an annual basis and submits a proposal to the Board of Directors on which external auditor should be proposed for election at the Ordinary General Meeting. Each year, the Audit Committee also reviews the scope of the external audit, the audit plans and the relevant procedures, and discusses the audit results with the external auditors.

9. INFORMATION POLICY

Stadler maintains regular, open dialogue with all stakeholders, in particular with investors, financial analysts and bank and media representatives. Communication takes place via the annual and interim reports, the Ordinary General Meeting and an annual media conference.

The shareholders and the capital market are informed about significant current changes and developments by means of media releases. The disclosure of potentially price-sensitive events is ensured in accordance with the ad-hoc publicity requirements of the SIX Swiss Exchange. Stadler also maintains dialogue with investors, financial analysts and media representatives at appropriate events. Shareholders and other interested parties can register at <https://www.stadlerrail.com/en/subscribe/> to receive media releases automatically.

Reporting on the 2020 financial year comprises the annual report, a media release and a presentation. The annual report can be ordered by the shareholders. The annual report is available for inspection by the shareholders at the latest 20 calendar days before the General Meeting at the company's registered office. At the Ordinary General Meeting, the Board of Directors and Group Executive Board provide information on the annual financial statements and the course of business of the company and answer shareholders' questions.

SOURCES OF INFORMATION

Stadler provides comprehensive information for all interested parties, which can be accessed on the Internet via the following links:

- Articles of Association of Stadler Rail AG:
<https://www.stadlerrail.com/en/investor-relations/>
- Download annual reports including the financial report:
<https://www.stadlerrail.com/en/investor-relations/>
- Corporate Governance:
<https://www.stadlerrail.com/en/investor-relations/>
- Media releases:
<https://www.stadlerrail.com/en/media/press-releases/>
- Automatic receipt of media releases:
<https://www.stadlerrail.com/en/subscribe/>
- Contact:
<https://www.stadlerrail.com/en/contact/>



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REMUNERATION REPORT

The Remuneration Report describes the remuneration system and its application at Stadler in the 2020 reporting year. The Remuneration Report complies with the provisions of the Ordinance Against Excessive Remuneration in Listed Companies (ERCO) and follows the recommendations of the Swiss Code of Best Practice for Corporate Governance of Economiesuisse and the requirements of the Directive Corporate Governance (DCG) of the SIX Swiss Exchange.

1. REMUNERATION SYSTEM

Principles

Stadler's remuneration system is intended to encourage employees in general to ensure a sustainable increase in the value of the company by offering competitive remuneration as well as variable salary components awarded according to a performance-based system. The system is designed in such a way that the interests of the top management are in line with the interests of the company and its shareholders.

Individual responsibility and experience are also taken into account for the members of the Group Executive Board.

Board of Directors

Fixed remuneration

The remuneration of the Board of Directors comprises a yearly fee consisting of a fixed basic salary and fixed compensation for membership of committees and for specific tasks on the Board of Directors. The fixed remuneration of the executive Chairman of the Board of Directors includes compensation for the chairmanship and/or membership of committees. The remuneration of the Board of Directors is determined annually by the Board of Directors at its own discretion at the request of the Compensation Committee. Members of the Board of Directors may attend meetings of the Compensation Committee and have a right to be heard. With effect from April 2019, the basis for remuneration has changed. The Chairman of the Board of Directors receives a salary of CHF 300,000, and the Vice Chairman a fee of CHF 150,000. The other members of the Board of Directors each receive a fee of CHF 90,000. In addition to this compensation, members of a committee receive CHF 20,000, and committee chairmen CHF 30,000.

Since the remuneration regulations came into effect on 1 January 2020, the fixed remuneration is paid in cash and/or in shares of Stadler Rail AG, at the discretion of the individual member of the Board of Directors. The relevant decision must be made by

the end of November of each financial year. The shares are subject to a four-year vesting period after allocation and are allocated at a vesting discount of 20% in relation to the defined value. During the vesting period, the member of the Board of Directors concerned is prohibited from selling, pledging, transferring or otherwise disposing of the corresponding shares. Each member remains entitled to voting and dividend rights during the vesting period. The volume-weighted average share price during November of the calendar year of allocation (less vesting discount) is taken as the defined value of the shares. With regard to share or cash components, the respective member of the Board of Directors must set an individual default in the event that the annual election cannot take place due to restrictions under stock exchange law. This default can be adjusted annually if necessary. The shares are allocated in the month of December of the respective remuneration period. Compensation was paid in cash in the 2019 financial year.

The members of the Board of Directors do not receive attendance fees. No further remuneration is paid for the preparation and attendance of ordinary and extraordinary meetings of the Board of Directors and its committees.

Variable remuneration

The members of the Board of Directors do not receive any variable or performance-related remuneration.

Other benefits

Stadler bears the statutory social contributions and also reimburses members of the Board of Directors for actual expenses incurred.

The members of the Board of Directors do not receive any benefits in kind, nor are they granted loans and credits, or employee benefits other than occupational benefits or securities. Furthermore, Board members are not granted any entry bonuses or severance payments.

Stadler Group Executive Board

Fixed remuneration

The members of the Group Executive Board receive fixed remuneration, which is paid monthly. This fixed remuneration depends on the individual function as well as the qualification and experience of the respective member of the Group Executive Board. The amount is determined annually by the Board of Directors at its own discretion. The fixed remuneration is paid in cash.

Variable remuneration¹

The members of the Group Executive Board also receive variable remuneration based on the achievement of certain performance targets. Performance targets may include quantitative and qualitative performance criteria that take into account the performance of the Group, individual divisions or business units and/or individual objectives. In the 2020 reporting year, 75% of the individual target agreements (previous year: 62%) consisted of general targets (such as EBIT margin, order intake in relation to the average revenue of the current and two previous financial years, observance of warranty cost budgets and compliance with factory acceptance dates) and 25% (previous year: 38%) of individual targets. The achievement of the objectives averaged 45% (previous year: 71%).

When the remuneration regulations came into effect on 1 January 2020, the Board of Directors, at the request of the Compensation Committee, determined the weighting of the performance targets, the respective objectives and the proportional ratio between the annual fixed remuneration and the variable remuneration components. The setting of individual objectives and their achievement in relation to any member of the Group Executive Board other than the Group CEO may be delegated to the Group CEO. A lower and an upper target value will be defined for each performance target. If the lower target value is not reached, nothing is paid out for this partial target. There is no interpolation within target value levels, but attainment is measured by level. The variable remuneration of the Group CEO amounts to a maximum of 200% of the fixed remuneration. At least 40% of the variable remuneration must be received in shares of Stadler Rail AG, whereby the Group CEO can, at his own discretion, decide on the share proportion, of between 40% and 100% of the variable remuneration, by the end of March of the following financial year. The variable remuneration of the other members of the Group Executive Board amounts to a maximum of 80% of the fixed remuneration. At least 30% of the variable remuneration must be received in shares of Stadler Rail AG, whereby the relevant Group Executive Board member can, at their own discretion, decide on the share proportion, of between 30% and

100% of the variable remuneration, by the end of March of the following financial year. In the 2019 financial year, the variable remuneration was paid in cash.

The shares of all Group Executive Board members are subject to a four-year vesting period after allocation (following approval of the annual financial statements by the Annual General Meeting) and are allocated at a vesting discount of 20% in relation to the defined value. During the vesting period, the member of the Group Executive Board concerned is prohibited from selling, pledging, transferring or otherwise disposing of the corresponding shares. Each member remains entitled to voting and dividend rights during the vesting period. The volume-weighted average share price during March of the calendar year of allocation (less vesting discount) is taken as the defined value of the shares.

If the Board of Directors or the Compensation Committee deems it appropriate, it may also grant long-term incentives, which are linked to future performance regardless of the achievement of past performance targets. No such allocations were made in the 2019 and 2020 financial years.

The current Chairman of the Board of Directors waived fixed and variable remuneration in the reporting year in his function as CEO a.i.

Other benefits

Stadler bears the pension and social security contributions stipulated by the law and the regulations. Members of the Group Executive Board receive a monthly expense allowance for representation expenses which, as a substitute, does not constitute remuneration. In addition, a mobile phone is made available to each member of the Group Executive Board.

Pursuant to Article 30 of the Articles of Association, the members of the Group Executive Board may be granted loans, credits, guarantees or securities at market conditions, but only up to a total amount per person not exceeding (i) 500% of the current fixed annual remuneration as a secured loan for the acquisition of real estate or (ii) 200% of the current fixed annual remuneration for other loans, credits, guarantees or securities.

Members of the Group Executive Board are not granted any entry bonuses or severance payments.

¹ The full statutory provision on variable remuneration is set out in Article 25 of the Articles of Association, which can be found at https://www.stadlerrail.com/media/pdf/statuten_stadler_rail_de_en.pdf

2. RESPONSIBILITIES AND POWERS

The Compensation Committee consists of at least three members of the Board of Directors. Candidates are proposed by the Board of Directors to the General Meeting and elected by the latter for a period of one year until the next Ordinary General Meeting. Re-election is possible.

The Compensation Committee assists the Board of Directors in determining and reviewing the remuneration strategy and guidelines and the qualitative and quantitative criteria for the variable remuneration of members of the Group Executive Board, as well as in preparing proposals for the General Meeting regarding the remuneration of members of the Board of Directors and of the Group Executive Board.

The basic principles of the remuneration strategy are reviewed annually. The Compensation Committee held four (previous year: four) meetings in the 2020 financial year. In addition to the members of the Compensation Committee, the Vice Chairman of the Board of Directors attended all meetings. The members of the Board of Directors who are not members of the Compensation Committee did not attend the committee meetings during the year, but were informed by the Chairman of the Compensation Committee at the next meeting of the full Board of Directors about the main resolutions and measures relating to the remuneration process and system.

The approval of the remuneration by the Board of Directors is subject to approval by the General Meeting. In accordance with the Articles of Association, the General Meeting votes annually on the maximum total remuneration to be paid to the Board of Directors and Group Executive Board for the financial year following the Annual General Meeting. If the General Meeting does not approve a total amount, the provisions of Article 27, paragraph 2 of the Articles of Association apply. Stadler may align remuneration subject to subsequent approval by the General Meeting.

In accordance with Article 27, paragraph 4 of the Articles of Association, Stadler is authorised to pay additional remuneration (including any compensation for loss of remuneration or for financial disadvantages in connection with a change of employment) to members of the Group Executive Board who join the Group Executive Board or are promoted within it after the date of approval of the remuneration by the General Meeting and to the extent that the amount already approved is insufficient for the relevant period. These additional amounts do not have to be approved by the General Meeting provided that they do not exceed 50% of the maximum total remuneration approved for the Group Executive Board.

3. REMUNERATION FOR THE 2020 FINANCIAL YEAR

The remuneration of the Group Executive Board is reported in accordance with the accrual principle since the variable remuneration is not paid until the following year. In the case of new members joining the Board of Directors or the Group Executive Board, remuneration is included from the date of assumption of the corresponding function (pro rata). The same applies to departures.

Board of Directors

					2020	2019
Function		Remuneration in cash	Remuneration in shares	Social security contributions ¹	Total	Total
		in TCHF	in TCHF	in TCHF	in TCHF	in TCHF
Peter Spuhler	Chairman of BoD Chairman of Nomination Committee Member of Compensation Committee Member of Strategy Committee	232	–	68	300	300
Hans-Peter Schwald	Vice Chairman of BoD Member of Strategy Committee Member of Audit Committees	190	–	15	205	186
Kurt Rüegg	Member of BoD Chairman of Audit Committee	–	149	9	158	127
Fred Kindle	Member of BoD Chairman of Strategy Committee	120	–	9	129	127
Christoph Franz	Member of BoD Chairman of Compensation Committee Member of Nomination Committee	–	177	11	188	143
Wojciech Kostrzewa	Member of BoD Member of Audit Committee	110	–	–	110	105
Barbara Egger-Jenzer	Member of BoD Member of Nomination Committee Member of Compensation Committee	65	81	8	154	105
Doris Leuthard ²	Member of BoD Member of Strategy Committee	48	32	6	86	n/a
Friedrich Merz ³	Member of BoD Member of Nomination Committee Member of Compensation Committee	2	53	3	58	129
Werner Müller ⁴	Member of BoD	n/a	n/a	n/a	n/a	59
Total remuneration to members of the Board of Directors		767	492	129	1,388	1,281

¹ Social security contributions include the employer's portion of social security contributions.

² Ms Leuthard was elected to the Board of Directors at the General Meeting held on 30 April 2020.

³ Mr Merz was a member of the Board of Directors until the General Meeting held on 30 April 2020.

⁴ Dr Werner Müller died on 15 July 2019.

Group Executive Board

					2020	2019
		Fixed remuneration	Variable remuneration in cash	Variable remuneration in shares	Pension and social security contributions ¹	Total
		in TCHF	in TCHF	in TCHF	in TCHF	in TCHF
Thomas Ahlburg, former Group CEO ²		715	526	–	136	1,377
Other members of the Group Executive Board ³		2,762	683	499	363	4,307
Total remuneration to the Group Executive Board		3,477	1,209	499	499	5,684

¹ The pension and social security contributions include the employer's portion of social security and pension fund contributions as well as contributions for accident and illness insurance.

² Mr Ahlburg served as Group CEO until 21 May 2020 and subsequently became Senior Advisor to Stadler.

³ The current Chairman of the Board of Directors, Peter Spuhler, waived fixed and variable remuneration in the reporting year in his function as CEO a. i.

At the 2019 Annual General Meeting, the Board of Directors was awarded total remuneration of CHF 2,000,000 and the Group Executive Board total remuneration of CHF 8,280,000 for the

2020 financial year. The total remuneration for the Board of Directors and the Group Executive Board for 2020 is within the approved range.

4. REMUNERATION TO FORMER MEMBERS OF EXECUTIVE BODIES

No remuneration was paid to former members of executive bodies.

5. REMUNERATION TO RELATED PARTIES

No remuneration was paid to related parties of the Board of Directors or Group Executive Board.

6. LOANS AND CREDITS

Neither Stadler nor any other Group company granted any loans or credits to related parties or to former or current members of executive bodies. Furthermore, there are no loans or credits outstanding.



Report of the Statutory Auditor

To the General Meeting of Stadler Rail AG, Bussnang

We have audited the remuneration report (pages 49 – 54) of Stadler Rail AG for the year ended 31 December 2020. The audit was limited to the information according to articles 14 - 16 of the Ordinance against Excessive compensation in Stock Exchange Listed Companies (Ordinance) contained in the tables “Board of Directors” and “Group Executive Board” and in the sections “Remuneration to former Members of Executive Bodies”, “Remuneration to Related Parties” and “Loans and Credits” on pages 53 – 54 of the remuneration report.

Responsibility of the Board of Directors

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's Responsibility

Our responsibility is to express an opinion on the accompanying remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14 – 16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14 – 16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the remuneration report for the year ended 31 December 2020 of Stadler Rail AG complies with Swiss law and articles 14 – 16 of the Ordinance.

KPMG AG

Kurt Stocker
Licensed Audit Expert
Auditor in Charge

Philipp Erismann
Licensed Audit Expert

Zurich, 9 March 2021

KPMG AG, Râffelstrasse 28, PO Box, CH-8036 Zurich

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CONSOLIDATED
FINANCIAL
STATEMENTS

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CONSOLIDATED INCOME STATEMENT

in thousands of CHF or as noted	Note	2020		2019	
Net revenue	1.1	3,084,948	100.0%	3,200,785	100.0%
Material and external services		(1,817,410)	58.9%	(1,944,011)	60.7%
Material overhead		(100,464)	3.3%	(100,398)	3.1%
Warranty costs	2.6	(57,148)	1.9%	(43,180)	1.3%
Production costs		(554,851)	18.0%	(543,346)	17.0%
Engineering costs		(218,377)	7.1%	(188,019)	5.9%
Project management costs		(21,362)	0.7%	(25,606)	0.8%
Cost of goods sold and services provided		(2,769,612)	89.8%	(2,844,560)	88.9%
Gross margin		315,336	10.2%	356,225	11.1%
Development costs		(35,308)		(13,432)	
Marketing & Sales costs		(50,844)		(64,784)	
Administration costs		(88,503)		(78,294)	
Other operating income	5.2	22,009		1,414	
Other operating expenses	5.2	(6,613)		(7,427)	
Operating result (EBIT)		156,077	5.1%	193,702	6.1%
Financial result	5.1	(3,054)		(47,065)	
Share of results from associated companies	4.3	2,803		3,971	
Ordinary result		155,826	5.1%	150,608	4.7%
Non-operating result	5.5	(1,154)		(2,081)	
Profit before income taxes		154,672	5.0%	148,527	4.6%
Income taxes	5.3	(16,263)		(19,988)	
Profit for the year		138,409	4.5%	128,539	4.0%
– thereof attributable to shareholders of Stadler Rail AG		137,612		127,175	
– thereof attributable to non-controlling interests (minority interests)		797		1,364	
Basic and diluted earnings per share (in CHF)	1.5	1.38		1.27	

CONSOLIDATED BALANCE SHEET

in thousands of CHF	Note	31.12.2020		31.12.2019	
Assets					
Cash and cash equivalents		928,897		752,686	
Trade receivables	2.1	300,993		285,599	
Other current receivables	2.7	147,195		110,237	
Compensation claims from work in progress	1.3	862,195		818,343	
Inventories	2.2	201,354		231,960	
Work in progress	1.2	886,845		633,995	
Accrued income and deferred expenses		31,796		21,644	
Total current assets		3,359,275	74.5%	2,854,464	75.1%
Property, plant and equipment	2.3	879,969		701,700	
Financial assets	2.4	133,120		124,446	
Investments in associated companies	4.3	15,228		14,297	
Intangible assets	2.5	123,326		104,815	
Total non-current assets		1,151,643	25.5%	945,258	24.9%
Total assets		4,510,918	100.0%	3,799,722	100.0%
Liabilities & equity					
Current financial liabilities	3.1	1,003,083		279,385	
Trade payables	2.1	298,311		250,118	
Liabilities from work in progress	1.2	1,204,113		1,437,758	
Other current liabilities	2.7	110,291		111,274	
Current provisions	2.6	75,991		77,796	
Deferred income and accrued expenses	2.7	291,689		197,421	
Total current liabilities		2,983,478	66.1%	2,353,752	61.9%
Non-current financial liabilities	3.1	533,966		467,730	
Other non-current liabilities	2.7	47,469		39,006	
Non-current provisions	2.6	85,666		92,280	
Total non-current liabilities		667,101	14.8%	599,016	15.8%
Total liabilities		3,650,579	80.9%	2,952,768	77.7%
Share capital	3.3	20,000		20,000	
Capital reserves		16,077		14,823	
Treasury shares	3.3	(721)		-	
Retained earnings		682,038		679,619	
Profit for the year, attributable to shareholders of Stadler Rail AG		137,612		127,175	
Stadler Rail AG shareholders' equity		855,006	19.0%	841,617	22.1%
Non-controlling interests (minority interests)		5,333		5,337	
Total equity		860,339	19.1%	846,954	22.3%
Total liabilities & equity		4,510,918	100.0%	3,799,722	100.0%

CONSOLIDATED CASH FLOW STATEMENT

in thousands of CHF	Note	2020	2019
Cash flow from operating activities			
Profit for the year		138,409	128,539
Depreciation and amortisation		95,820	76,219
Loss/(gain) on disposal of non-current assets		(8,793)	801
Non-recurring impairment		(861)	162
Share of results from associated companies	4.3	(2,803)	(3,971)
Reversal of non-cash items		9,350	2,108
Addition/(Reduction) other non-current liabilities	2.7	591	11,348
Addition/(Reduction) non-current provisions	2.6	(5,506)	(4,878)
Reduction/(Addition) employer contribution reserve	2.4	11,336	14,547
Change in net current assets			
– Reduction/(Addition) trade receivables	2.1	(18,241)	(39,134)
– Reduction/(Addition) other current receivables	2.7	(26,907)	(31,266)
– Reduction/(Addition) compensation claims from work in progress	1.3	(46,789)	(541,665)
– Reduction/(Addition) inventories	2.2	(27,211)	21,474
– Reduction/(Addition) work in progress	1.2	(217,509)	(114,753)
– Reduction/(Addition) accrued income and deferred expenses		(10,354)	(17,641)
– Addition/(Reduction) trade payables	2.1	53,773	81,747
– Addition/(Reduction) liabilities from work in progress	1.2	(221,542)	114,073
– Addition/(Reduction) other current liabilities	2.7	(25,639)	39,495
– Addition/(Reduction) current provisions	2.6	3,319	(25,809)
– Addition/(Reduction) deferred income and accrued expenses	2.7	93,794	101,756
Net cash flow from operating activities		(205,763)	(186,848)
Cash flow from investing activities			
Investments in property, plant and equipment	2.3	(230,984)	(213,236)
Proceeds from sales of property, plant and equipment	2.3	1,560	1,859
Investments in financial assets	2.4	(13,145)	(5,618)
Proceeds from sales of financial assets	2.4	16,658	4,255
Acquisition of subsidiaries, net of cash acquired	4.1	(3,278)	–
Investments in associated companies	4.3	(4,533)	(1)
Dividends received from associated companies	4.3	1,840	1,237
Investments in intangible assets	2.5	(57,273)	(35,417)
Proceeds from sales of intangible assets	2.5	584	18
Net cash flow from investing activities		(288,571)	(246,903)
Cash flow from financing activities			
Proceeds from/(repayment of) current financial liabilities	3.1	679,416	181,519
Proceeds from/(repayment of) non-current financial liabilities	3.1	119,587	97,705
Proceeds from/(repayment of) bond issuance	3.1	–	300,000
(Purchase)/Sale of treasury shares	3.3	(1,163)	(2,719)
Dividends paid to shareholders of Stadler Rail AG	3.3	(119,969)	(69,426)
Dividends paid to non-controlling interests (minority interests)		(787)	(1,057)
Net cash flow from financing activities		677,084	506,022
Total net cash flow		182,750	72,271
Cash and cash equivalents at 1 January		752,686	694,638
Currency translation differences on cash and cash equivalents		(6,539)	(14,223)
Cash and cash equivalents at 31 December		928,897	752,686

The other non-cash items include changes in deferred tax assets as well as the effects of share-based remuneration and currency translation differences.

ACCOUNTING PRINCIPLES

Cash and cash equivalents include cash on hand, postal and bank deposits as well as sight deposits and deposits with a residual term of 90 days or less. These are valued at nominal values.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in thousands of CHF	Share capital	Capital reserves	Treasury shares	Goodwill offset	Other retained earnings	Total retained earnings	Stadler Rail AG shareholders' equity	Non-controlling interests	Total equity
Balance at 1 January 2019	20,000	16,376	(2,187)	(158,180)	922,278	764,098	798,288	5,215	803,503
Profit for the year	-	-	-	-	127,175	127,175	127,175	1,364	128,539
Dividends paid	-	-	-	-	(69,426)	(69,426)	(69,426)	(1,057)	(70,483)
Offsetting goodwill	-	-	-	(7,989)	-	(7,989)	(7,989)	-	(7,989)
Purchase of treasury shares	-	-	(9,515)	-	-	-	(9,515)	-	(9,515)
Sale of treasury shares	-	(733)	7,529	-	-	-	6,796	-	6,796
Share-based payments	-	(820)	4,173	-	-	-	3,353	-	3,353
Currency translation differences	-	-	-	-	(7,065)	(7,065)	(7,065)	(185)	(7,250)
Balance at 31 December 2019	20,000	14,823	-	(166,169)	972,962	806,793	841,617	5,337	846,954
Profit for the year	-	-	-	-	137,612	137,612	137,612	797	138,409
Dividends paid	-	-	-	-	(119,969)	(119,969)	(119,969)	(787)	(120,756)
Offsetting goodwill	-	-	-	(1,019)	-	(1,019)	(1,019)	-	(1,019)
Purchase of treasury shares	-	-	(1,163)	-	-	-	(1,163)	-	(1,163)
Share-based payments	-	1,254	442	-	-	-	1,696	-	1,696
Currency translation differences	-	-	-	-	(3,768)	(3,768)	(3,768)	(14)	(3,782)
Balance at 31 December 2020	20,000	16,077	(721)	(167,188)	986,837	819,649	855,006	5,333	860,339

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

INFORMATION ON THE REPORT

This section describes the basis for preparing the financial statements and gives an overview of the key assumptions and estimates made by the management. It also provides an insight into the main events in the financial year that have an impact on the consolidated financial statements.

THE STADLER RAIL GROUP

Stadler Rail AG (“Holding” or “Company”), headquartered in 9565 Bussnang, Ernst-Stadler-Strasse 1, is a company incorporated under Swiss law, which has been listed on the SIX Swiss Exchange in Zurich with the securities symbol SRAIL since 12 April 2019. The Stadler Rail Group (hereinafter Stadler) is an international, independent rail vehicle manufacturer with a focus on Europe and the development of further regions, which pursues a targeted segment and market strategy with high-quality and customer-specific products.

The consolidated financial statements as at 31 December 2020 present the net assets, financial position and results of operations of Stadler Rail AG and its subsidiaries disclosed in Note 4.4 “List of investments”.

BASIS FOR THE PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in compliance with all existing guidelines of Swiss GAAP FER (Swiss Accounting and Reporting Recommendations). They provide a true and fair view of the net assets, financial position and results of operations and meet the requirements of Swiss law.

The consolidated financial statements are presented in Swiss francs. Unless otherwise stated, all financial information in Swiss francs has been rounded to the nearest thousand. For this reason, rounding differences may occur.

The valuation basis used in these consolidated financial statements is based on historical acquisition or production costs, unless a standard requires a different valuation basis for an item or a different valuation basis has been used to exercise an option. In this case, it is explicitly mentioned in the accounting principles. Accounting principles that are relevant to an understanding of the consolidated financial statements are set out in the specific notes. The consolidated income statement is presented according to the cost of sales method.

MANAGEMENT ASSUMPTIONS AND ESTIMATES

The preparation of the consolidated financial statements in accordance with Swiss GAAP FER requires management to make estimates, judgements and assumptions that have an effect on the application of accounting and measurement methods and impact the reported amounts of assets, liabilities, income and expenses. The estimates and related assumptions are based on past experience and various other factors deemed appropriate. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed regularly. Changes in accounting-related estimates are recognised in the current period and in the periods affected in the future.

Judgements made by management in applying Swiss GAAP FER which have a significant impact on the financial statements, and estimates with a high adjustment risk in the coming year, are presented in the following notes:

Further information	Description
Note 1.2	Work in progress – assessment of the percentage of completion and of total costs
Note 2.6	Recognition and measurement of provisions

1. OPERATING PERFORMANCE

This section presents Stadler's operating performance. Segment reporting reflects the segment revenue taken into consideration at top management level for corporate management purposes. Details of work in progress, personnel expenses and earnings per share are also shown.

1.1 SEGMENT REPORTING

External segment reporting is based on internal reporting, which is used by Group Management for corporate management purposes. Group Management consists of the Group Executive Board and the Board of Directors.

The following two segments exist:

Segment	Activity
Rolling Stock	The "Rolling Stock" business segment manufactures various types of rail vehicles. This segment includes the various product types in the following sectors: high-speed, intercity, regional trains, city transport, locomotives and Tailor Made.
Service & Components	The "Service & Components" business segment offers full service, modernisation and revision, spare parts service and vehicle repairs, including the maintenance and assessment of defects. This business segment also includes the supply of vehicle components such as car bodies or bogies.

With reference to the complementary recommendation for listed companies (FER 31/8) on segment reporting, Stadler does not report segment results in the interests of shareholders for the following reasons:

1. Detrimental effect on the negotiating position:

The disclosure of segment results would allow conclusions to be drawn on pricing, which could significantly impair Stadler's negotiating position.

2. Competitive disadvantage in relation to competitors:

Stadler's competitors generally do not report segment information and detailed segment results. The disclosure of segment results would put Stadler at a competitive disadvantage vis-à-vis its competitors, as the results allow conclusions to be drawn about the margin and cost situation per segment.

in thousands of CHF or as noted	Rolling Stock		Service & Components		Corporate Centre & Eliminations		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Net revenue								
Net revenue per segment	2,813,153	3,001,656	718,110	641,553	(446,315)	(442,424)	3,084,948	3,200,785
Intersegment revenue	(71,555)	(61,879)	(374,764)	(380,682)	446,319	442,561	–	–
Total net revenue (third parties)	2,741,598	2,939,777	343,346	260,871	4	137	3,084,948	3,200,785
Net revenue by geographical market								
Germany, Austria, Switzerland	1,392,086	1,379,354	110,669	82,212	4	–	1,502,759	1,461,566
Western Europe	779,569	1,201,825	183,979	161,111	–	137	963,548	1,363,073
Eastern Europe	415,928	35,789	41,560	8,177	–	–	457,488	43,966
CIS	67,274	133,087	933	1,597	–	–	68,207	134,684
America	80,763	156,609	3,146	2,196	–	–	83,909	158,805
Rest of the world	5,978	33,113	3,059	5,578	–	–	9,037	38,691
Total net revenue by market	2,741,598	2,939,777	343,346	260,871	4	137	3,084,948	3,200,785
Net revenue by product group								
Trains	2,026,136	2,226,414						
Locomotives	144,951	61,944						
LRV	115,305	172,054						
Metros	202,522	73,038						
Tailor Made	252,684	406,327						
Total net revenue by product	2,741,598	2,939,777						
Additions to PPE								
Additions to PPE	184,352	186,011	67,163	35,206	4,325	1,877	255,840	223,094
Total additions to PPE	184,352	186,011	67,163	35,206	4,325	1,877	255,840	223,094
Staff as FTEs								
Permanent employees	8,387	7,307	2,660	2,047	181	178	11,228	9,532
Temporary employees	562	967	327	258	–	6	889	1,231
Apprentices	162	134	24	21	–	–	186	155
Total staff as FTEs	9,111	8,408	3,011	2,326	181	184	12,303	10,918

The Corporate Centre is not an operating segment, but is chiefly a service provider within Stadler. As in the previous year, the net revenue is mainly attributable to services rendered to associated companies, provided at market conditions.

ACCOUNTING PRINCIPLES

RECOGNITION OF REVENUE: ROLLING STOCK

Income from the sale of rail vehicles is recognised according to the percentage of completion method (see Note 1.2), as this usually involves long-term contracts under which the vehicles are manufactured over a period of more than twelve months.

RECOGNITION OF REVENUE: SERVICE & COMPONENTS

Revenue in the “Components” subsegment is recognised upon delivery or transfer of the benefits and risks to the purchaser. Revenue from the “Service” subsegment is recognised upon the provision of a service.

Income received for subsequent revisions is recognised in “Non-current liabilities – maintenance”. If revenue for revision is part of kilometre remuneration, the expected revenue is also booked to “Non-current liabilities – maintenance” to the extent of the forecast costs for the revision and an expected profit share. Classification is based on the estimated timing of the revision work and is recognised in revenue when the service is provided.

1.2 WORK IN PROGRESS

in thousands of CHF	31.12.2020	31.12.2019
Work in progress		
Costs accumulated on orders	7,160,764	3,799,375
Production costs of vehicles delivered and invoiced	(5,414,983)	(2,388,340)
Work in progress, gross	1,745,781	1,411,035
Advance payments to suppliers	114,921	123,688
Advance payments to suppliers, related parties	–	61
Advance payments to suppliers, associated companies	8,520	1,256
Advance payments from customers	(959,011)	(902,045)
Advance payments from customers, related parties	(23,366)	–
Total work in progress	886,845	633,995
Liabilities from work in progress		
Costs accumulated on orders	3,199,040	4,948,140
Production costs of vehicles delivered and invoiced	(2,027,580)	(4,059,655)
Work in progress, gross	1,171,460	888,485
Advance payments to suppliers	121,437	92,292
Advance payments to suppliers, related parties	–	4,088
Advance payments to suppliers, associated companies	1,960	–
Advance payments from customers	(2,235,651)	(2,198,787)
Advance payments from customers, related parties	(256,491)	(221,412)
Advance payments from customers, associated companies	(6,828)	(2,424)
Total liabilities from work in progress	(1,204,113)	(1,437,758)
Net work in progress/(liabilities from work in progress)	(317,268)	(803,763)

ACCOUNTING PRINCIPLES

RECOGNITION AND MEASUREMENT OF WORK IN PROGRESS AND REVENUE RECOGNITION

Revenue (net proceeds) from the sale of rail vehicles is recognised on the basis of the percentage of completion on the balance sheet date, provided the relevant conditions are met. The percentage of completion is determined individually for each order on the basis of the units of delivery method. Acceptance by the customer generally marks the completion of a unit, whereby a unit usually corresponds to a car or vehicle, and the percentage of completion is calculated according to the ratio of delivered units to the total contractually agreed delivery quantity. There are justified cases in which acceptance by the customer is delayed merely for administrative or organisational reasons, but all significant performance obligations have been met. In such cases, the company management assesses the economic situation and may decide to recognise revenue prior to customer acceptance.

Order costs consist of material and external service costs (incl. bank guarantee costs), material overheads (procurement and logistics) as well as production, engineering and project management costs. The cost rates for measuring productive hours are based on a period of several years at normal employment levels.

Costs in connection with development work are allocated to orders to the extent that they are required for customer-specific production. At the latest before the first delivery of a vehicle, the market potential of the associated development is assessed. If this development can be used for future potential orders, the proportion of development costs not borne by the customer is reclassified from work in progress to intangible assets.

Costs incurred for bank guarantees in connection with customer-specific orders are reported under financial expenses on the date of revenue recognition for the corresponding order. The costs of interest-bearing liabilities are recognised directly in the income statement under financial expenses and are not part of order-related expenses.

Contractual penalties owed are recorded as a reduction in revenue and, if not yet paid, are shown under deferred income.

Subsequent costs for an order already recognised in revenue are entered in deferred income.

For loss-free valuation, work in progress is assessed individually. As soon as a loss becomes apparent, a value adjustment is recognised to the full extent of the expected loss. If the value adjustment exceeds the value of the asset for the order, a provision is recognised for the excess amount.

Work in progress comprises projects for which the cumulative services exceed the payments already made. If the advance payments received are higher than the cumulative services provided, they are reported under liabilities from work in progress.

Advance payments received are recognised in the balance sheet and not through the income statement. They are offset against the corresponding orders or compensation claims for which the advance payments were made.

1.3 COMPENSATION CLAIMS FROM WORK IN PROGRESS

in thousands of CHF	31.12.2020	31.12.2019
Compensation claims from work in progress		
Compensation claims for vehicles whose revenue has been recognised but not yet invoiced	2,037,145	1,830,644
Advance payments from customers for vehicles whose revenue has been recognised but not yet invoiced	(1,174,950)	(1,012,301)
Total compensation claims from work in progress	862,195	818,343

Compensation claims from work in progress are composed of claims from contracts where acceptance by customers has not yet taken place but all significant performance obligations have been fulfilled (CHF 270.1 million, previous year CHF 401.1 million) and claims from contracts where acceptance by customers has already taken place but invoices have not yet been issued in accordance with individual payment plans (CHF 592.1 million, previous year CHF 417.2 million).

ACCOUNTING PRINCIPLES

RECOGNITION AND MEASUREMENT OF COMPENSATION CLAIMS FROM WORK IN PROGRESS

As a rule, a unit is fully invoiced upon its acceptance (and charged against the advance payments received or recognised as a trade receivable for the amount exceeding the advance payments). In cases where the payment schedule does not correspond to the acceptance schedule and invoicing can therefore not take place until a later date, a compensation claim is recorded. If situations listed in the accounting principles set out in Note 1.2 "Recognition and measurement of work in progress" result in the recognition of revenue prior to acceptance by the customer, a compensation claim is recognised in the amount of this revenue (less any advance payments received). Otherwise, the accounting principles described in "Recognition and measurement of work in progress" according to Note 1.2 apply.

1.4 PERSONNEL EXPENSES

in thousands of CHF	2020	2019
Personnel expenses		
Wages and salaries	(677,205)	(627,326)
Social security costs	(93,042)	(86,465)
Pension costs	(26,961)	(26,336)
Other personnel expenses	(28,756)	(28,886)
Total personnel expenses	(825,964)	(769,013)

After the new remuneration rules came into effect on 1 January 2020, a total of 11,409 shares were issued to the Board of Directors in the 2020 financial year as part of their fee (previous year: none). Personnel expenses were charged accordingly with CHF 0.5 million in 2020 (previous year: CHF 0.0 million). In addition, personnel expenses of CHF 1.2 million were accrued for share-based bonus payments in 2020 in accordance with the remuneration regulations (previous year: none). These bonus shares will be allocated in 2021.

Please refer to Note 5.4 for information on expenses for employee benefits.

ACCOUNTING PRINCIPLES

SHARE-BASED REMUNERATION

Under the remuneration regulations that came into force on 1 January 2020, members of the Group Executive Board (GEB), the extended Group Executive Board as well as managerial levels 1 and 2 receive between 20 and 100% of their variable remuneration in the form of shares. The number of shares to be allocated is calculated on the basis of the volume-weighted average price during the month of March of the following financial year. The shares are subject to a four-year vesting period after allocation and are allocated at a taxable vesting discount of 20% in relation to the defined value. They are granted with no other vesting conditions. The expense is recognised in the year in which the benefit is provided and recorded as an increase in equity (capital reserves). Any differences in relation to the effective allocation value are corrected in the following year and recognised in the income statement.

The members of the Board of Directors have the option to have their fee paid in cash and/or in shares. The number of shares to be allocated is calculated on the basis of the volume-weighted average price during the month of November of the financial year of allocation. The shares are subject to a four-year vesting period after allocation in December and are allocated at a vesting discount of 20% in relation to the defined value. The expense is recognised in the income statement at the current value of the allocation with a corresponding offsetting entry in equity (capital reserves).

Stadler holds treasury shares for the purpose of fulfilling share plans.

1.5 EARNINGS PER SHARE

in thousands of CHF or as noted	2020	2019
Earnings per share		
Profit for the year attributable to shareholders	137,612	127,175
Weighted average number of shares outstanding	99,977,624	99,907,744
Basic and diluted earnings per share (in CHF)	1.38	1.27

Treasury shares held by the company are not taken into account when calculating earnings per share. There are no circumstances leading to a dilution of earnings per share. Shares allocated to employees as share-based remuneration (see Note 1.4) were, or are, entitled to dividends.

2. OPERATING ASSETS AND LIABILITIES

Items of current and non-current assets and liabilities relevant to Stadler's operating activities are presented in the following section. The notes on assets focus on trade receivables and payables, inventories and property, plant and equipment, including leased assets. This section also presents the development of provisions and contingent liabilities and contains notes on selected items which are of relevance to operations.

2.1 TRADE RECEIVABLES AND PAYABLES

in thousands of CHF	31.12.2020	31.12.2019
Trade receivables		
Third parties	276,083	285,373
Related parties	26,527	1,044
Associated companies	577	1,235
Allowance for doubtful accounts	(2,194)	(2,053)
Total trade receivables	300,993	285,599

ACCOUNTING PRINCIPLES

Receivables are reported at nominal value. Business default risks are taken into account by individual and general value adjustments. General value adjustments are made for items which have not already been subject to individual value adjustments. Individual value adjustments are verified for items exceeding a value of CHF 0.2 million. General value adjustments are based on the past experience of Stadler.

in thousands of CHF	31.12.2020	31.12.2019
Trade payables		
Third parties	285,199	248,166
Related parties	13,060	788
Associated companies	52	1,164
Total trade payables	298,311	250,118

ACCOUNTING PRINCIPLES

Trade payables are reported at nominal value.

2.2 INVENTORIES

in thousands of CHF	31.12.2020	31.12.2019
Inventories		
Spare parts	148,010	119,604
Components	57,826	50,491
Non-commissioned materials	–	76,551
Allowances	(4,482)	(14,686)
Total inventories	201,354	231,960

As part of the outsourcing of the service activities of Stadler Pankow GmbH to Stadler Rail Service Deutschland GmbH, material management was modified within Stadler Pankow GmbH. All materials are purchased directly in the corresponding orders and recorded in the balance sheet item “work in progress”. The materials previously reported in inventories (non-commissioned materials item) were divided between individual orders in the reporting year and reclassified as work in progress. Most of the value adjustments recorded in the previous year were realised in this context.

ACCOUNTING PRINCIPLES

Inventories are composed of spare parts and components. Acquisition or production costs include all direct and indirect expenses to bring the inventories to their present location or to their present state (full costs). In principle, the actual costs incurred are decisive for the determination of the acquisition and production costs. They are calculated according to the average method. Cash discounts (in the sense of a discount for rapid payment) are booked as acquisition price reductions. The difference between the acquisition or production costs and any lower net market value is recorded as a value adjustment (lowest value principle).

2.3 PROPERTY, PLANT AND EQUIPMENT

in thousands of CHF	Land and buildings	Plant and machinery	Equipment	Tools	Vehicles and means of transport	Hardware	Assets under lease	Assets under construction	Total
Acquisition value									
Balance at 1 January 2019	303,239	202,874	76,103	41,008	15,310	35,398	58,193	109,805	841,930
Additions	49,325	23,080	9,837	5,885	2,602	6,773	9,944	115,648	223,094
Disposals	(916)	(6,991)	(2,622)	(1,605)	(1,025)	(3,181)	(937)	–	(17,277)
Reclassifications	136,325	28,525	648	116	516	259	572	(166,961)	–
Currency translation differences	(7,298)	(6,024)	(805)	(1,080)	(245)	(540)	(2,489)	(1,133)	(19,614)
Balance at 31 December 2019	480,675	241,464	83,161	44,324	17,158	38,709	65,283	57,359	1,028,133
Change in scope of consolidation	–	–	105	–	–	–	–	–	105
Additions	80,330	29,040	12,143	10,982	3,148	10,213	–	109,984	255,840
Disposals	(122)	(5,935)	(1,838)	(1,683)	(613)	(1,799)	(90)	–	(12,080)
Reclassifications	19,156	20,458	846	799	188	753	1,781	(43,981)	–
Currency translation differences	(10,315)	(5,250)	(820)	(485)	(228)	(522)	(3,112)	(1,132)	(21,864)
Balance at 31 December 2020	569,724	279,777	93,597	53,937	19,653	47,354	63,862	122,230	1,250,134
Accumulated depreciation and impairment									
Balance at 1 January 2019	79,084	112,321	31,278	26,371	9,566	23,345	14,189	–	296,154
Additions	12,747	15,539	5,693	6,739	1,742	6,243	1,969	–	50,672
Impairment	40	85	14	20	2	1	–	–	162
Disposals	(481)	(5,385)	(2,415)	(1,563)	(834)	(3,111)	(829)	–	(14,618)
Reclassifications	2	–	(42)	38	(2)	4	–	–	–
Currency translation differences	(1,074)	(2,753)	(337)	(706)	(123)	(383)	(561)	–	(5,937)
Balance at 31 December 2019	90,318	119,807	34,191	30,899	10,351	26,099	14,768	–	326,433
Additions	15,688	18,605	6,406	6,136	1,884	6,809	2,147	–	57,675
Disposals	(119)	(4,144)	(940)	(1,634)	(566)	(1,698)	(90)	–	(9,191)
Reclassifications	58	–	–	(2)	–	2	(58)	–	–
Currency translation differences	(819)	(2,194)	(215)	(347)	(84)	(323)	(770)	–	(4,752)
Balance at 31 December 2020	105,126	132,074	39,442	35,052	11,585	30,889	15,997	–	370,165
Net carrying amounts									
Balance at 31 December 2020	464,598	147,703	54,155	18,885	8,068	16,465	47,865	122,230	879,969
Balance at 31 December 2019	390,357	121,657	48,970	13,425	6,807	12,610	50,515	57,359	701,700
Balance at 1 January 2019	224,155	90,553	44,825	14,637	5,744	12,053	44,004	109,805	545,776

The difference between the reported asset additions and the cash outflows for asset purchases results from assets acquired under finance leases and unpaid creditor invoices recorded in other current liabilities.

As of the balance sheet date, investment obligations amounted to CHF 14.3 million (previous year: CHF 14.8 million).

ACCOUNTING PRINCIPLES

Property, plant and equipment is valued at acquisition or production costs less depreciation and impairment necessary for business reasons. Own manufactured assets are only capitalised if they are clearly identifiable and the costs can be reliably determined and if they bring the company a measurable benefit over several years. Depreciation is charged on a straight-line basis over the economic useful life of the asset.

The depreciation periods are as follows:

Category	Estimated useful life (years)
Land and buildings	max. 33
Plant and machinery	8 – 20
Equipment	10 – 15
Tools	2 – 3
Vehicles and means of transport	6 – 8
Hardware (IT)	3 – 6
Assets under lease	the shorter of useful life or contract duration
Assets under construction	no depreciation

IMPAIRMENT

An assessment is made on each balance sheet date as to whether there are any indications that the carrying amount of the asset may exceed its recoverable amount (the higher of its fair value and value in use) (impairment). If impairment exists, the carrying amount is reduced to the recoverable amount, with the impairment charged to profit or loss for the period.

If there is a significant improvement in the indications, the recoverable amount is recalculated. If the net carrying amount of the asset is lower than the newly determined recoverable amount, the impairment recognised in prior periods is reversed through profit or loss. The new carrying amount resulting from the reversal is the lower of the recoverable amount and the carrying amount after normal depreciation which would have resulted if no impairment had been recorded.

FINANCE LEASES

Assets under lease include the buildings in Szolnok, Winterthur and Montceau-les-Mines (see also Note 3.1 “Financial liabilities”). The term of the Szolnok lease contract lasts until the year 2029, that of Winterthur until the year 2030, and the contract for Montceau-les-Mines until 2034. Stadler has the option to acquire the leased building in Szolnok before the end of the term.

in thousands of CHF	31.12.2020	31.12.2019
Liabilities from finance leases		
Due within 1 year	2,723	5,626
Current finance lease liabilities (Note 3.1)	2,723	5,626
Due within 1 to 5 years	13,667	15,558
Due after more than 5 years	29,195	24,777
Non-current finance lease obligations (Note 3.1)	42,862	40,335
Total liabilities from finance leases	45,585	45,961

OPERATING LEASE LIABILITIES

in thousands of CHF	31.12.2020	31.12.2019
Operating lease liabilities		
Due within 1 year	17,573	5,336
Due within 1 to 5 years	47,293	14,208
Due after more than 5 years	26,249	19,233
Total undiscounted lease payments	91,115	38,777

ACCOUNTING PRINCIPLES

Usage rights acquired by means of lease contracts under which the opportunities and risks associated with the economic use of the leased asset are essentially transferred to Stadler are classified as finance leases and are initially recognised at the lower of the two values of the present value of future lease payments and the acquisition or net market value. Investments in financial leases are depreciated over their estimated useful lives or shorter lease term if it is not possible to determine with reasonable certainty whether the ownership is transferred to the lessee at the end of the lease term. Payments from operating leases are recognised in the income statement on a straight-line basis over the lease term.

Gains from the sale of property, plant and equipment in connection with redemption under a finance lease are deferred and amortised over the term of the lease.

2.4 FINANCIAL ASSETS

in thousands of CHF	31.12.2020	31.12.2019
Financial assets		
Other financial assets, third parties	31,068	24,499
Other financial assets, related parties	32,187	34,182
Other financial assets, associated companies	1,452	1,544
Deferred income tax assets	68,413	52,885
Employer contribution reserve	–	11,336
Total financial assets	133,120	124,446

ACCOUNTING PRINCIPLES**OTHER FINANCIAL ASSETS**

Other financial assets include loans and receivables which are recognised at acquisition cost less any necessary impairment.

DEFERRED INCOME TAX ASSETS

This item includes deferred tax assets from losses carried forward and from deductible temporary differences. Further details can be found in Note 5.3.

2.5 INTANGIBLE ASSETS

in thousands of CHF	Software	Licenses, patents	Development costs	Assets in development	Total
Acquisition value					
Balance at 1 January 2019	38,270	15,524	50,569	–	104,363
Additions	8,120	122	21,795	5,380	35,417
Additions due to reclassifications of work in progress	–	–	59,258	–	59,258
Disposals	(1,136)	–	–	–	(1,136)
Reclassifications	25	(15)	–	(10)	–
Currency translation differences	(745)	(17)	(1,936)	(11)	(2,709)
Balance at 31 December 2019	44,534	15,614	129,686	5,359	195,193
Change in scope of consolidation	15	–	–	–	15
Additions	10,410	1,732	27,217	17,992	57,351
Additions due to reclassifications of work in progress	–	–	–	–	–
Disposals	(4,301)	(30)	–	–	(4,331)
Reclassifications	5,952	–	–	(5,952)	–
Currency translation differences	(239)	(6)	(312)	83	(474)
Balance at 31 December 2020	56,371	17,310	156,591	17,482	247,754
Accumulated depreciation and impairment					
Balance at 1 January 2019	26,204	9,309	32,392	–	67,905
Additions	4,682	1,719	19,147	–	25,548
Disposals	(1,118)	–	–	–	(1,118)
Reclassifications	22	(22)	–	–	–
Currency translation differences	(553)	(8)	(1,396)	–	(1,957)
Balance at 31 December 2019	29,237	10,998	50,143	–	90,378
Additions	6,561	2,045	29,539	–	38,145
Disposals	(3,658)	(5)	–	–	(3,663)
Currency translation differences	(127)	(6)	(299)	–	(432)
Balance at 31 December 2020	32,013	13,032	79,383	–	124,428
Net carrying amounts					
Balance at 31 December 2020	24,358	4,278	77,208	17,482	123,326
Balance at 31 December 2019	15,297	4,616	79,543	5,359	104,815
Balance at 1 January 2019	12,066	6,215	18,177	–	36,458

In 2019, development costs for the new SMILE modular vehicle concept in the high-speed segment amounting to CHF 59.3 million were reclassified from work in progress to intangible assets, as management believes that this platform can be used for future potential orders.

The difference between the reported asset additions and the cash outflows for asset purchases results from unpaid creditor invoices recorded in other current liabilities in addition to reclassifications from work in progress.

ACCOUNTING PRINCIPLES

Intangible assets include software, licenses and patents purchased from third parties, as well as capitalised development costs. They are valued at acquisition or production cost less necessary depreciation and impairment.

Intangible assets acquired from third parties are capitalised if they bring measurable future benefits over several years. Depreciation is calculated on a straight-line basis over a cautiously estimated useful life from the date on which the acquired intangible asset is available for use.

Development costs are capitalised if the required recognition criteria are met (essentially the identifiability and availability of the asset, the existence of a measurable future benefit over several years, separate recognition and measurability of the corresponding expenses as well as the availability of the necessary funds for completion and use).

In the case of in-house developments, a distinction is made between those without and those with a customer order:

Developments without a customer order:

Development costs are capitalised from the date on which the aforementioned recognition criteria are cumulatively met. Depreciation is calculated on a straight-line basis over the useful life from the date on which the completed development is available for use. If the useful life cannot be clearly determined, depreciation is carried out over 5 years. Depreciation is recognised in the income statement under the item "Development costs".

Development costs as part of a customer order:

Order-related development costs in the "Rolling Stock" business segment are initially capitalised in accordance with the "units of delivery" method in the balance sheet item "Work in progress" without affecting the income statement and, from the first delivery of a vehicle, are recognised as production costs in the income statement on a pro rata basis in relation to the number of vehicles ordered (including any options exercised on additional vehicles). At the latest before the first delivery of a vehicle, the market potential of the associated development is assessed. If this development can be used for future potential orders, the proportion of development costs not borne by the customer is reclassified from work in progress to intangible assets. Depreciation is calculated on a straight-line basis over the useful life from the date of receipt of the approval required for commercial use, but no later than the date of the first delivery of a vehicle. If the useful life cannot be clearly determined, depreciation is carried out over 5 years. Depreciation is recognised in the income statement under the item "Development costs".

In the "Service & Components" business segment, no order-related developments have been carried out so far.

The depreciation periods are as follows:

Category	Estimated useful life (years)
Software	3 – 6
Patents, licenses	5
Development costs	max. 10

The accounting principles for goodwill arising from acquisition are set out in Note 4.6.

Impairment is treated in the same way as for property, plant and equipment (Note 2.3).

2.6 PROVISIONS AND CONTINGENT LIABILITIES

in thousands of CHF	Warranty provisions	Other personnel provisions	Other provisions	Deferred taxes	Employee benefit obligations	Total
Balance at 1 January 2019	96,629	53,737	35,872	5,527	3,374	195,139
Addition	60,711	25,632	14,335	3,057	448	104,183
Utilisation	(39,698)	(43,753)	(19,916)	–	(73)	(103,440)
Reversal	(17,531)	(1,517)	(3,430)	–	(964)	(23,442)
Currency translation differences	(1,362)	(280)	(606)	(119)	3	(2,364)
Balance at 31 December 2019	98,749	33,819	26,255	8,465	2,788	170,076
– thereof current	25,690	31,344	20,762	–	–	77,796
– thereof non-current	73,059	2,475	5,493	8,465	2,788	92,280
Change in scope of consolidation	38	30	13	–	–	81
Addition	62,690	32,361	2,258	4,274	436	102,019
Utilisation	(49,122)	(25,195)	(20,147)	(1,221)	(42)	(95,727)
Reversal	(5,542)	(6,301)	(490)	(680)	–	(13,013)
Currency translation differences	(1,096)	(311)	(171)	(87)	(114)	(1,779)
Balance at 31 December 2020	105,717	34,403	7,718	10,751	3,068	161,657
– thereof current	37,593	31,655	6,743	–	–	75,991
– thereof non-current	68,124	2,748	975	10,751	3,068	85,666

The warranty costs reported in the income statement consist of the “Addition” and “Reversal” items in the “Warranty provisions” column.

CONTINGENT LIABILITIES AND OTHER OBLIGATIONS NOT TO BE RECOGNISED IN THE BALANCE SHEET

Contingent liabilities and other obligations not to be recognised in the balance sheet are disclosed directly in the respective sections of the relevant items:

Further information	Description
Note 2.3	Investment obligations
Note 2.3	Operating lease liabilities
Note 3.2	Sureties and guarantee obligations
Note 3.2	Pledged assets to secure own obligations
Note 5.5	Employee participation plan

ACCOUNTING PRINCIPLES**GENERAL – PROVISIONS**

Provisions are made for current obligations with an indefinite settlement date or a non-determinable amount where they are due to a past event and a future outflow of funds is likely. Provisions are measured on the basis of the probable cash outflows and are increased, maintained or released as a result of the reassessment. If the effect of discounting is material, then the provision is recognised at present value.

WARRANTY PROVISIONS

Warranty provisions are estimated and recognised according to the best possible estimate at the beginning of the warranty period for each individual vehicle (addition warranty provisions) and are continually used to cover warranty claims (utilisation warranty provisions). The amount of the provision to be recognised is based on past experience. Any residual balance at the end of the guarantee period is released to income (reversal warranty provisions).

OTHER PERSONNEL MATTERS AND OTHER PROVISIONS

Provisions for “Other personnel matters” are primarily provisions for anniversary, departure and bonus payments. The “Other provisions” mainly include possible risk and rework provisions as well as possible process costs. Contingent purchase price payments are also recorded under this item. For non-current provisions, a probability of an outflow of funds in an average of 2 to 3 years is assumed.

DEFERRED TAXES

Deferred income tax liabilities are reported under deferred tax provisions. Further information can be found in Note 5.3.

EMPLOYEE BENEFIT LIABILITIES

The economic obligations arising from employee benefits are reported under this item. Further information can be found in Note 5.4.

CONTINGENT LIABILITIES

Contingent liabilities and other obligations not to be recognised are valued and disclosed on each balance sheet date. If contingent liabilities and other obligations not to be recognised lead to an outflow of funds without a compensating inflow, and the outflow is probable and can be estimated reliably, a provision is recognised.

2.7 OTHER OPERATING ASSETS AND LIABILITIES

OTHER CURRENT RECEIVABLES

in thousands of CHF	31.12.2020	31.12.2019
Other current receivables		
VAT receivables	80,045	59,160
Receivables from the sale of non-current assets	10,304	–
Income tax receivables	19,461	21,877
Derivative financial instruments	638	2,267
Other receivables from associated companies	84	5,435
Other receivables from third parties	36,663	21,498
Total other current receivables	147,195	110,237

OTHER CURRENT LIABILITIES

in thousands of CHF	31.12.2020	31.12.2019
Other current liabilities		
Social insurance, source and wage taxes	24,441	14,763
VAT liabilities	19,554	53,823
Pension fund current account	83	157
Tax liabilities	21,517	26,222
Derivative financial instruments	3,784	–
Other current liabilities from related parties	–	2
Other current liabilities from third parties	40,912	16,307
Total other current liabilities	110,291	111,274

OTHER NON-CURRENT LIABILITIES

in thousands of CHF	31.12.2020	31.12.2019
Other non-current liabilities		
Non-current liabilities – maintenance	47,143	38,655
Other non-current liabilities	326	351
Total other non-current liabilities	47,469	39,006

DEFERRED INCOME/ACCRUED EXPENSES

in thousands of CHF	31.12.2020	31.12.2019
Deferred income and accrued expenses		
Outstanding invoices	102,576	57,712
Accruals manufacturing costs	95,291	53,451
Vacation- and overtime	44,463	38,668
Sales commissions, royalties, penalties	39,009	36,193
Other deferred income and accrued expenses	10,350	11,397
Total deferred income and accrued expenses	291,689	197,421

3. FINANCING

The following section explains the most important aspects of financing. Stadler aims to safeguard an adequate equity base in order to maintain the confidence of investors, creditors and the market and to continue the further expansion of the Group. It uses hedging instruments to manage foreign currency and interest rate risks.

3.1 FINANCIAL LIABILITIES

in thousands of CHF	Interest rate	Maturity	31.12.2020	31.12.2019
Current financial liabilities				
Operating loan	0.0 – 1.9%	< 1 year	57,044	–
Project financing	0.3 – 2.3%	< 1 year	920,883	238,235
Bank loans for property, plant and equipment	0.6 – 3.1%	< 1 year	22,433	15,524
Lease liabilities for property, plant and equipment	1.0 – 3.5%	< 1 year	2,723	5,626
Loan from Stadler Rail AG pension fund	0.0%	< 1 year	–	20,000
Total current financial liabilities			1,003,083	279,385
Non-current financial liabilities				
Operating loan	1.0 – 1.9%	1 – 5 years	38,325	–
Bank loans for property, plant and equipment	0.6 – 3.1%	1 – 17 years	129,720	101,418
Lease liabilities for property, plant and equipment	1.0 – 3.5%	1 – 14 years	42,862	40,335
Loans from governmental institutions	0.0%	23 years	23,059	25,977
Bonds	0.4%	6 years	300,000	300,000
Total non-current financial liabilities			533,966	467,730
Breakdown by currency				
CHF			896,108	618,725
DKK			155	–
EUR			405,296	18,937
HUF			45,409	23,524
PLN			17,002	59,952
SEK			57,690	–
USD			115,389	25,977
Total financial liabilities			1,537,049	747,115

Short- and long-term operating loans include loans to finance current assets as well as coronavirus-related loans received under government support programmes in Spain and the USA.

ACCOUNTING PRINCIPLES

Financial liabilities are reported at nominal value.

Bonds are carried at nominal value. The issuing costs incurred in connection with the issue of the bond are capitalised under accrued income/deferred expenses and amortised over the term of the bond. Any premiums received on the issue of the bond are recognised under deferred income/accrued expenses and amortised over the term of the bond. The reversal of the issuing costs and of the premium are recognised in the financial result.

3.2 GUARANTEES AND PLEDGED ASSETS

SURETIES AND GUARANTEE OBLIGATIONS

As at the balance sheet date, guarantees (warranties and sureties) amounting to CHF 5,756 million (previous year: CHF 5,599 million) were outstanding.

PLEDGED ASSETS TO SECURE OWN OBLIGATIONS

in thousands of CHF	Collateral for:	31.12.2020	31.12.2019
Pledged assets			
Property	Mortgages	268,460	199,417
Assets under lease	Finance lease	47,865	50,515
Total pledged assets		316,325	249,932

3.3 SHARE CAPITAL AND RESERVES

SHARE CAPITAL

As at 31 December 2020, the share capital of the parent company Stadler Rail AG consisted of 100 million registered shares with a par value of CHF 0.20 each (31 December 2019: 100 million registered shares with a par value of CHF 0.20 each). Shareholders are entitled to receive the dividends decided upon and have one vote per share at the company's Annual General Meeting.

At the Annual General Meeting on 18 March 2019, conditional share capital was created in the amount of a maximum of 2 million registered shares with a par value of CHF 0.20 each as well as authorised share capital of a maximum of 10 million registered shares with a par value of CHF 0.20 each.

The Board of Directors is authorised to increase the share capital at any time until 17 March 2021 by a maximum amount of CHF 2 million from the authorised share capital. An increase in partial amounts is permitted.

Conditional share capital up to a maximum amount of CHF 0.4 million was created for employee profit sharing. Shareholders' subscription rights and advance subscription rights are excluded.

The significant shareholders within the meaning of Art. 663c of the Swiss Code of Obligations are shown in the individual financial statements of Stadler Rail AG, see page 110.

RESERVES

Non-distributable legal reserves amounted to CHF 4 million as at 31 December 2020 (previous year: CHF 4 million).

DIVIDENDS

The following dividends were decided upon by the Annual General Meeting and subsequently paid out:

in thousands of CHF or as noted	2020	2019
Dividends paid		
Number of registered shares entitled to dividend (in pcs)	99,973,963	99,179,500
Ordinary dividend per registered share (in CHF)	1.20	0.70
Total dividends paid	119,969	69,426

After 31 December 2020, the Board of Directors proposed dividends of CHF 0.85 per registered share totalling CHF 85.0 million for 2020. The dividend proposal will be submitted to the Annual General Meeting on 6 May 2021 for approval.

CAPITAL MANAGEMENT

The Board of Directors issues guidelines to safeguard an adequate equity base in order to maintain the confidence of investors, creditors and the market and to continue further expansion. The Board of Directors monitors return on investment, which Stadler defines on the basis of total equity and the development of dividends paid.

TREASURY SHARES

in thousands of CHF	2020		2019	
	Number	Value	Number	Value
Treasury shares				
Balance at 1 January	–	–	230,250	2,187
Purchases from third parties	30,000	1,163	589,250	5,893
Purchases from employees and directors	–	–	452,300	3,623
Sales to employees and directors	–	–	(848,500)	(6,796)
Allocations of share-based payments	(11,409)	(451)	(423,300)	(3,353)
Adjustment to average price		9	–	(1,554)
Balance at 31 December	18,591	721	–	–

The amounts in the “Adjustment to average valuation” line correspond to the difference between the sales price/defined value and the average acquisition cost of the treasury shares sold.

In 2020, 30,000 registered shares were acquired at an average price of CHF 38.78 per share (previous year: 1,041,550 registered shares at an average price of CHF 9.14). There were no sales of registered shares in the 2020 financial year (previous year: 848,500 at an average price of CHF 8.01). Within the framework of share-based remuneration (see Note 1.4), 11,409 registered shares were allocated in the reporting year at an average defined value of CHF 39.60 (previous year: 423,300 registered shares at an average price of CHF 7.92).

In the previous year, all transactions with treasury shares took place before the IPO on 12 April 2019.

ACCOUNTING PRINCIPLES

The purchase of treasury shares is made at acquisition cost and is recognised as a negative item in equity. In the event of subsequent sale or allocation (supply) within the scope of share-based remuneration, any excess or shortfall is recognised in the capital reserves without affecting the income statement. Share-based remuneration allocations take place in accordance with the principles described in Note 1.4.

3.4 DERIVATIVE FINANCIAL INSTRUMENTS

Stadler uses derivative financial instruments only to hedge contractually fixed cash flows from operating activities and financial transactions in order to cover interest rate and currency risks (cash flow hedges).

in thousands of CHF	Purpose	31.12.2020		31.12.2019	
		Positive value	(Negative value)	Positive value	(Negative value)
Basic values					
Currency	Hedge	28,885	(12,820)	73,446	(14,026)
Interest	Hedge	223	(459)	–	(44)
Total derivative financial instruments		29,108	(13,279)	73,446	(14,070)
– thereof to hedge future cash flows		28,470	(9,495)	71,179	(14,070)
Total recognised values		638	(3,784)	2,267	–

ACCOUNTING PRINCIPLES

Derivative financial instruments are used exclusively to hedge future cash flows against foreign currency or interest rate risks. These instruments are not recognised in the balance sheet, but are disclosed in the notes until the hedged underlying transaction occurs. When the underlying transaction occurs, the current value of the derivative financial instrument is recognised in the balance sheet at the same time as the hedged transaction. The ineffective portion of a hedging relationship is recognised immediately in the income statement. If the occurrence of the future transaction is no longer expected, immediate recognition of the accumulated profits or losses is made. In such cases, positive replacement values are reported under other current receivables, and negative replacement values under other current liabilities. All changes in the value of the hedging instrument are reported in the income statement under the same item as the changes in the value of the underlying transaction.

4. GROUP STRUCTURE

The following section explains Stadler's structure including the main changes and the resulting effects on the consolidated financial statements. This section also contains disclosures on transactions with related parties and companies, and specifies the general consolidation principles.

4.1 CHANGES IN THE SCOPE OF CONSOLIDATION

4.1.1 CHANGES IN 2020

ADDITIONS (COMPANIES FOUNDED)

- As at 25 August 2020: Stadler Service Finland Oy, Helsingfors, Finland (purpose: Service)

ACQUISITIONS OF SUBSIDIARIES

In June 2020, a contract was concluded for the purchase of 100% of the capital shares of VIPCO GmbH in Mannheim (now Stadler Mannheim GmbH). The capital shares were acquired on the date of acquisition on 1 July 2020, and the company is therefore included in the consolidated financial statements from this date. The goodwill of CHF 1.0 million arising from the acquisition was recognised directly in equity. The net assets acquired consist mainly of cash and cash equivalents, current receivables and current liabilities. The new engineering subsidiary with around 50 employees specialises in the development of software and hardware components for vehicle control and retrofitting.

DISPOSALS

- The sales company Stadler Australia Ltd. Pty in Sydney was liquidated on 21 February 2020.

OTHER

In the 2020 financial year, the service activities including the associated assets of Stadler Pankow GmbH were outsourced to the subsidiary SILEX Grundstücks-Verwaltungsgesellschaft GmbH, which is also fully consolidated, by means of a demerger and acquisition agreement. SILEX Grundstücks-Verwaltungsgesellschaft GmbH was subsequently renamed Stadler Rail Service Deutschland GmbH.

4.1.2 CHANGES IN 2019

ADDITIONS (COMPANIES FOUNDED)

- As at 12 December 2019: Stadler Signalling AG, Wallisellen, Switzerland (purpose: Engineering)

DISPOSALS

- On 27 December 2019, the net assets of Stadler MR Sweden AB were transferred to the parent company Stadler Service Sweden AB (merger within the scope of consolidation).

4.2 SCOPE OF CONSOLIDATION AND CONSOLIDATION PRINCIPLES

ACCOUNTING PRINCIPLES

The consolidated financial statements include the annual financial statements of Stadler Rail AG and the companies which Stadler Rail AG controls. Control exists provided Stadler Rail AG can determine the financial and business policy and thus also benefit from business activities. This is the case if more than 50% of the voting rights are held or if control can be otherwise exercised (see Note 4.4, “List of investments”).

Capital consolidation is based on the Anglo-Saxon purchase method. The equity of the Group companies on the date of acquisition or date of founding is offset against the carrying amount of the investment. On this date, the assets and liabilities of the Group company are valued at current values. No purchase price allocation has been undertaken. Any difference between the acquisition costs and the equity of the acquired company is recorded accordingly as positive or negative goodwill directly in retained earnings. Transaction costs incurred in connection with the acquisition of a company are included in acquisition costs.

The purchase of minority interests is also recognised using the purchase method. Positive or negative goodwill corresponding to the difference between the purchase price and the proportionate carrying amount of the minority interests is offset directly against retained earnings.

The acquisition costs also include deferred or owed purchase price payments. Contingent purchase price payments (e.g. earn-out) are recognised if they are considered probable. They are recorded in provisions until the date of payment. Changes in the estimate of the contingent purchase price payment are recognised directly in equity. Contingent purchase price payments affect goodwill and are offset directly against retained earnings.

On the basis of the full consolidation method, the assets, liabilities, income and expenses of the consolidated companies are recognised in full. Minority interests in equity and earnings are shown separately in the consolidated balance sheet and consolidated income statement.

All intragroup transactions and relationships are offset mutually and eliminated in the consolidated financial statements. Unrealised gains contained in inventories or work in progress resulting from intragroup deliveries are eliminated in full. Unrealised losses on intragroup transactions are also eliminated, unless there is evidence of impairment.

Investments over which a significant influence can be exercised are not fully consolidated. Significant influence is presumed if the share in voting rights is at least 20% but less than 50% and control cannot be exercised. Associated companies are accounted for using the equity method. The acquisition costs of the acquired company are offset against the net assets measured at current values on the date of acquisition. Any difference between the acquisition costs and the proportional equity of the acquired investment remaining after this revaluation is recorded as positive or negative goodwill directly in retained earnings. Transaction costs incurred in connection with the acquisition are part of the acquisition costs. The carrying amount is subsequently adjusted to reflect Stadler’s share of the associated company’s profit or loss for the year and changes in capital. They are shown in the consolidated balance sheet under investments in associated companies.

If significant influence continues to exist after the sale of shares in fully consolidated companies, the remaining equity investment is carried at the value of the proportionate equity and the proportionate goodwill, and the difference is recognised as a gain or loss in the income statement.

Investments of less than 20% are valued at acquisition cost less any value adjustments necessary for business reasons. They are reported under financial assets.

The presentation currency of the consolidated financial statements is the Swiss franc (CHF). The annual financial statements of Group companies in foreign currency are converted into Swiss francs as follows:

- Balance sheet at the closing rate at year-end
- Income statement at the average rate of the year
- Cash flow statement at the average rate of the year

Cumulative currency translation differences are offset directly against retained earnings on the disposal of foreign subsidiaries.

Gains and losses from transactions in foreign currencies and from adjustments on foreign currency balances at the balance sheet date are recognised in the income statement.

Exchange rates:

Currency	Average rates		Closing rates	
	2020	2019	31.12.2020	31.12.2019
EUR	1.0704	1.1125	1.0821	1.0854
USD	0.9386	0.9938	0.8852	0.9664
GBP	1.2043	1.2689	1.2083	1.2819
NOK	0.1000	0.1130	0.1031	0.1101
PLN	0.2410	0.2590	0.2369	0.2549
HUF	0.0031	0.0034	0.0030	0.0033
CZK	0.0405	0.0433	0.0412	0.0427
DZD	0.0074	0.0083	0.0067	0.0081
SEC	0.1022	0.1051	0.1077	0.1034
RUB	0.0131	0.0154	0.0119	0.0156
RSD	0.0091	0.0094	0.0092	0.0092
AUD	0.6476	0.6911	0.6811	0.6789
DKK	0.1436	0.1490	0.1454	0.1453

4.3 INVESTMENTS IN ASSOCIATED COMPANIES

in thousands of CHF	2020	2019
Investments in associated companies		
Balance at 1 January	14,297	12,027
Share of results from associated companies	2,803	3,971
Dividends received	(1,840)	(1,237)
Investments	–	7,990
Goodwill offsetting	–	(7,989)
Currency translation differences	(32)	(465)
Balance at 31 December	15,228	14,297

In 2019, Stadler and Brouwer Vastgoed B.V., Netherlands, each acquired a 50% stake in What B.V., based in Venlo, Netherlands. The joint venture was founded on 16 September 2019 with a share capital of EUR 1,000.00. Its purpose is to lease a maintenance depot to the participating companies.

Following the receipt of generic approval for the ETCS train control system GUARDIA developed by Stadler and the AngelStar joint venture, a contingent purchase price payment was triggered on 31 December 2019. On achieving this important milestone, it became probable that the other contingent purchase price payments would also become due. Provisions for the total amount of EUR 7.2 million were recorded accordingly. As a result, goodwill increased by the corresponding amount and was directly offset against retained earnings.

EUR 4.2 million was paid during the reporting year, meaning that a residual amount of EUR 3.0 million is still recognised in the provisions as at 31 December 2020.

4.4 LIST OF INVESTMENTS

All subsidiaries which are under the legal or effective control of Stadler Rail AG are included in the consolidated financial statements. This applies to the investments shown below:

The stakes/capital shares shown here also correspond to the respective proportion of voting rights.

Country	Company	Headquarter	Operating currency	Basic capital in thousand	Share %	Consolidation Function
Switzerland						
	Stadler Rail AG	Bussnang	CHF	20,000		CS
	Stadler Rail Management AG	Bussnang	CHF	100	100	o E, V, CS
	Stadler Bussnang AG	Bussnang	CHF	10,000	100	o P, E
	Stadler Rheintal AG	St. Margrethen	CHF	2,000	100	o P, E
	Stadler Winterthur AG	Winterthur	CHF	800	100	o P
	Stadler Service AG	Bussnang	CHF	200	100	o E, S, V, CS
	Stadler Stahlguss AG	Biel	CHF	1,000	100	o P
	Stadler CIS AG	Bussnang	CHF	500	51	o V
	Stadler Signalling AG	Wallisellen	CHF	100	100	o E
Algeria						
	Stadler Algérie Eurl	Algiers	DZD	1,200	100	o S
Denmark						
	Stadler Service Denmark Aps	Aarhus	DKK	50	100	o S
Germany						
	Stadler Pankow GmbH (since 1 January 2021 Stadler Deutschland GmbH)	Berlin	EUR	6,180	100	o P, E, V, CS
	Stadler Reinickendorf GmbH	Berlin	EUR	25	100	o P
	STAP Grundstücks-Vermietungsgesellschaft GmbH	Berlin	EUR	25	100	o I
	Stadler Rail Service Deutschland GmbH (formerly SILEX Grundstücks-Verwaltungsgesellschaft GmbH)	Berlin	EUR	3,500	100	o S
	Stadler Chemnitz GmbH	Chemnitz	EUR	25	100	o E
	Stadler Mannheim GmbH	Mannheim	EUR	100	100	o E
Finland						
	Stadler Service Finland Oy	Helsinki	EUR	-	100	o S
France						
	Erion France S.A.S.	Arc-lès-Gray	EUR	150	100	o S
Great Britain						
	Stadler Rail Service UK Ltd.	Liverpool	GBP	0.001	100	o S

Country	Company	Headquarter	Operating currency	Basic capital in thousand	Share %	Consolidation	Function
Italy							
	Stadler Service Italy GmbH	Merano	EUR	10	100	O	S
	AngelStar S.r.l.	Mola di Bari	EUR	3,000	40	Δ	E
Netherlands							
	Stadler Service Nederland B.V.	Twello	EUR	20	100	O	S
	WHAT B.V.	Venlo	EUR	1	50	Δ	I
Norway							
	Stadler Service Norway AS	Oslo	NOK	30	100	O	S
Austria							
	ÖBB Stadler Service GmbH	Vienna	EUR	200	40	Δ	S
Poland							
	Stadler Polska Sp. z o.o.	Siedlce	PLN	500	100	O	P, E, V, CS
	Stadler Service Polska Sp. z o.o.	Warsaw	PLN	100	100	O	S
	Stadler Środa Sp. z o.o.	Środa Wielkopolska	PLN	25,005	100	O	P
Russia							
	LLC Stadler Rus	Moscow	RUB	500	100	O	S
	OOO Stadler	Moscow	RUB	10	90	O	V
Sweden							
	Stadler Service Sweden AB	Stockholm	SEK	50	100	O	S
Serbia							
	Stadler Rail d.o.o.	Kragujevac	RSD	60	100	O	S
Spain							
	Stadler Rail Valencia S.A.U.	Albuixech Valencia	EUR	18,060	100	O	P, E, S, V, CS
	Erion Mantenimiento Ferroviario S.A.	Madrid	EUR	500	51	O	S
Czech Republic							
	Stadler Praha s.r.o.	Prague	CZK	2,000	100	O	E
Hungary							
	Stadler Trains Mag. Kft.	Budapest	HUF	3,000	40	Δ	V
	Stadler Szolnok Kft.	Szolnok	HUF	200,000	100	O	P
	Stadler Mag. Vas. Karb.	Pusztaszabolcs	HUF	320,000	100	O	S
USA							
	Stadler US Inc.	Salt Lake City	USD	100	100	O	P, E, S, V
Belarus							
	CJSC Stadler Minsk	Minsk	EUR	51,322	100	O	P, E, V

Consolidation

- O Fully consolidated company
Δ Equity method

Function

- P Production
E Engineering
S Service
V Sales
I Property
CS Corporate Services

4.5 RELATED PARTIES AND COMPANIES

Related parties and companies are associated companies as well as members of the Board of Directors, members of the Group Executive Board, pension funds and shareholders with at least 20% of the voting rights, as well as companies controlled by the aforementioned related parties and companies. Transactions with related parties are generally based on market conditions. All transactions are included in the consolidated financial statements.

in thousands of CHF	2020	2019
Balance Sheet		
Advance payments to suppliers (note 1.2)	10,480	5,405
Advance payments from customers (note 1.2)	286,685	223,836
Trade receivables (note 2.1)	27,104	2,279
Trade payables (note 2.1)	13,112	1,952
Other financial assets (note 2.4)	33,639	35,726
Other current receivables (note 2.7)	84	5,435
Other current liabilities (note 2.7)	–	2
Current loan from Stadler Rail AG pension fund (note 3.1)	–	20,000
Income Statement		
Purchase of goods and services	29,231	18,948
Sale of goods and services	125,475	42,674
Interest received	1,907	1,996
Dividends received	1,840	1,237

The sale of goods and services is mainly attributable to the sale of locomotives to the related company European Loc Pool AG (subsidiary of PCS Holding AG) and the sale of KISS trains to the related company Austrian Train Finance AG (subsidiary of PCS Holding AG). The KISS trains will subsequently be leased by Austrian Train Finance AG to the operator WESTbahn. The advance payments received are mainly from these two customers. In addition, the trade receivables reported result primarily from the sale of KISS trains described above.

The purchase of goods and services is largely due to the purchase of compressors from the related company Aebi Schmidt Group (subsidiary of PCS Holding AG), the purchase of traction systems from the related company Traktionssysteme Austria GmbH (subsidiary of PCS Holding AG) and the purchase of ETCS systems from the associated company AngelStar.

Other financial assets mainly consist of a loan to Estonia Train Finance AG (subsidiary of PCS Holding AG), which bears interest at market rates.

PCS Holding AG (and its subsidiaries) is an organisation which indirectly, through its owner Peter Spuhler, has a significant influence on Stadler and is regarded as a related party within the meaning of FER 15/2.

4.6 GOODWILL

ACCOUNTING PRINCIPLES

Goodwill resulting from an acquisition is recorded in retained earnings on the date of acquisition. When shares of a Group company are sold, the goodwill historically recorded in retained earnings is transferred to the income statement. The effects of theoretical capitalisation and amortisation, including any impairment resulting from the assessment of recoverability, are shown below. For this shadow accounting, in principle the goodwill is depreciated on a straight-line basis over the economic useful life; normally 5 years.

Effects of a theoretical capitalisation of goodwill on the balance sheet:

in thousands of CHF	31.12.2020	31.12.2019
Effects of theoretical capitalisation of goodwill on the balance sheet		
Shareholders' equity including minority interests	860,339	846,954
Equity ratio	19.07%	22.29%
Acquisition value of goodwill at the beginning of the year	166,169	158,180
Additions	1,019	7,989
Acquisition value of goodwill at the end of the year	167,188	166,169
Accumulated amortisation of goodwill at the beginning of the year	124,068	90,309
Amortisation current year	32,314	33,759
Accumulated amortisation of goodwill at the end of the year	156,382	124,068
Theoretical net carrying amount of goodwill	10,806	42,101
Theoretical equity including minority interests and net carrying amount of goodwill	871,145	889,055
Theoretical equity ratio	19.27%	23.14%

Effects of a theoretical amortisation of goodwill on profit for the year:

in thousands of CHF	2020	2019
Effects of theoretical amortisation of goodwill on profit for the year		
Reported profit for the year	138,409	128,539
Theoretical amortisation of goodwill	(32,314)	(33,759)
Annual profit after amortisation of goodwill	106,095	94,780

5. OTHER INFORMATION

5.1 FINANCIAL RESULT

in thousands of CHF	2020	2019
Financial income		
Interest income	4,020	3,589
Foreign exchange gains	15,990	–
Total financial revenue	20,010	3,589
Financial expenses		
Interest expenses	(8,368)	(4,137)
Interest expenses on finance leases	(1,231)	(1,259)
Bank charges	(1,934)	(987)
Order-related bank guarantee costs	(11,531)	(24,430)
Foreign exchange losses	–	(19,841)
Total financial expenses	(23,064)	(50,654)
Net financial result	(3,054)	(47,065)

5.2 OTHER OPERATING INCOME/EXPENSES

OTHER OPERATING INCOME

in thousands of CHF	2020	2019
Other operating income		
Change in allowance of inventories	1,795	–
Government grants	–	17
Proceeds from disposal of non-current assets	8,891	–
Reversal of impairment on financial assets	861	–
Reversal of social security and personnel-related accruals	6,391	–
Proceeds from recycling	1,268	903
Miscellaneous	2,803	494
Total other operating income	22,009	1,414

OTHER OPERATING EXPENSES

in thousands of CHF	2020	2019
Other operating expenses		
Change in allowance of inventories	–	(132)
Depreciation of SILEX properties, Stadler Rail patents	(2,412)	(2,427)
Loss on disposal of non-current assets	–	(801)
Loss on disposal of subsidiaries	(98)	–
Loss on receivables incl. value adjustment	(236)	–
Miscellaneous	(3,867)	(4,067)
Total other operating expenses	(6,613)	(7,427)

5.3 INCOME TAXES

in thousands of CHF	2020	2019
Income taxes		
Current income taxes	(29,812)	(30,086)
Deferred income taxes	13,549	10,098
Total income taxes	(16,263)	(19,988)

in thousands of CHF	2020	2019
Income taxes		
Income taxes before consideration of losses carried forward	(21,714)	(16,092)
Effect of non-capitalisation of losses carried forward	(146)	(12,261)
Effect of the use of non-capitalised losses carried forward	2,791	909
Effect from capitalisation of previously unrecognised losses carried forward	3,205	7,456
Effect of the reassessment of previously capitalised losses carried forward	(399)	–
Income taxes after consideration of losses carried forward	(16,263)	(19,988)

The average applicable tax rate in relation to the ordinary result and deferred taxes is 15.7% (previous year: 13.9%).

in thousands of CHF	31.12.2020	31.12.2019
Entitlement for deferred income taxes on losses carried forward not yet used		
Expiration after 2020 (or 2019 for previous year)	16,228	23,041
Total entitlement for deferred income taxes on losses carried forward not yet used	16,228	23,041

ACCOUNTING PRINCIPLES

Income taxes include both current and deferred income taxes.

Current income taxes are calculated applying current tax rates to the taxable annual income or expected taxable income of the year according to the respective tax law regulations for calculating profit. Deferred income taxes are recognised for valuation differences between assets and liabilities measured according to uniform group-wide guidelines in relation to the respective tax values. Deferred tax liabilities are recognised in the balance sheet under the item "Provisions". Deferred tax assets from losses carried forward and from deductible temporary differences are recognised to the extent that they are likely to be offset against future taxable profits.

Deferred taxes are calculated on the basis of the expected tax rates applicable to the individual companies for the corresponding assets and liabilities.

5.4 EMPLOYEE BENEFITS

The employer contribution reserves at the end of the year were as follows:

in thousands of CHF	Nominal value	Waiver of use	Balance sheet	Accumulation	Balance sheet	Result from ECR in personnel expenses	
	31.12.2020	2020	31.12.2020	2020	31.12.2019	2020	2019
Employer contribution reserves (ECR)							
Pension plans with surplus	–	–	–	–	11,336	11,336	14,547
Total employer contribution reserves	–	–	–	–	11,336	11,336	14,547

in thousands of CHF	Nominal value	Waiver of use	Balance sheet	Accumulation	Balance sheet	Result from ECR in personnel expenses	
	31.12.2019	2019	31.12.2019	2019	31.12.2018	2019	2018
Employer contribution reserves (ECR)							
Pension plans with surplus	11,336	–	11,336	–	25,883	14,547	–
Total employer contribution reserves	11,336	–	11,336	–	25,883	14,547	–

Economic benefit/obligation and employee benefit expenses:

in thousands of CHF	Surplus/ Deficit	Economical part of the organisation		Currency translation differences	Change from previous year	Contributions concerning the business period	Pension benefit expenses within personnel expenses	
		31.12.2020	31.12.2019				2020	2019
Economical benefit/economical obligation and pension benefit expenses								
Pension plans with surplus	72,393	–	–	–	–	21,900	21,900	20,337
Pension fund without own assets	–	3,068	2,788	(114)	394	4,667	5,061	5,999
Total economical benefit/economical obligation and pension benefit expenses	72,393	3,068	2,788	(114)	394	26,567	26,961	26,336

in thousands of CHF	Surplus/ Deficit	Economical part of the organisation		Currency translation differences	Change from previous year	Contributions concerning the business period	Pension benefit expenses within personnel expenses	
		31.12.2019	31.12.2018				2018	2019
Economical benefit/economical obligation and pension benefit expenses								
Pension plans with surplus	64,915	–	–	–	–	20,337	20,337	18,350
Pension fund without own assets	–	2,788	3,374	3	(589)	6,588	5,999	6,053
Total economical benefit/economical obligation and pension benefit expenses	64,915	2,788	3,374	3	(589)	26,925	26,336	24,403

ACCOUNTING PRINCIPLES

ASSETS AND LIABILITIES FROM EMPLOYEE BENEFITS (INCL. EMPLOYER CONTRIBUTION RESERVE)

The employee benefit plans are either financially independent entities and foundations outside of Stadler (funded plans) or unfunded plans with a corresponding liability in the balance sheet. Financing is provided by employee and employer contributions. The actual economic impact of all employee benefit plans that provide benefits for retirement, death or disability are calculated as at the balance sheet date. In the case of foreign plans, the provisions calculated according to local regulations are included in the consolidated financial statements. A benefit resulting from employer contribution reserves is recognised as an asset. Any additional economic benefit (from a surplus in pension fund cover) is not capitalised. An economic obligation is recognised as a liability if the conditions for the recognition of a provision are met.

5.5 NON-OPERATING RESULT

Following the IPO on 12 April 2019, all shares from the former employee share plan (MAP for short) are freely tradable. The sale of the shares could result in tax consequences for the sellers (taxable income from equity securities). If it is determined that taxable income exists in principle, this is also subject to social insurance contributions to be settled with the social insurance authorities.

The social security contributions for the employer resulting from the sales are recorded in non-operating expenses. The social security contributions payable by Stadler on MAP sales are directly attributable to the IPO, which is not directly related to the ordinary course of business.

5.6 EVENTS AFTER THE REPORTING DATE

No events occurred after the reporting date that could have a significant impact on the 2020 consolidated financial statements.

5.7 APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The 2020 financial statements were approved by the Board of Directors on 9 March 2021 and will be recommended for approval at the Annual General Meeting on 6 May 2021.



Statutory Auditor's Report

To the General Meeting of Stadler Rail AG, Bussnang

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Stadler Rail AG and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2020 and the consolidated statement of income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the consolidated financial statements (pages 57 to 96) give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Swiss GAAP FER and comply with Swiss law.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority



Valuation of work in progress



Revenue recognition in the Rolling Stock business segment

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Valuation of work in progress

Key Audit Matter

As at 31 December 2020, work in progress amounts to CHF 887 million and liabilities from work in progress amounts to CHF 1'204 million.

Work in progress (gross, before advance payments to suppliers and advance payments from customers) correspond to the accumulated manufacturing costs less the costs of the units already delivered. The manufacturing costs include order-specific material and external service costs, material overheads as well as production, engineering and project management costs.

Upon delivery of a unit, the proportionate manufacturing costs in relation to the estimated total costs are recognized in the income statement. When determining the estimated total costs, there is uncertainty regarding future costs. Therefore, there is significant judgment involved, and management has to make assumptions and estimates.

Due to the extended manufacturing time, there is also a risk that the total costs will change due to inaccurate estimates and have to be reassessed, whereby loss-making orders may not be identified, or not in due time.

Moreover, there is a risk that cost rates are calculated incorrectly or costs are charged to the wrong project.

For further information on valuation of work in progress refer to the following:

— 1.2 „Work in progress”, pages 68 & 69

Our response

Our procedures included amongst others an assessment of the processes and the relevant controls in the areas of order processing, project controlling and valuation of work in progress.

On a sample basis, we have reconciled new projects to the corresponding contracts. Furthermore, we have examined the correct allocation of costs based on the implemented key controls.

Moreover, for ongoing projects we have critically assessed on a sample basis the appropriateness of the estimates and assumptions regarding the total costs as well as their development over time by performing a retrospective comparison of the initially budgeted total costs and the currently estimated total costs.

Furthermore, we have challenged the valuation of work in progress by comparing the estimated total costs with the expected revenues.



Revenue recognition in the Rolling Stock business segment

Key Audit Matter

In 2020, net sales of goods and services to third parties in the Rolling Stock business segment amount to CHF 2'742 million.

Revenue recognition in the Rolling Stock business segment is performed according to the Percentage of Completion method, whereby the degree of completion is determined following the Units of Delivery method.

Revenue is usually recognized upon acceptance of a unit by the customer, whereby a unit generally corresponds to a vehicle or wagon. The degree of completion is the ratio between the delivered units and the total quantity to be delivered according to a contract.

In some justified cases, acceptance can be delayed only due to administrative or organizational matters. In such cases, revenue is recognized before acceptance, when all significant performance obligations are fulfilled.

In case of revenue recognition before acceptance of a unit, management applies judgement when assessing the fulfillment of the performance obligations. Consequently, there is a risk that revenues are recognized in the wrong period.

Our response

Our procedures included amongst others an assessment of the processes and the relevant controls regarding revenue recognition.

On a sample basis, we have furthermore assessed the point in time at which revenue was recognized, focusing on transactions around the balance sheet date, by using appropriate third-party evidence (such as contracts or acceptance records).

In cases where revenue was recognized before acceptance by the customer, we have challenged management's assessment by using appropriate evidence (e.g. work acceptance or delivery documents).

For further information on revenue recognition in the Rolling Stock business segment refer to the following:

- 1.1 „Segment reporting“, pages 66 & 67
- 1.2 „Work in progress“, pages 68 & 69
- 1.3 „Compensation claims resulting from work in progress“, page 70



Responsibility of the Board of Directors for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Swiss GAAP FER and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.



From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

KPMG AG

A handwritten signature in black ink, appearing to read 'K. Stocker', written over a faint circular stamp.

Kurt Stocker
Licensed Audit Expert
Auditor in Charge

A handwritten signature in black ink, appearing to read 'P. Erismann', written over a faint circular stamp.

Philipp Erismann
Licensed Audit Expert

Zurich, 9 March 2021



A new rack-and-pinion train for Manitou & Pikes Peak Railways

FINANCIAL
STATEMENTS OF
STADLER RAIL AG

INCOME STATEMENT

in CHF	Note	2020		2019	
Dividend income		120,125,563		70,124,800	
Other financial income	2.7	12,769,965		5,061,906	
Other operating income	2.8	39,484,200		25,280,931	
Operating income		172,379,728	100.0%	100,467,637	100.0%
Financial expenses	2.9	(13,040,976)		(4,179,877)	
Personnel expenses		(7,676,563)		(6,523,485)	
Other operating expenses	2.10	(7,376,988)		(8,541,950)	
Operating income before tax, depreciation and valuation allowances		144,285,201	83.7%	81,222,325	80.8%
Impairment losses on investments		–		(22,000,000)	
Depreciation	2.3	–		(1,645,434)	
Profit before taxes		144,285,201	83.7%	57,576,891	57.3%
Income taxes		(4,265,110)		102,035	
Profit for the year		140,020,091	81.2%	57,678,926	57.4%

BALANCE SHEET

in CHF	Note	31.12.2020	31.12.2019
Assets			
Cash and cash equivalents		96,914,186	1,519,153
Other current receivables			
– from third parties		180,111	179,227
– from related parties		–	8,616
– from group companies		37,851,941	211,086,392
Accrued income and deferred expenses		2,376,437	955,587
Total current assets		137,322,675	213,748,975
		16.9%	37.2%
Financial assets	2.1	410,728,982	87,189,400
Investments	2.2	262,965,727	262,939,457
Intangible assets	2.3	–	11,216,300
Total non-current assets		673,694,709	361,345,157
		83.1%	62.8%
Total assets		811,017,384	575,094,132
		100.0%	100.0%
Liabilities & equity			
Other current liabilities			
– from third parties		1,237,412	2,497,372
– from related parties		1,689,839	680
– from group companies		217,731,044	1,079,983
Current provisions		8,326,292	8,016,611
Deferred income and accrued expenses		4,135,061	1,975,529
Total current liabilities		233,119,648	13,570,175
		28.7%	2.4%
Non-current interest-bearing liabilities			
– from third parties	2.4	300,000,000	300,000,000
– from group companies		48,693,600	50,357,000
Non-current provisions		–	1,302,492
Total non-current liabilities		348,693,600	351,659,492
		43.0%	61.1%
Total liabilities		581,813,248	365,229,667
		71.7%	63.5%
Share capital	2.5	20,000,000	20,000,000
Legal retained earnings			
– General legal retained earnings		4,000,000	4,000,000
Voluntary retained earnings			
– Available earnings			
– Result carried forward		65,905,045	128,185,539
– Profit for the year		140,020,091	57,678,926
Treasury shares	2.6	(721,000)	–
Total equity		229,204,136	209,864,465
		28.3%	36.5%
Total liabilities & equity		811,017,384	575,094,132
		100.0%	100.0%

NOTES TO THE FINANCIAL STATEMENTS

1. PRINCIPLES

GENERAL INFORMATION

These financial statements have been prepared in accordance with the provisions of Swiss Accounting Law (32nd title of the Swiss Code of Obligations). The main valuation principles that are not required by law are described below.

FINANCIAL ASSETS

Financial assets include long-term loans and securities with market prices. Loans granted in foreign currencies are valued at the current balance sheet date, whereby unrealised losses are recorded, whereas unrealised gains are not recognised (impairment principle). Short-term securities are valued at the market prices on the balance sheet date. The recognition of a fluctuation reserve is waived.

INVESTMENTS

Investments were valued at acquisition cost less any necessary value adjustments. The principle of individual valuation is applied.

BOND ISSUES

Bonds are carried at nominal value under interest-bearing financial liabilities. The issuing costs incurred in connection with the issue of the bond are capitalised under accrued income/deferred expenses and amortised over the term of the bond. Any premiums received on the issue of the bond are recognised under deferred income/accrued expenses and amortised over the term of the bond. The reversal of the issuing costs and of the premium are recognised in the financial result.

TREASURY SHARES

Treasury shares are recognised at acquisition cost and deducted from equity on the date of acquisition. In the event of subsequent sale or allocation (supply) within the scope of share-based remuneration, the gain or loss is recognised through retained earnings without affecting the income statement.

SHARE-BASED REMUNERATION

The members of the Board of Directors have the option to have their fee paid in cash and/or in shares. In addition, members of the Group Executive Board (GEB), the extended Group Executive Board as well as managerial levels 1 and 2 receive between 20 and 100% of their variable remuneration in the form of shares. The shares are subject to a four-year vesting period after allocation and are allocated at a vesting discount of 20% in relation to the defined value. The expense for the remuneration of the Board of Directors is recognised in the income statement at the current value of the allocation. The expense for the variable remuneration of the (extended) GEB and managerial levels 1 and 2 is recognised and carried as a liability in the year in which the benefit is provided. Any differences in relation to the effective allocation value are corrected in the following year and recognised in the income statement.

FORGOING A CASH FLOW STATEMENT AND ADDITIONAL DISCLOSURES IN THE NOTES

Since Stadler Rail AG has prepared consolidated financial statements in accordance with a recognised accounting standard (Swiss GAAP FER), in these financial statements it has decided to forgo presenting additional information in the notes on interest-bearing liabilities and audit fees, or to provide a cash flow statement, in accordance with the legal requirements.

2. INFORMATION ON BALANCE SHEET AND INCOME STATEMENT ITEMS

2.1 FINANCIAL ASSETS

in CHF	31.12.2020	31.12.2019
Loans to third parties	15,600,023	16,946,558
Loans to group companies	395,128,959	70,242,842
Total financial assets	410,728,982	87,189,400

2.2 INVESTMENTS

DIRECT INVESTMENTS

Company	Domicile	Share of capital and voting rights in %	
		31.12.2020	31.12.2019
Stadler Rail Management AG	Bussnang (CH)	100	100
Stadler Trains Mag. Kft.	Budapest (HU)	40	40
Stadler Bussnang AG	Bussnang (CH)	100	100
Stadler Rheintal AG	St. Margrethen (CH)	100	100
Stadler US Inc.	Salt Lake City (USA)	100	100
Stadler Winterthur AG	Winterthur (CH)	100	100
Stadler Szolnok Kft.	Szolnok (HU)	100	100
Stadler Pankow GmbH (since 1 January 2021 Stadler Deutschland GmbH)	Berlin (DE)	100	100
Stadler Polska Sp. z o.o.	Siedlce (PL)	100	100
Stadler Praha s.r.o.	Prague (CZ)	100	100
CJSC Stadler Minsk	Minsk (BY)	100	100
Stadler Service AG	Bussnang (CH)	100	100
Stadler Australia Ltd. Pty	Sydney (AUS)	-	100
Stadler Rail Valencia S.A.U.	Albuixech Valencia (ES)	100	100
Stadler Środa Sp. z o.o.	Środa Wielkopolska (PL)	100	100
Stadler Signalling AG ¹	Wallisellen (CH)	100	100
Stadler CIS AG	Bussnang (CH)	51	51
AngelStar S.r.l.	Mola di Bari (IT)	40	40

¹ The investment was taken over from a subsidiary at the carrying amount in the reporting year (previous year: indirect investment).

INDIRECT INVESTMENTS

Company	Domicile	Share of capital and voting rights in %	
		31.12.2020	31.12.2019
Stadler Stahlguss AG	Biel (CH)	100	100
Stadler Rail d.o.o.	Kragujevac (RS)	100	100
Stadler Reinickendorf GmbH	Berlin (DE)	100	100
STAP Grundstücks-Vermietungsgesellschaft GmbH	Berlin (DE)	100	100
Stadler Rail Service Deutschland GmbH (formerly SILEX Grundstücks-Verwaltungsgesellschaft GmbH)	Berlin (DE)	100	100
Stadler Mannheim GmbH	Mannheim (DE)	100	–
LLC Stadler Rus	Moscow (RU)	100	100
Stadler Mag. Vas. Karb.	Pusztaszabolcs (HU)	100	100
Stadler Algérie Eurl	Algiers (DZ)	100	100
Stadler Service Finland Oy	Helsinki (FI)	100	–
Stadler Service Italy GmbH	Merano (IT)	100	100
ÖBB Stadler Service GmbH	Vienna (AT)	40	40
Stadler Service Nederland B.V.	Twello (NL)	100	100
Stadler Service Sweden AB	Stockholm (SE)	100	100
Stadler Rail Service UK Ltd.	Liverpool (GB)	100	100
Stadler Service Polska Sp. z o.o.	Warsaw (PL)	100	100
Erion France S.A.S.	Arc-lès-Gray (FR)	100	100
Erion Mantenimiento Ferroviario S.A.	Madrid (ES)	51	51
Stadler Chemnitz GmbH	Chemnitz (DE)	100	100
OOO Stadler	Moscow (RU)	90	90
Stadler Service Norway AS	Oslo (NO)	100	100
Stadler Service Denmark Aps	Aarhus (DK)	100	100
WHAT B.V.	Venlo (NL)	50	50

2.3 INTANGIBLE ASSETS

The intangible assets were transferred to a subsidiary at the carrying amount as at 1 January 2020. For this reason, no depreciation was incurred in the reporting year.

2.4 NON-CURRENT INTEREST-BEARING LIABILITIES

On 20 November 2019, Stadler issued a bond for a total of TCHF 300,000 with a coupon of 0.375%. The issue price was 100.553% of the nominal value. It will be redeemed at par value on 20 November 2026. The bond is listed on the SIX Swiss Exchange.

2.5 SHARE CAPITAL

The share capital of TCHF 20,000 consists of 100 million registered shares with a par value of CHF 0.20 each (31 December 2019: 100 million registered shares with a par value of CHF 0.20 each).

As at 31 December 2020, Stadler has an authorised share capital of a maximum of TCHF 2,000 (previous year: TCHF 2,000) and a conditional share capital of a maximum of TCHF 400 (previous year: TCHF 400).

2.6 TREASURY SHARES

	Number (pcs.)	Par value (CHF)	Average transaction price (CHF)	Carrying amount (CHF)
Stock at 1 January 2019	230,250	0.20	9.50	2,187,463
Purchases from third parties	589,250	0.20	10.00	5,892,500
Purchases from employees	452,300	0.20	8.01	3,622,833
Sales to employees and directors	(848,500)	0.20	8.01	(6,796,485)
Allocations of share-based payments	(423,300)	0.20	7.92	(3,352,536)
Adjustment to average price				(1,553,775)
Stock at 31 December 2019	–	0.20	0.00	–
Stock at 1 January 2020	–	0.20	0.00	–
Purchases from third parties	30,000	0.20	38.78	1,163,465
Allocations of share-based payments	(11,409)	0.20	39.60	(451,800)
Adjustment to average price				9,335
Stock at 31 December 2020	18,591	0.20	38.78	721,000

2.7 OTHER FINANCIAL INCOME

in CHF	2020	2019
	2,883,693	–
Interest from investments	2,566,907	51,869
Interest from third	402,100	200,830
Foreign exchange gains	6,917,265	4,809,207
Total other financial income	12,769,965	5,061,906

2.8 OTHER OPERATING INCOME

in CHF	2020	2019
Income from services	12,500,000	10,852,000
Income from royalties	26,984,200	14,428,931
Total other operating income	39,484,200	25,280,931

2.9 FINANCIAL EXPENSES

in CHF	2020	2019
Bank interest and fees	1,285,866	146,713
Interest on investments	2,395,234	454,520
Foreign exchange losses	9,359,876	3,578,644
Total financial expenses	13,040,976	4,179,877

2.10 OTHER OPERATING EXPENSES

in CHF	2020	2019
Administrative expenses	1,064,552	1,532,258
Consulting expenses	360,289	135,024
Other operating expenses	5,952,147	6,874,668
Total other operating expenses	7,376,988	8,541,950

3. OTHER INFORMATION

DECLARATION OF THE AVERAGE NUMBER OF FULL-TIME EMPLOYEES DURING THE YEAR

The average number of full-time equivalents for the current as well as the prior year was over 10 but less than 50.

SIGNIFICANT SHAREHOLDERS

in %	31.12.2020	31.12.2019
Significant shareholders		
PCS Holding AG	30.5	28.9
Peter Spuhler	11.0	11.0
RSBG SE ¹	n/a	10.0

¹ As at 31 December 2020, the interest was below 5%. RSBG SE is wholly owned by the RAG foundation.

DISCLOSURE OF SHAREHOLDINGS

The following members of the Board of Directors and the Group Executive Board (including related parties) held the following number of shares in Stadler Rail AG:

in units	31.12.2020	31.12.2019
Number of shares Board of Directors		
Peter Spuhler	41,598,237	39,935,296
Hans-Peter Schwald	1,000,000	1,000,000
Kurt Rüegg	378,567	375,000
Friedrich Merz	n/a	150,000
Fred Kindle	1,300,000	1,300,000
Dr. Christoph Franz	1,356,794	1,300,000
Wojciech Kostrzewa	150,000	150,000
Barbara Egger-Jenzer	1,962	n/a
Doris Leuthard	749	n/a
Total number of shares Board of Directors	45,786,309	44,210,296

in units	31.12.2020	31.12.2019
Number of shares Group Executive Board		
Dr. Thomas Ahlburg	n/a	500,000
Raphael Widmer	100,000	100,000
Ansgar Brockmeyer	50,000	50,000
Marina Winder	35,500	40,000
Jure Mikolčić	36,700	50,000
Markus Bernsteiner	270,000	270,000
Christian Spichiger	60,000	60,000
Iñigo Parra	40,000	40,000
Jürg Gygax	130,000	130,000
Total number of shares Group Executive Board	722,200	1,240,000

COLLATERAL PROVIDED FOR THIRD-PARTY LIABILITIES

The collateral provided by the company amounts to CHF 9,705 million (previous year: CHF 5,918 million). These are sureties as well as letters of comfort and guarantees issued in favour of customers, suppliers and financial institutions.

CONTINGENT LIABILITIES

Stadler Rail AG belongs to the Stadler Bussnang AG VAT group and is jointly liable for its VAT liabilities to the tax authorities.

Under the cash pooling agreement with UBS AG, there is joint and several liability towards the affiliated Group companies.

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

No events occurred after the reporting date that could have a significant impact on the 2020 financial statements.

APPROPRIATION OF PROFIT PROPOSED TO THE ANNUAL GENERAL MEETING

in CHF	31.12.2020
For disposition by the General Meeting	
Results carried forward	65,905,045
Profit for the year	140,020,091
Accumulated profits	205,925,136
./. Treasury shares	(721,000)
Total available earnings	205,204,136
in CHF	31.12.2020
Proposal of the Board of Directors	
Distribution of a dividend of 425% of the share capital of CHF 20,000,000	85,000,000
To be carried forward	120,925,136
Total proposed appropriation by the Board of Directors	205,925,136
./. Treasury shares	(721,000)
	205,204,136



Statutory Auditor's Report

To the General Meeting of Stadler Rail AG, Bussnang

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Stadler Rail AG, which comprise the balance sheet as at 31 December 2020, and the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements (pages 103 to 111) for the year ended 31 December 2020 comply with Swiss law and the company's articles of incorporation.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. We have determined that there are no key audit matters to communicate in our report.

Responsibility of the Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

KPMG AG

A handwritten signature in black ink, appearing to read 'K. Stocker', written over a faint circular stamp.

Kurt Stocker
Licensed Audit Expert
Auditor in Charge

A handwritten signature in black ink, appearing to read 'P. Erismann', written over a faint circular stamp.

Philipp Erismann
Licensed Audit Expert

Zurich, 9 March 2021

Financial Calendar

Media and Analyst Information 2021	11 March 2021
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2021 Annual General Meeting	6 May 2021
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2021 Interim Report	25 August 2021
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All statements in this report that are not based on historical facts are forward-looking statements that offer no guarantee whatsoever with regard to future performance; they involve risks and uncertainties including, but not limited to, future global economic conditions, exchange rates, legal provisions, market conditions, activities of competitors and other factors beyond the control of the company.

March 2021

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STADLER'S PRODUCTS AT A GLANCE



SMILE

Eleven-car high-speed train for long-distance transport

Drive: EMU, multi-system capable
Max. rating at wheel: 6,000 kW
Maximum speed: 250 km/h



FLIRT

Three- to twelve-car intercity or regional train

Flexible drive solution: EMU multi-system capable, DMU (diesel or HVO), BMU, H2 and hybrid solutions with additional accumulators
Max. rating at wheel: 1,300–6,000 kW
Maximum speed: 160–200 km/h

KISS
 Two- to eight-car double-decker train for suburban, regional or long-distance transport

Drive: EMU multi-system capable, hybrid solution with additional accumulators
Max. rating at wheel: 1,500–9,000 kW
Maximum speed: 160–200 km/h



WINK

Two-car regional train for branch lines

Flexible drive solution: EMU, DMU (diesel or HVO), H2 and hybrid solutions with additional accumulators
Max. rating at wheel: 748–1,000 kW
Maximum speed: 140 km/h or 160 km/h, depending on drive option



METRO

Two- to ten-car underground vehicles

Drive: EMU
Max. rating at wheel: 1,500–9,000 kW
Maximum speed: 120 km/h



TRAMLINK

Three- to seven-car low-floor tram
 One- or two-directional vehicle
 Different track gauges

Maximum speed: 80 km/h



CITYLINK

Three- to four-car low-floor light rail vehicle
 Tram-train vehicle
 Different track gauges

Maximum speed: 100 km/h



METELITSA

Two- to five-car wide-gauge tram
End-to-end low-floor vehicle with outward rotating bogies
One- or two-directional vehicle

Maximum speed: 80 km/h



EURO9000

Six-axle locomotive for freight transport

Drive: electric

Max. performance: 9,000 kW

Maximum speed: 120 km/h

EURO4000

Four- or six-axle locomotive for freight or passenger transport

Drive: diesel-electric

Max. performance: 3,100 kW

Maximum speed: 120 km/h



PASSENGER CARRIAGES

Individual production of sleeping cars, passenger carriages or panoramic coaches such as the Bernina or Glacier Express



TAILOR MADE MULTIPLE UNITS AND LOCOMOTIVES

Individual one-off products or small series of vehicles with very specific customer requirements



EURODUAL

Six-axle locomotive for freight or passenger transport

Drive: hybrid solutions, diesel-electric and/or electric and additional accumulators

Max. rating at wheel: 3,000–6,100 kW

Maximum speed: 160 km/h



RACK RAILWAYS

The world's leading manufacturer of rack railways.

Different rack and pinion systems, drives and track gauges.



STADLER

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