HALF-YEAR REPORT 2020

STADLER

HALF-YEAR RESULTS 2020 AT A GLANCE

0.9

BILLION CHF NET REVENUE
Previous year: 1.1

5.0

MILLION CHF EBIT
Previous year: 46.9

0.5%

EBIT MARGIN
Previous year: 4.2%

33,000

REGISTERED SHAREHOLDERS AS AT 30 JUNE 2020

3.1

BILLION CHF ORDER INTAKE
Previous year: 2.3

12,156

EMPLOYEES WORLDWIDE
(average FTE 1 January 2020 to 30 June 2020)
Previous year: 10,491

16.8

BILLION CHF ORDER BACKLOG
31 December 2019: 15.0

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

THIS IS WHERE FACTS AND FIGURES COME IN

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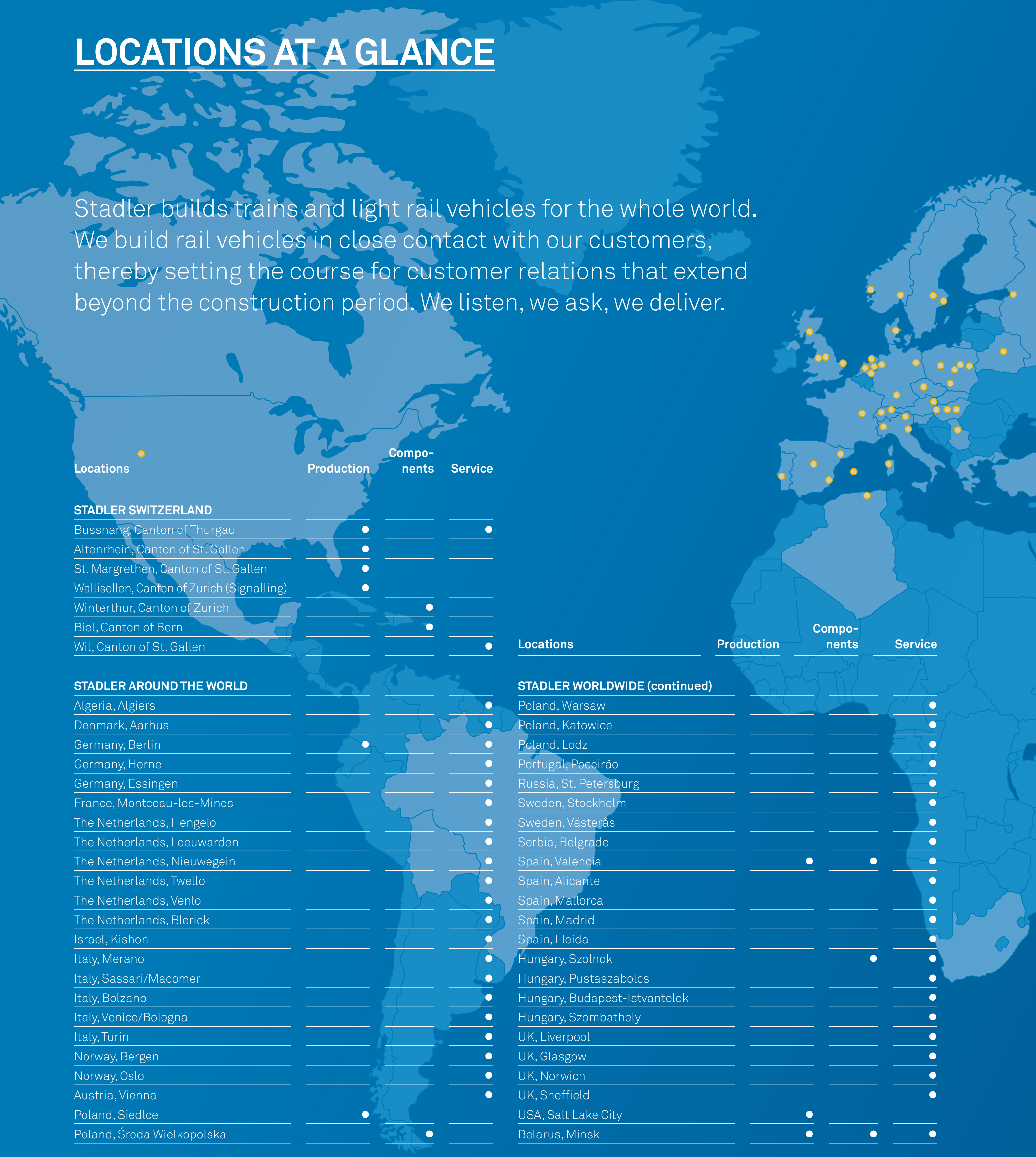
LOCATIONS AT A GLANCE

Stadler builds trains 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	Components	Service
STADLER SWITZERLAND			
Bussnang, Canton of Thurgau	●		●
Altenrhein, Canton of St. Gallen	●		
St. Margrethen, Canton of St. Gallen	●		
Wallisellen, Canton of Zurich (Signalling)	●		
Winterthur, Canton of Zurich		●	
Biel, Canton of Bern		●	
Wil, Canton of St. Gallen			●
STADLER AROUND THE WORLD			
Algeria, Algiers			●
Denmark, Aarhus			●
Germany, Berlin	●		●
Germany, Herne			●
Germany, Essingen			●
France, Montceau-les-Mines			●
The Netherlands, Hengelo			●
The Netherlands, Leeuwarden			●
The Netherlands, Nieuwegein			●
The Netherlands, Twello			●
The Netherlands, Venlo			●
The Netherlands, Blerick			●
Israel, Kishon			●
Italy, Merano			●
Italy, Sassari/Macomer			●
Italy, Bolzano			●
Italy, Venice/Bologna			●
Italy, Turin			●
Norway, Bergen			●
Norway, Oslo			●
Austria, Vienna			●
Poland, Siedlce	●		
Poland, Środa Wielkopolska		●	

Locations	Production	Components	Service
STADLER WORLDWIDE (continued)			
Poland, Warsaw			●
Poland, Katowice			●
Poland, Lodz			●
Portugal, Poceirão			●
Russia, St. Petersburg			●
Sweden, Stockholm			●
Sweden, Västerås			●
Serbia, Belgrade			●
Spain, Valencia	●	●	●
Spain, Alicante			●
Spain, Mallorca			●
Spain, Madrid			●
Spain, Lleida			●
Hungary, Szolnok		●	●
Hungary, Pustaszabolcs			●
Hungary, Budapest-Istvantelek			●
Hungary, Szombathely			●
UK, Liverpool			●
UK, Glasgow			●
UK, Norwich			●
UK, Sheffield			●
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	1st half-year 2020	as % of net revenue	1st half-year 2019	as % of net revenue	Change in %
Stadler					
Order intake	3,118.0		2,310.3		35%
Order backlog[1]	16,840.3		15,026.1		12%
Net revenue	934.7	100.0%	1,115.3	100.0%	(16%)
Gross margin[2]	76.7	8.2%	121.2	10.9%	(37%)
EBITDA[3]	46.9	5.0%	76.9	6.9%	(39%)
Operating result (EBIT)	5.0	0.5%	46.9	4.2%	(89%)
Profit for the period	15.7	1.7%	27.5	2.5%	(43%)
Earnings per share (in CHF)	0.15		0.27		(43%)
Net cash flow from operating activities	(200.8)		(137.5)		
Capital expenditure[4]	96.0		153.9		(38%)
Free cash flow[5]	(309.0)		(294.7)		
Net working capital[1,6]	287.3		27.4		
Work in progress (net)[1,7]	(375.8)		(803.8)		
Net cash[1,8]	(417.1)		5.6		
Equity ratio[1]	18.3%		22.3%		
Staff as FTEs	12,156		10,491		16%
“Rolling Stock” segment					
Order intake	1,917.5		1,707.7		12%
Order backlog[1]	12,758.5		12,254.3		4%
Net revenue (third parties)	788.8	84.4%	1,002.0	89.8%	(21%)
“Service & Components” segment					
Order intake	1,200.5		602.6		99%
Order backlog[1]	4,081.8		2,771.8		47%
Net revenue (third parties)	145.9	15.6%	113.3	10.2%	29%

1 As at 30 June 2020 resp. 31 December 2019
2 Gross margin is calculated as net revenue less cost of goods sold and services provided
3 EBITDA is calculated as the sum of EBIT and depreciation and amortisation
4 Capital expenditure is calculated as the sum of investments in property, plant and equipment and intangible assets
5 Free cash flow is calculated as EBITDA less capital expenditure less change in net working capital
6 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.
7 Work in progress (net) is calculated as work in progress (asset) less liabilities from work in progress
8 Net cash is calculated as cash and cash equivalents less current and non-current financial liabilities

STRONGER POSITION ENTERING SECOND HALF OF THE YEAR DESPITE CORONA CRISIS

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

Dear Shareholders

Despite the coronavirus crisis, Stadler was not affected by a slump in demand in the first half of 2020 and continued to enjoy a leading market position. No current orders were cancelled, and in the first half of 2020 Stadler received new orders with a total value of 3.1 billion Swiss francs, 1.2 billion of which concern the Service & Components division. This represents an overall increase of 35 per cent in relation to the same period of the previous year. The order backlog thereby rose by a further 12 per cent in relation to year-end 2019 to a record 16.8 billion Swiss francs, over 4 billion of which concern the "Service & Components" segment.

In contrast to the very solid order situation, however, net revenue, profitability and cash flow at Stadler were significantly impacted by the coronavirus crisis. In particular, there were interruptions in the supply chains and travel restrictions for employees, customers and regulatory authorities. The substantially reduced timetables of rail operators also resulted in lower than expected revenue in the "Service & Components" segment. Overall, net revenue in the reporting period fell to 934.7 million Swiss francs, a decline of 16 per cent in relation to the first half of 2019. Also, the temporary closing of the factory in Valencia and the significant slowdown of the production capacity in Salt Lake City also had a negative impact on net revenues.

"ROLLING STOCK" SEGMENT

In the "Rolling Stock" reporting segment, order intake in the first half of the year amounted to 1.9 billion Swiss francs, up 12 per centon the same period of the previous year. The order backlog also grew by 4 per cent in relation to the end of 2019, reaching a new record high of 12.8 billion Swiss francs. On the other hand, the effects of the coronavirus crisis led to a 21 per cent decline in net revenue to 788.8 million Swiss francs (same period of the previous year: 1.002 billion Swiss francs). The lockdown in numerous countries, which in some cases lasted several weeks, led to interruptions in the supply and transport chains. Of 148 orders currently being processed at Stadler, around 20 orders were directly affected by delays in the supply chain. In addition, restrictions on travel by customers, employees and, in particular, regulatory authorities, led to delayed homologation and vehicle acceptance procedures. This in turn means that the corresponding revenue has been postponed. Final invoices can be issued only with delays.

"SERVICE & COMPONENTS" SEGMENT

Incoming orders in the "Service Components" reporting segment amounted to 1.2 billion Swiss francs in the first half of 2020, almost double the previous year's level. This brings the order backlog in the "Service & Components" segment to 4.1 billion Swiss francs, which now accounts for almost a quarter of Stadler's order backlog. The "Service & Components" reporting segment generated net revenue of 145.9 million Swiss francs in the first half of the year. Thanks to this 29 per cent increase, revenue is therefore well above the level seen in first half of 2019, but significantly below the company's own expectations. Since long-term service contracts are generally paid for on the basis of the kilometres covered by the vehicles, the substantially reduced timetables of rail operators have had a direct impact on revenue in the "Service & Components" segment.

EBIT, NET PROFIT AND CASH FLOW IMPACTED BY COVID-19

EBIT for the first half of 2020 stood at 5 million Swiss francs (0.5 per cent EBIT margin), compared to 46.9 million (4.2 per cent EBIT margin) in the same period of the previous year. The decline in profitability is mainly due to lower volumes resulting from coronavirus-related shifts in revenue and interruptions to supply chains. Net revenue in the "Service & Components" segment also fell short of the capacities provided, which entail ongoing costs. This was due to the reduction of public transport timetables and the resulting decline in the number of kilometres travelled.

Stadler's business is generally subject to strong seasonality, which typically leads to significantly higher revenue, profitability and cash flow in the second half of the year. This is usually reflected in the fact that about one third of revenue is generated in the first half of the year and the remaining two thirds in the second half. The seasonal influence has a stronger impact on EBIT, EBIT margin and cash flow. The coronavirus crisis has further intensified these effects.

In terms of net profit, Stadler posted 15.7 million Swiss francs of profit in the first half of 2020 compared to 27.5 million Swiss francs in the same period of the previous year, which represents a decline of 43 per cent.

Net debt amounted to 417.1 million Swiss francs as at 30 June 2020 compared to –5.6 million on 31 December 2019. The increase in net debt is mainly due to delayed acceptance and invoicing of vehicles. A large number of vehicles are finished and ready for homologation and final takeover by customers. Due to travel restrictions, however, Stadler employees have been unable to travel to the relevant countries. Consequently, it has not been possible for the new vehicles to be homologated and subsequently accepted by customers. As a result, the corresponding final invoices have not yet been issued and the scheduled payments have not been received. This has led to an increase in net current assets of 259.9 million Swiss francs and a corresponding negative impact on cash flow. In addition, Stadler has continued to invest heavily in providing sufficient capacities to deliver on the high order backlog.

OUTLOOK: CONSIDERABLY STRONGER SECOND HALF OF THE YEAR ANTICIPATED

Stadler expects a strong increase in revenue and profitability in the second half of the year in relation to the first half of 2020. Stadler anticipates that in the second half of the year, it will be possible to partially compensate for the delays in homologation and acceptance procedures caused by the coronavirus crisis thanks to the urgent measures introduced immediately. Therefore, assuming that the coronavirus-related influences on supply chains and homologation and vehicle acceptance procedures can be stabilised and provided that exchange rates remain stable, Stadler expects slightly lowers sales compared to 2019 and an EBIT margin of over 5 per cent for 2020. The dividend policy with a pay-out ratio of approximately 60 per cent of net income and the medium-term financial targets of an EBIT margin of 8 to 9 per cent from 2023 onwards are still confirmed.

MAIN ORDERS RECEIVED

Stadler recorded an important order in Hungary at the very beginning of the year: in January 2020, the state-owned rail operator MÁV-START called off a further tranche from the framework agreement in place since 2017 to order 21 additional double-decker KISS multiple units, bringing the total number of trains ordered so far to 40. The long-standing cooperation with the Matterhorn Gotthard Bahn (MGBahn) was maintained for tailor-made vehicles. In March 2020, MGBahn ordered twelve three-car rack-and-pinion trains in the first of two stages of the comprehensive modernisation of its rolling stock. A total of 27 multiple units are to be procured. Stadler vehicles are also increasingly being used in the north-east of England: 46 METRO trains ordered in February 2020 are to run on the Tyne and Wear Metro network in the Newcastle area. This means that passengers on all underground trains in Great Britain outside London – in Liverpool, Glasgow and now also in Newcastle – will be travelling on Stadler METRO trains in the near future. In March 2020, Stadler emerged as the winner of a tender issued by the Berliner Verkehrsbetriebe for the delivery of up to 1,500 cars for use on the underground network in the German capital. The framework agreement, whose total volume represents up to 3 billion euros, also covers the supply of spare parts for a period of 32 years.

QUICK RECOVERY FROM CYBERATTACK

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.

FIRST NATIONAL APPROVAL FOR GUARDIA AUTOMATIC TRAIN PROTECTION SYSTEM (ETCS)

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's joint venture AngelStar successfully obtained the first national approval for its own ETCS solution GUARDIA in Poland in June. 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.

CHANGES IN THE BOARD OF DIRECTORS AND MANAGEMENT

The Board of Directors and Group Executive Board underwent various changes in the first half of 2020. Friedrich Merz decided to concentrate fully on politics and therefore did not stand for re-election at the General Meeting in the spring. The former President of the Swiss Confederation, Doris Leuthard, has now become a member of the Stadler Board of Directors. In May there was a change in management: the Board of Directors and Group CEO Dr. Thomas Ahlburg decided to terminate their employment relationship by mutual consent. As Executive Chairman of the Board of Directors, I have since held the position of Group CEO on an interim basis. Members of the Group Executive Board Markus Bernsteiner and Ansgar Brockmeyer are my deputies.

Best regards

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

CONSOLIDATED INCOME STATEMENT

in thousands of CHF or as noted	Note	1st half-year 2020		1st half-year 2019	
Net revenue	5	**934,690**	**100.0%**	**1,115,283**	**100.0%**
Material and external services		(506,736)	54.2%	(638,403)	57.2%
Material overhead		(40,559)	4.3%	(42,660)	3.8%
Warranty costs		(17,527)	1.9%	(16,652)	1.5%
Production costs		(216,600)	23.2%	(213,592)	19.2%
Engineering costs		(68,987)	7.4%	(73,086)	6.6%
Project management costs		(7,613)	0.8%	(9,704)	0.9%
Cost of goods sold and services provided		**(858,022)**	**91.8%**	**(994,097)**	**89.1%**
Gross margin	6	**76,668**	**8.2%**	**121,186**	**10.9%**
Development costs	7	(13,535)		(2,879)	
Marketing & Sales costs		(23,898)		(26,452)	
Administration costs		(49,063)		(43,495)	
Other operating income	8	17,216		1,967	
Other operating expenses		(2,344)		(3,440)	
Operating result (EBIT)	9	**5,044**	**0.5%**	**46,887**	**4.2%**
Financial result	10	17,696		(11,684)	
Share of results from associates		625		1,417	
Ordinary result		**23,365**	**2.5%**	**36,620**	**3.3%**
Non-operating result	11	(777)		(900)	
Profit before income taxes		**22,588**	**2.4%**	**35,720**	**3.2%**
Income taxes		(6,864)		(8,211)	
Profit for the period		**15,724**	**1.7%**	**27,509**	**2.5%**
– thereof attributable to shareholders of Stadler Rail AG		15,418		26,892	
– thereof attributable to non-controlling interests (minority shareholders)		306		617	
Basic and diluted earnings per share (in CHF)		**0.15**		**0.27**	

CONSOLIDATED BALANCE SHEET

in thousands of CHF	Note	30.06.2020		31.12.2019	
Assets					
Cash and cash equivalents		677,301		752,686	
Trade receivables		240,059		285,599	
Other current receivables		136,428		110,237	
Compensation claims from work in progress	13	644,540		818,343	
Inventories		259,169		231,960	
Work in progress	12	1,050,091		633,995	
Accrued income and deferred expenses		23,788		21,644	
Total current assets		**3,031,376**	**75.3%**	**2,854,464**	**75.1%**
Property, plant and equipment	14	733,858		701,700	
Financial assets		126,479		124,446	
Investments in associates and joint ventures		14,645		14,297	
Intangible assets		118,705		104,815	
Total non-current assets		**993,687**	**24.7%**	**945,258**	**24.9%**
Total assets		**4,025,063**	**100.0%**	**3,799,722**	**100.0%**
Liabilities & equity					
Current financial liabilities	15	506,548		279,385	
Trade payables		211,729		250,118	
Liabilities from work in progress	12	1,425,891		1,437,758	
Other current liabilities		91,096		111,274	
Current provisions		72,753		77,796	
Deferred income and accrued expenses		265,285		197,421	
Total current liabilities		**2,573,302**	**63.9%**	**2,353,752**	**61.9%**
Non-current financial liabilities	15	587,855		467,730	
Other non-current liabilities		46,409		39,006	
Non-current provisions		81,029		92,280	
Total non-current liabilities		**715,293**	**17.8%**	**599,016**	**15.8%**
Total liabilities		**3,288,595**	**81.7%**	**2,952,768**	**77.7%**
Share capital		20,000		20,000	
Capital reserves		15,973		14,823	
Treasury shares		(1,163)		–	
Retained earnings		680,693		679,619	
Profit for the period, attributable to shareholders of Stadler Rail AG		15,418		127,175	
Stadler Rail AG shareholders' equity		**730,921**	**18.2%**	**841,617**	**22.1%**
Non-controlling interests (minority interests)		5,547		5,337	
Total equity		**736,468**	**18.3%**	**846,954**	**22.3%**
Total liabilities & equity		**4,025,063**	**100.0%**	**3,799,722**	**100.0%**

CONSOLIDATED CASH FLOW STATEMENT

in thousands of CHF	Note	1st half-year 2020	1st half-year 2019
Cash flow from operating activities			
Profit for the period		15,724	27,509
Depreciation and amortisation	7	41,869	29,977
Loss/(gain) on disposals of fixed assets	8	(10,528)	19
Share of results from associates		(625)	(1,417)
Reversal of non-cash items		12,594	2,568
Addition/(Reduction) other non-current liabilities		4,007	24,134
Addition/(Reduction) non-current provisions		(9,200)	(8,893)
Reduction/(Addition) employer contribution reserve		7,363	3,531
Change in net current assets			
– Reduction/(Addition) trade receivables		40,936	87,841
– Reduction/(Addition) other current receivables		(18,093)	(16,835)
– Reduction/(Addition) compensation claims from work in progress	13	171,327	(72,923)
– Reduction/(Addition) inventories		(33,317)	(8,365)
– Reduction/(Addition) work in progress	12	(437,510)	(204,184)
– Reduction/(Addition) accrued income and deferred expenses		(2,738)	(20,003)
– Addition/(Reduction) trade payables		(32,260)	(25,085)
– Addition/(Reduction) liabilities from work in progress	12	8,578	70,951
– Addition/(Reduction) other current liabilities		(27,037)	(23,013)
– Addition/(Reduction) current provisions		(1,410)	(28,075)
– Addition/(Reduction) deferred income and accrued expenses		69,494	24,719
Net cash flow from operating activities		**(200,826)**	**(137,544)**
Cash flow from investing activities			
Investments in property, plant and equipment	14	(76,017)	(124,639)
Proceeds from sales of property, plant and equipment		983	208
Investments in financial assets		(523)	(8,800)
Proceeds from sales of financial assets		3,029	2,615
Prepaid portion of purchase price for subsidiaries	17	(2,886)	–
Investments in associates and joint ventures	18	(2,586)	–
Investments in intangible assets		(19,948)	(29,309)
Proceeds from sales of intangible assets		22	16
Net cash flow from investing activities		**(97,926)**	**(159,909)**
Cash flow from financing activities			
Proceeds from/(repayment of) current financial liabilities	15	220,190	149,624
Proceeds from/(repayment of) non-current financial liabilities	15	134,404	26,858
(Purchase)/Sale of treasury shares		(1,163)	(2,719)
Dividends paid to shareholders	16	(119,969)	(69,426)
Net cash flow from financing activities		**233,462**	**104,337**
Total net cash flow		**(65,290)**	**(193,116)**
Cash and cash equivalents at 1 January		752,686	694,638
Currency translation differences on cash and cash equivalents		(10,095)	(2,588)
Cash and cash equivalents at 30 June		**677,301**	**498,934**

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 interest	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 period	–	–	–	–	26,892	26,892	26,892	617	27,509
Dividends paid	–	–	–	–	(69,426)	(69,426)	(69,426)	–	(69,426)
Purchase of treasury shares	–	–	(9,515)	–		–	(9,515)	–	(9,515)
Sale of treasury shares	–	(733)	7,529	–	–	–	6,796	–	6,796
Allocation of treasury shares to employees		(820)	4,173	–	–	–	3,353	–	3,353
Currency translation differences	–	–	–	–	(2,126)	(2,126)	(2,126)	(78)	(2,204)
Balance at 30 June 2019	**20,000**	**14,823**	**–**	**(158,180)**	**877,618**	**719,438**	**754,262**	**5,754**	**760,016**
Balance at 1 January 2020	**20,000**	**14,823**	**–**	**(166,169)**	**972,962**	**806,793**	**841,617**	**5,337**	**846,954**
Profit for the period	–	–	–	–	15,418	15,418	15,418	306	15,724
Dividends paid	–	–	–	–	(119,969)	(119,969)	(119,969)	–	(119,969)
Purchase of treasury shares	–	–	(1,163)	–	–	–	(1,163)	–	(1,163)
Accrual for allocation of treasury shares to employees	–	1,150	–	–	–	–	1,150	–	1,150
Currency translation differences	–	–	–	–	(6,132)	(6,132)	(6,132)	(96)	(6,228)
Balance at 30 June 2020	**20,000**	**15,973**	**(1,163)**	**(166,169)**	**862,279**	**696,110**	**730,921**	**5,547**	**736,468**

NOTES TO THE CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS

1. THE STADLER RAIL GROUP

Stadler Rail AG ("Holding" or "Company"), headquartered in 9565 Bussnang, Ernst-Stadler-Strasse 1, is a public limited company incorporated under Swiss law, which has been listed on the SIX Swiss Exchange in Zurich with the 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 half-year financial statements as at 30 June 2020 present the net assets, financial position and results of operations of Stadler Rail AG and its subsidiaries (collectively referred to as Stadler).

2. BASIS FOR THE PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated half-year financial statements cover the period from 1 January 2020 to 30 June 2020 and have been prepared in accordance with Swiss GAAP FER (Accounting and Reporting Recommendations) and Swiss GAAP FER 31. The consolidated half-year financial statements do not include all the information and disclosures contained in the annual consolidated financial statements and should therefore be read in conjunction with the consolidated financial statements as at 31 December 2019.

The consolidated half-year financial statements have been prepared using the same accounting policies and valuation principles as those applied in the consolidated financial statements as at 31 December 2019.

The figures in the consolidated half-year financial statements have not been audited.

3. MANAGEMENT ASSUMPTIONS AND ESTIMATES

Management has not made any significant changes to the estimates and assumptions applied in the consolidated half-year financial statements compared to those used in the 2019 consolidated financial statements.

4. SEASONAL AND OTHER INFLUENCES

Stadler's net revenue development during the year is subject to seasonal fluctuations. The second half of the year is usually stronger in net revenue and, as a result of using the units-of-delivery approach for revenue recognition, also more profitable. This is partly due to customers' timetable changes and the associated deliveries of vehicles. In addition, special events or the product and region mix on which sales are based can have a significant impact on the half-year results.

Order intake also has a certain level of seasonality, and it is known from experience that orders are generally placed in the second half of the year. The year 2020 could, however, be an exception, as above-average incoming orders were recorded in the first half of the year.

In the first half of 2020, Stadler was particularly affected by the negative effects of the coronavirus crisis, which led to lower revenue and earnings. The further impact of the coronavirus crisis on the current financial year cannot be estimated at this time.

5. 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 31/12) 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 in relation to its competitors, thus allowing conclusions to be drawn about the margin and cost situation for each segment.

in thousands of CHF or as noted	Rolling Stock		Service & Components		Corporate Centre & Eliminations		Total	
	1st half-year 2020	1st half-year 2019	1st half-year 2020	1st half-year 2019	1st half-year 2020	1st half-year 2019	1st half-year 2020	1st half-year 2019
Net revenue								
Net revenue per segment	817,609	1,026,564	291,333	284,344	(174,252)	(195,625)	934,690	1,115,283
Intersegment revenue	(28,791)	(24,560)	(145,463)	(171,065)	174,254	195,625	–	–
Total net revenue (third parties)	**788,818**	**1,002,004**	**145,870**	**113,279**	**2**	**–**	**934,690**	**1,115,283**
Net revenue by geographical market								
Germany, Austria, Switzerland	498,082	547,682	45,425	30,869	2	–	543,509	578,551
Western Europe	240,365	301,703	84,308	72,373	–	–	324,673	374,076
Eastern Europe	26,103	17,974	12,560	4,516	–	–	38,663	22,490
CIS	19,575	62,391	587	940	–	–	20,162	63,331
America	1,720	71,713	1,088	621	–	–	2,808	72,334
Rest of the world	2,973	541	1,902	3,960	–	–	4,875	4,501
Total net revenue by market	**788,818**	**1,002,004**	**145,870**	**113,279**	**2**	**–**	**934,690**	**1,115,283**
Net revenue by product group								
Trains	590,007	653,672						
Locomotives	54,954	10,388						
LRV	13,732	100,482						
Metros	97,633	43,776						
Tailor Made	32,492	193,686						
Total net revenue by product	**788,818**	**1,002,004**						
Additions to PPE								
Additions to PPE	57,680	105,313	17,848	17,254	3,613	2,072	79,141	124,639
Total investments in PPE	**57,680**	**105,313**	**17,848**	**17,254**	**3,613**	**2,072**	**79,141**	**124,639**
Staff as FTEs								
Permanent employees	8,203	7,085	2,531	1,888	180	178	10,914	9,151
Temporary employees	713	934	344	250	–	3	1,057	1,187
Apprentices	150	128	35	25	–	–	185	153
Total staff as FTEs	**9,066**	**8,147**	**2,910**	**2,163**	**180**	**181**	**12,156**	**10,491**

The Corporate Centre is not an operating segment, but is chiefly a service provider within Stadler. The net revenue is mainly attributable to services rendered to associated companies (previous year: services rendered to subsidiaries of the majority shareholder), provided at market conditions.

6. GROSS MARGIN

The gross margin decreased to 8.2 per cent as compared to 10.9 per cent in the same period of the previous year. In the first half of 2020, the coronavirus crisis led to a decline in business development in the "Rolling stock" segment and to lower than expected revenue in the "Service & Components" segment. The lower revenue in the "Rolling stock" segment is due to delayed approval and acceptance procedures as a result of travel restrictions for customers and employees. At the same time, coronavirus-related disruptions to supply chains, the implementation of various safety measures including temporary closures of individual plants, additional shift work and other short-term changes in production processes resulted in a lower gross margin. In the "Service & Components" segment in particular, running costs for the capacities made available in conjunction with lower than expected revenue due to the reduction of rail timetables had a negative impact on the gross margin.

7. DEVELOPMENT COSTS

Development costs increased by 10.7 million Swiss francs to 13.5 million compared to the same period of the previous year, mainly due to the scheduled depreciation of capitalised development costs. As a result of the capitalisation of the new SMILE vehicle concept in 2019, capitalised development costs more than tripled compared with the 2018 level. This led to comparatively high depreciation and amortisation in the first half of 2020 compared with previous periods.

8. OTHER OPERATING INCOME

Other operating income increased by 15.2 million Swiss francs in relation to the previous period to a total of 17.2 million Swiss francs. The increase was mainly due to the sale of patents and know-how relating to the internal seating department representing 10.6 million Swiss francs. Seats for vehicles will in future be purchased directly from the buyer and will no longer be produced by the company itself. The purchase price is divided into several tranches, none of which was due on the balance sheet date. The corresponding purchase price receivable is reported in the balance sheet item “other short-term receivables”.

This item also includes income from the reversal of an inventory write-down of 3.8 million Swiss francs.

9. OPERATING RESULT (EBIT)

The EBIT margin fell from 4.2 per cent to 0.5 per cent. This was primarily due to the lower gross margin. The negative effect of the higher depreciation of capitalised development costs is offset by the proceeds from the sale of patents and know-how in connection with the seating department. In addition, general administrative costs rose due to the continuous expansion of capacity and staff.

10. FINANCIAL RESULT

The financial result improved by 29.4 million Swiss francs in relation to the previous period. This change was mainly due to currency effects in the valuation of advance payments and loans in EUR, GBP, NOK and SEK.

11. 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.

12. WORK IN PROGRESS

in thousands of CHF	30.06.2020	31.12.2019
Work in progress		
Costs accumulated on orders	5,379,385	3,799,375
Production costs of vehicles delivered and invoiced	(3,316,905)	(2,388,340)
Work in progress, gross	**2,062,480**	**1,411,035**
Advance payments to suppliers	152,840	123,688
Advance payments to suppliers, related parties	–	61
Advance payments to suppliers, associates	415	1,256
Advance payments from customers	(1,165,644)	(902,045)
Total work in progress	**1,050,091**	**633,995**
Liabilities from work in progress		
Costs accumulated on orders	4,570,129	4,948,140
Production costs of vehicles delivered and invoiced	(3,611,582)	(4,059,655)
Work in progress, gross	**958,547**	**888,485**
Advance payments to suppliers	81,951	92,292
Advance payments to suppliers, related parties	6,258	4,088
Advance payments from customers	(2,173,059)	(2,198,787)
Advance payments from customers, related parties	(297,265)	(221,412)
Advance payments from customers, associates	(2,323)	(2,424)
Total liabilities from work in progress	**(1,425,891)**	**(1,437,758)**
Net work in progress/liabilities from work in progress	**(375,800)**	**(803,763)**

Gross work in progress increased by a total of 721.5 million Swiss francs to 3,021.0 million. This development reflects the processing of the high order backlog from previous years.

Advance payments from customers rose by a total of 313.6 million Swiss francs to 3,638.3 million in the same period, partly due to payment milestones for individual orders and the high order intake in the first half of 2020.

13. COMPENSATION CLAIMS FROM WORK IN PROGRESS

in thousands of CHF	30.06.2020	31.12.2019
Compensation claims from work in progress		
Compensation claims for vehicles whose revenue has been recognised but not yet invoiced	1,332,978	1,830,644
Advance payments from customers for vehicles whose revenue has been recognised but not yet invoiced	(688,438)	(1,012,301)
Total compensation claims from work in progress	**644,540**	**818,343**

Compensation claims from work in progress are composed of claims from contracts where final acceptance by customers has not yet taken place but all significant performance obligations have been fulfilled (139.5 million Swiss francs, previous year 401.1 million) and claims from contracts where final acceptance by customers has already taken place but invoices have not yet been issued in accordance with individual payment plans (505.0 million Swiss francs, previous year 417.2 million).

14. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment rose by 32.2 million Swiss francs to 733.9 million. This increase was mainly due to investments in the new production plants in Pankow and St. Margrethen, in the new maintenance depot in Herne and in the new commissioning centre in Siedlce. Investments were also made to expand production capacity in Szolnok and Minsk.

15. FINANCIAL LIABILITIES

Financial liabilities increased by 347.3 million Swiss francs to a total of 1,094.4 million. This change was largely due to the intake of project loans worth 406.8 million Swiss francs, as well as the repayment of project loans representing 36.2 million Swiss francs and the loan of 20.0 million Swiss francs from the pension fund of Stadler Rail AG.

16. EQUITY

SHARE CAPITAL

At the Annual General Meeting on 18 March 2019, conditional share capital was created in the amount of a maximum of 2,000,000 shares with a par value of CHF 0.20 each as well as authorised share capital of a maximum of 10,000,000 shares with a par value of CHF 0.20 each.

None of these shares had been subscribed at the balance sheet date of 30 June 2020.

DIVIDENDS

The proposal to distribute CHF 1.20 per share for the 2019 financial year was approved at the Annual General Meeting on 30 April 2020 and paid out as follows in May 2020:

in thousands of CHF or as noted	**1st half-year 2020**	**1st half-year 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**

17. CHANGES IN SCOPE OF CONSOLIDATION

17.1 CHANGES IN 2020

ACQUISITION OF SUBSIDIARIES

In June 2020, a contract was concluded for the purchase of 100 per cent of the capital shares of VIPCO GmbH in Mannheim. The capital shares were acquired on the date of acquisition on 1 July 2020, and the company is therefore not included in the consolidated financial statements yet. The portion of the purchase price prepaid in the first half of the year is reported under financial assets. The new engineering subsidiary with around 50 employees specializes 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.

17.2 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).

18. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

18.1 CHANGES IN 2020

EARN-OUT PAYMENT

In the first half of 2020, an amount of 2.4 million euros was paid from the contingent purchase price payment described in the 2019 consolidated financial statements in connection with the AngelStar S.r.l. joint venture.

18.2 CHANGES IN 2019

ADDITIONS

Stadler and Brouwer Vastgoed B.V., Netherlands each acquired a 50 per cent stake in What B.V., based in Venlo, Netherlands. The purpose of the joint venture is to lease a maintenance depot to the participating companies.

19. EXCHANGE RATES

	Average rates		Closing rates	
Currency	1st half-year 2020	1st half-year 2019	30.06.2020	31.12.2019
EUR	1.0642	1.1295	1.0648	1.0854
USD	0.9659	1.0000	0.9471	0.9664
GBP	1.2176	1.2938	1.1724	1.2819
NOK	0.0994	0.1161	0.0983	0.1101
PLN	0.2413	0.2632	0.2395	0.2549
HUF	0.0031	0.0035	0.0030	0.0033
CZK	0.0404	0.0440	0.0400	0.0427
DZD	0.0078	0.0084	0.0073	0.0081
SEC	0.0998	0.1074	0.1017	0.1034
RUB	0.0140	0.0153	0.0133	0.0156
RSD	0.0091	0.0096	0.0091	0.0092
AUD	0.6355	0.7062	0.6525	0.6789
DKK	0.1426	0.1513	0.1429	0.1453

20. EVENTS AFTER THE REPORTING DATE

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

21. APPROVAL OF THE CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS

The 2020 consolidated half-year financial statements were approved for publication by the Board of Directors on 24 August 2020.

Financial Calendar

Annual Report 2020, annual media and analyst conference	**11 March 2021**
2021 Annual General Meeting	**6 May 2021**

Share

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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.

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