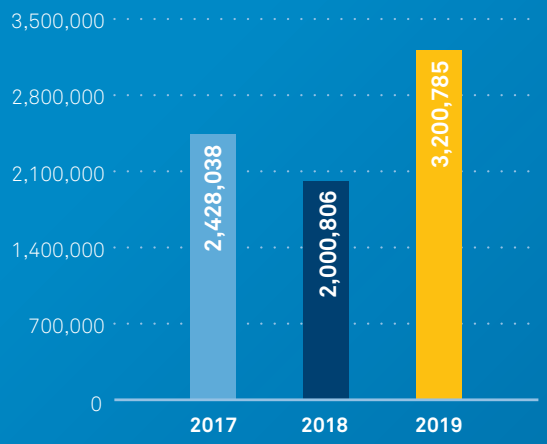


ANNUAL REPORT
2019

STADLER

2019 RESULTS AT A GLANCE

NET REVENUE
in thousands of CHF



15.0

ORDER BACKLOG IN CHF BILLION
Previous year: 13.2

30,419

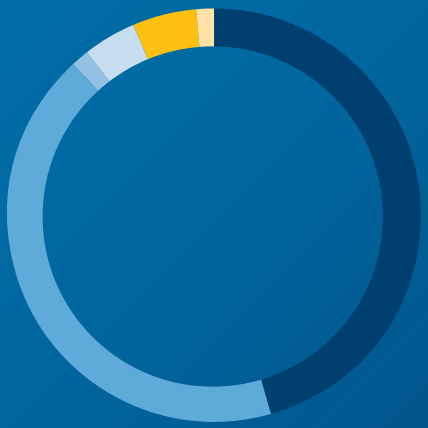
REGISTERED SHAREHOLDERS AS AT 31.12.2019
Following the successful IPO on 12 April 2019, the Stadler share is widely diversified. 20 percent of shareholders hold less than 50 shares.

5.1

ORDER INTAKE IN CHF BILLION
Previous year: 4.4

NET REVENUE BY GEOGRAPHICAL MARKET
in thousands of CHF

- Germany, Austria, Switzerland: **1,461,566**
- Western Europe: **1,363,073**
- Eastern Europe: **43,066**
- CIS: **134,684**
- America: **158,805**
- Rest of the world **38,691**



6.1%

EBIT MARGIN
Previous year: 4.4%

10,918

EMPLOYEES WORLDWIDE
(average FTE 1.1)
Previous year: 8,874

193.7

MILLION EBIT
Previous year: 150.9

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

THIS IS WHERE FACTS AND FIGURES COME IN

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. Over 120 system and software engineers are already working on in-house developments in the areas of ETCS, CBTC and ATO at the Wallisellen and Mola di Bari sites. 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, presented in a transparent manner.

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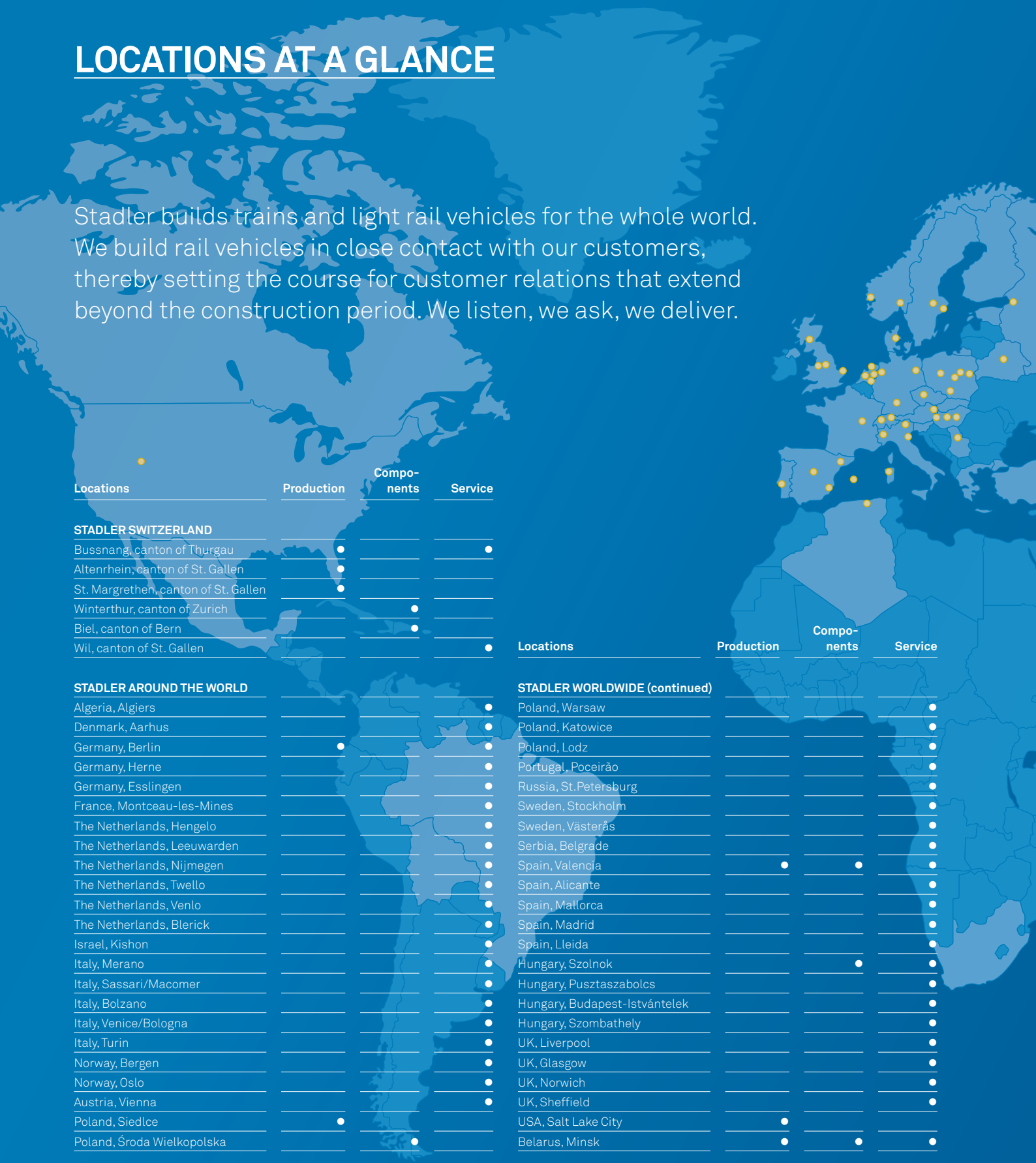
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LOCATIONS AT A GLANCE

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	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		●	
Wil, canton of St. Gallen			●
STADLER AROUND THE WORLD			
Algeria, Algiers			●
Denmark, Aarhus			●
Germany, Berlin	●		●
Germany, Herne			●
Germany, Esslingen			●
France, Montceau-les-Mines			●
The Netherlands, Hengelo			●
The Netherlands, Leeuwarden			●
The Netherlands, Nijmegen			●
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	Compo-nents	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, Pusztaszabolcs			●
Hungary, Budapest-Istvántelek			●
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	2019	as % of net revenue	2018	as % of net revenue	Change in %
Stadler					
Order intake	5,117.3		4,388.6		17%
Order backlog	15,026.1		13,178.8		14%
Net revenue	3,200.8	100.0%	2,000.8	100.0%	60%
Gross margin[1]	356.2	11.1%	290.7	14.5%	23%
EBITDA[2]	269.9	8.4%	208.4	10.4%	30%
Operating result (EBIT)	193.7	6.1%	150.9	7.5%	28%
Profit for the period	128.5	4.0%	119.2	6.0%	8%
Earnings per share (in CHF)	1.27		1.18		8%
Net cash flow from operating activities	(186.8)		(193.3)		
Capital expenditure[3]	248.7		188.2		32%
Free cash flow[4]	(328.9)		(366.7)		
Net working capital[5]	27.4		(322.7)		
Work in progress (net)[6]	(803.8)		(757.2)		
Net cash[7]	5.6		531.9		(99%)
Equity ratio	22.3%		27.9%		
Staff as FTEs	10,918		8,874		23%
Rolling Stock segment					
Order intake	4,283.9		3,767.2		14%
Order backlog	12,254.3		10,916.6		12%
Net revenue (third parties)	2,939.8	89.8%	1,752.4	87.1%	68%
Service & Components segment					
Order intake	833.5		621.4		34%
Order backlog	2,771.8		2,262.2		23%
Net revenue (third parties)	260.9	10.2%	247.7	12.9%	5%

[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

STADLER STRIVES FOR PROFITABLE GROWTH



Peter Spuhler
Chairman of the Board of Directors

Dr Thomas Ahlburg
Group CEO

Dear Shareholders

Stadler sold more trains in 2019 than ever before and, in an extremely dynamic environment, was once again able to grow considerably faster than the market as a whole. The order intake for 2019 totalled 5.1 billion Swiss francs, up more than 700 million Swiss francs on the previous year. Of this amount, more than 833 million Swiss francs were attributable to the Service & Components reporting segment. Consequently, the order backlog also rose to a record 15 billion Swiss francs. As well as being delighted by this record result, we are particularly pleased that in the financial year 2019, Stadler succeeded in acquiring customers for several innovations much earlier than expected. One of these is the innovative battery-powered FLIRT model, 55 units of which were ordered by the Schleswig-Holstein local transport authority. Stadler submitted a successful bid and prevailed against Siemens and Alstom in this tender. Stadler is supplying a completely newly designed tram model of the latest generation for Darmstadt. We have received the first order for a modern regional train powered by fuel cell (FLIRT H2) from the San Bernardino County Transportation Authority in Southern California.

The year 2019 was marked by spectacular growth not only in terms of incoming orders, but also in other areas: a total of 444 trains and locomotives were delivered in the past financial year. This represents an increase of around 80 per cent compared to the previous year. Seven fleets of vehicles which have received approval in various countries and now started regular passenger operations represent an essential component of these new deliveries; they include the Giruno high-speed train for SBB and the double-decker train for Mälardalstrafiks in Sweden.

STRONG INCREASE IN SALES

In the financial year 2019 Stadler achieved growth in revenue of 60 per cent compared to the previous year, generating revenue of 3.2 billion Swiss francs (prior year: 2 billion Swiss francs). However, due to postponements in projects (primarily Greater Anglia), revenue in the reporting period was lower than expected, which also weighed on the result.

The Greater Anglia order presents Stadler with specific challenges in several respects: firstly, the camera system of a British supplier, which had been taken into consideration at the request of the customer, did not meet expectations in terms of performance and stability. Secondly, we encountered an outdated infrastructure in this region, which led to disruptions during the introduction of the bimodal FLIRT vehicle. However, approval for the bimodal (BMU) and electrical (EMU) multiple units was achieved in record time.

EBIT MARGIN OF 6.1 PER CENT

Stadler also succeeded in increasing its operating result (EBIT). However, the EBIT margin was 6.1 per cent, lower than in the previous year, and failed to meet expectations. Postponements and additional costs for individual orders had a significant impact on the result. As a result of the record order intake, EBIT was also affected by higher-than-expected sales expenses. In the same way, exchange rate movements, particularly between the Swiss franc and the Norwegian krone and Swedish krona, had a negative effect on the operating result.

CAPACITY EXPANSIONS REQUIRED

In order to ensure that the vehicles ordered last year can be delivered to the usual high standard of quality, capacity needs to be expanded at several locations and the provision of more specially trained staff ensured. Last year, Stadler's headcount rose by 2,044 employees across the group (average FTEs), which represents an increase of around 23 per cent. In 2019 an average of over 10,900 employees worked at Stadler. Introductory training of new employees in particular led to extra expenses for several orders. Further capacity and staff expansion is taking place, in addition to Switzerland particularly in Germany, Spain and Belarus.

With the new plant in St. Margrethen, optimum conditions have been created to enable us to remain competitive in a fiercely contested market, despite being based in the high-wage country of Switzerland. The investment in Switzerland as a manufacturing location at the St. Margrethen site, spread over several years, amounts to over 86 million Swiss francs. In 2019, significant investments were again made at various locations to expand capacity.

After growth-related above-average investments in net working capital and delays in individual projects, net cash flow from operating activities amounted to –186.8 million Swiss francs (compared to –193.3 million Swiss francs the previous year).

NEW MARKETS

Stadler has been successful in Asia in two respects: firstly, we have sold 34 diesel-electric locomotives to Taiwan. Secondly, we signed a joint venture agreement with PT Inka in Indonesia in September 2019 to gain a foothold on the Asian continent. Stadler sees the base in Indonesia as the best possible prerequisite for achieving profitable growth in this region.

We were particularly pleased by positive performance in the USA. The first US FLIRT trains have been in scheduled service in Dallas Fort Worth since the beginning of the year. On 13 May we were able to inaugurate the new assembly plant in Salt Lake City (Utah). The very first service contract was won in the USA at the beginning of June: the order for the delivery of eight FLIRT trains for Dallas Rapid Transit (DART) also includes the planning of a service depot. In November, the Metropolitan Atlanta Rapid Transit Authority (MARTA) awarded Stadler a contract for the delivery of 127 METRO trains with two options for 25 additional

trains each. For Stadler this is the largest single order for vehicles in the history of the company, and also marks the first major METRO order in the USA. Also in November, Stadler was able to secure its first contract for a hydrogen-powered train. Stadler is building the first FLIRT H2 vehicle for the San Bernardino County Transportation Authority (SBCTA), which is to be put into passenger service from 2024.

SERVICE BUSINESS EXPERIENCES RAPID GROWTH

Incoming orders in the Service & Components reporting segment amounted to 833 million Swiss francs in 2019, well above the previous year's level. In May, Stadler signed a contract for the maintenance of over 100 trains operated by Vy in Norway. It is the largest single fleet Stadler has ever contracted. In the area of modernisation and refit, Stadler won two major orders from Bogestra and Netinera in Germany. Orders for the installation of the Stadler diagnostics device (RDS system) are smaller in volume, but strategically important in the current context of digitalisation.

At the newly opened service location in Herne, Germany, Stadler will maintain 41 vehicles of the new fleet for the Rhein-Ruhr S-Bahn over a period of 32 years on behalf of the Verkehrsverbund Rhein-Ruhr (VRR). And in the UK, after delivering 52 new METRO trains for Merseytravel in Liverpool, Stadler will continue to be responsible for the maintenance of the trains in the ultra-modern new depot in Liverpool-Kirkdale for 35 years. Stadler Service will be in charge of the maintenance of the newly developed battery-powered FLIRT vehicles sold to Schleswig-Holstein for a period of 30 years.

ESTABLISHMENT IN THE SIGNALLING BUSINESS

Stadler has been constantly developing and expanding its 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, branch line and metro products. The first successes were seen last year: the ETCS train control system GUARDIA developed by Stadler and Mermec within the AngelStar joint venture received generic approval in 2019. The system is being used in BLS's new FLIRT trains, which will be presented to the public for the first time this summer. Equivalent projects are also currently under way in Poland, Hungary, Slovenia, Italy and Germany. In addition, further projects are emerging, and country-specific approval for Stadler GUARDIA will progressively be sought in ten countries by 2022. Stadler Signalling was converted into a separate company at the beginning of 2020.

MANAGEMENT CHANGES

In 2019, the Board of Directors and the Group Executive Board underwent a number of changes, most of which were the result of a long-planned generation change. Jure Mikolčić assumed responsibility for the Division Germany on 1 February 2019. Markus Bernsteiner took over as manager of the Altenrhein plant from Markus Sauerbruch on 1 June 2019. Sales Director Peter Jenelten handed over to Ansgar Brockmeyer in May and, after 19 years of service at Stadler, moved to PCS Holding in Frauenfeld. At the Annual General Meeting in March 2019, Barbara Egger-Jenzer, former member of the Berne government, became the first woman to be elected to Stadler's Board of Directors. Unfortunately, in mid-July we learned of the death of the highly esteemed, long-standing member of the Board of Directors Dr Werner Müller (since 2003), former German Federal Minister for Economic Affairs. At the General Meeting to be held on 30 April 2020, the Board of Directors will propose Doris Leuthard, former Swiss Minister of Transport, for election to the Board of Directors. Friedrich Merz will not stand for re-election.

SUCCESSFUL IPO

Stadler Rail AG has been listed on the SIX Swiss Exchange since 12 April 2019. The highly acclaimed IPO can be seen as a great success. The share price has performed well since the first day of trading. As at 31 December 2019 it had increased by more than 27 per cent in relation to the issue price of 38 Swiss francs. The stock is very broadly diversified: as at 31 December 2019, Stadler had over 30,000 shareholders, including a large number of small shareholders. Around 20 per cent of the shareholders own no more than 50 shares.

After exercising the overallotment option, a total of 40,250,000 existing shares, or 40.25 per cent of the share capital, were placed in the course of Stadler's IPO. The placement volume

corresponded to 1,530 billion Swiss francs. Peter Spuhler holds 39.9 per cent of Stadler's share capital directly and indirectly via PCS Holding AG. Another 10 per cent is held by the German RSBG SE (wholly owned by the RAG Foundation). The costs for the IPO process are fully borne by the selling shareholder.

OUTLOOK

For the current financial year, Stadler once again expects growth in revenue in the double digits, assuming that the currency situation remains stable, and anticipates a similar result to 2019. Ongoing high investments and additional costs in connection with the expansion of capacity will continue to impact profitability this year. The medium-term financial objectives have been explicitly confirmed. The Board of Directors intends to put forward a proposal to the General Meeting for the payment of a dividend of 120 million Swiss francs (1.20 Swiss francs per share) for the 2019 financial year. For the 2020 financial year, Stadler plans to pay a dividend amounting to around 60 per cent of the Group result.

THANKS TO EMPLOYEES AND SHAREHOLDERS

We would like to thank our employees at all our locations for their great commitment and exceptional dedication. The teamwork put into practice in all areas at Stadler forms the basis for the success of the company and in particular for its ability to react rapidly and appropriately to the latest challenges.

We would also like to thank our shareholders for their trust – and look forward to meeting many of you in person at our first General Meeting as a listed company.

Best regards



Peter Spuhler
Chairman of the Board of Directors



Dr Thomas Ahlburg
Group CEO

2019 – THE YEAR IN REVIEW

JANUARY

On 1 January 2019, a Stadler FLIRT ran in regular passenger service in the USA for the first time. The TEXRail-FLIRT began scheduled service between Fort Worth and the Dallas/Fort Worth International Airport. On the very first weekend after the opening, more than 11,000 passengers travelled on the Stadler trains.





MARCH

On 29 March, Stadler was awarded a contract by the Metropolitan Atlanta Rapid Transit Authority (MARTA) for the delivery of 127 METRO trains with two options for 25 additional trains each, allowing Stadler to supply underground trains to the USA for the first time. In terms of the number of units, this was the largest single order in the history of the company. On 14 December, the contract was legally signed after the rejection of a competitor's appeal.

APRIL

On 12 April, Stadler went public, and shares in the company were listed on the SIX Swiss Exchange in Zurich. The offer price was set at 38 Swiss francs. On the first day of trading, the share price stood at 43.10 Swiss francs at the close of trading.



On 15 April, the Rhaetian Railway (RhB) and Stadler celebrated the roll-out of the new "Capricorn" model (Rhaeto-Romanic for ibex) with around 120 guests from the worlds of business and politics, and presented the new multiple-unit train for Switzerland's largest canton to the public for the first time.





MAY

On 13 May, Stadler officially opened its new plant in Salt Lake City, USA. Chairman of the Board of Directors Peter Spuhler welcomed prominent guests including Governor Gary Herbert, Lt. Governor Spencer Cox, Senator Orrin Hatch and the US Ambassador to Switzerland, Ed McMullen.



JUNE

Stadler won a tender from the Nahverkehrsverbund Schleswig-Holstein GmbH (NAH.SH) to construct 55 FLIRT battery-operated multiple units with an option for a further 50 vehicles. This enabled Stadler to submit a successful bid against other concepts in the first green technology tender for vehicles with alternative drive systems in Germany.

AUGUST

On 28 August, Stadler celebrated the completion of its new plant in St. Margrethen with Benedikt Würth, St. Gallen Councillor of States and member of the cantonal government, and Reto Friedauer, Mayor of St. Margrethen, as well as other guests from politics and business. The topping-out ceremony heralded the final construction phase for the new competence centre for double-decker multiple-unit trains.



SEPTEMBER

On 4 September, an event was held in Norwich to launch the brand new Greater Anglia multiple-unit trains. The host, Greater Anglia, celebrated the occasion alongside the leasing company Rock Rail and Stadler. VIP guests from the surrounding area were also invited to attend and given the opportunity to travel from Norwich to Great Yarmouth in one of the new bimodal FLIRT vehicles.

OCTOBER

Stadler received an order from the Austrian WESTbahn for a further 15 double-decker KISS trains. Stadler has also been entrusted with the maintenance of this fleet in order to ensure high availability of the vehicles. Counting the order from 29 October, this was the third time that Stadler had delivered trains to WESTbahn. Stadler submitted a successful bid consisting of a comprehensive overall package and prevailed against its Chinese competitor in the tender.



DECEMBER

The Stadler high-speed train SMILE, christened Giruno by SBB, started operation on the north-south axis through the Gotthard Base Tunnel punctually when the annual timetable changes came into effect. The same day, Stadler's FLIRT LeX model went into operation for Geneva's suburban train network. The vehicles now travel across the border from Geneva Cornavin to Annemasse in SBB colours.





INCREASED DEMAND FOR MOBILITY SOLUTIONS



The Metropolitan Atlanta Rapid Transit Authority (MARTA) ordered 127 METRO trains from Stadler in November 2019.

The year 2019 marks a special milestone for Stadler: with the successful IPO in April, Stadler is not only opening a new chapter in the company's history, but is also continuing its continuous and sustainable growth. The high order intake of over 5.1 billion Swiss francs and order backlog at an all-time high of 15 billion Swiss francs are the result of this.

Stadler looks back on a successful year in 2019. The world population continues to grow. According to estimates by the United Nations (UN), the average growth rate is 83 million people per year. The UN expects the world's population to reach 9.8 billion people in 2050, about 63 percent of whom will live in urban areas. The demand for modern and environmentally friendly mobility solutions is rising around the world on account of the growing population, the trend towards urbanisation and society's increased environmental awareness. This is clearly reflected in the order intake. In 2019, Stadler recorded total incoming orders of 5.1 billion Swiss francs, corresponding to growth of 17 per cent year-on-year. At 15 billion Swiss francs, the order backlog thus reached a new all-time high. 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 2019, Stadler was able to sell a total of 669 trains, light rail vehicles and locomotives. The order for 55 FLIRT battery-operated multiple units placed by the Nahverkehrsverbund Schleswig-Holstein GmbH is particularly noteworthy. Stadler came out on top in the first green technology tender for vehicles with alternative drive systems in Germany. Also in Germany, Transdev GmbH commissioned Stadler with the development, construction and delivery of 16 FLIRT electrical multiple units for use on the Bremen/Lower Saxony regional S-Bahn network. DB Regio AG ordered 18 double-decker KISS vehicles for use on the eastern electrified network. In Austria, Stadler will supply 15 new KISS trains to the private railway operator WESTbahn. In Hungary, the state-owned railway operator MÁV-START exercised the third option for 21 KISS vehicles from the framework agreement signed in 2017. Stadler won an order from the Slovenian state railway Slovenske Železnice for the delivery of 26 additional FLIRT multiple units.

An order for a further twelve electric FLIRT vehicles for PKP Intercity was received from Poland. Stadler registered orders from North America for eight FLIRT trains for Dallas Rapid Transit (DART) and seven four-car FLIRT trains for the Canadian capital Ottawa. An order was placed with Stadler by the American San Bernardino County Transportation Authority (SBCTA) for the supply of a hydrogen-powered FLIRT train, including an option for four more identical trains. This was the first contract to be signed by Stadler for a hydrogen-powered train.

> The demand for environmentally friendly mobility solutions continues to grow worldwide.

Stadler also progressed in the urban transport segment in the North American market: the Metropolitan Atlanta Rapid Transit Authority (MARTA) awarded Stadler a contract for the delivery of 127 METRO trains with two options for 25 additional trains each. For Stadler this is the first major metro order in the USA, and the largest order for vehicle units in the history of the company. Stadler sold a total of 45 TRAMLINK vehicles in Switzerland to Bernmobil, Stadtbahn Limmattal and Waldenburgerbahn. Transports Public Genevois (TPG) also exercised its option for a further nine TANGO trams. In Germany, Bogestra placed an order with Stadler for the delivery of six TANGO models as well as a further eight VARIOBAHN models to expand its fleet. In addition, the Augsburg public utility company ordered eleven TRAMLINK vehicles. In Scandinavia, an order for six VARIO-

BAHN vehicles was placed by the Norwegian company Bybanen Bergen.

In the main-line locomotive sector, Stadler succeeded in entering two new markets. In Taiwan, Stadler won a tender for the supply of 34 diesel-electric locomotives to the Taiwan Railways Administration (TRA). In Turkey, the freight transport company Körfez Ulaştırma placed an order for seven EURODUAL hybrid locomotives. Stadler achieved its largest order for locomotives in Finland, where the VR Group ordered 60 diesel-electric locomotives for operation as shunting locomotives and for the transport of freight and passenger trains. In addition, Stadler is supplying 22 rescue locomotives to the Spanish railway infrastructure management company ADIF. The leasing company European Loc Pool ordered a total of 30 more locomotives split into three tranches in 2019.

Stadler also continues to be successful in the Tailor Made sector. Stadler received an order from FAL for seven three-car multiple units for the Apulia region (Italy) and an order from ARST in Sardinia for six two-car multiple units. As the global market leader in rolling stock for rack-and-pinion tracks, Stadler succeeded in registering important orders again in 2019: Rigibahn ordered six electric multiple units, Wengernalpbahn three rack-and-pinion locomotives and the German company Wendelsteinbahn one electric rack-and-pinion locomotive.

THE INTERNATIONAL SERVICE BUSINESS CONTINUES ITS UPSWING

Incoming orders in the Service & Components reporting segment amounted to 833 million Swiss francs in 2019, well above the previous year's level. In May, Stadler Service signed a contract for the maintenance of over 100 trains operated by Vy in Norway. It is the largest single fleet Stadler has ever contracted. In the area of modernisation and refit, Stadler Service in Germany won two major orders from Bogestra and Netinera. Orders for the installation of the Stadler diagnostics device (RDS system) are smaller in vol-

A first glance at the main-line locomotive for the Taiwan Railways Administration



ume, but very important in the current context of digitalisation. Since June, Stadler Service has been successfully carrying out integrated full service for Go-Ahead in passenger operations in Germany. And in Great Britain, after delivering 52 new METRO trains for Merseytravel in Liverpool, Stadler will continue to be responsible for the maintenance of the trains in the ultra-modern new depot in Liverpool-Kirkdale for 35 years. Stadler was also able to integrate services into many of the rolling stock contracts concluded in 2019. This includes full service for the 22 locomotives for the Spanish company ADIF, for the 27 TRAMLINK vehicles for Bernmobil over a 30-year period, as well as for the 55 battery-operated FLIRT vehicles for the Nahverkehrsverbund Schleswig-Holstein GmbH.

CONTINUOUS PROGRESS IN SIGNALLING

Stadler is making steady progress in the area of signalling. More than 120 system and software engineers are already working on innovative solutions in the field of signalling for the business unit within Stadler based in Wallisellen and for the AngelStar joint venture founded in 2017 with partner Mermec in Mola di Bari. In 2019, the ETCS train control system GUARDIA developed by AngelStar was already in execution in seven projects in six European countries with the integration of five different national signalling systems. The total value of the seven projects amounts to over 65 million Swiss francs. Furthermore, pilot projects in the field of automatic train operation (ATO) were launched in the Netherlands and Switzerland in March and April. Stadler celebrated two further milestones shortly before the end of the year: in December, a partner was acquired for an initial project for the newly developed CBTC solution. Also in December, generic approval was granted for the GUARDIA ETCS train control system developed by the AngelStar joint venture. An essential step has thereby been made towards obtaining country-specific approval.

PREMIÈRE ON THE BOARD OF DIRECTORS

A première took place in March: Barbara Egger-Jenzer was unanimously elected to the Board of Directors at the General Meeting held in March 2019. This makes her the first woman to become part of this board. Barbara Egger-Jenzer was Head of the Directorate of Building, Transport and Energy for the canton of Bern until 2018, before resigning from the cantonal government in May 2018. In the same month, she stepped down from her positions as a member of the Board of Directors of rail operators BLS AG and BKW AG after 16 years. Barbara Egger-Jenzer began her professional career as a lawyer after graduating in law from the University of Bern. Since October 2018 she has been working as a lawyer again in the field of project mediation and consulting in Bern.

A good three months later Stadler had to say goodbye to Dr Werner Müller. The former German Minister for Economic Affairs died on 15 July 2019 after a serious illness. Dr Werner Müller was elected to the Stadler Board of Directors in 2003. Over the past 16 years he had served on various committees, which greatly benefited from his extensive experience and leadership. Thanks to his level-headed



Barbara Egger-Jenzer, member of the Stadler Board of Directors since March 2019

Order intake in the Service & Components reporting segment in 2019 was significantly higher than in the previous year.

The new plant in St. Margrethen meets the high demands that Stadler places on a competence centre for double-decker trains.

manner and extensive network, he made a significant contribution to Stadler's successful growth over the last two decades. Despite his serious illness, Dr Werner Müller performed his duties to the last, and was virtually never absent from any Board meetings.

GROUP EXECUTIVE BOARD HAND-OVERS CONTINUE

In February, Stadler completed the transformation process in the management of Stadler Pankow GmbH, which had begun in 2018. Jure Mikolčić assumed the position of CEO of Stadler Division Germany and Chairman of the Executive Board of Stadler Pankow GmbH in May 2019 after a period of familiarisation at the headquarters in Bussnang. Jure Mikolčić has already enjoyed a long career in the rail vehicle industry. After studying economics, he began his professional career as a Project Manager at Siemens Mobility, where he held various domestic and international positions, most recently as Vice President Commuter & Regional Trains, before moving to Knorr-Bremse PowerTech in 2015, where he took over as Managing Director in 2016.

The next long-planned change followed in May, when Director of Marketing and Sales Peter Jenelten moved from Stadler to Peter Spuhler's PCS Holding. Peter Jenelten came to Stadler from Adtranz in June 2000. Over the past 20 years, the electrical engineer has succeeded in building up an international sales network at Stadler with great personal dedication. Outstanding achievements were made with him at the helm of cross-site sales and marketing activities, resulting in a cumulative order backlog of 13.2 billion Swiss francs at the end of 2018. Ansgar Brockmeyer has been recruited as his successor in the role of Director of Marketing and Sales. Ansgar Brockmeyer studied electrical engineering and obtained his doctorate from RWTH Aachen University in 1997. From 1997 to 2013 he held various positions at what was then Siemens Verkehrstechnik (now Siemens Mobility), most recently as CEO of the High-Speed and Commuter Rail business unit in Krefeld (Germany). In 2013, Brockmeyer moved to Knorr-Bremse, where he served as Chairman of the Executive Board of Knorr-Bremse Asia Pacific (Holding) Ltd. in Hong Kong until December 2018.

Also in May, Markus Sauerbruch, Head of the Division Switzerland and CEO of the Altenrhein plant, handed over the Altenrhein plant to Markus Bernsteiner, Head of the Division Components. Markus

The new Stadler plant in St. Margrethen under construction – summer 2019



Bernsteiner has now taken over the management of the Altenrhein site in addition to managing the Division Components. He has worked for Stadler since 1999 and has been a member of the Group Executive Board for 20 years. During this time he has successfully filled various functions at the top management level, for example as Head of the Division Germany from autumn 2018 to February 2019 on an interim basis until Jure Mikolčić joined the company. He has been in charge of the Division Components, which consolidates all internal supplier plants, since 2014.



The new plant in Salt Lake City, USA, was officially opened on 13 May 2019 with guests from politics and business.

OPTIMAL CONDITIONS CREATED BY INVESTMENTS

In 2019, Stadler invested significantly in the development and expansion of its sites. Stadler is building a new production plant in St. Margrethen in its home market of Switzerland. Total investments amount to over 86 million Swiss francs, 57.8 million of which were made in 2019. Work is progressing according to plan and the first halls were occupied at the end of 2019. The relocation work is due to be completed by summer 2020 at the latest. 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 is also building offices for around 450 employees over 5,000 square metres of floor space.

In the USA, Stadler moved into the new plant in Salt Lake City after 18 months of construction work. The official opening of the building was celebrated in May of last year. The investment volume amounted to around 60 million Swiss francs, 18 million of which were booked in 2019. The plant comprises several production halls and offices covering a total surface area of 230,000 square meters, and is designed for 350 workstations.

In Germany, the Berlin Pankow location will be expanded 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 new 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, of which 3.1 million were incurred in 2019.

Stadler Service has also built and commissioned a depot in Herne for the maintenance of the Rhein-Ruhr S-Bahn. The investment amounted to over 30 million Euros, 17.6 million of which were booked in 2019. In Poland, Stadler Service built a new depot in Lodz for seven million Swiss francs, and began maintenance work at the new location in September 2019. Also in Poland, Stadler invested 18.5 million Swiss francs in the expansion of the steel body factory. An investment of 13.6 million Swiss francs also increased the capacity of the Minsk plant.


SBB CFF FFS



IN THE TIMETABLE

WITH A SMILE THROUGH SUMMER AND WINTER

On 15 December 2019, Stadler's first high-speed train, the SMILE, went into timetabled operation on the Gotthard route through the Gotthard Base Tunnel (GBT) on the scheduled date. The train christened Giruno by SBB was ordered by SBB in October 2014 and celebrated its première at InnoTrans 2016 in Berlin after just 23 months of development and construction. The eleven-car multi-system multiple unit subsequently underwent a demanding test programme. For cross-border traffic from Switzerland to Italy, Germany or Austria, it requires a licence in each of these countries. The large temperature difference between the air outside and inside the GBT tunnel made extensive testing necessary in the world's longest climatic wind tunnel, at RTA in Vienna, where weather influences on vehicles and components can be tested under realistic operating conditions.

IMAGE
The SMILE, SBB's Giruno, Switzerland

IN FOCUS

METRO CAPITAL CITY

Stadler won the first METRO order in Berlin in 2002. Two four-car trains were initially built for the Berlin underground as a prototype for the lines with a smaller cross-sectional profile. This first order was followed by several more, representing a total of 54 trains, which were built at the Stadler plant in Berlin Pankow. The “Icke”, as the IK series is affectionately known in Berlin, now also runs on the large-profile network of the Berlin underground railway, where there is a lack of operational vehicles. In February 2019, Stadler announced that it would invest up to 70 million euros in the expansion of the plant in Pankow. This will create additional production space that is optimally suited to handling major projects.

IMAGE
METRO BVG, Berlin, Germany





IN OPERATION

SKYWARDS, TAILOR-MADE

The Tailor Made unit, with its highly individualised vehicles, whether one-off vehicles or small series, goes right back to Stadler's roots. Stadler's history began with small accumulator tractors for mine and adit construction. 2019 represented a continuation of the company's progression, with orders received from countries including Italy, Germany and Switzerland. Another highlight in 2019 was the inauguration of the new trains for the Corcovado rack railway in Rio de Janeiro on 9 October. These vehicles drive up to the "Christ the Redeemer" statue on a daily basis. As reported in the NZZ the following day, it was considered a kind of miracle in the Sugarloaf Mountain city, which is torn by crisis, corruption and crime, that a Swiss train manufacturer was able to develop and deliver a brand new rack railway on time – and that it actually worked.

IMAGE
Corcovado Tailor Made multiple unit, Brazil

THE LATEST TREND

HYBRID TECHNOLOGY – EVEN FOR LOCOMOTIVES

2019 was a successful year for Stadler's large locomotives. Among the locomotives sold were shunter locomotives with an intermediate driver's cab for the VR Group in Finland, further hybrid locomotives for the European Loc Pool, and, for the first time, locomotives for Taiwan in the Pacific region. The latest generation of the six-axle hybrid locomotive in particular has gained in variability and stature. With its clear contours and smoothed flanks, it is not only extremely wind-resistant but also attracts admiring glances. For a locomotive, this is unusual – the last time it happened in Switzerland was probably with the Re 460, the "Lok 2000". The EURODUAL can be configured as a hybrid locomotive with different operating distances on lines without overhead contact lines by adding accumulators. The energy-efficient operation of these locomotives pays off for rail operators and freight forwarders thanks to the logistical and economic advantages they bring.

IMAGE
HVLE EURODUAL locomotive, Germany


STADLER



DEVELOPING THE GREEN, DIGITAL FUTURE



The FLIRT battery in service

Demand for transport services is growing more and more. At the same time, public transport is also required to be even more energy-efficient. This is leading to an acceleration of innovation in the railway industry. Stadler set a green example back in 1995 with the development of a regional articulated railcar, the car bodies of which were made using a lightweight aluminium construction. The lower the mass, the less energy is required to set it in motion. The development of energy-efficient solutions in drive technology and the use of alternative energy sources are gaining momentum. Digitalisation in other areas of rail transport is also helping to make rail travel even more environmentally friendly and attractive for increasing numbers of people.

In the course of 2019, Stadler brought a wide range of new, highly developed technologies onto the market. In terms of vehicles, the focus is on alternative drive systems. A train powered by hydrogen was sold in the USA for the first time following the signature of the contract for SBCTA in November. This two-car FLIRT H_2 vehicle has a central car between the two end cars called the PowerPack, which contains the fuel cells, the cooling elements and the hydrogen tanks. Work on other trains powered by hydrogen to be supplied to the Zillertalbahn also continued at high speed. The Zillertalbahn is a narrow-gauge railway in Tirol with a gauge of just 760 millimetres. Since overhead contact lines and the associated additional masts are undesirable in the valley, given that it is a tourist destination, the necessary power is to be provided by "green" hydrogen.

The best-selling FLIRT train is being prepared for further markets. Solutions with up to three drive sources are in demand in order to be able to offer economically and ecologically viable vehicle configurations, especially for only partially electrified lines – such as those often found in Germany, Great Britain, Italy and Spain. In addition to highly efficient diesel engines and different power systems using direct or alternating current, batteries are also becoming increasingly common. These hybrid vehicles make the trains independent of an overhead contact line or allow shunting in the depot with electric energy from the battery. Hybrid configurations also make sense for hydrogen trains. The combination of fully electric traction equipment with fuel cells can be implemented in the FLIRT train with the tried-and-tested central PowerPack module in a space-saving and efficient way.

The new booster bogies were also produced for the first time in the BLS project in 2019. The newly developed booster bogie is a motorised Jacobs bogie with a high starting tractive effort. This results in better acceleration of the trains when starting from a standstill and hence to a reduction in travel time.

> Digitalisation will make rail travel environmentally friendly and attractive for even more people.

The platform for the successful EURODUAL locomotive, consisting of a uniform car body structure, driver's cab and bogies, will be extended to include further versions. As a traditional dual-power locomotive, the EURODUAL has an output of 2.8 megawatts with diesel power and 6.0 megawatts with electric drive under overhead contact lines. A purely diesel locomotive with a 6,400-litre tank and long operating distance can be created by dispensing with electric traction from the overhead contact lines. The flagship is the EURO9000 – a purely electric locomotive in single- or multiple-system configuration. Powered by an alternating current of 15 kV and 25 kV, the EURO9000 is the most powerful single-frame locomotive in Europe, with an output of 9.0 megawatts. The EURO9000 can be optionally equipped with diesel engines. With the addition of batteries, which is

also possible, it becomes a hybrid locomotive that is no longer dependent on the catenary in the depot or on longer non-electrified lines.

INTELLIGENT, NETWORKED TRAINS

The number of kilometres of track remains at a constant level worldwide. Increases in capacity and efficiency must therefore be sought in rail vehicles. The greatest potential lies in intelligent, networked trains – the interplay between infrastructure and vehicles is an excellent opportunity for Stadler to offer efficient and highly integrated solutions on the market. That is why Stadler has been building up its own team of specialists in the Zurich region since 2017 and has founded the AngelStar joint venture in Italy with partner Mermec. Over 120 system and software engineers are already working on innovative solutions in the field of signalling at the Wallisellen and Mola di Bari sites.

Stadler's signalling strategy focuses on three main areas of digital solutions: increasing capacity on infrastructure that is essentially unchanged, improving timetable stability, and further reducing energy consumption. Stadler is actively shaping the future of the railway industry with the following three products.

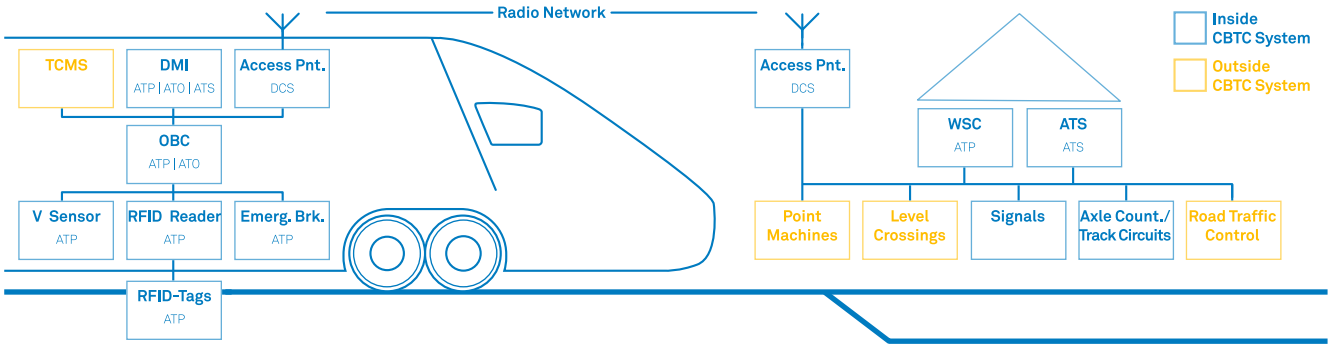
Automatic Train Operation (ATO) – in order to create higher capacities on the existing infrastructure on main and branch lines, more trains must be able to run on this infrastructure. This requires a higher level of automation. Driving assistance systems – similar to the autopilot in aircraft – will be increasingly in demand. This kind of system allows trains to be operated with more constant speed profiles whilst ensuring energy-optimised travel characteristics. Stadler has developed its own system, which is being tested in Switzerland, Holland and Sweden. Depending on the situation, ATO systems can lead to capacity increases of up to 20 percent and energy savings of up to 30 percent. The customer response has been very positive and it can be assumed that these systems will continue to receive a great deal of attention.

Communication-Based Train Control (CBTC) – the greatest growth potential in the rail industry is generally expected in the metro sector. In recent years, Stadler has achieved great success in this segment as well. METRO trains for Liverpool and Glasgow are under construction and will go into service in 2020 and 2021. In Atlanta, USA, a contract to supply 127 METRO trains was signed in 2019. Many metro operators are looking for a complete turnkey solution for the procurement of their fleets: rail vehicles and signalling from a single source. To ensure that Stadler is well positioned in this market as well, an innovative complete CBTC vehicle solution for metros is being developed. This system enables completely driverless railway operation and allows the highest train frequencies. Initial field tests were carried out in Switzerland in 2019 and the technical feasibility of the system demonstrated. Finally, in December 2019, Stadler Signalling and Baselland Transport AG (BLT) signed a contract for the supply of a CBTC security system. Thanks to this CBTC solution, Stadler is for the first time providing an extremely streamlined solution for train protection for branch lines based on industrial standards. BLT will put the CBTC system into operation along with 10 new tram links to coincide with the 2022 timetable change. With this solution, Stadler is bringing an innovation to the rail vehicle market that will also be used in future metros. CBTC is also a technology driver for other digitalisation topics, as new solutions in telecommunications, cybersecurity, signal processing and security technology are in demand at the same time.

European Train Control System (ETCS) – in order to meet the increasing demand for vehicles with an integrated ETCS sys-

The SALi operating in Bolivia





ATP Automatic Train Protection
ATO Automatic Train Operation
ATS Automatic Train Supervision
DCS Data Communication Subsystem
TCMS Train Control and Management System
OBC On-board Controller
WSC Wayside Controller

tem, Stadler has been working on the development, approval and market launch of its own system – ETCS GUARDIA – for the past two years as part of a joint venture with AngelStar. In this extremely short time, Stadler has succeeded in obtaining generic approval for ETCS GUARDIA and, in parallel, has started the country-specific approval process in five European countries. Stadler's own ETCS system allows vehicles to be registered more efficiently and faster whilst freeing the company from dependence on the relevant suppliers – direct competitors in the field of rail vehicle construction.

Work on signalling represents a significant technological step forwards for Stadler.

GOOD DESIGN AS PART OF PROBLEM-SOLVING

At Stadler, innovations are constantly being incorporated into current projects. The product or industrial design is one specific aspect of these innovations. The following example shows how solutions from product development can enhance the appearance of a vehicle and increase its functionality at the same time.

Every year, Stadler trains are subjected to a special kind of "moose test". In Nordic countries, these big animals – with a shoulder height of up to 2.30 metres – like to walk on cleared tracks, especially in winter. And unfortunately, collisions occur from time to time. The head vehicle of a train is particularly exposed in a collision with a moose weighing up to 800 kilogrammes. To ensure that the trains are quickly available again after this type of accident, a simple and cost-effective solution had to be found for the front design. In the latest versions of the FLIRT train for Nordic countries, the entire front section underneath the front window is therefore constructed from inexpensive and easily replaceable parts in glass-reinforced plastic. The climatic partition wall leading to the interior is much further back than normal, and therefore usually remains undamaged. The headlight housings are also mounted and installed in such a way that they can be completely replaced quickly and easily in the event of damage.



“WE MAKE THE IMPOSSIBLE POSSIBLE.”

MONIKA THALMANN, TECHNICAL PROJECT MANAGER

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 2019. Information is continuously updated at www.stadlerrail.com/en/investor-relations/. 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 2019 stood at CHF 4,836 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. The Group CEO (Switzerland) and four Executive Vice Presidents (EVPs) are currently responsible for the economic performance and operational management of the Signalling, Service & 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 2019, the Stadler Group comprised 36 companies worldwide (fully consolidated; equity: 4 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 89. 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 2019 Stadler was aware that the following shareholders held 3 per cent of all voting rights or more in the company:

- PCS Holding AG, Warth-Weiningen, Switzerland; Peter Spuhler, Warth-Weiningen; 39.9 per cent (28.9 per cent indirectly via PCS Holding, 11 per cent directly);
- RSBG SE, Essen, Germany; RAG Foundation, Essen; 10 per cent;
- 16 members of the Board of Directors and the Group Executive Board; each member holds less than 3 per cent of the shares/voting rights;
- A total of 19 persons have joined together to form a lock-up group with 56.6 per cent of the voting rights.

All notifications from shareholders holding 3 per cent of all voting rights or more 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 using the search function at https://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html.

As at 31 December 2019, Stadler Rail AG held no 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 5 per cent.

2. CAPITAL STRUCTURE

Share capital

As at 31 December 2019, 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 10 per cent of the existing share capital. According to Article 5 of the Articles of

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

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.

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.

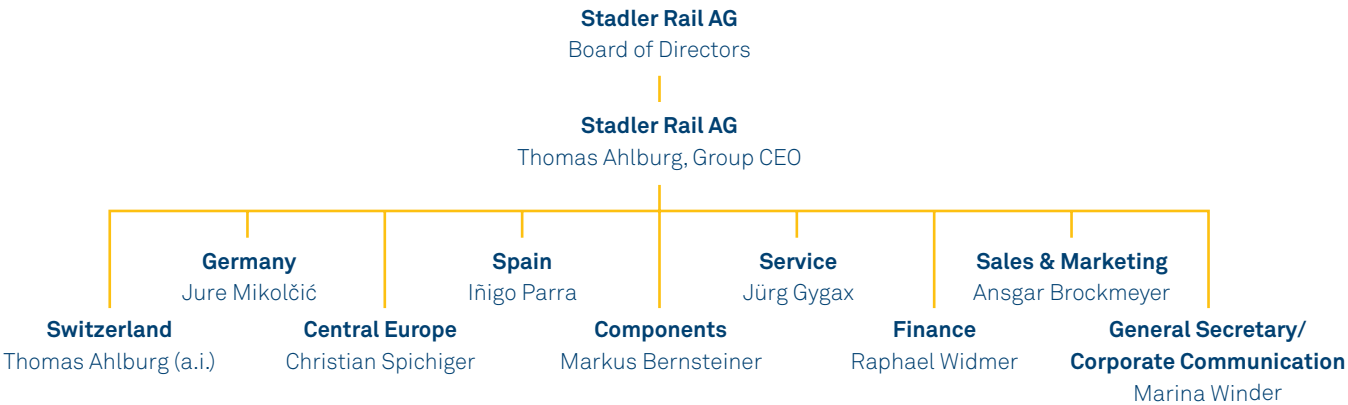
Conditional capital for employee benefit plans

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 2 per cent 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 per cent in accordance with regulations and terms and conditions to be specified by the Board of Directors.

Organisation

Status as at 31 December 2019



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*.

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 5 per cent 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 1 per cent 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*, shareholders may be refused entry in the share register unless they expressly declare that they have acquired shares in their own name and for their own account.

Pursuant to Article 6 of the Articles of Association*, 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 2019, the Board of Directors comprised eight members. The Board of Directors consists of non-executive members with the exception of the Executive Chairman Peter Spuhler ("eVRP").

Werner Müller (†) left the Board of Directors in the course of the reporting year on 17 July 2019.

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 provided services for Stadler Rail AG or its subsidiaries in the reporting period. 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 of legal entities controlled by the company or which control it.

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

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 per cent 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 has the supreme responsibility for the ultimate direction and control – as well as supervision – of the Group Executive Board and the business operations of the company and the Group, as well as for ensuring their sustainable 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 these 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.

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



“THERE IS NO SUCH THING AS ‘CAN’T’!”

THIS GUIDING PRINCIPLE COMES FROM PETER SPUHLER AND SERVES AS MOTIVATION FOR ALL STADLER EMPLOYEES.

From left to right:
Kurt Rüegg: Member of the Board of Directors, co-owner of Alantra AG
Wojciech Kostrzewa: Member of the Board of Directors, President & CEO of Billon Group Ltd
Barbara Egger-Jenzer: Member of the Board of Directors, lawyer/former state councillor of the canton of Bern
Christoph Franz: Member of the Board of Directors, Chairman of the Board of Directors of Roche Holding AG
Peter Spuhler: Chairman of the Board of Directors
Fred Kindle: Member of the Board of Directors, Partner at Clayton, Dubilier & Rice
Hans-Peter Schwald: Vice Chairman of the Board of Directors, Senior Partner at the law firm BianchiSchwald LLC
Friedrich Merz: Member of the Board of Directors, lawyer/Senior Council at the law firm Mayer Brown



STADLER BOARD OF DIRECTORS

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.

PETER SPUHLER (1959)

Executive Chairman of the Board of Directors
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

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 since 1 January 2017

OTHER ACTIVITIES AND VESTED INTERESTS
Chairman of Autoneum Holding AG (since May 2011), VAMED Management und Service Schweiz AG (since October 2014), VAMED Health Project Schweiz AG (since February 2017), ZSC Lions Arena Immobilien AG (since August 2015) and Chairman of the Board of AVIA Vereinigung unabhängiger Schweizer Importeure von Erdölprodukten, Genossenschaft (Association of Independent Swiss Importers of Petroleum Products); member of the Board of Directors of PCS Holding AG (since December 2006), DSH Holding AG (since July 2008), Echo Rückversicherungs-AG (since May 2011), Rieter Holding AG (since May 2009), ZSC Lions Eishockey AG (ZSC Lions) (since 1997) as well as member of the Board and the Executive Committee of AVIA International Zurich and member of the Board of Directors of other Swiss stock corporations

COMMITTEE MEMBERSHIPS
Member of the Strategy and Audit Committees

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 Atlantra 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

FRIEDRICH MERZ (1955)

Member
German citizen

INITIAL ELECTION TO THE BOARD OF DIRECTORS
Board member since 2006, will not stand for re-election in 2020

EDUCATION, PROFESSIONAL EXPERIENCE, CAREER
State examination in law at the University of Bonn; lawyer/Senior Counsel at the law firm Mayer Brown; former parliamentary party leader of the CDU

OTHER ACTIVITIES AND VESTED INTERESTS
Chairman of the Supervisory Board of Flughafen Köln-Bonn GmbH, BlackRock Asset Management Deutschland AG and WEPA Industrieholding SE; member of the Supervisory Board and Chairman of the Advisory Board of HSBC Trinkaus & Burkhardt AG. Until 2014 member of the Supervisory Board of AXA Konzern AG and until 2015 member of the Supervisory Board of Deutsche Börse AG

COMMITTEE MEMBERSHIPS
Member of the Nomination and Compensation Committees

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

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 (2009 to 2016)

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

WOJCIECH KOSTRZEWA (1960)

Member
Polish citizen

INITIAL ELECTION TO THE BOARD OF DIRECTORS
Board member since 2012

EDUCATION, PROFESSIONAL EXPERIENCE, CAREER
Graduated in economics from the University of Kiel; studied law at the University of Warsaw, Poland; from 1998 to 2004 President and CEO of mbank SA, 2005 to 2018 President and CEO of the media conglomerate ITI Group, since January 2019 CEO of Billion Group Ltd. and since 2017 member of the Board of Directors

OTHER ACTIVITIES AND VESTED INTERESTS
Since 2017 member of the Board of Directors and Chairman of the Audit Committee of ERGO Hestia SA and ERGO Hestia TUnZ SA (life insurance), since May 2007 Deputy Chairman of the Employers' Association Konfederacja Lewiatan, Warsaw, Poland, and since May 2019 Chairman of the Polish Business Roundtable

COMMITTEE MEMBERSHIPS
Member of the Audit Committee

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); from 2002 to 2018 member of the Board of Directors of BKW Energie AG and BLS AG

COMMITTEE MEMBERSHIPS
Member of the Nomination and Compensation Committees

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 appoints 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. 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 (meetings of the Board of Directors without the Group Executive Board).

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 2019, the members of the Board of Directors met for four regularly scheduled meetings. Each lasted approximately one day; one of the four meetings took place abroad. At two of the four meetings, one member of the Board of Directors was excused due to illness. The agenda for Board meetings is set by the eVRP. Likewise, 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, for the business that concerns them. 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 four members. The chairman of this committee is Peter Spuhler. The other members are Friedrich Merz, Christoph Franz and Barbara Egger-Jenzer. 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 four regular meetings in 2019. All four committee members were present at three of the four meetings. One member was absent from one meeting.

The Compensation Committee consists of four members. The chairman of this committee is Christoph Franz. The other members are Peter Spuhler, Friedrich Merz and Barbara Egger-Jenzer. 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 2019. All four committee members were present at three of the four meetings. One member was absent from one meeting.

The Strategy Committee is composed of three members of the Board of Directors. The chairman is Fred Kindle, and the other members are Peter Spuhler and Hans-Peter Schwald. 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 committee members contributed to the preparation of the two-day strategy seminar with the entire management and participated fully in the strategy seminar.

The members of the Strategy Committee held one regular meeting in 2019. One committee member was absent.

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 two regular meetings in 2019. All three committee members were present at both 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

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

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.

The Board of Directors has put in place a comprehensive system for monitoring and managing the risks associated with business activities. This process includes risk identification, analysis and management as well as risk reporting.

4. GROUP EXECUTIVE BOARD

As at 31 December 2019, the Group Executive Board consisted of nine people: the Group CEO, the Group CFO, the EVP Marketing & Sales, the EVP for each division (Switzerland, Germany, Central Europe, Spain, Components, Service) as well as the Head of the General Secretariat and the Head of Communications & PR.

In the course of the year under review, Peter Jenelten and Markus Sauerbruch stepped down from the Group Executive Board on 14 May 2019 and 28 May 2019 respectively.

Further information on the members of the Group Executive Board is provided on pages 44 to 46.

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 the company and of legal entities controlled by the company or which control it.

Management contracts

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

STADLER'S GROUP EXECUTIVE BOARD



Thomas Ahlburg has eight men and one woman at his side on the Group Executive Board.

From left to right:
Jürg Gygax: Service
Jure Mikolčić: Germany
Raphael Widmer: Chief Financial Officer
Iñigo Parra: Spain
Thomas Ahlburg: Group CEO and Switzerland a.i.
Christian Spichiger: Central Europe
Marina Winder: General Secretary and Head of Communications & PR
Markus Bernsteiner: Components
Ansgar Brockmeyer: Sales & Marketing

DR THOMAS AHLBURG (1969)

Group CEO and Executive Vice President of Switzerland Division a.i.
German citizen

MEMBER OF THE GROUP EXECUTIVE BOARD SINCE 2015

EDUCATION, PROFESSIONAL EXPERIENCE, CAREER
Dipl. Ing. ETH (1996); B.Sc. Mec. Eng. at the University of Cape Town (1991); Dr. rer. pol. at the Georg August University of Göttingen (2001); before joining Stadler, he worked for Bombardier Transportation GmbH, MT Aerospace AG and Booz, Allen & Hamilton (now Strategy& at PwC); since 2012 he was CEO of Stadler Bussnang AG and since 2015 Deputy Group CEO; in his current position since 2018

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
Since 2017 member of the Board of Trustees of the Stadler Group Pension Fund, at the same time its Managing Director and President

ANSGAR BROCKMEYER (1966)

Executive Vice President of the Marketing & Sales Division
German citizen

MEMBER OF THE GROUP EXECUTIVE BOARD SINCE 2019

EDUCATION, PROFESSIONAL EXPERIENCE, CAREER
Graduated in electrical engineering; doctorate from RWTH Aachen in 1997; from 1997 to 2019 various positions at Siemens Verkehrstechnik (now Siemens Mobility), most recently as CEO of Business Unit 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, teaching assignment on the subject of "Electric Railway Drives" at RWTH Aachen University during the winter semester

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)

JURE MIKOLČIĆ (1974)

Executive Vice President of Germany Division
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

MARKUS BERNSTEINER (1966)

Executive Vice President of Components Division
and CEO Stadler Rheintal AG
Swiss citizen

MEMBER OF THE GROUP EXECUTIVE BOARD IN VARIOUS FUNCTIONS FOR 20 YEARS

EDUCATION, PROFESSIONAL EXPERIENCE, CAREER
Machine Mechanic FA; several degrees in Management (Quality System Manager SA, dipl. Quality System Manager EOQ, KMU dipl. HSG, Executive MBA HSG, AMP-HSG); 2006 CEO Stadler Bussnang AG and Head of Production, 2007 to 2011 CEO Stadler Bussnang AG, 2011 COO Division Switzerland and CEO Stadler Bussnang AG, 2012 to 2014 Executive Vice President Switzerland, from 2014 to 2018 Executive Vice President Components and Head of Business Application, in his current position since 2019

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); since 2015 member of the Board of Trustees of the Stadler Group Pension Fund; from 2016 to 2018 Chairman of the Management Board of MBE4 GmbH

CHRISTIAN SPICHIGER (1962)

Executive Vice President of 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.

IÑIGO PARRA (1964)

Executive Vice President of Spain Division
Spanish citizen

MEMBER OF THE GROUP EXECUTIVE BOARD SINCE 2016

EDUCATION, PROFESSIONAL EXPERIENCE, CAREER
1984, graduated from the Walter Haas Business School at the University of California, Berkeley, USA; 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. (the name of Stadler Valencia S.A.U.'s predecessor); since 2016 CEO of Stadler Rail Valencia S.A.U.

OTHER ACTIVITIES AND VESTED INTERESTS
Since May 2007 member of the Advisory Board of Rafael Hinojosa S.A.; since January 2016 Chairman of the Supervisory Board of Colegio Guadalaviar; since May 2015 member of the Supervisory Board of Afin SGR

JÜRG GYGAX (1957)

Executive Vice President of 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 also CEO of Stadler Winterthur AG; from 2011 to 2012 ad interim CEO of Stadler Altenrhein AG

OTHER ACTIVITIES AND VESTED INTERESTS
Since 2006 member of the Board of Trustees of the Stadler Group Pension Fund

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 49 and in the Annual Financial Statements starting on page 60.

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 10 per cent of the share capital. Shareholders who together represent at least 5 per cent of the share capital or shares with a total nominal value of at least CHF 1 million 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.

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

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 2020.

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 per cent of the voting rights is exceeded (opting-up).

Change of control clauses

There are no change of 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 0.8 million Swiss francs for the 2019 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 0.3 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 2019 financial year comprises the annual report, a media release and a presentation. The annual report can be ordered by the shareholders. It 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/

REMUNERATION REPORT

The Remuneration Report describes the remuneration system and its application at Stadler in the 2019 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.

Due to the IPO during the year, remuneration was based on existing mandate contracts or employment contracts and target agreements. Separate remuneration regulations came into force on 1 January 2020, the content of which is already outlined here with a view to ensuring the continuity of the Remuneration Report.

Board of Directors

Fixed remuneration

The members of the Board of Directors receive fixed remuneration 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. For 2019, a new basis for remuneration was introduced with effect from April 2019. 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. The actual amounts paid out in the 2019 financial year are made up (pro rata) of the fees described (from April) and the previously applicable regulations (until March) and are presented in the table below.

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.

The Board of Directors or one of its committees may stipulate that the remuneration of all or individual members of the Board of Directors should be paid in part or in full in the form of freely tradable or vested shares or similar equity securities. If decided by the Board of Directors, such shares may be subject to forfeiture or mechanisms for recall. No compensation was paid out in the form of shares in the 2019 reporting year.

As of 1 January 2020, it is intended that the fixed remuneration shall be paid in cash and/or in shares of Stadler Rail AG, at the discretion of the individual member of the Board of Directors. The decision must be made by the end of March 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 March 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 allocation of shares takes

place after the annual financial statements have been approved by the Annual General Meeting each year.

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 remuneration[1]

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. For 2019, the individual target agreements concluded prior to the IPO were decisive. 62% of these agreements consisted of general targets (such as EBIT margin, order intake, observance of warranty cost budgets and compliance with factory acceptance dates) and 38% of individual targets. The achievement of the objectives averaged 71%. The variable remuneration was paid in cash.

As of 1 January 2020, it is intended that the Board of Directors, at the request of the Compensation Committee, shall determine 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 each 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 each financial year.

As of 1 January 2020, the shares of all Group Executive Board members 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 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 financial year.

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 of between CHF 1,000 and CHF 2,000 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.

[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.

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.

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 meetings in the 2019 financial year. 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 2019 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

2019

	Function	Remuneration in cash	Remuneration in shares	Social security contributions[1]	Total
		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	224	–	76	300
Hans-Peter Schwald	Vice Chairman of BoD Member of Strategy Committee Member of Audit Committees	173	–	13	186
Kurt Rüegg	Member of BoD Chairman of Audit Committee	118	–	9	127
Friedrich Merz	Member of BoD Member of Nomination Committee Member of Compensation Committee	120	–	9	129
Fred Kindle	Member of BoD Chairman of Strategy Committee	118	–	9	127
Christoph Franz	Member of BoD Chairman of Compensation Committee Member of Nomination Committee	133	–	10	143
Wojciech Kostrzewa	Member of BoD Member of Audit Committee	105	–	–	105
Barbara Egger-Jenzer	Member of BoD Member of Nomination Committee Member of Compensation Committee	98	–	7	105
Werner Müller [2]	Member of BoD	59	–	–	59
Total remuneration to members of the Board of Directors		**1,148**	**–**	**133**	**1,281**

[1] Social security contributions include the employer's portion of social security contributions.
[2] Dr Werner Müller died on 15 July 2019.

Group Executive Board

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, Group CEO	715	380	–	222	1,317
Other members of the Group Executive Board	3,500	791	–	949	5,240
Total remuneration to the Group Executive Board	**4,215**	**1,171**	**–**	**1,171**	**6,557**

[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.

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 2019. 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“ on page 53 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 2019 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

Simon Niklaus
Licensed Audit Expert

Zurich, 4 March 2020

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

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TRAMLINK FLP, Lugano, Switzerland

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CONSOLIDATED INCOME STATEMENT

in thousands of CHF or as noted	Note	2019		2018	
Net revenue	1.1	**3,200,785**	**100.0%**	**2,000,806**	**100.0%**
Material and external services		(1,944,011)	60.7%	(1,105,444)	55.2%
Material overhead		(100,398)	3.1%	(68,885)	3.4%
Warranty costs	2.6	(43,180)	1.5%	(29,585)	1.1%
Production costs		(543,346)	17.0%	(386,334)	19.3%
Engineering costs		(188,019)	5.9%	(101,800)	5.1%
Project management costs		(25,606)	0.8%	(18,032)	0.9%
Cost of goods sold and services provided		**(2,844,560)**	**88.9%**	**(1,710,080)**	**85.5%**
Gross margin		**356,225**	**11.1%**	**290,726**	**14.5%**
Development costs		(13,432)		(6,138)	
Marketing & Sales costs		(64,784)		(56,196)	
Administration costs		(78,294)		(79,528)	
Other operating income	5.2	1,414		9,509	
Other operating expenses	5.2	(7,427)		(7,430)	
Operating result (EBIT)		**193,702**	**6.1%**	**150,943**	**7.5%**
Financial result	5.1	(47,065)		(21,351)	
Share of results from associates	4.3	3,971		2,325	
Ordinary result		**150,608**	**4.7%**	**131,917**	**6.6%**
Non-operating result	5.5	(2,081)		–	
Profit before income taxes		**148,527**	**4.6%**	**131,917**	**6.6%**
Income taxes	5.3	(19,988)		(12,724)	
Profit for the year		**128,539**	**4.0%**	**119,193**	**6.0%**
– thereof attributable to shareholders of Stadler Rail AG		127,175		117,779	
– thereof attributable to non-controlling interests (minority shareholders)		1,364		1,414	
Basic and diluted earnings per share (in CHF)	1.5	**1.27**		**1.18**	

CONSOLIDATED BALANCE SHEET

in thousands of CHF	Note	31.12.2019		31.12.2018	
Assets					
Cash and cash equivalents		752,686		694,638	
Trade receivables	2.1	285,599		251,580	
Other current receivables	2.7	110,237		80,852	
Compensation claims from work in progress	1.3	818,343		279,933	
Inventories	2.2	231,960		260,587	
Work in progress	1.2	633,995		592,629	
Accrued income and deferred expenses		21,644		4,750	
Total current assets		**2,854,464**	**75.1%**	**2,164,969**	**75.1%**
Property, plant and equipment	2.3	701,700		545,776	
Financial assets	2.4	124,446		125,397	
Investments in associates and joint ventures	4.3	14,297		12,027	
Intangible assets	2.5	104,815		36,458	
Total non-current assets		**945,258**	**24.9%**	**719,658**	**24.9%**
Total assets		**3,799,722**	**100.0%**	**2,884,627**	**100.0%**
Liabilities & equity					
Current financial liabilities	3.1	279,385		81,094	
Trade payables	2.1	250,118		173,779	
Liabilities from work in progress	1.2	1,437,758		1,349,872	
Other current liabilities	2.7	111,274		73,592	
Current provisions	2.6	77,796		98,310	
Deferred income and accrued expenses	2.7	197,421		97,521	
Total current liabilities		**2,353,752**	**61.9%**	**1,874,168**	**65.0%**
Non-current financial liabilities	3.1	467,730		81,626	
Other non-current liabilities	2.7	39,006		28,501	
Non-current provisions	2.6	92,280		96,829	
Total non-current liabilities		**599,016**	**15.8%**	**206,956**	**7.2%**
Total liabilities		**2,952,768**	**77.7%**	**2,081,124**	**72.1%**
Share capital	3.3	20,000		20,000	
Capital reserves		14,823		16,376	
Treasury shares	3.3	–		(2,187)	
Retained earnings		679,619		646,320	
Profit for the year, attributable to shareholders of Stadler Rail AG		127,175		117,779	
Stadler Rail AG shareholders' equity		**841,617**	**22.1%**	**798,288**	**27.7%**
Non-controlling interests (minority interests)		5,337		5,215	
Total equity		**846,954**	**22.3%**	**803,503**	**27.9%**
Total liabilities & equity		**3,799,722**	**100.0%**	**2,884,627**	**100.0%**

CONSOLIDATED CASH FLOW STATEMENT

in thousands of CHF	Note	2019	2018
Cash flow from operating activities			
Profit for the year		128,539	119,193
Depreciation and amortisation		76,219	57,481
Loss/(gain) on disposals of fixed assets		801	–
Non-recurring impairment		162	(1,155)
Share of results from associates	4.3	(3,971)	(2,325)
Reversal of non-cash items		2,108	9,630
Addition/(Reduction) other non-current liabilities	2.7	11,348	1,182
Addition/(Reduction) non-current provisions	2.6	(4,878)	3,583
Reduction/(Addition) employer contribution reserve	2.4	14,547	4,145
Change in net current assets			
– Reduction/(Addition) trade receivables	2.1	(39,134)	7,492
– Reduction/(Addition) other current receivables	2.7	(31,266)	(13,354)
– Reduction/(Addition) compensation claims from work in progress	1.3	(541,665)	(237,329)
– Reduction/(Addition) inventories	2.2	21,474	(87,133)
– Reduction/(Addition) work in progress	1.2	(114,753)	(190,694)
– Reduction/(Addition) accrued income and deferred expenses		(17,641)	1,507
– Addition/(Reduction) trade payables	2.1	81,747	85,016
– Addition/(Reduction) liabilities from work in progress	1.2	114,073	82,270
– Addition/(Reduction) other current liabilities	2.7	39,495	(33,155)
– Addition/(Reduction) current provisions	2.6	(25,809)	(11,022)
– Addition/(Reduction) deferred income and accrued expenses	2.7	101,756	11,389
Net cash flow from operating activities		**(186,848)**	**(193,279)**
Cash flow from investing activities			
Investments in property, plant and equipment	2.3	(213,236)	(174,406)
Proceeds from sales of property, plant and equipment	2.3	1,859	4,290
Investments in financial assets	2.4	(5,618)	(21,419)
Proceeds from sales of financial assets	2.4	4,255	62,720
Acquisition of subsidiaries, net of cash acquired	4.1	–	(7,269)
Proceeds from sales of subsidiaries, net of cash received	4.1	–	(23)
Investments in associates and joint ventures	4.3	(1)	–
Dividends received from associated companies and joint ventures	4.3	1,237	
Purchase of non-controlling interests	4.1	–	(1,153)
Investments in intangible assets	2.5	(35,417)	(13,749)
Proceeds from sales of intangible assets	2.5	18	60
Net cash flow from investing activities		**(246,903)**	**(150,949)**
Cash flow from financing activities			
Proceeds from/(repayment of) current financial liabilities	3.1	181,519	48,677
Proceeds from/(repayment of) non-current financial liabilities	3.1	97,705	19,193
Proceeds from/(repayment of) bond issuance	3.1	300,000	–
(Purchase)/Sale of treasury shares	3.3	(2,719)	(1,941)
Dividends paid to shareholders	3.3	(69,426)	(69,708)
Dividends paid to non-controlling interests		(1,057)	–
Net cash flow from financing activities		**506,022**	**(3,779)**
Total net cash flow		**72,271**	**(348,007)**
Cash and cash equivalents at 1 January		694,638	1,058,023
Currency translation differences on cash and cash equivalents		(14,223)	(15,378)
Cash and cash equivalents at 31 December		**752,686**	**694,638**

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 interest	Total equity
Balance at 1 January 2018	**20,000**	**17,650**	**(4,091)**	**(156,380)**	**880,824**	**724,444**	**758,004**	**7,435**	**765,439**
Profit for the year	–	–	–	–	117,779	117,779	117,779	1,414	119,193
Dividends paid	–	–	–	–	(69,708)	(69,708)	(69,708)	–	(69,708)
Offsetting goodwill	–	–	–	(1,800)	–	(1,800)	(1,800)	–	(1,800)
Transactions with non-controlling interests	–	–	–	–	–	–	–	(3,228)	(3,228)
Purchase of treasury shares	–	–	(2,006)	–		–	(2,006)	–	(2,006)
Sale of treasury shares	–	(31)	96	–	–	–	65	–	65
Allocation of treasury shares to employees		(1,243)	3,814	–	–	–	2,571	–	2,571
Currency translation differences	–	–	–	–	(6,617)	(6,617)	(6,617)	(406)	(7,023)
Balance at 31 December 2018	**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
Allocation of treasury shares to employees		(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**

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 financial report.

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 the 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 2019 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" (collectively referred to as Stadler).

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 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	
	2019	2018	2019	2018	2019	2018	2019	2018
Net revenue								
Net revenue per segment	3,001,656	1,789,436	641,553	536,262	(442,424)	(324,892)	3,200,785	2,000,806
Intersegment revenue	(61,879)	(37,023)	(380,682)	(288,587)	442,561	325,610	–	–
Total net revenue (third parties)	**2,939,777**	**1,752,413**	**260,871**	**247,675**	**137**	**718**	**3,200,785**	**2,000,806**
Net revenue by geographical market								
Germany, Austria, Switzerland	1,379,354	1,244,269	82,212	57,182	–	777	1,461,566	1,302,228
Western Europe	1,201,825	237,019	161,111	153,032	137	–	1,363,073	390,051
Eastern Europe	35,789	107,073	8,177	18,630	–	(59)	43,966	125,644
CIS	133,087	51,053	1,597	2,949	–	–	134,684	54,002
America	156,609	112,153	2,196	3,535	–	–	158,805	115,688
Rest of the world	33,113	846	5,578	12,347	–	–	38,691	13,193
Total net revenue by market	**2,939,777**	**1,752,413**	**260,871**	**247,675**	**137**	**718**	**3,200,785**	**2,000,806**
Net revenue by product group								
Trains	2,226,414	1,234,614						
Locomotives	61,944	48,303						
LRV	172,054	223,961						
Metros	73,038	114,305						
Tailor Made	406,327	131,230						
Total net revenue by product	**2,939,777**	**1,752,413**						
Investments in PPE								
Investments in PPE	186,011	143,794	25,348	27,139	1,877	3,473	213,236	174,406
Total investments in PPE	**186,011**	**143,794**	**25,348**	**27,139**	**1,877**	**3,473**	**213,236**	**174,406**
Staff as FTEs								
Permanent employees	7,307	6,123	2,047	1,621	178	159	9,532	7,903
Temporary employees	967	637	258	185	6	2	1,231	824
Apprentices	134	124	21	23	–	–	155	147
Total staff as FTEs	**8,408**	**6,884**	**2,326**	**1,829**	**184**	**161**	**10,918**	**8,874**

The Corporate Center 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.

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	31.12.2019	31.12.2018
Work in progress		
Costs accumulated on orders	3,799,375	3,381,727
Production costs of vehicles delivered and invoiced	(2,388,340)	(2,124,438)
Work in progress, gross	**1,411,035**	**1,257,289**
Advance payments to suppliers	123,688	113,169
Advance payments to suppliers, related parties	61	–
Advance payments to suppliers, associates	1,256	–
Advance payments from customers	(902,045)	(777,829)
Total work in progress	**633,995**	**592,629**
Liabilities from work in progress		
Costs accumulated on orders	4,948,140	3,788,879
Production costs of vehicles delivered and invoiced	(4,059,655)	(2,914,733)
Work in progress, gross	**888,485**	**874,146**
Advance payments to suppliers	92,292	104,534
Advance payments to suppliers, related parties	4,088	–
Advance payments from customers	(2,198,787)	(2,328,552)
Advance payments from customers, related parties	(221,412)	–
Advance payments from customers, associates	(2,424)	–
Total liabilities from work in progress	**(1,437,758)**	**(1,349,872)**
Net work in progress/liabilities from work in progress	**(803,763)**	**(757,243)**

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. 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).

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. However, if these costs are related to the development of a new modular concept or prototype, they are capitalised as development costs.

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 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	31.12.2019	31.12.2018
Compensation claims from work in progress		
Compensation claims for vehicles whose revenue has been recognised but not yet invoiced	1,830,644	533,614
Advance payments from customers for vehicles whose revenue has been recognised but not yet invoiced	(1,012,301)	(253,681)
Total compensation claims from work in progress	**818,343**	**279,933**

ACCOUNTING PRINCIPLES

RECOGNITION AND MEASUREMENT OF COMPENSATION CLAIMS FROM WORK IN PROGRESS

If circumstances 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 an invoicing entitlement, a compensation claim is recognised in the amount of this revenue. 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	2019	2018
Personnel expenses		
Wages and salaries	(627,326)	(529,933)
Social security costs	(86,465)	(66,914)
Pension costs	(26,336)	(24,403)
Other personnel expenses	(28,886)	(29,423)
Total personnel expenses	**(769,013)**	**(650,673)**

In the 2019 financial year, a total of 423,300 shares were allocated as bonus payments within the framework of share-based payments (previous year: 7,916 or 395,800 shares, taking into consideration the share split on 15 June 2018). Personnel expenses were charged accordingly with CHF 3.4 million in 2019 (previous year: CHF 2.6 million).

The defined value of the shares allocated is calculated on the basis of consolidated equity, plus goodwill offset against equity, less the proposed dividend payments.

in CHF	2019		2018	
	after AGM	before AGM	after AGM	before AGM
Defined value	18.03.2019	18.03.2019	15.06.2018	15.06.2018
Defined value applied in the period before share split	n/a	n/a	n/a	325.00
Defined value applied in the period after share split	n/a	7.92	7.92	n/a

In June 2019, Stadler employees received an additional half to full month's salary on the occasion of the successful IPO, depending on their length of service. This is a special bonus from Peter Spuhler for the many years of service completed by his employees, financed by his company, PCS Holding. For administrative reasons, the bonus was paid out via Stadler as a pure run-through transaction with no impact on the consolidated balance sheet and income statement.

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

ACCOUNTING PRINCIPLES

SHARE-BASED PAYMENT

An employee share plan was in place until February 2019, enabling selected members of management and the Board of Directors to acquire shares in Stadler Rail AG at a defined value fixed annually on a defined date each year. The shares were allocated to selected employees, for example as part of a bonus payment, provided that the employees in question met specifically defined basic requirements and a corresponding decision had been made by the relevant body (plan committee). There was no automatic claim to allocation. The shares were subject to a lock-up period of six years. Stadler Rail AG also had a call option to repurchase the shares issued, which could be exercised at any time, at the defined value on the date of repurchase. Employees had full shareholder rights from the date of allocation onwards, with the exception of the right to sell the shares during the lock-up period.

Shares allocated to employees as a bonus were charged to personnel expenses at the defined value on the date of allocation. The "Treasury shares" item in equity represented the corresponding offsetting item, whereby the difference between the defined value and the average acquisition cost of the shares was recorded in the capital reserves. There was no subsequent valuation following the allocation of shares.

Due to Stadler's call option, which could be exercised at any time, the defined value corresponded to the current value as defined in FER 31/3.

In November 2019, the Board of Directors adopted new remuneration regulations, which came into force on 1 January 2020.

1.5 EARNINGS PER SHARE

in thousands of CHF or as noted	2019	2018
Earnings per share		
Profit for the year attributable to shareholders	127,175	117,779
Weighted average number of shares outstanding	99,907,744	99,727,852
Basic and diluted earnings per share (in CHF)	**1.27**	**1.18**

Treasury shares held by the company are not taken into account when calculating profit for the year (earnings) per share. There are no circumstances leading to a dilution of earnings per share. Shares allocated to employees under the employee share plan (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	31.12.2019	31.12.2018
Trade receivables		
Third parties	285,373	252,894
Related parties	1,044	685
Associates	1,235	–
Allowance for doubtful accounts	(2,053)	(1,999)
Total trade receivables	**285,599**	**251,580**

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	31.12.2019	31.12.2018
Trade payables		
Third parties	248,166	173,071
Related parties	788	708
Associates	1,164	–
Total trade payables	**250,118**	**173,779**

ACCOUNTING PRINCIPLES

Trade payables are reported at nominal value.

2.2 INVENTORIES

in thousands of CHF	31.12.2019	31.12.2018
Inventories		
Spare parts	119,604	100,396
Components	50,491	45,219
Non-commissioned materials	76,551	129,936
Allowances	(14,686)	(14,964)
Total inventories	**231,960**	**260,587**

ACCOUNTING PRINCIPLES

Inventories are composed of spare parts, components and non-commissioned materials. 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 construc-tion	Total
Acquisition value									
Balance at 1 January 2018	**288,549**	**184,619**	**66,708**	**36,944**	**14,059**	**29,227**	**58,666**	**17,178**	**695,950**
Change in scope of consolidation	–	563	(38)	1	(56)	(14)	–	–	456
Additions	13,225	23,501	10,815	6,482	1,718	7,485	1,875	109,305	174,406
Disposals	(172)	(1,783)	(900)	(3,093)	(148)	(1,185)	(27)	(3,564)	(10,872)
Reclassifications	7,763	1,827	336	1,813	–	448	–	(12,187)	–
Currency translation differences	(6,126)	(5,853)	(818)	(1,139)	(263)	(563)	(2,321)	(927)	(18,010)
Balance at 31 December 2018	**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**
Accumulated depreciation									
Balance at 1 January 2018	**70,418**	**101,633**	**26,984**	**23,874**	**8,363**	**19,800**	**12,591**	**–**	**263,663**
Change in scope of consolidation	–	–	(24)	–	(57)	(28)	–	–	(109)
Additions	9,733	15,212	5,575	6,119	1,575	5,147	1,888	–	45,249
Disposals	(9)	(1,440)	(866)	(2,912)	(149)	(1,183)	(23)	–	(6,582)
Currency translation differences	(1,058)	(3,084)	(391)	(710)	(166)	(391)	(267)	–	(6,067)
Balance at 31 December 2018	**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**
Net carrying amounts									
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 31 December 2018	**224,155**	**90,553**	**44,825**	**14,637**	**5,744**	**12,053**	**44,004**	**109,805**	**545,776**
Balance at 1 January 2018	**218,131**	**82,986**	**39,724**	**13,070**	**5,696**	**9,427**	**46,075**	**17,178**	**432,287**

The disposals in the "Assets under construction" column are credits granted subsequently.

As of the balance sheet date, investment obligations amounted to CHF 14.8 million (previous year: CHF 72.7 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	31.12.2019	31.12.2018
Liabilities from finance leases		
Due within 1 year	5,626	2,984
Current finance lease liabilities (Note 3.1)	**5,626**	**2,984**
Due within 1 to 5 years	15,558	14,942
Due after more than 5 years	24,777	22,890
Non-current finance lease obligations (Note 3.1)	**40,335**	**37,832**
Total liabilities from finance leases	**45,961**	**40,816**

OPERATING LEASE LIABILITIES

in thousands of CHF	31.12.2019	31.12.2018
Operating lease liabilities		
Due within 1 year	5,336	4,610
Due within 1 to 5 years	14,208	12,698
Due after more than 5 years	19,233	20,837
Total undiscounted lease payments	**38,777**	**38,145**

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	31.12.2019	31.12.2018
Financial assets		
Other financial assets, third parties	24,499	25,114
Other financial assets, related parties	34,182	34,218
Other financial assets, associates	1,544	–
Deferred income tax assets	52,885	40,182
Employer contribution reserve	11,336	25,883
Total financial assets	**124,446**	**125,397**

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 2018	**33,175**	**11,067**	**49,270**	**148**	**93,660**
Change in scope of consolidation	30	23	–	–	53
Additions	6,561	3,922	3,266	–	13,749
Disposals	(662)	–	–	–	(662)
Reclassifications	–	–	148	(148)	–
Currency translation differences	(834)	512	(2,115)	–	(2,437)
Balance at 31 December 2018	**38,270**	**15,524**	**50,569**	**–**	**104,363**
Additions	8,120	122	81,053	5,380	94,675
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**
Accumulated depreciation					
Balance at 1 January 2018	**23,739**	**7,822**	**26,213**	**–**	**57,774**
Additions	3,744	1,244	7,173	–	12,161
Disposals	(602)	–	–	–	(602)
Currency translation differences	(677)	243	(994)	–	(1,428)
Balance at 31 December 2018	**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**
Net carrying amounts					
Balance at 31 December 2019	**15,297**	**4,616**	**79,543**	**5,359**	**104,815**
Balance at 31 December 2018	**12,066**	**6,215**	**18,177**	**–**	**36,458**
Balance at 1 January 2018	**9,436**	**3,245**	**23,057**	**148**	**35,886**

The development costs capitalised in 2019 relate primarily to the new SMILE vehicle concept in the High-Speed segment.

ACCOUNTING PRINCIPLES

Intangible assets include software, licenses and patents purchased from third parties, as well as capitalised developments. These are valued at acquisition or production cost less necessary depreciation and impairment. Depreciation is carried out on a straight-line basis over a cautiously estimated useful life. Internally generated intangible assets are capitalised if the required recognition criteria are met (essentially the identifiability of the asset, the existence of a measurable future benefit, the availability of the necessary funds for completion and use, and the measurability of the expenses).

Expenses incurred in connection with the development and approval of a new modular concept or associated with the creation of a prototype are capitalised as intangible assets, provided that they can be used for further orders in the future. Amortisation of intangible assets begins upon receipt of

approval and is generally calculated using the straight-line method. This amortisation is reported in the income statement under "Development costs".

The depreciation periods are as follows:

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

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 a theoretical capitalisation and amortisation, including any impairment resulting from the assessment of recoverability, are explained in Note 4.6. For this shadow accounting, in principle the goodwill is depreciated on a straight-line basis over the economic useful life, normally five years.

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 2018	**103,730**	**47,606**	**49,119**	**4,264**	**1,466**	**206,185**
Change in scope of consolidation	78	–	–	–	–	78
Addition	42,673	35,825	13,156	1,362	2,054	95,070
Utilisation	(34,681)	(29,761)	(22,870)	–	–	(87,312)
Reversal	(13,088)	(811)	(1,298)	–	–	(15,197)
Reclassifications	(240)	1,234	(994)	–	–	–
Currency translation differences	(1,843)	(356)	(1,241)	(99)	(146)	(3,685)
Balance at 31 December 2018	**96,629**	**53,737**	**35,872**	**5,527**	**3,374**	**195,139**
– thereof current	19,419	51,800	27,091	–	–	98,310
– thereof non-current	77,210	1,937	8,781	5,527	3,374	96,829
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

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 3.3	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	31.12.2019	31.12.2018
Other current receivables		
VAT receivables	59,160	44,132
Income tax receivables	21,877	20,003
Derivative financial instruments	2,267	–
Other receivables from associates	5,435	9
Other receivables from third parties	21,498	16,708
Total other current receivables	**110,237**	**80,852**

OTHER CURRENT LIABILITIES

in thousands of CHF	31.12.2019	31.12.2018
Other current liabilities		
Social insurance, source and wage taxes	14,763	13,569
VAT liabilities	53,823	25,495
Pension fund current account	157	2,425
Tax liabilities	26,222	13,277
Other current liabilities from related parties	2	–
Other current liabilities from third parties	16,307	18,826
Total other current liabilities	**111,274**	**73,592**

OTHER NON-CURRENT LIABILITIES

in thousands of CHF	31.12.2019	31.12.2018
Other non-current liabilities		
Non-current liabilities – maintenance	38,655	27,438
Other non-current liabilities	351	1,063
Total other non-current liabilities	**39,006**	**28,501**

DEFERRED INCOME/ACCRUED EXPENSES

in thousands of CHF	31.12.2019	31.12.2018
Deferred income and accrued expenses		
Outstanding invoices	57,712	27,963
Manufacturing costs	53,451	27,860
Vacation- and overtime	38,668	15,821
Sales commissions, royalties, penalties	36,193	15,333
Other deferred income and accrued expenses	11,397	10,544
Total deferred income and accrued expenses	**197,421**	**97,521**

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 risks.

3.1 FINANCIAL LIABILITIES

in thousands of CHF	Interest rate	Maturity	31.12.2019	31.12.2018
Current financial liabilities				
Project financing	0.9 – 2.2%	< 1 year	238,235	68,633
Bank loans for property, plant and equipment	0.6 – 1.6%	< 1 year	15,524	9,477
Lease liabilities for property, plant and equipment	1.0 – 3.8%	< 1 year	5,626	2,984
Loan from Stadler Rail AG pension fund	0.0%	< 1 year	20,000	–
Total current financial liabilities			**279,385**	**81,094**
Non-current financial liabilities				
Lease liabilities for property, plant and equipment	1.0 – 3.8%	1 – 15 years	40,335	37,832
Bank loans for property, plant and equipment	0.6 – 4.0%	1 – 13 years	101,418	32,380
Loans from governmental institutions	1.0%	24 years	25,977	11,414
Bonds	0.4%	7 years	300,000	–
Total non-current financial liabilities			**467,730**	**81,626**
Breakdown by currency				
CHF			618,725	108,713
EUR			18,937	22,294
USD			25,977	11,414
HUF			23,524	6,884
PLN			59,952	13,415
Total financial liabilities			**747,115**	**162,720**

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 5,599 million (previous year: CHF 4,709 million) were outstanding.

PLEDGED ASSETS TO SECURE OWN OBLIGATIONS

in thousands of CHF	Collateral for:	31.12.2019	31.12.2018
Pledged assets			
Property	Mortgages	199,417	104,463
Assets under lease	Finance lease	50,515	44,004
Total pledged assets		**249,932**	**148,467**

3.3 SHARE CAPITAL AND RESERVES

SHARE CAPITAL

As at 31 December 2019, 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 2018: 100 million registered shares with a par value of CHF 0.20 each, before the share split on 15 June 2018: 2 million registered shares with a par value of CHF 10.00 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 108.

RESERVES

Non-distributable legal reserves amounted to CHF 4 million as at 31 December 2019 (previous year: CHF 4 million).

DIVIDENDS

The following dividends were decided upon and paid out by Stadler:

in thousands of CHF or as noted	2019	2018
Dividends paid		
Number of registered shares entitled to dividend (in pcs.)	99,179,500	1,991,671
Ordinary dividend per registered share (in CHF)	0.70	35.00
Total dividends paid	**69,426**	**69,708**

After 31 December 2019, the Board of Directors proposed dividends of CHF 1.20 per registered share totalling CHF 120 million for 2019. The dividend proposal will be submitted to the Annual General Meeting on 30 April 2020 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	2019		2018	
	Number	Value	Number	Value
Treasury shares				
Balance at 1 January	230,250	2,187	8,326	4,091
Purchases from employees			275	89
Sales to employees and directors			(200)	(65)
Allocations under employee share plan – bonus (share-based payments)			(7,844)	(2,550)
Allocations under employee share plan – bonus (share-based payments) from previous year			(72)	(21)
Balance at 15 June before share split			**485**	**1,544**
Balance at 15 June after share split (1:50)			**24,250**	**1,544**
Purchases from third parties	589,250	5,893	70,000	840
Purchases from employees	–	–	136,000	1,077
Purchases from employees and directors	452,300	3,623	–	–
Sales to employees and directors	(848,500)	(6,796)	–	–
Allocations under employee share plan – bonus (share-based payments)	(423,300)	(3,353)	–	–
Adjustment to average price		(1,554)	–	(1,274)
Balance at 31 December	**–**	**–**	**230,250**	**2,187**

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 2019, 1,041,550 registered shares were acquired at an average price of CHF 9.14 per share. In 2019, 1,271,800 registered shares were sold or allocated at an average price of CHF 7.98 per share. The shares sold or allocated under the employee share plan (or MAP for short) were sold at the defined value determined in accordance with the employee share plan (see Note 1.4).

All transactions with treasury shares took place before the IPO on 12 April 2019.

The contingent liability of CHF 60.5 million disclosed in the 2018 consolidated financial statements no longer exists as the put options granted to shareholders under the employee share plan expired when the plan was cancelled in February 2019.

ACCOUNTING PRINCIPLES

Treasury shares are purchased at acquisition cost. Transactions with employees are carried out at the defined value defined according to the employee share plan (see Note 1.4).
When shares are sold or allocated, any excess or shortfall is recognised in the capital reserves. The shares sold are derecognised at average acquisition cost.

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	31.12.2019		31.12.2018	
		Positive value	Negative value	Positive value	Negative value
Forward contracts					
Currency	Hedge	73,446	14,026	61,060	2,568
Interest	Hedge	–	44	–	43
Total forward contracts		**73,446**	**14,070**	**61,060**	**2,611**
– thereof to hedge future cash flows		71,179	14,070	61,060	2,611
Total recognised values		**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 2019

ADDITIONS (COMPANIES FOUNDED) IN 2019

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

DISPOSALS IN 2019

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).

4.1.2 CHANGES IN 2018

ADDITIONS (COMPANIES FOUNDED) IN 2018

- As at 3 December 2018: Stadler Service Denmark ApS, Aarhus C, Denmark (Purpose: Service)

ACQUISITIONS OF SUBSIDIARIES IN 2018

With effect from 1 April 2018, Stadler Rail AG acquired 100% of the capital shares of Stadler MR Sweden AB from Knorr-Bremse Nordic Rail Services AB. With this acquisition, Stadler is expanding its service activities in the areas of modernisation and maintenance in Sweden.

The values of the acquired assets and liabilities are composed as follows:

in thousands of CHF	Total
Acquisition of Stadler MR Sweden AB	
Current assets	23,221
Non-current assets	622
Current liabilities	(20,383)
Total net assets	**3,460**
Purchase price	7,302
Goodwill	**3,842**
Cash acquired	(33)
Net cash outflow	**(7,269)**

BUYOUT OF MINORITY INTERESTS IN 2018

With effect from 7 November 2018, Stadler Rail AG acquired the remaining 40% of the capital shares of Stadler Sroda Sp. z o.o. (formerly Solaris Tram Sp. z o.o.), Sroda Wielkopolska, Poland. This acquisition will ensure the necessary expansion of capacities (car bodies).

The values of the acquired assets and liabilities are composed as follows:

in thousands of CHF	Total
Acquisition of Stadler Sroda Sp. z o.o.	
Purchase price	1,153
Minority interests held (40%)	(3,195)
Badwill (negative goodwill)	**(2,042)**
Cash acquired	–
Net cash outflow	**(1,153)**

With effect from 17 December 2018, STAP Grundstücks-Vermietungs GmbH acquired the consolidated minority interest of 6% in SILEX Grundstücks-Vermietungs GmbH & CO. KG for EUR 1.00.

DISPOSALS IN 2018

With effect from 1 January 2018, Stadler Rail AG sold 40% of its total 80% share in the capital of Stadler Trains Magyarország Kft.

As at 17 December 2018, the net assets of SILEX Grundstücks-Vermietungs GmbH & CO. KG were transferred to the parent company STAP Grundstücks-Vermietungs GmbH (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 organisations 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:

	Average rates		Closing rates	
	2019	2018	31.12.2019	31.12.2018
Currency				
EUR	1.1125	1.1552	1.0854	1.1256
USD	0.9938	0.9786	0.9664	0.9828
GBP	1.2689	1.3057	1.2819	1.2528
NOK	0.1130	0.1203	0.1101	0.1136
PLN	0.2590	0.2712	0.2549	0.2624
HUF	0.0034	0.0036	0.0033	0.0035
CZK	0.0433	0.0450	0.0427	0.0437
DZD	0.0083	0.0084	0.0081	0.0083
SEC	0.1051	0.1127	0.1034	0.1107
RUB	0.0154	0.0156	0.0156	0.0142
RSD	0.0094	0.0098	0.0092	0.0095
AUD	0.6911	0.7312	0.6789	0.6922
DKK	0.1490	0.1550	0.1453	0.1507

4.3 INVESTMENTS IN ASSOCIATED COMPANIES AND JOINT VENTURES

in thousands of CHF	2019	2018
Investments in associated companies and joint ventures		
Balance at 1 January	12,027	10,059
Share of results from associates and joint ventures	3,971	2,325
Dividends received	(1,237)	–
Investments	7,990	–
Reclassifications of shares already held	–	93
Goodwill offsetting	(7,989)	–
Currency translation differences	(465)	(450)
Balance at 31 December	**14,297**	**12,027**

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.

In 2018, Stadler sold 40% of its total 80% share in the capital of Stadler Trains Magyarország Kft. As a result, this investment is no longer included in the scope of Stadler's fully consolidated subsidiaries of as of this date. The 40% share held was transferred to investments in associated companies.

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
Denmark							
	Stadler Service Denmark Aps	Aarhus	DKK	50	100	O	S
Germany							
	Stadler Pankow GmbH	Berlin	EUR	6,180	100	O	P, E, S, V, CS
	Stadler Reinickendorf GmbH	Reinickendorf	EUR	25	100	O	P
	STAP Grundstücks-Vermietungsgesellschaft GmbH	Berlin	EUR	25	100	O	I
	SILEX Grundstücks-Verwaltungsgesellschaft GmbH	Berlin	EUR	25	100	O	I
	Stadler Chemnitz GmbH	Chemnitz	EUR	25	100	O	E
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
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, E
Sweden							
	Stadler Service Sweden AB	Stockholm	SEK	50	100	O	S
Serbia							
	Stadler Rail d.o.o.	Kragujevac	RSD	0.5	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

Country	Company	Headquarter	Operating currency	Basic capital in thousand	Share %	Consolidation	Function
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
Algeria							
	Stadler Algérie Eurl	Algiers	DZD	1,200	100	O	S
Australia							
	Stadler Australia Ltd. Pty	Sydney	AUD	0.1	100	O	V
Russia							
	LLC Stadler Rus	Moscow	RUB	500	100	O	S
	OOO Stadler	Moscow	RUB	10	90	O	V
USA							
	Stadler US Inc.	Salt Lake City	USD	100	100	O	P, E, 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	2019	2018
Balance Sheet		
Advance payments to suppliers (note 1.2)	5,405	–
Advance payments from customers (note 1.2)	223,836	–
Trade receivables (note 2.1)	2,279	685
Trade payables (note 2.1)	1,952	708
Other financial assets (note 2.4)	35,726	34,218
Other current receivables (note 2.7)	5,435	9
Other current liabilities (note 2.7)	2	–
Current loan from Stadler Rail AG pension fund (note 3.1)	20,000	–

in thousands of CHF	2019	2018
Income Statement		
Purchase of goods and services	18,948	3,803
Sale of goods and services	42,674	718
Interest received	1,996	2,002
Dividends received	1,237	–

The sale of goods and services is mainly attributable to the sale of locomotives to the related company European Loc Pool AG (investment by PCS Holding AG with voting rights >20%). The purchase of goods and services is largely due to the purchase of compressors from the related company Aebi Schmidt Group (investment by PCS Holding AG with voting rights >20%) and the purchase of ETCS systems from the associated company AngelStar. The advance payments received originate from the sale of KISS trains to WESTbahn. The related company Austrian Train Finance AG (subsidiary of PCS Holding AG), which leases the trains to WESTbahn, made an advance payment for the handling of this order. Other financial assets mainly consist of a loan to Estonia Train Finance AG (subsidiary of PCS Holding AG), which bears interest at market rates.

4.6 GOODWILL

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 five years.

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

in thousands of CHF	31.12.2019	31.12.2018
Effects of theoretical capitalisation of goodwill on the balance sheet		
Shareholders' equity including minority interests	846,954	803,503
Equity ratio	22.29%	27.85%
Acquisition value of goodwill at the beginning of the year	158,180	156,380
Additions	7,989	1,800
Acquisition value of goodwill at the end of the year	166,169	158,180
Accumulated amortisation of goodwill at the beginning of the year	90,309	59,501
Amortisation current year	33,759	30,808
Accumulated amortisation of goodwill at the end of the year	124,068	90,309
Theoretical net carrying amount of goodwill	**42,101**	**67,871**
Theoretical equity including minority interests and net carrying amount of goodwill	**889,055**	**871,374**
Theoretical equity ratio	23.14%	29.51%

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

in thousands of CHF	2019	2018
Effects of theoretical amortisation of goodwill on profit for the year		
Reported profit for the year	128,539	119,193
Theoretical amortisation of goodwill	(33,759)	(30,808)
Annual profit after amortisation of goodwill	**94,780**	**88,385**

5. OTHER INFORMATION

5.1 FINANCIAL RESULT

in thousands of CHF	2019	2018
Financial income		
Interest income	3,341	3,014
Interest income from shareholders	–	2
Other interests (Loans)	248	53
Total financial revenue	**3,589**	**3,069**
Financial expenses		
Interest expenses	(4,137)	(3,288)
Interest expenses on finance leases	(1,259)	(1,611)
Bank charges	(987)	(769)
Order-related bank guarantee costs	(24,430)	(10,805)
Foreign exchange losses	(19,841)	(7,947)
Total financial expenses	**(50,654)**	**(24,420)**
Net financial result	**(47,065)**	**(21,351)**

5.2 OTHER OPERATING INCOME/EXPENSES

OTHER OPERATING INCOME

in thousands of CHF	2019	2018
Other operating income		
Government grants	17	43
Reversal of process provisions	–	169
Reversal of impairment on financial assets	–	1,155
Reversal of social security and personnel-related accruals	–	2,376
Proceeds from receivables written off	–	773
Proceeds from recycling	903	1,261
Miscellaneous	494	3,732
Total other operating income	**1,414**	**9,509**

OTHER OPERATING EXPENSES

in thousands of CHF	2019	2018
Other operating expenses		
Change in allowance of inventories	(132)	(588)
Depreciation of SILEX properties, Stadler Rail AG patents	(2,427)	(1,977)
Loss on disposal of non-current assets	(801)	–
Loss on sales of subsidiaries	–	(93)
Capital taxes, miscellaneous	(4,067)	(4,772)
Total other operating expenses	**(7,427)**	**(7,430)**

5.3 INCOME TAXES

in thousands of CHF	2019	2018
Income taxes		
Current income taxes	(30,086)	(16,353)
Deferred income taxes	10,098	3,629
Total income taxes	**(19,988)**	**(12,724)**

in thousands of CHF	2019	2018
Income taxes		
Income taxes before consideration of losses carried forward	(16,092)	(12,125)
Effect of non-capitalisation of losses carried forward	(12,261)	(912)
Effect of the use of non-capitalised losses carried forward	909	313
Effect from capitalisation of previously unrecognised losses carried forward	7,456	–
Income taxes after consideration of losses carried forward	**(19,988)**	**(12,724)**

The average applicable tax rate in relation to the ordinary result and deferred taxes is 13.9% (previous year: 14.6%).

in thousands of CHF	31.12.2019	31.12.2018
Entitlement for deferred income taxes on losses carried forward not yet used		
Expiration after 2019 (or 2018 for previous year)	23,041	44,654
Total entitlement for deferred income taxes on losses carried forward not yet used	**23,041**	**44,654**

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	
	31.12.2019	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**	**–**

in thousands of CHF	Nominal value	Waiver of use	Balance sheet	Accumulation	Balance sheet	Result from ECR in personnel expenses	
	31.12.2018	2018	31.12.2018	2018	31.12.2017	2018	2017
Employer contribution reserves (ECR)							
Pension plans with surplus	25,883	–	25,883	–	30,028	4,145	–
Total employer contribution reserves	**25,883**	**–**	**25,883**	**–**	**30,028**	**4,145**	**–**

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	
	31.12.2019	31.12.2019	31.12.2018	2019	2019	2019	2019	2018
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**

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	
	31.12.2018	31.12.2018	31.12.2017	2018	2018	2018	2018	2017
Economical benefit/economical obligation and pension benefit expenses								
Pension plans with surplus	35,588	–	–	–	–	18,350	18,350	21,272
Pension fund without own assets	–	3,374	1,466	(146)	2,054	3,999	6,053	686
Total economical benefit/economical obligation and pension benefit expenses	**35,588**	**3,374**	**1,466**	**(146)**	**2,054**	**22,349**	**24,403**	**21,958**

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 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. However, it is impossible to draw up a reliable estimate of the number, market price and time of future sales, nor the development of the MAP value.

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 2019 consolidated financial statements.

5.7 APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The 2019 financial statements were approved by the Board of Directors on 28 February 2020 and will be recommended for approval at the Annual General Meeting on 30 April 2020.

KPMG

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 2019 and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement 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 95) give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, 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.

KPMG

Valuation of work in progress

Key Audit Matter

As at 31 December 2019, work in progress amounts to CHF 634 million and liabilities from work in progress amounts to CHF 1'438 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.

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.

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

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

KPMG

Revenue recognition in the Rolling Stock business segment

Key Audit Matter	Our response
In 2019, net sales of goods and services to third parties in the Rolling Stock business segment amount to CHF 2'940 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 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

KPMG

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, related safeguards.

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



Kurt Stocker
Licensed Audit Expert
Auditor in Charge



Simon Niklaus
Licensed Audit Expert

Zurich, 4 March 2020

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FINANCIAL STATEMENTS OF STADLER RAIL AG

INCOME STATEMENT

in CHF	Note	2019		2018	
Dividend income	2.6	70,124,800		72,208,960	
Other financial income	2.7	5,061,906		4,593,593	
Other operating income	2.8	25,280,931		22,758,792	
Operating income		**100,467,637**	**100.0%**	**99,561,345**	**100.0%**
Financial expenses	2.9	(4,179,877)		(2,332,033)	
Personnel expenses		(6,523,485)		(9,015,357)	
Other operating expenses	2.10	(8,541,950)		(4,145,112)	
Operating income before tax, depreciation and valuation allowances		**81,222,325**	**80.8%**	**84,068,843**	**84.4%**
Impairment losses on investments		(22,000,000)		(20,000,000)	
Depreciation		(1,645,434)		(1,164,704)	
Profit before taxes		**57,576,891**	**57.3%**	**62,904,139**	**63.2%**
Income taxes		102,035		(1,775,096)	
Profit for the year		**57,678,926**	**57.4%**	**61,129,043**	**61.4%**

BALANCE SHEET

in CHF	Note	31.12.2019		31.12.2018	
Assets					
Cash and cash equivalents		1,519,153		540,186	
Other current receivables					
– from third parties		179,227		20,717	
– from related parties		8,616		8,616	
– from group companies		211,086,392		4,385,679	
Accrued income and deferred expenses		955,587		21,024	
Total current assets		**213,748,975**	**37.2%**	**4,976,222**	**1.5%**
Financial assets	2.1	87,189,400		35,482,086	
Investments	2.2	262,939,457		276,958,548	
Intangible assets		11,216,300		5,999,378	
Total non-current assets		**361,345,157**	**62.8%**	**318,440,012**	**98.5%**
Total assets		**575,094,132**	**100.0%**	**323,416,234**	**100.0%**
Liabilities & equity					
Other current liabilities					
– from third parties		2,497,372		714,142	
– from related parties		680		568,514	
– from group companies		1,079,983		47,370,070	
Current provisions		8,016,611		2,920,286	
Deferred income and accrued expenses		1,975,529		215,970	
Total current liabilities		**13,570,175**	**2.4%**	**51,788,982**	**16.0%**
Non-current interest-bearing liabilities					
– from third parties	2.3	300,000,000		–	
– from group companies		50,357,000		50,649,750	
Non-current provisions		1,302,492		–	
Total non-current liabilities		**351,659,492**	**61.1%**	**50,649,750**	**15.7%**
Total liabilities		**365,229,667**	**63.5%**	**102,438,732**	**31.7%**
Share capital	2.4	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		128,185,539		138,035,922	
– Profit for the year		57,678,926		61,129,043	
Treasury shares	2.5	–		(2,187,463)	
Total equity		**209,864,465**	**36.5%**	**220,977,502**	**68.3%**
Total liabilities & equity		**575,094,132**	**100.0%**	**323,416,234**	**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 (imparity 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.

INTANGIBLE ASSETS
Purchased intangible assets are capitalised at acquisition or production costs, provided that they are identifiable and can be measured reliably. All intangible assets are amortised on a straight-line basis over five years.

The intangible assets consist mainly of developments and licences acquired.

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 case of a resale, the gain or loss is recognised through retained earnings without affecting the income statement.

SHARE-BASED PAYMENTS
If treasury shares are used for share-based payments by Stadler Rail AG, the difference between the defined value and any consideration paid by the employee on the allocation date is recognised in personnel expenses.

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	31.12.2019	31.12.2018
Loans to third parties	16,946,558	17,234,145
Loans to group companies	70,242,842	18,247,941
Total financial assets	**87,189,400**	**35,482,086**

2.2 INVESTMENTS

DIRECT INVESTMENTS

Company	Domicile	Share of capital and voting rights in %	
		31.12.2019	31.12.2018
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	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	100
Stadler Rail Valencia S.A.U.	Albuixech Valencia (ES)	100	100
Stadler Środa Sp. z o.o.	Środa Wielkopolska (PL)	100	100
Stadler CIS AG	Bussnang (CH)	51	51
AngelStar S.r.l.	Mola di Bari (IT)	40	40

INDIRECT INVESTMENTS

Company	Domicile	Share of capital and voting rights in %	
		31.12.2019	31.12.2018
Stadler Stahlguss AG	Biel (CH)	100	100
Stadler Rail d.o.o.	Kragujevac (RS)	100	100
Stadler Reinickendorf GmbH	Reinickendorf (DE)	100	100
STAP Grundstücks-Vermietungsgesellschaft GmbH	Berlin (DE)	100	100
SILEX Grundstücks-Verwaltungsgesellschaft GmbH	Berlin (DE)	100	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 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 MR Sweden AB	Tillberga (SE)	–	100
Stadler Service Denmark Aps	Aarhus (DK)	100	100
Stadler Signalling AG	Wallisellen (CH)	100	–
WHAT B.V.	Venlo (NL)	50	–

2.3 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.

2.4 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 2018: 100 million registered shares with a par value of CHF 0.20 each, before the share split on 15 June 2018: 2 million registered shares with a par value of CHF 10.00 each).

As at 31 December 2019, Stadler has an authorised share capital of a maximum of TCHF 2,000 (previous year: CHF 0) and a conditional share capital of a maximum of TCHF 400 (previous year: CHF 0).

2.5 TREASURY SHARES

	Number (pcs.)	Par value (CHF)	Average transaction price (CHF)	Carrying amount (CHF)
Stock at 1 January 2018	8,326	10.00	491.34	4,090,858
Sales to employees and directors	(200)	10.00	325.00	(65,000)
Purchases from employees	275	10.00	325.00	89,375
Allocations under employee share plan – bonus (share-based payments) from previous year	(72)	10.00	292.00	(21,024)
Allocations under employee share plan – bonus (share-based payments)	(7,844)	10.00	325.00	(2,549,300)
Stock at 15.6.2018 before share split (1:50)	**485**	**10.00**		
Stock at 15.6.2018 after share split (1:50)	**24,250**	**0.20**		
Purchases from employees	136,000	0.20	7.92	1,077,120
Purchases from third parties	70,000	0.20	12.00	840,000
Adjustment to average price				(1,274,566)
Stock at 31 December 2018	**230,250**	**0.20**	**9.50**	**2,187,463**
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 under employee share plan – bonus (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**	**–**

2.6 DIVIDENDS RECEIVED

In the reporting year, the dividend income amounted to TCHF 70,125 (previous year: TCHF 72,209). It includes the dividends paid by Stadler Bussnang AG, Stadler Rheintal AG, Stadler Service AG, Stadler Polska Sp. z o.o and Stadler Winterthur AG.

2.7 OTHER FINANCIAL INCOME

Other financial income stands at TCHF 5,062 (previous year: TCHF 4,594) and consists of interest income on loans to group companies (TCHF 52) and third parties (TCHF 201) as well as currency gains (TCHF 4,809).

2.8 OTHER OPERATING INCOME

in CHF	2019	2018
Income from services	10,852,000	12,272,000
Income from royalties	14,428,931	10,486,792
Total other operating income	**25,280,931**	**22,758,792**

2.9 FINANCIAL EXPENSES

in CHF	2019	2018
Bank interest and fees	146,713	–
Interest on investments	454,520	478,129
Foreign exchange losses	3,578,644	1,853,904
Total financial expenses	**4,179,877**	**2,332,033**

2.10 OTHER OPERATING EXPENSES

in CHF	2019	2018
Administrative expenses	1,532,258	1,067,748
Consulting expenses	135,024	404,585
Other operating expenses	6,874,668	2,672,779
Total other operating expenses	**8,541,950**	**4,145,112**

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 %	31.12.2019
Significant shareholders	
PCS Holding AG	28.9
Peter Spuhler	11.0
RSBG SE[1]	10.0

[1] Effective 27 August 2019, shares attributable to RAG-Stiftung and originally held by RAG-Stiftung Beteiligungsgesellschaft mbH transferred to RSBG SE by way of merger of RAG-Stiftung Beteiligungsgesellschaft mbH into RSBG SE. RSBG SE is fully owned by RAG-Stiftung.

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	31.12.2019
Number of shares Board of Directors	
Peter Spuhler	39,935,296
Hans-Peter Schwald	1,000,000
Kurt Rüegg	375,000
Friedrich Merz	150,000
Fred Kindle	1,300,000
Dr. Christoph Franz	1,300,000
Wojciech Kostrzewa	150,000
Barbara Egger-Jenzer	–
Total number of shares Board of Directors	**44,210,296**

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

COLLATERAL PROVIDED FOR THIRD-PARTY LIABILITIES

The collateral provided by the company amounts to CHF 5,918 million (previous year: CHF 5,086 million). These are sureties as well as letters of comfort and guarantees issued in favour of customers, suppliers and financial institutions.

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

No events occurred after the reporting date that could have a significant impact on the 2019 financial statements.

APPROPRIATION OF PROFIT PROPOSED TO THE ANNUAL GENERAL MEETING

in CHF	31.12.2019
For disposition by the General Meeting	
Results carried forward	128,185,539
Profit for the year	57,678,926
Accumulated profits	**185,864,465**
./. Treasury shares	–
Total available earnings	**185,864,465**

in CHF	31.12.2019
Proposal of the Board of Directors	
Distribution of a dividend of 600% of the share capital of CHF 20,000,000	120,000,000
To be carried forward	65,864,465
Total proposed appropriation by the Board of Directors	**185,864,465**
./. Treasury shares	–
	185,864,465

KPMG

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 2019, 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 101 to 109) for the year ended 31 December 2019 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, related safeguards.

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



Kurt Stocker
Licensed Audit Expert
Auditor in Charge



Simon Niklaus
Licensed Audit Expert

Zurich, 4 March 2020

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Financial Calendar

2020 Annual Results Media Conference	**5 March 2020**
2020 Annual General Meeting	**30 April 2020**
2020 Interim Report	**25 August 2020**

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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 2020

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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

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.



PASSENGER CARRIAGES

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



EURO9000

Six-axle locomotive for freight transport

Drive: electric
Max. performance: 9,000 kW
Maximum speed: 120 km/h



TAILOR MADE MULTIPLE UNITS AND LOCOMOTIVES

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



EURO4000

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

Drive: diesel-electric
Max. performance: 3,100 kW
Maximum speed: 120 km/h

STADLER

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