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Stadler enters the second half of the year in a stronger position despite the coronavirus crisis

- Revenue of 0.9 billion Swiss francs, 16 percent down on the previous year
- EBIT of 5.0 million Swiss francs compared to 46.9 million in the prior-year period
- Effects of industry-specific seasonality (i.e. traditionally lower revenue, EBIT, profit and cash flow in the first half of the year) intensified by coronavirus
- Delays in homologation and acceptance procedures due to travel restrictions and disruptions to supply chains
- Significant reduction of timetables with negative impact on revenue and EBIT in the Service & Components segment
- Order intake of 3.1 billion Swiss francs, including 1.2 billion in the Service & Components segment, up 35 percent overall on the first half of 2019
- Order backlog reaches a new record high of 16.8 billion Swiss francs, including 4.1 billion in the Service & Components segment
- Considerably stronger second half of the year anticipated

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

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

Rolling Stock segment

In the Rolling Stock reporting segment, order intake in the first half of the year amounted to 1.9 billion Swiss francs, up 12 percent on the same period of the previous year. The order backlog also grew by 4

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

Service & Components segment

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

EBIT, net profit and cash flow impacted by Covid-19

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

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

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

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

Outlook: considerably stronger second half of the year anticipated

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

Main orders received

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

Vehicles for Greater Anglia successfully accepted

All 58 FLIRT trains for Greater Anglia were successfully delivered and accepted by the customer. The trains are already running in scheduled operation, and an agreement was reached with the customer on delay penalties.

Quick recovery from cyber attack

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

First national approval for GUARDIA European Train Control System (ETCS)

Stadler has been constantly developing its own signalling division since 2016. At the Wallisellen signalling location, several teams of highly qualified engineers are working on the implementation of the signalling strategy for the mainline, branchline and metro products. Stadler's joint venture AngelStar successfully obtained the first national approval for its own ETCS solution GUARDIA in Poland in June. In Switzerland, GUARDIA had already received generic approval from the Federal Office of Transport (FOT) in April 2019. The next step being type approval, in spring 2021 the BLS will put GUARDIA into operation on its Stadler vehicles. In addition to Germany, approval procedures are under way in nine other countries.

Further information on the half-year results

Peter Spuhler, Executive Chairman of the Board of Directors and Group CEO ad int., and Raphael Widmer, Group CFO, will present the results for the first half of the year today at 10:00 am. You will receive the dial-in details upon registration. Please register [here](#) for the broadcast in German language or [here](#) for the broadcast in English. The half-year report is available on our [website](#).

A recording is available [here](#).

Key figures for 1st half of 2020

in millions of CHF or as noted	1st half-year 2020	as % of net revenue	1st half-year 2019	as % of net revenue	Change in %
Stadler					
Order intake	3'118.0		2'310.3		35%
Order backlog ¹	16'840.3		15'026.1		12%
Net revenue	934.7	100.0%	1'115.3	100.0%	-16%
Gross margin ²	76.7	8.2%	121.2	10.9%	-37%
EBITDA ³	46.9	5.0%	76.9	6.9%	-39%
Operating result (EBIT)	5.0	0.5%	46.9	4.2%	-89%
Profit for the period	15.7	1.7%	27.5	2.5%	-43%
Earnings per share (in CHF)	0.15		0.27		-43%
Net cash flow from operating activities	(200.8)		(137.5)		
Capital expenditure ⁴	96.0		153.9		-38%
Free cash flow ⁵	(309.0)		(294.7)		
Net working capital ^{1,6}	287.3		27.4		
Work in progress (net) ^{1,7}	(375.8)		(803.8)		
Net cash ^{1,8}	(417.1)		5.6		
Equity ratio ¹	18.3%		22.3%		
Staff as FTEs	12'156		10'491		16%
Rolling Stock segment					
Order intake	1'917.5		1'707.7		12%
Order backlog ¹	12'758.5		12'254.3		4%
Net revenue (third parties)	788.8	84.4%	1'002.0	89.8%	-21%
Service & Components segment					
Order intake	1'200.5		602.6		99%
Order backlog ¹	4'081.8		2'771.8		47%
Net revenue (third parties)	145.9	15.6%	113.3	10.2%	29%

¹ as at 30 June 2020 resp. 31 December 2019

² Gross margin is calculated as net revenue less cost of goods sold and services provided

³ EBITDA is calculated as the sum of EBIT and depreciation and amortization

⁴ Capital expenditure is calculated as the sum of investments in property, plant and equipment and intangible assets

⁵ Free cash flow is calculated as EBITDA less capital expenditure less change in net working capital

⁶ Net working capital is calculated by subtracting the sum of trade payables, liabilities from work in progress, other current liabilities, current provisions and deferred income and accrued expenses from the sum of trade receivables, inventories, work in progress, other current receivables, compensation claims from work in progress and accrued income and deferred expenses.

⁷ Work in progress (net) is calculated as work in progress (asset) less liabilities from work in progress

⁸ Net cash is calculated as cash and cash equivalents less current and non-current financial liabilities

About Stadler

Stadler has been building trains for over 75 years. The system provider of rail vehicle construction solutions has its headquarters in Bussnang in Eastern Switzerland. It has a workforce of around 12,000 based in various production and engineering locations as well as more than 40 service locations. The company is conscious of its social responsibility for sustainable mobility and therefore stands for innovative, sustainable and durable quality products. The product range in the field of mainline railways and city transport includes high-speed trains, intercity trains, regional and suburban trains, metros, tramways and trams. Stadler also manufactures main-line locomotives, shunting locomotives and passenger carriages. It is the world's leading manufacturer in the rack-and-pinion rail vehicle industry.

Dates

Annual Report 2020, Annual Media and Analyst Conference: 11 March 2021
Annual General Meeting 2021: 6 May 2021

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This media release (the "Media Release") has been prepared by Stadler Rail AG ("Stadler" and together with its subsidiaries, "we", "us" or the "Group") and includes forward-looking information and statements concerning the outlook for our business. These statements are based on current expectations, estimates and projections about the factors that may affect our future performance, including global economic conditions, and the economic conditions of the regions and markets in which the Group operates. These expectations, estimates and projections are generally identifiable by statements containing words such as "expects", "believes", "estimates", "targets", "plans", "outlook" or similar expressions.

There are numerous risks and uncertainties, many of which are beyond our control, that could cause our actual results to differ materially from the forward-looking information and statements made in this Media Release, which, in turn, could affect our ability to achieve our stated targets. The important factors that could cause such differences include: changes in the markets the Group serves, including as a result of changes in the global demand for transportation and demographic changes; the Group's ability to successfully develop, launch and market new products and services; the Group's ability to retain existing customers and/or secure new customers; the Group's ability to compete with existing and new competitors; the Group's ability to maintain the high quality, reliability, performance and timely delivery of its products and services; the impact of fluctuations in foreign exchange rates; and such other factors as may be discussed from time to time. Although we believe that our expectations reflected in any such forward-looking statement are based upon reasonable assumptions, we can give no assurance that those expectations will be achieved.

THIS MEDIA RELEASE IS NOT AN INVITATION TO PURCHASE SECURITIES OF STADLER OR THE GROUP.