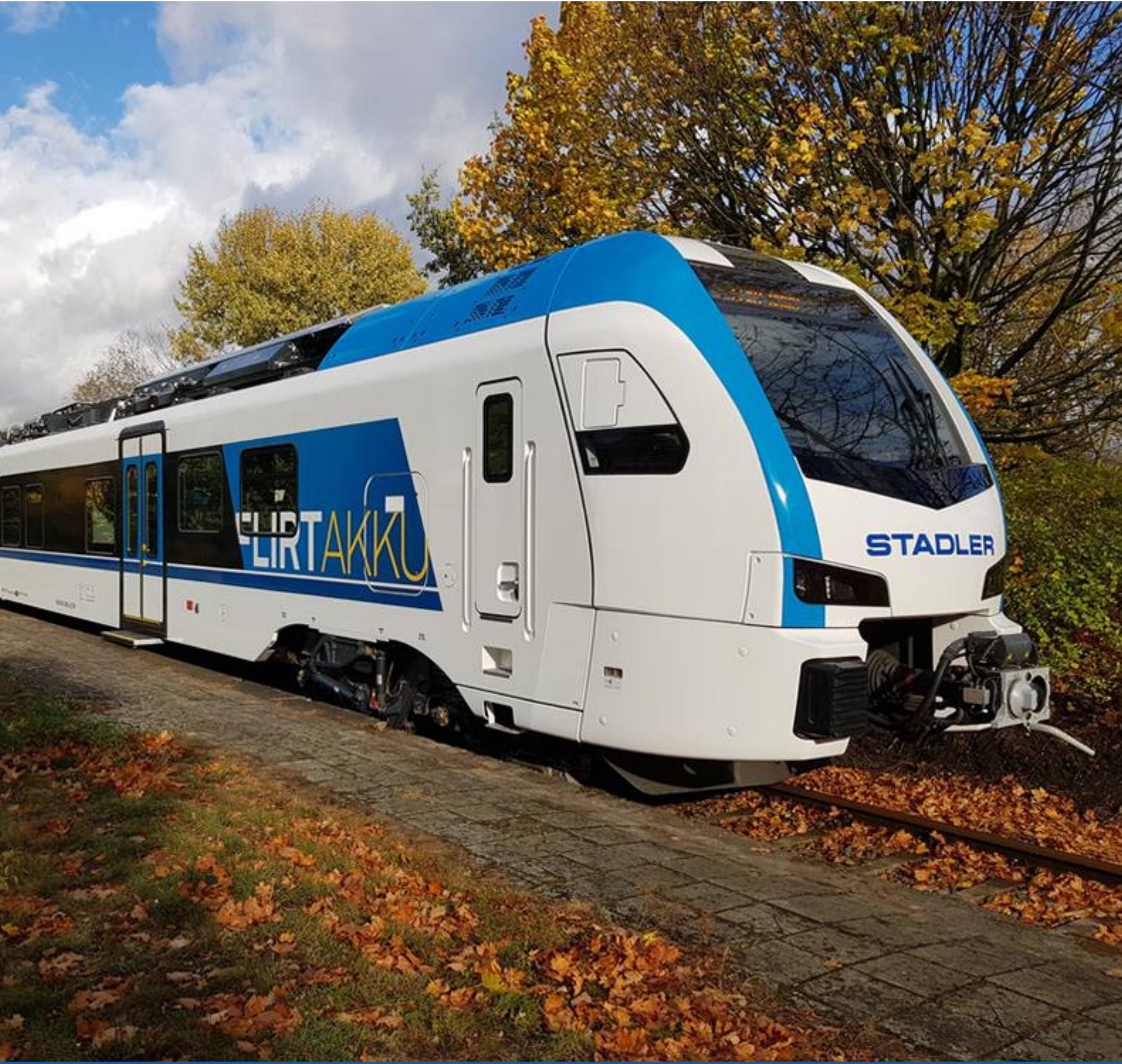

2019
HALF-YEAR REPORT

STADLER

Half-Year Results 2019
at a Glance

1.1*

billion CHF net revenue

Previous year: 0.8

46.9

million CHF EBIT

Previous year: 35.2

4.2 %

EBIT margin

Previous year: 4.4 %

2.3

billion CHF order intake

Previous year: 0.8

14.4

billion CHF order backlog

31.12.2018: 13.2

10 491

employees worldwide

(average FTE 1.1.-30.6.2019)

Previous year: 8 294

27 000

registered shareholders as at 30 June 2019. Following the successful IPO on 12 April 2019, the Stadler share is widely diversified. 20 percent of share-holders hold less than 50 shares.

* When assessing net revenues, it should be borne in mind that as a rule, about one third of net revenues are generated in the first half of the year, followed by the remaining two thirds in the second half. This is due to the delivery of more vehicles in the second half of the year as a result of timetable changes as well as very conservative accounting and revenue recognition of our orders.

Stadler – the system provider of solutions in rail vehicle construction with headquarters in Bussnang, Switzerland.

Key Figures

in millions of CHF or as noted	1st half-year 2019	as % of net revenue	1st half-year 2018	as % of net revenue	Change in %
Stadler					
Order intake	2'310.3		831.1		178%
Order backlog[1]	14'382.5		13'178.8		9%
Net revenue	1'115.3	100.0%	797.8	100.0%	40%
Gross margin[2]	121.2	10.9%	107.4	13.5%	13%
EBITDA[3]	76.9	6.9%	63.9	8.0%	20%
Operating result (EBIT)	46.9	4.2%	35.2	4.4%	33%
Profit for the period	27.5	2.5%	7.6	0.9%	263%
Earnings per share (in CHF)	0.27		0.07		285%
Net cash flow from operating activities	(137.5)		(156.0)		
Capital expenditure[4]	153.9		49.9		208%
Free cash flow[5]	(294.7)		(184.8)		
Net working capital[1,6]	(105.1)		(322.7)		
Work in progress (net)[1,7]	(618.4)		(757.2)		
Net cash[1,8]	160.5		531.9		-70%
Equity ratio[1]	25.0%		27.9%		
Staff as FTEs	10'491		8'294		26%
Rolling Stock segment					
Order intake	1'707.7		581.6		194%
Order backlog[1]	11'669.4		10'916.6		7%
Net revenue (third parties)	1'002.0	89.8%	694.6	87.1%	44%
Service & Components segment					
Order intake	602.6		249.5		142%
Order backlog[1]	2'713.1		2'262.2		20%
Net revenue (third parties)	113.3	10.2%	103.2	12.9%	10%

[1] as at 30 June 2019 resp. 31December 2018

[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

Letter to the Shareholders

Dear Shareholders

Stadler was successfully listed on the Swiss Stock Exchange on 12 April 2019 and is largely on track despite the difficult economic environment. The half-year targets were partially exceeded. The order intake for the first half of the year totalled 2.3 billion Swiss francs, up 1.5 billion Swiss francs on the previous year (increase of 178 percent). As at 30 June 2019, the total order backlog represented 14.4 billion Swiss francs. Consolidated revenue stands at 1.1 billion Swiss francs, 40 percent above the previous year's figure. As at 30 June 2019, EBIT amounted to 46.9 million Swiss francs, compared with 35.2 million Swiss francs in the previous year.

The economic environment remains difficult. Currency distortions and the associated strengthening of the Swiss franc will remain a challenge for Stadler in the second half of the year. The pound sterling, the Swedish krona, the Norwegian krone and the euro are of particular importance to Stadler.

In the two reporting segments Rolling Stock and Service and Components, as a rule about one third of net revenues are generated in the first half of the year, followed by the remaining two thirds in the second half. This is due to the very conservative accounting and revenue recognition of our orders. Revenue is not calculated until the relevant vehicle has been delivered. As timetable changes are traditionally made towards the end of the year, more trains are put into service in the second half of the year than in the first. This explains the significantly higher share of revenue in the second half of the year. Administrative, distribution and development costs, on the other hand, are usually spread evenly over the year. As a result, profitability and operating cash flow in the first half of the year are generally considerably lower than in the second half.

Net cash flow from operating activities increased to -137.5 million francs from -156.0 million francs in the previous year. Free cash flow was -294.7 million Swiss francs compared to -184.8 million Swiss francs in the same period of the previous year. The decrease in free cash flow is mainly due to a higher increase in net working capital of 217.6 million Swiss francs (compared to an increase of 198.7 million Swiss francs in the prior year) and substantial investments of 153.9 million Swiss francs (compared to 49.9 million Swiss francs in the prior-year period) for the provision of capacities to process the high order backlog.

Encouraging order intake

In view of population growth and the trend towards urbanization, the demand for modern and environmentally-friendly mobility solutions continues to grow worldwide. At Stadler, this is leading to a very encouraging continuous rise in incoming orders. In the Rolling Stock reporting segment, order intake in the first half of the year amounted to 1.7 billion Swiss francs. This 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 yet booked as incoming orders. At 14.4 billion francs, the order backlog thus reached a new all-time high.

Battery-powered FLIRT: innovative charging technology

The German market is particularly noteworthy in terms of incoming orders. In Germany, orders worth several hundred million Swiss francs were received in the first half of the year. We were especially pleased with the order for the delivery of 55 battery-powered FLIRT Akku for Schleswig-Holstein. Not only were we able to beat the international competition, but we also succeeded in launching a new, trend-setting charging technology for battery-operated drives on the market within a very short period of time. The batteries can be charged while driving on short catenary sections. The order demonstrates the great trust placed in our ability to innovate.

We also achieved a strategically important success in Scandinavia, where the sale of 60 locomotives to the Finnish VR Group further strengthened Stadler's presence.

In the USA, Stadler was able to place an order for 127 METRO trains this spring. This was Stadler's first major METRO order in the USA and the largest ever in terms of vehicle units. However, as the final signature of the contract was delayed due to an objection that has since been settled, this order is not expected to be recognized until the second half of the year.

The contracts awarded in Germany, Norway and the USA represent further successes in strategically-relevant growth markets in the Rolling Stock segment.

At present, Stadler has around 150 orders in the pipeline and the same number under warranty. Penalty risks are emerging in the production of the 58 FLIRT vehicles for East Anglia. Although the approval for the bimodal (BMU) and electrical (EMU) multiple units was achieved in record time, acceptance by the customer is currently delayed.

Service business still on the upswing

Incoming orders in the Service and Components reporting segment amounted to 602.6 million Swiss francs in the first half of 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 modernization 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 volume, but very important in the current context of digitization.

Since June, Stadler Service has been successfully carrying out integrated full service for GoAhead 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.

Signalling is gaining in importance

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. The first successes were seen last year: GUARDIA, the ETCS train control system developed by Stadler and Mermec as part of the AngelStar joint venture, is used in BLS's new FLIRT trains. Equivalent projects are also currently under way in Poland, Hungary, Slovenia, Italy and Germany. In addition, further projects are emerging and the approval for Stadler GUARDIA is currently being sought in nine countries. At the beginning of 2020, Stadler Signalling will be transformed into its own legal entity.

Capacity expansion in all regions

Stadler is building a new production plant in St. Margrethen in its home market of Switzerland. Work is progressing according to plan so that the first halls can be occupied by the end of 2019. Thanks to the new production site, the production conditions in the competence centre for double-decker multiple-unit trains – currently still in Altenrhein – will be optimized and Stadler's competitiveness increased. The investment of over 85 million Swiss francs clearly demonstrates the company's commitment towards Switzerland as a business location and towards the border triangle area.

In the USA, we were able to move into the new plant in Salt Lake City in spring, and in May of this year we officially celebrated its opening. The investment volume amounted to around 60 million Swiss francs (gross). The plant is designed for 350 employees.

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 also the creation of optimized space for logistics and commissioning during a later phase.

Stadler Service has also built and commissioned a depot in Herne for the maintenance of the S-Bahn Rhein-Ruhr. The investment amounted to over 30 million Swiss francs. In Poland, Stadler Service has built a new depot in Lodz for 7 million Swiss francs and will continue maintenance work at the new location in September 2019.

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 28 June 2019 it had increased by more than 15 percent in relation to the issue price of 38 Swiss francs. The stock is very broadly diversified: as at 30 June 2019, Stadler had over 27,000 shareholders, including a large number of small shareholders. Around 20 percent of the shareholders own no more than 50 shares.

After exercising the over-allotment option, a total of 40,250,000 existing shares, or 40.25 percent of the share capital, were placed in the course of Stadler's IPO. The placement volume corresponded to 1.5 billion Swiss francs. Peter Spuhler holds 39.7 percent of Stadler's share capital directly and indirectly via PCS Holding AG. A further ten percent is held by the German RAG foundation. The costs for the IPO process are fully borne by the selling shareholder.

Management changes

In the first half of 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 the management of the Altenrhein plant from Markus Sauerbruch on 1 June 2019. Sales Director Peter Jenelten also handed over to Ansgar Brockmeyer in May and, after 19 years of service, 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.

Thanks to our employees

Stadler's success is based on the exceptional teamwork that is carried out daily at every Stadler location. On behalf of the Board of Directors and the Group Executive Board, we would like to express our sincere thanks to our employees for their great commitment and constant dedication. We are particularly pleased that our employees also support Stadler as shareholders. We would also like to thank all our other shareholders for their confidence in the Stadler Group.

Outlook

Stadler is well positioned in a growing, but economically difficult, market environment. The first half of the year was in line with expectations. However, Stadler is currently facing challenges due to the adverse exchange rate development, the slowdown in economic growth, geopolitical turbulence and the delayed acceptance of vehicles on behalf of East Anglia. In the light of developments in the first half of the year, Stadler expects excluding foreign currency impacts net revenues of 3.5 billion Swiss francs and an EBIT margin of seven percent for the full financial year.

Best regards

Peter Spuhler
Chairman of the Board

Dr. Thomas Ahlburg
Group CEO

Consolidated Income Statement

in thousands of CHF or as noted	Note	1st half-year 2019		1st half-year 2018	
Net revenue		**1’115’283**	**100.0%**	**797’774**	**100.0%**
Material and external services		(638’403)	57.2%	(430’687)	54.0%
Material overheads		(42’660)	3.8%	(32’733)	4.1%
Warranty costs		(16’652)	1.5%	(8’936)	1.1%
Production costs		(213’592)	19.2%	(162’553)	20.4%
Engineering costs		(73’086)	6.6%	(46’725)	5.9%
Project management costs		(9’704)	0.9%	(8’753)	1.1%
Cost of goods sold and services provided		**(994’097)**	**89.1%**	**(690’387)**	**86.5%**
Gross margin	7	**121’186**	**10.9%**	**107’387**	**13.5%**
Development costs		(2’879)		(3’505)	
Marketing & Sales costs		(26’452)		(28’606)	
Administration costs		(43’495)		(41’754)	
Other operating income		1’967		3’044	
Other operating expenses		(3’440)		(1’404)	
Operating result (EBIT)	8	**46’887**	**4.2%**	**35’162**	**4.4%**
Financial result	9	(11’684)		(21’347)	
Share of results from associates		1’417		1’022	
Ordinary result		**36’620**	**3.3%**	**14’837**	**1.9%**
Non-operating result	17	(900)		-	
Profit before income taxes		**35’720**	**3.2%**	**14’837**	**1.9%**
Income taxes		(8’211)		(7’260)	
Profit for the period		**27’509**	**2.5%**	**7’577**	**0.9%**
- thereof attributable to shareholders of Stadler Rail AG		*26’892*		*6’961*	
- thereof attributable to non-controlling interests (minority shareholders)		*617*		*616*	
Basic and diluted earnings per share (in CHF)		**0.27**		**0.07**	

Consolidated Balance Sheet

in thousands of CHF	Note	30.06.2019		31.12.2018	
Assets					
Cash and cash equivalents		498’934		694’638	
Trade receivables		162’576		251’580	
Other current receivables		97’072		80’852	
Compensation claims from work in progress	11	352’287		279’933	
Inventories		266’332		260’587	
Work in progress	10	790’910		592’629	
Accrued income and deferred expenses		24’488		4’750	
Total current assets		**2’192’599**	**72.2%**	**2’164’969**	**75.1%**
Property, plant and equipment	12	641’775		545’776	
Financial assets		130’811		125’397	
Investments in associates and joint ventures		12’058		12’027	
Intangible assets		59’310		36’458	
Total non-current assets		**843’954**	**27.8%**	**719’658**	**24.9%**
Total assets		**3’036’553**	**100.0%**	**2’884’627**	**100.0%**
Liabilities & equity					
Current financial liabilities	13	235’612		81’094	
Trade payables		148’055		173’779	
Liabilities from work in progress	10	1’409’347		1’349’872	
Other current liabilities		49’967		73’592	
Current provisions		69’766		98’310	
Deferred income and accrued expenses		121’672		97’521	
Total current liabilities		**2’034’419**	**67.0%**	**1’874’168**	**65.0%**
Non-current financial liabilities	13	102’813		81’626	
Other non-current liabilities		51’940		28’501	
Non-current provisions		87’365		96’829	
Total non-current liabilities		**242’118**	**8.0%**	**206’956**	**7.2%**
Total liabilities		**2’276’537**	**75.0%**	**2’081’124**	**72.1%**
Share capital		20’000		20’000	
Capital reserves		14’823		16’376	
Treasury shares		-		(2’187)	
Retained earnings		692’547		646’320	
Profit for the period, Stadler Rail AG shareholders		26’892		117’779	
Stadler Rail AG shareholders’ equity		**754’262**	**24.8%**	**798’288**	**27.7%**
Non-controlling interests (minority interests)		5’754		5’215	
Total equity		**760’016**	**25.0%**	**803’503**	**27.9%**
Total liabilities & equity		**3’036’553**	**100.0%**	**2’884’627**	**100.0%**

Consolidated Cash Flow Statement

in thousands of CHF	Note	1st half-year 2019	1st half-year 2018
Cash flow from operating activities			
Profit for the period		27'509	7'577
Depreciation and amortization		29'977	28'694
Loss / (gain) on disposals of fixed assets		19	-
Non-recurring impairment		-	(1'170)
Share of results from associates		(1'417)	(1'022)
Reversal of non-cash items		2'568	10'680
Addition / (Reduction) other non-current liabilities		24'134	2'730
Addition / (Reduction) non-current provisions		(8'893)	1'862
Reduction / (Addition) employer contribution reserve		3'531	-
Change in net current assets			
– Reduction / (Addition) trade receivables		87'841	68'388
– Reduction / (Addition) other current receivables		(16'835)	(48'240)
– Reduction / (Addition) compensation claims from work in progress	11	(72'923)	(191'976)
– Reduction / (Addition) inventories		(8'365)	(54'185)
– Reduction / (Addition) work in progress	10	(204'184)	(28'588)
– Reduction / (Addition) accrued income and deferred expenses		(20'003)	(1'657)
– Addition / (Reduction) trade payables		(25'085)	26'392
– Addition / (Reduction) liabilities from work in progress	10	70'951	65'795
– Addition / (Reduction) other current liabilities		(23'013)	(52'921)
– Addition / (Reduction) current provisions		(28'075)	(7'967)
– Addition / (Reduction) deferred income and accrued expenses		24'719	19'601
Net cash flow from operating activities		**(137'544)**	**(156'007)**
Cash flow from investing activities			
Investments in property, plant and equipment	12	(124'639)	(44'508)
Proceeds from sales of property, plant and equipment		208	206
Investments in financial assets		(8'800)	(566)
Proceeds from sales of financial assets		2'615	3'208
Acquisition of subsidiaries, net of cash acquired	15	-	(7'269)
Proceeds from sales of subsidiaries, net of cash received	15	-	(23)
Investments in intangible assets		(29'309)	(5'437)
Proceeds from sales of intangible assets		16	6
Net cash flow from investing activities		**(159'909)**	**(54'383)**
Cash flow from financing activities			
Proceeds from / (repayment of) current financial liabilities	13	149'624	(8'005)
Proceeds from / (repayment of) non-current financial liabilities	13	26'858	3'148
(Purchase) / Sale of treasury shares		(2'719)	(195)
Dividends paid to shareholders	14	(69'426)	-
Net cash flow from financing activities		**104'337**	**(5'052)**
Total net cash flow		**(193'116)**	**(215'442)**
Cash and cash equivalents at 1 January		694'638	1'058'023
Currency translation differences on cash and cash equivalents		(2'588)	(5'412)
Cash and cash equivalents at 30 June		**498'934**	**837'169**

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 share-holders' 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 period	-	-	-	-	*6'961*	6'961	6'961	616	7'577
Offsetting goodwill	-	-	-	*(3'842)*	-	(3'842)	(3'842)	-	(3'842)
Transactions with non-controlling interests	-	-	-	-	-	-	-	(46)	(46)
Purchase of treasury shares	-	-	(260)	-		-	(260)	-	(260)
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	-	-	-	-	*(1'849)*	(1'849)	(1'849)	(352)	(2'201)
Balance at 30 June 2018	**20'000**	**16'376**	**(441)**	***(160'222)***	***885'936***	**725'714**	**761'650**	**7'653**	**769'303**
Balance at 1 January 2019	**20'000**	**16'376**	**(2'187)**	***(158'180)***	***922'278***	**764'098**	**798'288**	**5'215**	**803'503**
Profit for the period	-	-	-	-	*26'892*	26'892	26'892	617	27'509
Dividends paid	-	-	-	-	*(69'426)*	(69'426)	(69'426)	-	(69'426)
Purchase of treasury shares	-	-	(9'515)	-	-	-	(9'515)	-	(9'515)
Sale of treasury shares	-	(733)	7'529	-	-	-	6'796	-	6'796
Allocation of treasury shares to employees		(820)	4'173	-	-	-	3'353	-	3'353
Currency translation differences	-	-	-	-	*(2'126)*	(2'126)	(2'126)	(78)	(2'204)
Balance at 30 June 2019	**20'000**	**14'823**	**-**	**(158'180)**	**877'618**	**719'438**	**754'262**	**5'754**	**760'016**

Notes to the Consolidated Half-Year Financial Statements

1. The Stadler Rail Group

Stadler Rail AG («Holding» or «Company»), headquartered in 9565 Bussnang, Ernst-Stadler-Strasse 1, is a public limited company incorporated under Swiss law, which has been listed on the SIX Swiss Exchange in Zurich with the symbol SRAIL since 12 April 2019. The Stadler Rail Group (hereinafter Stadler) is an international, independent rail vehicle manufacturer with 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 half-year financial statements as at 30 June 2019 present the net assets, financial position and results of operations of Stadler Rail AG and its subsidiaries (collectively referred to as Stadler).

2. Basis for the preparation of the financial statements

The consolidated half-year financial statements cover the period from 1 January 2019 to 30 June 2019 and have been prepared in accordance with Swiss GAAP FER (Accounting and Reporting Recommendations) and Swiss GAAP FER 31. The consolidated half-year financial statements do not contain all the information and disclosures required in the annual consolidated financial statements and should therefore be read in conjunction with the consolidated financial statements as at 31 December 2018.

The consolidated half-year financial statements have been prepared using the same accounting policies and valuation principles as those applied in the consolidated financial statements as at 31 December 2018.

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

3. Management assumptions and estimates

Management has not made any significant changes to estimates and assumptions compared to the previous period.

4. Key figures not defined by Swiss GAAP FER

The subtotal «Gross margin» includes net revenue less the cost of goods sold and services provided.

5. Seasonal and other influences

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

Order intake also has a certain level of seasonality, with orders generally placed in the second half of the year.

6. 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, modernization 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 in relation to its competitors, thus allowing conclusions to be drawn about the margin and cost situation for each segment.

in thousands of CHF or as noted	Rolling Stock		Service & Components		Corporate Centre & Eliminations		Total	
	1st half-year 2019	1st half-year 2018	1st half-year 2019	1st half-year 2018	1st half-year 2019	1st half-year 2018	1st half-year 2019	1st half-year 2018
Net revenue								
Net revenue per segment	1'026'564	708'496	284'344	221'372	(195'625)	(132'094)	1'115'283	797'774
Intersegment revenue	(24'560)	(13'881)	(171'065)	(118'154)	195'625	132'035	-	-
Total net revenue (third parties)	**1'002'004**	**694'615**	**113'279**	**103'218**	**-**	**(59)**	**1'115'283**	**797'774**
Net revenue by geographical market								
Germany, Austria, Switzerland	547'682	551'396	30'869	26'528	-	-	578'551	577'924
Western Europe	301'703	86'825	72'373	66'563	-	-	374'076	153'388
Eastern Europe	17'974	5'479	4'516	4'560	-	(59)	22'490	9'980
CIS	62'391	8'159	940	188	-	-	63'331	8'347
America	71'713	42'756	621	435	-	-	72'334	43'191
Rest of the world	541	-	3'960	4'944	-	-	4'501	4'944
Total net revenue by market	**1'002'004**	**694'615**	**113'279**	**103'218**	**-**	**(59)**	**1'115'283**	**797'774**
Net revenue by product group								
Trains	653'672	411'926						
Locomotives	10'388	47'650						
LRV	100'482	151'915						
Metros	43'776	41'590						
Tailor-made	193'686	41'534						
Total net revenue by product	**1'002'004**	**694'615**						
Order intake								
Order intake	1'707'692	581'620	602'630	249'484		-	2'310'322	831'104
Total order intake	**1'707'692**	**581'620**	**602'630**	**249'484**	**-**	**-**	**2'310'322**	**831'104**
Order intake by geographical market								
Germany, Austria, Switzerland	884'224	268'223	456'358	62'308		-	1'340'582	330'531
Western Europe	296'313	188'863	138'516	182'665		-	434'829	371'528
Eastern Europe	211'173	70'709	3'265	4'067		-	214'438	74'776
CIS	117'979	22'379	245	-		-	118'224	22'379
America	198'003	31'446	561	273		-	198'564	31'719
Rest of the world	-	-	3'685	171		-	3'685	171
Total order intake by market	**1'707'692**	**581'620**	**602'630**	**249'484**	**-**	**-**	**2'310'322**	**831'104**
Order backlog[1]								
Order backlog	11'669'371	10'916'635	2'713'148	2'262'209		-	14'382'519	13'178'844
Total order backlog	**11'669'371**	**10'916'635**	**2'713'148**	**2'262'209**	**-**	**-**	**14'382'519**	**13'178'844**
Order backlog by geographical market[1]								
Germany, Austria, Switzerland	5'186'456	4'797'064	1'045'010	634'604		-	6'231'466	5'431'668
Western Europe	3'862'680	3'886'477	1'590'257	1'547'060		-	5'452'937	5'433'537
Eastern Europe	1'242'214	1'045'321	63'162	67'973		-	1'305'376	1'113'294
CIS	291'463	234'276	79	-		-	291'542	234'276
America	1'044'377	915'193	1'207	1'069		-	1'045'584	916'262
Rest of the world	42'181	38'304	13'433	11'503		-	55'614	49'807
Total order backlog by market	**11'669'371**	**10'916'635**	**2'713'148**	**2'262'209**	**-**	**-**	**14'382'519**	**13'178'844**
Investments in PPE								
Investments in PPE	105'313	31'892	17'254	10'883	2'072	1'733	124'639	44'508
Total investments in PPE	**105'313**	**31'892**	**17'254**	**10'883**	**2'072**	**1'733**	**124'639**	**44'508**
Staff as FTEs								
Permanent employees	7'085	5'797	1'888	1'554	178	155	9'151	7'506
Temporary employees	934	494	250	147	3	3	1'187	644
Apprentices	128	121	25	23	-	-	153	144
Total staff as FTEs	**8'147**	**6'412**	**2'163**	**1'724**	**181**	**158**	**10'491**	**8'294**

[1] as at 30 June 2019 resp. 31 December 2018

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

7. Gross margin

The gross margin decreased to 10.9 % as compared to 13.5 % in the previous period. This reduction is mainly a result of increased project engineering costs stemming from increased customization and customer specifications as well as the regional mix, where varying competitive pressures and the strengthening of the Swiss franc against certain foreign currencies impacted the profitability and net revenue generated from certain contracts.

8. Operating result (EBIT)

The EBIT margin decreased from 4.4 % to 4.2 %. The lower decrease compared to the gross margin is due to the fact that development, marketing and sales and administration costs did not increase at the same rate as net revenues. These expenses mainly include fixed costs, which are not dependent on net revenues.

9. Financial result

The financial result increased by CHF 9.7 million in comparison to the previous period. This change is mainly due to currency effects in the valuation of advance payments and loans.

10. Work in progress

in thousands of CHF	30.06.2019	31.12.2018
Work in progress		
Costs accumulated on orders	4'022'308	3'381'727
Production costs of vehicles delivered and invoiced	(1'855'940)	(2'124'438)
Work in progress, gross	**2'166'368**	**1'257'289**
Advance payments to suppliers	164'659	113'169
Advance payments from customers	(1'540'117)	(777'829)
Total work in progress	**790'910**	**592'629**
Liabilities from work in progress		
Costs accumulated on orders	3'049'290	3'788'879
Production costs of vehicles delivered and invoiced	(2'414'145)	(2'914'733)
Work in progress, gross	**635'145**	**874'146**
Advance payments to suppliers	74'129	104'534
Advance payments from customers	(2'118'621)	(2'328'552)
Total liabilities from work in progress	**(1'409'347)**	**(1'349'872)**
Net work in progress/liabilities from work in progress	**(618'437)**	**(757'243)**

Work in progress, gross increased by a total of CHF 0.7 billion to CHF 2.8 billion. This development reflects the settlement of the high order backlog from previous years.

Advance payments from customers increased by a total of CHF 0.6 billion to CHF 3.7 billion in the same period. This is partly attributable to the payment milestones for individual orders and order intake in the first half of 2019.

11. Compensation claims from work in progress

in thousands of CHF	30.06.2019	31.12.2018
Compensation claims from work in progress		
Compensation claims for vehicles delivered but not yet invoiced	712'958	533'614
Advance payments from customers for vehicles delivered but not yet invoiced	(360'671)	(253'681)
Total compensation claims from work in progress	**352'287**	**279'933**

12. Property, plant and equipment

Property, plant and equipment increased by CHF 96.0 million to CHF 641.8 million. This increase is mainly due to investments in the new production plants in St. Margrethen and Salt Lake City as well as in the new maintenance depot in Herne.

13. Financial liabilities

Financial liabilities increased by CHF 175.7 million to a total of CHF 338.4 million. This increase is mainly due to the intake of short-term project loans of CHF 155.8 million and mortgages of CHF 30.5 million as well as the repayment of short-term project loans of CHF 4.2 million and loans of CHF 11.6 million.

14. Equity

Share capital

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

None of these shares had been subscribed at the balance sheet date of 30 June 2019.

Dividends

The proposal to distribute CHF 0.70 per share for the 2018 financial year was approved at the Annual General Meeting on 18 March 2019 and paid out as follows in March 2019:

in thousands of CHF or as noted	1st half-year **2019**
Dividends paid	
Number of registered shares entitled to dividend (in pcs.)	99'179'500
Ordinary dividend per registered share (in CHF)	0.70
Total dividends paid	**69'426**

15. Changes in scope of consolidation

15.1 Changes in 2019

There were no changes in the scope of consolidation in the first half of 2019.

15.2 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 at a price of CHF 7.3 million and goodwill of CHF 3.8 million. With this acquisition, Stadler is expanding its service activities in the areas of modernization and maintenance in Sweden.

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 at a price of CHF 1.2 million and badwill (negative goodwill) of CHF 2.0 million. This acquisition will allow the necessary expansion of capacities (car bodies).

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 Magyarorszàg 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).

16. Exchange rates

	Average rates		Closing rates	
Currency	1st half-year **2019**	1st half-year **2018**	**30.06.2019**	**31.12.2019**
EUR	1.1295	1.1701	1.1104	1.1256
USD	1.0000	0.9671	0.9763	0.9828
GBP	1.2938	1.3300	1.2396	1.2528
NOK	0.1161	0.1219	0.1144	0.1136
PLN	0.2632	0.2773	0.2616	0.2624
HUF	0.0035	0.0037	0.0034	0.0035
CZK	0.0440	0.0459	0.0436	0.0437
DZD	0.0084	0.0084	0.0082	0.0083
SEC	0.1074	0.1153	0.1051	0.1107
RUB	0.0153	0.0163	0.0155	0.0142
RSD	0.0096	0.0099	0.0094	0.0095
AUD	0.7062	0.7457	0.6854	0.6922
DKK	0.1513	0.1571	0.1487	0.1507

17. Special events

On 12 April 2019 Stadler Rail AG went public on the SIX Swiss Exchange in Zurich (ticker symbol: SRAIL; ISIN: CH0002178181). The basic offer comprised 35,000,000 existing shares. In addition, the lead banks were granted an over-allotment option of up to 5,250,000 existing shares, which was exercised in full. Including the shares placed in connection with the over-allotment option, a total of 40,250,000 existing shares, or 40.25 % of the share capital, were placed in the course of Stadler's IPO. The placement volume corresponds to CHF 1,530 million.

The employee share plan (MAP for short) was discontinued in February 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 MAP expired when the plan was cancelled.

Following the IPO on 12 April 2019, a tax ruling came into force that primarily has tax implications for employees. The tax consequences are that income from equity securities is now taxable for shares sold after the IPO. This means that firstly, any excess profit is taxed as the difference between the market value at the time of sale (market price) and the continued MAP value, and secondly, any discount from the vesting periods is taxed pro rata. 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. As a result, the recognition criterion of a reliable estimate for the recognition of a liability is not met. Consequently, the latent liabilities as at the balance sheet date are reported as contingent liabilities in accordance with Swiss GAAP FER 5.

The social security contributions for the employer resulting from the sales are recorded in non-operating expenses. This is in line with Swiss GAAP FER 3, which defines expenses arising from events or business transactions that are clearly different from operating activities as non-operating. 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. The effective employer social security contributions from the sale of shares amounted to approximately CHF 0.9 million in the reporting period.

In June 2019, Stadler employees were paid 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.

18. Events after the closing date

The Swiss franc has appreciated since 30 June 2019. The amounts shown in these consolidated half-year financial statements are translated into Swiss francs at the closing rates as at 30 June 2019 or the average rates for the first half of the year and therefore do not take into account the development of foreign exchange rates after 30 June 2019

Stadler's consolidated financial statements are prepared and presented in Swiss francs. A strengthening of the Swiss franc against the relevant foreign currencies for Stadler, i.e. the euro, pound sterling, the Swedish krona and Norwegian krone, would have a negative currency translation effect on revenues and profits.

No other events occurred after the reporting date that could have a significant impact on the 2019 consolidated half-year financial statements.

19. Approval of the consolidated half-year financial statements

The 2019 consolidated half-year financial statements were approved for publication by the Board of Directors on 26 August 2019.

Dates

March 2020	Annual report 2019, annual media and analyst conference
30 April 2020	Annual General Meeting 2020
August 2020	Half-year report 2020

Share

Listing:	SIX Swiss Exchange
Ticker:	SRAIL
ISIN:	CH0002178181
Security number:	217.818

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