



HALF-YEAR REPORT 2021

STADLER

HALF-YEAR RESULTS 2021 AT A GLANCE

1.4

**BILLION CHF
NET REVENUE**

Previous year: 0.9

48.9

**MILLION CHF
EBIT**

Previous year: 5.0

3.5%

EBIT MARGIN

Previous year: 0.5%

35,158

REGISTERED SHAREHOLDERS AS AT 30 JUNE 2021

31 December 2020: 34,912

3.1

**BILLION CHF
ORDER INTAKE**

Previous year: 3.1

12,851

EMPLOYEES WORLDWIDE

(average FTE 1 January to 30 June 2021)

Previous year: 12,156

17.9

**BILLION CHF
ORDER BACKLOG**

31 December 2020: 16.1

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

THIS IS WHERE FACTS AND FIGURES COME IN

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LOCATIONS AT A GLANCE

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

Locations	Production	Compo-nents	Service
STADLER SWITZERLAND			
Bussnang, Canton of Thurgau	•		•
Frauenfeld, Canton of Thurgau			•
Altenrhein, Canton of St. Gallen	•		
St. Margrethen, Canton of St. Gallen	•		
Winterthur, Canton of Zürich		•	
Biel, Canton of Bern		•	
Bern, Canton of Bern			•
Lugano, Canton of Ticino			•
Wallisellen, Canton of Zurich (Signalling)			•
Wil, Canton of St. Gallen			•
STADLER AROUND THE WORLD			
Algeria, Algiers			•
Denmark, Aarhus			•
Denmark, Odense			•
Germany, Berlin	•		•
Germany, Augsburg			•
Germany, Essingen			•
Germany, Herne			•
Germany, Jena			•
Germany, Mannheim			•
Germany, Rendsburg			•
Germany, Schönwalde-Glien	•		•
France, Montceau-les-Mines			•
Finland, Helsinki			•
Georgia, Tbilisi			•
Italy, Merano			•
Italy, Sassari/Macomer			•
Italy, Bolzano			•
Italy, Venice/Bologna			•
Italy, Bari			•
Italy, Cremona			•
Italy, Cosenza			•
Italy, Turin			•
Netherlands, Hengelo			•
Netherlands, Leeuwarden			•
Netherlands, Venlo			•
Netherlands, Blerick			•
Norway, Dammen			•
Norway, Bergen			•

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

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

KEY FIGURES

in millions of CHF or as noted	1st half-year resp. 30.06.2021	as % of net revenue	1st half-year resp. 31.12.2020	as % of net revenue	Change in %
Stadler					
Order intake	3,121.6		3,118.0		0%
Order backlog ¹	17,871.8		16,105.6		11%
Net revenue	1,417.7	100.0%	934.7	100.0%	52%
Gross margin ²	142.0	10.0%	76.7	8.2%	85%
EBITDA ³	96.0	6.8%	46.9	5.0%	105%
Operating result (EBIT)	48.9	3.5%	5.0	0.5%	870%
Profit for the period	26.3	1.9%	15.7	1.7%	67%
Earnings per share (in CHF)	0.26		0.15		69%
Net cash flow from operating activities	10.6		(200.8)		
Capital expenditure ⁴	97.5		96.0		2%
Free cash flow ⁵	(41.1)		(309.0)		
Net working capital ^{1,6}	489.5		450.0		
Work in progress (net) ^{1,7}	(198.9)		(317.3)		
Net cash ^{1,8}	(749.5)		(608.2)		
Equity ratio ¹	16.3%		19.1%		
Staff as FTEs	12,851		12,156		6%
"Rolling Stock" segment					
Order intake	2,843.3		1,917.5		48%
Order backlog ¹	13,595.0		11,995.6		13%
Net revenue (third parties)	1,238.2	87.3%	788.8	84.4%	57%
"Service & Components" segment					
Order intake	278.4		1,200.5		(77%)
Order backlog ¹	4,276.8		4,110.0		4%
Net revenue (third parties)	179.6	12.7%	145.9	15.6%	23%

¹ As at 30 June 2021 resp. 31 December 2020

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

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

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

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

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

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

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

POSITIVE TREND CONTINUES FOR STADLER IN THE FIRST HALF-YEAR



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

Dear Shareholders,

Stadler recorded an order intake of 3.1 billion Swiss francs in the first half of 2021, which represents stable development at a high level compared to the same period of the previous year (H1 2020: 3.1 billion Swiss francs). This does not take into account decisions for the awarding of individual major projects originally expected before the end of June. At 17.9 billion Swiss francs, the order backlog nonetheless reached a new record high (31 December 2020: 16.1 billion Swiss francs).

The impact of the coronavirus crisis on supply chains, approval and delivery procedures as well as on the service business continues to be felt. Nevertheless, Stadler managed to build on its recovery in the second half of 2020 and continued to make up for the delays caused by the pandemic in the acceptance of new vehicles. In addition, the service business was given further impetus. Overall, this led to a significant increase in revenue of 52 percent to 1.4 billion Swiss francs compared to 0.9 billion Swiss francs in the same period last year.

“ROLLING STOCK” SEGMENT

In the “Rolling Stock” reporting segment, order intake in the first half of the year amounted to 2.8 billion Swiss francs, up 48 percent on the same period of the previous year. The order backlog grew by 13 percent in relation to the end of 2020, reaching a new record high of 13.6 billion Swiss francs (31 December 2020: 12.0 billion Swiss francs).

Thanks to successful deliveries of new vehicles and catch-up effects following delays caused by the pandemic, the “Rolling Stock” reporting segment generated revenue of 1.2 billion Swiss francs in the first half of 2021. This represents an increase of 57 percent compared to the first six months of the 2020 financial year (H1 2020: 0.8 billion Swiss francs).

Stadler is also making inroads into new drive technologies in addition to its existing well-rounded, broad product portfolio. Stadler is developing its first hydrogen train for the rail operator of San Bernardino County in California. Nahverkehrsverbund Schleswig-Holstein in northern Germany ordered 55 battery-powered trains back in 2019 after Stadler emerged as the winner of Germany’s first green technology tender. Following a three-year research phase which came to an end in March 2021, Stadler successfully completed the research project launched in 2018 to develop and test battery technologies in the rail vehicle sector. During the three-year trial phase, the FLIRT battery-powered train used as a test vehicle far exceeded initial expectations with a proven range of 185 kilometres when functioning on battery alone.

“SERVICE & COMPONENTS” SEGMENT

Incoming orders in the “Service & Components” reporting segment amounted to 278.4 million Swiss francs in the first half of 2021. The decrease compared to the same period of the previous year (H1 2020: 1.2 billion Swiss francs) is mainly due to the high order intake resulting from two large orders placed in the first half of 2020. In the strategically important service business, order backlog in turn increased by 4 percent to 4.3 billion Swiss francs compared to the end of 2020 (31 December 2020: 4.1 billion Swiss francs) and thus continues to contribute just under a quarter of Stadler’s total order backlog.

Revenue in the “Service & Components” segment experienced another double-digit increase of 23 percent to 179.6 million Swiss francs compared to the first half of 2020 (H1 2020: 145.9 million Swiss francs). This shows that the “Service & Components” segment is continuing to successfully pursue its growth course.

RECOVERY IN EBIT, NET PROFIT AND FREE CASH FLOW

EBIT for the first half of 2021 stood at 48.9 million Swiss francs (3.5 percent EBIT margin), compared to 5.0 million (0.5 percent EBIT margin) in the same period of the previous year.

Stadler’s business is generally subject to strong seasonality, which typically leads to significantly higher revenue and much greater profitability 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. In the current year, there are signs of a slight shift in this rule in favour of the first half of the year due to catch-up effects related to coronavirus. As expenses for development, distribution and administration mostly include fixed costs that are not directly related to revenue, the seasonal effect has a stronger impact on EBIT and the EBIT margin.

In terms of net profit, Stadler posted 26.3 million Swiss francs of profit in the first half of 2021 compared to 15.7 million Swiss francs in the same period of the previous year, which represents an increase of 67 percent. Net profit was impacted in particular by exchange rate effects in the financial result, while favourable tax effects boosted the result.

The recovery is also reflected in a significant improvement in free cash flow to –41.1 million Swiss francs in the first six months of the year compared to –309 million Swiss francs in the same period last year. Net debt amounted to 749.5 million Swiss francs as at 30 June 2021 compared to 608 million on 31 December 2020. Free cash flow and net debt as at 30 June 2021 do not take into account the payment of approximately 130 million Swiss francs received for MÁV START vehicles in Hungary at the beginning of July 2021. Delays were suffered in the awarding of individual projects originally expected before the end of June and the associated customer down payments. These are now expected in the second half of the year.

MAIN ORDERS RECEIVED

Stadler obtained an important order in Spain: the national rail operator RENFE ordered 59 double-decker multiple-unit trains for local transport in March 2021. This is the first time that RENFE has ordered trains for passenger service from Stadler. The Iberian gauge trains will be used for local transport in major Spanish cities. In Switzerland, Swiss Federal Railways (SBB) placed a call-off order in April 2021 for 60 more KISS double-decker multiple-unit trains as part of an existing framework agreement. This brings the SBB KISS fleet to 153 vehicles. In the Tailor Made vehicle segment, we are very pleased to be able to continue our long-standing cooperation with the Zentralbahn: in February 2021, the Swiss rail operator ordered two seven-car and seven three-car pinion drive multiple units for the expansion of its fleet. Another high point for the Tailor Made range came from Italy: in March 2021, Ente Autonomo Volturno (EAV) signed a framework agreement for the delivery of up to 40 electric trains. In a first call-off order, EAV ordered 23 vehicles for local transport on the Vesuvian lines in southern Italy. In Germany, the Darmstadt transport company HEAG mobilo ordered eleven additional state-of-the-art TINA trams. Following an initial order in 2020, HEAG mobilo is now expanding its TINA fleet to 25 vehicles.

GUARDIA (ETCS) SIGNALLING SOLUTION APPROVED IN ADDITIONAL COUNTRIES

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. It was able to build on the successes of previous years in the first half of 2021. For example, following last year's approval in Poland, the GUARDIA (ETCS) train control system has now also received approval for operation in Switzerland and Hungary. From spring 2021, the system will be used for the first time in Switzerland in the new FLIRT trains for BLS, and in Hungary in the FLIRT trains for the national rail operator MÁV START. We are also particularly pleased that GUARDIA will also be used in the new 60 double-decker multiple-unit trains ordered by SBB in April 2021. ETCS projects are also under way in other countries, including Slovenia, Italy and Germany. In the growth field of metro signalling (CBTC), the first orders are successfully being processed. The new CBTC solution will be used in vehicles including the 127 METRO trains for the American Metropolitan Atlanta Rapid Transit Authority (MARTA) – the largest single order of vehicles in Stadler's history. In the area of automated train operation (ATO), the first phase of the pilot project with the Schweizerische Südostbahn (SOB) was successfully completed in June 2021. The next step is to test the system in detail in a commercially limited test operation.

EXPANSION OF THE BERLIN SITE IS PROGRESSING

Stadler continuously invests in growth, which includes developing and expanding its locations. After moving into the new production plant in St. Margrethen in 2020, Stadler is now pushing ahead with the expansion of its Berlin location. In early summer, celebrations were held to mark the punctual completion of the production and commissioning hall as well as office buildings and the company restaurant. A logistics centre will be built on the company premises during the second construction phase. The investment of around 70 million euros will create the ideal conditions for handling large orders. After completion of the second construction phase, the group-wide expansion work for the planned increase in production capacities will also be concluded.

INNOVATIVE RAIL VEHICLES AND DIGITAL SERVICE SOLUTIONS

In order to continue to offer sustainable, attractive mobility solutions, Stadler is investing in innovative rail vehicles and digitalisation projects. One example is the new low-floor tram TINA, which was ordered for the first time in 2020 and again in 2021 in Darmstadt, Germany. Complete accessibility, panoramic windows and high interior ceilings ensure a pleasant travel experience. Thanks to the new bogie technology, the new tram is particularly maintenance-friendly and hence also even more economical to operate. In May 2021, Deutsche Bahn and Stadler signed an agreement to develop the first virtual image of a complete train. This is a milestone for the digitalisation of rail operations. The “digital twin” processes data from the actual vehicle in real time, making it possible to prevent malfunctions or the failure of a train.

ANNOUNCED CHANGES IN THE EXECUTIVE BOARD COMPLETED

In March 2021, Stadler announced changes in its Executive Board. These were completed in the first half of 2021. Marina Winder, Head of Communications & PR, decided to leave the Group Executive Board after her maternity leave to start her own business. She continues to assist Stadler in the capacity of communications specialist. As of 1 July 2021, Philipp Brunner is joining the Executive Board and taking over the management of the Division Central Europe. He succeeds Christian Spichiger, who in turn is taking over the management of the Division Components from Markus Bernsteiner. From now on, Markus Bernsteiner will concentrate on managing the largest division, Division Switzerland, which is responsible for about 50 percent of the Group's revenue. Furthermore, as announced last September, Daniel Baer took over the management of the Division Service from Jürg Gyax in March 2021.

OUTLOOK CONFIRMED

Stadler expects a strong increase in revenue and profitability in the second half of the year in relation to the first half of 2021. The outlook for the full year is confirmed, assuming that the coronavirus situation continues to normalise and that exchange rates remain stable. Consequently, Stadler is still expecting an EBIT margin of over 6 percent in the current financial year and is anticipating investments of approximately 200 million Swiss francs in the 2021 financial year to provide the capacities it needs. Despite this above-average capital expenditure, free cash flow should be positive for the current year. Stadler continues to expect an order intake of around 4 to 5 billion Swiss francs and sales of between 3.5 and 3.8 billion Swiss francs. Subject to the continued normalisation of the coronavirus situation, the medium-term financial targets of an EBIT margin of 8 to 9 percent from 2023 onwards and a dividend policy with a payout ratio of approximately 60 percent are confirmed.

Best regards,



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

CONSOLIDATED INCOME STATEMENT

in thousands of CHF or as noted	Note	1st half-year 2021		1st half-year 2020	
Net revenue	5	1,417,733	100.0%	934,690	100.0%
Material and external services		(832,954)	58.8%	(506,736)	54.2%
Material overhead		(46,003)	3.2%	(40,559)	4.3%
Warranty costs		(22,600)	1.6%	(17,527)	1.9%
Production costs		(278,622)	19.7%	(216,600)	23.2%
Engineering costs		(83,261)	5.9%	(68,987)	7.4%
Project management costs		(12,254)	0.9%	(7,613)	0.8%
Cost of goods sold and services provided		(1,275,694)	90.0%	(858,022)	91.8%
Gross margin	6	142,039	10.0%	76,668	8.2%
Development costs		(13,019)		(13,535)	
Marketing & Sales costs		(31,158)		(23,898)	
Administration costs		(52,455)		(49,063)	
Other operating income		5,463		17,216	
Other operating expenses		(1,942)		(2,344)	
Operating result (EBIT)	7	48,928	3.5%	5,044	0.5%
Financial result	8	(25,918)		17,696	
Share of results from associated companies		2,578		625	
Ordinary result		25,588	1.8%	23,365	2.5%
Non-operating result	9	(260)		(777)	
Profit before income taxes		25,328	1.8%	22,588	2.4%
Income taxes	10	972		(6,864)	
Profit for the year		26,300	1.9%	15,724	1.7%
– thereof attributable to shareholders of Stadler Rail AG		26,074		15,418	
– thereof attributable to non-controlling interests (minority interests)		226		306	
Basic and diluted earnings per share (in CHF)		0.26		0.15	

CONSOLIDATED BALANCE SHEET

in thousands of CHF	Note	30.06.2021		31.12.2020	
Assets					
Cash and cash equivalents		937,306		928,897	
Trade receivables		440,567		300,993	
Other current receivables		134,139		147,195	
Compensation claims from work in progress	12	771,886		862,195	
Inventories		213,755		201,354	
Work in progress	11	1,198,431		886,845	
Accrued income and deferred expenses		47,463		31,796	
Total current assets		3,743,547	75.8%	3,359,275	74.5%
Property, plant and equipment	13	910,777		879,969	
Financial assets		132,724		133,120	
Investments in associated companies		17,292		15,228	
Intangible assets		132,814		123,326	
Total non-current assets		1,193,607	24.2%	1,151,643	25.5%
Total assets		4,937,154	100.0%	4,510,918	100.0%
Liabilities & equity					
Current financial liabilities	14	1,065,095		1,003,083	
Trade payables		247,582		298,311	
Liabilities from work in progress	11	1,397,301		1,204,113	
Other current liabilities		200,665		110,291	
Current provisions		70,517		75,991	
Deferred income and accrued expenses		400,669		291,689	
Total current liabilities		3,381,829	68.5%	2,983,478	66.1%
Non-current financial liabilities	14	621,692		533,966	
Other non-current liabilities		51,350		47,469	
Non-current provisions		77,917		85,666	
Total non-current liabilities		750,959	15.2%	667,101	14.8%
Total liabilities		4,132,788	83.7%	3,650,579	80.9%
Share capital		20,000		20,000	
Capital reserves		15,795		16,077	
Treasury shares		–		(721)	
Retained earnings		737,563		682,038	
Profit for the year, attributable to shareholders of Stadler Rail AG		26,074		137,612	
Stadler Rail AG shareholders' equity		799,432	16.2%	855,006	19.0%
Non-controlling interests (minority interests)		4,934		5,333	
Total equity		804,366	16.3%	860,339	19.1%
Total liabilities & equity		4,937,154	100.0%	4,510,918	100.0%

CONSOLIDATED CASH FLOW STATEMENT

in thousands of CHF	Note	1st half-year 2021	1st half-year 2020
Cash flow from operating activities			
Profit for the year		26,300	15,724
Depreciation and amortisation		47,057	41,869
Loss/(gain) on disposal of non-current assets		298	(10,528)
Share of results from associated companies		(2,578)	(625)
Other non-cash items		(39,065)	12,594
Addition/(Reduction) other non-current liabilities		(3,948)	4,007
Addition/(Reduction) non-current provisions		(8,871)	(9,200)
Reduction/(Addition) employer contribution reserve		–	7,363
Change in net current assets			
– Reduction/(Addition) trade receivables		(136,593)	40,936
– Reduction/(Addition) other current receivables		14,471	(18,093)
– Reduction/(Addition) compensation claims from work in progress		93,787	171,327
– Reduction/(Addition) inventories		(8,738)	(33,317)
– Reduction/(Addition) work in progress		(295,718)	(437,510)
– Reduction/(Addition) accrued income and deferred expenses		(15,282)	(2,738)
– Addition/(Reduction) trade payables		(54,715)	(32,260)
– Addition/(Reduction) liabilities from work in progress		182,825	8,578
– Addition/(Reduction) other current liabilities		112,137	(27,037)
– Addition/(Reduction) current provisions		(6,277)	(1,410)
– Addition/(Reduction) deferred income and accrued expenses		105,500	69,494
Net cash flow from operating activities		10,590	(200,826)
Cash flow from investing activities			
Investments in property, plant and equipment	13	(73,827)	(76,017)
Proceeds from sales of property, plant and equipment		322	983
Investments in financial assets		(3,074)	(523)
Proceeds from sales of financial assets		32,264	3,029
Prepaid portion of purchase price for subsidiaries	16	–	(2,886)
Investments in associated companies	17	–	(2,586)
Dividends received from associated companies		738	–
Investments in intangible assets		(23,704)	(19,948)
Proceeds from sales of intangible assets		–	22
Net cash flow from investing activities		(67,281)	(97,926)
Cash flow from financing activities			
Proceeds from/(repayment of) current financial liabilities	14	11,539	220,190
Proceeds from/(repayment of) non-current financial liabilities	14	130,152	134,404
(Purchase)/Sale of treasury shares		(683)	(1,163)
Dividends paid to shareholders of Stadler Rail AG	15	(84,976)	(119,969)
Net cash flow from financing activities		56,032	233,462
Total net cash flow		(659)	(65,290)
Cash and cash equivalents at 1 January		928,897	752,686
Currency translation differences on cash and cash equivalents		9,068	(10,095)
Cash and cash equivalents at 30 June		937,306	677,301

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in thousands of CHF	Share capital	Capital reserves	Treasury shares	Goodwill offset	Other retained earnings	Total retained earnings	Stadler Rail AG shareholders' equity	Non-controlling interests	Total equity
Balance at 1 January 2020	20,000	14,823	–	(166,169)	972,962	806,793	841,617	5,337	846,954
Profit for the year	–	–	–	–	15,418	15,418	15,418	306	15,724
Dividends paid	–	–	–	–	(119,969)	(119,969)	(119,969)	–	(119,969)
Purchase of treasury shares	–	–	(1,163)	–	–	–	(1,163)	–	(1,163)
Share-based payments	–	1,150	–	–	–	–	1,150	–	1,150
Currency translation differences	–	–	–	–	(6,132)	(6,132)	(6,132)	(96)	(6,228)
Balance at 30 June 2020	20,000	15,973	(1,163)	(166,169)	862,279	696,110	730,921	5,547	736,468
Balance at 1 January 2021	20,000	16,077	(721)	(167,188)	986,837	819,649	855,006	5,333	860,339
Profit for the year	–	–	–	–	26,074	26,074	26,074	226	26,300
Dividends paid	–	–	–	–	(84,976)	(84,976)	(84,976)	(688)	(85,664)
Purchase of treasury shares	–	–	(683)	–	–	–	(683)	–	(683)
Share-based payments	–	(282)	1,404	–	–	–	1,122	–	1,122
Currency translation differences	–	–	–	–	2,889	2,889	2,889	63	2,952
Balance at 30 June 2021	20,000	15,795	–	(167,188)	930,824	763,636	799,432	4,934	804,366

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 securities symbol SRAIL since 12 April 2019. The Stadler Rail Group (hereinafter Stadler) is an international, independent rail vehicle manufacturer with a focus on Europe and the development of further regions, which pursues a targeted segment and market strategy with high-quality and customer-specific products.

The consolidated half-year financial statements as at 30 June 2021 present the net assets, financial position and results of operations of Stadler Rail AG and its subsidiaries.

2. BASIS FOR THE PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated half-year financial statements cover the period from 1 January 2021 to 30 June 2021 and have been prepared in accordance with Swiss GAAP FER (Accounting and Reporting Recommendations) and Swiss GAAP FER 31. The consolidated half-year financial statements do not include all the information and disclosures contained in the annual consolidated financial statements and should therefore be read in conjunction with the consolidated financial statements as at 31 December 2020.

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 2020.

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

3. MANAGEMENT ASSUMPTIONS AND ESTIMATES

Management has not made any significant changes to the estimates and assumptions applied in the consolidated half-year financial statements compared to those used in the 2020 consolidated financial statements.

4. SEASONAL AND OTHER INFLUENCES

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

Order intake also has a certain level of seasonality, and it is known from experience that orders are generally placed in the second half of the year. The year 2021 could, however, be an exception, as was the previous year, since above-average incoming orders were recorded in the first half of the year.

Although Stadler continues to be affected by the impact of the coronavirus crisis on supply chains, approval and delivery procedures as well as on the service business, a recovery was achieved in the business result thanks to the measures taken. The influence of any worsening of the effects of coronavirus on the current business year cannot be estimated at this point in time.

5. SEGMENT REPORTING

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

The following two segments exist:

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

With reference to the complementary recommendation for listed companies (FER 31/12) on segment reporting, Stadler does not report segment results in the interests of shareholders for the following reasons:

1. Detrimental effect on the negotiating position:

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

2. Competitive disadvantage in relation to competitors:

Stadler's competitors generally do not report segment information and detailed segment results. The disclosure of segment results would put Stadler at a competitive disadvantage in relation to its competitors, thus allowing conclusions to be drawn about the margin and cost situation for each segment.

in thousands of CHF or as noted	Rolling Stock		Service & Components		Corporate Centre & Eliminations		Total	
	1st half-year 2021	1st half-year 2020	1st half-year 2021	1st half-year 2020	1st half-year 2021	1st half-year 2020	1st half-year 2021	1st half-year 2020
Net revenue								
Net revenue per segment	1,277,931	817,609	366,407	291,333	(226,605)	(174,252)	1,417,733	934,690
Intersegment revenue	(39,778)	(28,791)	(186,841)	(145,463)	226,619	174,254	–	–
Total net revenue (third parties)	1,238,153	788,818	179,566	145,870	14	2	1,417,733	934,690
Net revenue by geographical market								
Germany, Austria, Switzerland	777,648	498,082	45,060	45,425	4	2	822,712	543,509
Western Europe	197,604	240,365	107,731	84,308	–	–	305,335	324,673
Eastern Europe	189,340	26,103	22,522	12,560	10	–	211,872	38,663
CIS	33,917	19,575	1,174	587	–	–	35,091	20,162
America	39,644	1,720	1,832	1,088	–	–	41,476	2,808
Rest of the world	–	2,973	1,247	1,902	–	–	1,247	4,875
Total net revenue by market	1,238,153	788,818	179,566	145,870	14	2	1,417,733	934,690
Net revenue by product group								
Trains	702,274	590,007						
Locomotives	107,235	54,954						
LRV	163,549	13,732						
Metros	100,100	97,633						
Tailor Made	164,995	32,492						
Total net revenue by product	1,238,153	788,818						
Additions to PPE								
Additions to PPE	38,709	57,680	10,711	17,848	593	3,613	50,013	79,141
Total additions to PPE	38,709	57,680	10,711	17,848	593	3,613	50,013	79,141
Staff as FTEs								
Permanent employees	8,880	8,203	2,958	2,531	187	180	12,025	10,914
Temporary employees	381	713	242	344	1	–	624	1,057
Apprentices	173	150	29	35	–	–	202	185
Total staff as FTEs	9,434	9,066	3,229	2,910	188	180	12,851	12,156

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

6. GROSS MARGIN

The gross margin increased to 10.0 percent as compared to 8.2 percent in the same period of the previous year. Despite the partially ongoing impact of the coronavirus crisis on supply chains, approval and delivery procedures as well as on the service business, Stadler has succeeded in making up for the delays caused by the pandemic in the acceptance of new vehicles. Combined with rising sales in the “Service & Components” segment, this has led to an overall recovery in the gross margin.

7. OPERATING RESULT (EBIT)

The EBIT margin rose from 0.5 percent to 3.5 percent. Despite significantly lower other operating income compared to the previous year, the EBIT margin showed disproportionate growth in relation to the gross margin. This is due to the fact that costs for development, marketing and sales and administration did not increase to the same extent as net revenue. These expenses mostly comprise fixed costs that are not directly related to net revenue.

8. FINANCIAL RESULT

The financial result declined by CHF 43.6 million in relation to the previous period. This change mainly stems from negative currency effects in the valuation of balance sheet items. In addition, order-related bank guarantee costs increased compared to the previous period.

9. NON-OPERATING RESULT

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

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

10. INCOME TAXES

The reported income tax gain of CHF 1.0 million results in particular from the transitional measures (step-up) of CHF 8.0 million agreed with the tax administration of the Canton of Thurgau in 2021 in connection with the implementation of the tax reform. This new federal law was approved by the Swiss electorate in 2019 and came into force on 1 January 2020.

11. WORK IN PROGRESS

in thousands of CHF	30.06.2021	31.12.2020
Work in progress		
Costs accumulated on orders	8,286,882	7,160,764
Production costs of vehicles delivered and invoiced	(5,982,472)	(5,414,983)
Work in progress, gross	2,304,410	1,745,781
Advance payments to suppliers	115,738	114,921
Advance payments to suppliers, associated companies	12,798	8,520
Advance payments from customers	(1,234,515)	(959,011)
Advance payments from customers, related parties	–	(23,366)
Total work in progress	1,198,431	886,845
Liabilities from work in progress		
Costs accumulated on orders	2,735,205	3,199,040
Production costs of vehicles delivered and invoiced	(1,690,696)	(2,027,580)
Work in progress, gross	1,044,509	1,171,460
Advance payments to suppliers	80,553	121,437
Advance payments to suppliers, associated companies	2,586	1,960
Advance payments from customers	(2,088,689)	(2,235,651)
Advance payments from customers, related parties	(431,495)	(256,491)
Advance payments from customers, associated companies	(4,765)	(6,828)
Total liabilities from work in progress	(1,397,301)	(1,204,113)
Net work in progress/(liabilities from work in progress)	(198,870)	(317,268)

Gross work in progress increased by a total of CHF 431.7 million to CHF 3,348.9 million. This development reflects the processing of the high order backlog from previous years.

Advance payments from customers rose by a total of CHF 278.1 million to CHF 3,759.5 million in the same period, partly due to payment milestones for individual orders and the high order intake in the first half of 2021.

12. COMPENSATION CLAIMS FROM WORK IN PROGRESS

in thousands of CHF	30.06.2021	31.12.2020
Compensation claims from work in progress		
Compensation claims for vehicles whose revenue has been recognised but not yet invoiced	2,112,992	2,037,145
Compensation claims, related parties for vehicles whose revenue has been recognised but not yet invoiced	2,889	–
Advance payments from customers for vehicles whose revenue has been recognised but not yet invoiced	(1,343,995)	(1,174,950)
Total compensation claims from work in progress	771,886	862,195

Compensation claims from work in progress are composed of claims from contracts where acceptance by customers has not yet taken place but all significant performance obligations have been fulfilled (CHF 163.6 million, previous year CHF 270.1 million) and claims from contracts where acceptance by customers has already taken place but invoices have not yet been issued in accordance with individual payment plans (CHF 608.3 million, previous year CHF 592.1 million).

13. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment rose by CHF 30.8 million to CHF 910.8 million. In addition to standard depreciation and ongoing replacement investments, this change is mainly due to the investments in the new production plant in Pankow, in the new bogie inspection and logistics centre in Schönwalde-Glien and in the expansion of the commissioning centre in Salt Lake City. The difference between the asset additions and the cash outflows for asset purchases results in particular from the payment of outstanding accounts payable as at 31 December 2020.

14. FINANCIAL LIABILITIES

Financial liabilities increased by CHF 149.7 million to a total of CHF 1,686.8 million. This change was largely due to the intake of operating loans (CHF 385.5 million) and project financing (CHF 418.4 million) as well as the repayment of operating loans (CHF 90.5 million), project financing (CHF 559.3 million), bank loans for property, plant and equipment (CHF 11.3 million) and lease liabilities (CHF 1.1 million).

15. 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 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.

No shares had been issued from the authorised capital by the expiry of the two-year authorisation period on 17 March 2021. At the Annual General Meeting on 6 May 2021, authorised share capital of a maximum of 10 million registered shares with a par value of CHF 0.20 each was again created.

No shares had been subscribed from either the conditional or the authorised capital at the balance sheet date of 30 June 2021.

DIVIDENDS

The proposal to distribute CHF 0.85 per share for the 2020 financial year was approved at the Annual General Meeting on 6 May 2021 and paid out as follows in May 2021:

<u>in thousands of CHF or as noted</u>	<u>1st half-year 2021</u>	<u>1st half-year 2020</u>
Dividends paid		
Number of registered shares entitled to dividend (in pcs)	99,971,409	99,973,963
Ordinary dividend per registered share (in CHF)	0.85	1.20
Total dividends paid	84,976	119,969

16. CHANGES IN THE SCOPE OF CONSOLIDATION

16.1 CHANGES IN 2021

There were no changes to the scope of consolidation in the first half of 2021.

16.2 CHANGES IN 2020

ADDITIONS (COMPANIES FOUNDED)

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

ACQUISITION OF SUBSIDIARIES

100 percent of the capital shares of VIPCO GmbH in Mannheim (now Stadler Mannheim GmbH) were acquired as at 1 July 2020. Part of the purchase price was prepaid in June 2020. The goodwill of CHF 1.0 million arising from the acquisition was recognised directly in equity. The new engineering subsidiary specialises in the development of software and hardware components for vehicle control and retrofitting.

DISPOSALS

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

OTHER

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

17. INVESTMENTS IN ASSOCIATED COMPANIES

17.1 CHANGES IN 2021

There were no changes from purchases (incl. earn-outs) or sales in the first half of 2021.

17.2 CHANGES IN 2020

EARN-OUT PAYMENT

In 2020, the sum of EUR 4.2 million was paid from the contingent purchase price payment of a total of EUR 7.2 million in connection with the AngelStar S.r.l. joint venture (EUR 2.4 million of which was paid in the first half of the year). Provisions for the balance of EUR 3.0 million were recorded accordingly.

18. EXCHANGE RATES

Currency	Average rates		Closing rates	
	1st half-year 2021	1st half-year 2020	30.06.2021	31.12.2020
EUR	1.0945	1.0642	1.0966	1.0821
USD	0.9083	0.9659	0.9255	0.8852
GBP	1.2618	1.2176	1.2772	1.2083
NOK	0.1076	0.0994	0.1074	0.1031
PLN	0.2412	0.2413	0.2426	0.2369
HUF	0.0031	0.0031	0.0031	0.0030
CZK	0.0423	0.0404	0.0430	0.0412
DZD	0.0068	0.0078	0.0069	0.0067
SEC	0.1080	0.0998	0.1081	0.1077
RUB	0.0122	0.0140	0.0127	0.0119
RSD	0.0093	0.0091	0.0093	0.0092
DKK	0.1472	0.1426	0.1475	0.1454

19. EVENTS AFTER THE REPORTING DATE

No events occurred after the reporting date that could have a significant impact on the 2021 consolidated half-year financial statements.

20. APPROVAL OF THE CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS

The 2021 consolidated half-year financial statements were approved for publication by the Board of Directors on 23 August 2021.

Financial Calendar

Annual report 2021, annual media and analyst conference	15 March 2022
2022 Annual General Meeting	5 May 2022

Share

Listing: SIX Swiss Exchange
Ticker: SRAIL
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