



ANNUAL REPORT 2021

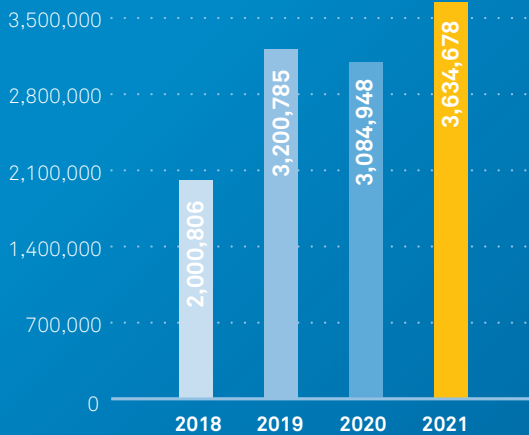
STADLER

2021 RESULTS AT A GLANCE

17.9

NET REVENUE

in thousands of CHF



ORDER BACKLOG IN CHF BILLION

Previous year: 16.1

33,292

REGISTERED SHAREHOLDERS AS AT 31.12.2021

Previous year: 34,912

5.57

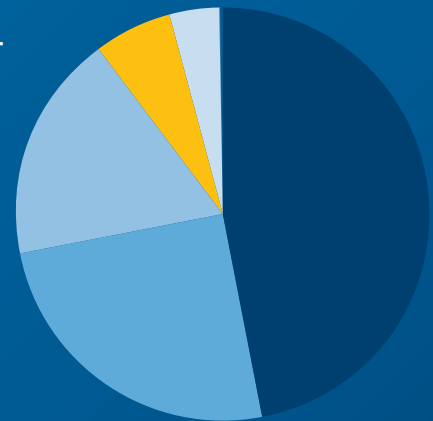
ORDER INTAKE IN CHF BILLION

Previous year: 4.33

NET REVENUE BY GEOGRAPHICAL MARKET

in thousands of CHF

Germany, Austria, Switzerland	47%
Western Europe	25%
Eastern Europe	18%
America	6%
CIS	4%
Rest of the world	<1%



6.2%

EBIT MARGIN

Previous year: 5.1%

223.7

13,067

EMPLOYEES WORLDWIDE

(average FTE 01.01. – 31.12.2021)

Previous year: 12,303

EBIT IN CHF MILLION

Previous year: 156.1

**STADLER – THE SYSTEM PROVIDER OF MOBILITY
SOLUTIONS IN RAIL VEHICLE CONSTRUCTION,
SERVICE AND SIGNALLING TECHNOLOGY**

KEY FIGURES

in millions of CHF or as noted	2021		2020		Change in %
		as % of net revenue		as % of net revenue	
Stadler					
Order intake	5,565.7		4,331.5		28%
Order backlog	17,871.3		16,105.6		11%
Net revenue	3,634.7	100.0%	3,084.9	100.0%	18%
Gross margin ¹	402.0	11.1%	315.3	10.2%	27%
EBITDA ²	323.0	8.9%	251.9	8.2%	28%
Operating result (EBIT)	223.7	6.2%	156.1	5.1%	43%
Profit for the period	134.5	3.7%	138.4	4.5%	(3%)
Earnings per share (in CHF)	1.34		1.38		(3%)
Net cash flow from operating activities	503.2		(205.8)		
Capital expenditure ³	177.1		288.3		(39%)
Free cash flow ^{4,5}	434.2		(450.4)		
Net working capital ^{4,6}	114.6		402.8		
Work in progress (net) ^{4,7}	(461.3)		(364.4)		
Net cash ⁸	(351.1)		(608.2)		
Equity ratio	19.1%		19.1%		
Staff as FTEs	13,067		12,303		6%
“Rolling Stock” segment					
Order intake	4,832.2		2,875.3		68%
Order backlog	13,461.5		11,995.6		12%
Net revenue (third parties)	3,179.5	87.5%	2,741.6	88.9%	16%
“Service & Components” segment					
Order intake	733.5		1,456.3		(50%)
Order backlog	4,409.8		4,110.0		7%
Net revenue (third parties)	455.2	12.5%	343.3	11.1%	33%

¹ Gross margin is calculated as net revenue less cost of goods sold and services provided

² EBITDA is calculated as the sum of EBIT and depreciation and amortisation

³ Capital expenditure is calculated as the sum of investments in property, plant and equipment and intangible assets

⁴ The previous year's figures were restated in connection with the change in accounting principles described on page 68

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

SUSTAINABLE MOBILITY – TRAIN AFTER TRAIN

Stadler has been building rail vehicles for 80 years and also provides solutions in the areas of service and signalling technology. The “Rolling Stock” segment focuses on the development, design and production of high-speed, intercity and regional trains, locomotives, metros, light rail vehicles and passenger coaches. With innovative signalling solutions Stadler supports the interplay between vehicles and infrastructure. The “Service & Components” segment offers customers a variety of services, ranging from the supply of individual spare parts, vehicle repairs, modernisation and overhauls to complete full-service packages. This ensures that after delivery, the vehicles continue to meet our customers’ most demanding requirements in terms of reliability, availability and environmental sustainability over their entire life cycle of 30 years on average.

Every step of the way, Stadler does its best to make sure that wherever they are in the world, passengers get to their destination safely, quickly and in comfort. On the following pages you can find out everything worth knowing about Stadler’s business activities in the past year, presented in a transparent manner.

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

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



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

UPWARD TREND SUCCESSFULLY MAINTAINED



Dear Shareholders,

2021 was an eventful and successful year for Stadler in many respects. We achieved historic figures in 2021 in terms of revenue, EBIT, order intake and order backlog, beating all the records since the IPO.

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

Although the economic situation is still affected by the pandemic – in particular with regard to supply chain issues – we can look back proudly on our best year since the IPO. This is impressively borne out by the strategic direction and performance of our Group, and is thanks to the exceptionally strong team spirit demonstrated by our employees. We owe this success to our workforce of more than 13,000 people who do their best on a daily basis. I am extremely grateful to them for all their hard work.

At Stadler, we always see challenges as opportunities that we can use for future growth, innovation and sustainability. In the past business year we took the right steps to maintain the company's growth course. Thanks to targeted acquisitions in the signalling sector, we were able to further strengthen our portfolio and our market position in signalling technology. The past year has also shown that we are on the right track in our transition from a product provider to an innovative solution provider.

Our energy-efficient and alternative mobility solutions and innovative signalling technology make a significant contribution to environmental protection. In addition, digitalisation will enable us to ensure safe and seamless rail transport and reduce CO₂ and noise emissions going forward. We have already set ambitious goals in our social and community commitment.

Never before have we received so many orders within a single business year. At 5.6 billion Swiss francs, order intake considerably exceeded the last year's figure of 4.3 billion Swiss francs and was higher than the previous record of 5.1 billion Swiss francs set in 2019. This was despite the fact that two major orders from SBB and ÖBB were blocked at the end of the year and the order from the VDV consortium could not be booked until early 2022. The ÖBB contract was definitively awarded at the beginning of 2022. As a result of the rise in production capaci-

ties over recent years, we will be in a position to meet the record order backlog of 17.9 billion Swiss francs (31 December 2020: 16.1 billion Swiss francs) in the coming years.

Despite the supply chain challenges facing us and the ongoing effects of the pandemic on approval and delivery processes, as well as on the service business, we largely succeeded in catching up the delays in the acceptance of new vehicles from 2020. This led to a noticeable rise in revenue of 18 percent to a record level of 3.6 billion Swiss francs compared to 3.1 billion Swiss francs in the previous year and 3.2 billion Swiss francs in the pre-crisis year 2019. In the second half of the year in particular, the current supply chain situation caused delays in the delivery of certain supplier parts. Thanks to Stadler's agility and nimbleness, as well as the strong local anchorage of our supply chains, these delays have so far not led to any significant slippages in the deliveries of our vehicles.

“ROLLING STOCK” SEGMENT

In the “Rolling Stock” reporting segment, order intake in 2021 amounted to 4.8 billion Swiss francs, up 68 percent in relation to the previous year. The order backlog in the reporting segment rose by 12 percent year-on-year to 13.5 billion Swiss francs (31 December 2020: 12.0 billion Swiss francs). The high order intake was achieved despite the fact that two very large contracts were blocked due to objections at the end of 2021: the framework agreement with Swiss Federal Railways (SBB), Turbo and RegionAlps for up to 510 single-decker FLIRT multiple-units and the framework agreement with Austrian Federal Railways (ÖBB) for up to 186 double-decker trains. In addition, the contract for the largest order in the company's history was not awarded until the beginning of January 2022: the framework agreement for a German-Austrian project consortium with a total volume of up to 4 billion euros includes the supply of up to 504 tram-trains.

Major orders in 2021 included an order from the Spanish state railway company Renfe for 59 high-capacity trains for local transport and 60 additional KISS double-decker multiple units for SBB.

Thanks to numerous deliveries of new vehicles, the “Rolling Stock” reporting segment generated revenue of 3.2 billion Swiss francs in the 2021 financial year. This resulted in a rise in turnover of 16 percent year-on-year (2020: 2.7 billion Swiss francs).

“SERVICE & COMPONENTS” SEGMENT

Order intake in the “Service & Components” reporting segment amounted to 733 million Swiss francs in 2021. The decrease compared to the previous year (2020: 1.5 billion Swiss francs) is essentially due to the exceptionally high order intake from two large orders in the 2020 financial year. In the strategically important service business, order backlog increased by 7 percent to 4.4 billion Swiss francs compared to the end of 2020 (31 December 2020: 4.1 billion Swiss francs) and thus contributed just under a quarter of the Group’s order backlog. This was partly due to the eight new full-service contracts signed in 2021 for customers in countries including Germany, Italy and Sweden.

Despite reduced capacities in rail transport due to the pandemic, the “Service & Components” segment continues to enjoy very successful growth. As in the previous year, revenue rose by a further 33 percent to 455.2 million Swiss francs compared to the 2020 financial year (343.3 million Swiss francs).

SIGNIFICANT MILESTONES IN SIGNALLING

Stadler has been constantly developing and expanding its Signalling Division since 2016. The successes of the previous years continued in 2021. Following approval in Poland last year, the GUARDIA train control system (ETCS solution) also received approval for operation in Switzerland, Slovenia and Hungary in 2021. Approval in Germany is expected in the first half of 2022. 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 full in commercially limited test operations. Stadler also successfully gained a foothold in the market for train protection for branch lines and urban operators with its self-developed CBTC platform. The contract for Baselland Transport AG (BLT), in which the innovative, proprietary CBTC system is being used for the first time, is in the final stages of development. The fields of sensor technology and driver assistance systems are also gaining in importance. Internally developed anti-collision and driver assistance systems are installed in various vehicles including the TINA trams for HEAG mobilo in Darmstadt.

SUCCESSFUL EXPANSION OF THE SIGNALLING BUSINESS

As a leading rail vehicle manufacturer, Stadler’s ambition is to help shape and drive forward the digitalisation of rail transport. In addition to its progress in offering vehicle-based signalling solutions, Stadler has also expanded its signalling expertise on the infrastructure side. The sustainable digitalisation of the rail industry requires interaction between these two areas: intelligent railway lines can only develop their full potential if there are digitally equipped vehicles travelling on them. The first step was taken in November 2021 with the acquisition of BÄR Bahnsicherung AG (BÄR). Another milestone followed in December with the acquisition of BBR Verkehrstechnik GmbH (BBR). The two companies complement Stadler perfectly, as they are both leading suppliers of railway safety and signalling technology: BÄR so far only in Switzerland and BBR for many years internationally as well. The merger of the three companies forms an excellent basis for offering customers innovative signalling solutions from a single source – both on the vehicle and on the infrastructure side.

These acquisitions underline Stadler’s ambitions in the future-oriented signalling field. This brings the number of employees in the Signalling Division to just over 500. In order to actively shape the digitalisation of the railway industry and drive forward the sector as an innovation leader, Stadler is pooling its signalling expertise in a new Signalling Division led by Marc Trippel as of 1 January 2022.

SIGNIFICANT IMPROVEMENT IN EBIT AND EBIT MARGIN

The operating result at EBIT level increased by 43 percent to 223.7 million Swiss francs (2020: 156.1 million Swiss francs). In view of the current supply chain situation, production processes had to be continuously optimised in order to ensure the timely delivery of new vehicles. This had a partially negative impact on the operating result. In the second half of the year, Stadler significantly increased profitability in relation to the first half of 2021 from 3.5 to 7.9 percent, resulting in an EBIT margin of 6.2 percent for the full year (2020: 5.1 percent).

In terms of net profit, Stadler posted a profit of 134.5 million Swiss francs in the 2021 financial year compared to 138.4 million Swiss francs the previous year. Net profit was impacted in particular by foreign exchange losses of 37.7 million Swiss francs (previous year: exchange rate gains of 16 million Swiss francs). These were mainly due to reporting date valuation effects related to the weakness of the euro at the end of the year. Stadler hedges foreign currency risks in connection with the euro as far as possible in the form of “natural hedging”. As a result of time differences in planned incoming and outgoing payments, corresponding exchange rate gains or losses can occur

on the balance sheet date. These had a particularly negative impact on the financial result at the end of the year due to high incoming payments and the strong appreciation of the Swiss franc.

The significant improvement in free cash flow to 434.2 million Swiss francs compared to –450.4 million Swiss francs in the 2020 financial year is very encouraging. In addition to catch-up effects from the previous year, this recovery also resulted from accelerated deliveries and higher advance payments for new projects. Net debt was significantly reduced to 351 million Swiss francs as at 31 December 2021 compared to 608 million Swiss francs as at 31 December 2020. This improvement was possible despite delays in decisions regarding the awarding of individual projects originally expected before the end of the year – and the associated customer down payments.

INVESTMENTS IN CAPACITY EXPANSION

Stadler is continuously investing in growth. In the past financial year, it invested a total of 111.6 million Swiss francs in property, plant and equipment. The expansion of production capacities was one of the main focuses in 2021. This included an investment of around 18 million Swiss francs for the expansion of the Valencia plant. A new test hall was built at the Spanish location and the expansion of the paint shop completed in 2021. Further progress is also being made on extending the Berlin site. In early summer 2021, 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 total investment of around 70 million euros in the Berlin location will create the ideal conditions for handling large orders.

RESEARCH AND DEVELOPMENT

As well as expanding capacities, Stadler is also constantly investing in the research and development of rail vehicles and of service and signalling technology solutions. In May 2021, Stadler and Deutsche Bahn together presented the first virtual image of a complete train as a “digital twin” which processes data from the actual vehicle in real time, making it possible to prevent malfunctions or the failure of a train.

When converting diesel fleets to lower-emission drive technologies, Stadler decided early on to offer its customers both battery and hydrogen technology as well as hybrid solutions. The use of alternative drives is not a recent development at Stadler, but has been the norm for several years. With several hybrid vehicles on the market, the battery-powered FLIRT train and the hydrogen-powered FLIRT H2 model, Stadler is clearly one of the technology leaders and, with the most trains with green drives (battery and hydrogen incl. hybrid solutions) sold worldwide, the company is also clearly one of the market leaders in the field.

Towards the end of 2021, Stadler set a new world record with the battery-powered FLIRT model. The feat was officially documented by the “Guinness Book of Records”. During the record-breaking journey on the line between Berlin-Gesundbrunnen and Warnemünde, which was accompanied by independent experts, the battery-operated FLIRT prototype covered 224 kilometres in battery-only mode in sub-zero temperatures and snowfall.

When converting diesel fleets to lower-emission drive technologies, Stadler decided early on to offer its customers both battery and hydrogen technology as well as hybrid solutions.

On the basis of the encouraging order situation and ongoing high demand, Stadler anticipates a continuation of the growth course for the 2022 financial year.

OUTLOOK

We remain optimistic about our core markets for the 2022 business year, even though the political situation, especially in the CIS region, is bringing increasing uncertainty to the economy and the capital market. Increasing urbanisation, the growing population in conurbations, climate protection and digitalisation are continuing to prompt greater demand for innovative, reliable and efficient mobility solutions.

Thanks to its strategic direction, Stadler believes that it is well positioned for the future. On the basis of the very pleasing order situation and the ongoing high demand, Stadler expects an order intake between 5.0 and 6.0 billion Swiss francs for the current financial year. Assuming that the current supply chain situation, inflation and currency trends do not deteriorate further, Stadler anticipates revenue of between 3.7 and 4.0 billion Swiss francs for the 2022 financial year and a stable EBIT margin. In order to provide the required capacities, Stadler is envisaging investments of around 200 million Swiss francs in the current financial year. A positive free cash flow is targeted for this year.

The Board of Directors intends to put forward a proposal to the General Meeting for the payment of a dividend of 90.0 million Swiss francs (0.90 Swiss francs per share) for the 2021 financial year, compared to 85 million Swiss francs (0.85 Swiss francs per share) in the previous year. Due to the uncertainty about the development of the pandemic and the lack of planning certainty, the Board of Directors decided in February to hold the 2022 General Meeting without the physical presence of the shareholders.

Stadler remains committed to its continuous trajectory course and medium-term financial targets with an EBIT margin of 8 to 9 percent. In view of the challenges caused by the pandemic over the last two years and the current tense global political situation, Stadler expects to achieve its medium-term financial targets with a delay of one to two years rather than in the 2023 financial year as originally planned.

The financial impact of the Ukraine-Russia conflict on Stadler cannot be assessed conclusively at the time of approval of the consolidated financial statements by the Board of Directors and is highly dependent on the further development of events. Stadler is constantly monitoring the situation and taking all possible measures to minimise any negative effects.

THANKS TO EMPLOYEES AND SHAREHOLDERS

We would like to thank our employees at all our locations for their great commitment and exceptional dedication. Once again this year, the teamwork put into practice in all areas at Stadler continued to form the basis for the success of the company, and in particular for its ability to react rapidly and appropriately to challenges.

We would also like to thank our shareholders for the trust they place in us. After the cancellation of the last two General Meetings, this year we would have liked to invite you to Stadler's first General Meeting since the IPO. The health of our shareholders and employees is the top priority for Stadler. Due to the uncertainty about the development of the pandemic and the lack of planning certainty, the Board of Directors decided in February to limit the 2022 General Meeting to the agenda items required by the Articles of Association and the law and to hold the meeting without the physical presence of the shareholders. We would like to thank you for your understanding and look forward to being able to meet you in person at our future General Meetings once the pandemic is over – which will hopefully be the case soon.



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

Stadler remains committed to its continuous growth course and medium-term financial targets.

2021 HIGHLIGHTS

March

SUCCESS IN SPAIN

The Spanish state railway company Renfe ordered trains from Stadler for the first time. The contract, which is worth around 1 billion euros, includes spare parts and maintenance over a period of 15 years as well as the delivery of 59 high-capacity trains for local transport.



April

NEW KISS TRAINS FOR SBB

SBB ordered 60 additional double-decker multiple-unit KISS trains from Stadler for around 1.3 billion Swiss francs. This will guarantee SBB sufficient capacity to expand services in regional transport and to meet the requirements of the Disability Discrimination Act in long-distance transport. SBB is exercising an existing option for the 60 trains.



May

MILESTONE IN THE NORTH

A FLIRT vehicle from Stadler crossed the Arctic Circle for the first time during test journeys for the Norwegian rail operator Norske Tog. Stadler has already sold its best-selling FLIRT model over 2,000 times in 20 countries – from the Arctic Circle to Africa.

May

DIGITAL TWIN

A milestone for the digitalisation of rail operations was reached: Deutsche Bahn and Stadler developed the first virtual image of a complete train. The “digital twin” processes data from the actual vehicle in real time, making it possible to prevent malfunctions or the failure of a train.

July

NEW BUILDING IN PANKOW

In Berlin, Stadler celebrated the completion of the new production and commissioning hall and moved into Germany's most modern facilities for the construction of rail vehicles. A logistics centre will be built on the company premises during the second construction phase. With a volume of around 70 million euros, the investment is a clear commitment to the Berlin location and establishes the ideal conditions for handling large orders.

November

SUSTAINABILITY IN THE PALATINATE

Electric instead of diesel for regional transport in the Palatinate: DB Regio ordered 44 FLIRT battery-powered multiple units from Stadler for use on the south-west German Palatinate network. Stadler thereby expanded its market leadership in the field of alternative drive technologies in Germany with a second supply contract.



December

WORLD RECORD FOR BATTERY OPERATION

Stadler set the record for a journey with a battery-powered train in battery-only mode, officially documented by the Guinness Book of Records. During the record-breaking journey on the line between Berlin-Gesundbrunnen and Warnemünde, which was accompanied by independent experts, the battery-operated FLIRT test vehicle covered precisely 224,00 kilometres in sub-zero temperatures and snowfall.



August

METRO FOR LIVERPOOL

Following an intensive test phase, Stadler celebrated the handover of the first of 53 METRO vehicles to the Merseytravel operator in Liverpool. The new vehicles are to replace one of the oldest fleets in the UK and will be maintained at Stadler's service location in Kirkdale.



December

A NEW ADDITION TO THE SIGNALLING FAMILY

Stadler further expanded its signalling expertise thanks to the acquisition of Bär Bahnsicherung AG and BBR Verkehrstechnik GmbH. This will allow Stadler to offer signalling solutions from a single source both on the vehicle and on the infrastructure side. As of 1 January 2022, Stadler is concentrating its entire signalling portfolio in a new division with over 500 employees.



RISE IN DEMAND FOR CLIMATE- FRIENDLY MOBILITY



In March 2021, the Spanish state railway company Renfe placed an order with Stadler for 59 high-capacity trains for local transport.

Stadler was able to pursue its growth course in 2021 despite the global coronavirus pandemic. The number of employees rose to over 13,000. Order intake amounted to 5.6 billion Swiss francs and the order backlog stood at 17.9 billion Swiss francs. An order intake of CHF 733 million was recorded in the Service segment.

The climate targets, environmental policy goals and increasing demand for sustainable mobility solutions are having a positive effect on the demand for Stadler's products and services. Alternative drive technologies in particular are meeting with growing demand as diesel fleets are converted across Europe. Stadler decided early on not to pursue a technological ideology, but instead to offer all types of green drive, ranging from electric and battery to hydrogen. Stadler can also produce all these drives in combination with each other as hybrid solutions.

The high order intake of 5.6 billion Swiss francs proves that Stadler is on the right track. At 17.9 billion Swiss francs, the order backlog is also higher than in the previous year. This high order intake was achieved despite the fact that two very large contracts were blocked by the courts at the end of 2021: the framework agreement with SBB, Thurbo and Region-Alps for up to 510 single-decker FLIRT multiple-units and the order from ÖBB for 186 double-decker trains. Stadler does not record contracts as incoming orders if there are ongoing objection periods or pending objections.

Order backlog stands at 17.9 billion Swiss francs.

UNBROKEN DEMAND FOR FLIRT AND KISS VEHICLES

Stadler sold a total of 573 trains, light rail vehicles and locomotives in 2021. SBB ordered 60 more Interregio double-decker KISS trains from Stadler in 2021. This will guarantee SBB sufficient capacity to expand services in regional transport and to meet the requirements of the Disability Discrimination Act in long-distance transport. The Spanish state railway company Renfe also commissioned Stadler with the construction and delivery of 59 high-capacity trains for local transport. The contract also includes spare parts management and maintenance of the trains over a period of 15 years.

The battery-powered FLIRT model found further favour in the market in 2021: DB Regio ordered 44 battery-powered FLIRT multiple units from Stadler for use on the south-west German Palatinate network. Towards the end of the year, a new world record was set with the battery-powered FLIRT model. The feat was officially documented by the "Guinness Book of Records". During the record-breaking journey on the line between Berlin-Gesundbrunnen and Warnemünde, which was accompanied by independent experts, the battery-operated FLIRT prototype covered 224 kilometres in battery-only mode in sub-zero temperatures and snowfall.

The Slovakian railway company ŽSSK and Stadler signed a contract in 2021 for the manufacture and delivery of four double-decker multiple-unit KISS trains. This is the first time that Stadler will supply its double-decker vehicle with electric drive to Slovakia. Koleje Mazowieckie in Poland ordered 15 more FLIRT vehicles.

SUCCESSFUL NEW DEVELOPMENT

After the initial order of 14 TINA trams at the beginning of 2020, the transport company HEAG mobilo in Darmstadt ordered a further 11 trams of the latest generation in 2021. BLT in Switzerland also ordered 25 TINA trams from Stadler.

THE YEAR OF THE LOCOMOTIVE

2021 was particularly successful in the sale of locomotives. 149 locomotives from the standard range as well as further TAILOR MADE locomotives were ordered from Stadler. These include 57 main-line locomotives for New Zealand, 12 EURO6000 vehicles for the Spanish state railway company Renfe, 16 EURO6000 models for Medway in Portugal, and 10 EUROLIGHT vehicles for the British Railway Operations Group.

STRONG ORDER INTAKE IN THE TAILOR MADE SEGMENT

In the TAILOR MADE segment, orders were received from 15 customers for a total of 54 vehicles. For example, ÖBB placed a call-off order for 13 further vehicles from its framework contract for fire-fighting and rescue trains. This

means that 18 vehicles have now been ordered on a definite basis. The Italian company Ferrovie della Calabria ordered four two-car multiple units from Stadler. Orders from Switzerland included additional TAILOR MADE multiple units for Zentralbahn, Regionalverkehr Bern-Solothurn (RBS) and Chemins de fer du Jura (CJ).

HIGH ORDER INTAKE IN THE SERVICE BUSINESS

Incoming orders in the “Service & Components” reporting segment amounted to 733 million Swiss francs in 2021. The Service Division again offered its customers excellent availability for full service, 3R project management (refit, revision and repair work) and the sale of spare parts. This requires a particularly high degree of flexibility and commitment from staff around the clock. In total, eight new full-service contracts were concluded in 2021, including agreements for Keolis’ 13 FLIRT vehicles in Germany, EAV’s 23 METRO vehicles in Italy, 22 locomotives for the European Loc Pool (ELP) and 56 TAILOR MADE trains for Rostlagsbanan in Sweden. In addition, six orders were

First order from New Zealand: Stadler is delivering 57 main-line locomotives to KiwiRail.



received for modernisation work in different countries.

In May, Stadler and Deutsche Bahn together presented the first virtual image of a complete train as a “digital twin”. It processes data from the actual vehicle in real time, making it possible to prevent malfunctions or the failure of a train – a quantum leap for train maintenance.

EXPANSION OF SIGNALLING TECHNOLOGY AND DIGITALISATION

Stadler entered the signalling business in 2016 so that it would no longer be dependent on direct competitors in the area. Today, Stadler can offer this important component of modern train technology itself. To make this possible, Stadler established its own engineering location on the Wallisellen site, which became an independent company within the Stadler Group at the beginning of 2020 as Stadler Signalling AG. Stadler’s customers are increasingly opting for Stadler’s in-house signalling technology: the GUARDIA train control system (ETCS solution) is already used in several European countries. Following approval in Poland in 2020,

GUARDIA also received approval for operation in Switzerland, Slovenia and Hungary in 2021. 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. In addition, GUARDIA will be fitted in the 60 new double-decker multiple-units ordered by SBB in March 2021. ETCS projects are also under way in other countries, including Slovenia, Italy and Germany.

In the area of automated train operation (ATO), the first phase of the pilot project with the SOB was successfully completed in June 2021. The next step is to test the system in full in commercially limited test 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 – a quantum leap for train maintenance.



Stadler sold its TINA vehicle to Switzerland for the first time: BLT ordered 25 trams of the latest generation.

Intelligent railway lines can only develop their full potential if there are digitally equipped vehicles travelling on them.

Stadler also successfully gained a foothold in the market for train protection for branch lines and urban operators with its self-developed CBTC platform. The contract for BLT, in which the innovative, proprietary CBTC system is being used for the first time, is in the final stages of development. At the same time, a derived solution is in the process of being successfully implemented for the new METRO trains for the Metropolitan Atlanta Rapid Transit Authority in the USA (MARTA). The fields of sensor technology and driver assistance systems are also gaining in importance. Internally developed anti-collision and driver assistance systems are installed in various vehicles including the TINA trams for HEAG mobilo in Darmstadt.

PIONEERING ACQUISITIONS IN SIGNALLING

As a leading rail vehicle manufacturer, Stadler's ambition is to help shape and drive forward the digitalisation of rail transport. In addition to its progress in offering vehi-

cle-based signalling solutions, Stadler has also expanded its signalling expertise on the infrastructure side. The sustainable digitalisation of the rail industry requires interaction between these two areas: intelligent railway lines can only develop their full potential if there are digitally equipped vehicles travelling on them. The first step was taken in November with the takeover of BÄR. The next step followed in December with the acquisition of BBR. The two companies complement Stadler perfectly, as they are both leading suppliers of railway safety and signalling technology: BÄR so far only in Switzerland and BBR for many years internationally as well. The merger of the three companies forms an excellent basis for offering customers innovative signalling solutions from a single source – both on the vehicle and on the infrastructure side.

These acquisitions underline Stadler's ambitions in the future-oriented signalling field. The number of employees increased to over 500 in 2021. In order to actively shape the digitalisation of the railway industry and drive forward the sector as an innovation leader, Stadler took the decision at the end of 2021 to pool its signalling expertise in a new Signalling Division led by Marc Trippel as of 1 January 2022.

EFFECTS OF CORONAVIRUS

The impact of the coronavirus pandemic on supply chains, approval and delivery

processes as well as on the service business continued to be felt in 2021. Travel options for staff, as well as clients and authorities, were repeatedly restricted. Nevertheless, Stadler succeeded in building on the recovery seen in the second half of 2020 and was largely able to catch up on the delivery backlog of 130 vehicles from 2020 caused by the pandemic.

CHANGES IN THE GROUP EXECUTIVE BOARD

There were three changes in the Group Executive Board in 2021. Philipp Brunner joined the Board as Head of the Central Europe Division on 1 July 2021. He has been with Stadler for over ten years and was previously CEO of Stadler Minsk. In his role as Head of the Central Europe Division, Philipp Brunner succeeded Christian Spichiger, who took over the management of the Components Division from Markus Bernsteiner. Christian Spichiger has led the Division Central Europe since 2013 and was responsible for the development of the Poland location from 2006 onwards.

Markus Bernsteiner will now concentrate on managing the largest division, the Switzerland Division, which is responsible for about 50 percent of the Group's revenue. Markus Bernsteiner has also taken on a number of important tasks as one of Peter Spuhler's deputies.



Two new members joined the Group Executive Board in 2021: Daniel Baer (l.) and Philipp Brunner (r.).



The expansion of the Berlin site was completed in 2021 at a cost of around 70 million euros.

Furthermore, as announced last September, Daniel Baer took over the management of the Service Division from Jürg Gygax in March 2021. Also in March, Marina Winder resigned from the Group Executive Board. She had headed the General Secretariat and the Communications & PR department since 2015.

There were no changes in the Board of Directors in 2021. Stadler Pankow changed its company name to Stadler Deutschland GmbH at the beginning of the year.

INVESTMENTS IN FUTURE TECHNOLOGIES

Stadler invested 177 million Swiss francs in the Group in 2021. Further investments were made in the future-oriented signalling field with the takeovers of BÄR from Fehrltorf and BBR based in Braunschweig.

The first construction phase was successfully concluded on the Berlin Pankow site this year with the completion of the new production hall. The building is optimally geared to the needs of the competence centre for trams, light rail vehicles and METRO vehicles. The operating concept also creates optimised space for logistics and commissioning. The total investment volume amounts to 70 million euros, of which 26.4 million euros were incurred this year. In addition, a new test hall was built at the plant in Valencia, Spain, and the expansion of the paint shop was completed. This involved investments of around 18 million Swiss francs.



SIGNALLING

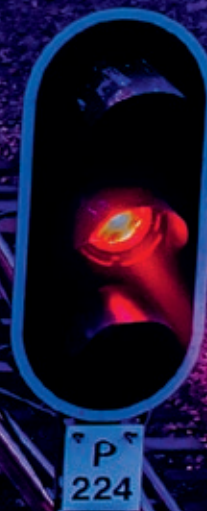
WITH SIGNALLING TECHNOLOGY INTO THE DIGITAL AGE

In an increasingly urbanised world, rail operators face the crucial challenge of ensuring safe and seamless transport. Thanks to the establishment of the Signalling Division in 2016 and the recent merger with BBR and BÄR, Stadler has created an excellent basis for offering customers innovative signalling solutions from a single source, both on the vehicle and on the infrastructure side.

The Signalling Division now has seven locations in Switzerland and Germany. The creation of its own Signalling Division will allow Stadler to pool its expertise in the field of signalling technology to an even greater extent. Consequently, Stadler has set the course for shaping the digitalisation of the rail industry of the future.

IMAGE

Signalling is the key to efficient and sustainable rail transport.



SUSTAINABILITY

SUSTAINABLY ON TRACK

Climate change, population growth and digitalisation are shaping the mobility of today and tomorrow. Stadler has always built trains that focus on reliability, precision, energy efficiency, healthy mobility and first-class service. Every step of the way, we do our best to ensure that passengers everywhere in the world reach their destination safely, quickly and in comfort.

Railways, especially electric railways, are the most energy-efficient and therefore sustainable means of transport of all. What is more, maximum sustainable mobility – and ultimately, the 2050 climate targets – can be achieved thanks to the interplay between green drives, advanced signalling technology in trains and on tracks, and the digitalisation of rail operations and maintenance.

IMAGE

Rhaetian Railway trains have been running on electricity from hydropower since 2013.







CAPACITY EXPANSION

PREPARED FOR PROFITABLE GROWTH

Increasing urbanisation, the growing population in conurbations and digitalisation are continuing to prompt greater demand for innovative, reliable and efficient mobility solutions. In addition, CO₂ and noise emissions due to traffic are heightening the need for alternative drive concepts. Stadler is well prepared for the trends in the industry and has stepped up investments in research and development and in the expansion of its locations in the past few years.

Stadler has made targeted investments in the expansion of capacities in recent years – particularly at its locations in Germany, Switzerland, Spain, Poland and the USA, and in the areas of service and signalling. Thanks to its increased production capacities, Stadler is able to successfully handle the record order backlog of 17.9 billion Swiss francs and secure the company's future growth.

IMAGE

View of the new assembly hall on the Berlin site.



NETWORKED SUSTAINABILITY



Stadler's FLIRT H₂ vehicle (visualisation)

In terms of emissions per kilometre, rail is the most environmentally-friendly means of transport of all. However, maximum sustainable mobility – and ultimately, the 2050 climate targets – can only be achieved thanks to the interplay between green drives, advanced signalling technology in trains and on tracks, and the digitalisation of rail operations and maintenance.

Transporting people and goods by rail is the most sustainable mobility solution of all. Especially when trains, trams and locomotives are driven electrically by means of a catenary above the rails. Ideally, all routes should be electrified and diesel vehicles replaced with models powered by electricity. The energy footprint can be optimised if the electricity used comes from renewable sources. Nevertheless, since electrification is not the most economically viable solution in

many places and is technically difficult to implement on certain routes, alternative drive technologies are being used to reduce the CO₂ footprint in the proverbial green zone. This involves replacing diesel vehicles with lower-emission vehicles, without the need for expensive electrification of the lines.

TECHNOLOGICAL AND MARKET LEADERSHIP

When converting diesel fleets to lower-emission drive technologies, Stadler decided early on to offer its customers both battery and hydrogen technology as well as hybrid solutions. The use of alternative drives is not a recent development from Stadler's research laboratory, but has been the norm for several years. With several hybrid vehicles on the market, the battery-powered FLIRT train and the hydrogen-powered FLIRT H2 model, Stadler is clearly one of the technology leaders and, with the most trains with green drives (battery and hydrogen incl. hybrid solutions) sold worldwide, the company is also clearly one of the market leaders in the field.

When converting diesel fleets, Stadler decided early on to offer its customers both battery and hydrogen technology as well as hybrid solutions.



MARKET SUCCESS

The battery-powered FLIRT vehicle, newly developed in Berlin in 2017, rapidly met with success on the market. In 2018, Nahverkehrsverbund Schleswig-Holstein issued an invitation to tender for the delivery of vehicles for the non-electrified or only partially electrified lines in northern Germany without imposing a specific type of technology. Stadler submitted a tender for its newly developed battery-powered FLIRT model – and beat the competition. In July 2019, Nahverkehrsverbund Schleswig-Holstein ordered 55 two-car vehicles equipped with lithium-ion batteries. The batteries charge during the journey under overhead contact line and at electrified end stops. In addition, braking energy is recovered and stored. This allows the innovative multiple unit to be used efficiently and flexibly. DB Regio is equally impressed by the technology. In November 2021, the company ordered 44 battery-

powered FLIRT vehicles for use on the south-west German Palatinate network, and in early 2022 it placed a further order for 14 battery-powered FLIRT vehicles for H-Netz Warnow. This has enabled Stadler to further expand its market leadership in the field of alternative drive technologies in Germany.

Battery-powered vehicles have a long history at Stadler. The company's founder Ernst Stadler started investigating alternative drive technologies back in the Second World War, when coal and mineral oil were scarce. He first explored the subject while he was head of electric services at a Zurich car plant, where his innovative ideas for converting petrol vehicles to electric drives met with lively interest from customers. During the Second World War, Ernst Stadler founded his own company, which specialised in converting vehicles to battery power.

GUINNESS WORLD RECORD FOR BATTERY OPERATION

Following these initial ventures, the company embarked on countless other battery projects, some of which are still ongoing. In several countries including the Netherlands and the United Kingdom, various vehicles are now in circulation as hybrid vehicles, using electricity from the overhead contact line or operating on battery power. In 2008, Stadtwerke München even managed to set a new Guinness World Record with a battery-powered VARIOBAHN from Stadler: the battery-operated tram travelled 19 kilometres without an electricity supply, winning the record for the longest distance ever travelled by a tram without an overhead contact line. The battery-operated FLIRT vehicle also recently made it into the book of world records by covering 224 kilometres in battery-only mode.



The Rhaetian Railway operates Stadler's TAILOR MADE trains via the overhead contact line with electricity generated by hydropower.

Since Ernst Stadler's first battery-powered vehicle, the technology has developed steadily over the past 80 years. Whereas Ernst Stadler still used lead batteries, Stadler now works with lithium-ion accumulators. Today's batteries have ten times the energy density. Modern technology also enables completely new charging concepts to be implemented. In the past, vehicles had to be charged overnight while stationary. Today, the batteries can be recharged during the journey. A short stretch of overhead contact line, for example in a station, is sufficient. Moreover, the first batteries could only be charged via the electricity system of the particular country. This meant that expensive new charging stations had to be built for cross-border traffic. Stadler's modern batteries on the other hand can be charged from the public grid.

FIRST HYDROGEN TRAIN

Although no clear preference for an energy carrier has emerged on the market so far, the main focus of political support programmes is on hydrogen. Stadler is developing and building the first hydrogen-powered train for the USA for a customer in California. Fuel cells and hydrogen tanks are located in the middle section of the vehicle, referred to as the "Power-Pack". Stadler's FLIRT H₂ model is scheduled to begin transporting passengers in San Bernardino County in 2024. The hydrogen train will avoid emissions of around 200 kilograms of CO₂ equivalents per trip on the planned route of 14 kilometres compared to the same vehicle configuration with a diesel drive. The project is funded by the State of California.

NETWORKED TRAINS

Yet the use of alternative drives on non-electrified routes alone is not enough. Further efforts are needed so that railways can make a contribution to achieving the 2050 climate targets. This is where digitalisation comes in.

Automated or connected driving in particular holds great potential for increasing energy efficiency. Some assistance systems already help train drivers to save energy when driving.

The networking
of trains would be
a quantum leap.

As all trains would be connected to each other and to the infrastructure, every single composition could be operated on one network with the minimum necessary power. This would eliminate ineffective acceleration manoeuvres or unnecessarily high speeds that consume large amounts of energy. This would allow energy consumption to be reduced, irrespective of the drive technology.





Mazovian FLIRT train

CORPORATE GOVERNANCE

The principles and rules of corporate governance at Stadler are laid down in numerous documents, in particular the Articles of Association*, the Organisational Regulations and the Regulations of the Board of Directors' Committees. In terms of content and structure, in this report Stadler follows the Directive on information relating to Corporate Governance (DCG) of the SIX Swiss Exchange and the associated guidelines.

Unless otherwise stated, all figures refer to 31 December 2021. Information is continuously updated at <https://www.stadlerrail.com/en/investor-relations/>. The Articles of Association* of Stadler Rail AG, to which reference is made throughout this report, are also available on this website. Reference is in some cases made to the financial section of this Annual Report. The Remuneration Report is shown starting on page 53.

1. GROUP STRUCTURE AND SHAREHOLDERS

Group structure

Stadler Rail AG is a company incorporated under Swiss law headquartered in Bussnang. The shares of the company are listed on the SIX Swiss Exchange (security number 217818, ISIN CH0002178181, security symbol SRAIL). The market capitalisation as at 31 December 2021 stood at CHF 3,994 million.

The Group Executive Board consists of the Group CEO and eight other members who report directly to the Group CEO. Cross-group functions include the Heads of Finance, Sales, the General Secretariat, IT, Legal/Compliance and Communications. Six Executive Vice Presidents (EVPs) are currently responsible for the economic performance and operational management of the Service and Components divisions and the geographical regions Switzerland, Germany, Spain and Central Europe. Subsidiaries are established for legal, commercial and financial reasons.

As at 31 December 2021, the Stadler Group comprised 44 companies worldwide (fully consolidated: 40 companies; consolidated at equity: 4 companies). An overview of Group companies, including the company name, registered office and share capital, as well as the percentage of shares held by the Stadler Group, is shown on page 95. The management organisation of the Stadler Group is independent of the legal structure of the Group and of the individual companies.

Significant shareholders

As at 31 December 2021, Stadler was aware that the following shareholders held 3 percent or more of all voting rights of the company:

PCS Holding AG, Frauenfeld, Switzerland; Peter Spuhler, Warth-Weiningen; 41.5 percent (30.5 percent indirectly via PCS Holding, 11 percent directly).

All notifications from shareholders holding 3 percent or more of all voting rights in the company were reported to the Disclosure Office of the SIX Swiss Exchange pursuant to Article 120 of the Financial Market Infrastructure Act (FinMIA) and published on its electronic publication platform. They can be viewed via the search function at <https://www.ser-ag.com/en/resources/notifications-market-participants/official-notices.html>.

As at 31 December 2021, Stadler Rail AG held 34,587 treasury shares.

Cross-investments

Stadler is not aware of any cross-investments in which the capital or voting shareholdings on either side exceed a threshold of 5 percent.

2. CAPITAL STRUCTURE

Share capital

As at 31 December 2021, the share capital of Stadler Rail AG amounted to CHF 20,000,000.00 and was divided into 100,000,000 fully paid-up registered shares with a nominal value of CHF 0.20 each. The shares are listed on the SIX Swiss Exchange (security number 217818, ISIN CH0002178181, security symbol SRAIL).

Authorised share capital

In accordance with Article 5 of the Articles of Association, Stadler Rail AG has authorised share capital with a nominal value of CHF 2,000,000.00, which represents 10 percent of the existing share capital. According to Article 5 of the Articles of Association, the Board of Directors is authorised to increase the share capital at any time until 06 May 2023 by a maximum amount of CHF 2,000,000.00 by issuing a maximum of 10,000,000 fully paid-up new registered shares with a nominal value of CHF 0.20 each. Increases in partial amounts shall be permissible.

The subscription and acquisition of the new registered shares and every subsequent transfer of these registered shares shall be subject to the transfer restrictions pursuant to Article 6 of the Articles of Association.

The Board of Directors shall determine the issue price, the type of contribution, the date of issue, the conditions for the exercise of subscription rights and the commencement of dividend entitlement. The Board of Directors may issue new registered shares by means of a firm underwriting through a bank, a banking

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

syndicate or another third party and a subsequent offer of these shares to the existing shareholders or third parties. The Board of Directors is authorised to permit, to restrict or to exclude the trade with subscription rights. In the event of subscription rights not being exercised, the Board of Directors may, at its discretion, either allow such rights to expire worthless, or place them or the shares to which they are entitled either at market conditions or use them otherwise in the interests of the company.

In case of a capital increase out of the authorised capital in accordance with Article 5 of the Articles of Association, the Board of Directors is empowered to withdraw or restrict the shareholders' subscription rights and to allocate such rights to individual shareholders or third parties in the event:

- a. of the new shares being used to acquire companies, parts thereof or participations, to acquire products, intellectual property or licenses or for the financing or refinancing of such transactions, or for the financing of new investment projects undertaken by the company;
- b. of the new shares being used either to extend the shareholder base in certain financial or investor markets, in conjunction with the listing of new shares on domestic or foreign stock exchanges or for purposes of the participation of strategic partners;
- c. of new shares being placed nationally or internationally (including by way of private placement) at not less than market conditions for the purpose of raising equity in a swift and flexible manner that would be difficult to arrange or only at materially less favourable conditions if the subscription rights to the new shares were not restricted or withdrawn;
- d. in case of good cause in the sense of Article 652b, paragraph 2 of the Swiss Code of Obligations.

Conditional capital for employee benefit plans

In accordance with Article 4 of the Articles of Association, Stadler Rail AG has conditional share capital for employee benefit plans with a nominal value of CHF 400,000.00, which represents 2 percent of the existing share capital.

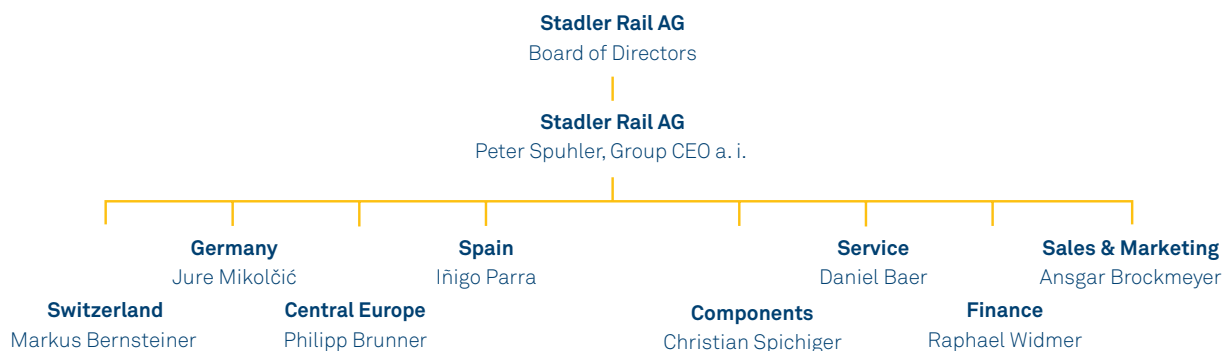
The share capital of the company may be increased by up to CHF 400,000.00 through the issuance of up to 2,000,000 fully paid-up registered shares, each with a nominal value of CHF 0.20, through the exercising of rights or entitlements in respect of shares (share related rights) granted to employees or directors of the company, its consolidated subsidiaries or other entities in which the company has a direct or indirect stake of at least 50 percent in accordance with regulations and terms and conditions to be specified by the Board of Directors.

Shareholders' subscription rights and advance subscription rights are excluded.

The acquisition of registered shares based on Article 4 of the Articles of Association and any subsequent transfer of such registered shares are subject to the transfer restrictions pursuant to Article 6 of the Articles of Association.

Organisation

Status as at 31 December 2021*



* As of 1 January 2022, Stadler pooled its signaling expertise in a new Signalling Division under the management of Marc Trippel.

Changes in capital

The share capital of Stadler Rail AG has not changed since the IPO on 12 April 2019.

Participation and profit sharing certificates

Stadler Rail AG has issued neither participation nor profit sharing certificates.

Shares

Stadler Rail AG has issued 100,000,000 fully paid-up registered shares with a nominal value of CHF 0.20 each. According to Article 15 of the Articles of Association, each share entitles its holder to one vote at the General Meeting of Stadler Rail AG. Only those shareholders entered in the share register as shareholders with voting rights in accordance with Article 6 of the Articles of Association by a specific qualifying day (record date) designated by the Board of Directors are entitled to vote at the General Meeting. In the absence of such designation, the record date shall be ten days prior to the General Meeting. The Board of Directors is authorised to specify or supplement the provisions laid down in Article 15 of the Articles of Association in the notice of a General Meeting or in general regulations or guidelines.

The company shall keep a share register in which owners and usufructuaries' family and given names (or the company name in the case of legal entities), address and citizenship (or the registered office in the case of legal entities) are registered. Any person registered in the share register who changes their address must inform the company accordingly.

After hearing the registered shareholder or nominee, the Board of Directors may cancel such person's registration in the share register with retroactive effect as of the date of registration if such registration was made based on false or misleading information. Any such cancellation must be communicated immediately to the shareholder concerned.

In accordance with Article 7 of the Articles of Association, the company may issue its registered shares in the form of single certificates, global certificates or uncertificated securities. As far as is legally permissible, the company may convert shares issued in one of these classes into another class of share at any time and without the consent of the shareholders. The company shall bear the costs incurred. A shareholder has no right to request a conversion of the registered shares issued in one form into another form. Each shareholder may, however, ask the company at any time to issue a certificate for the registered shares held by him in accordance with the share register. A disposition of shares in the form of uncertificated securities which are not registered in the main register of a custodian shall be effected by way of a written declaration of assignment and requires, as a

condition for validity, to be notified to the company. In contrast, a disposition of shares which exist in the form of book entry securities based on uncertificated securities registered in the main register of a custodian shall be effected solely by entries in securities accounts in accordance with applicable law, without prerequisite to be notified to the company; a disposition of such shares by way of assignment without corresponding entry in a securities account is excluded.

In accordance with Article 8 of the Articles of Association, the company shall only accept one representative per share. The voting right and the rights associated therewith may be exercised vis-à-vis the company by a shareholder, usufructuary or nominee only to the extent that such person is registered in the share register with voting rights.

Restrictions on transferability and nominee registrations

In accordance with Article 6 of the Articles of Association, persons acquiring registered shares shall on application be entered in the share register without limitation as shareholders, provided they expressly declare to have acquired the said shares in their own name and for their own account.

Nominees shall be entered in the share register as shareholders with voting rights without any further inquiry up to a maximum of 5 percent of the issued share capital at the time. Above this limit, shares held by nominees shall be entered in the share register with voting rights only if the nominee in question in the application for registration or thereafter upon request by the company makes known the names, addresses and shareholdings of the beneficial owners for whose account he is holding 1 percent or more of the outstanding share capital available at the time and provided that the disclosure requirements stipulated in the Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading (Financial Market Infrastructure Act, FinMIA) is complied with. The Board of Directors may enter into a contractual agreement with such a nominee which, in particular, further specifies the disclosure of beneficial owners and contains rules on the representation of shareholders and the voting rights. The Board of Directors may withhold registration with voting rights until the nominee has entered into such an agreement. For the purposes of the Articles of Association (i) a "nominee" is a financial intermediary that does not expressly declare in the application form to hold the shares for its own account and shall include, without limitation, a custodian, nominee of such a custodian, depository or nominee of such a depository; and (ii) a "beneficial owner" shall include, without limitation, any beneficial owner of depository interests or depository receipts representing shares of the company.

The restrictions on registration in accordance with Article 6 of the Articles of Association also apply to shares acquired by the exercise of subscription, pre-emptive, option or conversion rights.

Pursuant to Article 6 of the Articles of Association, legal entities and partnerships or other groups of persons or joint ownerships that are related to each other through capital ownership, voting rights, common control or otherwise, as well as individuals or legal entities or partnerships acting in concert (in particular, as a syndicate) in view of a circumvention of the provisions concerning the nominees are deemed to be one shareholder or one nominee.

The company may in special cases approve exceptions to the above restrictions.

Until an acquirer becomes a shareholder with voting rights for the shares in accordance with Article 6 of the Articles of Association, he or she may neither exercise the voting rights connected with the shares nor other rights associated with the voting rights pursuant to Article 8 of the Articles of Association.

In accordance with Article 18 of the Articles of Association, a resolution of the General Meeting passed by at least two thirds of the represented share votes and the absolute majority of the represented shares' par value is required for the easement or abolition of the restrictions on the transferability of the registered shares.

Convertible bonds and options

Stadler Rail AG has no convertible bonds and no options outstanding.

3. BOARD OF DIRECTORS

The composition, the general rights, duties and responsibilities, as well as the functioning of the Board of Directors (BoD) of Stadler Rail AG are based on the Swiss Code of Obligations as well as the Articles of Association and the Organisational Regulations of Stadler Rail AG.

Members of the Board of Directors

The Board of Directors of Stadler Rail AG is composed of at least five members in accordance with Article 19 of the Articles of Association. On 31 December 2021, the Board of Directors comprised eight members. With the exception of the executive Chairman of the Board of Directors Peter Spuhler ("eVRP"), all members of the Board of Directors are non-executive. Following the resignation of Dr Thomas Ahlburg from the Group Executive Board and until a successor is appointed, Peter Spuhler also took over as Group CEO on an interim basis as of 21 May 2020.

Independence of non-executive members

None of the non-executive members of the Board of Directors has exercised an operational activity for Stadler in the three financial years preceding the reporting period. Two of the non-executive members of the Board of Directors provide services for Stadler Rail AG or its subsidiaries at irregular intervals. Hans-Peter Schwald provides legal services as a partner of BianchiSchwald, and Kurt Rüegg provides financial advisory services as Managing Partner of Alantra AG.

Permitted activities outside the Stadler Group

In accordance with Article 28 of the Articles of Association, a member of the Board of Directors may not hold more than the following number of further mandates:

- a. up to 15 mandates in companies, whereof up to 5 in listed companies;
- b. up to 20 mandates in foundations, associations, charitable organisations and similar organisations.

Mandates held in different legal entities of the same group, in companies connected with each other, or by order of the company or of another legal entity pursuant to the above-mentioned Article 28 of the Articles of Association (including pension funds and joint ventures) shall not count as separate mandates. The limits set out in Article 28 of the Articles of Association may be exceeded for a short period.

A "mandate" within the meaning of Article 28 of the Articles of Association is a mandate in the highest management or administrative bodies of legal entities which are obliged to be registered in the commercial register or in a corresponding foreign register, with the exception of the company and legal entities controlled by the company or which control it.

Election, term of office and principles of the election procedure

The Chairman and the other members of the Board of Directors are elected individually by the General Meeting for a term of office of one year until the conclusion of the next Ordinary General Meeting. Re-election is possible. As a rule, members of the Board of Directors resign at the next Ordinary General Meeting after reaching their 70th birthday. In the event of special circumstances, in particular if the member of the Board of Directors holds more than 20 percent of the voting rights of the company, the Board of Directors may exceptionally increase this age limit for the corresponding member, taking into account the average age of all members.

According to Article 11 of the Articles of Association, the General Meeting is also responsible for electing and recalling the members of the Compensation Committee, the statutory auditors and the independent proxy.

When nominating new candidates to the Board of Directors, care is taken to ensure a balanced composition of the Board. Industry and international management experience as well as special professional skills are taken into account.

Internal organisation

The Board of Directors is responsible for the ultimate management of the company and for the supervision of its management. It bears responsibility for the business of the company and the Group as well as for sustainable corporate success. The Board of Directors determines the strategic objectives of the company, ensures that the company has the necessary financial and human resources to achieve its objectives, and supervises and oversees the management of the company. The Board of Directors is authorised to pass resolutions on all matters that are not expressly reserved for the General Meeting or another corporate body by law, the Articles of Association or the Organisational Regulations.

The supreme responsibility of the Board of Directors for the strategy and management of the business operations of the company and the Group includes in particular:

- (i) the determination of the overall business strategy, taking into account the information, proposals and options presented by the Group CEO; and
- (ii) the approval of all business operations and decisions to the extent that such approval exceeds the authority delegated by the Board of Directors to the committees, the eVRP, the Group CEO or the Group Executive Board.

The eVRP chairs the meetings of the Board of Directors and the General Meetings and fulfils the other tasks and duties set out in the Organisational Regulations. The eVRP supervises the Group through the Board of Directors. He or she communicates actively with the Group CEO and the Group Executive Board. The eVRP and the Group CEO hold regular meetings (usually weekly). The eVRP may inspect the minutes of all corporate bodies of the Group and attend all meetings of the Group Executive Board, the Extended Group Executive Board and the Sales department. Together with the Group CEO, the eVRP is responsible for ensuring effective communication with shareholders or stakeholders, including authorities, regulators and public organisations. The eVRP coordinates the committees and synchronises their tasks in relation to each other. He may attend their meetings provided that he is not personally affected by them.



A METRO vehicle for BVG in Berlin

STADLER BOARD OF DIRECTORS



from left to right:

Hans-Peter Schwald: Vice Chairman of the Board of Directors, Senior Partner at the law firm BianchiSchwald LLC

Barbara Egger-Jenzer: Member of the Board of Directors, lawyer and former state councillor of the canton of Bern

Christoph Franz: Member of the Board of Directors, Chairman of the Board of Directors of Roche Holding AG

Peter Spuhler: Chairman of the Board of Directors

Doris Leuthard: Member of the Board of Directors, lawyer and former Swiss Federal Councillor

Fred Kindle: Member of the Board of Directors, consultant with Clayton, Dubilier & Rice

Wojciech Kostrzewa: Member of the Board of Directors, President & CEO of Billon Group Ltd

Kurt Rüegg: Member of the Board of Directors, co-owner of Alantra AG

Peter Spuhler (1959)

Executive Chairman of the Board
Group CEO a. i.
 Swiss citizen

INITIAL ELECTION TO THE BOARD OF DIRECTORS

Board member and Chairman since 1989

EDUCATION, PROFESSIONAL EXPERIENCE, CAREER

Studied business administration at HSG St. Gallen; Group CEO of Stadler Rail AG from 1989 to the end of 2017; Group CEO a. i. of Stadler Rail AG since 21 May 2020

OTHER ACTIVITIES AND VESTED INTERESTS

Chairman of the Board of Directors of various companies of the Stadler Group, PCS Holding AG and Aebi Schmidt Holding AG; member of the Board of Directors of several other companies, including European Loc Pool AG, Allreal Holding AG and Rieter Holding AG; since 1 April 2019, Peter Spuhler has been a shareholder of Robert Bosch Industrietreuhand KG and a member of the Advisory Board of Robert Bosch GmbH; from 1999 to 2012, he was a member of the Swiss National Council and a member of the Board of Directors of Von Roll Holding AG (2002 to 2004), UBS AG (2004 to 2008), Kühne Holding AG (2006 to 2008), Autoneum Holding AG (2011 to 2021) and Evonik Industries AG (2018 to 2021), among others

COMMITTEE MEMBERSHIPS

Chairman of the Nomination Committee; member of the Compensation Committee and the Strategy and Investment Committee

Executive

Hans-Peter Schwald (1959)

Vice Chairman
 Swiss citizen

INITIAL ELECTION TO THE BOARD OF DIRECTORS

Board member since 1989; Vice Chairman since 2002

EDUCATION, PROFESSIONAL EXPERIENCE, CAREER

lic. iur. (law graduate) HSG, lawyer; Senior Partner at the law firm BianchiSchwald LLC

OTHER ACTIVITIES AND VESTED INTERESTS

Chairman of Autoneum Holding AG, VAMED Management und Service Schweiz AG and VAMED Health Project Schweiz AG as well as of Schweizer VAMED Rehakliniken and Chairman of the Board of AVIA Vereinigung unabhängiger Schweizer Importeure und Anbieter von Energieprodukten, Genossenschaft; member of the Board of Directors of PCS Holding AG, Rieter Holding AG and member of the Board of Directors of other Swiss stock corporations

COMMITTEE MEMBERSHIPS

Member of the Strategy and Investment Committee, the Audit Committee and the Nomination and Compensation Committees

Non-executive

Barbara Egger-Jenzer (1956)

Member
 Swiss citizen

INITIAL ELECTION TO THE BOARD OF DIRECTORS

Board member since 2019

EDUCATION, PROFESSIONAL EXPERIENCE, CAREER

lic. iur. (law graduate) from the University of Bern; lawyer; former state councillor of the canton of Berne and head of the Federal Department of the Environment, Transport, Energy and Communications (2002 to 2018)

OTHER ACTIVITIES AND VESTED INTERESTS

Member of the Board of Directors of Kraftwerke Oberhasli AG (since 2018) and Chairwoman of the Board of Directors since March 2020; Senior Advisor at Energy Infrastructure Partners, Zurich; member of the Board of Directors of BKW Energie AG and BLS AG from 2002 to 2018

COMMITTEE MEMBERSHIPS

Member of the Nomination and Compensation Committees

Non-executive

Dr Christoph Franz (1960)

Member

German and Swiss citizen

INITIAL ELECTION TO THE BOARD OF DIRECTORS

Board member since 2011

EDUCATION, PROFESSIONAL EXPERIENCE, CAREER

Graduated in industrial engineering from the Technical University Darmstadt, Germany; doctorate in economics (Dr. rer. pol.); honorary professor of business administration at the University of St. Gallen; former CEO of Deutsche Lufthansa AG (2009 to 2014) and Swiss International Airlines AG (2004 to 2009)

OTHER ACTIVITIES AND VESTED INTERESTS

Chairman of the Board of Directors of Roche (since 2014); Vice Chairman of the Board of Directors of Zurich Insurance Group; member of the Assembly and Council of the Assembly of the International Committee of the Red Cross, Geneva

COMMITTEE MEMBERSHIPS

Chairman of the Compensation Committee; member of the Nomination Committee

Non-executive

Fred Kindle (1959)

Member

Swiss citizen

INITIAL ELECTION TO THE BOARD OF DIRECTORS

Board member since 2008

EDUCATION, PROFESSIONAL EXPERIENCE, CAREER

Graduated in mechanical engineering from ETH Zurich; MBA from Northwestern University (Kellogg Graduate School of Management), Evanston, USA; consultant with Clayton, Dubilier & Rice LLC (partner from 2008 to 2015); former Group CEO of ABB

OTHER ACTIVITIES AND VESTED INTERESTS

Chairman of the Board of Directors of VZ Holding AG (since 2014); member of the Board of Directors of Schneider Electric (Rueil-Malmaison) since 2016. Member of the Board of Directors of Zurich Insurance Group from 2006 to 2018

COMMITTEE MEMBERSHIPS

Chairman of the Strategy and Investment Committee

Non-executive

Wojciech Kostrzewa (1960)

Member

Polish citizen

INITIAL ELECTION TO THE BOARD OF DIRECTORS

Board member since 2012

EDUCATION, PROFESSIONAL EXPERIENCE, CAREER

Studied economics at the University of Kiel (Diplom-Volkswirt); studied law at the University of Warsaw, Poland; 1998 to 2004 Chairman and CEO of mbank SA; 2005 to 2018 Chairman and CEO of the media conglomerate ITI Group; since 2017 member of the Board of Directors and since January 2019 CEO of Billon Group Ltd

OTHER ACTIVITIES AND VESTED INTERESTS

Since 2017, member and Deputy Chairman of the Supervisory Board and Chairman of the Audit Committee of ERGO Hestia SA as well as ERGO Hestia TUnZ SA (life insurance); Chairman of the Management Board of the Polish Business Roundtable since May 2019; member of the Supervisory Board of CANAL+ Polska SA since 2020, and Deputy Chairman of the Confederation of Employers Konfederacja Lewiatan, Warsaw, Poland, from 2007 to 2020

COMMITTEE MEMBERSHIPS

Member of the Audit Committee

Non-executive

Doris Leuthard (1963)

Member

Swiss citizen

INITIAL ELECTION TO THE BOARD OF DIRECTORS

Board member since 2020

EDUCATION, PROFESSIONAL EXPERIENCE, CAREER

Studied law at the University of Zurich before being admitted to the bar; member of the Swiss National Council from 1999 to 2006; member of the Swiss Federal Council from 2006 to 2018, including eight years (2010 to 2018) as head of the Federal Department of the Environment, Transport, Energy and Communications (DETEC); President of the Swiss Confederation in 2010 and 2017

OTHER ACTIVITIES AND VESTED INTERESTS

President of the Ulrico Hoepli-Stiftung; Vice-Chairwoman of the Board of Directors of

the Coop Group, Bell Food Group and Trans-gourmet AG, member of the Board of Directors of Coop Mineralöl AG; President of the Jury for the Green Business Award; Co-President of the Steering Committee of the Europa Forum Lucerne; President of the Swiss Digital Initiative Foundation, Geneva; member of the Board of Trustees of the ETH Zurich Foundation, member of the Board of Trustees of Venture, Zurich

COMMITTEE MEMBERSHIPS

Member of the Strategy and Investment Committee

Non-executive

Kurt Rüegg (1960)

Member

Swiss citizen

INITIAL ELECTION TO THE BOARD OF DIRECTORS

Board member since 2002

EDUCATION, PROFESSIONAL EXPERIENCE, CAREER

HWV business graduate; 1999 to 2014 development of Swiss Capital Corporate Finance AG, 2014 merger of this company with the globally active N+1 Group, which was renamed Alantra AG in 2016, since 2016 Chairman Investment Banking of the Alantra Group and, in this capacity, member of the Group Executive Committee as well as Chairman of the Board of Directors and Managing Partner of Alantra AG, Zurich

OTHER ACTIVITIES AND VESTED INTERESTS

Chairman of the Board of Directors of Alantra AG; member of the Board of Directors of St.Galler Kantonalbank AG, Casino Theater AG and PCS Holding AG

COMMITTEE MEMBERSHIPS

Chairman of the Audit Committee

Non-executive

The Board of Directors consists of the eVRP, the Vice Chairman and the other members. The eVRP and the other members of the Board of Directors are elected individually by the General Meeting for a term of office of one year until the conclusion of the next Ordinary General Meeting. Re-election is possible. The Board of Directors is otherwise self-constituting, subject to the provisions of the law and the Articles of Association. The Board of Directors also designates a secretary, who need not be a member of the Board of Directors.

The Board of Directors meets as often as business requires, but at least four times a year. Meetings are called by the eVRP or, if he is prevented from doing so, by the Vice Chairman. Meetings of the Board of Directors may be held physically, by telephone or by video conference. Each member of the Board of Directors and the Group CEO is entitled to ask the eVRP to convene a meeting, stating the reason for doing so. The eVRP or, in the event that he is prevented from doing so, the Vice Chairman shall chair the meeting. The Board of Directors may make decisions if the majority of its members are present. The presence of the eVRP or Vice Chairman is obligatory. The Group CEO and members of the Group Executive Board may attend the meetings as guests. They do not have the right to vote. The Board of Directors meets at least twice a year without the presence of the Group CEO and the members of the Group Executive Board. The eVRP is free to invite the Group CEO to the private meetings.

The Board of Directors adopts resolutions by an absolute majority of the votes cast. Each member has one vote. The Chairman of the meeting has the casting vote in the event of a tie. Resolutions may also be passed by written consent (including by e-mail), provided that no member of the Board of Directors requests oral deliberation (in writing, including by e-mail). Circular resolutions of this kind require the approval of a majority of all members of the Board of Directors. They shall be entered in the minutes of the next Ordinary General Meeting.

In 2021, the members of the Board of Directors met physically for four regularly scheduled meetings. The face-to-face meetings lasted between half a day and a full day; one of the meetings took place abroad. All members of the Board of Directors were present at all four meetings. In three meetings, one member was excused shortly before the end of the meeting each time. The agenda for Board meetings is set by the eVRP. Any member of the Board of Directors may request that items be added to the agenda. Board meetings are generally also attended by the Group CEO and the Group CFO, as well as by the other members of the Group Executive Board. They present the results, the outlook and the budget of their operating units and the projects that require the approval of the Board of Directors.

Committees

Subject to the authority of the General Meeting, the Board of

Directors may, based on the Organisational Regulations, form committees for specific areas. The permanent committees are the Nomination Committee, the Compensation Committee, the Strategy and Investment Committee and the Audit Committee. The Board of Directors may form other committees and issue committee charters for them. Subject to the election of the members of the Compensation Committee by the General Meeting, the Board of Directors appoints the members of the committees and their chairmen from among the members of the Board of Directors. The committee charters govern the duties, mandates, responsibilities and reporting of the committees.

The Nomination Committee consists of four members. The chairman of this committee is Peter Spuhler. The other members are Christoph Franz, Barbara Egger-Jenzer and Hans-Peter Schwald. The Nomination Committee meets at the invitation of its Chairman as often as business requires, but at least twice a year. The task of the Nomination Committee is to support the Board of Directors in the performance of its duties, in particular in the following areas:

- Succession planning and nomination at Board of Directors and Group Executive Board level;
- Monitoring and assessment of developments in the field of corporate governance and regular reviews of its structures.

The members of the Nomination Committee held four regular meetings in 2021. All members were present at all four meetings.

The Compensation Committee consists of four members. The chairman of this committee is Christoph Franz. The other members are Peter Spuhler, Barbara Egger-Jenzer and Hans-Peter Schwald. The Compensation Committee meets at the invitation of its Chairman as often as business requires, but at least twice a year. The task of the Compensation Committee is to assist the Board of Directors in the performance of its duties, in particular in determining and reviewing the remuneration strategy and guidelines and the qualitative and quantitative criteria for remuneration, as well as in preparing proposals for the General Meeting regarding the remuneration of the Board of Directors and the Group Executive Board. It also has decision-making powers with regard to the remuneration (including target agreements) of the Group CEO and other members of the Group Executive Board.

The members of the Compensation Committee held four regular meetings in 2021. All four committee members were present at all meetings.

The Strategy and Investment Committee is composed of four members of the Board of Directors. The chairman is Fred Kindle, and the other members are Peter Spuhler, Hans-Peter Schwald and Doris Leuthard. The Strategy and Investment Committee meets at the invitation of its Chairman as often as business requires, but at least twice a year. The Strategy and Investment

Committee may invite management representatives and other persons to its meetings. The role of the Strategy and Investment Committee is to support the Board of Directors in the performance of its tasks in the area of strategy and investment. The Strategy and Investment Committee performs the following tasks in particular:

- Support and monitoring in the area of strategic planning;
- Monitoring and assessment of developments and changes in Stadler's environment and regular reviews of Stadler's short- and long-term strategic direction, particularly in the areas of business model, markets, customers, competition, products and technologies, processes and standards, employees and management, and financing;
- Assistance in strategic matters such as acquisitions, disposals, joint ventures, restructuring measures and similar matters;
- Preparation and supervision of special projects on behalf of and for the attention of the Board of Directors;
- Discussion and evaluation of investments, shareholdings and financing in excess of CHF 20 million and recommendations to the Board of Directors;
- Discussion and evaluation of the purchase/sale of shareholdings and intangible assets in excess of CHF 10 million and recommendations to the Board of Directors;
- Discussion and evaluation of research and development expenses that are not order-related, not included in the regular budget and exceed CHF 0.5 million.

The members of the Strategy and Investment Committee held three regular meetings in 2021. All four committee members were present at all three meetings.

The annual two-day strategy seminar with the Board of Directors, management and other key employees took place in November 2021.

The Audit Committee consists of three members. The chairman of this committee is Kurt Rüegg. The other members are Hans-Peter Schwald and Wojciech Kostrzewa. The Audit Committee meets whenever necessary, but at least twice a year. The Audit Committee develops and implements the principles for external auditing for the attention of the Board of Directors. The Audit Committee performs the following tasks in particular:

- The Audit Committee reviews the design of the accounting system (applicable accounting standards, reporting liquidity, valuation approaches) in terms of appropriateness, reliability and effectiveness and, if necessary, takes the necessary measures to make changes to it.
- The Audit Committee assesses the audit reports of the statutory and group auditors, reports to the Board of Directors and assists the Board of Directors in the nomination of the statutory and group auditors for the attention of the General Meeting.
- The Audit Committee approves the audit programme for the following year and reports to the Board of Directors.
- The Audit Committee monitors the compliance programme and the compliance organisation with regard to their effectiveness.

The members of the Audit Committee held three ordinary meetings in 2021. All three committee members were able to attend all meetings.

Division of responsibilities

In accordance with the Organisational Regulations, the Board of Directors has delegated operational management to the Group Executive Board under the leadership of the Group CEO. With regard to the duties and powers of the Group Executive Board, the Organisational Regulations state that the Group Executive Board, under the leadership of the Group CEO, is responsible to the Board of Directors for the management of the company. Under the direction of the Group CEO, it implements the corporate strategy as adopted by the Board of Directors and ensures that the decisions of the Board of Directors are implemented in accordance with applicable law, the Articles of Association, the Organisational Regulations and the resolutions of the General Meeting. In addition, the Group CEO regularly informs the Board of Directors at its meetings about the current business performance and all significant business transactions of the company and the Group, including expected opportunities and risks. In the event of extraordinary events (including unexpected material developments, litigation and proceedings), the Group CEO shall immediately notify the BoD.

Information and control instruments vis-à-vis the Group Executive Board

The Board of Directors receives a monthly report from the Group Executive Board containing information on current tenders, order intake and order backlog, as well as statements on the development of major current orders. Key figures are also reported in comparison with the budget, including appropriate explanations on hourly rates, productivity, personnel, operating costs and liquidity as well as investments. As well as being given details of the quarterly financial statements (balance sheet, income statement and cash flow statement), the Board of Directors is informed at each meeting about the course of business, important orders and risks, as well as current earnings and liquidity planning.

The projects approved by the Board of Directors are monitored by means of a special project controlling system, which is submitted to the Board of Directors on a quarterly basis. Once a year, the Board of Directors discusses and approves the strategic plan drawn up by the Group Executive Board along with the financial plan. Financial statements are prepared twice a year for publication. In addition, the eVRP, the Group CEO a.i. and the Group CFO remain in regular contact on all major corporate policy issues.

4. GROUP EXECUTIVE BOARD

As at 31 December 2021, the Group Executive Board consisted of nine people: the Group CEO, the Group CFO, the EVP Marketing & Sales and the EVP for each division (Switzerland, Germany, Central Europe, Spain, Components and Service).

Dr Thomas Ahlburg resigned from the Group Executive Board as of 21 May 2020. Until the appointment of a successor, Peter Spuhler took over as Group CEO on an interim basis.

Further information on the members of the Group Executive Board is provided on pages 46 to 48.

Permitted activities outside the Stadler Group

In accordance with Article 28 of the Articles of Association, a member of the Group Executive Board may not hold more than the following number of further mandates:

- a. up to four mandates in companies, whereof up to two in listed companies;
- b. up to ten mandates in foundations, associations, charitable organisations and similar organisations.

Mandates held in different legal entities of the same group, in companies connected with each other, or by order of the company or of another legal entity pursuant to the above-mentioned Article 28 of the Articles of Association (including pension funds and joint ventures) shall not count as separate mandates. The limits set out in Article 28 of the Articles of Association may be exceeded for a short period.

A “mandate” within the meaning of Article 28 of the Articles of Association is a mandate in the highest management or administrative bodies of legal entities which are obliged to be registered in the commercial register or in a corresponding foreign register, with the exception of Stadler Rail AG and legal entities controlled by Stadler Rail AG or which control it.

Management contracts

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

STADLER'S GROUP EXECUTIVE BOARD



from left to right:

Christian Spichiger: Head of the Components Division

Iñigo Parra: Head of the Spain Division

Markus Bernsteiner: Head of the Switzerland Division and Deputy Group CEO

Daniel Baer: Head of the Service Division

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

Ansgar Brockmeyer: Head of the Sales & Marketing Division and Deputy Group CEO

Rafael Widmer: Group CFO

Jure Mikolčić: Head of the Germany Division

Philipp Brunner: Head of the Central Europe Division

Peter Spuhler (1959)

**Executive Chairman of the Board
Group CEO a. i.
Swiss citizen**

**MEMBER OF THE GROUP EXECUTIVE BOARD
SINCE 2020 (PREVIOUSLY FROM 1989 UNTIL
THE END OF 2017)**

EDUCATION, PROFESSIONAL EXPERIENCE, CAREER

Studied business administration at HSG St. Gallen; Group CEO of Stadler Rail AG from 1989 to the end of 2017; Group CEO a. i. of Stadler Rail AG since 21 May 2020

OTHER ACTIVITIES AND VESTED INTERESTS

Chairman of the Board of Directors of various companies of the Stadler Group, PCS Holding AG and Aebi Schmidt Holding AG; member of the Board of Directors of several other companies, including European Loc Pool AG, Allreal Holding AG and Rieter Holding AG; since 1 April 2019, Peter Spuhler has been a shareholder of Robert Bosch Industrietreuhand KG and a member of the Advisory Board of Robert Bosch GmbH; from 1999 to 2012, he was a member of the Swiss National Council and a member of the Board of Directors of Von Roll Holding AG (2002 to 2004), UBS AG (2004 to 2008), Kühne Holding AG (2006 to 2008), Autoneum Holding AG (2011 to 2021) and Evonik Industries AG (2018 to 2021), among others

Markus Bernsteiner (1966)

**Executive Vice President of the Switzerland
Division and Deputy Group CEO (internal),
CEO of Stadler Rheintal AG and CEO of
Stadler Bussnang AG
Swiss citizen**

**MEMBER OF THE GROUP EXECUTIVE BOARD
IN VARIOUS FUNCTIONS SINCE 1999**

EDUCATION, PROFESSIONAL EXPERIENCE, CAREER

Exec. M. B. A. HSG; Machine Mechanic FA and Operating Technician FA with several degrees in Management (Quality System Manager SA, dipl. Quality System Manager EOQ), University of St. Gallen (KMU dipl. HSG, AMP-HSG); 1999 Head of Production and COO of Stadler Bussnang AG; 2006 CEO of Stadler Bussnang AG and Head of Production; 2007 to 2011 CEO of Stadler Bussnang AG; 2011 COO of the Switzerland Division and CEO of Stadler Bussnang AG; 2012 to 2014 Executive Vice President of the Switzerland Division; from 2014 to 2018 Executive Vice President of the Components Division and Head of Business Application; 2019 Executive Vice President of the Components Division and CEO of Stadler Rheintal AG; 2020 Executive Vice President of the Components Division and Executive Vice President of the Switzerland Division, Deputy Group CEO (internal) and CEO of Stadler Rheintal AG; 2021 Executive Vice President of the Switzerland Division and Deputy Group CEO (internal), CEO of Stadler Rheintal AG and CEO of Stadler Bussnang AG

OTHER ACTIVITIES AND VESTED INTERESTS

Member of the Board of Directors of LRS Engineering AG (2012 to 2021), Trunz AG (2014 to 2021) and Aebi Schmidt Holding AG (since 2018); member of the Board of Trustees of the Stadler Group Pension Fund from 2015 to 2020

Ansgar Brockmeyer (1966)

**Executive Vice President of the Marketing
& Sales Division and Deputy Group CEO
(external)
German citizen**

**MEMBER OF THE GROUP EXECUTIVE BOARD
SINCE 2019**

EDUCATION, PROFESSIONAL EXPERIENCE, CAREER

Graduated in electrical engineering from RWTH Aachen University; doctorate from RWTH Aachen University in 1997; from 1997 to 2013 various positions at Siemens Verkehrstechnik (now Siemens Mobility), most recently as CEO of the Business Unit High-Speed and Commuter Rail in Krefeld (Germany); from 2013 to 2018 Chairman of the Executive Board of Knorr-Bremse Asia Pacific (Holding) Ltd. in Hong Kong

OTHER ACTIVITIES AND VESTED INTERESTS

From 2007 to 2013 and again since 2019, lecturer on "Electric Railway Drives" at RWTH Aachen University

Raphael Widmer (1964)

Group CFO
Swiss citizen

MEMBER OF THE GROUP EXECUTIVE BOARD SINCE 2016

EDUCATION, PROFESSIONAL EXPERIENCE, CAREER

lic. oec. HSG; MBA from IESE Business School Barcelona; Swiss certified public accountant; before joining Stadler worked in various CFO positions for the ABB Group for 25 years in Switzerland, Malaysia and the USA in power plant construction, downstream oil & gas, and power transmission and distribution

OTHER ACTIVITIES AND VESTED INTERESTS

Member and Managing Director since 2017, President of the Board of Trustees of the Pension Fund of Stadler Rail since 2019; member of the Board of Directors of Hürlimann Railtec AG; member of the Audit Committee of the municipality of Zumikon; President of the Audit Committee of the Catholic parish of Zollikon-Zumikon

Daniel Baer (1980)

Executive Vice President of the Service Division
Swiss citizen

MEMBER OF THE GROUP EXECUTIVE BOARD SINCE 2021

EDUCATION, PROFESSIONAL EXPERIENCE, CAREER

Certified HF technician (2008); Degree in Industrial Engineering from Zurich University of Applied Sciences (2015); member of the management of the Service Division in Bussnang from 2014 to 2021; Deputy Head of the Service Division from 2019 to 2021; Managing Director of the service activities of Stadler Pankow GmbH, Berlin from 2017 to 2019

OTHER ACTIVITIES AND VESTED INTERESTS

Supervisory Board of ÖBB Stadler Service GmbH

Jure Mikolčić (1974)

Executive Vice President of the Germany Division and CEO of Stadler Deutschland GmbH
German citizen

MEMBER OF THE GROUP EXECUTIVE BOARD SINCE 2019

EDUCATION, PROFESSIONAL EXPERIENCE, CAREER

Graduated in economics from the University of Trier (2000); from 2001 worked for Siemens in various functions; from 2011 to April 2015 sales manager for mass transit systems in Germany at Siemens; between May 2015 and January 2019 at Knorr-Bremse Systeme für Schienenfahrzeuge GmbH as CEO of Knorr-Bremse PowerTech GmbH and Knorr-Bremse PowerTech GmbH & Co. KG; since February 2019 CEO of Stadler Deutschland GmbH (formerly Stadler Pankow GmbH)

OTHER ACTIVITIES AND VESTED INTERESTS

Member of the Presidium of the German Railway Industry Association (VDB), Vice President for Vehicles

Iñigo Parra (1964)

Executive Vice President of the Spain Division and CEO of Stadler Rail Valencia S.A.U.
Spanish citizen

MEMBER OF THE GROUP EXECUTIVE BOARD SINCE 2016

EDUCATION, PROFESSIONAL EXPERIENCE, CAREER

Graduated from the Walter Haas Business School at the University of California, Berkeley, USA in 1984; degree in advanced mechanical engineering from the University of Zaragoza in Spain (1988); Master's degree in business administration and business management (I.E.S.E.) from the University of Navarra in Spain (1990); from 2000 to 2001 studied at the Advanced Management Seminar, INSEAD, at the University of Fontainebleau, France; from 2005 to 2015 CEO of Vossloh España S.A. (Stadler Rail Valencia S.A.U.'s predecessor); since 2016 CEO of Stadler Rail Valencia S.A.U.

OTHER ACTIVITIES AND VESTED INTERESTS

Member of the Board of Directors of GD Energy Services since 2007; member

of the Advisory Board of Rafael Hinojosa S.A. since May 2007; President of APD Zona Levante since September 2014; Chairman of the Supervisory Board of Colegio Guadalaviar since January 2016; member of the Supervisory Board of Afin SGR since May 2015 and President of Foro EHT/CV since January 2017

Christian Spichiger (1962)

Executive Vice President of the Components Division
Swiss citizen

MEMBER OF THE GROUP EXECUTIVE BOARD SINCE 2013

EDUCATION, PROFESSIONAL EXPERIENCE, CAREER

Degree in Electrical Engineering HTL (1989); Degree in Industrial Engineering FH (2002); MBA in General Management at the Zurich School of Economics (2002); from 2006 to 2015 he was CEO of Stadler Polska Sp. z o.o.

OTHER ACTIVITIES AND VESTED INTERESTS

Board Member of the Polish Swiss Chamber of Commerce

Philipp Brunner (1984)

Executive Vice President of the Central Europe Division
Swiss citizen

MEMBER OF THE GROUP EXECUTIVE BOARD SINCE 2021

EDUCATION, PROFESSIONAL EXPERIENCE, CAREER

MBA from ETH Zurich; B.A. from HSG, St.Gallen; around eleven years in various management positions in the Stadler Group, including in India, Algeria, Belarus, Poland and Switzerland; before that, various functions at UBS AG and Feldschlösschen Getränke AG

OTHER ACTIVITIES AND VESTED INTERESTS

Member of the Executive Committee of Asstra Associated Traffic AG, Zurich since 2018

5. REMUNERATION, SHAREHOLDINGS AND LOANS

The content and method of determining the remuneration and the shareholding programmes as well as information on the remuneration, shareholdings and loans of the Board of Directors and Group Executive Board can be found in the Remuneration Report starting on page 53 and in the Annual Financial Statements starting on page 111.

6. PARTICIPATION RIGHTS OF SHAREHOLDERS

Restrictions on voting rights

Stadler Rail AG has no restrictions on voting rights.

Statutory quorums

In accordance with Article 17 of the Articles of Association, the General Meeting passes its resolutions and conducts its elections by a simple majority of the votes cast, irrespective of the number of shareholders present and shares represented, unless a mandatory provision of the law or the Articles of Association stipulates otherwise. Abstentions and invalid votes shall not be considered as votes cast.

Convocation of the General Meeting, agenda and proxy voting

In accordance with Article 12 of the Articles of Association, the General Meeting is convened by the Board of Directors or, if necessary, by the statutory auditors. Liquidators and, in the case of bond issues, representatives of bond holders shall also be entitled to convene a General Meeting.

The time and place of the General Meeting, which may be held abroad, is determined by the Board of Directors or by any other body authorised to convene the General Meeting.

The Ordinary General Meeting takes place every year within six months after the close of the financial year. Extraordinary General Meetings shall be called as and when necessary, and in particular in the cases set out by law.

A General Meeting may also be called by one or more shareholders who together represent at least 10 percent of the share capital. Shareholders who together represent at least 5 percent of the share capital or shares with a total nominal value of at least 1 million Swiss francs may request that an item be placed on the agenda of a General Meeting, provided they submit details thereof to the company in writing at least 45 calendar days in advance of the General Meeting concerned.

In accordance with Article 13 of the Articles of Association, notice of the Ordinary or Extraordinary General Meeting shall be given by publication in the Swiss Official Gazette of Commerce at least 20 calendar days before the date of the meeting. If the postal and/or e-mail addresses of the shareholders are known, notice may also be given by post and/or e-mail. As well as specifying the date, time and location of the meeting, the notice convening the meeting must list the items on the agenda and the motions proposed either by the Board of Directors or by the shareholders who asked for a General Meeting to be held or for an item to be put on the agenda.

Twenty calendar days before the Ordinary General Meeting at the latest, the Annual Report and the Auditors' Report must be made available at the headquarters of the company for inspection by the shareholders. The notice convening the General Meeting must specify this condition and state that the shareholders have the right to ask for these documents to be sent to them.

Pursuant to Article 15 of the Articles of Association, a shareholder may be represented at the General Meeting by granting a written power of attorney to a third party who need not be a shareholder. The Board of Directors may issue procedural rules in connection with the participation and representation of shareholders at the General Meeting and, in particular, may regulate in more detail the issuing of instructions to the independent proxy. It shall ensure that shareholders may also issue electronic powers of attorney and instructions to the independent proxy, and shall be authorised to waive, in whole or in part, the requirement for a qualified electronic signature, in derogation of Article 15 of the Articles of Association.

In accordance with Article 16 of the Articles of Association, the independent proxy is elected by the Ordinary General Meeting for a term of one year until the conclusion of the next Ordinary General Meeting. Ulrich B. Mayer, lic. iur., lawyer, has been designated as the independent proxy until the conclusion of the Ordinary General Meeting 2021.

In accordance with Article 17 of the Articles of Association, a nominal vote may be carried out by electronic or written voting or by show of hands. In order to expedite the counting of votes, the Chairman may determine, in the case of written votes, that only the votes of shareholders abstaining or voting against shall be counted and that the remaining shares represented at the General Meeting at the time of voting shall be counted as yes votes.

The Chairman may at any time have an open or electronic ballot or vote repeated by means of a written ballot or vote if, in his opinion, there are doubts about the result. In this case, the preceding open or electronic ballot or vote shall be deemed not to have taken place.

Entries in the share register

In accordance with Article 6 of the Articles of Association, the company shall keep a share register in which owners and usufructuaries' family and given names (or the company name in the case of legal entities), address and citizenship (or the registered office in the case of legal entities) are registered. In accordance with Article 15 of the Articles of Association, each share entitles its holder to one vote. Only those persons who have been duly entered in the share register with voting rights by a date specified by the Board of Directors (record date) are entitled to vote at the General Meeting. In the absence of such designation, the record date shall be ten days prior to the General Meeting. The Board of Directors is authorised to specify or supplement these provisions in the notice of the General Meeting or in general regulations or guidelines.

7. CHANGE OF CONTROL AND DEFENSIVE MEASURES

Mandatory tender offer

According to Article 9 of the Articles of Association, the duty to make a public tender offer pursuant to Article 135, paragraph 1 FinMIA only applies if the threshold of 49 percent of the voting rights is exceeded (opting-up).

Change of control clauses

There are no control clauses in Stadler's employment and mandate contracts.

8. STATUTORY AUDITORS

Duration of the mandate and term of office of the lead auditor

KPMG AG, Zurich, have been Stadler's statutory auditors since the 2011 financial year. Kurt Stocker, a licensed audit expert, has been the lead auditor for this mandate at KPMG since the 2017 financial year. The term of office of the lead auditor is limited to seven years.

Audit fees and additional fees

KPMG has invoiced Stadler around 0.9 million Swiss francs for the 2021 financial year for services in connection with the audit of the annual financial statements of Group companies, Stadler's consolidated financial statements and the Remuneration Report. KPMG charged around 0.2 million Swiss francs for additional services such as tax and transaction advice.

Information instruments of the external auditors

The external auditors report in writing on relevant audit activities and other important events relating to the company. The auditors have access to the minutes of the meetings of the Board of Directors.

The Audit Committee of the Board of Directors assesses the performance, remuneration and independence of the statutory and group auditors on an annual basis and submits a proposal to the Board of Directors on which external auditor should be proposed for election at the Ordinary General Meeting. Each year, the Audit Committee also reviews the scope of the external audit, the audit plans and the relevant procedures, and discusses the audit results with the external auditors.

9. INFORMATION POLICY

Stadler maintains regular, open dialogue with all stakeholders, in particular with investors, financial analysts and bank and media representatives. Communication takes place via the annual and interim reports, the Ordinary General Meeting and an annual media conference.

The shareholders and the capital market are informed about significant current changes and developments by means of media releases. The disclosure of potentially price-sensitive events is ensured in accordance with the ad hoc publicity requirements of the SIX Swiss Exchange. Stadler also maintains dialogue with investors, financial analysts and media representatives at appropriate events. Shareholders and other interested parties can register at <https://www.stadlerrail.com/en/subscribe/> to receive media releases automatically.

Reporting on the 2021 financial year comprises the annual report, a media release and a presentation. The annual report can be ordered by the shareholders. The annual report is available for inspection by the shareholders at the latest 20 calendar days before the General Meeting at the company's registered office. At the Ordinary General Meeting, the Board of Directors and Group Executive Board provide information on the annual financial statements and the course of business of the company and answer shareholders' questions.

Sources of information

Stadler provides comprehensive information for all interested parties, which can be accessed on the Internet via the following links:

- Articles of Association of Stadler Rail AG: <https://www.stadlerrail.com/en/investor-relations/>
- Download annual reports including the financial report: <https://www.stadlerrail.com/en/investor-relations/>
- Corporate Governance: <https://www.stadlerrail.com/en/investor-relations/>
- Media releases: <https://www.stadlerrail.com/en/media/press-releases/>
- Automatic receipt of media releases: <https://www.stadlerrail.com/en/subscribe/>
- Contact: <https://www.stadlerrail.com/en/contact/>

10. GENERAL TRADING BLACKOUT PERIODS

During ordinary blackout periods, blocked persons and the issuer may not trade in securities of the issuer and derivatives derived from them or make recommendations to other persons.

The following general trading blackout periods apply:

- from 31 December until the end of one SIX trading day following the publication of the company's annual results; and
- from 30 June until the end of one SIX trading day following the publication of the company's half-year results.

The general trading blackout periods apply to the following persons:

- The members of the Board of Directors, the Group CEO, Group CFO, Deputy Group CFO, Group Treasurer, Controller and their respective assistants as well as the other members of the Group Executive Board and
- any other person designated by the eVRP, the Group CEO, the Group CFO or the General Secretariat if the person in question is involved in, or has access to, the preparation, analysis, review or communication of the company's financial results.

The company shall maintain a list of blocked persons and inform such persons of their classification as blocked persons and of the beginning and end of the general trading blackout periods. No exceptions are provided for without the prior written consent of the eVRP, the Group CEO or the Group CFO.



A Stadler train taking passengers to the Corcovado in Rio de Janeiro

REMUNERATION REPORT

The Remuneration Report describes the remuneration system and its application at Stadler in the 2021 reporting year. The Remuneration Report complies with the provisions of the Ordinance Against Excessive Remuneration in Listed Companies (ERCO) and follows the recommendations of the Swiss Code of Best Practice for Corporate Governance of Economiesuisse and the requirements of the Directive Corporate Governance (DCG) of the SIX Swiss Exchange.

1. REMUNERATION SYSTEM

Principles

Stadler's remuneration system is intended to encourage employees in general to ensure a sustainable increase in the value of the company by offering competitive remuneration as well as variable salary components awarded according to a performance-based system. The system is designed in such a way that the interests of the top management are in line with the interests of the company and its shareholders.

Individual responsibility and professional experience are also taken into account for the members of the Group Executive Board.

Member of the Board of Directors

Fixed remuneration

The remuneration of the Board of Directors comprises a yearly fee consisting of a fixed basic salary for serving on the Board of Directors and fixed compensation for the chairmanship and/or membership of committees. The remuneration of the executive Chairman of the Board of Directors includes compensation for the chairmanship and/or membership of committees. The remuneration of the Board of Directors is determined annually by the Board of Directors at its own discretion at the request of the Compensation Committee. Members of the Board of Directors may attend meetings of the Compensation Committee and have a right to be heard. The Chairman of the Board of Directors receives a fee of CHF 300,000, and the Vice Chairman a fee of CHF 150,000. The other members of the Board of Directors each receive a fee of CHF 90,000. In addition to this compensation, members of a committee receive CHF 20,000, and committee chairmen CHF 30,000.

In accordance with the remuneration regulations, the fixed remuneration is paid in cash and/or in shares of Stadler Rail AG, at the discretion of the individual member of the Board of Directors. The relevant decision must be made by the end of May of

each financial year (previous year: by the end of November of each financial year). The shares are subject to a four-year vesting period after allocation and are allocated at a vesting discount of 20% in relation to the defined value. During the vesting period, the member of the Board of Directors concerned is prohibited from selling, pledging, transferring or otherwise disposing of the corresponding shares. Each member remains entitled to voting and dividend rights during the vesting period. The volume-weighted average share price during November of the calendar year of allocation (less vesting discount) is taken as the defined value of the shares. With regard to share or cash components, the respective member of the Board of Directors must set an individual default in the event that the annual election cannot take place due to restrictions under stock exchange law. This default can be adjusted annually if necessary. The shares are allocated in the month of December of the respective remuneration period.

The members of the Board of Directors do not receive attendance fees. No further remuneration is paid for the preparation and attendance of ordinary and extraordinary meetings of the Board of Directors and its committees.

Variable remuneration

The members of the Board of Directors do not receive any variable or performance-related remuneration.

Other benefits

Stadler bears the statutory social contributions and also reimburses members of the Board of Directors for actual expenses incurred.

The members of the Board of Directors do not receive any benefits in kind, nor are they granted loans and credits, or employee benefits other than occupational benefits or securities. Furthermore, Board members are not granted any entry bonuses or severance payments.

Stadler Group Executive Board

Fixed remuneration

The members of the Group Executive Board receive fixed remuneration, which is paid monthly. This fixed remuneration depends on the individual function as well as the qualification and professional experience of the respective member of the Group Executive Board. The amount is determined annually by the Board of Directors at its own discretion. The fixed remuneration is paid in cash.

Variable remuneration¹

The members of the Group Executive Board also receive variable remuneration based on the achievement of certain performance targets. Performance targets may include quantitative and qualitative performance criteria that take into account the performance of the Group, individual divisions or business units and/or individual objectives. In the 2021 reporting year, 65% of the target agreements (previous year: 75%) consisted of quantitative Group targets (such as EBIT margin, order intake in relation to the average revenue of the current and two previous financial years, observance of warranty cost budgets and compliance with factory acceptance dates) and 35% (previous year: 25%) of individual targets. The achievement of the objectives averaged 51% (previous year: 45%).

In accordance with the remuneration regulations, the Board of Directors, at the request of the Compensation Committee, determines the weighting of the performance targets, the respective objectives and the proportional ratio between the annual fixed remuneration and the variable remuneration components. The setting of individual objectives and their achievement may be delegated to the Group CEO for any member of the Group Executive Board (with the exception of the Group CEO). A minimum and a maximum target value are defined for each quantitative Group target. If the minimum target value is not reached, nothing is paid out for this partial target. There is no interpolation within target value levels, but attainment is measured by level.

The variable remuneration of the Group CEO amounts to a maximum of 120% (previous year: a maximum of 200%) of the fixed remuneration. At least 40% of the variable remuneration must be received in shares of Stadler Rail AG, whereby the Group CEO can, at his own discretion, decide on the share proportion, of between 40% and 100% of the variable remuneration, by the end of March of the following financial year. The current Chairman of the Board of Directors waived fixed and variable remuneration in the reporting year in his function as CEO a. i.

The variable remuneration of the other members of the Group Executive Board amounts to a maximum of 80% of the fixed remuneration. At least 30% of the variable remuneration must be received in shares of Stadler Rail AG, whereby the relevant Group Executive Board member can, at their own discretion, decide on the share proportion, of between 30% and 100% of the variable remuneration, by the end of March of the following financial year.

The shares of all Group Executive Board members are subject to a four-year vesting period after allocation (following approval of the annual financial statements by the Annual General Meeting) and are allocated at a vesting discount of 20% in relation to the defined value. During the vesting period, the member of the Group Executive Board concerned is prohibited from selling, pledging, transferring or otherwise disposing of the corresponding shares. Each member remains entitled to voting and dividend rights during the vesting period. The volume-weighted average share price during March of the calendar year of allocation (less vesting discount) is taken as the defined value of the shares.

If the Board of Directors or the Compensation Committee deems it appropriate, it may also grant long-term incentives, which are linked to future performance regardless of the achievement of past performance targets. No such allocations were made in the 2020 and 2021 financial years.

Other benefits

Stadler bears the pension and social security contributions stipulated by the law and the regulations. Like all Stadler employees, members of the Group Executive Board receive a Christmas bonus of a maximum of CHF 1,000 depending on the course of business, and are entitled to a long-service bonus every five years. Members of the Group Executive Board also receive a monthly expense allowance for representation expenses which, as a substitute, does not constitute remuneration. In addition, a mobile phone is made available to each member of the Group Executive Board.

Pursuant to Article 30 of the Articles of Association, the members of the Group Executive Board may be granted loans, credits, guarantees or securities at market conditions, but only up to a total amount per person not exceeding (i) 500% of the current fixed annual remuneration as a secured loan for the acquisition of real estate or (ii) 200% of the current fixed annual remuneration for other loans, credits, guarantees or securities.

Members of the Group Executive Board are not granted any entry bonuses or severance payments.

¹ The full statutory provision on variable remuneration is set out in Article 25 of the Articles of Association, which can be found at https://www.stadlerail.com/media/pdf/statuten_stadler_rail_de_en.pdf.

2. RESPONSIBILITIES AND POWERS

The Compensation Committee consists of at least three members of the Board of Directors. Candidates are proposed by the Board of Directors to the General Meeting and elected by the latter for a period of one year until the next Ordinary General Meeting. Re-election is possible.

The Compensation Committee assists the Board of Directors in determining and reviewing the remuneration strategy and guidelines and the qualitative and quantitative criteria for the variable remuneration of members of the Group Executive Board, as well as in preparing proposals for the General Meeting regarding the remuneration of members of the Board of Directors and of the Group Executive Board.

The basic principles of the remuneration strategy are reviewed annually. The Compensation Committee held four (previous year: four) meetings in the 2021 financial year. The members of the Board of Directors who are not members of the Compensation Committee did not attend the committee meetings during the year, but were informed by the Chairman of the Compensation Committee at the next meeting of the full Board of Directors about the main resolutions and measures relating to the remuneration process and system.

The approval of the remuneration by the Board of Directors is subject to approval by the General Meeting. In accordance with the Articles of Association, the General Meeting votes annually on the maximum total remuneration to be paid to the Board of Directors and Group Executive Board for the financial year following the Annual General Meeting. If the General Meeting does not approve a total amount, the provisions of Article 27, paragraph 2 of the Articles of Association apply. Stadler may align remuneration subject to subsequent approval by the General Meeting.

In accordance with Article 27, paragraph 4 of the Articles of Association, Stadler is authorised to pay additional remuneration (including any compensation for loss of remuneration or for financial disadvantages in connection with a change of employment) to members of the Group Executive Board who join the Group Executive Board or are promoted within it after the date of approval of the remuneration by the General Meeting and to the extent that the amount already approved is insufficient for the relevant period. These additional amounts do not have to be approved by the General Meeting provided that they do not exceed 50% of the maximum total remuneration approved for the Group Executive Board.

3. REMUNERATION FOR THE 2021 FINANCIAL YEAR

The remuneration of the Group Executive Board is reported in accordance with the accrual principle since the variable remuneration is not paid until the following year. In the case of new members joining the Board of Directors or the Group Executive Board, remuneration is included from the date of assumption of the corresponding function (pro rata). The same applies to departures.

Board of Directors

		2021			2020	
Function	Remuneration in cash in TCHF	Remuneration in shares in TCHF	Social security contributions ¹ in TCHF	Total in TCHF	Total in TCHF	
Peter Spuhler Chairman of BoD Chairman of Nomination Committee Member of Compensation Committee Member of Strategy Committee	228	–	72	300	300	
Hans-Peter Schwald ² Vice Chairman of BoD Member of Strategy Committee Member of Audit Committees Member of Nomination Committee Member of Compensation Committee	217	–	17	234	205	
Kurt Rüegg Member of BoD Chairman of Audit Committee	–	162	9	171	158	
Doris Leuthard ³ Member of BoD Member of Strategy Committee	77	44	9	130	86	
Fred Kindle Member of BoD Chairman of Strategy Committee	120	–	9	129	129	
Christoph Franz Member of BoD Chairman of Compensation Committee Member of Nomination Committee	–	187	10	197	188	
Wojciech Kostrzewa Member of BoD Member of Audit Committee	110	–	–	110	110	
Barbara Egger-Jenzer Member of BoD Member of Nomination Committee Member of Compensation Committee	65	87	7	159	154	
Friedrich Merz ⁴ Member of BoD Member of Nomination Committee Member of Compensation Committee	n/a	n/a	n/a	n/a	58	
Total remuneration to members of the Board of Directors	817	480	133	1,430	1,388	

¹ Social security contributions include the employer's portion of social security contributions. In the case of Mr Spuhler, the social security contributions also include the employer's portion of pension fund contributions and of contributions for accident and illness insurance.

² Mr Schwald has been a member of the Nomination Committee since 1 May 2021 and a member of the Compensation Committee since 6 May 2021.

³ Ms Leuthard was elected to the Board of Directors at the General Meeting held on 30 April 2020.

⁴ Mr Merz was a member of the Board of Directors until the General Meeting held on 30 April 2020.

Group Executive Board

		2021			2020	
	Fixed remuneration in TCHF	Variable remuneration in cash in TCHF	Variable remuneration in shares in TCHF	Other benefits ¹ in TCHF	Total in TCHF	Total in TCHF
Markus Bernsteiner, Head of Division Switzerland and Deputy Group CEO	455	235	115	292	1,097	–
Thomas Ahlburg, former Group CEO till 21 May 2020 ²	–	–	–	–	–	1,377
Other members of the Group Executive Board ²	2,744	815	299	980	4,838	4,307
Total remuneration to the Group Executive Board	3,199	1,050	414	1,272	5,935	5,684

¹ Other benefits include the employer's portion of social security and pension fund contributions as well as contributions for accident and illness insurance. Christmas bonuses and seniority bonuses are also included.

² The remuneration of the other members of the Group Executive Board includes the remuneration of Mr Ahlburg in 2021 and Mr Bernsteiner in 2020. The current Chairman of the Board of Directors, Peter Spuhler, waived fixed and variable remuneration in the reporting year in his function as CEO a. i.

At the 2020 Annual General Meeting, the Board of Directors was awarded total remuneration of CHF 2,000,000 and the Group Executive Board total remuneration of CHF 8,280,000 for the 2021 financial year. The total remuneration for the Board of Directors and the Group Executive Board for 2021 is within the approved range.

4. REMUNERATION TO FORMER MEMBERS OF EXECUTIVE BODIES

In the 2021 reporting year, contractually owed remuneration was paid to former Group CEO Thomas Ahlburg. This consisted of salary payments (incl. pro rata variable cash remuneration) during the notice period until the end of the employment relationship on 31 May 2021. This remuneration is included in the total remuneration of CHF 5.9 million shown above. No remuneration was paid to former members of executive bodies in the previous year.

5. REMUNERATION TO RELATED PARTIES

No remuneration was paid to related parties of the Board of Directors or Group Executive Board.

6. LOANS AND CREDITS

Neither Stadler nor any other Group company granted any loans or credits to related parties or to former or current members of executive bodies. Furthermore, there are no loans or credits outstanding.



Report of the Statutory Auditor

To the General Meeting of Stadler Rail AG, Bussnang

We have audited the remuneration report (pages 53 to 58) of Stadler Rail AG for the year ended 31 December 2021. The audit was limited to the information according to articles 14 - 16 of the Ordinance against Excessive compensation in Stock Exchange Listed Companies (Ordinance) contained in the tables "Board of Directors" and "Group Executive Board" and in the sections "Remuneration to former Members of Executive Bodies", "Remuneration to Related Parties" and "Loans and Credits" on pages 57 to 58 of the remuneration report.

Responsibility of the Board of Directors

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's Responsibility

Our responsibility is to express an opinion on the accompanying remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14 – 16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14 – 16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the remuneration report for the year ended 31 December 2021 of Stadler Rail AG complies with Swiss law and articles 14 – 16 of the Ordinance.

KPMG AG

Kurt Stocker
Licensed Audit Expert
Auditor in Charge

Nicolas Wuffli
Licensed Audit Expert

Zurich, 14 March 2022

KPMG AG, Badenerstrasse 172, CH-8036 Zurich

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A TRAMLINK in Gmunden, Austria

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CONSOLIDATED INCOME STATEMENT

in thousands of CHF or as noted	Note	2021		2020	
Net revenue	1.1	3,634,678	100.0%	3,084,948	100.0%
Material and external services		(2,250,075)	61.9%	(1,817,410)	58.9%
Material overhead		(105,024)	2.9%	(100,464)	3.3%
Warranty costs	2.6	(80,068)	2.2%	(57,148)	1.9%
Production costs		(608,816)	16.8%	(554,851)	18.0%
Engineering costs		(162,214)	4.5%	(218,377)	7.1%
Project management costs		(26,459)	0.7%	(21,362)	0.7%
Cost of goods sold and services provided		(3,232,656)	88.9%	(2,769,612)	89.8%
Gross margin		402,022	11.1%	315,336	10.2%
Development costs		(29,997)		(35,308)	
Marketing & Sales costs		(60,679)		(50,844)	
Administration costs		(92,507)		(88,503)	
Other operating income	5.2	10,375		22,009	
Other operating expenses	5.2	(5,561)		(6,613)	
Operating result (EBIT)		223,653	6.2%	156,077	5.1%
Financial result	5.1	(75,023)		(3,054)	
Share of results from associated companies	4.3	3,843		2,803	
Ordinary result		152,473	4.2%	155,826	5.1%
Non-operating result	5.5	(460)		(1,154)	
Profit before income taxes		152,013	4.2%	154,672	5.0%
Income taxes	5.3	(17,507)		(16,263)	
Profit for the year		134,506	3.7%	138,409	4.5%
– thereof attributable to shareholders of Stadler Rail AG		133,655		137,612	
– thereof attributable to minority interests		851		797	
Basic and diluted earnings per share (in CHF)	1.5	1.34		1.38	

CONSOLIDATED BALANCE SHEET

in thousands of CHF	Note	31.12.2021		31.12.2020 restated ¹	
Assets					
Cash and cash equivalents		1,148,723		928,897	
Trade receivables	2.1	318,125		300,993	
Other current receivables	2.7	136,427		147,195	
Compensation claims from work in progress	1.3	690,631		862,195	
Inventories	2.2	219,302		201,354	
Work in progress	1.2	848,951		886,845	
Accrued income and deferred expenses		35,552		31,796	
Total current assets		3,397,711	73.9%	3,359,275	74.5%
Property, plant and equipment	2.3	892,743		879,969	
Financial assets	2.4	125,696		133,120	
Investments in associated companies	4.3	17,597		15,228	
Intangible assets	2.5	164,946		123,326	
Total non-current assets		1,200,982	26.1%	1,151,643	25.5%
Total assets		4,598,693	100.0%	4,510,918	100.0%
Liabilities & equity					
Current financial liabilities	3.1	817,917		1,003,083	
Trade payables	2.1	215,288		298,311	
Liabilities from work in progress	1.2	1,310,254		1,251,256	
Other current liabilities	2.7	177,327		110,291	
Current provisions	2.6	101,953		75,991	
Deferred income and accrued expenses	2.7	329,587		291,689	
Total current liabilities		2,952,326	64.2%	3,030,621	67.2%
Non-current financial liabilities	3.1	681,917		533,966	
Other non-current liabilities		–		326	
Non-current provisions	2.6	84,186		85,666	
Total non-current liabilities		766,103	16.7%	619,958	13.7%
Total liabilities		3,718,429	80.9%	3,650,579	80.9%
Share capital	3.3	20,000		20,000	
Capital reserves		16,966		16,077	
Treasury shares	3.3	(1,335)		(721)	
Retained earnings		705,919		682,038	
Profit for the year, attributable to shareholders of Stadler Rail AG		133,655		137,612	
Stadler Rail AG shareholders' equity		875,205	19.0%	855,006	19.0%
Minority interests		5,059		5,333	
Total equity		880,264	19.1%	860,339	19.1%
Total liabilities & equity		4,598,693	100.0%	4,510,918	100.0%

¹ The previous year's figures were restated in connection with the change in accounting principles described on page 68.

CONSOLIDATED CASH FLOW STATEMENT

in thousands of CHF	Note	2021	2020 restated ¹
Cash flow from operating activities			
Profit for the year		134,506	138,409
Depreciation and amortisation		99,395	95,820
Loss/(gain) on disposal of non-current assets		(459)	(8,793)
Non-recurring impairment		22	(861)
Share of results from associated companies	4.3	(3,843)	(2,803)
Other non-cash items		9,554	9,350
Addition/(Reduction) other non-current liabilities	2.7	(325)	(21)
Addition/(Reduction) non-current provisions	2.6	(19)	(5,506)
Reduction/(Addition) employer contribution reserve	2.4	–	11,336
Change in net current assets			
– Reduction/(Addition) trade receivables	2.1	(17,402)	(18,241)
– Reduction/(Addition) other current receivables	2.7	7,504	(26,907)
– Reduction/(Addition) compensation claims from work in progress	1.3	167,586	(46,789)
– Reduction/(Addition) inventories	2.2	(21,969)	(27,211)
– Reduction/(Addition) work in progress	1.2	9,771	(217,509)
– Reduction/(Addition) accrued income and deferred expenses		(4,750)	(10,354)
– Addition/(Reduction) trade payables	2.1	(78,937)	53,773
– Addition/(Reduction) liabilities from work in progress	1.2	55,688	(220,930)
– Addition/(Reduction) other current liabilities	2.7	75,587	(25,639)
– Addition/(Reduction) current provisions	2.6	27,027	3,319
– Addition/(Reduction) deferred income and accrued expenses	2.7	44,287	93,794
Net cash flow from operating activities		503,223	(205,763)
Cash flow from investing activities			
Investments in property, plant and equipment	2.3	(111,610)	(230,984)
Proceeds from sales of property, plant and equipment	2.3	4,171	1,560
Investments in financial assets	2.4	(2,909)	(13,145)
Proceeds from sales of financial assets	2.4	32,485	16,658
Acquisition of subsidiaries, net of cash acquired	4.1	(10,947)	(3,278)
Investments in associated companies	4.3	–	(4,533)
Dividends received from associated companies	4.3	738	1,840
Purchase of minority interests	4.1	(245)	–
Investments in intangible assets	2.5	(65,523)	(57,273)
Proceeds from sales of intangible assets	2.5	–	584
Net cash flow from investing activities		(153,840)	(288,571)
Cash flow from financing activities			
Proceeds from/(repayment of) current financial liabilities	3.1	(197,688)	679,416
Proceeds from/(repayment of) non-current financial liabilities	3.1	13,552	119,587
Proceeds from/(repayment of) promissory note loans	3.1	162,167	–
(Purchase)/Sale of treasury shares	3.3	(2,420)	(1,163)
Dividends paid to shareholders of Stadler Rail AG	3.3	(84,976)	(119,969)
Dividends paid to minority interests		(680)	(787)
Net cash flow from financing activities		(110,045)	677,084
Total net cash flow		239,338	182,750
Cash and cash equivalents at 1 January		928,897	752,686
Currency translation differences on cash and cash equivalents		(19,512)	(6,539)
Cash and cash equivalents at 31 December		1,148,723	928,897

¹ The previous year's figures were restated in connection with the change in accounting principles described on page 68.

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

ACCOUNTING PRINCIPLES

Cash and cash equivalents include cash on hand, postal and bank deposits as well as sight deposits and deposits with a residual term of 90 days or less. These are valued at nominal values.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in thousands of CHF	Share capital	Capital reserves	Treasury shares	Goodwill offset	Other retained earnings	Total retained earnings	Stadler Rail AG shareholders' equity	Minority 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	–	–	–	–	137,612	137,612	137,612	797	138,409
Dividends paid	–	–	–	–	(119,969)	(119,969)	(119,969)	(787)	(120,756)
Offsetting goodwill	–	–	–	(1,019)	–	(1,019)	(1,019)	–	(1,019)
Purchase of treasury shares	–	–	(1,163)	–	–	–	(1,163)	–	(1,163)
Share-based payments	–	1,254	442	–	–	–	1,696	–	1,696
Currency translation differences	–	–	–	–	(3,768)	(3,768)	(3,768)	(14)	(3,782)
Balance at 31 December 2020	20,000	16,077	(721)	(167,188)	986,837	819,649	855,006	5,333	860,339
Profit for the year	–	–	–	–	133,655	133,655	133,655	851	134,506
Dividends paid	–	–	–	–	(84,976)	(84,976)	(84,976)	(680)	(85,656)
Offsetting goodwill	–	–	–	(10,625)	–	(10,625)	(10,625)	–	(10,625)
Transactions with minority interests	–	–	–	(17)	–	(17)	(17)	(228)	(245)
Purchase of treasury shares	–	–	(2,420)	–	–	–	(2,420)	–	(2,420)
Share-based payments	–	889	1,806	–	–	–	2,695	–	2,695
Currency translation differences	–	–	–	–	(18,113)	(18,113)	(18,113)	(217)	(18,330)
Balance at 31 December 2021	20,000	16,966	(1,335)	(177,830)	1,017,403	839,573	875,205	5,059	880,264

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

INFORMATION ON THE REPORT

This section describes the basis for preparing the financial statements and gives an overview of the key assumptions and estimates made by the management. It also provides an insight into the main events in the financial year that have an impact on the consolidated financial statements.

THE STADLER RAIL GROUP

Stadler Rail AG (“Holding” or “Company”), headquartered in 9565 Bussnang, Ernst-Stadler-Strasse 1, is a company incorporated under Swiss law, which has been listed on the SIX Swiss Exchange in Zurich with the securities symbol SRAIL since 12 April 2019. The Stadler Rail Group (hereinafter Stadler) is an international, independent rail vehicle manufacturer with 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 financial statements as at 31 December 2021 present the net assets, financial position and results of operations of Stadler Rail AG and its subsidiaries disclosed in Note 4.4 “List of investments”.

BASIS FOR THE PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in compliance with all existing guidelines of Swiss GAAP FER (Swiss Accounting and Reporting Recommendations). They provide a true and fair view of the net assets, financial position and results of operations and meet the requirements of Swiss law.

The consolidated financial statements are presented in Swiss francs. Unless otherwise stated, all financial information in Swiss francs has been rounded to the nearest thousand. For this reason, rounding differences may occur.

The valuation basis used in these consolidated financial statements is based on historical acquisition or production costs, unless a standard requires a different valuation basis for an item or a different valuation basis has been used to exercise an option. In this case, it is explicitly mentioned in the accounting principles. Accounting principles that are relevant to an understanding of the consolidated financial statements are set out in the specific notes. The consolidated income statement is presented according to the cost of sales method.

CHANGE IN ACCOUNTING PRINCIPLES

The decision was made during the reporting year to retrospectively adjust the accounting principle with regard to full-service contracts in the “Service” subsegment. The kilometre allowances received from full-service contracts were previously accrued in the balance sheet item “Other non-current liabilities” based on section 11 of the FER framework and were recognised as revenue according to the costs accumulated in relation to the total expected costs (incl. profit share). Full-service contracts are now accounted for as long-term contracts in accordance with FER 22 based on the percentage of completion method, whereby the progress of work is determined using the cost-to-cost method. The kilometre allowances received are continually offset against the services provided, and the resulting net position is recorded per contract in the balance sheet items “Work in progress” and “Liabilities from work in progress”. For details, please refer to Note 1.2.

The change in accounting principle described above resulted in the following restatement of the previous year’s figures:

BALANCE SHEET AS AT 31.12.2020:

in thousands of CHF	31.12.2020 as reported	Change	31.12.2020 restated
Position			
Liabilities from work in progress	1,204,113	47,143	1,251,256
Total current liabilities	2,983,478	47,143	3,030,621
Other non-current liabilities	47,469	(47,143)	326
Total non-current liabilities	667,101	(47,143)	619,958
Total liabilities	3,650,579	–	3,650,579

2020 CASH FLOW STATEMENT:

in thousands of CHF	31.12.2020 as reported	Change	31.12.2020 restated
Position			
Addition/(Reduction) other non-current liabilities	591	(612)	(21)
Addition/(Reduction) liabilities from work in progress	(221,542)	612	(220,930)
Net cash flow from operating activities	(205,763)	–	(205,763)

The 2020 consolidated income statement and the 2020 consolidated statement of changes in equity remain unaffected by the restatement. Due to the new accounting principle, surplus liabilities from full-service contracts are therefore now reported in current liabilities instead of in non-current liabilities as before.

Whereas the criterion of “realisation/fulfilment within 12 months of the balance sheet date” was previously used to differentiate between current and non-current liabilities in the full-service business, the classification now focuses on the criterion “realisation/fulfilment within operating activities” (cf. sections 16 and 18 of the FER framework). Stadler is convinced that the new accounting principle will lead to a more transparent and relevant presentation of the constantly growing full-service business. This also creates consistency with the “Rolling Stock” and “3R business” business areas, in which assets and liabilities were already classified according to the criterion of “realisation/fulfilment within operating activities” and all items were therefore reported in current assets or current liabilities.

MANAGEMENT ASSUMPTIONS AND ESTIMATES

The preparation of the consolidated financial statements in accordance with Swiss GAAP FER requires management to make estimates, judgements and assumptions that have an effect on the application of accounting and measurement methods and impact the reported amounts of assets, liabilities, income and expenses. The estimates and related assumptions are based on past experience and various other factors deemed appropriate. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed regularly. Changes in accounting-related estimates are recognised in the current period and in the periods affected in the future.

Judgements made by management in applying Swiss GAAP FER which have a significant impact on the financial statements, and estimates with a high adjustment risk in the coming year, are presented in the following notes:

Further information	Description
Note 1.2	Work in progress – assessment of the percentage of completion and of total costs

1. OPERATING PERFORMANCE

This section presents Stadler's operating performance. Segment reporting reflects the segment revenue taken into consideration at top management level for corporate management purposes. Details of work in progress, personnel expenses and earnings per share are also shown.

1.1 SEGMENT REPORTING

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

The following two segments exist:

Segment	Activity
"Rolling Stock"	The "Rolling Stock" business segment manufactures various types of rail vehicles. This segment includes the various product types in the following sectors: high-speed, intercity, regional trains, city transport, locomotives and Tailor Made.
"Service & Components"	The "Service & Components" business segment includes the sale of spare parts, the completion of revision, repair and modernisation work (refits) in the 3R business and the performance of preventive and corrective maintenance in the full-service business. This business segment also includes the supply of vehicle components such as car bodies or bogies.

With reference to the complementary recommendation for listed companies (FER 31/8) on segment reporting, Stadler does not report segment results in the interests of shareholders for the following reasons:

1. Detrimental effect on the negotiating position:

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

2. Competitive disadvantage in relation to competitors:

Stadler's competitors generally do not report segment information and detailed segment results. The disclosure of segment results would put Stadler at a competitive disadvantage vis-à-vis its competitors, as the results allow conclusions to be drawn about the margin and cost situation per segment.

in thousands of CHF or as noted	"Rolling Stock"		"Service & Components"		"Corporate Centre" & Eliminations		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
Net revenue								
Net revenue per segment	3,283,997	2,813,153	850,194	718,110	(499,513)	(446,315)	3,634,678	3,084,948
Intersegment revenue	(104,544)	(71,555)	(394,987)	(374,764)	499,531	446,319	–	–
Total net revenue (third parties)	3,179,453	2,741,598	455,207	343,346	18	4	3,634,678	3,084,948
Net revenue by geographical market								
Germany, Austria, Switzerland	1,585,739	1,392,086	109,937	110,669	7	4	1,695,683	1,502,759
Western Europe	641,902	779,569	277,433	183,979	11	–	919,346	963,548
Eastern Europe	603,364	415,928	58,284	41,560	–	–	661,648	457,488
America	222,018	80,763	3,694	3,146	–	–	225,712	83,909
CIS	126,430	67,274	3,579	933	–	–	130,009	68,207
Rest of the world	–	5,978	2,280	3,059	–	–	2,280	9,037
Total net revenue by market	3,179,453	2,741,598	455,207	343,346	18	4	3,634,678	3,084,948
Net revenue by product group								
Trains	2,055,534	2,026,136						
Locomotives	254,366	144,951						
LRV	302,821	115,305						
METRO	209,152	202,522						
TAILOR MADE	351,226	252,684						
Signalling	6,354	–						
Total net revenue by product	3,179,453	2,741,598						
Additions to PPE								
Additions to PPE	65,992	184,352	30,039	67,163	4,342	4,325	100,373	255,840
Total additions to PPE	65,992	184,352	30,039	67,163	4,342	4,325	100,373	255,840
Staff as FTEs								
Permanent employees	8,976	8,387	3,006	2,660	192	181	12,174	11,228
Temporary employees	402	562	280	327	–	–	682	889
Apprentices	181	162	30	24	–	–	211	186
Total staff as FTEs	9,559	9,111	3,316	3,011	192	181	13,067	12,303

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.

ACCOUNTING PRINCIPLES

RECOGNITION OF REVENUE: "ROLLING STOCK"

Income from the sale of rail vehicles is recognised according to the percentage of completion method (see Note 1.2), as this usually involves long-term contracts under which the vehicles are manufactured over a period of more than twelve months.

RECOGNITION OF REVENUE: "SERVICE & COMPONENTS"

Revenue in the "Service" subsegment is made up of the sale of spare parts, the completion of revision, repair and modernisation work (refits) in the 3R business and the performance of preventive and corrective maintenance in the full-service business. Revenue from the sale of spare parts is recognised upon the provision of a service. In the 3R business and the full-service business, revenue is recognised according to the percentage of completion method (see Note 1.2).

Revenue in the "Components" subsegment is recognised upon delivery or transfer of the benefits and risks to the purchaser.

1.2 WORK IN PROGRESS

in thousands of CHF	31.12.2021	31.12.2020 restated ¹
Work in progress		
“Units of Delivery”-Method		
Work in progress, gross	1,856,855	1,735,984
Advance payments to suppliers	80,401	114,921
Advance payments to suppliers, related parties	360	–
Advance payments to suppliers, associated companies	6,463	8,520
Advance payments from customers	(1,130,924)	(959,011)
Advance payments from customers, related parties	–	(23,366)
Total work in progress “Units of Delivery”-Method	813,155	877,048
“Cost to Cost”-Method		
Full-Service-Contracts net	35,796	9,797
Total work in progress	848,951	886,845
Liabilities from work in progress		
“Units of Delivery”-Method		
Work in progress, gross	1,186,887	1,171,460
Advance payments to suppliers	92,456	121,437
Advance payments to suppliers, associated companies	5,487	1,960
Advance payments from customers	(2,184,763)	(2,235,651)
Advance payments from customers, related parties	(338,323)	(256,491)
Advance payments from customers, associated companies	(2,528)	(6,828)
Total liabilities from work in progress “Units of Delivery”-Method	(1,240,784)	(1,204,113)
“Cost to Cost”-Method		
Full-Service-Contracts net	(69,470)	(47,143)
Total liabilities from work in progress	(1,310,254)	(1,251,256)
Net work in progress/(liabilities from work in progress)	(461,303)	(364,411)

¹ The previous year's figures were restated in connection with the change in accounting principles described on page 68.

ACCOUNTING PRINCIPLES

RECOGNITION AND MEASUREMENT OF WORK IN PROGRESS AND REVENUE RECOGNITION “ROLLING STOCK” BUSINESS SEGMENT

Revenue (net proceeds) from the sale of rail vehicles is recognised on the basis of the percentage of completion on the balance sheet date, provided the relevant conditions are met. The percentage of completion is determined individually for each order on the basis of the units of delivery method. Acceptance by the customer generally marks the completion of a unit, whereby a unit usually corresponds to a car or vehicle, and the percentage of completion is calculated according to the ratio of delivered units to the total contractually agreed delivery quantity. There are justified cases in which acceptance by the customer is delayed merely for administrative or organisational reasons, but all significant performance obligations have been met. In such cases, the company management assesses the economic situation and may decide to recognise revenue prior to customer acceptance (see Note 1.3).

Order costs consist of material and external service costs (incl. bank guarantee costs), material overheads (procurement and logistics) as well as production, engineering and project management costs. The cost rates for measuring productive hours are based on a period of several years at normal employment levels.

Costs in connection with development work are allocated to orders to the extent that they are required for customer-specific production. At the latest before the first delivery of a vehicle, the market potential of the associated development is assessed. If this development can be used for future potential orders, the proportion of development costs not borne by the customer is reclassified from work in progress to intangible assets.

Costs incurred for bank guarantees in connection with customer-specific orders are reported under financial expenses on the date of revenue recognition for the corresponding order. The costs of interest-bearing liabilities are recognised directly in the income statement under financial expenses and are not part of order-related expenses.

Contractual penalties owed are recorded as a reduction in revenue according to the percentage of completion and, if not yet paid, are shown under deferred income and accrued expenses.

Subsequent costs for an order already recognised in revenue are entered in deferred income and accrued expenses.

For loss-free valuation, work in progress is assessed individually. As soon as a loss becomes apparent, a value adjustment is recognised to the full extent of the expected loss. If the value adjustment exceeds the value of the asset for the order, a provision is recognised for the excess amount.

Work in progress comprises orders for which the cumulative services exceed the payments already made. If the advance payments received are higher than the cumulative services provided, they are reported under liabilities from work in progress.

Advance payments received are recognised in the balance sheet and not through the income statement. They are offset against the corresponding orders or compensation claims for which the advance payments were made and disclosed in the notes.

“SERVICE & COMPONENTS” BUSINESS SEGMENT – 3R BUSINESS

Revenue (net proceeds) from the completion of revision, repair and modernisation work (refits) in the 3R business is recognised on the basis of the percentage of completion on the balance sheet date, provided the relevant conditions are met. The percentage of completion is determined individually for each order on the basis of the units of delivery method. Please refer to the relevant explanations regarding the “Rolling Stock” business segment.

“SERVICE & COMPONENTS” BUSINESS SEGMENT – FULL-SERVICE BUSINESS

Revenue (net proceeds) from the performance of preventive and corrective maintenance in the full-service business is recognised on the basis of the percentage of completion on the balance sheet date, provided the relevant conditions are met. The percentage of completion is determined individually for each order on the basis of the cost-to-cost method. This results from the ratio between the costs accumulated on orders and the total expected costs over the term of the contract.

Order costs consist of material and external service costs, material overheads (procurement and logistics) as well as production, engineering and order processing costs. The cost rates for measuring productive hours are based on a period of several years at normal employment levels.

Contractual penalties owed are recorded as a reduction in revenue according to the percentage of completion and, if not yet paid, are shown under deferred income and accrued expenses.

For loss-free valuation, work in progress is assessed individually. As soon as a loss becomes apparent, a value adjustment is recognised to the full extent of the expected loss. If the value adjustment exceeds the value of the asset for the order, a provision is recognised for the excess amount.

The kilometre allowances received from customers are continually offset against the services provided as an integral part of work in progress. The resulting net position is recognised per contract in the balance sheet item “Work in progress” (if the cumulative services provided exceed the kilometre allowances received) or “Liabilities from work in progress” (if the allowances received exceed the cumulative services provided).

1.3 COMPENSATION CLAIMS FROM WORK IN PROGRESS

in thousands of CHF	31.12.2021	31.12.2020
Compensation claims from work in progress		
Compensation claims for vehicles whose revenue has been recognised but not yet invoiced	1,907,169	2,037,145
Compensation claims, related parties for vehicles whose revenue has been recognised but not yet invoiced	1,927	–
Advance payments from customers for vehicles whose revenue has been recognised but not yet invoiced	(1,218,465)	(1,174,950)
Total compensation claims from work in progress	690,631	862,195

Compensation claims from work in progress amounting to CHF 690.6 million (previous year: CHF 862.2 million) are composed of claims from contracts where acceptance by customers has not yet taken place but all significant performance obligations have been fulfilled (CHF 116.8 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 573.8 million, previous year: CHF 592.1 million).

ACCOUNTING PRINCIPLES

RECOGNITION AND MEASUREMENT OF COMPENSATION CLAIMS FROM WORK IN PROGRESS

As a rule, a unit is fully invoiced upon its acceptance (and charged against the advance payments received or recognised as a trade receivable for the amount exceeding the advance payments). In cases where the payment schedule does not correspond to the acceptance schedule and invoicing can therefore not take place until a later date, a compensation claim is recorded. If situations listed in the accounting principles set out in Note 1.2 “Recognition and measurement of work in progress” result in the recognition of revenue prior to acceptance by the customer, a compensation claim is recognised in the amount of this revenue (less any advance payments received). Otherwise, the accounting principles described in “Recognition and measurement of work in progress” according to Note 1.2 apply.

1.4 PERSONNEL EXPENSES

in thousands of CHF	2021	2020
Personnel expenses		
Wages and salaries	(728,547)	(677,205)
Social security costs	(105,735)	(93,042)
Pension costs	(30,528)	(26,961)
Other personnel expenses	(18,015)	(28,756)
Total personnel expenses	(882,825)	(825,964)

In accordance with the remuneration regulations, a total of 10,275 shares were issued to the Board of Directors in the 2021 financial year as part of their fee (previous year: 11,409). Personnel expenses were charged accordingly with CHF 0.5 million in 2021 (previous year: CHF 0.5 million). In addition, personnel expenses of CHF 2.0 million were accrued for share-based bonus payments in 2021 in accordance with the remuneration regulations (previous year: CHF 1.2 million). These bonus shares will be allocated in 2022.

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

ACCOUNTING PRINCIPLES

SHARE-BASED REMUNERATION

Under the remuneration regulations, members of the Group Executive Board (GEB), the extended Group Executive Board as well as managerial levels 1 and 2 receive between 20% and 100% of their variable remuneration in the form of shares. The number of shares to be allocated is calculated on the basis of the volume-weighted average price during the month of March of the following financial year. The shares are subject to a four-year vesting period after allocation and are allocated at a vesting discount of 20% in relation to the defined value. They are granted with no other vesting conditions. The expense is recognised in the year in which the benefit is provided and recorded as an increase in equity (capital reserves). Any differences in relation to the effective allocation value are corrected in the following year and recognised in the income statement.

The members of the Board of Directors have the option to have their fee paid in cash and/or in shares. The number of shares to be allocated is calculated on the basis of the volume-weighted average price during the month of November of the financial year of allocation. The shares are subject to a four-year vesting period after allocation in December and are allocated at a vesting discount of 20% in relation to the defined value. The expense is recognised in the income statement at the current value of the allocation with a corresponding offsetting entry in equity (capital reserves).

Stadler holds treasury shares for the purpose of fulfilling share plans.

1.5 EARNINGS PER SHARE

in thousands of CHF or as noted	2021	2020
Earnings per share		
Profit for the year attributable to shareholders	133,655	137,612
Weighted average number of shares outstanding	99,977,449	99,977,624
Basic and diluted earnings per share (in CHF)	1.34	1.38

Treasury shares held by the company are not taken into account when calculating earnings per share. There are no circumstances leading to a dilution of earnings per share. Shares allocated to employees as share-based remuneration (see Note 1.4) were, or are, entitled to dividends.

2. OPERATING ASSETS AND LIABILITIES

Items of current and non-current assets and liabilities relevant to Stadler's operating activities are presented in the following section. The notes on assets focus on trade receivables and payables, inventories and property, plant and equipment, including leased assets. This section also presents the development of provisions and contingent liabilities and contains notes on selected items which are of relevance to operations.

2.1 TRADE RECEIVABLES AND PAYABLES

in thousands of CHF	31.12.2021	31.12.2020
Trade receivables		
Third parties	316,809	276,083
Related parties	3,510	26,527
Associated companies	584	577
Allowance for doubtful accounts	(2,778)	(2,194)
Total trade receivables	318,125	300,993

ACCOUNTING PRINCIPLES

Receivables are reported at nominal value. Business default risks are taken into account by individual and general value adjustments. General value adjustments are made for items which have not already been subject to individual value adjustments. Individual value adjustments are verified for items exceeding a value of CHF 0.2 million. General value adjustments are based on the past experience of Stadler.

in thousands of CHF	31.12.2021	31.12.2020
Trade payables		
Third parties	212,004	285,199
Related parties	3,069	13,060
Associated companies	215	52
Total trade payables	215,288	298,311

ACCOUNTING PRINCIPLES

Trade payables are reported at nominal value.

2.2 INVENTORIES

in thousands of CHF	31.12.2021	31.12.2020
Inventories		
Spare parts	183,466	148,010
Components	41,015	57,826
Allowances	(5,179)	(4,482)
Total inventories	219,302	201,354

ACCOUNTING PRINCIPLES

Inventories are composed of spare parts and components. Acquisition or production costs include all direct and indirect expenses to bring the inventories to their present location or to their present state (full costs). In principle, the actual costs incurred are decisive for the determination of the acquisition and production costs. They are calculated according to the average method. Cash discounts (in the sense of a discount for rapid payment) are booked as acquisition price reductions. The difference between the acquisition or production costs and any lower net market value is recorded as a value adjustment (lowest value principle).

2.3 PROPERTY, PLANT AND EQUIPMENT

in thousands of CHF	Land and buildings	Plant and machinery	Equipment	Tools	Vehicles and means of transport	Hardware	Assets under lease	Assets under construction	Total
Acquisition value									
Balance at 1 January 2020	480,675	241,464	83,161	44,324	17,158	38,709	65,283	57,359	1,028,133
Change in scope of consolidation	–	–	105	–	–	–	–	–	105
Additions	80,330	29,040	12,143	10,982	3,148	10,213	–	109,984	255,840
Disposals	(122)	(5,935)	(1,838)	(1,683)	(613)	(1,799)	(90)	–	(12,080)
Reclassifications	19,156	20,458	846	799	188	753	1,781	(43,981)	–
Currency translation differences	(10,315)	(5,250)	(820)	(485)	(228)	(522)	(3,112)	(1,132)	(21,864)
Balance at 31 December 2020	569,724	279,777	93,597	53,937	19,653	47,354	63,862	122,230	1,250,134
Change in scope of consolidation	–	27	298	29	217	141	–	–	712
Additions	8,211	14,124	14,995	4,293	2,606	6,936	342	48,866	100,373
Disposals	(2,609)	(2,086)	(932)	(2,306)	(823)	(4,903)	–	–	(13,659)
Reclassifications	95,963	21,344	1,791	4,508	710	574	–	(124,890)	–
Currency translation differences	(11,797)	(8,517)	(1,548)	(1,831)	(389)	(647)	(1,939)	(1,757)	(28,425)
Balance at 31 December 2021	659,492	304,669	108,201	58,630	21,974	49,455	62,265	44,449	1,309,135
Accumulated depreciation and impairment									
Balance at 1 January 2020	90,318	119,807	34,191	30,899	10,351	26,099	14,768	–	326,433
Additions	15,688	18,605	6,406	6,136	1,884	6,809	2,147	–	57,675
Disposals	(119)	(4,144)	(940)	(1,634)	(566)	(1,698)	(90)	–	(9,191)
Reclassifications	58	–	–	(2)	–	2	(58)	–	–
Currency translation differences	(819)	(2,194)	(215)	(347)	(84)	(323)	(770)	–	(4,752)
Balance at 31 December 2020	105,126	132,074	39,442	35,052	11,585	30,889	15,997	–	370,165
Additions	17,667	21,553	7,826	6,947	2,068	7,493	1,983	–	65,537
Disposals	(137)	(1,948)	(889)	(2,283)	(754)	(4,814)	–	–	(10,825)
Currency translation differences	(1,795)	(3,716)	(581)	(1,129)	(183)	(482)	(599)	–	(8,485)
Balance at 31 December 2021	120,861	147,963	45,798	38,587	12,716	33,086	17,381	–	416,392
Net carrying amounts									
Balance at 31 December 2021	538,631	156,706	62,403	20,043	9,258	16,369	44,884	44,449	892,743
Balance at 31 December 2020	464,598	147,703	54,155	18,885	8,068	16,465	47,865	122,230	879,969
Balance at 1 January 2020	390,357	121,657	48,970	13,425	6,807	12,610	50,515	57,359	701,700

The difference between the reported asset additions and the cash outflows for asset purchases results from the change in unpaid creditor invoices recorded in other current liabilities.

As of the balance sheet date, investment obligations amounted to CHF 12.7 million (previous year: CHF 14.3 million).

ACCOUNTING PRINCIPLES

Property, plant and equipment is valued at acquisition or production costs less depreciation and impairment necessary for business reasons. Own manufactured assets are only capitalised if they are clearly identifiable and the costs can be reliably determined and if they bring the company a measurable benefit over several years. Depreciation is charged on a straight-line basis over the economic useful life of the asset.

The depreciation periods are as follows:

Category	Estimated useful life (years)
Land and buildings	max. 33
Plant and machinery	8 – 20
Equipment	10 – 15
Tools	2 – 3
Vehicles and means of transport	6 – 8
Hardware (IT)	3 – 6
Assets under lease	the shorter of useful life or contract duration
Assets under construction	no depreciation

IMPAIRMENT

An assessment is made on each balance sheet date as to whether there are any indications that the carrying amount of the asset may exceed its recoverable amount (the higher of its fair value and value in use) (impairment). If impairment exists, the carrying amount is reduced to the recoverable amount, with the impairment charged to profit or loss for the period.

If there is a significant improvement in the indications, the recoverable amount is recalculated. If the net carrying amount of the asset is lower than the newly determined recoverable amount, the impairment recognised in prior periods is reversed through profit or loss. The new carrying amount resulting from the reversal is the lower of the recoverable amount and the carrying amount after normal depreciation which would have resulted if no impairment had been recorded.

FINANCE LEASES

Assets under lease include the buildings in Szolnok, Winterthur and Montceau-les-Mines (see also Note 3.1 “Financial liabilities”). The term of the Szolnok lease contract lasts until the year 2029, that of Winterthur until the year 2030, and the contract for Montceau-les-Mines until 2034. Stadler has the option to acquire the leased building in Szolnok before the end of the term.

in thousands of CHF	31.12.2021	31.12.2020
Liabilities from finance leases		
Due within 1 year	2,554	2,723
Current finance lease liabilities (Note 3.1)	2,554	2,723
Due within 1 to 5 years	12,520	13,667
Due after more than 5 years	26,857	29,195
Non-current finance lease obligations (Note 3.1)	39,377	42,862
Total liabilities from finance leases	41,931	45,585

OPERATING LEASE LIABILITIES

in thousands of CHF	31.12.2021	31.12.2020
Operating lease liabilities		
Due within 1 year	17,951	17,573
Due within 1 to 5 years	38,297	47,293
Due after more than 5 years	23,865	26,249
Total undiscounted lease payments	80,113	91,115

ACCOUNTING PRINCIPLES

Usage rights acquired by means of lease contracts under which the opportunities and risks associated with the economic use of the leased asset are essentially transferred to Stadler are classified as finance leases and are initially recognised at the lower of the two values of the present value of future lease payments and the acquisition or net market value. Investments in financial leases are depreciated over their estimated useful lives or shorter lease term if it is not possible to determine with reasonable certainty whether the ownership is transferred to the lessee at the end of the lease term. Payments from operating leases are recognised in the income statement on a straight-line basis over the lease term.

Gains from the sale of property, plant and equipment with subsequent rental under a finance lease (sale and leaseback finance leases) are deferred and amortised over the term of the lease.

2.4 FINANCIAL ASSETS

in thousands of CHF	31.12.2021	31.12.2020
Financial assets		
Other financial assets, third parties	46,054	31,068
Other financial assets, related parties	–	32,187
Other financial assets, associated companies	2,434	1,452
Deferred income tax assets	77,208	68,413
Total financial assets	125,696	133,120

ACCOUNTING PRINCIPLES**OTHER FINANCIAL ASSETS**

Other financial assets include loans and receivables which are recognised at acquisition cost less any necessary impairment.

DEFERRED INCOME TAX ASSETS

This item includes deferred tax assets from losses carried forward and from deductible temporary differences. Further details can be found in Note 5.3.

2.5 INTANGIBLE ASSETS

in thousands of CHF	Software	Licenses, patents	Development costs	Assets in development	Total
Acquisition value					
Balance at 1 January 2020	44,534	15,614	129,686	5,359	195,193
Change in scope of consolidation	15	–	–	–	15
Additions	10,410	1,732	27,217	17,992	57,351
Disposals	(4,301)	(30)	–	–	(4,331)
Reclassifications	5,952	–	–	(5,952)	–
Currency translation differences	(239)	(6)	(312)	83	(474)
Balance at 31 December 2020	56,371	17,310	156,591	17,482	247,754
Change in scope of consolidation	92	–	8,427	–	8,519
Additions	6,349	94	11,641	51,740	69,824
Disposals	(5,268)	(3)	–	–	(5,271)
Reclassifications	1,471	–	8,938	(10,409)	–
Currency translation differences	(838)	(57)	(2,247)	(930)	(4,072)
Balance at 31 December 2021	58,177	17,344	183,350	57,883	316,754
Accumulated depreciation and impairment					
Balance at 1 January 2020	29,237	10,998	50,143	–	90,378
Additions	6,561	2,045	29,539	–	38,145
Disposals	(3,658)	(5)	–	–	(3,663)
Currency translation differences	(127)	(6)	(299)	–	(432)
Balance at 31 December 2020	32,013	13,032	79,383	–	124,428
Additions	8,074	1,051	24,733	–	33,858
Disposals	(4,590)	(3)	–	–	(4,593)
Currency translation differences	(641)	(24)	(1,220)	–	(1,885)
Balance at 31 December 2021	34,856	14,056	102,896	–	151,808
Net carrying amounts					
Balance at 31 December 2021	23,321	3,288	80,454	57,883	164,946
Balance at 31 December 2020	24,358	4,278	77,208	17,482	123,326
Balance at 1 January 2020	15,297	4,616	79,543	5,359	104,815

The above-mentioned additions to assets in development of CHF 51.7 million are mainly due to the capitalisation of development costs for new vehicle concepts and signalling solutions as well as the replacement of ERP systems.

The difference between the reported asset additions and the cash outflows for asset purchases results from the change in unpaid creditor invoices recorded in other current liabilities.

ACCOUNTING PRINCIPLES

Intangible assets include software, licenses and patents purchased from third parties, as well as capitalised development costs. They are valued at acquisition or production cost less necessary depreciation and impairment.

Intangible assets acquired from third parties are capitalised if they bring measurable future benefits over several years. Depreciation is calculated on a straight-line basis over a cautiously estimated useful life from the date on which the acquired intangible asset is available for use.

Development costs are capitalised if the required recognition criteria are met (essentially the identifiability and power of disposal over the asset, the existence of a measurable future benefit over several years, separate recognition and measurability of the corresponding expenses as well as the availability of the necessary funds for completion and use).

In the case of in-house developments, a distinction is made between those without and those with a customer order:

Developments without a customer order:

Development costs are capitalised from the date on which the aforementioned recognition criteria are cumulatively met. Depreciation is calculated on a straight-line basis over the useful life from the date on which the completed development is available for use. If the useful life cannot be clearly determined, depreciation is carried out over five years. Depreciation is recognised in the income statement under the item “Development costs”.

Development costs as part of a customer order:

Order-related development costs in the “Rolling Stock” business segment are initially capitalised in accordance with the “units of delivery” method in the balance sheet item “Work in progress” without affecting the income statement and, from the first delivery of a vehicle, are recognised as production costs in the income statement on a pro rata basis in relation to the number of vehicles ordered (including any options exercised on additional vehicles). At the latest before the first delivery of a vehicle, the market potential of the associated development is assessed. If this development can be used for future potential orders, the proportion of development costs not borne by the customer is reclassified from work in progress to intangible assets. Depreciation is calculated on a straight-line basis over the useful life from the date of receipt of the approval required for commercial use, but no later than the date of the first delivery of a vehicle. If the useful life cannot be clearly determined, depreciation is carried out over five years.

Depreciation is recognised in the income statement under the item “Development costs”.

In the “Service & Components” business segment, no order-related developments have been carried out so far.

The depreciation periods are as follows:

Category	Estimated useful life (years)
Software	3 – 6
Patents, licenses	5
Development costs	max. 10

The accounting principles for goodwill arising from acquisition are set out in Note 4.6.

Impairment is treated in the same way as for property, plant and equipment (Note 2.3).

2.6 PROVISIONS AND CONTINGENT LIABILITIES

in thousands of CHF	Warranty provisions	Other personnel provisions	Other provisions	Deferred taxes	Employee benefit obligations	Total
Balance at 1 January 2020	98,749	33,819	26,255	8,465	2,788	170,076
Change in scope of consolidation	38	30	13	–	–	81
Addition	62,690	32,361	2,258	4,274	436	102,019
Utilisation	(49,122)	(25,195)	(20,147)	(1,221)	(42)	(95,727)
Reversal	(5,542)	(6,301)	(490)	(680)	–	(13,013)
Currency translation differences	(1,096)	(311)	(171)	(87)	(114)	(1,779)
Balance at 31 December 2020	105,717	34,403	7,718	10,751	3,068	161,657
– thereof current	37,593	31,655	6,743	–	–	75,991
– thereof non-current	68,124	2,748	975	10,751	3,068	85,666
Change in scope of consolidation	302	–	140	20	–	462
Addition	86,957	39,192	11,600	5,585	75	143,409
Utilisation	(71,670)	(28,353)	(1,184)	(5,114)	(269)	(106,590)
Reversal	(6,889)	(2,628)	(155)	–	(140)	(9,812)
Currency translation differences	(1,865)	(718)	(194)	(198)	(12)	(2,987)
Balance at 31 December 2021	112,552	41,896	17,925	11,044	2,722	186,139
– thereof current	45,622	39,021	17,310	–	–	101,953
– thereof non-current	66,930	2,875	615	11,044	2,722	84,186

The warranty costs reported in the income statement consist of the “Addition” and “Reversal” items in the “Warranty provisions” column.

CONTINGENT LIABILITIES AND OTHER OBLIGATIONS NOT TO BE RECOGNISED IN THE BALANCE SHEET

Contingent liabilities and other obligations not to be recognised in the balance sheet are disclosed directly in the respective sections of the relevant items:

Further information	Description
Note 2.3	Investment obligations
Note 2.3	Operating lease liabilities
Note 3.2	Sureties and guarantee obligations
Note 3.2	Pledged assets to secure own obligations
Note 5.5	Employee participation plan

ACCOUNTING PRINCIPLES**GENERAL – PROVISIONS**

Provisions are made for current obligations with an indefinite settlement date or a non-determinable amount where they are due to a past event and a future outflow of funds is likely. Provisions are measured on the basis of the probable cash outflows and are increased, maintained or released as a result of the reassessment. If the effect of discounting is material, then the provision is recognised at present value.

WARRANTY PROVISIONS

Warranty provisions are estimated and recognised according to the best possible estimate at the beginning of the warranty period for each individual vehicle (addition warranty provisions) and are continually used to cover warranty claims (utilisation warranty provisions). The amount of the provision to be recognised is based on past experience. If the original provision is not sufficient, an additional provision is recognised (addition warranty provisions) and then used to cover warranty claims (utilisation warranty provisions). Any residual balance at the end of the guarantee period is released to income (reversal warranty provisions). Warranty provisions for vehicles whose warranty period ends within twelve months of the balance sheet date are reported as current. If the warranty period ends after twelve months, the related provisions are reported as non-current.

OTHER PERSONNEL MATTERS AND OTHER PROVISIONS

Provisions for “Other personnel matters” are primarily provisions for anniversary, departure and bonus payments. The “Other provisions” mainly include possible risk and rework provisions as well as possible process costs. Contingent purchase price payments are also recorded under this item. For non-current provisions, a probability of an outflow of funds in an average of two to three years is assumed.

DEFERRED TAXES

Deferred income tax liabilities are reported under “Deferred tax provisions”. Further information can be found in Note 5.3.

EMPLOYEE BENEFIT LIABILITIES

The economic obligations arising from employee benefits are reported under this item. Further information can be found in Note 5.4.

CONTINGENT LIABILITIES

Contingent liabilities and other obligations not to be recognised are valued and disclosed on each balance sheet date. If contingent liabilities and other obligations not to be recognised lead to an outflow of funds without a compensating inflow, and the outflow is probable and can be estimated reliably, a provision is recognised.

2.7 OTHER OPERATING ASSETS AND LIABILITIES

OTHER CURRENT RECEIVABLES

in thousands of CHF	31.12.2021	31.12.2020
Other current receivables		
VAT receivables	74,865	80,045
Receivables from the sale of non-current assets	10,104	10,304
Income tax receivables	15,496	19,461
Derivative financial instruments	10	638
Other receivables from associated companies	297	84
Other receivables from third parties	35,655	36,663
Total other current receivables	136,427	147,195

OTHER CURRENT LIABILITIES

in thousands of CHF	31.12.2021	31.12.2020
Other current liabilities		
Social insurance, source and wage taxes	26,773	24,441
VAT liabilities	100,467	19,554
Liabilities from the purchase of non-current assets	15,231	25,008
Liabilities from the purchase of non-current assets from related parties	2,515	–
Pension fund current account	122	83
Income tax liabilities	20,199	21,517
Derivative financial instruments	2,748	3,784
Other current liabilities from third parties	9,272	15,904
Total other current liabilities	177,327	110,291

The increase in VAT liabilities is due to the fact that a higher number of orders were processed in the reporting year for which Stadler took care of importing the vehicles on behalf of the customer in the country of destination. The vehicles were then invoiced to the customer with local VAT.

DEFERRED INCOME/ACCRUED EXPENSES

in thousands of CHF	31.12.2021	31.12.2020
Deferred income and accrued expenses		
Outstanding invoices	117,487	102,576
Accruals manufacturing costs	116,738	95,291
Vacation and overtime	49,641	44,463
Sales commissions, royalties, penalties	38,477	39,009
Other deferred income and accrued expenses	7,244	10,350
Total deferred income and accrued expenses	329,587	291,689

3. FINANCING

The following section explains the most important aspects of financing. Stadler aims to safeguard an adequate equity base in order to maintain the confidence of investors, creditors and the market and to continue the further expansion of the Group. It uses hedging instruments to manage foreign currency and interest rate risks.

3.1 FINANCIAL LIABILITIES

in thousands of CHF	Interest rate	Maturity	31.12.2021	31.12.2020
Current financial liabilities				
Operating loan	-0.2 – 1.9%	< 1 year	155,187	57,044
Project financing	0.8 – 2.3%	< 1 year	641,691	920,883
Bank loans for property, plant and equipment	0.6 – 3.1%	< 1 year	18,485	22,433
Lease liabilities for property, plant and equipment	1.0 – 3.5%	< 1 year	2,554	2,723
Total current financial liabilities			817,917	1,003,083
Non-current financial liabilities				
Operating loan	0.0 – 1.9%	1 – 7 years	52,587	38,325
Bank loans for property, plant and equipment	0.6 – 3.1%	1 – 16 years	110,614	129,720
Lease liabilities for property, plant and equipment	1.0 – 3.5%	1 – 13 years	39,377	42,862
Loans from governmental institutions	0.0%	31 years	23,022	23,059
Bonds	0.4%	5 years	300,000	300,000
Promissory note loans	0.7 – 1.1%	3 – 7 years	156,317	–
Total non-current financial liabilities			681,917	533,966
Breakdown by currency				
CHF			613,055	896,108
DKK			722	155
EUR			404,699	405,296
HUF			36,965	45,409
NOK			62,083	–
PLN			94,733	17,002
SEK			109,362	57,690
USD			178,215	115,389
Total financial liabilities			1,499,834	1,537,049

Short- and long-term operating loans include loans to finance current assets as well as coronavirus-related loans received under government support programmes in Denmark. In the reporting year, the United States of America waived the repayment of the Corona loan of USD 4.3 million recognised in the previous year. This waiver was granted under specific conditions as compensation for operating and personnel costs. This was recognised under “Other operating income” in the income statement. The coronavirus loan in Spain reported in the previous year was repaid in full in the reporting year.

In addition, Stadler Deutschland GmbH took out a first promissory note loan of EUR 60.0 million with a term of 3 years and an interest rate of 0.70% and a second promissory note loan of EUR 90.0 million with a term of 7 years and an interest rate of 1.11% for the purpose of financing current and non-current assets.

ACCOUNTING PRINCIPLES

Financial liabilities are reported at nominal value.

Bonds and promissory note loans are carried at nominal value. The issuing costs incurred in connection with the issue of the bond and the promissory note loans are capitalised under accrued income/deferred expenses and amortised over the term of the bond. Any premiums received on the issue of the bond are recognised under deferred income/accrued expenses and amortised over the term of the bond. The reversal of the issuing costs and of the premium are recognised in the financial result.

3.2 GUARANTEES AND PLEDGED ASSETS

SURETIES AND GUARANTEE OBLIGATIONS

As at the balance sheet date, guarantees (warranties and sureties) amounting to CHF 5,682 million (previous year: CHF 5,756 million) were outstanding.

ASSETS PLEDGED TO SECURE OWN LIABILITIES

in thousands of CHF	Collateral for:	31.12.2021	31.12.2020
Pledged assets			
Property	Mortgages	262,944	268,460
Assets under lease	Finance lease	44,884	47,865
Total pledged assets		307,828	316,325

3.3 SHARE CAPITAL AND RESERVES

SHARE CAPITAL

As at 31 December 2021, the share capital of the parent company Stadler Rail AG consisted of 100 million registered shares with a par value of CHF 0.20 each (31 December 2020: 100 million registered shares with a par value of CHF 0.20 each). Shareholders are entitled to receive the dividends decided upon and have one vote per share at the company's Annual General Meeting.

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

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.

The Board of Directors is authorised to increase the share capital at any time until 6 May 2023 by a maximum amount of CHF 2 million from the authorised share capital. An increase in partial amounts is permitted.

Conditional share capital up to a maximum amount of CHF 0.4 million was created for employee profit sharing. Shareholders' subscription rights and advance subscription rights are excluded.

The significant shareholders within the meaning of Art. 663c of the Swiss Code of Obligations are shown in the individual financial statements of Stadler Rail AG, see page 118.

RESERVES

Non-distributable legal reserves amounted to CHF 4 million as at 31 December 2021 (previous year: CHF 4 million).

DIVIDENDS

The following dividends were decided upon by the Annual General Meeting and subsequently paid out:

in thousands of CHF or as noted	2021	2020
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

After 31 December 2021, the Board of Directors proposed dividends of CHF 0.90 per registered share totalling CHF 90.0 million for 2021. The dividend proposal will be submitted to the Annual General Meeting on 5 May 2022 for approval.

TREASURY SHARES

in thousands of CHF	2021		2020	
	Number	Value	Number	Value
Treasury shares				
Balance at 1 January	18,591	721	–	–
Purchases from third parties	60,322	2,420	30,000	1,163
Allocations of share-based payments	(44,326)	(1,943)	(11,409)	(451)
Adjustment to average price		137		9
Balance at 31 December	34,587	1,335	18,591	721

The amounts in the “Adjustment to average valuation” line correspond to the difference between the sales price/defined value and the average acquisition cost of the treasury shares sold.

In 2021, 60,322 registered shares were acquired at an average price of CHF 40.12 per share (previous year: 30,000 registered shares at an average price of CHF 38.78). There were no sales of registered shares in the 2021 financial year (previous year: none). Within the framework of share-based remuneration (see Note 1.4), 44,326 registered shares were allocated in the reporting year at an average defined value of CHF 43.84 (previous year: 11,409 registered shares at an average price of CHF 39.60).

ACCOUNTING PRINCIPLES

The purchase of treasury shares is made at acquisition cost and is recognised as a negative item in equity. In the event of subsequent sale or allocation (supply) within the scope of share-based remuneration, any excess or shortfall is recognised in the capital reserves without affecting the income statement. Share-based remuneration allocations take place in accordance with the principles described in Note 1.4.

3.4 DERIVATIVE FINANCIAL INSTRUMENTS

Stadler uses derivative financial instruments only to hedge contractually fixed cash flows from operating activities and financial transactions in order to cover interest rate and currency risks (cash flow hedges).

in thousands of CHF	Purpose	31.12.2021		31.12.2020	
		Positive value	(Negative value)	Positive value	(Negative value)
Basic values					
Currency	Hedge	13,404	(13,220)	28,885	(12,820)
Interest	Hedge	677	–	223	(459)
Total derivative financial instruments		14,081	(13,220)	29,108	(13,279)
– thereof to hedge future cash flows		14,071	(10,472)	28,470	(9,495)
Total recognised values		10	(2,748)	638	(3,784)

ACCOUNTING PRINCIPLES

Derivative financial instruments are used exclusively to hedge future cash flows against foreign currency or interest rate risks. These instruments are not recognised in the balance sheet, but are disclosed in the notes until the hedged underlying transaction occurs. When the underlying transaction occurs, the current value of the derivative financial instrument is recognised in the balance sheet at the same time as the hedged transaction. The ineffective portion of a hedging relationship is recognised immediately in the income statement. If the occurrence of the future transaction is no longer expected, immediate recognition of the accumulated profits or losses is made.

In such cases, positive replacement values are reported under other current receivables, and negative replacement values under other current liabilities. All changes in the value of the hedging instrument are reported in the income statement under the same item as the changes in the value of the underlying transaction.

4. GROUP STRUCTURE

The following section explains Stadler's structure including the main changes and the resulting effects on the consolidated financial statements. This section also contains disclosures on transactions with related parties and companies, and specifies the general consolidation principles.

4.1 CHANGES IN THE SCOPE OF CONSOLIDATION

4.1.1 CHANGES IN 2021

ADDITIONS (COMPANIES FOUNDED)

- As at 14 July 2021: Stadler Demiryolu Araçları Servisi Anonim Şirketi, Ataşehir, Turkey (purpose: Service)
- As at 28 September 2021: Stadler Service Georgia LLC, Tbilisi, Georgia (purpose: Service)

ACQUISITIONS OF SUBSIDIARIES

In November 2021, a contract was concluded for the purchase of 100% of the capital shares of BÄR Bahnsicherung AG in Fehrltorf. With this acquisition, Stadler is continuing to focus on the development of in-house expertise in the areas of signalling and digitalisation. The aim is to together drive forward the digitalisation of the railway industry in order to offer customers the best signalling technology solutions from a single source. The capital shares were acquired on the date of acquisition on 26 November 2021, and the company is therefore included in the consolidated financial statements from this date.

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

in thousands of CHF	Total
Acquisition of BÄR Bahnsicherung AG	
Current assets	13,296
Non-current assets	9,301
Current liabilities	(15,437)
Non-current liabilities	(5,785)
Total net assets	1,375
Purchase price	12,000
Goodwill	10,625
Cash acquired	(1,053)
Net cash outflow	(10,947)

PURCHASE OF MINORITY INTERESTS

As at 4 November 2021, the remaining 49% of the capital shares of Stadler CIS AG in Bussnang were acquired from the previous minority shareholder for CHF 0.2 million in connection with the termination of the partnership.

OTHER

In December 2021, a contract was concluded for the purchase of 100% of the capital shares of BBR Verkehrstechnik GmbH (BBR) in Braunschweig, Germany, incl. its group companies. The acquisition is subject to various closing conditions, which are expected to be completed in 2022. BBR will only be included in the consolidated financial statements from this date. The acquisition of BBR will enable Stadler to strengthen its position in the German-speaking signalling market and gain valuable references within Europe and in other markets, especially the USA. The takeover underlines Stadler's ambitions in the future-oriented signalling field, which is to become a further strategic pillar. Following the integration of BBR, signalling activities will be brought together in an independent business segment and reported separately in the segment reporting.

4.1.2 CHANGES IN 2020

ADDITIONS (COMPANIES FOUNDED)

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

ACQUISITIONS OF SUBSIDIARIES

In June 2020, a contract was concluded for the purchase of 100% of the capital shares of VIPCO GmbH in Mannheim (now Stadler Mannheim GmbH). The capital shares were acquired on the date of acquisition on 1 July 2020, and the company is therefore included in the consolidated financial statements from this date. The goodwill of CHF 1.0 million arising from the acquisition was recognised directly in equity. The net assets acquired consisted mainly of cash and cash equivalents, current receivables and current liabilities. The new engineering subsidiary with around 50 employees 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 (since 1 January 2021 Stadler Deutschland 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.

4.2 SCOPE OF CONSOLIDATION AND CONSOLIDATION PRINCIPLES

ACCOUNTING PRINCIPLES

The consolidated financial statements include the annual financial statements of Stadler Rail AG and the companies which Stadler Rail AG controls. Control exists provided Stadler Rail AG can determine the financial and business policy and thus also benefit from business activities. This is the case if more than 50% of the voting rights are held or if control can be otherwise exercised (see Note 4.4, “List of investments”).

Capital consolidation is based on the Anglo-Saxon purchase method. The equity of the Group companies on the date of acquisition or date of founding is offset against the carrying amount of the investment. On this date, the assets and liabilities of the Group company are valued at current values. No purchase price allocation has been undertaken. Any difference between the acquisition costs and the equity of the acquired company is recorded accordingly as positive or negative goodwill directly in retained earnings. Transaction costs incurred in connection with the acquisition of a company are included in acquisition costs.

The purchase of minority interests is also recognised using the purchase method. Positive or negative goodwill corresponding to the difference between the purchase price and the proportionate carrying amount of the minority interests is offset directly against retained earnings.

The acquisition costs also include deferred or owed purchase price payments. Contingent purchase price payments (e.g. earn-out) are recognised if they are considered probable. They are recorded in provisions until the date of payment. Changes in the estimate of the contingent purchase price payment are recognised directly in equity. Contingent purchase price payments affect goodwill and are offset directly against retained earnings.

On the basis of the full consolidation method, the assets, liabilities, income and expenses of the consolidated companies are recognised in full. Minority interests in equity and earnings are shown separately in the consolidated balance sheet and consolidated income statement.

All intragroup transactions and relationships are offset mutually and eliminated in the consolidated financial statements. Unrealised gains contained in inventories or work in progress resulting from intragroup deliveries are eliminated in full. Unrealised losses on intragroup transactions are also eliminated, unless there is evidence of impairment.

Investments over which a significant influence can be exercised are not fully consolidated. Significant influence is presumed if the share in voting rights is at least 20% but less than 50% and control cannot be exercised. Associated companies are accounted for using the equity method. The acquisition costs of the acquired company are offset against the net assets measured at current values on the date of acquisition. Any difference between the acquisition costs and the proportional equity of the acquired investment remaining after this revaluation is recorded as positive or negative goodwill directly in retained earnings. Transaction costs incurred in connection with the acquisition are part of the acquisition costs. The carrying amount is subsequently adjusted to reflect Stadler’s share of the associated company’s profit or loss for the year and changes in capital. They are shown in the consolidated balance sheet under investments in associated companies.

If significant influence continues to exist after the sale of shares in fully consolidated companies, the remaining equity investment is carried at the value of the proportionate equity and the proportionate goodwill, and the difference is recognised as a gain or loss in the income statement.

Investments of less than 20% are valued at acquisition cost less any value adjustments necessary for business reasons. They are reported under financial assets.

The presentation currency of the consolidated financial statements is the Swiss franc (CHF). The annual financial statements of Group companies in foreign currency are converted into Swiss francs as follows:

- Balance sheet at the closing rate at year-end
- Income statement at the average rate of the year
- Cash flow statement at the average rate of the year

Cumulative currency translation differences are offset directly against retained earnings on the disposal of foreign subsidiaries.

Gains and losses from transactions in foreign currencies and from adjustments on foreign currency balances at the balance sheet date are recognised in the income statement.

Conversion rates in CHF:

Currency	Average rates		Closing rates	
	2021	2020	31.12.2021	31.12.2020
EUR	1.0811	1.0704	1.0375	1.0821
USD	0.9143	0.9386	0.9129	0.8852
GBP	1.2578	1.2043	1.2332	1.2083
NOK	0.1064	0.1000	0.1035	0.1031
PLN	0.2369	0.2410	0.2260	0.2369
HUF	0.0030	0.0031	0.0028	0.0030
CZK	0.0422	0.0405	0.0417	0.0412
DZD	0.0068	0.0074	0.0066	0.0067
SEC	0.1066	0.1022	0.1008	0.1077
RUB	0.0124	0.0131	0.0121	0.0119
RSD	0.0092	0.0091	0.0088	0.0092
DKK	0.1454	0.1436	0.1395	0.1454
GEL	0.2800	n/a	0.3000	n/a

4.3 INVESTMENTS IN ASSOCIATED COMPANIES

in thousands of CHF	2021	2020
Investments in associated companies		
Balance at 1 January	15,228	14,297
Share of results from associated companies	3,843	2,803
Dividends received	(738)	(1,840)
Currency translation differences	(736)	(32)
Balance at 31 December	17,597	15,228

A contingent purchase price payment was recorded in provisions in 2019 in connection with the AngelStar joint venture. As a result, goodwill increased accordingly and was subsequently directly offset against retained earnings. A partial amount of EUR 4.2 million was paid in connection with the contingent purchase price payment in the previous year, leaving a residual amount of EUR 3.0 million recognised in provisions as at 31 December 2020. No further payment was made in the reporting year.

4.4 LIST OF INVESTMENTS

All subsidiaries which are under the legal or effective control of Stadler Rail AG are included in the consolidated financial statements. This applies to the investments shown below:

The stakes/capital shares shown here also correspond to the respective proportion of voting rights.

Country	Company	Headquarter	Operating currency	Basic capital in thousand	Share % 31.12.2021	Share % 31.12.2020	Consolidation	Function
Switzerland								
	Stadler Rail AG	Bussnang	CHF	20,000				CS
	Stadler Rail Management AG	Bussnang	CHF	100	100	100	o	E, V, CS
	Stadler Bussnang AG	Bussnang	CHF	10,000	100	100	o	P, E
	Stadler Rheintal AG	St. Margrethen	CHF	2,000	100	100	o	P, E
	Stadler Winterthur AG	Winterthur	CHF	800	100	100	o	P
	Stadler Service AG	Bussnang	CHF	200	100	100	o	E, S, V, CS
	Stadler Stahlguss AG	Biel	CHF	1,000	100	100	o	P
	Stadler CIS AG	Bussnang	CHF	500	100	51	o	V
	Stadler Signalling AG	Wallisellen	CHF	100	100	100	o	E
	BÄR Bahnsicherung AG	Fehraltorf	CHF	100	100	-	o	P, E
Algeria								
	Stadler Algérie Eurl	Algiers	DZD	1,200	100	100	o	S
Denmark								
	Stadler Service Denmark Aps	Aarhus	DKK	50	100	100	o	S
Germany								
	Stadler Deutschland GmbH (formerly Stadler Pankow GmbH)	Berlin	EUR	6,180	100	100	o	P, E, V, CS
	Stadler Reinickendorf GmbH	Berlin	EUR	25	100	100	o	P
	STAP Grundstücks-Vermietungsgesellschaft GmbH	Berlin	EUR	25	100	100	o	I
	Stadler Rail Service Deutschland GmbH (formerly SILEX Grundstücks-Verwaltungsgesellschaft GmbH)	Berlin	EUR	3,500	100	100	o	S
	Stadler Chemnitz GmbH	Chemnitz	EUR	25	100	100	o	E
	Stadler Mannheim GmbH	Mannheim	EUR	100	100	100	o	E
Finland								
	Stadler Service Finland Oy	Helsinki	EUR	-	100	100	o	S
France								
	Erion France S.A.S.	Arc-lès-Gray	EUR	150	100	100	o	S
Georgia								
	Stadler Service Georgia LLC	Tbilisi	GEL	-	100	-	o	S
Great Britain								
	Stadler Rail Service UK Ltd.	Liverpool	GBP	0.001	100	100	o	S
Italy								
	Stadler Service Italy S.r.l.	Merano	EUR	10	100	100	o	S
	AngelStar S.r.l.	Mola di Bari	EUR	3,000	40	40	Δ	E
Netherlands								
	Stadler Service Nederland B.V.	Twello	EUR	20	100	100	o	S
	WHAT B.V.	Venlo	EUR	1	50	50	Δ	I
Norway								
	Stadler Service Norway AS	Oslo	NOK	33	100	100	o	S

Country	Company	Headquarter	Operating currency	Basic capital in thousand	Share % 31.12.2021	Share % 31.12.2020	Consolidation	Function
Austria	ÖBB Stadler Service GmbH	Vienna	EUR	200	40	40	Δ	S
Poland	Stadler Polska Sp. z o.o.	Siedlce	PLN	500	100	100	o	P, E, V, CS
	Stadler Service Polska Sp. z o.o.	Warsaw	PLN	100	100	100	o	S
	Stadler Środa Sp. z o.o.	Środa Wielkopolska	PLN	25,005	100	100	o	P
Russia	LLC Stadler Rus	Moscow	RUB	500	100	100	o	S
	OOO Stadler	Moscow	RUB	10	90	90	o	V
Sweden	Stadler Service Sweden AB	Stockholm	SEK	50	100	100	o	S
Serbia	Stadler Rail d.o.o.	Kragujevac	RSD	60	100	100	o	S
Spain	Stadler Rail Valencia S.A.U.	Albuixech Valencia	EUR	18,060	100	100	o	P, E, S, V, CS
	Erion Mantenimiento Ferroviario S.A.	Madrid	EUR	500	51	51	o	S
Czech Republic	Stadler Praha s.r.o.	Prague	CZK	2,000	100	100	o	E
Turkey	Stadler Demiryolu Araçları Servisi Anonim Şirketi	Ataşehir	EUR	100	100	-	o	S
Hungary	Stadler Trains Mag. Kft.	Budapest	HUF	3,000	40	40	Δ	V
	Stadler Szolnok Kft.	Szolnok	HUF	300,000	100	100	o	P
	Stadler Mag. Vas. Karb.	Pusztaszabolcs	HUF	320,000	100	100	o	S
USA	Stadler US Inc.	Salt Lake City	USD	100	100	100	o	P, E, S, V
Belarus	CJSC Stadler Minsk	Minsk	EUR	51,322	100	100	o	P, E, V

Consolidation

- o Fully consolidated company
Δ Equity method

Function

- P Production
E Engineering
S Service
V Sales
I Property
CS Corporate Services

4.5 RELATED PARTIES AND COMPANIES

Related parties and companies are associated companies as well as members of the Board of Directors, members of the Group Executive Board, pension funds and shareholders with at least 20% of the voting rights in Stadler Rail AG, as well as companies controlled by the aforementioned related parties and companies. Transactions with related parties are generally based on market conditions. All transactions are included in the consolidated financial statements.

in thousands of CHF	31.12.2021	31.12.2020
Balance Sheet		
Advance payments to suppliers (note 1.2)	12,310	10,480
Advance payments from customers (note 1.2)	340,851	286,685
Compensation claims from work in progress (note 1.3)	1,927	–
Trade receivables (note 2.1)	4,094	27,104
Trade payables (note 2.1)	3,284	13,112
Other financial assets (note 2.4)	2,434	33,639
Other current receivables (note 2.7)	297	84
Liabilities from the purchase of non-current assets (note 2.7)	2,515	–
Income Statement		
Purchase of goods and services	97,744	29,231
Sale of goods and services	398,315	125,475
Interest received	96	1,907
Dividends received	738	1,840

The sale of goods and services for CHF 398.3 million (previous year: CHF 125.5 million) is mainly attributable to the sale of locomotives to the related company European Loc Pool AG (subsidiary of PCS Holding AG) and the sale of KISS trains to the related company Austrian Train Finance AG (subsidiary of PCS Holding AG). The KISS trains will subsequently be leased by Austrian Train Finance AG to the operator WESTbahn.

Advance payments from customers of CHF 340.9 million (previous year: CHF 286.7 million) originate mainly from European Loc Pool AG from orders for the delivery of locomotives and from Rolling Stock Finance AG (subsidiary of PCS Holding AG) in connection with the delivery of KISS trains.

The purchase of goods and services totalled CHF 97.7 million (previous year: CHF 29.2 million). Of this amount, approximately CHF 86.9 million was spent on purchases for the execution of orders, in particular the purchase of compressors from the related company Aebi Schmidt Group (subsidiary of PCS Holding AG), the purchase of traction systems from the related company Traktionssysteme Austria GmbH (subsidiary of PCS Holding AG) and the purchase of ETCS systems from the associated company AngelStar. In addition, CHF 10.8 million in services were purchased from the related company Innflow AG (subsidiary of PCS Holding AG) in connection with the replacement of ERP systems. This results in a liability from the purchase of non-current assets of CHF 2.5 million.

The loan to Estonia Train Finance AG (subsidiary of PCS Holding AG), which was reported under other financial assets in the previous year, was repaid in full in the reporting period. Interest was paid at market conditions.

PCS Holding AG (and its subsidiaries) is an organisation which indirectly, through its owner Peter Spuhler, has a significant influence on Stadler and is regarded as a related party within the meaning of FER 15/2.

4.6 GOODWILL

ACCOUNTING PRINCIPLES

Goodwill resulting from an acquisition is recorded in retained earnings on the date of acquisition. When shares of a Group company are sold, the goodwill historically recorded in retained earnings is transferred to the income statement. The effects of theoretical capitalisation and amortisation, including any impairment resulting from the assessment of recoverability, are shown below. For this shadow accounting, in principle the goodwill is depreciated on a straight-line basis over the economic useful life; normally five years.

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

in thousands of CHF	31.12.2021	31.12.2020
Effects of theoretical capitalisation of goodwill on the balance sheet		
Shareholders' equity including minority interests	880,264	860,339
Equity ratio	19.14%	19.07%
Acquisition value of goodwill at the beginning of the year	167,188	166,169
Additions	10,642	1,019
Acquisition value of goodwill at the end of the year	177,830	167,188
Accumulated amortisation of goodwill at the beginning of the year	156,382	124,068
Amortisation current year	3,895	32,314
Accumulated amortisation of goodwill at the end of the year	160,277	156,382
Theoretical net carrying amount of goodwill	17,553	10,806
Theoretical equity including minority interests and net carrying amount of goodwill	897,817	871,145
Theoretical equity ratio	19.45%	19.27%

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

in thousands of CHF	2021	2020
Effects of theoretical amortisation of goodwill on profit for the year		
Reported profit for the year	134,506	138,409
Theoretical amortisation of goodwill	(3,895)	(32,314)
Annual profit after theoretical amortisation of goodwill	130,611	106,095

5. OTHER INFORMATION

5.1 FINANCIAL RESULT

in thousands of CHF	2021	2020
Financial income		
Interest income	1,848	4,020
Foreign exchange gains (net)	–	15,990
Total financial revenue	1,848	20,010
Financial expenses		
Interest expenses	(11,494)	(8,368)
Interest expenses on finance leases	(883)	(1,231)
Bank charges incl. hedging costs	(2,958)	(1,934)
Order-related bank guarantee costs	(23,821)	(11,531)
Foreign exchange losses (net)	(37,715)	–
Total financial expenses	(76,871)	(23,064)
Net financial result	(75,023)	(3,054)

The foreign exchange losses stem mainly from the foreign currency valuation of bank accounts, trade receivables and financial assets in the currencies EUR, GBP and SEK. Stadler hedges foreign currency risks in connection with the euro as far as possible in the form of “natural hedging”. Due to time differences in planned incoming and outgoing payments, corresponding exchange rate gains or losses can occur on the balance sheet date. These had a particularly negative impact on the financial result at the end of the year due to high incoming payments and the strong appreciation of the Swiss franc. The increase in order-related bank guarantee costs is due to the fact that more vehicles were sold in the reporting year than in the previous year for which bank guarantees were issued.

5.2 OTHER OPERATING INCOME/EXPENSES

OTHER OPERATING INCOME

in thousands of CHF	2021	2020
Other operating income		
Change in allowance of inventories (net)	–	1,795
Government grants	1,436	–
Proceeds from disposal of non-current assets (net)	459	8,891
Reversal of impairment on financial assets	–	861
Reversal of social security and personnel-related accruals	342	6,391
Waiver of coronavirus loan in the USA	3,937	–
Proceeds from recycling	2,153	1,268
Miscellaneous	2,048	2,803
Total other operating income	10,375	22,009

OTHER OPERATING EXPENSES

in thousands of CHF	2021	2020
Other operating expenses		
Change in allowance of inventories (net)	(772)	–
Depreciation of SILEX properties, Stadler Rail patents	(2,023)	(2,412)
Loss on disposal of subsidiaries	–	(98)
Loss on receivables incl. value adjustment (net)	(666)	(236)
Miscellaneous	(2,100)	(3,867)
Total other operating expenses	(5,561)	(6,613)

5.3 INCOME TAXES

in thousands of CHF	2021	2020
Income taxes		
Current income taxes	(28,533)	(29,812)
Deferred income taxes	11,026	13,549
Total income taxes	(17,507)	(16,263)

in thousands of CHF	2021	2020
Income taxes		
Income taxes before consideration of losses carried forward	(14,370)	(21,714)
Effect of non-capitalisation of losses carried forward	(3,676)	(146)
Effect of the use of non-capitalised losses carried forward	1,236	2,791
Effect from capitalisation of previously unrecognised losses carried forward	1,460	3,205
Effect of the reassessment of previously capitalised losses carried forward	(2,157)	(399)
Income taxes after consideration of losses carried forward	(17,507)	(16,263)

The average applicable tax rate in relation to the ordinary result and deferred taxes is 16.9% (previous year: 15.7%).

Income taxes in the reporting year include a one-off effect of CHF 8.0 million from the transitional measures (step-up) agreed with the tax administration of the Canton of Thurgau in 2021 in connection with the implementation of the tax reform, which is recognised in deferred tax assets. The new federal law was approved by the Swiss electorate in 2019 and came into force on 1 January 2020.

in thousands of CHF	31.12.2021	31.12.2020
Entitlement for deferred income taxes on losses carried forward not yet used		
Expiration after 2021 (or 2020 for previous year)	23,273	16,228
Total entitlement for deferred income taxes on losses carried forward not yet used	23,273	16,228

ACCOUNTING PRINCIPLES

Income taxes include both current and deferred income taxes.

Current income taxes are calculated applying current tax rates to the taxable annual income or expected taxable income of the year according to the respective tax law regulations for calculating profit. Deferred income taxes are recognised for valuation differences between assets and liabilities measured according to uniform group-wide guidelines in relation to the respective tax values. Deferred tax liabilities are recognised in the balance sheet under the item "Provisions". Deferred tax assets from losses carried forward and from deductible temporary differences are recognised to the extent that they are likely to be offset against future taxable profits.

Deferred taxes are calculated on the basis of the expected tax rates applicable to the individual companies for the corresponding assets and liabilities.

5.4 EMPLOYEE BENEFITS

The employer contribution reserves at the end of the year were as follows:

in thousands of CHF	Nominal value	Waiver of use	Balance sheet	Accumulation	Balance sheet	Result from ECR in personnel expenses	
	31.12.2021	2021	31.12.2021	2021	31.12.2020	2021	2020
Employer contribution reserves (ECR)							
Pension plans with surplus	–	–	–	–	–	–	–
Total employer contribution reserves	–	–	–	–	–	–	–

in thousands of CHF	Nominal value	Waiver of use	Balance sheet	Accumulation	Balance sheet	Result from ECR in personnel expenses	
	31.12.2020	2020	31.12.2020	2020	31.12.2019	2020	2019
Employer contribution reserves (ECR)							
Pension plans with surplus	–	–	–	–	11,336	11,336	14,547
Total employer contribution reserves	–	–	–	–	11,336	11,336	14,547

Economic benefit/obligation and employee benefit expenses:

in thousands of CHF	Surplus/ Deficit	Economical part of the organisation		Currency translation differences	Change from previous year	Contributions concerning the business period	Pension benefit expenses within personnel expenses	
		31.12.2021	31.12.2020				2021	2020
Economical benefit/economical obligation and pension benefit expenses								
Pension plans with surplus	98,066	–	–	–	–	22,814	22,814	21,900
Pension fund without own assets	–	2,722	3,068	(12)	(334)	8,048	7,714	5,061
Total economical benefit/economical obligation and pension benefit expenses	98,066	2,722	3,068	(12)	(334)	30,862	30,528	26,961

in thousands of CHF	Surplus/ Deficit	Economical part of the organisation		Currency translation differences	Change from previous year	Contributions concerning the business period	Pension benefit expenses within personnel expenses	
		31.12.2020	31.12.2019				2020	2019
Economical benefit/economical obligation and pension benefit expenses								
Pension plans with surplus	72,393	–	–	–	–	21,900	21,900	20,337
Pension fund without own assets	–	3,068	2,788	(114)	394	4,667	5,061	5,999
Total economical benefit/economical obligation and pension benefit expenses	72,393	3,068	2,788	(114)	394	26,567	26,961	26,336

ACCOUNTING PRINCIPLES

ASSETS AND LIABILITIES FROM EMPLOYEE BENEFITS (INCL. EMPLOYER CONTRIBUTION RESERVE)

The employee benefit plans are either financially independent entities and foundations outside of Stadler (funded plans) or unfunded plans with a corresponding liability in the balance sheet. Financing is provided by employee and employer contributions. The actual economic impact of all employee benefit plans that provide benefits for retirement, death or disability are calculated as at the balance sheet date. In the case of foreign plans, the provisions calculated according to local regulations are included in the consolidated financial statements. A benefit resulting from employer contribution reserves is recognised as an asset. Any additional economic benefit (from a surplus in pension fund cover) is not capitalised.

An economic obligation is recognised as a liability if the conditions for the recognition of a provision are met.

5.5 NON-OPERATING RESULT

Following the IPO on 12 April 2019, all shares from the former employee share plan (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.

5.6 EVENTS AFTER THE REPORTING DATE

In February 2022, the Ukraine-Russia conflict led to sanctions against Russia, and subsequently also against Belarus, due to military interventions by Russia.

Russia and Ukraine currently have a low share in Stadler's business volume. Stadler has not yet received any orders from Ukraine. At present, Stadler has no vehicle orders from Russia in its order book and therefore does not expect any payment defaults. Long-term service contracts for trains delivered in the past will continue in strict compliance with the sanctions at the service locations in Moscow and St. Petersburg, which employ around 30 people.

Stadler has been manufacturing rail vehicles for both local and international markets in Belarus for around ten years. The sanctions imposed on Belarus to date are now beginning to result in restrictions on further operations and supply chains. The aim is to protect the orders concerned and to transfer them from Belarus to plants in the European Union and Switzerland. Less than 2% of the order backlog of CHF 17.9 billion (as at 31 December 2021) is handled at the production plant in Fanipol at the current time.

The financial impact of the Ukraine-Russia conflict on Stadler cannot be assessed conclusively at the time of approval of the consolidated financial statements by the Board of Directors and is highly dependent on the further development of events. Stadler is constantly monitoring the situation and taking all possible measures to minimise any negative effects.

Stadler is endeavouring to keep a minimum level of projects and orders at the plant in Belarus. Local operations are continuing with maximum security precautions for employees and in strict compliance with the sanctions.

5.7 APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The 2021 financial statements were approved by the Board of Directors on 11 March 2022 and will be recommended for approval at the Annual General Meeting on 5 May 2022.



Statutory Auditor's Report

To the General Meeting of Stadler Rail AG, Bussnang

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Stadler Rail AG and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2021 and the consolidated statement of income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the consolidated financial statements (pages 61 to 104) give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Swiss GAAP FER and comply with Swiss law.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority



Valuation of work in progress "units of delivery"



Revenue recognition in the Rolling Stock business segment

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



VALUATION OF WORK IN PROGRESS “UNITS OF DELIVERY”

Key Audit Matter

As at 31 December 2021, work in progress “units of delivery” amounts to CHF 813 million and liabilities from work in progress “units of delivery” amounts to CHF 1'241 million.

Work in progress “units of delivery” (gross, before advance payments to suppliers and advance payments from customers) correspond to the accumulated manufacturing costs less the costs of the units already delivered. The manufacturing costs include order-specific material and external service costs, material overheads as well as production, engineering and project management costs.

Upon delivery of a unit, the proportionate manufacturing costs in relation to the estimated total costs are recognized in the income statement. When determining the estimated total costs, there is uncertainty regarding future costs. Therefore, there is significant judgment involved, and management has to make assumptions and estimates.

Due to the extended manufacturing time, there is also a risk that the total costs will change due to inaccurate estimates and have to be reassessed, whereby loss-making orders may not be identified, or not in due time.

Moreover, there is a risk that cost rates are calculated incorrectly or costs are charged to the wrong project.

Our response

Our procedures included amongst others an assessment of the processes and the relevant controls in the areas of order processing, project controlling and valuation of work in progress.

On a sample basis, we have reconciled new projects to the corresponding contracts. Furthermore, we have examined the correct allocation of costs based on the implemented key controls.

Moreover, for ongoing projects we have critically assessed on a sample basis the appropriateness of the estimates and assumptions regarding the total costs as well as their development over time by performing a retrospective comparison of the initially budgeted total costs and the currently estimated total costs.

Furthermore, we have challenged the valuation of work in progress by comparing the estimated total costs with the expected revenues.

For further information on VALUATION OF WORK IN PROGRESS “UNITS OF DELIVERY” refer to the following:

- 1.2 „Work in progress”, pages 72 & 73



REVENUE RECOGNITION IN THE ROLLING STOCK BUSINESS SEGMENT

Key Audit Matter

In 2021, net sales of goods and services to third parties in the Rolling Stock business segment amount to CHF 3'179 million.

Revenue recognition in the Rolling Stock business segment is performed according to the Percentage of Completion method, whereby the degree of completion is determined following the Units of Delivery method.

Revenue is usually recognized upon acceptance of a unit by the customer, whereby a unit generally corresponds to a vehicle or wagon. The degree of completion is the ratio between the delivered units and the total quantity to be delivered according to a contract.

In some justified cases, acceptance can be delayed only due to administrative or organizational matters. In such cases, revenue is recognized before acceptance, when all significant performance obligations are fulfilled.

In case of revenue recognition before acceptance of a unit, management applies judgement when assessing the fulfillment of the performance obligations. Consequently, there is a risk that revenues are recognized in the wrong period.

For further information on REVENUE RECOGNITION IN THE ROLLING STOCK BUSINESS SEGMENT refer to the following:

- 1.1 „Segment reporting“, pages 70 & 71
- 1.2 „Work in progress“, pages 72 & 73
- 1.3 „Compensation claims from work in progress“, page 75

Our response

Our procedures included amongst others an assessment of the processes and the relevant controls regarding revenue recognition.

On a sample basis, we have furthermore assessed the point in time at which revenue was recognized, focusing on transactions around the balance sheet date, by using appropriate third-party evidence (such as contracts or acceptance records).

In cases where revenue was recognized before acceptance by the customer, we have challenged management's assessment by using appropriate evidence (e.g. work acceptance or delivery documents).



Responsibility of the Board of Directors for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Swiss GAAP FER and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.



From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

KPMG AG

Kurt Stocker
Licensed Audit Expert
Auditor in Charge

Nicolas Wuffli
Licensed Audit Expert

Zurich, 14 March 2022



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FINANCIAL
STATEMENTS OF
STADLER RAIL AG

INCOME STATEMENT

in CHF	Note	2021		2020	
Dividend income		90,230,046		120,125,563	
Other financial income	2.6	25,907,002		12,769,965	
Other operating income	2.7	63,093,455		39,484,200	
Operating income		179,230,503	100.0%	172,379,728	100.0%
Financial expenses	2.8	(18,643,675)		(13,040,976)	
Personnel expenses		(7,484,232)		(7,676,563)	
Other operating expenses	2.9	(7,470,158)		(7,376,988)	
Operating income before tax, depreciation and valuation allowances		145,632,438	81.3%	144,285,201	83.7%
Impairment losses on investments		(4,894,677)		–	
Profit before taxes		140,737,761	78.5%	144,285,201	83.7%
Income taxes		(2,395,920)		(4,265,110)	
Profit for the year		138,341,841	77.2%	140,020,091	81.2%

BALANCE SHEET

in CHF	Note	31.12.2021	31.12.2020
Assets			
Cash and cash equivalents		105,367,996	96,914,186
Other current receivables			
– from third parties		637,687	180,111
– from related parties		296,731	–
– from group companies		334,323,299	37,851,941
Accrued income and deferred expenses		678,159	2,376,437
Total current assets		441,303,872	137,322,675
		37.2%	16.9%
Financial assets	2.1	395,201,481	410,728,982
Investments	2.2	350,674,909	262,965,727
Total non-current assets		745,876,390	673,694,709
		62.8%	83.1%
Total assets		1,187,180,262	811,017,384
		100.0%	100.0%
Liabilities & equity			
Current interest-bearing liabilities			
– from third parties		150,000,000	–
– from group companies		168,128,000	–
Other current liabilities			
– from third parties		2,464,110	1,237,412
– from related parties		–	1,689,839
– from group companies		222,654,792	217,731,044
Current provisions		9,346,157	8,326,292
Deferred income and accrued expenses		2,493,579	4,135,061
Total current liabilities		555,086,638	233,119,648
		46.8%	28.7%
Non-current interest-bearing liabilities			
– from third parties	2.3	350,000,000	300,000,000
– from group companies		–	48,693,600
Total non-current liabilities		350,000,000	348,693,600
		29.5%	43.0%
Total liabilities		905,086,638	581,813,248
		76.2%	71.7%
Share capital	2.4	20,000,000	20,000,000
Legal retained earnings			
– General legal retained earnings		4,000,000	4,000,000
Voluntary retained earnings			
– Available earnings			
– Result carried forward		121,086,963	65,905,045
– Profit for the year		138,341,841	140,020,091
Treasury shares	2.5	(1,335,180)	(721,000)
Total equity		282,093,624	229,204,136
		23.8%	28.3%
Total liabilities & equity		1,187,180,262	811,017,384
		100.0%	100.0%

NOTES TO THE FINANCIAL STATEMENTS

1. PRINCIPLES

GENERAL INFORMATION

These financial statements have been prepared in accordance with the provisions of Swiss Accounting Law (32nd title of the Swiss Code of Obligations). The main valuation principles that are not required by law are described below.

FINANCIAL ASSETS

Financial assets include long-term loans and securities with market prices. Loans granted in foreign currencies are valued at the current balance sheet date, whereby unrealised losses are recorded, whereas unrealised gains are not recognised (impairment principle).

INVESTMENTS

Investments were valued at acquisition cost less any necessary value adjustments. The principle of individual valuation is applied.

BOND ISSUES

Bonds are carried at nominal value under interest-bearing financial liabilities. The issuing costs incurred in connection with the issue of the bond are capitalised under accrued income/deferred expenses and amortised over the term of the bond. Any premiums received on the issue of the bond are recognised under deferred income/accrued expenses and amortised over the term of the bond. The reversal of the issuing costs and of the premium are recognised in the financial result.

TREASURY SHARES

Treasury shares are recognised at acquisition cost and deducted from equity on the date of acquisition. In the event of subsequent sale or allocation (supply) within the scope of share-based remuneration, the gain or loss is recognised through retained earnings without affecting the income statement.

SHARE-BASED REMUNERATION

The members of the Board of Directors have the option to have their fee paid in cash and/or in shares. In addition, members of the Group Executive Board (GEB), the extended GEB as well as managerial levels 1 and 2 receive between 20% and 100% of their variable remuneration in the form of shares. The shares are subject to a four-year vesting period after allocation and are allocated at a vesting discount of 20% in relation to the defined value. The expense for the remuneration of the Board of Directors is recognised in the income statement at the current value of the allocation. The expense for the variable remuneration of the (extended) GEB and managerial levels 1 and 2 is recognised and carried as a liability in the year in which the benefit is provided. Any differences in relation to the effective allocation value are corrected in the following year and recognised in the income statement.

FORGOING A CASH FLOW STATEMENT AND ADDITIONAL DISCLOSURES IN THE NOTES

Since Stadler Rail AG has prepared consolidated financial statements in accordance with a recognised accounting standard (Swiss GAAP FER), in these financial statements it has decided to forgo presenting additional information in the notes on interest-bearing liabilities and audit fees, or to provide a cash flow statement, in accordance with the legal requirements.

2. INFORMATION ON BALANCE SHEET AND INCOME STATEMENT ITEMS

2.1 FINANCIAL ASSETS

in CHF	31.12.2021	31.12.2020
Loans to third parties	16,008,395	15,600,023
Loans to group companies	379,193,086	395,128,959
Total financial assets	395,201,481	410,728,982

2.2 INVESTMENTS

DIRECT INVESTMENTS

Company	Domicile	Share of capital and voting rights in %	
		31.12.2021	31.12.2020
Stadler Rail Management AG	Bussnang (CH)	100	100
Stadler Trains Mag. Kft.	Budapest (HU)	40	40
Stadler Bussnang AG	Bussnang (CH)	100	100
Stadler Rheintal AG	St. Margrethen (CH)	100	100
Stadler US Inc.	Salt Lake City (USA)	100	100
Stadler Winterthur AG	Winterthur (CH)	100	100
Stadler Szolnok Kft.	Szolnok (HU)	100	100
Stadler Deutschland GmbH (formerly Stadler Pankow GmbH)	Berlin (DE)	100	100
Stadler Polska Sp. z o.o.	Siedlce (PL)	100	100
Stadler Praha s.r.o.	Prague (CZ)	100	100
CJSC Stadler Minsk	Minsk (BY)	100	100
Stadler Service AG	Bussnang (CH)	100	100
Stadler Rail Valencia S.A.U.	Albuixech Valencia (ES)	100	100
Stadler Środa Sp. z o.o.	Środa Wielkopolska (PL)	100	100
Stadler Signalling AG	Wallisellen (CH)	100	100
Stadler CIS AG	Bussnang (CH)	100	51
AngelStar S.r.l.	Mola di Bari (IT)	40	40

INDIRECT INVESTMENTS

Company	Domicile	Share of capital and voting rights in %	
		31.12.2021	31.12.2020
Stadler Stahlguss AG	Biel (CH)	100	100
Stadler Rail d.o.o.	Kragujevac (RS)	100	100
Stadler Reinickendorf GmbH	Berlin (DE)	100	100
STAP Grundstücks-Vermietungsgesellschaft GmbH	Berlin (DE)	100	100
Stadler Rail Service Deutschland GmbH (formerly SILEX Grundstücks-Verwaltungsgesellschaft GmbH)	Berlin (DE)	100	100
Stadler Mannheim GmbH	Mannheim (DE)	100	100
LLC Stadler Rus	Moscow (RU)	100	100
Stadler Mag. Vas. Karb.	Pusztaszabolcs (HU)	100	100
Stadler Algérie Eurl	Algiers (DZ)	100	100
Stadler Service Finland Oy	Helsinki (FI)	100	100
Stadler Service Italy S.r.l.	Merano (IT)	100	100
ÖBB Stadler Service GmbH	Vienna (AT)	40	40
Stadler Service Nederland B.V.	Twello (NL)	100	100
Stadler Service Sweden AB	Stockholm (SE)	100	100
Stadler Rail Service UK Ltd.	Liverpool (GB)	100	100
Stadler Service Polska Sp. z o.o.	Warsaw (PL)	100	100
Erion France S.A.S.	Arc-lès-Gray (FR)	100	100
Erion Mantenimiento Ferroviario S.A.	Madrid (ES)	51	51
Stadler Chemnitz GmbH	Chemnitz (DE)	100	100
OOO Stadler	Moscow (RU)	90	90
Stadler Service Norway AS	Oslo (NO)	100	100
Stadler Service Denmark Aps	Aarhus (DK)	100	100
WHAT B.V.	Venlo (NL)	50	50
Stadler Demiryolu Araçları Servisi Anonim Şirketi	Ataşehir (TR)	100	–
Stadler Service Georgia LLC	Tbilisi (GE)	100	–
BÄR Bahnsicherung AG	Fehraltorf (CH)	100	–

2.3 NON-CURRENT INTEREST-BEARING LIABILITIES

On 20 November 2019, Stadler issued a bond for a total of CHF 300.0 million with a coupon of 0.375%. The issue price was 100.553% of the nominal value. It will be redeemed at par value on 20 November 2026. The bond is listed on the SIX Swiss Exchange.

2.4 SHARE CAPITAL

The share capital of CHF 20.0 million consists of 100 million registered shares with a par value of CHF 0.20 each (31 December 2020: 100 million registered shares with a par value of CHF 0.20 each).

As at 31 December 2021, Stadler has an authorised share capital of a maximum of CHF 2.0 million (previous year: CHF 2.0 million) and a conditional share capital of a maximum of CHF 0.4 million (previous year: CHF 0.4 million).

2.5 TREASURY SHARES

	Number (pcs.)	Par value (CHF)	Average transaction price (CHF)	Carrying amount (CHF)
Stock at 1 January 2020	–	0.20	0.00	–
Purchases from third parties	30,000	0.20	38.78	1,163,465
Allocations of share-based payments	(11,409)	0.20	39.60	(451,800)
Adjustment to average price				9,335
Stock at 31 December 2020	18,591	0.20	38.78	721,000
Stock at 1 January 2021	18,591	0.20	0.00	721,000
Purchases from third parties	60,322	0.20	40.12	2,419,999
Allocations of share-based payments	(44,326)	0.20	43.84	(1,943,344)
Adjustment to average price				137,525
Stock at 31 December 2021	34,587	0.20	38.60	1,335,180

2.6 OTHER FINANCIAL INCOME

in CHF	2021	2020
Granting of group guarantees	2,746,368	2,883,693
Interest from loans to group companies	6,574,699	2,566,907
Interest from third	396,150	402,100
Foreign exchange gains	16,189,785	6,917,265
Total other financial income	25,907,002	12,769,965

2.7 OTHER OPERATING INCOME

in CHF	2021	2020
Income from services	12,500,000	12,500,000
Income from royalties	50,593,455	26,984,200
Total other operating income	63,093,455	39,484,200

2.8 FINANCIAL EXPENSES

in CHF	2021	2020
Bank interest and fees	2,513,093	1,285,866
Interest to group companies	1,243,388	2,395,234
Foreign exchange losses	14,887,194	9,359,876
Total financial expenses	18,643,675	13,040,976

2.9 OTHER OPERATING EXPENSES

in CHF	2021	2020
Administrative expenses	1,497,096	1,064,552
Consulting expenses	400,237	360,289
Other operating expenses	5,572,825	5,952,147
Total other operating expenses	7,470,158	7,376,988

3. OTHER INFORMATION

DECLARATION OF THE AVERAGE NUMBER OF FULL-TIME EMPLOYEES DURING THE YEAR

The annual average number of full-time equivalents was less than 10 in the reporting year (previous year: between 10 and 50).

SIGNIFICANT SHAREHOLDERS

in %	31.12.2021	31.12.2020
Significant shareholders		
PCS Holding AG	30.5	30.5
Peter Spuhler	11.0	11.0

DISCLOSURE OF SHAREHOLDINGS

The following members of the Board of Directors and the Group Executive Board (including related parties) held the following number of shares in Stadler Rail AG:

in units	31.12.2021	31.12.2020
Number of shares Board of Directors		
Peter Spuhler	41,598,737	41,598,237
Hans-Peter Schwald	1,000,000	1,000,000
Kurt Rüegg	381,999	378,567
Fred Kindle	1,300,000	1,300,000
Dr. Christoph Franz	1,360,798	1,356,794
Wojciech Kostrzewa	150,000	150,000
Barbara Egger-Jenzer	3,857	1,962
Doris Leuthard	1,693	749
Total number of shares Board of Directors	45,797,084	45,786,309

in units	31.12.2021	31.12.2020
Number of shares Group Executive Board		
Raphael Widmer	98,788	100,000
Ansgar Brockmeyer	51,255	50,000
Marina Winder	n/a	35,500
Jure Mikolčić	37,748	36,700
Markus Bernsteiner	272,895	270,000
Philipp Brunner	222	n/a
Christian Spichiger	60,884	60,000
Iñigo Parra	35,879	40,000
Jürg Gygax	n/a	130,000
Daniel Baer	25,020	n/a
Total number of shares Group Executive Board	582,691	722,200

COLLATERAL PROVIDED FOR THIRD-PARTY LIABILITIES

The collateral provided by the company amounts to CHF 9,865 million (previous year: CHF 9,705 million). These are sureties as well as letters of comfort and guarantees issued in favour of customers, suppliers and financial institutions.

CONTINGENT LIABILITIES

Stadler Rail AG belongs to the Stadler Bussnang AG VAT group and is jointly liable for its VAT liabilities to the tax authorities.

Under the cash pooling agreement with UBS AG, there is joint and several liability towards the affiliated Group companies.

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

In February 2022, the Ukraine-Russia conflict led to sanctions against Russia, and subsequently also against Belarus, due to military interventions by Russia.

Stadler Rail AG has a direct subsidiary in Belarus. The carrying amount of the investment as at 31 December 2021 was CHF 28.8 million. In addition, loans receivable from this subsidiary of CHF 46.4 million were recognised in the balance sheet at the end of the year.

The financial impact of the Ukraine-Russia conflict on the financial statements of Stadler Rail AG cannot be assessed conclusively at the time of approval of the financial statements by the Board of Directors and is highly dependent on the further development of events. Stadler is constantly monitoring the situation and taking all possible measures to minimise any negative effects.

Stadler is endeavouring to keep a minimum level of projects and orders at the plant in Belarus. Local operations are continuing with maximum security precautions for employees and in strict compliance with the sanctions.

APPROPRIATION OF PROFIT PROPOSED TO THE ANNUAL GENERAL MEETING

in CHF	31.12.2021
For disposition by the General Meeting	
Results carried forward	121,086,963
Profit for the year	138,341,841
Accumulated profits	259,428,804
Total available earnings	259,428,804

in CHF	31.12.2021
Proposal of the Board of Directors	
Distribution of a dividend of 450% of the share capital of CHF 20,000,000 ¹	90,000,000
To be carried forward	169,428,804
Total proposed appropriation by the Board of Directors	259,428,804

¹ Shares held as treasury shares at the time of the dividend distribution are not entitled to dividends.



Statutory Auditor's Report

To the General Meeting of Stadler Rail AG, Bussnang

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Stadler Rail AG, which comprise the balance sheet as at 31 December 2021, and the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements (pages 111 to 119) for the year ended 31 December 2021 comply with Swiss law and the company's articles of incorporation.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. We have determined that there are no key audit matters to communicate in our report.

Responsibility of the Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

KPMG AG

A handwritten signature in black ink, appearing to read 'K. Stocker', written over a faint circular stamp or watermark.

Kurt Stocker
Licensed Audit Expert
Auditor in Charge

A handwritten signature in blue ink, appearing to read 'N. Wuffli', written over a faint circular stamp or watermark.

Nicolas Wuffli
Licensed Audit Expert

Zurich, 14 March 2022

Financial Calendar

Media and Analyst Information 2022	15 March 2022
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2022 Annual General Meeting	5 May 2022
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2022 Interim Report	31 August 2022
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All statements in this report that are not based on historical facts are forward-looking statements that offer no guarantee whatsoever with regard to future performance; they involve risks and uncertainties including, but not limited to, future global economic conditions, exchange rates, legal provisions, market conditions, activities of competitors and other factors beyond the control of the company.

March 2022

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