ANNUAL REPORT 2022

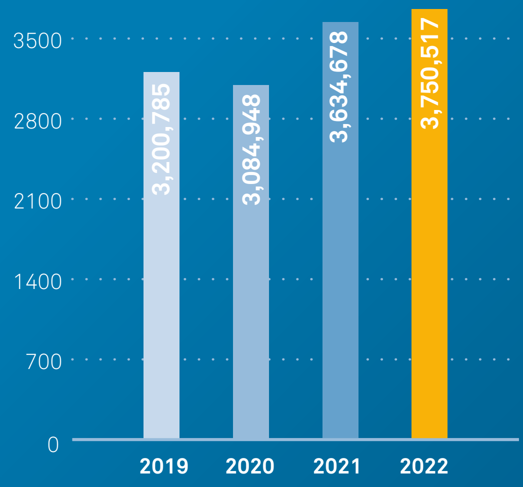
STADLER

2022 RESULTS AT A GLANCE

22.0

ORDER BACKLOG IN CHF BILLION
Previous year: 17.9

NET REVENUE
in thousands of CHF



38,943

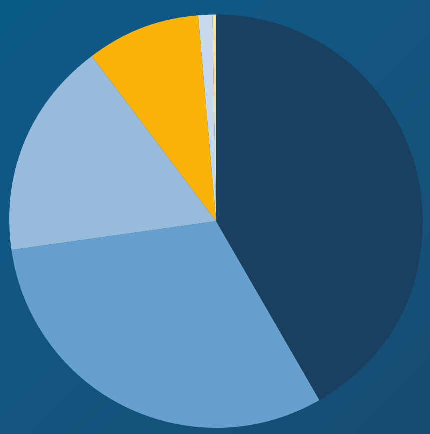
REGISTERED SHAREHOLDERS AS AT 31 DECEMBER 2022
Previous year: 33,292

8.6

ORDER INTAKE IN CHF BILLION
Previous year: 5.57

NET REVENUE BY GEOGRAPHICAL MARKET
in thousands of CHF

Germany, Austria, Switzerland	42%
Western Europe	31%
Eastern Europe	17%
America	9%
CIS	1%
Rest of the world	<1%



5.5%

EBIT MARGIN
Previous year: 6.2%

13,431

EMPLOYEES WORLDWIDE
(average FTE 01.01.–31.12.2022)
Previous year: 13,067

205.1

EBIT IN CHF MILLION
Previous year: 223.7

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

KEY FIGURES

in millions of CHF or as noted	2022	as % of net revenue	2021	as % of net revenue	Change in %
Stadler					
Order intake	8,557.2		5,565.7		54%
Order backlog	21,983.7		17,871.3		23%
Net revenue	3,750.5	100.0%	3,634.7	100.0%	3%
Gross margin[1]	385.4	10.3%	402.0	11.1%	(4%)
EBITDA[2]	308.9	8.2%	323.0	8.9%	(4%)
Operating result (EBIT)	205.1	5.5%	223.7	6.2%	(8%)
Profit for the year	75.1	2.0%	134.5	3.7%	(44%)
Earnings per share (in CHF)	0.73		1.34		(45%)
Net cash flow from operating activities	441.3		503.2		(12%)
Capital expenditure[3]	184.5		177.1		4%
Free cash flow[4]	396.4		434.2		(9%)
Net working capital[5]	(157.4)		114.6		
Work in progress (net)[6]	(808.1)		(461.3)		
Net cash[7]	(230.8)		(351.1)		
Equity	779.1		880.3		
Staff as FTEs	13,431		13,067		3%
“Rolling Stock” segment[8]					
Order intake	7,347.8		4,828.5		52%
Order backlog	17,047.9		13,401.5		27%
Net revenue (third parties)	3,247.1	86.6%	3,173.1	87.3%	2%
“Service & Components” segment					
Order intake	1,160.4		733.5		58%
Order backlog	4,765.7		4,409.8		8%
Net revenue (third parties)	453.3	12.1%	455.2	12.5%	(0%)
“Signalling” segment[8]					
Order intake	49.0		3.7		1,206%
Order backlog	170.1		60.0		184%
Net revenue (third parties)	50.1	1.3%	6.4	0.2%	689%

1 Gross margin is calculated as net revenue less cost of goods sold and services provided
2 EBITDA is calculated as the sum of EBIT and depreciation and amortisation
3 Capital expenditure is calculated as the sum of investments in property, plant and equipment and intangible assets
4 Free cash flow is calculated as EBITDA less capital expenditure less change in net working capital
5 Net working capital is calculated by subtracting the sum of trade payables, liabilities from work in progress, other current liabilities, current provisions and deferred income and accrued expenses from the sum of trade receivables, inventories, work in progress, other current receivables, compensation claims from work in progress and accrued income and deferred expenses
6 Work in progress (net) is calculated as work in progress (asset) less liabilities from work in progress
7 Net cash is calculated as cash and cash equivalents less current and non-current financial liabilities
8 The previous year’s figures were restated following the introduction of the new “Signalling” business segment. In the past, signalling activities were included in the “Rolling Stock” business segment.

RECORDS TO MARK STADLER'S 80TH ANNIVERSARY

The demand for innovative and efficient mobility solutions from Stadler continued unabated last year. Stadler registered a record order intake of CHF 8.6 billion in 2022. Page: 16

DIGITALISATION: SETTING THE COURSE FOR THE FUTURE

The overall purpose of signalling is to make train travel safer and more efficient. There are highly complex systems behind this and a significant market. Population development, climate change, the investment sensitivity of rail operators and life cycle management are the drivers of this growth. Page: 20

DECARBONISATION OF MOBILITY

In terms of emissions per kilometre, rail is the most environmentally friendly means of transport of all. Compared to other means of transport, rail offers the greatest transport capacity for the same surface area, as well as higher transport speeds. At the same time, the CO_2 footprint of rail transport is significantly lower than that of other means of transport. This is partly due to the fact that the rail sector uses renewable energy. Page: 24

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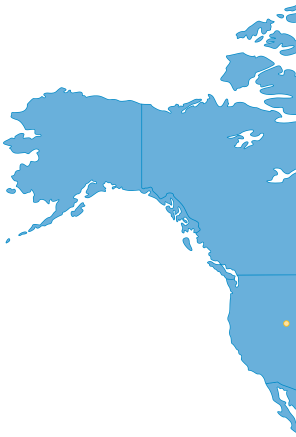
FOR SUSTAINABLE MOBILITY



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 solutions in the “Signalling” segment, 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 fullservice 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.

8
PRODUCTION LOCATIONS

7
COMPONENT PLANTS

>70
SERVICE LOCATIONS

23
COUNTRIES WITH STADLER LOCATIONS

RECORDS DESPITE CHALLENGING ENVIRONMENT

Peter Spuhler, Executive Chairman of the Board of Directors (l.), and Markus Bernsteiner, Group CEO (r.)

Dear Shareholders

2022 was an extraordinarily challenging year in many ways – marked by a combination of inflation, rising energy and raw material prices, supply chain issues, currency distortions and geopolitical tensions, but also by encouraging records and numerous successes.

In its anniversary year, Stadler recorded the highest order intake in the company's history. At CHF 8.6 billion, order intake once again considerably exceeded the previous record of CHF 5.6 billion from 2021. As well as being successful in many smaller tenders, we owe this sharp increase above all to individual large orders with delivery periods of over ten years.

Consequently, the order backlog rose even further to a record high of CHF 22.0 billion (31 December 2021: CHF 17.9 billion). The order intake and order backlog do not include any orders for vehicles or services from framework agreements that have not yet been called off on a binding basis by the customer. The 2022 order intake and order backlog also do not include the order for Kazakhstan Railways (KTZ).

Revenue increased by 3 percent to CHF 3.8 billion in relation to the previous year. However, revenue is at the lower end of the original forecast, in particular due to currency effects.

EBIT AND GROUP RESULT

Negative currency effects of over CHF 60 million due to the strong appreciation of the Swiss franc since the beginning of the year, especially against the euro, significantly affected the result. The currency effects stem mainly from orders processed in Switzerland and invoiced in foreign currencies. In general, foreign currency risks are minimised as far as possible by natural hedging and supplemented by financial hedging. In the phase between the submission of an offer and the final signing of a contract, which can sometimes take several years, the corresponding currency risks cannot be fully hedged. Nor can the currency risks be fully hedged over the entire processing period due to the long lead times of certain orders, which can span several years. In order to ensure that vehicles are delivered on time, Stadler intensified its efforts to further optimise production processes last year. The additional costs incurred also had a negative impact on the operating result.

Despite these expenses, EBIT stood at CHF 205.1 million (2021: CHF 223.7 million) with an EBIT margin of 5.5 percent (2021: 6.2 percent) and was therefore in line with expectations.

A positive one-off effect of CHF 21.3 million in the first half of 2022 was recorded in connection with the acquisition of BBR Verkehrstechnik GmbH (BBR), announced at the end of 2021. Thanks to the acquisitions of BBR and Bär Bahnsicherung AG, Stadler has consistently expanded its expertise in signalling technology over the last twelve months. Both companies have been integrated into the new Signalling Division.

In terms of its Group result, Stadler posted a profit of CHF 75.1 million in the past financial year, compared to CHF 134.5 million in the previous year. The Group result was negatively impacted in particular by further exchange rate losses in the financial result amounting to CHF 56.7 million (2021: CHF 37.7 million). These were mainly due to reporting date valuation effects associated with the strong appreciation of the Swiss franc, especially against the euro.

CASH FLOW AND BALANCE SHEET

Free cash flow reached CHF 396.4 million in the past financial year (2021: CHF 434.2 million). At CHF 184.5 million, capital expenditure was slightly below expectations (previous year: CHF 177.1 million), as a number of outgoing payments were postponed to the current financial year. The net cash position as at 31 December 2022 increased to CHF –230.8 million compared to CHF –351.1 million as at 31 December 2021. Due to our conservative recognition of goodwill, which is directly offset against equity, as well as currency effects, equity fell to CHF 779.1 million as at 31 December 2022 (31 December 2021: CHF 880.3 million). When assessing the equity ratio, it is important to note that advance payments from new orders generally lead to a balance sheet extension and therefore have a negative impact on the equity ratio.

Faced with the challenging conditions of 2022, we once again demonstrated the strength and resilience of our business model with an excellent operational performance. We achieved record levels of revenue and order intake thanks to the successful further development of our range of products and services.

Peter Spuhler, Executive Chairman of the Board of Directors

“ROLLING STOCK” SEGMENT

In the “Rolling Stock” reporting segment, a strong increase in order intake of 52 percent to CHF 7.3 billion was recorded in the 2022 financial year (2021: CHF 4.8 billion). In the past year, Stadler again succeeded in securing numerous smaller orders and several major contracts ahead of international competitors. As a result, the order backlog in the reporting segment grew by another 27 percent to CHF 17.0 billion compared to year-end 2021 (31 December 2021: CHF 13.4 billion). Revenue in the “Rolling Stock” reporting segment stood at CHF 3.2 billion (2021: CHF 3.2 billion).

“SERVICE & COMPONENTS” SEGMENT

Order intake in the “Service & Components” segment amounted to CHF 1.2 billion in the past financial year, which corresponds to a significant increase of 58 percent compared to the previous year (2021: CHF 0.7 billion). A major order from the VDV project consortium made a significant contribution to this success. As a result, the order backlog in the strategically important service business increased by a further 8 percent to CHF 4.8 billion compared to the backlog of CHF 4.4 billion at the end of 2021. At CHF 453.3 million, revenue in the 2022 financial year remained at the previous year's level (2021: CHF 455.2 million). The strong appreciation of the Swiss franc in particular had a negative impact of around 7 percent on revenue.

“SIGNALLING” SEGMENT

As a single-source supplier of solutions for rails and vehicles, Stadler is also continuing to drive forward the digitalisation of rail transport. As well as offering vehicle-based signalling solutions, Stadler has also expanded its signalling capabilities on the infrastructure side, which were merged into a separate division with over 600 employees as of 1 January 2022. This new division is being treated as a separate reporting segment for the first time in the 2022 financial year.

The “Signalling” reporting segment recorded strong growth, mainly due to acquisitions. Order intake rose to CHF 49.0 million compared to CHF 3.7 million in the previous year, while the order backlog increased to CHF 170.1 million as at 31 December 2022 (21 December 2021: CHF 60.0 million). Revenue also experienced significant growth in the financial year, rising to CHF 50.1 million from CHF 6.4 million in the previous year.

MAIN ORDERS RECEIVED

Order intake exceeded the strong level of the previous year and reached a new record. The demand for innovative and efficient mobility solutions continues unabated. Although large orders for vehicles generated considerable volumes, the service sector was also partly responsible.

At the beginning of the year, Stadler was awarded a contract by the VDV consortium after winning an international tender held jointly by six transport companies from Germany and Austria for up to 504 vehicles. In addition to vehicle production, the framework agreement also includes a maintenance contract lasting up to 32 years. The first call-off order comprises 246 CITYLINK vehicles, representing a volume of around EUR 1.7 billion. In February, Austrian Federal Railways (ÖBB) legally awarded Stadler a framework contract for 186 double-decker multiple units. The first call-off order comprises 41 KISS trains to be put into service from 2026 at a cost of around EUR 600 million.

Stadler also received a record order from Switzerland: In May, Swiss Federal Railways (SBB), Thurbo and RegionAlps signed a framework agreement with Stadler for up to 510 single-decker FLIRT multiple units. This is the largest tender in Swiss rail history. In the first call-off order, the three railway operators ordered 286 FLIRT vehicles from Stadler, representing a volume of around CHF 2.0 billion. In addition, SBB exercised an option for a further seven SMILE high-speed trains from an existing framework contract.

In the tram sector, Stadler recorded five major order successes two years after the market launch of the TINA vehicle concept. After an initial order placed by HEAG Mobilo GmbH from Darmstadt in 2020 and subsequent orders from the Swiss company Baselland Transport AG (BLT) and Rostocker Strassenbahn AG (RSAG), HAVAG from Germany also opted for TINA trams in August 2022 and the Dutch company HTM followed suit in December 2022. The success of the TINA model, with 191 trams ordered within a very short time, confirms that the innovative vehicle concept meets the high demands of passengers and customers alike.

An order for 30 six-axle, bimodal locomotives was received from Beacon Rail and GB Railfreight in Great Britain. The vehicles are part of a framework agreement for at least 100 locomotives.

HIGH DEMAND FOR ALTERNATIVE DRIVES

Stadler was able to further expand its market leadership in the field of alternative drive systems. Following on from the Nahverkehrsverbund Schleswig-Holstein order (55 vehicles), DB Regio ordered 44 battery-powered FLIRT Akku vehicles at the end of 2021 and a further 14 battery-operated trains in the current year for use in north-eastern Germany.

Stadler presented no fewer than seven vehicles with sustainable drive solutions at InnoTrans, the major international rail trade fair in Berlin, which took place again in September 2022 after a four-year interruption. As well as unveiling its hydrogen-powered FLIRT H_2 multiple unit for American passenger transport, Stadler displayed the battery-powered FLIRT Akku train, the EURO9000 model – which is the most powerful hybrid locomotive in Europe – and the next-generation TINA tram, among other vehicles.

CHALLENGING SITUATION IN BELARUS

The Russian war of aggression against Ukraine and the associated sanctions against Belarus are continuing to have an impact on Stadler and the plant in Fanipol. Due to the sanctions imposed to date, Stadler transferred individual orders from Belarus to plants in the European Union and Switzerland at the beginning of 2022. Before the start of the war in Ukraine, the plant's production capacity was less than ten percent of the total Group capacity.

On account of the very good order situation, the high capacity utilisation of the other Group locations and the high level of skills and quality offered by the Fanipol plant in terms of value added, Stadler is holding on to the plant in Belarus so that it can reopen it as soon as the sanctions have been lifted. So far, the reduction in staff capacity has been implemented almost exclusively through reallocation to other Stadler sites and to local companies. The plant continues to provide services in car body and component production, as well as in the field of engineering, in strict compliance with all the sanctions.

SETTING THE COURSE FOR A SUCCESSFUL FUTURE

The Board of Directors has appointed Markus Bernsteiner as the new Group CEO of Stadler with effect from 1 January 2023. Markus Bernsteiner (56) has worked for Stadler in various management roles since 1999. Most recently, he held the position of Deputy Group CEO, Executive Vice President of the Switzerland Division and CEO of the plants in Bussnang and St. Margrethen.

As a new member of the Group Executive Board, Lucius Gerig (35) took over from Markus Bernsteiner as Executive Vice President of the Switzerland Division on 1 January 2023. Lucius Gerig has been with Stadler since 2014 – most recently as CFO of the Switzerland Division.

OUTLOOK FOR 2023

Due to ongoing solid demand, Stadler expects order intake for the current financial year to be in line with the medium-term financial targets with a book-to-bill ratio of approx. 1.5×. Assuming that the current economic conditions and geopolitical tensions remain stable, Stadler again anticipates revenue of between CHF 3.7 and 4.0 billion for the 2023 financial year, as well as an EBIT margin at a comparable level to the 2022 financial year, capital expenditure of around CHF 200 million and a positive free cash flow.

The Board of Directors intends to put forward a proposal to the General Meeting for the payment of a dividend of CHF 90.0 million (CHF 0.90 per share) for the 2022 financial year compared to CHF 90 million (CHF 0.90 per share) in the previous year.

Stadler's development in 2022 shows that we are right on track and are capable of generating excellent results, even when confronted with major challenges such as the Russian attack on Ukraine, high inflation, currency distortions and global supply shortages. The very high order intake once again confirms the great confidence our customers have in our innovative products, reliability and quality.

In these conditions, we can – despite the huge challenges that still lie ahead – successfully continue on our chosen path and boost profitability in the long term by means of permanent product development, constant process optimisation, efficiency increases and cost control.

Markus Bernsteiner, Group CEO

MEDIUM-TERM FINANCIAL TARGETS CONFIRMED

Stadler remains convinced that an EBIT margin of 8 to 9 percent can be achieved under normal economic conditions. Given the current combination of inflation, supply chain issues, currency distortions and geopolitical tensions, on the other hand, Stadler considers an EBIT margin of 7 to 8 percent to be realistic for the 2025 financial year. Stadler continues to adhere to its dividend policy of distributing approximately 60 percent of the Group's net profit.

Stadler expects an average book-to-bill ratio of 1.5x and average revenue growth in the mid single-digit percentage range until 2025. In the medium term, Stadler anticipates capital expenditure of approximately CHF 120 to 150 million and foresees net working capital in the region of zero with fluctuations over the cycle.

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 three General Meetings, we look forward to finally welcoming you in person to this year's General Meeting on 12 May 2023.

Peter Spuhler
Executive Chairman of the Board

Markus Bernsteiner
Group CEO

2022 HIGHLIGHTS

January

LARGEST-EVER SERVICE CONTRACT

Six transport companies from Germany and Austria placed a joint order for up to 504 CITYLINK vehicles as part of the "VDV Tram-Train" project. In addition to the initial order for 246 vehicles, the framework agreement also includes a maintenance contract lasting up to 32 years – the largest service contract in Stadler's history.

February

SUCCESSFUL FLIRT AKKU MODEL

Electric instead of diesel: DB Regio ordered a further 14 FLIRT Akku multiple units from Stadler. Thanks to this order for battery-powered trains, Stadler is clearly expanding its market leadership in the field of alternative drive technologies in Germany, with what is already the third supply contract. Stadler will deliver at least 113 vehicles powered by alternative drive technologies over the next five years.

May

RECORD ORDER IN SWITZERLAND

Stadler won the largest tender in Swiss railway history: Swiss Federal Railways (SBB), Thurbo, RegionAlps and Stadler signed a framework agreement for up to 510 FLIRT trains. The initial call-off order was for 286 vehicles.

June

ANNIVERSARY

Stadler celebrated its 80th anniversary and opened the doors to its new plant in St. Margrethen for the first time. More than 25,000 visitors obtained a glimpse behind the scenes of the most modern production facility for rail vehicles in Europe.

September

INNOTRANS

After a four-year interruption, Stadler presented no fewer than seven world premières featuring innovative and sustainable drive solutions in rail transport. As well as unveiling its hydrogen-powered FLIRT H_2 multiple unit for American passenger transport, Stadler displayed other vehicles including the world record-breaking FLIRT Akku vehicle, the EURO9000 model – which is the most powerful hybrid locomotive in Europe – and the next-generation TINA tram.

October

WORLD RECORD

Stadler helped Rhaetian Railway (RhB) to set the world record for the longest passenger train in the world. 25 Capricorn multiple units from Stadler formed a 1.9-kilometre-long composition. As well as supplying the vehicles, Stadler also provided a team of experts to assist RhB with the technical preparation and organisation of the successful world record attempt.

September

FULLY AUTOMATIC

Appenzeller Bahnen ordered a new rack-and-pinion rail vehicle from Stadler. The contract included equipping the vehicle with Stadler's CBTC (Communication-Based Train Control) solution, making the new train on the Rheineck–Walzenhausen line the world's first fully automated overland adhesion/rack-and-pinion rail vehicle.

December

TINA ON TRACK

HEAG mobilo was the first local transport company to order a total of 25 TINA trams of the latest generation from Stadler. The first TINA tram arrived in Darmstadt less than two years after signing the contract. The start of operations is scheduled for autumn 2023 after extensive testing.

The Dutch company HTM ordered 56 TINA trams from Stadler in December 2022

RECORDS TO MARK STADLER'S 80TH ANNIVERSARY

The demand for innovative and efficient mobility solutions from Stadler continued unabated last year. Stadler registered a record order intake of 8.6 billion Swiss francs in 2022.

At the beginning of the year, Stadler was awarded a framework contract for the delivery of up to 504 CITYLINK vehicles. The CITYLINK is a tram-train, i.e. a vehicle designed according to both tram and mainline standards. This means that it can be operated on tram networks as well as on mainline networks. This is the largest order in Stadler's history, with a volume of up to four billion euros. Six transport companies from Germany and Austria held a joint international tender as part of the "VDV Tram-Train" project. The first call-off order comprises 246 vehicles, representing a volume of around 1.7 billion euros. In addition to vehicle production, the framework agreement also includes a maintenance contract lasting up to 32 years.

This record order was followed in the spring by an order from the Zweckverband Mittelsachsen for 19 CITYLINK vehicles, with an option for up to 27 additional vehicles for the Chemnitz-Bahn.

In addition, Austrian Federal Railways (ÖBB) awarded Stadler a contract for 186 double-decker trains. The framework agreement has a ten-year term and a total volume of up to three billion euros. As early as April, ÖBB placed an initial call-off order for 41 double-decker KISS multiple units from Stadler under the framework agreement. The order volume of the initial call-off order amounted to around 600 million euros. The trains are intended for use in the eastern region from 2026.

LARGEST ORDER IN SWISS RAIL HISTORY

In May 2022, Swiss Federal Railways (SBB), Thurbo, and RegionAlps signed a framework agreement with Stadler for up to 510 single-decker FLIRT multiple units. This is the largest tender in Swiss rail history. In an initial call-off order, Stadler will deliver 286 vehicles, representing an order volume of around two billion Swiss francs.

The regional transport company Start Deutschland has ordered a further 20 FLIRT vehicles from Stadler for use on the Maas-Wupper network. Stadler has signed a supply contract with DB Regio for 19 FLIRT vehicles for use on the MoselLux network. A second order was placed comprising twelve double-decker KISS vehicles and three single-decker FLIRT trains for use on the north-south network in north-eastern Germany. A third order from DB Regio was received in November of the reporting year: Stadler will supply nine FLIRT vehicles for cross-border transport between Germany and Poland for services to Szczecin. The electric multiple units will be equipped with Stadler's own ETCS solution, GUARDIA, and will also have multi-system drive technology for operation in Germany and Poland.

Stadler will also deliver additional FLIRT trains to Finland. The Finnish VR Group and Stadler have signed a contract for the delivery of 20 single-decker multiple units. The contract includes the supply of spare parts as well as options for a further 50 trains and for a full-service extension.

MORE SMILE VEHICLES ORDERED

In June 2022, SBB ordered seven more SMILE high-speed trains from Stadler. SBB plans to expand its international services, probably from 2026. This will require more trains that can also be used in Switzerland's neighbouring countries, Germany, Austria and Italy.

MARKET LEADERSHIP FOR ALTERNATIVE DRIVES EXPANDED

As well as securing record orders for trams and multiple units, in the reporting year Stadler was also able to expand and consolidate its market leadership for vehicles with alternative drives. Another order was received from DB Regio for the battery-powered FLIRT Akku model in 2022, for instance. 14 multiple units will be put into service in north-eastern Germany. Stadler will deliver at least 113 vehicles powered by alternative drive technologies over the next five years.

BIMODAL LOCOMOTIVES FOR GREAT BRITAIN

The successful development seen in recent years also continued in the area of powerful hybrid locomotives: in April, Stadler was awarded its first contract to supply six-axle bimodal locomotives to the UK. Stadler, Beacon Rail and GB Railfreight signed a contract for the supply of 30 Class 99 six-axle bimodal Co'Co' locomotives. The contract also includes the delivery of spare parts. Having sold around 100 EURODUAL locomotives to date, particularly in continental Europe, Stadler is now introducing the concept of six-axle bimodal locomotives to the UK. Like its sister EURODUAL, the Class 99 is a versatile Co'Co' locomotive that combines a bimodal drive using 25-kV AC and diesel. The Class 99 is adapted to the British railway standards and clearance gauge, making it the only locomotive of its kind in Great Britain to offer significant economic and environmental benefits to rail operators.

TINA MARKET ENTRY IN RECORD TIME

The innovative TINA tram has already won five European tenders within a short time since its market launch. TINA stands for "Total Integrated Low-Floor Drive" in German. Its drive system makes it possible to envisage completely new dimensions for the interior design and passenger comfort of low-floor trams.

Stadler will deliver 29 TINA vehicles to Rostocker Strassenbahn AG. This contract was already the third order for vehicles of the latest vehicle type from the Stadler tram family. The fourth order followed soon afterwards: Stadler and Hallesche Verkehrs-AG, a company belonging to the Stadtwerke Halle Group, signed a supply contract for 56 TINA trams in August. The first vehicles in this series will operate in the city on the Saale river from the end of 2025, helping to drive forward the transition to climate-friendly public transport. Shortly before Christmas, it was revealed that Stadler has also been selected to deliver trams to the Netherlands for the first time. The Dutch transport company HTM has commissioned Stadler with the delivery of 56 TINA trams. This is the fifth contract for TINA vehicles, and also includes an option for 44 more vehicles. The new TINA trams are intended for use on the public transport network in The Hague from 2026.

FURTHER SUCCESSFUL CONTRACTS FOR URBAN TRANSPORT

In September 2022, Stadler received its first Metro order in Asia, more precisely in Taiwan. As part of a consortium, Stadler will supply 25 fully automatic metro trains for the new Kaohsiung MRT Yellow Line.

In October 2022, Stuttgarter Strassenbahnen AG ordered a total of 40 light rail vehicles from Stadler for the expansion of its fleet. This means that the transport company's fleet will in future consist of 100 light rail vehicles and three rack-and-pinion rail vehicles made by Stadler. The order also includes options for up to 30 additional light rail vehicles.

At the end of the year, Transports Publics de la Région Lausannoise and Stadler signed a contract for the delivery of ten TRAMLINK trams, along with the associated spare parts and special tools. The vehicles will be used on the new tram line in Lausanne. Shortly before the turn of the year, a contract was signed with Transports Publics Genevois for 38 TRAMLINK vehicles to extend the tram network in Geneva, including an option for up to 25 additional vehicles.

FIRST FULLY AUTOMATED RACK-AND-PINION RAIL VEHICLE

As well as delivering new vehicles, Stadler also reached milestones in terms of digitalisation: Stadler is supplying the world's first fully automated rack-and-pinion rail vehicle to Appenzeller Bahnen (AB), for example. The contract for the manufacture and delivery of a rack-and-pinion rail vehicle for the Rheineck–Walzenhausen rail link includes equipping the vehicle with Stadler's CBTC solution (Communication-Based Train Control). The vehicle will be operated at the highest automation level, GoA4. This means that train operation can be fully automated and driverless, making the new train on the Rheineck–Walzenhausen line the world's first fully automated overland adhesion/rack-and-pinion rail vehicle. The vehicle currently used by AB has been in service for over 64 years and needs to be replaced due to its age. Automatic operation will ensure the continued existence of one of the last rack railways in eastern Switzerland for another 30 years.

SUCCESS FOR STADLER'S ETCS SOLUTION GUARDIA

Digitalisation solutions from Stadler also convinced customers in the mainline segment: Stadler and Müller Technologie AG signed a contract for the retrofitting of five shunting vehicles with the GUARDIA ETCS automatic train protection system, including an option for up to ten further vehicles. As the manufacturer, Müller Technologie AG is converting the vehicles into hybrid vehicles, which will enable them to switch their operating mode between overhead contact lines, diesel and battery drive. This is the first time that Stadler is carrying out a retrofit with its own ETCS system in Switzerland. Implementation and installation with Baseline 3.6.0 will take place between 2023 and 2025.

STRONG GROWTH IN THE SERVICE DIVISION

The Service Division continues to enjoy strong growth and now comprises 70 locations and 1,800 employees. In the reporting year, new service locations were inaugurated in Frauenfeld (Switzerland), in Sochaczew (Poland) and in Støren (Norway). The transformation of the depot in Leeuwarden (Netherlands) was completed and the depot in Cremona (Italy) was reopened after a break of three years.

At the beginning of 2022, Stadler Service secured the largest service order in its history: a 16-year service contract for the vehicles from the initial call-off order placed by the German-Austrian "VDV-Tram-Train" project consortium within the framework of the four-billion-euro project. In addition to this record order, Stadler was also selected for further service projects including a seven-year full-service contract for 14 BMU vehicles belonging to SJ in Norway and for 19 contracted locomotives. Various contracts have been signed for the integration of Stadler's RDS solution (Remote Diagnostic System) in Stadler vehicles in Europe and the US, as well as in third-party vehicles from SBB's ICN fleet.

A contract for the maintenance of further locomotives was concluded at InnoTrans. In the "3R" business, a wide variety of refit, revision and repair projects were taken on for "3R" production sites. In Switzerland, Stadler Service repaired several trains from the Netherlands that had been involved in accidents, and has started installing Guardia onto SBB's Tilo FLIRT vehicles. In the Netherlands, a second ETCS refit contract was signed for 18 WINK and 50 GTW vehicles.

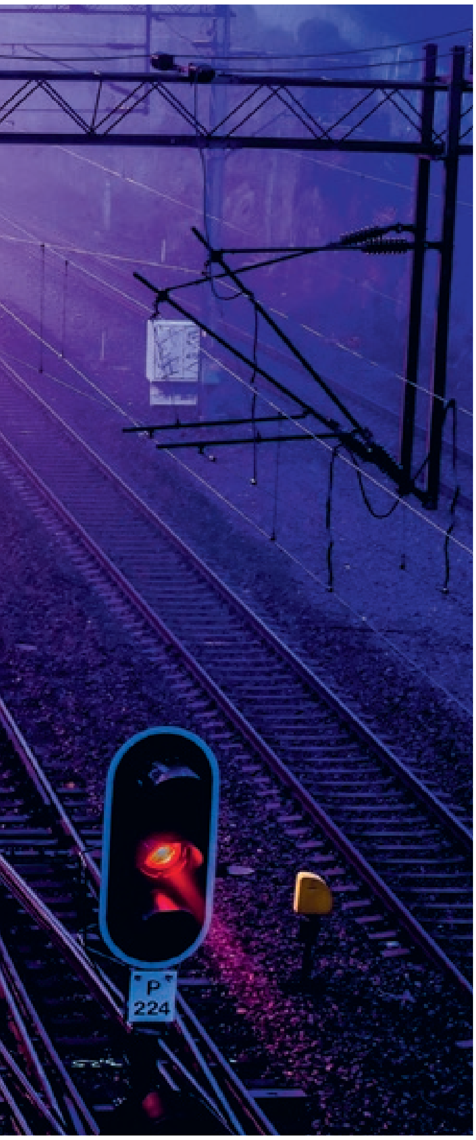
RECORDS IN ALL PRODUCT SEGMENTS

In total, Stadler sold around 1,150 new rail vehicles in the reporting year – more vehicles than ever before. For the first time in the company's history, almost as many trams and light rail vehicles were sold (more than 450 units) as multiple units for mainline trains. In parallel, orders were placed for nearly 100 locomotives and almost 30 special vehicles and mountain rail vehicles. This confirms Stadler's strategic product portfolio as well as the investments made in recent years – especially in vehicle platforms for urban transport and alternative drive systems.

More locomotives for Great Britain:
Beacon Rail and GB Railfreight have ordered 30 six-axle bimodal Co'Co' locomotives

The future is digital: intelligent vehicles allow efficient and sustainable rail transport

DIGITALISATION: SETTING THE COURSE FOR THE FUTURE



The overall purpose of signalling is to make train travel safer and more efficient. There are highly complex systems behind this – and a significant market with an annual volume of around 18 billion euros worldwide and a compound annual growth rate (CAGR) of 0.7%[1]. Population development, climate change, the investment sensitivity of rail operators and life cycle management are the drivers of this growth.

Population growth and urbanisation are leading to greater demand for mobility and higher capacities on the railways. Climate change is forcing us to reduce energy consumption and emissions by adopting new technologies. Modernised signalling technology can contribute to this by allowing all the compositions on a network to be operated with as little power as possible. This would eliminate ineffective acceleration manoeuvres or unnecessarily high speeds that consume large amounts of energy. A smooth driving style without abrupt braking also increases passenger comfort, minimises wear and tear on the drive and braking systems as well as the tracks, and reduces noise emissions.

The investment sensitivity of railway operators is prompting them to invest in forward-looking technologies that will not already be obsolete in a few years. And life cycle management means that costs are considered in relation to the entire service life of a system or product.

SOLUTIONS FOR ALL SIGNALLING AREAS

Thanks to the establishment of its Signalling Division, Stadler has created an excellent basis for offering customers innovative digitalisation solutions from a single source. In addition to its activities at the two competence centres in Wallisellen in Switzerland and in Braunschweig in Germany, Stadler is also carrying out extensive work on vehicle and rail digitalisation at various other locations. Highly qualified engineers are developing solutions for the partial and full automation of rail operations, for instance. Further support is provided by the AngelStar joint venture in Italy, whose headcount has now risen to over 600.

The new business unit is also on track on the development side: the department, which has been managed as a division for a year now, can offer solutions to cover every area of control and safety technology. A distinction is made between vehicle and trackside solutions, and between main lines, branch lines, LRT, depot systems and metros.

ETCS stands for European Train Control System and is the pan-European endeavour to standardise automatic train protection systems, which have historically been organised and developed nationally. Stadler's own ETCS solution GUARDIA has already received approval for countries including Switzerland, Hungary, Poland and Slovenia. National approval was obtained in Germany and the Netherlands in 2022. A rapid and successful market entry in this area was strategically very important for Stadler, as this market offers particularly high potential due to the upcoming modernisations throughout Europe.

1) Source: SCI Verkehr (2019). CCS Worldwide Market Trends

CBTC stands for Communication Based Train Control and mainly refers to an automatic train protection system for branch lines, narrow-gauge railways and urban transport such as metros. Stadler is developing its own solution for complete vehicle and trackside systems in this area.

ATO stands for Automatic Train Operation and offers solutions for driving assistance systems that can even go as far as allowing fully automated driving. Here, too, Stadler can demonstrate a solid customer base and a broad portfolio of solutions for further internationalisation after only a short time.

ETCS MODERNISATION AND MAINTENANCE FROM A SINGLE SOURCE

The order from the regional rail operator Arriva in the Netherlands is a good example. The customer wanted to modernise its Stadler fleet and upgrade it for cross-border traffic purposes. The aim was to obtain ETCS approval for three countries as quickly as possible. Stadler was able to offer an in-house solution in the form of GUARDIA that would enable the customer to operate cross-border transport services. This order allowed Stadler to successfully position itself as a supplier for vehicles, modernisation and signalling. It saves customers an enormous amount of time if vehicle retrofits can be carried out and vehicle signalling equipment provided by a single supplier at the same time.

The market for the modernisation of automatic train protection systems in Europe amounts to approx. 13 billion euros, spread over the next 10 years. 12,000 vehicles are affected in Germany alone. Modernisation projects are highly complex and there are only a few providers on the market. As part of a project with Deutsche Bahn, Stadler has already proven that it can carry out signalling refits not only on its own vehicles, but also on third-party vehicles, and within a very short time has established itself on the market in Germany as a major ETCS refit provider.

GROUNDBREAKING INNOVATION FOR AUTOMATED DRIVING

The order from Baselland Transport AG (BLT) is an example of a CBTC solution from Stadler. The customer wanted to be able to operate its new vehicles with the Grade of Automation GoA1+ in an initial phase. A further requirement was that if necessary, it had to be possible to seamlessly increase the level of automation to level GoA4, i.e. fully automated operation without a driver. As well as delivering suitably equipped vehicles, Stadler also made the necessary infrastructural changes. BLT is the first customer to choose this option for a branch line, and its forward-looking investment ensures that the infrastructure and vehicles will still meet requirements in ten years' time. The market for solutions of this kind is sizeable and is experiencing strong growth.

PRESERVING INDEPENDENCE

As an innovative company on the market, Stadler can offer state-of-the-art systems that are fully designed to meet the current demands of railway operators. Stadler is clearly positioning itself as a full-service provider for rail and vehicle solutions, signalling refits and maintenance. Stadler can already claim to be the innovation leader, especially in the field of branch lines and urban transport.

Virtual train image to facilitate maintenance

A digital twin is a digital or virtual image of systems, processes, products or services in the physical world that makes use of real data. The physical object and virtual representation are interconnected and synchronised, and can influence each other in real time. Stadler uses digital twins for predictive maintenance. Faults and failures can be prevented using the virtual image of a complete train. Here, too, the advantages are greater capacity, safety and punctuality.

The new vehicle for Appenzeller Bahnen will be the world's first fully automated overland adhesion/rack-and-pinion rail vehicle

Stadler is supplying 55 battery-powered FLIRT Akku vehicles to NAH.SH.

DECARBONISATION OF MOBILITY

Knowing that rail is the most environmentally friendly means of transport of all, and that its operation will become even more environmentally friendly in the future as a result of the decarbonisation demanded by politicians, the ambition must be to transport as many people and goods as possible by rail, given the climate targets that have been set. That is Stadler's mission. The choice of the best alternative drive must therefore always be measured in relation to the goal of getting more people to travel by train.

In terms of emissions per kilometre, rail is per se one of the most environmentally friendly means of transport of all. There are three main reasons for this. Firstly, rail vehicles have minimal rolling resistance between the wheels and the ground. Steel wheels run on steel rails, which results in a significantly lower rolling resistance than, for example, when rubber tyres meet asphalt, as in road traffic. Secondly, rail vehicles do what all racing cyclists try to do: they are coupled to form a train, and therefore travel in each other's slipstream. This in turn results in the least possible aerodynamic resistance to be overcome per car. On the road, every car and every truck has to fight air resistance individually. Thirdly, the rail-based system facilitates the electrification of routes, establishing the ideal conditions for what is still the most environmentally friendly way to power a vehicle: electric drive systems.

NEW SOLUTIONS FOR DIESEL FLEETS INEVITABLE

The electrification of the Swiss rail network began 100 years ago and now has a coverage rate of almost one hundred percent. In the USA, on the other hand, only one percent of the rail network is electrified. In Europe, Great Britain is the frontrunner in non-electrification, closely followed by Denmark, France and Germany. Consequently, diesel fleets remain relatively large in these countries. There is an urgent need to find efficient solutions to replace or retrofit these diesel vehicles so that the countries concerned can decarbonise their fleets with a view to achieving climate targets.

Replacement requirements are huge. This opens up a significant market for Stadler: in Western Europe alone, more than 6,500 multi-car vehicles will have to be replaced or retrofitted in the next few years; in Eastern Europe, well over 2,000 vehicles are affected, with an average of two cars each.

FOUR ALTERNATIVE DRIVE OPTIONS

There are essentially four alternative drive systems that can replace diesel: electrification, battery operation, fuel cells and hydrogen combustion motors.

Electrification is the most proven and efficient solution. However, it is not always economically attractive, and its feasibility depends on the conditions of each individual route.

Batteries have been used in the rail vehicle industry for 100 years. Stadler has been taking advantage of battery technology as a drive solution since the very first day of the company's history – even though the technology has changed significantly over the past 80 years. After starting out with battery-powered mining vehicles and shunting locomotives in the 1940s, Stadler continued in the same vein with battery-powered trams in 2011 and rail cars with supercapacitors to store power in 2014. Today, Stadler has become the market leader for this technology. Well over 100 vehicles have already been equipped with the latest battery technology by Stadler.

The fuel cell, as the third alternative drive solution, can process hydrogen by combining it with the oxygen in the air to convert it into electricity and water, which in turn can charge a battery and power a vehicle. However, this technology has not yet become widespread because the limited performance of fuel cells is not optimal for drive units. The use of fuel cells is limited because efficiency decreases with increasing power or, conversely, efficient operation is only possible at low power levels. In practice, this means that a hydrogen-powered train must always be equipped with back-up batteries. A fourth type of alternative drive technology is a conventional combustion motor that burns hydrogen instead of petrol or diesel. In contrast to the fuel cell, its efficiency increases in line with the power output. However, although combustion produces nitrogen oxide rather than CO_2, exhaust gas aftertreatment is required.

ALL THE ALTERNATIVE DRIVES IN THE PORTFOLIO

Stadler offers all alternative drive options either individually or in combination with each other as hybrid solutions. Stadler has more than 80 years of experience in the construction of battery-powered rail vehicles. Unlike the early models, today's battery-powered vehicles can run both with and without overhead contact lines, and can be recharged during operation or even when braking.

Stadler rapidly won several tenders with the FLIRT Akku prototype built in 2017. At the end of 2021, the battery-powered FLIRT Akku prototype travelled 224 kilometres in battery-only mode in subzero temperatures and snowfall, setting a new world record documented by the "Guinness Book of Records". The first series-production vehicle for the Nahverkehrsverbund Schleswig-Holstein is in test operation, and the start of operations is scheduled for 2023.

Stadler has built on this prototype to develop a family of battery vehicles – ranging from models with two or three cars to a seven-car vehicle with a Powerpack in the middle that can be fitted with additional battery power. Different battery technologies are used depending on the driving cycle.

The FLIRT train can be adapted to a wide range of customer requirements thanks to its modular concept and versatility. For example, the FLIRT model for Transport for Wales is suitable for trimodal operation: under an overhead contact line, via battery power or with a diesel reserve. The battery is recharged as the train moves along.

Further FLIRT models with battery drives are currently in production: 55 FLIRT Akku vehicles for the Nahverkehrsverbund Schleswig-Holstein, 44 trains for the Palatinate network and 14 trains for Deutsche Bahn's H-Netz. The trains operate electrically under an overhead contact line and with a battery. The vehicles for Schleswig-Holstein are currently undergoing approval tests and will start passenger service later this year.

Battery drives are also still used for shunting locomotives. In 2018, Rhaetian Railway ordered seven battery-powered narrow-gauge locomotives with hybrid drive from Stadler, which have been in operation since 2020.

Stadler has designed and built the first hydrogen-powered multiple unit for SBCTA in California. It is equipped with a Powerpack that houses the fuel cells and hydrogen cylinders. The FLIRT H_2 vehicle for SBCTA was presented to the public for the first time at InnoTrans 2022 and has been on test runs in Switzerland since December 2022. Testing will continue in the US in early summer 2023. Commissioning is planned for 2024.

Stadler has long since evolved from a rolling stock supplier to a full-service provider of mobility solutions. Its portfolio includes vehicles, comprehensive service packages, digitalisation solutions for vehicles and rails, as well as the latest green drive technologies. At InnoTrans 2022, Stadler demonstrated its market leadership by exhibiting seven current customer projects, all equipped with alternative drive solutions.

Stadler has been taking advantage of battery technologies as a drive solution since the very first day of the company's history.

At InnoTrans 2022, Stadler presented the first independent electric multiple unit (IPEMU) for Great Britain. This allows operation on non-electrified lines without infrastructure expansion.

DIGITALISATION

AUTOMATED AND NETWORKED

In an increasingly urbanised world, rail operators face the crucial challenge of guaranteeing safe and seamless transport. As a supplier of solutions for rails and vehicles, Stadler is also continuing to drive forward the digitalisation of rail transport. Automated, networked driving offers huge potential for greater energy efficiency. Assistance systems help locomotive drivers to save energy when operating trains. Intelligent systems ensure that vehicles are air-conditioned and heated according to their capacity utilisation. This allows energy consumption to be reduced, irrespective of the drive technology. The digitalisation of rails helps to condense train frequency – this means that tighter train sequences can be implemented on the same route and more people can therefore be transported by rail in an environmentally friendly way.

IMAGE
Stadler is supplying new TRAMLINK vehicles, as well as the CBTC (Communication-Based Train Control) digital train control and automatic train protection system, for the Waldenburg railway operated by Swiss Baselland Transport AG.

INNOVATION

A PARTNER WITH INNOVATIVE STRENGTH

Stadler stands for reliability, flexibility and innovative strength – and has done since 1942. We work alongside our customers to find the most suitable, sustainable and economical solution – whether in the area of rolling stock, service or signalling. This applies not only in Stadler's day-to-day work, but also involves going above and beyond. In October 2022, for example, Stadler helped Rhaetian Railway (RhB) to set the world record for the longest passenger train in the world. 25 four-car Capricorn multiple units from Stadler were combined into a single composition measuring 1,906.37 metres in length. As well as supplying the vehicles, Stadler also provided a team of experts to assist RhB with the technical preparation and organisation of the successful world record attempt.

IMAGE
The RhB's 25 Capricorn multiple units on the Albula line.

SUSTAINABILITY

SUSTAINABLY INTO THE FUTURE

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.
In September 2022, Stadler presented no fewer than seven vehicles featuring sustainable drive solutions at InnoTrans, the major international rail trade fair in Berlin. As well as unveiling its hydrogen-powered FLIRT H2 multiple unit for American passenger transport, Stadler displayed the battery-powered FLIRT Akku train, the EURO9000 model – which is the most powerful hybrid locomotive in Europe – and the next-generation TINA tram, among other vehicles.

IMAGE
The FLIRT H2 model is Stadler's first hydrogen train, which will be put into service in California from 2024.


STADLER
CalSTA
cta
METROLINK
Caltrans

A Capricorn of the Rhaetian Railway

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) published by SIX Exchange Regulation AG and the associated guidelines.

Unless otherwise stated, all figures refer to 31 December 2022. 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 2022 stood at CHF 3,280 million.

The Group Executive Board consists of the Group CEO and nine 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. Seven Executive Vice Presidents (EVPs) are currently responsible for the economic performance and operational management of the Service, Signalling 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 2022, the Stadler Group comprised 47 companies worldwide (fully consolidated: 44 companies; consolidated at equity: 3 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 pages 101 to 102. 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 2022, 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; 41.6 percent (30.5 percent indirectly via PCS Holding, 11.1 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/significant-shareholders.html

As at 31 December 2022, Stadler Rail AG held 3,087 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 2022, 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 6 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.

*https://www.stadlerrail.com/media/pdf/2021_0506_statuten_srail.pdf

The Board of Directors shall determine the issue price, the type of contribution, the date of issue, the conditions for the exercise of subscription rights and the commencement of dividend entitlement. The Board of Directors may issue new registered shares by means of a firm underwriting through a bank, a banking syndicate or another third party and a subsequent offer of these shares to the existing shareholders or third parties. The Board of Directors is authorised to permit, to restrict or to exclude the trade with subscription rights. In the event of subscription rights not being exercised, the Board of Directors may, at its discretion, either allow such rights to expire worthless, or place them or the shares to which they are entitled either at market conditions or use them otherwise in the interests of the company.

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

a. of the new shares being used to acquire companies, parts thereof or participations, to acquire products, intellectual property or licenses or for the financing or refinancing of such transactions, or for the financing of new investment projects undertaken by the company;
b. of the new shares being used either to extend the shareholder base in certain financial or investor markets, in conjunction with the listing of new shares on domestic or foreign stock exchanges or for purposes of the participation of strategic partners;
c. of the 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.

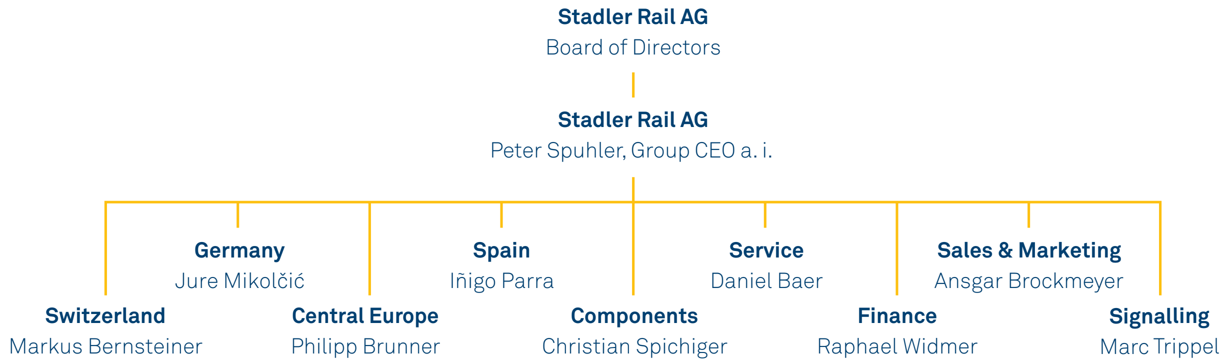
Shareholders' subscription rights and advance subscription rights are excluded.

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.

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.

Organisation
Status as at 31 December 2022



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, depositary or nominee of such a depositary; and (ii) a "beneficial owner" shall include, without limitation, any beneficial owner of depositary interests or depositary receipts representing shares of the company.

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. MEMBER OF THE 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 2022, the Board of Directors comprised eight members. Fred Kindle did not stand for re-election at the Annual General Meeting on 5 May 2022 and stepped down from the Board of Directors as of this date. Prof. Dr. Stefan Asenkerschbaumer was newly elected to the Board of Directors on 5 May 2022. 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, Peter Spuhler also took over as Group CEO on an interim basis from 21 May 2020 to 31 December 2022.

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 FLIRT from BLS AG

STADLER BOARD OF DIRECTORS

from left to right:
Hans-Peter Schwald, Kurt Rüegg, Barbara Egger-Jenzer, Prof. Dr. Stefan Asenkerschbaumer, Peter Spuhler, Prof. Dr. Christoph Franz, Doris Leuthard, Wojciech Kostrzewa

Peter Spuhler (1959)

**Executive Chairman of the Board,
Group CEO a.i. (until 31 December 2022)
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 from 21 May 2020 to 31 December 2022

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, Rieter Holding AG and the Sönmez Transformer Company (STS); 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
Member of the Nomination and Compensation Committees; Chairman of 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

Prof. 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; member of the Board of Trustees of the Ernst Göhner Foundation, the Lucerne Festival and the Swiss Study Foundation

COMMITTEE MEMBERSHIPS
Chairman of the Compensation and Nomination Committees

Non-executive

Prof. Dr. Stefan Asenkerschbaumer (1956)

Member
German citizen

INITIAL ELECTION TO THE BOARD OF DIRECTORS
Board member since 2022

EDUCATION, PROFESSIONAL EXPERIENCE, CAREER
Studied business education and business administration at the University of Erlangen-Nuremberg; doctorate in corporate innovation management

OTHER ACTIVITIES AND VESTED INTERESTS
Personally liable partner of Robert Bosch Industrietreuhand KG, Stuttgart, Germany; Chairman of the Supervisory Board of Robert Bosch GmbH, Stuttgart, Germany; Member of the Supervisory Board of BASF SE, Ludwigshafen, Germany

COMMITTEE MEMBERSHIPS
Member of the Audit Committee and 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 from 2020 to 2022, 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 and the Bell Food Group and a member of the Board of Directors of Transgourmet 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, 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 2022, 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; two of the meetings took place abroad. All members of the Board of Directors were present at all four meetings. At one meeting, one member took part via video conference. 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 has been Christoph Franz since 8 June 2022. The other members are Peter Spuhler, 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 Director and Group Executive Board level;
- Monitoring and assessment of developments in the field of corporate governance and regular reviews of its structures.

The members of the Nomination Committee held tworegular meetings in 2022. All members were present at all 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 two regular meetings in 2022. 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 was Fred Kindle until the General Meeting on 5 May 2022, after which Peter Spuhler took over. The other members are Hans-Peter Schwald, Doris Leuthard and, since 8 June 2022, Stefan Asenkerschbaumer. 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 two regular meetings in 2022. All four committee members were present at both meetings.

The annual two-day strategy seminar with the Board of Directors, management and other key employees took place in November 2022.

The Audit Committee consisted of three members until 8 June 2022 and four members from 8 June 2022 onwards. The chairman of this committee is Kurt Rüegg. The other members are Hans-Peter Schwald, Wojciech Kostrzewa and, since 8 June 2022, Stefan Asenkerschbaumer. 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 four ordinary meetings in 2022. All three committee members attended the first two meetings, and all four members attended the third and fourth meetings. Peter Spuhler was present at all four meetings as a guest. Stefan Asenkerschbaumer attended the second meeting as a guest.

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 eVRP.

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

The Board of Directors receives a monthly report from the Group Executive Board containing information on current tenders, order 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 2022, the Group Executive Board consisted of ten people: the Group CEO, the Group CFO, the EVP Marketing & Sales and the EVP for each division (Switzerland, Germany, Central Europe, Spain, Components, Service and Signalling).

Dr Thomas Ahlburg resigned from the Group Executive Board as of 21 May 2020. Peter Spuhler took over as Group CEO on an interim basis until 31 December 2022.

Further information on the members of the Group Executive Board is provided on pages 48 to 50.

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

Group Executive Board (from January 1, 2023)
from left to right: Raphael Widmer, Iñigo Parra, Lucius Gerig, Dr. Ansgar Brockmeyer, Markus Bernsteiner, Philipp Brunner, Daniel Baer, Marc Trippel, Christian Spichiger, Jure Mikolčić

Peter Spuhler (1959)

Executive Chairman of the Board, Group CEO a.i. (until 31 December 2022) Swiss citizen

MEMBER OF THE GROUP EXECUTIVE BOARD FROM 2020 TO 31 DECEMBER 2022 (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 from 21 May 2020 to 31 December 2022

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, Rieter Holding AG and the Sönmez Transformer Company (STS); 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 (until 31 December 2022), Group CEO (since 1 January 2023) 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; Quality System Manager SA; dipl. Quality System Manager EOQ, KMU dipl. HSG, AMP-HSG Activities at Stadler: 1999 to 2005, COO of Stadler Bussnang AG; 1999 to 2006, Head of Production at Stadler Bussnang AG; 2006 to 2011, and again in 2021 and 2022, CEO of Stadler Bussnang AG; 2011, COO of the Switzerland Division; 2012 to 2014 and 2020 to 2022, Executive Vice President of the Switzerland Division; 2014 to 2020, Executive Vice President of the Components Division; 2019 to 2022, CEO of Stadler Rheintal AG; 2020 to 2022, Deputy Group CEO (internal)

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

Dr. Ansgar Brockmeyer (1966)

Executive Vice President of the Marketing & Sales Division and Deputy Group CEO (external, until 31 December 2022), Executive Vice President of the Marketing & Sales Division and Deputy Group CEO (since 1 January 2023) German citizen

MEMBER OF THE GROUP EXECUTIVE BOARD SINCE 2019

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

OTHER ACTIVITIES AND VESTED INTERESTS
From 2007 to 2013 and again since 2019, lecturer on “Electric Railway Drives” at RWTH Aachen University; since 2022, First Chairman of the Deutsche Maschinentechnische Gesellschaft (DMG) e.V.

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
Since 2017 Member and Managing Director (until May 2020), 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 Executive Vice President of the Germany Division and 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 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. and from 2013 to 2021 Executive Vice President of the Central Europe Division

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 ETH, Zurich; B.A. 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

Marc Trippel (1985)

Executive Vice President of the Signalling Division
Swiss citizen

MEMBER OF THE GROUP EXECUTIVE BOARD SINCE 2022

EDUCATION, PROFESSIONAL EXPERIENCE, CAREER
MAS UZH, Zurich; M.A. HSG, St. Gallen; B.A. UZH, Zurich; around three years in various management positions at Stadler Group, including Chief of Staff; before that, various roles in company acquisitions, integrations and restructurings at CGS Management AG and ZETRA International AG. He started his career in the financial industry at Goldman Sachs

OTHER ACTIVITIES AND VESTED INTERESTS
None

5. SIGNIFICANT CHANGES SINCE THE BALANCE SHEET DATE

As of 1 January 2023, Peter Spuhler handed over the position of Group CEO of Stadler to Markus Bernsteiner. Lucius Gerig took over from Markus Bernsteiner as Executive Vice President of the Switzerland Division and CEO of Stadler Rheintal AG on this date. Lucius Gerig therefore became a member of Stadler's Group Executive Board on 1 January 2023.

6. REMUNERATION, SHAREHOLDINGS AND LOANS, CREDITS AND EMPLOYEE BENEFITS

The content and method of determining the remuneration and the shareholding programmes, as well as information on the remuneration, shareholdings, loans, credits and employee benefits of the Board of Directors and Group Executive Board, can be found in the Remuneration Report starting on page 55 and in the Annual Financial Statements starting on page 117.

7. 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 2022.

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.

8. 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.

9. 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 1.1 million Swiss francs for the 2022 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 0.1 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.

10. 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 2022 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/

11. 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 METRO vehicle for BVG in Berlin

REMUNERATION REPORT

The Remuneration Report describes the remuneration system and its application at Stadler in the 2022 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. 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. 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 remuneration[1]

The members of the Group Executive Board also receive variable remuneration based on the achievement of certain performance targets. Performance targets may include quantitative and qualitative performance criteria that take into account the performance of the Group, individual divisions or business units and/or individual objectives. In the 2022 reporting year, 65% of the target agreements (previous year: 65%) 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: 35%) of individual targets. The achievement of the objectives averaged 57% (previous year: 51%).

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% 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 2021 and 2022 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.stadlerrail.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 two (previous year: four) meetings in the 2022 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 2022 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

	Function	Remuneration in cash	Remuneration in shares	Social security contributions[1]	2022 Total	2021 Total
		in TCHF	in TCHF	in TCHF	in TCHF	in TCHF
Peter Spuhler[2]	Chairman of BoD Chairman of Strategy Committee Member of Compensation Committee Member of Nomination Committee	300	–	23	323	300
Hans-Peter Schwald	Vice Chairman of BoD Member of Strategy Committee Member of Audit Committee Member of Nomination Committee Member of Compensation Committee	230	–	17	247	234
Kurt Rüegg	Member of BoD Chairman of Audit Committee	–	160	9	169	171
Doris Leuthard	Member of BoD Member of Strategy Committee	77	45	9	131	130
Christoph Franz	Member of BoD Chairman of Compensation Committee Chairman of Nomination Committee	–	200	11	211	197
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	91	52	8	151	159
Stefan Asenker-schbaumer[3]	Member of BoD Member of Audit Committee Member of Strategy Committee	–	116	–	116	n/a
Fred Kindle[4]	Member of BoD Chairman of Strategy Committee	40	–	3	43	129
Total remuneration to members of the Board of Directors		**848**	**573**	**80**	**1,501**	**1,430**

[1] Social security contributions include the employer's portion of social security contributions.
[2] Mr Spuhler took over the chairmanship of the Strategy Committee from Mr Kindle on 5 May 2022 and relinquished the chairmanship of the Nomination Committee to Mr Franz.
[3] Mr Asenkerschbaumer was elected to the Board of Directors at the General Meeting held on 5 May 2022.
[4] Mr Kindle was a member of the Board of Directors until the General Meeting held on 5 May 2022.

Group Executive Board

	Fixed remuneration	Variable remuneration in cash	Variable remuneration in shares	Other benefits[1]	2022 Total	2021 Total
	in TCHF	in TCHF	in TCHF	in TCHF	in TCHF	in TCHF
Markus Bernsteiner, Head of Division Switzerland and Deputy Group CEO	455	178	96	253	982	1,097
Other members of the Group Executive Board[2]	2,673	851	456	1,061	5,041	4,838
Total remuneration to the Group Executive Board	**3,128**	**1,029**	**552**	**1,314**	**6,023**	**5,935**

[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 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 2021 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 2022 financial year. The total remuneration for the Board of Directors and the Group Executive Board for 2022 is within the approved range.

4. REMUNERATION TO FORMER MEMBERS OF EXECUTIVE BODIES

The total remuneration of TCHF 6,023 (previous year: TCHF 5,935) paid to the Group Executive Board includes contractually owed remuneration to former members of the Group Executive Board amounting to TCHF 37 (previous year: TCHF 548). This consisted of salary payments (incl. pro rata variable cash remuneration) during the notice period until the end of the employment relationship. Former members of executive bodies are persons who stepped down before the start of the current reporting period.

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

Report on the Audit of the Remuneration Report

Opinion
We have audited the Remuneration Report of Stadler Rail AG (the Company) for the year ended 31 December 2022. The audit was limited to the information on remuneration, loans and advances pursuant to Art. 14-16 of the Ordinance against Excessive Remuneration in Listed Companies Limited by Shares (Verordnung gegen übermässige Vergütungen bei börsenkotierten Aktiengesellschaften, VegüV) 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 59 to 60 of the Remuneration Report.

In our opinion, the information on remuneration, loans and advances on pages 59 to 60 of the Remuneration Report complies with Swiss law and Art. 14-16 VegüV.

Basis for Opinion
We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the “Auditor’s Responsibilities for the Audit of the Remuneration Report” section of our report. We are independent of the Company 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.

Other Information
The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the tables “Board of Directors” and “Group Executive Board“ and in the sections “Remuneration to former Mem-bers of Executive Bodies”, “Remuneration to Related Parties” and “Loans and Credits” on pages 59 to 60 of the Remuneration Report, the consolidated financial statements, the financial statements and our auditor’s reports thereon.

Our opinion on the Remuneration Report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Remuneration Report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the audited financial information in the Remuneration Report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of Directors' Responsibilities for the Remuneration Report
The Board of Directors is responsible for the preparation of a Remuneration Report 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 a Remuneration Report that is free from material misstatement, whether due to fraud or error. The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's Responsibilities for the Audit of the Remuneration Report
Our objectives are to obtain reasonable assurance about whether the information on remuneration, loans and advances pursuant to Art. 14-16 VegüV is 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 SA-CH 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 this Remuneration Report.

As part of an audit in accordance with Swiss law and SA-CH, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the Remuneration Report, 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.

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 to 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.

KPMG AG

Kurt Stocker
Licensed Audit Expert
Auditor in Charge

Nicolas Wuffli
Licensed Audit Expert

Zurich, 14. March 2023

KPMG AG, Badenerstrasse 172, CH-8036 Zurich

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CONSOLIDATED FINANCIAL STATEMENTS

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CONSOLIDATED INCOME STATEMENT

in thousands of CHF or as noted	Note	2022		2021	
Net revenue	1.1	**3,750,517**	**100.0%**	**3,634,678**	**100.0%**
Material and external services		(2,230,064)	59.5%	(2,250,075)	61.9%
Material overhead		(126,137)	3.4%	(105,024)	2.9%
Warranty costs	2.6	(107,241)	2.9%	(80,068)	2.2%
Production costs		(659,783)	17.6%	(608,816)	16.8%
Engineering costs		(211,964)	5.7%	(162,214)	4.5%
Project management costs		(29,918)	0.8%	(26,459)	0.7%
Cost of goods sold and services provided		**(3,365,107)**	**89.7%**	**(3,232,656)**	**88.9%**
Gross margin		**385,410**	**10.3%**	**402,022**	**11.1%**
Development costs		(32,602)		(29,997)	
Marketing & Sales costs		(63,287)		(60,679)	
Administration costs		(108,362)		(92,507)	
Other operating income	5.2	32,767		10,375	
Other operating expenses	5.2	(8,860)		(5,561)	
Operating result (EBIT)		**205,066**	**5.5%**	**223,653**	**6.2%**
Financial result	5.1	(122,016)		(75,023)	
Share of results from associated companies	4.3	2,775		3,843	
Ordinary result		**85,825**	**2.3%**	**152,473**	**4.2%**
Non-operating result	5.5	(95)		(460)	
Profit before income taxes		**85,730**	**2.3%**	**152,013**	**4.2%**
Income taxes	5.3	(10,606)		(17,507)	
Profit for the year		**75,124**	**2.0%**	**134,506**	**3.7%**
– thereof attributable to shareholders of Stadler Rail AG		72,898		133,655	
– thereof attributable to minority interests		2,226		851	
Basic and diluted earnings per share (in CHF)	1.5	**0.73**		**1.34**	

CONSOLIDATED BALANCE SHEET

in thousands of CHF	Note	31.12.2022		31.12.2021	
Assets					
Cash and cash equivalents		831,682		1,148,723	
Trade receivables	2.1	472,701		318,125	
Other current receivables	2.7	131,509		136,427	
Compensation claims from work in progress	1.3	623,170		690,631	
Inventories	2.2	241,198		219,302	
Work in progress	1.2	794,636		848,951	
Accrued income and deferred expenses		22,607		35,552	
Total current assets		**3,117,503**	**70.9%**	**3,397,711**	**73.9%**
Property, plant and equipment	2.3	919,818		892,743	
Financial assets	2.4	148,046		125,696	
Investments in associated companies	4.3	19,465		17,597	
Intangible assets	2.5	190,654		164,946	
Total non-current assets		**1,277,983**	**29.1%**	**1,200,982**	**26.1%**
Total assets		**4,395,486**	**100.0%**	**4,598,693**	**100.0%**
Liabilities & equity					
Current financial liabilities	3.1	461,076		817,917	
Trade payables	2.1	239,941		215,288	
Liabilities from work in progress	1.2	1,602,705		1,310,254	
Other current liabilities	2.7	160,904		177,327	
Current provisions	2.6	86,197		101,953	
Deferred income and accrued expenses	2.7	353,483		329,587	
Total current liabilities		**2,904,306**	**66.1%**	**2,952,326**	**64.2%**
Non-current financial liabilities	3.1	601,393		681,917	
Non-current provisions	2.6	110,693		84,186	
Total non-current liabilities		**712,086**	**16.2%**	**766,103**	**16.7%**
Total liabilities		**3,616,392**	**82.3%**	**3,718,429**	**80.9%**
Share capital	3.3	20,000		20,000	
Capital reserves		16,866		16,966	
Treasury shares	3.3	(99)		(1,335)	
Retained earnings		662,910		705,919	
Profit for the year, attributable to shareholders of Stadler Rail AG		72,898		133,655	
Stadler Rail AG shareholders' equity		**772,575**	**17.6%**	**875,205**	**19.0%**
Minority interests		6,519		5,059	
Total equity		**779,094**	**17.7%**	**880,264**	**19.1%**
Total liabilities & equity		**4,395,486**	**100.0%**	**4,598,693**	**100.0%**

CONSOLIDATED CASH FLOW STATEMENT

in thousands of CHF	Note	2022	2021
Cash flow from operating activities			
Profit for the year		75,124	134,506
Depreciation and amortisation		103,854	99,395
Loss/(gain) on disposal of non-current assets		1,379	(459)
Non-recurring impairment		–	22
Share of results from associated companies	4.3	(2,775)	(3,843)
Profit from sale of minority interests	4.1	(21,302)	–
Other non-cash items		29,692	9,554
Addition/(Reduction) other non-current liabilities		–	(325)
Addition/(Reduction) non-current provisions	2.6	29,100	(19)
Change in net current assets			
– Reduction/(Addition) trade receivables	2.1	(165,172)	(17,402)
– Reduction/(Addition) other current receivables	2.7	1,621	7,504
– Reduction/(Addition) compensation claims from work in progress	1.3	62,438	167,586
– Reduction/(Addition) inventories	2.2	(20,719)	(21,969)
– Reduction/(Addition) work in progress	1.2	20,413	9,771
– Reduction/(Addition) accrued income and deferred expenses		12,027	(4,750)
– Addition/(Reduction) trade payables	2.1	29,975	(78,937)
– Addition/(Reduction) liabilities from work in progress	1.2	286,181	55,688
– Addition/(Reduction) other current liabilities	2.7	(14,666)	75,587
– Addition/(Reduction) current provisions	2.6	(19,269)	27,027
– Addition/(Reduction) deferred income and accrued expenses	2.7	33,448	44,287
Net cash flow from operating activities		**441,349**	**503,223**
Cash flow from investing activities			
Investments in property, plant and equipment	2.3	(125,403)	(111,610)
Proceeds from sales of property, plant and equipment	2.3	334	4,171
Investments in financial assets	2.4	(1,171)	(2,909)
Proceeds from sales of financial assets	2.4	1,541	32,485
Acquisition of subsidiaries, net of cash acquired	4.1	(25,677)	(10,947)
Dividends received from associated companies	4.3	–	738
Purchase of minority interests	4.1	–	(245)
Investments in intangible assets	2.5	(59,074)	(65,523)
Proceeds from sales of intangible assets	2.5	2,453	–
Net cash flow from investing activities		**(206,997)**	**(153,840)**
Cash flow from financing activities			
Proceeds from/(repayment of) current financial liabilities	3.1	(433,160)	(197,688)
Proceeds from/(repayment of) non-current financial liabilities	3.1	(1,402)	13,552
Proceeds from/(repayment of) promissory note loans	3.1	–	162,167
(Purchase)/Sale of treasury shares	3.3	(1,521)	(2,420)
Dividends paid to shareholders of Stadler Rail AG	3.3	(89,950)	(84,976)
Dividends paid to minority interests		(942)	(680)
Net cash flow from financing activities		**(526,975)**	**(110,045)**
Total net cash flow		**(292,623)**	**239,338**
Cash and cash equivalents at 1 January		1,148,723	928,897
Currency translation differences on cash and cash equivalents		(24,418)	(19,512)
Cash and cash equivalents at 31 December		**831,682**	**1,148,723**

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

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 2021	**20,000**	**16,077**	**(721)**	(167,188)	986,837	**819,649**	**855,006**	**5,333**	**860,339**
Profit for the period	–	–	–	–	133,655	133,655	133,655	851	134,506
Dividends paid	–	–	–	–	(84,976)	(84,976)	(84,976)	(680)	(85,656)
Acquisitions of subsidiaries	–	–	–	(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**
Profit for the period	–	–	–	–	72,898	72,898	72,898	2,226	75,124
Dividends paid	–	–	–	–	(89,950)	(89,950)	(89,950)	(942)	(90,892)
Acquisitions of subsidiaries	–	–	–	(64,360)	–	(64,360)	(64,360)	630	(63,730)
Purchase of treasury shares	–	–	(1,521)	–	–	–	(1,521)	–	(1,521)
Share-based payments	–	(100)	2,757	–	–	–	2,657	5	2,662
Currency translation differences	–	–	–	–	(22,354)	(22,354)	(22,354)	(459)	(22,813)
Balance at 31 December 2022	**20,000**	**16,866**	**(99)**	(242,190)	977,997	**735,807**	**772,575**	**6,519**	**779,094**

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 2022 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.

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

Situation in Belarus and impact on the Fanipol plant

The Russian war of aggression against Ukraine and the associated sanctions against Belarus are continuing to have an impact on Stadler and the plant in Fanipol. Due to the sanctions imposed to date, Stadler transferred individual orders from Belarus to plants in the European Union and Switzerland at the beginning of 2022. Before the start of the war in Ukraine, the plant's production capacity was less than ten percent of the total Group capacity.

During the preparation of the 2022 annual financial statements, Stadler's management prepared a business plan for the Fanipol plant. An impairment test was then conducted based on this plan. This shows that the existing assets are covered by future cash flows despite the current restrictions and the temporary reduction of capacities.

On account of the very good order situation, the high capacity utilisation of the other Group locations and the high level of skills and quality offered by the Fanipol plant in terms of value added, Stadler is holding on to the plant in Belarus so that it can reopen it as soon as the sanctions have been lifted. So far, the reduction in staff capacity has been implemented almost exclusively through reallocation to other Stadler sites and to local companies. The plant continues to provide services in car body and component production, as well as in the field of engineering, in strict compliance with all the sanctions.

Stadler is constantly monitoring the situation and taking all possible measures to minimise any negative effects.

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.

Following the acquisitions of BÄR Bahnsicherung AG in 2021 and the BBR companies in 2022, the signalling activities are being combined into an independent business segment from 1 January 2022. This means that the following three segments now 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.
"Signalling"	The "Signalling" business segment develops and distributes various signalling solutions for vehicles and infrastructures. The portfolio includes solutions in the areas of train protection (ETCS and national automatic train protection systems), communication-based train control for driverless operation (CBTC), automatic train operation (ATO), driving assistance systems (CWS/CDAS/DAS), interlocking technologies (RSTW/ ESTW) and other trackside components that make up the complete automatic train protection system. As a digitalisation partner, the company also offers services for the planning and implementation of security systems.

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" 2022	"Rolling Stock" 2021 restated[1]	"Service & Components" 2022	"Service & Components" 2021	"Signalling" 2022	"Signalling" 2021 restated[1]	"Corporate Centre" & Eliminations 2022	"Corporate Centre" & Eliminations 2021	Total 2022	Total 2021
Net revenue										
Net revenue per segment	3,299,680	3,280,682	791,569	850,194	77,214	29,354	(417,946)	(525,552)	3,750,517	3,634,678
Intersegment revenue	(52,572)	(107,583)	(338,291)	(394,987)	(27,083)	(23,000)	417,946	525,570	–	–
Total net revenue (third parties)	**3,247,108**	**3,173,099**	**453,278**	**455,207**	**50,131**	**6,354**	**–**	**18**	**3,750,517**	**3,634,678**
Net revenue by geographical market										
Germany, Austria, Switzerland	1,397,297	1,584,510	132,776	109,937	37,639	1,229	–	7	1,567,712	1,695,683
Western Europe	902,601	640,684	253,914	277,433	2,378	1,218	–	11	1,158,893	919,346
Eastern Europe	591,822	603,364	47,051	58,284	238	–	–	–	639,111	661,648
America	314,171	218,111	5,867	3,694	9,876	3,907	–	–	329,914	225,712
CIS	41,217	126,430	3,063	3,579	–	–	–	–	44,280	130,009
Rest of the world	–	–	10,607	2,280	–	–	–	–	10,607	2,280
Total net revenue by market	**3,247,108**	**3,173,099**	**453,278**	**455,207**	**50,131**	**6,354**	**–**	**18**	**3,750,517**	**3,634,678**
Net revenue by product group										
Trains	2,032,986	2,055,534								
Locomotives	219,750	254,366								
LRV	238,492	302,821								
METRO	147,144	209,152								
TAILOR MADE	608,736	351,226								
Total net revenue by product	**3,247,108**	**3,173,099**								
Additions to PPE										
Additions to PPE	92,055	65,893	25,889	30,039	584	99	6,662	4,342	125,190	100,373
Total additions to PPE	**92,055**	**65,893**	**25,889**	**30,039**	**584**	**99**	**6,662**	**4,342**	**125,190**	**100,373**
Staff as FTEs										
Permanent employees	8,702	8,877	3,201	3,006	367	99	188	192	12,458	12,174
Temporary employees	403	399	315	280	10	3	–	–	728	682
Apprentices	195	181	44	30	6	–	–	–	245	211
Total staff as FTEs	**9,300**	**9,457**	**3,560**	**3,316**	**383**	**102**	**188**	**192**	**13,431**	**13,067**

[1] The previous year's figures were restated following the introduction of the new "Signalling" business segment. In the past, signalling activities were included in the "Rolling Stock" business segment.

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

In addition to vehicle-based signalling solutions such as train protection (ETCS and national automatic train protection systems), communication-based train control for driverless operation (CBTC), automatic train operation (ATO) and driving assistance systems (CWS/CDAS/DAS), Stadler was also able to expand its signalling capabilities on the infrastructure side thanks to the acquisitions of BÄR Bahnsicherung AG and the BBR companies. It can now also offer solutions such as interlocking technologies (RSTW/ ESTW) and other trackside components that make up the complete automatic train protection system. The accounting principles for the recognition of revenue and the recognition and measurement of work in progress in the new "Signalling" business segment have been amended below. These principles were applied in the previous year, but were not disclosed separately in the 2021 consolidated financial statements for reasons of materiality.

ACCOUNTING PRINCIPLES

RECOGNITION OF REVENUE: “ROLLING STOCK”
Revenue from the sale of rail vehicles is recognised according to the percentage of completion method (see Note 1.2).

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.

RECOGNITION OF REVENUE: “SIGNALLING”
Revenue in the “Signalling” segment is mainly composed of vehicle and infrastructure signalling solutions and is recognised in both cases according to the percentage of completion method (see Note 1.2). As a digitalisation partner, the company also offers services for the planning and implementation of security systems. Revenue is recognised upon the provision of a service.

1.2 WORK IN PROGRESS

in thousands of CHF	31.12.2022	31.12.2021 restated[1]
Work in progress		
"Units of delivery" method		
Work in progress, gross	1,383,984	1,828,869
Advance payments to suppliers	84,868	80,401
Advance payments to suppliers, related parties	–	360
Advance payments to suppliers, associated companies	15,070	6,463
Advance payments from customers	(629,652)	(1,104,531)
Advance payments from customers, related parties	(101,247)	–
Total work in progress "units of delivery" method	**753,023**	**811,562**
"Cost to cost" method		
Work in progress, gross	18,872	27,986
Advance payments to suppliers	1,013	–
Advance payments from customers	(10,697)	(26,393)
Full-service contracts net	32,425	35,796
Total work in progress "cost to cost" method	**41,613**	**37,389**
Total work in progress	**794,636**	**848,951**
Liabilities from work in progress		
"Units of delivery" method		
Work in progress, gross	1,394,845	1,169,905
Advance payments to suppliers	94,505	92,456
Advance payments to suppliers, related parties	750	–
Advance payments to suppliers, associated companies	17,057	5,487
Advance payments from customers	(2,906,956)	(2,158,916)
Advance payments from customers, related parties	(101,076)	(338,323)
Advance payments from customers, associated companies	(3,488)	(2,528)
Total liabilities from work in progress "units of delivery" method	**(1,504,363)**	**(1,231,919)**
"Cost to cost" method		
Work in progress, gross	3,296	16,982
Advance payments to suppliers	351	–
Advance payments from customers	(22,773)	(25,847)
Full-service contracts net	(79,216)	(69,470)
Total liabilities from work in progress "cost to cost" method	**(98,342)**	**(78,335)**
Total liabilities from work in progress	**(1,602,705)**	**(1,310,254)**
Net work in progress/(liabilities from work in progress)	**(808,069)**	**(461,303)**

[1] The previous year's figures were restated following the introduction of the new "Signalling" business segment. In the past, signalling activities were included in the "Rolling Stock" business segment.

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.

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

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

Work in progress comprises 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.

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).

"SIGNALLING" BUSINESS SEGMENT – VEHICLE SOLUTIONS

Revenue (net proceeds) from signalling solutions on the vehicle side 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.

"SIGNALLING" BUSINESS SEGMENT – INFRASTRUCTURE SOLUTIONS

Revenue (net proceeds) from signalling solutions on the infrastructure side 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.

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 for which the advance payments were made and disclosed in the notes.

1.3 COMPENSATION CLAIMS FROM WORK IN PROGRESS

in thousands of CHF	31.12.2022	31.12.2021
Compensation claims from work in progress		
Compensation claims for vehicles whose revenue has been recognised but not yet invoiced	1,981,921	1,907,169
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	(1,358,751)	(1,218,465)
Total compensation claims from work in progress	**623,170**	**690,631**

Compensation claims from work in progress amounting to CHF 623.2 million (previous year: CHF 690.6 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 166.9 million, previous year: CHF 116.8 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 456.3 million, previous year: CHF 573.8 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	2022	2021
Personnel expenses		
Wages and salaries	(787,002)	(728,547)
Social security costs	(109,193)	(105,735)
Pension costs	(32,574)	(30,528)
Other personnel expenses	(19,827)	(18,015)
Total personnel expenses	**(948,596)**	**(882,825)**

In accordance with the remuneration regulations, a total of 15,000 shares were issued to the Board of Directors in the 2022 financial year as part of their fee (previous year: 10,275). Personnel expenses were charged accordingly with CHF 0.6 million (previous year: CHF 0.5 million). In addition, personnel expenses of CHF 2.0 million were accrued for share-based bonus payments in 2022 in accordance with the remuneration regulations (previous year: CHF 2.0 million). These bonus shares will be allocated in 2023.

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	2022	2021
Earnings per share		
Profit for the year attributable to shareholders	72,898	133,655
Weighted average number of shares outstanding	99,983,070	99,977,449
Basic and diluted earnings per share (in CHF)	**0.73**	**1.34**

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	31.12.2022	31.12.2021
Trade receivables		
Third parties	472,878	316,809
Related parties	3,219	3,510
Associated companies	210	584
Value adjustments	(3,606)	(2,778)
Total trade receivables	**472,701**	**318,125**

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	31.12.2022	31.12.2021
Trade payables		
Third parties	234,577	212,004
Related parties	4,186	3,069
Associated companies	1,178	215
Total trade payables	**239,941**	**215,288**

ACCOUNTING PRINCIPLES

Trade payables are reported at nominal value.

2.2 INVENTORIES

in thousands of CHF	31.12.2022	31.12.2021
Inventories		
Spare parts	213,779	183,466
Components	36,507	41,015
Value adjustments	(9,088)	(5,179)
Total inventories	**241,198**	**219,302**

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 2021	**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**
Change in scope of consolidation	–	134	1,553	18	163	153	562	245	2,828
Additions	11,323	10,457	7,912	5,806	2,756	8,893	17	78,026	125,190
Disposals	(787)	(5,509)	(4,553)	(2,511)	(754)	(5,612)	–	–	(19,726)
Reclassifications	32,145	12,289	1,166	5,820	5,770	116	(17,789)	(39,517)	–
Currency translation differences	(18,243)	(12,777)	(2,201)	(2,355)	(641)	(1,048)	(2,866)	(2,758)	(42,889)
Balance at 31 December 2022	**683,930**	**309,263**	**112,078**	**65,408**	**29,268**	**51,957**	**42,189**	**80,445**	**1,374,538**
Accumulated depreciation and impairment									
Balance at 1 January 2021	**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**
Additions	19,170	21,940	8,735	7,235	2,668	7,640	1,836	–	69,224
Disposals	(665)	(5,189)	(3,679)	(2,317)	(646)	(5,548)	–	–	(18,044)
Reclassifications	321	1,983	(221)	221	(49)	–	(2,255)	–	–
Currency translation differences	(2,655)	(5,825)	(807)	(1,444)	(261)	(796)	(1,064)	–	(12,852)
Balance at 31 December 2022	**137,032**	**160,872**	**49,826**	**42,282**	**14,428**	**34,382**	**15,898**	**–**	**454,720**
Net carrying amounts									
Balance at 31 December 2022	**546,898**	**148,391**	**62,252**	**23,126**	**14,840**	**17,575**	**26,291**	**80,445**	**919,818**
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 1 January 2021	**464,598**	**147,703**	**54,155**	**18,885**	**8,068**	**16,465**	**47,865**	**122,230**	**879,969**

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 and from the asset additions acquired under finance leases.

As of the balance sheet date, investment obligations amounted to CHF 45.4 million (previous year: CHF 12.7 million).

ACCOUNTING PRINCIPLES

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

The depreciation periods are as follows:

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

IMPAIRMENT

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

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

FINANCE LEASES

Assets under lease include the buildings in Winterthur and Montceau-les-Mines (see also Note 3.1 “Financial liabilities”). The term of the Winterthur lease contract lasts until the year 2030, and that of Montceau-les-Mines up to the year 2034.

In the previous year, assets under lease also included the buildings in Szolnok. In the reporting year, the option to acquire the leased buildings before the end of the term was exercised. The acquisition costs and accumulated depreciation were reclassified accordingly in the statement of changes in fixed assets.

in thousands of CHF	31.12.2022	31.12.2021
Liabilities from finance leases		
Due within 1 year	1,436	2,554
Current finance lease liabilities (Note 3.1)	**1,436**	**2,554**
Due within 1 to 5 years	5,538	12,520
Due after more than 5 years	19,820	26,857
Non-current finance lease obligations (Note 3.1)	**25,358**	**39,377**
Total liabilities from finance leases	**26,794**	**41,931**

OPERATING LEASE LIABILITIES

in thousands of CHF	31.12.2022	31.12.2021
Operating lease liabilities		
Due within 1 year	17,748	17,951
Due within 1 to 5 years	33,976	38,297
Due after more than 5 years	26,492	23,865
Total undiscounted lease payments	**78,216**	**80,113**

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	31.12.2022	31.12.2021
Financial assets		
Other financial assets, third parties	56,723	46,054
Other financial assets, associated companies	2,743	2,434
Deferred income tax assets	88,580	77,208
Total financial assets	**148,046**	**125,696**

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 2021	**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**
Change in scope of consolidation	88	–	545	–	633
Additions	4,602	189	6,892	46,835	58,518
Additions due to reclassifications of work in progress	–	–	–	3,875	3,875
Disposals	(1,748)	(132)	(67)	–	(1,947)
Reclassifications	1,003	–	10,579	(11,582)	–
Currency translation differences	(1,073)	(66)	(2,567)	(1,231)	(4,937)
Balance at 31 December 2022	**61,049**	**17,335**	**198,732**	**95,780**	**372,896**
Accumulated depreciation and impairment					
Balance at 1 January 2021	**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**
Additions	8,492	1,086	25,052	–	34,630
Disposals	(1,743)	(106)	(67)	–	(1,916)
Currency translation differences	(828)	(32)	(1,420)	–	(2,280)
Balance at 31 December 2022	**40,777**	**15,004**	**126,461**	**–**	**182,242**
Net carrying amounts					
Balance at 31 December 2022	**20,272**	**2,331**	**72,271**	**95,780**	**190,654**
Balance at 31 December 2021	**23,321**	**3,288**	**80,454**	**57,883**	**164,946**
Balance at 1 January 2021	**24,358**	**4,278**	**77,208**	**17,482**	**123,326**

The above-mentioned additions to assets in development of CHF 46.8 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.

In the reporting year, development costs of CHF 3.9 million in connection with the hydrogen-powered FLIRT H2 model were reclassified from gross work in progress to intangible assets within the liabilities balance sheet item, as management believes that this vehicle concept can now be used for future orders.

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 2021	**105,717**	**34,403**	**7,718**	**10,751**	**3,068**	**161,657**
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
Change in scope of consolidation	5,154	463	160	317	–	6,094
Addition	117,466	34,690	3,485	1,668	153	157,462
Utilisation	(82,036)	(35,268)	(10,025)	–	(27)	(127,356)
Reversal	(10,225)	(3,611)	(398)	(5,985)	(56)	(20,275)
Currency translation differences	(3,278)	(1,136)	(248)	(305)	(207)	(5,174)
Balance at 31 December 2022	**139,633**	**37,034**	**10,899**	**6,739**	**2,585**	**196,890**
– thereof current	41,870	34,015	10,312	–	–	86,197
– thereof non-current	97,763	3,019	587	6,739	2,585	110,693

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	31.12.2022	31.12.2021
Other current receivables		
VAT receivables	70,266	74,865
Receivables from the sale of non-current assets	7,651	10,104
Income tax receivables	18,922	15,496
Derivative financial instruments	1,082	10
Other receivables from associated companies	–	297
Other receivables from third parties	33,588	35,655
Total other current receivables	**131,509**	**136,427**

OTHER CURRENT LIABILITIES

in thousands of CHF	31.12.2022	31.12.2021
Other current liabilities		
Social insurance, source and wage taxes	22,157	26,773
VAT liabilities	81,389	100,467
Liabilities from the purchase of non-current assets	14,732	15,231
Liabilities from the purchase of non-current assets from related parties	1,719	2,515
Pension fund current account	179	122
Income tax liabilities	20,676	20,199
Derivative financial instruments	6,080	2,748
Other current liabilities from third parties	13,972	9,272
Total other current liabilities	**160,904**	**177,327**

DEFERRED INCOME/ACCRUED EXPENSES

in thousands of CHF	31.12.2022	31.12.2021
Deferred income and accrued expenses		
Outstanding invoices	104,693	117,487
Accruals manufacturing costs	144,477	116,738
Vacation and overtime	49,924	49,641
Sales commissions, royalties and penalties	41,968	38,477
Other deferred income and accrued expenses	12,421	7,244
Total deferred income and accrued expenses	**353,483**	**329,587**

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	31.12.2022	31.12.2021
Current financial liabilities				
Operating loan	0.0 – 5.0%	< 1 year	84,623	155,187
Project financing	1.1 – 7.6%	< 1 year	359,455	641,691
Bank loans for property, plant and equipment	0.6 – 8.4%	< 1 year	15,562	18,485
Lease liabilities for property, plant and equipment	1.0 – 3.2%	< 1 year	1,436	2,554
Total current financial liabilities			**461,076**	**817,917**
Non-current financial liabilities				
Operating loan	1.9 – 4.8%	1 – 5 years	1,982	52,587
Bank loans for property, plant and equipment	0.6 – 8.4%	1 – 15 years	103,071	110,614
Lease liabilities for property, plant and equipment	1.0 – 3.2%	1 – 12 years	25,358	39,377
Loans from governmental institutions	0.0%	30 years	22,548	23,022
Bonds	0.4%	4 years	300,000	300,000
Promissory note loans	0.7 – 1.1%	2 – 6 years	148,434	156,317
Total non-current financial liabilities			**601,393**	**681,917**
Breakdown by currency				
CHF			446,316	613,055
DKK			88	722
EUR			320,010	404,699
HUF			35,252	36,965
NOK			–	62,083
PLN			87,217	94,733
SEK			58,588	109,362
USD			114,998	178,215
Total financial liabilities			**1,062,469**	**1,499,834**

Short-term operating loans include loans to finance current assets as well as coronavirus-related loans received under government support programmes in Denmark.

As described in Note 2.3 “Property, plant and equipment”, the option to acquire the leased buildings in Szolnok before the end of the term was exercised in the reporting year. The existing lease liabilities with a term lasting until 2029 and an interest rate of 3.47% were repaid. The acquisition was financed with a new bank loan with a term until 2032 and a fixed interest rate of 1.35%.

At the beginning of March 2022, an early extension was obtained for a syndicated loan agreement with national and international banks, which was due to expire in the middle of the year. The loan is now valid for a further five years at improved and more flexible conditions. It mainly comprises a credit line of CHF 0.2 billion and guarantee lines of CHF 2.0 billion. Two additional bilateral guarantee lines amounting to approximately CHF 0.2 billion were concluded in the second half of the year. Stadler now has total guarantee lines of around CHF 8.0 billion at its disposal, of which approximately 40% are currently freely available and more than CHF 0.4 billion are committed cash credit lines, of which around CHF 29.7 million had been drawn as at the balance sheet date.

All the conditions of the existing bank covenants were met as at the balance sheet date.

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 5,719 million (previous year: CHF 5,682 million) were outstanding.

ASSETS PLEDGED TO SECURE OWN LIABILITIES

in thousands of CHF	Collateral for:	31.12.2022	31.12.2021
Pledged assets			
Property	Mortgages	244,758	262,944
Assets under lease	Finance leases	26,291	44,884
Total pledged assets		**271,049**	**307,828**

3.3 SHARE CAPITAL AND RESERVES

SHARE CAPITAL

As at 31 December 2022, 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 2021: 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 of a maximum of 2 million registered shares with a par value of CHF 0.20 each was created for employee benefit plans. Shareholders' subscription rights and advance subscription rights are excluded.

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 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.

No shares had been subscribed from either the conditional or the authorised capital as at the balance sheet date.

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 124.

RESERVES

Non-distributable legal reserves amounted to CHF 4 million as at 31 December 2022 (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	2022	2021
Dividends paid		
Number of registered shares entitled to dividend (in pcs.)	99,944,413	99,971,409
Ordinary dividend per registered share (in CHF)	0.90	0.85
Total dividends paid	**89,950**	**84,976**

After 31 December 2022, the Board of Directors proposed dividends of CHF 0.90 per registered share totalling CHF 90.0 million for 2022. The dividend proposal will be submitted to the Annual General Meeting on 12 May 2023 for approval.

TREASURY SHARES

in thousands of CHF	2022		2021	
	Number	Value	Number	Value
Treasury shares				
Balance at 1 January	34,587	1,335	18,591	721
Purchases from third parties	44,500	1,521	60,322	2,420
Allocations of share-based payments	(76,000)	(2,617)	(44,326)	(1,943)
Adjustment to average price		(140)		137
Balance at 31 December	**3,087**	**99**	**34,587**	**1,335**

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 2022, 44,500 registered shares were acquired at an average price of CHF 34.17 per share (previous year: 60,322 registered shares at an average price of CHF 40.12). There were no sales of registered shares in the 2022 financial year (previous year: none). Within the framework of share-based remuneration (see Note 1.4), 76,000 registered shares were allocated in the reporting year at an average defined value of CHF 34.44 (previous year: 44,326 registered shares at an average of CHF 43.84).

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 firstly to hedge contractually fixed cash flows from operating activities and in connection with financial transactions to cover interest rate and currency risks. Secondly, derivative financial instruments are used to hedge existing balance sheet items in foreign currencies.

in thousands of CHF	Purpose	31.12.2022		31.12.2021	
		Positive value	(Negative value)	Positive value	(Negative value)
Basic values					
Currency	Hedge	47,324	(21,255)	13,404	(13,220)
Interest	Hedge	656	(1,417)	677	–
Total derivative financial instruments		**47,980**	**(22,672)**	**14,081**	**(13,220)**
– thereof to hedge future cash flows		46,898	(16,592)	14,071	(10,472)
Total recognised values		**1,082**	**(6,080)**	**10**	**(2,748)**

ACCOUNTING PRINCIPLES

Derivative financial instruments are used 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. 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.

Positive or negative replacement values of derivative financial instruments used to hedge existing balance sheet items in foreign currencies are recognised in other current receivables or other current liabilities.

The ineffective portion of a hedging relationship is recognised immediately in the income statement. 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 2022

ADDITIONS (COMPANIES FOUNDED)

- As at 23 April 2022: Stadler Austria GmbH, Vienna, Austria (purpose: Sales)
- As at 1 June 2022: Stadler Kazakhstan Ltd, Astana, Republic of Kazakhstan (purpose: Rolling Stock)
- As at 26 July 2022: Stadler Service Kazakhstan Ltd, Astana, Republic of Kazakhstan (purpose: Service)

ADDITIONS (ACQUISITIONS OF SUBSIDIARIES)

In December 2021, Stadler Signalling AG (Wallisellen, Switzerland) concluded an agreement for the purchase of 100% of the capital shares of each of the companies BBR Verkehrstechnik GmbH (Braunschweig, Germany), BBR rail automation GmbH (Braunschweig, Germany), BBR International Finance & Service GmbH (Braunschweig, Germany), BBR rail automation (US) Inc. (Atlanta, USA) and BBR Intelis SA (Vufflens-la-Ville, Switzerland) (together: BBR). 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. The capital shares were acquired on the date of acquisition, 27 May 2022, and the company is therefore included in the consolidated financial statements from this date.

The total purchase price of CHF 52.2 million consists of a cash component of CHF 30.3 million and a share component with an accepted value of CHF 21.9 million. The share component includes the issue of 18,888 registered shares in Stadler Signalling AG, which corresponds to 18.9% of the issued shares. As a result, the seller of BBR is now a minority shareholder of Stadler Signalling AG and indirectly of BÄR Bahnsicherung AG (Fehraltorf, Switzerland) and the acquired BBR companies. The transaction was reflected in the consolidated financial statements in two steps:

1. Sale of minority interests in Stadler Signalling AG and indirectly in BÄR Bahnsicherung AG:

in thousands of CHF	Total
Selling price	
Selling price of shares	21,932
Minority interests disposed of	
Carrying amount of pro rata net assets of Stadler Signalling AG incl. BÄR Bahnsicherung AG	630
Total minority interests disposed of	**630**
Profit from sale of minority interests	
Selling price of shares	21,932
Less minority interests disposed of	630
Total profit from sale of minority interests	**21,302**

2. Purchase of BBR companies:

in thousands of CHF	Total
Net assets acquired at actual values	
Cash and cash equivalents	4,266
Trade receivables	1,858
Other current receivables	2,830
Inventories	13,143
Work in progress	2,806
Accrued income and deferred expenses	472
Property, plant and equipment	2,802
Financial assets	5,362
Intangible assets	634
Current financial liabilities	(15,239)
Trade payables	(4,077)
Liabilities from work in progress	(16,027)
Other current liabilities	(3,434)
Current provisions	(5,777)
Deferred income and accrued expenses	(1,040)
Non-current financial liabilities	(495)
Non-current provisions	(317)
Total net assets acquired at actual values	**(12,233)**
Goodwill	
Purchase price	52,186
Less net assets acquired at actual values	(12,233)
Total goodwill	**64,419**
Net cash outflow	
Purchase price cash	30,254
Less cash acquired	4,266
Net cash outflow	**25,988**

As at 30 September 2022, the remaining 60% of the capital shares of Stadler Trains Mag. Kft. (Budapest, Hungary) were acquired for a purchase price of TCHF 3 (previously recognised under investments in associated companies). The badwill of TCHF 59, i.e. the difference between the purchase price and the proportionately acquired net assets, was directly offset against equity. The company operates in sales, communication and marketing.

DISPOSALS (LIQUIDATIONS)

- As at 28 April 2022: OOO Stadler, Moscow, Russia (purpose: Sales)
- As at 22 September 2022: Stadler Reinickendorf GmbH, Berlin, Germany (purpose: Rolling Stock)

DISPOSALS (MERGERS WITHIN THE SCOPE OF CONSOLIDATION)

The net assets of BÄR Bahnsicherung AG (Fehraltorf, Switzerland) were transferred to the parent company Stadler Signalling AG (Wallisellen, Switzerland) on 17 June 2022 with effect from 1 January 2022.

Furthermore, the net assets of the two companies BBR International Finance & Service GmbH (Braunschweig, Germany) and BBR rail automation GmbH (Braunschweig, Germany) were transferred to BBR Verkehrstechnik GmbH (Braunschweig, Germany) on 1 August 2022 with effect from 1 January 2022. BBR Verkehrstechnik GmbH was subsequently renamed Stadler Signalling Deutschland GmbH.

4.1.2 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)

ADDITIONS (ACQUISITIONS OF SUBSIDIARIES)

In November 2021, a contract was concluded for the purchase of 100% of the capital shares of BÄR Bahnsicherung AG (Fehraltorf, Switzerland). 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 goodwill of CHF 10.6 million arising from the acquisition was recognised directly in equity.

PURCHASE OF MINORITY INTERESTS

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

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 to foreign currency balances at the balance sheet date are recognised in the income statement.

Conversion rates in CHF:

	Average rates		Closing rates	
	2022	2021	31.12.2022	31.12.2021
Currency				
EUR	1.0049	1.0811	0.9896	1.0375
USD	0.9551	0.9143	0.9245	0.9129
GBP	1.1793	1.2578	1.1187	1.2332
NOK	0.0995	0.1064	0.0943	0.1035
PLN	0.2147	0.2369	0.2113	0.2260
HUF	0.0026	0.0030	0.0025	0.0028
CZK	0.0409	0.0422	0.0410	0.0417
DZD	0.0067	0.0068	0.0067	0.0066
SEC	0.0946	0.1066	0.0888	0.1008
RUB	0.0142	0.0124	0.0125	0.0121
RSD	0.0086	0.0092	0.0084	0.0088
DKK	0.1351	0.1454	0.1331	0.1395
GEL	0.3300	0.2800	0.3500	0.3000
KTZ	0.0021	n/a	0.0020	n/a

4.3 INVESTMENTS IN ASSOCIATED COMPANIES

in thousands of CHF	2022	2021
Investments in associated companies		
Balance at 1 January	17,597	15,228
Share of results from associated companies	2,775	3,843
Dividends received	–	(738)
Reclassifications of shares already held	(42)	–
Currency translation differences	(865)	(736)
Balance at 31 December	**19,465**	**17,597**

Following the acquisition of the remaining 60% of the capital shares of Stadler Trains Mag. Kft. (Budapest, Hungary), the company will be fully consolidated from now on. The previous proportional net assets have been reclassified accordingly.

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	Headquarters	Operating currency	Basic capital in thousands	Share % 31.12.2022	Share % 31.12.2021	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	100	O	V
	Stadler Signalling AG	Wallisellen	CHF	100	81	100	O	P, E, V, CS
	BÄR Bahnsicherung AG (merged on 17 June 2022 with Stadler Signalling AG)	Fehraltorf	CHF	100	–	100	O	P, E
	BBR Intelis SA	Vufflens-la-Ville	CHF	200	100	–	O	P, E
Algeria								
	Stadler Algérie Eurl	Algiers	DZD	1,200	100	100	O	S
Belarus								
	CJSC Stadler Minsk	Minsk	EUR	51,322	100	100	O	P, E, V
Denmark								
	Stadler Service Denmark Aps	Aarhus	DKK	50	100	100	O	S
Germany								
	Stadler Deutschland GmbH	Berlin	EUR	6,180	100	100	O	P, E, V, CS
	Stadler Reinickendorf GmbH (liquidated on 22 September 2022)	Berlin	EUR	25	–	100	O	P
	STAP Grundstücks-Vermietungsgesellschaft GmbH	Berlin	EUR	25	100	100	O	I
	Stadler Rail Service Deutschland 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
	Stadler Signalling Deutschland GmbH (formerly BBR Verkehrstechnik GmbH)	Braunschweig	EUR	3,000	100	–	O	P, E
Finland								
	Stadler Service Finland Oy	Helsinki	EUR	–	100	100	O	S
France								
	Erion France S.A.S.	Montceau-les-Mines	EUR	150	100	100	O	S
Georgia								
	Stadler Service Georgia LLC	Tbilisi	GEL	–	100	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
Kazakhstan								
	Stadler Kazakhstan Ltd.	Astana	KZT	4,623	100	–	O	P, E
	Stadler Service Kazakhstan Ltd.	Astana	KZT	4,623	100	–	O	S
Netherlands								
	Stadler Service Nederland B.V.	Apeldoorn	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

Austria								
	ÖBB Stadler Service GmbH	Vienna	EUR	200	40	40	Δ	S
	Stadler Austria GmbH	Vienna	EUR	35	100	–	O	V
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 (liquidated on 28 April 2022)	Moscow	RUB	10	–	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	100	O	S
Hungary								
	Stadler Trains Mag. Kft.	Budapest	HUF	3,000	100	40	O	V
	Stadler Szolnok Kft.	Szolnok	HUF	400,000	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
	BBR rail automation (US) Inc.	Atlanta	USD	10	100	–	O	E

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	31.12.2022	31.12.2021
Balance sheet		
Advance payments to suppliers (note 1.2)	32,877	12,310
Advance payments from customers (note 1.2)	205,811	340,851
Compensation claims from work in progress (note 1.3)	–	1,927
Trade receivables (note 2.1)	3,429	4,094
Trade payables (note 2.1)	5,364	3,284
Other financial assets (note 2.4)	2,743	2,434
Other current receivables (note 2.7)	–	297
Liabilities from the purchase of non-current assets (note 2.7)	1,719	2,515

in thousands of CHF	2022	2021
Income statement		
Purchase of goods and services	94,412	97,744
Sale of goods and services	54,781	398,315
Interest received	242	96
Dividends received	–	738

The sale of goods and services for CHF 54.8 million (previous year: CHF 398.3 million) is mainly attributable to the sale of locomotives to the related company European Loc Pool AG (subsidiary of PCS Holding AG). In the previous year, the sale of KISS trains to the related company Austrian Train Finance AG (subsidiary of PCS Holding AG) was also included. The KISS trains will subsequently be leased by Austrian Train Finance AG to the operator WESTbahn.

As in the previous year, advance payments from customers of CHF 205.8 million (previous year: CHF 340.9 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 94.4 million (previous year: CHF 97.7 million). Of this amount, approximately CHF 80.6 million (previous year: CHF 86.9 million) was spent on purchases for the execution of orders, in particular the purchase of air 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 S.r.l. In addition, CHF 13.8 million (previous year: 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 1.7 million (previous year: CHF 2.5 million).

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	31.12.2022	31.12.2021
Effects of theoretical capitalisation of goodwill on the balance sheet		
Shareholders' equity including minority interests	779,094	880,264
Equity ratio	17.72%	19.14%
Acquisition value of goodwill at the beginning of the year	177,830	167,188
Additions	64,360	10,642
Acquisition value of goodwill at the end of the year	242,190	177,830
Accumulated amortisation of goodwill at the beginning of the year	160,277	156,382
Amortisation current year	13,176	3,895
Accumulated amortisation of goodwill at the end of the year	173,453	160,277
Theoretical net carrying amount of goodwill	**68,737**	**17,553**
Theoretical equity including minority interests and net carrying amount of goodwill	**847,831**	**897,817**
Theoretical equity ratio	18.99%	19.45%

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

in thousands of CHF	2022	2021
Effects of theoretical amortisation of goodwill on profit for the year		
Reported profit for the year	75,124	134,506
Theoretical amortisation of goodwill	(13,176)	(3,895)
Annual profit after theoretical amortisation of goodwill	**61,948**	**130,611**

5. OTHER INFORMATION

5.1 FINANCIAL RESULT

in thousands of CHF	2022	2021
Financial income		
Interest income	1,895	1,848
Total financial revenue	**1,895**	**1,848**
Financial expenses		
Interest expenses	(22,729)	(11,494)
Interest expenses on finance leases	(724)	(883)
Bank charges incl. hedging costs	(5,926)	(2,958)
Order-related bank guarantee costs	(37,871)	(23,821)
Foreign exchange losses (net)	(56,661)	(37,715)
Total financial expenses	**(123,911)**	**(76,871)**
Net financial result	**(122,016)**	**(75,023)**

The foreign exchange losses stem mainly from the foreign currency valuation of balance sheet items. The worldwide increase in the general interest rate level led to a sharp rise in interest expenses for operating loans, project financing and loans for buildings and property, plant and equipment in relation to the previous period. 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	2022	2021
Other operating income		
Government grants	290	1,436
Proceeds from disposal of non-current assets (net)	–	459
Reversal of process provisions	156	–
Profit from sale of minority interests	21,302	–
Reversal of social security and personnel-related accruals	73	342
Credit from coronavirus support programme in the USA	7,344	–
Waiver of coronavirus loan in the USA	–	3,937
Proceeds from receivables written off incl. changes in value adjustment (net)	49	–
Proceeds from recycling	1,751	2,153
Miscellaneous	1,802	2,048
Total other operating income	**32,767**	**10,375**

The profit of CHF 21.3 million from the sale of minority interests results from the sale of shares in Stadler Signalling AG in connection with the acquisition of the BBR companies (see Note 4.1, "Changes in the scope of consolidation"). The income of CHF 7.3 million represents a credit made available by a special coronavirus support programme in the USA. The credit was granted as compensation for personnel expenses, subject to the fulfilment of specific criteria.

OTHER OPERATING EXPENSES

in thousands of CHF	2022	2021
Other operating expenses		
Change in value adjustments on inventories (net)	(3,052)	(772)
Depreciation of SILEX properties, Stadler Rail patents	(3,089)	(2,023)
Loss on disposal of non-current assets (net)	(1,379)	–
Losses on receivables incl. changes in value adjustment (net)	–	(666)
Miscellaneous	(1,340)	(2,100)
Total other operating expenses	**(8,860)**	**(5,561)**

5.3 INCOME TAXES

in thousands of CHF	2022	2021
Income taxes		
Current income taxes	(24,765)	(28,533)
Deferred income taxes	14,159	11,026
Total income taxes	**(10,606)**	**(17,507)**

in thousands of CHF	2022	2021
Income taxes		
Income taxes before consideration of losses carried forward	(9,083)	(14,370)
Effect of non-capitalisation of losses carried forward	(2,368)	(3,676)
Effect of the use of non-capitalised losses carried forward	515	1,236
Effect from capitalisation of previously unrecognised losses carried forward	330	1,460
Effect of the reassessment of previously capitalised losses carried forward	–	(2,157)
Income taxes after consideration of losses carried forward	**(10,606)**	**(17,507)**

The average applicable tax rate in relation to the ordinary result and deferred taxes is 16.5% (previous year: 16.9%).

Income taxes in the previous year included 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. The new federal law was approved by the Swiss electorate in 2019 and came into force on 1 January 2020. Taking into account this one-off effect, the decrease in income taxes in relation to the Group result before income tax is essentially due to the provisions of individual countries on minimum taxation and the weighting of the results achieved with different applicable tax rates.

in thousands of CHF	31.12.2022	31.12.2021
Entitlement for deferred income taxes on losses carried forward not yet used		
Expiration after 2022 (or 2021 for previous year)	26,393	23,273
Total entitlement for deferred income taxes on losses carried forward not yet used	**26,393**	**23,273**

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

There were no employer contribution reserves either in the reporting year or in the previous year.

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	
	31.12.2022	31.12.2022	31.12.2021	2022	2022	2022	2022	2021
Economical benefit/economical obligation and pension benefit expenses								
Pension plans with surplus	41,059	–	–	–	–	24,747	24,747	22,814
Pension fund without own assets	–	2,585	2,722	(207)	70	7,757	7,827	7,714
Total economical benefit/economical obligation and pension benefit expenses	**41,059**	**2,585**	**2,722**	**(207)**	**70**	**32,504**	**32,574**	**30,528**

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	31.12.2021	30.12.2020	2021	2021	2021	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**

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 September 2022, a contract was concluded with FWM-Fahrzeugwerke Miraustrasse GmbH (Hennigsdorf, Germany) for the purchase of an operating site, including buildings and operating equipment, as well as for the takeover of employees (asset deal). The closing conditions agreed upon in the purchase agreement were met in full on 3 January 2023. The purchase will therefore only be recognised in the consolidated financial statements from this date. The acquisition of this business will expand capacities for vehicle commissioning in Germany.

In addition, a contract for the purchase of 100% of the capital shares of the limited liability partnership "ZSPV" (Astana, Kazakhstan) was concluded in December 2022 (share deal). This purchase was subject to various closing conditions, which were met on 27 January 2023. Consequently, the new company will only be included in the consolidated financial statements from this date. The acquisition is related to a major contract worth EUR 2.3 billion signed with Kazakhstan Railways (KTZ). In addition to the delivery of 537 sleeper and couchette cars, including a 20-year full-service contract, the contract also includes the transfer of technology from Switzerland to Kazakhstan and the acquisition of the limited liability partnership "ZSPV", a local production plant with around 100 employees.

5.7 APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The 2022 financial statements were approved by the Board of Directors on 10 March 2023 and will be recommended for approval at the Annual General Meeting on 12 May 2023.

KPMG

Statutory Auditor's Report

To the General Meeting of Stadler Rail AG, Bussnang

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Stadler Rail AG and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2022 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 65 to 109) give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, 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 Standards on Auditing (SA-CH). 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, together with 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.

KPMG

VALUATION OF WORK IN PROGRESS "UNITS OF DELIVERY"

Key Audit Matter

As at 31 December 2022, work in progress "units of delivery" amounts to CHF 753 million and liabilities from work in progress "units of delivery" amounts to CHF 1'504 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 77 to 79

KPMG

REVENUE RECOGNITION IN THE ROLLING STOCK BUSINESS SEGMENT

Key Audit Matter

In 2022, net sales of goods and services to third parties in the Rolling Stock business segment amount to CHF 3’247 million.

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

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

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

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

Our 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).

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

— 1.1 „Segment reporting“, pages 74 to 76
— 1.2 „Work in progress“, pages 77 to 79
— 1.3 „Compensation claims from work in progress”, page 80

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements of the company, the remuneration report and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of Directors' Responsibilities 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 SA-CH 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 SA-CH, 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.

KPMG

Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and PS-CH 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 2023

KPMG AG, Badenerstrasse 172, CH-8036 Zurich

A TRAMLINK in Gmunden, Austria

FINANCIAL STATEMENTS OF STADLER RAIL AG

INCOME STATEMENT

in CHF	Note	2022		2021	
Dividend income		96,618,647		90,230,046	
Other financial income	2.6	34,140,875		25,907,002	
Other operating income	2.7	82,100,962		63,093,455	
Operating income		**212,860,484**	**100.0%**	**179,230,503**	**100.0%**
Financial expenses	2.8	(30,944,642)		(18,643,675)	
Personnel expenses		(5,206,445)		(7,484,232)	
Other operating expenses	2.9	(7,927,722)		(7,470,158)	
Operating income before tax, depreciation and value adjustments		**168,781,675**	**79.3%**	**145,632,438**	**81.3%**
Value adjustments on investments		–		(4,894,677)	
Profit before taxes		**168,781,675**	**79.3%**	**140,737,761**	**78.5%**
Income taxes		(7,671,806)		(2,395,920)	
Profit for the year		**161,109,869**	**75.7%**	**138,341,841**	**77.2%**

BALANCE SHEET

in CHF	Note	31.12.2022		31.12.2021	
Assets					
Cash and cash equivalents		50,013,223		105,367,996	
Other current receivables					
– from third parties		621,099		637,687	
– from related parties		283,014		296,731	
– from group companies		340,794,498		334,323,299	
Accrued income and deferred expenses		765,195		678,159	
Total current assets		**392,477,029**	**34.2%**	**441,303,872**	**37.2%**
Financial assets	2.1	400,695,116		395,201,481	
Investments	2.2	353,488,433		350,674,909	
Total non-current assets		**754,183,549**	**65.8%**	**745,876,390**	**62.8%**
Total assets		**1,146,660,578**	**100.0%**	**1,187,180,262**	**100.0%**
Liabilities & equity					
Current interest-bearing liabilities					
– from third parties		79,686,800		150,000,000	
– from group companies		79,164,800		168,128,000	
Other current liabilities					
– from third parties		588,434		2,464,110	
– from related parties		19,508		–	
– from group companies		311,944,194		222,654,792	
Current provisions		16,901,039		9,346,157	
Deferred income and accrued expenses		4,005,446		2,493,579	
Total current liabilities		**492,310,221**	**42.9%**	**555,086,638**	**46.8%**
Non-current interest-bearing liabilities					
– from third parties	2.3	300,000,000		350,000,000	
Total non-current liabilities		**300,000,000**	**26.2%**	**350,000,000**	**29.5%**
Total liabilities		**792,310,221**	**69.1%**	**905,086,638**	**76.2%**
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		169,339,709		121,086,963	
– Profit for the year		161,109,869		138,341,841	
Treasury shares	2.5	(99,221)		(1,335,180)	
Total equity		**354,350,357**	**30.9%**	**282,093,624**	**23.8%**
Total liabilities & equity		**1,146,660,578**	**100.0%**	**1,187,180,262**	**100.0%**

NOTES TO THE FINANCIAL STATEMENTS

1. PRINCIPLES

GENERAL INFORMATION

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

FINANCIAL ASSETS

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

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	31.12.2022	31.12.2021
Loans to third parties	16,211,810	16,008,395
Loans to group companies	384,483,306	379,193,086
Total financial assets	**400,695,116**	**395,201,481**

2.2 INVESTMENTS

DIRECT INVESTMENTS

Company	Headquarters	Share of capital and voting rights in %	
		31.12.2022	31.12.2021
Stadler Rail Management AG	Bussnang (CH)	100	100
Stadler Bussnang AG	Bussnang (CH)	100	100
Stadler Rheintal AG	St. Margrethen (CH)	100	100
Stadler Winterthur AG	Winterthur (CH)	100	100
Stadler Service AG	Bussnang (CH)	100	100
Stadler CIS AG	Bussnang (CH)	100	100
Stadler Signalling AG	Wallisellen (CH)	81	100
CJSC Stadler Minsk	Minsk (BY)	100	100
Stadler Deutschland GmbH	Berlin (DE)	100	100
AngelStar S.r.l.	Mola di Bari (IT)	40	40
Stadler Austria GmbH	Vienna (AT)	100	–
Stadler Polska Sp. z o.o.	Siedlce (PL)	100	100
Stadler Środa Sp. z o.o.	Środa Wielkopolska (PL)	100	100
Stadler Rail Valencia S.A.U.	Albuixech Valencia (ES)	100	100
Stadler Praha s.r.o.	Prague (CZ)	100	100
Stadler Trains Mag. Kft.	Budapest (HU)	100	40
Stadler Szolnok Kft.	Szolnok (HU)	100	100
Stadler US Inc.	Salt Lake City (US)	100	100

INDIRECT INVESTMENTS

Company	Headquarters	Share of capital and voting rights in % 31.12.2022	31.12.2021
Stadler Stahlguss AG	Biel (CH)	100	100
BÄR Bahnsicherung AG (merged on 17 June 2022 with Stadler Signalling AG)	Fehraltorf (CH)	–	100
BBR Intelis SA	Vufflens-la-Ville (CH)	100	–
Stadler Algérie Eurl	Algiers (DZ)	100	100
Stadler Service Denmark Aps	Aarhus (DK)	100	100
Stadler Reinickendorf GmbH (liquidated on 22 September 2022)	Berlin (DE)	–	100
STAP Grundstücks-Vermietungsgesellschaft GmbH	Berlin (DE)	100	100
Stadler Rail Service Deutschland GmbH	Berlin (DE)	100	100
Stadler Chemnitz GmbH	Chemnitz (DE)	100	100
Stadler Mannheim GmbH	Mannheim (DE)	100	100
Stadler Signalling Deutschland GmbH (formerly BBR Verkehrstechnik GmbH)	Braunschweig (DE)	100	–
Stadler Service Finland Oy	Helsinki (FI)	100	100
Erion France S.A.S.	Montceau-les-Mines (FR)	100	100
Stadler Service Georgia LLC	Tbilisi (GE)	100	100
Stadler Rail Service UK Ltd.	Liverpool (GB)	100	100
Stadler Service Italy S.r.l.	Merano (IT)	100	100
Stadler Kazakhstan Ltd.	Astana (KZ)	100	–
Stadler Service Kazakhstan Ltd.	Astana (KZ)	100	–
Stadler Service Nederland B.V.	Apeldoorn (NL)	100	100
WHAT B.V.	Venlo (NL)	50	50
Stadler Service Norway AS	Oslo (NO)	100	100
ÖBB Stadler Service GmbH	Vienna (AT)	40	40
Stadler Service Polska Sp. z o.o.	Warsaw (PL)	100	100
LLC Stadler Rus	Moscow (RU)	100	100
OOO Stadler (liquidated on 28 April 2022)	Moscow (RU)	–	90
Stadler Service Sweden AB	Stockholm (SE)	100	100
Stadler Rail d.o.o.	Kragujevac (RS)	100	100
Erion Mantenimiento Ferroviario S.A.	Madrid (ES)	51	51
Stadler Demiryolu Araçları Servisi Anonim Şirketi	Ataşehir (TR)	100	100
Stadler Mag. Vas. Karb.	Pusztaszabolcs (HU)	100	100
BBR rail automation (US) Inc.	Atlanta (US)	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 2021: 100 million registered shares with a par value of CHF 0.20 each).

As at 31 December 2022, 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 2021	18,591	0.20	38.78	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**
Stock at 1 January 2022	34,587	0.20	0.00	1,335,180
Purchases from third parties	44,500	0.20	34.17	1,520,614
Allocations of share-based payments	(76,000)	0.20	34.44	(2,617,449)
Adjustment to average price				(139,124)
Stock at 31 December 2022	**3,087**	**0.20**	**32.14**	**99,221**

2.6 OTHER FINANCIAL INCOME

in CHF	2022	2021
Granting of group guarantees	2,520,180	2,746,368
Interest from loans to group companies	9,342,585	6,574,699
Interest from third parties	735,647	396,150
Foreign exchange gains	21,542,463	16,189,785
Total other financial income	**34,140,875**	**25,907,002**

2.7 OTHER OPERATING INCOME

in CHF	2022	2021
Income from services	16,628,725	12,500,000
Income from royalties	43,559,000	50,593,455
Profit from sale of minority interests	21,913,237	–
Total other operating income	**82,100,962**	**63,093,455**

In connection with the acquisition of the BBR companies (see page 96) by Stadler Signalling AG (direct investment), a total of 18.9% of the shares in Stadler Signalling AG were transferred to the seller of the BBR companies as part of the purchase price, which means that the seller is now a minority shareholder in Stadler Signalling AG. The gain from the sale of the shares amounts to CHF 21.9 million and corresponds to the defined value of the transferred shares and the original acquisition costs.

2.8 FINANCIAL EXPENSES

in CHF	2022	2021
Bank interest and fees	3,531,808	2,513,093
Interest to group companies	3,401,298	1,243,388
Foreign exchange losses	24,011,536	14,887,194
Total financial expenses	**30,944,642**	**18,643,675**

2.9 OTHER OPERATING EXPENSES

in CHF	2022	2021
Administrative expenses	1,535,946	1,497,096
Consulting expenses	729,127	400,237
Other operating expenses	5,662,649	5,572,825
Total other operating expenses	**7,927,722**	**7,470,158**

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: less than 10).

SIGNIFICANT SHAREHOLDERS

in %	31.12.2022	31.12.2021
Significant shareholders		
PCS Holding AG	30.5	30.5
Peter Spuhler	11.1	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	31.12.2022	31.12.2021
Number of shares Board of Directors		
Peter Spuhler	41,667,057	41,598,737
Hans-Peter Schwald	1,000,000	1,000,000
Kurt Rüegg	386,350	381,999
Fred Kindle	n/a	1,300,000
Doris Leuthard	2,890	1,693
Dr. Stefan Asenkerschbaumer	2,686	n/a
Dr. Christoph Franz	1,366,115	1,360,798
Wojciech Kostrzewa	150,000	150,000
Barbara Egger-Jenzer	5,306	3,857
Total number of shares Board of Directors	**44,580,404**	**45,797,084**

in units	31.12.2022	31.12.2021
Number of shares Group Executive Board		
Raphael Widmer	98,788	98,788
Ansgar Brockmeyer	59,387	51,255
Jure Mikolčić	40,071	37,748
Markus Bernsteiner	278,511	272,895
Philipp Brunner	2,047	222
Christian Spichiger	58,007	60,884
Iñigo Parra	37,420	35,879
Marc Trippel	302	n/a
Daniel Baer	26,918	25,020
Total number of shares Group Executive Board	**601,451**	**582,691**

COLLATERAL PROVIDED FOR THIRD-PARTY LIABILITIES

The collateral provided by the company amounts to CHF 9,380 million (previous year: CHF 9,865 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 agreements with UBS and BNP, there is joint and several liability towards the affiliated Group companies.

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

No events occurred after the reporting date that could have a significant impact on the 2022 financial statements.

APPROPRIATION OF PROFIT PROPOSED TO THE ANNUAL GENERAL MEETING

in CHF	31.12.2022
For disposition by the General Meeting	
Results carried forward	169,339,709
Profit for the year	161,109,869
Accumulated profits	**330,449,578**
Total available earnings	**330,449,578**

in CHF	31.12.2022
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	240,449,578
Total proposed appropriation by the Board of Directors	**330,449,578**

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

KPMG

Statutory Auditor's Report

To the General Meeting of Stadler Rail AG, Bussnang

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Stadler Rail AG (the Company), which comprise the balance sheet as at 31 December 2022, 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 117 to 125) 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 Standards on Auditing (SA-CH). 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 Company in accordance with the provisions of Swiss law, together with 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.

Key Audit Matters

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.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements of the Company, the remuneration report and our auditor's reports thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of Directors' Responsibilities 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 Company'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 Company 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 SA-CH 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 SA-CH, 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 the Company'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 Company'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 Company 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 PS-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

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

KPMG AG

Kurt Stocker Licensed Audit Expert Auditor in Charge	Nicolas Wuffli Licensed Audit Expert

Zurich, 14 March 2023

KPMG AG, Badenerstrasse 172, CH-8036 Zurich

Financial Calendar

Media and Analyst Information 2022	**15 March 2023**
2023 Annual General Meeting	**12 May 2023**
2023 Interim Report	**30 August 2023**

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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 2023

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