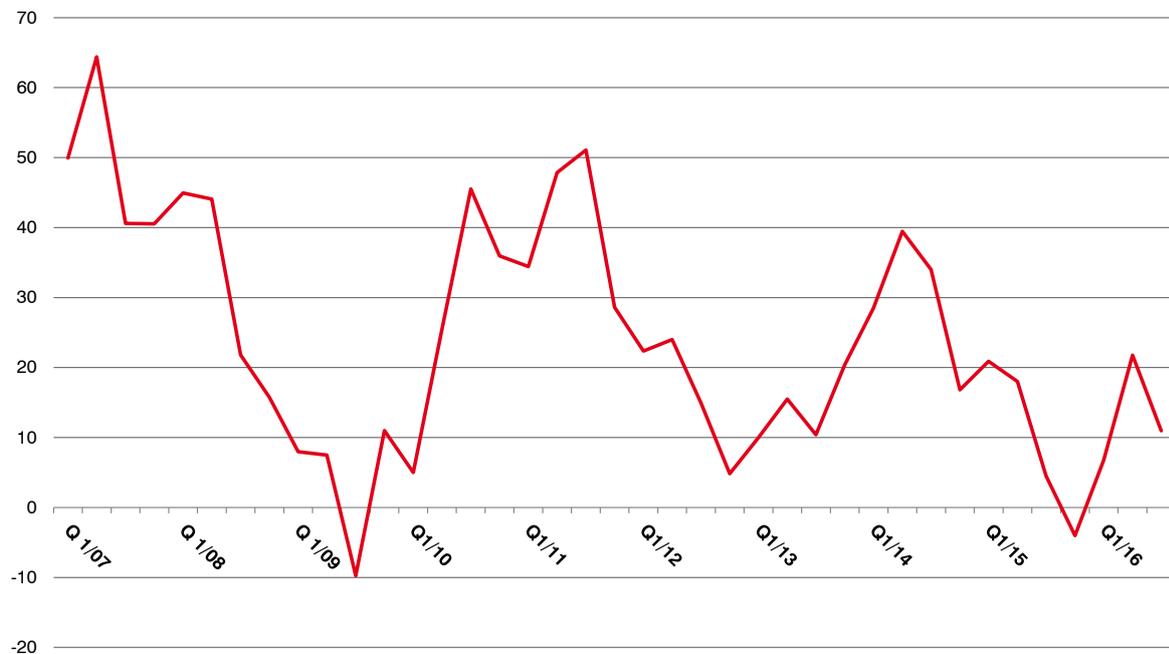


SCI GLOBAL RAIL INDEX 3/2016

Rail industry in an ambivalent climate – will InnoTrans 2016 bring new momentum?

With the beginning of the second half of the year, the global rail industry seems to be in an ambivalent climate. This is shown in the most recent SCI RAIL BUSINESS INDEX – a periodical survey among the global railway industry’s top managers by the consultancy firm SCI Verkehr. According to the assessment of surveyed companies, the gained swing from the past quarter in the business development will not continue with start of the second half of the year – a view on employment as well as demand, however, do not prove this. Finally, after one and a half years, employment in the rail industry experiences again a spontaneous recovery and reaches, with a balance of 11%, the positive range. The demand for products and services opposes the most recent negative development and reflects a moderate optimistic expectation of the future business development. The next months will show to what extent the InnoTrans 2016 will be able to give new impulses.

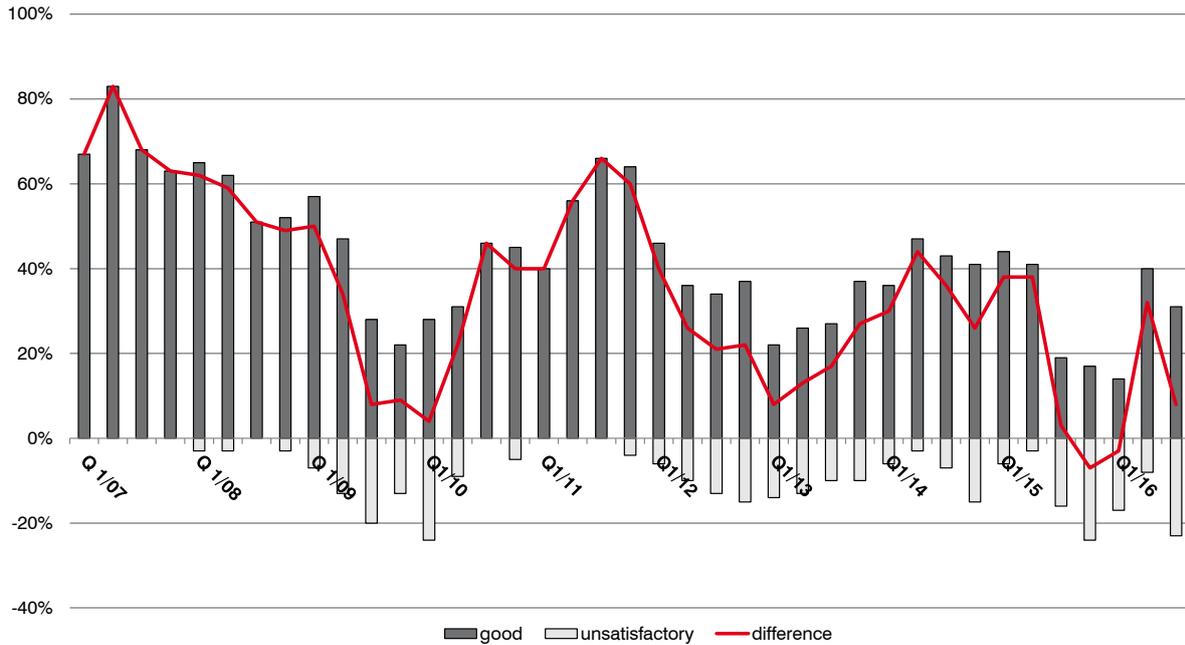
SCI Rail Business Index



Source: SCI Verkehr GmbH

Up to Q 4/2009, only companies with headquarters in Germany surveyed.

Development of current business situation

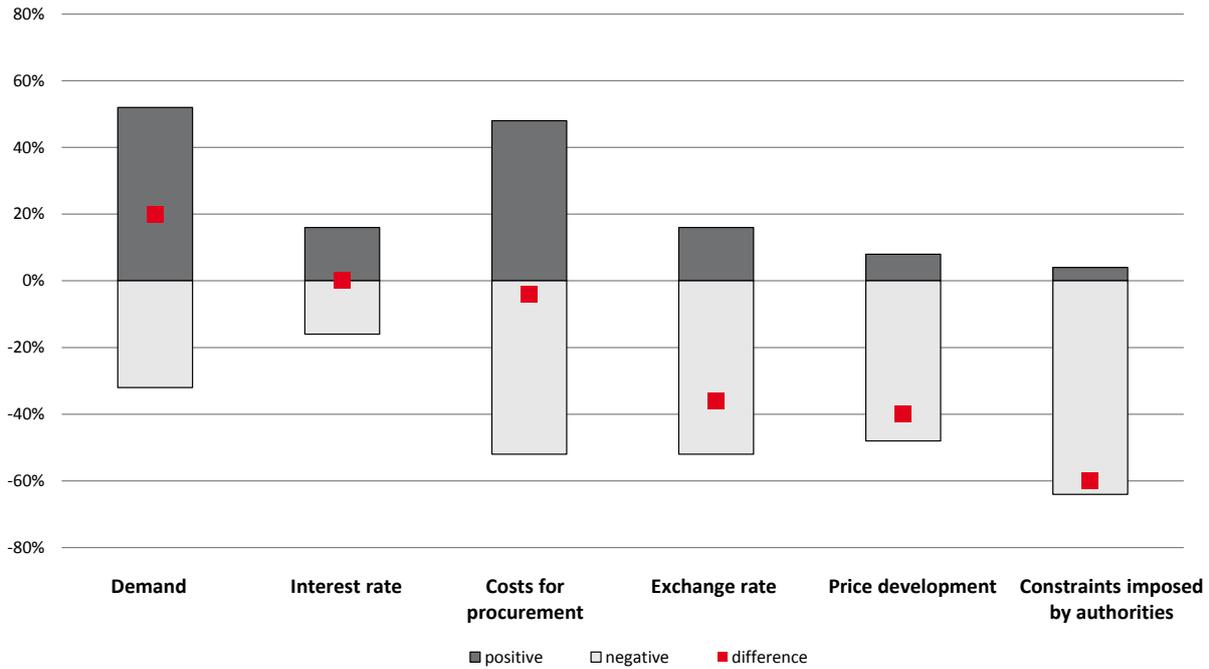


Source: SCI Verkehr GmbH

Up to Q 4/2009, only companies with headquarters in Germany surveyed.

According to the surveyed top managers, the development of the current business situation, which gained momentum in the last quarters, will not continue. The surprisingly positive evaluation of the business situation in the last quarter is declining in balance by 24 percentage points, to a value of 8%. At the same time, the amount of top managers declaring the current business situation as “good” decreases to 31%, while the number of negative assessments does almost triple and increase to a value of 23%. In doing so, the assessment of the business development is much more heterogenous than in the previous quarter – a view on the, below displayed, positive evaluation of the demand as well as employment development, however, do not prove this.

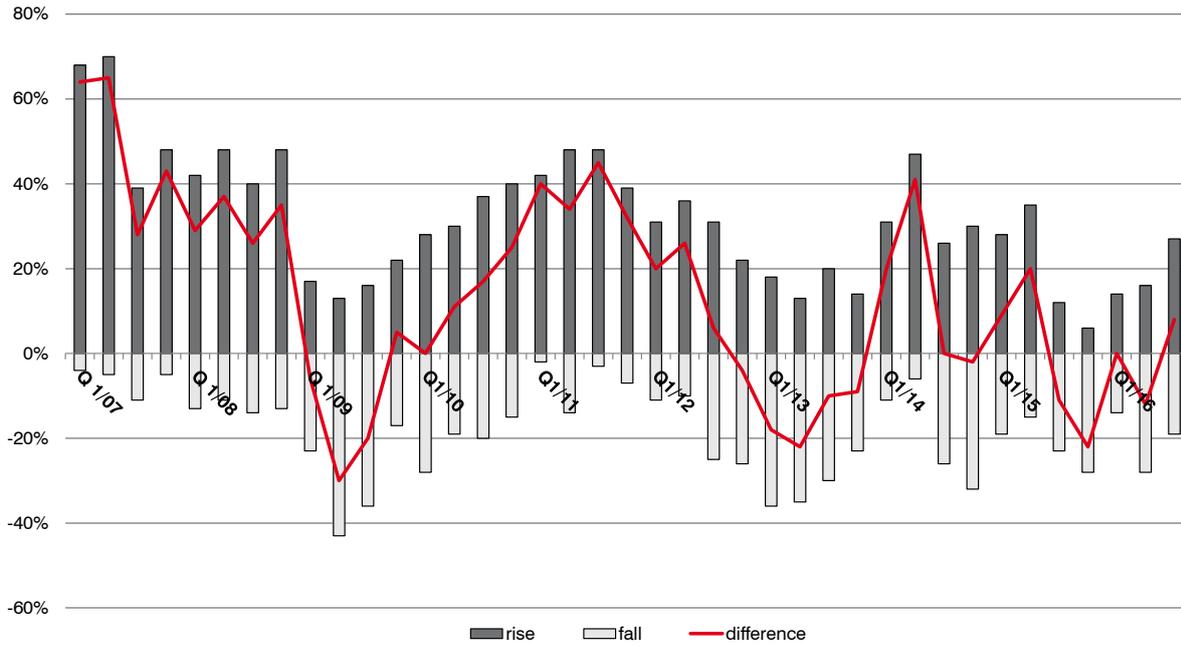
Influence parameters of business situation in the last 12 months



Furthermore, SCI Verkehr asked the rail business top managers which factors have influenced the business development over the past twelve months. According to the assessment of the surveyed companies, exchange rates, price developments as well as the existing regulatory framework contributed to the situation of the business development in a negative manner. The latter – with a balance of 64% – is by far evaluated as a particular obstacle for the business development. The companies feel the progressive price pressure due to increasing competition – regulatory restrictions, particularly complex homologation and certification procedures, lead to high efforts and press margins of the global rail industry.

A positive influence on the past business development is seen by the majority of companies almost exclusively in the slight improvements of the demand situation. Low interest rates, which most recently eased the financing of investments for many companies, seem to have increasingly lost their effect.

Demand for products and services



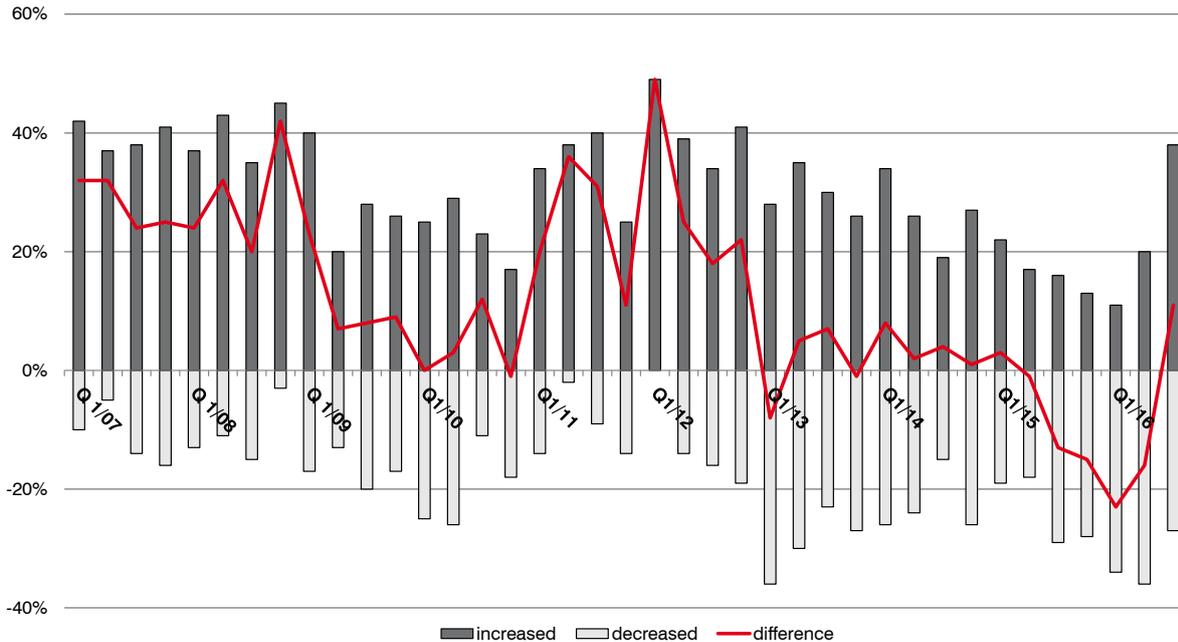
Source: SCI Verkehr GmbH

Up to Q 4/2009, only companies with headquarters in Germany surveyed.

The demand for products and services, as an important indicator for industry development, contrasts the short term negative development of the last quarter and gains new momentum with the beginning of the second half of the year. Assessment of the top managers is still heterogenous. While more than a quarter of the respondents report a positive development, still almost 20% complain about falling demand.

Rather restrained is the assessment of the current backlog. While in the past quarter in balance 16% of the companies evaluated their backlog as “relatively big”, in the current quarter, in balance, 4% of the managers assess the backlog as “too small”.

Number of employees in the last six months



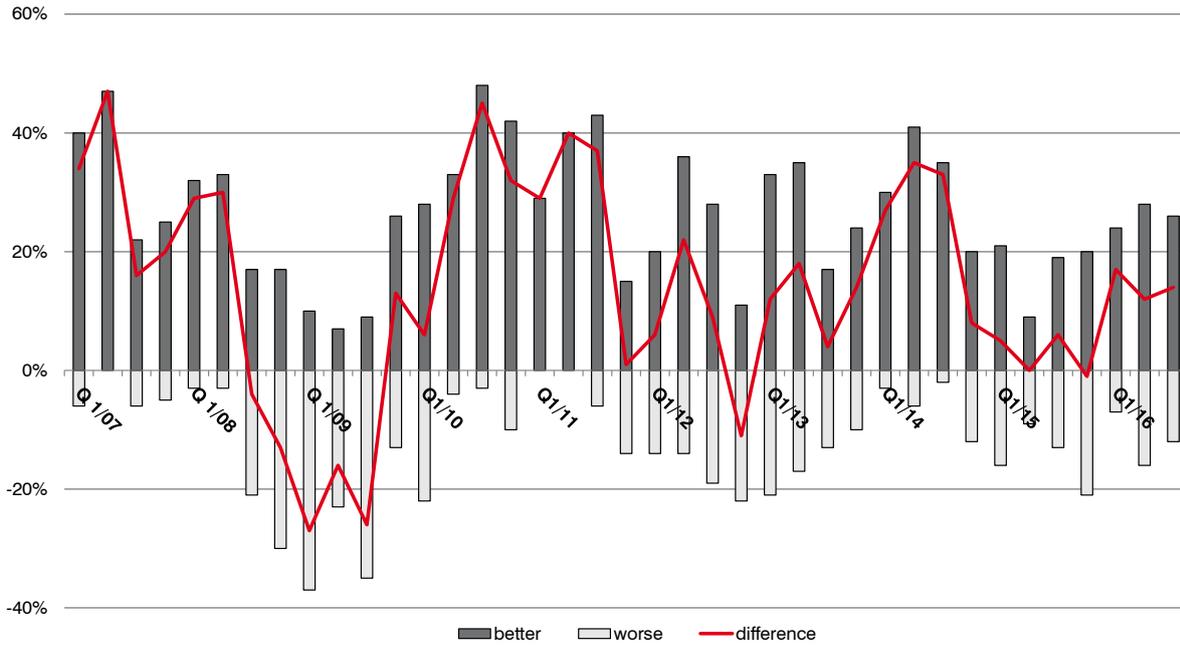
Source: SCI Verkehr GmbH

Up to Q 4/2009, only companies with headquarters in Germany surveyed.

The current assessment of the employment situation intensifies the ambivalent picture of the climate for the companies in the global rail industry. According to the assessment of the top managers, employment seems to experience a spontaneous recovery since the start of the second half of the year. With a balance of 11%, more companies increased their number of employees for the first time after one and a half years. For the time being, the rapid decline in employment development in the rail industry seems to be stopped – at least in the short term.

With a view on the upcoming six months, more companies do expect a negative employment development. About 27% of the surveyed top manager – thus, 7% more than in the current quarter – expect a decline of the number of employees in their company. This contrasts only 19% of companies, which expect an increase in the number of employees. Whether the current recovery in employment development will contribute to a stable change in trend, will only be shown in the evaluation of the next SCI GLOBAL RAIL INDEX surveys.

Expected business development in coming 6 months



Source: SCI Verkehr GmbH

Up to Q 4/2009, only companies with headquarters in Germany surveyed.

The slight improvement of the demand situation is reflected in the expectation of the business development – a moderate optimism prevails. While a majority of 62% expect no change of the current business situation, in balance 14% of the respondents look ahead with more confidence. Challenges as well as uncertainties of the industry, however, persist – around 12% are still concerned.

InnoTrans, an upcoming rail fare at the end of September in Berlin, can give new impulses for the current ambivalent climate in the business as well as demand development. “At the get-together it remains to be seen, who will be able to gain new contracts based on new ideas, products and business contacts, to fill the books in a sustainable manner.” says Maria Leenen, CEO of SCI Verkehr.

Key: The SCI GLOBAL RAIL INDEX is based on c. 100 responses from representative companies from the global rail industry. The companies are regularly asked to evaluate their current business situation and share their expectations for the coming six months. They can describe their situation as “good”, “satisfactory” or “poor” and their business expectations for the coming six months as “more favourable”, “staying the same” or “less favourable”. The balance of the current business situation is the difference in percentages between the answers “good” and “poor”, the balance of expectations is the difference in percentages between the answers “more favourable” and “less favourable”. The business climate is a transformed mean produced from the values for current business climate and future expectations.