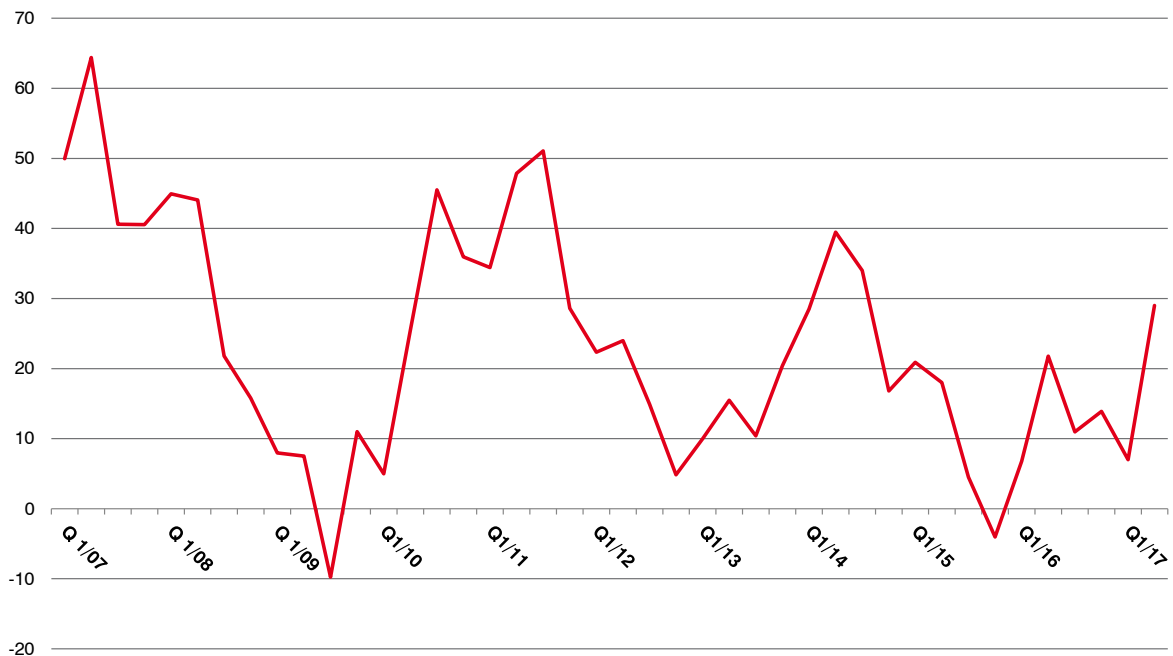


SCI GLOBAL RAIL INDEX 2/2017

Mood of the global railway industry recovers – perception of challenges implies structural changes in the railway industry

The business climate amongst the leading companies of the global railway industry has significantly improved. 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. At the end of the second quarter in 2017, the current business situation has been assessed distinctively more optimistic than in the previous quarters. In line with this more positive assessment, the evaluation of the demand for products and services has jumped in balance from -6% to a value of 14%. In addition, in saldo, 27% of the polled managers anticipate a more favourable development in the upcoming six months. Despite this optimistic outlook, the global railway industry has to cope with a number of key challenges, giving new impulses on the one hand, and changing established structures on the other hand.

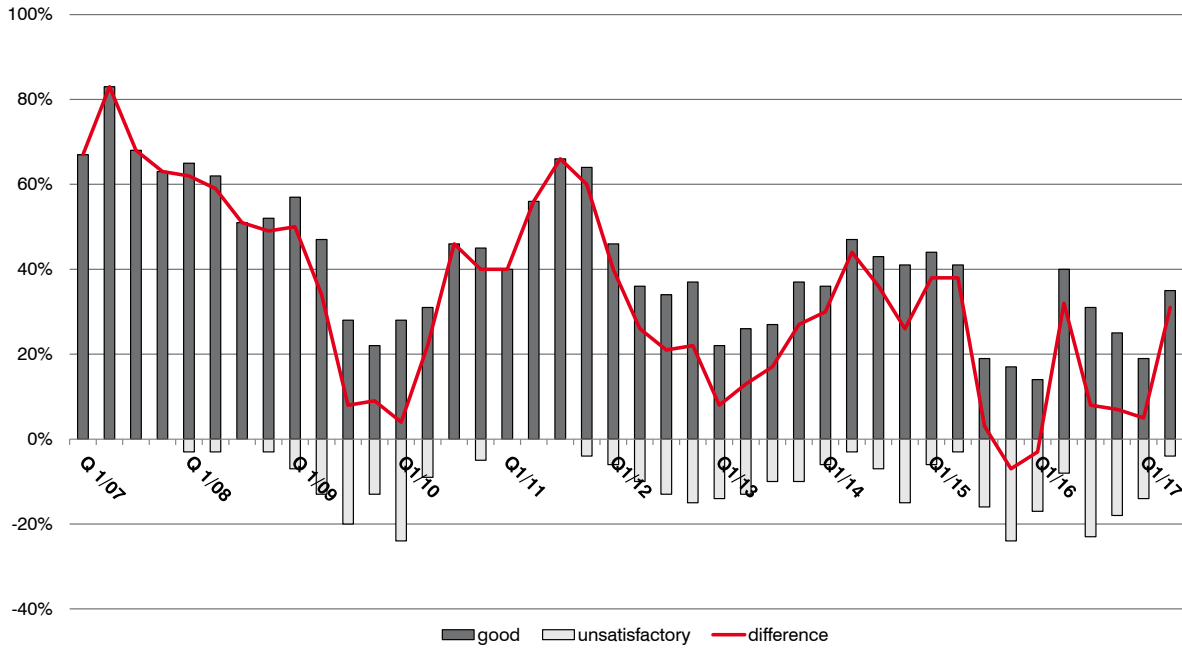
SCI Rail Business Index



Source: SCI Verkehr GmbH

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

Development of current business situation

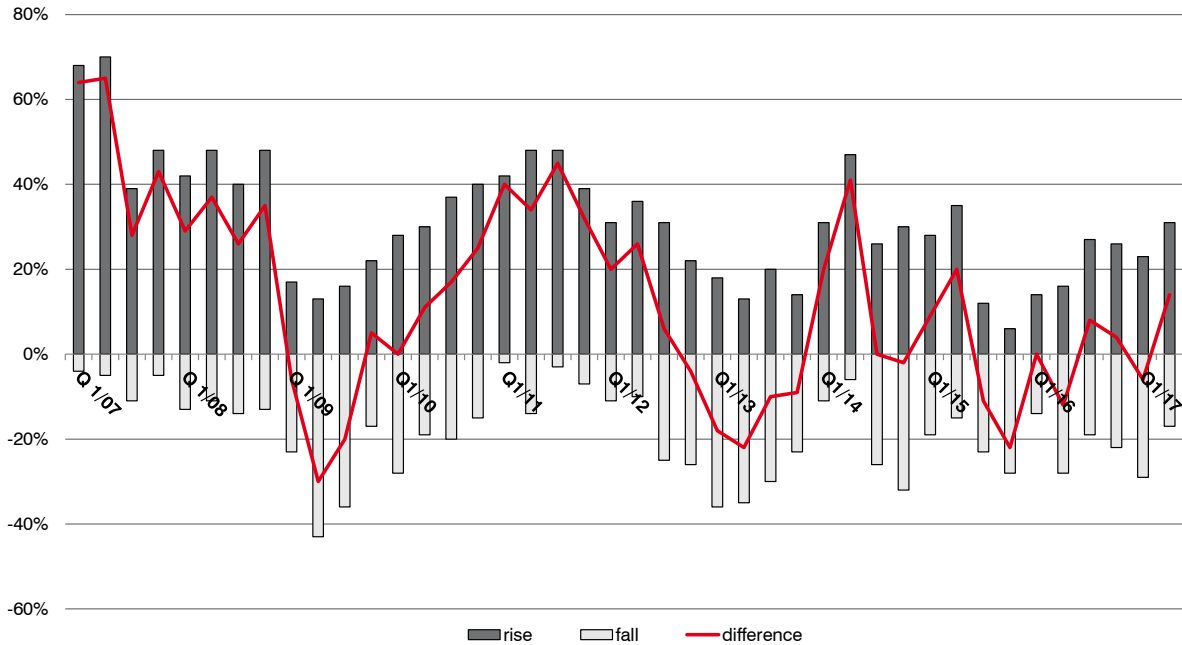


Source: SCI Verkehr GmbH

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

At the end of the first two quarters in 2017, the development of the current business situation has been assessed to be considerably more positive than in the previous quarters. The more cautious assessment at the beginning of the year has made way for a distinctly optimistic perspective. In balance, 31% of the surveyed top managers evaluate the current business situation as “good”. The number of companies assessing the current situation as “good” jumped from 19% in the last quarter to around 35% in the current quarter. At the same time, the share of companies dissatisfied with the current situation decreased from 14% to 4%.

Demand for products and services



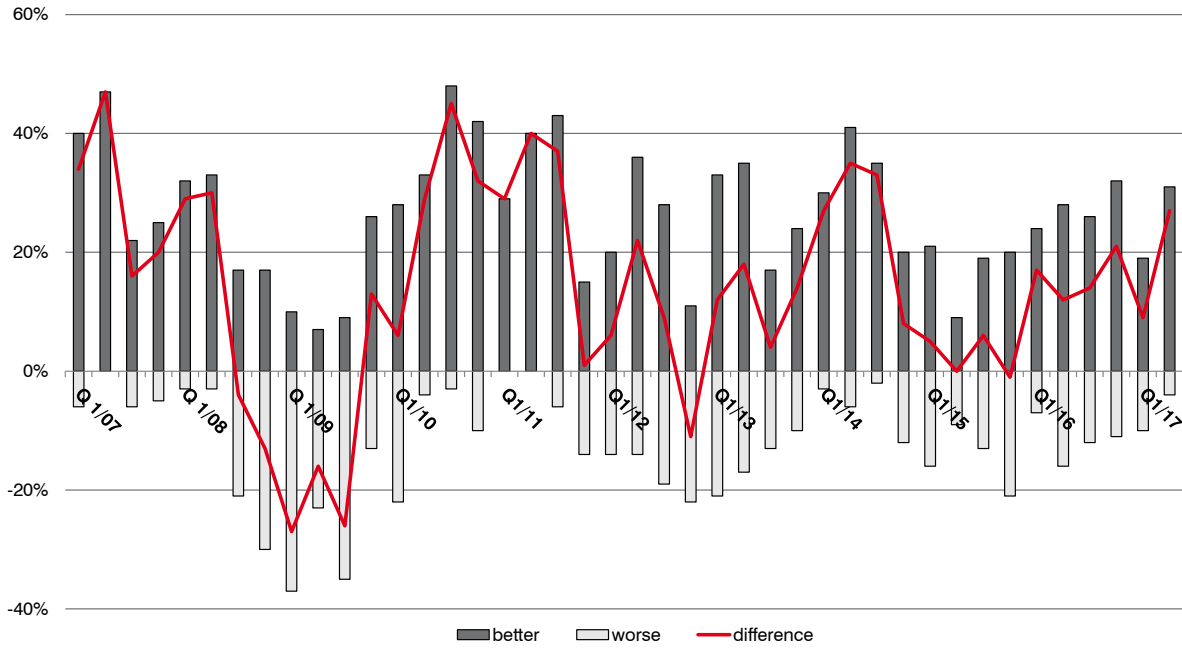
Source: SCI Verkehr GmbH

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

As an important indicator for industry development, the demand for products and services seem to have vanquished the short-term downward move of the last two quarters. With new momentum, the railway top-managers’ assessment of the demand situation jumped in balance to a value of 14%, with 31% of the managers declaring a rise in demand.

In line with the more positive assessment of the demand for products and services, the evaluation of the current order backlog has improved. In balance, a total of 32% assess the current order backlog to be “relatively large” – with only 9% of the companies assessing their current order balance as “too small”.

Expected business development in coming 6 months

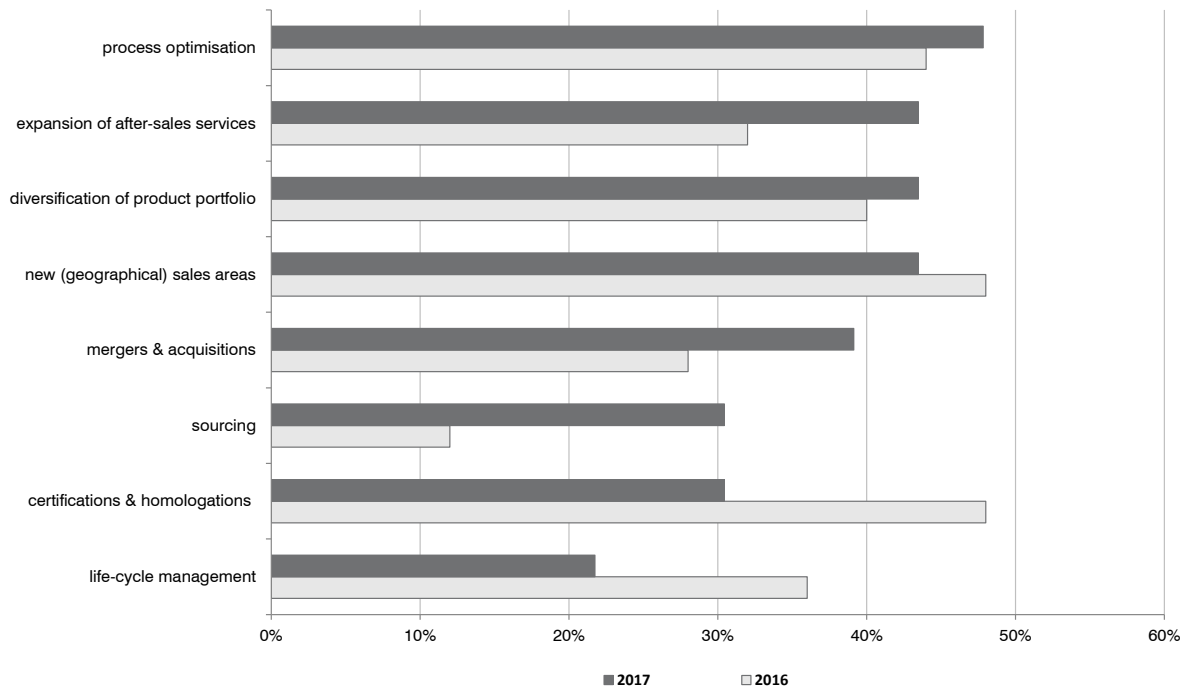


Source: SCI Verkehr GmbH

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

With regard to the expected business development in the coming six months, heterogeneity in the polled top-managers assessment of the last months has turned into a more distinct positive rating. The slight caution of the past quarter is followed by predominantly optimistic expectations regarding the business development. While the vast majority expects a consistent business development, in balance, 27% of the polled managers anticipate a more favourable development. In contrast, only a small share of 4% of the polled companies expect a less favourable development.

Perception of the global railway industry's key challenges in 2016/17



In the last years, SCI Verkehr has been asking companies about the railway industry’s key challenges, whereat results of the different years strongly reflect structural changes in the railway business. While the situation regarding certification and homologations as well as life-cycle management issues seem to have been improved, other aspects have significantly gained in importance. In this context, aspects related to the ongoing process of consolidation in the global railway industry are reflected with increased challenges related to activities in the field of mergers and acquisitions.

In addition, with the aspect of process optimisation digitisation has further increased in importance, currently accounting for the industry’s biggest challenge. “In particular with regard to the optimisation of process structures, digitisation has gotten serious more recently”, says Maria Leenen, CEO of SCI Verkehr. “Moreover, new digital technologies force their way into the railway industry, giving not only new impulses, but changing established structures.”

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.