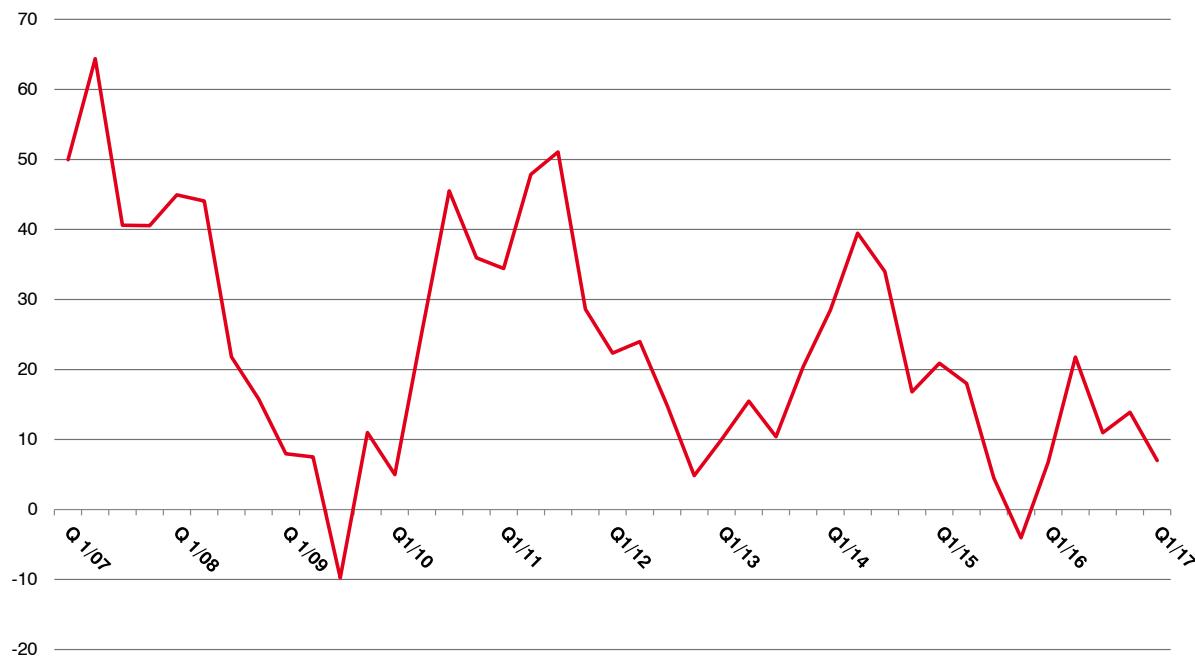


## SCI GLOBAL RAIL INDEX 1/2017

### Railway industry caught between investment needs and only moderate growth expectations

Leading companies of the global railway industry enter 2017 in a more cautious mood. This development is shown by the latest SCI GLOBAL RAIL INDEX – a periodical survey among the global railway industry's top managers by the consultancy firm SCI Verkehr. High demands for digitisation as well as changing market structures have compelled companies to adapt their line of business. In response, investment activities have significantly jumped compared to the previous years. Assessments of the current business situation as well as future development, however, seem to remain more moderate. In balance only 9% of the polled managers expect an improved business performance for the upcoming six months. The assessment of the current demand for products and services go in line with the restrained business prospects. According to the polled companies, demand fails to build new momentum and veers into the red with a bottom line of -6%.

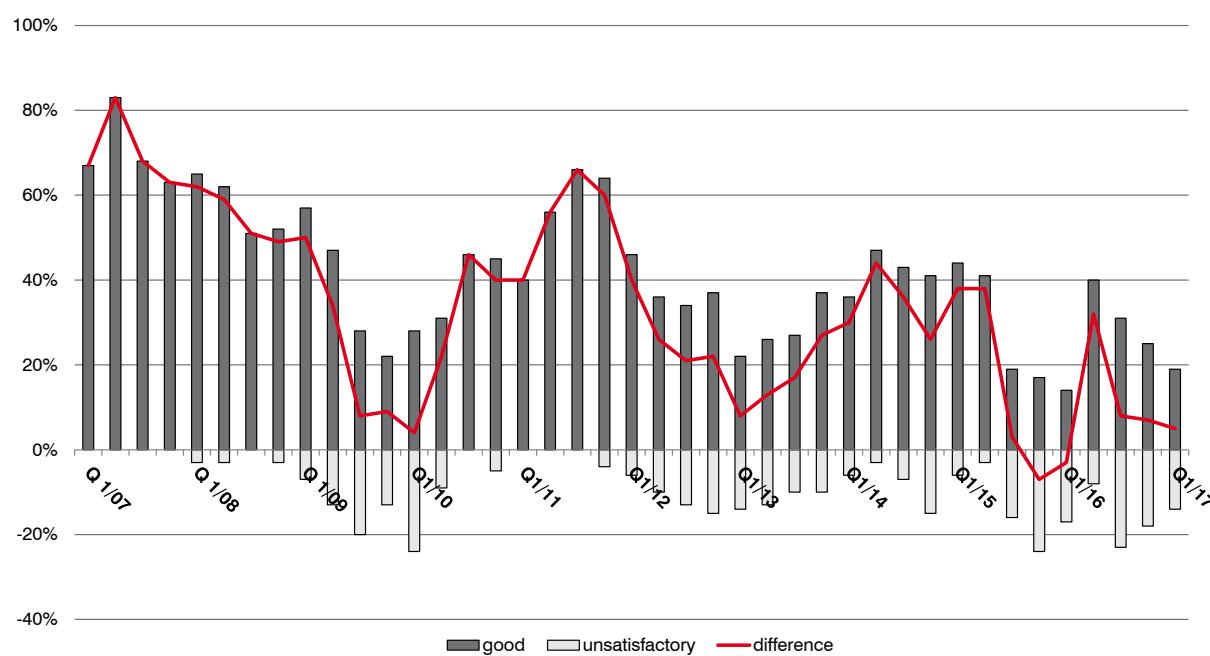
#### SCI Rail Business Index



Source: SCI Verkehr GmbH

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

## Development of current business situation

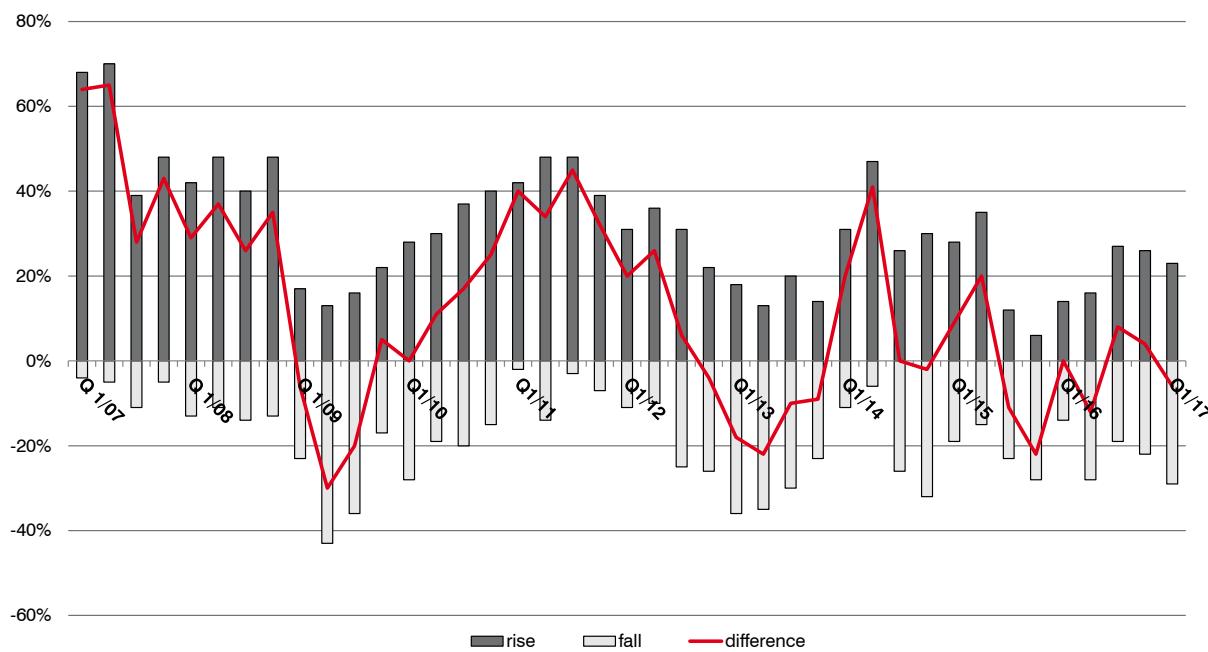


Source: SCI Verkehr GmbH

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

At the beginning of the new financial year, top managers assess the current business situation to remain at a moderate but positive level of 5% – albeit showing a slightly downward drift. Although the assessment of the current business situation stays to be rather heterogeneous, the shares of top managers assessing the business development as “good” as well as “unsatisfactory”, both have further decreased by about 5%. As a result, the majority of the polled companies, declaring to be satisfied with the current business situation has increased, now representing 67% of the polled companies.

## Demand for products and services



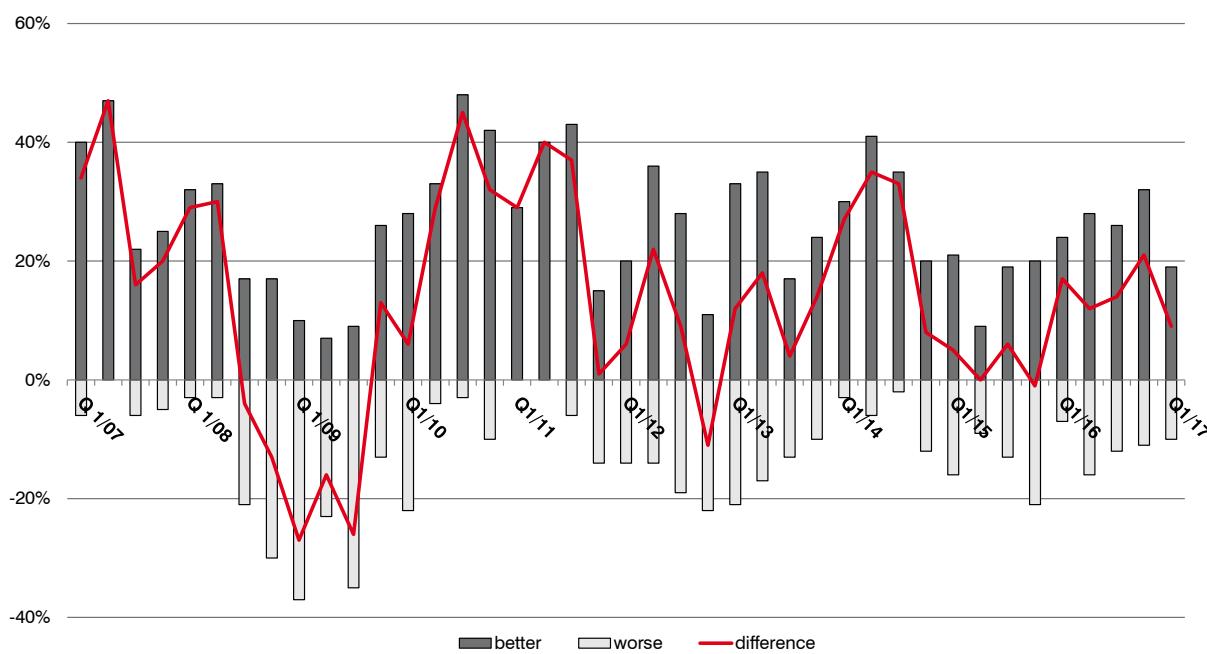
Source: SCI Verkehr GmbH

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

The moderate but still positive assessment of the current business situation might get a rather negative connotation with regard to the development of demand for products and services. The demand for products and services, as an important indicator for the industry's development, has further lost momentum of the second half of 2016 and drops back into the red with a bottom line of -6%. Against the backdrop of extensively increased investment activities in the last year, around 23% of the surveyed companies reported an increase in demand, while almost 30% of the surveyed top managers complain of a decrease in demand.

Nevertheless, with regard to the current order backlog a vast majority of 75% of the polled managers report to be satisfied. Both, the number of companies evaluating their order situation as "too low" as well as "comparatively large" has decreased about 10%, amounting to 10% and 15% respectively.

## Expected business development in coming 6 months

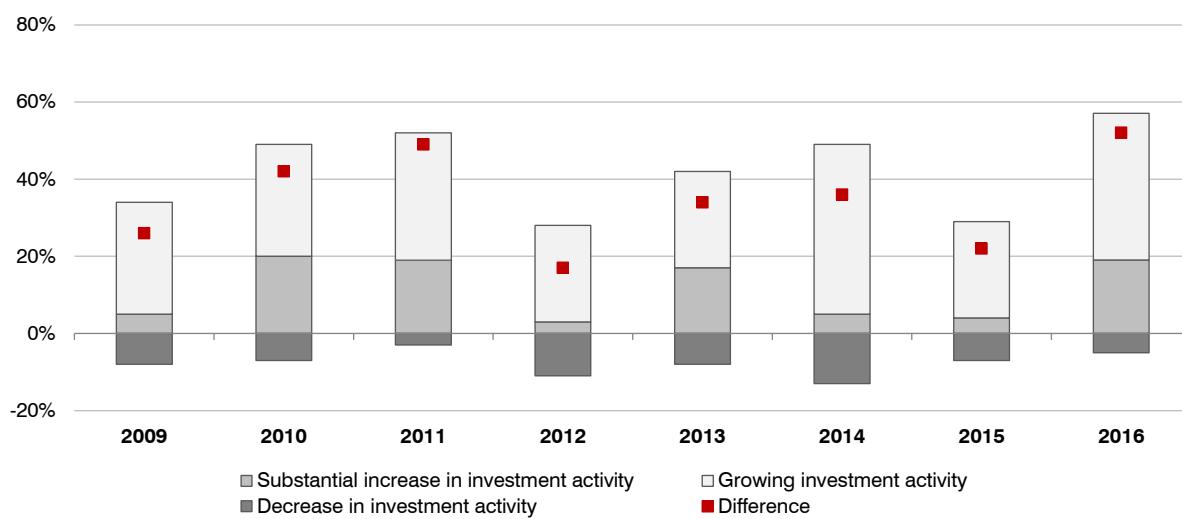


Source: SCI Verkehr GmbH

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

When assessing the expected business development of the first half of 2017, in contrast to the last quarter, most of the polled top managers express cautious reservations as opposed to cautious optimism. In light of substantial increases in investment activities, the share of companies expecting a negative development remains almost unchanged, but also the number of managers expecting a more favourable development decreases to less than 20%, compared to 32% in the last quarter. In turn, the share of polled companies expecting a constant business development increases to 71%.

### Development of change in investment activities, compared to previous year



Source: SCI Verkehr GmbH

For several years, SCI Verkehr has been asking companies about the development of their investment activities in relation to the previous year. While increasing orders at the beginning of 2013 stimulated investment activities of the upcoming years, growing uncertainties of the industry got reflected in strictly reduced investments. In 2016, however, the level of investment activities recorded a significant jump with 57% of top managers reporting to have increased investments – and almost 20% of them stating to have substantially increased investments activities.

“In face of changing market structures, many companies seem to have used the more positive annual results of the last years to start tackling the industry’s key challenges and to strengthen their position in an environment of increasing competition”, concludes Maria Leenen, CEO of SCI Verkehr GmbH, with regard to the increase in investment activities.

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.