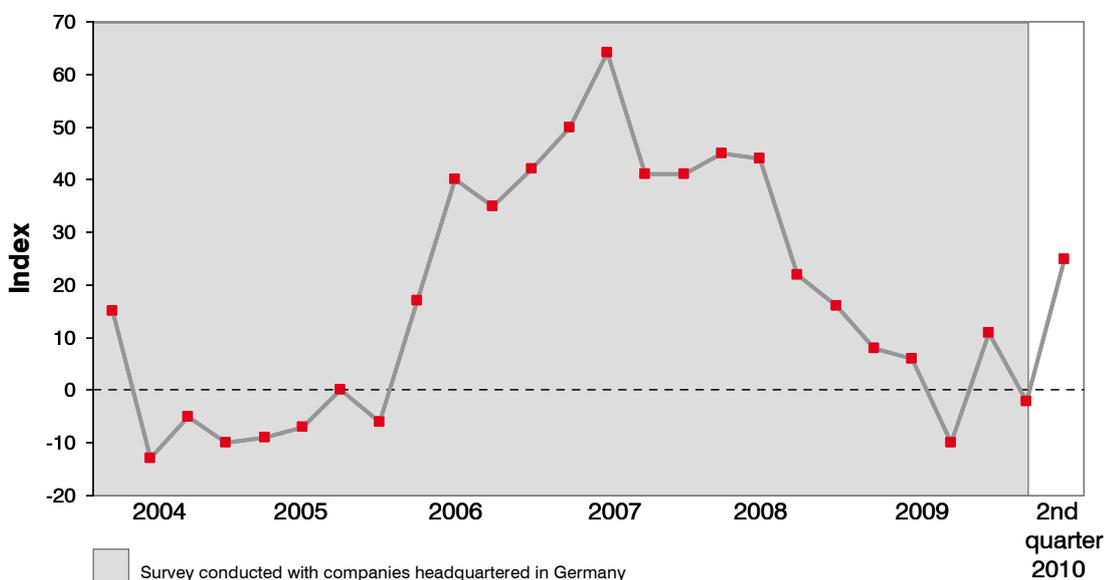


## SCI GLOBAL RAIL INDEX 2/2010

### Global business confidence in the rail industry surprisingly optimistic – rail industry expects an upswing both in business activities and prices over the next half-year

The SCI global rail industry survey of business confidence revealed a surprisingly bright business climate in the rail industry. The current business situation for the companies surveyed no longer reflects much of the economic crisis, equivalent to the world economic climate, which is entering a new phase amid signs of a return to positive growth in many countries. Future expectations are even more buoyant than the business situation in the second quarter 2010: 30% of the companies surveyed expect increasing business activities in the rail sector over the next six months. And in contrast to recent periods, prices for products and services are expected to increase again. While companies active in the rail infrastructure and passenger transportation business have been able to benefit from governmental stimulus packages and overcome the crisis with large order backlogs, freight-related companies are looking forward to general global economic recovery. But it is still too early to cite a general upward trend, which will be the case if the SCI Rail Business Index shows an increase for three quarters in succession.

**SCI Rail Business Index**



Source: SCI Verkehr GmbH

SCI Verkehr GmbH is introducing the first Global Rail Index in the second quarter 2010, after conducting a rail business confidence survey with companies headquartered in Germany for six years. The new SCI Global Rail Index is based on approximately 100 survey responses from companies active in the global rail industry.

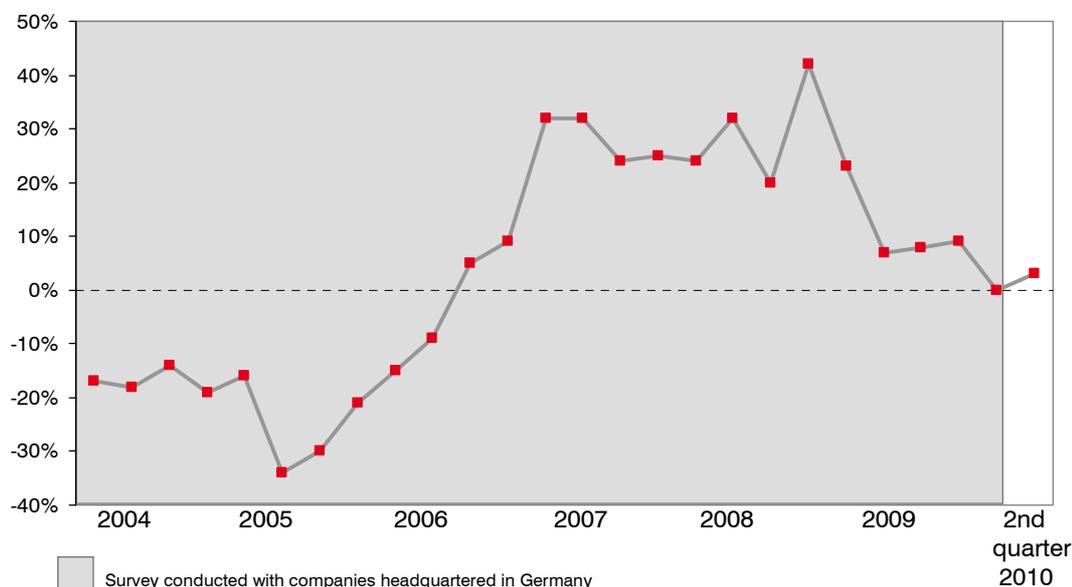
In the second quarter of 2010, the firms surveyed are very satisfied with their current business situation, which has now improved considerably compared to the German Rail Business Index in previous quarters. Only 4% of the participants describe the current business conditions as poor. In the German Rail Index for the first quarter 2010, around 25% of the companies cited a poor current business situation.

A large proportion of the survey participants report increased demand for their products/services in the past six months: 30% indicate increased demand, whereas only 20% of the firms suffered decreased demand. Unexpectedly, the order books / backlog are considered good by almost 30% of the firms, only 10% indicate poor order books / backlog in the second quarter of 2010. One might believe that the delayed effects of the economic and financial crisis could now be being felt in the rail industry, as full order books should begin to melt away gradually without large new orders added during the crisis. But the survey shows the opposite.

29% of the firms surveyed registered an increased number of employees despite the crisis and 26% a decreased number of employees in the past six months. One could say that the rail industry offers employees a more secure workplace than other areas of business, some of which had to lay off a considerable number of their staff due to the crisis. Over the next six months, the majority (almost 80%) of firms surveyed expect the number of employees at their own company to remain constant.

### The number of employees in the past six months

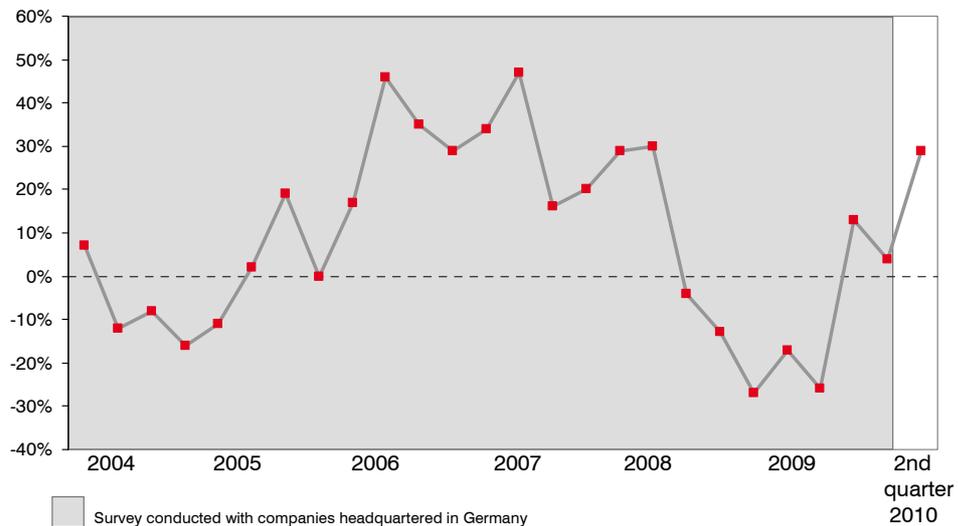
- Balance value of companies with increased/decreased number of employees



Source: SCI Verkehr GmbH

The general business expectations over the next six months are considered more favourable than in the survey performed with companies headquartered in Germany in the previous quarters.

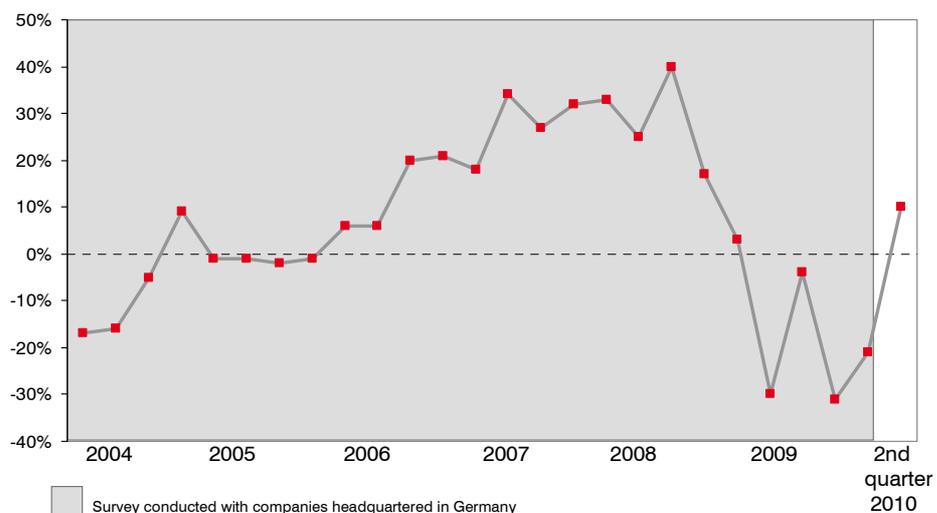
**Companies' business expectations over the next six months**  
 - Balance value of positive/negative expectations



Source: SCI Verkehr GmbH

The global rail industry has been much less affected by the economic crisis than other sectors due to long-term contracts and large orders placed in the years before the crisis, which were the boom years for the rail industry. Only the freight-related companies have been suffering as a result of the crisis. Now, a large proportion of the companies surveyed believe that the light at the end of the tunnel is already in sight.

**Expected price development over the next six months**  
 - Balance value of companies expecting increasing/decreasing prices

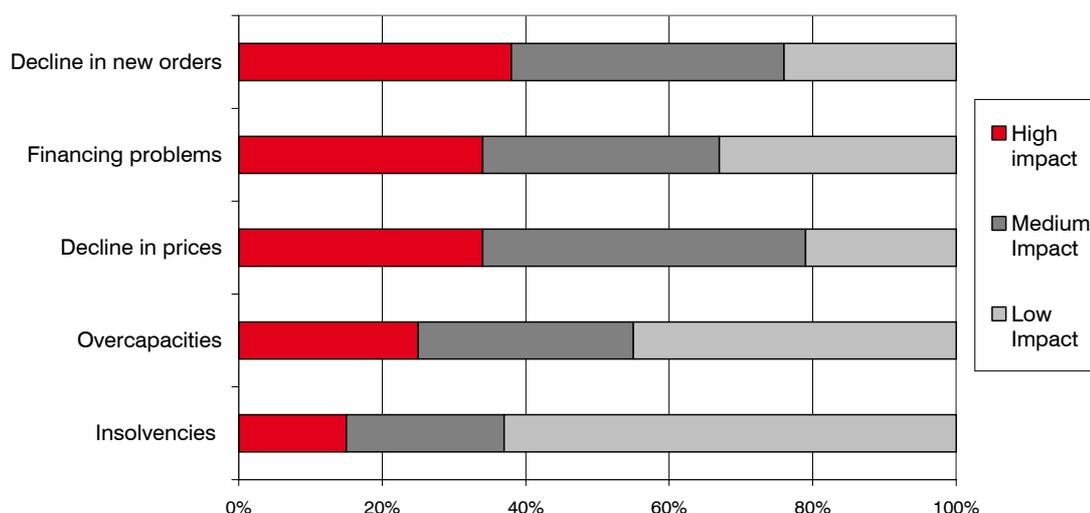


Source: SCI Verkehr GmbH

This also applies to the price development. Spurred by the world's general economic recovery, the rail industry expects prices to emerge from their cyclical trough. More companies surveyed believe that prices will increase rather than decrease over the next six months.

Looking back to the crisis-hit 2009, the decline in new orders was the biggest problem. Due to long-term contracts and deliveries over several years, overcapacities did not have as great an impact on the rail industry as other business sectors. However, the resulting decline in prices had a serious impact on a large proportion of the companies surveyed. 34% of the participants surveyed report a high impact and 45% a medium impact. Another issue was the financing problem, which mainly applies to small- and medium-sized companies. As mentioned before, the rail industry is characterised by long-term contracts. Manufacturers often face the situation that they have to pay for the materials before receiving any payments from their customers. These companies often have to rely on bank loans to finance the purchase and to stay solvent. In a crisis situation, the lack of financial resources could lead to insolvency, regardless of full order books.

**Biggest problems of the crisis-hit 2009**



Source: SCI Verkehr GmbH

Legend: The SCI Global Rail Index is based on approximately 100 survey responses from companies active in the global rail industry. The firms are asked to give their assessments of the current business situation and their expectations for the next six months. They can characterise their situation as “good”, “satisfactory” or “poor” and their business expectations for the next six months as “more favourable”, “unchanged” or “less favourable”. The balance value for the current business situation is the difference between the percentages of the responses “good” and “poor”; the balance value for the expectations is the difference between the percentages of the responses “more favourable” and “less favourable”. The business index is a converted mean of the balances of the business situation and the expectations.