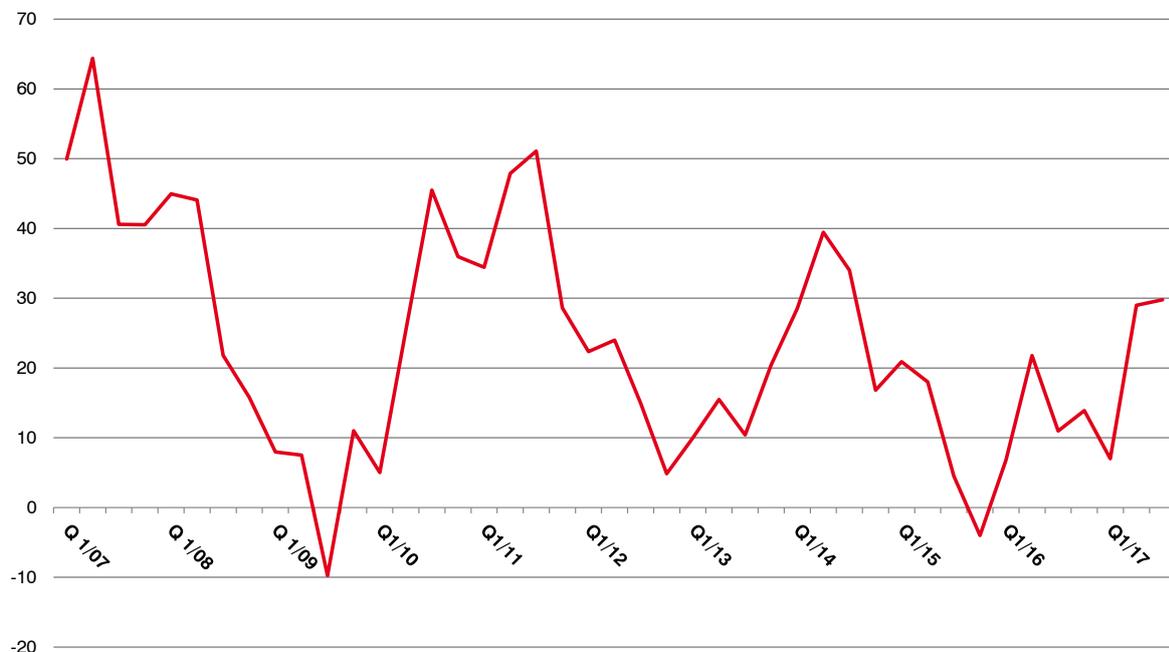


SCI GLOBAL RAIL INDEX 3/2017

Mood of the global railway industry remains positive – and seems to be unaffected by prominent announcement of consolidation

The business climate amongst the leading companies of the global railway industry remains at a good level in the third quarter of 2017. 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. The more recent upswing in the evaluation of the current business situation has stopped for a more mitigated as well as heterogeneous assessment. General conditions for the development of the railway business have not necessarily improved in the last twelve months. In particular, the cost pressure in international competition is assessed as major obstacle. With increasingly concrete plans for consolidation of the major European railway manufacturers, well established structures of the global railway technology markets are changing – however seem to stimulate a predominant optimistic assessment of the development of the future business situation.

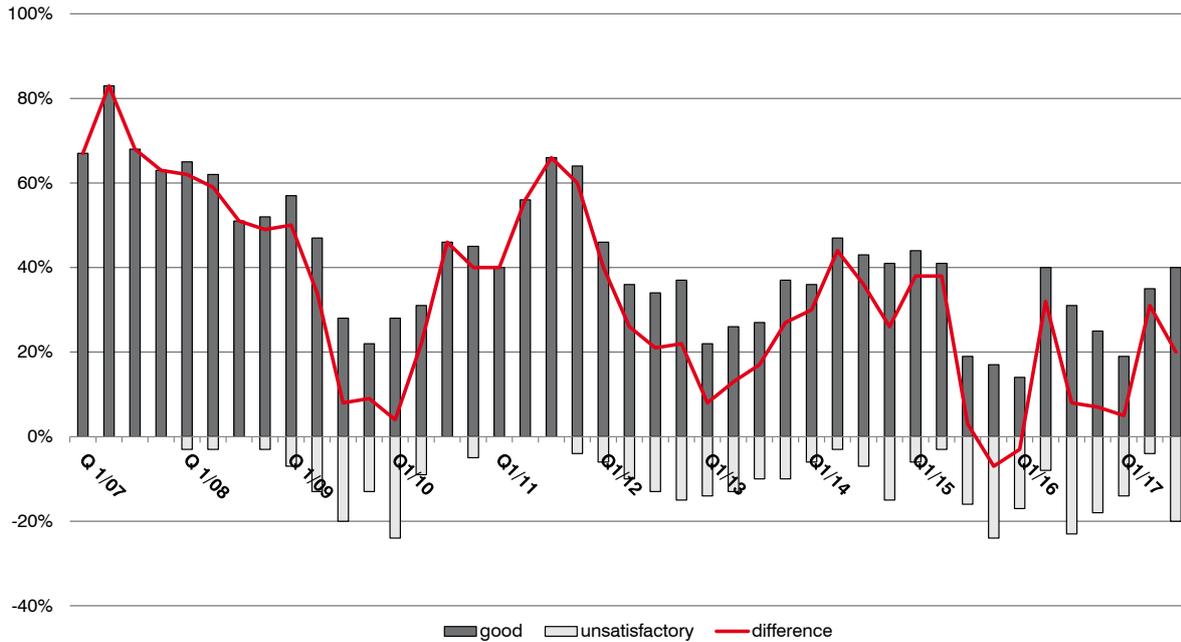
SCI Rail Business Index



Source: SCI Verkehr GmbH

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

Development of current business situation

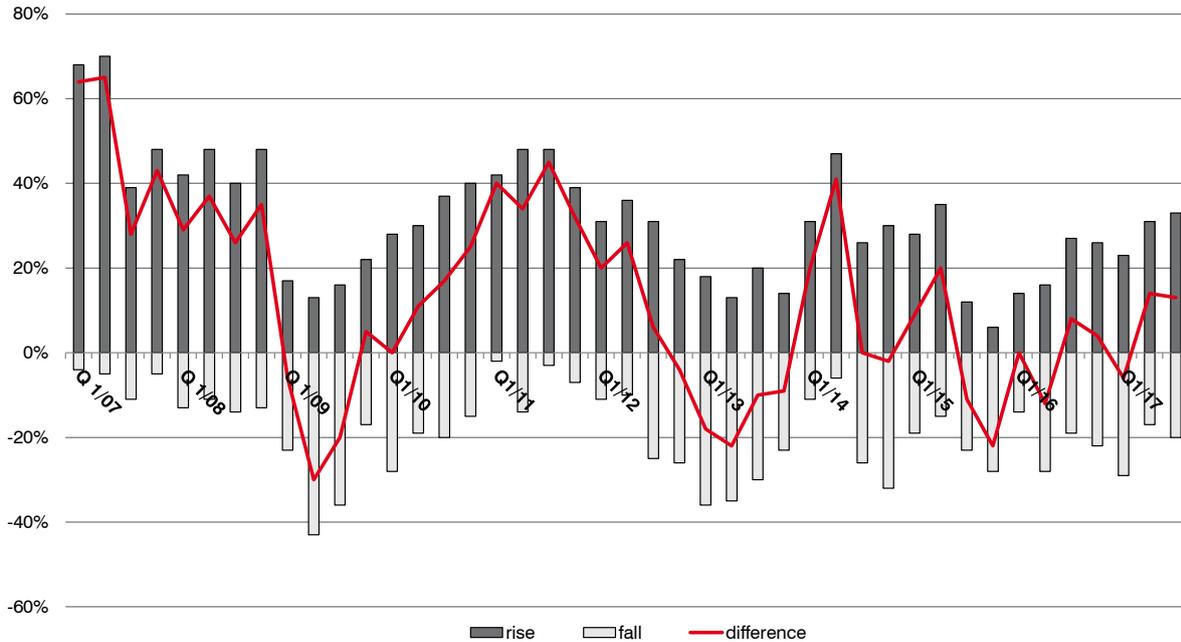


Source: SCI Verkehr GmbH

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

The more recent upswing in the assessment of the current business situation has stopped for a slightly more mitigated as well as heterogeneous evaluation in the third quarter of 2017. With 40% an increased and high proportion of top managers interviewed evaluate the current business situation as more positive on the one hand. On the other hand, however, an increased share of 20% evaluates the current business situation as less favourable than in the previous quarter.

Demand for products and services

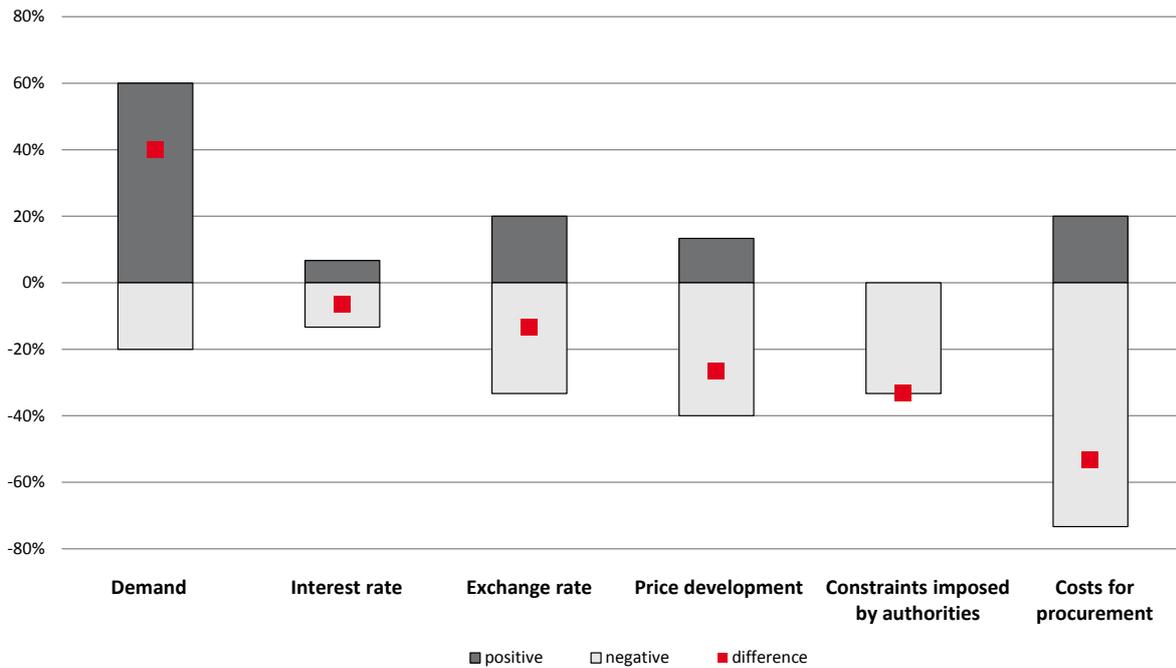


Source: SCI Verkehr GmbH

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

The demand for products and services, as an important indicator for the industry’s development, has lost the recently gained momentum, but remains stable at a good level. In balance, 13% of the polled top managers report a positive development. At the beginning of the second half of the year 2017, again, assessments of the top managers are increasingly heterogeneous. While a third of the respondents report a positive development, about 20% complain about falling demand. Nevertheless, a vast majority of almost 70% of the polled companies still report to be satisfied with the current order back lock; in balance, almost 20% state to benefit from a relatively large order back lock.

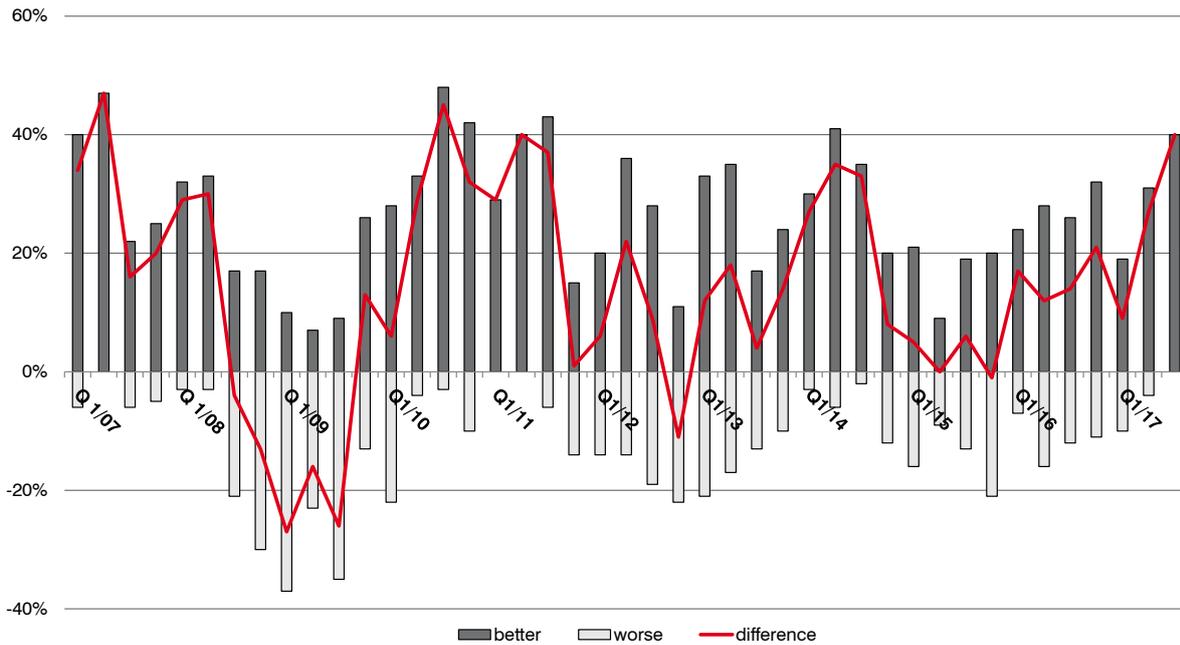
Influence parameters of business situation in the last 12 months



Moreover, SCI Verkehr has asked the rail business top managers to assess factors with major influence on the business development over the past twelve months. According to the assessment of the surveyed companies, exchange rates, price development as well as the existing regulatory framework have contributed to the situation of the business development in a rather negative manner – the latter with an unanimous assessment. With a balance of 53%, the costs for procurement have been evaluated as a particular obstacle to the business development, reflecting the increasing cost pressure of the rail technology manufacturers to stay competitive on the global markets.

A positive influence on the past business development is seen by the majority of companies exclusively in the improvements of the demand situation. Low interest rates, which were assessed to ease the financing of investments for many companies in the past, now seem to have lost their effect.

Expected business development in coming 6 months



Source: SCI Verkehr GmbH

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

With increasing activities of consolidation, main players of the European railway industry have started to spin the wheels and shuffle the cards in the global rail technology markets. In a prominent announcement, Siemens and Alstom have unveiled plans to join forces to create a European Champion in Mobility – hence, changing well established structures of the global railway markets. Leading companies of the railway industry, however, seem to be unaffected by these major plans of consolidation, for the moment at least. In balance, 40% of the polled managers are expecting a more favourable business development in the upcoming six months. “Major effects and synergies of the consolidation process can only be expected in the long-run”, Maria Leenen, CEO of SCI Verkehr, said with regard to the industry’s optimism for the future.

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.