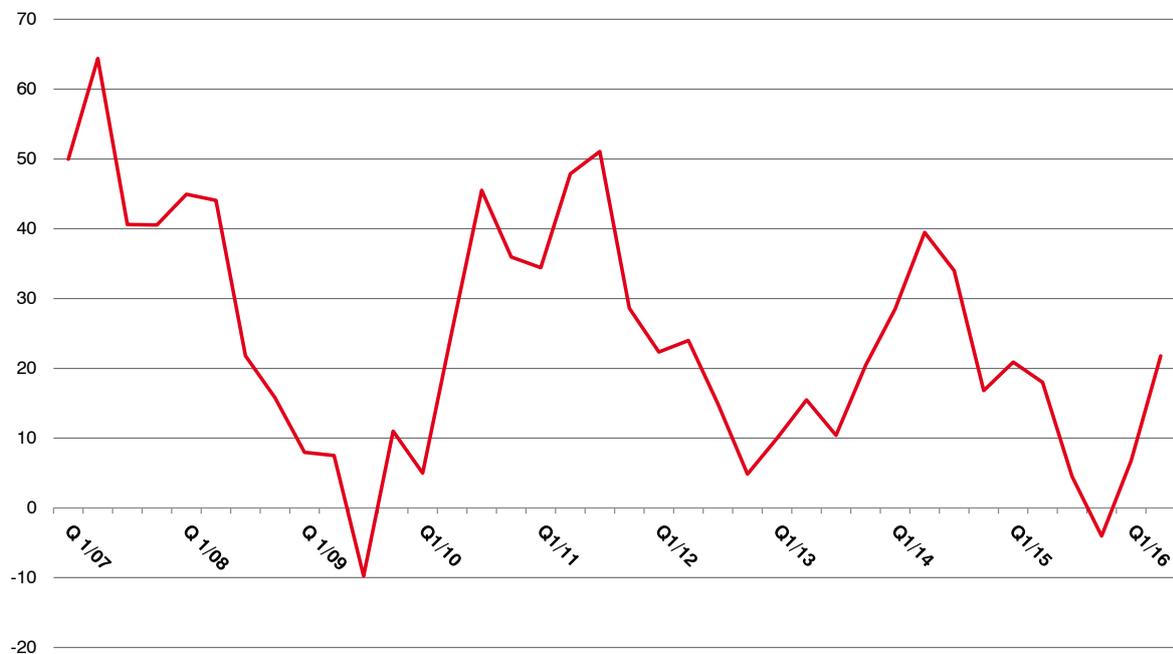


## SCI GLOBAL RAIL INDEX 2/2016

### Business climate in the railway industry improves further – current high might not be sustainable

The surprisingly positive atmosphere among companies in the global railway industry at the beginning of the year has further improved in the second quarter of 2016. 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 surveyed companies assessed their current business situation as significantly improved compared to the previous quarters. However, this optimism does not show in their assessment of the demand for products and services. Demand is once again in the red with a bottom line of -12%. The downturn in deployment numbers, too, only seems to have been slightly dampened. The existing insecurities and challenges once again cloud the fairly heterogeneous expectancies regarding the future business development. The following quarters will show how sustainable the current optimism in the industry is.

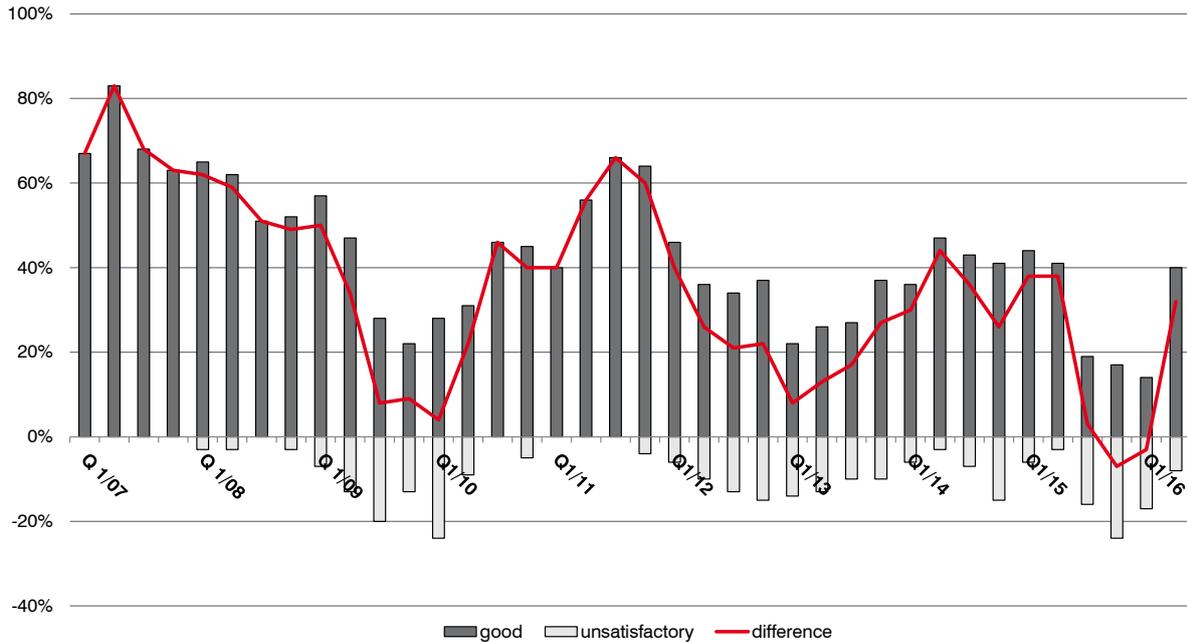
#### SCI Rail Business Index



Source: SCI Verkehr GmbH

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

### Development of current business situation

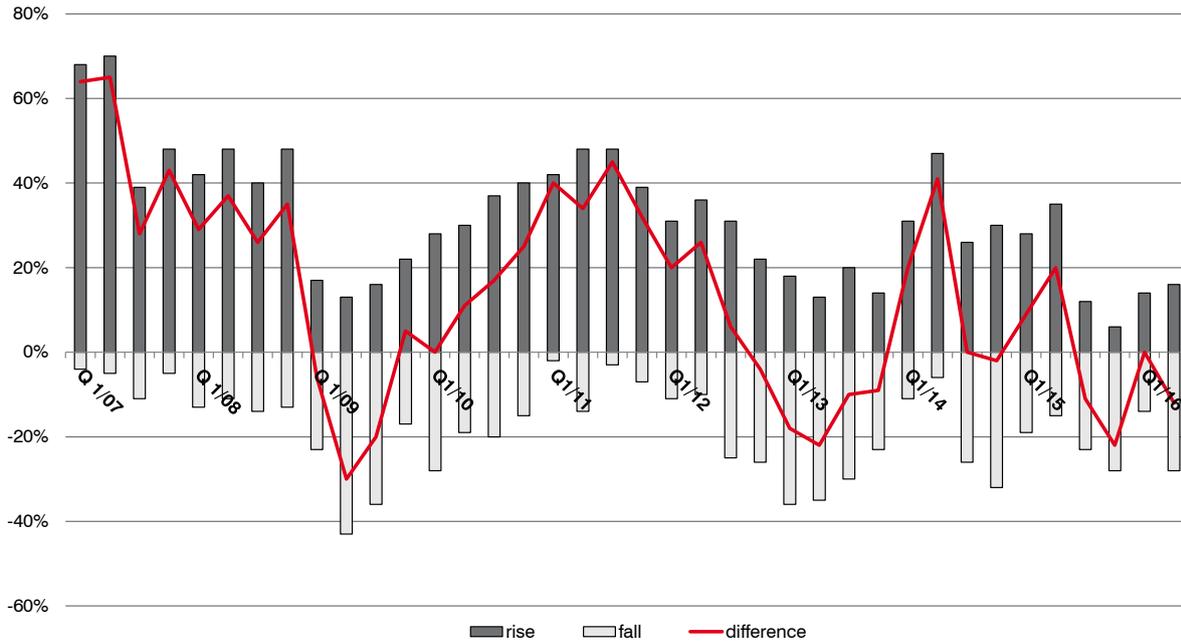


Source: SCI Verkehr GmbH

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

At the end of the first quarter, the development of the current business situation is considerably more positive than in the previous quarters. The cautious assessment at the beginning of the year has made way for a distinctly optimistic outlook. In balance, 32% of the surveyed top managers evaluate the current business situation as “good”. The number of companies assessing the situation as “good” jumped from 14% in the last to around 40% in the current quarter. The share of companies dissatisfied with the current situation halved and sank to 8%. The latest business transactions of many companies seem to confirm the positive atmosphere.

### Demand for products and services



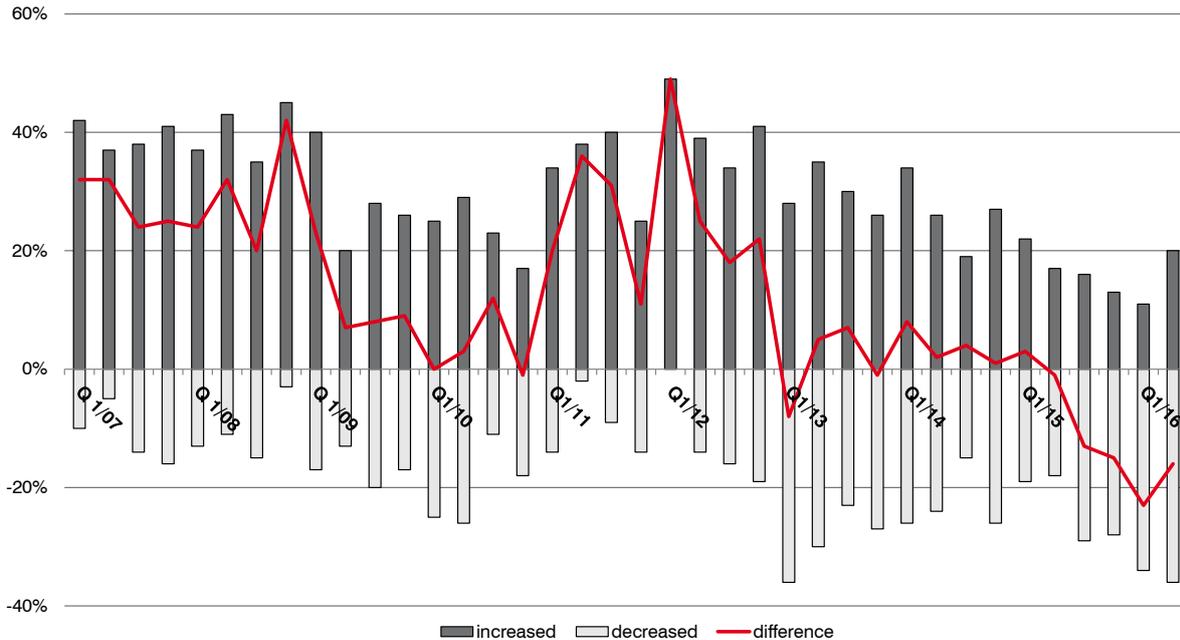
Source: SCI Verkehr GmbH

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, cannot sustain the momentum from last quarter and drops back into the red with a bottom line of -12%. While around 16% of the surveyed companies reported an increase in demand, more than a fourth of the surveyed top managers complain of a decrease in demand.

The uptick in demand in the last quarter seems to allow the vast majority of surveyed companies to be carried by a sufficient order backlog. In total, around 16% even described the current order backlog as “comparatively large”.

### Number of employees in the last six months



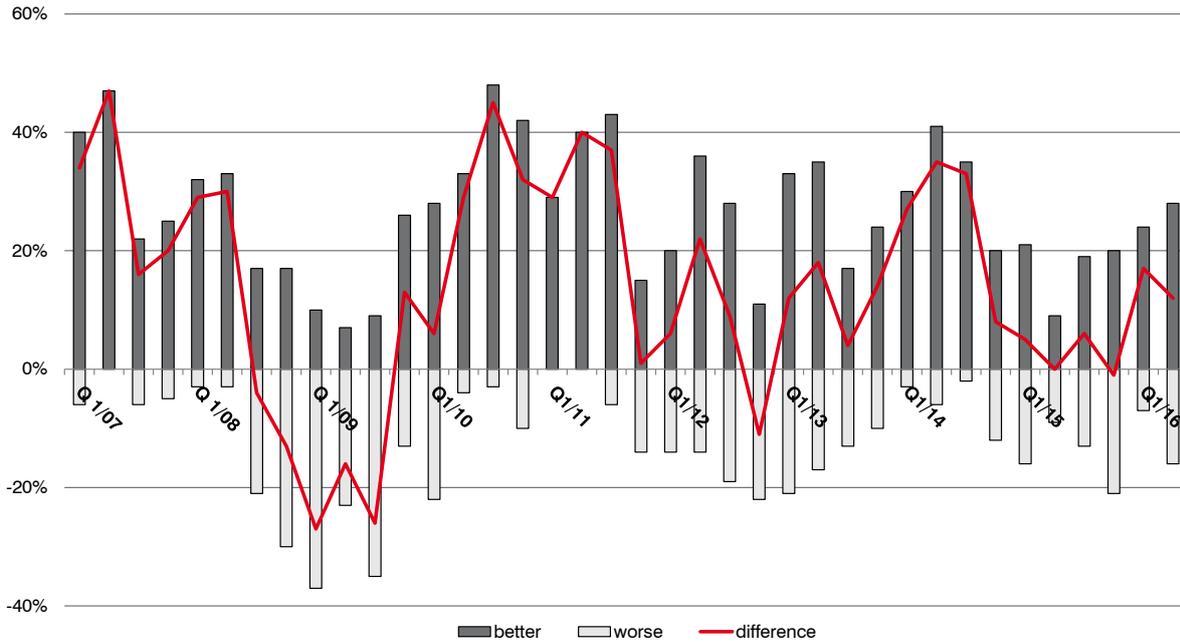
Source: SCI Verkehr GmbH

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

Looking at the development of employment numbers in the global railway industry, the current optimism seems likely to succumb to the lasting insecurities, e.g. the demand situation. The rapid downswing in employment numbers in the global railway industry slowed down at the end of the first half of 2016, but continued with a negative bottom line of 16%. Thus, more companies have reduced their employment numbers than have increased them in the past six months.

Considering the expectations regarding the development of employment numbers, there is little hope for a prompt and stable trend reversal. 20% of the surveyed managers are expecting a further decrease in employment numbers in the coming six months. On the other hand, only 16% of the companies, 8% less than in the previous quarter, expect an increase in employment numbers.

Expected business development in coming 6 months



Source: SCI Verkehr GmbH

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

Despite the recurring drop in demand development, expectations regarding future business development have not taken a strong hit. Again the surveyed top managers continue to assess the development increasingly heterogeneous. While the vast majority expects a stable business development, 28% of the surveyed top managers foresee a more favorable development. At the same time, the industry’s challenges seem to aggravate the lasting insecurities of many companies. The share of companies expecting a deterioration of the business situation rose from 7% to 16%.

The industry’s biggest challenges include the opening up of new markets, diversifying product portfolios and optimising processes. “Particularly regarding process optimisation, the railway industry is facing challenges in realising the benefits of digitisation in different parts of the value chain,” asserts Maria Leenen, CEO of SCI Verkehr GmbH.

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.