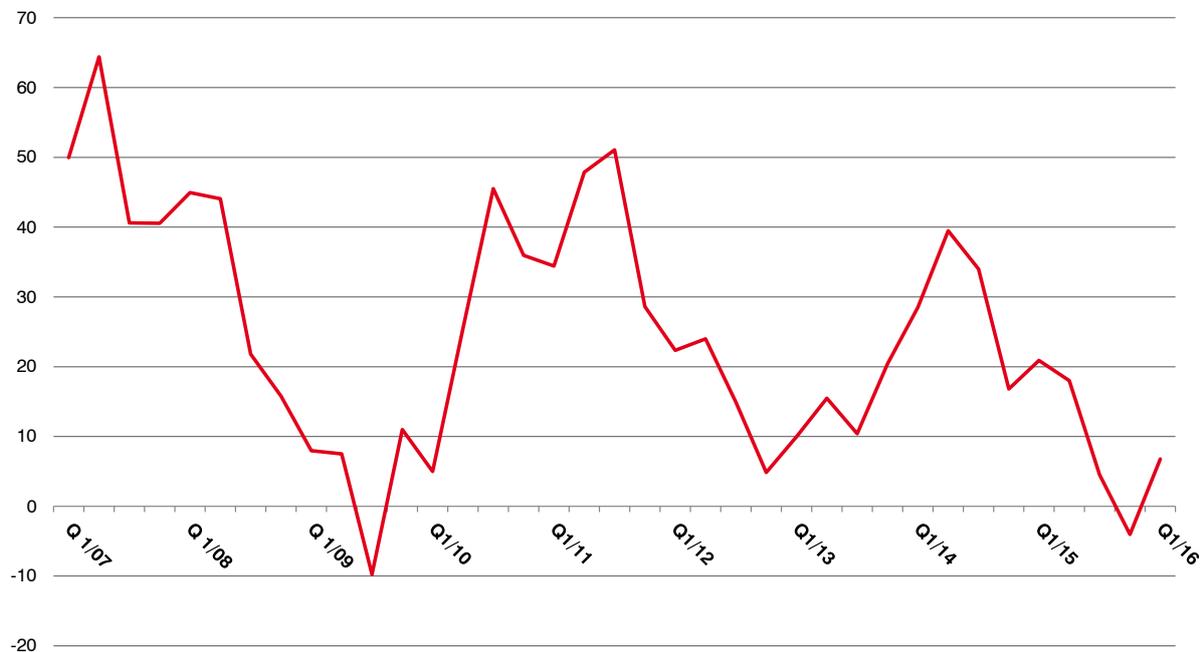


SCI GLOBAL RAIL INDEX 1/2016

Improvement in business climate – beware of premature optimism

The general atmosphere among companies in the global railway industry has improved unexpectedly at the beginning of the year. This development is shown by the latest SCI RAIL BUSINESS INDEX – a periodical survey among the global railway industry’s top managers by the consultancy firm SCI Verkehr. For the first time, the current business situation is being assessed as more positive than the previous quarters. However, an end of the general subdued mood is not in sight – at -3% the bottom line remains in the red. According to the polled top managers, the decline in demand for products and services has ended; the recently alleviated negative trend in employment, however, continues undamped in the first quarter of 2016. Optimism dominates the top managers’ outlook over the coming six months, but the uncertainties of the industry have not yet been overcome – 2016 remains a year of transition.

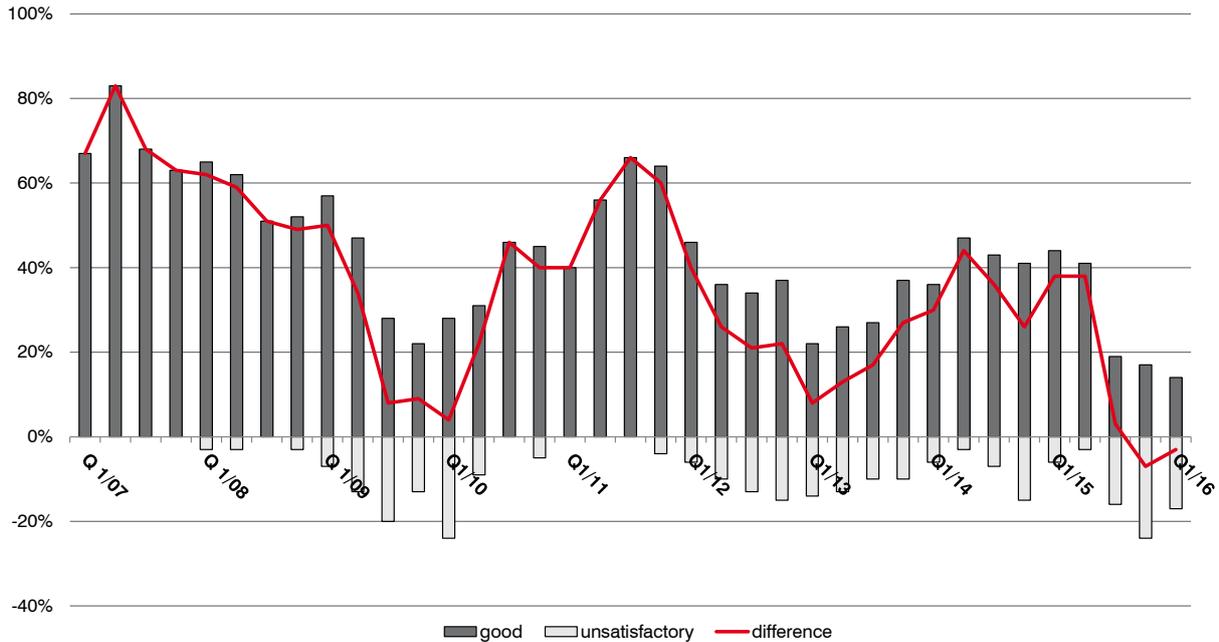
SCI Rail Business Index



Source: SCI Verkehr GmbH

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

Development of current business situation



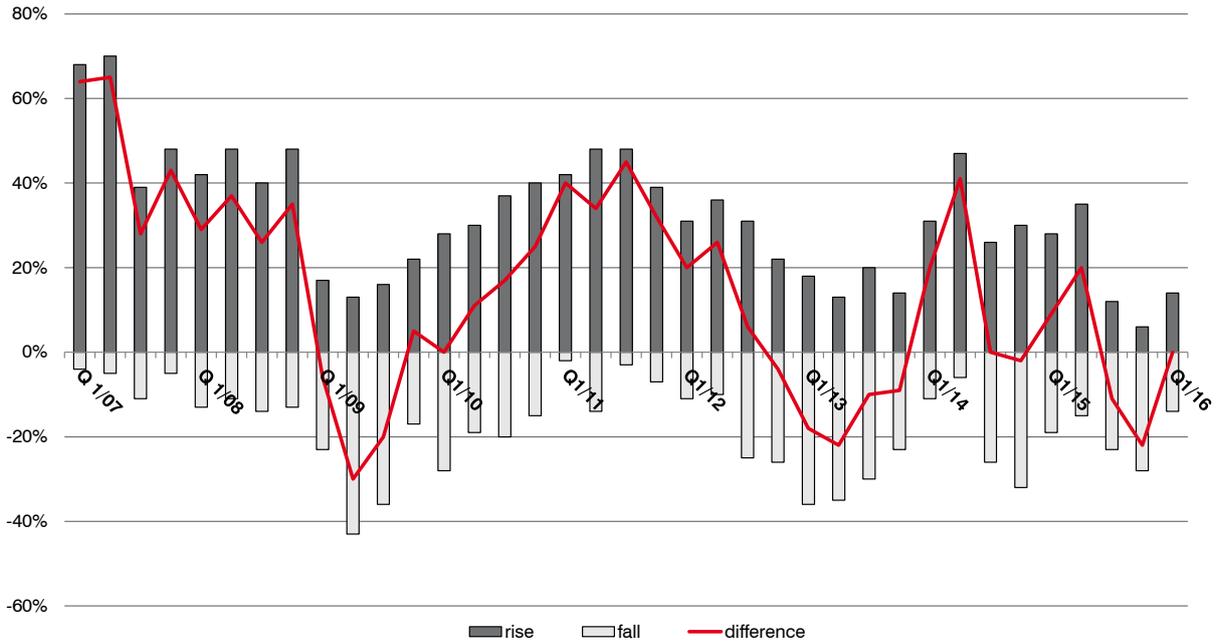
Source: SCI Verkehr GmbH

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

For the first time, the current business situation is being assessed as more positive than the previous quarters. However, the general subdued mood has not been overcome, as the bottom line remains in the red. An increasing majority of companies is once again satisfied with the current business situation. However, the number of companies assessing the current situation as “good” decreased to 14%. The share of dissatisfied companies sank to around 17%.

A possible cause for this is the slight growth of demand in products and services in the global railway industry, which will be looked at more closely below. This development enables a growing majority of companies to rely on a sufficient order backlog.

Demand for products and services



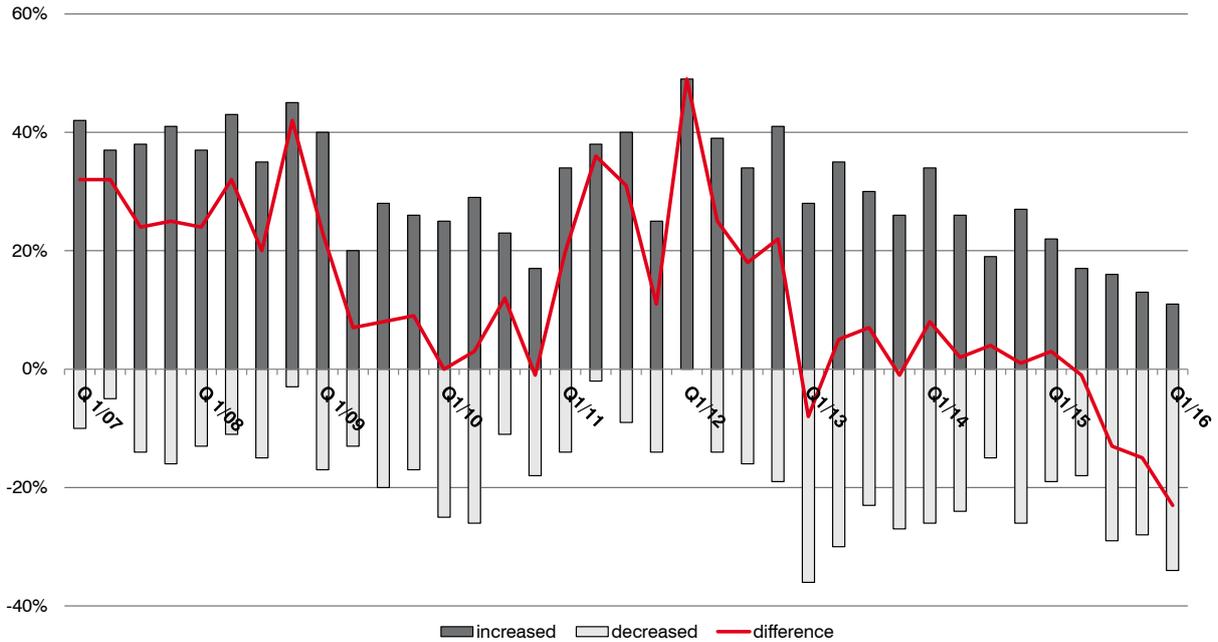
Source: SCI Verkehr GmbH

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

The assessment of the demand for products and services as a major indicator of industry development is showing a slightly positive development in the first quarter of 2016. With a share of 14% each, the same number of companies report an increase or decrease of demand for products and services. In the last quarter, almost a third of the managers complained of a decrease in demand.

The slight improvement in demand is also reflected in the assessment of the backorder log. Once again, an increasing share of companies is carried by a sufficient order backlog. Overall, only 3% of the polled managers rated their order backlogs as insufficient. At the same time, the number of companies that rate their order backlog as “comparatively large” has sunk to 7%. The share of companies who rate their order backlog as “too small” sank further to 10%.

Number of employees in the last six months



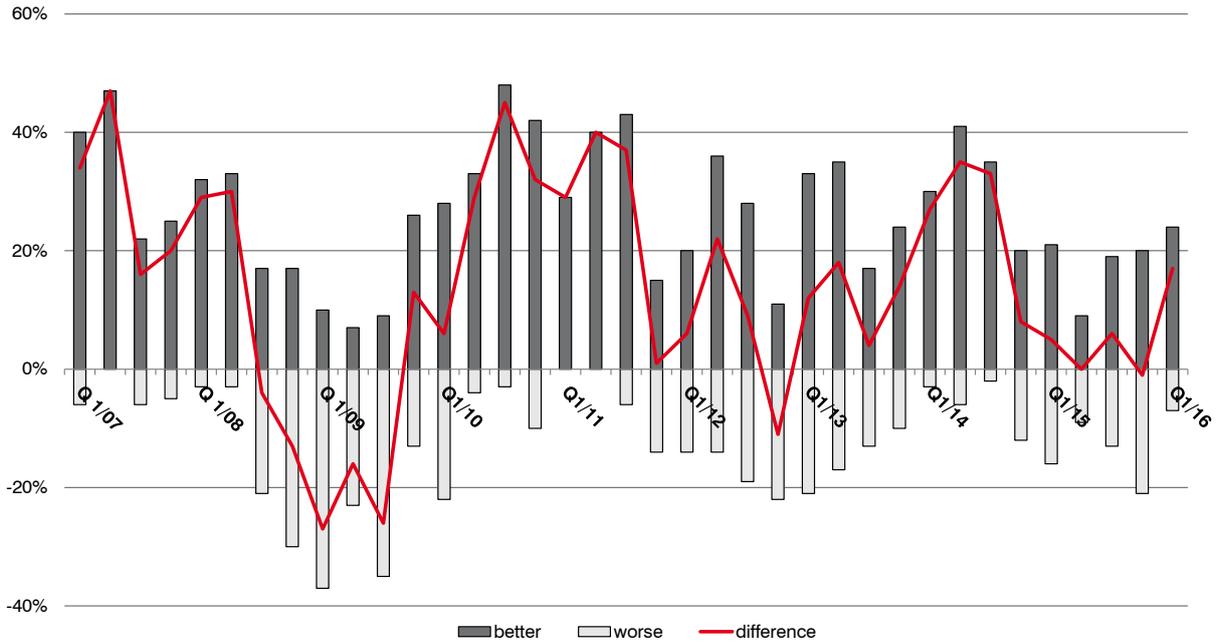
Source: SCI Verkehr GmbH

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

The continuing uncertainties within the railway industry keeps affecting the job market. While the negative trend of employment development seemed to weaken recently, it is continuing unabatedly in the first quarter of 2016. With a total of almost a third of all interviewees, more companies have reduced their number of employees than have increased it.

There is little hope for a stable trend reversal in the next year. While the share of top managers who are expecting an increase in employee numbers within the next six months has grown to 24%, 28% are expecting to further reduce their numbers. As of recently, Bombardier Transportation announced plans to optimise its human-resource allocation by means of job cuts and strategic personnel planning in the next two years. This affects 3,200 employees in the transportation department alone.

Expected business development in coming 6 months



Source: SCI Verkehr GmbH

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

The next six months are rated significantly more positively by the polled top managers than the previous quarters. 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, 24% are anticipating a more favourable development. However, certain uncertainties will remain. 7% are anticipating a deterioration of the business climate. „Many companies are counting on the efficacy of their action plans in meeting the challenges of the industry,” concludes Maria Leenen, CEO of SCI Verkehr GmbH with regard to the current optimism of the industry. At the same time, it is necessary to “wait and see if the measures prove effective – 2016 is a year of transition.”

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.