

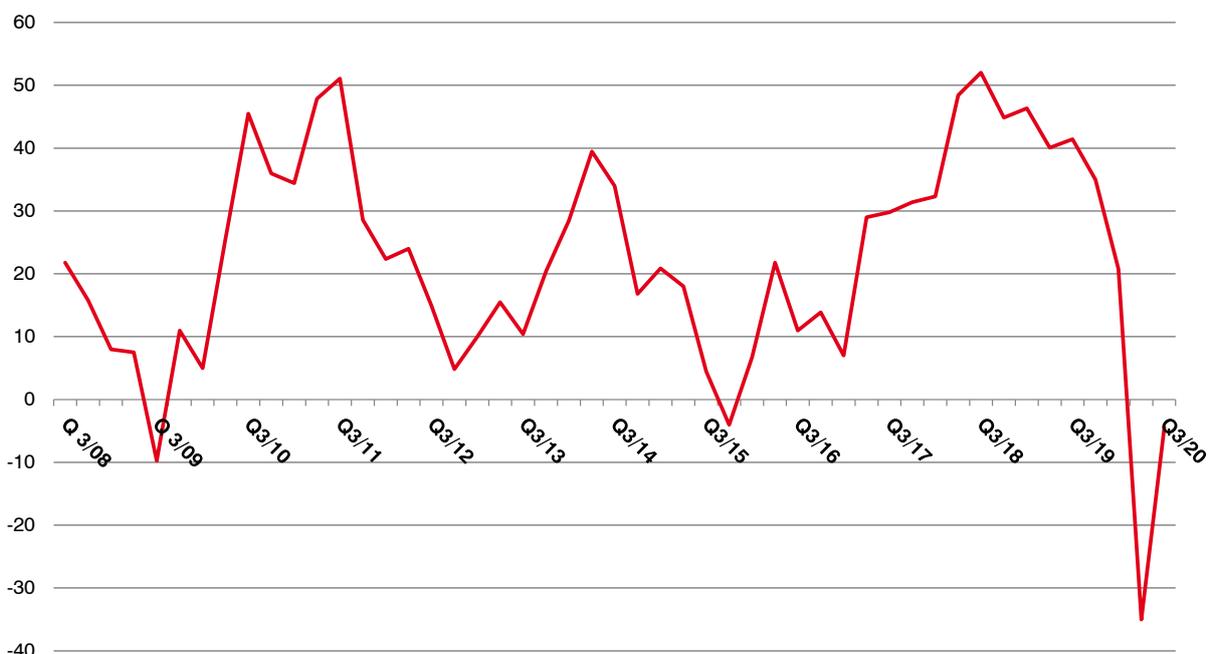
SCI GLOBAL RAIL INDEX 3/2020

Global rail industry recovering slightly - is the biggest shock over?

The global railway industry was massively affected by the COVID-19 crisis and the associated lockdowns in the first half of 2020. In the current third quarter of 2020, many companies are now regaining confidence and show cautious optimism. However, permanent structural changes in companies are expected. This is shown by the current SCI RAIL BUSINESS INDEX - a regular survey of top managers in the global rail industry conducted by the consulting firm SCI Verkehr.

After the Business Index dropped to its lowest level since the begin of the survey, results recovered slightly in the third quarter of 2020. Although the current business situation and demand for products and services are still largely assessed as unchanged or negative, a significant proportion of the top managers are looking optimistically towards the future again. According to the survey results, the most frequent business measure taken in response to the COVID-19 crisis is the postponement of investment projects. In addition, 96% of those surveyed expect lasting structural changes in companies.

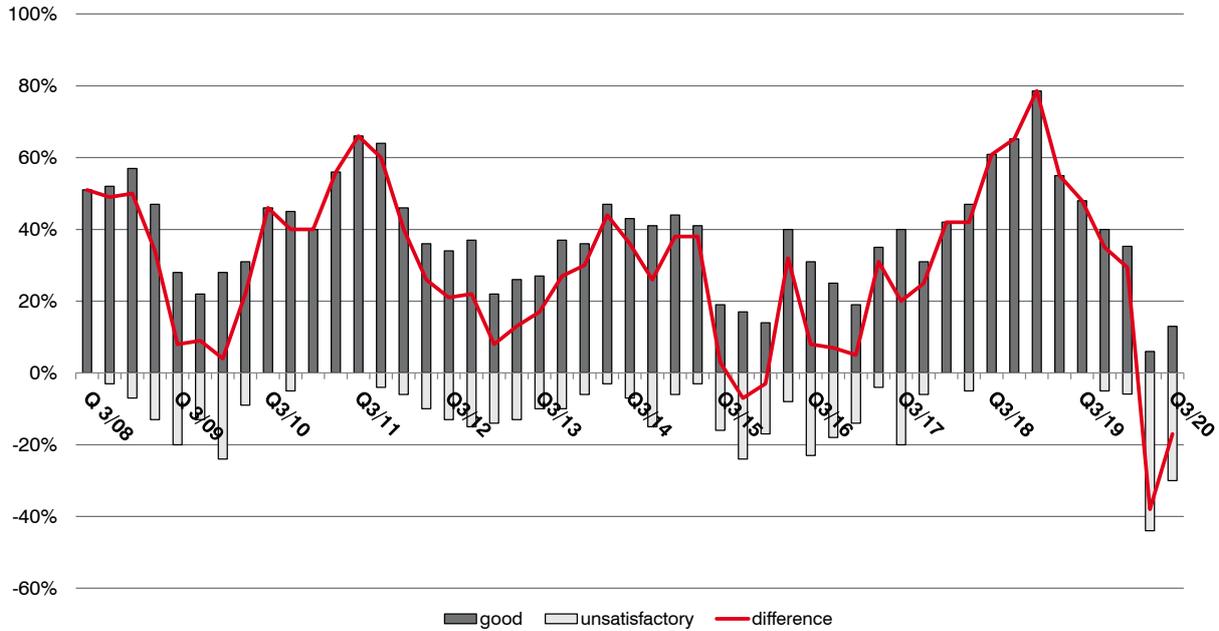
SCI Rail Business Index



Source: SCI Verkehr GmbH

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

Development of current business situation

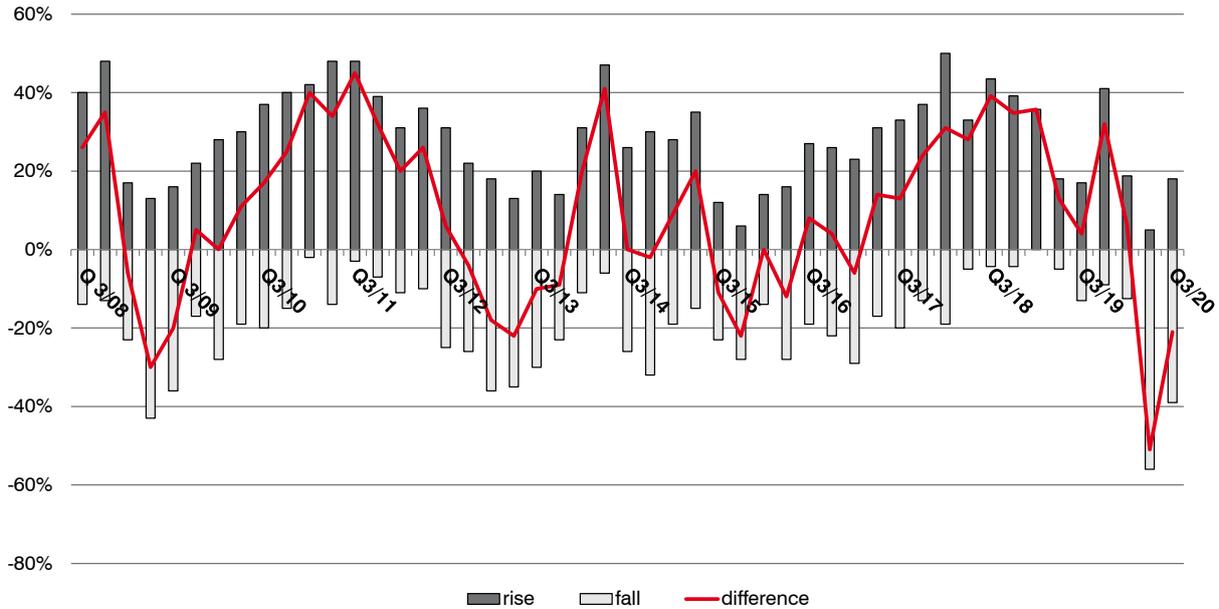


Source: SCI Verkehr GmbH

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

The assessment of the current business situation has shown a negative trend since the second quarter of 2019 and decreased particularly strongly in the second quarter of 2020 as a result of the COVID-19 crisis and the global lockdown measures. In the third quarter of 2020, the valuation level rose slightly again, although 30% of the top managers surveyed still assess the business situation as negative. As a result, the level is still significantly worse than the average value of the past ten years.

Demand for products and services

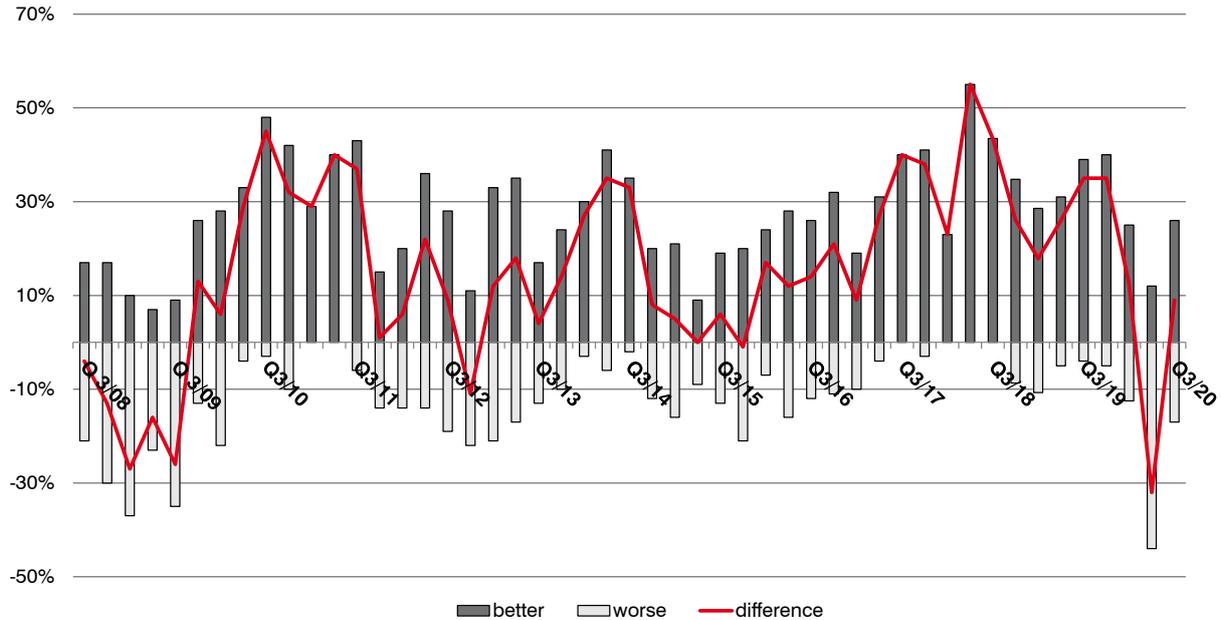


Source: SCI Verkehr GmbH

Since the latest survey, the reference period for this question is the last quarter (previously: the last 6 months); Up to Q 4/2009, only companies with headquarters in Germany surveyed.

The assessment of demand for products and services also showed a slight recovery in the third quarter of 2020. 39% of respondents indicated that demand for products and services had fallen in this quarter, compared to 56% in the last quarter. In contrast, 18% also replied that demand for their products and services had increased.

Expected business development in next quarter

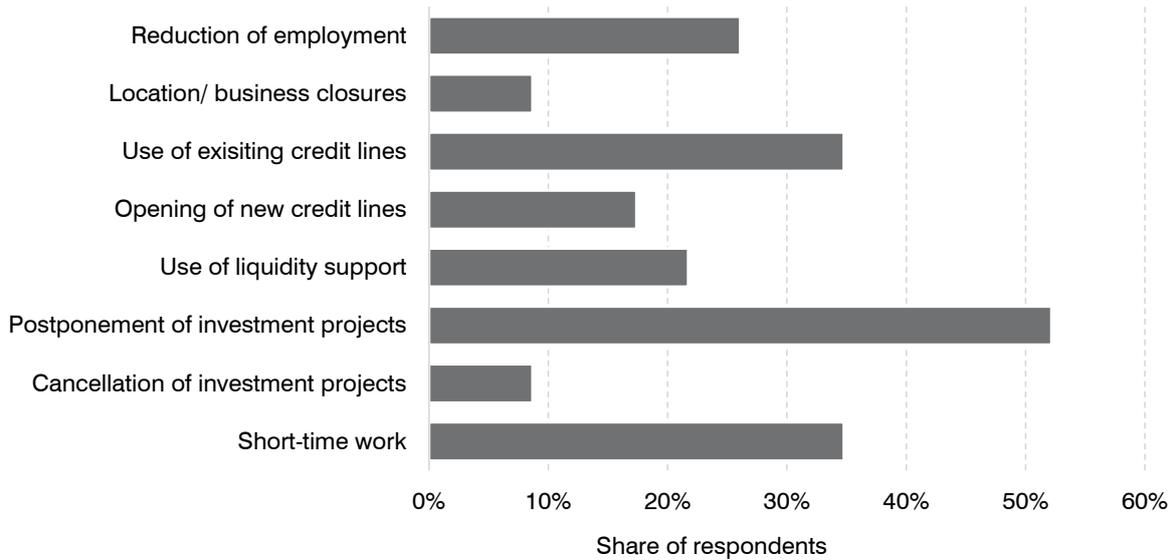


Source: SCI Verkehr GmbH

Since the latest survey, the forecast period for this question is the next quarter (previously: the next 6 months); Up to Q 4/2009, only companies with headquarters in Germany surveyed.

With regard to the future business situation, the survey revealed a clear improvement. The proportion of respondents who expect the business situation to improve rose by 14% to 26%. In contrast, only 17% of those surveyed expect a negative business development. After the drastic shock that the global railway industry experienced due to the COVID-19 pandemic in the second quarter of 2020, many managers are now looking towards the future with more optimism.

Measures taken in response to the COVID-19 pandemic

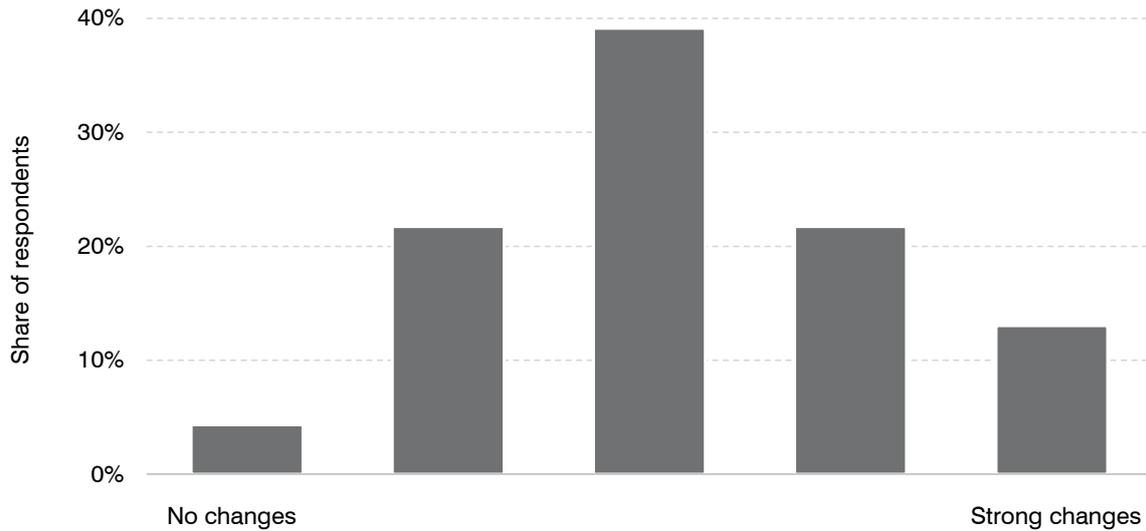


Source: SCI Verkehr GmbH

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In the third quarter of 2020, SCI Verkehr asked the participants of the survey about the measures that railway companies had taken to respond to the challenges of the COVID-19 pandemic. The largest number of respondents (52%) replied that investment projects had been postponed. 35% of respondents indicated that existing credit lines were being used and 35% had also responded with short time working programmes. 26% of respondents were also forced to reduce employment and 22% used liquidity support, while 17% opened new credit lines. A small proportion of 9% each cancelled investment programmes or closed or relocated business locations.

Extent of changes in the company even after the COVID-19 pandemic has ended



Source: SCI Verkehr GmbH

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Furthermore, SCI Verkehr asked the top managers of the global railway industry to what extent they expected permanent change in their companies even after the COVID-19 crisis will have ended. A small minority of 4% of those surveyed did not expect any changes. However, a clear majority of 96% expects permanent structural changes. The largest number of respondents (39%) expect medium-strong changes, 22% expect either the second weakest and second strongest category of changes and 13% assume that their company will experience strong structural changes. This result is in line with the public debate on changes in the workplace due to more flexible forms of work and communication. It is expected that the mobility behaviour and also the demand for mobility of business travellers and commuters will permanently decline.

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 quarter* 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.

*Since the latest survey, the reference period is the coming quarter. Previously, the questions referred to the coming six months. The change was made to reflect the current rather short-term dynamics in the developments due to the Covid-19 crisis.