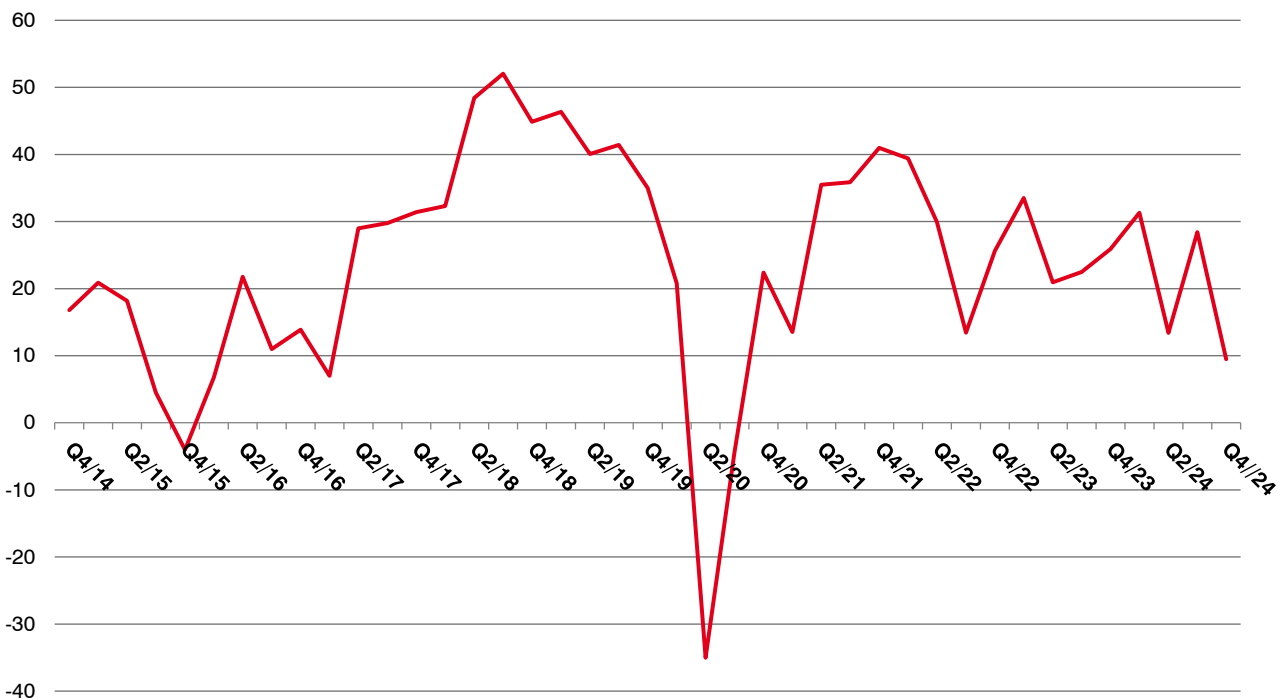




ECONOMIC WEAKNESS, STRUCTURAL CHANGE AND GEOPOLITICAL SHIFTS REACH THE RAILWAY INDUSTRY

The railway transport market in 2024 is characterised by a continuous decline in demand for products and services - a downward trend has been clearly visible since the beginning of the year. As a result, companies are currently reviewing their locations in order to reduce costs, increase efficiency and position themselves closer to high-growth markets and customers. At the same time, digitalisation remains a key objective that underlines the urgency of the ongoing restructuring process and the massive backlog demand in the industry. Taking this into consideration, the continued volatility of the SCI RAIL BUSINESS INDEX is not surprising. The regular survey among top managers in the global railway industry conducted by SCI Verkehr reveals an ambivalent picture: optimists and pessimists alternate, reflecting the uncertainty in the industry. Nonetheless, a clear trend is emerging in the strategic objectives for 2025: digitalisation and site optimisation are cited as key factors in mastering structural change and securing competitiveness in the long term.

SCI Rail Business Index

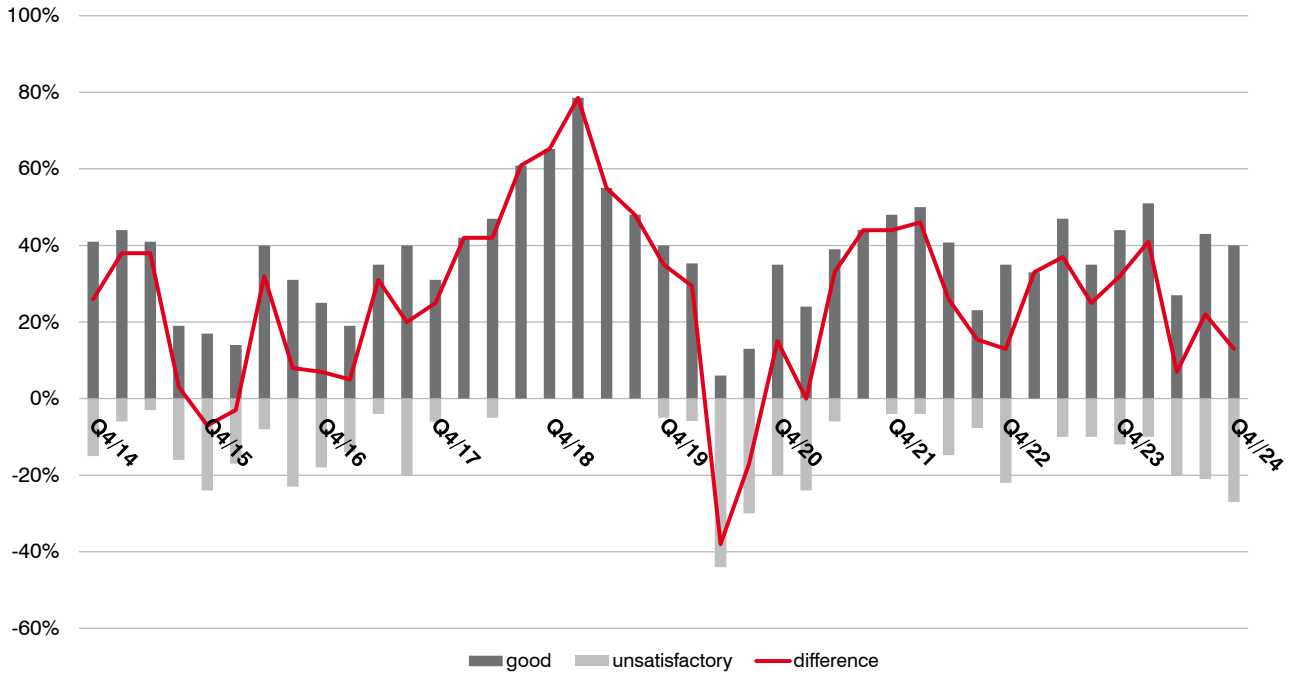


Source: SCI Verkehr GmbH

Figure 1: SCI Rail Business Index



Development of current business situation



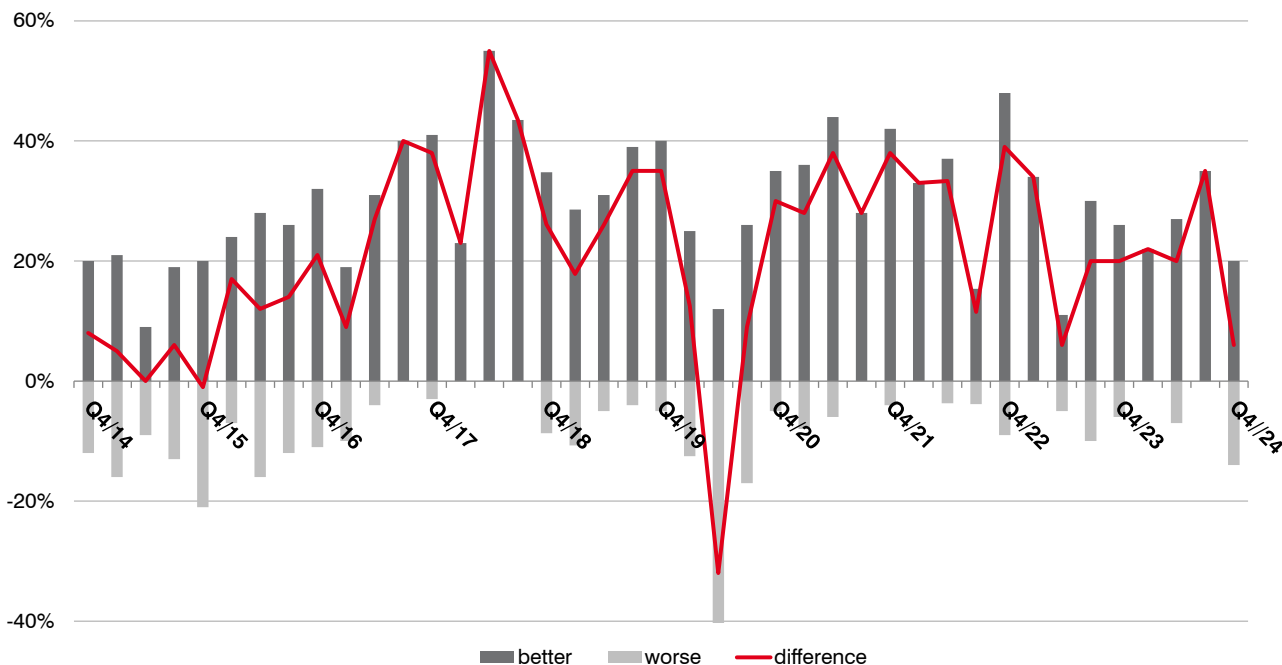
Source: SCI Verkehr GmbH

Until quarter 4/2009, survey only conducted among companies headquartered in Germany.

Figure 2: Development of the current business situation

According to the managers surveyed, the current business situation is slightly more negative compared to the previous quarter's survey. 40% report a good development, which is 3 percentage points less than in the third quarter. For 33% (cf. Q3: 36%) of companies, the business situation was common for the season. The proportion of respondents who see a negative development has increased by 7 percentage points to 27%. Since the beginning of the year, the proportion of critical assessments has thus risen continuously.

Expected business development in next quarter



Source: SCI Verkehr GmbH

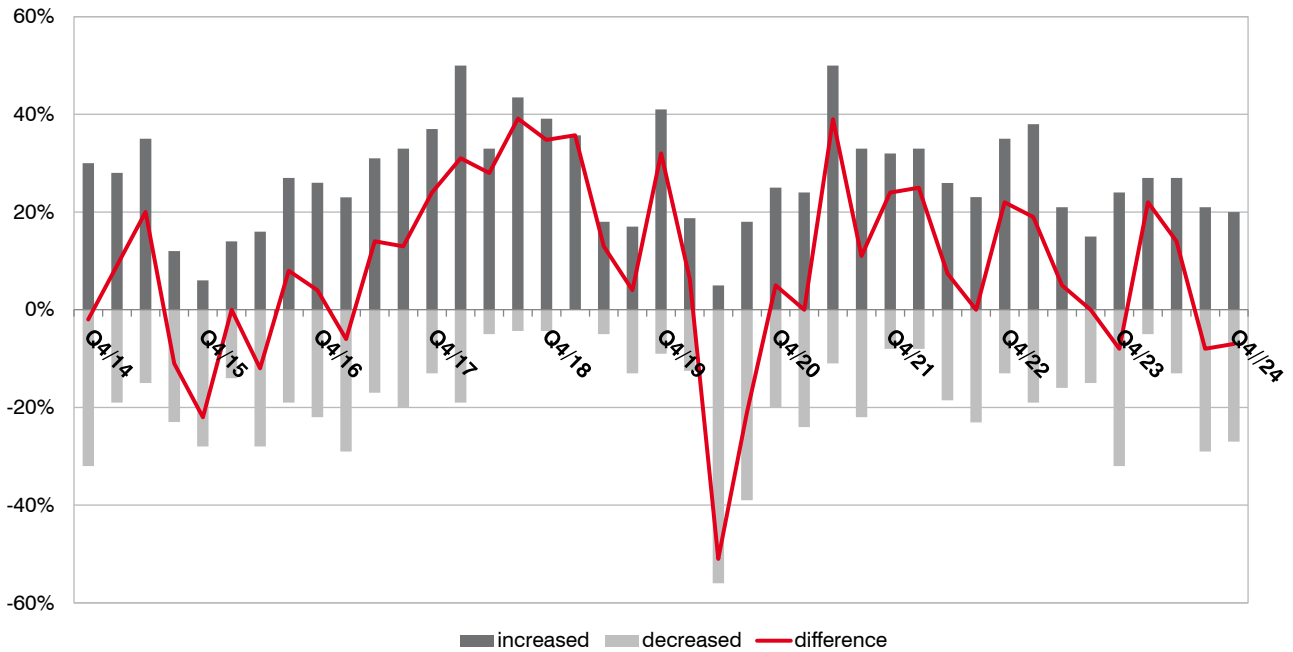
Since Q3 2020, the expectation period for this question is the next quarter (previously: the next 6 months); until quarter 4/2009, the survey was only conducted for companies headquartered in Germany.

Figure 3: Expected business development in the next quarter

When asked about their expectations for the business development in the next quarter, most companies agree in that they expect the situation to remain the same. Based on thoroughly positive expectations for the fourth quarter of 2024, the current figures reflect a fundamentally optimistic outlook. Seemingly unimpressed by the ongoing phase of economic weakness, the majority of entrepreneurs surveyed is confident about the coming quarter: after all, one in five expects a more favourable business trend and 66% expect it to remain the same. Compared to the previous quarter, however, the sceptics are making themselves heard: while none of the respondents expected an unfavourable business trend in the previous month, 14% now fear this for the start of the year. (Cf. Q4/24: more favourable 35%; unchanged 65%; less favourable 0%).



Demand for products and services



Source: SCI Verkehr GmbH

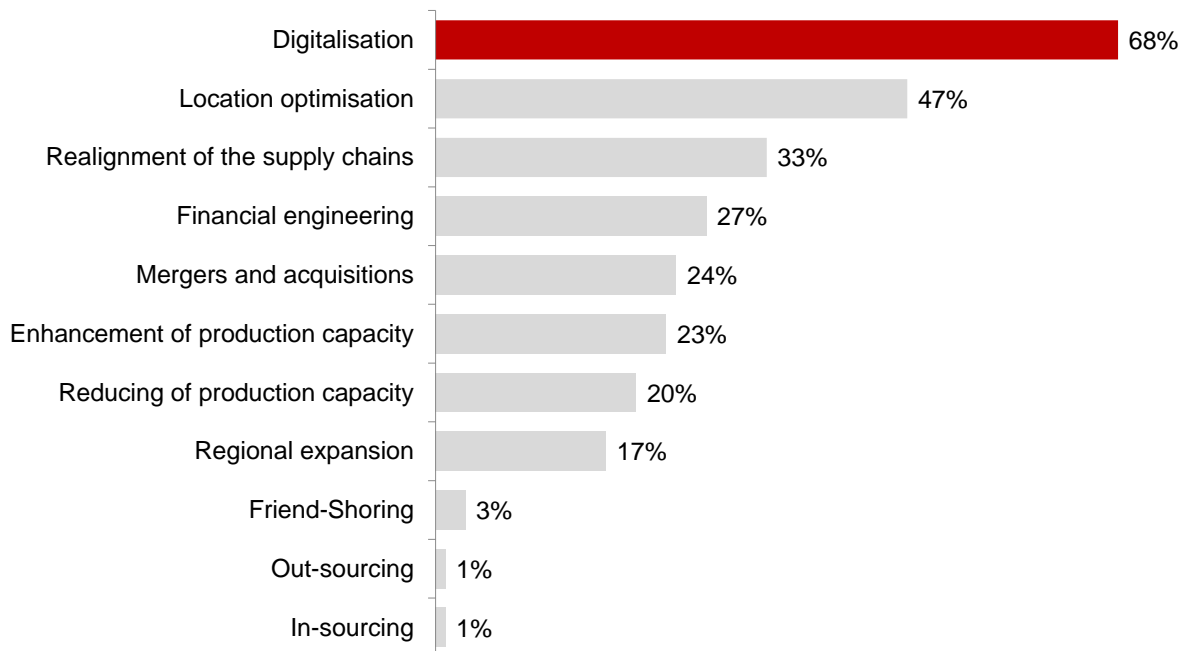
Since Q3 2020, the reference period for this question is the last quarter (previously: the last 6 months).
Until quarter 4/2009 survey only conducted for companies with headquarters in Germany

Figure 4: Demand for products and services

According to the managers surveyed, the demand for products and services in the railway industry remains unchanged. As with the previous quarter's data, the proportion of negative assessments stating a decline in demand again predominates: while 27% of respondents stated that demand was declining, only 20% confirmed an increase, thus contributing to the falling index. The majority (53%) of the managers surveyed reported an unchanged demand situation, which has been critical for months. (Cf. Q3/24: increased 20%; unchanged 53%; decreased 27%)



Strategic objectives for 2025 (in %)



Source: SCI Verkehr GmbH

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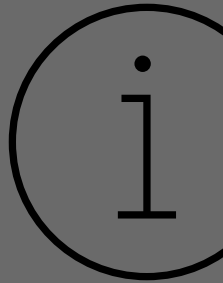
Figure 5: **Strategic objectives**

At the end of the year, SCI Verkehr asked the top managers in the global railway industry about their strategic goals for 2025. As in the two previous years, the topic of digitalisation is once again at the top of the agenda. According to 68% of respondents, digitalisation has a broad spectrum of importance with its impact on both internal company processes as well as product development. Its renewed categorisation as a leading strategic objective - by a clear margin - underlines the urgency of the digital transformation. This illustrates not only the ongoing restructuring process in the sector, but also its considerable backlog demand. Around half of those surveyed named the optimisation of their own location as a strategic goal for 2025. While this goal still ranked fifth in the previous year, it is in second place in the current survey. In addition to aspects such as reducing costs and increasing efficiency, proximity to high-growth markets and customers could also play a role. In addition, external market and environmental trends are likely to play an increasingly important role in the decision-making of the managers surveyed.



SCI GLOBAL RAIL INDEX

Der The SCI GLOBAL RAIL INDEX is based on approximately 100 reports from representative companies in the global rail industry. The companies are regularly asked to assess their current business situation and their expectations for the coming six months. They can mark their situation as "good", "satisfactory" or "poor" and their business expectations for the coming six months as "more favourable", "stable" or "less favourable". The balance value of the current business situation is the difference between the percentages of the answers "good" and "poor", the balance value of the expectations is the difference between the percentages of the answers "more favourable" and "less favourable". The business climate is a transformed average of the balances of the business situation and expectations. The companies are regularly asked to assess their current business situation and their expectations for the coming six months. They can mark their situation as "good", "satisfactory" or "poor" and their business expectations for the coming six months as "more favourable", "stable" or "less favourable". The balance value of the current business situation is the difference between the percentages of the answers "good" and "poor", the balance value of the expectations is the difference between the percentages of the answers "more favourable" and "less favourable". The business climate is a transformed average of the balances of the business situation and expectations



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