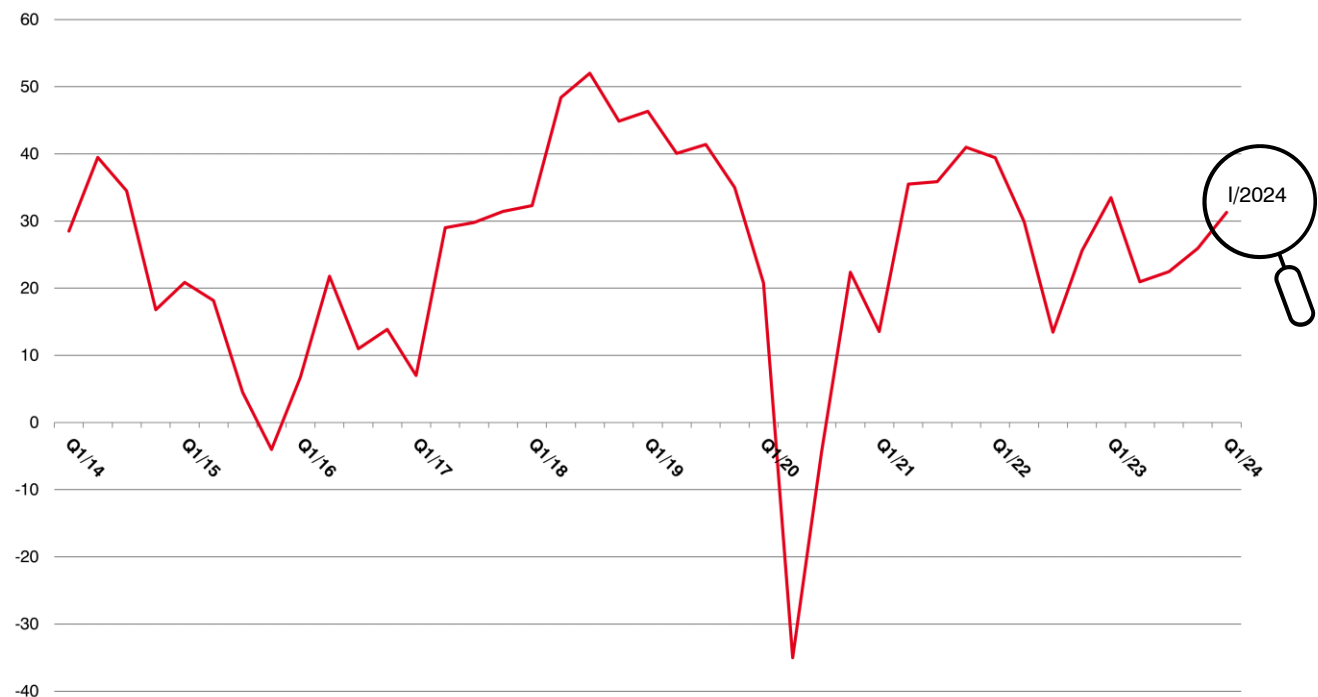


THE RAILWAY INDUSTRY APPEARS OPTIMISTIC – AN INCREASING DEMAND IS FORTIFYING THE SECTOR

The business climate of companies in the global railway industry is developing cautiously positive, with the index climbing for the fourth time in a row. Thus, the tentative upward trend in the recent months continues. Accompanied by an equally solid assessment of the current business situation and balanced expectations for the coming quarter, the current mood is contributing to the positive development of the index. Demand for products and services is increasing again for the first time: after more than a year, the downward trend has been halted for the time being - at least in the first quarter. Based on a difficult year 2023, the top managers surveyed also expect order books to be fuller again in 2024 and in the medium term for the next three to five years. This is shown by the latest SCI RAIL BUSINESS INDEX - a regular survey of top managers in the global railway industry carried out by consulting company SCI Verkehr.

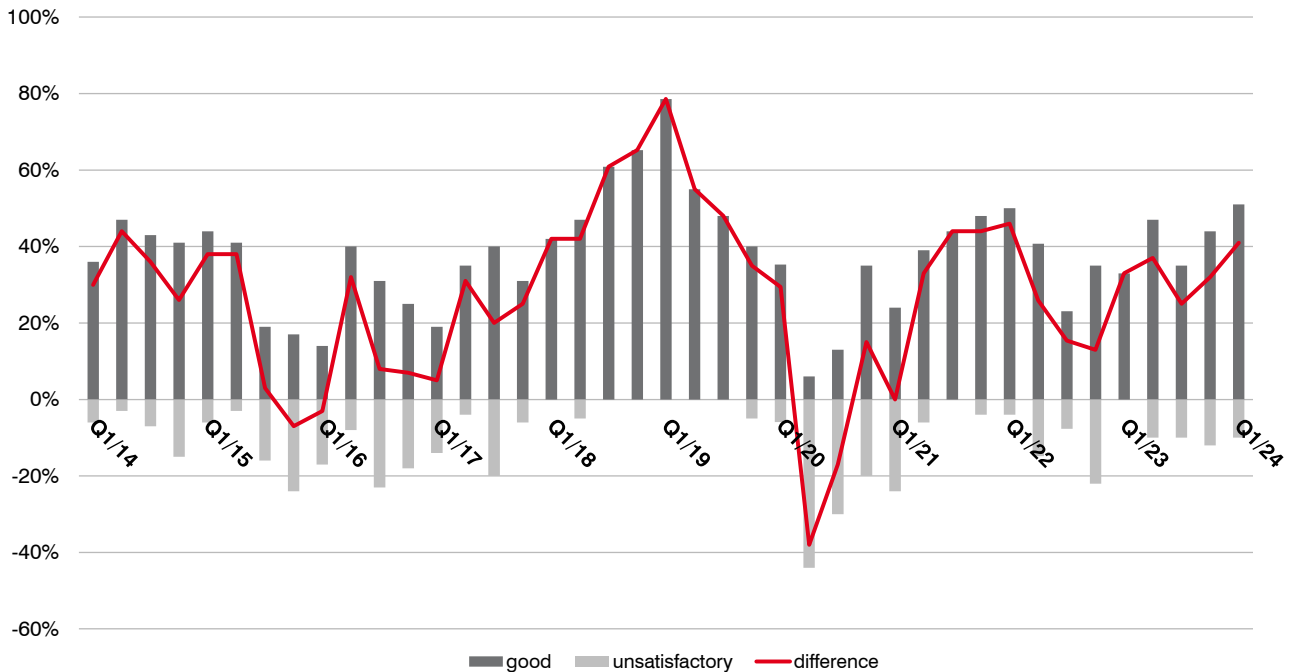
SCI Rail Business Index



Source: SCI Verkehr GmbH

Figure 1: SCI Rail Business Index

Development of current business situation

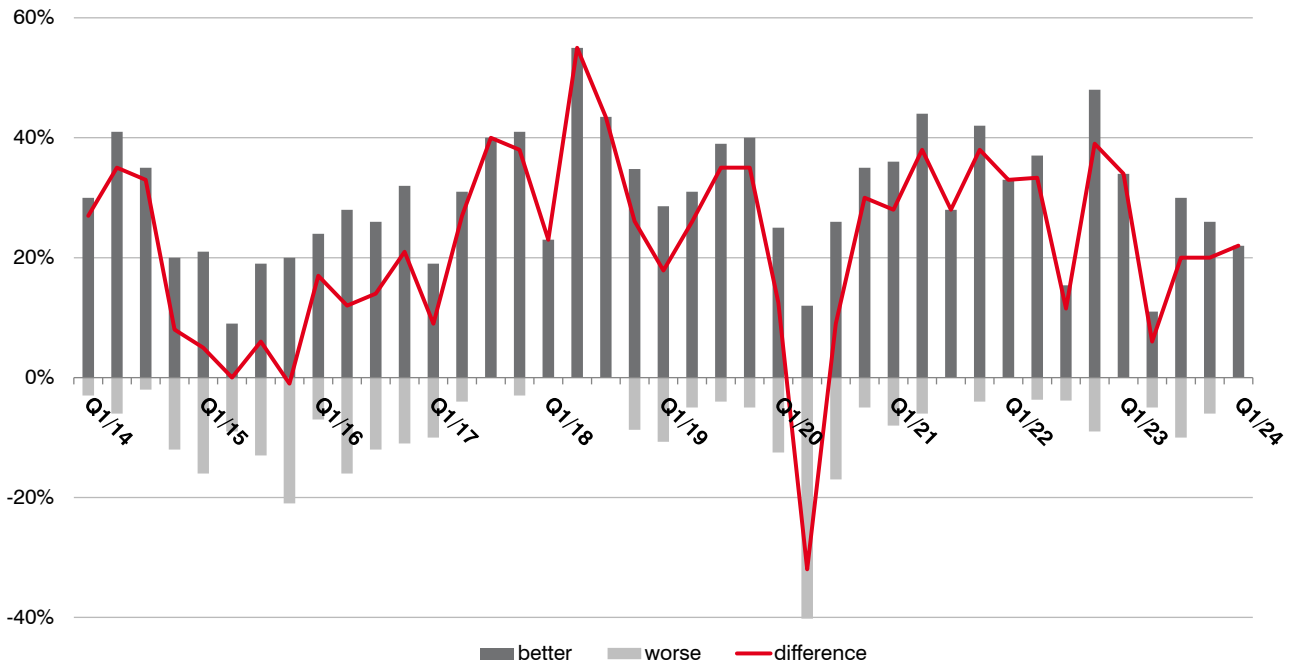


Source: SCI Verkehr GmbH

Figure 2: Development of the current business situation

According to the managers surveyed, the current business situation remains positive - compared to the previous quarter, the business situation is rated even better. The majority (51%) rate the development of the current business situation as good. Two years ago (before the start of the war in Ukraine), most interviewees rated the situation positively. Only one in ten said that the current trend was poor, while 39% considered it to be normal for the season. Looking back at the survey in the fourth quarter of the previous year, this confirms the positive trend: in the current survey, more companies reported a favourable development of the business situation (+7 percentage points). Regardless of the unsatisfactory development for some companies, the index thus reflects a stable situation overall: most entrepreneurs are satisfied in the first quarter.

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.

Figure 3: Expected business development in the next quarter

When asked about their expectations for business development in the next quarter, most companies agree that the situation is expected to remain unchanged. Based on thoroughly positive expectations for the first quarter of 2024, the current figures reflect a continued solid outlook. Seemingly unimpressed by the ongoing phase of economic weakness, most entrepreneurs surveyed are optimistic about the coming quarter: As many as 22% expect business to develop more favourably and 78% expect it to remain the same, defying the general assessment and the prevailing uncertainty in the sector. None of those surveyed expect business to develop unfavourably. (See Q4/23: more favourable 36%; unchanged 68%; less favourable 6%)

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

The demand for products and services is increasing again - after more than a year, the downward trend has been halted. The index displays an overall increase in demand and is in the positive range. Last time this was the case was at the end of 2022. Although one in four managers reported an increase in demand for products and services, similar to the previous quarter, the proportion of entrepreneurs surveyed who reported a decline in demand fell significantly by 27 percentage points to 5%, thus contributing to the increasing index. 68% of the surveyed industry experts state that demand has remained unchanged.

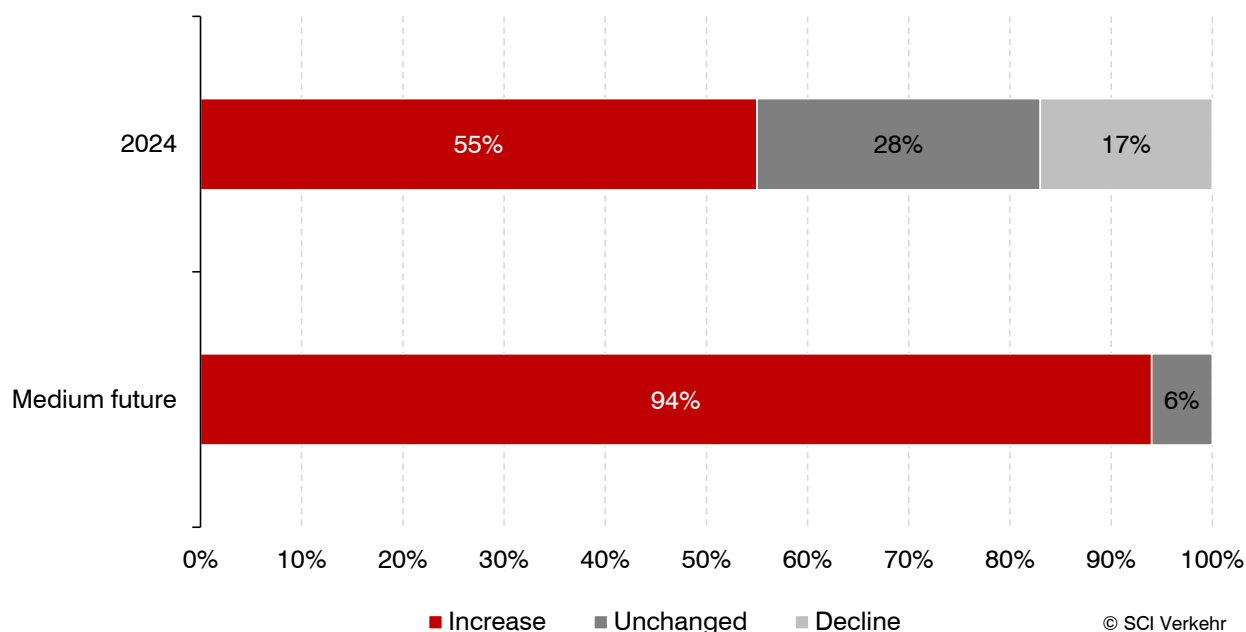
Estimated annual development of incoming orders in 2024 and medium future in the next 3-5 years

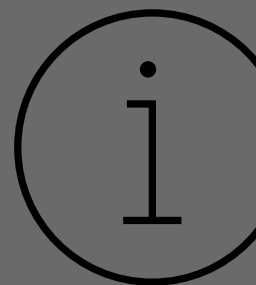
Figure 5: Estimated development of incoming orders

At the end of February 2024, SCI Verkehr asked the top managers of the global railway industry for their respective assessment of the future development of incoming orders: in the short term with a view to growth rates over the course of 2024 and beyond that for the medium-term future over the next 3-5 years. According to the respondents' assessment, the sector is confident about the development of incoming orders: for the current year 2024, most respondents (55%) expect incoming orders to increase. 28% expect incoming orders to stagnate and 17% anticipate a decline in orders. The optimistic expectations are therefore not only in line with the current positive trend in demand for products and services (see Figure 4) but are even expected to improve in the future. In the medium term, the panellists surveyed agree that 94% expect order books to be fuller in the next three to five years. A comparison with previous year's survey is interesting: while expectations for 2023 were formulated in a similar way to 2024 overall, the medium-term future - based on a critical year 2023 - is currently viewed much more positively by managers.



SCI GLOBAL RAIL INDEX

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.



Nicole Heinrichs
SCI Verkehr GmbH
Vor den Siebenburgen 2
50676 Cologne
Germany
Tel.: +49 221 931 78 0
Mail: n.heinrichs@sci.de