

## **Approval of the PKP CARGO Group's Strategy for 2019-2023**

Current Report No. 35/2018 of 26 November 2018

*Legal basis (selected in ESPI):*

*Article 17 Section 1 of MAR – confidential information*

The Management Board of PKP CARGO S.A. ("Company", "PKP CARGO") reports that on 26 November 2018, the Company's Supervisory Board approved the PKP CARGO Group's Strategy for 2019-2023 ("Strategy").

The strategy defines the PKP CARGO Group's vision and mission statement:

- PKP CARGO Group's vision:  
"Become the Central European leader in rail freight transport by taking the dominant position in the area of the 'Three Seas Initiative' and on the 'New Silk Road'".
- PKP CARGO Group's mission statement:  
"Offering comprehensive logistics services on the rail freight and intermodal services market in a way to make it the supplier of first choice".

The strategy defines the PKP CARGO Group's objectives as follows:

- Strategic objectives
  1. Become number 1 in the area of the "Three Seas Initiative" and on the New Silk Road routes in the European Union measured by freight turnover and freight volume by 2023 and strengthen this position in 2023-2038,
  2. Gain 65% of the Polish rail freight market by 2023 measured by freight turnover.
- Short-term objectives
  1. Devise the most competitive offer for business partners on the New Silk Road in the European Union and in the area of the Three Seas Initiative,
  2. Grow operational efficiency measured by KPIs on an annual basis,
  3. Maintain a pace of growth in the share price that is higher than the WIG30's growth,
  4. Generate annual net profit equal to at least 5% of revenue starting from 2019 and at least 8% of revenue starting from 2023.

Attaining the strategic objectives will be based on executing 13 strategic initiatives arranged under three pillars:

1. Growth

- Adopting and executing an organic growth plan on the domestic market,
- Adopting and executing an inorganic growth plan on the domestic market,
- Coordinating foreign expansion,
- Aligning the offer to clients to integrate the value chain,
- Adopting and executing an action plan in marketing and CSR in coordination with the PKP Group,
- Developing innovation.

2. Operational efficiency

- Digitization and computerization,
- Optimizing freight transport processes,
- Modernizing and optimizing rolling stock resources and maintenance processes,
- Optimizing asset management.

3. Organizational efficiency

- Optimizing decision-making processes and customizing the PKP Cargo Group's structure,
- Developing organizational culture, human capital and management by objectives (MBO),
- Adopting a project management policy and appointing a Project Management Office (PMO) in headquarters.

Specific legal basis:

Article 17 Section 1 of MAR – confidential information