

## Strategy 2019 – 2023

In five years' time, the PKP CARGO Group should become the leader on the Central and Eastern European market by becoming the No. 1 in the area of the Three Seas Initiative, i.e. in the pan-European north-south transport corridors. PKP CARGO also intends to achieve a dominating position on the New Silk Road routes within the European Union. In both cases, this is in terms of freight volume and freight turnover. The leading position that the Group wants to achieve by 2023 should be consolidated between 2023 and 2038.

At the same time, PKP CARGO's share of the domestic market should also increase. At present, the Group controls less than 50% of rail transport in Poland in terms of freight turnover, while in 2023 this figure is expected to increase to 65%. Some of the growth will be driven by the Group's organic growth, but acquisitions will also be important. Acquisitions are also to be conducted on international markets, since this is the faster and easier way of implementing the Group's expansion program on Eurasian markets.

In its Strategy, PKP CARGO discontinues its image as a rail operator that simply accepts and executes orders for the transport of freight by train. In order to implement the objectives set out in the strategy, the Group needs to expand its business profile. PKP CARGO is supposed to become a specialized logistics operator that provides comprehensive door-to-door freight services, especially in the intermodal sector.

To this end, PKP CARGO will strive to 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. The Group wants to quickly address the challenges driven by globalization and use the natural advantages of Poland, that is quick economic development and the resulting improving international position. The advantage that many experts believe is key is Poland's location at the crossroads of critical trade routes.

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

- Growth
- Operational efficiency
- Organizational efficiency

The domestic and international expansion process will be supported by improvements in operational efficiency through digitalization and computerization as well as optimization of transport processes. The PKP CARGO Group will also increase efficiency of the rolling stock utilization and modernization processes and improve management of assets of all companies.

Better organizational efficiency is equally as important. It should improve through optimization of decision-making processes and adaptation of the PKP CARGO Group's structure to its operations and through development of its organizational culture. The Group will implement management by objectives (MBO), adopt a project management policy and establish a central Project Management Unit (PMO).

The introduction of new areas of operation will improve organization management efficiency:



Source: Proprietary material

2018 did not only mark the commencement of preparation of the strategy for the next five years. Some of the solutions that became priorities in the document were already starting to be implemented. Improvements in the organization of work, transport processes, higher level of market competition, attracting customers with increasingly better offers, also in terms of price – these factors were the main reasons why the PKP CARGO Group posted excellent financial results.



## Mission, Vision, PKP CARGO Values



### 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'.



### VALUES



### MISSION

Offering comprehensive logistics services on the rail freight and intermodal services market in a way to make it the supplier of first choice.



## PKP CARGO Group Goals



### STRATEGIC OBJECTIVES

- 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.
- Gain 65% of the Polish rail freight market by 2023 measured by freight turnover.

### SHORT-TERM OBJECTIVES

- 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.
- Grow operational efficiency measured by KPIs on an annual basis.
- Maintain a pace of growth in the share price that is higher than the WIG30's growth.
- Generate annual net profit equal to at least 5% of revenue starting from 2019 and at least 8% of revenue starting from 2023.



## Strategic initiatives

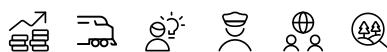


### GROWTH

### OPERATIONAL EFFICIENCY

### ORGANIZATIONAL EFFICIENCY

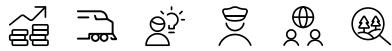
1. Adopting and executing an organic growth plan on the domestic market.



4. Aligning the offer to clients to integrate the value chain.



**2.** Adopting and executing an inorganic growth plan on the domestic market.



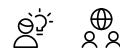
**3.** Coordinating foreign expansion.



**5.** Adopting and executing an action plan in marketing and CSR in coordination with the PKP Group.



**6.** Developing innovation.



Source: Own study