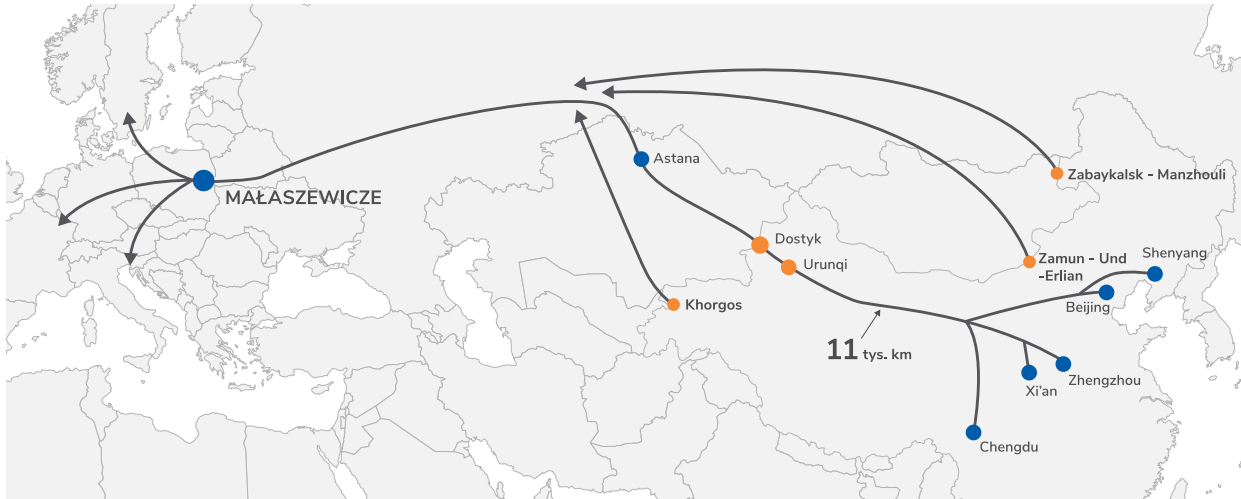


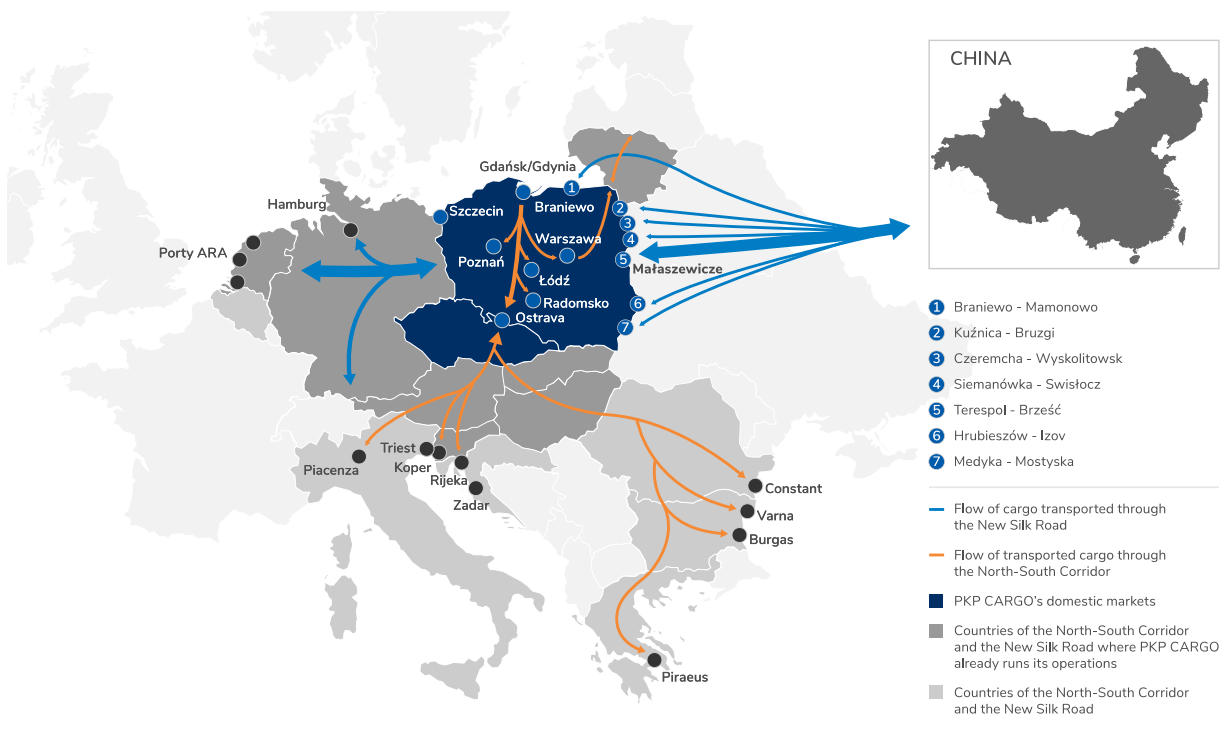
Opportunities

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The business development plans of the PKP CARGO Group are based on the implementation of the new strategy set for 2019 -2023. The Group will strive to strengthen its position on the railway transport market and to be a leader in transport in the area of the New Silk Road



and the Three-Seas.



The PKP CARGO Group sees many opportunities for business development. Opportunities are perceived both in the external environment and in the increase of efficiency of operations within the Group. Below are the key external factors identified:

The National Railway Program

Program supporting railway transport. The National Railway Program was launched in 2015 through the decision of the Council of Ministers. The end of the program is set for 2023, as this year ends the possibility of co-financing projects under the European Union's financial perspective for 2014–2020. The program assumes investments on railway lines, which are co-financed by the minister responsible for transport.

The National Railway Program is an operational implementation of the “National Development Strategy 2020” and “Transport Development Strategy for 2020 with a perspective up to 2030”.

Transportation White Book

The initiative of the European Union aims to improve transport and increase the share of rail transport to 30% by 2030. The direct beneficiary of this initiative is PKP PLK, which will be able to use the co-financing for improving the railway infrastructure. The PKP CARGO Group will benefit from this initiative through better infrastructure, which will improve the results in the following way:

- faster railway transport by increasing the speed of railway transport. Improvement of the condition of railway tracks will mean a faster delivery of orders and betterment of timeliness of transport;
- reduced involvement of rolling stock - order fulfillment will take place at the increased rotation parameter of locomotives and wagons. The rolling stock will be able to be used in a larger number of orders.

Intermodal transport development

The PKP CARGO Group uses the co-financing granted for the development of intermodal transport. The company received EU funds for the implementation of 3 projects:

- Project entitled: "Multi-system locomotives and wagons for intermodal transport" (beneficiary: PKP CARGO) – proposed co-financing: PLN 92,394,600.00, awarded co-financing: PLN 92,394,600.00;
- Project entitled: "Platform wagons for intermodal transport" (beneficiary: PKP CARGO) – proposed co-financing: PLN 183,428,050.00, awarded co-financing: PLN 183,428,050.00;
- Project entitled: "Modernization and extension of the Intermodal Terminal in Małaszewicze including the purchase of equipment" (beneficiary: PKP CARGO CL Małaszewicze) – proposed co-financing: PLN 12,852,149.90, awarded co-financing: PLN 12,852,149.90.

The PKP CARGO Group is increasing the resources for intermodal transport, noting new development opportunities. In Europe, there is an upward trend in the share of intermodal transport in rail transport. The PKP CARGO Group records increased intermodal transport from year to year. In this area, the Group sees development opportunities.

Increasing rail transport measured by the transported freight volume on particular groups of goods:

- increased transport of aggregates due to intensification of infrastructure investments under the "National Road Construction Program for 2014-2023 (with a prospect until 2025)" and "National Railway Program until 2023" co-financed from European funds, as well as a result significant investments of local governments in public facilities;
- increase in hard coal transport due to high demand from the power industry, heating and private consumers;
- increase in transported volumes of iron ores, metals and metal products resulting from the growing demand for steel in Poland and abroad (including construction);
- increase in intermodal transport as a result of a strong increase in the volume of transshipments in seaports and increased transport from China as part of the New Silk Road ("NJS").

Potential consolidation and takeovers in the transport and logistics market

Currently, the PKP CARGO Group operates in 9 European Union countries, but is interested in development and further expansion. Implementation of the strategy and realising the goal - being a leader in the area of the Three-Seas allows for potential takeovers of other entities. As Three-Seas area it is understood the area of 12 countries: Austria, Bulgaria, Croatia, the Czech Republic, Estonia, Lithuania, Latvia, Poland, Romania, Slovakia, Slovenia and Hungary. PKP CARGO also perceives Italy and Greece as an extension of this concept due to the operation of major seaports in these countries.

The development on the Polish market and consolidation are also in the sphere of interest of the PKP CARGO Group. At present, on the Polish market, according to Office of Rail Transport data, a total of 71 carriers offered rail freight services, including PKP CARGO S.A. and PKP CARGO SERVICE Sp. z o.o. At the same time, the domestic rail freight market in recent years has been significantly decentralized, which was influenced by the liberalization of regulations governing the activities of entities present on it. In the previous quarters, the market share of small carriers, with an individual share not exceeding 2% of the market, increased strongly (especially at the expense of large operators). Carriers competitive in relation to the PKP CARGO Group provide a wide range of transport services, including full-load transports of coal, aggregates and other loose cargoes, liquid fuels or chemical materials.