

# PKP CARGO vs the market

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## Polish market

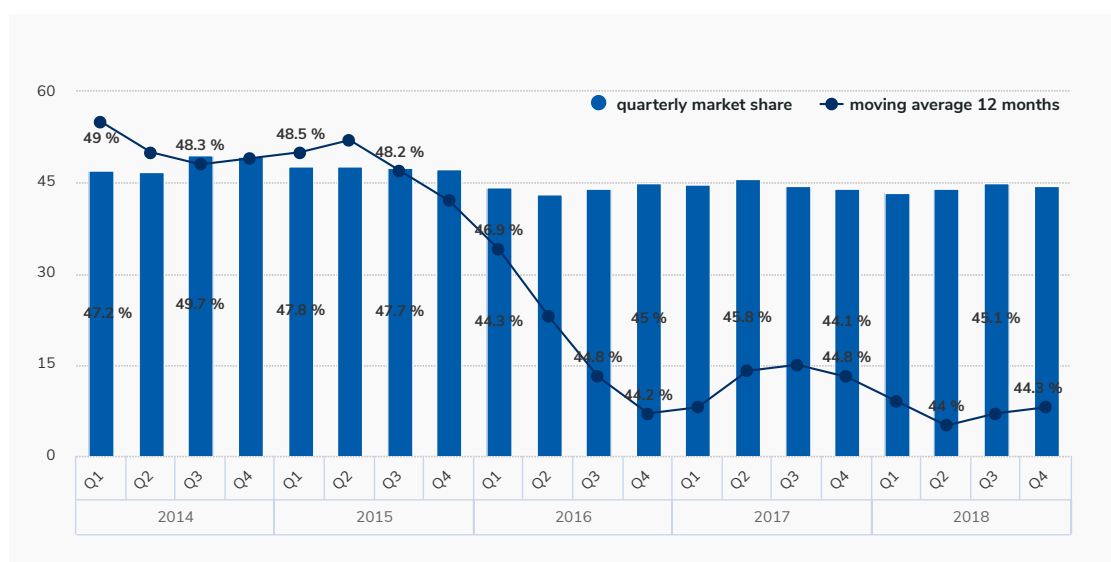
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In 2018, there were 71 active rail operators on the rail transport market in Poland (including PKP CARGO S.A. and PKP CARGO SERVICE Sp. z o.o.). In this period, they carried a total of 250.2 million tons of cargo (+4.3% yoy) and achieved freight turnover of 59.6 billion tkm (+8.8% yoy). This is certainly the highest result since the time of global financial crisis in 2008.

In 2018, the PKP CARGO Group retained the first place on the rail transport market in Poland, achieving a 44.3% market share (-0.5 p.p. yoy) in terms of freight volume and a 48.5% market share in terms of freight turnover (-3.1 p.p. yoy). The respective shares of PKP CARGO S.A. were 43.6% (-0.7 p.p. yoy) and 48.3% (-3.1 p.p. yoy) <sup>1</sup>. On the other hand, in Q4 2018, the PKP CARGO Group's share was 44.6% (+0.5 p.p. yoy) in terms of freight volume and 49.1% (-1.5 p.p. yoy) in terms of freight turnover.

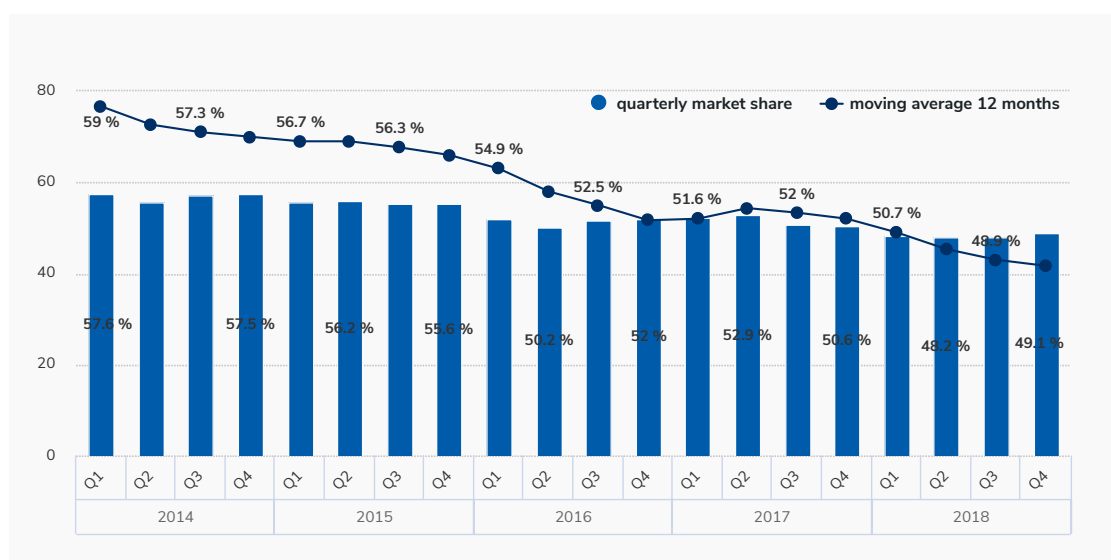
<sup>1</sup> Office of Rail Transport

SHARE OF THE PKP CARGO GROUP TOTAL FREIGHT VOLUME IN POLAND IN 2014-2018



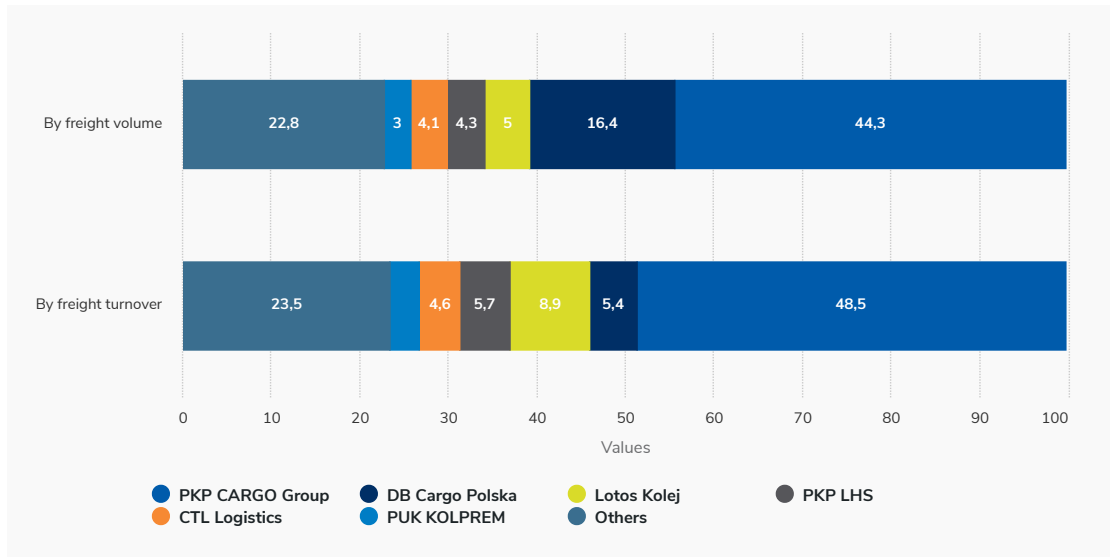
Source: Proprietary material based on the Office of Rail Transport's data

SHARE OF THE PKP CARGO GROUP IN TOTAL FREIGHT TURNOVER IN POLAND IN 2014-2018



Source: Proprietary material based on the Office of Rail Transport's data

MARKET SHARES OF THE LARGEST RAIL OPERATORS IN POLAND IN 2018 BY FREIGHT VOLUME AND FREIGHT TURNOVER (%)



Source: Proprietary material based on the Office of Rail Transport's data

The competitive operators transported in total 139.4 million tons of cargo (+5.2% yoy), with the most transported by DB Cargo Polska (41.1 million tons or -4.2% yoy), Lotos Kolej (12.5 million tons or -6.3% yoy) and PKP LHS (10.7 million tons or +6.5% yoy). On the other hand, freight turnover of the PKP CARGO Group's competitors stood at 30.7 billion tkm (+15.8% yoy), most of which was generated by Lotos Kolej (5.3 billion tkm or -0.4% yoy), PKP LHS (3.4 billion tkm or +8.8% yoy) and DB Cargo Polska (3.2 billion tkm or +10.4% yoy)<sup>2</sup>. The increase in freight turnover recorded by competing rail operators resulted predominantly from the extension of their average haul. In 2018, it was 220.3 km, or longer by 20.1 km (+10.1% yoy).

A steady growth in the market share in 2018 (both in terms of freight volume and freight turnover) was recorded mainly by small carriers (whose unit market shares do not exceed 2.0%). The combined market share of these rail operators was 18.3% (+1.5 p.p. yoy) in terms of freight volume and 16.1% (+1.8 p.p. yoy) in terms of freight turnover.

The PKP CARGO Group's biggest competitors (with unit shares greater than 4%), such as DB Cargo Polska, Lotos Kolej, PKP LHS and CTL Logistics, last year experienced a decrease in their combined market share to 29.8% (-1.7 p.p. yoy) in terms of freight volume and to 24.7% yoy (-0.6 p.p. yoy) in terms of freight turnover. In both these categories, a significant yoy drop in the market share was suffered by the market's runner-up companies, namely in terms of freight volume, DB Cargo Polska (-1.5 p.p. yoy) and Lotos Kolej (-0.6 p.p. yoy) and in terms of freight turnover, Lotos Kolej (-0.8 p.p. yoy).

<sup>2</sup> Office of Rail Transport

## Czech market

According to information published by SŽDC, the railway infrastructure manager, there are currently 104 rail operators on the Czech rail transport market with a license for the carriage of cargo, including the following PKP CARGO Group companies: PKP CARGO S.A. and Advanced World Transport a.s. (AWT)<sup>3</sup>.

In 2018, AWT transported a total of 10.5 million tons of cargo (-2.1% yoy) and achieved a freight turnover of 1.2 billion tkm (+4.8% yoy). The freight turnover of the whole rail freight market in the Czech Republic increased in 2018 to a greater degree than AWT's freight turnover, which resulted in AWT's yoy loss of 0.4 p.p. of the market share to 7.6%.

The major factor causing the decrease in AWT's transports was a drop in the transported volumes of hard coal by 7.1% yoy to the level of 4.0 million tons, resulting from the process of restructuring carried out in Czech hard coal mines<sup>4</sup>. As a result, the activities of AWT aim to replace hard coal gradually by cargo from other cargo categories to reduce the company's dependence on the condition of the hard coal mining sector.

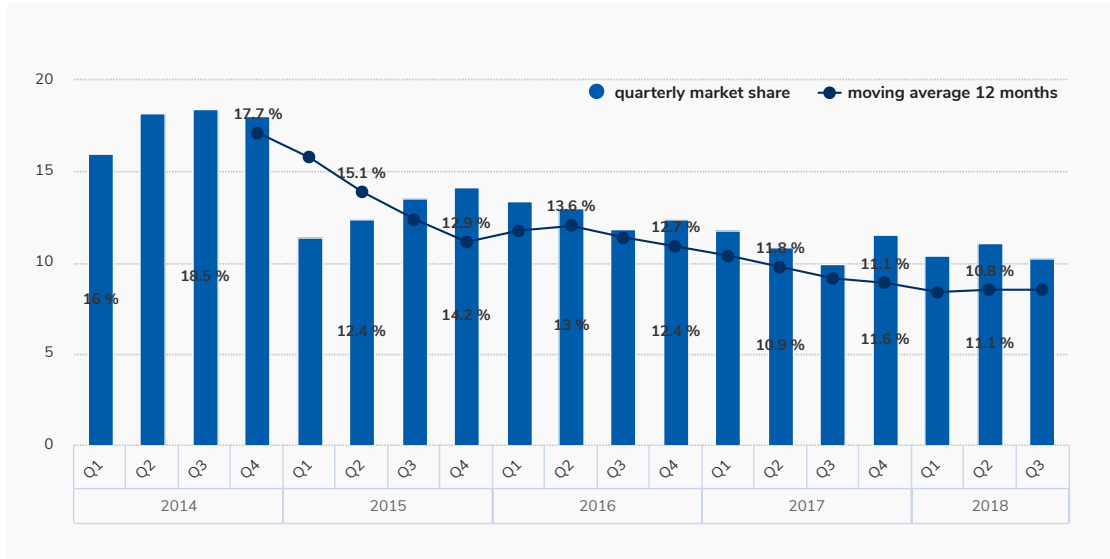
The share of the raw material in the company's total transports dropped to 38.1% in 2018 from 40.1% in 2017. At the same time, in 2018, transports that increased most were of such cargo categories as intermodal (+74.9% yoy to 1.5 million tons) or other cargo (+19.5% yoy to 0.6 million tons)<sup>5</sup>.

<sup>3</sup> SŽDC

<sup>4</sup> own statistics prepared by AWT a.s.

<sup>5</sup> own statistics prepared by AWT a.s.

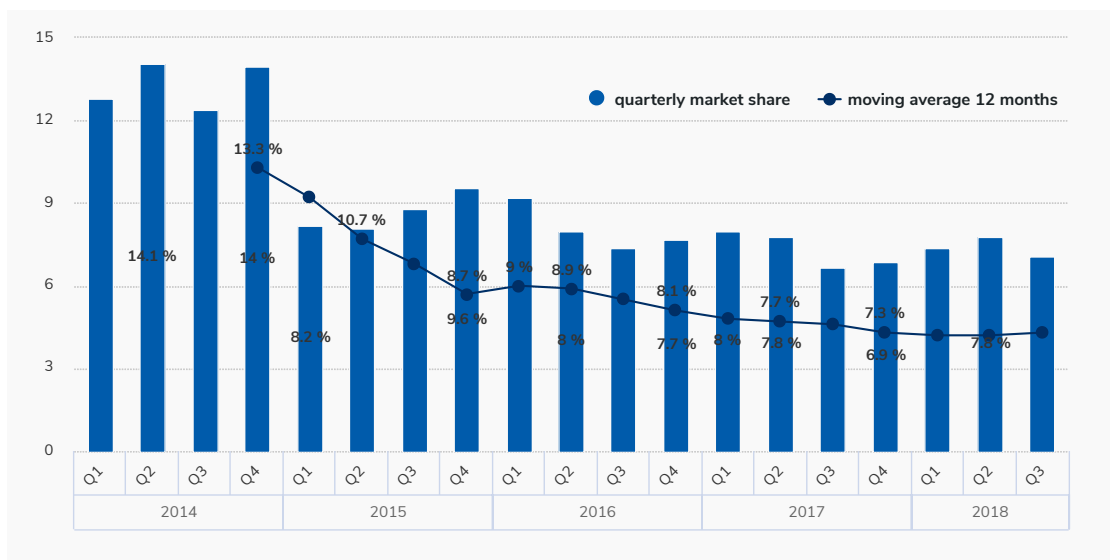
AWT A.S.'S QUARTERLY MARKET SHARES IN TOTAL FREIGHT VOLUME IN THE CZECH REPUBLIC IN 2014- 2018\*



Source: Proprietary material based on data from the Czech Ministry of Transport and AWT a.s.

\* data for Q4 2018 will be available at the turn of Q1 2019 r.

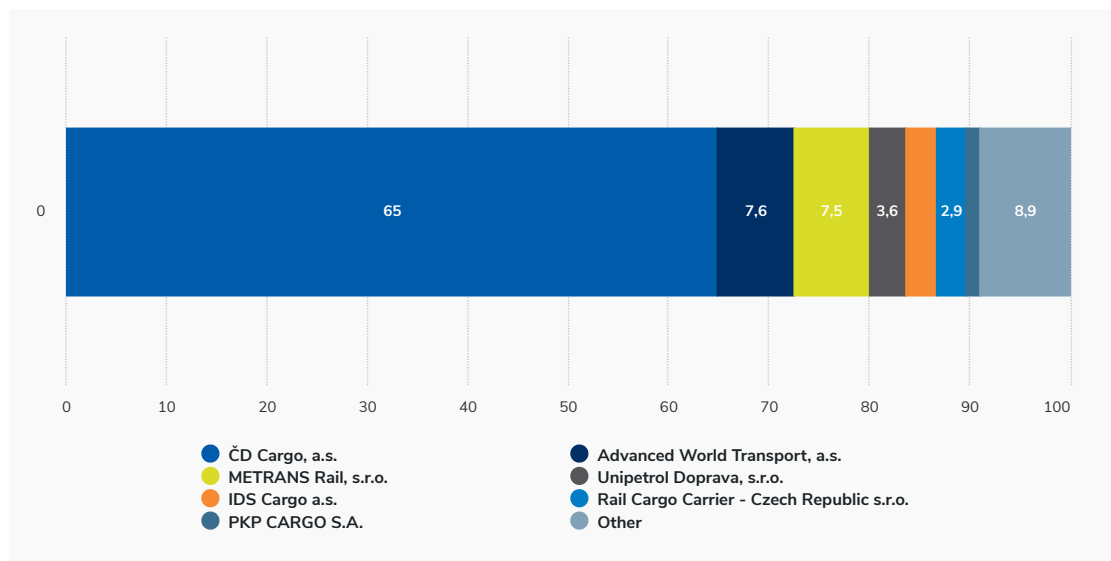
AWT A.S.'S QUARTERLY MARKET SHARES IN TOTAL FREIGHT TURNOVER IN THE CZECH REPUBLIC IN 2014-2018\*



Source: Proprietary material based on data from the Czech Ministry of Transport and AWT a.s.

\* data for Q4 2018 will be available at the turn of Q1 2019 r.

MARKET SHARES OF THE BIGGEST RAIL OPERATORS BY OPERATIONAL FREIGHT TURNOVER IN THE CZECH REPUBLIC IN 2018 (BTKM)



Source: SŽDC (Czech manager of rail infrastructure)

In 2018, ČD Cargo a.s. not only remained the leader of the rail freight transport market in the Czech Republic but also increased its market share by freight turnover by 1.5 p.p. against 2017. Last year, the market significance of METRANS Rail s.r.o. also improved (+0.4 p.p. yoy), the rail operator which, in the wake of the declining market share of AWT a.s. (-0.4 p.p. yoy), is now close to reaching the AWT's market share in terms of freight turnover. A slight increase in the shares of 0.2 p.p. yoy was also recorded by Rail Cargo Carrier - Czech Republic s.r.o. rail operator. The other operators of rail freight transports on the Czech market listed by SŽDC recorded declining market shares on a yoy basis in 2018. The share of PKP CARGO S.A. fell 0.5 p.p. yoy to 1.4%<sup>6</sup>. This resulted mainly from the decrease in hard coal transports to Slovakia because of the reduced coal extraction by OKD. In 2018, there was an increase in transports of ores in transit from Ukraine and transports from Świnoujście to the Czech Republic. Intermodal transport also increased, first of all in transit between Slovakia and Russia as well as from/to Italy. The volume of transported wood and wood products also grew, mainly owing to the completion of new transports in transit from ports to Slovakia.

<sup>6</sup> SŽDC