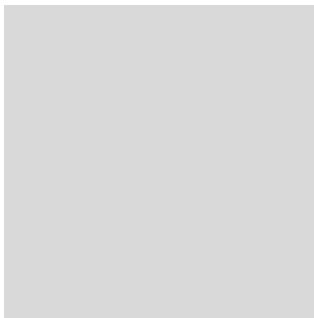
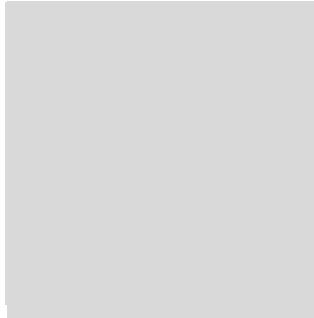
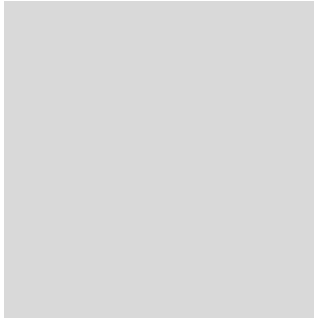


PKP CARGO Group



Corporate presentation
October 2017

PKP CARGO Group's 2016 and H1 2017 results*



| | ✓ | ✓ | ✓ |
|------------|--|--|--------------------------|
| | MARKET SHARE | EBITDA | CAPEX |
| 12M | 51.6% measured by freight turnover (-4.2 p.p. yoy) | PLN 562 million profitability of 12.7% | PLN 533 million |
| H1 | 52.7% measured by freight turnover (+2.8 p.p. yoy) | PLN 333 million profitability of 14.7% | PLN 201 million |
| | REVENUES | NET PROFIT | OPEX |
| 12M | PLN 4,411 million | PLN - 41 million | PLN 4,437 million |
| H1 | PLN 2,267 million | PLN 19 million | PLN 2,222 million |

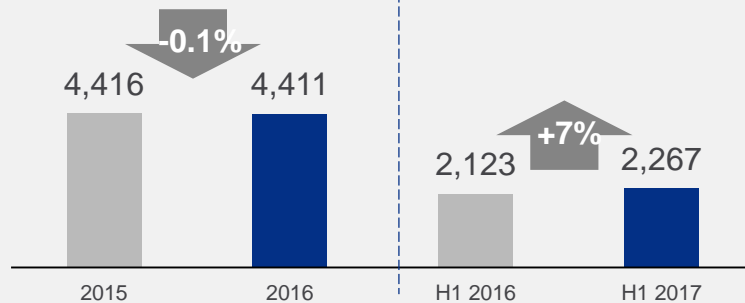
* Adjusted in accordance with item 5.2.1 of the Management Board's Report on the Activity of the PKP CARGO Group for the financial year 2016 and chapter 5.1.1 of Other Information to the Consolidated Quarterly Report for Q3 2016, calculated as the difference between adjusted figures for 2016 and adjusted figures for the first 3 quarters of 2016.

Adjusted financial results*

– costs under control

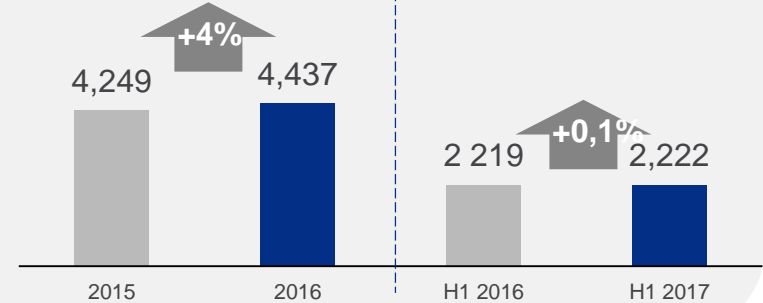
Operating revenues

PLN million



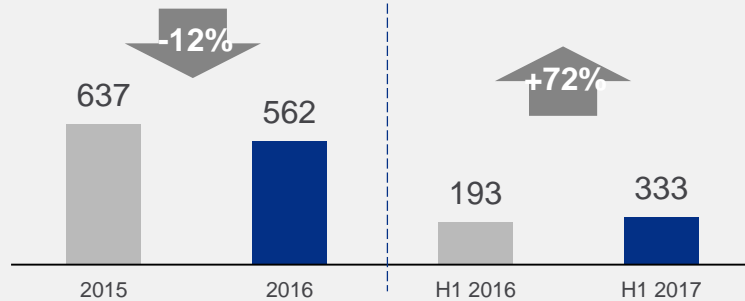
Operating expenses

PLN million



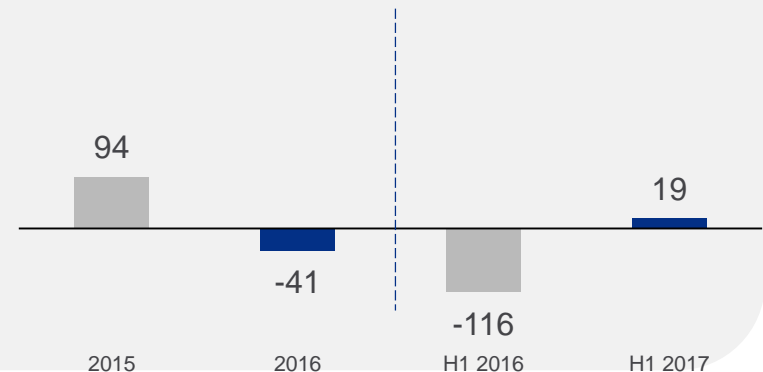
EBITDA

PLN million



Net profit

PLN million



* Adjusted in accordance with item 5.2.1 of the Management Board's Report on the Activity of the PKP CARGO Group for the financial year 2016 and chapter 5.1.1 of Other Information to the Consolidated Quarterly Report for Q3 2016, calculated as the difference between adjusted figures for 2016 and adjusted figures for the first 3 quarters of 2016.

AGENDA

PKP CARGO at a glance

Market overview

Key accomplishments



PKP CARGO Group's enormous potential

Rail freight

51,6%

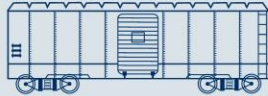
market share in Poland
(freight turnover) in 2016

71 %

of all hard coal haulage
in Poland in 2016

Top

rail freight operator in Poland



Intermodal

467 thous.

containers transported
by PKP Cargo in 2016

5/10

of the containers hauled by rail

10%

is the share of intermodal transport
in our business (measured
by PKP Cargo's freight turnover)



Terminals

17 transshipment terminals across
the country

including

2 specialized logistics centers
located on the border
with Belarus and Ukraine

5 container
terminals



Shipping

10 transshipment branches
and terminals

8 customs
agencies



Rail sidings

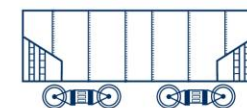
over **60** operated across
the country and abroad



Rolling stock

over **2 thous.** locomotives

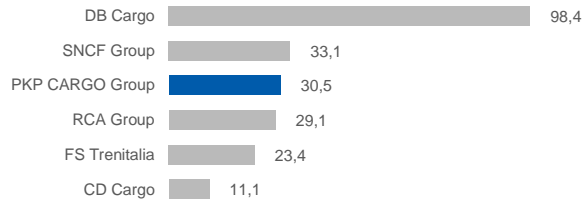
over **60 thous.** wagons



PKP CARGO – leading player in the EU, Poland and the Czech Republic

PKP CARGO is the third largest rail freight company in the EU...

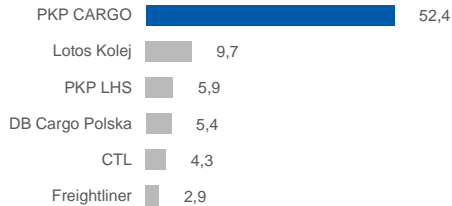
Main EU rail freight operators by freight turnover (2015)
Bn tkm



Source: PKP CARGO – data including AWT, Companies' Information;

PKP CARGO is the leading rail freight operator in Poland

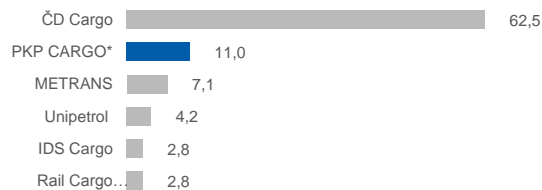
Main Polish rail freight operators by market share (6m'17)
% tkm



Source: Office of Rail Transportation (UTK)

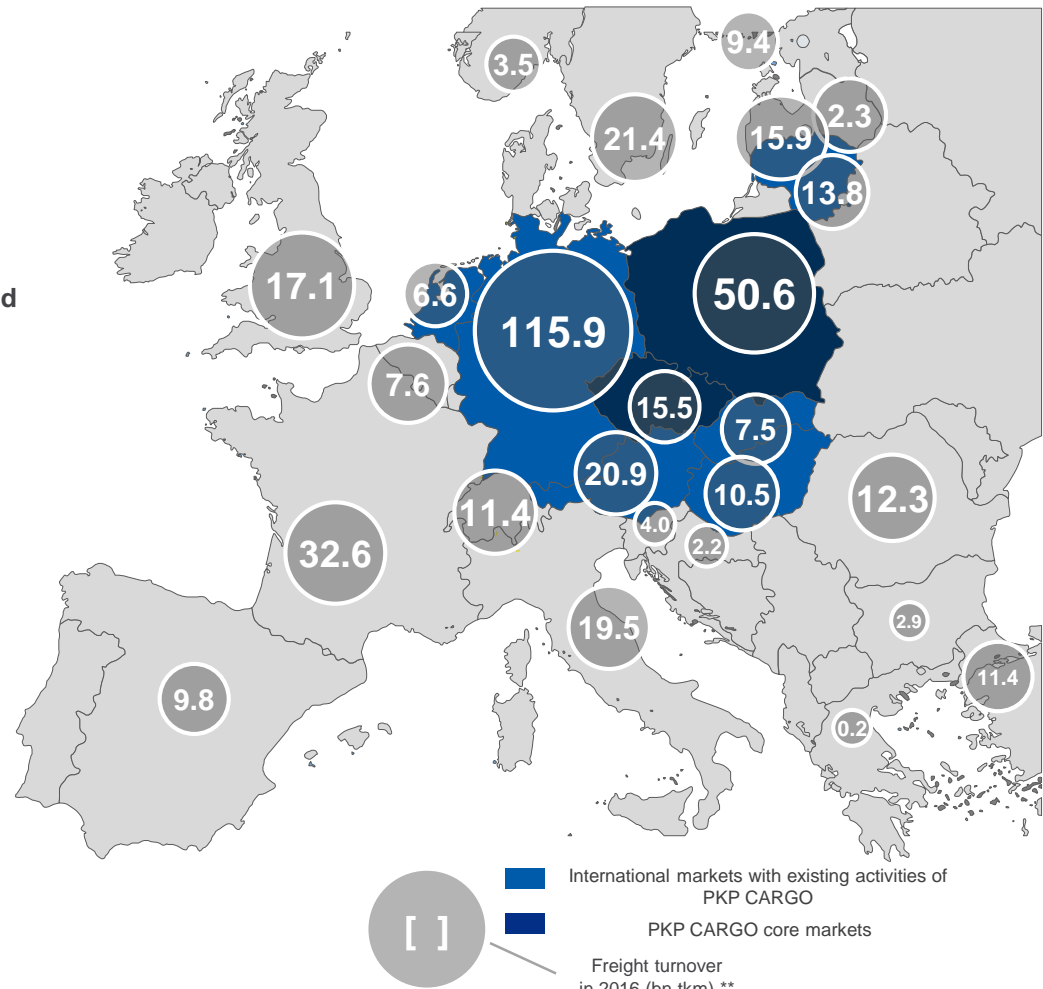
PKP CARGO is the second largest rail freight operator in the Czech Republic

Main Czech rail freight operators by market share (6m'17)
% gtkm



Source: SZDC

...Operating on the second largest rail freight market, located at the crossroads of European rail networks

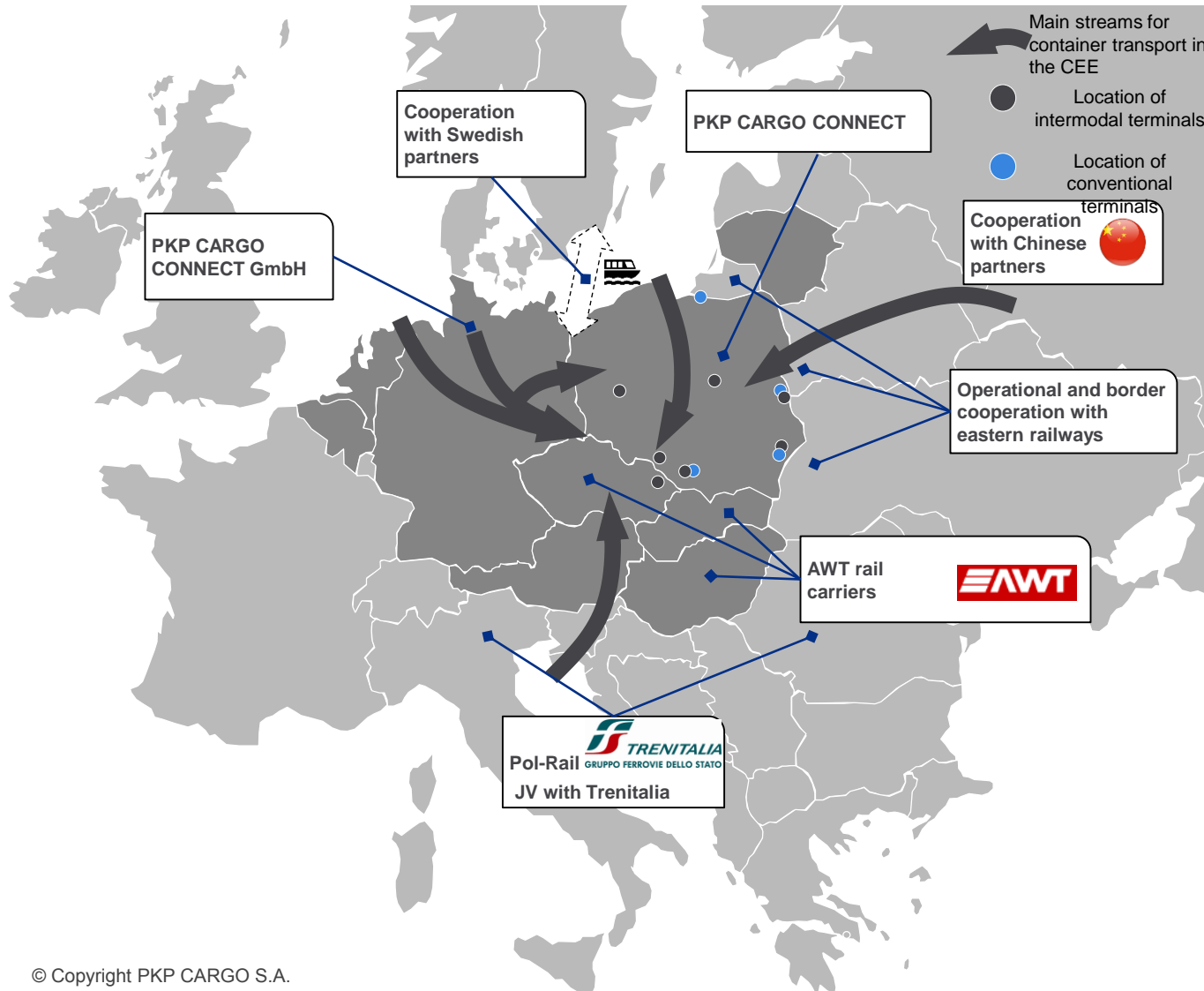


Source: Eurostat, Poland – Office of Rail Transportation (UTK)

* PKP CARGO holds 80% stake in the second largest Czech rail freight operator AWT, acquisition date: May 2015

** For Belgium data for 2011; for Croatia data for 2015

PKP CARGO Group's international potential in international transport services in the transport corridor network



- Leveraging the potential for modernizing the key transport corridors
- New Silk Road Partner
- The AWT Group offers rail transport in the Czech Republic, Slovakia and Hungary
- Transport offer on the Apennine peninsula
- Logistics services using ferries
- Rail transport provided by the PKP CARGO Group in 9 EU member states
- Network of intermodal and conventional terminals
- Shipper dedicated to international cooperation

Steady development of collaboration with China PKPCARGO



Fruitful development of collaboration with China

2016 data change yoy



+34% trains

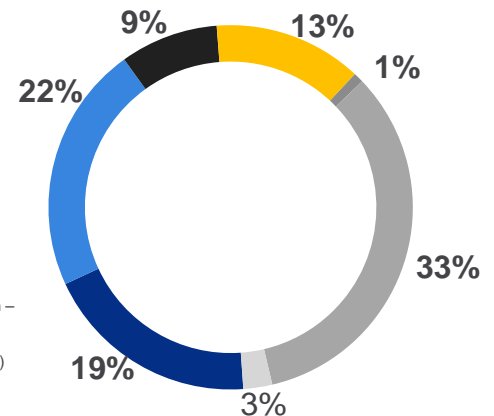


+132% UTI

Mix of launched connections

freight turnover data for 2016

- Suzhou – Warszawa Praga
- Chengdu – Łódź Olechów
- Zhengzhou – Hamburg Billwerder
- Zhengzhou/Erlan – Hamburg Waltershof
- Zhengzhou – Pardubice
- Zhengzhou/Chongqing/Tuanjiecun – Rheinhausen
- Tuanjiecun –Wanne Eickel (Herne)



PKP CARGO – multi-purpose logistic operator

– comprehensive product offer



CARGO GROUPS

RAIL FREIGHT

ANCILLIARY SERVICES

Coal



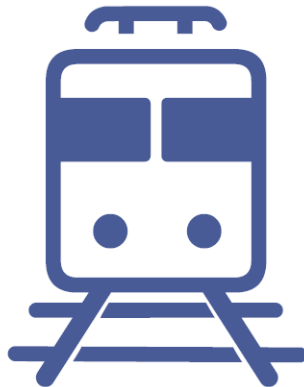
Aggregates



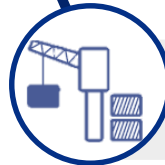
Metals



Intermodal



Forwarding – rail, road, water transport, storage, transshipment, customs duty



Terminals – conventional and intermodal



Rolling stock – maintenance, repair, rental

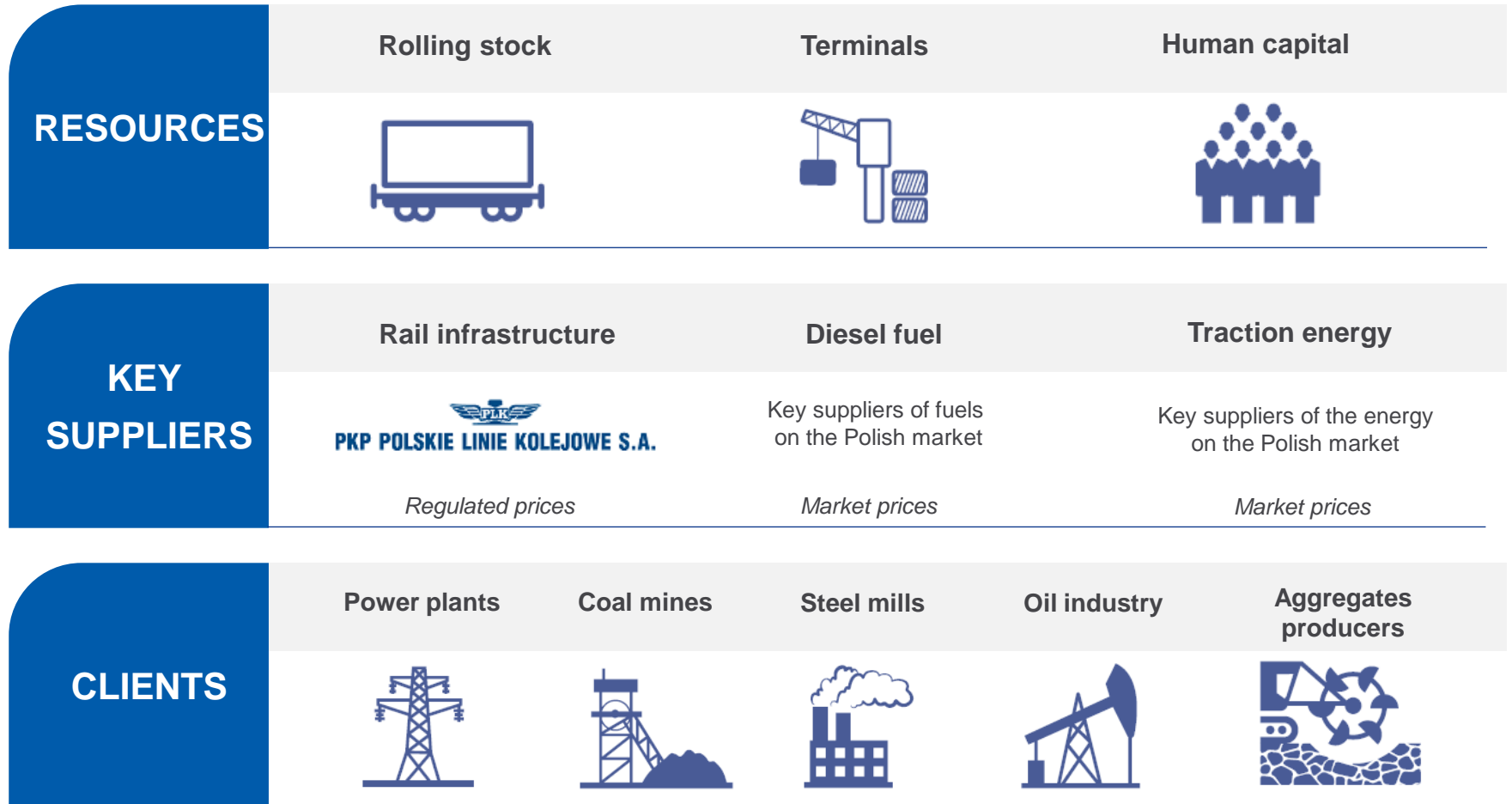


Sidings – formation of trains, rail traffic management on sidings



Land reclamation – revitalisation of post industrial premises

PKP CARGO's business model



AGENDA

PKP CARGO at a glance

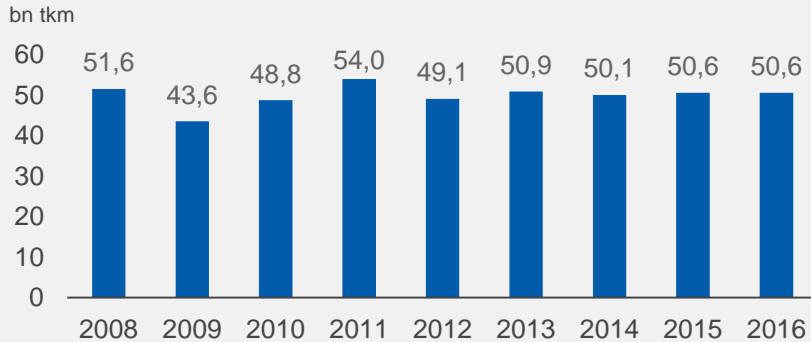
Market overview

Key accomplishments



Poland – Stable market based on bulk commodities

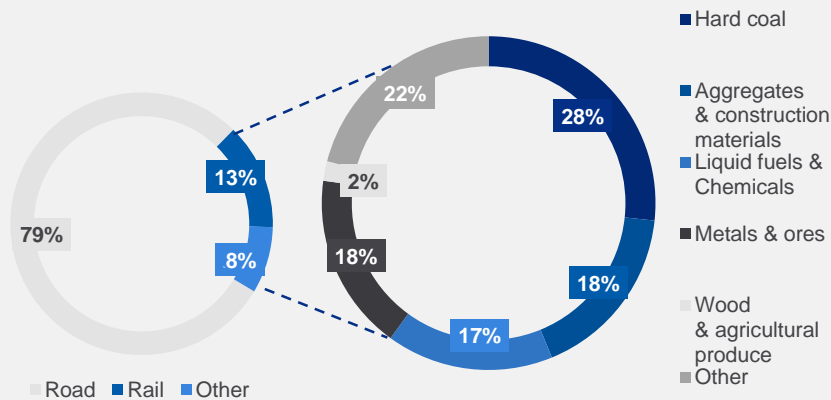
Rail freight transport market by freight turnover



Source: UTK

Rail freight transport market structure by cargo group

by 2016 freight turnover

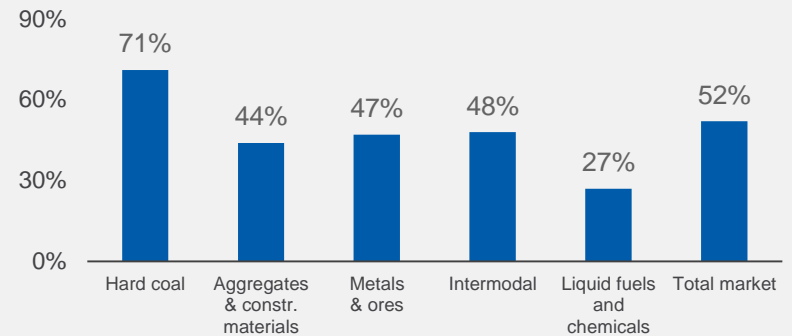


Source: Poland's Central Statistical Office (GUS)

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PKP CARGO's market share by commodity segments

by 2016 freight turnover



Source: GUS, UTK, PKP CARGO

Types of goods transported by PKP CARGO

by 6m'2017 freight turnover

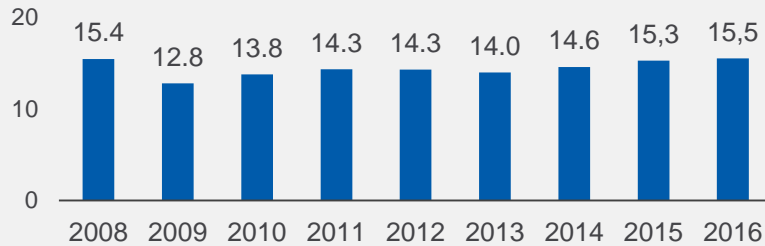


Source: PKP CARGO

Czech Rep. – Stable volume growth since 2009

Rail freight transport market by freight turnover

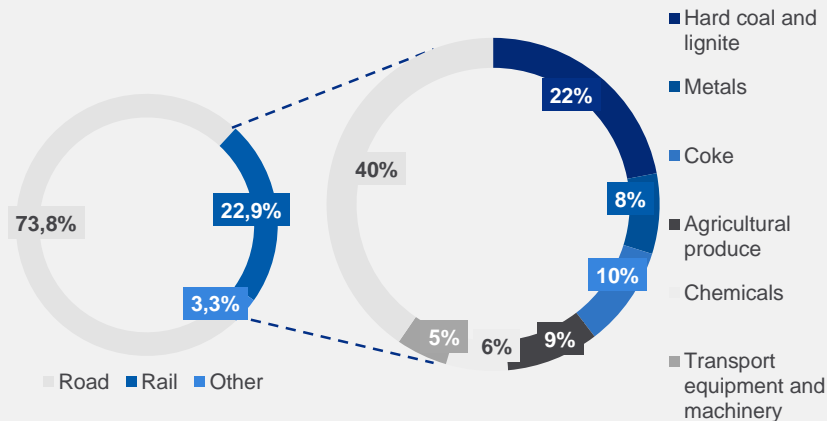
bn tkm



Source: Eurostat

Rail freight transport market structure by cargo group

by 2016 freight turnover

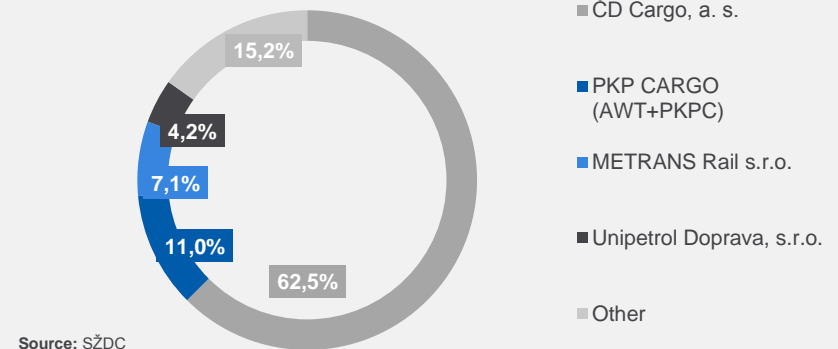


Source: Czech Statistical Office (ČSÚ), Eurostat

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AWT's market share

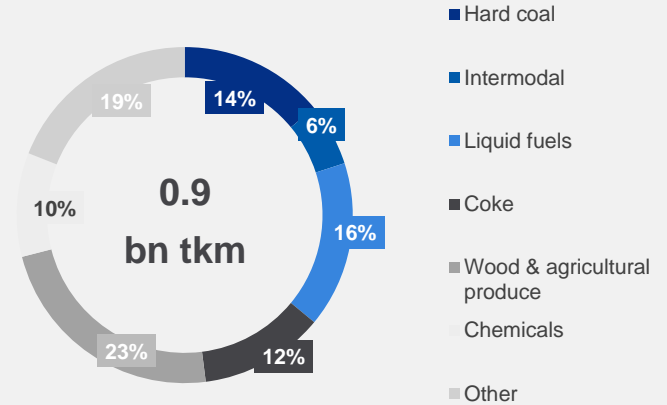
by 2016 freight turnover



Source: SŽDC

Types of goods transported by AWT

by 6m'2017 freight turnover

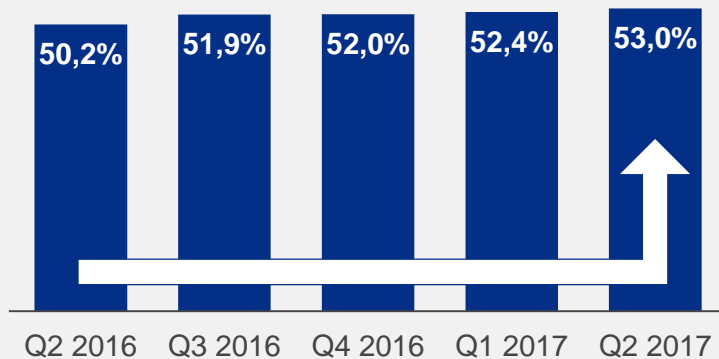


Source: AWT

Strengthening of the PKP CARGO Group's position

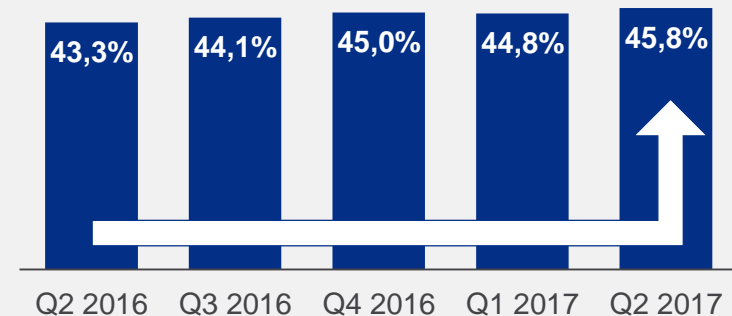
PKP CARGO Group's share of the Polish market
by freight turnover

+2.8 p.p.

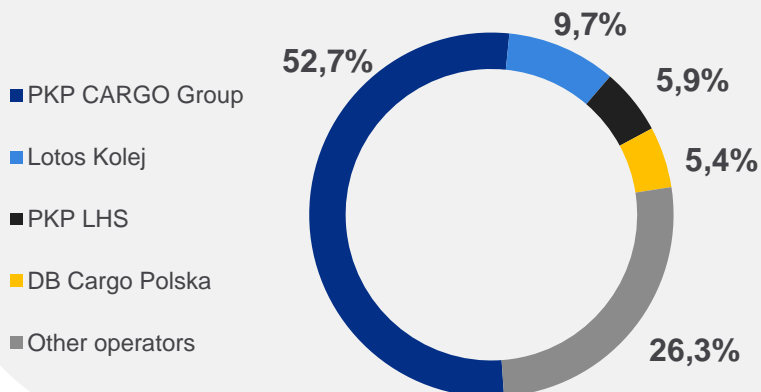


PKP CARGO Group's share of the Polish market
by freight volume

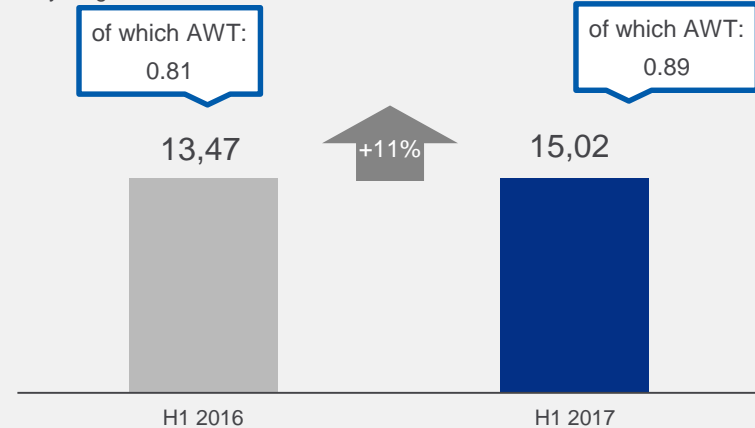
+2.5 p.p.



PKP CARGO Group's share of the Polish market
data for H1 2017 by freight turnover



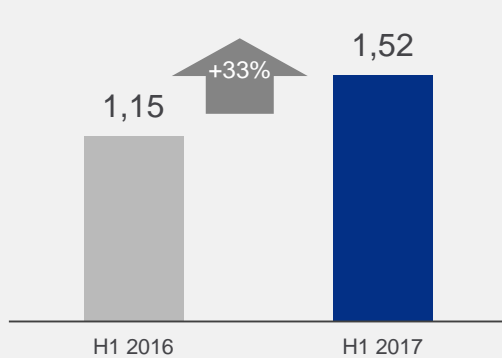
PKP CARGO Group's freight transport
by freight turnover, billion tkm



Positive developments on major markets

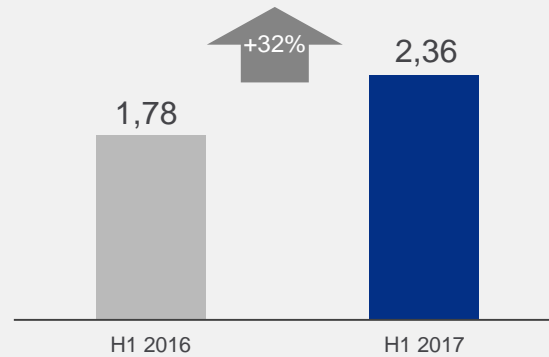
Intermodal

Freight turnover, billion tkm



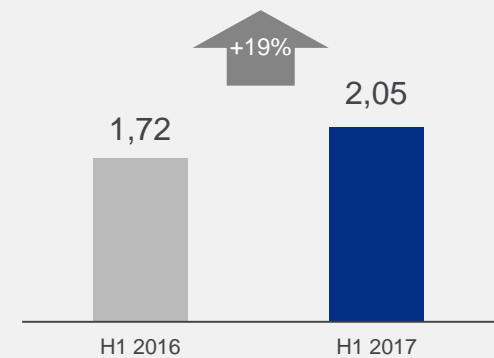
Aggregates and construction materials

Freight turnover, billion tkm



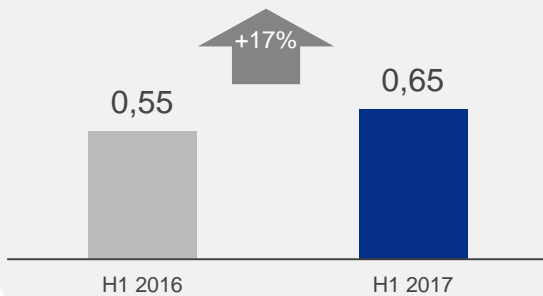
Metals and ores

Freight turnover, billion tkm



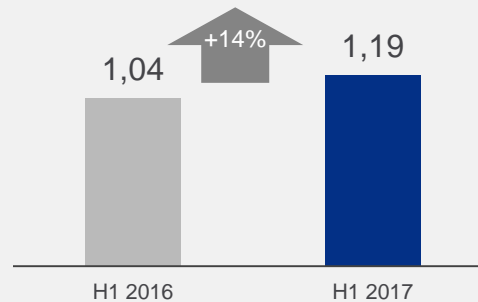
Liquid fuels

Freight turnover, billion tkm



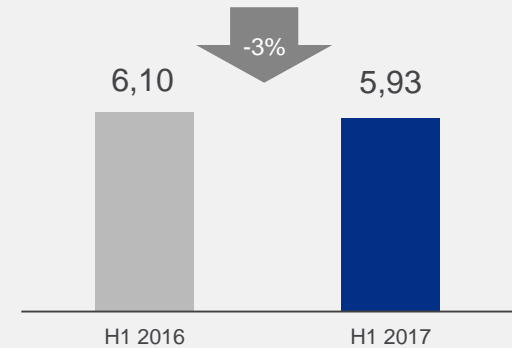
Chemicals

Freight turnover, billion tkm



Solid fuels*

Freight turnover, billion tkm



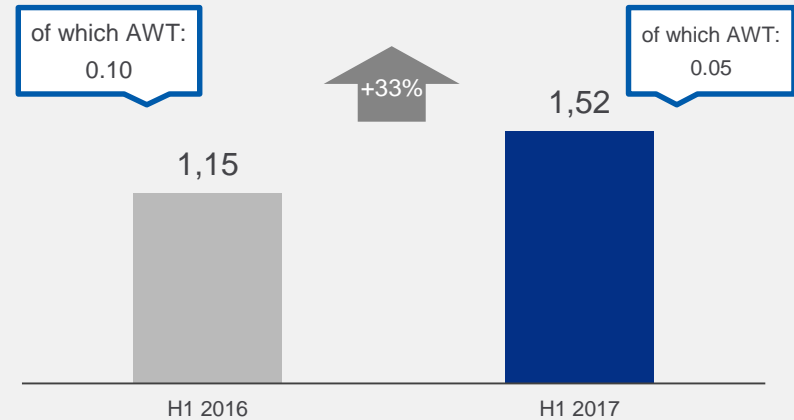
* hard coal, coke, lignite

Key events in H1 2017

- ▶ Rapid development of the New Silk Road. Higher land transport from/to China by 88% yoy measured by container volume
- ▶ The volume of containers transported by PKP CARGO to and from Polish ports is up 12.3% yoy (coupled with a decrease in container transshipments by 2.8% yoy)
- ▶ Rising transport in Poland – freight volume of containers climbed 28% yoy and freight turnover shot up 34% yoy
- ▶ Rising transport outside Poland – freight volume of containers climbed 32% yoy and freight turnover edged up 24% yoy

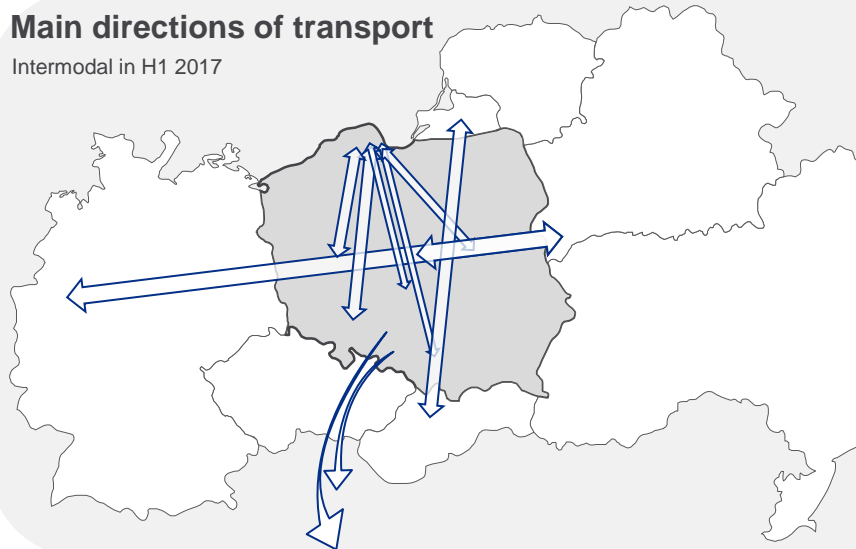
Intermodal

freight turnover, billion tkm



Main directions of transport

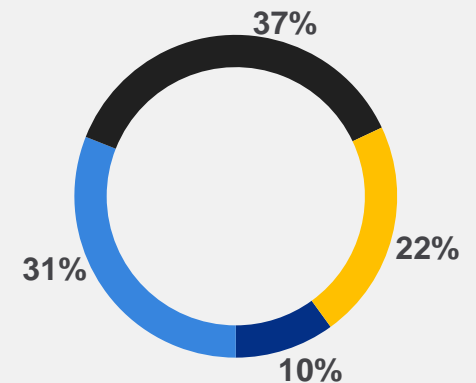
Intermodal in H1 2017



PKP CARGO Group's freight turnover mix in Poland

by type of transportation (freight turnover) in H1 2017

- Domestic transport
- Exports
- Imports
- Transit

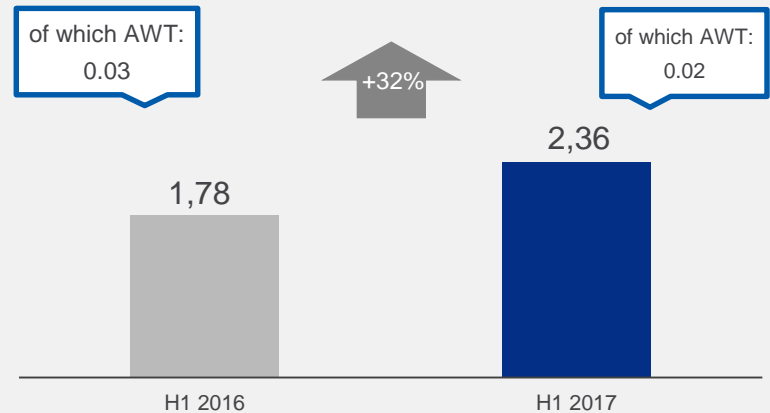


Key events in H1 2017

- ▶ The lift of the financial cap for the National Road Building Program in 2014-2020 (with an outlook to 2025) from PLN 107 billion to PLN 135 billion will enable the construction of new sections of the A2 motorway and the S17 and S19 highways (Via Carpathia)
- ▶ Construction and assembly production up 7.6% yoy and in companies specializing in building civil and marine engineering facilities up 14.8% yoy; of this production is up in companies mainly building roads and railways (29.7% growth yoy)
- ▶ More than 300 km of new roads to be commissioned in 2017, including sections of the S3, S5, S7 and S8 highways and ring roads in the following cities: Jarocin, Nysa, Gorzów Wlkp., Sokółów Małopolski and Kościerzyna

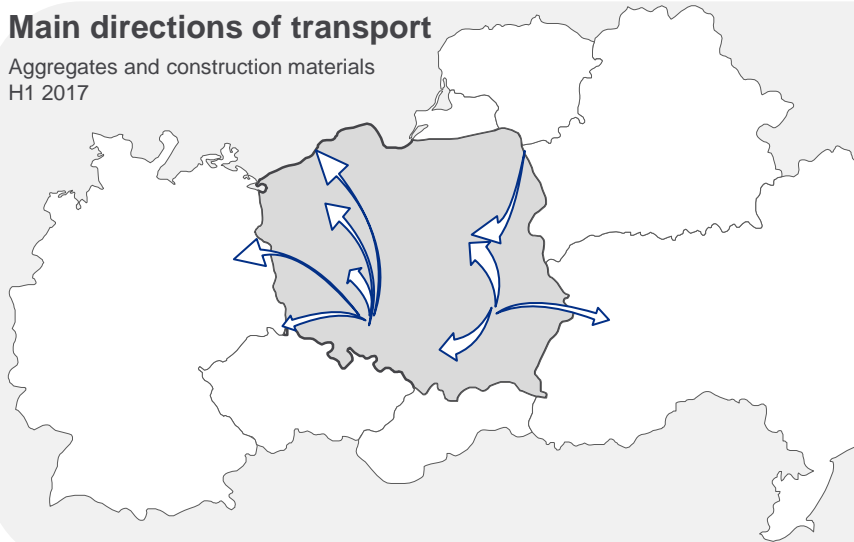
Aggregates and construction materials

freight turnover, billion tkm



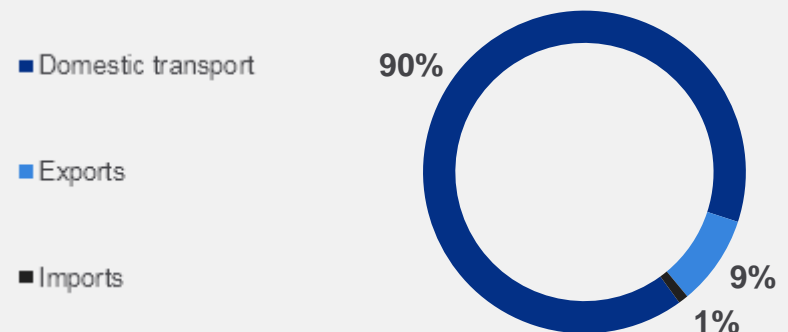
Main directions of transport

Aggregates and construction materials
H1 2017



PKP CARGO Group's freight turnover mix in Poland

by types of transportation (freight turnover) in H1 2017

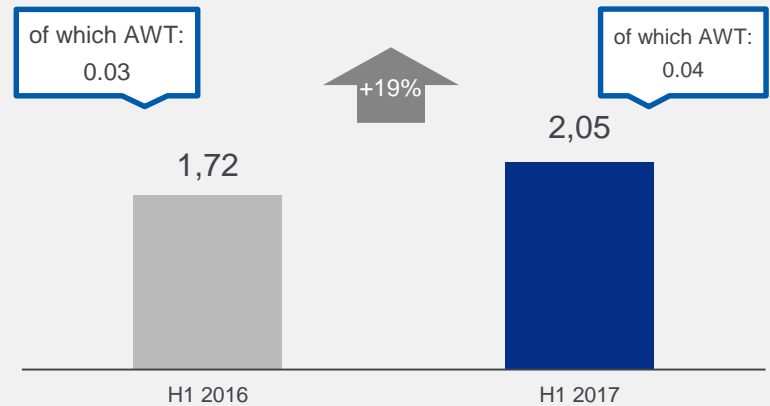


Key events in H1 2017

- ▶ Higher steel production: up 16.1% yoy (5.1 million tons) in Poland, up 4.1% yoy (86.1 million tons) in the EU and up 4.4% (836 million tons) across the globe
- ▶ Global iron ore production up 2.5% (597 million tons)
- ▶ Industrial sold production trended up in the production of metals (9.6% yoy) and in the production of metal goods (10.0% yoy)
- ▶ Iron ore and steel prices down (after intensive growth in 2016)

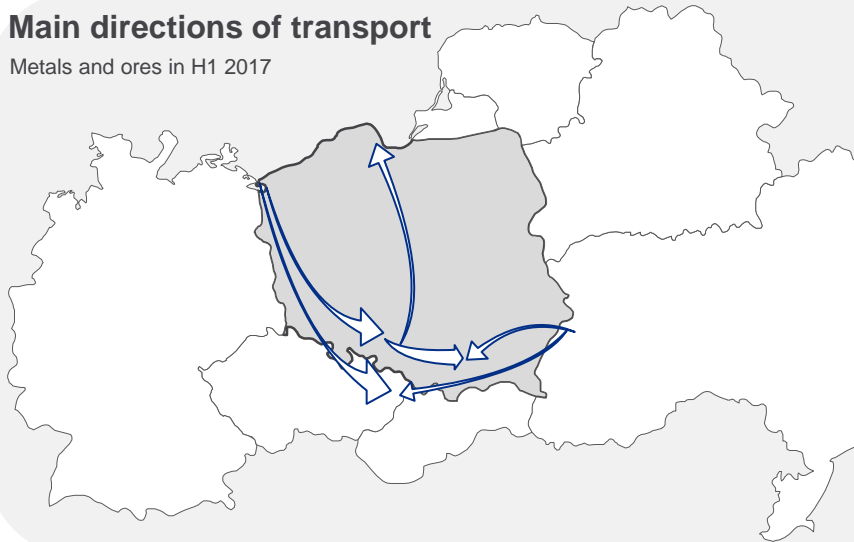
Metals and ores

freight turnover, billion tkm



Main directions of transport

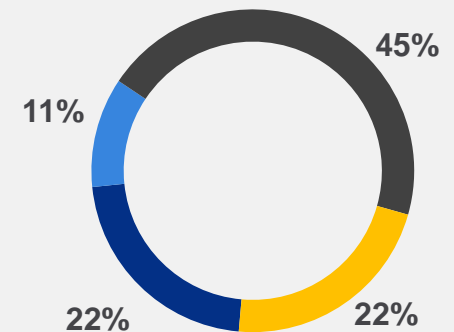
Metals and ores in H1 2017



PKP CARGO Group's freight turnover mix in Poland

by types of transportation (freight turnover) in H1 2017

- Domestic transport
- Exports
- Imports
- Transit

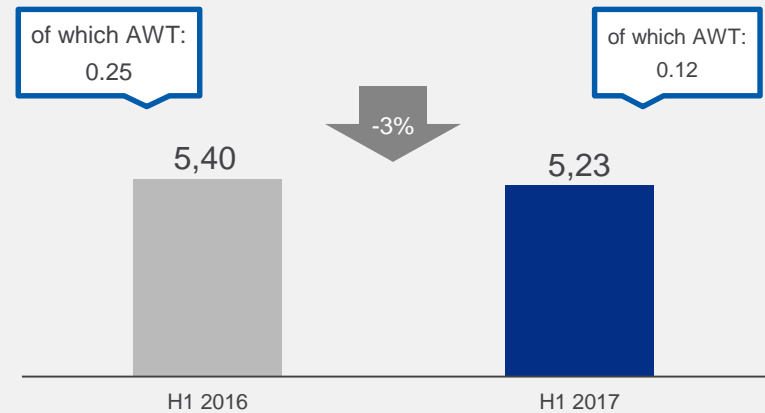


Key events in H1 2017

- ▶ Hard coal output down 1.5 million tons (-4.3% yoy), hard coal sales down (-3.3% yoy) coupled with inventories down by 3.3 million tons (-63% yoy)
- ▶ Transport in Poland measured by freight volume up 7% yoy despite lower production in hard coal-fired commercial power plants trending down by 1.9% yoy
- ▶ Decrease in export carriage from Poland by 20% yoy and increase in import carriage to Poland by 27% yoy
- ▶ Stabilization of ARA coal prices (up 9% qoq to USD 79.65 per ton at the end of H1 2017)

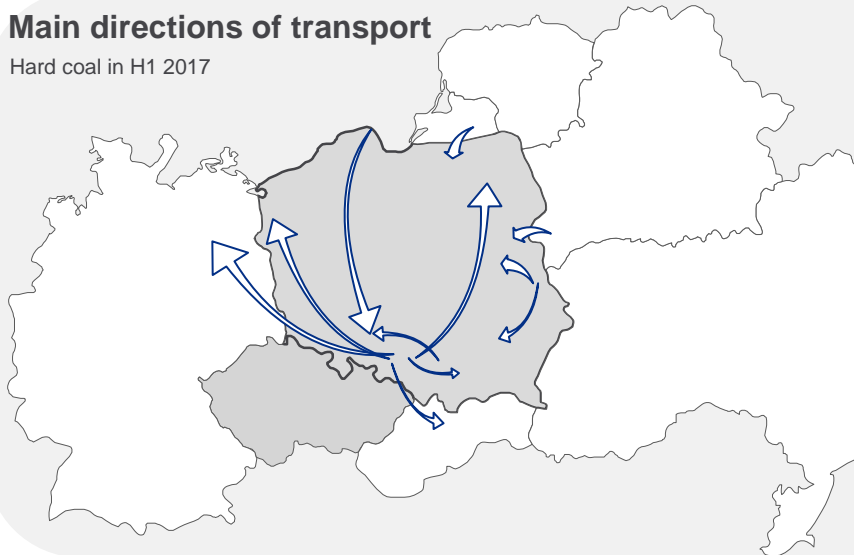
Hard coal

freight turnover, billion tkm



Main directions of transport

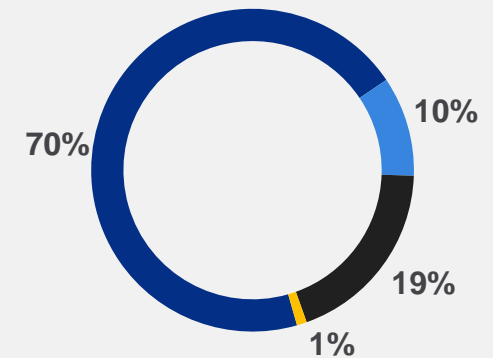
Hard coal in H1 2017



PKP CARGO Group's freight turnover mix in Poland

by types of transportation (freight turnover) in H1 2017

- Domestic transport
- Exports
- Imports
- Transit



AGENDA



PKP cargo
LOGISTICS

|| PKP CARGO at a glance

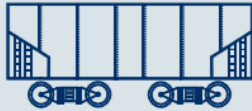
|| Market overview

|| Key accomplishments



Continued development of the pillars of success PKPCARGO

STRENGTHENING THE LEADING POSITION



DEVELOPING INTERNATIONAL COOPERATION



DYNAMIC DEVELOPMENT OF INTERMODAL TRANSPORT



CONSTANT BUILDING OF SHAREHOLDER VALUE

PKP CARGO - Transparent Company of the year 2016



OPTIMISATION OF TRANSPORT LOGISTICS



EXECUTION OF SPECIALISED TRANSPORT

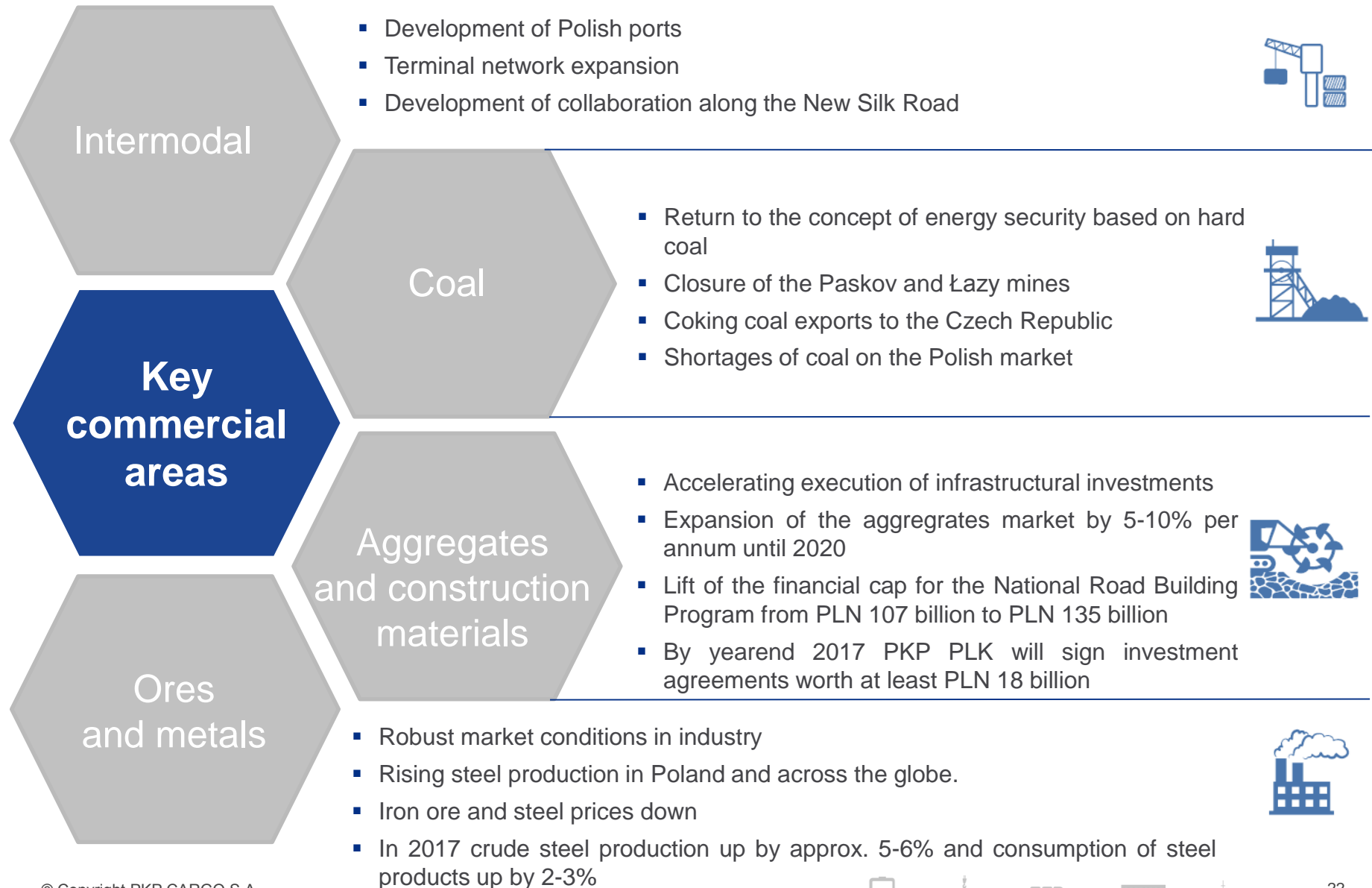


DEVELOPMENT OF THE AREA-BASED MANAGEMENT MODEL



Outlook: key commercial areas

– challenges for PKP CARGO





APPENDIX



Consolidated Statement of Comprehensive Income

| PLN million | 2016 | 2015 | % change |
|--|--------------|--------------|---------------|
| Revenues on the sale of services | 4,342 | 4,330 | 0% |
| Revenue from sales of goods and materials | 30 | 33 | -9% |
| Other operating revenue | 39 | 191 | -79% |
| Total operating revenue | 4,411 | 4,554 | -3% |
| Depreciation and amortization and impairment losses | 622 | 649 | -4% |
| Consumption of materials and energy, including: | 675 | 697 | -3% |
| <i>Fuel consumption</i> | 162 | 189 | -14% |
| <i>Consumption of electricity, gas and water</i> | 411 | 416 | -1% |
| External services, including: | 1,573 | 1,501 | 5% |
| <i>Line access services from infrastructure managers</i> | 665 | 675 | -2% |
| Taxes and charges | 36 | 39 | -6% |
| Employee benefits | 1,442 | 1,485 | -3% |
| Other expenses by kind | 55 | 54 | 3% |
| Cost of goods and materials sold | 22 | 26 | -14% |
| Other operating expenses | 118 | 48 | 144% |
| Operating expenses | 4,543 | 4,498 | 1% |
| EBITDA | 490 | 705 | -31% |
| Profit on operating activities | -132 | 56 | -336% |
| Financial income | 39 | 15 | 164% |
| Financial expenses | 61 | 66 | -8% |
| Share in the profit of entities measured by the equity method | 3 | 4 | -22% |
| Result on the sale of shares in entities measured by the equity method | - | 2 | -100% |
| Profit before tax | -151 | 11 | -1535% |
| Income tax | -17 | -20 | -12% |
| Net profit | -134 | 30 | -545% |
| Net profit (loss) attributable: | | | |
| to shareholders of the parent company | -134 | 30 | -542% |
| Non-controlling interests | - | 0 | - |
| Other comprehensive income | | | |
| Other comprehensive income subject to reclassification in the financial result: | 25 | 34 | -26% |
| Effective portion of profits and losses related to a hedging instrument to hedge cash flow | -4 | 3 | -216% |
| Income tax referring to the other comprehensive income line item | 1 | -1 | -216% |
| Exchange differences resulting from conversion of financial statements of foreign operations | 28 | 32 | -10% |
| Other comprehensive income not subject to reclassification in the financial result: | 17 | 43 | -60% |
| Actuarial gains / (losses) on retirement and disability severance payments and other benefits after the term of employment | 21 | 53 | -60% |
| Income tax referring to the other comprehensive income line item | -4 | -10 | -60% |
| TOTAL COMPREHENSIVE INCOME | -91 | 107 | -185% |

Consolidated Statement of Financial Position

| ASSETS [PLN million] | As at 31 December 2016 | As at 31 December 2015* |
|---|---------------------------|-------------------------------|
| Property, plant and equipment | 4,701 | 4,720 |
| Intangible assets | 56 | 66 |
| Goodwill | - | - |
| Investment property | 1 | 1 |
| Investments accounted for under the equity method | 41 | 40 |
| Other long-term receivables | 2 | 5 |
| Other long-term financial assets | 9 | 10 |
| Other long-term non-financial assets | 26 | 33 |
| Deferred tax assets | 108 | 105 |
| Total non-current assets | 4,943 | 4,980 |
| Inventories | 121 | 129 |
| Trade and other receivables | 640 | 654 |
| Income tax receivables | 3 | 3 |
| Other short-term financial assets | 1 | 4 |
| Other short-term non-financial assets | 27 | 13 |
| Cash and cash equivalents | 756 | 276 |
| Non-current assets held for sale | - | 44 |
| Total current assets | 1,548 | 1,123 |
| Total assets | 6,491 | 6,102 |

Consolidated Statement of Financial Position

| EQUITY AND LIABILITIES [PLN million] | As at 31 December 2016 | As at 31 December 2015* |
|--|------------------------------|-------------------------------|
| Share capital | 2,239 | 2,239 |
| Supplementary capital | 619 | 619 |
| Other items of equity | 11 | -3 |
| Exchange differences resulting from conversion of financial statements of foreign operations | 60 | 32 |
| Retained earnings | 313 | 446 |
| Equity attributable to the owners of the parent company | 3,243 | 3,334 |
| Equity attributable to non-controlling interest | - | - |
| Equity | 3,243 | 3,334 |
| Long-term bank and non-bank loans | 1,274 | 461 |
| Long-term finance lease liabilities and leases with purchase option | 141 | 194 |
| Long-term trade and other payables | 2 | 26 |
| Long-term provisions for employee benefits | 526 | 604 |
| Other long-term provisions | 26 | 29 |
| Other long-term financial liabilities | 1 | 155 |
| Deferred tax provision | 107 | 118 |
| Non-current liabilities | 2,076 | 1,586 |
| Short-term bank and non-bank loans | 198 | 254 |
| Short-term finance lease liabilities and leases with purchase option | 60 | 65 |
| Short-term trade and other payables | 670 | 740 |
| Short-term provisions for employee benefits | 99 | 100 |
| Other short-term provisions | 25 | 18 |
| Other short-term financial liabilities | 119 | 2 |
| Current tax liabilities | 1 | 3 |
| Current liabilities | 1,172 | 1,182 |
| Total liabilities | 3,248 | 2,769 |
| Total liabilities and equity | 6,491 | 6,102 |

Consolidated Cash Flow Statement

| Cash flow from operating activities [PLN million] | 2016 | 2015 |
|--|------------|------------|
| Gross result For the financial year | -151 | 11 |
| Adjustments: | | |
| Amortization and depreciation of non-current assets | 596 | 468 |
| Impairment of non-current assets | 25 | 181 |
| (Profit) / loss on the sale/liquidation of property, plant and equipment and intangible assets | -2 | 1 |
| (Profit) / loss on investing activities | -1 | 3 |
| Foreign exchange (gains) / losses | 1 | -3 |
| (Profits) / losses on interest, dividends | 32 | 24 |
| Share in the (profit) / loss of entities measured by the equity method | -3 | -4 |
| Result on the sale of entities measured by the equity method | - | -2 |
| Profit on the bargain acquisition of AWT | - | -138 |
| Other adjustments | 24 | 59 |
| Change in working capital: | | |
| (Increase) / decrease in trade and other receivables | 14 | 28 |
| (Increase) / decrease in inventories | 10 | 21 |
| (Increase) / decrease in other assets | -10 | 18 |
| Increase / (decrease) in trade and other payables | -37 | 65 |
| Increase / (decrease) in other liabilities | -37 | 7 |
| Increase / (decrease) in provisions | -75 | -342 |
| Cash on operating activities | 387 | 398 |
| (Paid) / received interest | -1 | 0 |
| (Paid) / received income tax | -7 | -10 |
| Net cash on operating activities | 380 | 388 |

Consolidated Cash Flow Statement

| Cash flow from investing activities [PLN million] | 2016 | 2015 |
|---|-------------|-------------|
| Expenditures to acquire property, plant and equipment and intangible assets | -588 | -509 |
| Proceeds from the sale of property, plant and equipment and intangible assets | 14 | 8 |
| Expenditures to acquire entities measured by the equity method | - | -2 |
| Proceeds on the sale of entities measured by the equity method | - | 2 |
| Expenditures to acquire other financial assets | 0 | 0 |
| Acquisition of a subsidiary, after deduction of acquired cash | - | -326 |
| Proceeds on the sale of other financial assets | 1 | - |
| Proceeds from interest received | 1 | 7 |
| Proceeds from dividends received | 3 | 2 |
| Expenditures on extended loans | 0 | - |
| Repayment of loans granted | - | 0 |
| Proceeds / (expenditures) on bank term deposits longer than 3 months | 1 | 299 |
| Other proceeds / (expenditures) from investing activities | - | 3 |
| Net cash (used) / from investing activities | -569 | -515 |
| Expenditures on financial leases | -67 | -143 |
| Interest paid on leases | -9 | -9 |
| Proceeds from drawn down loans/ credit facilities | 1,005 | 425 |
| Repayment of loans/ credit facilities | -258 | -137 |
| Interest paid on loans / credit facilities | -17 | -15 |
| Subsidies received | 14 | 7 |
| Dividends paid to the shareholders of the parent company | - | -110 |
| Transactions with non-controlling shareholders | - | -40 |
| Other proceeds / (expenditures) concerning financing activities | -4 | -6 |
| Net cash (used) / generated in connection with financing activities | 664 | -29 |
| Net increase / (decrease) in cash and cash equivalents | 475 | -157 |
| Cash and cash equivalents at the beginning of the reporting period | 276 | 429 |
| Impact exerted by FX rate movements on the cash balance in foreign currencies | 4 | 4 |
| Cash and cash equivalents at the end of the reporting period | 756 | 276 |

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