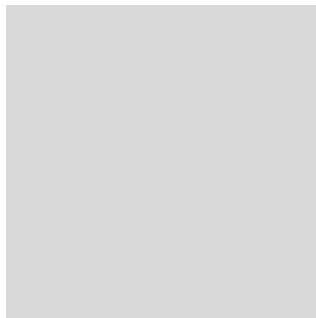
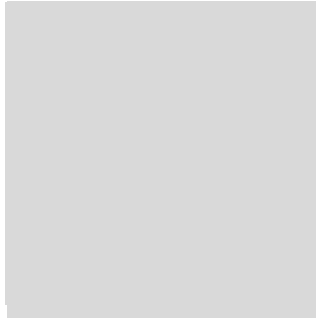
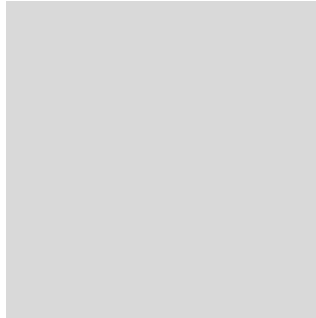


# PKP CARGO Group



Corporate presentation  
*March 2017*

# PKP CARGO Group's 2016 results\*



	✓	✓	✓
	<b>MARKET SHARE</b>	<b>EBITDA</b>	<b>CAPEX</b>
<b>12M</b>	<b>51.6%</b> measured by freight turnover (-4.2 p.p. yoy)	<b>PLN 562 million</b> profitability of 12.7%	<b>PLN 533 million</b>
<b>Q4</b>	<b>52.0%</b> measured by freight turnover (-3.6 p.p. yoy)	<b>PLN 216 million</b> profitability of 18.0%	<b>PLN 101 million</b>
	<b>REVENUES</b>	<b>NET PROFIT</b>	<b>OPEX</b>
<b>12M</b>	<b>PLN 4,411 million</b>	<b>PLN - 41 million</b>	<b>PLN 4,437 million</b>
<b>Q4</b>	<b>PLN 1,197 million</b>	<b>PLN 75 million</b>	<b>PLN 1,133 million</b>

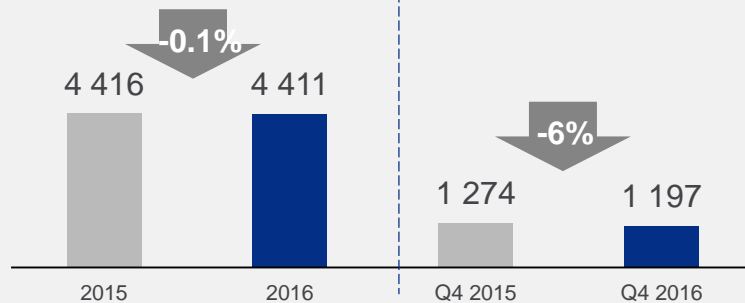
\* Adjusted in accordance with item 5.2.1 of the Management Board's Report on the Activity of the PKP CARGO Group for the financial year 2016 and chapter 5.1.1 of Other Information to the Consolidated Quarterly Report for Q3 2016, calculated as the difference between adjusted figures for 2016 and adjusted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

# Adjusted financial results\*

– costs under control

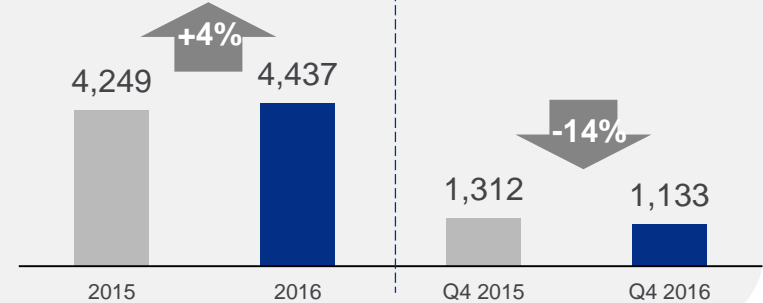
## Operating revenues

PLN million



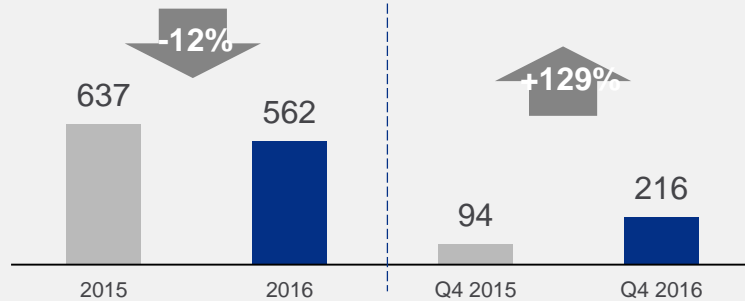
## Operating expenses

PLN million



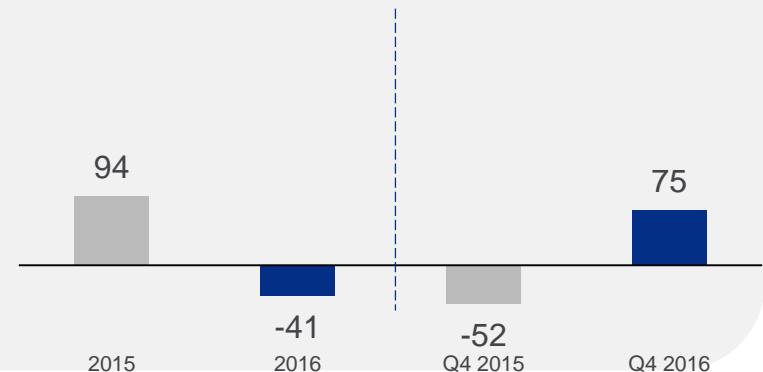
## EBITDA

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 of 2016



## Rail freight

**51,6%**

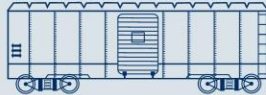
market share in Poland  
(freight turnover) in 2016

**71,6 %**

of all hard coal haulage  
in Poland after 9m of 2016  
(freight turnover)

**Top**

rail freight operator in Poland



## Intermodal

**467 thous.**

containers transported  
by PKP Cargo in 2016

**5/10**

of the containers hauled by rail in  
the first 9 months of 2016 road with us

**9%**

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

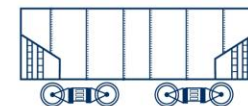
over **60** operated across  
the country and abroad



## Rolling stock

over **2 thous.** locomotives

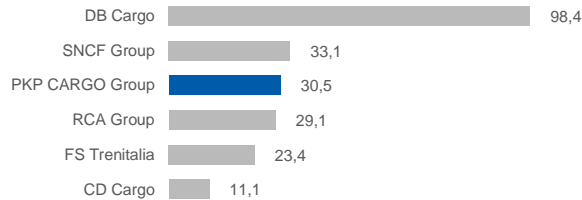
over **60 thous.** wagons



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

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

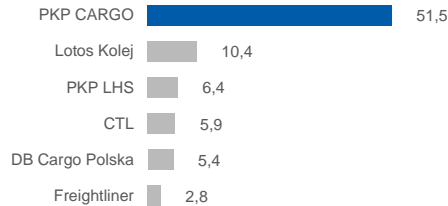
Main EU rail freight operators by freight turnover (2015)  
Bn tkm



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

## PKP CARGO is the leading rail freight operator in Poland

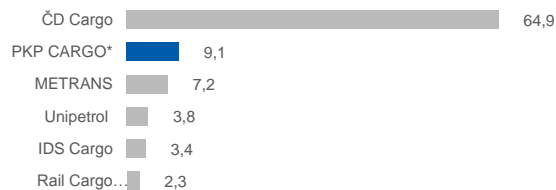
Main Polish rail freight operators by market share (9m'16)  
% tkm



Source: Office of Rail Transportation (UTK)

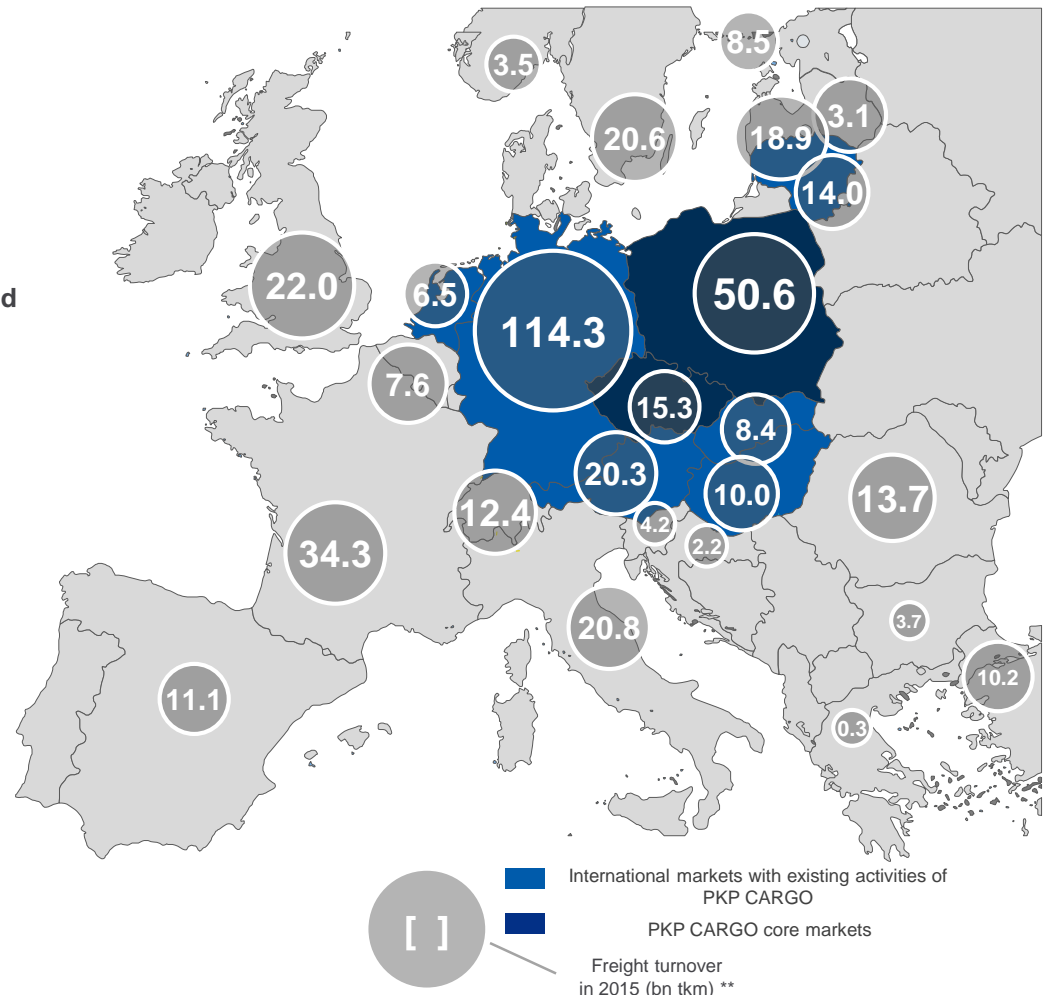
## PKP CARGO is the second largest rail freight operator in the Czech Republic

Main Czech rail freight operators by market share (9m'16)  
% gtkm



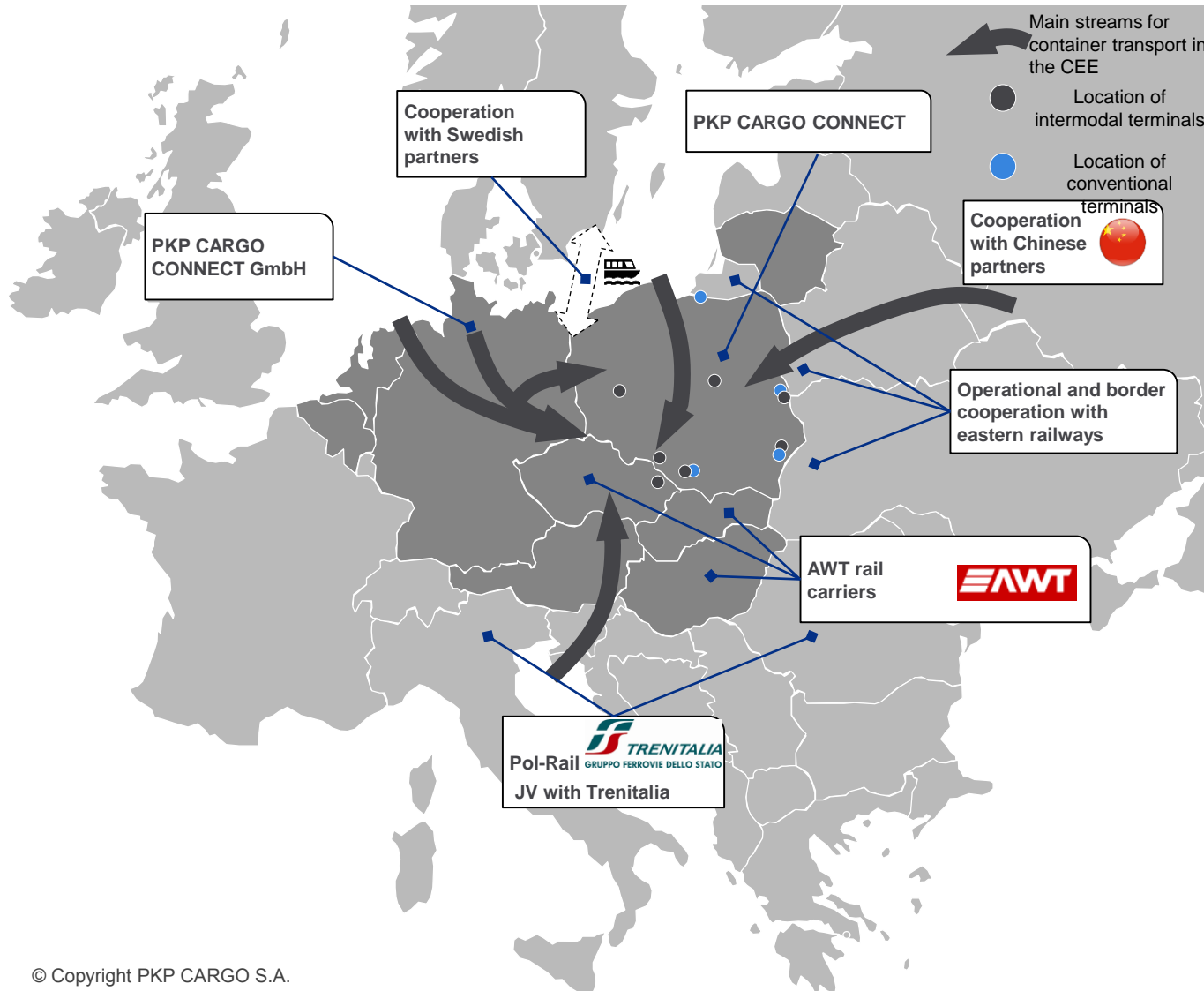
Source: SZDC

## ...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 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**

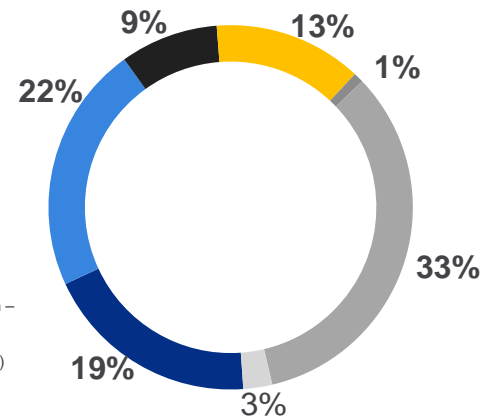


**+132% UTI**

## 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



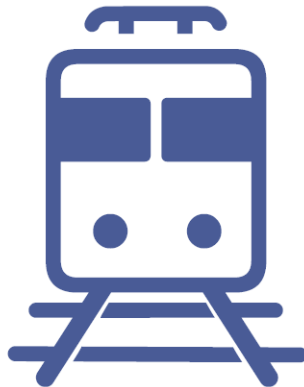
Aggregates



Metals



Intermodal



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



**Terminals** – conventional and intermodal



**Rolling stock** – maintenance, repair, rental

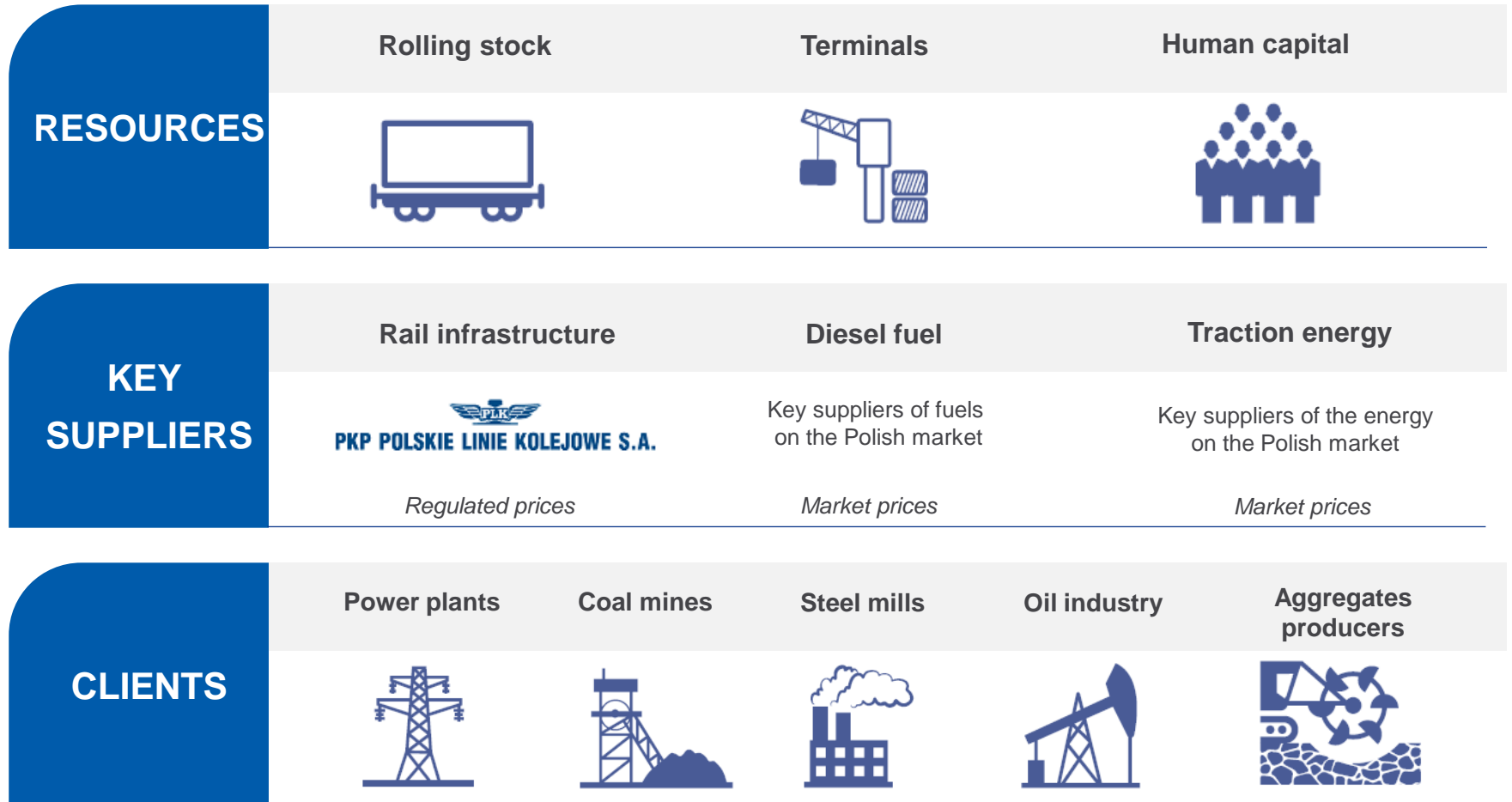


**Sidings** – formation of trains, rail traffic management on sidings



**Land reclamation** – revitalisation of post industrial premises

# PKP CARGO's business model

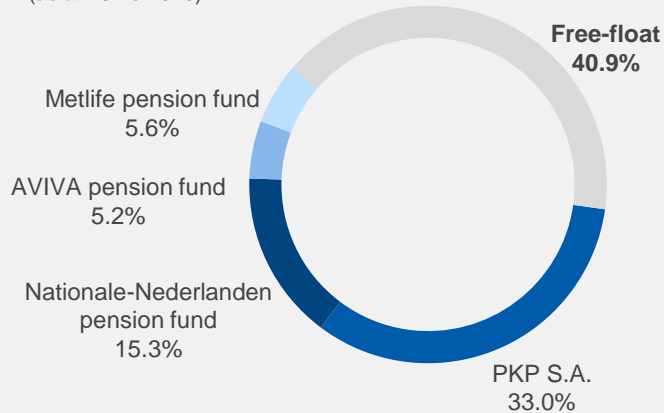


# PKP CARGO's first 2 years on the Warsaw Stock Exchange

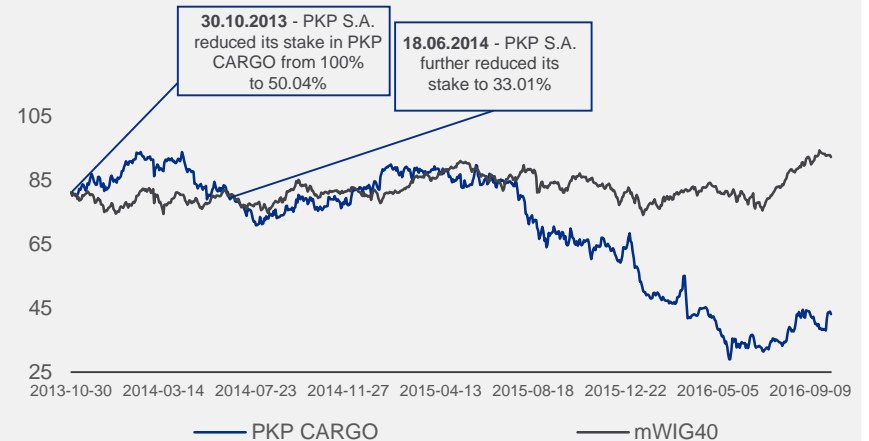
Liquid mid-cap stock with broad analytical coverage

## Shareholding structure

(as at 18.10.2016)



## PKP CARGO's stock price



## Shareholder rights and restrictions on voting rights

### PKP S.A.'s personal rights:

- ▶ appointing the majority of the Supervisory Board (**§ 19 of AoA**)
- ▶ proposing candidates to be the CEO (**§ 14 sec.4 of AoA**), valid as long as PKP S.A. holds at least a 25% stake (**27 sec. 1 of AoA**)
- ▶ **Voting restriction:**
- ▶ no shareholder except for PKP S.A. may exercise more than 10% of the total number of votes at the General Meeting (**§ 13 of the AoA**)

## PKP CARGO on the stock exchange

- ▶ **Date of first listing:** 30.10.2013
- ▶ **Indexes:** WIG30, MSCI Small Cap Index
- ▶ **Average daily turnover:** PLN 6.95 million, ranked 25th in WSE trading in 2014
- ▶ Company covered by **15 sell-side analysts**
- ▶ **Average TP** in 5 most recent recommendations: PLN 46.2
- ▶ **Dividend policy:** 35-50% of consolidated net profit

# AGENDA

PKP CARGO at a glance

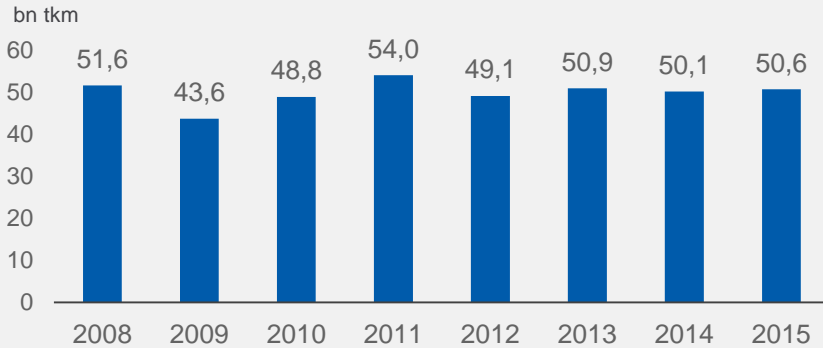
Market overview

Key accomplishments of 2016



# Poland – Stable market based on bulk commodities

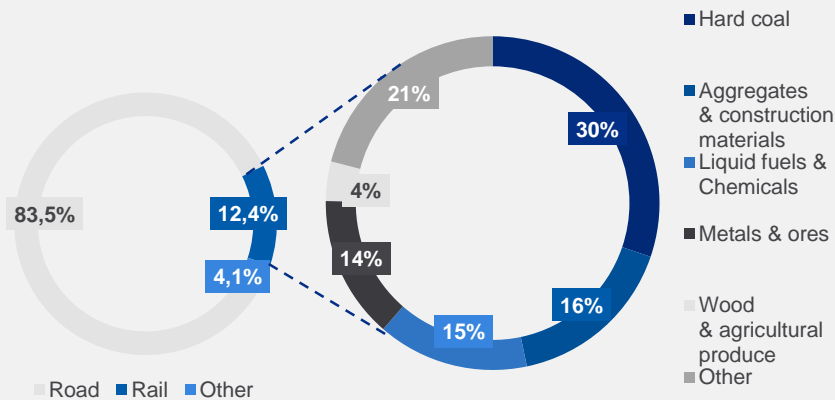
## Rail freight transport market by freight turnover



Source: UTK

## Rail freight transport market structure by cargo group

by 2015 freight turnover

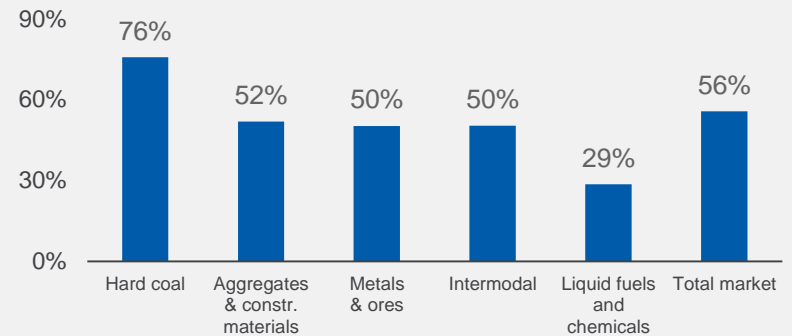


Source: Poland's Central Statistical Office (GUS), UTK

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## PKP CARGO's market share by commodity segments

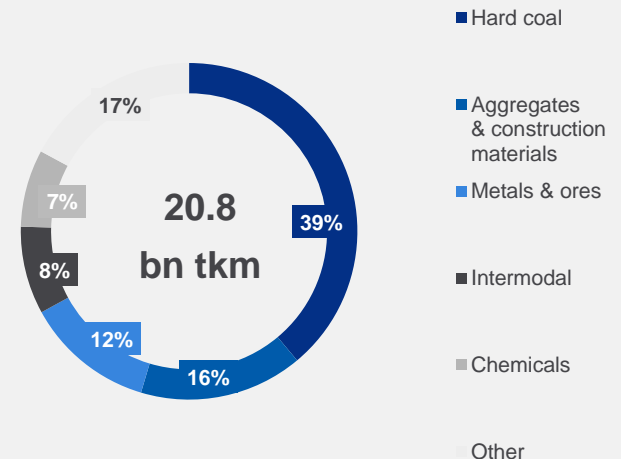
by 2015 freight turnover



Source: UTK, PKP CARGO

## Types of goods transported by PKP CARGO

by 9m'2016 freight turnover

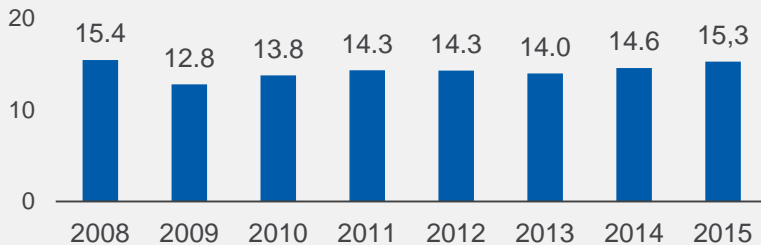


Source: PKP CARGO

# Czech Rep. – Stable volume growth since 2009

## Rail freight transport market by freight turnover

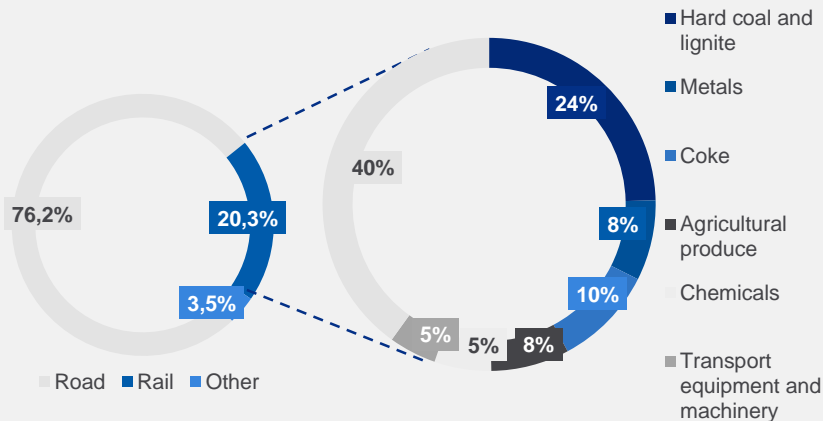
bn tkm



Source: Eurostat

## Rail freight transport market structure by cargo group

by 2015 freight turnover

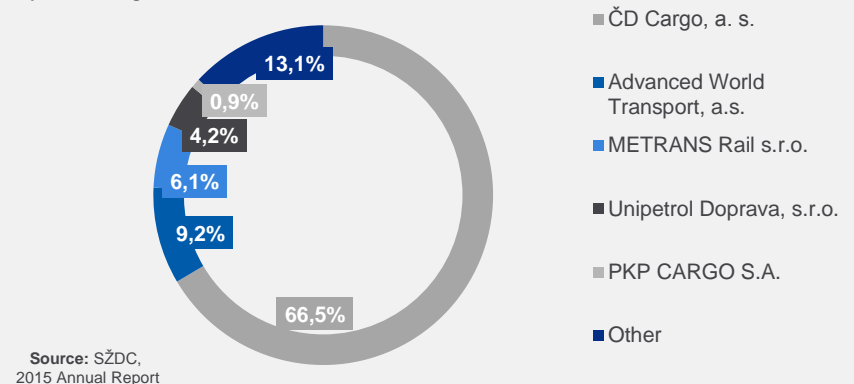


Source: Czech Statistical Office (ČSÚ), Eurostat

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## AWT's market share

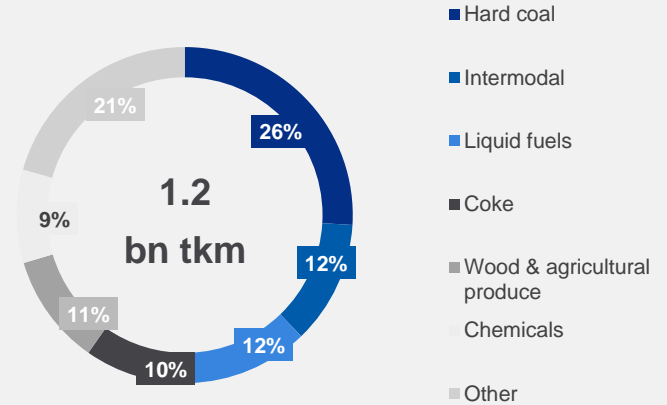
by 2015 freight turnover



Source: SŽDC, 2015 Annual Report

## Types of goods transported by AWT

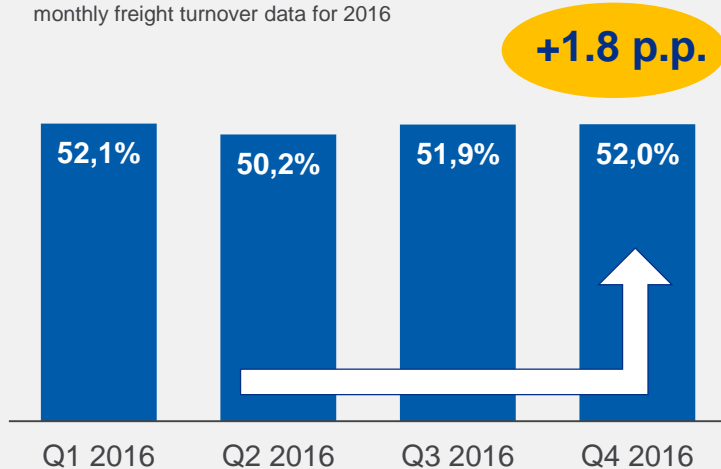
by 9m'2016 freight turnover



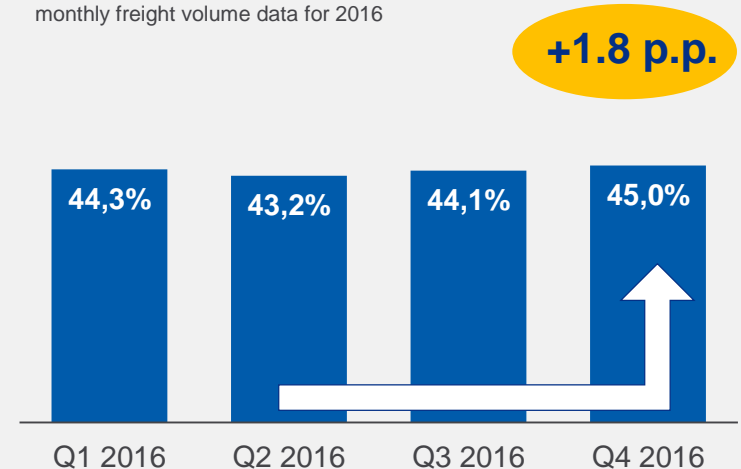
Source: AWT

# PKP CARGO Group's position

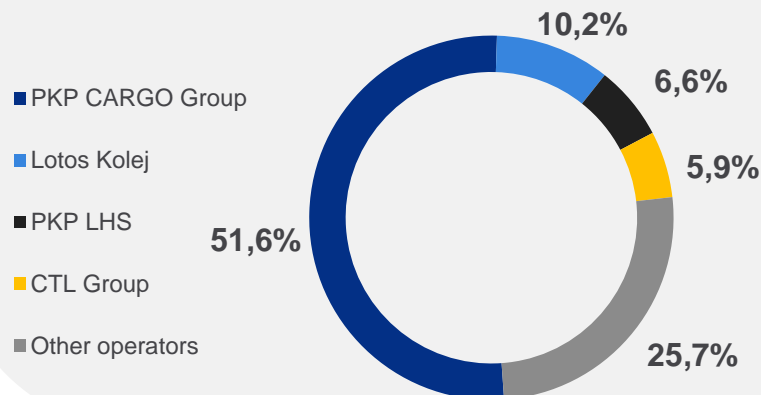
**PKP CARGO Group's share of the Polish market**  
monthly freight turnover data for 2016



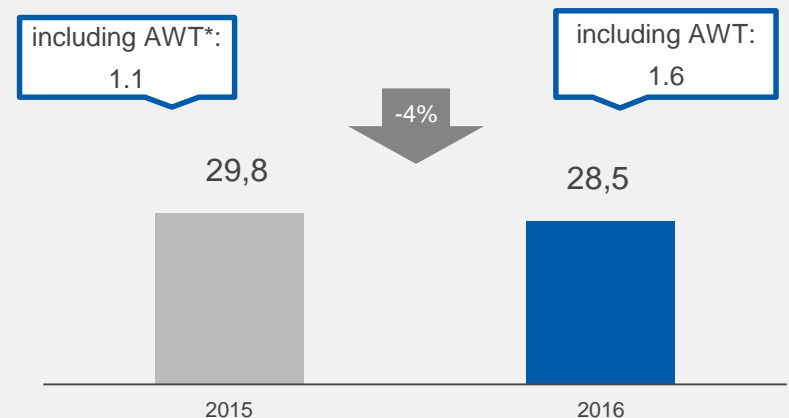
**PKP CARGO Group's share of the Polish market**  
monthly freight volume data for 2016



**PKP CARGO Group's share of the Polish market**  
freight turnover data for 2016



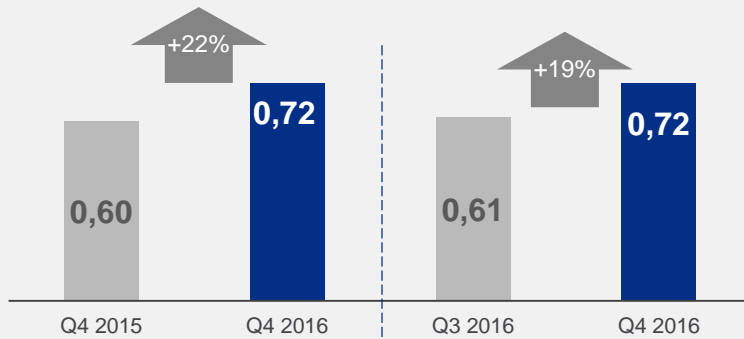
**PKP CARGO Group's freight transport**  
freight turnover data for 2016, billion tkm



# Major markets – a strong fourth quarter

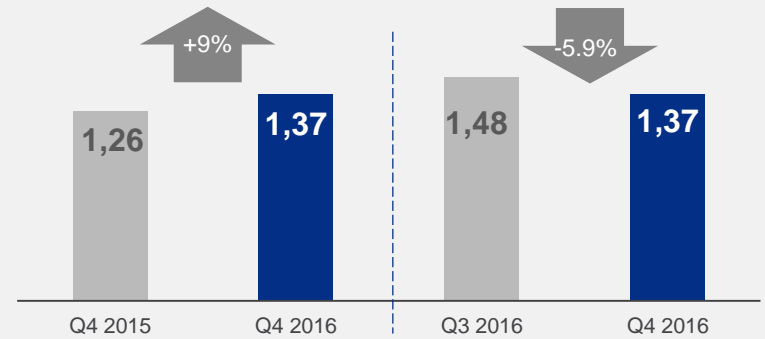
## Intermodal

freight turnover, billion tkm



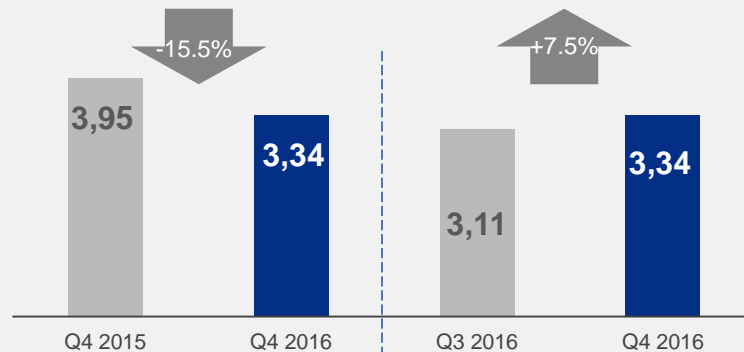
## Aggregates and construction materials

freight turnover, billion tkm



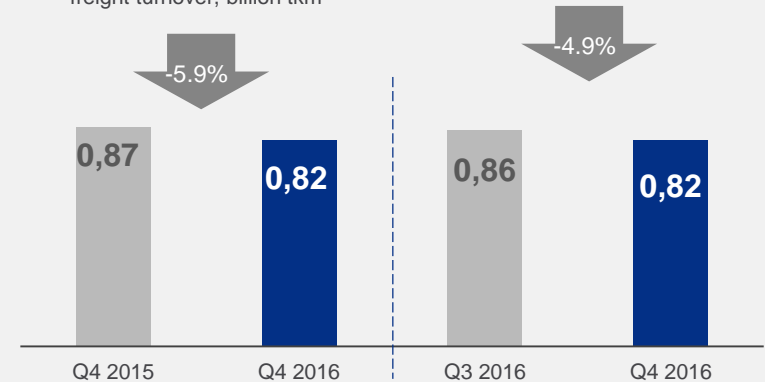
## Hard coal

freight turnover, billion tkm



## Ore and metals

freight turnover, billion tkm



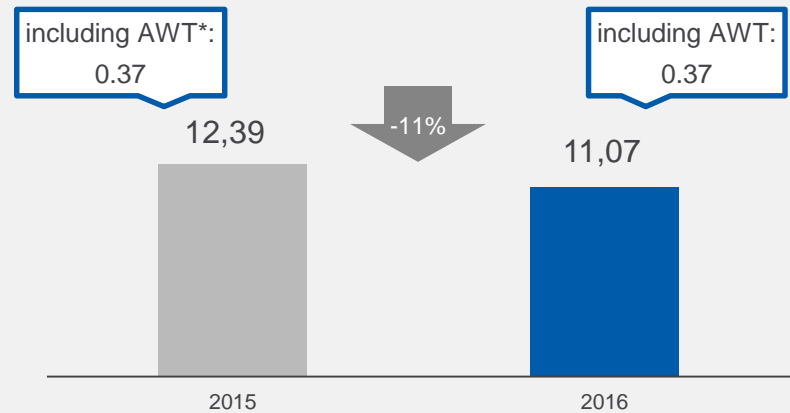


## Key events in 2016

- ▶ Hard coal production in 2016 shrank by 2.6% yoy
- ▶ Restructuring in the mining sector
- ▶ Instability of coal prices on global markets over the year. Coal price growth not observed until Q4 2016
- ▶ In H1 2016, coal exports to EU members states fell by 3.2% yoy
- ▶ Diminished hard coal imports
- ▶ Unfavorable weather conditions – light winter in 2015 / 2016

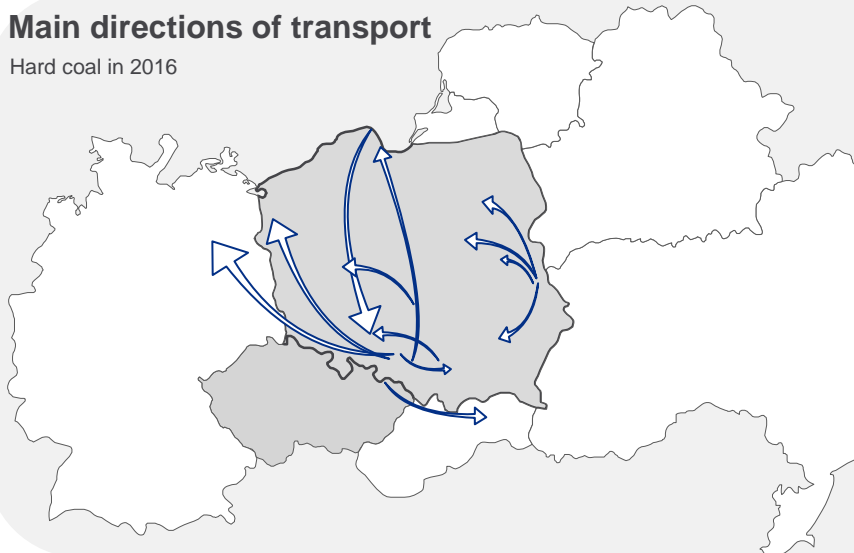
## Hard coal

freight turnover, billion tkm



## Main directions of transport

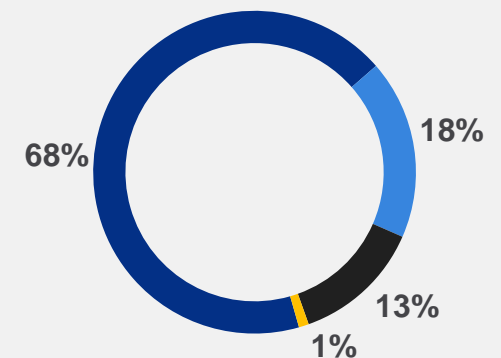
Hard coal in 2016



## PKP CARGO Group's freight turnover mix in Poland

by types of transportation (freight turnover) in 2016

- Domestic freight
- Exports
- Imports
- Transit

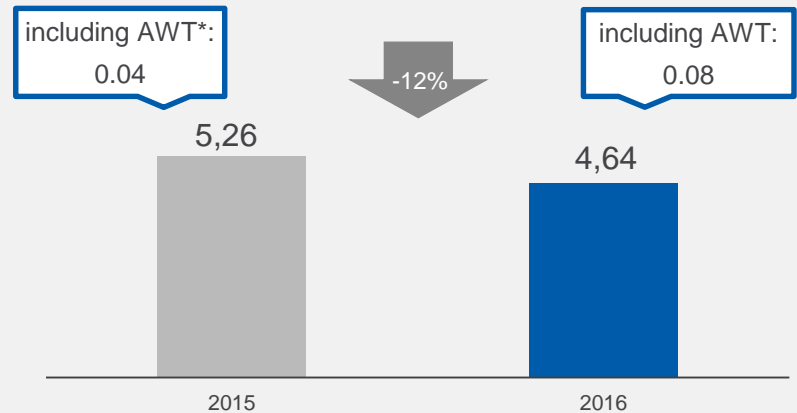


## Key events in 2016

- ▶ Delays until 2017 and 2018 of key infrastructural projects under the framework of the EU financial perspective (“Design and build”)
- ▶ Construction and assembly production fell in 2016 by 14.1% yoy and in companies specializing in building civil and marine engineering facilities by 14.5% yoy
- ▶ Construction and assembly production fell in Q4 2016 by 13.2% yoy and in companies specializing in building civil and marine engineering facilities by 9.5% yoy
- ▶ Smaller scale of local investments financed by local governments representing a large percentage of the demand for construction aggregates
- ▶ Stimulation in road projects (in November 2016 the European Commission signed co-financing agreements for 16 transport investments for more than EUR 1.9 billion, including 10 PKP PLK projects for EUR 1.6 billion)

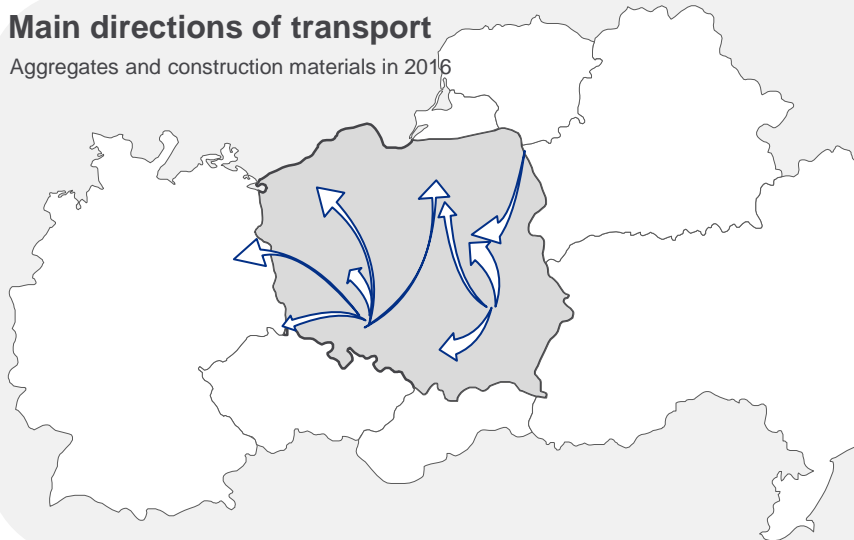
## Aggregates and construction materials

freight turnover, billion tkm



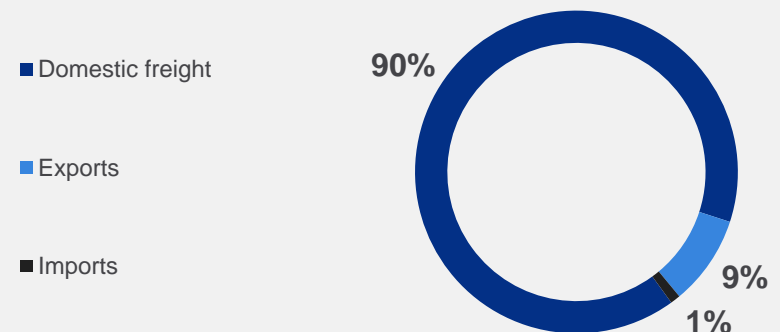
## Main directions of transport

Aggregates and construction materials in 2016



## PKP CARGO Group's freight turnover mix in Poland

by types of transportation (freight turnover) in 2016

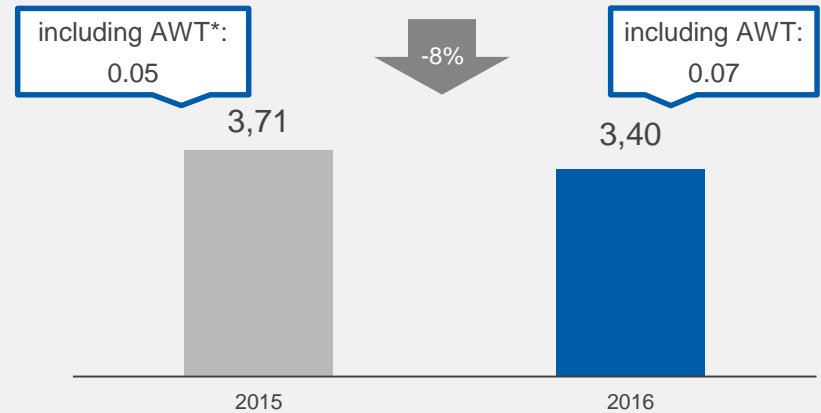


## Key events in 2016

- ▶ Steel production fell (in 2016, steel production was 8.9 million tons, that is 2.8% yoy less)
- ▶ Import duties on steel products imported by the EU from China and Russia
- ▶ Iron ore prices spiked up by 101% yoy in 2016 and 41% in Q4 2016
- ▶ In 2016 the metal industry's sold production trended up (0.5% yoy) as it did for the metal goods industry (8.8% yoy)
- ▶ Modernization of ArcelorMittal's furnace
- ▶ Overhaul of COS in CMC Zawiercie

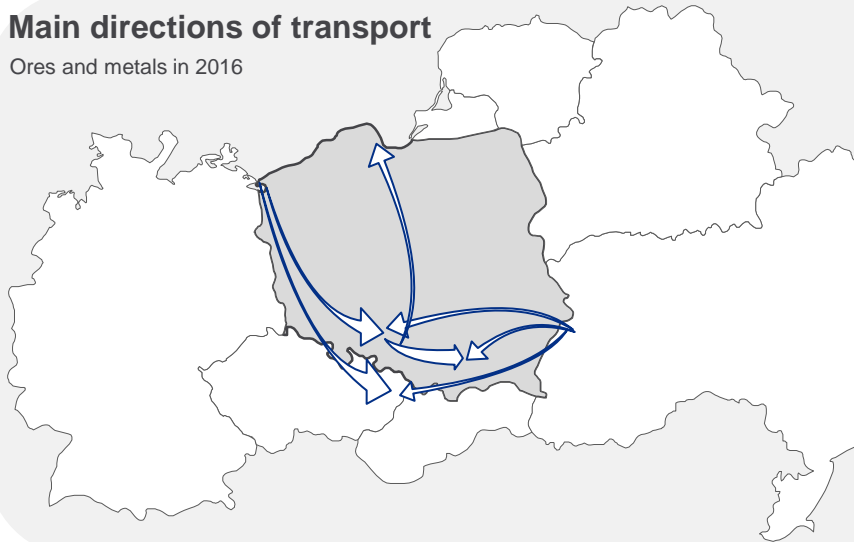
## Ore and metals

freight turnover, billion tkm



## Main directions of transport

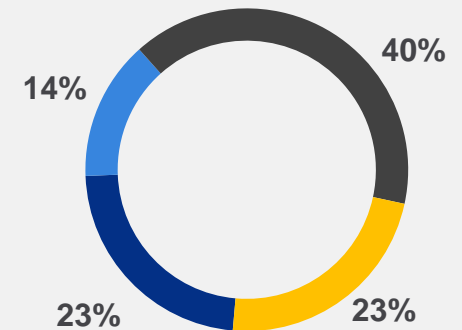
Ores and metals in 2016



## PKP CARGO Group's freight turnover mix in Poland

by types of transportation (freight turnover) in 2016

- Domestic freight
- Exports
- Imports
- Transit

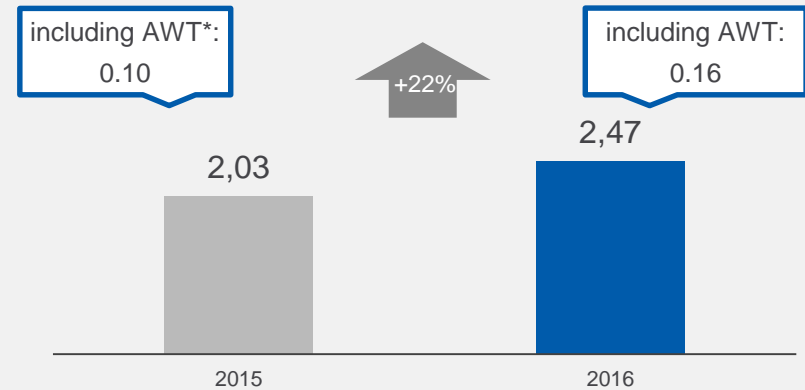


## Key events in 2016

- ▶ Rapid development of the New Silk Road. Transport by land to and from China surged up in 2016 by 102% yoy measured by freight volume
- ▶ Higher container freight volume transshipped in Polish ports in 2016 by 9.3% yoy
- ▶ The volume of containers transported by PKP CARGO to and from Polish ports in 2016 is up 7.7% yoy
- ▶ Rising transport outside Poland – in 2016 completed freight turnover rose by 110% yoy
- ▶ Rising transport outside Poland – in 2016 completed freight volume of containers rose by 76% yoy
- ▶ More connections from marine ports to terminals in Poznań, Warsaw, Radomsko and Łódź

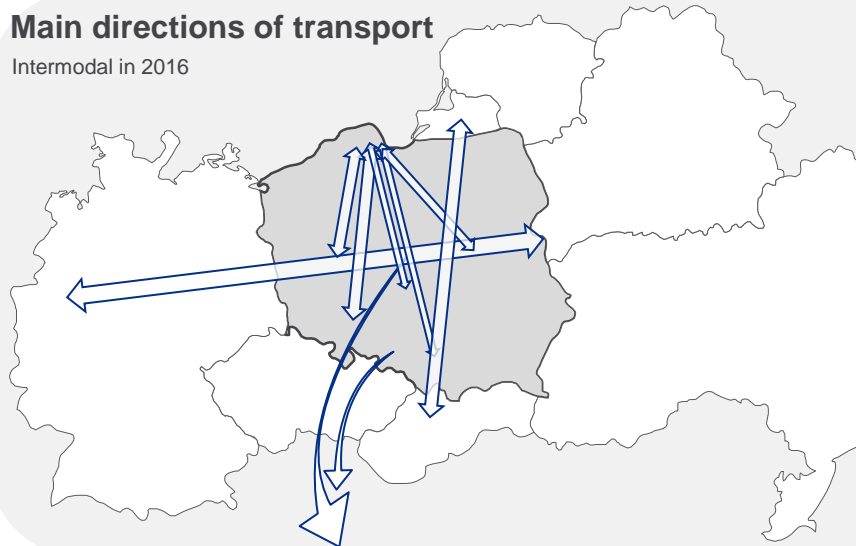
## Intermodal

freight turnover, billion tkm



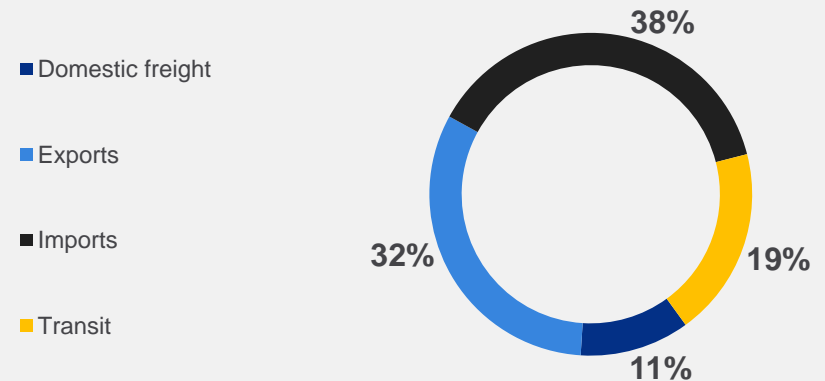
## Main directions of transport

Intermodal in 2016



## PKP CARGO Group's freight turnover mix in Poland

by types of transportation (freight turnover) in 2016



# AGENDA



|| PKP CARGO at a glance

|| Market overview


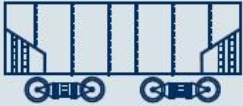








|| Key accomplishments of 2016

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PKP cargo  
LOGISTICS

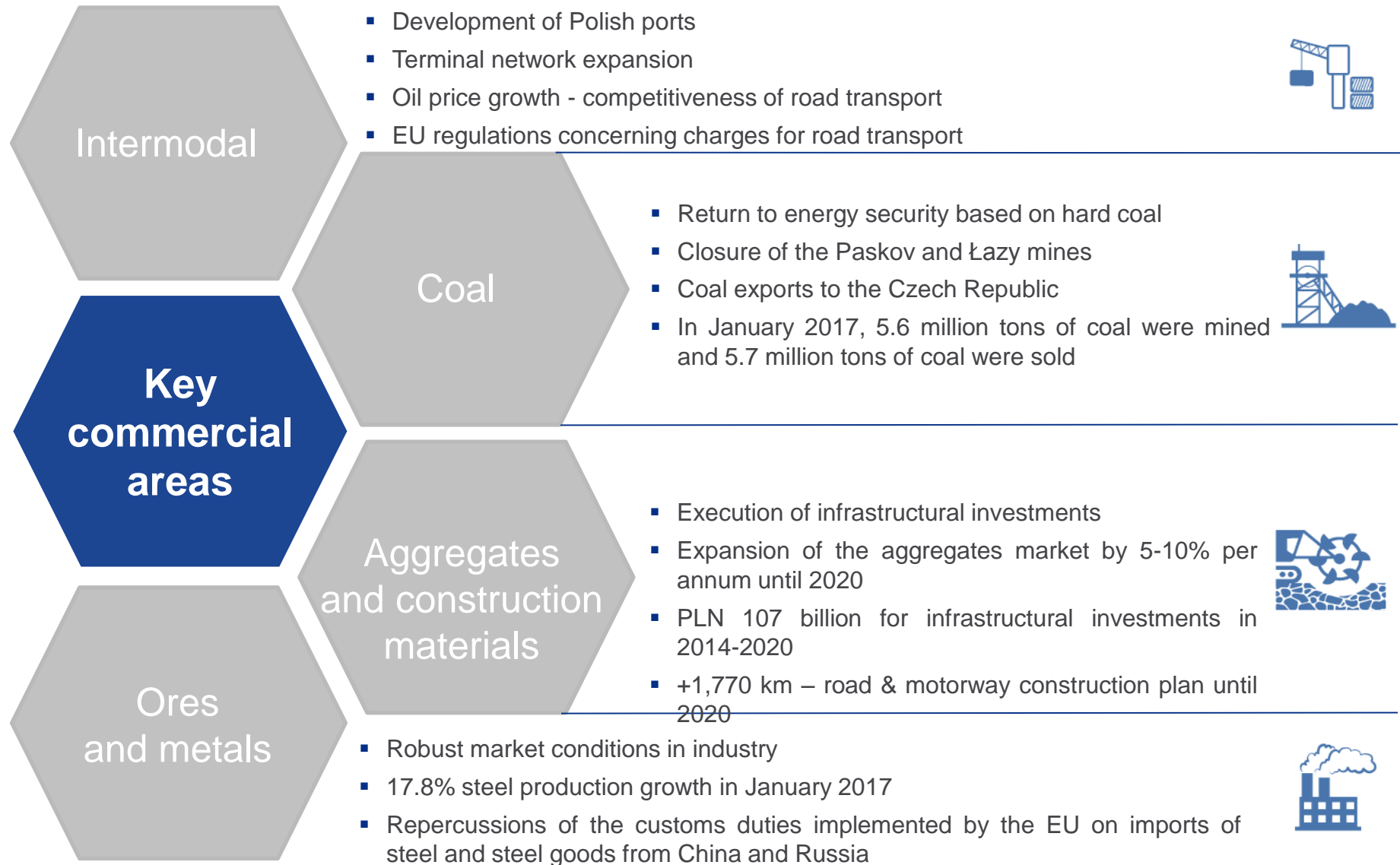


# Major achievements of 2016

<b>APPOINTMENTS TO THE PKP CARGO MANAGEMENT BOARD</b> 	<b>STRENGTHENING THE COMPANY'S LEADING POSITION</b> 	<b>RESTORING A PARTNERSHIP-BASED SOCIAL DIALOG</b> 	<b>INTRODUCING A NEW SALES MODEL</b> 
	<b>DEVELOPING INTERNATIONAL COOPERATION</b> 	<b>GROWING SHAREHOLDER VALUE</b> 	<b>RAPID DEVELOPMENT OF INTERMODAL TRANSPORT</b> 
	<b>PROVIDING SPECIALIZED FREIGHT TRANSPORT SERVICES</b> 	<b>RESTORING A PROVEN AREA-BASED MANAGEMENT MODEL</b> 	<b>ESTABLISHING THE "WOLSZTYN ROUNDHOUSE" CULTURAL INSTITUTION</b> 

# Outlook: key commercial areas

## – challenges for PKP CARGO in 2017







# 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%
<b>Total operating revenue</b>	<b>4,411</b>	<b>4,554</b>	<b>-3%</b>
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%
<b>Operating expenses</b>	<b>4,543</b>	<b>4,498</b>	<b>1%</b>
<b>EBITDA</b>	<b>490</b>	<b>705</b>	<b>-31%</b>
<b>Profit on operating activities</b>	<b>-132</b>	<b>56</b>	<b>-336%</b>
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%
<b>Profit before tax</b>	<b>-151</b>	<b>11</b>	<b>-1535%</b>
Income tax	-17	-20	-12%
<b>Net profit</b>	<b>-134</b>	<b>30</b>	<b>-545%</b>
Net profit (loss) attributable:			
to shareholders of the parent company	-134	30	-542%
Non-controlling interests	-	0	-
<b>Other comprehensive income</b>			
<b>Other comprehensive income subject to reclassification in the financial result:</b>	<b>25</b>	<b>34</b>	<b>-26%</b>
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%
<b>Other comprehensive income not subject to reclassification in the financial result:</b>	<b>17</b>	<b>43</b>	<b>-60%</b>
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%
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>-91</b>	<b>107</b>	<b>-185%</b>

# 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
<b>Total non-current assets</b>	<b>4,943</b>	<b>4,980</b>
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
<b>Total current assets</b>	<b>1,548</b>	<b>1,123</b>
<b>Total assets</b>	<b>6,491</b>	<b>6,102</b>

# 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
<b>Equity attributable to the owners of the parent company</b>	<b>3,243</b>	<b>3,334</b>
Equity attributable to non-controlling interest	-	-
<b>Equity</b>	<b>3,243</b>	<b>3,334</b>
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
<b>Non-current liabilities</b>	<b>2,076</b>	<b>1,586</b>
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
<b>Current liabilities</b>	<b>1,172</b>	<b>1,182</b>
<b>Total liabilities</b>	<b>3,248</b>	<b>2,769</b>
<b>Total liabilities and equity</b>	<b>6,491</b>	<b>6,102</b>

# Consolidated Cash Flow Statement

Cash flow from operating activities [PLN million]	2016	2015
<b>Gross result For the financial year</b>	-151	11
<b>Adjustments:</b>		
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
<b>Change in working capital:</b>		
(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
<b>Cash on operating activities</b>	<b>387</b>	<b>398</b>
(Paid) / received interest	-1	0
(Paid) / received income tax	-7	-10
<b>Net cash on operating activities</b>	<b>380</b>	<b>388</b>

# 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
<b>Net cash (used) / from investing activities</b>	<b>-569</b>	<b>-515</b>
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
<b>Net cash (used) / generated in connection with financing activities</b>	<b>664</b>	<b>-29</b>
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
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>756</b>	<b>276</b>

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