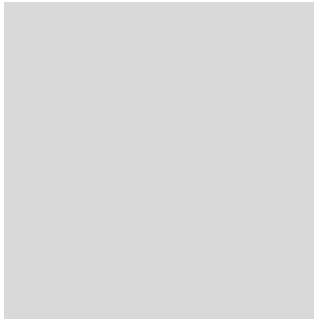
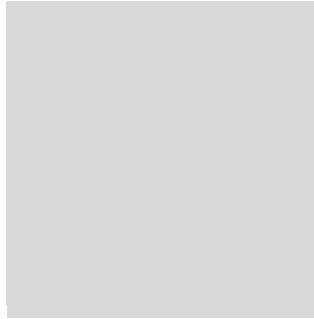
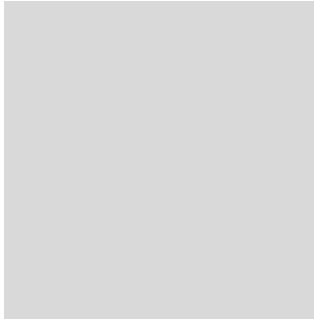


PKP CARGO Group



Corporate presentation
November 2016

AGENDA

PKP CARGO at a glance

Market overview

Key accomplishments of 2016



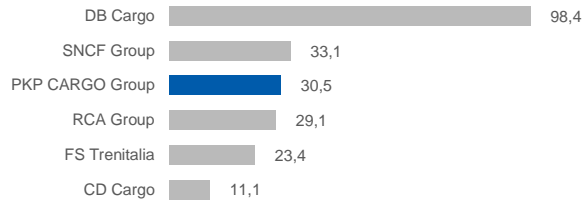
✓	✓	✓
<p>MARKET SHARE IN Q3 2016</p> <p>52.0% measured by freight turnover (-3.5 p.p. yoy)</p> <p>44.1% measured by freight volume (-3.6 p.p. yoy)</p>	<p>EBITDA*</p> <p>PLN 346 million -36% yoy profitability of 10.8%</p> <p>Reported EBITDA of PLN 284 million</p>	<p>CAPEX**</p> <p>PLN 227 million 14.0% yoy</p> <p>Reported CAPEX of PLN 428 million</p>
<p>REVENUES*</p> <p>PLN 3,214 million +2.0% yoy</p>	<p>NET RESULT*</p> <p>PLN -116 million Reported net result of PLN -200 million</p>	<p>OPEX</p> <p>PLN 3,400 million 13.0% yoy</p>

- Adjusted according to item 5.1.1 of Other Information to the Consolidated Quarterly Report for Q3 2016
- ** excluding capital expenditures to purchase multi-system locomotives in the amount of PLN 200.8 million

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

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

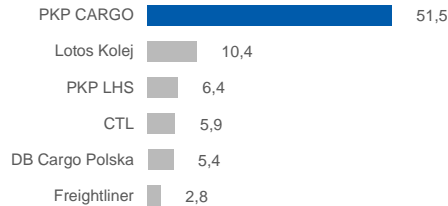
Main EU rail freight operators by freight turnover (2015)
Bn tkm



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

PKP CARGO is the leading rail freight operator in Poland

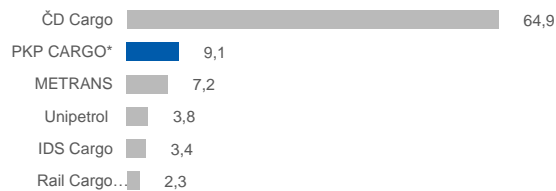
Main Polish rail freight operators by market share (9m'16)
% tkm



Source: Office of Rail Transportation (UTK)

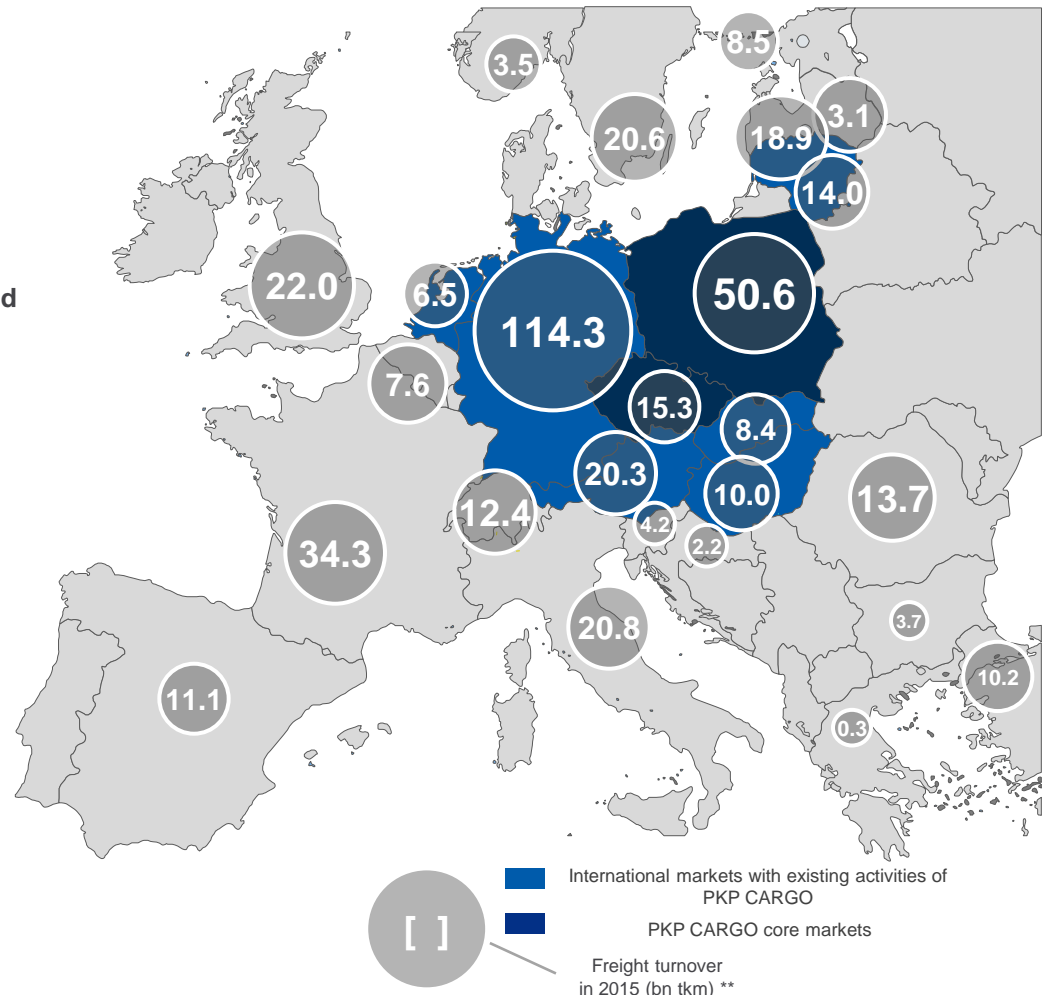
PKP CARGO is the second largest rail freight operator in the Czech Republic

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



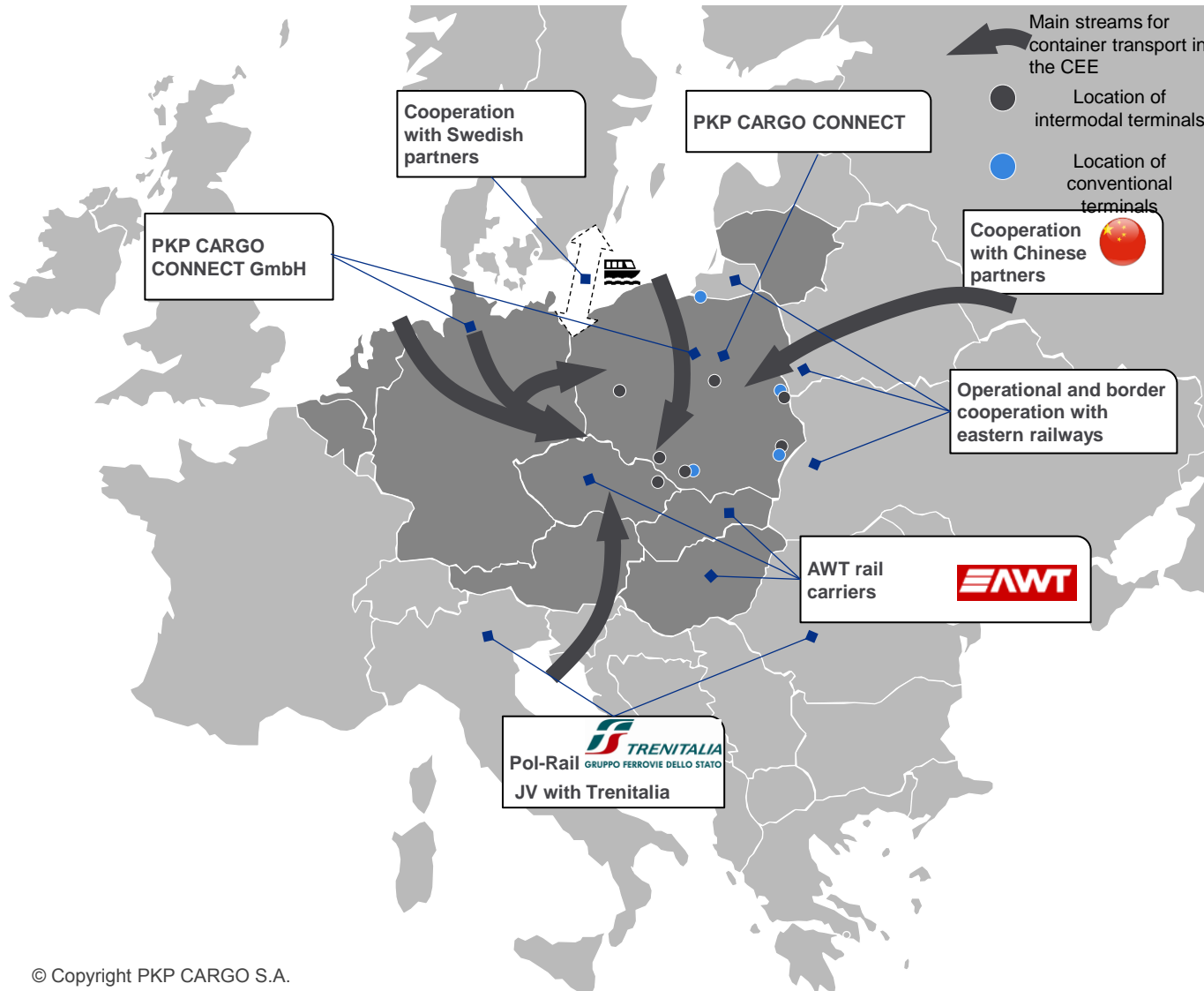
Source: SZDC

...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 performed in the network of transport corridors



- 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

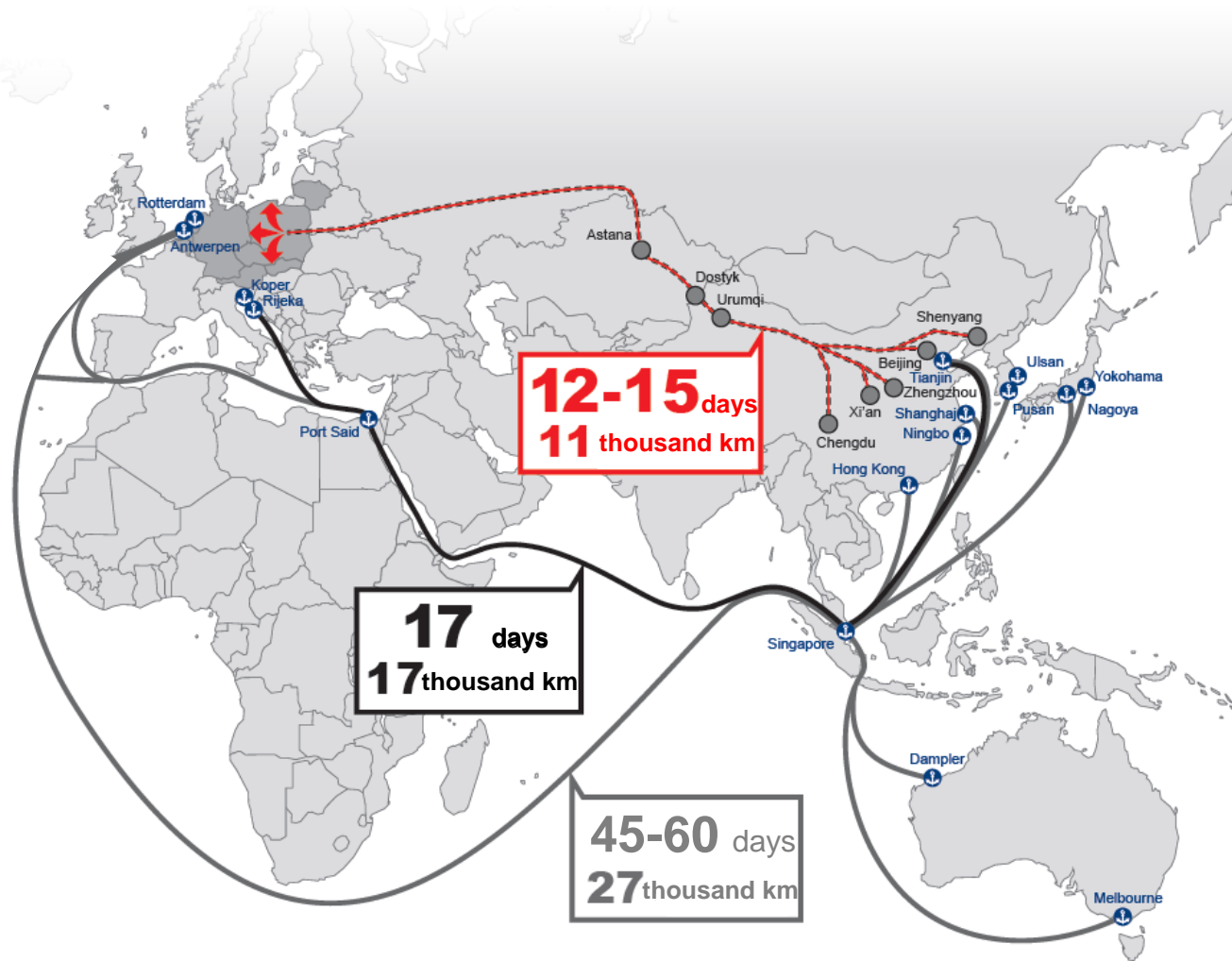
New Silk Road – main direction of container transport growth

Major Chinese ports:

Shanghai

Tianjin

Hong Kong



The transported volumes on the Asia - Europe route are part of the transport corridor routes

PKP CARGO – multi-purpose logistic operator

– comprehensive product offer



CARGO GROUPS

RAIL FREIGHT

ANCILLIARY SERVICES

Coal



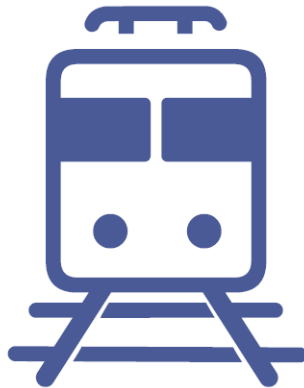
Aggregates



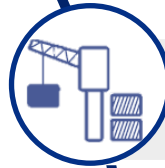
Metals



Intermodal



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



Terminals – conventional and intermodal



Rolling stock – maintenance, repair, rental

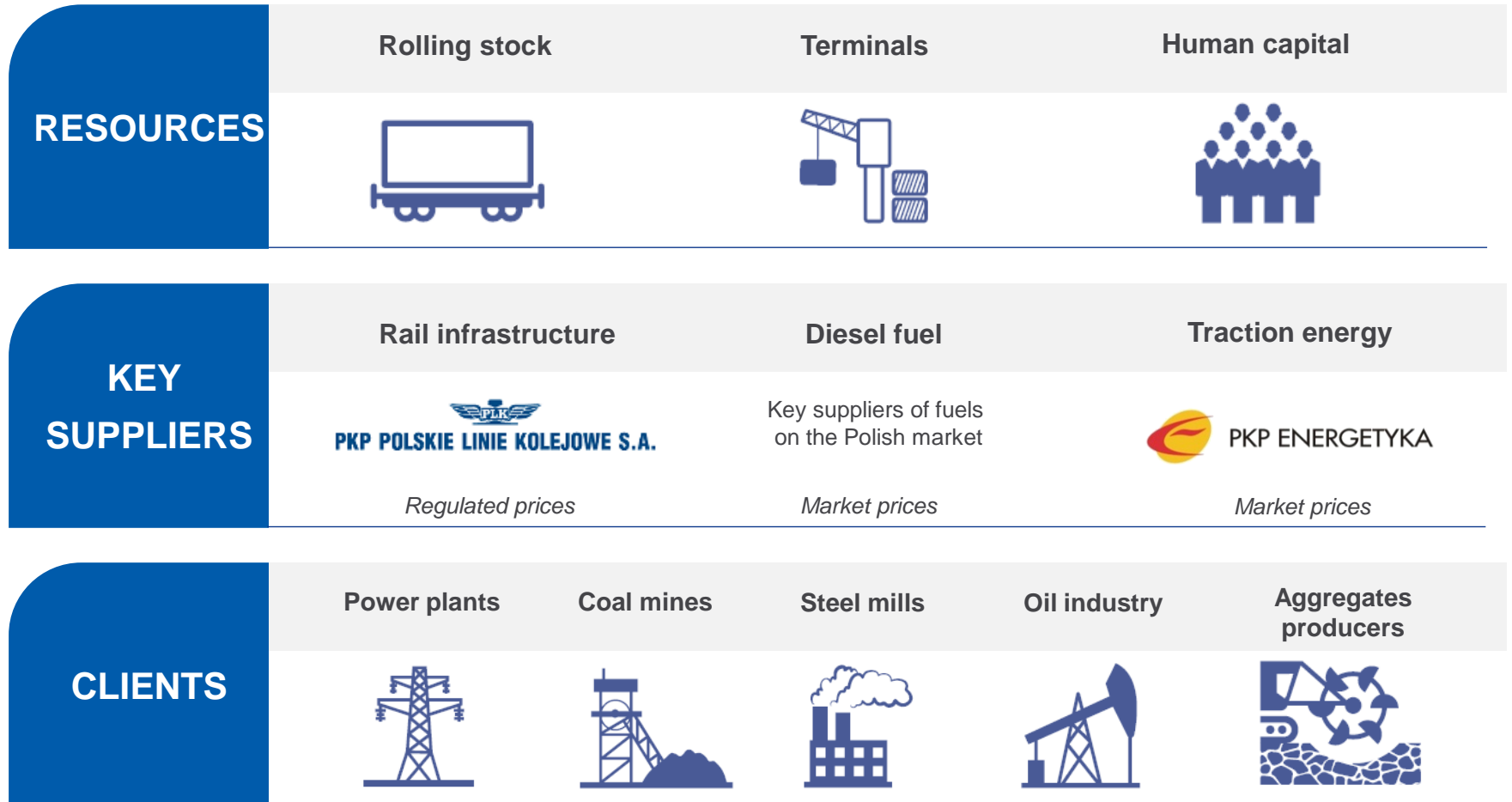


Sidings – formation of trains, rail traffic management on sidings



Land reclamation – revitalisation of post industrial premises

PKP CARGO's business model

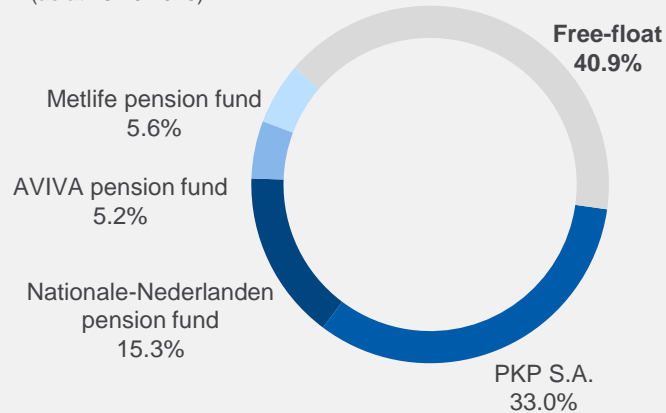


PKP CARGO's first 2 years on the Warsaw Stock Exchange

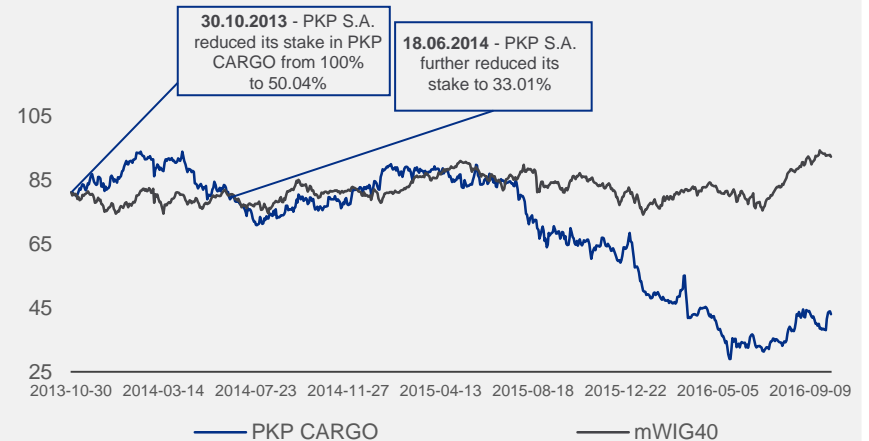
Liquid mid-cap stock with broad analytical coverage

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

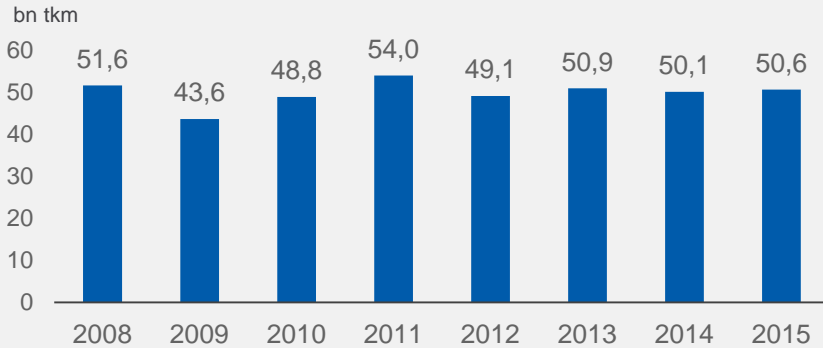
Market overview

Key accomplishments of 2016



Poland – Stable market based on bulk commodities

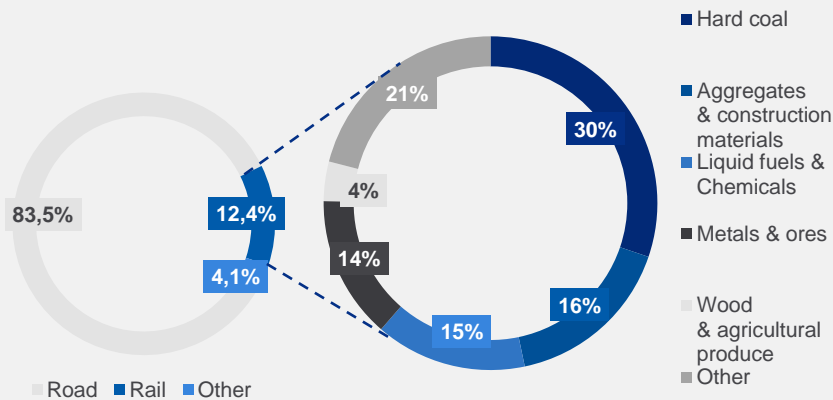
Rail freight transport market by freight turnover



Source: UTK

Rail freight transport market structure by cargo group

by 2015 freight turnover

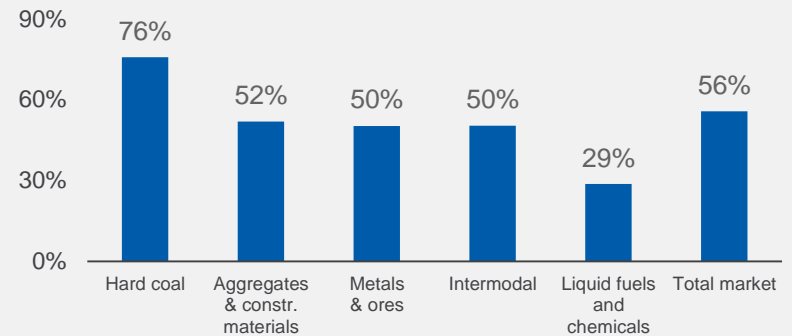


Source: Poland's Central Statistical Office (GUS), UTK

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PKP CARGO's market share by commodity segments

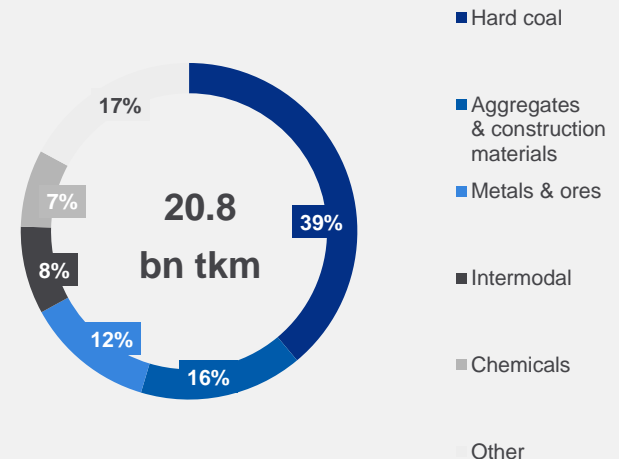
by 2015 freight turnover



Source: UTK, PKP CARGO

Types of goods transported by PKP CARGO

by 9m'2016 freight turnover

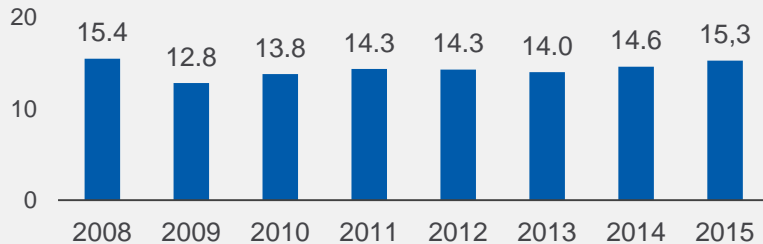


Source: PKP CARGO

Czech Rep. – Stable volume growth since 2009

Rail freight transport market by freight turnover

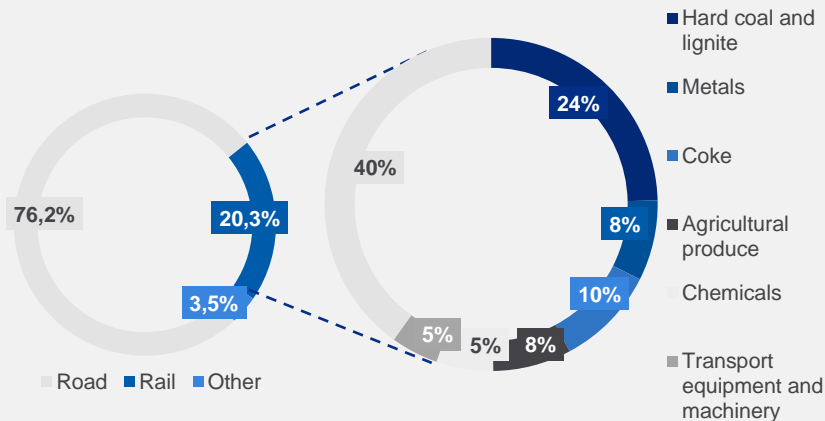
bn tkm



Source: Eurostat

Rail freight transport market structure by cargo group

by 2015 freight turnover

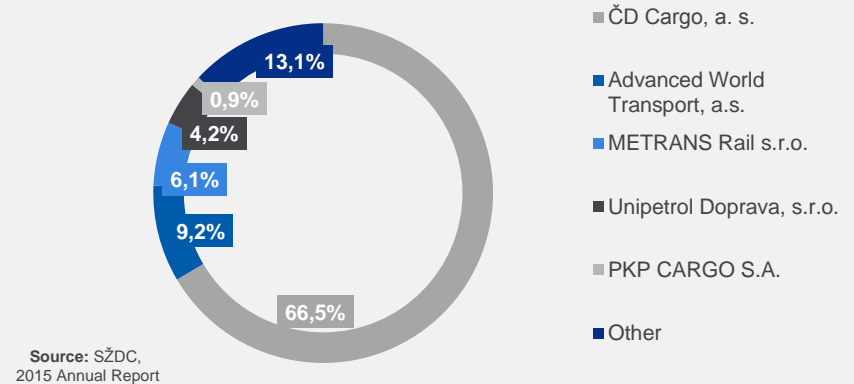


Source: Czech Statistical Office (ČSÚ), Eurostat

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AWT's market share

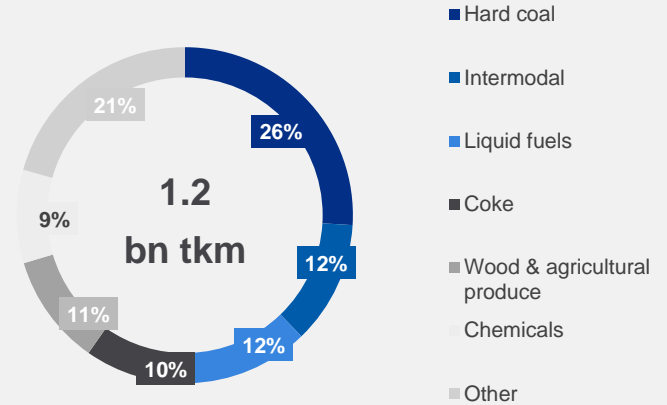
by 2015 freight turnover



Source: SŽDC, 2015 Annual Report

Types of goods transported by AWT

by 9m'2016 freight turnover



Source: AWT

Market share

9.14%

measured by gross freight
turnover – 9m 2016

Market position

**No. 2 in the
Czech
Republic**

Freight volume

9.9 million tons

9m 2016

wagons

4,632

72% of own wagons

locomotives

167

3 multi-system ones

intermodal terminal

Paskov

25 km from the Polish border

headcount

2,094 persons

as at 30.06.2016

own sidings

**364 km of railway
tracks**

siding services

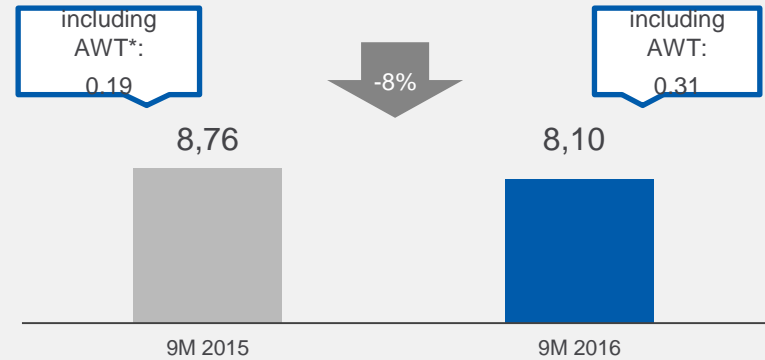
26

Key events in 9M 2016

- ▶ ARA coal price in the first 9M of 2016 up 51% to USD 71.7 per ton (34% growth qoq in just Q3 2016)
- ▶ Electricity production in the first 9M of 2016 down 0.62% yoy, of which hard coal-fired production is down 1.57% yoy (in Q3 2016 electricity production fell 2.33% yoy, of which hard coal-fired production is down 10.67% yoy)
- ▶ Hard coal production in the first 9M of 2016 down 0.4% yoy (in Q3 2016 production fell 0.6% yoy)
- ▶ Dwindling coal inventories in Poland (3.4 million tons at the end of Sep. down from 5.2 million tons at the end of June 2016)

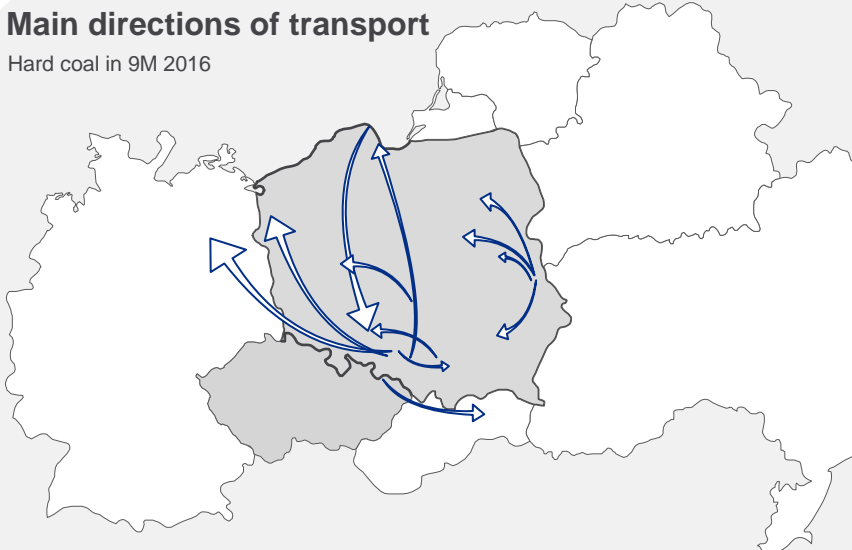
Hard coal

Freight turnover, billion tkm



Main directions of transport

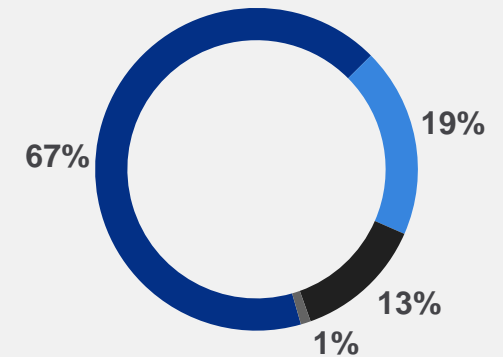
Hard coal in 9M 2016



PKP CARGO Group's freight turnover mix in Poland

by types of transportation (freight turnover) in 9M 2016

- Przewozy krajowe
- Eksport
- Import
- Tranzyt

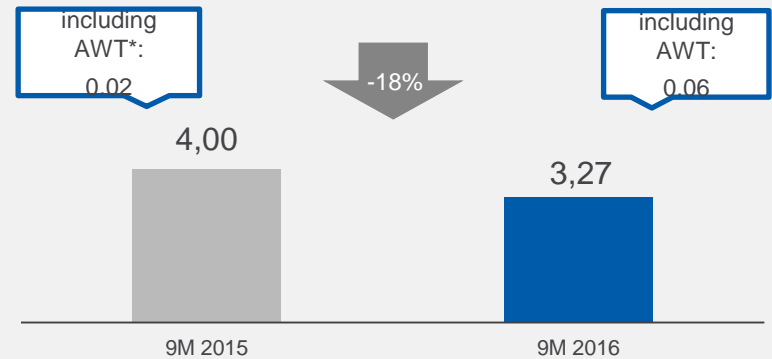


Key events in 9M 2016

- ▶ Delays of key infrastructural projects under the framework of the EU financial perspective until 2017 and 2018 (“Design and build”)
- ▶ Construction and assembly production fell in 9M 2016 by 14.9% yoy and in companies specializing in building civil and marine engineering facilities by 18.9% yoy
- ▶ Smaller scale of local investments financed by local governments representing a large percentage of the demand for construction aggregates

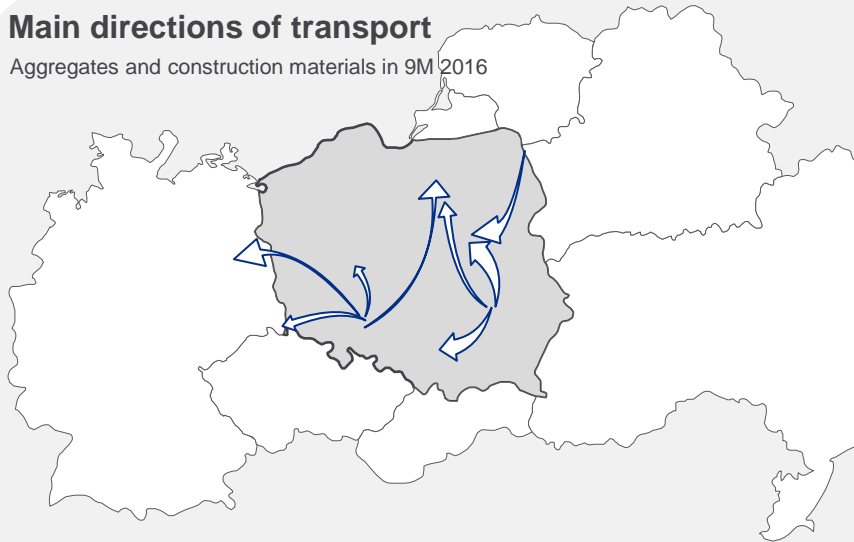
Aggregates and construction materials

Freight turnover, billion tkm



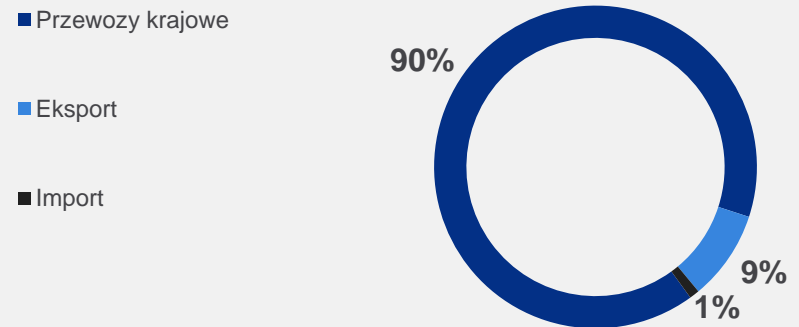
Main directions of transport

Aggregates and construction materials in 9M 2016



PKP CARGO Group's freight turnover mix in Poland

by types of transportation (freight turnover) in 9M 2016

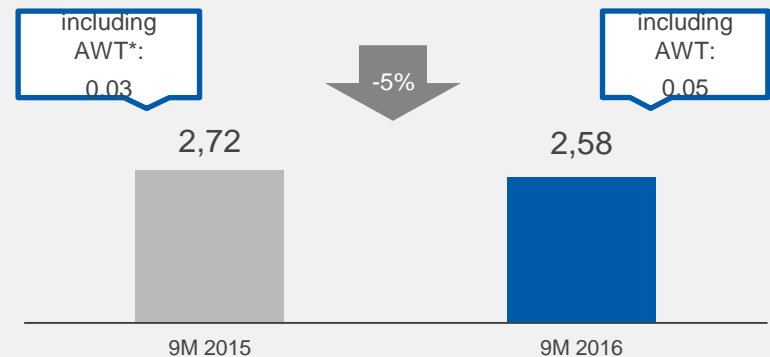


Key events in 9M 2016

- ▶ Steel production in Poland in the first 9M of 2016 down 11.5% yoy (in Q3 2016 production fell 14.0% yoy)
- ▶ Import duties on steel products imported by the EU from China and Russia
- ▶ Iron ore prices shot up 43% in the first 9M of 2016 and 10% in Q3 2016 (USD 56.7 per ton in 09'16 vs USD 39.6 per ton in 12'15 and USD 51.4 per ton in 06'16)
- ▶ From January to August 2016 the price of the metal industry's sold production trended down (2.8% yoy) as it did for the metal goods industry (0.9% yoy) - this is the impact of the price pressure on the commodities needed to produce steel which was caused by the economic slowdown in China

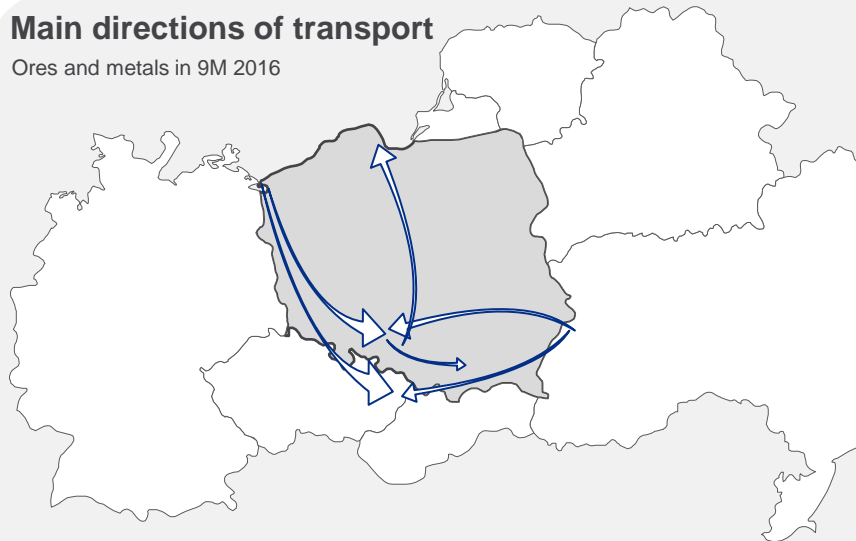
Ore and metals

Freight turnover, billion tkm



Main directions of transport

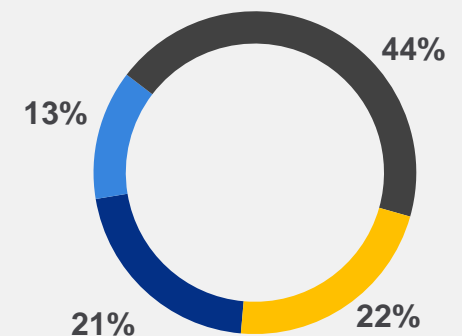
Ores and metals in 9M 2016



PKP CARGO Group's freight turnover mix in Poland

by types of transportation (freight turnover) in 9M 2016

- Przewozy krajowe
- Eksport
- Import
- Tranzyt

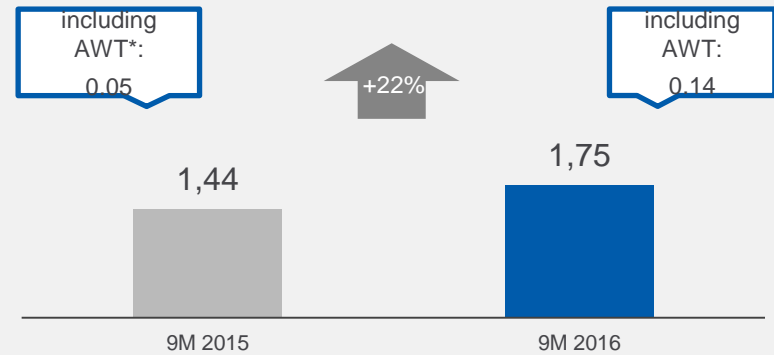


Key events in 9M 2016

- ▶ Rapid development of the New Silk Road. Transport by land to and from China surged up in the first 9M of 2016 by 112% yoy (in Q3 2016 by 71% yoy)
- ▶ The volume of containers transloaded in Polish ports in the first 9M of 2016 is up 9.4% yoy (in Q3 2016 it is up 11.8% yoy)
- ▶ The volume of containers transported by PKP CARGO to and from Polish ports in the first 9M of 2016 is up 4.8% yoy (in Q3 2016 it is up 13.5% yoy)
- ▶ Rising transport outside Poland – in the first 9M of 2016 the freight turnover performed rose by 208% yoy
- ▶ More connections from marine ports to terminals in Poznań, Warsaw, Radomsko and Łódź

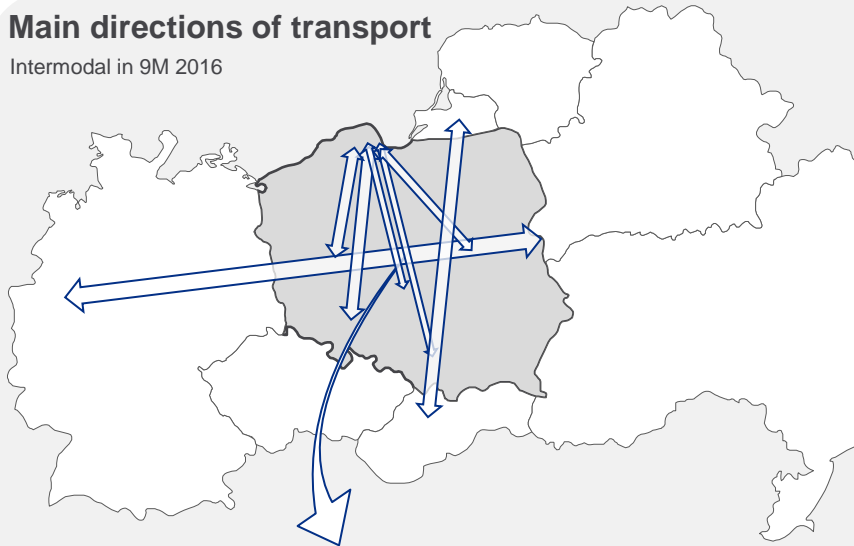
Intermodal

Freight turnover, billion tkm



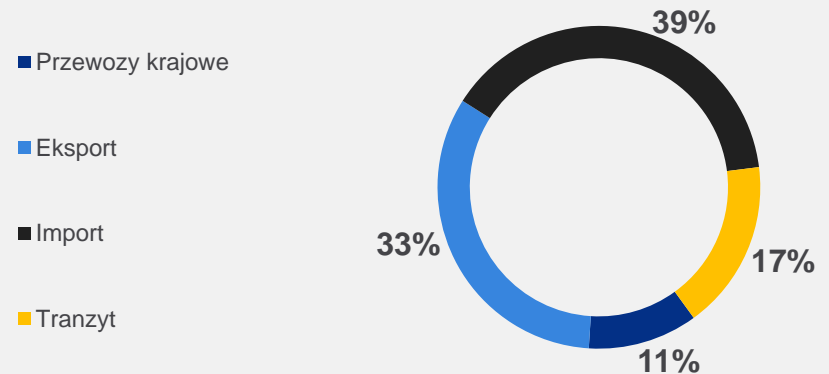
Main directions of transport

Intermodal in 9M 2016



PKP CARGO Group's freight turnover mix in Poland

by types of transportation (freight turnover) in 9M 2016



AGENDA



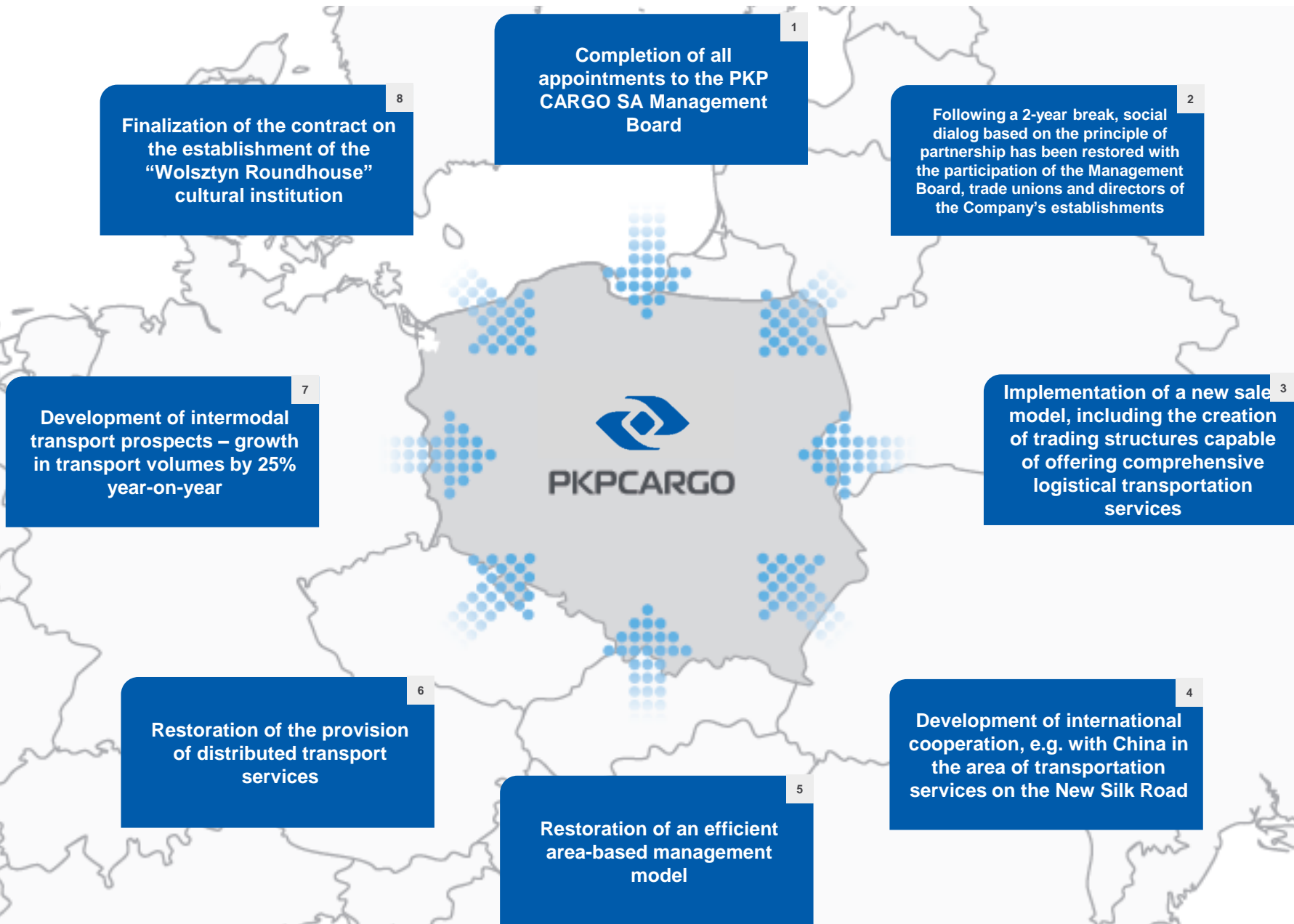
|| PKP CARGO at a glance

|| Market overview

|| Key accomplishments of 2016



PKP CARGO – key accomplishments in 2016



APPENDIX



Freight results

Freight turnover (million tkm)

	9M 2015	9M 2016	Change	% change	Share in 9M 2015	Share in 9M 2016
solid fuels	9,667	9,202	-464	-5%	45%	44%
including hard coal	8,758	8,099	-659	-8%	40%	39%
aggregates and construction materials	4,005	3,268	-737	-18%	18%	16%
metals and ores	2,718	2,582	-136	-5%	13%	12%
chemicals	1,530	1,548	18	1%	7%	7%
liquid fuels	584	819	234	40%	3%	4%
timber and agricultural produce	1,192	1,064	-129	-11%	5%	5%
intermodal transport	1,438	1,753	314	22%	7%	8%
other	557	578	21	4%	3%	3%
Total	21,691	20,814	-878	-4%	100%	100%

Freight volume (thousand tons)

	9M 2015	9M 2016	Change	% change	Share in 9M 2015	Share in 9M 2016
solid fuels	44,560	43,691	-869	-2%	54%	53%
including hard coal	40,664	39,170	-1,494	-4%	48%	48%
aggregates and construction materials	14,890	12,709	-2,180	-15%	16%	18%
metals and ores	9,318	8,278	-1,040	-11%	10%	11%
chemicals	4,417	4,692	275	6%	6%	5%
liquid fuels	2,131	2,199	68	3%	3%	3%
timber and agricultural produce	3,426	3,123	-303	-9%	4%	4%
intermodal transport	3,623	4,620	996	27%	6%	4%
other	1,516	1,577	61	4%	2%	2%
Total	83,882	80,888	-2,993	-4%	100%	100%

Consolidated statement of comprehensive income

[PLN 000s]	9M 2015*	9M 2016	% change
Revenues from the sale of services	3,083,886	3,165,891	3%
Revenue from the sale of goods and materials	25,512	22,439	-12%
Other operating revenue	171,153	25,444	-85%
Total operating revenue	3,280,551	3,213,774	-2%
Depreciation and amortization and impairment losses	337,922	470,290	39%
Consumption of materials and energy, including:	489,351	492,217	1%
Fuel consumption	135,252	114,230	-16%
Consumption of electricity, gas and water	301,063	300,069	0%
External services, including:	1,015,163	1,157,484	14%
Line access services from infrastructure managers	489,717	486,196	-1%
Taxes and charges	28,169	29,386	4%
Costs of employee benefits	1,058,305	1,105,746	4%
Other expenses by kind	36,921	39,076	6%
Cost of goods and materials sold	19,092	17,341	-9%
Other operating expenses	22,823	88,498	288%
Operating expenses	3,007,746	3,400,038	13%
EBITDA	610,727	284,026	-53%
Profit / (loss) on operating activities	272,805	-186,264	-168%
Financial revenue	9,455	1,011	-89%
Financial expenses	42,280	46,220	9%
Share in the profit of entities measured by the equity method	3,572	2,597	-27%
Result on the sale of shares in entities measured by the equity method	1,865	-	-
Profit / loss before tax	245,417	-228,876	-193%
Income tax	18,912	-28,627	-251%
Net profit / (loss)	226,505	-200,249	-188%
Net profit / (loss) attributable:			
to the owners of the parent company	226,648	-200,249	-188%
Non-controlling interests	-143	-	-
Other comprehensive income subject to reclassification in the financial result:	24,102	13,821	-43%
Effective portion of profits and losses related to a hedging instrument to hedge cash flow	510	4,538	790%
Income tax referring to the other comprehensive income line item	-97	-862	789%
Exchange differences resulting from conversion of financial statements of foreign operations	23,689	10,145	-57%
Other comprehensive income not subject to reclassification in the financial result:	53,764	-	-
Actuarial gains / (losses) on retirement and disability severance payments and other benefits after the term of employment	66,375	-	-
Income tax referring to the other comprehensive income line item	-12,611	-	-
TOTAL COMPREHENSIVE INCOME	304,371	-186,428	-161%

* Data restated according to Note 4 of the PKP CARGO Group's Interim Condensed Consolidated Financial Statements

Consolidated Statement of Financial Position

Assets [PLN 000s]	As at 30 September 2015*	As at 31 December 2015*	As at 30 September 2016
Property, plant and equipment	4,898,970	4,719,748	4,723,301
Intangible assets	67,519	66,437	57,421
Goodwill	2,712	-	-
Investment property	1,323	1,309	1,270
Investments accounted for under the equity method	38,952	39,831	40,325
Trade and other receivables	4,962	5,074	2,614
Other long-term financial assets	9,797	9,849	10,003
Other long-term non-financial assets	21,158	32,666	21,149
Deferred tax assets	60,301	104,587	121,088
Total non-current assets	5,105,694	4,979,501	4,977,171
Inventories	131,838	128,513	124,856
Trade and other receivables	748,740	664,321	651,111
Income tax receivables	3,806	2,748	2,831
Other short-term financial assets	6,545	4,046	6,975
Other short-term non-financial assets	39,973	13,281	23,536
Cash and cash equivalents	144,507	276,191	166,922
Non-current assets held for sale	65,340	44,061	6,000
Total current assets	1,140,749	1,133,161	976,231
Total assets	6,246,443	6,112,662	5,959,402

* Data restated according to Note 4 of the PKP CARGO Group's Interim Condensed Consolidated Financial Statements

Consolidated Statement of Financial Position

Equity and liabilities [PLN 000s]	As at 30 September 2015*	As at 31 December 2015*	As at 30 September 2016
Share capital	2,239,346	2,239,346	2,239,346
Supplementary capital	619,407	619,407	618,531
Other equity items	5,560	-2,779	897
Exchange differences resulting from conversion of financial statements of foreign operations	23,689	31,500	41,645
Retained earnings	661,486	466,392	267,019
Equity attributable to the owners of the parent company	3,549,488	3,353,866	3,167,438
Equity attributable to non-controlling interest	0	0	0
Equity	3,549,488	3,353,866	3,167,438
Long-term bank loans and credit facilities	463,166	460,577	769,780
Long-term finance lease liabilities and leases with purchase option	212,530	193,500	149,277
Long-term trade and other payables	36,367	25,953	4,039
Long-term provisions for employee benefits	556,910	603,621	593,495
Other long-term provisions	24,197	28,886	28,067
Other long-term financial liabilities	148,994	155,198	-
Provisions for deferred income tax	115,834	118,353	105,116
Non-current liabilities	1,557,998	1,586,088	1,649,774
Short-term bank loans and credit facilities	279,640	253,592	194,783
Short-term finance lease liabilities and leases with purchase option	73,983	65,416	67,115
Short-term trade and other payables	654,209	729,793	597,029
Short-term provisions for employee benefits	104,453	100,383	105,786
Other short-term provisions	18,652	17,856	16,171
Other short-term financial liabilities	5,317	2,174	160,197
Current tax liabilities	2,703	3,494	1,109
Current liabilities	1,138,957	1,172,708	1,142,190
Total liabilities	2,696,955	2,758,796	2,791,964
Total liabilities and equity	6,246,443	6,112,662	5,959,402

Consolidated Cash Flow Statement



[PLN 000s]	9M 2015*	9M 2016
Gross result For the financial year	245,417	-228,876
Adjustments:		
Depreciation of property, plant and equipment and amortization of intangible assets	337,579	434,875
Impairment of non-current assets	343	35,415
(Profit) / loss on the sale and liquidation of property, plant and equipment, intangible assets and non-current assets held for sale	1,038	-18
(Profit) / loss on investing activities	-	-
Foreign exchange (gains) / losses	-2,855	-616
(Profits) / losses on interest, dividends	17,220	22,617
Share in the (profit) / loss of entities measured by the equity method	-3,572	-2,597
Result on the sale of entities measured by the equity method	-1,865	-
Profit on bargain acquisition of AWT	-137,779	-
Other adjustments	67,277	5,247
Change in working capital:		
(Increase) / decrease in trade and other receivables	-50,697	13,450
(Increase) / decrease in inventories	17,526	5,333
(Increase) / decrease in other assets	-8,680	-12,309
Increase / (decrease) in trade and other liabilities	24,932	-129,761
Increase / (decrease) in other liabilities	6,032	2,825
Increase / (decrease) in provisions	-392,011	-7,228
Cash on operating activities	119,905	138,357
(Paid) / received interest	372	-809
(Paid) / received income tax	-9,245	-5,337
Net cash on operating activities	111,032	132,211

* Data restated according to Note 4 of the PKP CARGO Group's Interim Condensed Consolidated Financial Statements

Consolidated Cash Flow Statement



[PLN 000s]	9M 2015*	9M 2016
Expenditures to acquire property, plant and equipment and intangible assets	-424,458	-438,319
Proceeds on the transfer of property, plant and equipment, intangible assets and non-current assets designated for sale	2808	8235
Expenditures to acquire entities measured by the equity method	-1,613	-
Proceeds on the sale of entities measured by the equity method	2,000	-
Expenditures to acquire other financial assets	-	-111
Acquisition of a subsidiary, after deducting the acquired cash	-325,956	-
Proceeds from interest received	6,309	666
Proceeds from dividends received	1192	1768
Expenditures on extended loans	-	-131
Repayment of extended loans	90	-
Proceeds on bank term deposits longer than 3 months	299,836	1152
Other cash flow from investing activities	3,469	-
Net cash (used) / from investing activities	-436,323	-426,740
Expenditures on financial leases	-108,013	-48,294
Interest paid on leases	-6,871	-6,635
Proceeds from drawn down loans/ credit facilities	398,268	468,055
Repayment of loans/ credit facilities	-81,047	-218,874
Interest paid on loans / credit facilities	-10,953	-12,760
Subsidies received	2,833	5407
Dividends paid to the owners of the parent company	-110,176	-
Transactions with non-controlling interests	-40,000	-
Other proceeds / (expenditures) concerning financing activities	-5,324	-3,173
Net cash (used) / generated in connection with financing activities	38,717	183,726
Net increase / (decrease) in cash and cash equivalents	-286,574	-110,803
Cash and cash equivalents at the beginning of the reporting period	429,178	276,191
Impact exerted by FX rate movements on the cash balance in foreign currencies	1,903	1,534
Cash and cash equivalents at the end of the reporting period	144,507	166,922

* Data restated according to Note 4 of the PKP CARGO Group's Interim Condensed Consolidated Financial Statements

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