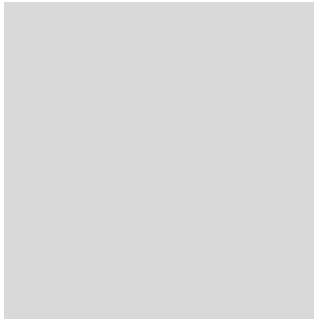
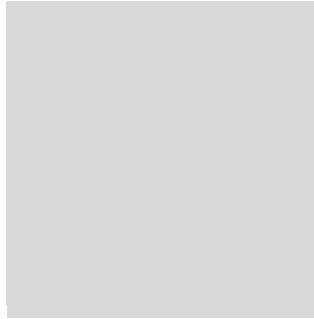
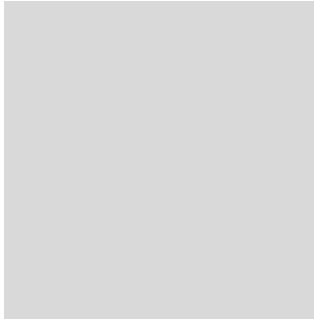


PKP CARGO Group



Corporate presentation
March 2017

PKP CARGO Group's 2016 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
Q4	52.0% measured by freight turnover (-3.6 p.p. yoy)	PLN 216 million profitability of 18.0%	PLN 101 million
	REVENUES	NET PROFIT	OPEX
12M	PLN 4,411 million	PLN - 41 million	PLN 4,437 million
Q4	PLN 1,197 million	PLN 75 million	PLN 1,133 million

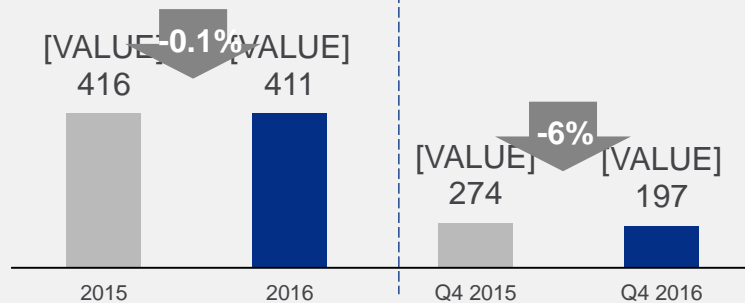
* Adjusted in accordance with item 5.2.1 of the Management Board's Report on the Activity of the PKP CARGO Group for the financial year 2016 and chapter 5.1.1 of Other Information to the Consolidated Quarterly Report for Q3 2016, calculated as the difference between adjusted figures for 2016 and adjusted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

Adjusted financial results*

– costs under control

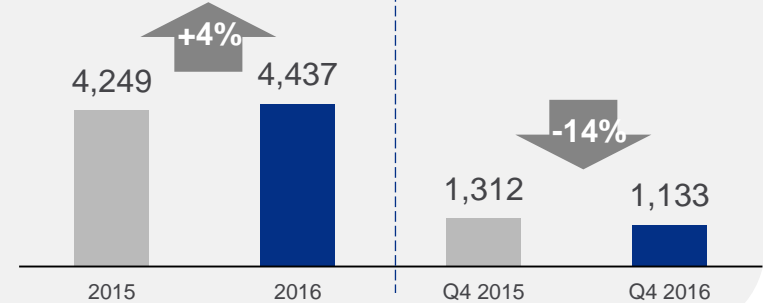
Operating revenues

PLN million



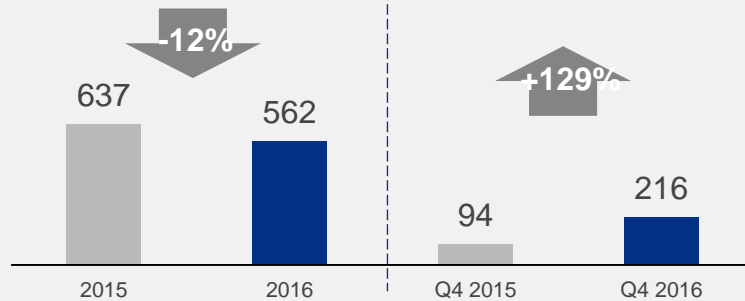
Operating expenses

PLN million



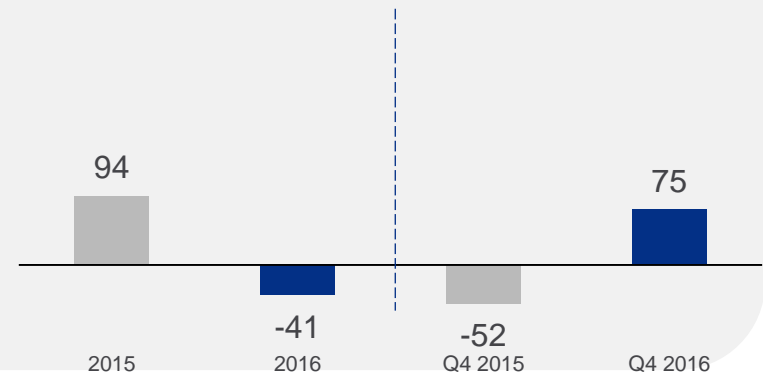
EBITDA

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 of 2016



PKP CARGO Group's enormous potential

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.

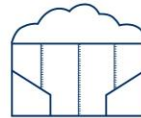
containers transported
by PKP Cargo in 2016

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

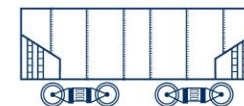
over **60** operated across
the country and abroad



Rolling stock

over **2 thous.** locomotives

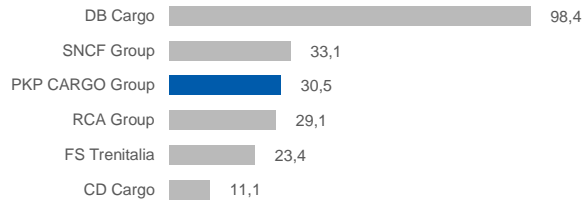
over **60 thous.** wagons



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

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

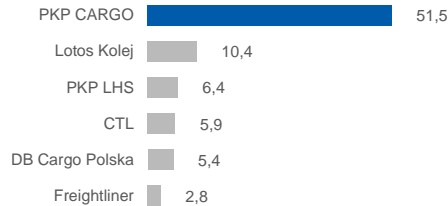
Main EU rail freight operators by freight turnover (2015)
Bn tkm



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

PKP CARGO is the leading rail freight operator in Poland

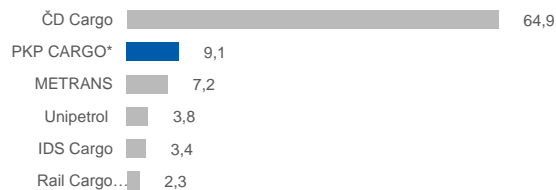
Main Polish rail freight operators by market share (9m'16)
% tkm



Source: Office of Rail Transportation (UTK)

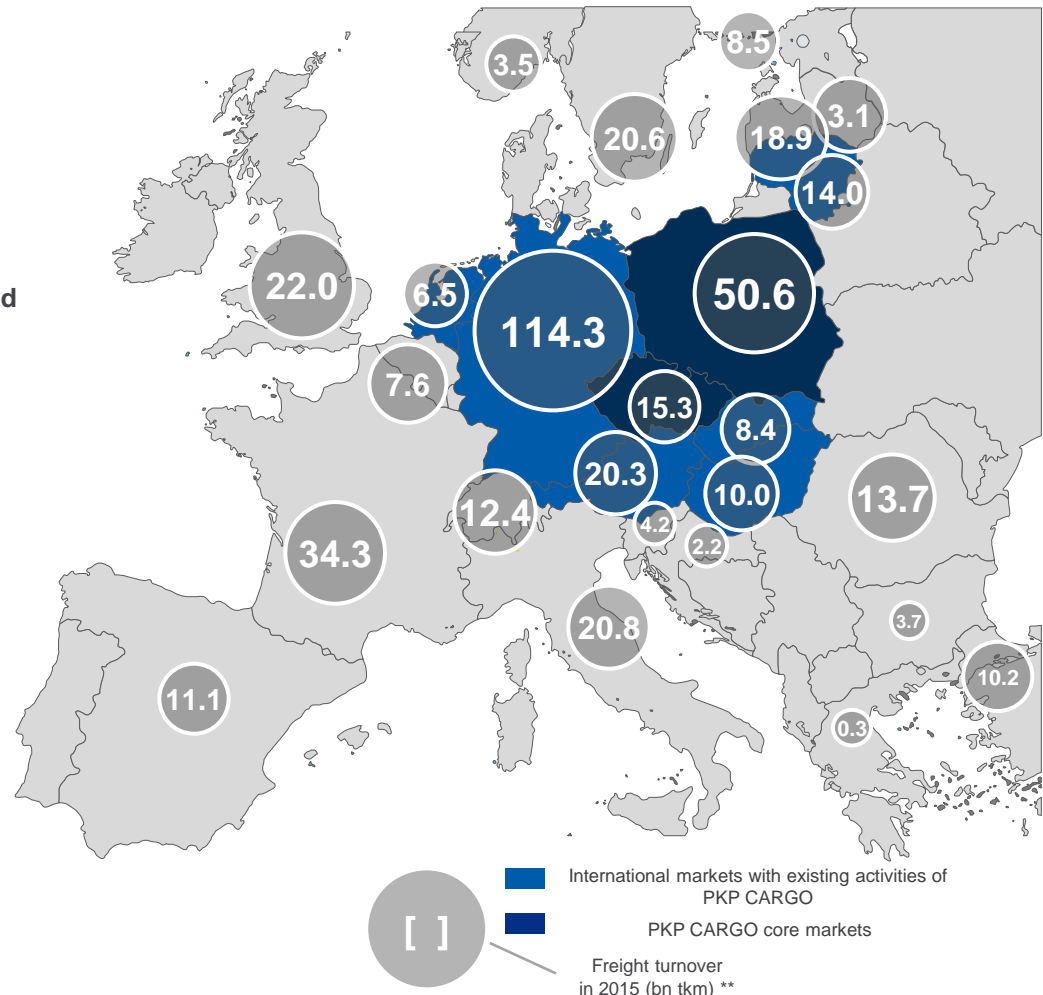
PKP CARGO is the second largest rail freight operator in the Czech Republic

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



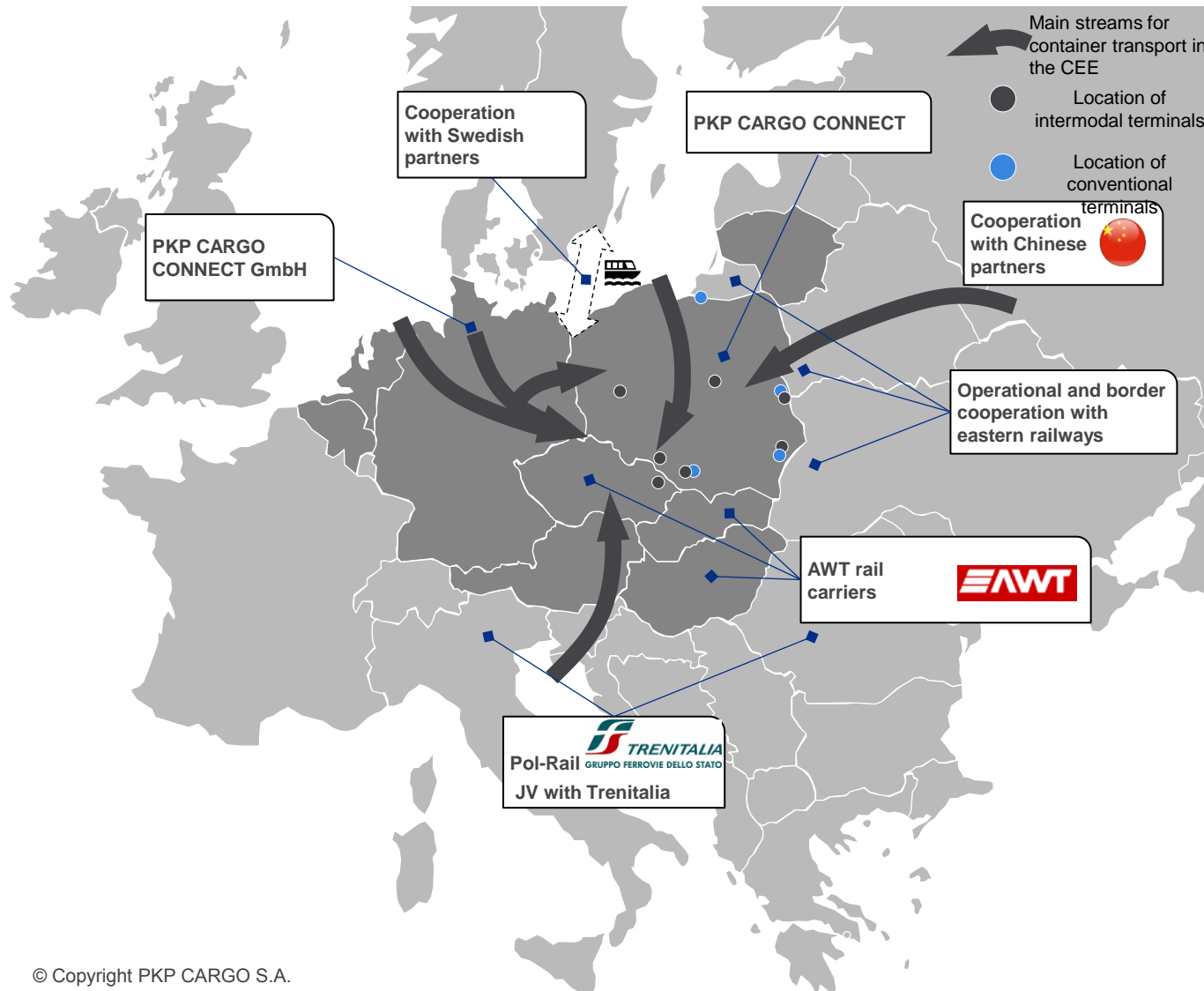
Source: SZDC

...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

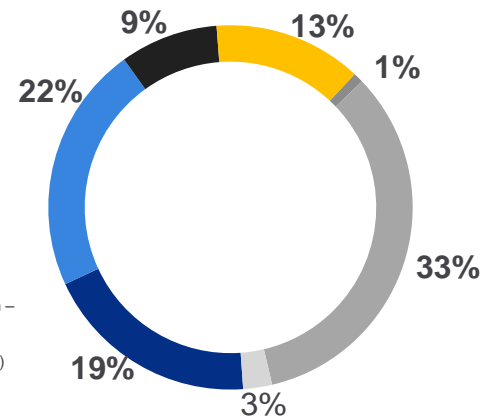


+132% UTI

Mix of launched connections

freight turnover data for 2016

- Suzhou – Warszawa Praga
- Chengdu – Łódź Olechów
- Zhengzhou – Hamburg Billwerder
- Zhengzhou/Erlian – 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



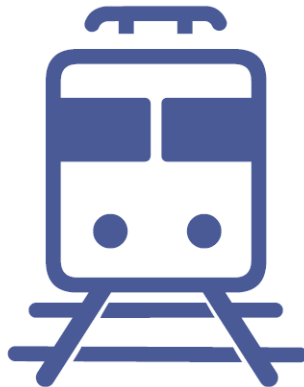
Aggregates



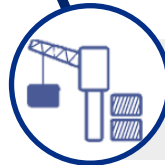
Metals



Intermodal



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



Terminals – conventional and intermodal



Rolling stock – maintenance, repair, rental

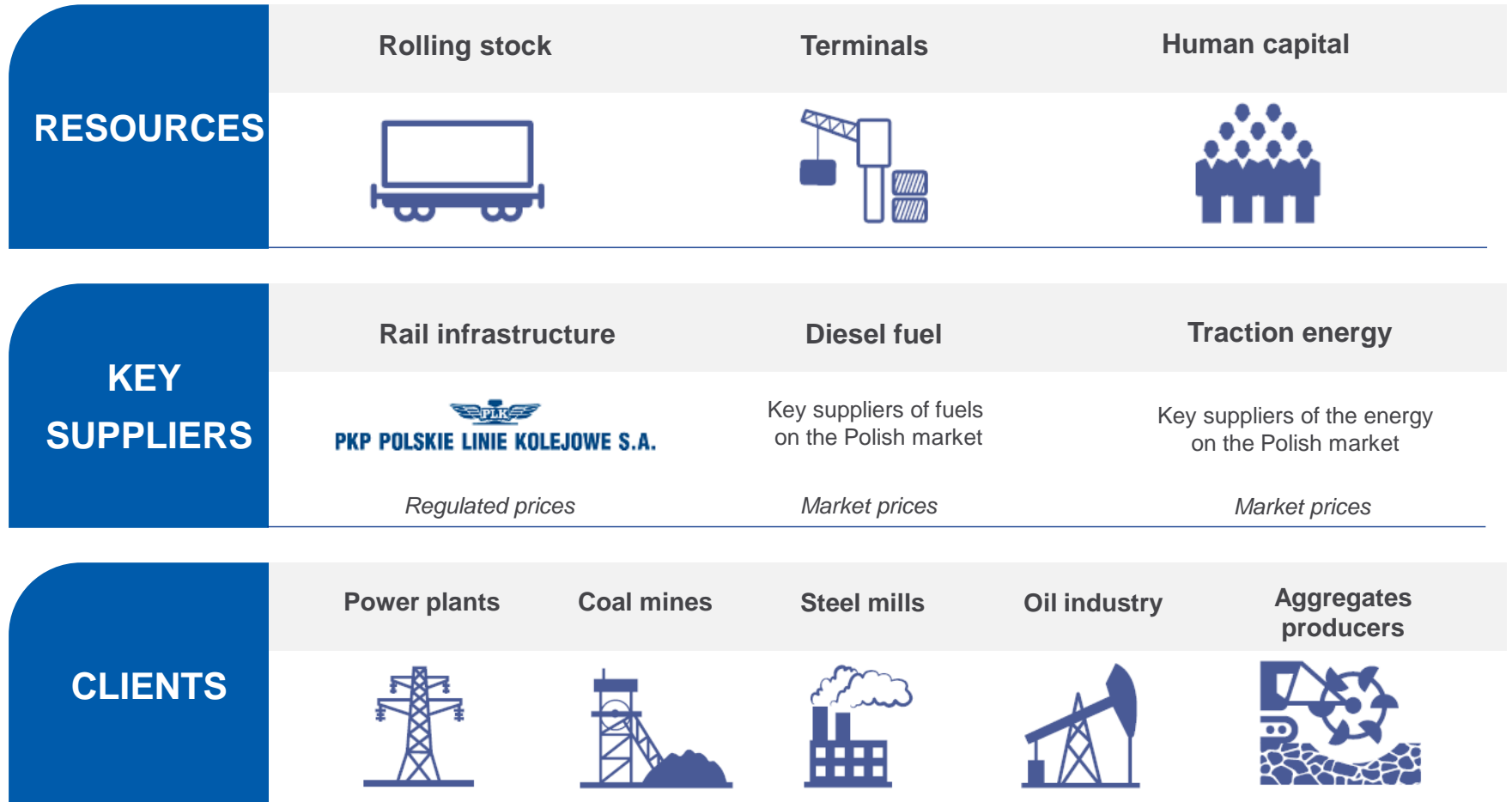


Sidings – formation of trains, rail traffic management on sidings



Land reclamation – revitalisation of post industrial premises

PKP CARGO's business model

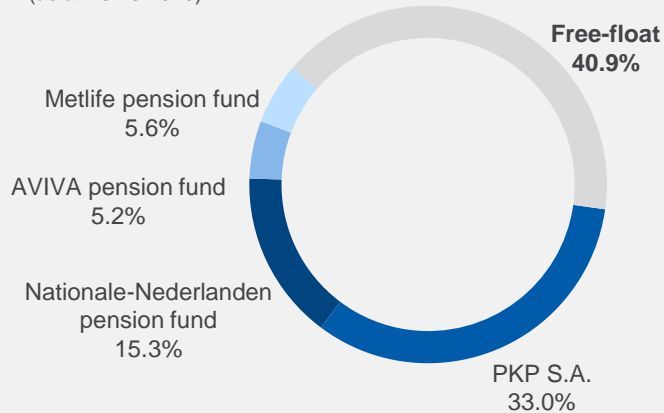


PKP CARGO's first 3 years on the Warsaw Stock Exchange

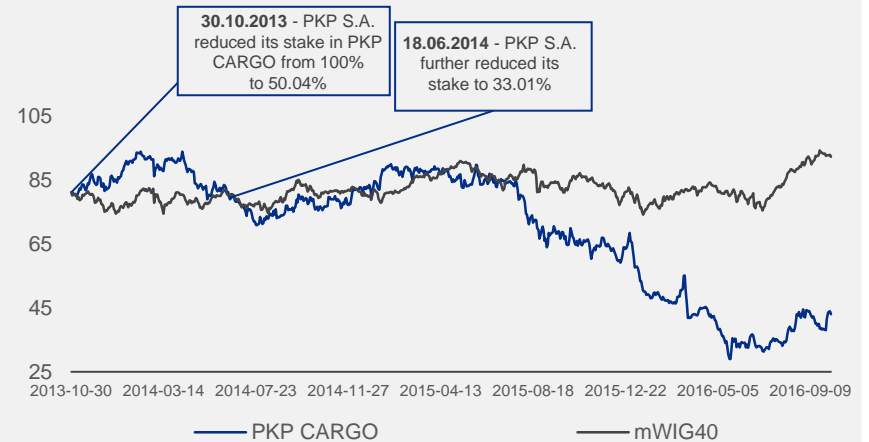
Liquid mid-cap stock with broad analytical coverage

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

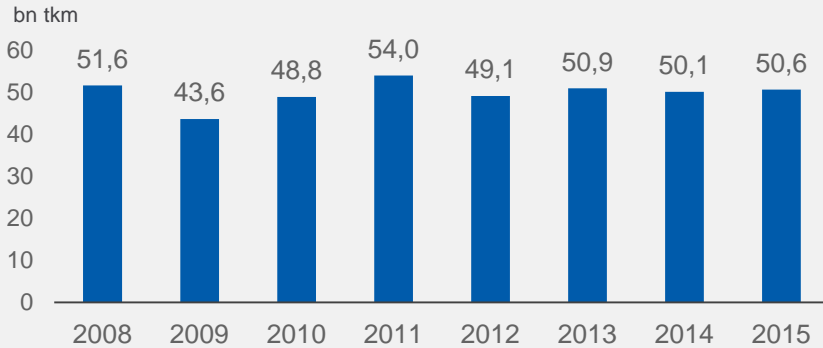
Market overview

Key accomplishments of 2016



Poland – Stable market based on bulk commodities

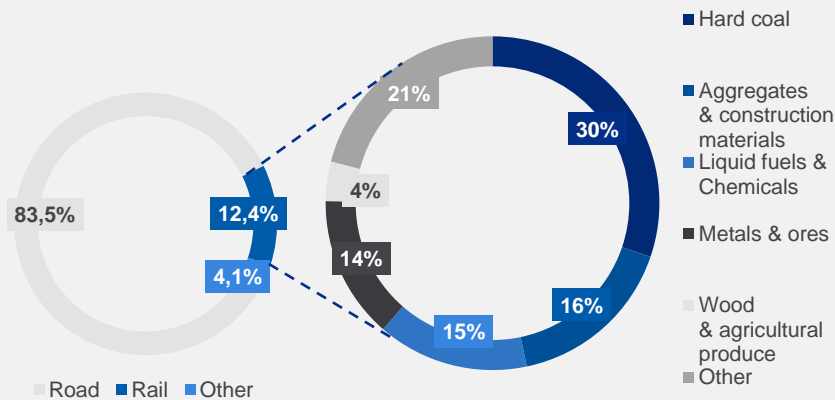
Rail freight transport market by freight turnover



Source: UTK

Rail freight transport market structure by cargo group

by 2015 freight turnover

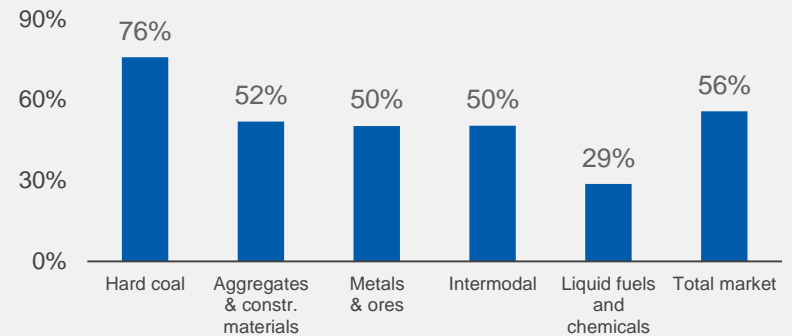


Source: Poland's Central Statistical Office (GUS), UTK

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PKP CARGO's market share by commodity segments

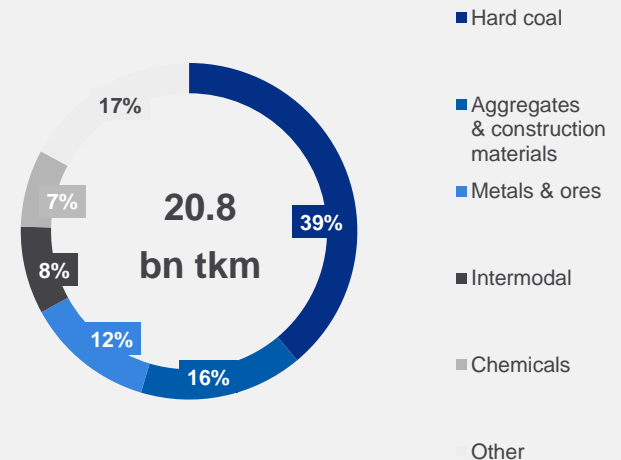
by 2015 freight turnover



Source: UTK, PKP CARGO

Types of goods transported by PKP CARGO

by 9m'2016 freight turnover

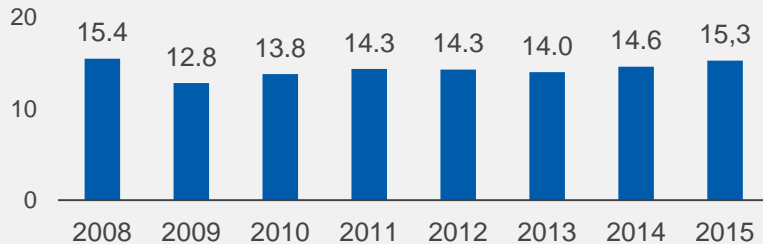


Source: PKP CARGO

Czech Rep. – Stable volume growth since 2009

Rail freight transport market by freight turnover

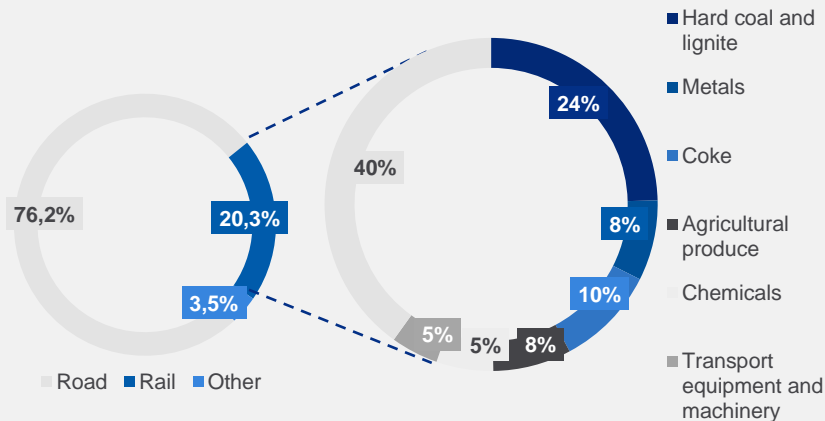
bn tkm



Source: Eurostat

Rail freight transport market structure by cargo group

by 2015 freight turnover

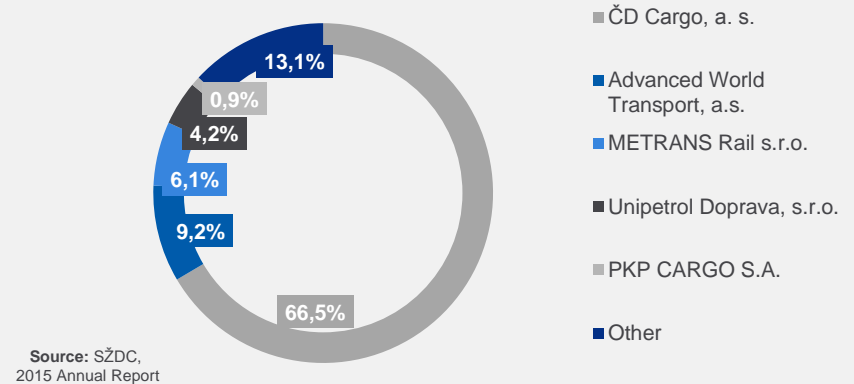


Source: Czech Statistical Office (ČSÚ), Eurostat

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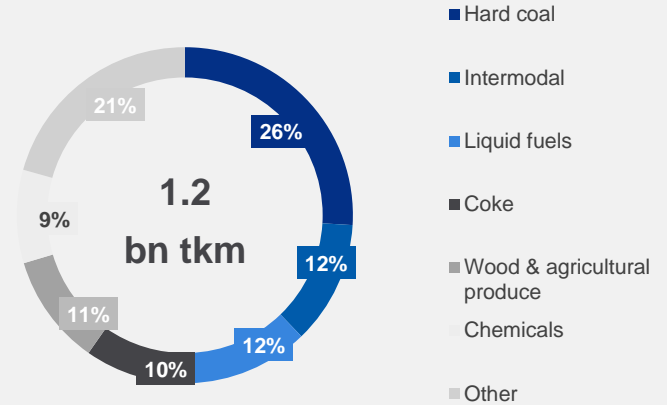
AWT's market share

by 2015 freight turnover



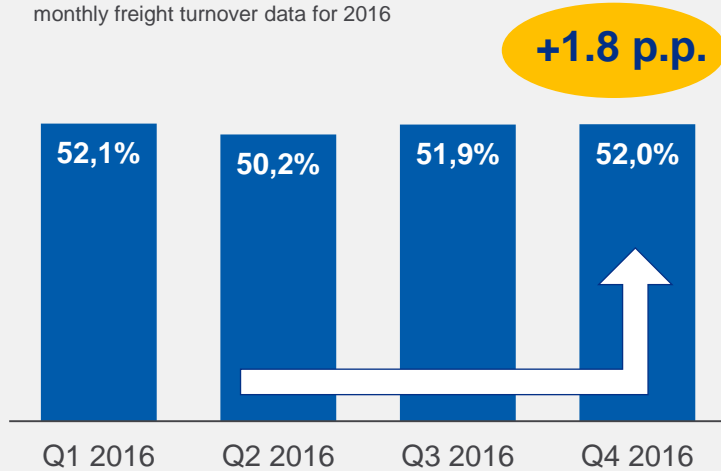
Types of goods transported by AWT

by 9m'2016 freight turnover

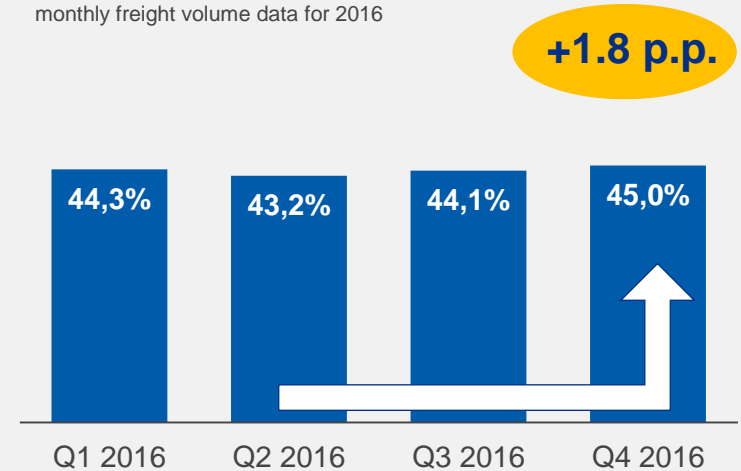


PKP CARGO Group's position

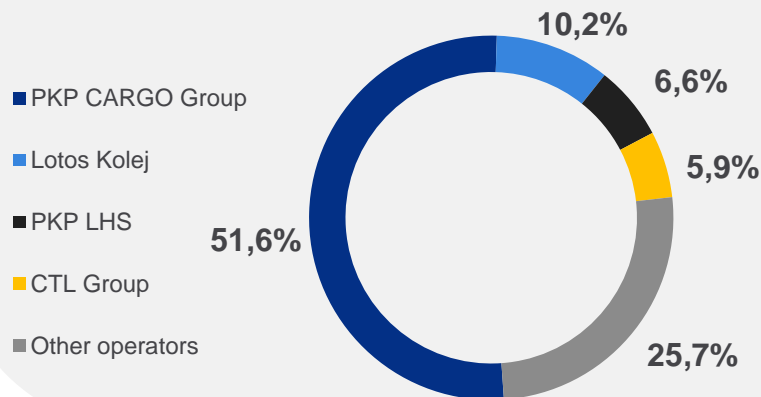
PKP CARGO Group's share of the Polish market
monthly freight turnover data for 2016



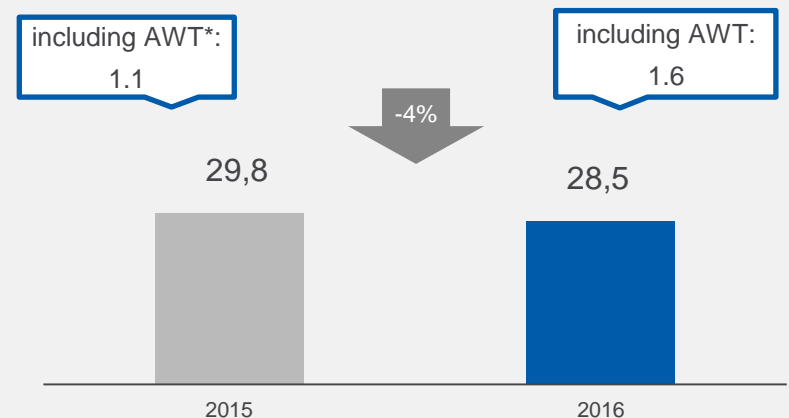
PKP CARGO Group's share of the Polish market
monthly freight volume data for 2016



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



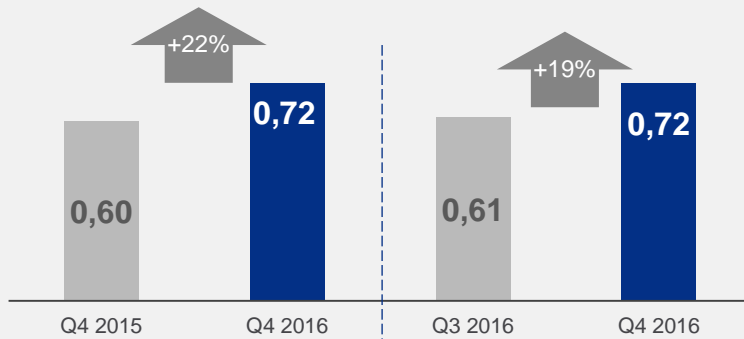
PKP CARGO Group's freight transport
freight turnover data for 2016, billion tkm



Major markets – a strong fourth quarter

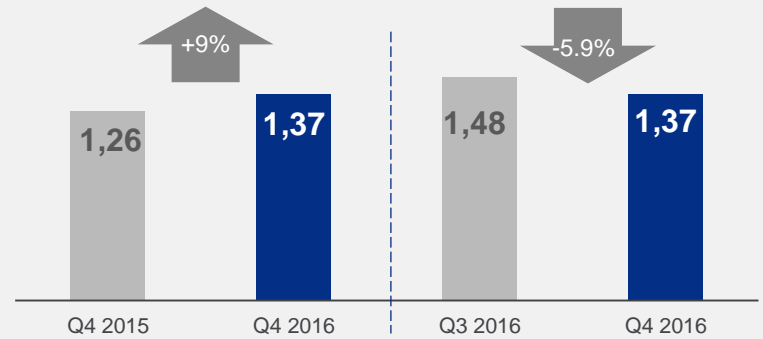
Intermodal

freight turnover, billion tkm



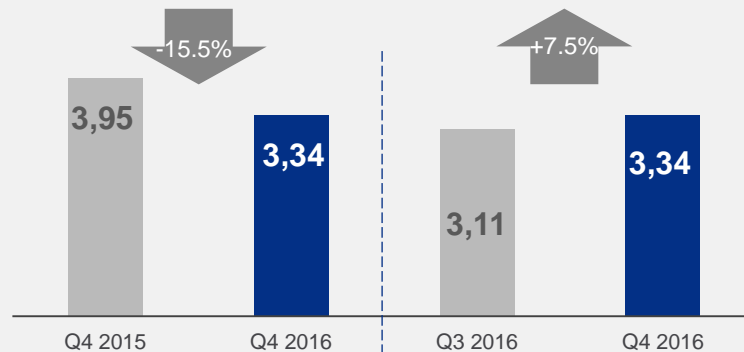
Aggregates and construction materials

freight turnover, billion tkm



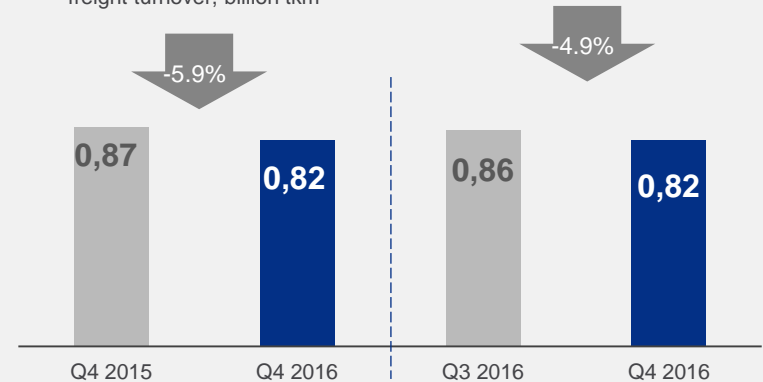
Hard coal

freight turnover, billion tkm



Ore and metals

freight turnover, billion tkm

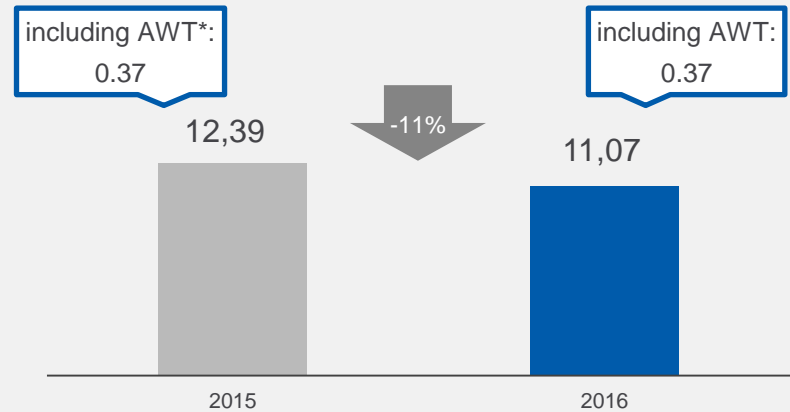


Key events in 2016

- ▶ 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

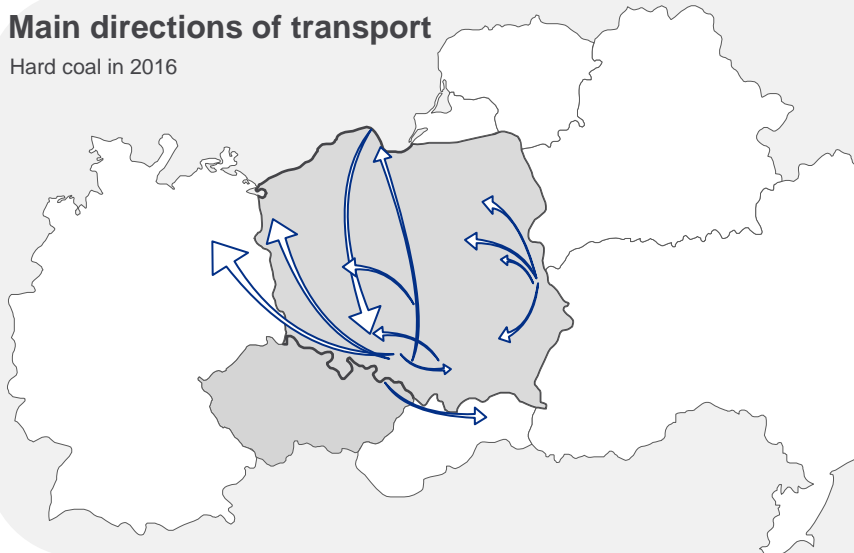
Hard coal

freight turnover, billion tkm



Main directions of transport

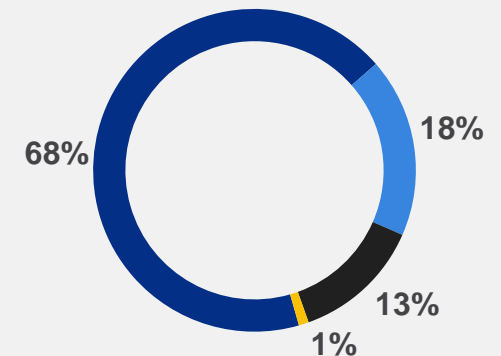
Hard coal in 2016



PKP CARGO Group's freight turnover mix in Poland

by types of transportation (freight turnover) in 2016

- Domestic freight
- Exports
- Imports
- Transit

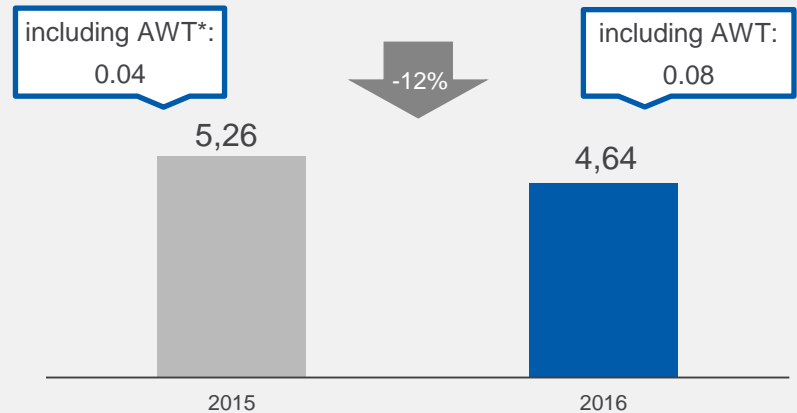


Key events in 2016

- ▶ 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)

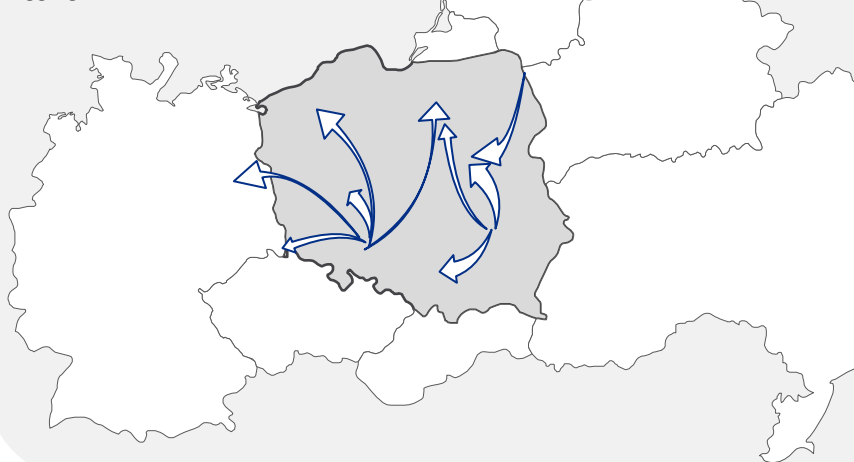
Aggregates and construction materials

freight turnover, billion tkm



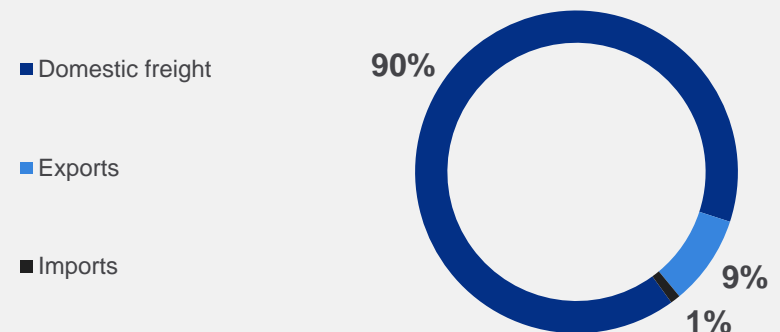
Main directions of transport

Aggregates and construction materials in 2016



PKP CARGO Group's freight turnover mix in Poland

by types of transportation (freight turnover) in 2016

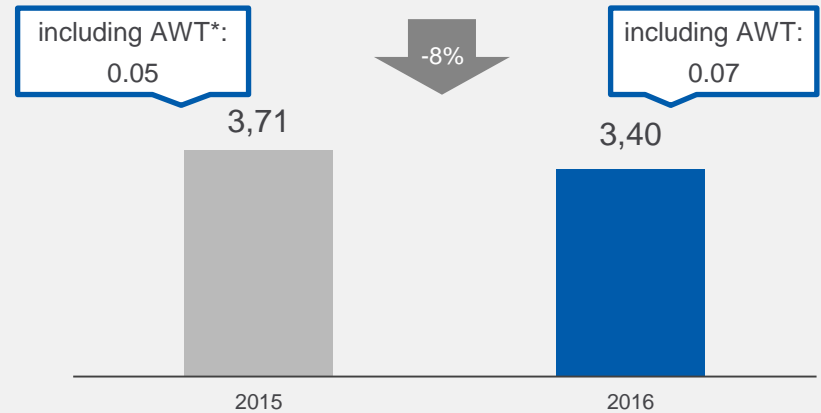


Key events in 2016

- ▶ 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

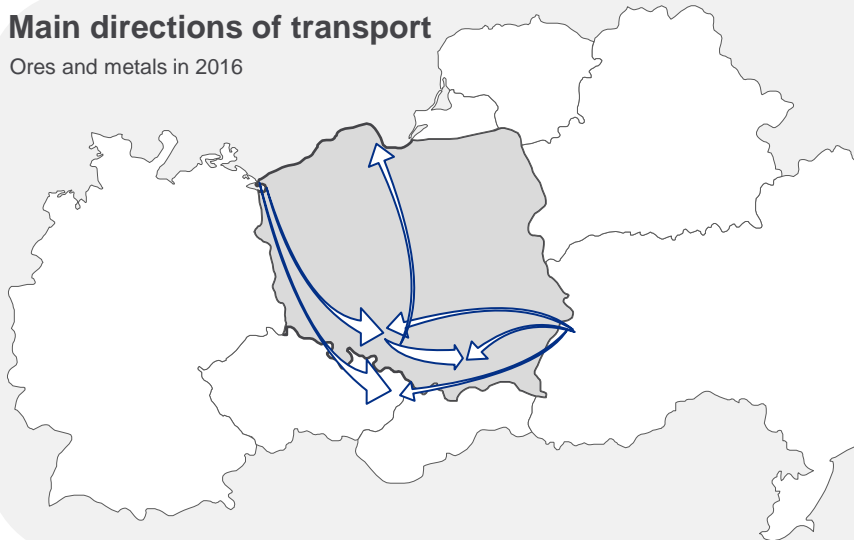
Ore and metals

freight turnover, billion tkm



Main directions of transport

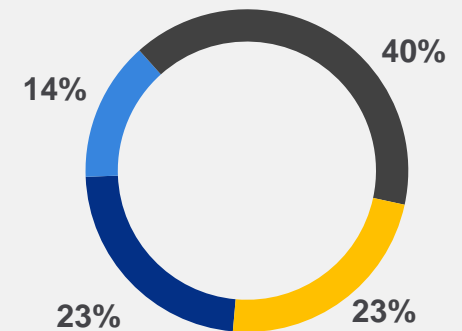
Ores and metals in 2016



PKP CARGO Group's freight turnover mix in Poland

by types of transportation (freight turnover) in 2016

- Domestic freight
- Exports
- Imports
- Transit

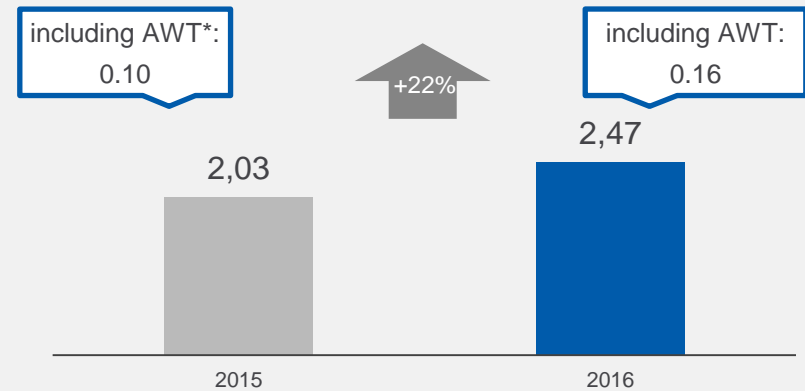


Key events in 2016

- ▶ 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

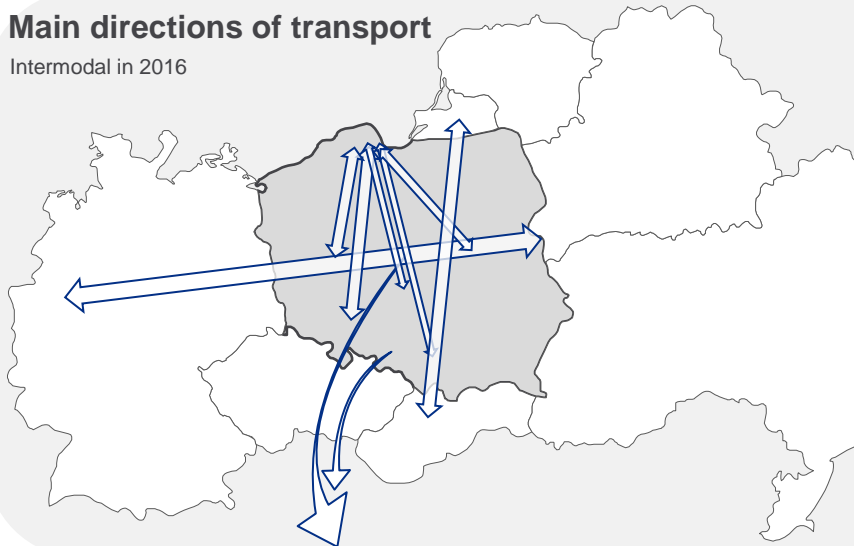
Intermodal

freight turnover, billion tkm



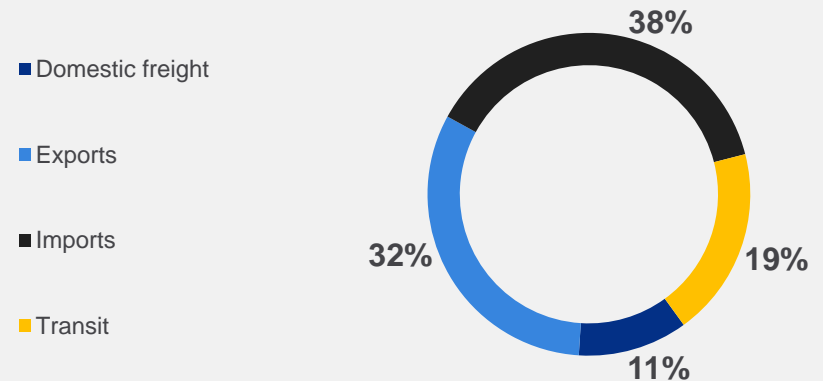
Main directions of transport

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


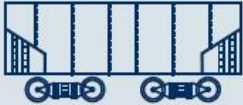








|| Market overview

|| Key accomplishments of 2016

PKP cargo
LOGISTICS

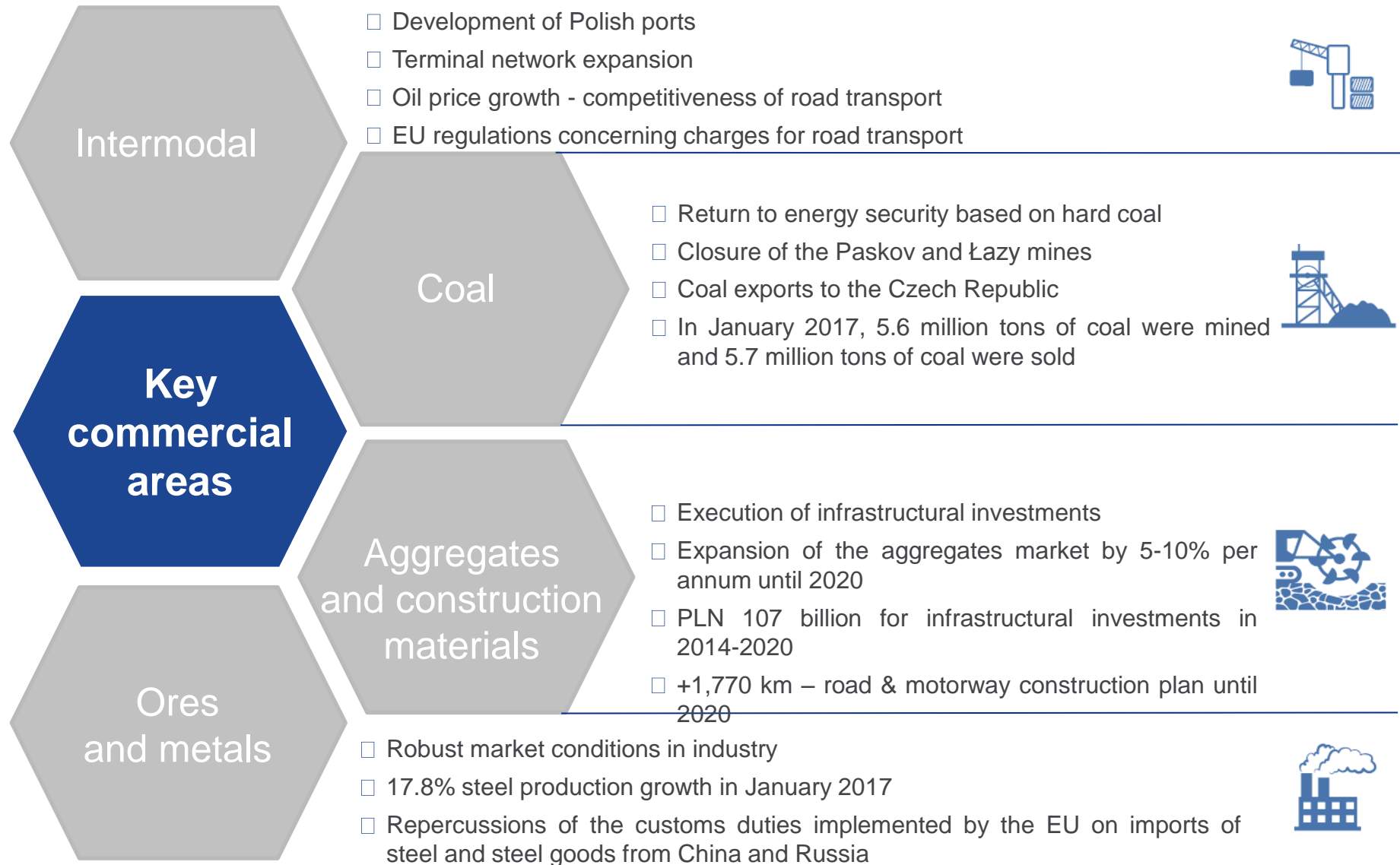


Major achievements of 2016

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

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%
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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