



# PKP CARGO Group H1 2017



# AGENDA

Recap of interim results

Key achievements in H1 2017

Commercial results

Financial results

Outlook



# PKP CARGO Group's strong performance in H1 2017\*

	✓	✓	✓
	<b>MARKET SHARE</b>	<b>EBITDA</b>	<b>CAPITAL EXPENDITURES (CAPEX)</b>
<b>6M</b>	<b>52.7%</b> measured by freight turnover (+1.6 p.p. yoy)	<b>PLN 333 million</b> +72% yoy profitability of 14.7%	<b>PLN 201 million</b> -25% yoy
<b>Q2</b>	<b>53.0%</b> measured by freight turnover (+2.8 p.p. yoy)	<b>PLN 186 million</b> +65% yoy profitability of 15.9%	<b>PLN 114 million</b> +38% yoy
	<b>OPERATING REVENUE</b>	<b>NET RESULT</b>	<b>OPERATING EXPENSES</b>
<b>6M</b>	<b>PLN 2,267 million</b> +6.8% yoy	<b>PLN 19 million</b> PLN +135 million yoy	<b>PLN 2,222 million</b> +0.1% yoy
<b>Q2</b>	<b>PLN 1,167 million</b> +7.2% yoy	<b>PLN 21 million</b> PLN +70 million yoy	<b>PLN 1,125 million</b> +0.2% yoy

\* Adjusted H1 2016 results in accordance with item 5.3.1 of the Management Board's Report on the Activity of the PKP CARGO Group for H1 2017.



# AGENDA

Recap of interim results

Key achievements in H1 2017

Commercial results

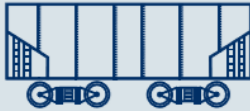
Financial results

Outlook



# 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**





# AGENDA

- || Recap of quarterly results
- || Key achievements in H1 2017
- || Commercial results

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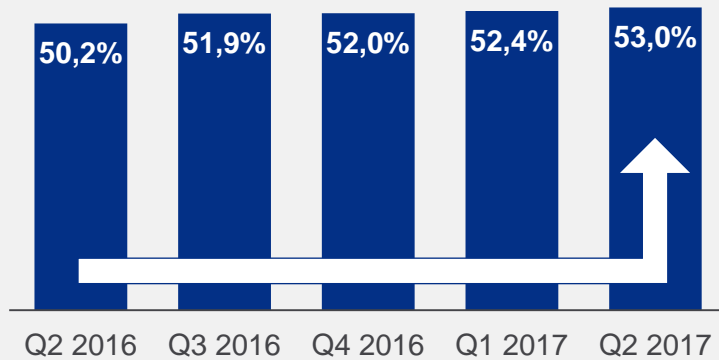
- || Financial results
- || Outlook



# Strengthening of the PKP CARGO Group's position

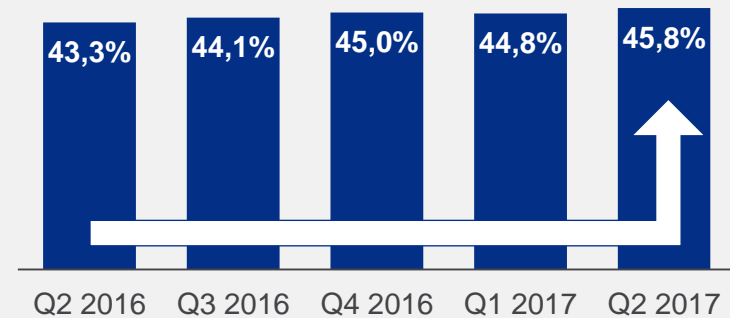
**PKP CARGO Group's share of the Polish market**  
by freight turnover

**+2.8 p.p.**

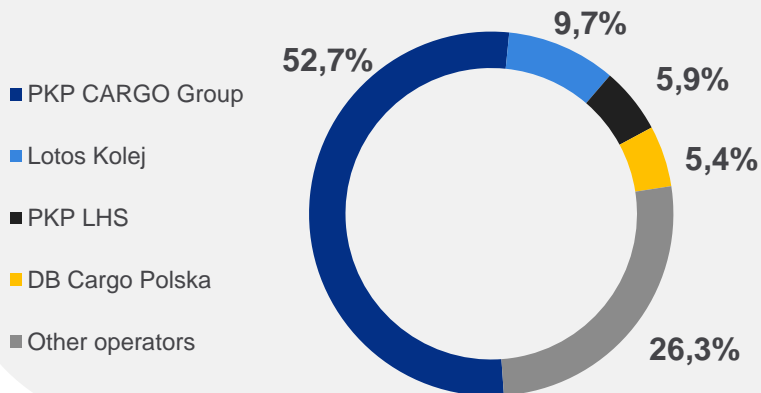


**PKP CARGO Group's share of the Polish market**  
by freight volume

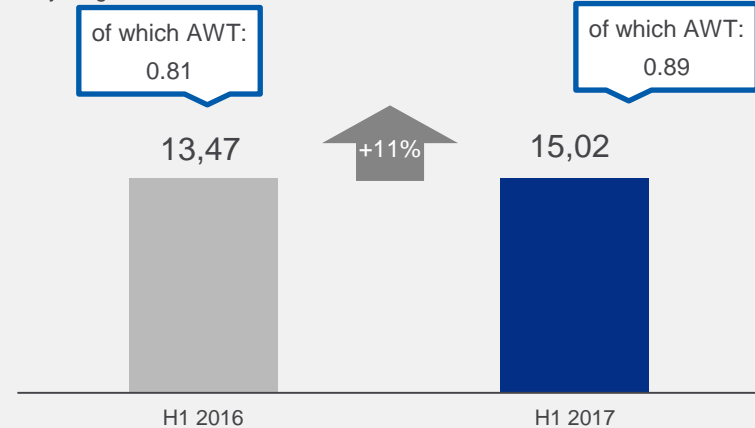
**+2.5 p.p.**



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



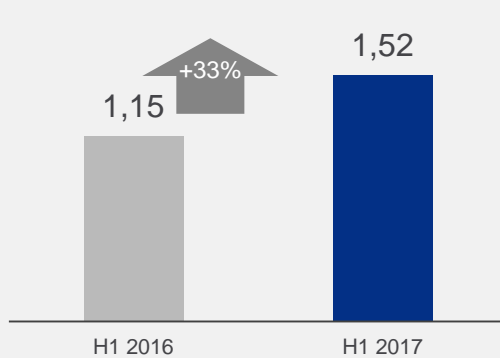
**PKP CARGO Group's freight transport**  
by freight turnover, billion tkm



# Positive developments on major markets

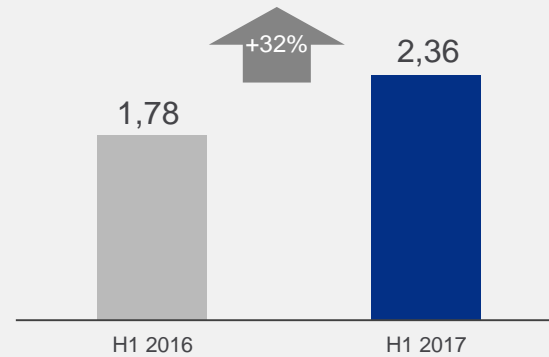
## Intermodal

Freight turnover, billion tkm



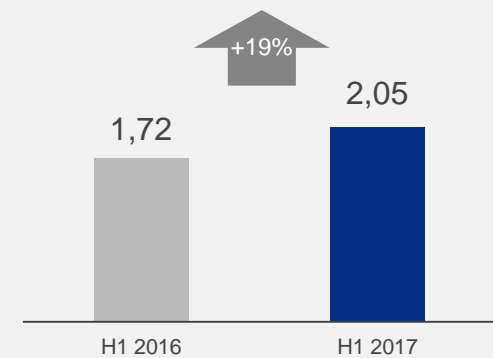
## Aggregates and construction materials

Freight turnover, billion tkm



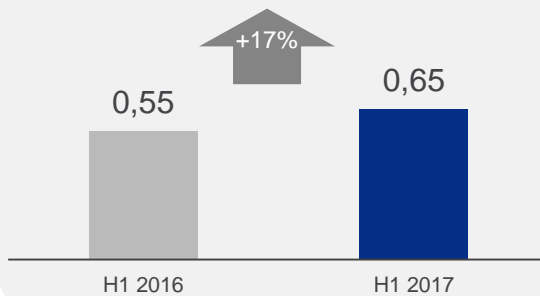
## Metals and ores

Freight turnover, billion tkm



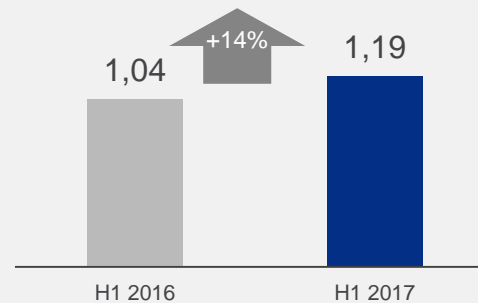
## Liquid fuels

Freight turnover, billion tkm



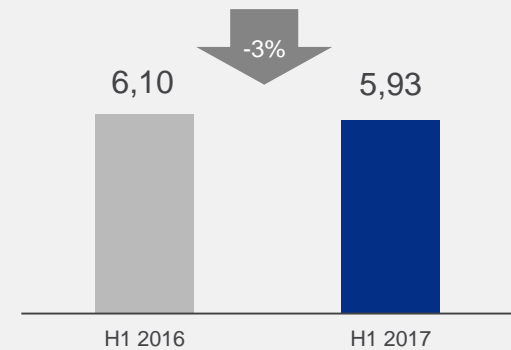
## Chemicals

Freight turnover, billion tkm



## Solid fuels\*

Freight turnover, billion tkm



\* hard coal, coke, lignite

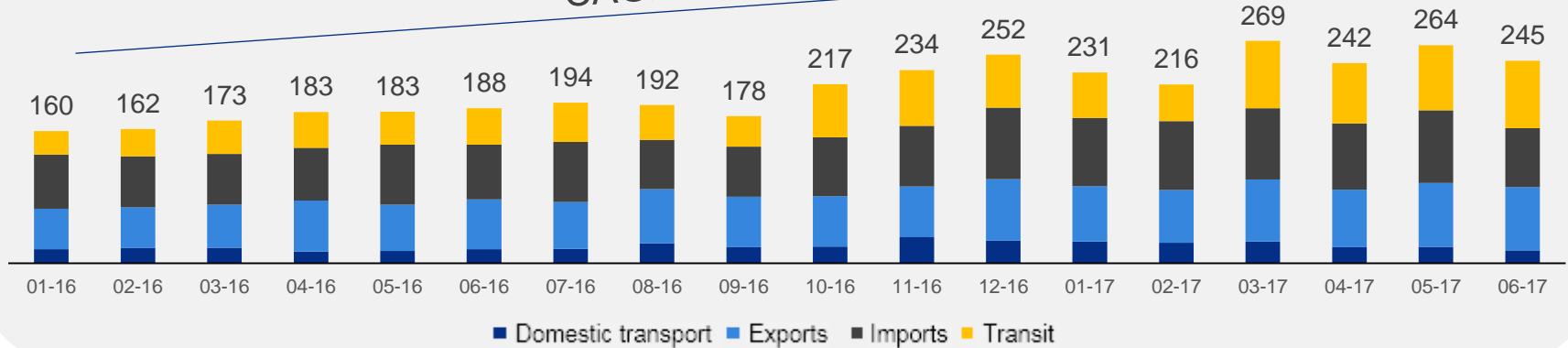


# Strong growth internationally

## PKP CARGO Group's intermodal transport

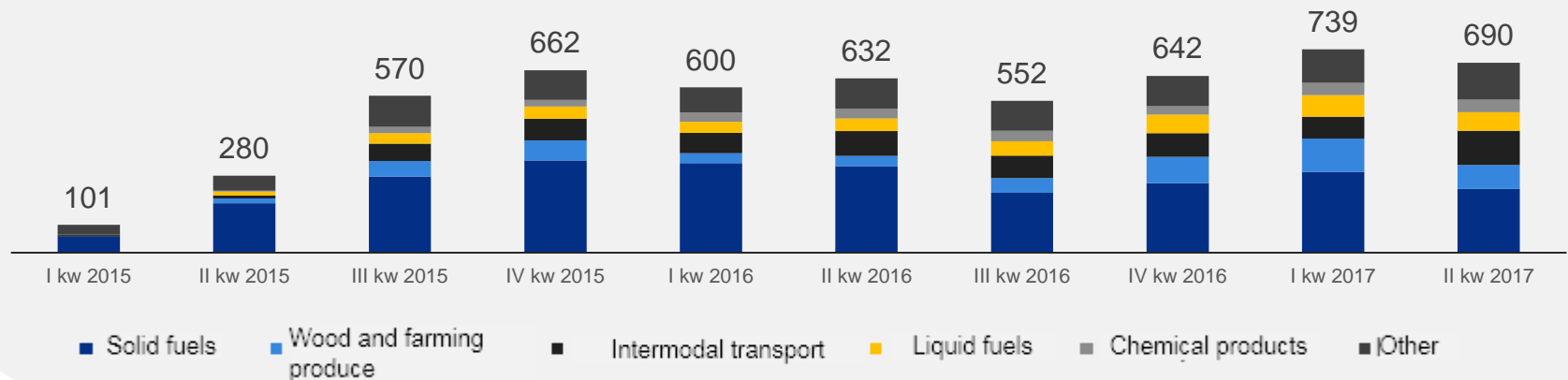
freight turnover (million tkm) net of the AWT Group

CAGR: 2.5% CAGR: Transit 6.5%



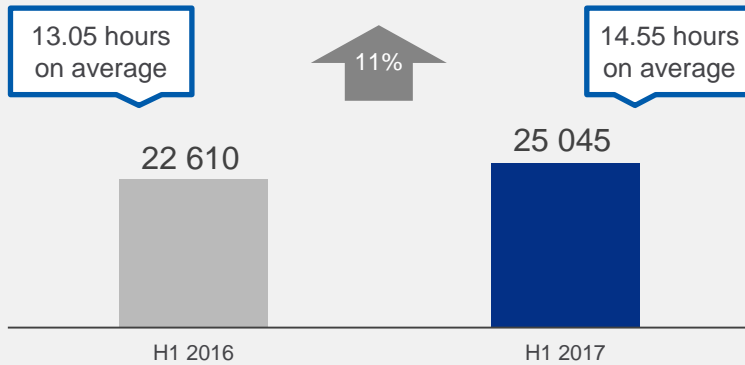
## PKP CARGO Group's international transport

freight turnover, million tkm

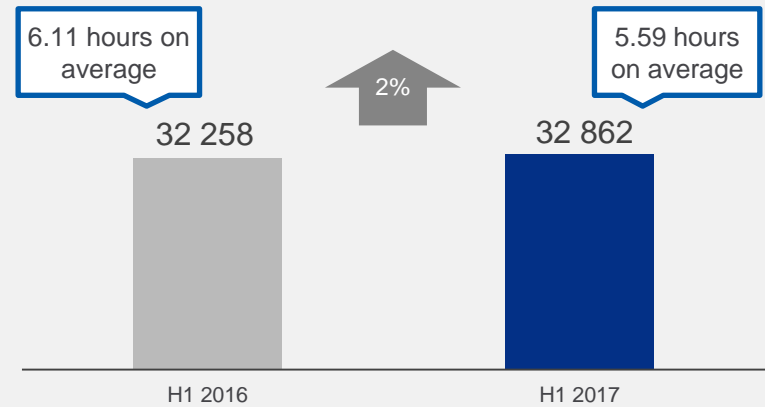


# Closures on the railway network

## Number of scheduled closures



## Number of unscheduled closures



## Key upgraded lines

Line 3



Line 7



Line 133



Line 201

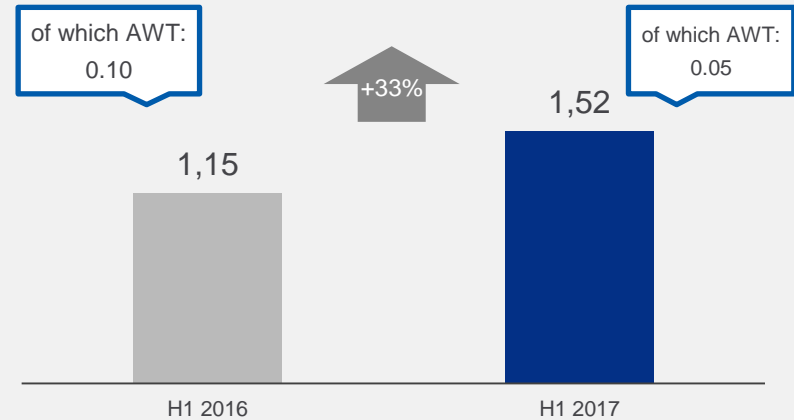


## Key events in H1 2017

- ▶ 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

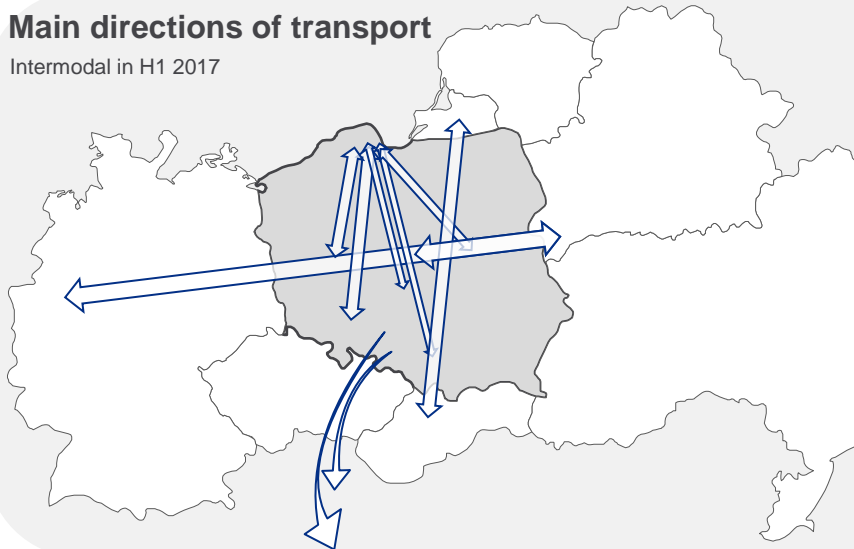
## Intermodal

freight turnover, billion tkm



## Main directions of transport

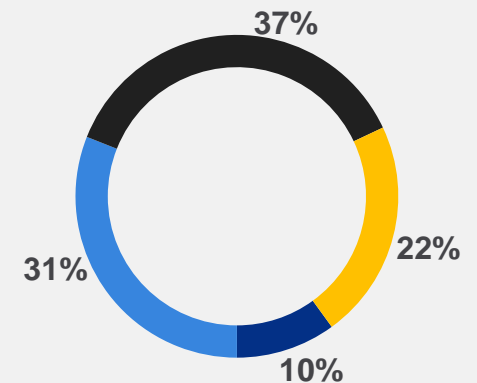
Intermodal in H1 2017



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

by type of transportation (freight turnover) in H1 2017

- Domestic transport
- Exports
- Imports
- Transit

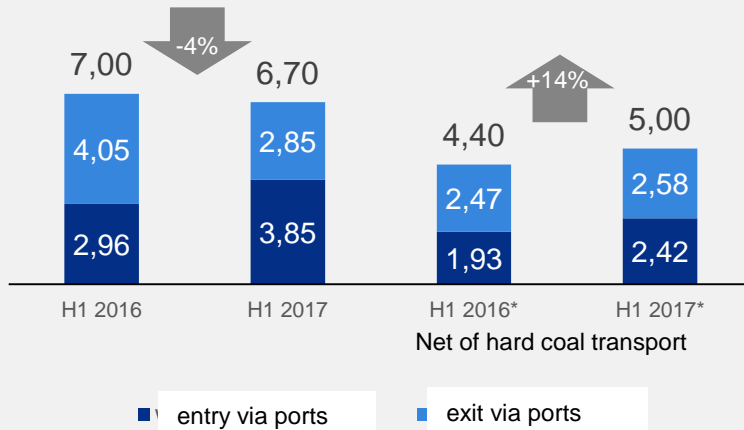




# PKP CARGO Group's freight transport via Polish ports

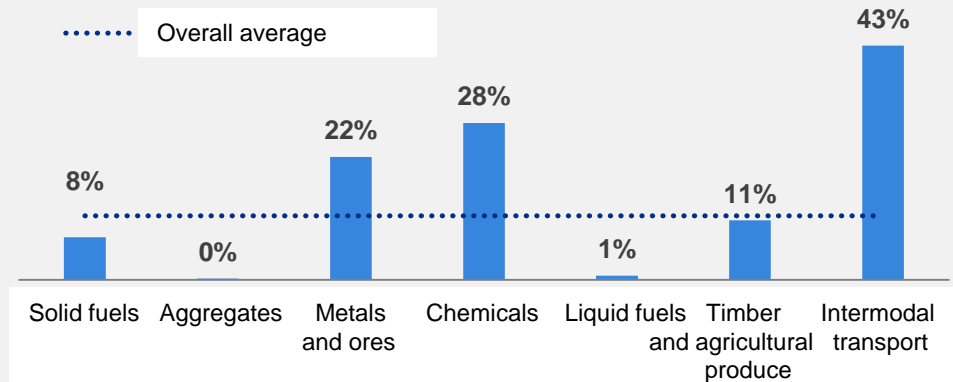
## Freight transport via Polish ports

million tons



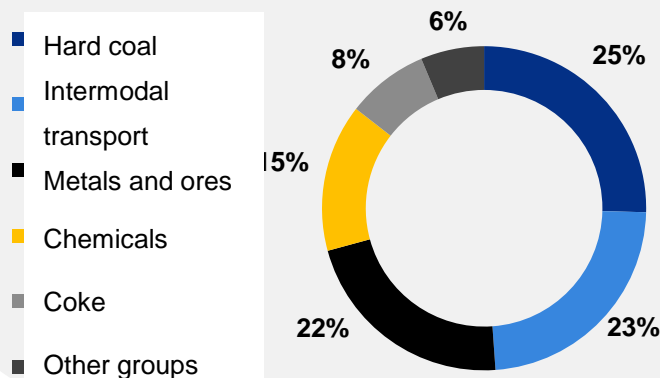
## Share of freight transport via Polish ports

in the PKP CARGO Group's freight transport in H1 2017 by freight volume



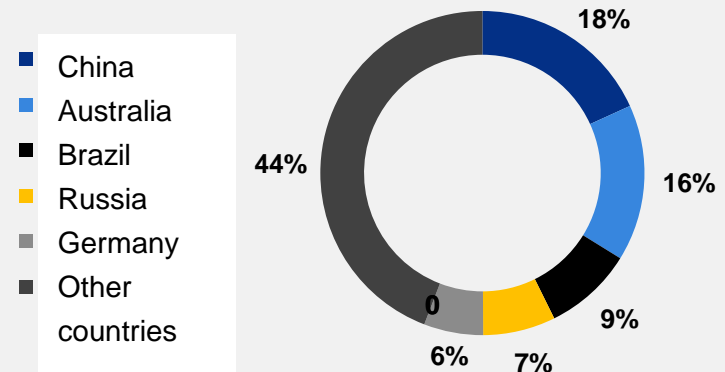
## Structure of the PKP CARGO Group's freight transport via Polish ports by cargo category

data for H1 2017 by freight volume, entry and exit through the ports



## Freight transport via Polish ports

Freight volume

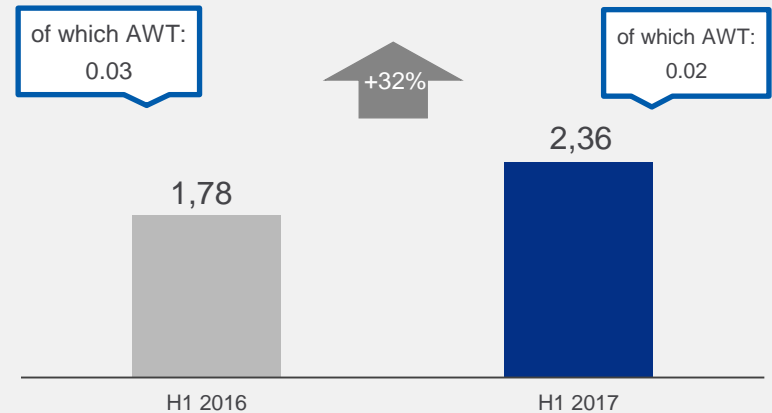


## Key events in H1 2017

- ▶ 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

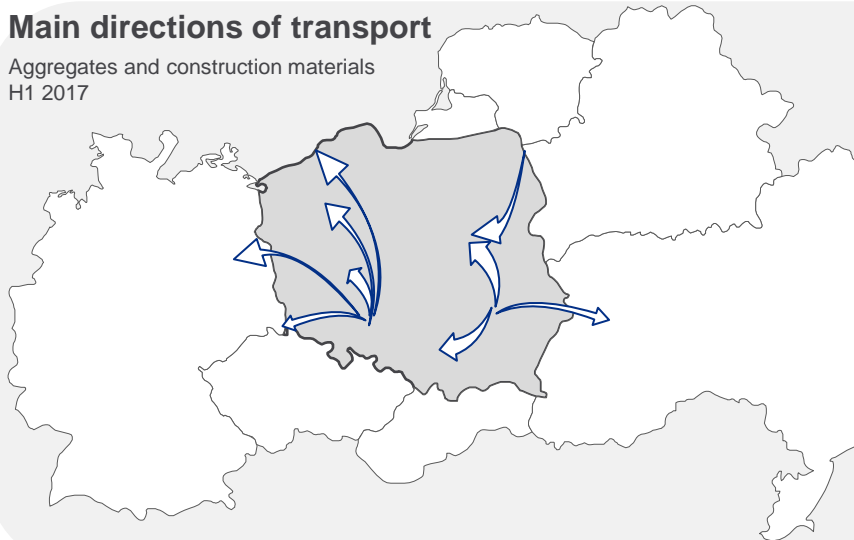
## Aggregates and construction materials

freight turnover, billion tkm



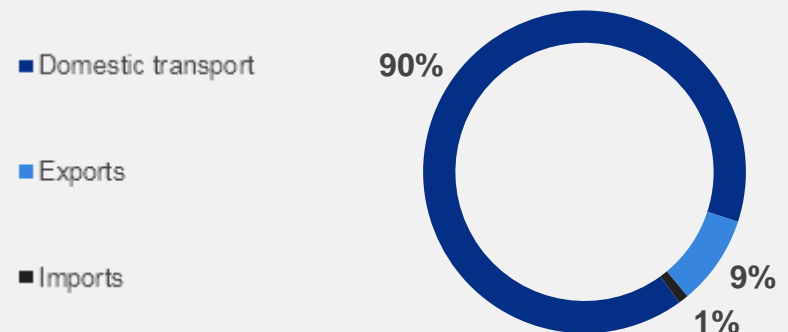
## Main directions of transport

Aggregates and construction materials  
H1 2017



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

by types of transportation (freight turnover) in H1 2017

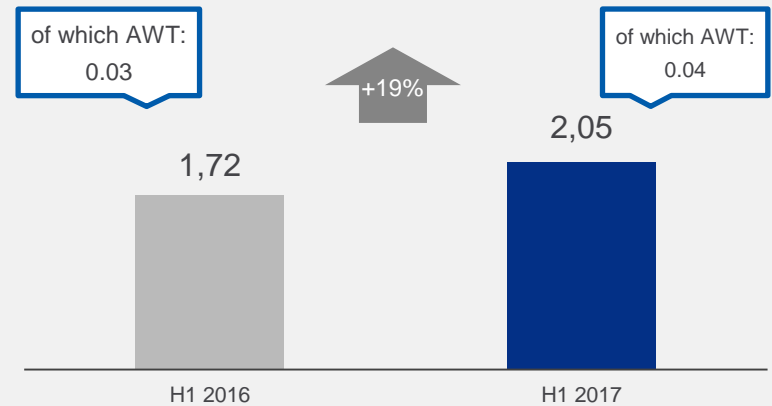


## Key events in H1 2017

- ▶ 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)

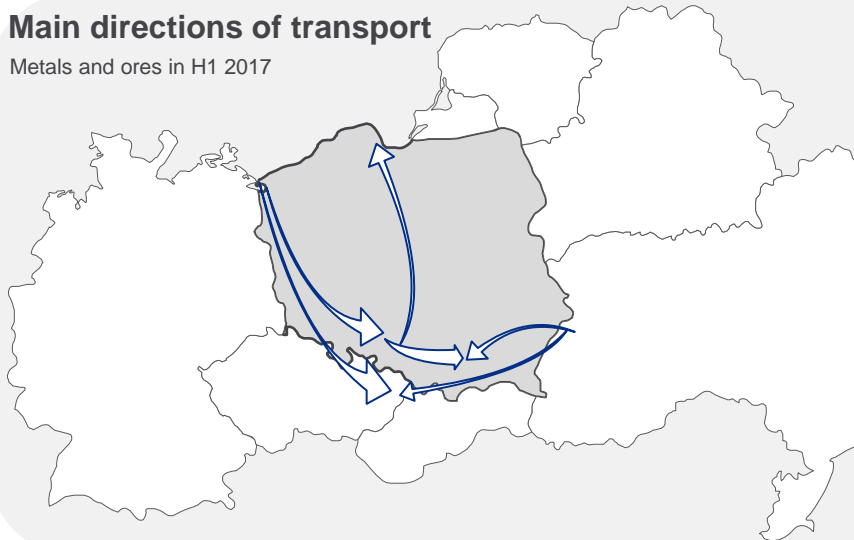
## Metals and ores

freight turnover, billion tkm



## Main directions of transport

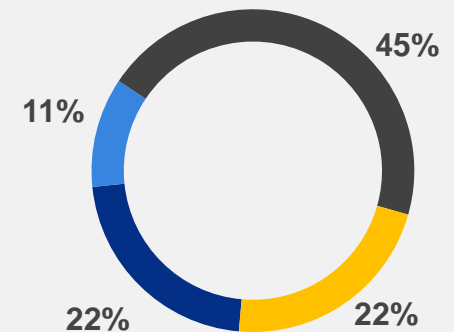
Metals and ores in H1 2017



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

by types of transportation (freight turnover) in H1 2017

- Domestic transport
- Exports
- Imports
- Transit



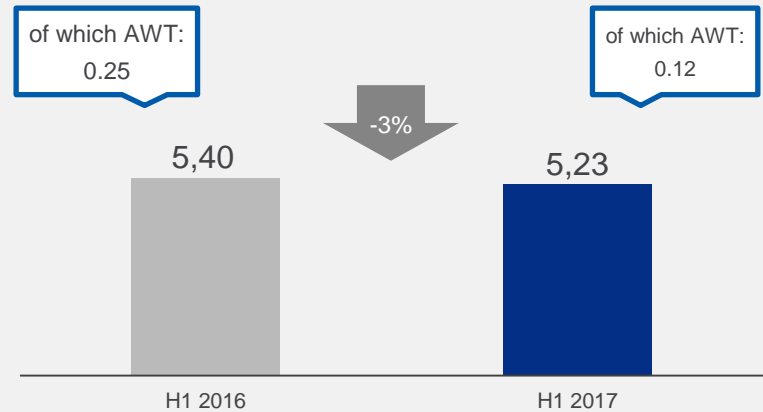


## Key events in H1 2017

- ▶ 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)

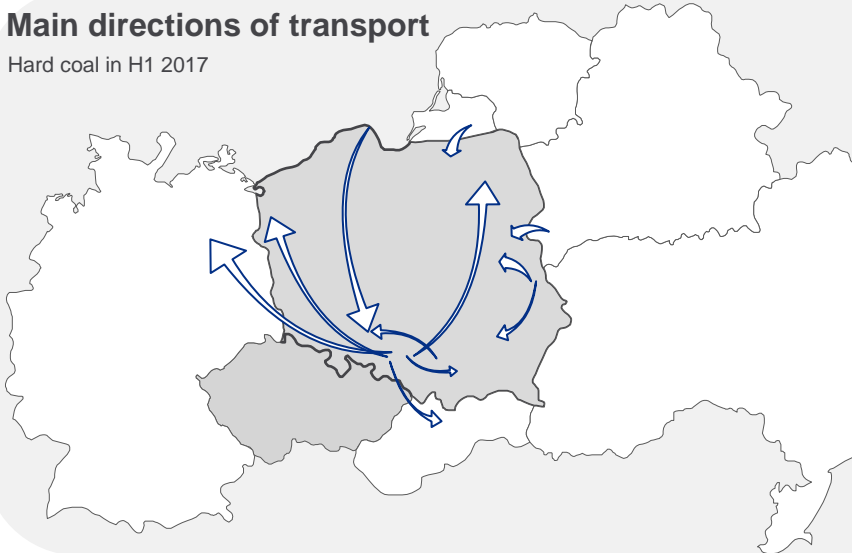
## Hard coal

freight turnover, billion tkm



## Main directions of transport

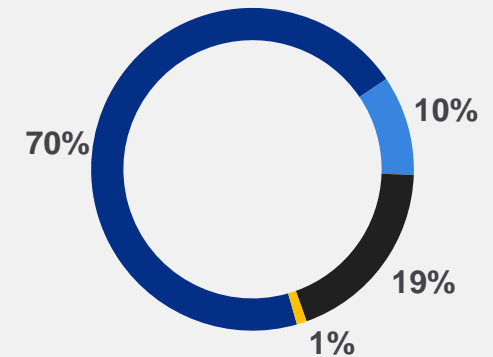
Hard coal in H1 2017



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

by types of transportation (freight turnover) in H1 2017

- Domestic transport
- Exports
- Imports
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# AGENDA

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- || Financial results

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- || Outlook

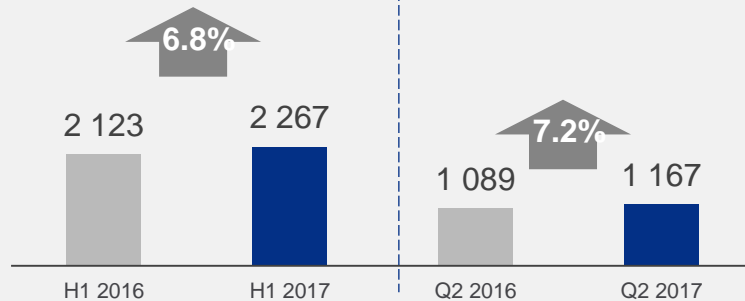




# Significant improvement in financial performance\*

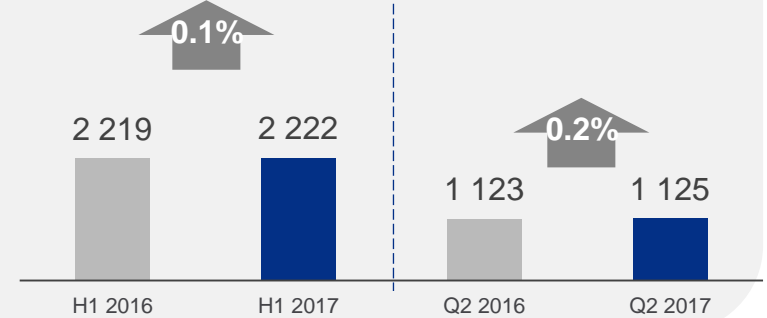
## Operating revenue

PLN million



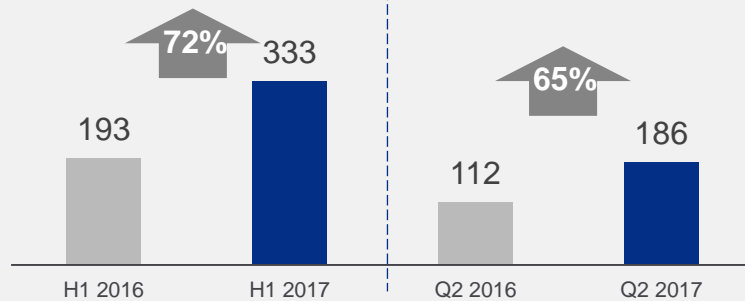
## Operating expenses

PLN million



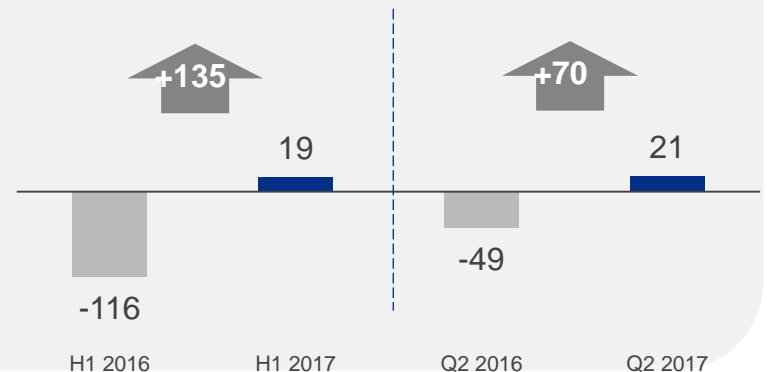
## EBITDA

PLN million



## Net result

PLN million

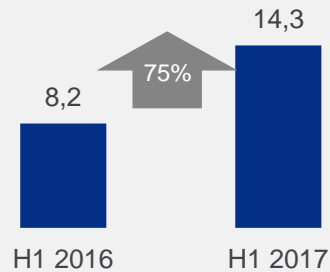


\* Adjusted H1 2016 and Q2 2016 results in accordance with item 5.3.1 of the Management Board's Report on the Activity of the PKP CARGO Group for H1 2017.

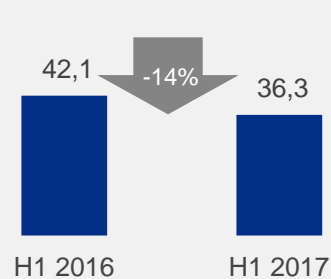


## Costs under control coupled with rising freight transport\*

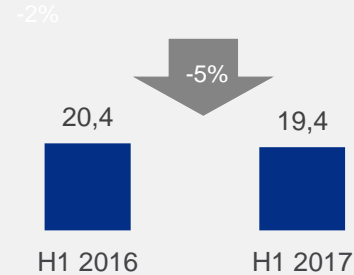
EBITDA per employee  
(000s PLN/employee)



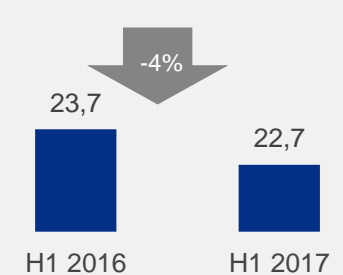
Remuneration  
(PLN/thousand tkm)



Energy and fuel  
(PLN/thousand tkm)

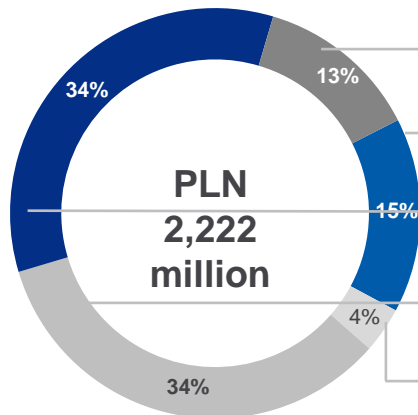


Access to infrastructure  
(PLN/thousand tkm)



### Operating expenses

PLN million



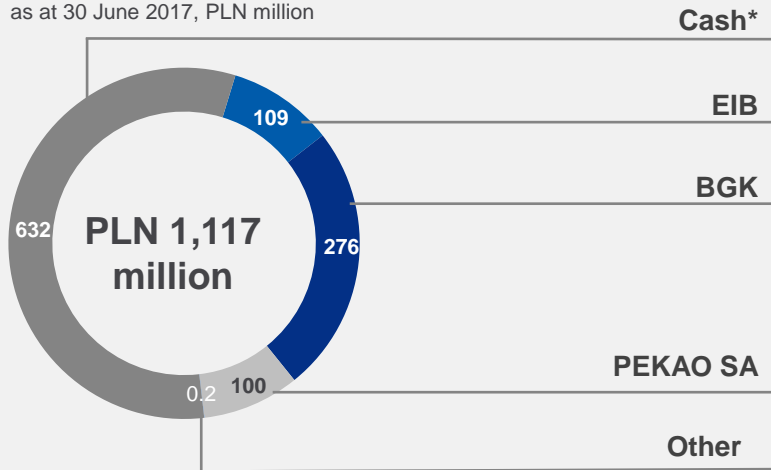
	H1 2016	H1 2017	Change	Percentage change
Amortization and depreciation	289	287	-2	-0%
Materials and energy	327	341	14	4%
External services	774	760	-14	-2%
Employee benefits	753	754	1	0%
Other	76	80	4	5%
<b>Total</b>	<b>2,219</b>	<b>2,222</b>	<b>3</b>	<b>0%</b>

\* Adjusted H1 2016 results in accordance with item 5.3.1 of the Management Board's Report on the Activity of the PKP CARGO Group for H1 2017.

# Improved debt ratios

## Available funding sources

as at 30 June 2017, PLN million



## Debt structure

PLN million

	31 Dec 2016	30 Jun 2017
Long-term	1,416	1,265
Short-term	376	372
<b>Total debt</b>	<b>1,792</b>	<b>1,637</b>

## Financial ratios \*\*

Ratio	H1 2016	H1 2017
NET DEBT / EBITDA	2.6	1.4
ROA	-5.5%	1.3%
ROE	-10.3%	2.5%

## Cash flow

PLN million

Cash flow	H1 2016	H1 2017	change
Operational	19	249	+230
On investing activity	-309	-527	-218
On financing activity	167	-151	-318

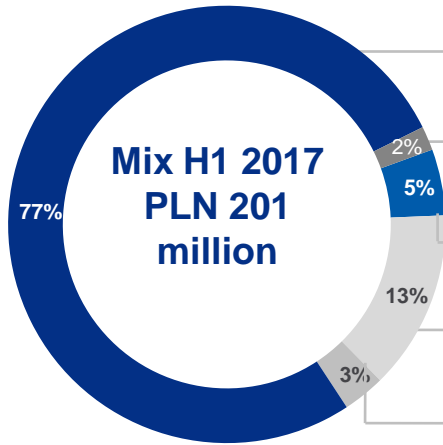
\* Cash and cash equivalents, deposits above 3 months

\*\* Financial ratios computed using adjusted data according to table 32 in the Management Board's Report on the PKP CARGO Group's Activity in H1 2017

# Capital expenditures H1 2017

## Capital expenditures

PLN million



Category	Group PKP CARGO H1 2016	Group PKP CARGO H1 2017	Change yoy	% change yoy
Periodic repairs of rolling stock	131	154	23	18%
ICT development	9	4	-5	-60%
Investment construction activity	6	10	4	56%
Purchase and modernization of locomotives and wagons*	116	27	-89	-77%
Other	5	6	1	25%
<b>Total</b>	<b>267</b>	<b>201</b>	<b>-66</b>	<b>-25%</b>

	Group PKP CARGO H1 2016	Group PKP CARGO H1 2017	Change yoy	% change yoy
Periodic repairs of rolling stock	131	154	23	18%
ICT development	9	4	-5	-60%
Investment construction activity	6	10	4	56%
Purchase and modernization of locomotives and wagons*	116	27	-89	-77%
Other	5	6	1	25%
<b>Total</b>	<b>267</b>	<b>201</b>	<b>-66</b>	<b>-25%</b>

### Wagons



### Locomotives



\* In H1 2016 multi-system locomotives were bought for PLN 100.7 million

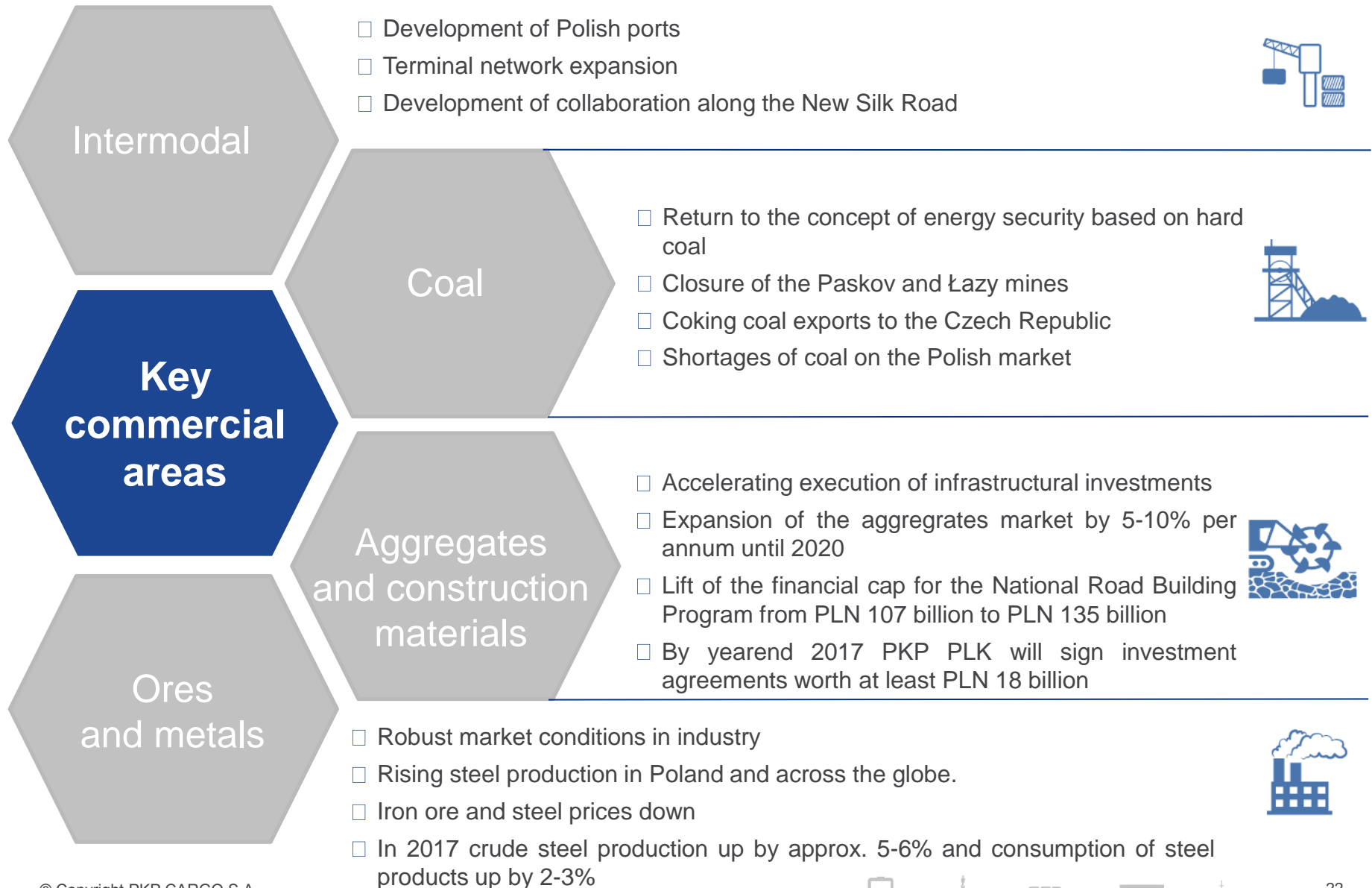
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# Outlook: key commercial areas



# Appendix



# Consolidated Statement of Comprehensive Income



PLN million	H1 2017	H1 2016	% change
Revenues from the sale of services	2,226	2,089	7%
Revenue from sales of goods and materials	18	14	33%
Other operating revenue	23	21	13%
<b>Total operating revenue</b>	<b>2,267</b>	<b>2,123</b>	<b>7%</b>
Depreciation and amortization and impairment losses	287	324	-11%
Consumption of materials and energy, including:	341	327	4%
<i>Fuel consumption</i>	88	74	18%
<i>Consumption of electricity, gas and water</i>	204	200	2%
External services, including:	760	774	-2%
<i>Line access services from infrastructure managers</i>	341	320	7%
Taxes and charges	21	18	14%
Employee benefits	754	753	0%
Other expenses by kind	27	26	4%
Cost of goods and materials sold	13	12	9%
Other operating expenses	19	83	-77%
<b>Operating expenses</b>	<b>2,222</b>	<b>2,317</b>	<b>-4%</b>
<b>EBITDA</b>	<b>333</b>	<b>130</b>	<b>156%</b>
<b>Profit on operating activities</b>	<b>45</b>	<b>(194)</b>	<b>-123%</b>
Financial revenue	14	1	1740%
Financial expenses	30	39	-21%
Share in the profit of entities measured by the equity method	1	2	-41%
Result on the sale of shares in entities measured by the equity method	-	-	-
<b>Profit before tax</b>	<b>30</b>	<b>(230)</b>	<b>-113%</b>
Income tax	11	(35)	-132%
<b>Net profit</b>	<b>19</b>	<b>(195)</b>	<b>-110%</b>
Net profit (loss) attributable:			
to shareholders of the parent company	19	(195)	-110%
<b>Other comprehensive income</b>	<b>6</b>	<b>25</b>	<b>-76%</b>
<b>Other comprehensive income subject to reclassification in the financial result:</b>			
Effective portion of profits and losses related to a hedging instrument to hedge cash flow	20	(4)	-659%
Income tax referring to the other comprehensive income line item	(4)	1	-659%
Exchange differences resulting from conversion of financial statements of foreign operations	(10)	28	-138%
<b>Other comprehensive income not subject to reclassification in the financial result:</b>	<b>(14)</b>	<b>-</b>	<b>-</b>
Actuarial profit/loss on defined-benefit employee plans after the employment period	(25)	-	-
Income tax referring to the other comprehensive income line item	5	-	-
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>5</b>	<b>(171)</b>	<b>-103%</b>



# Consolidated Statement of Financial Position

ASSETS [PLN million]	As at 30 June 2017	As at 31 December 2016
Property, plant and equipment	4,593	4,701
Intangible assets	48	56
Goodwill	1	1
Investment property	54	58
Investments accounted for under the equity method	2	2
Other long-term receivables	0	0
Other long-term financial assets	11	9
Other long-term non-financial assets	32	26
Deferred tax assets	132	108
<b>Total non-current assets</b>	<b>4,874</b>	<b>4,960</b>
Inventories	131	121
Trade and other receivables	662	640
Income tax receivables	2	3
Other short-term financial assets	316	1
Other short-term non-financial assets	48	27
Cash and cash equivalents	324	756
<b>Total current assets</b>	<b>1,483</b>	<b>1,548</b>
<b>Total assets</b>	<b>6,356</b>	<b>6,508</b>



# Consolidated Statement of Financial Position

EQUITY AND LIABILITIES [PLN million]	As at 31 March 2017	As at 31 December 2016
Share capital	2,239	2,239
Supplementary capital	618	619
Other items of equity	8	11
Exchange differences resulting from conversion of financial statements of foreign operations	50	60
Retained earnings	350	330
<b>Equity</b>	<b>3,265</b>	<b>3,260</b>
Long-term bank loans and borrowings	1,155	1,274
Long-term finance lease liabilities and leases with a purchase option	110	141
Long-term trade and other payables	1	2
Long-term provisions for employee benefits	563	526
Other long-term provisions	24	26
Other long-term financial liabilities	0	1
Deferred tax provision	105	107
<b>Non-current liabilities</b>	<b>1,958</b>	<b>2,076</b>
Short-term bank loans and borrowings	208	198
Short-term finance lease liabilities and leases with a purchase option	49	60
Short-term trade and other payables	595	670
Short-term provisions for employee benefits	122	99
Other short-term provisions	25	25
Other short-term financial liabilities	115	119
Current tax liabilities	19	1
<b>Current liabilities</b>	<b>1,133</b>	<b>1,172</b>
<b>Total liabilities</b>	<b>3,091</b>	<b>3,248</b>
<b>Total liabilities and equity</b>	<b>6,356</b>	<b>6,508</b>

# Consolidated Cash Flow Statement

Cash flow from operating activities [PLN million]	H1 2017	H1 2016
<b>Gross result For the financial year</b>	30	(230)
<b>Adjustments:</b>		
Depreciation of property, plant and equipment and amortization of intangible assets	287	288
Impairment of non-current assets	0	36
(Profit) / loss on the transfer of property, plant and equipment, intangible assets and non-current assets held for sale	(5)	(0)
Foreign exchange (gains) / losses	(5)	2
(Profits) / losses on interest, dividends	15	16
Share in the (profit) / loss of entities measured by the equity method	(1)	(2)
Received / (paid) interest	0	(1)
Received / (paid) income tax	(16)	(7)
Other adjustments	(14)	2
<b>Change in working capital:</b>		
(Increase) / decrease in trade and other receivables	(20)	33
(Increase) / decrease in inventories	2	9
(Increase) / decrease in other assets	(29)	(23)
Increase / (decrease) in trade and other payables	(48)	(126)
Increase / (decrease) in other financial liabilities	(5)	8
Increase / (decrease) in provisions	58	14
<b>Net cash on operating activities</b>	<b>249</b>	<b>19</b>

# Consolidated Cash Flow Statement

Cash flow from investing activities [PLN million]	H1 2017	H1 2016
Expenditures to acquire property, plant and equipment and intangible assets	(235)	(318)
Proceeds on the transfer of property, plant and equipment, intangible assets and non-current assets held for sale	8	7
Proceeds from interest received	3	1
Proceeds from dividends received	3	1
Expenditures on extended loans	(0)	-
Expenditures for bank term deposits longer than 3 months	(306)	0
<b>Net cash (used) / from investing activities</b>	<b>527</b>	<b>(309)</b>
Expenditures on financial leases	(36)	(34)
Interest paid on leases	(3)	(5)
Proceeds from drawn down loans / credit facilities	51	275
Repayment of loans/ credit facilities	(146)	(65)
Interest paid on loans / credit facilities	(15)	(8)
Subsidies received	-	5
Other expenditures concerning financing activities	(2)	(2)
<b>Net cash (used) / generated in connection with financing activities</b>	<b>(151)</b>	<b>167</b>
Net increase / (decrease) in cash and cash equivalents	(430)	(123)
Cash and cash equivalents at the beginning of the reporting period	756	276
Impact exerted by FX rate movements on the cash balance in foreign currencies	(2)	4
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>324</b>	<b>157</b>

Minor differences in the presented data stem from rounding.

# Freight results

## Freight turnover (million tkm)

	H1 2016	H1 2017	Change	% change	Share H1 2016	Share H1 2017
solid fuels	6,098	5,926	-172	-3%	45%	39%
including hard coal	5,400	5,232	-168	-3%	40%	35%
aggregates and construction materials	1,784	2,360	576	32%	13%	16%
metals and ores	1,719	2,047	328	19%	13%	14%
chemicals	1,044	1,189	145	14%	8%	8%
liquid fuels	550	646	96	17%	4%	4%
timber and agricultural produce	750	864	114	15%	6%	6%
intermodal transport	1,146	1,520	374	33%	9%	10%
other	384	470	85	22%	3%	3%
<b>Total</b>	<b>13,474</b>	<b>15,022</b>	<b>1,548</b>	<b>11%</b>	<b>100%</b>	<b>100%</b>

## Freight volume (thousands of tons)

	H1 2016	H1 2017	Change	% change	Share H1 2016	Share H1 2017
solid fuels	28,874	29,092	217	1%	55%	50%
including hard coal	25,852	26,134	282	1%	49%	45%
aggregates and construction materials	7,001	8,965	1,964	28%	13%	16%
metals and ores	5,440	6,575	1,135	21%	10%	11%
chemicals	3,218	3,466	248	8%	6%	6%
liquid fuels	1,435	2,315	880	61%	3%	4%
timber and agricultural produce	2,189	2,196	7	0%	4%	4%
intermodal transport	3,031	3,696	665	22%	6%	6%
other	1,049	1,330	282	27%	2%	2%
<b>Total</b>	<b>52,237</b>	<b>57,635</b>	<b>5,398</b>	<b>10%</b>	<b>100%</b>	<b>100%</b>





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