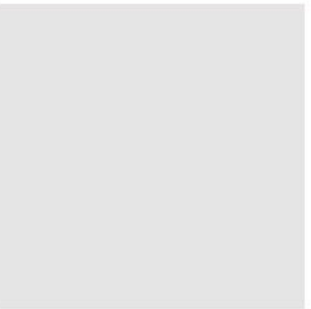
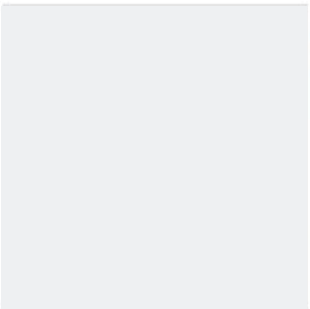




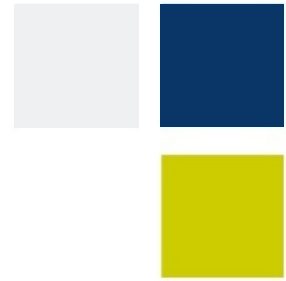
Ready for expansion



PKP CARGO Group
Financial results for 2014
12 March 2015



Agenda



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Consistent implementation of the strategy

– 2014 milestones



International expansion

1

- **AWT** – acquisition of the largest private carrier in the Czech Republic
- **Organic growth outside Poland**
- **Acquisition of part B safety certificate** in Lithuania
- **Multi-system locomotives** – investment of PLN 400 million

Solidified leadership on domestic market

2

- **Stable market share**
- **Strategic partnership** with the largest industrial groups in Poland
- **Strong financial position** – PKP CARGO ready for new acquisitions

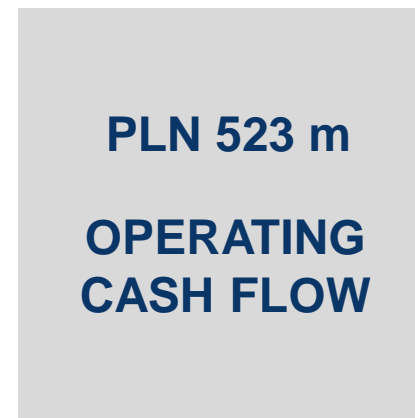
Optimisation and cost control

3

- **Cost control** and optimisation of transportation process
- **VRP** – headcount reduced by 3,000
- **Changes in organisational structure** – merger of plants, consolidation of rolling stock maintenance and repair companies, “verticalization” of management

Solid financial results

– thanks to optimisation of operations and cost control



REVENUE

2014

PLN 4,257 million

-11% YOY

OPEX

PLN 3,915 million

-13% YOY

NET PROFIT

PLN 276 million

+18%

Q4

PLN 1,088 million

-15% YOY

PLN 1,028 million

-13% YOY

PLN 49 million

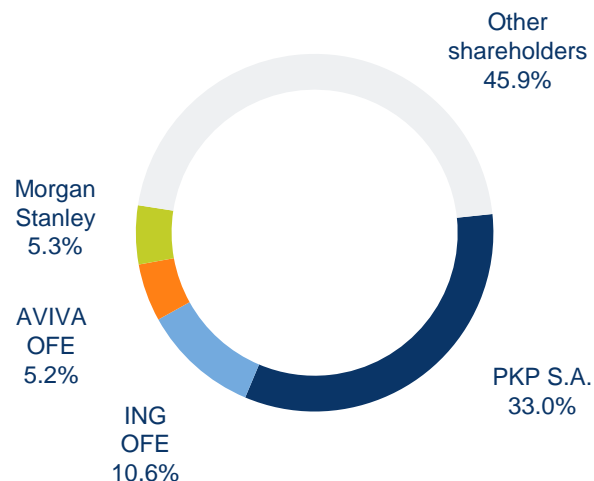
-30% YOY

First year of PKP CARGO on the stock exchange

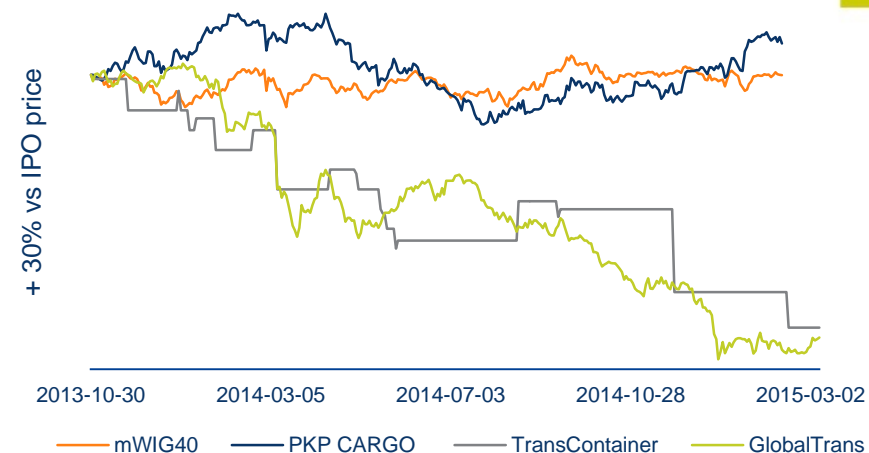
– significant increase in price since the IPO

Shareholding structure

(as at 11.03.2015)



PKP CARGO's stock price



PKP CARGO on the stock exchange

- **Indexes:** mWIG40, MSCI Small Cap Index
- **Average share price in 2014:** PLN 81.97
- **Average daily turnover:** PLN 5.39 million

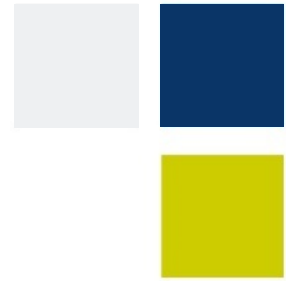
The most recent recommendations

Institution	Date	Recommendation	Target price [PLN]
Raiffeisen	2015-03-02	Hold	97.00
DM PKO BP	2015-02-12	Hold	93.00
Société Générale	2015-02-09	Buy	104.00
DI Investors	2015-02-04	Hold	97.00
Wood&Company	2015-01-30	Buy	107.00
Average			99.60



PKP cargo
LOGISTICS

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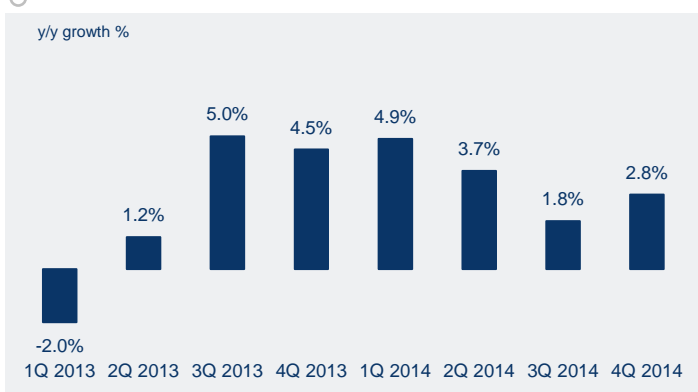
Prospects 2015

Solid fundamentals for growth

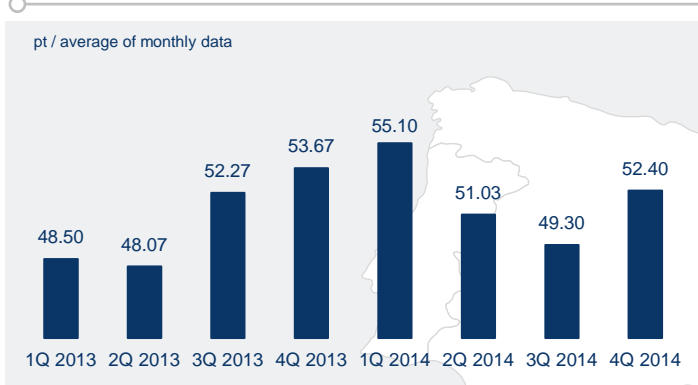
– favourable macroeconomic environment



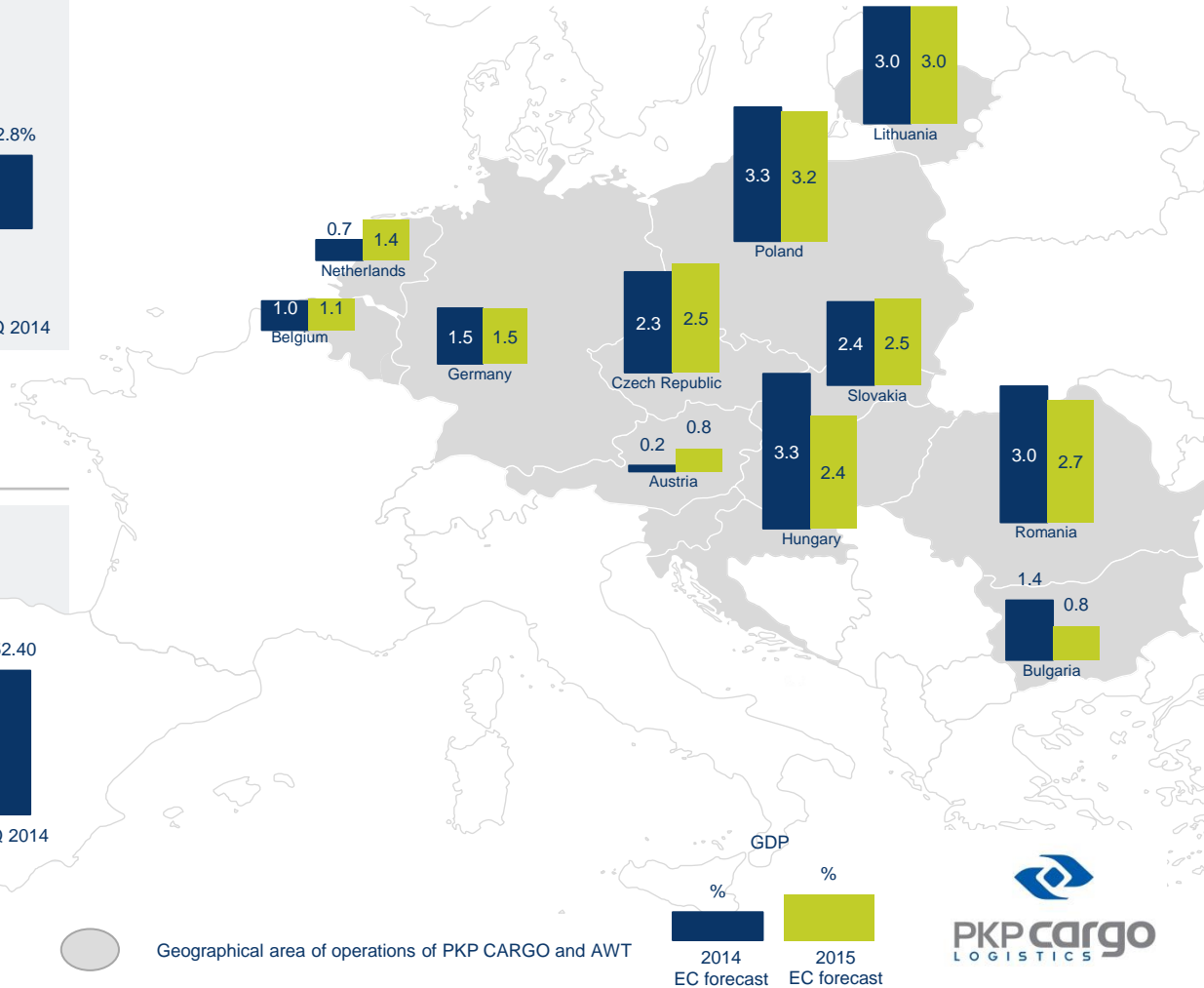
Industrial production sold in Poland



Poland's PMI



Solid GDP growth in a region



The leader on challenging market

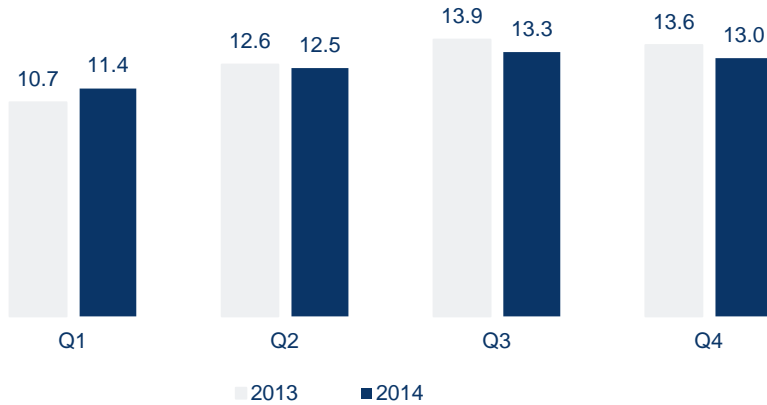
– stable market share of PKP CARGO



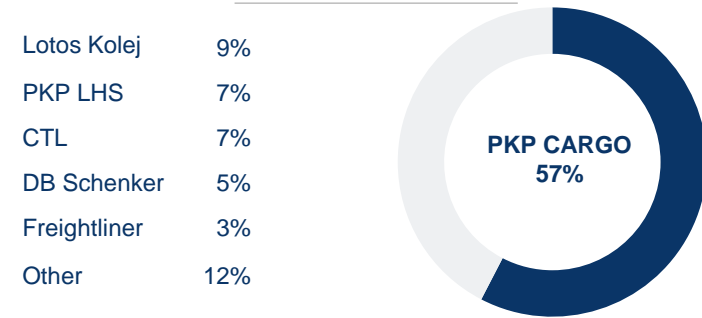
Market: Freight turnover and market structure

bn tkm

data for 2014 based on freight turnover



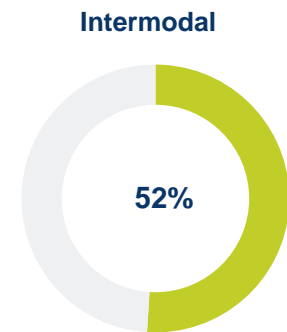
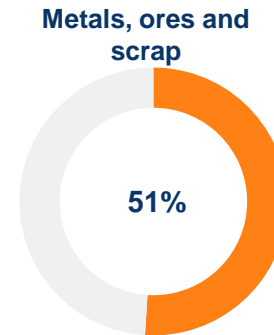
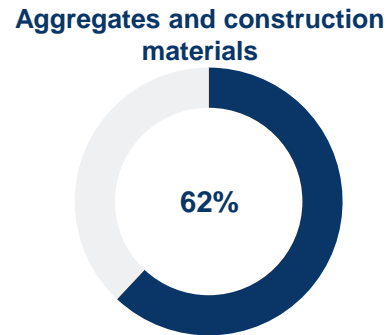
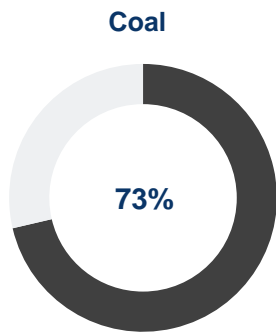
Source: UTK



Source: UTK

PKP CARGO: Rail freight market share by commodity group

market share by freight turnover for 9M 2014



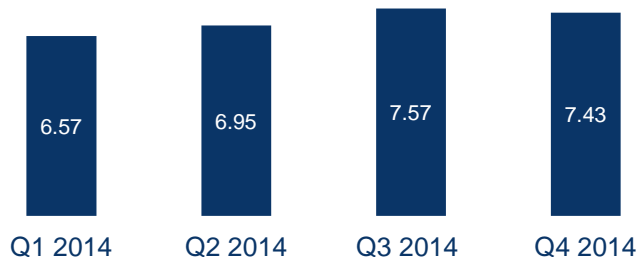
Source: Central Statistical Office of Poland, PKP CARGO

Coal export slump challenge for PKP CARGO

– diversification of revenue sources

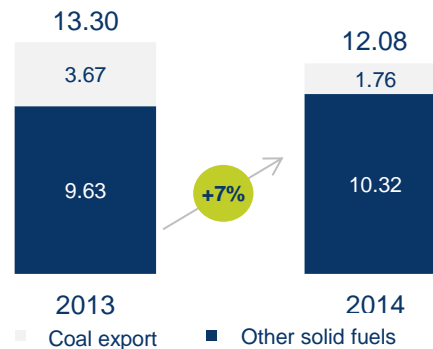
Rail freight of PKP CARGO

Freight turnover, bn tkm



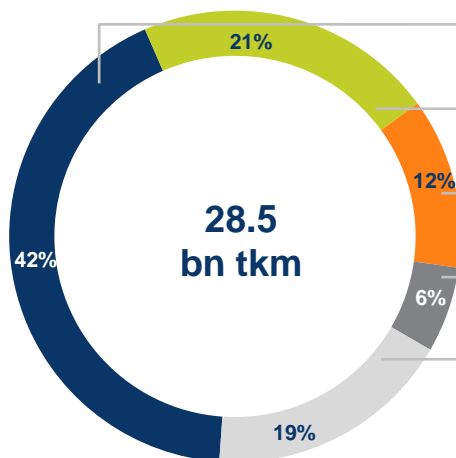
PKP CARGO's freight influenced by coal exports

Freight turnover, bn tkm



PKP CARGO freight turnover by commodity group

bn tkm

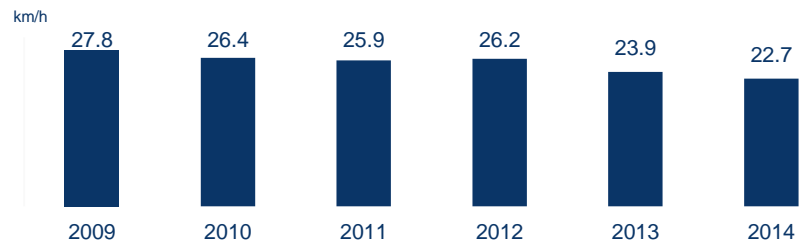


	2013	2014	Q4 2013	Q4 2014
Solid fuels	13.3	12.1	3.3	3.3
Aggregates	5.5	6.1	1.6	1.6
Metals and ores	4.4	3.5	1.2	0.8
Intermodal	1.8	1.8	0.5	0.4
Other	5.1	5.0	1.3	1.3
Total	30.1	28.5	7.9	7.4

Modernizations of railway infrastructure

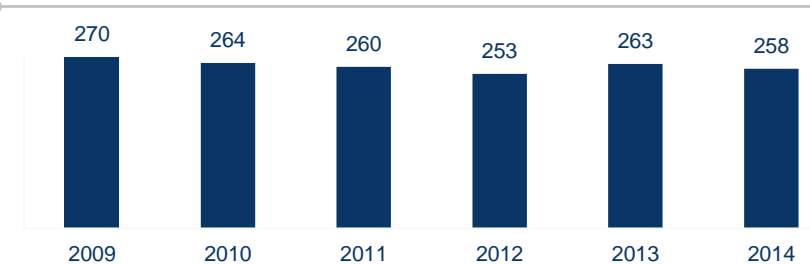
– short-term challenges and long-term benefits

PKP CARGO: Average commercial speed



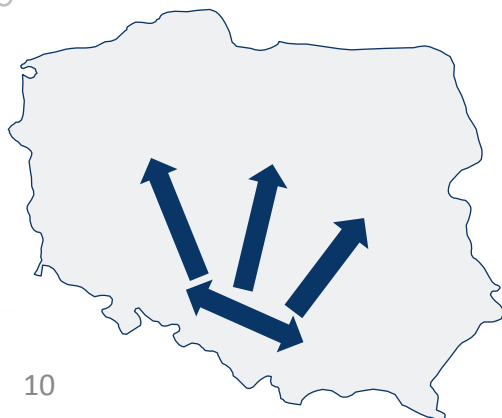
Source: PKP CARGO own review

PKP CARGO: Average haul



Source: PKP CARGO own review

High traffic to and from Silesia in Q4 2014



60% of transport set off from Silesia

Speed in Silesia decreased to 15 km/h

Haul in Q4 decreased by 8 km yoy

FACTS

- + Unprecedented scale of works
- + **PLN 7 billion** in 2014 and **PLN 8 billion** in 2015 – scale of expenses for railway network modernisation
- + **1.5 thousand km of** lines modernized in 2014
- Increase in demand for rolling stock and elongation of train drivers working time
- Increasing costs of access to infrastructure, energy and fuel as a result of bypasses

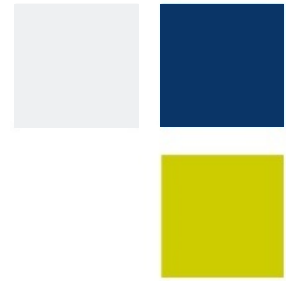
BENEFITS

- + Significant increase in speed on the network by 2020
- + Increased competitiveness of rail transport
- + Lower capex of PKP CARGO
- + Lower operating cost of PKP CARGO

OUR ANSWER

- + Streamlining the transportation process
- + The record number of coal wagons for the transportation peak
- + Consolidation of rolling stock companies

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Operational Results

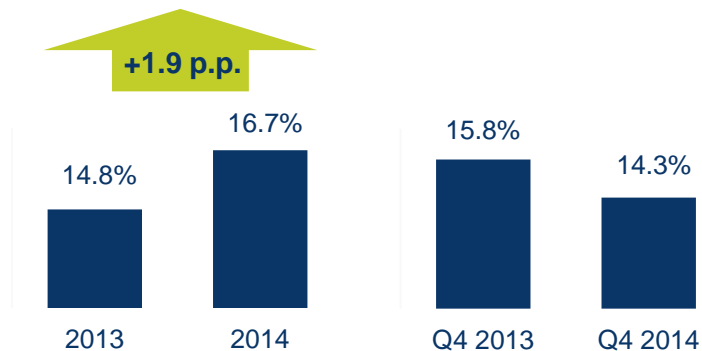
Financial Results

Prospects 2015

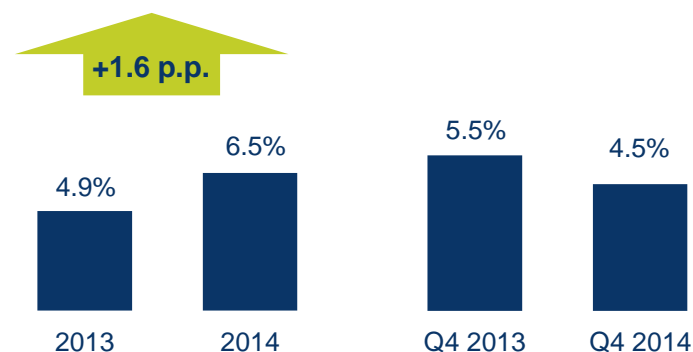
Increased effectiveness and cost optimisation

– a source of higher profitability

EBITDA margin



Net margin



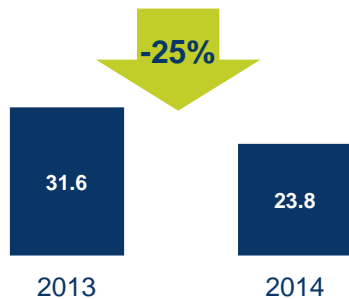
PLN m	2013	2014	Q4 2013	Q4 2014
Operating revenue	4 797	4 257	1 279	1 088
Operating costs	4 478	3 915	1 186	1 028
EBITDA	708	710	202	156
EBIT	319	342	93	60
Net profit	235	276	71	49

Cost lowered by half a billion PLN

– IPO promises fulfilled

Access to infrastructure

PLN / thousand tkm



Energy

PLN / thousand tkm



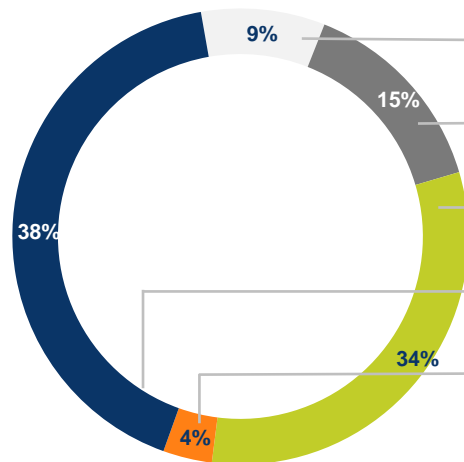
Fuel

PLN / thousand tkm



OPEX

PLN m



Depreciation

Materials and energy

External services

Employee benefits

Other

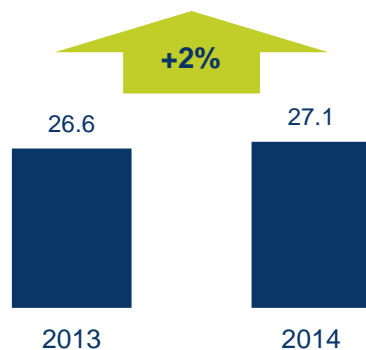
	2013	2014	Q4 2013	Q4 2014
Depreciation	389	367	109	95
Materials and energy	711	604	186	135
External services	1 577	1 319	440	353
Employee benefits	1 506	1 480	387	407
Other	295	145	64	38
Total	4 478	3 915	1 186	1 028

Flexibility thanks to VRP

– annual cost savings of PLN 100 m

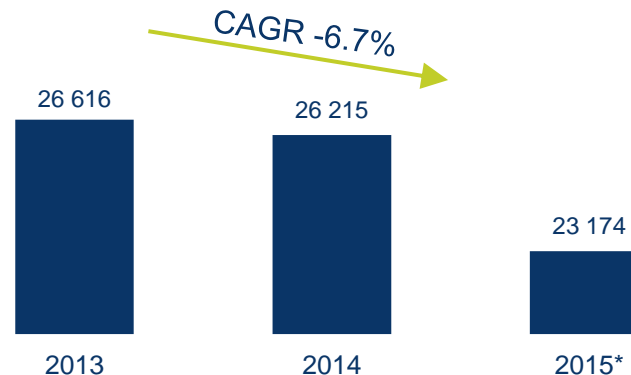
EBITDA per employee

PLN k / average annual number of employees



Lower headcount

The average annual number of employees, 2015 data: the average annual number of employees in 2014 reduced by 3 041 persons



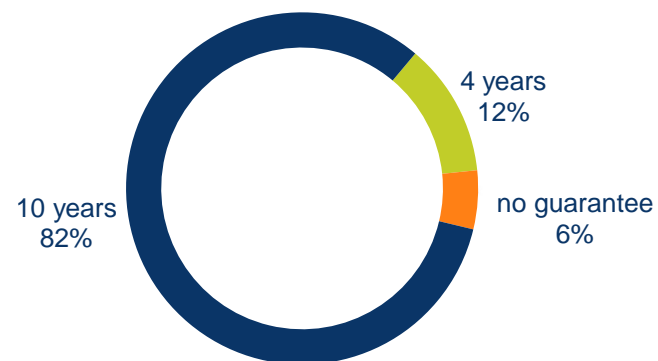
* Adjusted for VRP

Voluntary Redundancy Program in numbers

Employees participating in VRP	3 041
Total cost of VRP	PLN 265 m
Financial effect of VRP	PLN 100 m

VRP structure

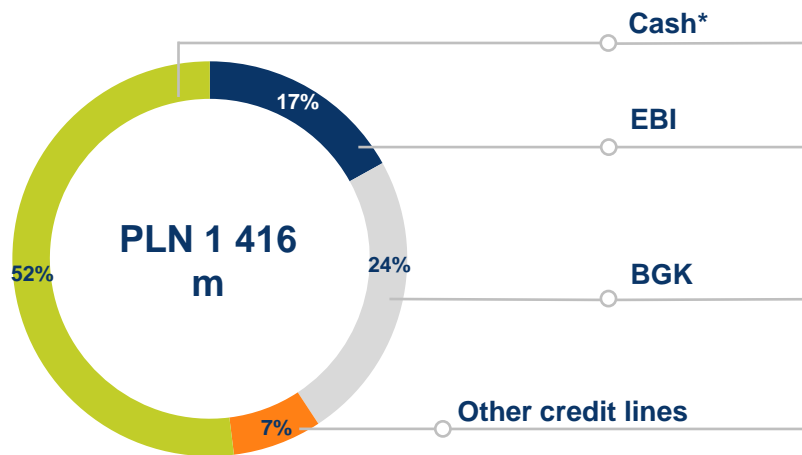
by the number of years of employment protection in accordance with EGP



Almost PLN 700 m of cash

– PKP CARGO ready for planned acquisitions and dividend payment

Available financing sources



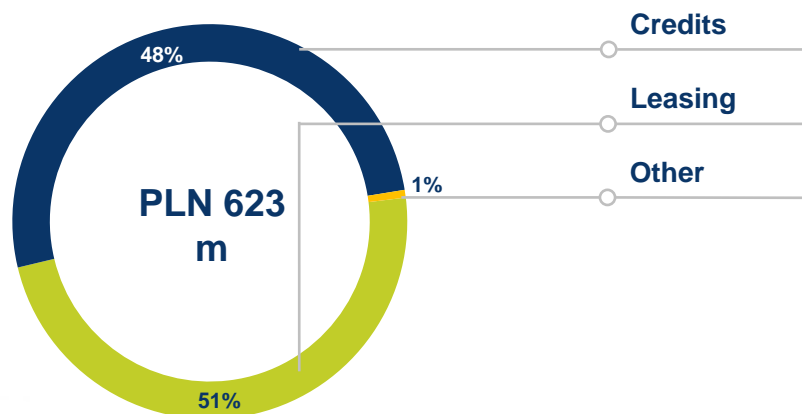
CAPEX in 2015

AWT (80% of shares) EUR 103 m

Rolling stock maintenance ca. 10% of sales revenue

VRP PLN 228 m**

PKP CARGO's debt



Benchmark debt ratios

Company	Net debt/ EBITDA
PKP CARGO	-0.2
Globaltrans	0.5
TransContainer	0.7
CSX CORP***	1.8
PCC Intermodal	2.0
Genesee & Wyoming***	2.7

15 * Cash and cash equivalents, other short-term financial assets

** First tranches of gratuities as part of VRP paid with the remuneration for January 2015

*** PKP CARGO, Genesee & Wyoming Inc., CSX CORP – data as at 31.12.2014, other data as at 31.12.2013

Source: Thomson Reuters

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Summary 2014

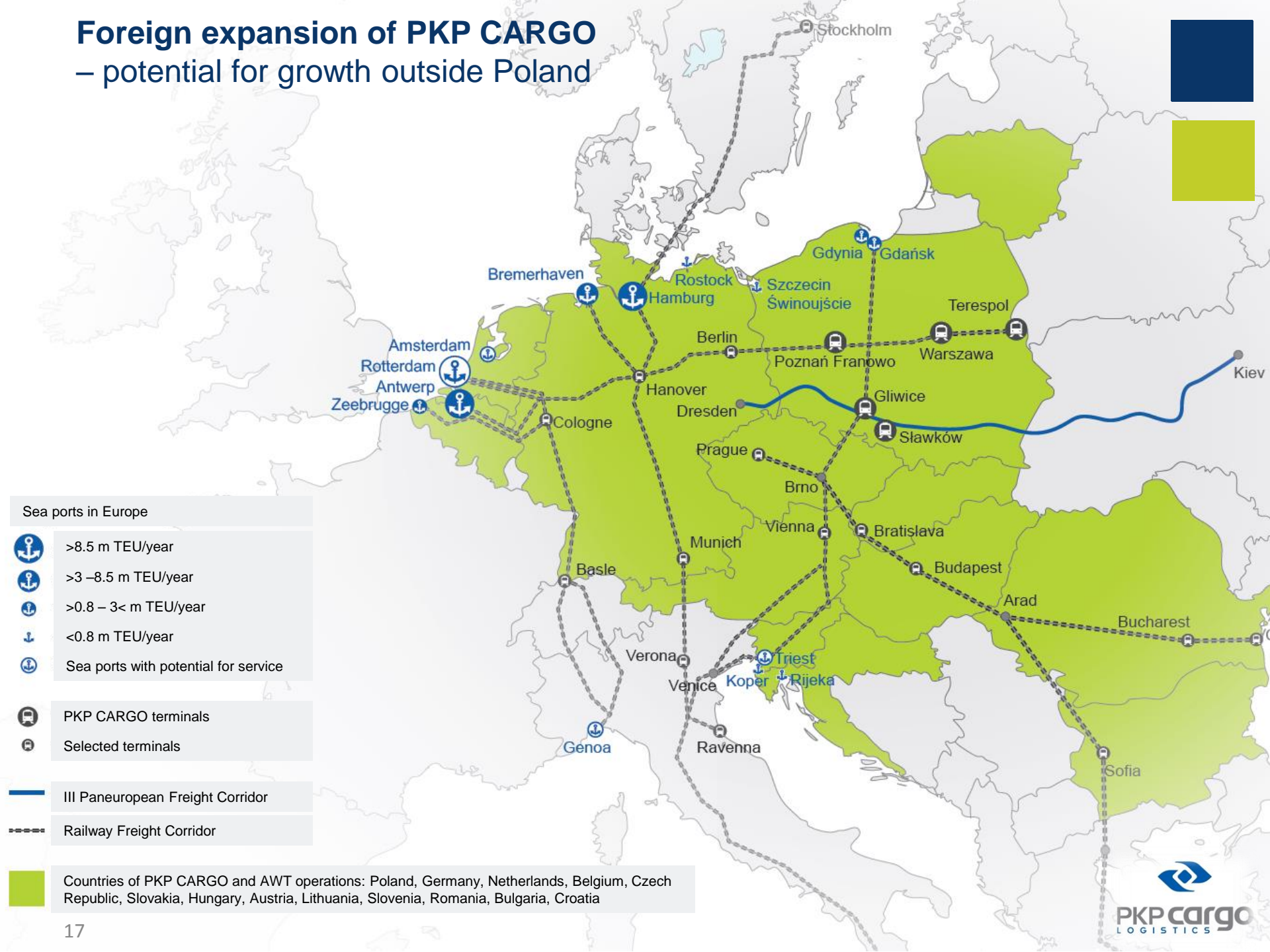
Operational Results

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Prospects 2015



Foreign expansion of PKP CARGO


– potential for growth outside Poland



Sea ports in Europe

-  >8.5 m TEU/year
-  >3 – 8.5 m TEU/year
-  >0.8 – 3< m TEU/year
-  <0.8 m TEU/year
-  Sea ports with potential for service

-  PKP CARGO terminals
-  Selected terminals

 III Paneuropean Freight Corridor

 Railway Freight Corridor

Countries of PKP CARGO and AWT operations: Poland, Germany, Netherlands, Belgium, Czech Republic, Slovakia, Hungary, Austria, Lithuania, Slovenia, Romania, Bulgaria, Croatia



Foreign expansion of PKP CARGO

– potential for routes extension and profitability improvement

PKP CARGO: Cross-border freight

m tonnes, 2014

Border	Countires	2014
Northern	Sea ports	12.9
Western		6.6
Southern		11.1
Eastern		13.5

Source: Own review

Comment: Total cross-border freight volume is not equal to the total international freight volume due to transit freight volumes crossing more than one border

PKP CARGO foreign freight in 2014

40.7
m tonnes

PKP CARGO freight in import, export and transit

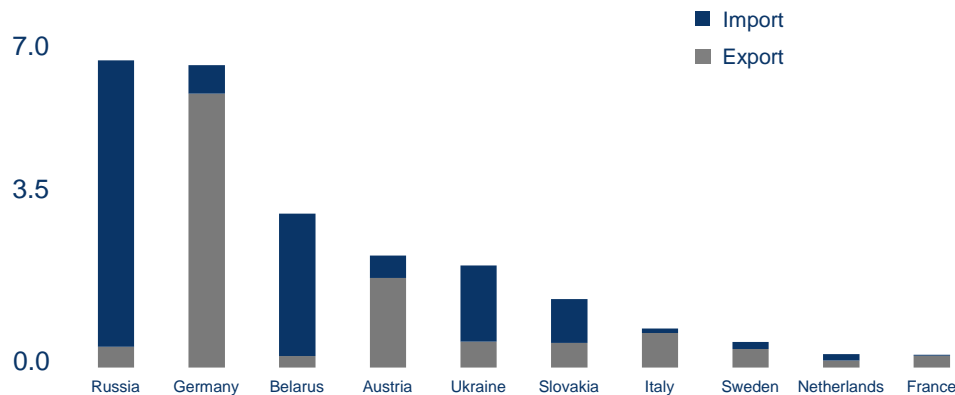
2.8
m tonnes

Freight volume transported by PKP CARGO in 2014 independently outside Poland

Source: Own review

PKP CARGO: Cross-border freight

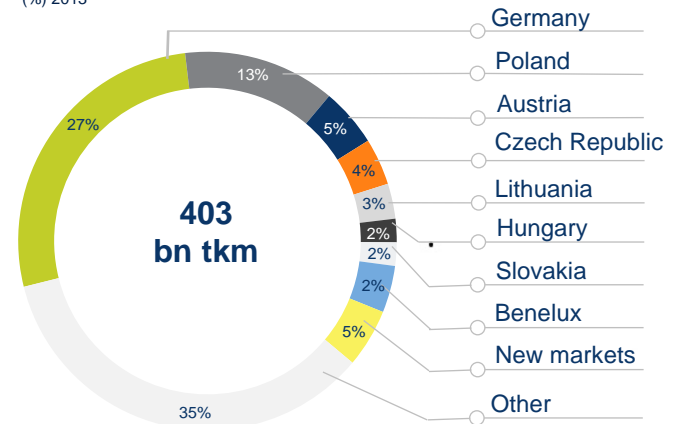
Export and import t of goods, 2014
m tonnes



Source: Own review

Structure of the EU rail freight market

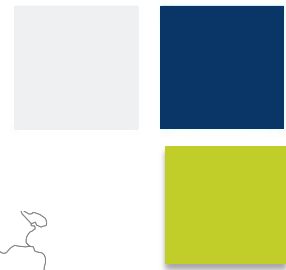
(%) 2013



Source: Eurostat

International position of PKP CARGO

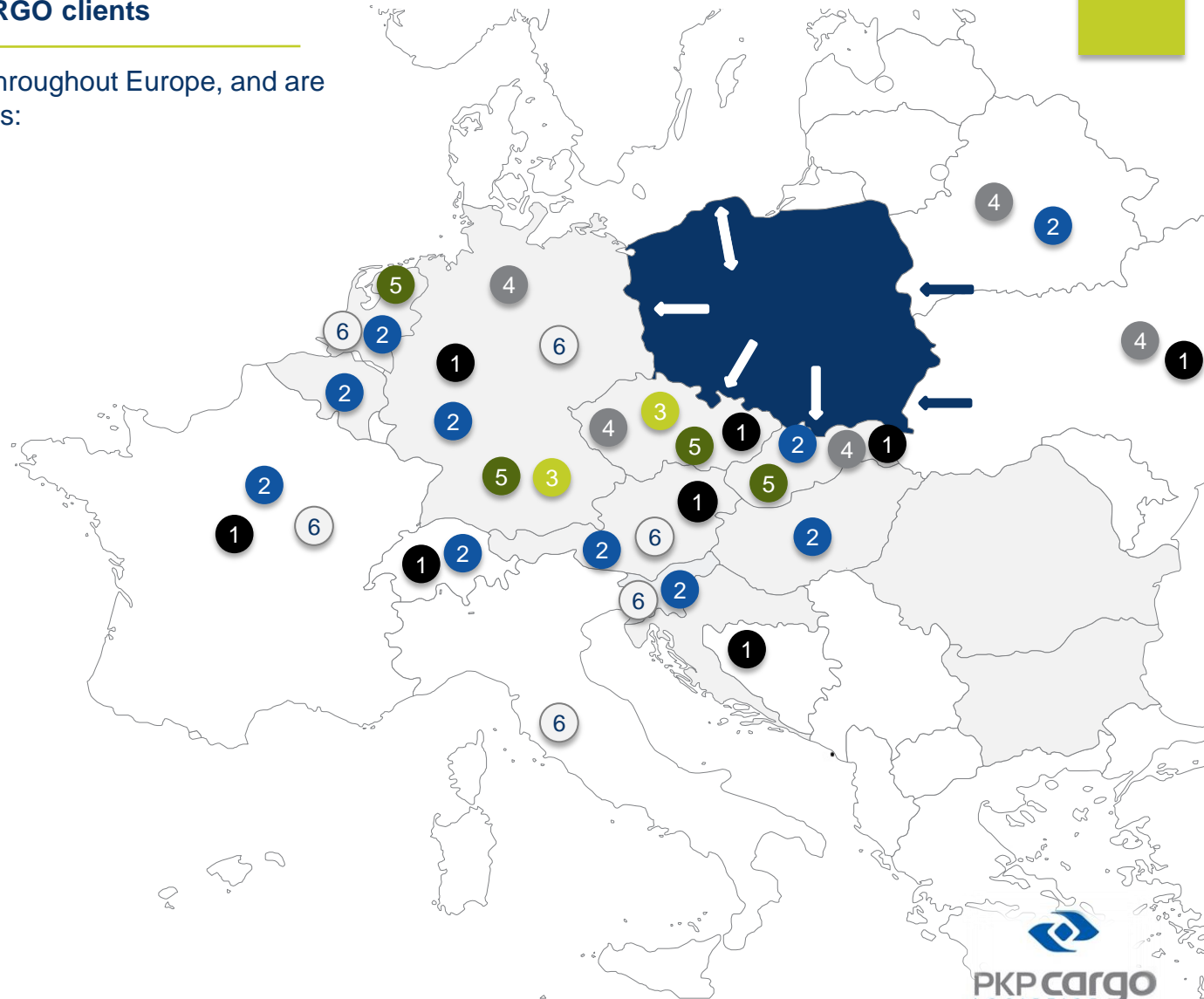
– broad portfolio of clients



European network of PKP CARGO clients

– PKP CARGO clients operate throughout Europe, and are active in the following industries:

- 1 Metallurgical
- 2 Chemical
- 3 Intermodal
- 4 Timber
- 5 Automotive
- 6 Shipping

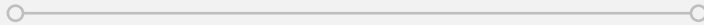


Prospects of the rail freight market in Poland

– good prospects for aggregates, metals and intermodal



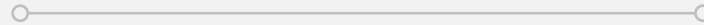
Hard coal



Metals and ores



Aggregates and construction materials



Intermodal



Ready for expansion and development

– key challenges in 2015



1

Effective operational and trade integration with AWT

2

Greater exposure to the markets of Central and Southern Europe, acquiring foreign partners

3

Development via acquisitions in Poland and in a region

4

Effective integration of logistic services within the Group

5

Organization of carriages in the light of tremendous investments by PKP PLK

6

Continuation of the cost optimization process



Appendix

Transport results

Freight turnover (m tkm)

	2013	2014	change %	Q4 2013	Q4 2014	change %
solid fuels	13 301	12 081	-9%	3 293	3 275	-1%
<i>including coal</i>	11 849	10 675	-10%	2 918	2 908	0%
aggregates and construction materials	5 540	6 137	11%	1 619	1 607	-1%
metals and ores	4 365	3 488	-20%	1 219	835	-32%
chemicals	1 676	1 901	13%	411	497	21%
liquid fuels	796	735	-8%	199	204	3%
timber and agricultural produce	1 689	1 693	0%	497	394	-21%
intermodal transport	1 835	1 754	-4%	466	433	-7%
other	883	731	-17%	215	183	-15%
Total	30 085	28 520	-5%	7 919	7 428	-6%

Volume (k tonnes)

	2013	2014	change %	Q4 2013	Q4 2014	change %
solid fuels	59 954	56 919	-5%	15 998	16 150	1%
<i>including coal</i>	54 969	51 976	-5%	14 750	14 854	1%
aggregates and construction materials	19 820	21 525	9%	5 718	5 647	-1%
metals and ores	13 730	12 292	-10%	3 589	2 932	-18%
chemicals	5 868	5 961	2%	1 451	1 491	3%
liquid fuels	3 013	2 692	-11%	745	759	2%
timber and agricultural produce	4 416	4 709	7%	1 309	1 187	-9%
intermodal transport	4 866	4 535	-7%	1 259	1 113	-12%
other	2 779	2 073	-25%	709	513	-28%
Total	114 446	110 706	-3%	30 778	29 792	-3%

Consolidated profit and loss statement

m PLN	2013	2014	change %
Sales revenue	4 553.92	4 162.17	-9%
Revenue from the sales of goods and materials	163.77	54.90	-66%
Other operating revenue	79.77	40.03	-50%
Total operating revenue	4 797.46	4 257.10	-11%
Depreciation and impairments	388.85	367.20	-6%
Consumption of raw materials and consumables:	711.23	603.56	-15%
<i>Fuel</i>	223.17	207.63	-7%
<i>Energy</i>	430.28	386.46	-10%
Third party services:	1 577.43	1 319.11	-16%
<i>Infrastructure access costs</i>	951.43	680.01	-29%
Taxes and charges	37.87	41.14	9%
Cost of employee benefits:	1 714.56	1 744.76	2%
<i>Cost of package of employee guarantees</i>	209.16	-	-
<i>Cost of Voluntary Redundancy Program</i>	0.00	265.33	-
Other costs by category	61.48	40.34	-34%
Value of goods and materials sold	135.67	38.20	-72%
Other operating expenses	60.18	25.72	-57%
Cost of operating activities	4 687.28	4 180.03	-11%
EBITDA (adjusted)	708.19	709.60	0,2%
Operating profit	110.18	77.07	-30%
Financial revenue	34.33	33.81	-2%
Financial cost	44.21	37.58	-15%
Share in profit of associated entities	(13.44)	0.88	-
Profit before tax	88.53	74.19	-16%
Income tax	23.15	12.91	-44%
Net profit	65.39	61.29	-6%
Net profit attributable to:			
Shareholders of the parent company	74.04	58.99	-20%
Non-controlling interest	(8.66)	2.30	-
Net profit	65.39	61.29	-6%
Other comprehensive income that will be reclassified to profit or loss in subsequent periods:	0.10	(2.56)	
The effective portion of changes in fair value of cash-flow hedging instruments	0.13	(3.16)	
Income tax on other comprehensive income	(0.02)	0.60	
Items that will never be reclassified to profit or loss :	12.90	(33.91)	
Actuarial gains/(losses) on employee benefits after employment period	15.92	(41.87)	
Income tax on other comprehensive income	(3.03)	7.96	
Total comprehensive income attributable to:	78.39	24.81	
Shareholders of the parent company	86.98	23.69	
Non-controlling interest	(8.59)	1.12	

Consolidated statement of financial position

m PLN	As at 31/12/2013	As at 31/12/2014
Tangible fixed assets	3 855.45	4 011.54
Intangible assets	61.40	58.27
Goodwill	2.71	2.71
Investment property	1.41	1.36
Investments measured using the equity method	38.21	35.25
Other non-current financial assets	6.09	6.05
Other non-current non-financial assets	1.44	14.65
Deferred tax assets	83.19	88.27
Total non-current assets	4 049.90	4 218.10
Inventory	76.04	115.30
Trade and other receivables	609.27	526.15
Income tax receivables	2.39	3.05
Other current financial assets	691.40	306.38
Other current non-financial assets	33.36	28.25
Cash & cash equivalents	263.70	429.18
Non-current assets held for sale	17.56	17.56
Total current assets	1 693.72	1 425.87
Total assets	5 743.62	5 643.97

Consolidated statement of financial position

PLN m	As at 31/12/2013	As at 31/12/2014
Share capital	2 166.90	2 239.35
Supplementary capital	692.76	615.34
Other equity components	(16.39)	(51.69)
Retained earnings / Uncovered losses	603.25	527.67
Equity attributable to shareholders of the parent company	3 446.52	3 330.67
Equity attributable to non-controlling interest	62.38	63.50
Equity	3 508.89	3 394.17
Long-term bank credit and loans	121.56	208.08
Long-term liabilities from finance leases and lease contracts	313.14	190.84
Long-term trade and other receivables	113.69	67.98
Long-term provisions for employee benefits	592.92	658.22
Other long-term provisions	22.85	8.42
Deferred tax provision	2.58	2.33
Long-term liabilities	1 166.74	1 135.86
Short-term bank credit and loans	73.22	92.12
Short-term liabilities under finance leases and lease contracts	115.79	127.74
Short-term trade and other receivables	675.84	530.44
Short-term provisions for employee benefits	176.46	334.84
Income tax liability	26.13	24.21
Other short-term financial liabilities	0.31	3.93
Other short-term provisions	0.24	0.64
Short-term liabilities	1 067.99	1 113.94
Liabilities	2 234.72	2 249.79
Total liabilities and equity	5 743.62	5 643.97

Consolidated cash-flow statement

PLN m	2013	2014
Gross profit for the financial year	88.53	74.19
Adjustments:		
Depreciation and amortisation of non-current assets	375.45	367.20
Impairment of assets	13.40	-
(Gain) / loss on disposal and liquidation of property, plant and equipment and intangible assets	10.70	(4.06)
(Profit) / loss on investing activities	(1.65)	-
Foreign exchange (gains) / losses	3.84	6.05
(Gains) / losses on interest, dividends	4.24	(7.98)
Share in the (profit) / loss of equity accounted associates	13.44	(0.88)
Profit / (loss) on sales of an associate	(1.66)	-
Other adjustments	116.07	(45.03)
Changes in working capital:		
(Increase) / decrease in trade and other receivables	11.73	76.61
(Increase) / decrease in inventories	6.11	(26.24)
(Increase) / decrease in other assets	(6.25)	(5.59)
Increase / (decrease) in trade and other payables	(4.80)	(126.40)
Increase / (decrease) in other liabilities	-	3.63
Increase / (decrease) in provisions	74.77	207.33
Cash flows from operating activities	703.93	518.82
Interest received / (paid)	3.73	14.49
Income taxes received / (paid)	(7.46)	(9.95)
Net cash provided by operating activities	700.20	523.36

Consolidated cash-flow statement

PLN m	2013	2014
Acquisition of property, plant and equipment and intangible assets	(407.43)	(626.00)
Proceeds from sale of property, plant and equipment and intangible assets	20.71	17.90
Acquisition of subsidiaries, associates and joint venture	(0.50)	(0.31)
Proceeds from the sale of subsidiaries, associates and joint venture	9.52	-
Interest received	28.87	22.56
Dividends received	1.50	1.06
Proceeds from loans granted	51.85	0.18
Inflows / (outflows) from bank deposits over 3 months	3.67	302.81
Inflows / (outflows) related to the Employment Guarantees Program	(79.61)	79.61
Net cash (used in) / provided by investing activities	(371.42)	(202.17)
Payments of liabilities under finance lease	(122.55)	(121.58)
Payments of interest under lease agreement	(15.87)	(11.84)
Proceeds from credit facilities / loans received	3.86	179.20
Repayments of credit facilities / loans received	(76.32)	(73.78)
Repayments of interest on credit facilities / loans received	(9.85)	(6.78)
Overdraft received / paid	(22.08)	-
Grants received	0.94	24.79
Dividends paid to shareholders of the parent company	-	(137.50)
Dividends paid to non-controlling interest	(1.11)	-
Other inflows / (outflows) from financing activities	(10.11)	(8.23)
Net cash (used in) / provided by financing activities	(253.09)	(155.71)
Net increase in cash and cash equivalents	75.69	165.48
Opening balance of cash and cash equivalents	188.01	263.70
Closing balance of cash and cash equivalents	263.70	429.18



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