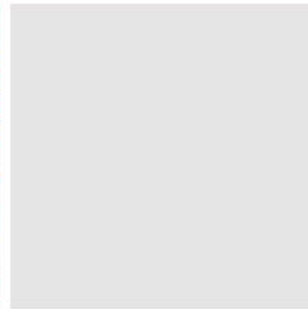
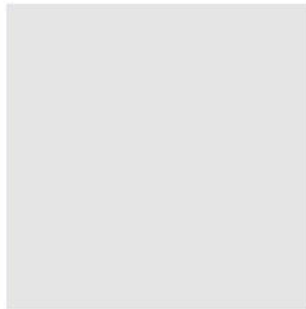




Record results and successful reorganisation



Financial results for the first half of 2014

28 August 2014





Major achievements

Operating results

Financial results

Summary

Record financial results on a competitive market



PLN 2 100 m

REVENUE

-8% y/y in H1 2014

Impact of the situation
in the coal market

PLN 128 m

NET PROFIT

+67%
y/y

PLN 1 931 m

**OPERATING
EXPENSES**

-11% y/y in H1 2014

Consistent cost-cutting
policy

PLN 257 m

CAPEX

Rolling stock maintenance
and modernisation

+15% y/y
coal cars ready for the
autumn transport peak

PLN 350 m

EBITDA

16.7%
margin

+12%
y/y

56.7%

**MARKET
SHARE**

By freight turnover in
H1 2014

Clear leader in the Polish rail
freight market

Reorganisation of the Group – improved management and operation



New management model

- ✓ Better information flow, greater flexibility
- ✓ Reduced operating costs
- ✓ Trade structure adapted to the market needs

Consolidation of divisions

- ✓ 10 → 7 divisions, location near major trade routes in Poland
- ✓ Streamlined operation of dispatching centers and train crews

CARGOTABOR - one of the largest rolling stock repair companies in Europe

- ✓ Concentration of maintenance and repair functions
- ✓ Optimisation of the production process
- ✓ Improved cost effectiveness

Agenda



Major achievements

Operating results

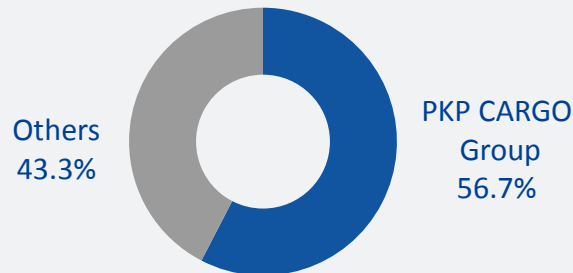
Financial results

Summary

Clear leader of the rail freight market

Market share of the PKP CARGO Group

In terms of freight turnover, H1 2014

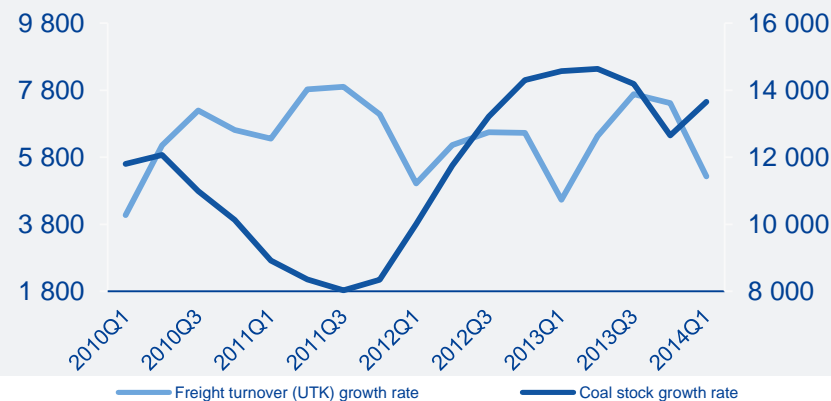


Source: UTK

PKP CARGO freight in H1 2014

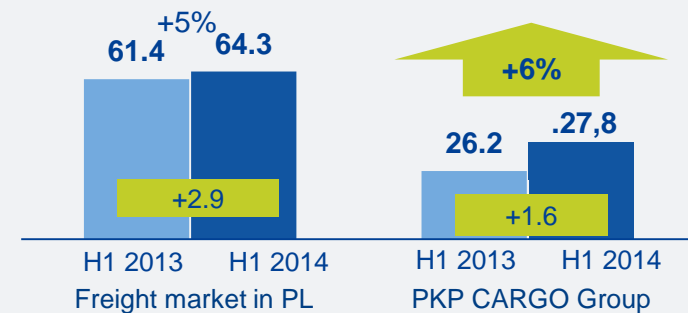
	H1 2013	H1 2014	change %
Freight turnover (m tkm)	13 947	13 522	-3.0%
Volume ('000 t)	52 832	51 221	-3.0%

Coal stock vs market freight turnover



Freight market in Poland excl. hard coal

m tonnes



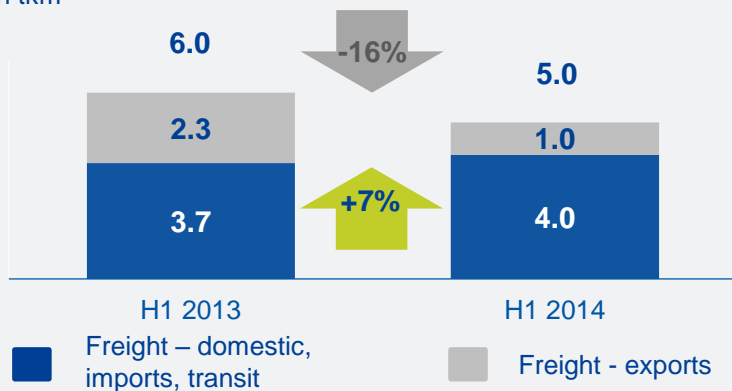
Source: Poland's Central Statistical Office (GUS)

HARD COAL - lower competitiveness of Polish coal, decrease in export freight, increase in domestic freight



PKP CARGO: freight turnover - coal

bn tkm

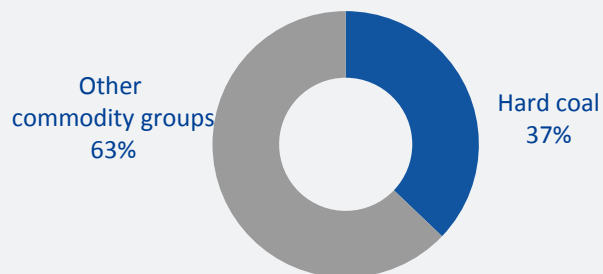


H1 2014

- Freight turnover growth: +7% y/y for domestic, transit and import freight
- Winning the largest coal transport tender in Poland (ENEA)
- Warm winter; Hard coal-based electricity generation in Poland: -6% y/y
- Global coal ARA prices: -12% y/y → growing coal imports → decrease in exports from Poland

PKP CARGO: transport structure

by freight turnover, H1 2014 data



Source: PKP CARGO

Prospects

- Implementation of new contracts signed in H1, including those with ENEA and Azoty Group
- Gradual reduction of coal stock held at mines
- Readiness to manage the autumn transport peak in the coal market

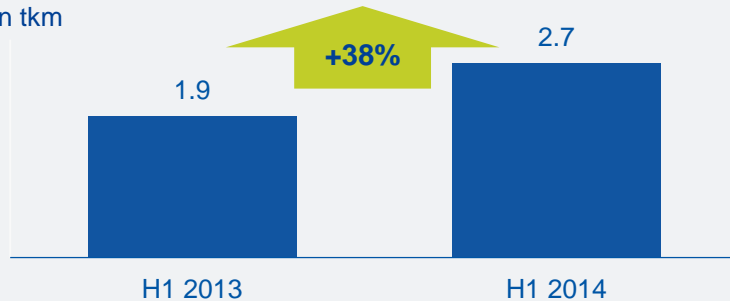
AGGREGATES AND CONSTRUCTION MATERIALS –

record infrastructural investments, new PKP CARGO's sales initiatives



PKP CARGO: freight turnover - aggregates and construction materials

bn tkm



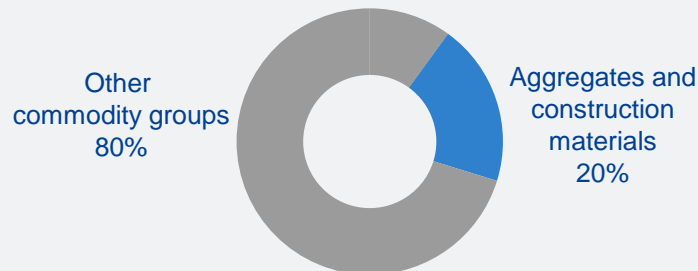
Source: PKP CARGO

H1 2014

- Better economic outlook in the construction sector (construction and assembly production +10% y/y)
- More road and railway investment projects started than in the corresponding period of 2013
- PKP CARGO sales initiatives, mainly in Q1

PKP CARGO: transport structure

by freight turnover, H1 2014 data



Source: PKP CARGO

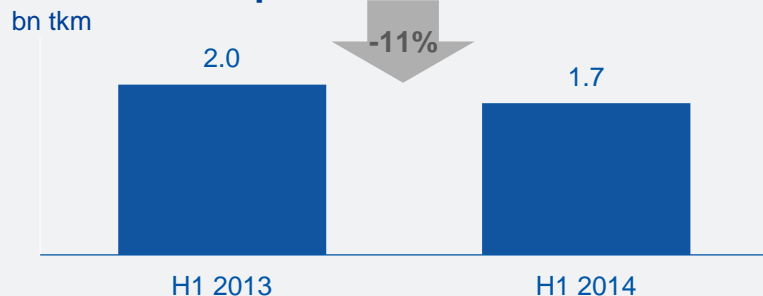
Prospects

- Further increase in infrastructural investment projects - more EU funding
- 224 km of motorways and expressways under construction; 578 km at tendering stage
- Estimates for 2014: 240 m tonnes of aggregates sold vs 220 m tonnes in 2013. (*Polish Union of Aggregates Producers*)

METALS, ORES AND SCRAP METAL – new contracts and low raw material prices - good prospects for H2 2014



PKP CARGO: freight turnover – metals, ores and scrap



Source: PKP CARGO

H1 2014

- The largest contract in the market with the ArcelorMittal Group and the first transports of 120m rails
- Continued relationship with the existing Customers, e.g. CMC Poland
- Increased metal and ore import freight to steelworks in southern Poland
- Shorter ore supply routes - import of raw material from Ukraine instead of Polish ports
- Furnace retrofit at a key Customer's steelworks

PKP CARGO: transport structure

by freight turnover, H1 2014 data



Source: PKP CARGO

Prospects

- A new contract for the transport of more than 1 million tonnes annually for CMC Poland
- Resumed imports of raw material by sea via Polish ports
- Expected increase in demand for steel in Poland and in Europe in H1 2014 and 2015 (*Eurofer*)
- Large infrastructural projects in the railway sector, construction of power units and LNG terminal in Świnoujście

INTERMODAL TRANSPORT – new contracts in a dynamically growing market



PKP CARGO: freight turnover - intermodal m tkm



Source: PKP CARGO

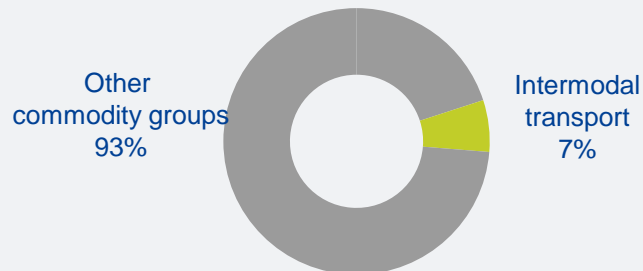
— Freight turnover growth rate y/y

H1 2014

- Recovery of the market position in Q2
- Commercialisation of the operations of the Poznań terminal (a new permanent connection to ports from September)
- New freight contracts:
 - for Hyundai - parts (intermodal)
 - for Suzuki, Volkswagen and Skoda (cars)

PKP CARGO: transport structure

by freight turnover, H1 2014 data



Source: PKP CARGO

Prospects

- Launching new routes to Western Europe
- Launching new domestic and international cooperation with PCC
- Development of freight services to China
- A new connection: Gdańsk – Sławków – Bratislava – Gdańsk intermodal triangle
- Expansion of the company's own terminals
- An increasing growth rate of intermodal transport in Poland - estimated growth of 8% pa by UTK



PKP cargo
LOGISTICS

Agenda



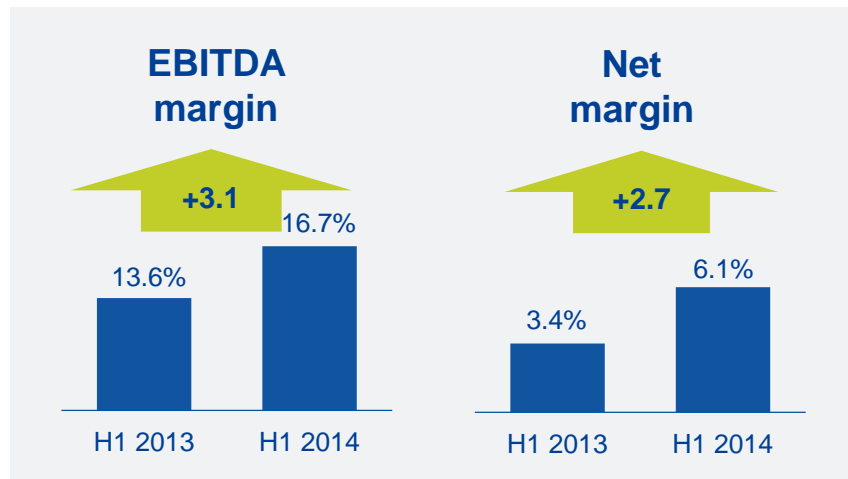
Major achievements

Operating results

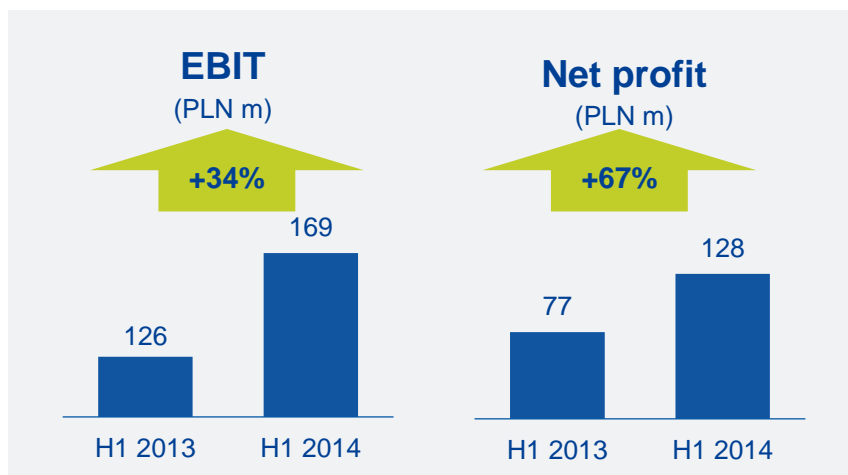
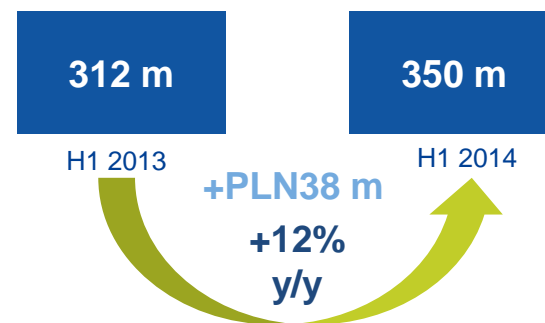
Financial results

Summary

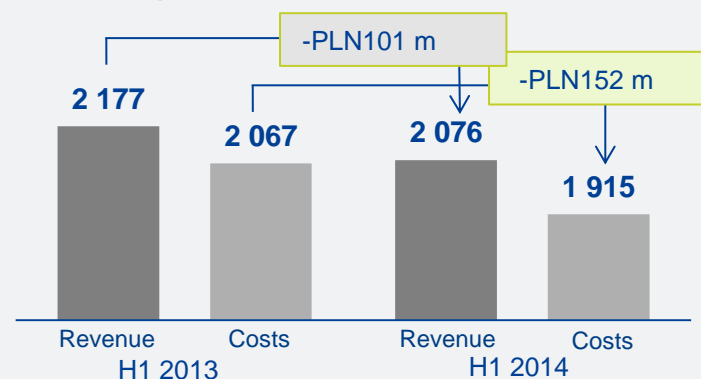
Record EBITDA profitability



EBITDA



Operating revenue vs. expenses*



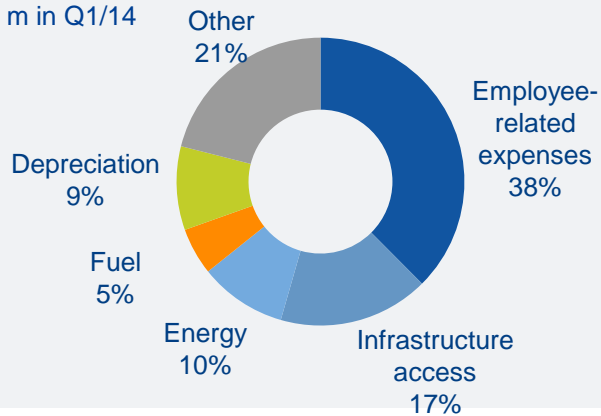
Cost effectiveness



Operating expenses

PLN 1,931 m in Q1/14

-11% y/y



Infrastructure access

-118 m

- >20% decrease in unit cost
- Optimisation of freight logistics

Operating expenses / revenue

(%)



Employee benefits

-15 m

- Cost reduction by 2%
- Staffing reduced by 291 FTE in H1
- EBITDA per employee +13%

Fuels and energy

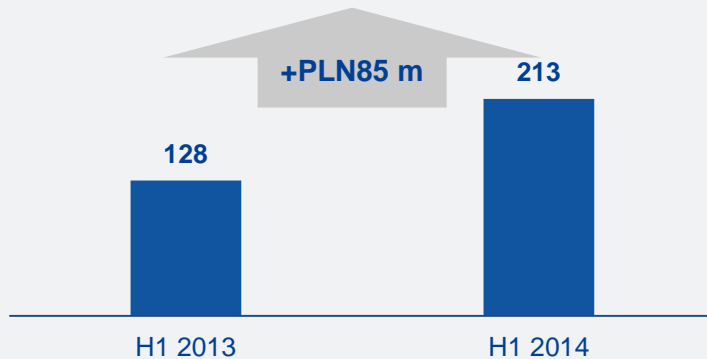
-20 m

- Greater freight turnover in diesel traction
- Decrease of the cost of energy consumption
- Decrease of the unit cost by 4%

Investment directions: rolling stock, intermodal, IT



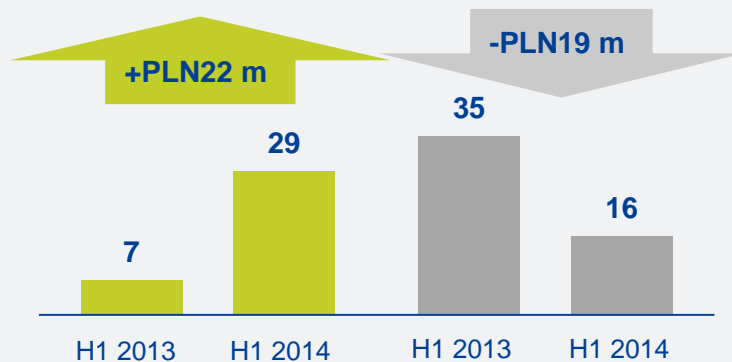
Modernisation and routine repairs



H1 2014

- Increase in investment to PLN 257 m as expected, adjusted to the rolling stock needs (+3,000 wagons y/y)
- Replacement investment ~10% of sales
- >90% repairs within the Group, visible effects y/y in terms of improvement in the effectiveness of rolling stock companies

New rolling stock Other investment projects



Prospects

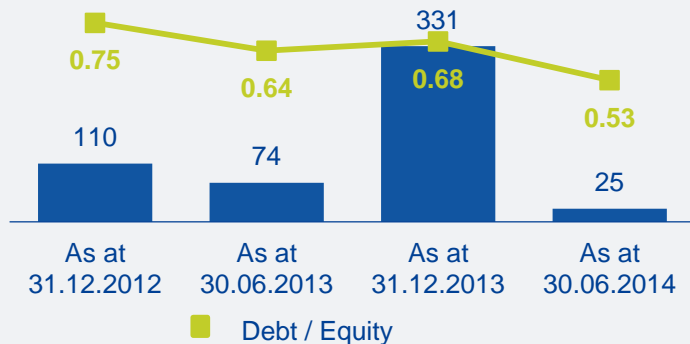
- Financing investment projects with EU funds (new potential terminal projects)
- Use of new intermodal platforms (330 in total by the end of 2014)
- Full investment control - optimisation

Strong balance sheet, various financing possibilities



Net cash

PLN m



H1 2014

- +PLN 136 m from operating activities
- Influence of one-off events on the cash level at the end of period
- Investment financing in H1 with own funds and repayment of historical debt
- Expected further strenghtening of cash position in H2, planned refinancing of expenditure incurred

Financial indicators

Balance at the end of period	30.06.2013	30.06.2014	
Net financial debt / EBITDA	-0.24	-0.07	+++
Debt coverage ratio	1.98	4.79	+++
Debt ratio	0.39	0.35	+++

Cash and debt

PLN m

Balance at the end of period	31.12.2012	30.06.2013	31.12.2013	30.06.2014
Cash & cash equivalents	847	814	955	549
Debt	737	740	624	524
				- 216

Agenda



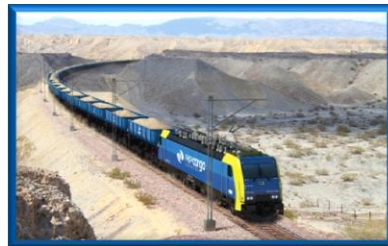
Major achievements

Operating results

Financial results

Summary

PKP CARGO – new Polish Champion ready for expansion



- ✓ **Group after internal reorganisation**
- ✓ **Optimised business model**
- ✓ **Solid financial results**
- ✓ **Potential for debt growth**



**Significant potential
for domestic and
international
development**

Key challenges



Commercial

- ✓ Taking advantage of big infrastructure investments and energy security program
- ✓ Development of international freight
- ✓ New intermodal connections

Operational

- ✓ Better use of resources
 - Drivers - increase in the working time on the locomotive
 - Rolling stock– improvement in utilization indicators
 - Back office – reduction of the unit repair cost

Investment

- ✓ Taking advantage of opportunities in the M&A
- ✓ Purchase of multi-system locomotives



Q&A Session



Transport results



Freight turnover (m tkm)					
	H1 2014	H1 2013	Change %	Share H1 2014	Share H1 2013
solid fuels	5 733	6 738	-15%	42%	48%
<i>including coal</i>	5 020	5 977	-16%	37%	43%
aggregates and construction materials	2 674	1 940	38%	20%	14%
metals and ores	1 741	1 953	-11%	13%	14%
chemicals	877	836	5%	6%	6%
liquid fuels	325	380	-15%	2%	3%
timber and agricultural produce	929	741	25%	7%	5%
Intermodal transport	876	934	-6%	7%	7%
other	367	426	-14%	3%	3%
Total	13 522	13 947	-3%	100%	100%

Volume (m tonnes)					
	H1 2014	H1 2013	Change %	Share H1 2014	Share H1 2013
solid fuels	25 816	29 192	-12%	50%	55%
<i>including coal</i>	23 426	26 587	-12%	46%	50%
aggregates and construction materials	9 348	7 046	33%	18%	13%
metals and ores	6 163	6 518	-5%	12%	12%
chemicals	2 911	2 959	-2%	6%	6%
liquid fuels	1 212	1 442	-16%	2%	3%
timber and agricultural produce	2 446	1 948	26%	5%	4%
intermodal transport	2 287	2 406	-5%	5%	5%
other	1 038	1 321	-21%	2%	2%
Total	51 221	52 832	-3%	100%	100%

Consolidated profit and loss statement

PLN m	H1 2014	H1 2013	change %
Sales revenue	2 053.3	2 152.7	-5%
Revenue from the sales of goods and materials	23.7	114.0	-79%
Other operating revenue	22.8	24.5	-7%
Total operating revenue	2 099.8	2 291.2	-8%
Depreciation and impairments	181.5	186.0	-2%
Consumption of raw materials and consumables	313.8	335.5	-6%
Fuel	102.1	100.3	2%
Energy	189.6	211.8	-10%
Third party services	638.0	738.3	-14%
Infrastructure access costs	326.5	444.9	-27%
Taxes and charges	20.3	18.5	10%
Cost of employee benefits	724.8	739.6	-2%
Other costs by category	21.9	30.7	-29%
Value of goods and materials sold	15.9	98.1	-84%
Other operating expenses	14.6	18.2	-19%
Cost of operating activities	1 930.9	2 164.9	-11%
EBITDA	350.5	312.3	12%
Operating profit	169.0	126.3	34%
Financial revenue	11.6	19.4	-40%
Financial cost	16.5	41.2	-60%
Share in profit of associated entities	-0.4	0.2	-340%
Profit before tax	163.6	104.7	56%
Income tax	35.5	27.9	27%
Net profit	128.1	76.8	67%
Net profit (loss) attributable to:			
Shareholders of the parent company	126.7	76.4	66%
Non-controlling interest	1.4	0.4	295%

Consolidated statement of financial position



PLN m	As at 30/06/2014	As at 31/12/2013
Tangible fixed assets	3 926.4	3 855.4
Intangible assets	58.1	61.4
Goodwill	2.7	2.7
Investment property	1.4	1.4
Investments measured using the equity method	33.6	38.2
Other non-current financial assets	6.1	6.1
Other non-current non-financial assets	1.7	1.4
Deferred tax assets	53.3	83.2
Total non-current assets	4 083.2	4 049.9
Inventory	74.3	76.0
Trade and other receivables	567.9	609.3
Income tax receivables	0.5	2.4
Other current financial assets	209.9	691.4
Other current non-financial assets	69.6	33.4
Cash & cash equivalents	339.4	263.7
Non-current assets held for sale	17.6	17.6
Total current assets	1 279.2	1 693.7
Total assets	5 362.4	5 743.6

Consolidated statement of financial position

PLN m	As at 30/06/2014	As at 31/12/2013
Share capital	2 239.3	2 166.9
Supplementary capital	625.8	692.8
Other equity components	(17.0)	(16.4)
Retained earnings / Uncovered losses	585.0	603.2
Equity attributable to shareholders of the parent company	3 433.1	3 446.5
Equity attributable to non-controlling interest	63.3	62.4
Equity	3 496.5	3 508.9
Long-term bank credit and loans	89.5	121.6
Long-term liabilities from finance leases and lease contracts	236.8	313.1
Long-term trade and other receivables	91.3	113.7
Long-term provisions for employee benefits	592.9	592.9
Other long-term provisions	9.3	22.9
Deferred tax provision	2.5	2.6
Long-term liabilities	1 022.3	1 166.7
Short-term bank credit and loans	64.5	73.2
Short-term liabilities under finance leases and lease contracts	131.6	115.8
Short-term trade and other receivables	529.0	675.8
Short-term provisions for employee benefits	94.0	176.5
Income tax liability	22.0	26.1
Other short-term financial liabilities	2.0	0.3
Other short-term provisions	0.5	0.2
Short-term liabilities	843.6	1 068.0
Liabilities	1 865.9	2 234.7
Total liabilities and equity	5 362.4	5 743.6



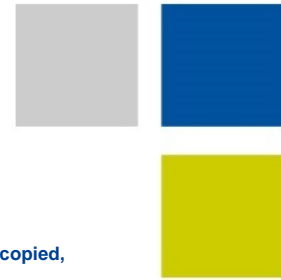
Consolidated cash-flow statement

PLN m	H1 2014	H1 2013
Gross profit/(loss) for the financial year	163.6	104.7
Adjustments:		
Depreciation of fixed assets	181.5	186.8
Impairment of fixed assets	-	(0.8)
Profit on the sale of fixed assets and intangible assets	5.2	11.6
Profit (loss) on operating activities	(0.0)	-
Profit/loss on exchange rate differences	0.6	17.4
Profit/loss on interest, dividend	4.3	(1.8)
Share in profit of associated entities	0.4	(0.2)
Other adjustments	(1.3)	(1.5)
Changes in working capital:		
(Increase) / decrease of the balance of trade receivables and other receivables	34.6	12.9
(Increase) / decrease in inventory	1.7	(2.6)
(Increase) / decrease in other assets	(35.8)	(29.4)
(Increase) / decrease in the balance of trade payables and other liabilities	(120.2)	(6.2)
(Increase) / decrease in other financial liabilities	1.7	4.0
(Increase) / decrease in provisions	(100.1)	(3.0)
Cash flow from operating activities	136.4	292.0
Interest (paid) / received	2.1	3.2
Income tax (paid) / received	(3.3)	(2.2)
Net cash flow from operating activities	135.2	293.0

Consolidated cash-flow statement

PLN m	H1 2014	H1 2013
Expenditures in respect of purchase of fixed assets and intangible assets	(309.9)	(209.8)
Proceeds from the sale of fixed assets and intangible assets	0.8	1.1
Proceeds from the sale of other financial assets	-	0.0
Interest received	15.1	14.8
Dividends received	0.3	0.9
Repayment of loans granted	-	-
Expenditure in respect of loans granted	-	51.6
Other inflows / (expenditures) from investing activity	478.2	50.1
Net cash flow (used) / from investing activities	184.5	(91.3)
Financial lease expenditure	(62.8)	(58.0)
Lease interest paid	(6.4)	(8.5)
Inflows from credit facilities / loans received	-	0.7
Credit facilities / loans repaid	(32.0)	(58.1)
Interest paid on credit facilities / loans	(3.3)	(5.7)
Outflow/repayment of bank overdrafts	(8.7)	-
Subsidies received	11.4	-
Dividends paid to shareholders of the parent company	(137.5)	-
Other inflows / (outflows) from financial activities	(4.7)	(5.2)
Net cash flow (used) / generated by financial activities	(244.0)	(134.9)
Increase/(decrease) in net balance of cash and cash equivalents	75.7	66.8
Cash & cash equivalents at the beginning of the reporting period	263.7	188.0
Cash & cash equivalents at the end of the reporting period	339.4	254.8

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For additional information on PKP CARGO please contact the Investor Relations Department:

PKP CARGO S.A.
Investor Relations Department
ul. Grójecka 17
02-021 Warszawa

tel: +48 22 391 47 09
fax: +48 22 474 29 53
e-mail: relacje.inwestorskie@pkp-CARGO.eu

