PKP CARGO GROUP

H1 2018

strengthening its leading marketing position

AGENDA

- Recap of the interim results
- Commercial results
- Financial performance
- Outlook 2018
- Q&A

RECAP OF THE INTERIM RESULTS

PKP CARGO GROUP'S H1 2018 results

REVENUE

PLN 2,510 m

+ 11% yoy

EBITDA

17% profitability

PLN 423 m

+ 27% yoy

NET RESULT

4% profitability

PLN 90 m

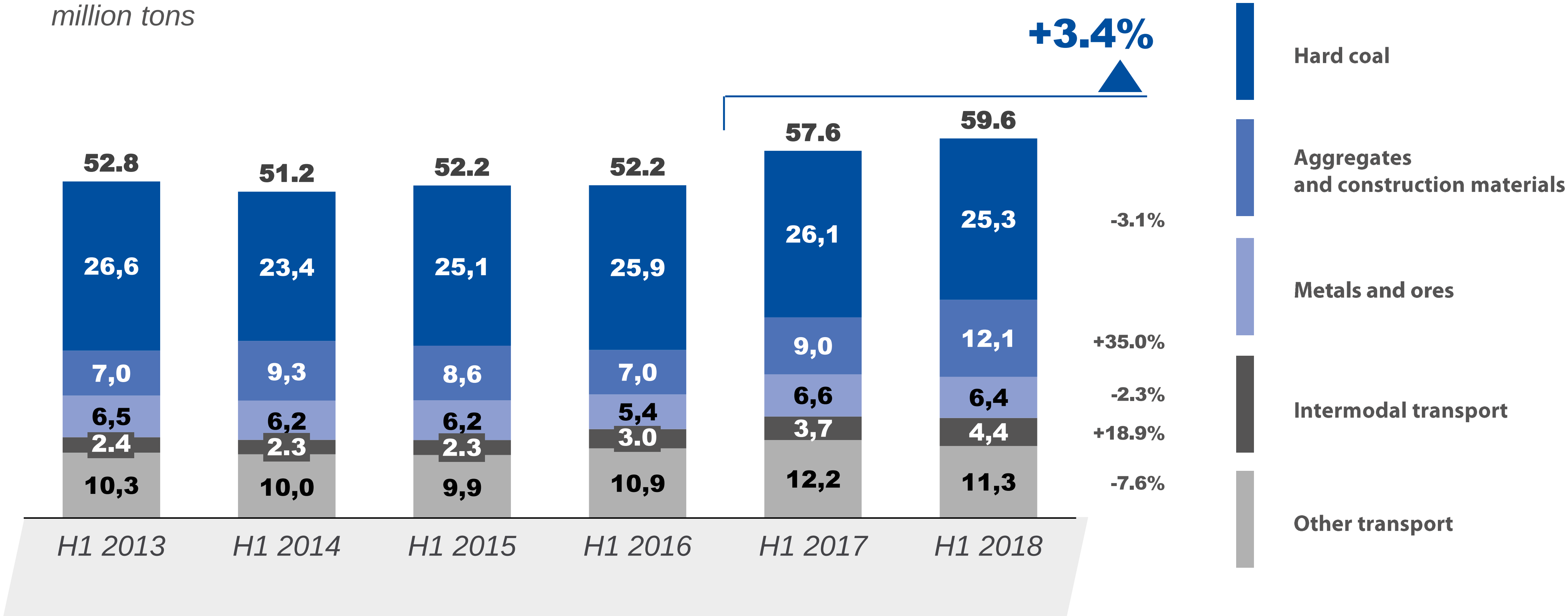
+363% yoy

COMMERCIAL RESULTS

THE DEMAND FOR AGGREGATES AND CONSTRUCTION MATERIALS MADE THE STRONGEST CONTRIBUTION TO TRANSPORT GROWTH

FREIGHT VOLUME IN THE PKP CARGO GROUP

million tons

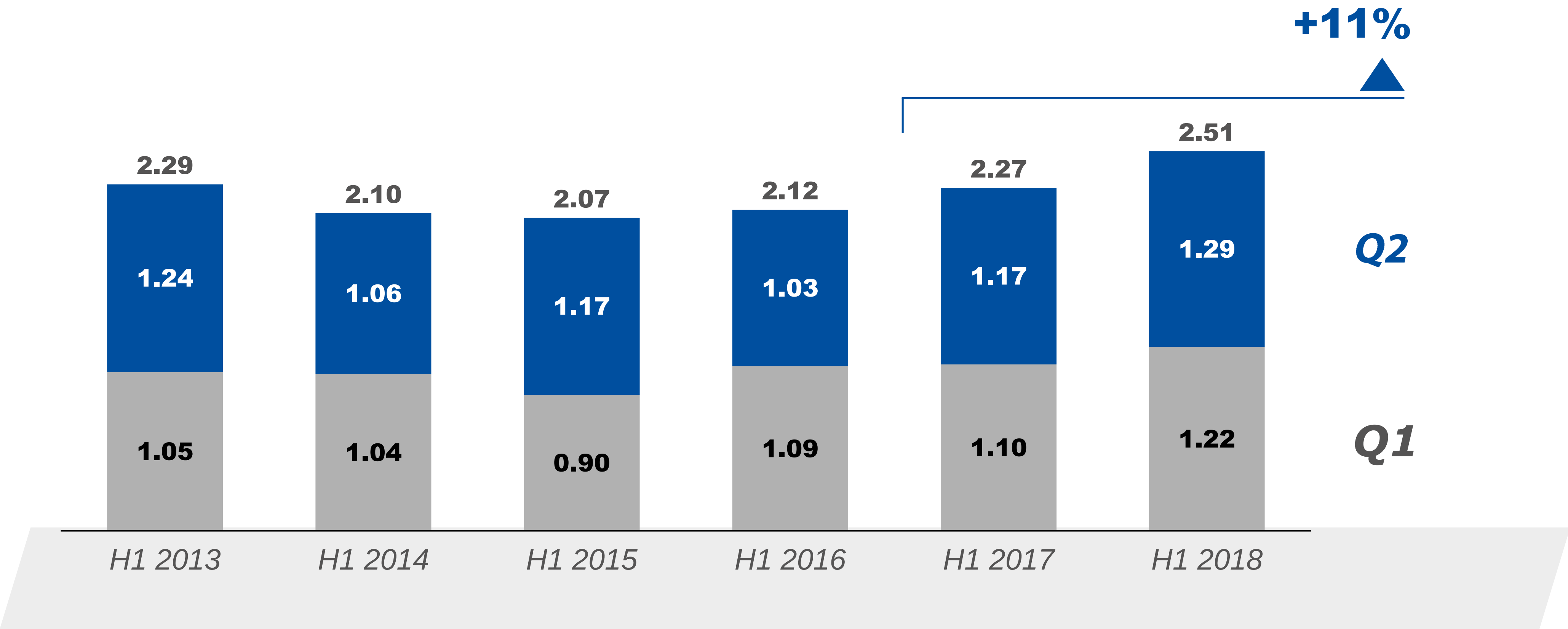


FINANCIAL PERFORMANCE

IN H1 2018 THE PKP CARGO GROUP GENERATED THE HIGHEST OPERATING REVENUE SINCE 2013

THE PKP CARGO GROUP'S OPERATING REVENUE IN 2013-2018

PLN billion

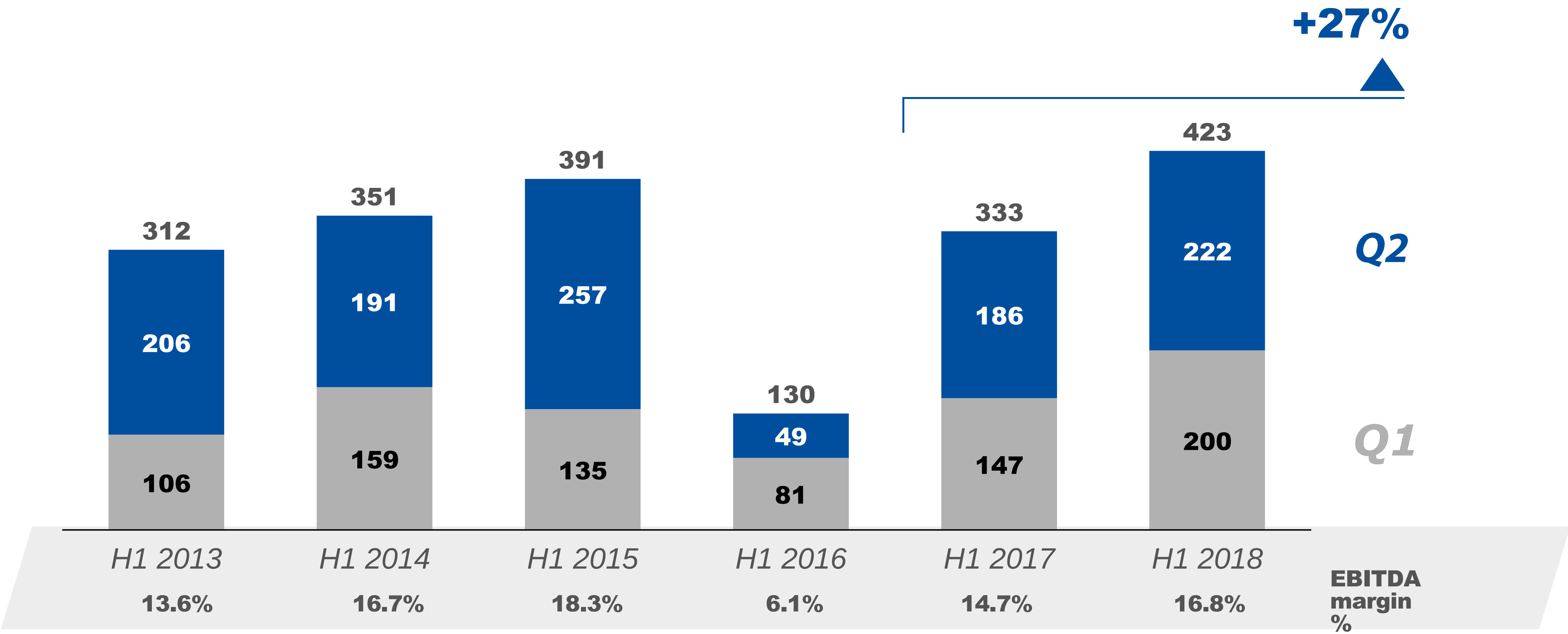


PKPCARGO

THE PKP CARGO GROUP POSTED ITS HIGHEST EBITDA SINCE GOING PUBLIC

THE PKP CARGO GROUP'S EBITDA IN H1 2013-2018

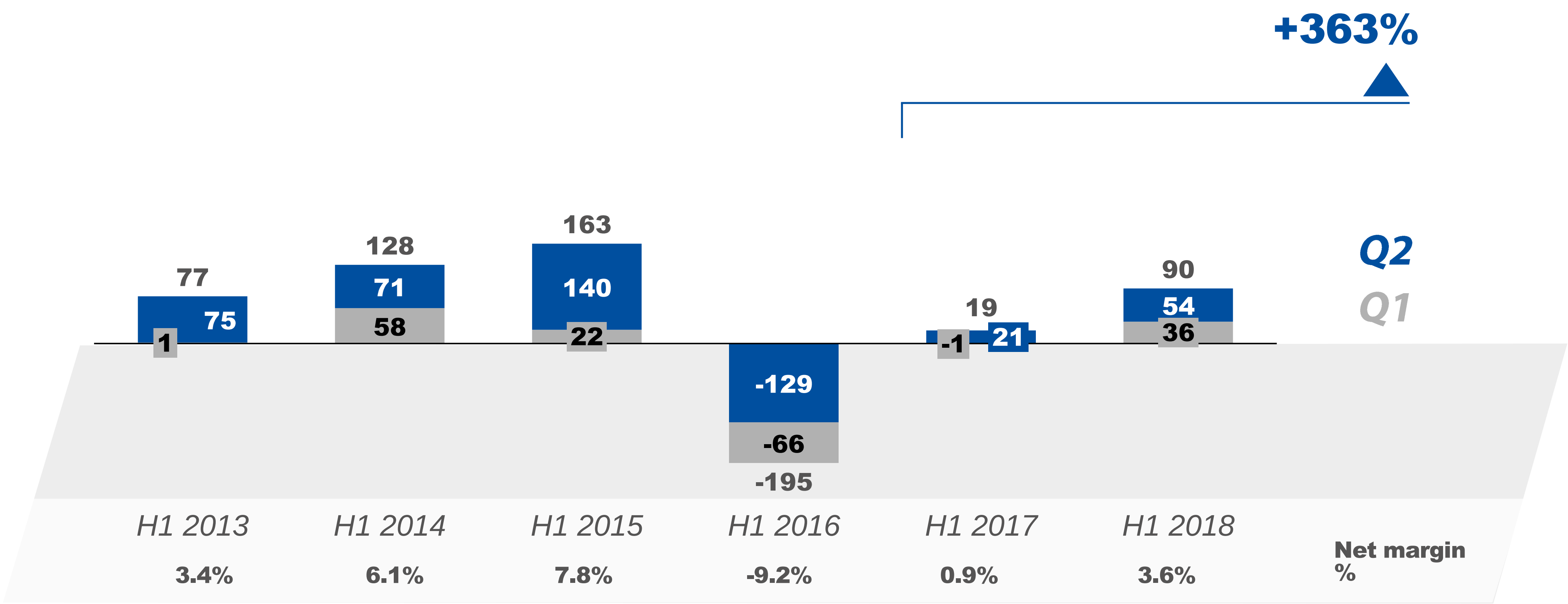
PLN million



IN H1 2018 THE NET RESULT SAW 363% GROWTH VERSUS H1 2017

THE PKP CARGO GROUP'S NET RESULT IN H1 2013-2018

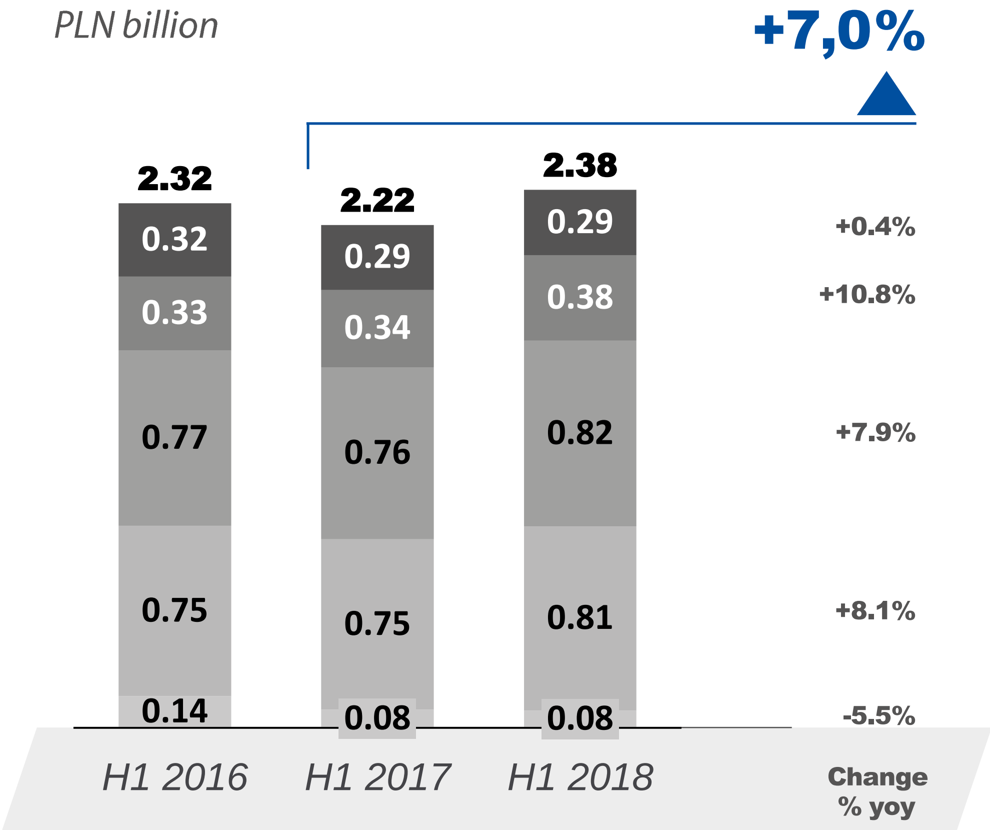
PLN million



COSTS CONTINUE TO BE UNDER CONTROL DESPITE PAY RAISES AND THE IMPAIRMENT LOSS TAKEN ON ROLLING STOCK

THE PKP CARGO GROUP'S OPERATING EXPENSES

PLN billion



Depreciation and amortization

- **Impairment loss for rolling stock** totaling PLN 18.1 million for optimization in the AWT Group

Materials and energy

- Higher consumption of **fuel** (PLN 23.5 m) and energy (PLN 11.3 m)
- Costs up chiefly as a result of **more transport**

External services

- Higher **rents** and charges for the use of **property and rolling stock** by PLN 20.8 m – increasing the quantity of leased rolling stock
- Costs of transportation services up PLN 20.0 m

Employee benefits

- **Pay raises** in the PKP CARGO Group's companies
- The pay raise that exerted the largest impact was awarded to PKP CARGO S.A. employees as of 1 September 2017

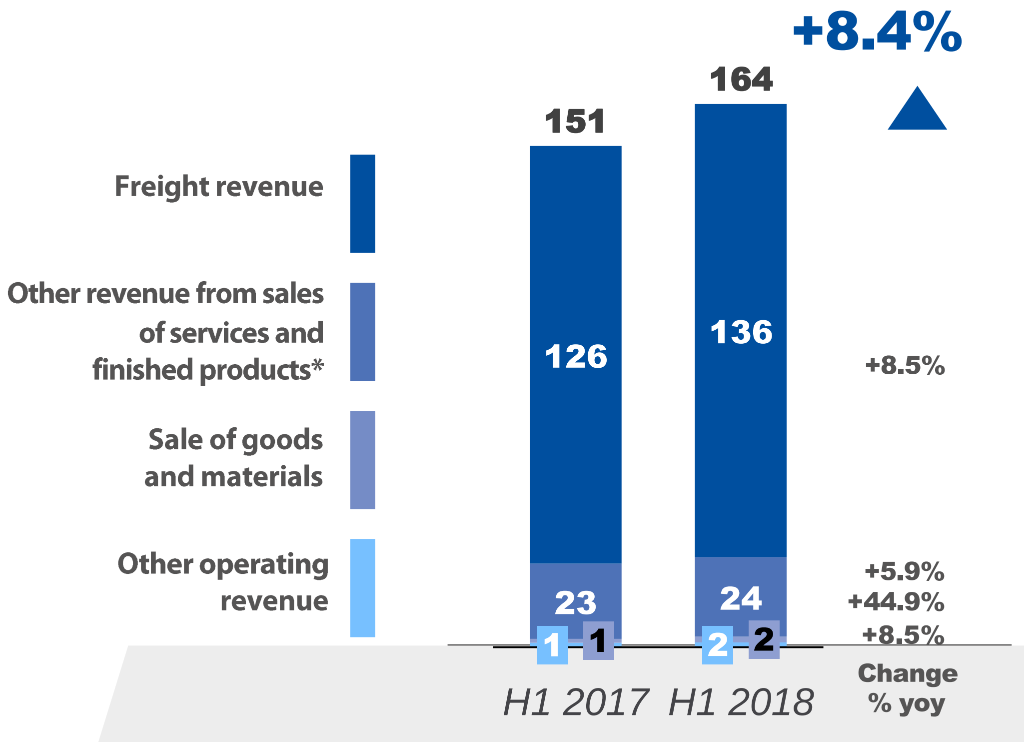
Other expenses

- Other expenses **at a similar level** to last year

REVENUE GREW TWICE AS FAST AS COSTS THANKS TO RAISING FREIGHT RATES, AMONG OTHERS

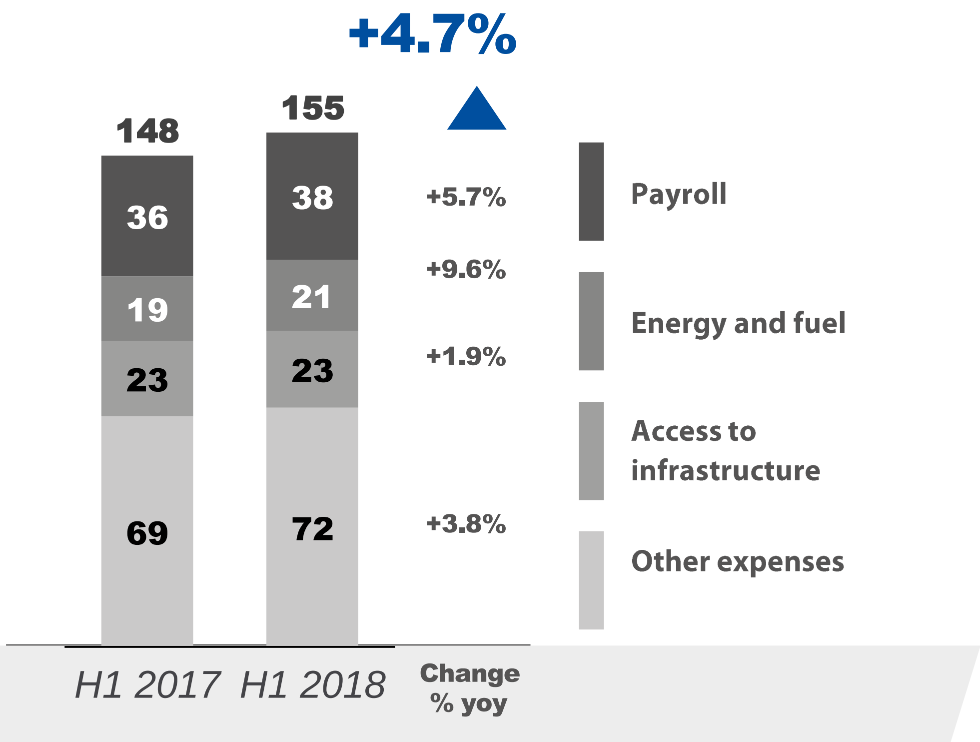
PKP CARGO GROUP'S UNIT REVENUE

PLN / thousand tkm



THE PKP CARGO GROUP'S UNIT COSTS

PLN / thousand tkm



*Revenue from sales of services and finished goods net of revenue for cargo

RATIOS IMPROVED AS DEBT FELL

CASH FLOW
PLN million

	H1 2017	H1 2018	Change
On operating activity	249	393	**+144**
On investing activity	-527	-482	**+45**
On financing activity	-151	-166	**-15**

FUNDING SOURCES
as at 30 June 2018

	H1 2018
Cash*	668
EIB	72
Pekao SA	100
PKO BP	1
Total funding	**841**

FINANCIAL RATIOS

	H1 2017	H1 2018
NET DEBT / EBITDA	1.4	1.2
ROA	1.3%	2.3%
ROE	2.5%	3.5%
EBIT margin	2.0%	5.2%

FINANCIAL DEBT STRUCTURE

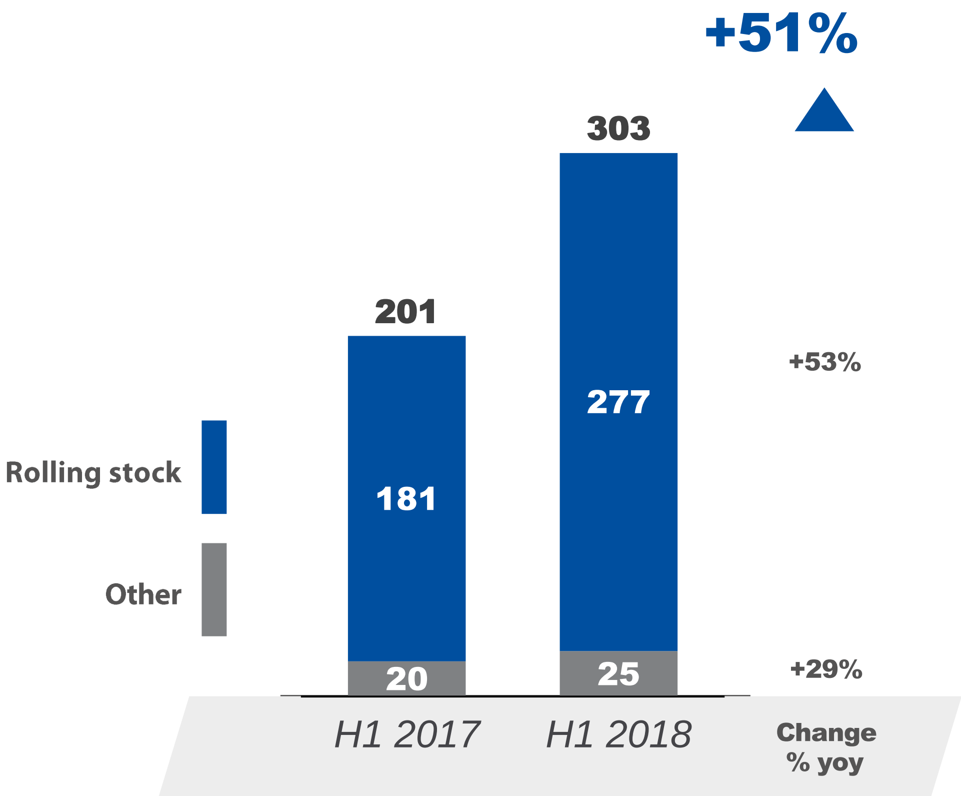
	31.12.2017	30.06.2018
Non-current	1 404	1 302
Current	298	283
Total debt	**1 702**	**1 585**
Total debt ratio	**0.50**	**0.48**

*Cash and cash equivalents, term deposits above 3 months

ENHANCING FREIGHT POTENTIAL UNDERPINNED BY HIGHER CAPITAL EXPENDITURES

CAPITAL EXPENDITURES

PLN million



KEY INVESTMENTS IN 2018

- Rolling stock investments
- The PKP CARGO Group is poised to handle the transport peak in 2018 and subsequent years

OUTLOOK 2018

KEY GROWTH AREAS 2018

INTEGRATION
OF THE PKP CARGO GROUP

- Harnessing the synergy potential in PKP CARGO Group Companies – appointing Board of CEOs
- Building competitive advantages in the North-South and East-West corridors
- The PKP CARGO Group as a professional logistics operator

INTERNATIONAL
DEVELOPMENT

- Focus on intermodal transport
- Intensification of transport on the New Silk Road and the Three Seas Initiative
- Utilizing the upstream strategy

MARKET SHARE
EXPANSION

- Organic development
- Process optimization
- Analysis of potential acquisitions on the domestic and international market
- Aligning the offering to the client and market's current needs
- Expanding resources offering a better fit with market needs

UPDATE OF THE FORECASTS OF FINANCIAL AND OPERATING RESULTS

FORECASTS OF PKP CARGO S.A.'S FINANCIAL AND OPERATING RESULTS
PLN million

	New Forecast	Published forecast	Change	% change
Operating revenue	3,914.5	3 912.9	1.6	0.0 %
EBITDA	781.3	663.6	117.7	17.7%
EBIT	337.3	204.0	133.3	65.3%
Net profit	269.9	160.8	109.1	67.8%
Capital expenditures	878.5	1 017.6	-139.1	-13.7 %

FORECASTS OF THE PKP CARGO GROUP'S FINANCIAL AND OPERATING RESULTS
PLN million, million tons, freight turnover, respectively

	New Forecast	Published forecast	Change	% change
EBITDA	904.8	778.7	126.1	16.2 %
Freight volume	121.8	125.9	-4.1	-3.2 %
Market share	49.7%	53.9%	-4.2 p.p.	-7.9%

Q&A