



PKP CARGO Group q1 2017





AGENDA

- || Recap of the quarterly results
- || Key achievements in Q1 2017
- || Commercial results
- || Financial results
- || Outlook for 2017



Robust Q1 2017 results – costs under control



✓	✓	✓
MARKET SHARE 52.3% measured by freight turnover (+0.1 p.p. yoy) 44.9% measured by freight volume (+0.6 p.p. yoy)	EBITDA PLN 147 million 83% yoy profitability of 13.4%	CAPEX PLN 86 million -53% yoy
REVENUES PLN 1,100 million 6% yoy	NET RESULT -PLN 1 million	OPEX PLN 1,097 million 0% yoy

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Most important achievements in Q1 2017

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



PKP CARGO Group's enormous potential

Rail transport

52,3%

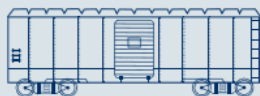
share the Polish market
(freight turnover) in 3m 2017

71,0 %

transport of black coal in Poland
in 2016 by freight turnover of the
PKP CARGO Group

First

in Poland rail cargo carrier



Intermodal

148 thousand

containers transported by the PKP
CARGO Group in 3m 2017

5/10

containers transported by rail in
2016 were transported by us

10,3%

share of intermodal transport
in our business by freight turnover
in 3m 2017 roku



Terminals

17 transshipment terminals
throughout Poland

incl.

2 specialised logistics centers
on the border with Belarus
and Ukraine

5 container terminals



Forwarding

10 branches and transshipment
terminals

8 customs agencies



Sidings

over **60** sidings operated
in Poland and abroad



Rolling stock

over **2 thousand** locomotives

over **60 thousand** wagons





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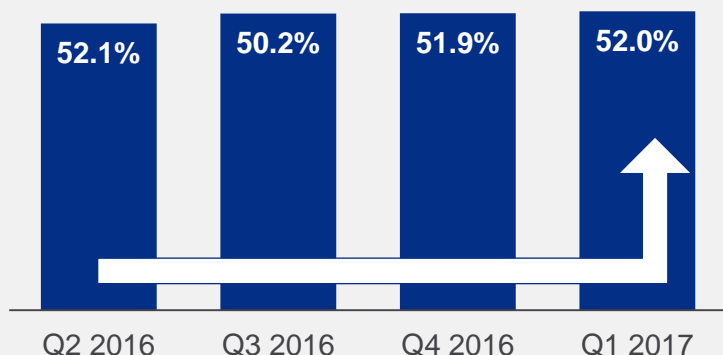


Position of the PKP CARGO Group

PKP CARGO Group's share of the Polish market

measured by quarterly freight turnover data for 2016 and Q1 2017

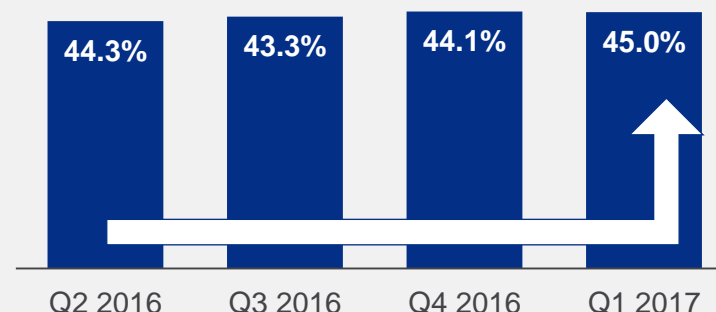
+2.1 p.p.



PKP CARGO Group's share of the Polish market

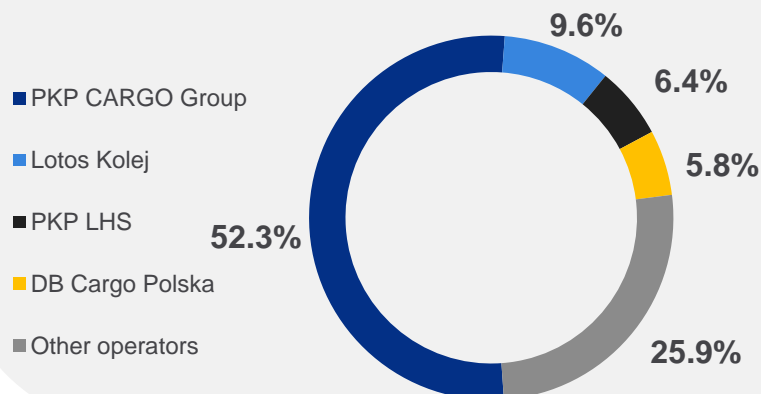
measured by quarterly freight volume data for 2016 and Q1 2017

+1.6 p.p.



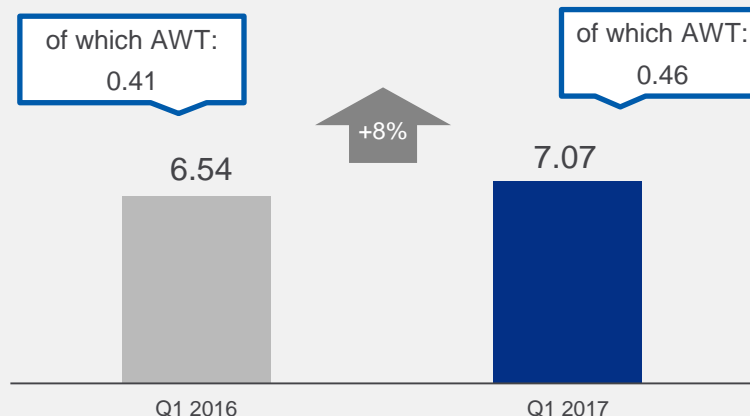
PKP CARGO Group's share of the Polish market

measured by freight turnover data for Q1 2017



PKP CARGO Group's freight transport

measured by freight turnover data for Q1 2017, bn tkm



Positive developments on major markets

Solid fuels

freight turnover, billion tkm



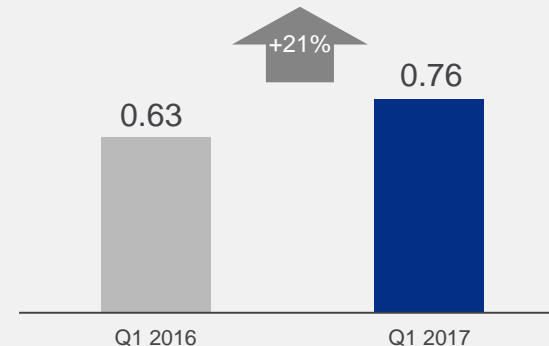
Metals and ores

freight turnover, billion tkm



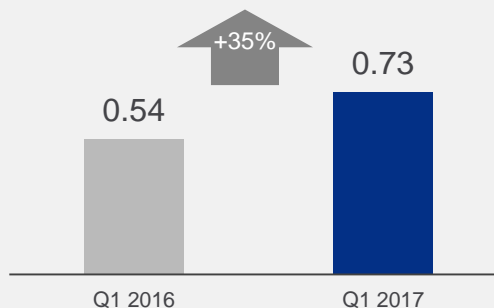
Aggregates and construction materials

freight turnover, billion tkm



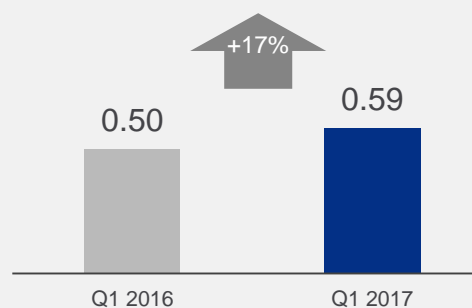
Intermodal

freight turnover, billion tkm



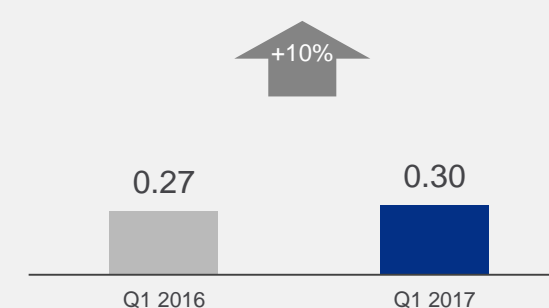
Chemicals

freight turnover, billion tkm



Liquid fuels

freight turnover, billion tkm

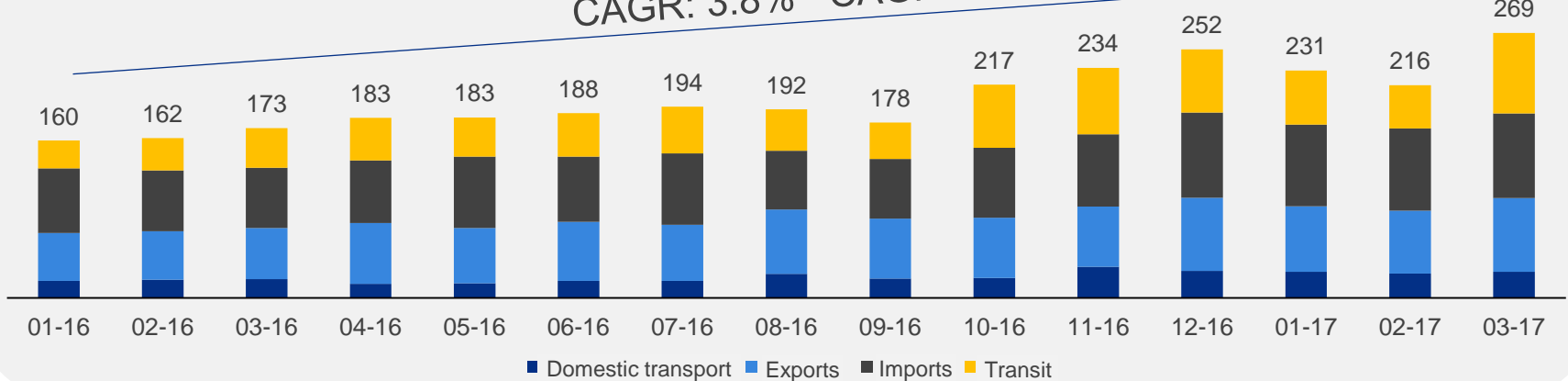


Strong growth internationally

PKP CARGO Group's intermodal transport

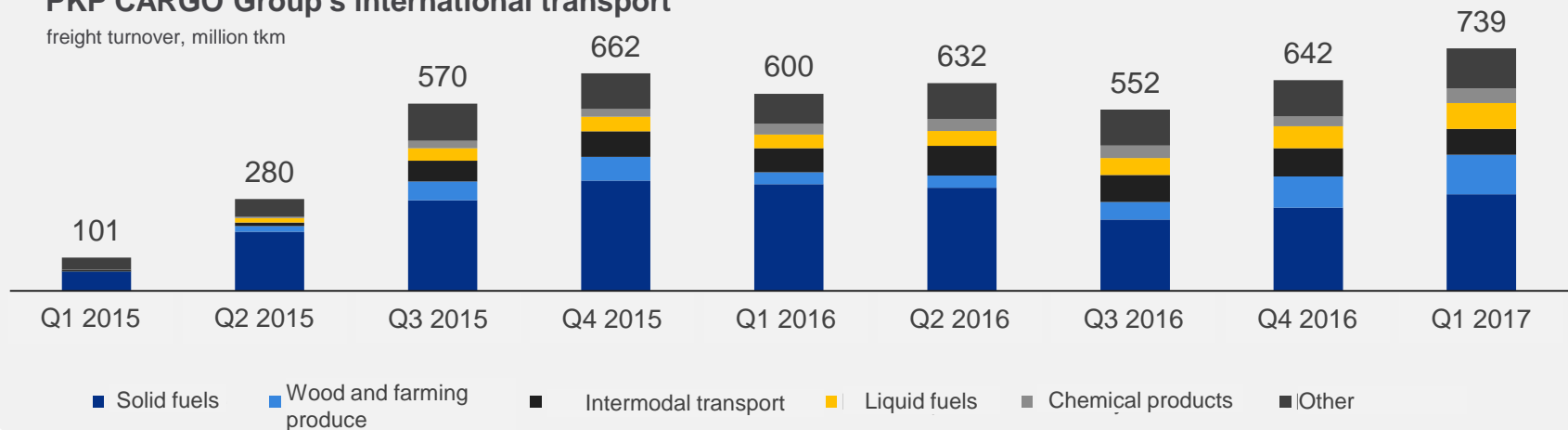
freight turnover (million tkm) net of the AWT Group

CAGR: 3.8% CAGR: Transit 7.9%



PKP CARGO Group's international transport

freight turnover, million tkm

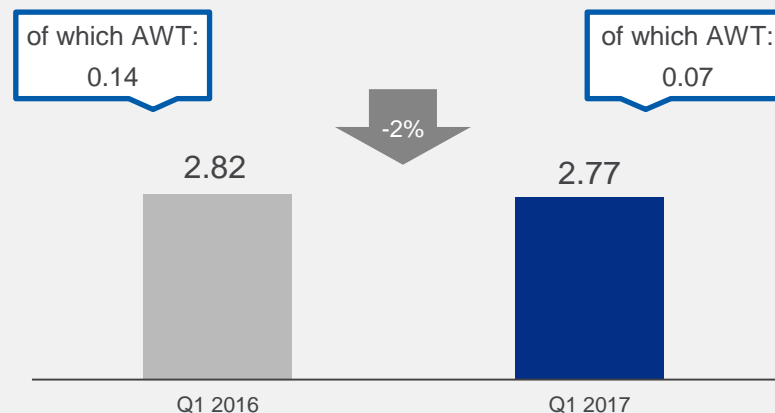


Key events in Q1 2017

- ▶ Hard coal down 0.9 million ton (-5.0% yoy) coupled with inventories down by 4 million tons (-66.2% yoy)
- ▶ Transport in Poland measured by freight volume up 7% yoy despite lower production in hard coal-fired commercial power plants trending down by 0.45% yoy
- ▶ Restructuring developments in the mining industry
- ▶ ARA prices down 15% qoq (up 64% yoy to 73.35 USD/t)
- ▶ Coal exports to EU members states fell 8.3% yoy.
- ▶ Upward trend in coking coal exports to the Czech Republic (up 64% yoy)

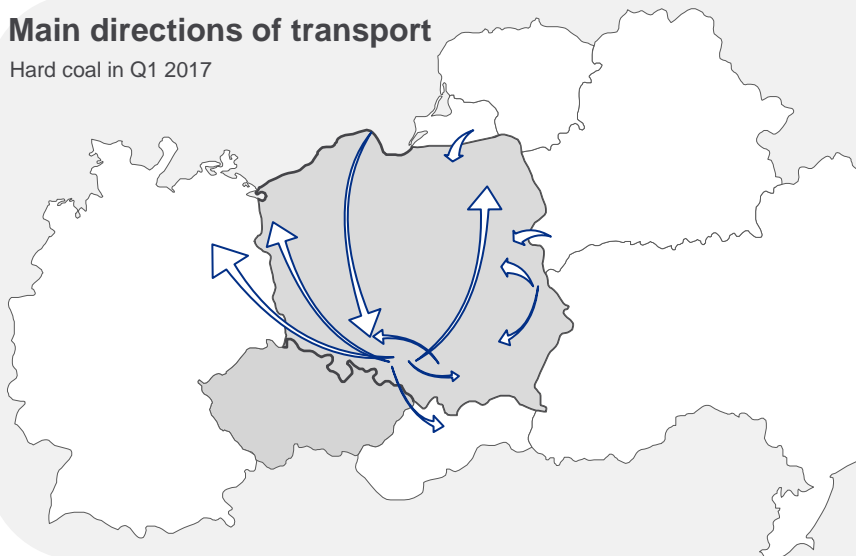
Hard coal

freight turnover, billion tkm



Main directions of transport

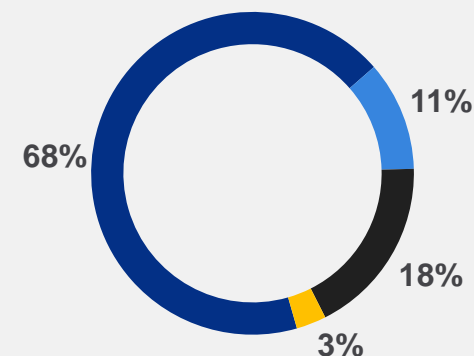
Hard coal in Q1 2017



PKP CARGO Group's freight turnover mix in Poland

by types of transportation (freight turnover) in Q1 2017

- Domestic transport
- Exports
- Imports
- Transit

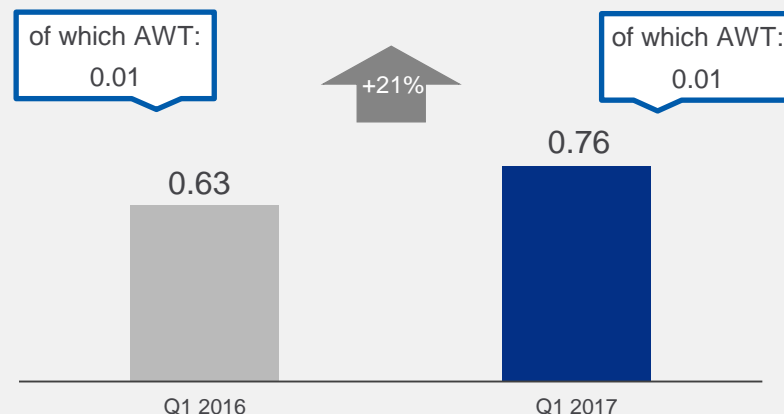


Key events in Q1 2017

- ▶ Delays until 2017 and 2018 of key infrastructural projects under the framework of the EU financial perspective (“Design and build”)
- ▶ Construction and assembly production up 3.9% yoy and in companies specializing in building civil and marine engineering facilities up 2.0% yoy; of this production is up in companies mainly building roads and railways (10.2% growth yoy)
- ▶ 390 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: Gniezno, Jarocin, Gorzów Wlkp., Ostrów Wlkp., Sokołów Małopolski, Inowrocław, Wieluń and Kościerzyna

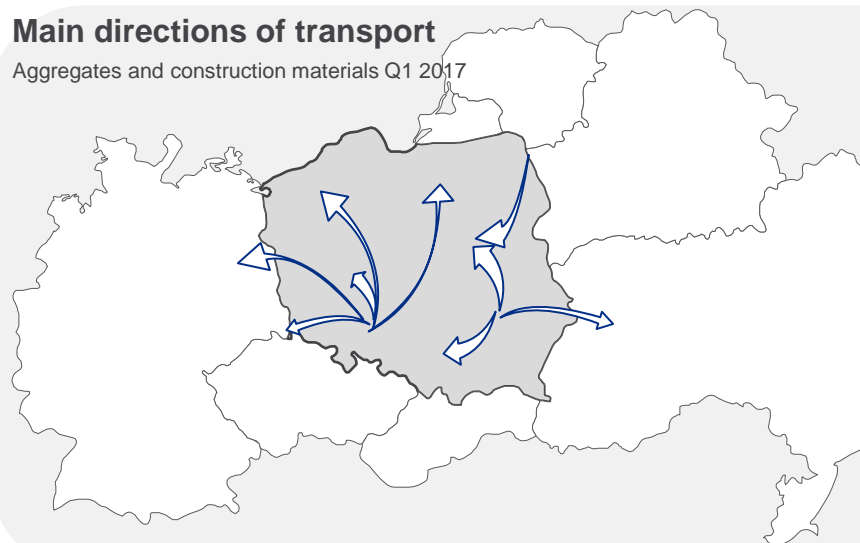
Aggregates and construction materials

freight turnover, billion tkm



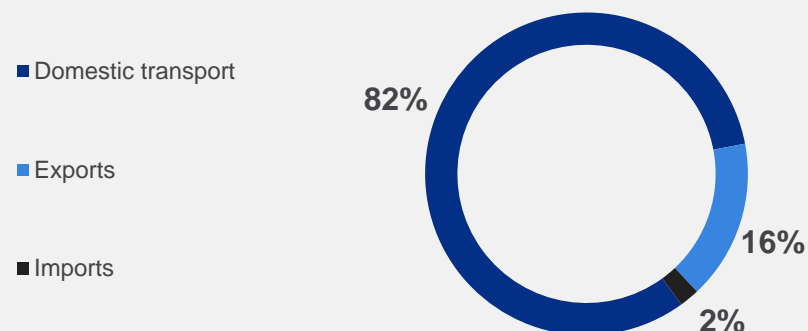
Main directions of transport

Aggregates and construction materials Q1 2017



PKP CARGO Group's freight turnover mix in Poland

by types of transportation (freight turnover) in Q1 2017

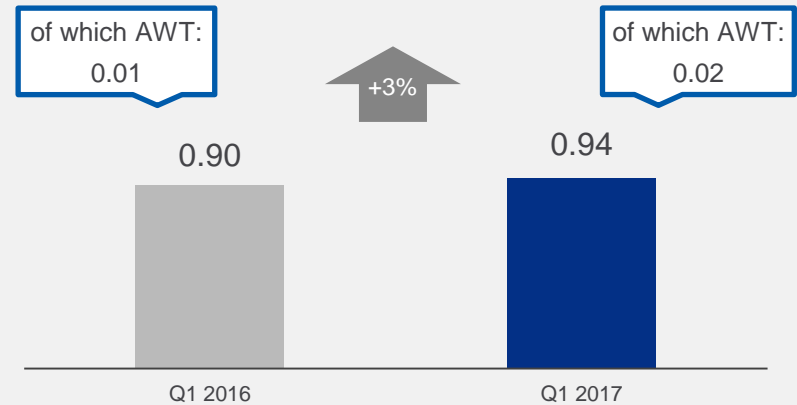


Key events in Q1 2017

- ▶ Higher steel production: up 9.6% yoy (2.53 million tons) in Poland, up 3.8% yoy (42.51 million tons) in the EU and up 5.7% (410.55 million tons) across the globe
- ▶ Global iron ore production up 3.6% (292.67 million tons)
- ▶ Import duties introduced by the EU on steel products imported from China
- ▶ Steel and iron ore prices stabilize (after intensive growth in 2016)
- ▶ Industrial sold production trended up in the production of metals (11.3% yoy) and in the production of metal goods (12.5% yoy)

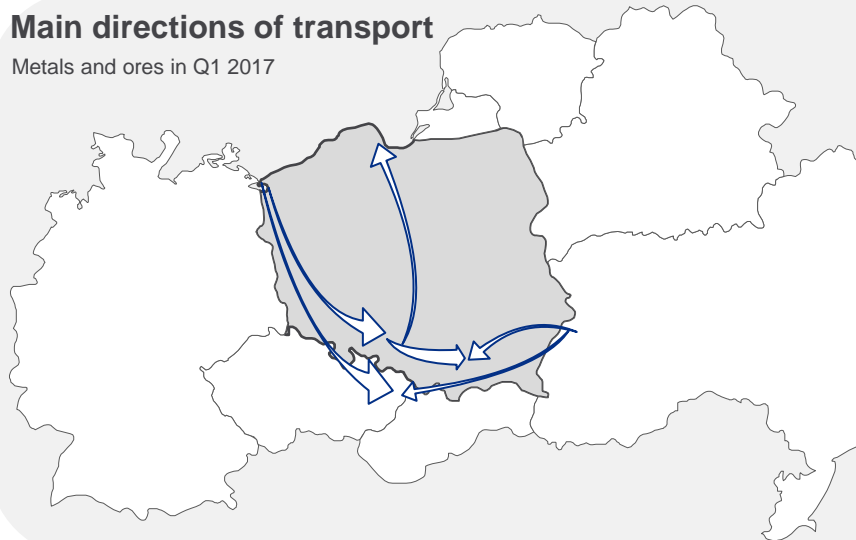
Metals and ores

freight turnover, billion tkm



Main directions of transport

Metals and ores in Q1 2017



PKP CARGO Group's freight turnover mix in Poland

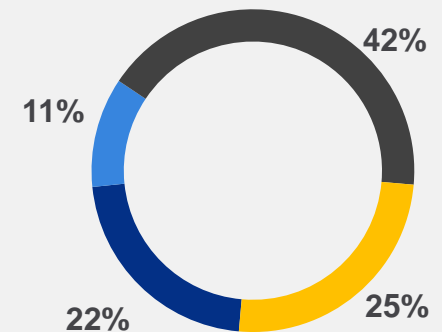
by types of transportation (freight turnover) in Q1 2017

■ Domestic transport

■ Exports

■ Imports

■ Transit

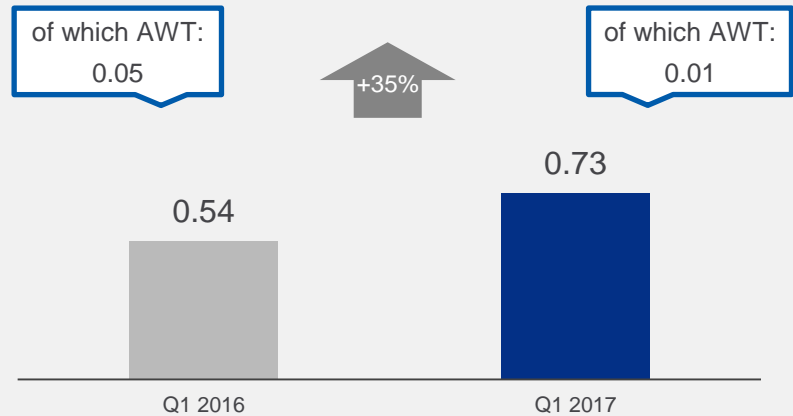


Key events in Q1 2017

- ▶ Rapid development of the New Silk Road. Higher land transport from/to China by 95% yoy measured by container volume
- ▶ The volume of containers transported by PKP CARGO to and from Polish ports is up 13.6% yoy
- ▶ Rising transport in Poland – freight volume of containers climbed 35% yoy and freight turnover shot up 39% yoy
- ▶ Rising transport outside Poland – freight volume of containers climbed 37% yoy and freight turnover edged up 7% yoy
- ▶ More connections from marine ports to terminals in Poznań, Warsaw, Radomsko and Łódź

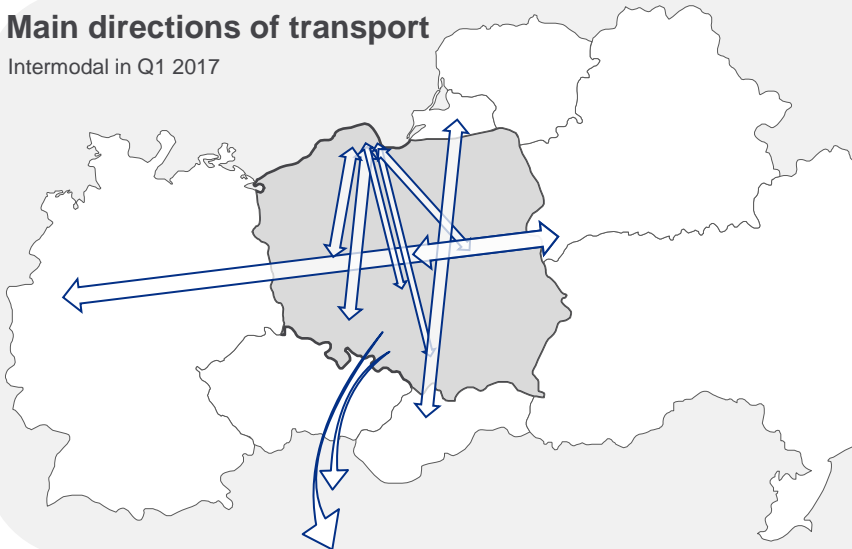
Intermodal

freight turnover, billion tkm



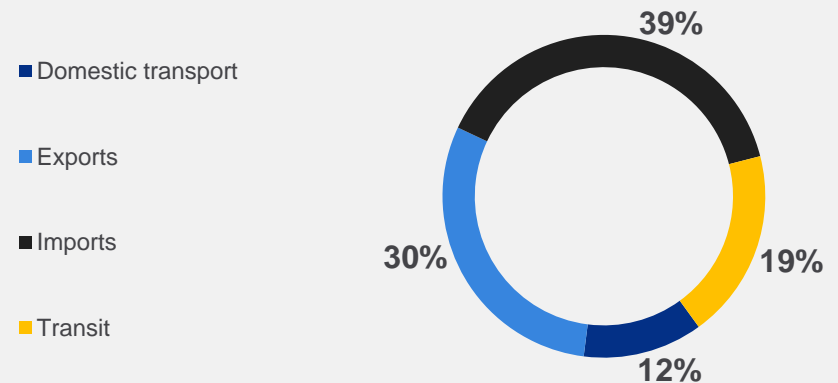
Main directions of transport

Intermodal in Q1 2017



PKP CARGO Group's freight turnover mix in Poland

by type of transportation (freight turnover) in Q1 2017



AGENDA

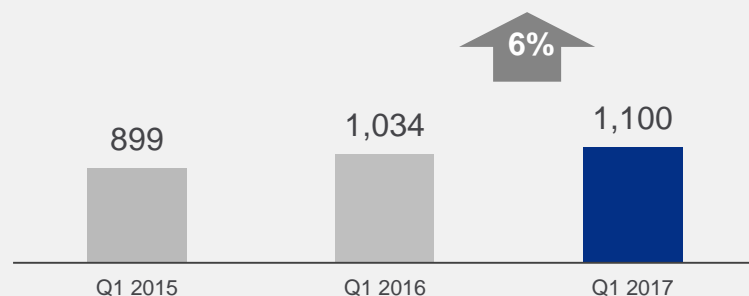
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Improved top line sales

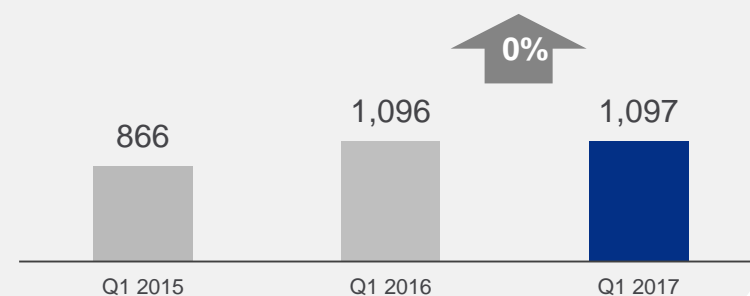
Operating revenues

PLN million



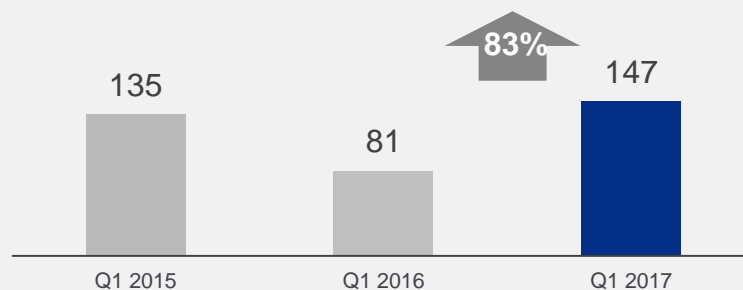
Operating expenses

PLN million



EBITDA

PLN million



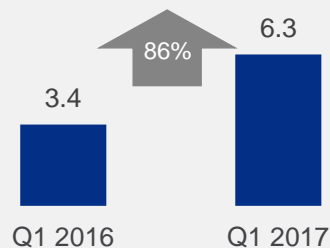
Net result

PLN million

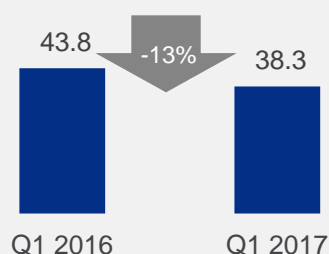


Costs under control coupled with rising freight transport

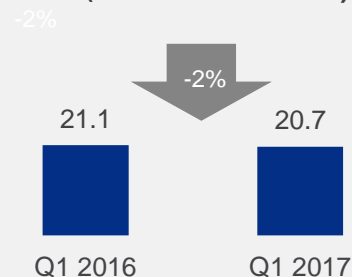
EBITDA per employee
(000s PLN/employee)



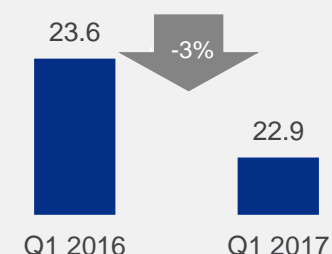
Remuneration
(PLN/thousand tkm)



Energy and fuel
(PLN/thousand tkm)

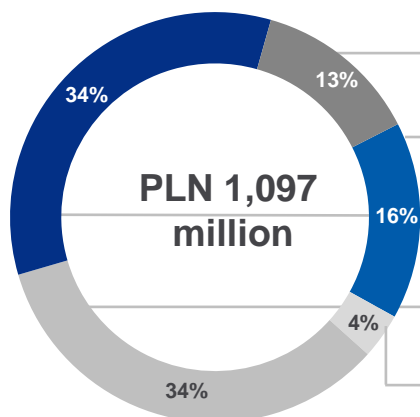


Access to infrastructure
(PLN/thousand tkm)



Operating expenses

PLN million



Amortization and
depreciation

Materials and energy

External services

Employee benefits

Other

Total

Q1 2016

Q1 2017

Change

Percentage
change

142

144

2

+1%

163

171

8

+5%

367

372

5

+1%

385

371

-14

-4%

39

39

0

-

1,096

1,097

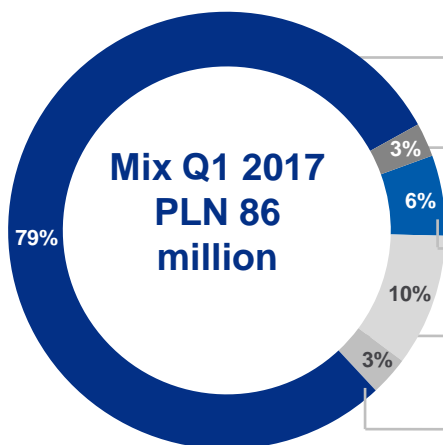
1

+0%

Capital expenditures Q1 2017

Capital expenditures

PLN million



Components in overhaul

ICT development

Investment construction activity

Purchase and modernization of locomotives and wagons*

Other

Total

	PKP CARGO Group Q1 2016	PKP CARGO Group Q1 2017	Change yoy	Change % yoy
Components in overhaul	62	68	6	10%
ICT development	2	2	-	20%
Investment construction activity	3	5	2	89%
Purchase and modernization of locomotives and wagons*	115	8	-106	-93%
Other	3	3	-	-26%
Total	185	86	-98	-53%

Wagons



Locomotives

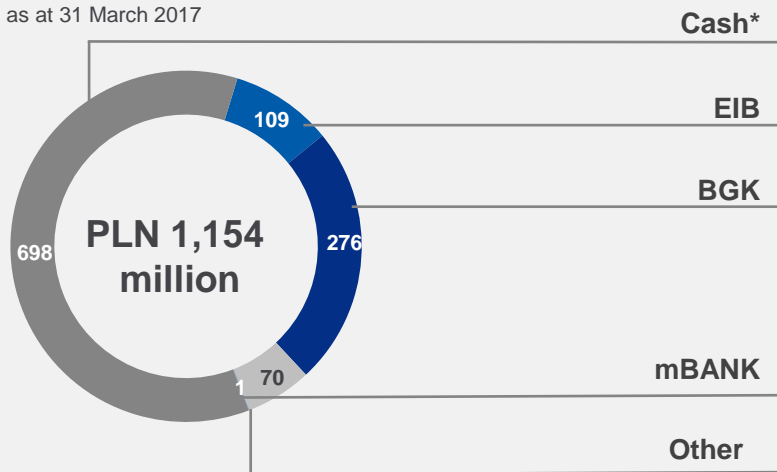


* In Q1 2016 multi-system locomotives were bought for PLN 100.8 million

Robust foundations for growth

Available funding sources

as at 31 March 2017



Debt structure

	31 Dec 2016	31 Mar 2017
Long-term	1,416	1,330
Short-term	376	408
Total indebtedness	1,792	1,739

Financial ratios **

Ratio	Q1 2016	Q1 2017
NET DEBT / EBITDA	2.0	1.6
ROA	0.1%	0.4%
ROE	0.2%	0.7%

Cash flow

PLN million

Cash flow	Q1 2016	Q1 2017	change
On operating activity	-112	93	+205
On investing activity	-170	-359	-189
On financing activity	145	-36	-181

* Cash and cash equivalents and bank term deposits

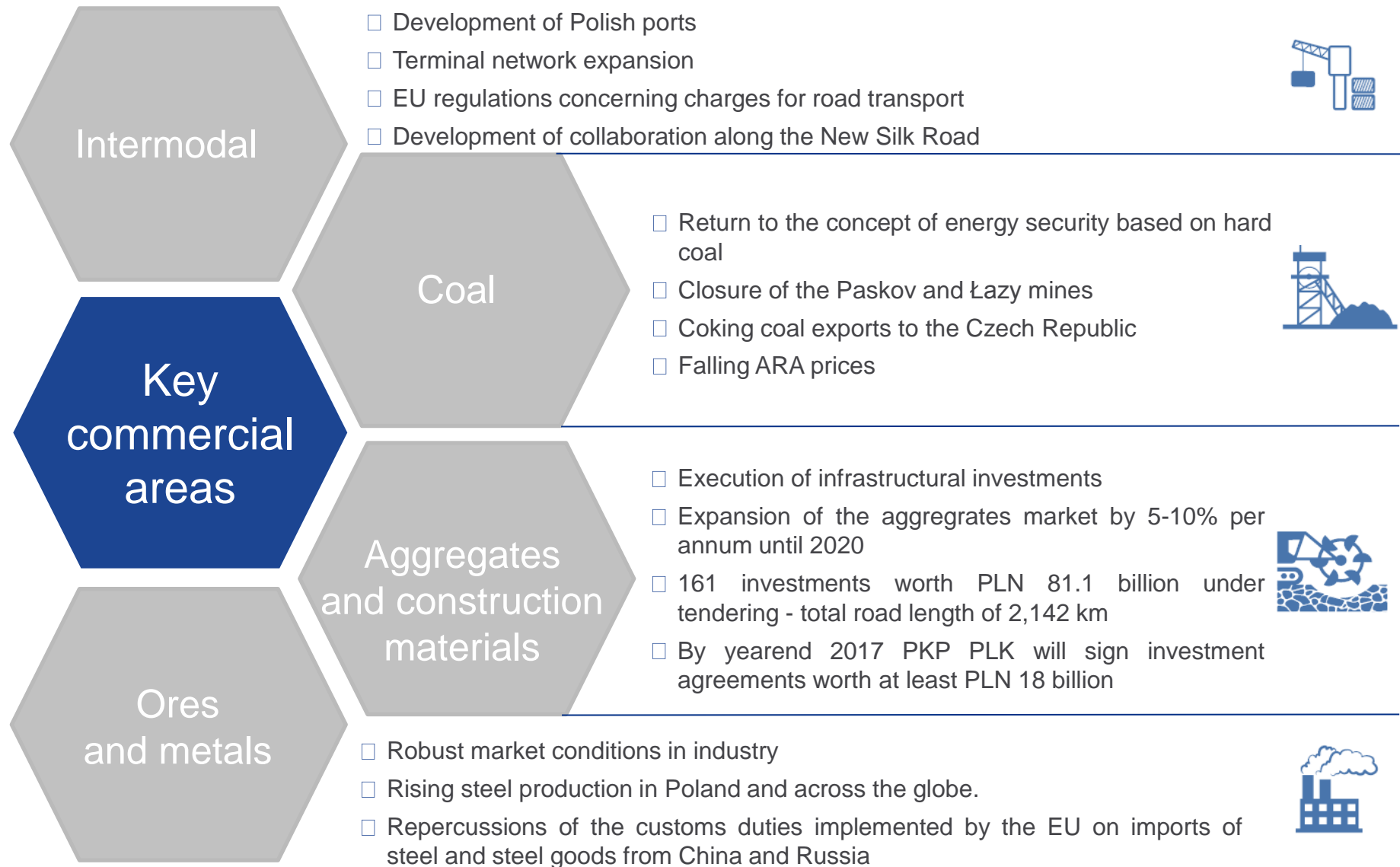
** Financial ratios computed using adjusted data according to table 27 in Other Information to the Q1 2017 Consolidated Quarterly Report

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-



Outlook: key commercial areas



APPENDIX



Freight results

Freight turnover (million tkm)

	Q1 2016	Q1 2017	Change	% change	Share Q1 2016	Share Q1 2017
solid fuels	3,100	3,108	7	0%	47%	44%
including hard coal	2,824	2,774	-50	-2%	43%	39%
aggregates and construction materials	630	764	134	21%	10%	11%
metals and ores	904	936	32	3%	14%	13%
chemicals	505	589	84	17%	8%	8%
liquid fuels	273	299	26	10%	4%	4%
timber and agricultural produce	415	423	8	2%	6%	6%
intermodal transport	542	731	189	35%	8%	10%
other	171	226	55	32%	3%	3%
Total	6,540	7,075	535	8%	100%	100%

Freight volume (thousands of tons)

	Q1 2016	Q1 2017	Change	% change	Share Q1 2016	Share Q1 2017
solid fuels	14,650	14,958	308	2%	58%	55%
including hard coal	13,204	13,529	325	2%	52%	49%
aggregates and construction materials	2,556	3,056	499	20%	10%	11%
metals and ores	2,841	3,111	270	9%	11%	11%
chemicals	1,596	1,746	150	9%	6%	6%
liquid fuels	679	994	315	46%	3%	4%
timber and agricultural produce	1,195	1,031	-164	-14%	5%	4%
intermodal transport	1,442	1,849	407	28%	6%	7%
other	478	657	180	38%	2%	2%
Total	25,437	27,401	1,964	8%	100%	100%

Consolidated Statement of Comprehensive Income

PLN million	Q1 2017	Q1 2016	% change
Revenues from the sale of services	1,078	1,014	6%
Revenue from sales of goods and materials	10	9	13%
Other operating revenue	13	12	10%
Total operating revenue	1,100	1,034	6%
Depreciation and amortization and impairment losses	144	142	1%
Consumption of materials and energy, including:	171	163	5%
<i>Fuel consumption</i>	46	36	26%
<i>Consumption of electricity, gas and water</i>	101	102	-1%
External services, including:	372	367	1%
<i>Line access services from infrastructure managers</i>	162	155	5%
Taxes and charges	10	7	47%
Employee benefits	371	385	-4%
Other expenses by kind	13	12	13%
Cost of goods and materials sold	7	8	-11%
Other operating expenses	9	12	-29%
Operating expenses	1,097	1,096	0%
EBITDA	147	81	83%
Profit on operating activities	3	(62)	-
Financial revenue	10	0	2486%
Financial expenses	15	15	4%
Share in the profit of entities measured by the equity method	2	1	48%
Result on the sale of shares in entities measured by the equity method	-	-	-
Profit before tax	0	(75)	-
Income tax	2	(8)	-
Net profit	(1)	(66)	-
Net profit (loss) attributable:			
to shareholders of the parent company	(1)	(66)	-
Other comprehensive income			
Other comprehensive income subject to reclassification in the financial result:	(17)	1	-
Effective portion of profits and losses related to a hedging instrument to hedge cash flow	19	1	3102%
Income tax referring to the other comprehensive income line item	4	(0)	-
Exchange differences resulting from conversion of financial statements of foreign operations	(33)	1	-
Other comprehensive income not subject to reclassification in the financial result:	(17)	1	-
TOTAL COMPREHENSIVE INCOME	(18)	(65)	-

Consolidated Statement of Financial Position

ASSETS [PLN million]	As at 31 March 2017	As at 31 December 2016
Property, plant and equipment	4,594	4,701
Intangible assets	52	56
Goodwill	1	1
Investment property	42	41
Investments accounted for under the equity method	2	2
Other long-term receivables	0	0
Other long-term financial assets	13	9
Other long-term non-financial assets	35	26
Deferred tax assets	113	108
Total non-current assets	4,852	4,943
Inventories	125	121
Trade and other receivables	627	640
Income tax receivables	2	3
Other short-term financial assets	258	1
Other short-term non-financial assets	51	27
Cash and cash equivalents	448	756
Total current assets	1,511	1,548
Total assets	6,363	6,491

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	619	619
Other items of equity	27	11
Exchange differences resulting from conversion of financial statements of foreign operations	27	60
Retained earnings	312	313
Equity	3,224	3,243
Long-term bank loans and borrowings	1,206	1,274
Long-term finance lease liabilities and leases with purchase option	124	141
Long-term trade and other payables	1	2
Long-term provisions for employee benefits	524	526
Other long-term provisions	26	26
Other long-term financial liabilities	1	1
Deferred tax provision	102	107
Non-current liabilities	1,984	2,076
Short-term bank loans and borrowings	236	198
Short-term finance lease liabilities and leases with purchase option	59	60
Short-term trade and other payables	602	670
Short-term provisions for employee benefits	112	99
Other short-term provisions	24	25
Other short-term financial liabilities	114	119
Current tax liabilities	9	1
Current liabilities	1,155	1,172
Total liabilities	3,138	3,248
Total liabilities and equity	6,363	6,491

Consolidated Cash Flow Statement

Cash flow from operating activities [PLN million]	Q1 2017	Q1 2016
Gross result For the financial year	0	(75)
Adjustments:		
Depreciation of property, plant and equipment and amortization of intangible assets	144	142
Impairment of non-current assets	-	0
(Profit) / loss on the transfer of property, plant and equipment, intangible assets and non-current assets held for sale	(5)	(1)
(Profit) / loss on investing activities	-	-
Foreign exchange (gains) / losses	(3)	(2)
(Profits) / losses on interest, dividends	7	7
Share in the (profit) / loss of entities measured by the equity method	(2)	(1)
Received / (paid) interest	0	(0)
Received / (paid) income tax	(2)	(4)
Other adjustments	10	1
Change in working capital:		
(Increase) / decrease in trade and other receivables	13	(50)
(Increase) / decrease in inventories	6	(2)
(Increase) / decrease in other assets	(33)	(36)
Increase / (decrease) in trade and other payables	(46)	(106)
Increase / (decrease) in other financial liabilities	(6)	1
Increase / (decrease) in provisions	10	13
Net cash on operating activities	93	(112)

Consolidated Cash Flow Statement

Cash flow from investing activities [PLN million]	Q1 2017	Q1 2016
Expenditures to acquire property, plant and equipment and intangible assets	(118)	(175)
Proceeds on the transfer of property, plant and equipment, intangible assets and non-current assets held for sale	8	4
Proceeds from interest received	1	0
Proceeds from dividends received	1	-
Expenditures on extended loans	(0)	-
Repayment of extended loans	-	0
Expenditures for bank term deposits longer than 3 months	(250)	-
Net cash (used) / from investing activities	(359)	(170)
Expenditures on financial leases	(13)	(20)
Interest paid on leases	(2)	(2)
Proceeds from drawn down loans / credit facilities	80	199
Repayment of loans/ credit facilities	(94)	(29)
Interest paid on loans / credit facilities	(7)	(4)
Subsidies received	-	2
Other expenditures concerning financing activities	(0)	(1)
Net cash (used) / generated in connection with financing activities	(36)	145
Net increase / (decrease) in cash and cash equivalents	(303)	(138)
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	(6)	-
Cash and cash equivalents at the end of the reporting period	448	138

Minor differences in the presented data stem from rounding.

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