



PKP CARGO GROUP 2016

AGENDA

- ||| Recap of the annual results
- ||| Key achievements in 2016
- ||| Commercial results
- ||| Financial results
- ||| Outlook for 2017



PKP CARGO Group's 2016 results*



	✓	✓	✓
	MARKET SHARE	EBITDA	CAPEX
12M	51.6% measured by freight turnover (-4.2 p.p. yoy)	PLN 562 million profitability of 12.7%	PLN 533 million
Q4	52.0% measured by freight turnover (-3.6 p.p. yoy)	PLN 216 million profitability of 18.0%	PLN 101 million
	REVENUES	NET PROFIT	OPEX
12M	PLN 4,411 million	PLN - 41 million	PLN 4,437 million
Q4	PLN 1,197 million	PLN 75 million	PLN 1,133 million

* Adjusted in accordance with item 5.2.1 of the Management Board's Report on the Activity of the PKP CARGO Group for the financial year 2016 and chapter 5.1.1 of Other Information to the Consolidated Quarterly Report for Q3 2016, calculated as the difference between adjusted figures for 2016 and adjusted figures for the first 3 quarters of 2016.

A close-up photograph of a train's wheel and suspension system. The wheel is a large, dark metal disc with a visible tread. Above the wheel, there are various mechanical components, including a large, cylindrical air spring or shock absorber. The Siemens logo is embossed on a part of the suspension. The train is on tracks, and there is some snow on the ground in the foreground.


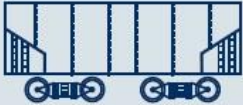








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Major achievements of 2016

APPOINTMENTS TO THE PKP CARGO MANAGEMENT BOARD 	STRENGTHENING THE COMPANY'S LEADING POSITION 	RESTORING A PARTNERSHIP-BASED SOCIAL DIALOG 	INTRODUCING A NEW SALES MODEL 
	DEVELOPING INTERNATIONAL COOPERATION 	GROWING SHAREHOLDER VALUE 	RAPID DEVELOPMENT OF INTERMODAL TRANSPORT 
	PROVIDING SPECIALIZED FREIGHT TRANSPORT SERVICES 	RESTORING A PROVEN AREA-BASED MANAGEMENT MODEL 	ESTABLISHING THE "WOLSZTYN ROUNDHOUSE" CULTURAL INSTITUTION 

Rail freight

51,6%

market share in Poland
(freight turnover) in 2016

71,6 %

of all hard coal haulage
in Poland after 9m of 2016
(freight turnover)

Top

rail freight operator in Poland



Intermodal

467 thous.

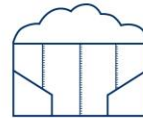
containers transported
by PKP Cargo in 2016

5/10

of the containers hauled by rail in
the first 9 months of 2016 road with us

9%

is the share of intermodal transport
in our business (measured
by PKP Cargo's freight turnover)



Terminals

17 transshipment terminals across
the country

including

2 specialized logistics centers
located on the border
with Belarus and Ukraine

5 container
terminals



Shipping

10 transshipment branches
and terminals

8 customs
agencies



Rail sidings

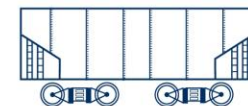
over **60** operated across
the country and abroad



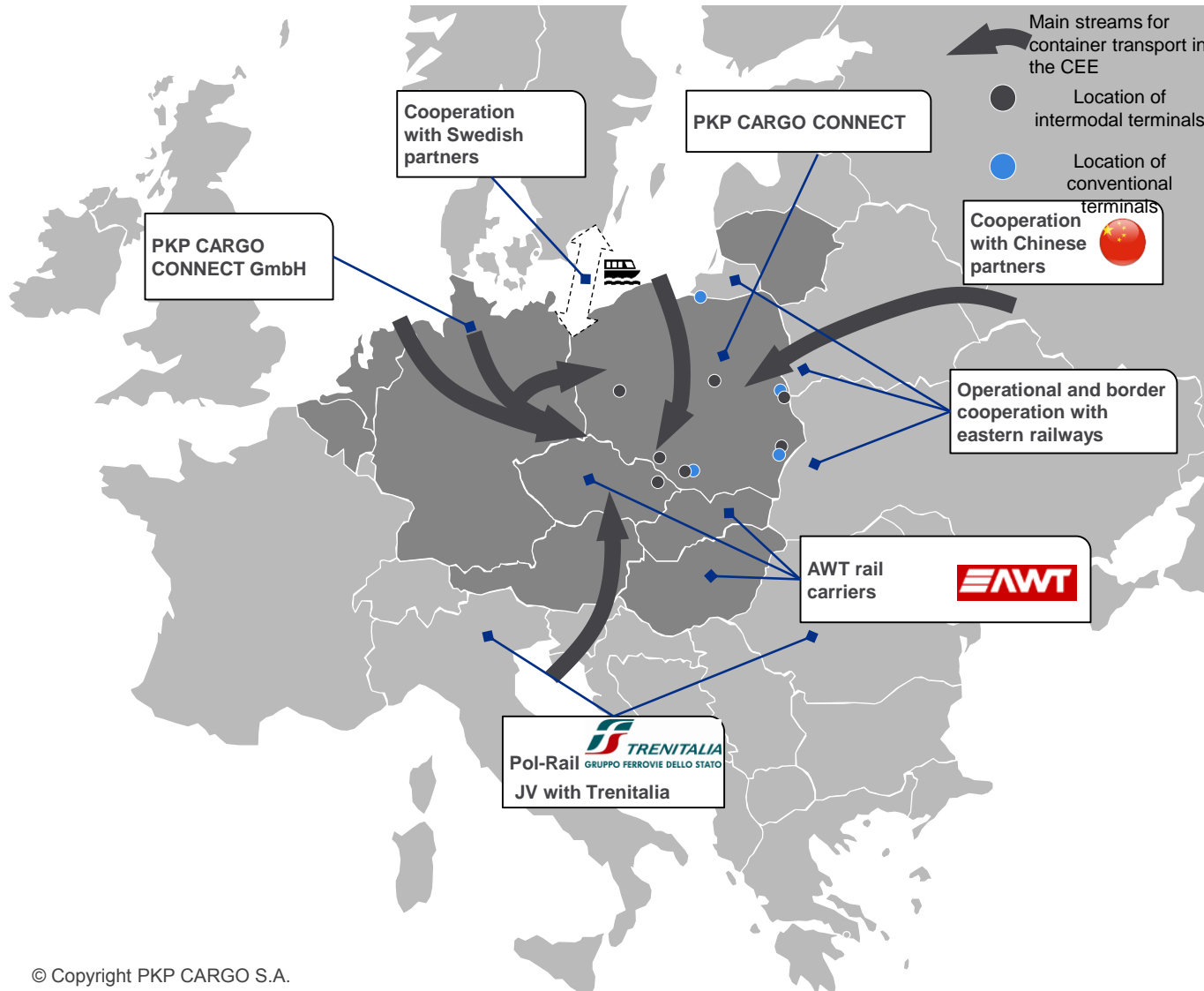
Rolling stock

over **2 thous.** locomotives

over **60 thous.** wagons

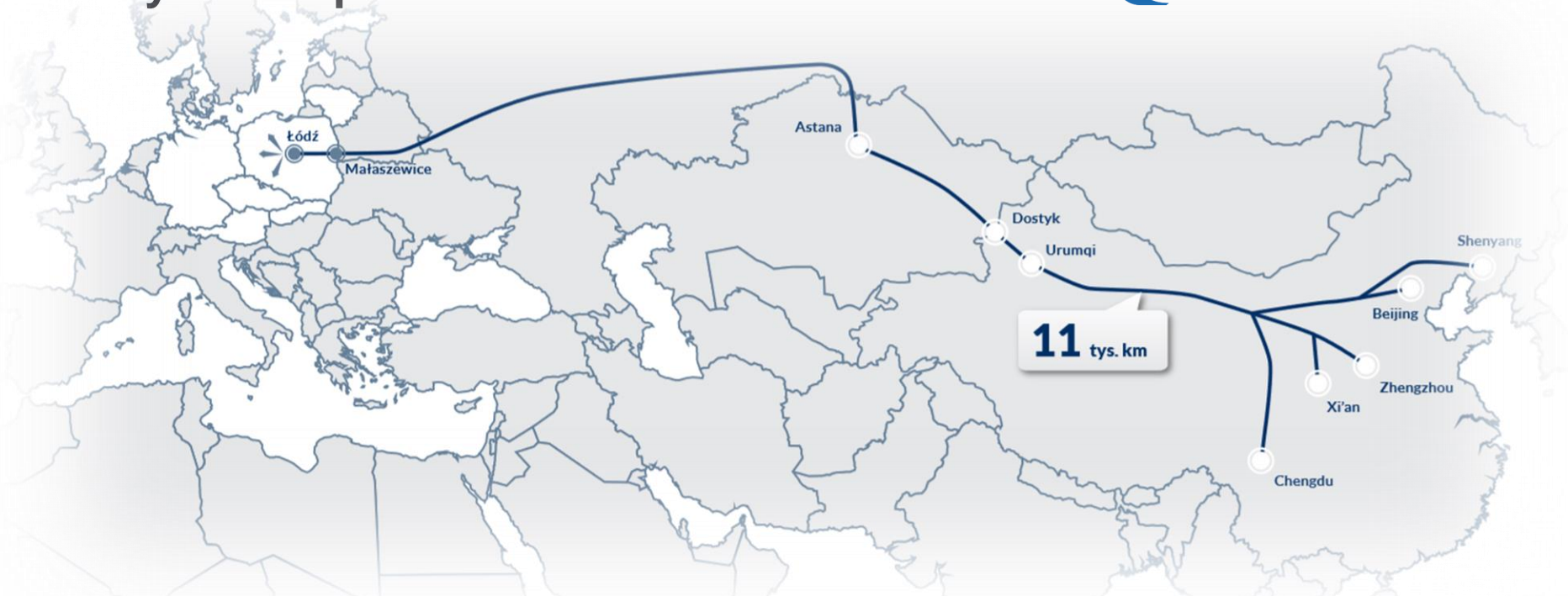


PKP CARGO Group's international potential in international transport services in the transport corridor network



- Leveraging the potential for modernizing the key transport corridors
- New Silk Road Partner
- The AWT Group offers rail transport in the Czech Republic, Slovakia and Hungary
- Transport offer on the Apennine peninsula
- Logistics services using ferries
- Rail transport provided by the PKP CARGO Group in 9 EU member states
- Network of intermodal and conventional terminals
- Shipper dedicated to international cooperation

Steady development of collaboration with China PKPCARGO



Fruitful development of collaboration with China

2016 data change yoy



+34% trains

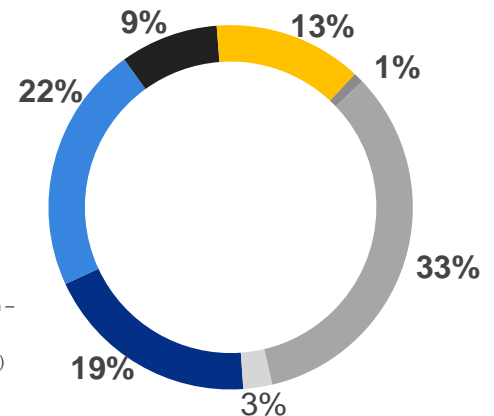


+132% UTI

Mix of launched connections

freight turnover data for 2016

- Suzhou – Warszawa Praga
- Chengdu – Łódź Olechów
- Zhengzhou – Hamburg Billwerder
- Zhengzhou/Erlan – Hamburg Waltershof
- Zhengzhou – Pardubice
- Zhengzhou/Chongqing/Tuanjiecun – Rheinhausen
- Tuanjiecun –Wanne Eickel (Herne)



AGENDA

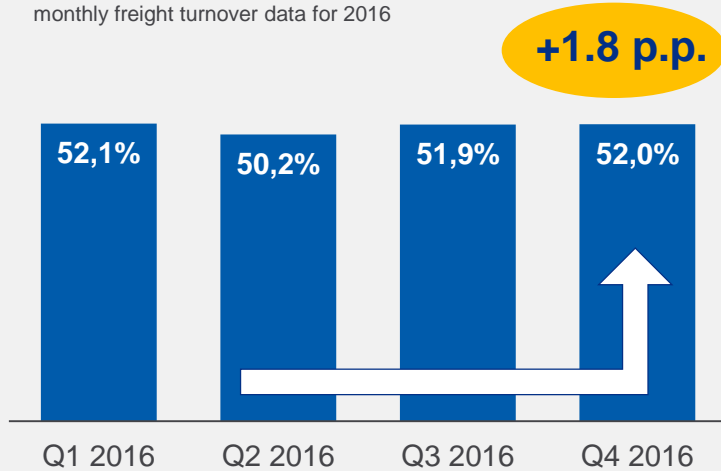
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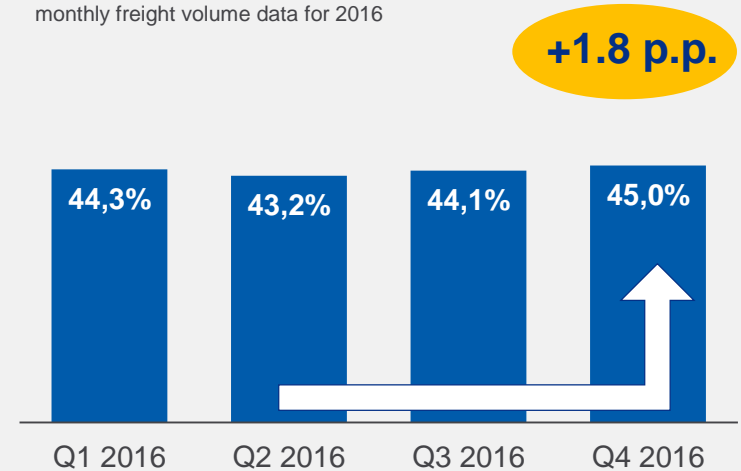


PKP CARGO Group's position

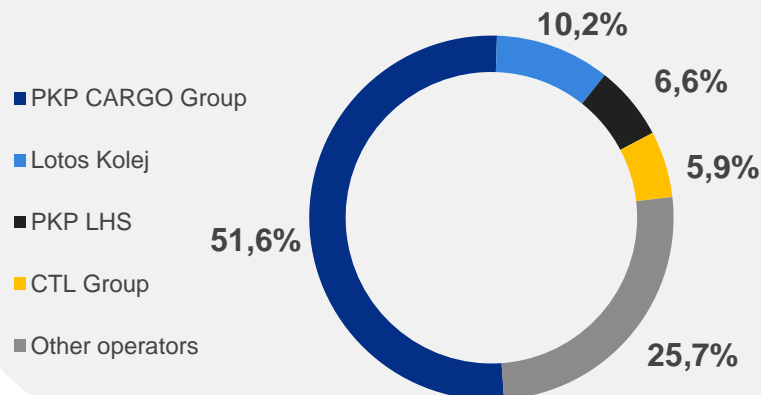
PKP CARGO Group's share of the Polish market
monthly freight turnover data for 2016



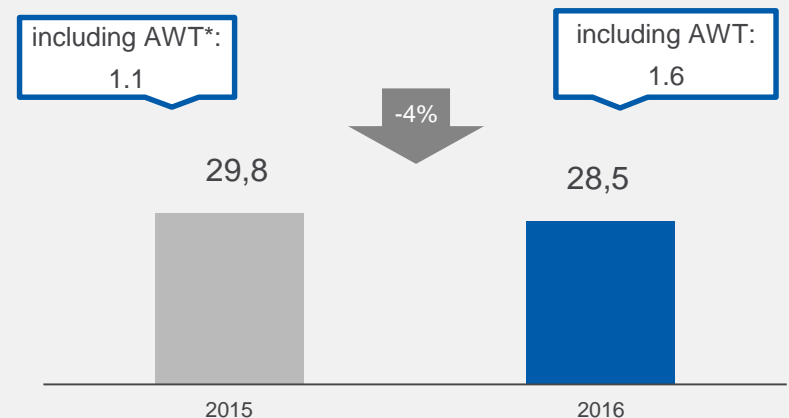
PKP CARGO Group's share of the Polish market
monthly freight volume data for 2016



PKP CARGO Group's share of the Polish market
freight turnover data for 2016



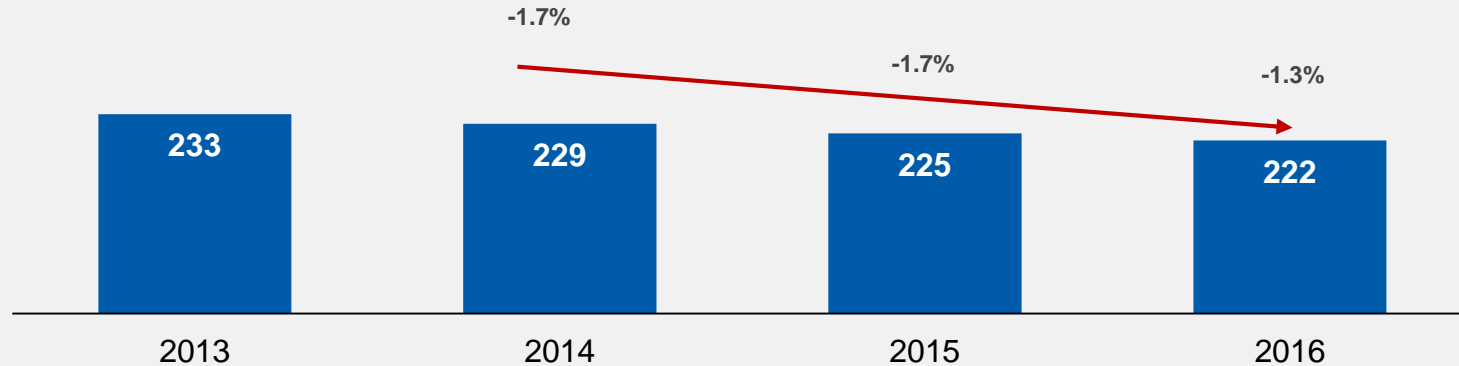
PKP CARGO Group's freight transport
freight turnover data for 2016, billion tkm



Rail transport market in Poland in 2013-2016

Rail transport market in Poland annual data

million tons



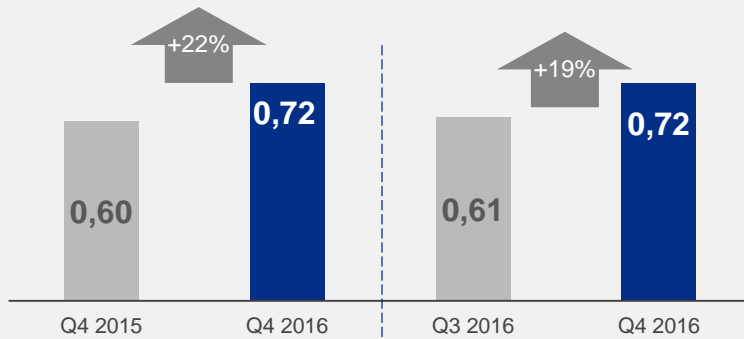
Major drivers of the declining rail transport market in Poland 2016:

- ▶ downturn in infrastructural construction
- ▶ softer demand for transport of the main building materials (including gravel, stone, sand and cement)
- ▶ suppressed market demand for hard coal for most of the year
- ▶ softer demand for steel and temporary interruptions in the supply of raw materials (overhaul of a furnace and a COS continuous steel casting line)

Major markets – a strong fourth quarter

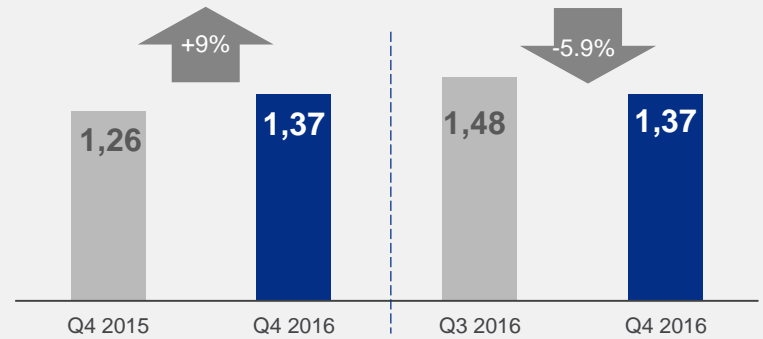
Intermodal

freight turnover, billion tkm



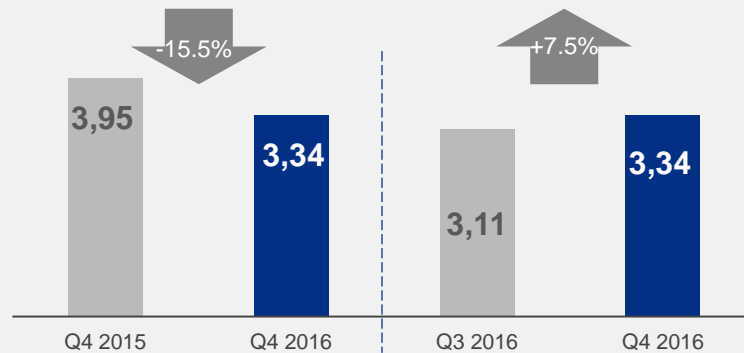
Aggregates and construction materials

freight turnover, billion tkm



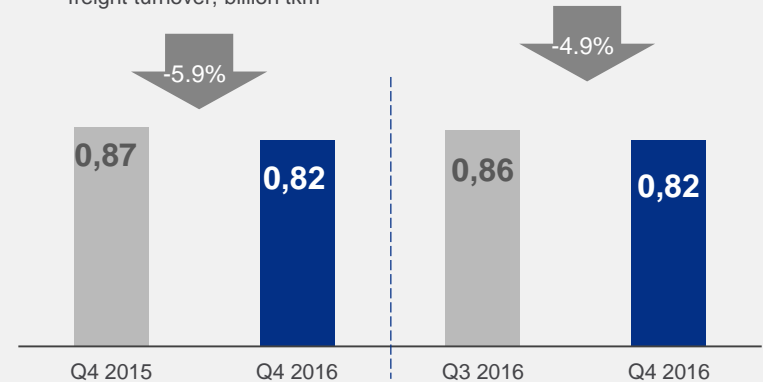
Hard coal

freight turnover, billion tkm



Ore and metals

freight turnover, billion tkm

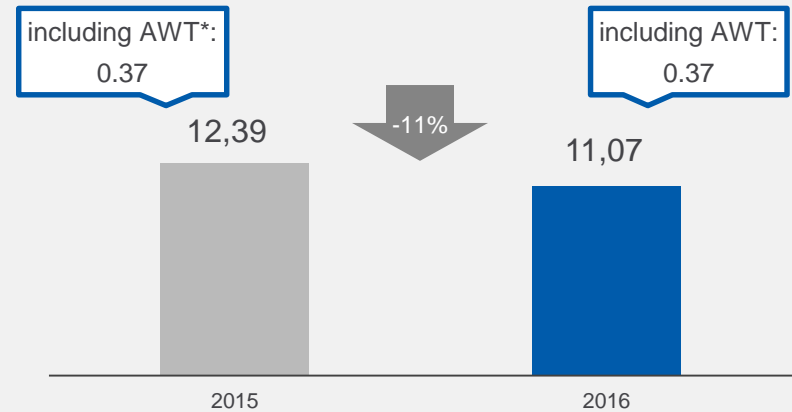


Key events in 2016

- ▶ Hard coal production in 2016 shrank by 2.6% yoy
- ▶ Restructuring in the mining sector
- ▶ Instability of coal prices on global markets over the year. Coal price growth not observed until Q4 2016
- ▶ In H1 2016, coal exports to EU members states fell by 3.2% yoy
- ▶ Diminished hard coal imports
- ▶ Unfavorable weather conditions – light winter in 2015 / 2016

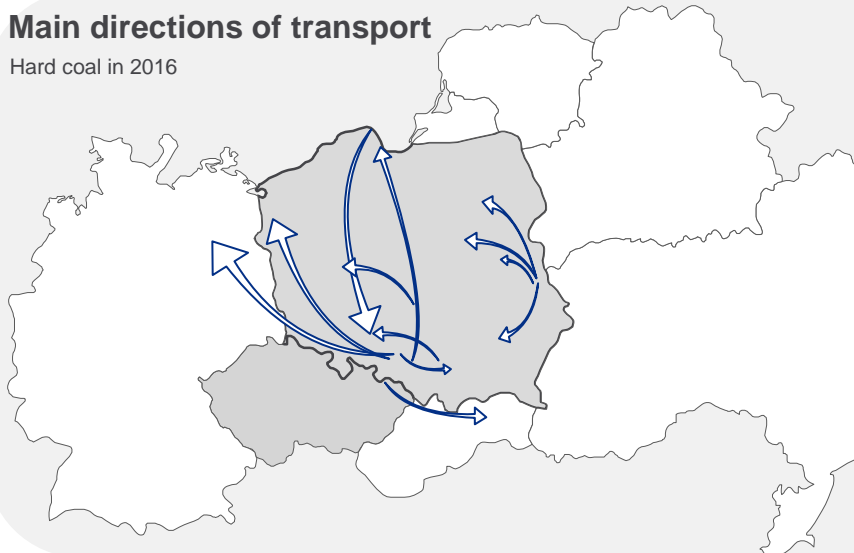
Hard coal

freight turnover, billion tkm



Main directions of transport

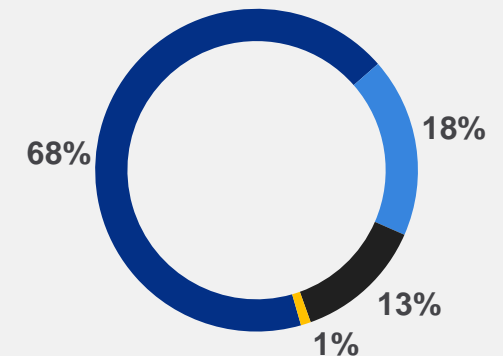
Hard coal in 2016



PKP CARGO Group's freight turnover mix in Poland

by types of transportation (freight turnover) in 2016

- Domestic freight
- Exports
- Imports
- Transit

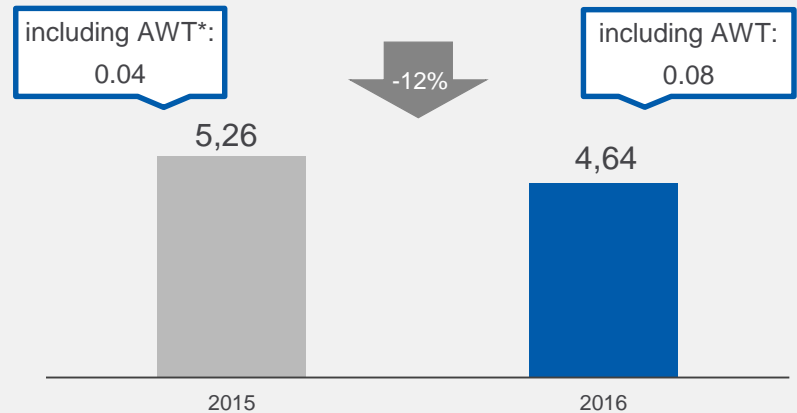


Key events in 2016

- ▶ Delays until 2017 and 2018 of key infrastructural projects under the framework of the EU financial perspective (“Design and build”)
- ▶ Construction and assembly production fell in 2016 by 14.1% yoy and in companies specializing in building civil and marine engineering facilities by 14.5% yoy
- ▶ Construction and assembly production fell in Q4 2016 by 13.2% yoy and in companies specializing in building civil and marine engineering facilities by 9.5% yoy
- ▶ Smaller scale of local investments financed by local governments representing a large percentage of the demand for construction aggregates
- ▶ Stimulation in road projects (in November 2016 the European Commission signed co-financing agreements for 16 transport investments for more than EUR 1.9 billion, including 10 PKP PLK projects for EUR 1.6 billion)

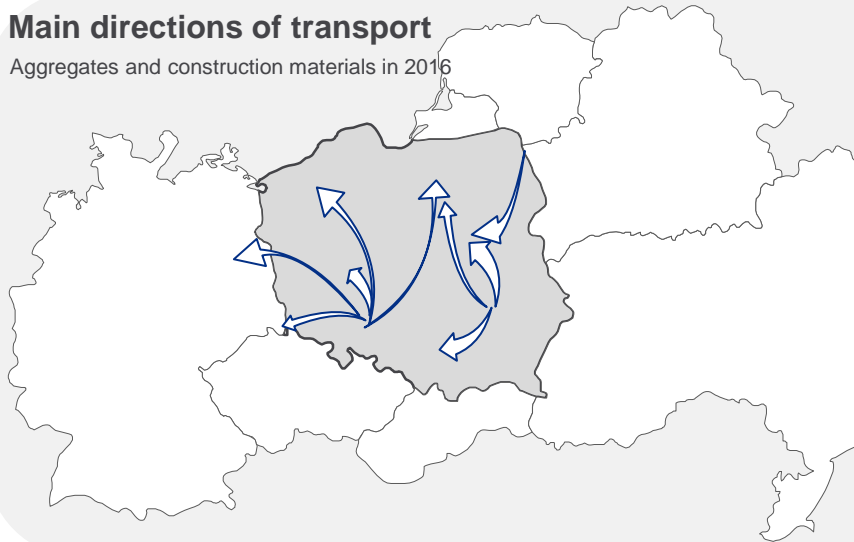
Aggregates and construction materials

freight turnover, billion tkm



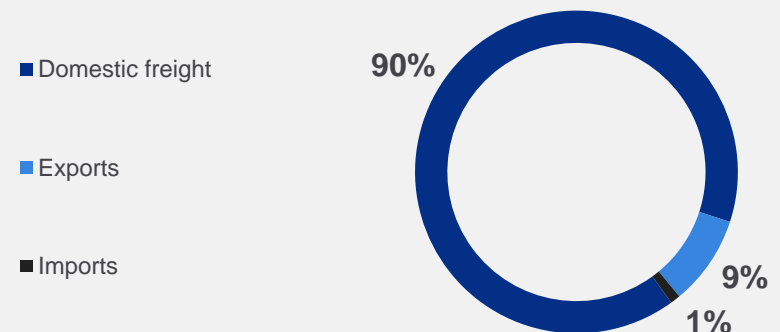
Main directions of transport

Aggregates and construction materials in 2016



PKP CARGO Group's freight turnover mix in Poland

by types of transportation (freight turnover) in 2016

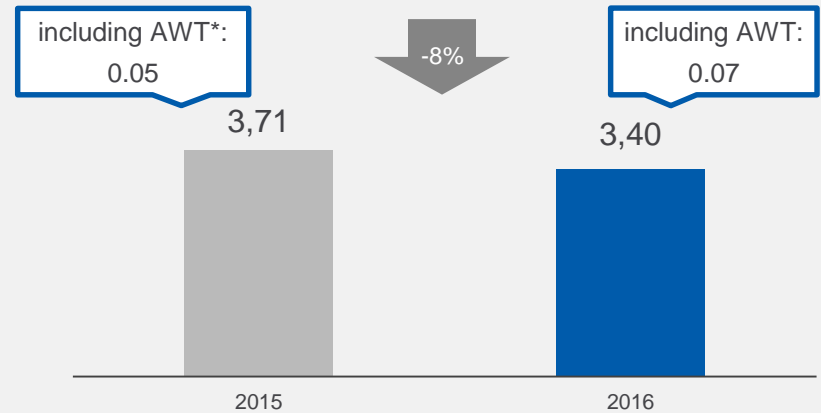


Key events in 2016

- ▶ Steel production fell (in 2016, steel production was 8.9 million tons, that is 2.8% yoy less)
- ▶ Import duties on steel products imported by the EU from China and Russia
- ▶ Iron ore prices spiked up by 101% yoy in 2016 and 41% in Q4 2016
- ▶ In 2016 the metal industry's sold production trended up (0.5% yoy) as it did for the metal goods industry (8.8% yoy)
- ▶ Modernization of ArcelorMittal's furnace
- ▶ Overhaul of COS in CMC Zawiercie

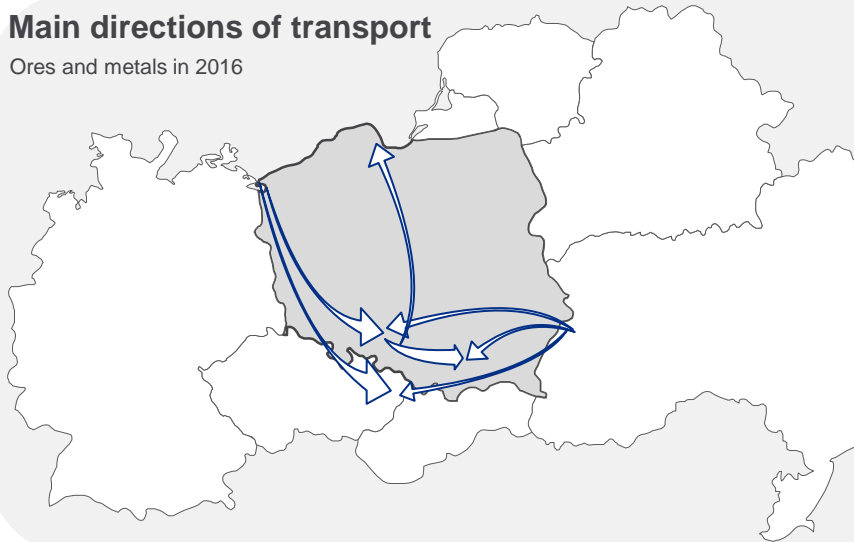
Ore and metals

freight turnover, billion tkm



Main directions of transport

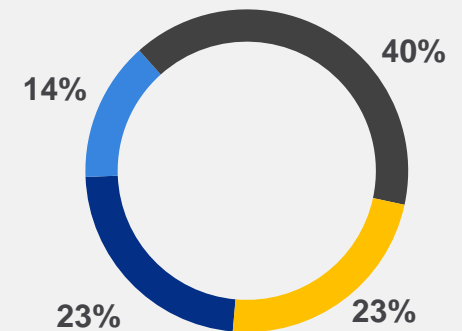
Ores and metals in 2016



PKP CARGO Group's freight turnover mix in Poland

by types of transportation (freight turnover) in 2016

- Domestic freight
- Exports
- Imports
- Transit

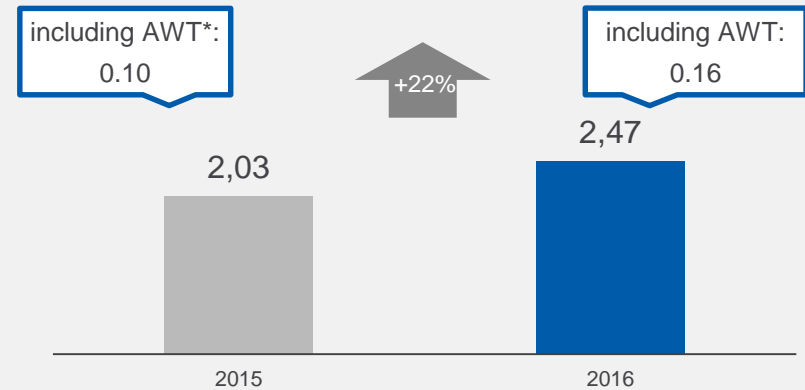


Key events in 2016

- ▶ Rapid development of the New Silk Road. Transport by land to and from China surged up in 2016 by 102% yoy measured by freight volume
- ▶ Higher container freight volume transshipped in Polish ports in 2016 by 9.3% yoy
- ▶ The volume of containers transported by PKP CARGO to and from Polish ports in 2016 is up 7.7% yoy
- ▶ Rising transport outside Poland – in 2016 completed freight turnover rose by 110% yoy
- ▶ Rising transport outside Poland – in 2016 completed freight volume of containers rose by 76% yoy
- ▶ More connections from marine ports to terminals in Poznań, Warsaw, Radomsko and Łódź

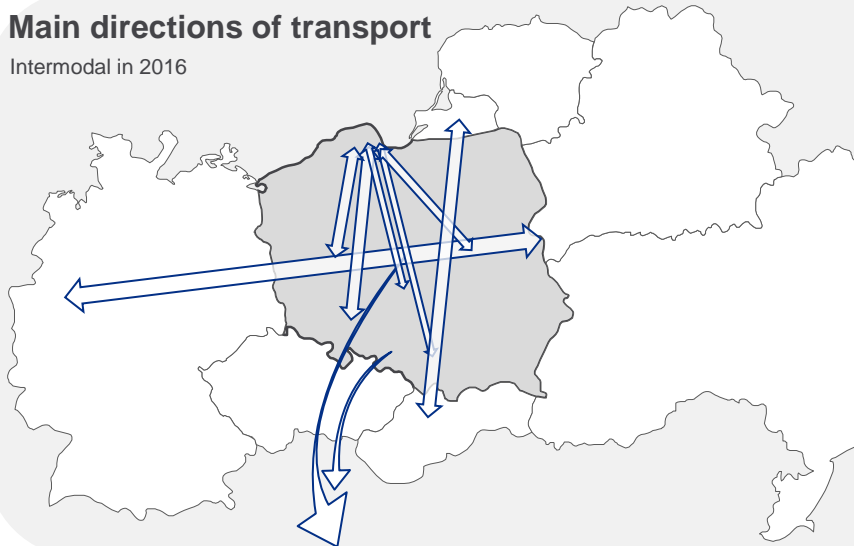
Intermodal

freight turnover, billion tkm



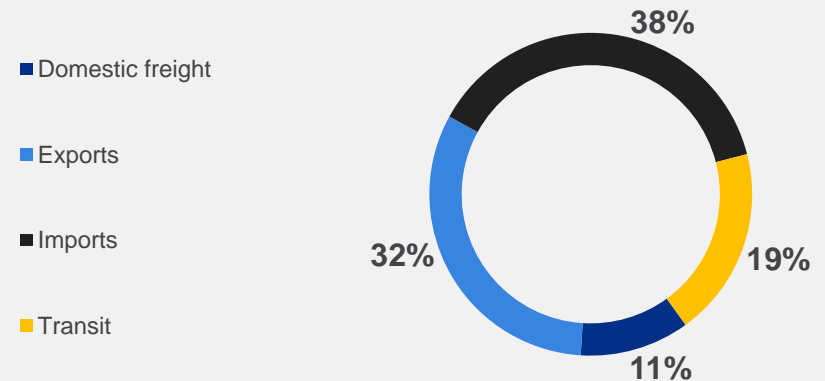
Main directions of transport

Intermodal in 2016



PKP CARGO Group's freight turnover mix in Poland

by types of transportation (freight turnover) in 2016



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PKP cargo
LOGISTICS

31 RIV MC
51 PL-PKP
5370 686-8
Eaos
2151

-9.00m

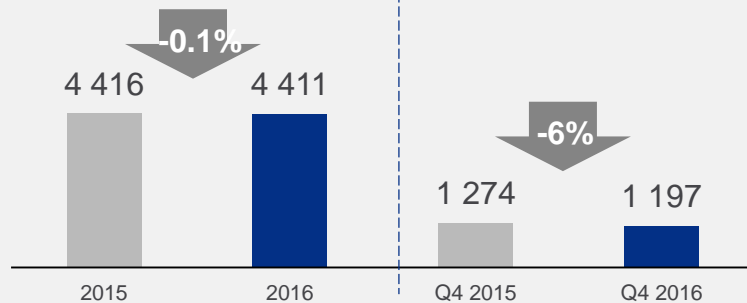


Adjusted financial results*

– costs under control

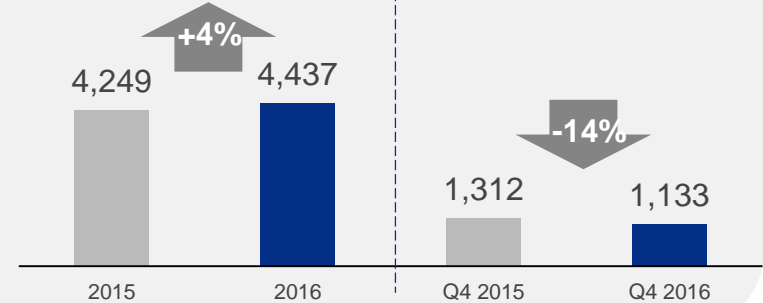
Operating revenues

PLN million



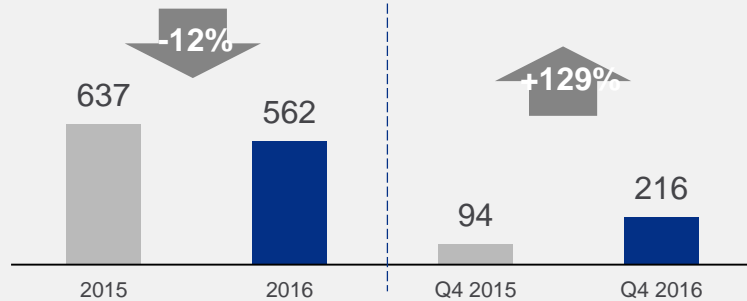
Operating expenses

PLN million



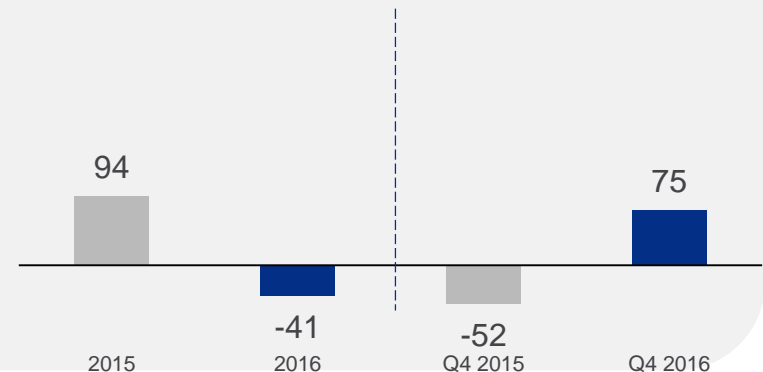
EBITDA

PLN million



Net profit

PLN million



* Adjusted in accordance with item 5.2.1 of the Management Board's Report on the Activity of the PKP CARGO Group for the financial year 2016 and chapter 5.1.1 of Other Information to the Consolidated Quarterly Report for Q3 2016, calculated as the difference between adjusted figures for 2016 and adjusted figures for the first 3 quarters of 2016.

AWT's contribution

AWT's contribution to the 2016 adjusted results

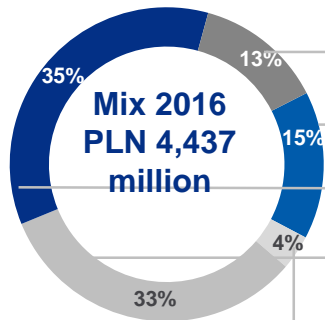
PLN million	PKP CARGO Group 2015*	PKP CARGO Group net of AWT 2016	AWT Group 2016**	PKP CARGO Group 2016	PKP CARGO Group Change yoy	PKP CARGO Group Change in % yoy	AWT's share in the PKP CARGO Group
Operating revenues	4,416	3,674	737	4,411	-5	0%	17%
Operating expenses	4,249	3,692	745	4,437	187	4%	17%
EBITDA	637	487	75	562	-75	-12%	13%
EBIT	167	-18	-8	-25	-192	-	-
Net result	94	-66	24	-41	-135	-	-

AWT's contribution to the adjusted Q4 2016 results

PLN million	PKP CARGO Group Q4 2015*	PKP CARGO Group net of AWT Q4 2016	AWT Group Q4 2016**	PKP CARGO Group Q4 2016	Change yoy	Change in % yoy	AWT's share in the PKP CARGO Group
Operating revenues	1,274	1,007	190	1,197	-76	-6%	16%
Operating expenses	1,312	943	191	1,133	-179	-14%	17%
EBITDA	94	195	21	216	122	129%	10%
EBIT	-38	65	-0,4	64	103	-	0%
Net result	-52	44	31	75	126	-	39%

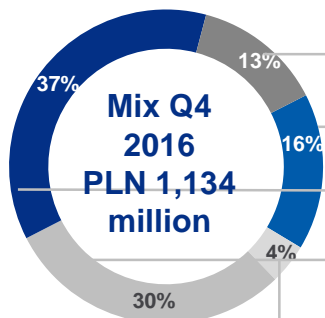
Operating expenses 2016

Operating expenses PLN million



	PKP CARGO Group 2015*	PKP CARGO Group 2016	Change yoy	Change % yoy
Amortization and depreciation	470	587	117	25%
Materials and energy	697	675	-22	-3%
External services	1,501	1,573	72	5%
Employee benefits	1,415	1,442	28	2%
Other	166	159	-8	-5%
Total	4,249	4,437	187	4%

Operating expenses PLN million



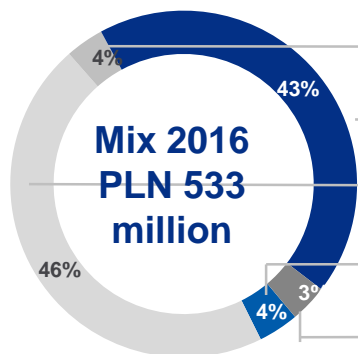
	PKP CARGO Group Q4 2015*	PKP CARGO Group Q4 2016	Change yoy	Change % yoy
Amortization and depreciation	132	152	19	15%
Materials and energy	208	183	-25	-12%
External services	486	416	-70	-14%
Employee benefits	426	337	-89	-21%
Other	59	47	-13	-21%
Total	1,312	1,133	-178	-14%

* Adjusted in accordance with item 5.2.1 of the Management Board's Report on the Activity of the PKP CARGO Group for the financial year 2016 and chapter 5.1.1 of Other Information to the Consolidated Quarterly Report for Q3 2016, calculated as the difference between adjusted figures for 2016 and adjusted figures for the first 3 quarters of 2016. ** Data concerning the AWT Group net of consolidation eliminations

Capital expenditures 2016

Capital expenditures

PLN million



Investment construction

Components in overhaul

Purchase & modernization
of locomotives and wagons

ICT development

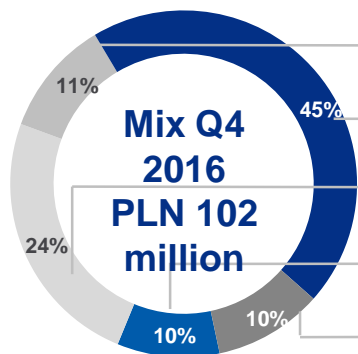
Other

Total

	PKP CARGO Group 2015*	PKP CARGO Group 2016	Change yoy	Change % yoy
Investment construction	28	19	-9	-32%
Components in overhaul	308	231	-77	-25%
Purchase & modernization of locomotives and wagons	92	244	152	165%
ICT development	35	20	-15	-42%
Other	22	19	-3	-15%
Total	485	533	48	17%

Capital expenditures

PLN million



Investment construction

Components in overhaul

Purchase & modernization
of locomotives and wagons

ICT development

Other

Total

	PKP CARGO Group Q4 2015*	PKP CARGO Group Q4 2016	Change yoy	Change % yoy
Investment construction	16	11	-5	-32%
Components in overhaul	55	46	-9	-17%
Purchase & modernization of locomotives and wagons	14	25	11	76%
ICT development	13	10	-4	-28%
Other	11	10	-1	-7%
Total	109	102	-8	-7%

Cash flows

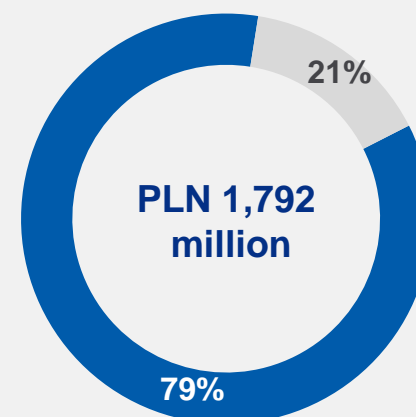
PLN million

Cash flows	2015	2016	change
Operational	388	380	-8
On investing activity	-515	-569	-54
On financing activity	-29	664	693

Debt structure

PLN million

	31.12.2015	31.12.2016
Long-term	809	1,415
Short-term	321	376
Total indebtedness	1,130	1,792



■ Long-term ■ Short-term

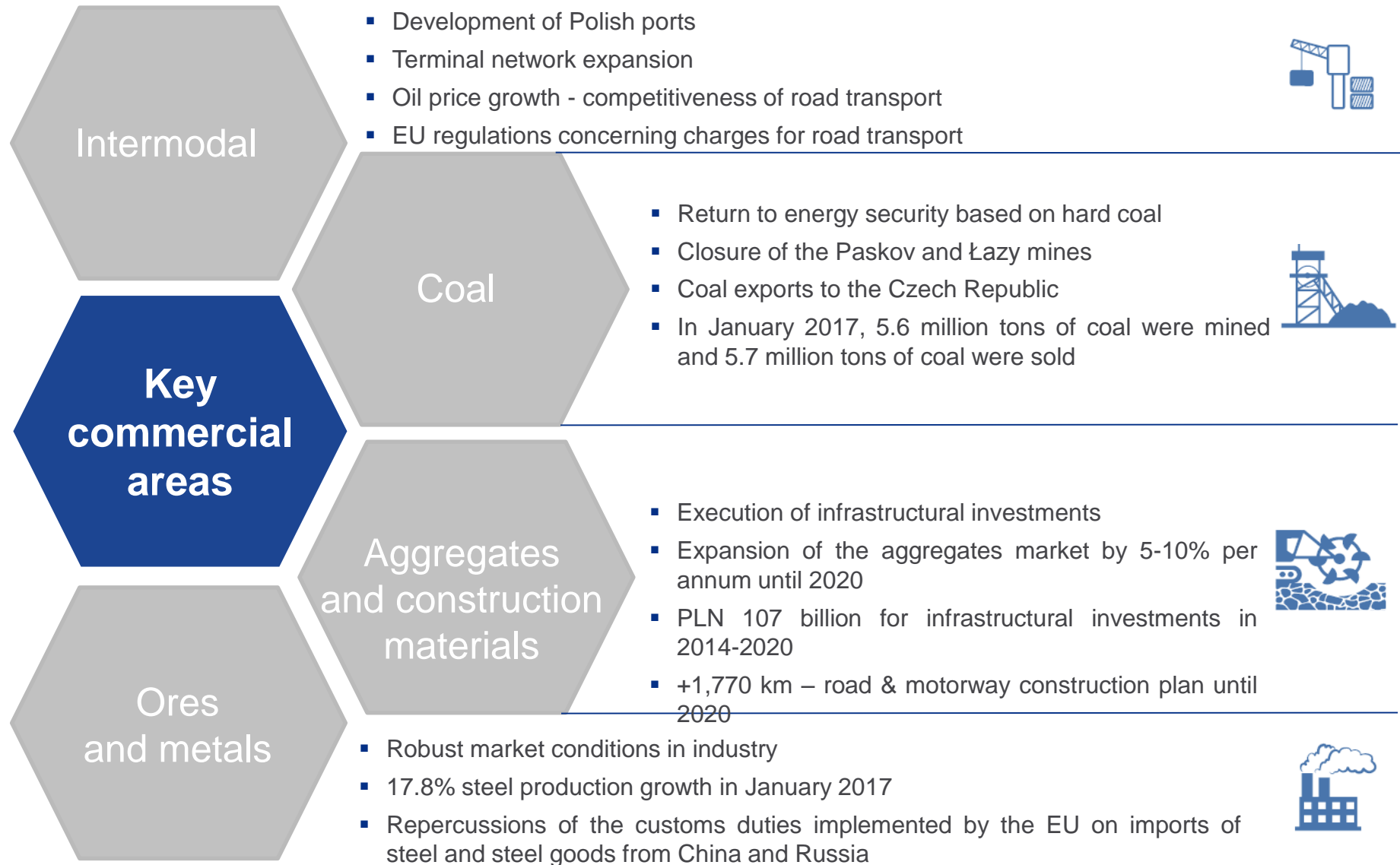
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Outlook: key commercial areas

– challenges for PKP CARGO in 2017





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