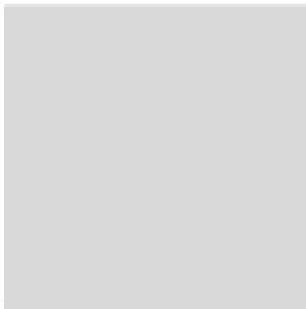
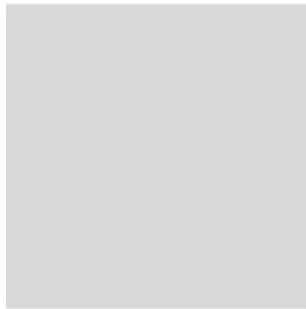


# PKP CARGO Group Q1 2015 Results



12 May 2015



# Agenda



## Q1 2015 Summary

Operating results

Financial results

Outlook

# Most important achievements in Q1 2015

– on the path to becoming a comprehensive logistics operator



Strengthening  
the position  
in Europe

1

- **Acquisitions / strategic alliances** – gateway to southern Europe
- **Utilization of European transport corridors** – growth in transport outside Poland
- **100% equity stake in PS Trade Trans** – pan-European experience

Development  
of the logistics  
offering

2

- **Dedicated products** – operator's train, ferry services, transborder products
- **Electronic waybill** – developing IT tools for clients
- **Terminal expansion** in Poznań-Franów

Further  
optimization  
of costs

3

- **Voluntary Redundancy Program** – 3,041 employees have elected to use it
- **Transport efficiency enhancement** – shuttle transport
- **Efficient rolling stock management** – minimizing empty transport

# Results for Q1 2015

– in line with expectations, improved efficiency



**56%**

**MARKET SHARE**

by freight turnover  
Q1 2015

**PLN 119 million**

**EBITDA**

profitability of 13.3%

**PLN 95 million**

**CAPEX**

mainly rolling stock  
maintenance  
and modernization

**PLN 896 million**

-13.7% yoy

**REVENUES**

softening situation  
on the transport markets

**PLN 18 million**

-69.3% yoy

**NET PROFIT**

profitability of 2.0%

**PLN 874 million**

-9.9% yoy

**OPEX**

consistent cost optimization

# Agenda



Summary of Q1 2015

**Operating results**

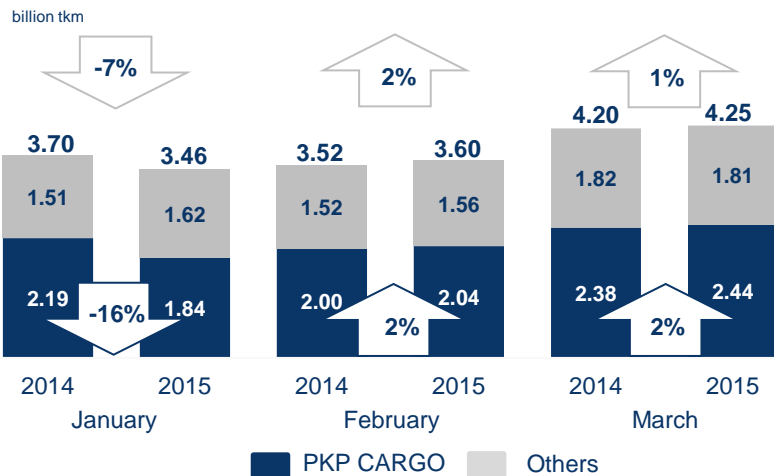
Financial results

Outlook

# PKP CARGO's market shares stable despite unfavorable trends

– uncontested leader in coal and aggregate transportation

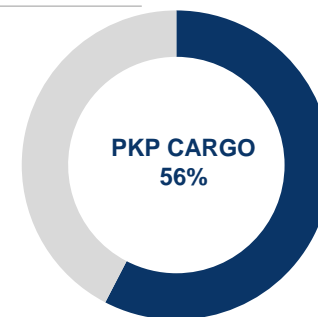
## Freight turnover and market structure



Source: Office of Rail Transport

measured by freight turnover data for Q1 2015

Lotos Kolej	10%
PKP LHS	7%
CTL	7%
DB Schenker	6%
Orlen Kol-Trans	3%
Others	11%



Source: Office of Rail Transport

## PKP CARGO: segmental market shares

Share in cargo categories measured by freight turnover in 2014

Hard coal

73%

Aggregates and construction materials

63%

Metals, ore and scrap

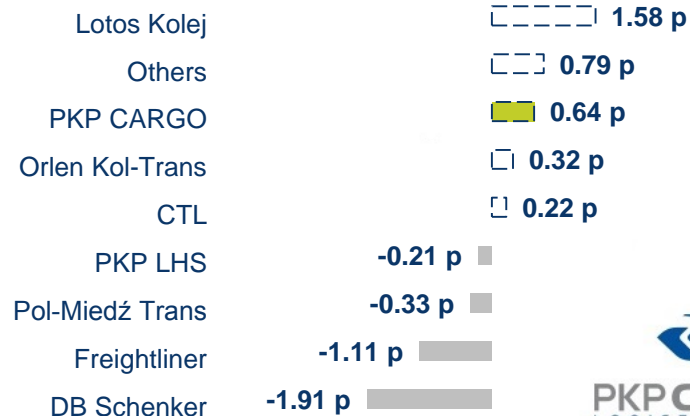
50%

Intermodal

52%

## Market share changes of rail operators

change in shares yoy measured by volume in Q1 2015



# SOLID FUELS – hard coal

– rebound in the latter half of Q1 2015

ARA prices



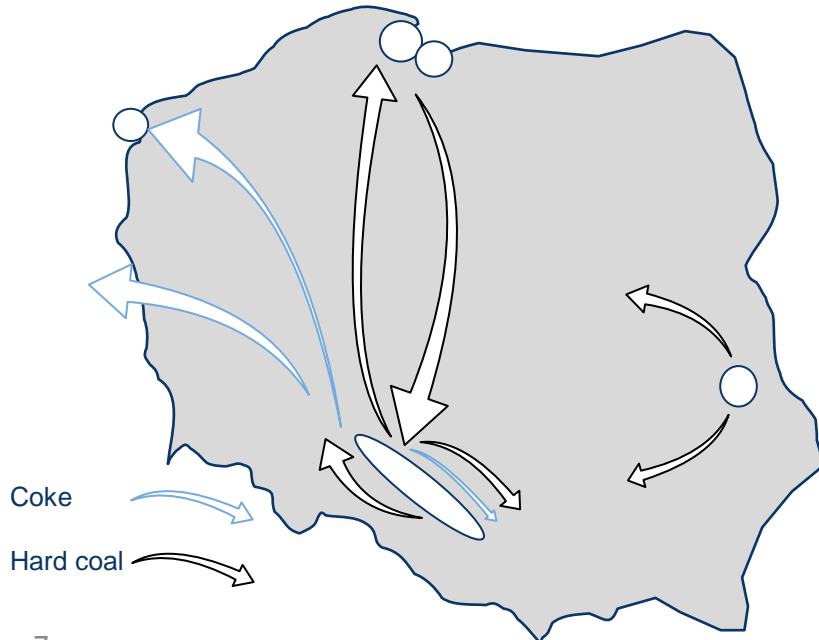
Coal imports from Russia and Ukraine



Higher domestic transport

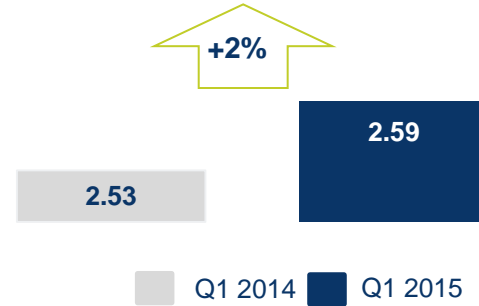


## Main directions of transport



## Freight turnover

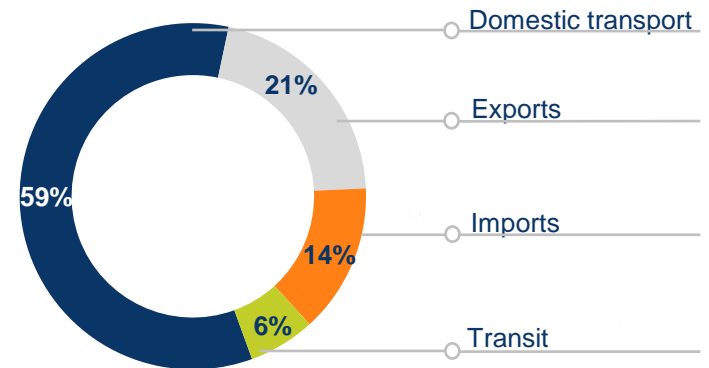
hard coal (billion tkm)



Source PKP CARGO

## Structure of transport

by types of transportation (freight turnover) data for Q1 2015



# AGGREGATES AND CONSTRUCTION MATERIALS

– good prospects for the latter half of the year



Delay in investments



Exports to Germany

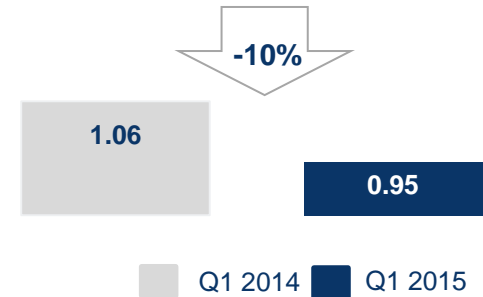


Market conditions in the construction industry



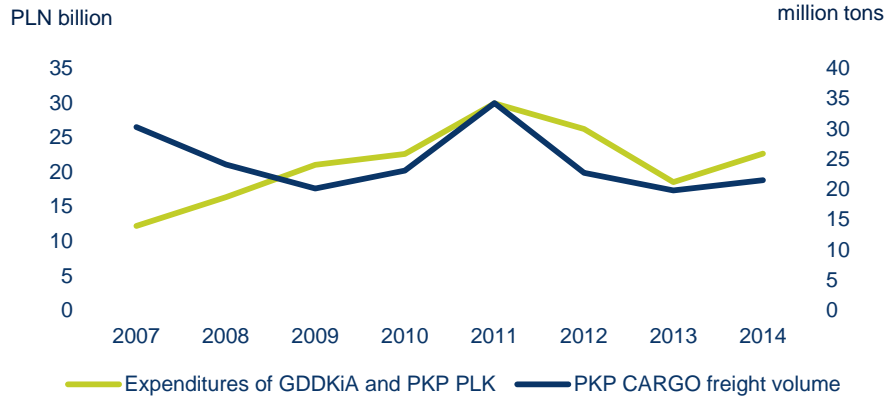
## Freight turnover

billion tkm



Source PKP CARGO

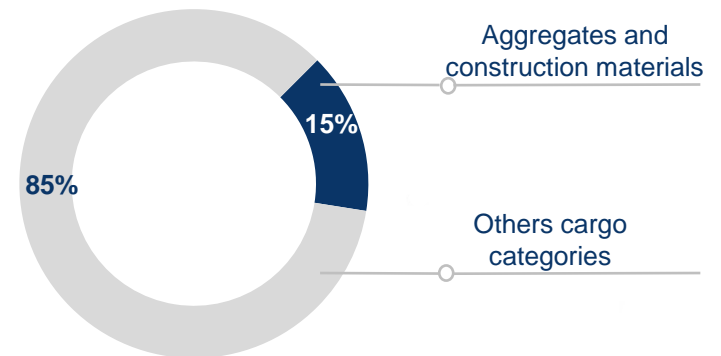
## Expenditures for infrastructure GDDKiA and PKP PLK



Source PKP PLK, Ministry of Infrastructure and Development, GDDKiA

## Structure of transport

according to freight turnover data for Q1 2015



Source PKP CARGO



# METALS, METAL ORES AND SCRAP

– low commodity price, accelerating economy

Conflict in the east



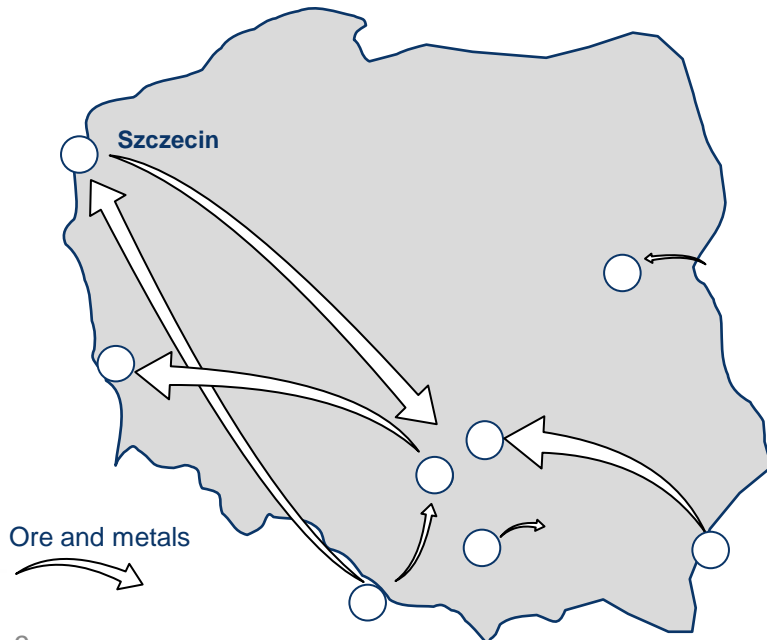
Imports from Russia and Ukraine



Market conditions in industry

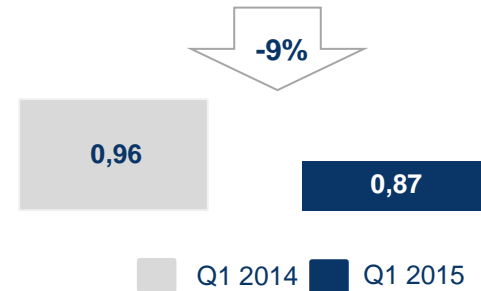


## Main directions of transport



## Freight turnover

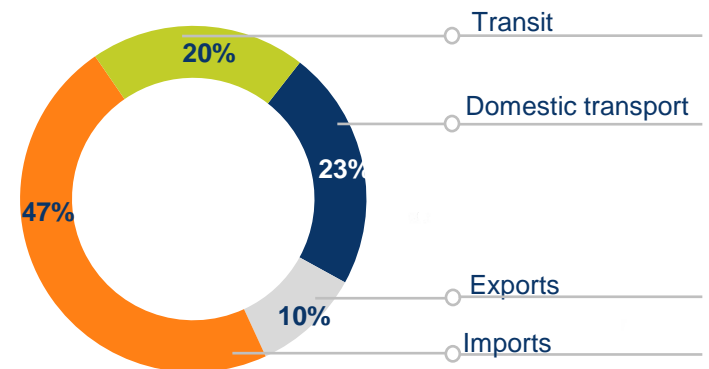
billion tkm



Source PKP CARGO

## Structure of transport

by types of transportation (freight turnover) data for Q1 2015



Source PKP CARGO

# INTERMODAL TRANSPORT

– double-digit growth YTD

Development of Polish ports



Modernization of line no. 226



Operator train



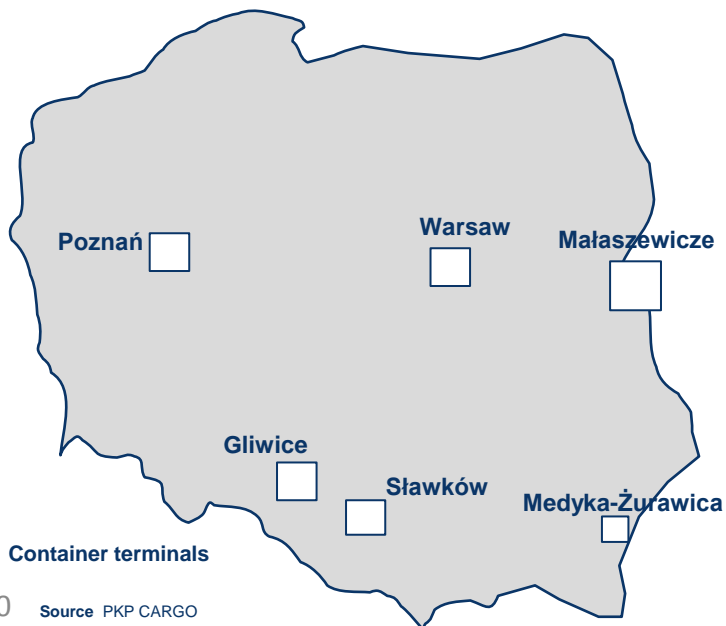
Terminal expansion in Franowo



Acquisition of intermodal platforms



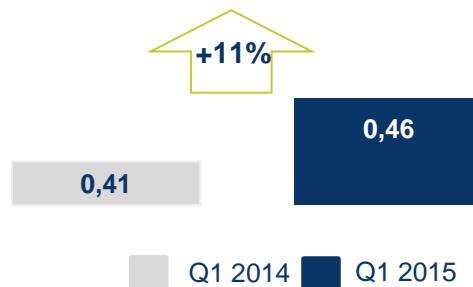
## PKP CARGO's container terminals



Container terminals

## Freight turnover

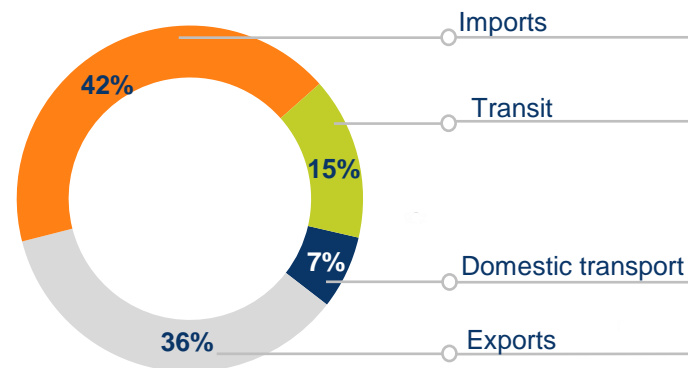
billion tkm



Source PKP CARGO

## Structure of transport

by types of transportation (freight turnover) data for Q1 2015



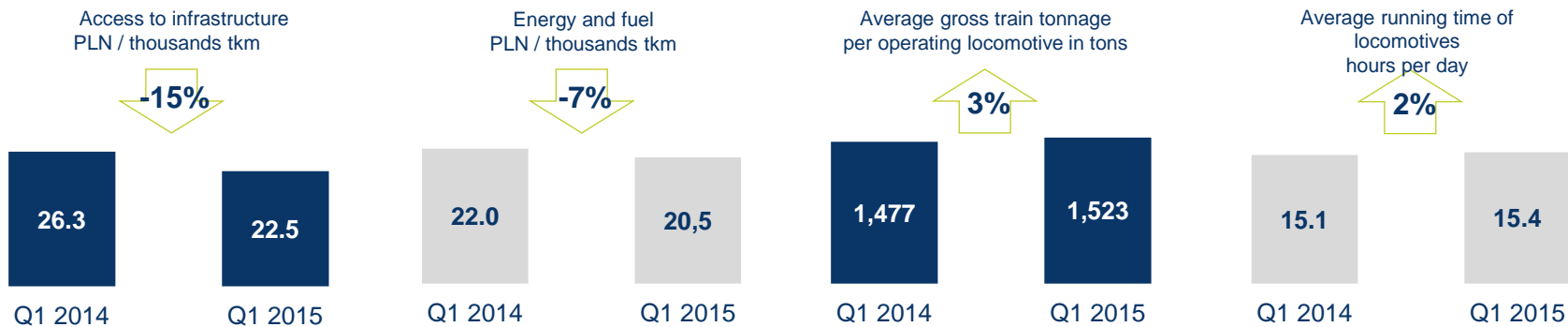
Source PKP CARGO

# Operating efficiency

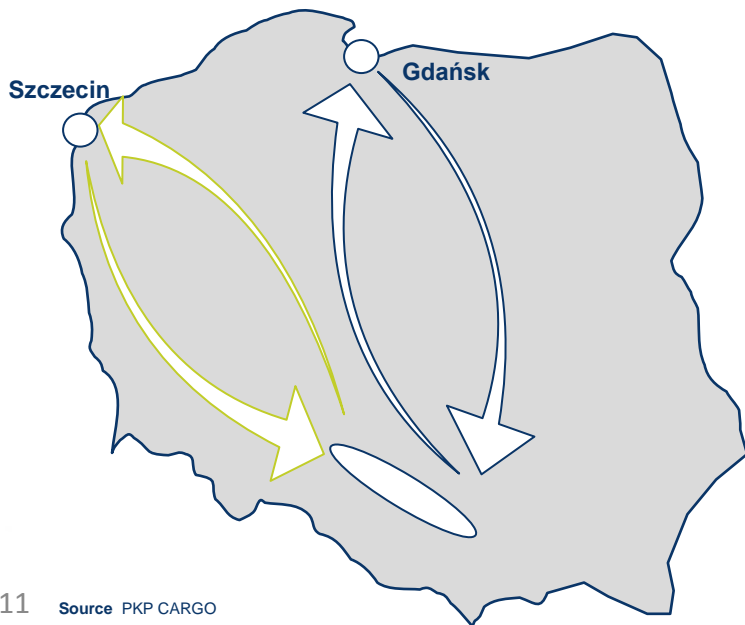
– improving transport and maintenance processes



## Operational efficiency



## Shuttle transport



Decline in empty transport by 3.9% yoy



Lower resource commitment (wagons, locomotives, train engineers)



Lower costs of access to infrastructure, fuel and energy

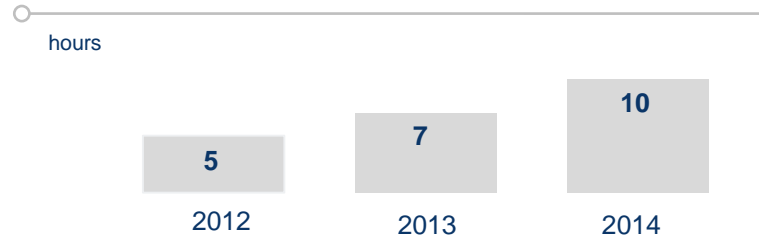


# PKP CARGO is training new generations – 1,000 new train engineers to be hired by PKP CARGO in 2015/2016

Headcount of train engineers at the end of the period



Number of overtime hours per train engineer



- Reducing overhauls of the PKP PLK network = minimizing overtime hours

Train engineer's average age is 50



500 employed in 2014



162 recruited in Q1 2015



**PLN 21 million**

annual estimate

**EXPENDITURES FOR TRAINING**

train engineer candidates

**1.5 years – the minimum period to train a train engineer**



# Agenda



Summary of Q1 2015

Operating results

**Financial results**

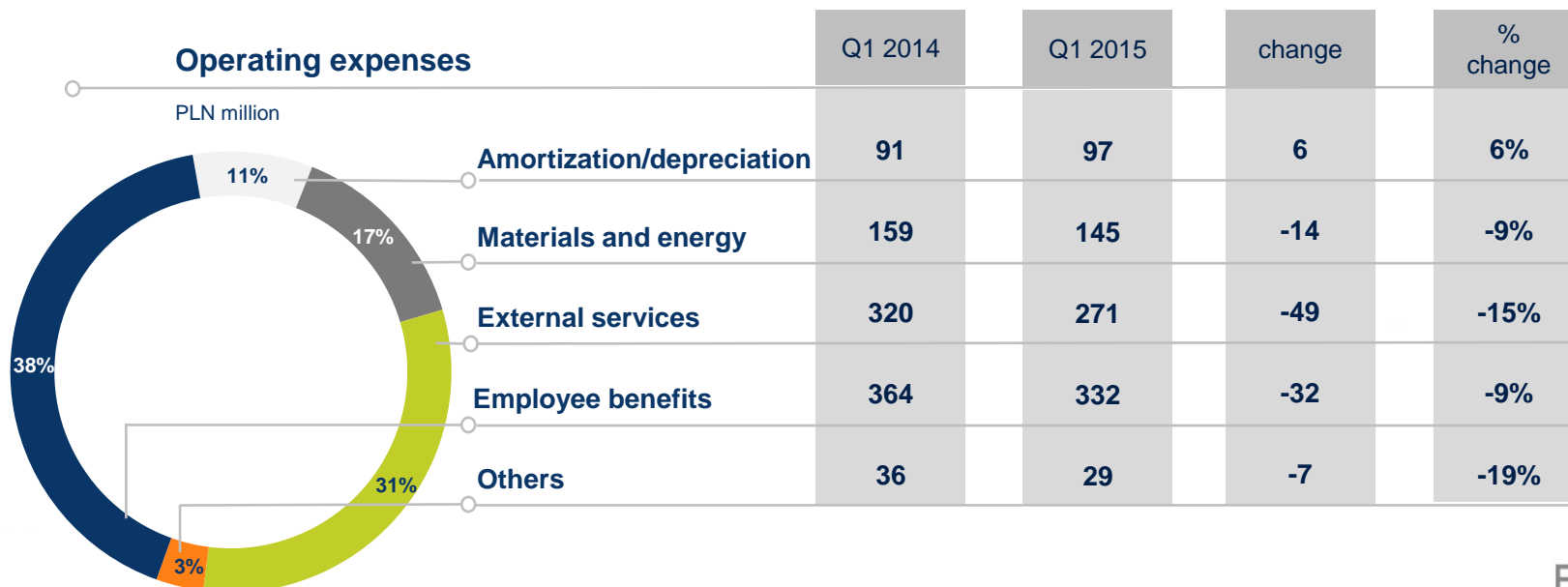
Outlook

# Costs under control

## – operational efficiency



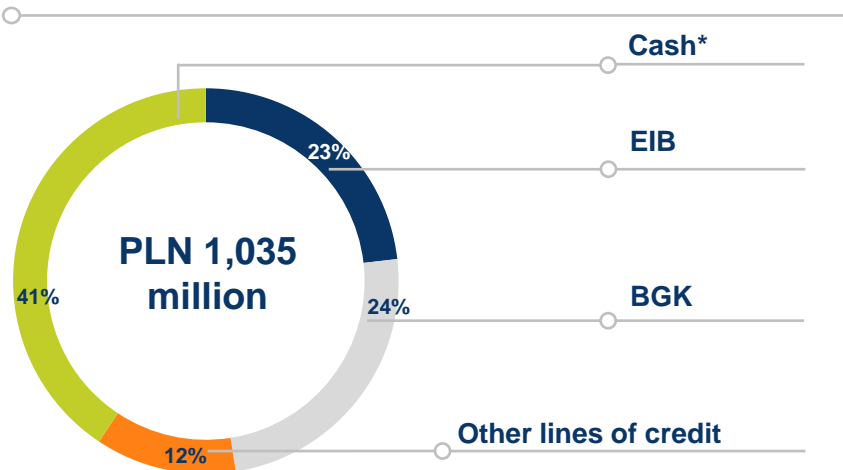
PLN million	Q1 2014	Q1 2015	change	% change
<b>Operating revenues</b>	<b>1,038</b>	<b>896</b>	<b>-142</b>	<b>-14%</b>
<b>Operating expenses</b>	<b>970</b>	<b>874</b>	<b>-96</b>	<b>-10%</b>
<b>EBITDA</b>	<b>159</b>	<b>119</b>	<b>-40</b>	<b>-25%</b>
<b>EBIT</b>	<b>68</b>	<b>22</b>	<b>-46</b>	<b>-68%</b>
<b>Net profit</b>	<b>58</b>	<b>18</b>	<b>-40</b>	<b>-69%</b>



# CF, CAPEX

– Financial ratios guaranteeing investments and development

## Available funding sources



## CASH FLOW

<b>Operating</b>	PLN 59 million (adjusted by the Voluntary Redundancy Program)
<b>Investing</b>	PLN 76 million
<b>Financing</b>	- PLN 30 million

## Benchmark for debt ratios

<b>PKP CARGO**</b>	<b>0.33</b>
Globaltrans	1.74
TransContainer	2.71
CSX CORP	1.85
PCC Intermodal	4.83
Genesee & Wyoming	2.71

Source: Thomson Reuters data for 2014, PKP CARGO data for Q1 2015, CSX CORP data for Q3 2014



**PKP cargo**  
LOGISTICS

## CAPEX

thousands of PLN

	Q1 2014	Q1 2015
<b>Modernization of locomotives</b>	28,069	14,459
<b>Purchase of wagons</b>	8,581	8,592
<b>Others</b>	5,869	5,377
<b>Components in rolling stock overhauls</b>	73,351	67,052

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

\*\* Net debt / annualized adjusted EBITDA

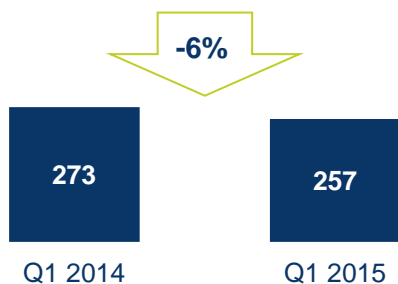
# Voluntary Redundancy Program

– improving efficiency and greater flexibility



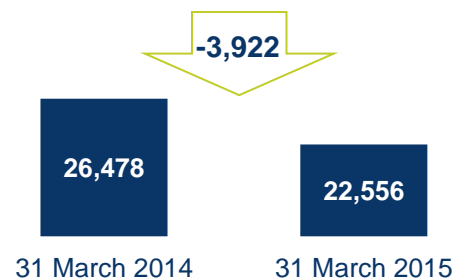
## Salaries in PKP CARGO

PLN million



## Lower headcount\*

Headcount in persons



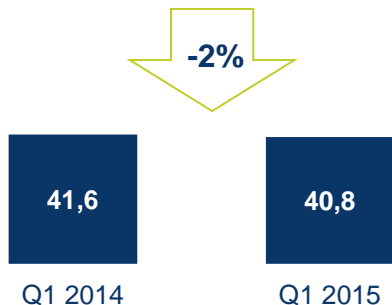
Savings of PLN 16 million yoy



-3,041 employees – outcome of the Voluntary Redundancy Program

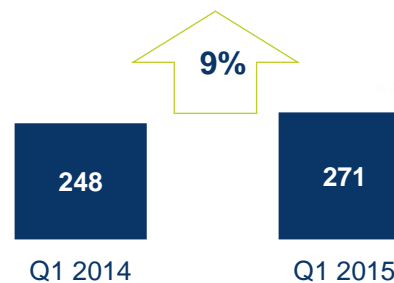
## Salaries for freight turnover

PLN / thousands tkm



## Freight turnover per employee

thousands tkm / employee





# Agenda



Summary of Q1 2015

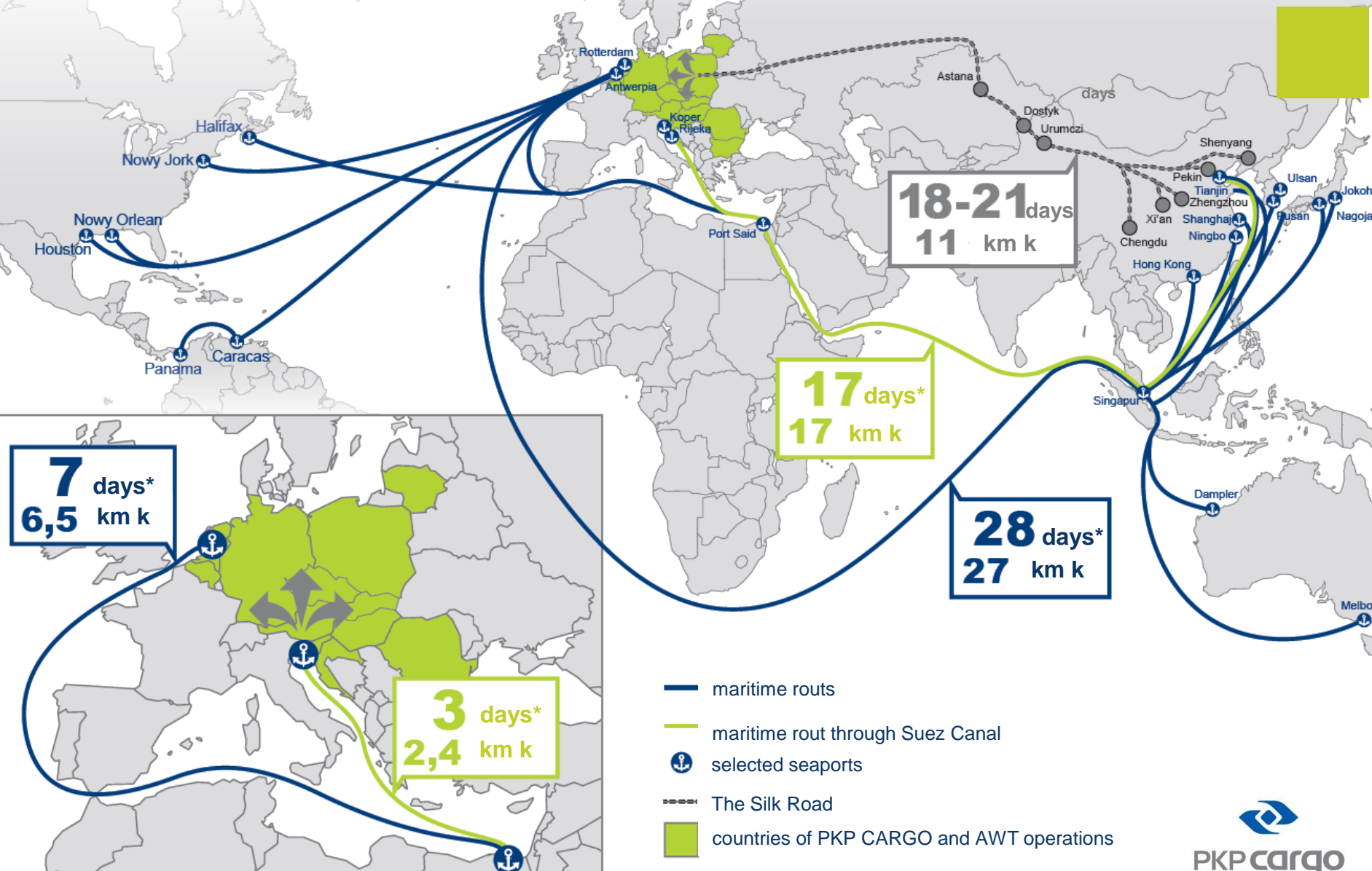
Operating results

Financial results

**Outlook**

# Global approach to logistics services

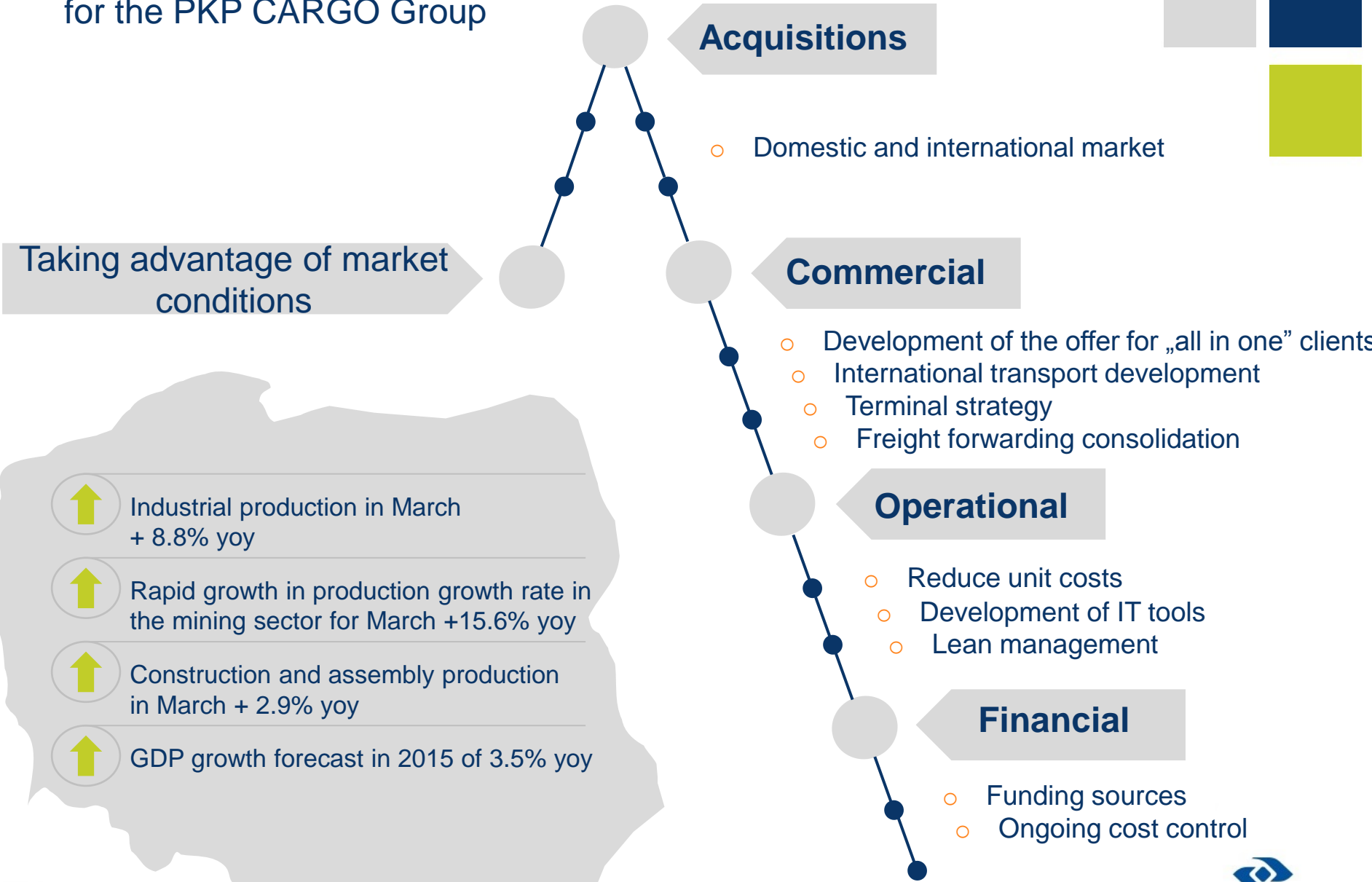
– competitiveness of Adriatic ports and the potential offered by the Silk Road



- maritime routes
- maritime rout through Suez Canal
- ⚓ selected seaports
- The Silk Road
- countries of PKP CARGO and AWT operations

\*time estimation based on the average speed of 23 knots

# Main challenges for the PKP CARGO Group



- ↑ Industrial production in March + 8.8% yoy
- ↑ Rapid growth in production growth rate in the mining sector for March +15.6% yoy
- ↑ Construction and assembly production in March + 2.9% yoy
- ↑ GDP growth forecast in 2015 of 3.5% yoy



# Q&A Session

