

PKP CARGO purchases

**ORLEN KolTrans and
ZCP Euronaft Trzebinia**





AGENDA

- || Deal summary

- || Liquid fuel market
- || Refinery product logistics
- || Financial and operational data



PKP CARGO's return to the attractive liquid fuel market

– deal's key parameters

✓	✓	✓
Purchase ORLEN KoITrans (99.85%) ZCP Euronaft Trzebinia	Enterprise value PLN 228 million <i>total EV of the two entities</i>	Net debt -PLN 23.9 million <i>pro forma net debt (net cash) of the two entities as at 31 December 2014</i>
Share in the Polish rail freight market: petroleum refinery products 22% <i>ORLEN KoITrans + ZCP Euronaft Trzebinia according to freight volume in 2014</i>	EV/EBITDA multiplier* ~ 6.3x	Stable backlog Portfolio of long-term contracts

* EBITDA of the two entities for the 12 M period ended 30 September 2015, incorporating a minimum synergies level of PLN 10 million.



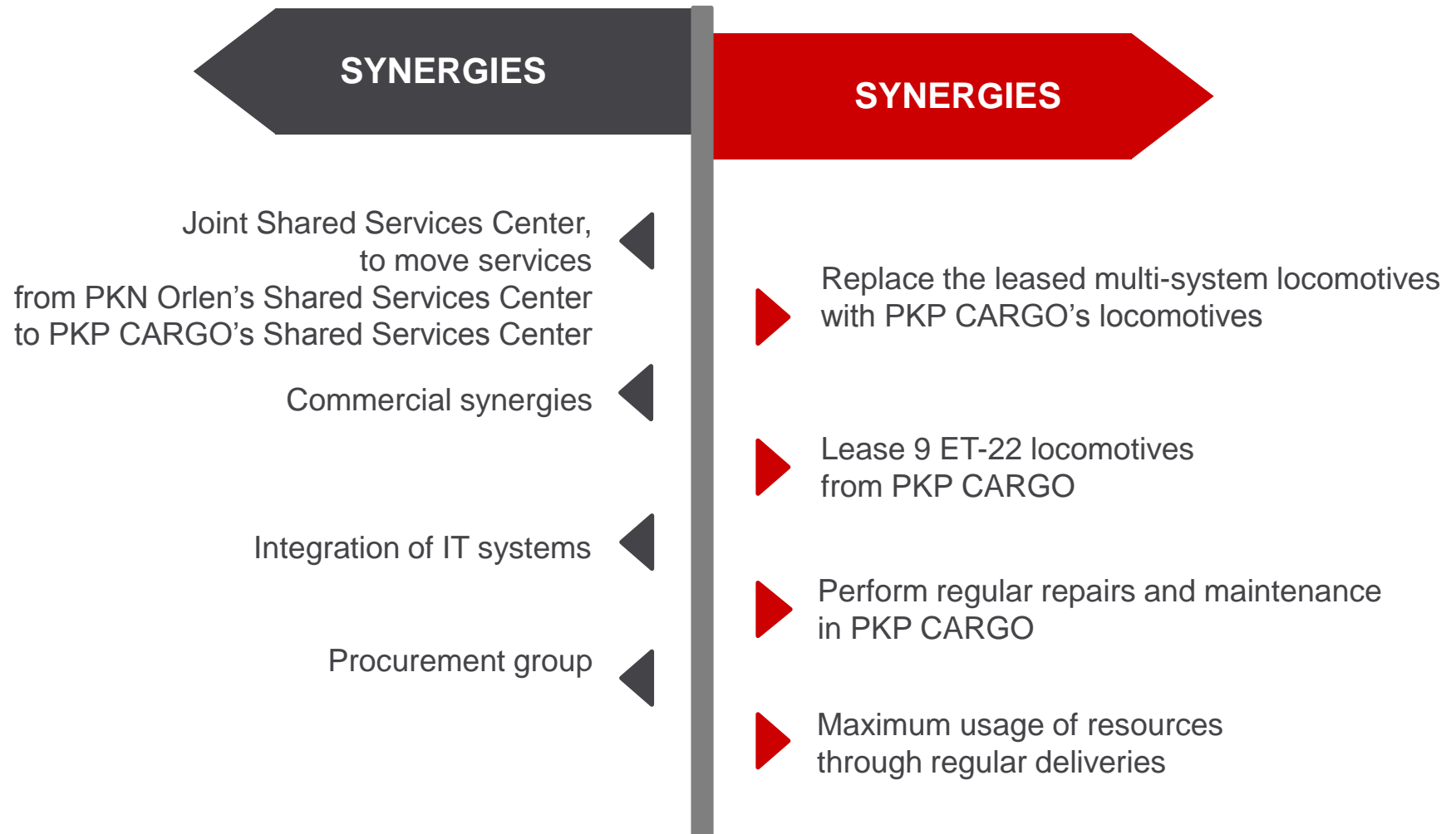
CARGO'20

– an important element in building the PKP CARGO Group's value

Product diversification	Growth through acquisitions	Strengthening its position in the liquid fuel segment
<p>Long-term contracts with the PKN ORLEN Group</p> <p>Limited ability to switch from rail freight to other means of transport for important product groups</p>	<p>Rolling stock and commercial synergies</p> <p>Excellent financial standing of the entities being acquired</p>	<p>Growing liquid fuel segment</p> <p>Competences in logistics concerning hazardous products</p>

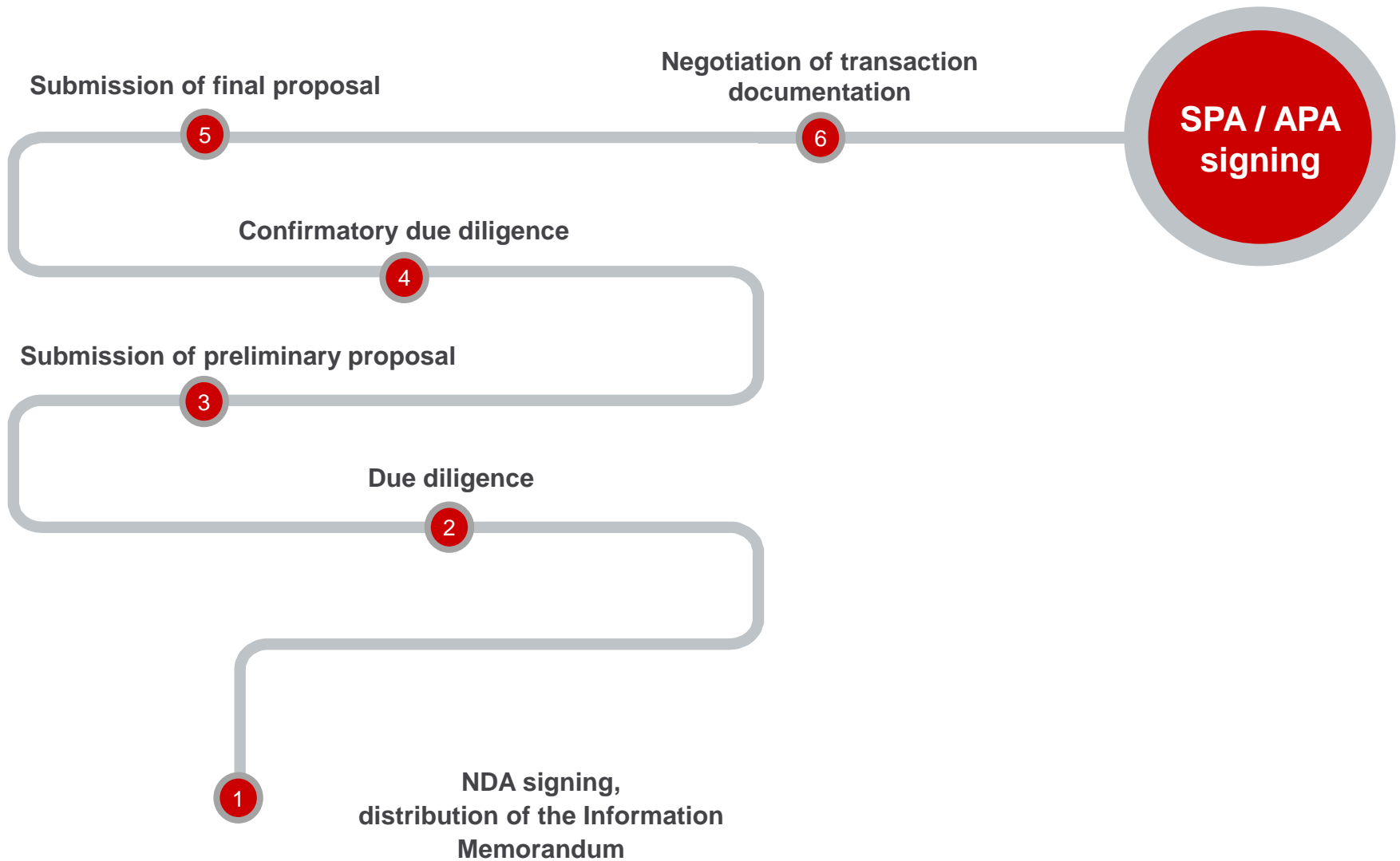
Significant synergies

– at least PLN 10 million per annum



Best market practices in M&A

– project execution in a few months





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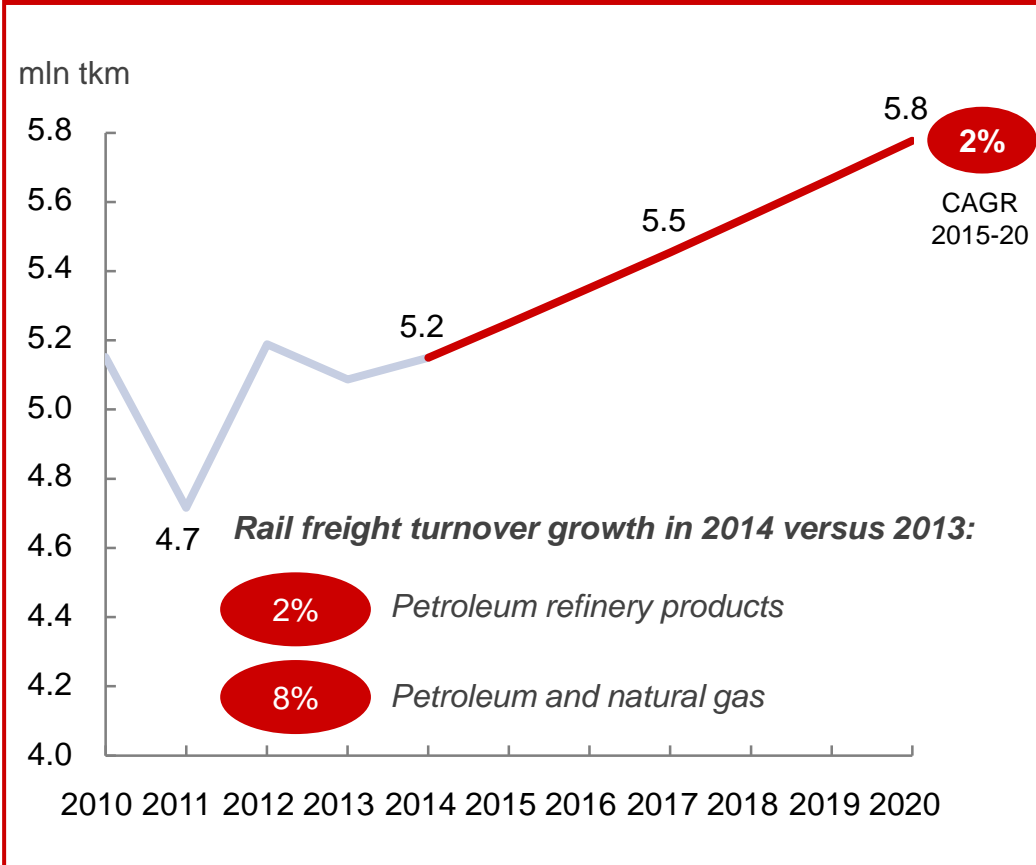
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Non-organic growth in a forward-looking segment

2% CAGR liquid fuel market growth until 2020

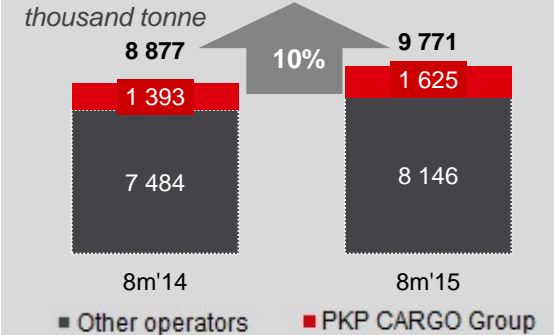
Market: rail freight turnover in the liquid fuel segment



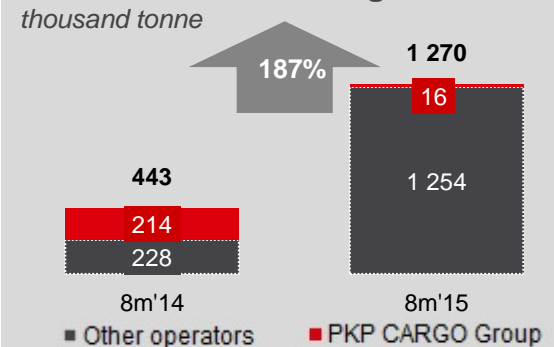
Source: Own review based on PKP CARGO's strategy

Rail transport market in the liquid fuel segment in 2015

Petroleum refinery products



Petroleum and natural gas



Source: GUS (Central Statistical Office of Poland)

A photograph of an ORLEN KolTrans locomotive, model E 186 250-7, positioned on railway tracks in front of a large industrial refinery. The locomotive is green and white with 'ORLEN KolTrans' branding. The refinery background features several tall distillation columns and complex piping under a cloudy sky.

AGENDA

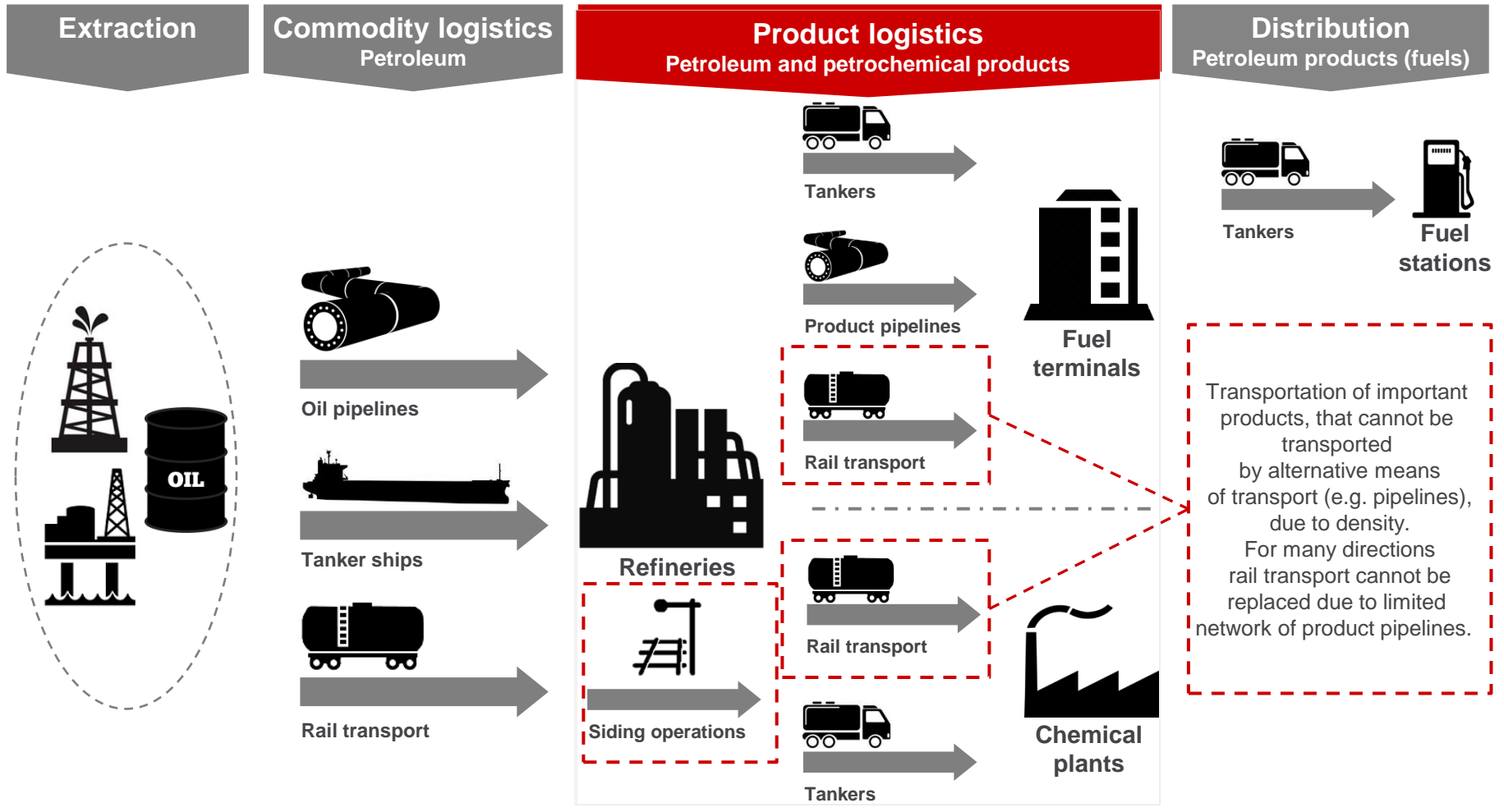
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No alternative to rail freight

– petrochemical and refinery industry logistics chain



Acquired asset being key logistics partner – handling 24% of the ORLEN Group’s transport needs

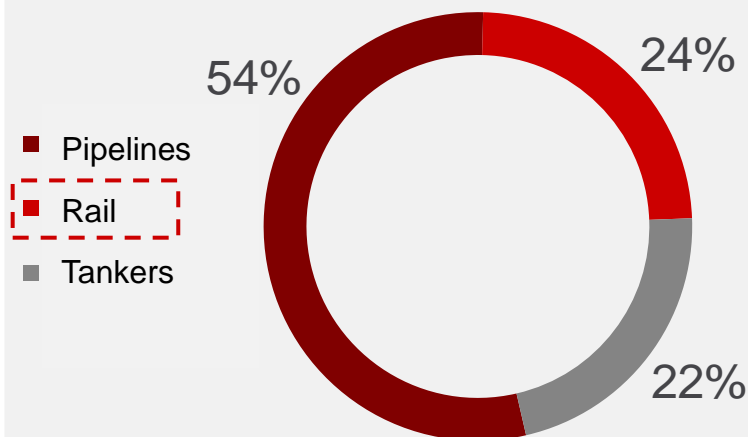
Rail transport

- ▶ Key routes | **Płock – Świnoujście, Płock – Warszawa, Ostrów Wlkp. – Piekary/Radzionków**
- ▶ **Transport of certain product groups impossible due to the density and viscosity** – lack of alternatives for rail freight
- ▶ Limited opportunities to replace due to the lack of product pipelines in some relationships

Handling of sidings

- ▶ Sidings handled | **Płock, Trzebinia, Jedlicze, Ostrów Wielkopolski, Włocławek** – 2 sidings: PKN ORLEN (PTA) and Anwil
- ▶ Volumes of roughly 7.5 million tons per annum
- ▶ Capacity of the siding in Płock up to 450 kt/month; products transported: heavy oil, jet fuel, paraxylene, benzene, diesel

Fuel transport structure in the PKN ORLEN Group 2014

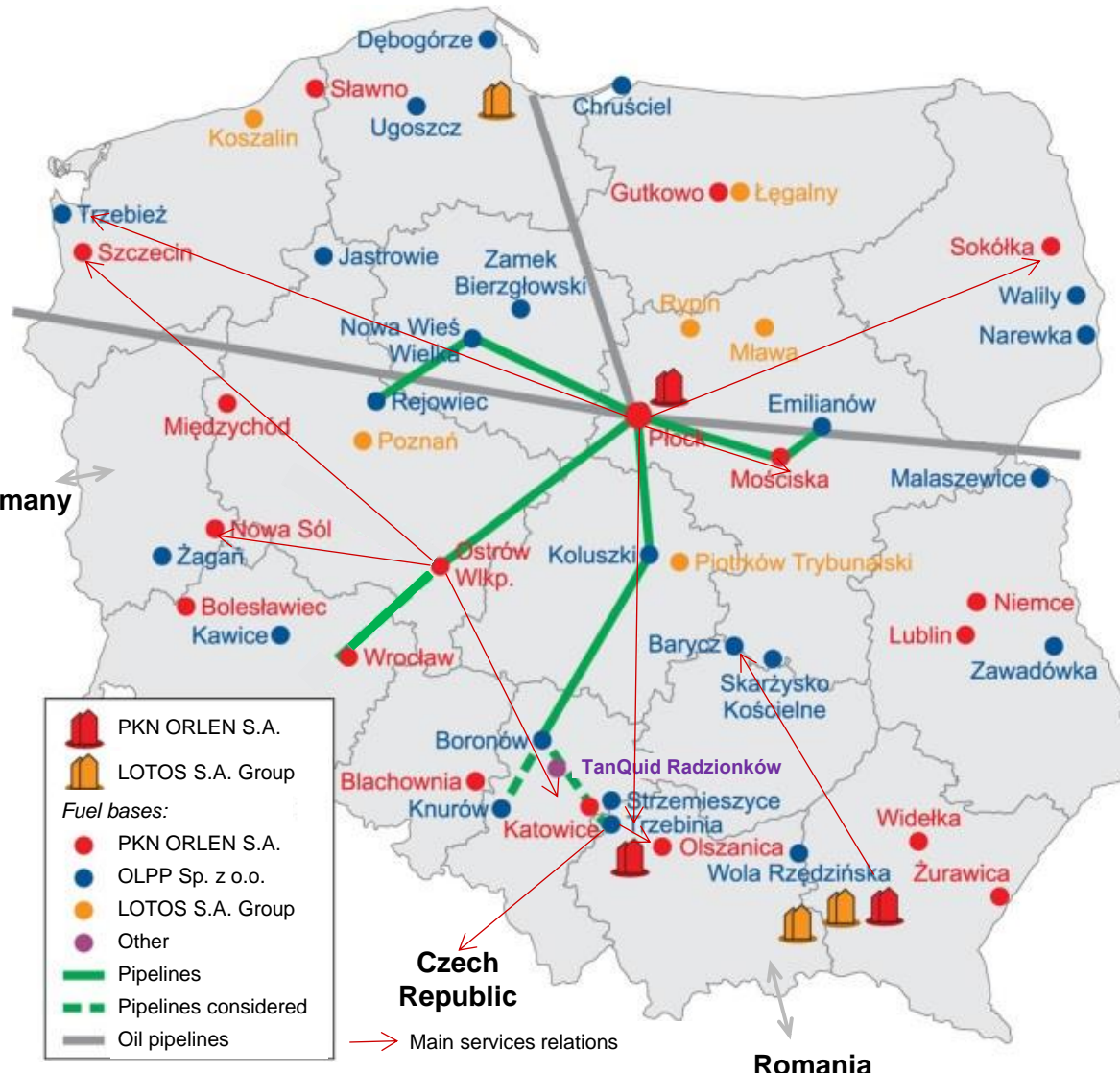


Logistics competences of the PKN ORLEN Group

- ▶ **25 fuel terminals:** total storage capacity of roughly 7 million cubic meters*
- ▶ **Key sidings:** Płock, Włocławek, Ostrów Wlkp., Trzebinia
- ▶ **Specialization** of ORLEN KoITrans in the transport of products that cannot be transported using product pipelines (heavy oil, paraxylene)

Rail transport is an alternative to pipelines

– specific nature of the refinery industry



Rail transport

- ▶ ~80% of the transport handled by ORLEN KolTrans is conducted from Płock
- ▶ The key destination for ORLEN KolTrans from Płock is Świnoujście (~50% of transport)
- ▶ International transport handled by ORLEN KolTrans represents ~4% of transport, mainly to the Czech Republic, Romania and Germany
- ▶ ~43% of the transport handled by ZCP Euronaft Trzebinia is done from Trzebinia
- ▶ ~20% the Czech Republic is the main destination for transport in ZCP Euronaft Trzebinia



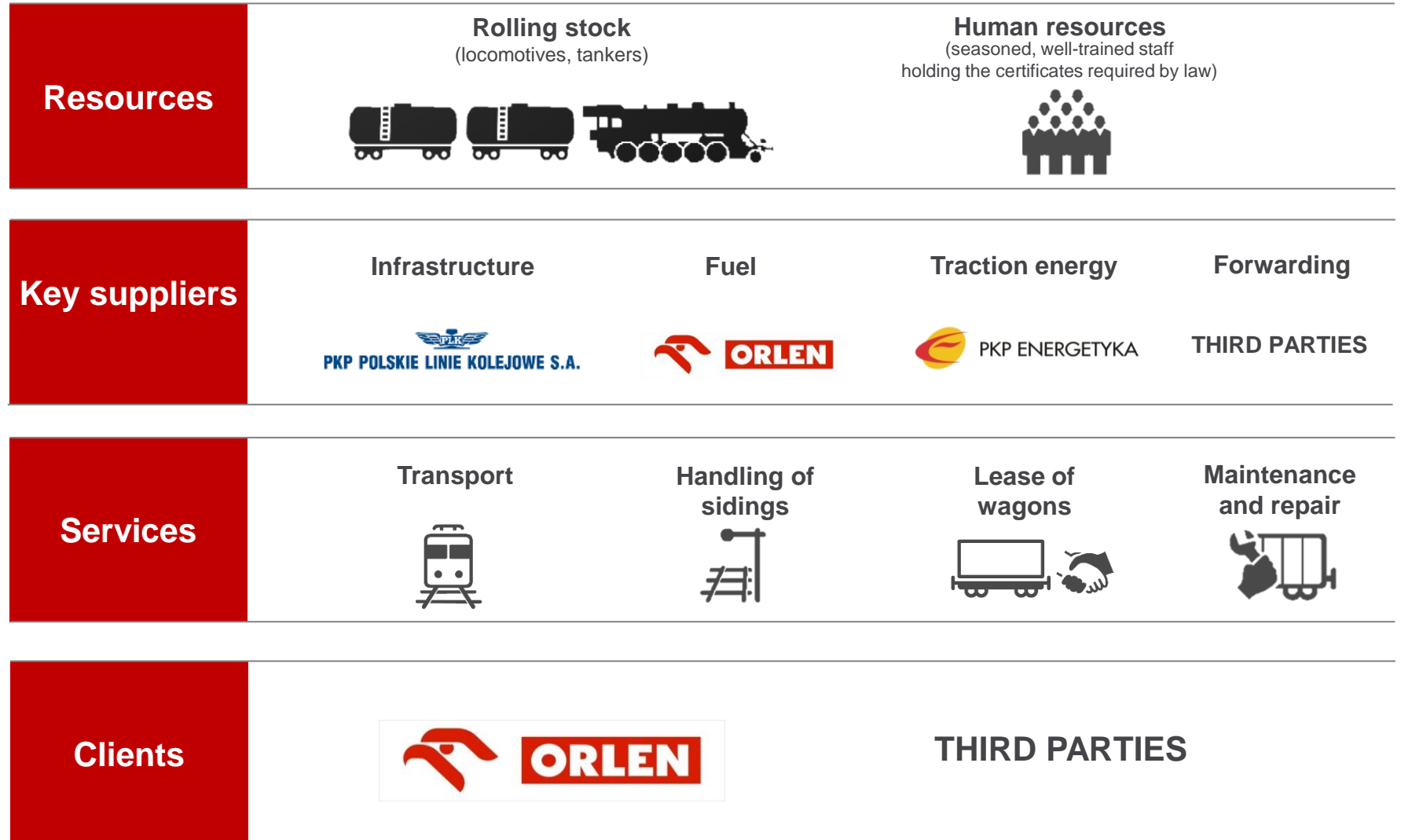
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Business model

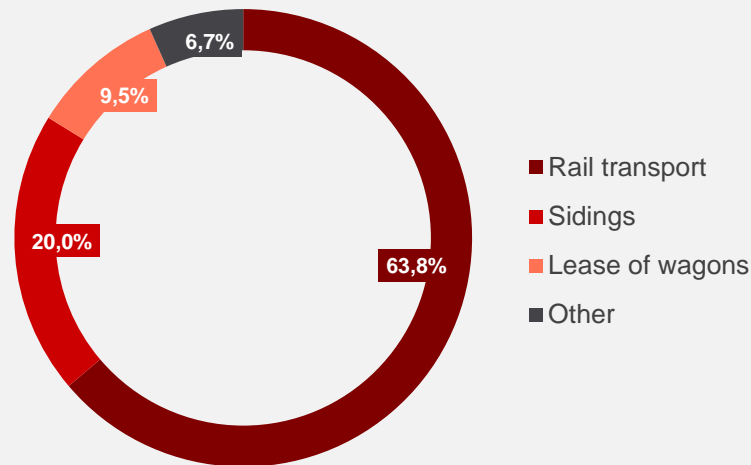
ORLEN KolTrans and ZCP Euronaft Trzebinia



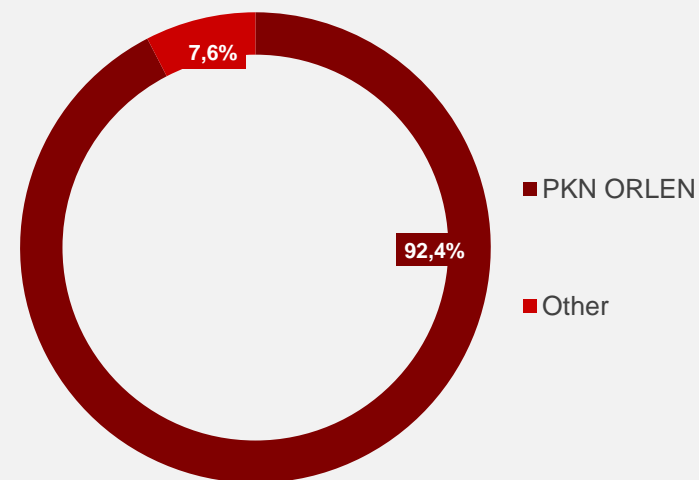
ORLEN KoITrans and ZCP Euronaft Trzebinia

– operational highlights

Revenue structure by segment (2014)



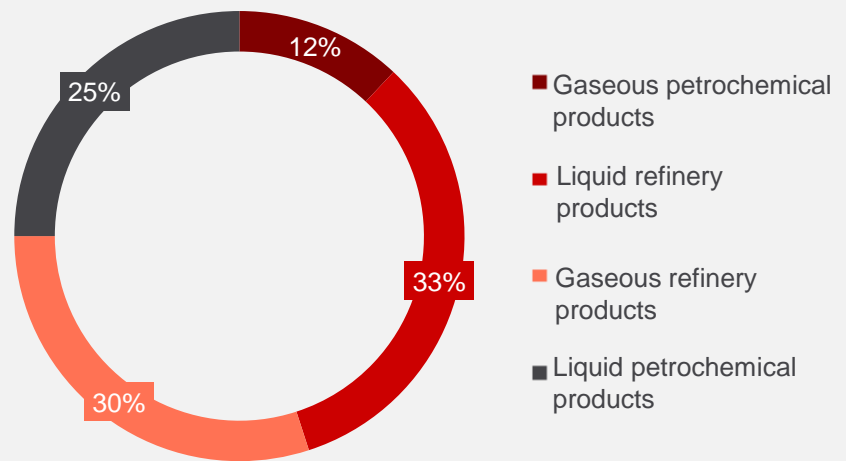
Revenue structure by client (2014)



Operational data of ORLEN KoITrans & ZCP Euronaft Trzebinia

	Unit	2014	Jan-Sep 2015
Freight turnover	billion tkm	1.3	1.0
Freight volume (transport)	million tons	3.3	3.1
Wagons	units	852	1,011
- own	units	665	601
- rented / leased	units	187	410
Locomotives	units	49	47
- own	units	35	30
- rented / leased	units	14	17
Freight volume of transshipment on sidings	million tons	7.5	7.0
Employees	FTEs	378	369

Structure of rail tankers by products transported



Potential to enhance results further

– excellent financial condition

ORLEN KoITrans + ZCP Euronaft Trzebinia¹⁾ pro forma data (PLN million)

	2013	2014	change
Revenues adjusted by the loading department	188.3	186.8	-1.4
Gross profit on sales	27.1	22.0	-5.1
EBIT	16.0	16.0	0.0
EBITDA	23.0	21.2	-1.8
Net result	12.5	14.2	1.7

1) The results adjusted for a filling department transferred to the PKN in 2014

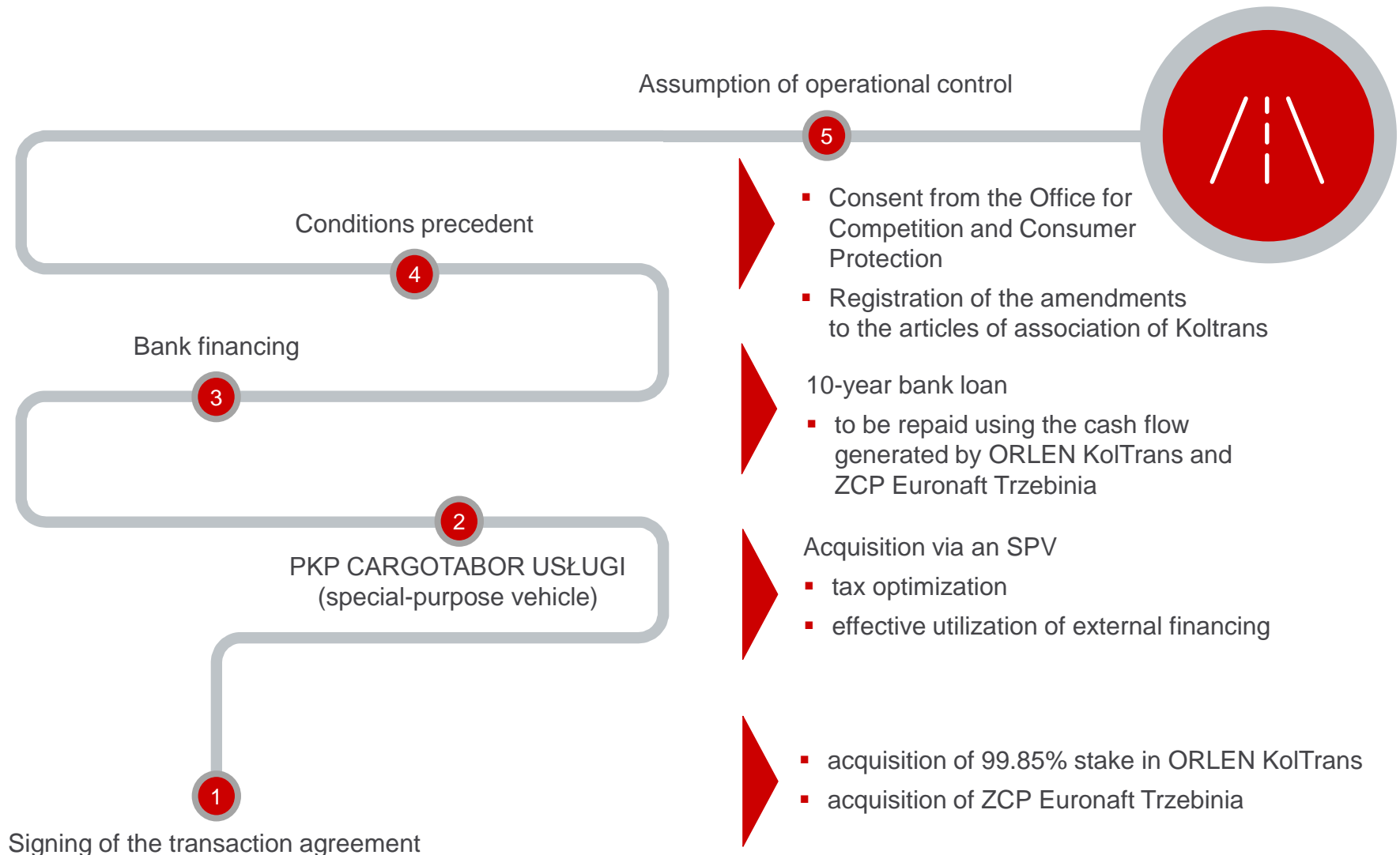
- ▶ In 2014 the pro forma revenues posted by ORLEN KoITrans & ZCP Trzebinia were PLN 186.8 million vs. EBITDA of PLN 21.2 million
- ▶ In 2015 ORLEN KoITrans and ZCP Euronaft Trzebinia are meeting their budgetary targets
- ▶ To ensure rolling stock synergies PKP CARGO will lease 9 E22 locomotives to ORLEN KoITrans and ZCP Euronaft Trzebinia

ORLEN KoITrans – balance sheet highlights

PLN million	31 Dec 2013	31 Dec 2014
Fixed assets and intangible assets	34.2	26.8
Net working capital	15.9	15.3
Net debt	-22.4	25.3
Equity	52.5	50.6

Source: PKN ORLEN, ORLEN KoITrans., ZCP Euronaft Trzebinia

Deal structure and schedule



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To obtain additional information about PKP CARGO please contact
the Analysis and Investor Relations Department:

PKP CARGO S.A.
Analysis and Investor Relations Department
ul. Grójecka 17
02-021 Warsaw

Telephone: +48 22 391-47-09
Fax: +48 22 474-29-53
e-mail: relacje.inwestorskie@pkp-cargo.eu

