

Investment Project „Expansion of Rolling Stock Repair and Exploitation Section in Sochaczew”



„Koleje Mazowieckie – KM” sp. z o.o. (Ltd)

September 2015



Koleje
Mazowieckie

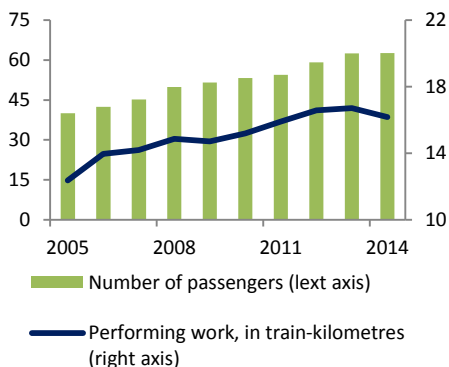
TOTAL REVENUES

PLN 605.3M (+3.5% y/y, 2014)
(2013: PLN 584.6M)

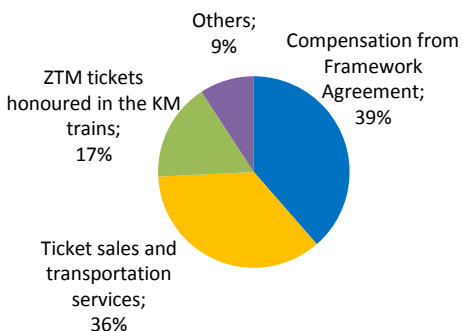
EBITDA

PLN 114.2M (margin 18.8%, 2014)
(2013: PLN 93.1M, 15.9%)

OPERATIONAL ACTIVITY SINCE 2005



REVENUES STRUCTURE IN 2014



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Teaser for Strategic Investors showing the interest in the investment project „Expansion of Rolling Stock Repair and Exploitation Section in Sochaczew”.

COMPANY OVERVIEW

› „Koleje Mazowieckie – KM” sp. z o.o. (Ltd) was established on 29 July 2004 and since 2005 the company has provided public service of regional passenger rail transport as ordered by the Local Authority of the Mazovia Region. Today, the Local Authority of the Mazovia Region is the sole shareholder of Koleje Mazowieckie.

› Leading rail carrier in Poland

According to the Office of Rail Transport, the number of passengers transported by all the railway operators in Poland amounted to more than 269 million in 2014, whereas the transport performance was estimated at nearly 16,1 billion passenger-km. Although Koleje Mazowieckie operates only within the Mazovia Region, the Company controls over 23% of the national market, giving Koleje Mazowieckie the second place in terms of number of passengers. However, the Company was ranked third in terms of transport performance, having nearly 14% of the national market.

› Growing number of travellers

Koleje Mazowieckie operates more than 800 trains a day in which travel more than 200 000 passengers. Since the beginning of its activity, the number of passengers using the Company services has increased from 40 million in 2005 to over 62.5 million in 2014. Over the last 10 years, the number of passengers grew by an average of 5.1%.

› Leader in terms of number of modern rolling stock

By the end of 2015, the Company will have 317 vehicles, including Electric Multiple Units - 232 vehicles (38 vehicles of a new type and 194 old-type vehicles – incl. 107 completely modernized). The Company plans to purchase 55 new five-carriage EMUs that will replace older models currently in use.

› Growing revenues from ticket sales and high EBITDA margin

Since 2005 ticket sales have grown by approx. 10% year over year 2005 r., increasing from PLN 141 million in 2005 to over PLN 316 million in 2014. Over the last three years, the EBITDA margin has ranged 17-18%. The Local Authority of the Mazovia Region is the biggest contractor of Koleje Mazowieckie, with which it is signed a Framework Agreement ending in 2024. Under the agreement, the Company obtains a compensation payments for public passenger transport services covering part of operating costs.

› Rich experience in obtaining the EU funds

Between fiscal years 2007 – 2013, Koleje Mazowieckie received grants from EU for 7 „hard projects” in the amount of nearly PLN 595,7 million, and expects an inflow of another PLN 383 million in short time. In the next horizon 2014-2020, the Company intends to use the experience and will apply for EU grants for another 7 big projects.

› Ambitious growth plans

The main objective of the Company is to maintain and to strengthen its leading position as a regional passenger rail transport service provider. For the coming years, the Company is planning investments in modern rolling stock (including further modernization of existing rolling stock) and construction of modern repair and maintenance depot in Sochaczew.

› Expansion of Rolling Stock Repair and Exploitation Section in Sochaczew

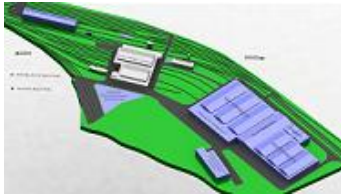
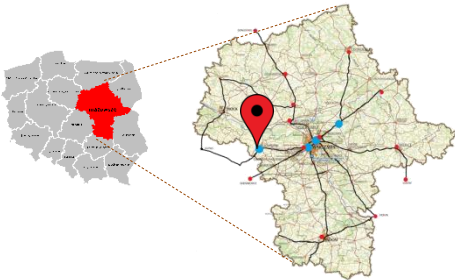
Rolling stock repairs market in Poland is characterized by a lack of sufficient competition. As a result, service an unjustified price level or they provide services with unsatisfactory quality. For this reason, Koleje Mazowieckie has decided to start building a modern repair and maintenance depot that will be used for the repair of rolling stock used by the Company and other railways companies in Poland. The new facility will not only reduce the already high costs of mandatory repairs, but thanks to the cooperation with Strategic Investor it will provide a higher standard of service repairs, will increase competition in the market and foster the development of innovation and technology in the local region.

MAIN OBJECTIVE

Construction and exploitation of repair and maintenance depot for KM's rolling stock.

PROPOSED LOCATION

- › The new repair and maintenance depot will be located in **Sochaczew** (Mazovia Region)



- › **The main advantages** of the selected location:
 - ✓ The neighbourhood of KM's Rolling Stock Repair and Exploitation Section that provides daily maintenance services at the level of maintenance P1-P3.
 - ✓ The favourable location with the access to the main railway lines in Mazovia Region, incl. the line E-20 Warszawa-Poznan or Warszawa-Terespol,
 - ✓ Significant flow of passengers on the above mentioned railway lines,
 - ✓ At a short distance from Warsaw,
 - ✓ The neighbourhood of Sochaczew Railway Station.

CONTACT DETAILS

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PLANNED SCOPE OF REPAIRS

› Basic assumptions for a new depot

The new depot will be located next to KM's Rolling Stock Repair and Exploitation Section and will consist of, among others: frame maintenance depot with paint shop, rail-bound transport system, maintenance workshops with special equipment and tooling, warehouses, washing depot. Repair of rolling stock will be carried out at the level of maintenance P4.

› The main scope of repairs carried out by Strategic Investor

The scope includes: disassembly and assembly of equipment, painting, minor repairs resulting from the Maintenance System Documentation of each vehicle.

› Activities related to the repairs at the level of maintenance P4 that will be outsourced

Among others: maintenance (repairs) of assemblies, subassemblies and parts of individual specialized equipment (resulting from Operation and Maintenance Manual/Documentation) will be outsourced to its manufacturers.

EXPECTED INVESTMENT PARAMETERS

› Type of repaired rolling stock

The new depot will be used to service multiple unit trains that are currently and will be in the future in the Company. Especially EMU trains: ER75 (Stadler Flirt), EN76 (Pesa Elf), 45WE (Newag Impuls), EN57 (and its newer versions), double-decker coaches and electric locomotives.

› Production capacities

The new depot will allow for repairs, depending on the accepted Investment option, from 50 to up to 75 vehicles of various types every year.

› EU grants

The project may apply for grants from two EU programs: the Operational Programme Infrastructure and Environment and the Regional Operational Programme of the Mazovia Region.

› The project schedule

1. Obtaining Strategic Investor and Financial Investor: 2016 - 2017
2. Construction of the depot and commissioning: 2017 – 2019
3. The planned start year of the operational activity of the depot: 2020

LEGAL STRUCTURE

› Public Private Partnership

It is planned to realize the project in a model of Public Private Partnership in form of SPV of Koleje Mazowieckie, Strategic Investor and Financial Investor. Other models of cooperation are also possible.

CONTRIBUTION OF KM

› Land

For the construction of the depot, the total area of 6.6543 ha was acquired.

› Guarantee of rolling stock supply of a minimum of 50 units of every year

Koleje Mazowieckie will guarantee a delivery of 50 vehicles every year till 2024 with an option to extend the contract for next years. The guarantee will be in the form of a separate agreement on repair services (at the level of maintenance P4) of KM's rolling stock. Free capacity (up to 25 units/year) could be used to provide services to external companies.

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