



PKP CARGO GROUP 3Q 2018



Strengthening
ITS LEADING
MARKET POSITION



AGENDA

- |** *Recap of the interim results*
- |** *Commercial results*
- |** *Financial performance*
- |** *Apendix*





RECAP OF THE Q3 RESULTS



PKP CARGO GROUP'S 9M 2018 results

REVENUE

PLN 3,839 m

+ 11% yoy

EBITDA

18% profitability

PLN 702 m

+ 32% yoy

NET RESULT

5% profitability

PLN 194 m

+275% yoy



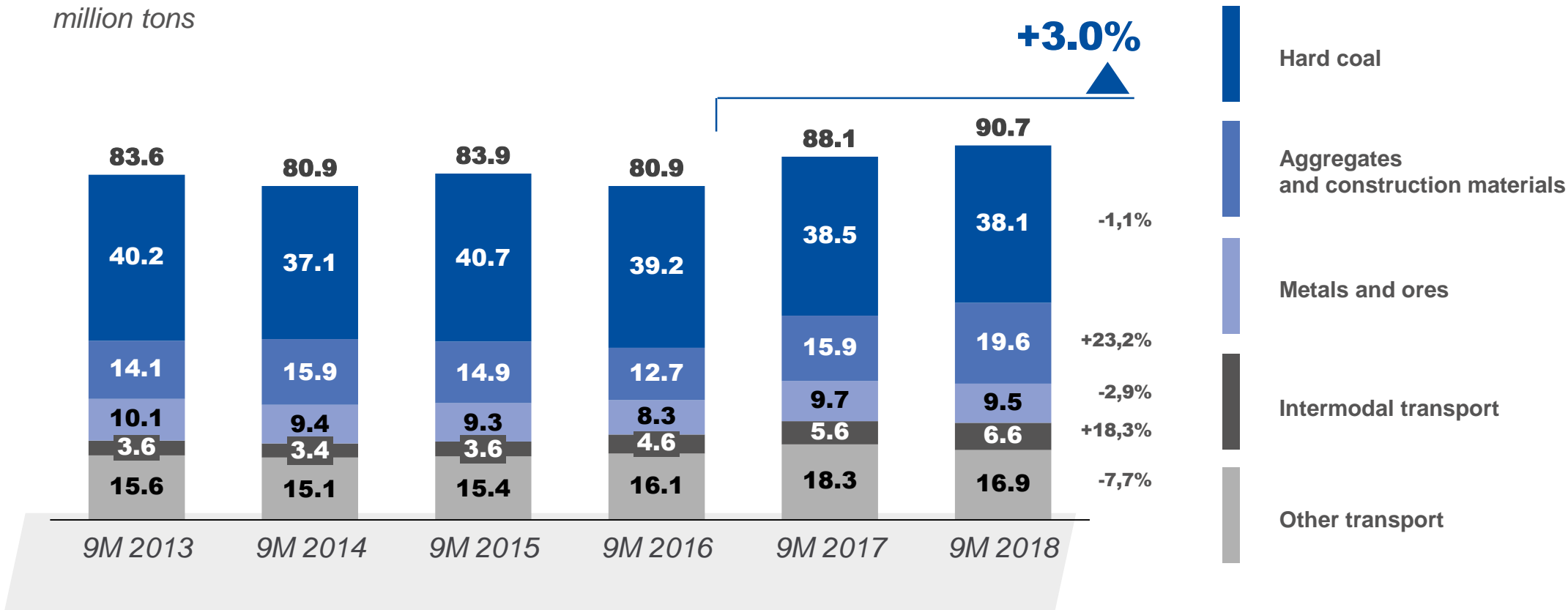
COMMERCIAL RESULTS



THE DEMAND FOR AGGREGATES AND CONSTRUCTION MATERIALS MADE THE STRONGEST CONTRIBUTION TO TRANSPORT GROWTH

FREIGHT VOLUME IN THE PKP CARGO GROUP

million tons





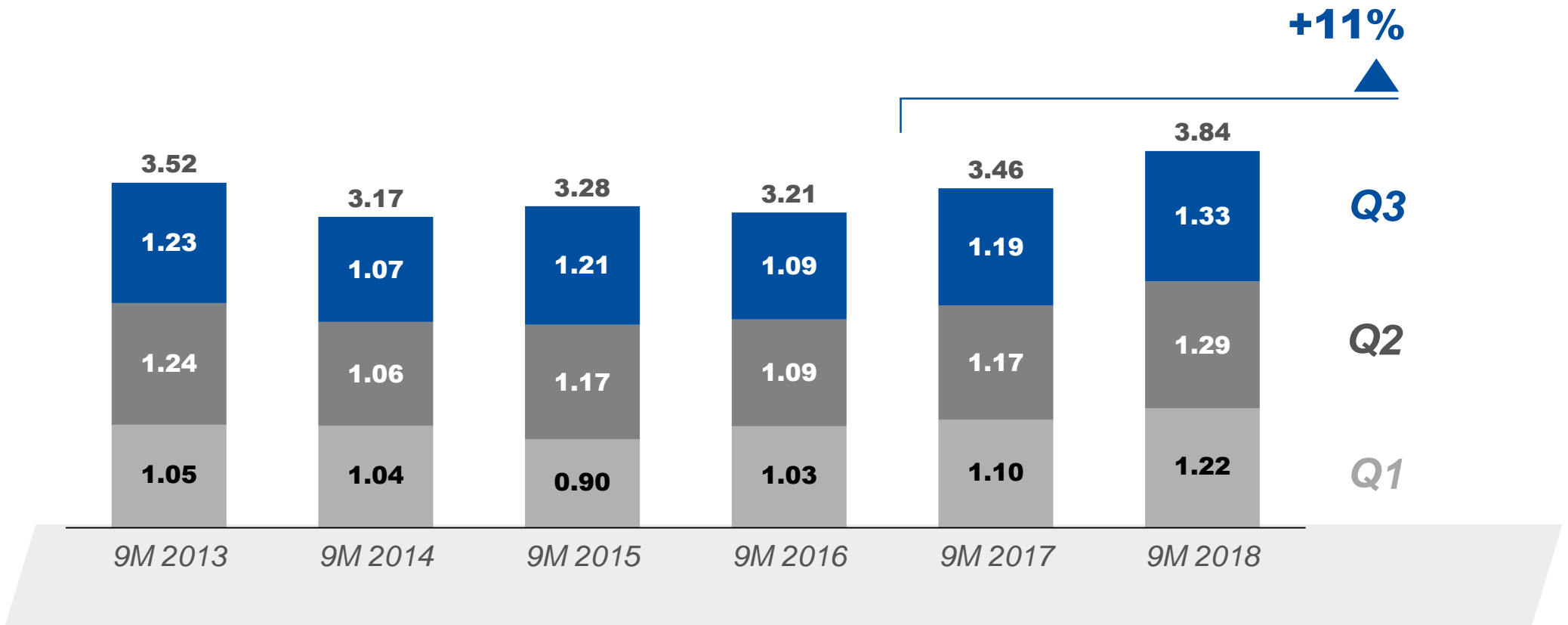
FINANCIAL PERFORMANCE



**IN 9M 2018 THE PKP CARGO GROUP
GENERATED THE HIGHEST OPERATING REVENUE SINCE 2013**

THE PKP CARGO GROUP'S OPERATING REVENUE IN 2013-2018

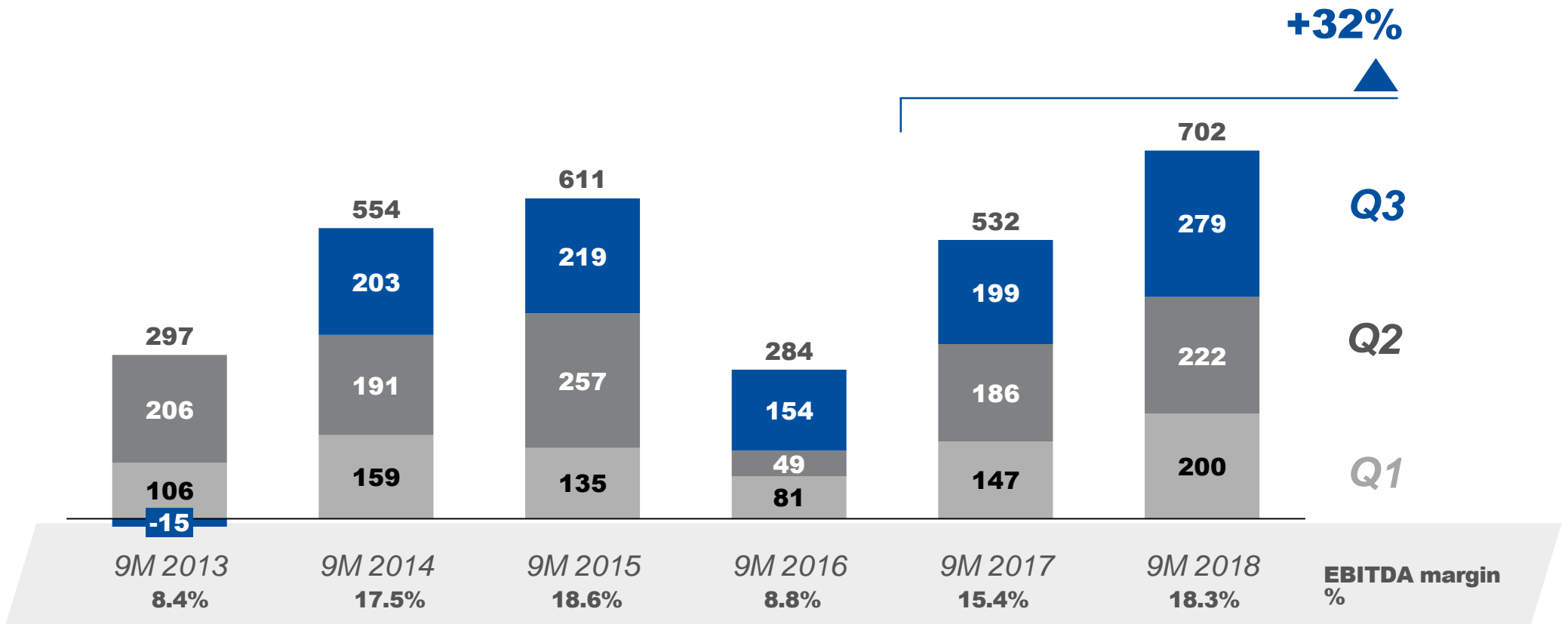
PLN billion



THE PKP CARGO GROUP POSTED ITS HIGHEST EBITDA SINCE GOING PUBLIC

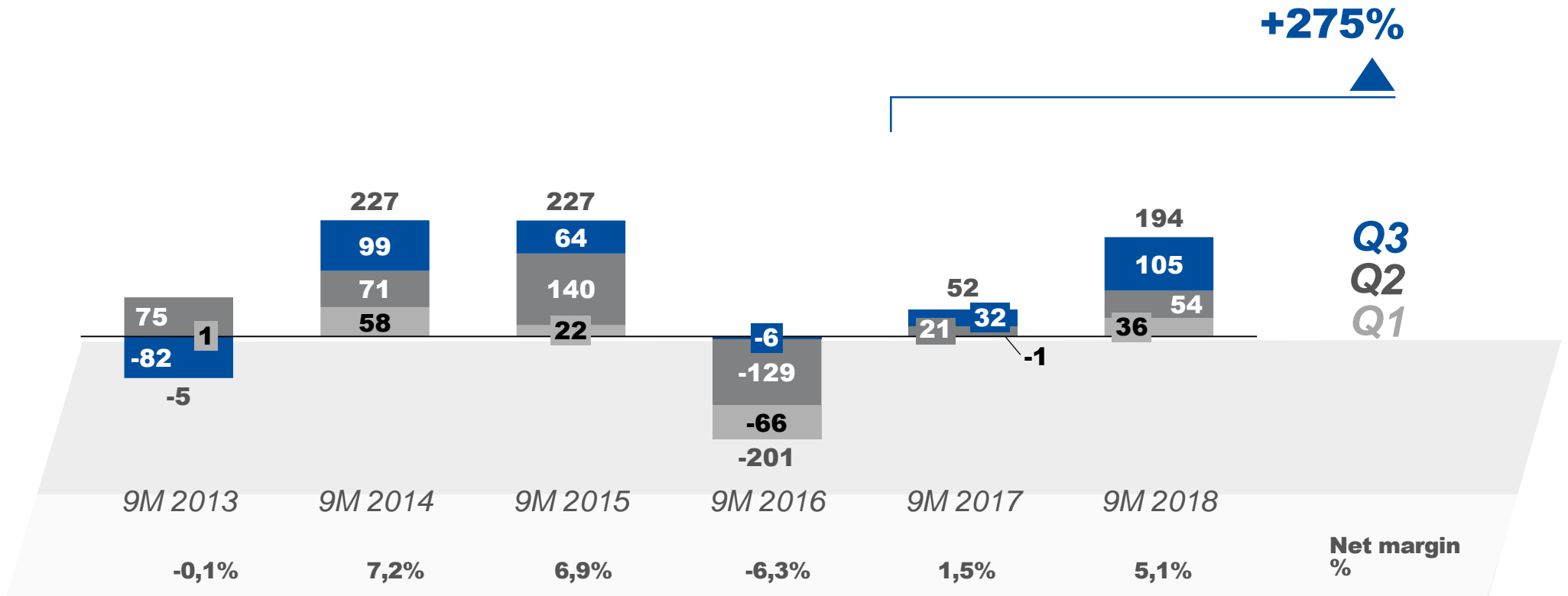
THE PKP CARGO GROUP'S EBITDA IN 9M 2013-2018

PLN million



IN 9M 2018 THE NET RESULT SAW 275% GROWTH VERSUS 9M 2017

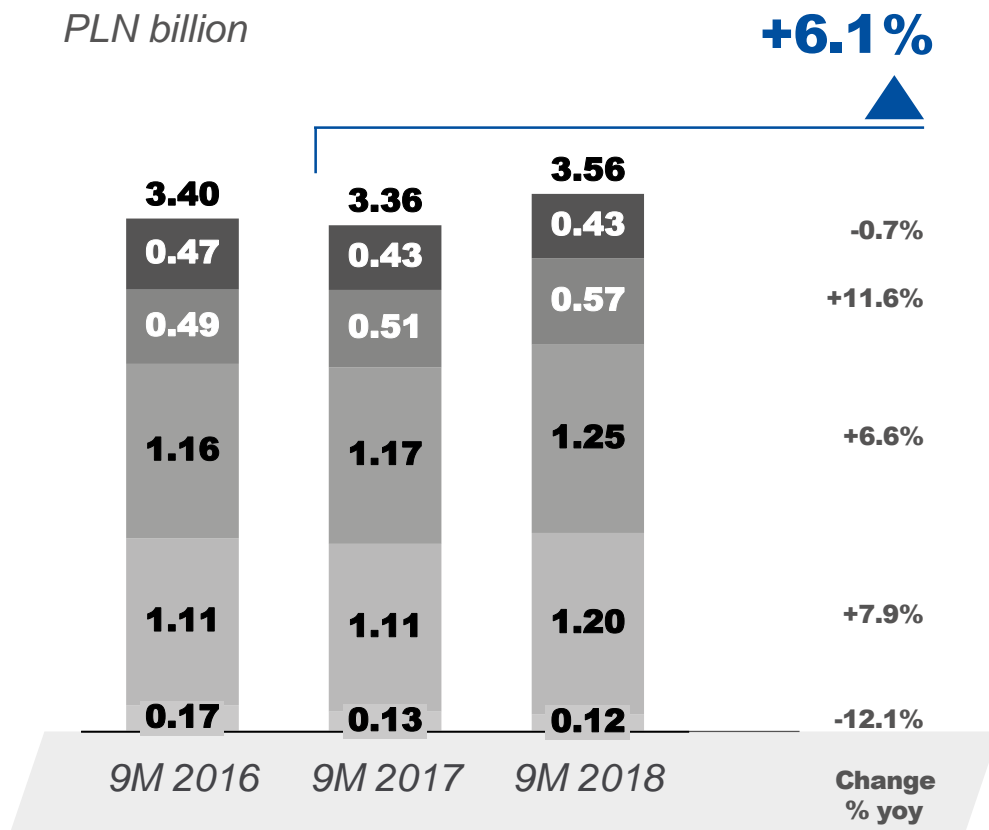
THE PKP CARGO GROUP'S NET RESULT IN 9M 2013-2018
 PLN million



COSTS CONTINUE TO BE UNDER CONTROL DESPITE PAY RAISES AND THE IMPAIRMENT LOSS TAKEN ON ROLLING STOCK

THE PKP CARGO GROUP'S OPERATING EXPENSES

PLN billion



Depreciation and amortization

- Impairment loss for rolling stock totaling PLN 18.0 million for optimization in the AWT Group

Materials and energy

- Higher consumption of fuel (PLN 34.6 m) and energy (PLN 20.1 m)
- Costs up chiefly as a result of more transport

External services

- Higher rents and charges for the use of property and rolling stock by PLN 34.0 m – increasing the quantity of leased rolling stock
- Costs of transportation services up PLN 17.5 m

Employee benefits

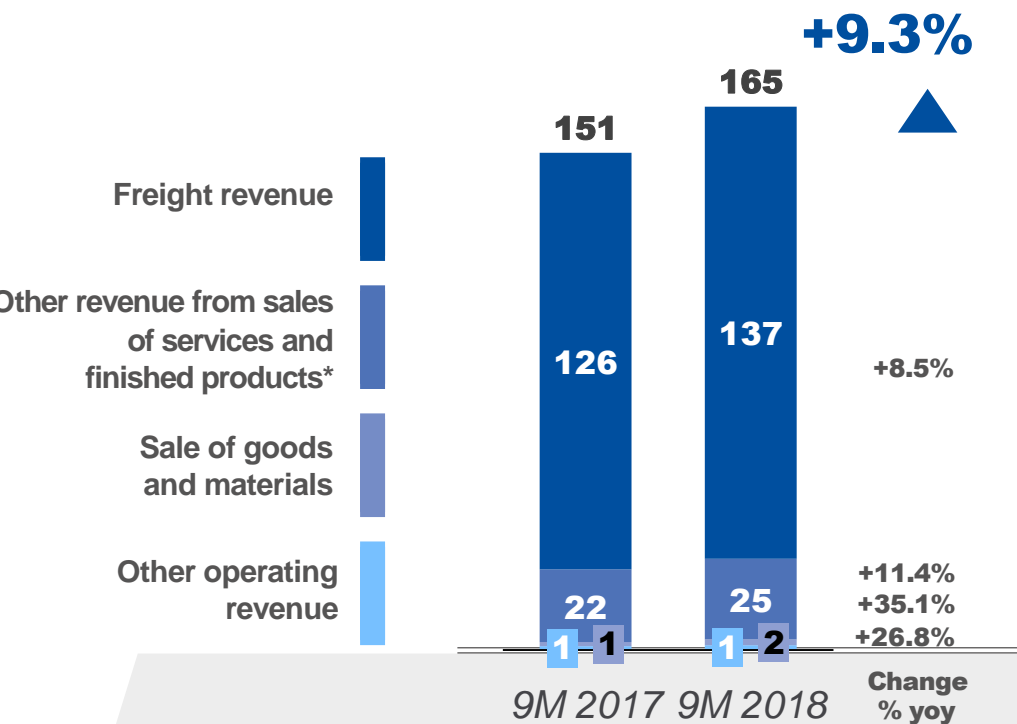
- Pay raises in the PKP CARGO Group's companies
- The pay raise that exerted the largest impact was awarded to PKP CARGO S.A. employees as of 1 September 2017

Other expenses

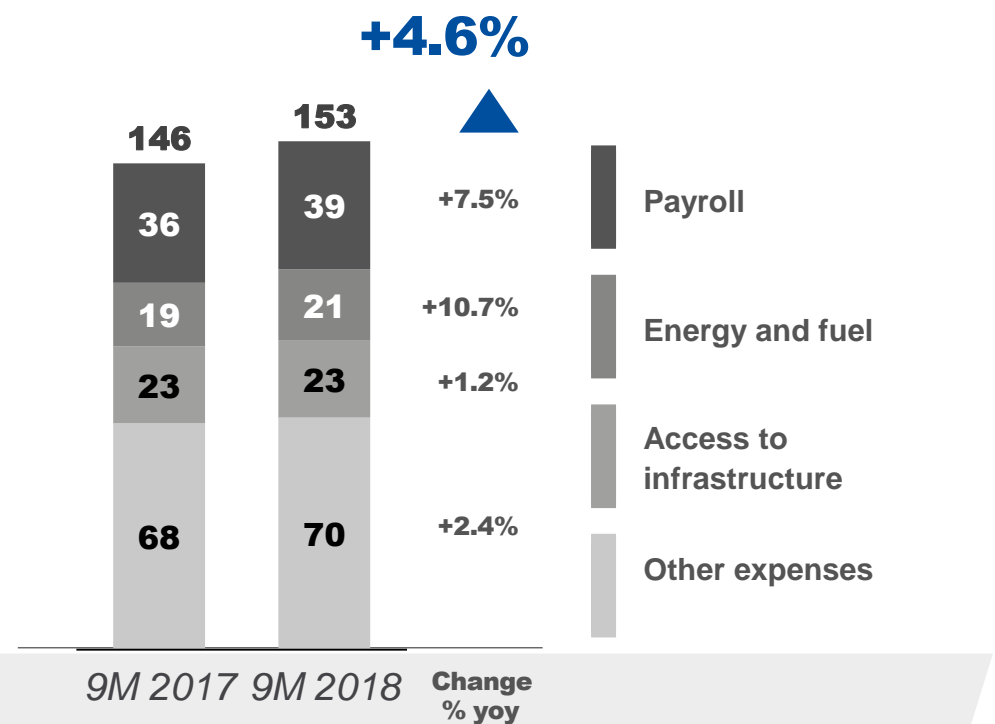
- Other expenses at a similar level to last year

REVENUE GREW TWICE AS FAST AS COSTS THANKS TO RAISING FREIGHT RATES, AMONG OTHERS

PKP CARGO GROUP'S UNIT REVENUE
PLN / thousand tkm



THE PKP CARGO GROUP'S UNIT COSTS
PLN / thousand tkm



*Revenue from sales of services and finished goods net of revenue for cargo

RATIOS IMPROVED AS DEBT FELL

CASH FLOW

PLN million

	9M 2017	9M 2018	Change
On operating activity	458	606	+148
On investing activity	-607	-622	-15
On financing activity	-219	-240	-21

FUNDING SOURCES

	30.09.2018
Cash*	666
EIB	70
Pekao SA	100
PKO BP	1
Total funding	837

FINANCIAL RATIOS

	9M 2017	9M 2018
NET DEBT / EBITDA**	1,3	1,0
ROA**	1,9%	3,4%
ROE**	3,6%	6,4%
EBIT margin	3,0%	7,2%

FINANCIAL DEBT STRUCTURE

	31.12.2017	30.09.2018
Non-current	1 404	1 223
Current	298	276
Total debt	1 702	1 499
Total debt ratio	0,50	0,47

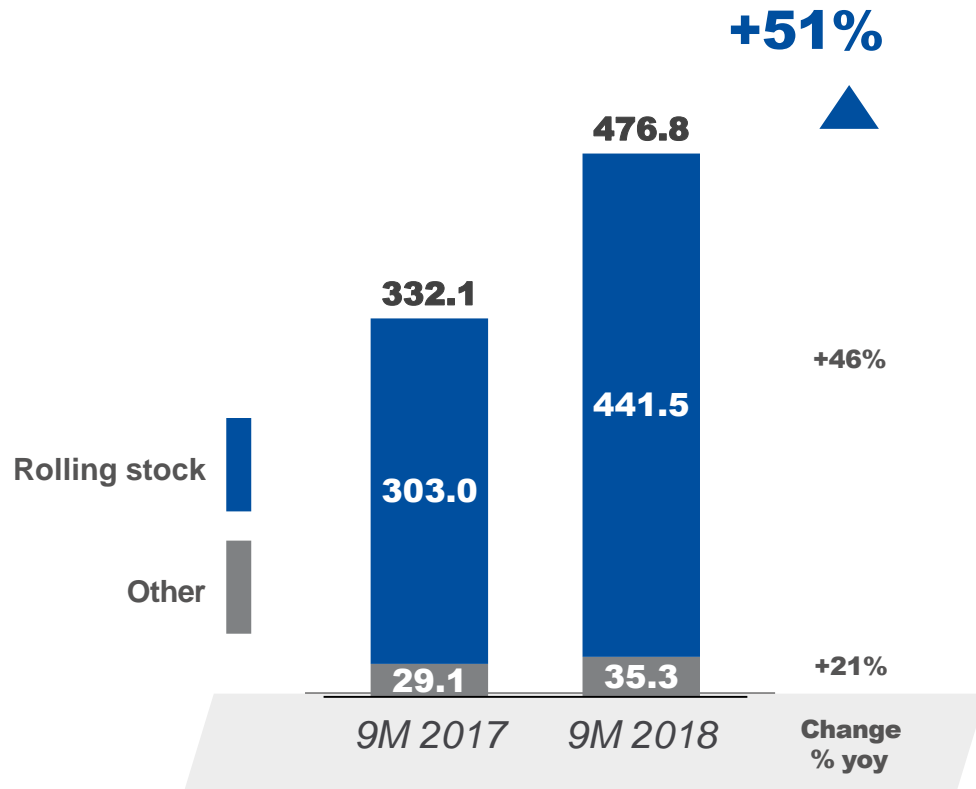
*Cash and cash equivalents, term deposits above 3 months

**Financial indicators based on annualized net result and EBITDA

ENHANCING FREIGHT POTENTIAL UNDERPINNED BY HIGHER CAPITAL EXPENDITURES

CAPITAL EXPENDITURES

PLN million



KEY INVESTMENTS IN 2018

- Rolling stock investments
- The PKP CARGO Group is poised to handle the transport peak in 2018 and subsequent years



ATTACHMENTS



FREIGHT RESULTS

FREIGHT TURNOVER	9M 2017	9M 2018	Change	% change	% in 9M 2017	% in 9M 2018
Solid fuels including hard coal	8 592	8 043	-549	-6,4%	37%	35%
	7 566	6 876	-689	-9,1%	33%	30%
Aggregates and construction materials	4 238	5 425	1 187	28,0%	18%	23%
Metals and ores	3 017	2 801	-216	-7,2%	13%	12%
Chemicals	1 777	1 679	-97	-5,5%	8%	7%
Liquid fuels	1 030	845	-185	-18,0%	4%	4%
Timber and agricultural produce	1 273	1 007	-266	-20,9%	6%	4%
Intermodal transport	2 347	2 926	579	24,7%	10%	13%
Other	662	557	-105	-15,8%	3%	2%
Total	22 935	23 282	347	1,5%	100%	100%
FREIGHT VOLUME	9M 2017	9M 2018	Change	% change	% in 9M 2017	% in 9M 2018
Solid fuels including hard coal	42 880	42 090	-790	-1,8%	49%	46%
	38 527	38 093	-434	-1,1%	44%	42%
Aggregates and construction materials	15 908	19 603	3 694	23,2%	18%	22%
Metals and ores	9 738	9 454	-283	-2,9%	11%	10%
Chemicals	5 205	5 171	-34	-0,7%	6%	6%
Liquid fuels	3 582	2 836	-747	-20,8%	4%	3%
Timber and agricultural produce	3 223	2 859	-364	-11,3%	4%	3%
Intermodal transport	5 587	6 610	1 023	18,3%	6%	7%
Other	1 927	2 027	101	5,2%	2%	2%
Total	88 051	90 651	2 600	3,0%	100%	100%

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

STATEMENT OF COMPREHENSIVE INCOME [PLN million]	9M 2017	9M 2018	Change
Revenue from sales of services	3 403,9	3 765,0	361,0
Revenue from sales of goods and materials	29,3	40,2	10,9
Other operating revenue	26,5	34,1	7,6
Total operating income	3 459,7	3 839,3	379,5
Depreciation and amortization and impairment losses	429,0	425,9	-3,1
Consumption of materials and energy, including:	514,0	573,7	59,7
Fuel consumption	135,4	170,0	34,6
Consumption of electricity, gas and water	305,3	325,4	20,1
External services, including:	1 170,2	1 248,0	77,8
Access services to the lines of infrastructure managers	528,6	543,2	14,7
Taxes and charges	30,1	24,2	-5,9
Employee benefits	1 111,4	1 199,3	87,9
Other expenses by kind	41,4	41,3	-0,1
Cost of goods and materials sold	20,9	24,3	3,4
Other operating expenses	40,3	26,9	-13,4
Operating expenses	3 357,3	3 563,5	206,3
EBITDA	531,4	701,6	170,2
Profit on operating activities	102,5	275,7	173,2
Financial income	15,2	13,3	-1,9
Financial expenses	44,9	42,7	-2,2
Share in the profit of entities accounted for under the equity method	1,4	-1,1	-2,6
Profit before tax	74,2	245,2	171,0
Income tax	22,5	50,9	28,5
Net profit	51,7	194,2	142,5
Total other comprehensive income subject to reclassification in the financial result	16,9	-2,2	-19,1
Total other comprehensive income not subject to reclassification in the financial result	-20,3	-3,2	17,1
Total other comprehensive income	-3,4	-5,4	-2,0
Total comprehensive income	48,4	188,9	140,5

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>ASSETS [PLN million]</i>	<i>As at 30 Sep 2018</i>	<i>As at 31 Dec 2017</i>
<i>Property, plant and equipment</i>	4 688,0	4 733,7
<i>Intangible assets</i>	43,9	33,0
<i>Investment property</i>	1,2	1,2
<i>Investments in entities accounted for under the equity method</i>	53,6	51,4
<i>Trade and other receivables</i>	1,8	1,4
<i>Other non-current financial assets</i>	10,5	6,6
<i>Other non-current non-financial assets</i>	14,7	13,1
<i>Deferred tax assets</i>	133,6	136,8
Total non-current assets	4 947,4	4 977,2
<i>Inventories</i>	148,5	155,7
<i>Trade and other receivables</i>	729,5	780,3
<i>Income tax receivables</i>	0,1	0,1
<i>Other current financial assets</i>	263,7	407,5
<i>Other current non-financial assets</i>	35,6	61,8
<i>Cash and cash equivalents</i>	516,8	262,6
Total current assets	1 694,2	1 667,9
<i>Other current non-financial assets</i>	0,0	1,5
Total assets	6 641,6	6 646,5

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>EQUITY AND LIABILITIES</i> [PLN million]	As at 30 Jun 2018	As at 31 Dec 2017
Share capital	2 239,3	2 239,3
Supplementary capital	619,3	628,2
Other items of equity	4,9	-26,3
Exchange differences resulting from conversion of financial statements of foreign operations	59,9	72,8
Retained earnings	411,4	605,9
Equity	3 334,8	3 519,9
Non-current bank loans and borrowings	1 312,6	1 146,3
Non-current finance lease liabilities and leases with a purchase option	91,1	76,8
Non-current trade and other payables	1,6	5,8
Non-current provisions for employee benefits	558,5	557,4
Other non-current provisions	22,4	22,2
Other non-current financial liabilities	0,0	0,1
Deferred tax liability	107,4	99,4
Non-current liabilities	2 093,7	1 908,0
Current bank loans and borrowings	249,7	248,5
Current finance lease liabilities and leases with a purchase option	48,0	27,7
Current trade and other payables	749,7	766,1
Current provisions for employee benefits	104,0	123,6
Other current provisions	59,7	49,2
Other current financial liabilities	0,3	0,0
Current tax liabilities	1,6	3,6
Current liabilities	1 213,1	1 218,6
Total liabilities	3 306,8	3 126,6
Total liabilities and equity	6 641,6	6 646,5

CONSOLIDATED CASH FLOW STATEMENT

<i>Cash flow from operating activities</i> [PLN million]	9M 2018	9M 2017
Gross result for the financial year	74,2	245,2
Adjustments:		
<i>Depreciation of property, plant and equipment and amortization of intangible assets</i>	428,7	407,9
<i>Impairment of non-current assets</i>	0,2	18,0
<i>(Profit) / loss on the disposal and liquidation of property, plant and equipment, intangible assets and non-current assets held for sale</i>	-5,3	-2,3
<i>Profit / (loss) on other investing activities</i>	0,0	-4,1
<i>Foreign exchange (gains) / losses</i>	-2,9	1,4
<i>(Profits) / losses on interest, dividends</i>	19,4	12,8
<i>Share in the (profit) / loss of entities accounted for under the equity method</i>	-1,4	1,1
<i>Received / (paid) interest</i>	1,4	4,0
<i>Received / (paid) income tax</i>	-36,3	-57,1
<i>Other adjustments</i>	-19,3	-10,3
Changes in working capital:		
<i>(Increase) / decrease in trade and other receivables</i>	-55,0	-55,2
<i>(Increase) / decrease in inventories</i>	-0,7	-2,8
<i>(Increase) / decrease in other assets</i>	-2,8	-18,3
<i>Increase / (decrease) in trade and other payables</i>	-8,2	58,1
<i>Increase / (decrease) in other financial liabilities</i>	-5,5	-0,2
<i>Increase / (decrease) in provisions</i>	71,5	7,6
Net cash on operating activities	458,2	605,8

CONSOLIDATED CASH FLOW STATEMENT

<i>Cash flow from investing activities</i> [PLN million]	9M 2018	9M 2017
<i>Expenditures to acquire property, plant and equipment and intangible assets</i>	-367,9	-509,5
<i>Proceeds on the transfer of property, plant and equipment, intangible assets and non-current assets held for sale</i>	8,5	23,0
<i>Proceeds from disposal of other financial assets</i>	0,0	5,3
<i>Proceeds from interest received</i>	6,3	7,2
<i>Proceeds from dividends received</i>	3,2	1,1
<i>Expenditures on extended loans</i>	-0,1	0,0
<i>Repayment of extended loans</i>	0,0	0,3
<i>(Expenditures) / proceeds on bank term deposits longer than 3 months</i>	-257,0	-149,0
Net cash (used) / from investing activities	-607,0	-621,6
<i>Expenditures on finance leases</i>	-47,5	-37,1
<i>Interest paid on leases</i>	-4,7	-3,4
<i>Proceeds from drawn down credit facilities / loans</i>	50,5	0,4
<i>Repayment of credit facilities / loans</i>	-194,1	-181,7
<i>Interest paid on credit facilities / loans</i>	-21,5	-19,9
<i>Subsidies received</i>	0,0	3,0
<i>Other expenditures concerning financing activities</i>	-2,1	-1,6
Net cash (used) / generated in connection with financing activities	-219,4	-240,2
<i>Net increase / (decrease) in cash and cash equivalents</i>	-368,2	-256,0
<i>Cash and cash equivalents at the beginning of the reporting period</i>	755,9	516,8
<i>Impact exerted by FX rate movements on the cash balance in foreign currencies</i>	1,0	1,8
Cash and cash equivalents at the end of the reporting period	388,7	262,6

Minor differences in the presented data stem from rounding.

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**For more information on PKP CARGO please contact
Development, Investor Relations & Marketing Department**

PKP CARGO S.A.
Development, Investor Relations & Marketing Department
Grójecka 17
02-021 Warsaw

Tel.: +48 22 391-47-09
Fax: +48 22 474-29-53

e-mail: relacje.inwestorskie@pkp-cargo.eu