



# PKP CARGO GROUP H1 2019



**LEADING FREIGHT  
CARRIER**



## Presentation agenda



**01** 

Recap of  
mid-year  
performance

**02** 

Commercial  
results

**03** 

Financial  
results

**04** 

Outlook

# 01

## Recap of mid-year performance



# 01



## PKP CARGO Group's H1 2019 results



REVENUES	EBITDA	NET RESULT
<b>2,447</b>	18.4% profitability <b>450</b>	2.0% profitability <b>48</b>
<b>PLN million</b>	<b>387*</b> <b>PLN million</b>	<b>PLN million</b>
-2.5% yoy	+6.7% yoy -8.2% yoy*	-46.5% yoy



\* ratio adjusted for the impact exerted by IFRS 16 on EBITDA

# 02

## Commercial results



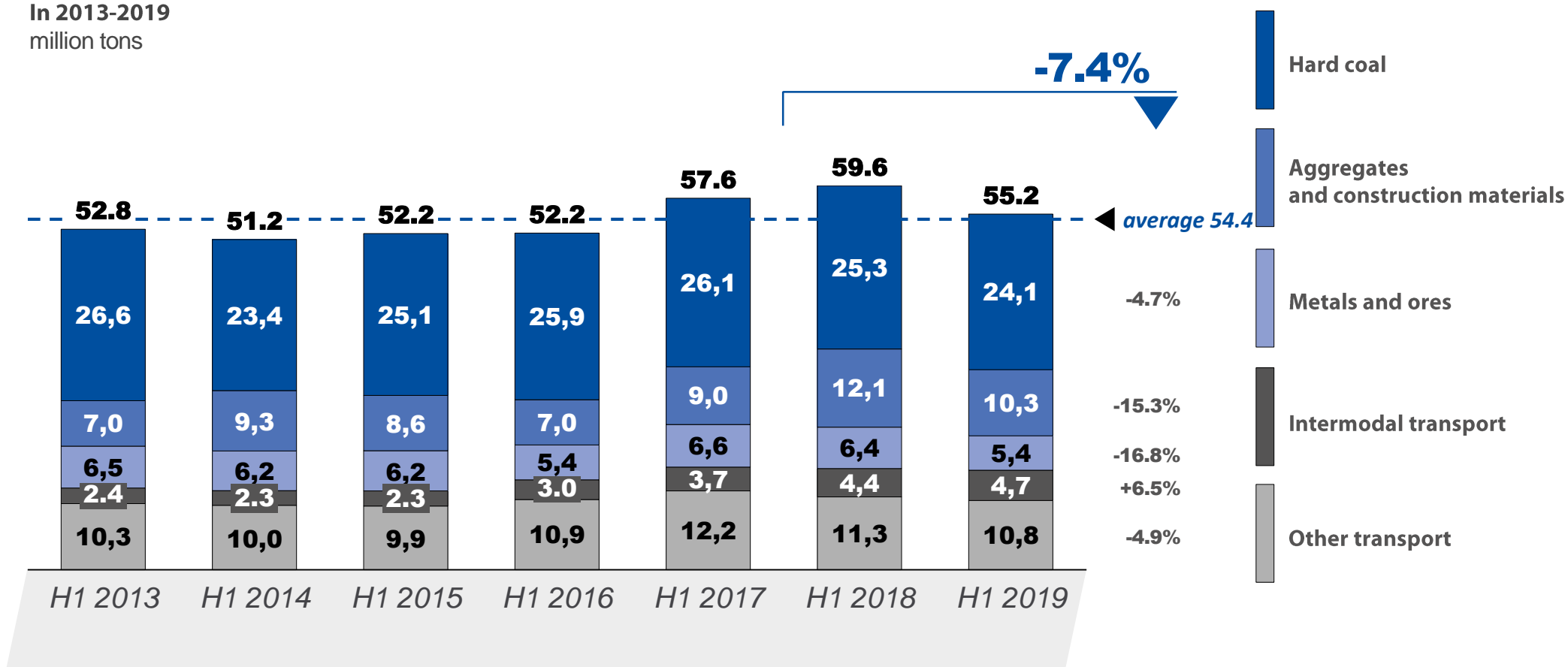
# 02

Despite the decrease compared to 2018, the freight volume in H1 2019 is above the long-term average

## FREIGHT VOLUME CARRIED BY THE PKP CARGO GROUP

In 2013-2019

million tons



# 03

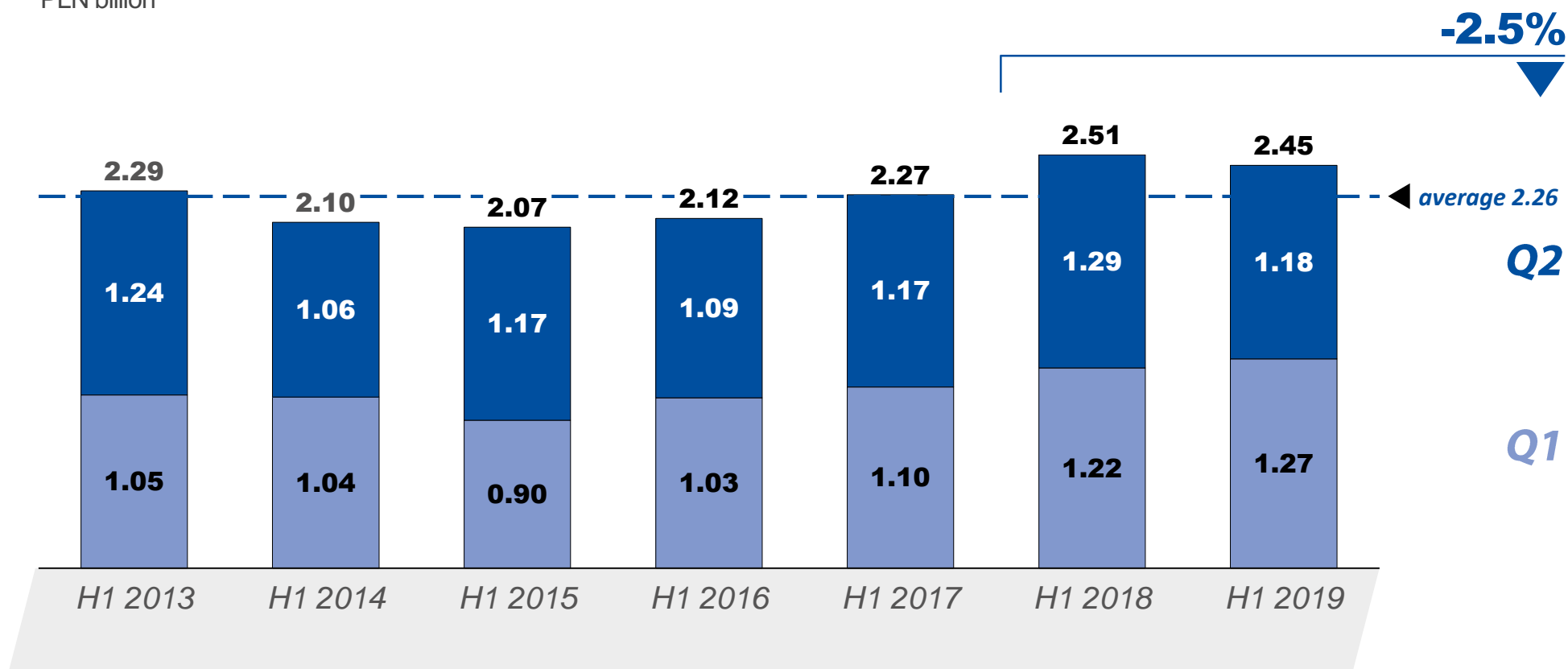
## Financial results



# 03

Decrease in revenue is way below the decrease in freight volume

**THE PKP CARGO GROUP'S OPERATING REVENUE**  
in 2013-2019  
PLN billion





# 03

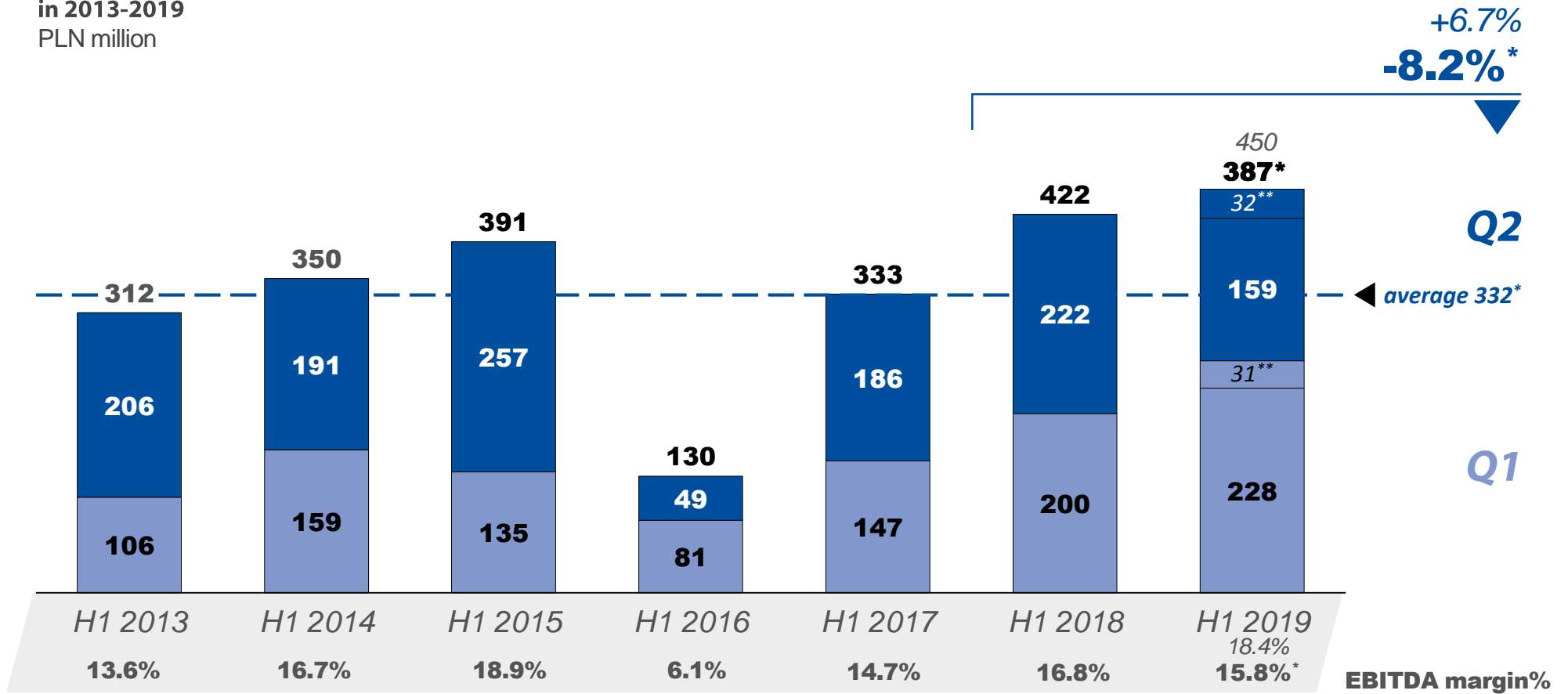


## EBITDA remains high

### EBITDA OF THE PKP CARGO GROUP

in 2013-2019

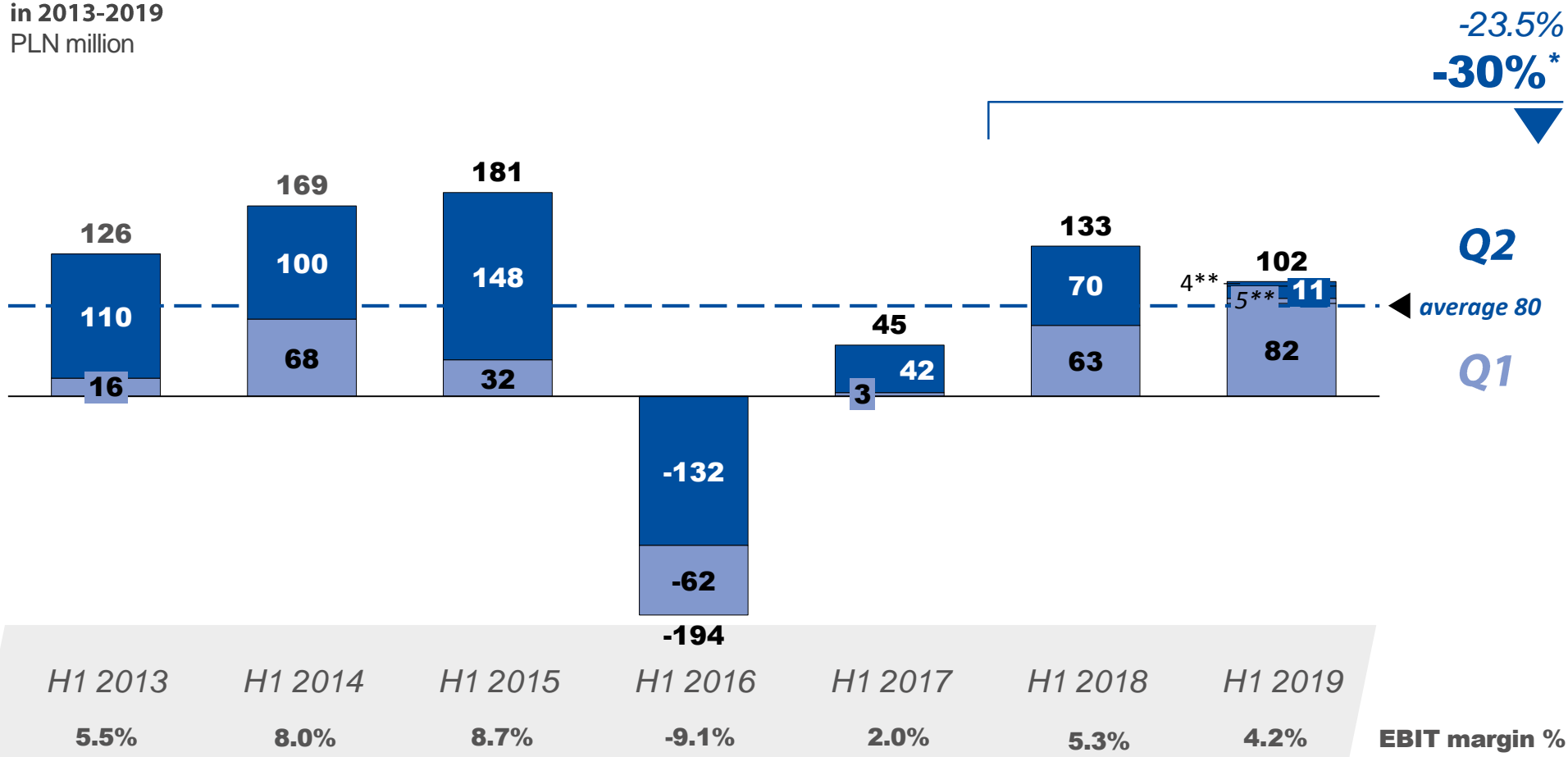
PLN million



# 03

Result on operating activities demonstrates a safe margin level

**EBIT OF THE PKP CARGO GROUP**  
in 2013-2019  
PLN million



\* Ratio adjusted for the impact exerted by IFRS 16 on EBIT

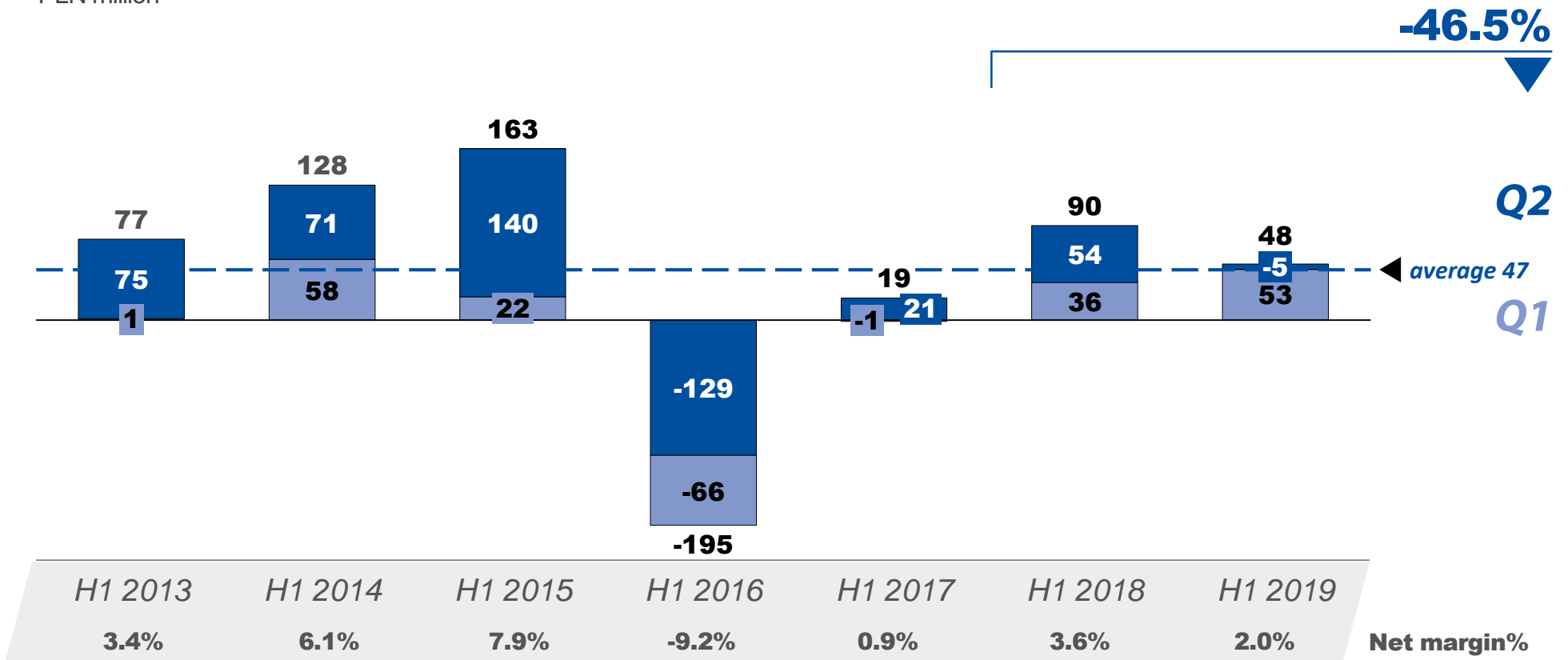
\*\* Impact exerted by IFRS 16 on quarterly EBIT

# 03



## Net result remained above the long-term average

**THE PKP CARGO GROUP'S NET RESULT**  
in 2013-2019  
PLN million

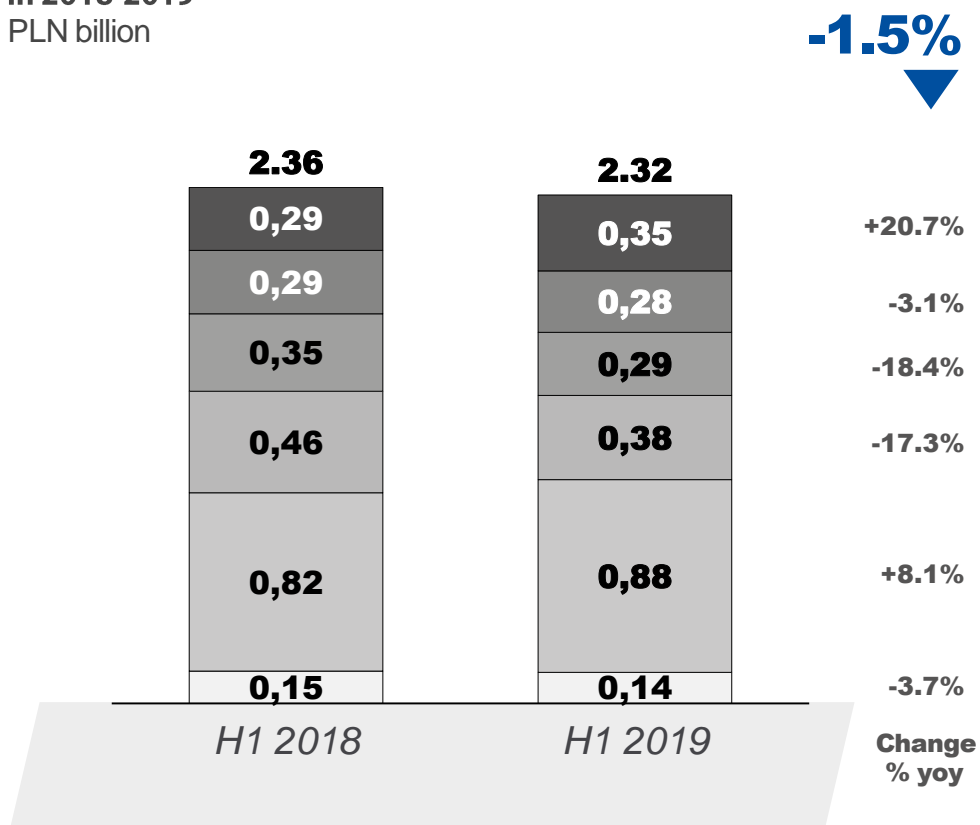


# 03



## Costs were cut predominantly in the variable cost category

**THE PKP CARGO GROUP'S OPERATING EXPENSES**  
in 2018-2019  
PLN billion



### Depreciation and impairment losses

- **Increase chiefly** as a result of implementing IFRS 16
- Without the IFRS 16 application effect, the values increase by **PLN 5.3 million** as a result of an increase in capital expenditures (related mainly to rolling stock)

### Consumption of electricity and traction fuel

- Lower energy and fuel costs due to a **decrease in freight volume**

### Access-to-infrastructure services

- **Down PLN 65.4 million** due to lower freight turnover and PKP PLK **reducing its price list** for the train schedule

### Transport services and other services

- Decrease in value due to a greater use of own resources, lower freight turnover and the implementation of IFRS 16

### Employee benefits

- Growth ensuing chiefly from the agreement with the trade unions signed in June 2018 providing for wage increases from September 2018

### Other expenses

- Other expenses **at a similar level** to last year

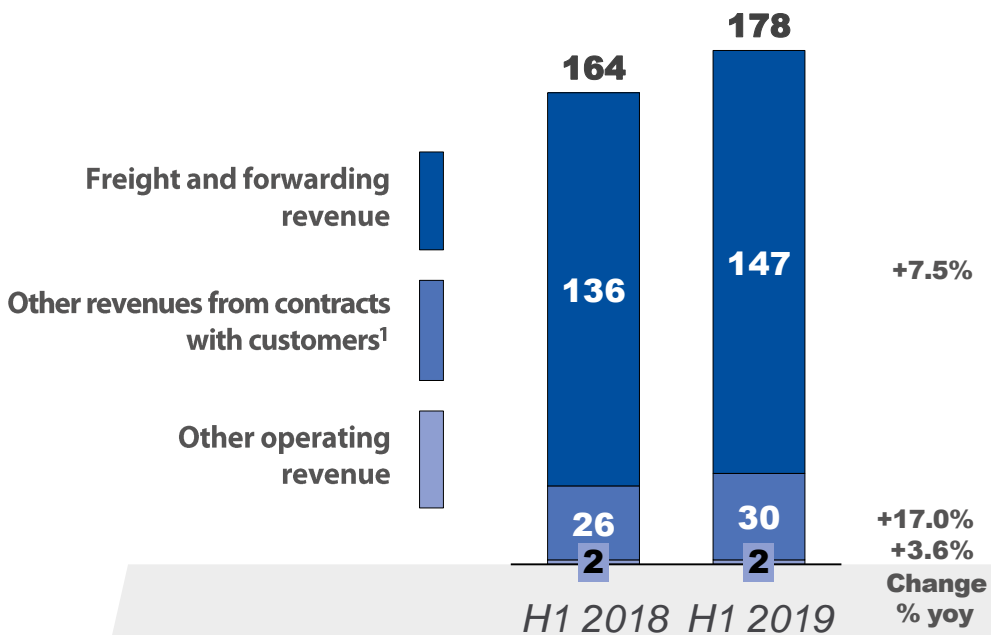
# 03



## The PKP CARGO Group maintains a high rate of growth in unit revenue

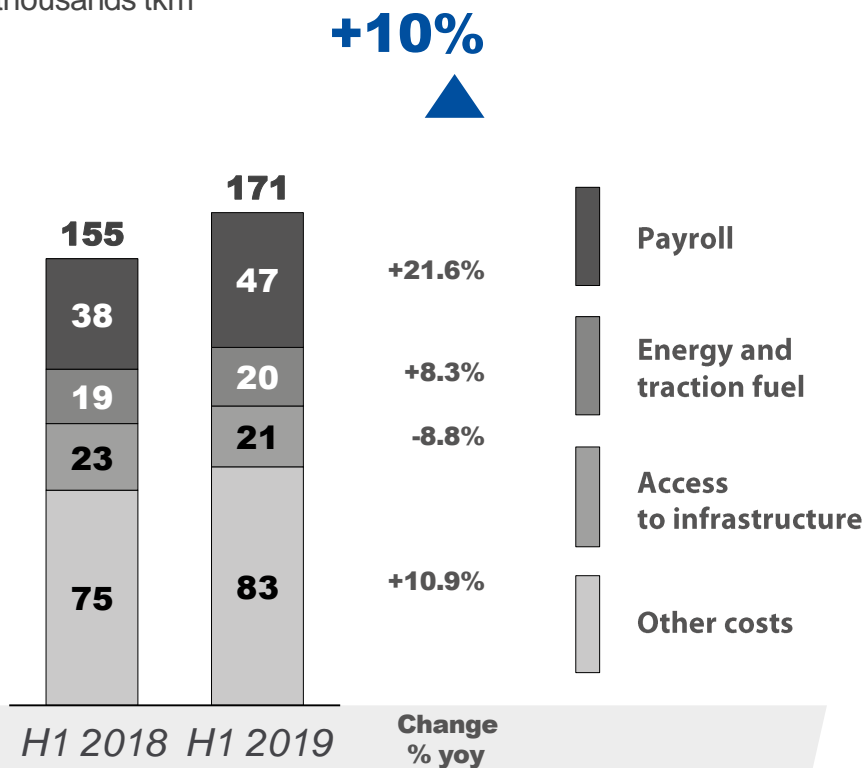
### PKP CARGO GROUP'S UNIT REVENUE

PLN / thousands tkm



### THE PKP CARGO GROUP' UNIT COSTS

PLN / thousands tkm



<sup>1</sup> Revenues from contracts with customers, excluding revenues on rail transportation and freight forwarding services

## 03



## Ratios remain at safe levels

**CASH FLOW**

PLN million	6M 2018	6M 2019
On operating activity	392.8	355.5
On investing activity	-482.2	-305.6
On financing activity	-165.8	-170.0

**FINANCIAL RATIOS**

	6M 2018	6M 2019
NET DEBT / EBITDA <sup>3</sup>	1.2	1.1
ROA <sup>4</sup>	2.3%	1.9%
ROE <sup>5</sup>	4.5%	4.1%
EBITDA margin	16.8%	18.4%

**KEY BALANCE SHEET ITEMS<sup>1</sup>**

PLN million	31.12.2018	30.06.2019
Fixed capital	5,453	6,089
Non-current assets	5,187	6,177
Coverage ratio <sup>2</sup>	1.05	0.99
Total debt	1 427	2,089
<b>Total debt ratio</b>	<b>0.49</b>	<b>0.54</b>

**AVAILABLE FUNDING SOURCES**

PLN million	30.06.2019
Cash <sup>6</sup>	327
EIB	70
Pekao SA	350
PKO BP	1
BGK	250
<b>Available funding sources, total</b>	<b>998</b>

<sup>1</sup> The changes stem chiefly from implementing IFRS 16

<sup>2</sup> Calculated as the ratio of total equity and non-current liabilities to non-current assets

<sup>3</sup> Ratio adjusted for the effect of IFRS 16 on the balance sheet items and EBITDA; EBITDA presented for the last 12 months

<sup>4</sup> Calculated as the ratio of net profit/loss for the last 12 months to total assets

<sup>5</sup> Calculated as the ratio of net profit for the last 12 months to equity

<sup>6</sup> Cash and cash equivalents

# 04

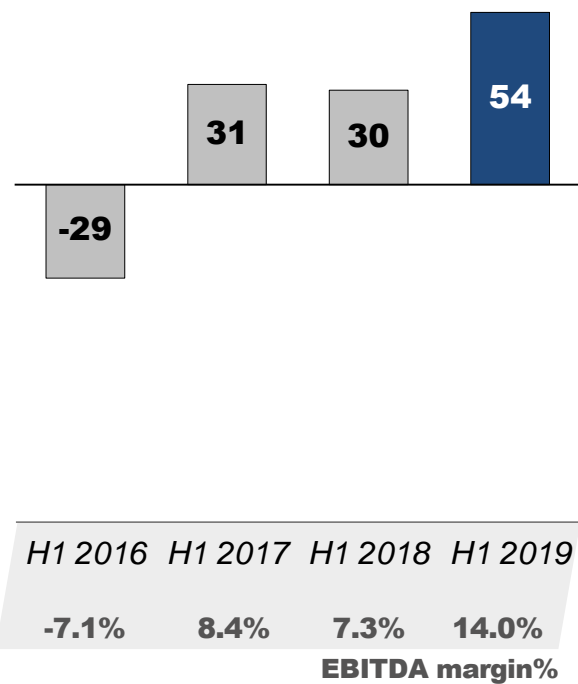
## Outlook



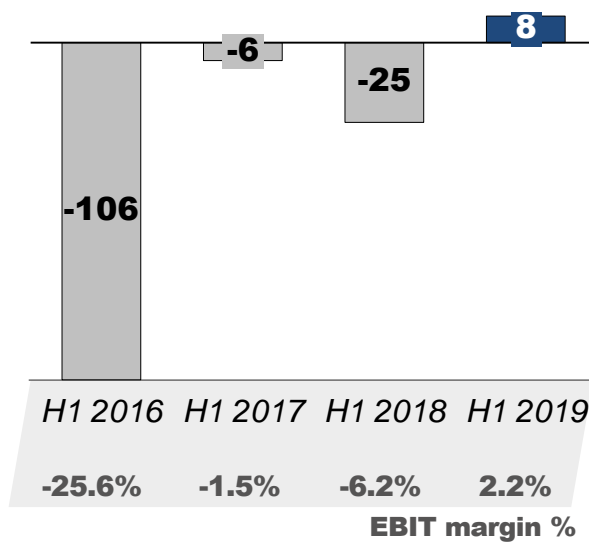
# 04

The process of reorganizing and improving AWT's business operations results in historically positive financial performance

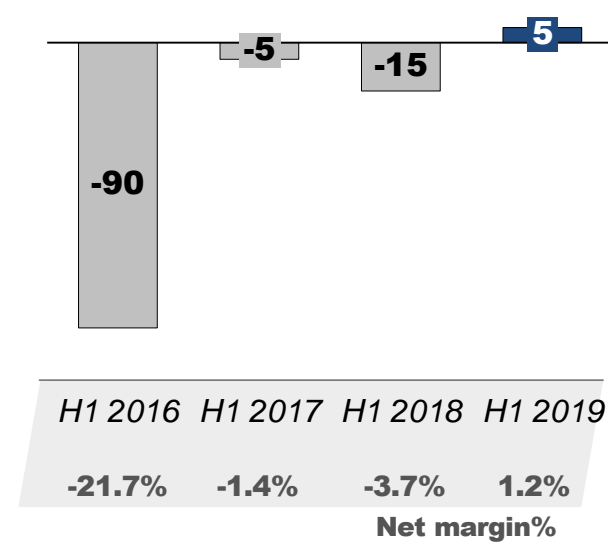
**EBITDA**  
AWT  
PLN million



**EBIT**  
AWT  
PLN million



**Net result**  
AWT  
PLN million

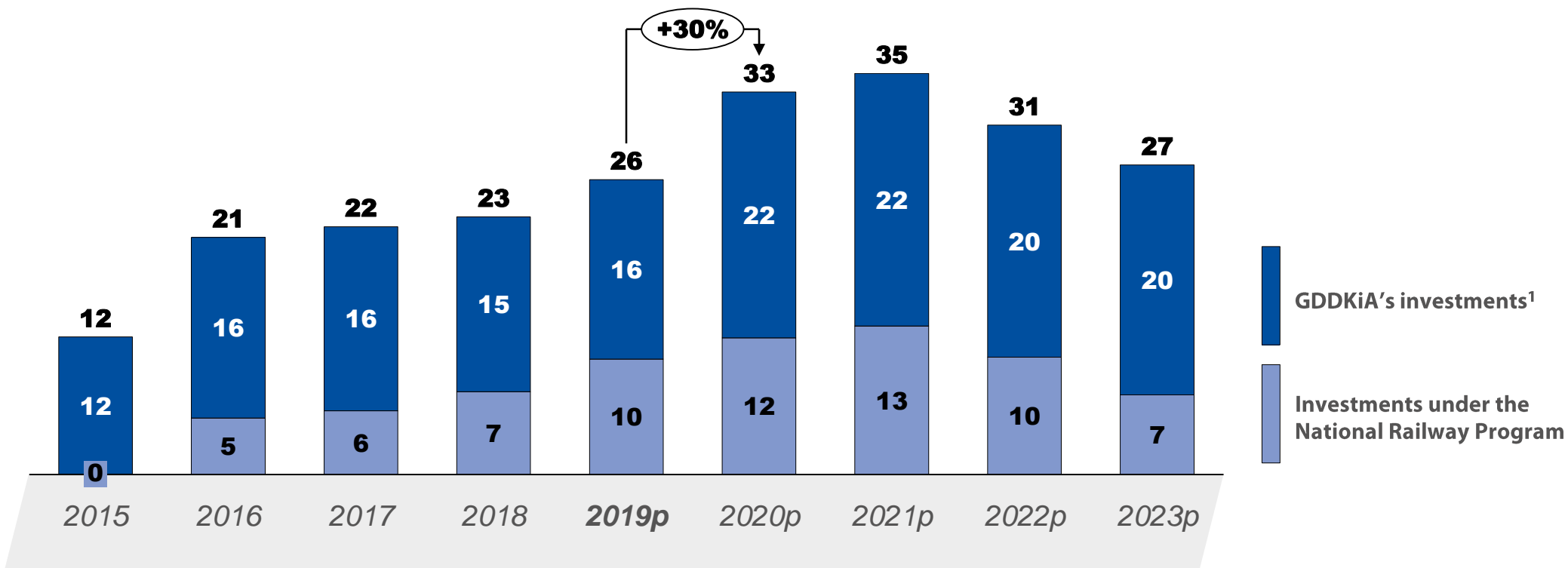




# 04

GDDKiA's planned expenditures on construction projects indicate a major hike in demand for transport of aggregates

**VALUE OF CURRENT AND SCHEDULED INVESTMENTS BY GDDKiA AND UNDER THE NATIONAL RAILWAY PROGRAM**  
**in 2015-2023**  
 PLN billion



<sup>1</sup> Preliminary GDDKiA estimates, taking into account all expenditures on GDDKiA construction projects, including expressways, motorways and national roads of other standards;

data include GDDKiA construction projects the execution implementation of which was suspended in 2019, data as at August 2019

Source: Proprietary material based on data obtained from: General Directorate for National Roads and Motorways; Resolution No. 53/2019 of the Council of Ministers of 14 June 2019 on the adoption of a report on the execution of the National Railway Program until 2023 in 2018

# Attachments





## Freight results

<b>Freight turnover [million tkm]</b>	<i>H1 2019</i>	<i>H1 2018</i>	<i>Change</i>	<i>% change</i>	<i>Share in H1 2019</i>	<i>Share in H1 2018</i>
<i>Solid fuels including:</i>	5,064	5,436	-371	-6.8%	37%	35%
<i>hard coal</i>	4,289	4,665	-376	-8.1%	31%	30%
<i>Aggregates and construction materials</i>	2,710	3,383	-674	-19.9%	20%	22%
<i>Metals and ores</i>	1,638	1,904	-266	-14.0%	12%	12%
<i>Chemicals</i>	1,075	1,124	-49	-4.4%	8%	7%
<i>Liquid fuels</i>	484	523	-38	-7.4%	4%	3%
<i>Timber and agricultural produce</i>	536	688	-152	-22.1%	4%	4%
<i>Intermodal transport</i>	1,931	1,916	14	0.8%	14%	12%
<i>Other</i>	291	371	-80	-21.6%	2%	2%
<b>Total</b>	<b>13 728</b>	<b>15 345</b>	<b>-1 617</b>	<b>-10.5%</b>	<b>100%</b>	<b>100%</b>
<b>FREIGHT VOLUME [million tons]</b>	<i>H1 2019</i>	<i>H1 2018</i>	<i>Change</i>	<i>% change</i>	<i>Share in H1 2019</i>	<i>Share in H1 2018</i>
<i>Solid fuels including:</i>	26.8	28.1	-1.3	-4.7%	49%	47%
<i>hard coal</i>	24.1	25.3	-1.2	-4.7%	44%	43%
<i>Aggregates and construction materials</i>	10.3	12.1	-1.9	-15.3%	19%	20%
<i>Metals and ores</i>	5.4	6.4	-1.1	-16.8%	10%	11%
<i>Chemicals</i>	3.3	3.5	-0.2	-5.1%	6%	6%
<i>Liquid fuels</i>	1.7	1.8	-0.1	-3.5%	3%	3%
<i>Timber and agricultural produce</i>	1.9	1.9	0.0	1.8%	4%	3%
<i>Intermodal transport</i>	4.7	4.4	0.3	6.5%	8%	7%
<i>Other</i>	1.1	1.3	-0.2	-15.6%	2%	2%
<b>Total</b>	<b>55.2</b>	<b>59.6</b>	<b>-4.4</b>	<b>-7.4%</b>	<b>100%</b>	<b>100%</b>



## Consolidated statement of comprehensive income

<b>CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME [PLN million]</b>			
	<b>H1 2019</b>	<b>H1 2018</b>	<b>Change</b>
Revenues from contracts with customers	2,425.3	2,486.7	(61.4)
Consumption of electricity and traction fuel	(279.9)	(289.0)	9.1
Services of access to infrastructure	(289.5)	(354.9)	65.4
Transport services	(203.5)	(234.7)	31.2
Other services	(181.0)	(230.0)	49.0
Employee benefits	(881.4)	(815.2)	(66.2)
Other expenses	(141.3)	(146.8)	5.5
Other operating revenue and (expenses)	1.4	5.7	(4.3)
<b>Operating profit without depreciation (EBITDA)</b>	<b>450.1</b>	<b>421.8</b>	<b>28.3</b>
Depreciation and impairment losses	(348.2)	(288.6)	(59.6)
<b>Profit on operating activities (EBIT)</b>	<b>101.9</b>	<b>133.2</b>	<b>(31.3)</b>
Financial income and (expenses)	(34.6)	(18.3)	(16.3)
Share in the profit / (loss) of entities accounted for under the equity method	0.7	(2.1)	2.8
<b>Profit before tax</b>	<b>68.0</b>	<b>112.8</b>	<b>(44.8)</b>
Income tax	(20.1)	(23.2)	3.1
<b>NET PROFIT</b>	<b>47.9</b>	<b>89.6</b>	<b>(41.7)</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Measurement of hedging instruments	9.1	(35.0)	44.1
Income tax	(1.7)	6.7	(8.4)
Exchange differences resulting from conversion of financial statements	0.3	20.0	(19.7)
<b>Total other comprehensive income subject to reclassification to profit or loss</b>	<b>7.7</b>	<b>(8.3)</b>	<b>16.0</b>
Actuarial profits/(losses) on post-employment benefits	(14.0)	(4.0)	(10.0)
Income tax	2.7	0.8	1.9
Measurement of equity instruments at fair value	0.7	-	0.7
<b>Total other comprehensive income not subject to reclassification in the financial result</b>	<b>(10.6)</b>	<b>(3.2)</b>	<b>(7.4)</b>
<b>Total other comprehensive income</b>	<b>(2.9)</b>	<b>(11.5)</b>	<b>8.6</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>45.0</b>	<b>78.1</b>	<b>(33.1)</b>



## Consolidated statement of financial position

<i>ASSETS [PLN million]</i>	<i>As at 30/06/2019</i>	<i>As at 31/12/2018</i>
<i>Rolling stock</i>	4,107.5	3,997.0
<i>Other property, plant and equipment</i>	857.1	949.9
<i>Right-of-use assets</i>	969.1	-
<i>Investments in entities accounted for under the equity method</i>	46.5	47.3
<i>Trade receivables</i>	1.3	0.7
<i>Other lease payments</i>	11.0	-
<i>Other assets</i>	62.7	56.7
<i>Deferred tax assets</i>	121.7	135.6
<b><i>Total non-current assets</i></b>	<b>6,176.8</b>	<b>5,187.2</b>
<i>Inventories</i>	163.2	161.7
<i>Trade receivables</i>	667.5	684.6
<i>Lease receivables</i>	0.6	-
<i>Deposits above 3 months</i>	-	201.1
<i>Other assets</i>	153.6	124.4
<i>Cash and cash equivalents</i>	327.0	447.3
<b><i>Total current assets</i></b>	<b>1,311.9</b>	<b>1,619.1</b>
<i>Non-current assets classified as held for sale</i>	5.2	
<b><i>Total assets</i></b>	<b>7,493.9</b>	<b>6,806.3</b>



## Consolidated statement of financial position

<b>EQUITY AND LIABILITIES</b> [PLN million]	As at 30/06/2019	As at 31/12/2018
Share capital	2,239.3	2,239.3
Supplementary capital	781.4	628.2
Other items of equity	(47.3)	(44.2)
Exchange differences resulting from conversion of financial statements of foreign operations	76.0	75.8
Retained earnings	414.7	584.4
<b>Equity</b>	<b>3,464.2</b>	<b>3,483.5</b>
Debt liabilities	1,709.4	1,156.5
Trade payables	1.7	0.5
Investment liabilities	180.3	109.8
Provisions for employee benefits	623.7	591.5
Other provisions	19.2	20.5
Deferred tax liability	89.6	88.5
Other liabilities	0.6	1.8
<b>Non-current liabilities</b>	<b>2,624.4</b>	<b>1,969.1</b>
Debt liabilities	379.1	270.5
Trade payables	380.5	499.4
Investment liabilities	126.6	177.6
Provisions for employee benefits	148.4	115.5
Other provisions	54.0	56.9
Other liabilities	316.7	233.8
<b>Current liabilities</b>	<b>1,405.3</b>	<b>1,353.7</b>
<b>Total liabilities</b>	<b>4,029.7</b>	<b>3,322.8</b>
<b>Total equity and liabilities</b>	<b>7,493.9</b>	<b>6,806.3</b>



## Consolidated statement of financial position

	H1 2019	H1 2018
<b>Cash flow [PLN million]</b>		
<b>Cash flow on operating activities</b>		
<b>Profit before tax</b>	<b>68.0</b>	<b>112.8</b>
<b>Adjustments</b>		
Depreciation and impairment losses	348.2	288.6
(Profits) / losses on interest, dividends	27.9	9.7
Received / (paid) interest	0.8	2.5
Received / (paid) income tax	(23.6)	(33.6)
Movement in working capital	(49.6)	30.3
Other adjustments	(16.2)	(17.5)
<b>Net cash on operating activities</b>	<b>355.5</b>	<b>392.8</b>
<b>Cash flow from investing activities</b>		
Expenditures on the acquisition of non-financial non-current assets	(522.7)	(344.9)
Proceeds on the sale of non-financial non-current assets	12.5	1.8
Proceeds on the sale of other financial assets	-	5.3
Proceeds from dividends received	0.4	-
Repayment of extended loans	-	0.3
Proceeds / (expenditures) on bank term deposits longer than 3 months	200.0	(149.2)
Other proceeds / (expenditures) on investing activities	4.2	4.5
<b>Net cash on investing activities</b>	<b>(305.6)</b>	<b>(482.2)</b>
<b>Cash flow from financing activities</b>		
Expenditures on finance leases	(62.8)	(28.4)
Repayment of credit facilities / loans	(122.8)	(121.3)
Interest paid on finance leases and loans/borrowings	(26.6)	(15.7)
Subsidies received	45.5	1.0
Other expenditures concerning financing activities	(3.3)	(1.4)
<b>Net cash from financing activities</b>	<b>(170.0)</b>	<b>(165.8)</b>
Net increase / (decrease) in cash and cash equivalents	(120.1)	(255.2)
Cash and cash equivalents at the beginning of the reporting period	447.3	516.8
Impact exerted by FX rate movements on the cash balance in foreign currencies	(0.2)	2.8
<b>Cash and cash equivalents at the end of the reporting period, including:</b>	<b>327.0</b>	<b>264.4</b>
restricted	40.0	30.0



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