



PKP CARGO GROUP H1 2021



**LEADING FREIGHT
CARRIER**

Financial and operating results in H1 2021





Results of the PKP CARGO Group in H1 2021



Financial data H1 2021

PLN 2,046.0 million
in revenues from
contracts with
customers

PLN 226.8 million
EBITDA

PLN -128.3 million
EBIT



Operational data H1 2021

12.4 billion tkm freight
turnover

48.6 million tons freight
volume

579.4 thousand tkm
freight turnover per employee



In H1 2021, the market environment determined the situation in key cargo categories



Solid fuels

- increase in the significance of electricity generation in hard coal-fired commercial power plants, decrease in the significance of wind and gas-fired energy
- declining share of electricity imports
- increase in coke shipments within Poland



Construction materials and aggregates

- decline in construction and assembly output (especially at the beginning of the year) due to adverse weather conditions
- smaller scale of investment projects in progress
- increase in the prices of construction materials and labor



Intermodal transport

- increased volumes of transport on the New Silk Road
- provision of regular operator services
- limitation of bulk freight in containers



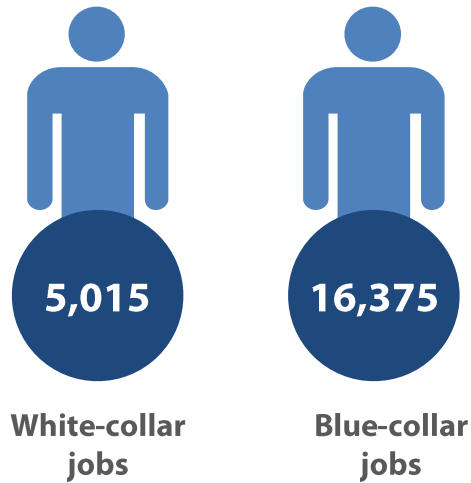
Metals and ores

- greater demand for steel products
- acquisition of contracts for the transport of metals from seaports to the Czech Republic
- changes in the average haul related to changes in the directions of ore deliveries

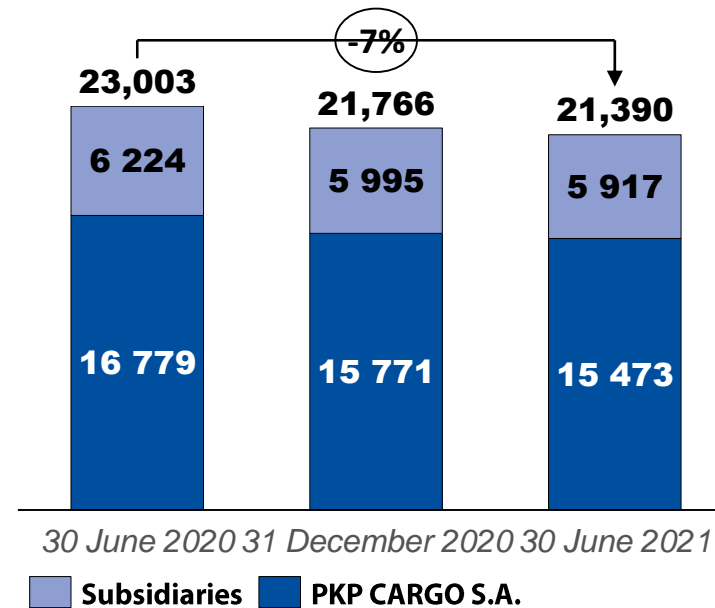


The employment structure and headcount in the PKP CARGO Group are being aligned with the new market environment and the ongoing pandemic

NUMBER OF PERSONS EMPLOYED BY THE PKP CARGO GROUP



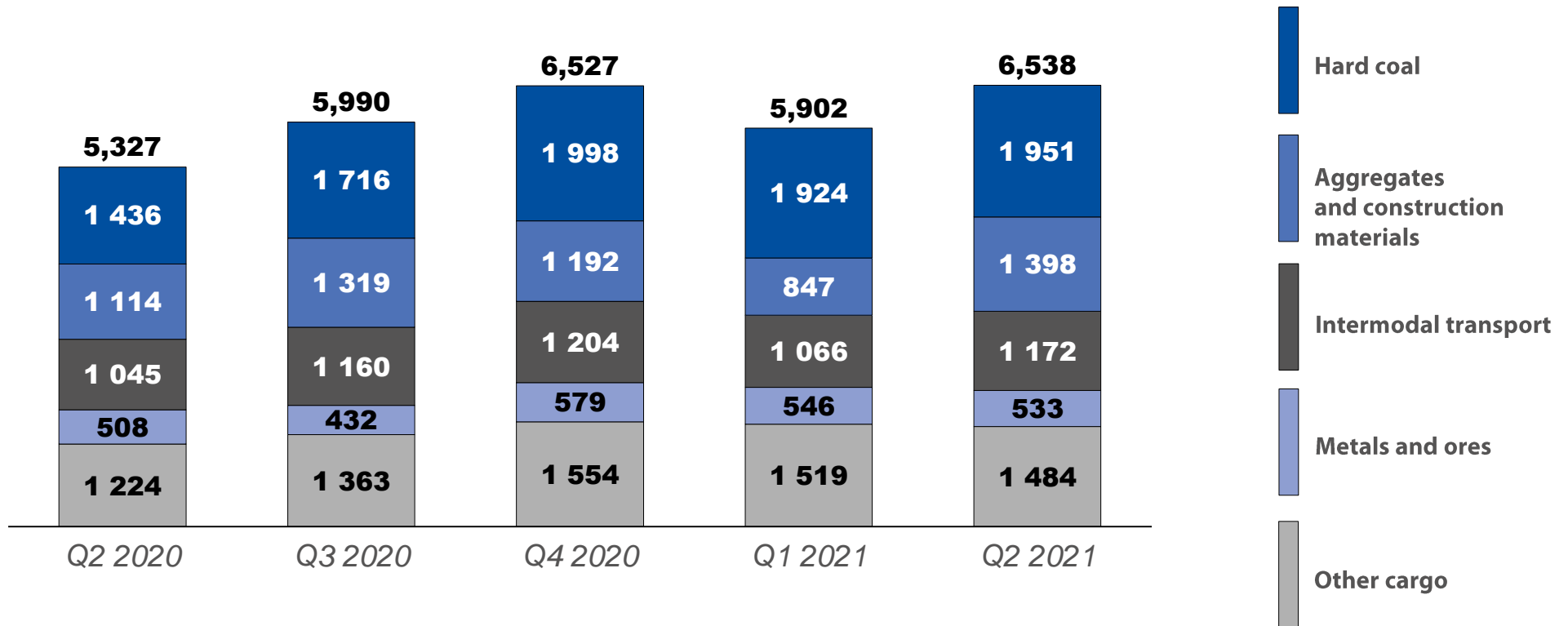
As at 30 June 2021





In H1 2021, key cargo categories remained highly sensitive to general economic trends

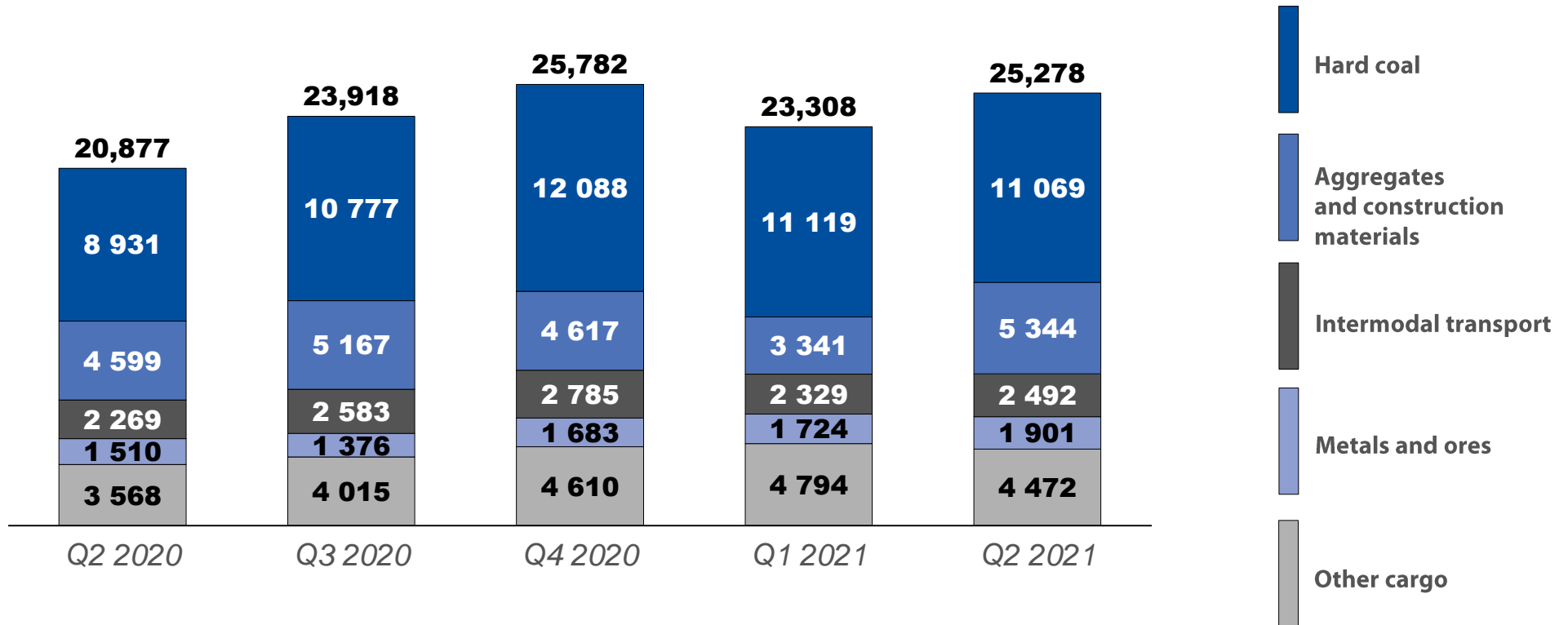
PKP CARGO GROUP'S FREIGHT TURNOVER
Q2 2020 – Q2 2021
million tkm





In H1 2021, key cargo categories remained highly sensitive to general economic trends

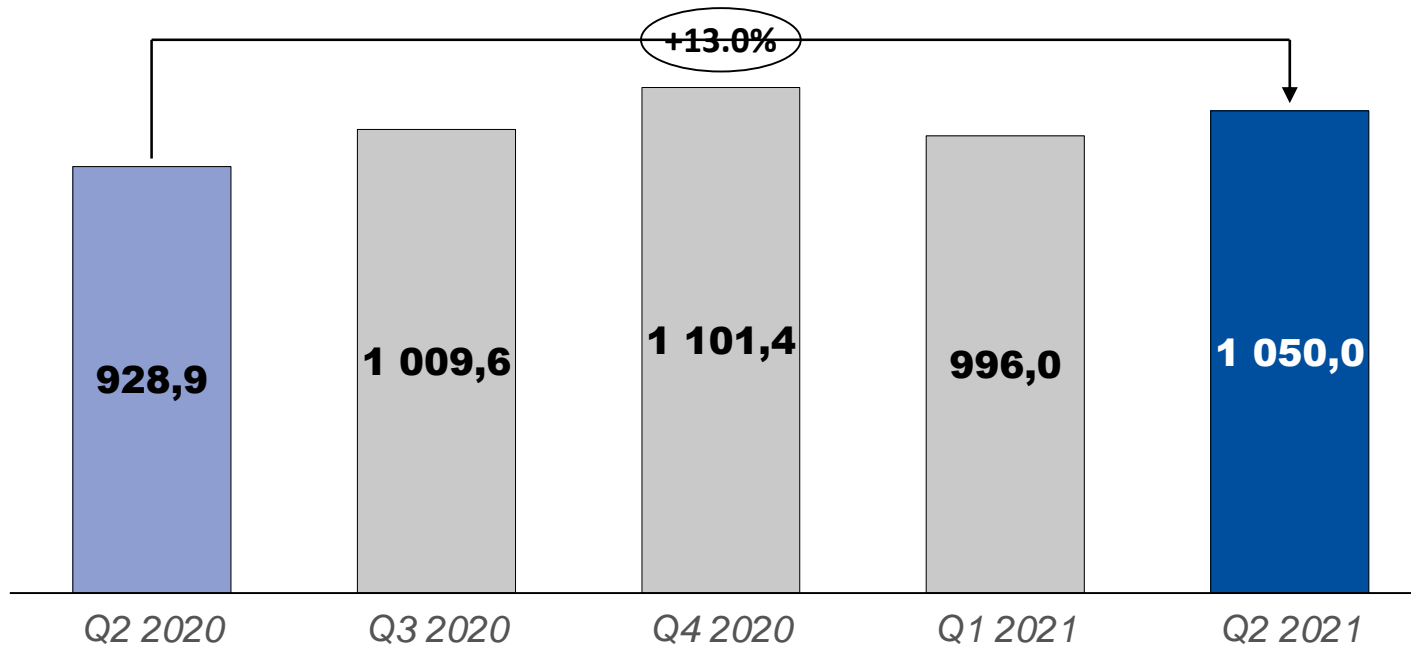
PKP CARGO GROUP'S FREIGHT VOLUME
Q2 2020 – Q2 2021
thousand tons





In Q2 2021, the Group generated over PLN 1 billion in revenues, up 13% yoy

PKP CARGO GROUP'S REVENUES FROM CONTRACTS WITH CUSTOMERS
Q2 2020 – Q2 2021
PLN million



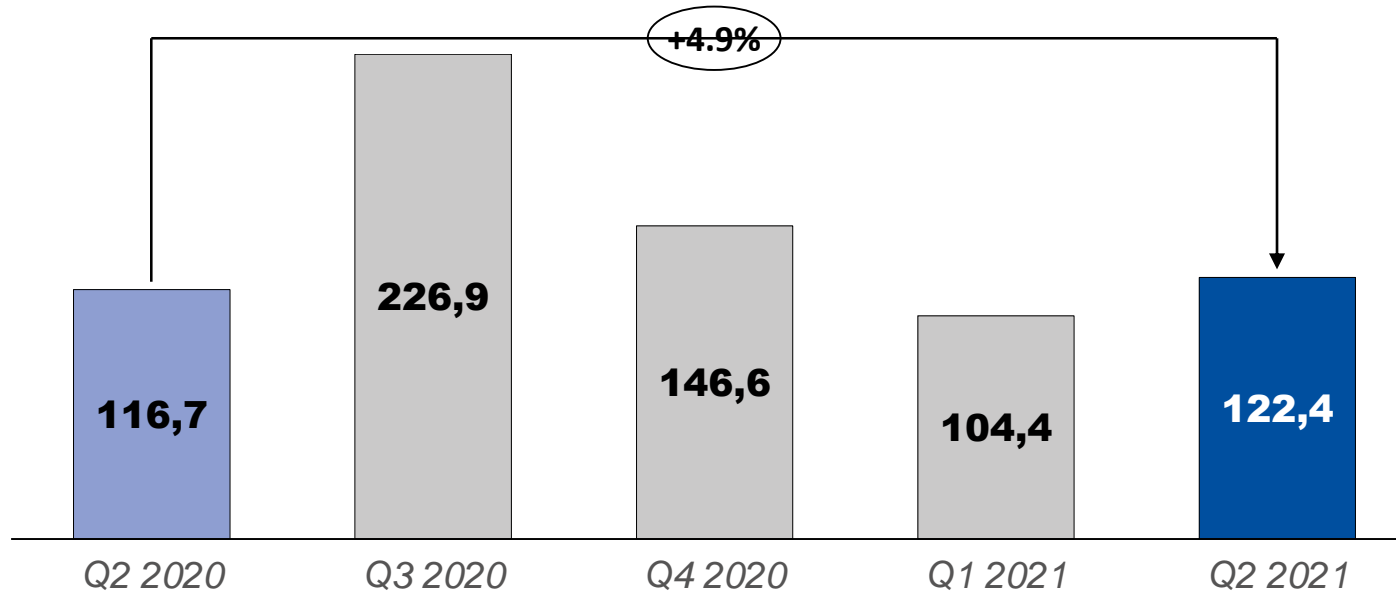
In Q2 2021, revenues were affected chiefly by:

- gradual improvement in the economic situation
- increase in freight turnover with a simultaneous decline in the rates charged for transportation services



Improvement in cost efficiency translated into a year-over-year increase in EBITDA

EBITDA OF THE PKP CARGO GROUP
Q2 2020 – Q2 2021
PLN million



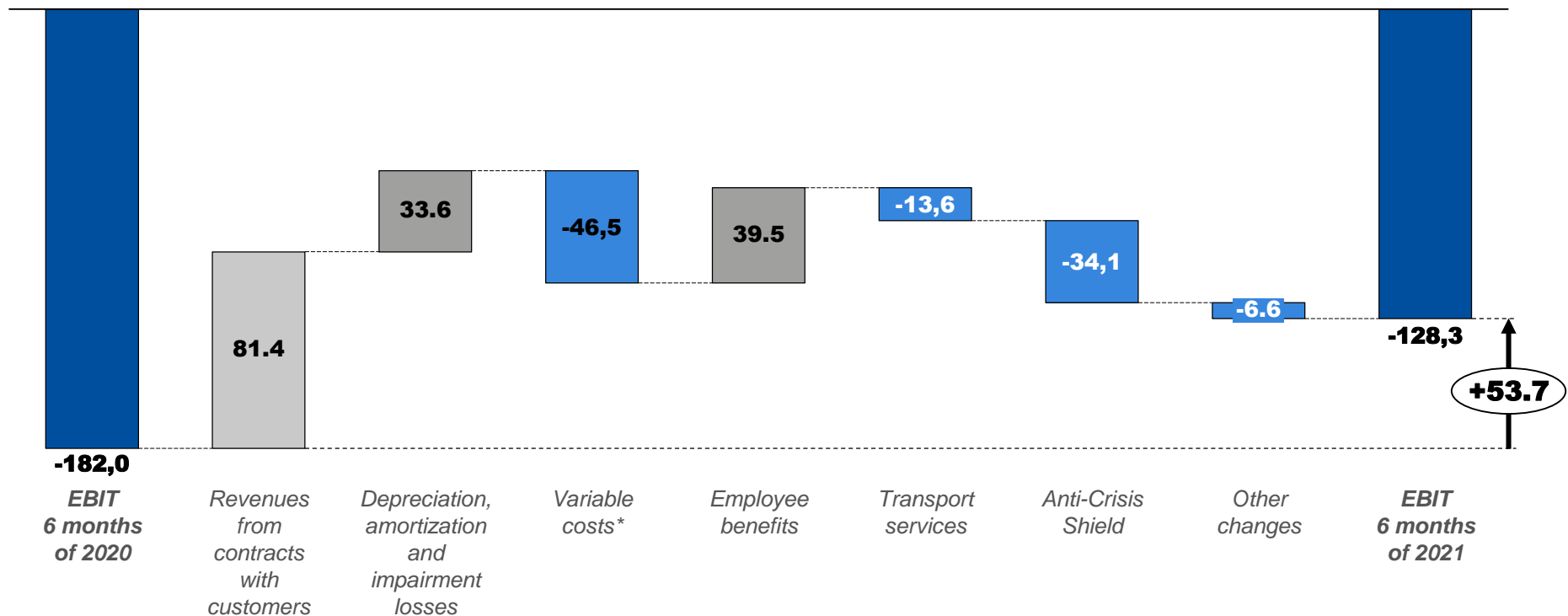
Key factors affecting EBITDA in Q2 2021:

- lower employee benefits as a result of an 7% year-over-year decline in headcount
- decrease in unit transportation prices affecting the level of revenues



The PKP CARGO Group consistently pursues significant savings efforts in all cost categories

COMPONENTS OF THE CHANGE IN OPERATING PERFORMANCE OF THE PKP CARGO GROUP
6M 2020 vs. 6M 2021 (PLN million)

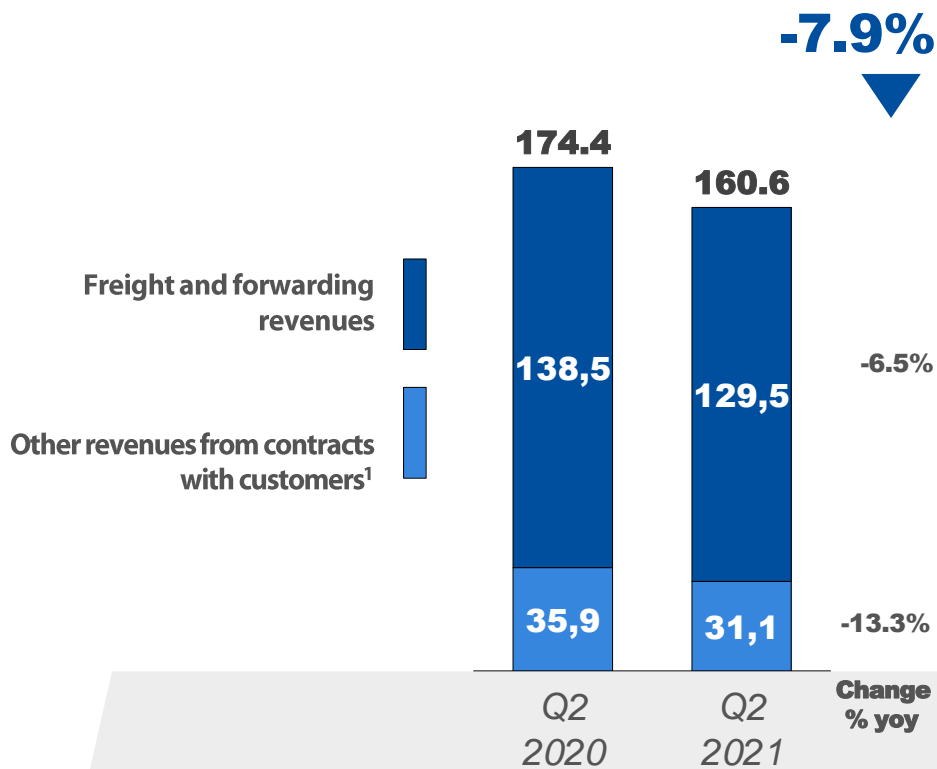


* Variable costs are the costs of: traction fuel, traction energy and access to infrastructure

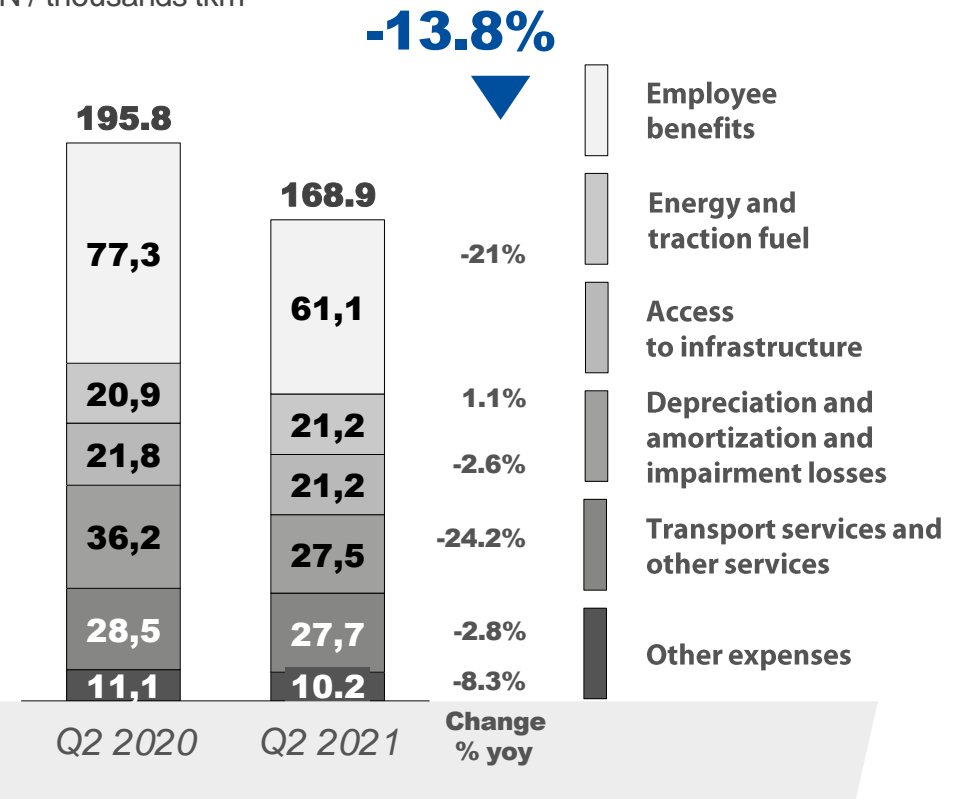


The Group's unit costs have been reduced by nearly 14% yoy, contributing to the improved financial performance despite the decreasing market prices

PKP CARGO GROUP'S UNIT REVENUE
PLN / thousands tkm



PKP CARGO GROUP'S UNIT COSTS
PLN / thousands tkm



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



The PKP CARGO Group has a stable balance sheet structure and secured funding sources

KEY BALANCE SHEET ITEMS

PLN million	31 December 2020	30 June 2021
Fixed capital	6,173	5,856
Non-current assets	6,397	6,471
Coverage ratio ¹	0.96	0.90
Total debt	4,416	4,411
Total debt ratio	0.58	0.59

FINANCIAL RATIOS

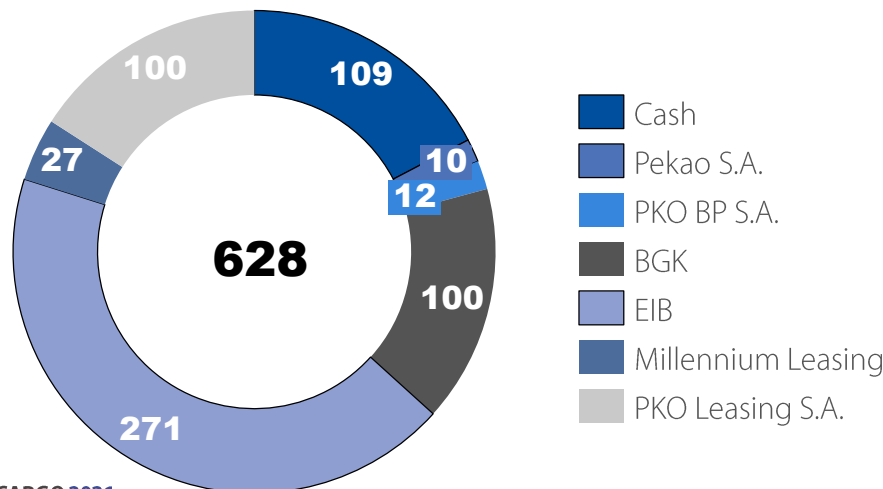
	6M 2020	6M 2021
ROA ²	-2.6%	-2.2%
ROE ³	-6.5%	-5.3%
EBITDA margin ⁴	10.2%	11.0%

1. Calculated as the ratio of total equity and non-current liabilities to non-current assets
2. Calculated as the ratio of net result for the last 12 months to total assets
3. Calculated as the ratio of net profit for the last 12 months to equity
4. Calculated as the ratio of the operating result plus depreciation and amortization (EBITDA) to total operating revenue

AVAILABLE FUNDING SOURCES

As at 30 June 2021

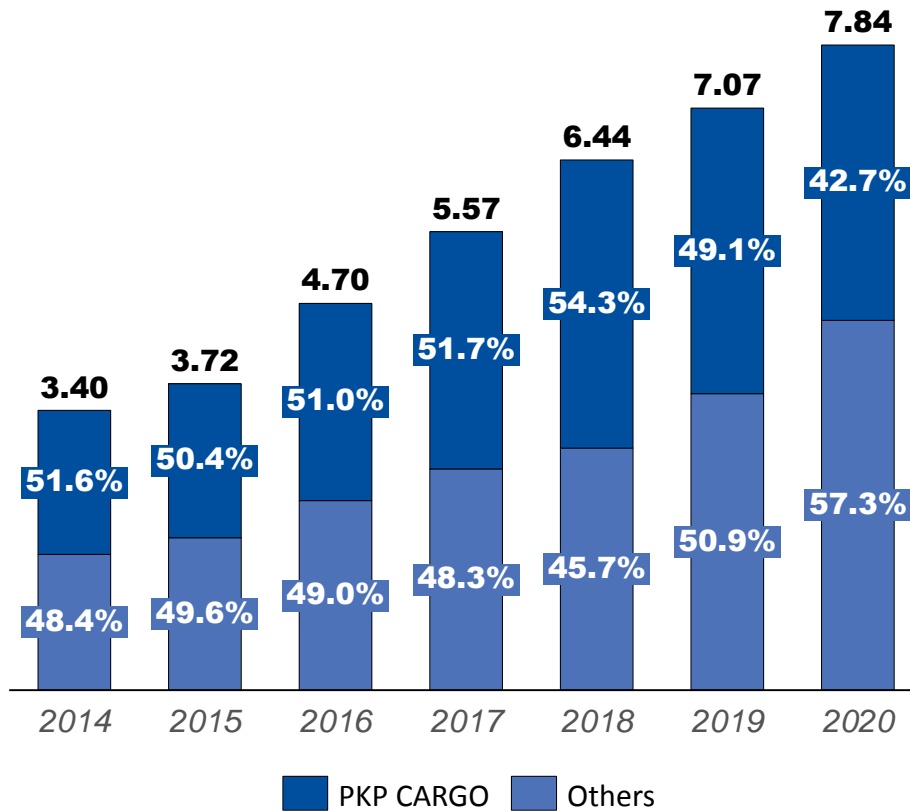
PLN million



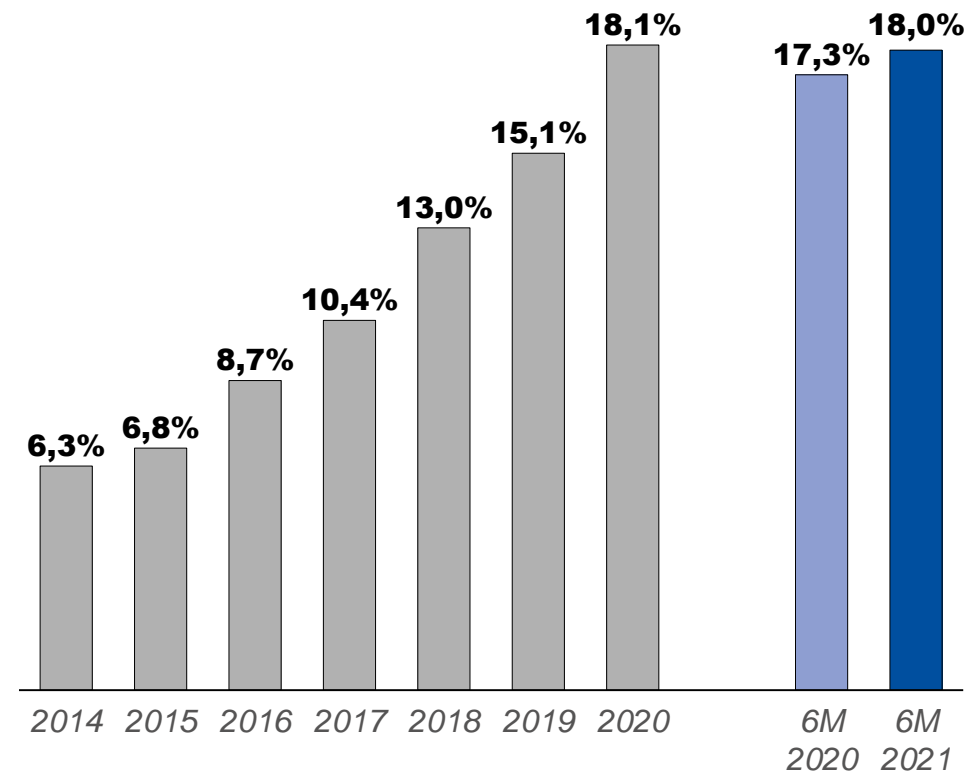


PKP CARGO remains on the path of a rapid growth of its intermodal transport operations, accounting for an increasing share in the Group's freight turnover mix

**INTERMODAL TRANSPORT IN POLAND
FREIGHT TURNOVER**
billion tkm



**INTERMODAL TRANSPORT IN THE PKP CARGO GROUP
SHARE IN FREIGHT TURNOVER**





PKP CARGO International keeps developing its intermodal segment, which already generates approx. 39% of the company's freight turnover

PKP CARGO INTERNATIONAL GROUP

Provision of long-term regular transport services in the North-South corridor in both directions:

- Paskov – Koper
- Trnava – Koper
- Karviná – Koper
- Mělník – Koper

Modernization of the Hodoš crossing (Hungarian-Slovenian border) – more efficient container transport services to and from Slovenia and Italy

PKP CARGO INTERNATIONAL GROUP'S FREIGHT TURNOVER

million tkm

+1.1%

360

364

132

144

91

108

77

49

10

16

30

11

34

22

Q2 2020

Q2 2021





CONNECT OPERATOR – pioneering development of domestic and international operator connections in Central Europe

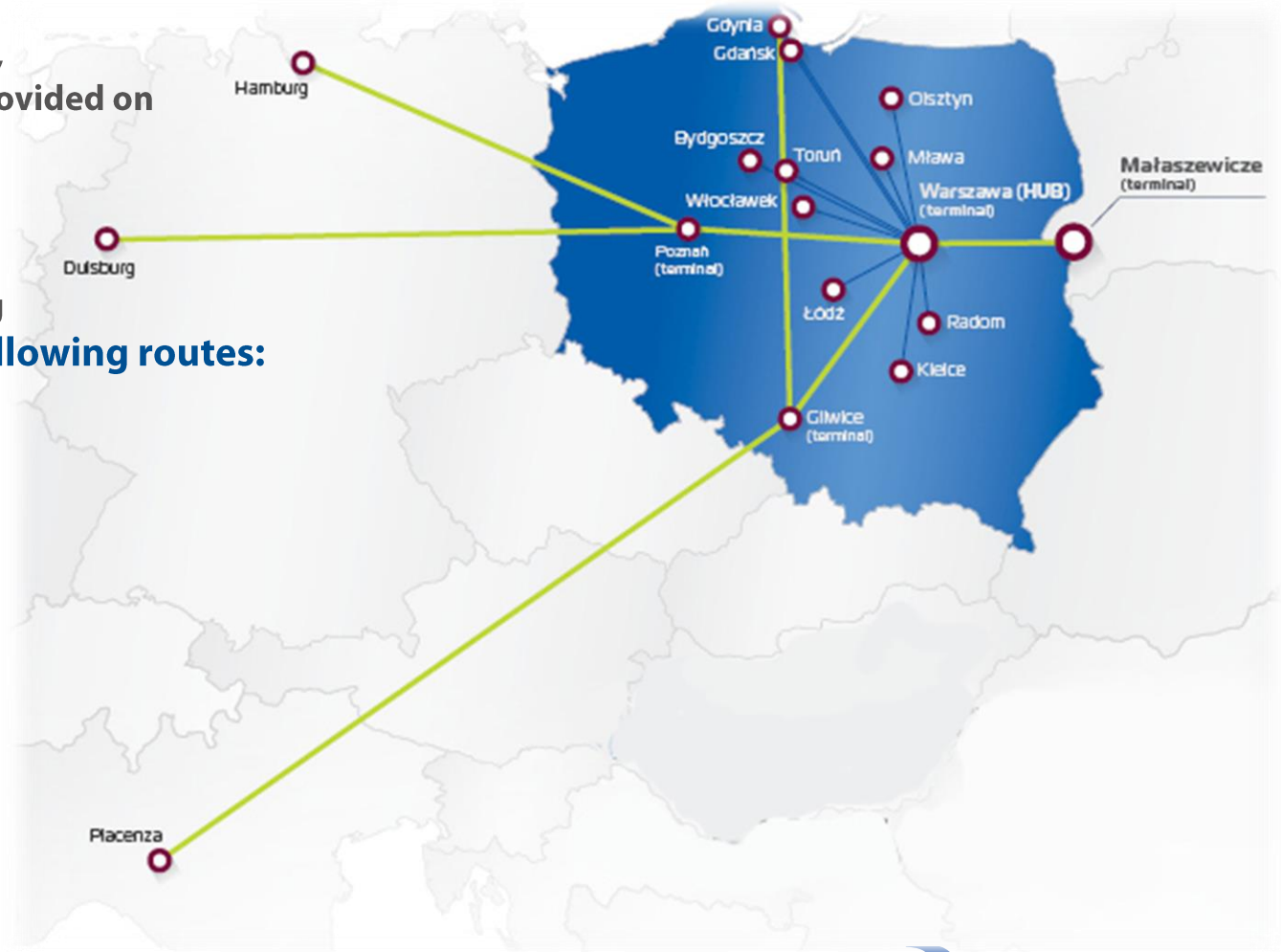
PKP CARGO CONNECT handles operator connections in Poland and abroad

As part of Connect Operator's offering, international transport services are provided on various routes, including:

- Małaszewicze – Warsaw – Piacenza
- Małaszewicze – Warsaw – Duisburg
- Małaszewicze – Warsaw – Hamburg

Ultimately, connections on the following routes:

- Poznań → Hamburg
- Poznań → Duisburg
- Gliwice → Budapest
- Gliwice → Trieste
- Gliwice → Istanbul
- Medyka → Kyiv
- Medyka → Odessa
- Medyka → Dnipro
- Gdynia → Gliwice



Appendices





Freight results

Freight turnover [million tkm]	6M 2021	6M 2020	Change	% change	Share – 6M 2021	Share – 6M 2020
<i>Solid fuels, including:</i>	4,797	4,125	672	16.3%	39%	37%
<i>hard coal</i>	3,875	3,398	476	14.0%	31%	31%
<i>Aggregates and construction materials</i>	2,245	1,998	246	12.3%	18%	18%
<i>Metals and ores</i>	1,078	969	110	11.3%	9%	9%
<i>Chemicals</i>	1,107	901	206	22.9%	9%	8%
<i>Liquid fuels</i>	306	417	-111	-26.6%	2%	4%
<i>Timber and agricultural produce</i>	409	511	-101	-19.9%	3%	5%
<i>Intermodal transport</i>	2,238	1,926	312	16.2%	18%	17%
<i>Other</i>	258	286	-27	-9.5%	2%	3%
Total	12,439	11,132	1,307	11.7%	100%	100%
FREIGHT VOLUME [million tons]	6M 2021	6M 2020	Change	% change	Share – 6M 2021	Share – 6M 2020
<i>Solid fuels, including:</i>	25.2	22.0	3.2	14.8%	52%	50%
<i>hard coal</i>	22.2	19.7	2.5	12.9%	46%	45%
<i>Aggregates and construction materials</i>	8.7	8.1	0.6	6.9%	18%	19%
<i>Metals and ores</i>	3.6	3.2	0.5	14.7%	7%	7%
<i>Chemicals</i>	3.2	2.7	0.5	19.7%	7%	6%
<i>Liquid fuels</i>	0.9	1.2	-0.4	-28.7%	2%	3%
<i>Timber and agricultural produce</i>	1.2	1.4	-0.2	-14.6%	2%	3%
<i>Intermodal transport</i>	4.8	4.3	0.5	10.9%	10%	10%
<i>Other</i>	0.9	0.9	0.0	1.0%	2%	2%
Total	48.6	43.9	4.7	10.8%	100%	100%



Consolidated statement of profit or loss and other comprehensive income

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME [PLN million]		
	6M 2021	6M 2020
Revenues from contracts with customers	2,046.0	1,964.6
Consumption of electricity and traction fuel	(258.6)	(234.6)
Infrastructure access services	(266.1)	(243.6)
Transport services	(174.2)	(160.6)
Other services	(176.9)	(176.6)
Employee benefits	(813.7)	(853.2)
Other expenses	(136.3)	(133.1)
Other operating revenue and (expenses)	6.6	43.8
Operating profit before depreciation and amortization (EBITDA)	226.8	206.7
Depreciation, amortization and impairment losses	(355.1)	(388.7)
Profit / loss on operating activities (EBIT)	(128.3)	(182.0)
Financial income and (expenses)	(29.2)	(49.8)
Share in the profit / (loss) of entities accounted for under the equity method	2.5	0.8
Profit / (loss) before tax	(155.0)	(231.0)
Income tax	25.0	39.1
NET PROFIT / (LOSS)	(130.0)	(191.9)
OTHER COMPREHENSIVE INCOME		
Measurement of hedging instruments	19.6	(30.0)
Income tax	(3.7)	5.7
FX differences from translation of financial statements	8.6	(5.8)
Total other comprehensive income subject to reclassification to profit or loss	24.5	(30.1)
Actuarial gains / (losses) on employee benefits	36.4	(52.1)
Income tax	(6.9)	9.9
Measurement of equity instruments at fair value	-	(0.7)
Total other comprehensive income not subject to reclassification to profit or loss	29.5	(42.9)
Total other comprehensive income	54.0	(73.0)
TOTAL COMPREHENSIVE INCOME	(76.0)	(264.9)



Consolidated statement of financial position

ASSETS [PLN million]	<i>As at 30 June 2021</i>	<i>As at 31 December 2020</i>
<i>Rolling stock</i>	4,336.2	4,245.0
<i>Other property, plant and equipment</i>	858.5	875.6
<i>Right-of-use assets</i>	965.1	1,008.6
<i>Investments in entities accounted for under the equity method</i>	34.4	42.0
<i>Trade receivables</i>	3.5	3.0
<i>Lease receivables</i>	9.7	10.3
<i>Other assets</i>	67.9	35.1
<i>Deferred tax assets</i>	195.8	177.8
Total non-current assets	6,471.1	6,397.4
<i>Inventories</i>	166.5	165.8
<i>Trade receivables</i>	598.5	585.8
<i>Lease receivables</i>	0.9	0.7
<i>Income tax receivables</i>	3.1	2.9
<i>Other assets</i>	115.3	88.1
<i>Cash and cash equivalents</i>	108.9	306.0
Total current assets	993.2	1,149.3
<i>Non-current assets classified as held for sale</i>	14.3	12.7
TOTAL ASSETS	7,478.6	7,559.4



Consolidated statement of financial position

EQUITY AND LIABILITIES [PLN million]	As at 30 June 2021	As at 31 December 2020
Share capital	2,239.3	2,239.3
Supplementary capital	760.8	782.4
Other items of equity	(114.8)	(160.2)
Exchange differences resulting from conversion of financial statements of foreign operations	113.4	104.8
Retained earnings	69.1	177.5
Total equity	3,067.8	3,143.8
Debt liabilities	1,922.5	2,101.8
Trade payables	1.6	1.5
Investment commitments	143.9	145.5
Provisions for employee benefits	624.6	684.3
Other provisions	5.9	5.7
Deferred tax liability	89.4	90.7
Total non-current liabilities	2,787.9	3,029.5
Debt liabilities	634.9	478.5
Trade payables	357.4	347.5
Investment commitments	196.3	133.5
Provisions for employee benefits	149.9	116.3
Other provisions	18.0	24.1
Other liabilities	266.4	286.2
Total current liabilities	1,622.9	1,386.1
Total liabilities	4,410.8	4,415.6
TOTAL EQUITY AND LIABILITIES	7,478.6	7,559.4



Consolidated cash flow statement

Cash flow [PLN million]
Cash flows from operating activities
Profit / (loss) before tax
Adjustments
Depreciation, amortization and impairment losses
(Profit) / loss on the sale and liquidation of non-financial non-current assets
Foreign exchange (gains)/losses
(Profits) / losses on interest, dividends
Interest received / (paid)
Income tax received / (paid)
Movement in working capital
Other adjustments
Net cash from operating activities
Cash flows from investing activities
Expenditures on the acquisition of non-financial non-current assets
Proceeds on the sale of non-financial non-current assets
Other investment expenditures
Other proceeds from investing activities
Net cash from investing activities
Cash flows from financing activities
Expenditures on leases
Proceeds from drawn down loans/borrowings
Repayment of loans/borrowings
Interest paid on leases and loans/borrowings
Subsidies received
Inflow / (outflow) as part of cash pool
Other expenditures concerning financing activities
Net cash from financing activities
Net increase / (decrease) in cash and cash equivalents
Cash and cash equivalents at the beginning of the reporting period
Impact of FX rate movements on the cash balance in foreign currencies
Cash and cash equivalents at the end of the reporting period, including:
restricted cash

6M 2021	6M 2020
(155.0)	(231.0)
355.1	388.7
(4.1)	(4.2)
4.7	12.6
24.3	30.0
0.6	1.5
(3.7)	47.0
(60.3)	36.4
29.1	(63.0)
190.7	218.0
(367.5)	(379.9)
21.4	27.0
(27.0)	-
1.4	1.9
(371.7)	(351.0)
(66.5)	(75.3)
189.4	285.5
(145.1)	(182.1)
(24.7)	(30.6)
32.0	14.0
-	1.5
(1.8)	(3.1)
(16.7)	9.9
(197.7)	(123.1)
306.0	550.4
0.6	(0.3)
108.9	427.0
26.5	32.3

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