

Company's answers to questions asked online
during the 31 May 2023 conference
on the Company's performance in Q1 2023

Volume and freight turnover declined not only compared to last year, but also relative to the fourth quarter. The UTK data also shows that market shares are falling, while net profit for Q1 is 30% lower than in the previous quarter. Does this herald the end of a period of high profits?

The decrease in the profit is a result of the seasonality of our business - the fourth quarter is usually the best, and the fourth quarter of 2022 was in general one of the best in the company's history. Records are not broken every day. Indeed, freight volume slightly declined - mainly coal and intermodal transport - which is primarily macroeconomic in nature - but we have nevertheless managed to maintain solid revenue growth of over 30%. On the cost side, we are affected by the increase in energy prices - which we are already settling under a new contract - and the cost of increased salaries. In terms of the market share, we are focusing on restoring the company's profitability, so we have to give up some contracts. However, we should remember that we have a market share of more than 35% in a market with more than 120 players competing, and our leadership position remains unthreatened.

What draws attention in the Q1 results is the level of investment - it is more than double that of Q1 2022 - can the company afford to spend so much?

Indeed, in Q1 we took delivery of 16 of the 24 multi-system locomotives ordered - an investment of PLN 200 million and the main source of year-on-year growth. In addition, we continue to repair and modernize our rolling stock. We don't want to make any declarations about the final level of investments in 2023, nevertheless it will be linked to both our development needs and EBITDA generated.

- What plans does the Company have for dividends?
- Does PKP CARGO plan to pay a dividend for 2022?
- When will the dividend be paid?

As we have published, the management board's recommendation is to allocate net profit to supplementary capital - we need to keep in mind the covering of losses from previous years as well as our investment needs. We are counting on shareholders to subscribe to our view and there will be time to pay dividends.

What was the reason for so many proposed resolutions to amend the Articles of Association at the last Shareholder Meeting?

The need to amend the Articles of Association was primarily due to updates in Polish laws - largely due to changes in the Commercial Company Code.

What was the impact of transporting imported grain and transit on PKP CARGO's results? Won't restricting grain imports from Ukraine shake up the results?

Grain transport - along with timber and other agricultural crops - accounts for approx. 3% of our freight turnover in Q1 2022 - and although this value has increased by half this year (to 4.5%) it is not a category that could significantly affect our results. On the other hand, we are trying to secure the appropriate rolling stock needed to transport grain from the east.

How do you assess the intermodal industry, and the very large declines?
What are the prospects for intermodal volumes for the next periods?

Intermodal transport is the future - we are likely to open the largest dry port in central Poland - the terminal in Karsznice - in October, and we are operating the Paskov terminal for this segment as well. The decline in intermodal transportation is macroeconomic and affects all players in this market. Inflationary pressures caused a significant increase in the price of intermodal transportation, and some customers began using truck transport again. The second factor in the decline is the ongoing war in Ukraine. Russia's aggression caused a significant reduction in container train traffic on the New Silk Road in the first place. In addition, the embargo on imports of many raw materials and industrial products from Russia has forced an increase in coal imports from non-European countries and their import to ports to ensure Poland's energy security, especially fuel supplies for Polish families. This has also reduced container transport.

What order of declines in freight volume and freight turnover do you expect in the second half of the year with regard to the information from the presentation "No compensation for the possible gap in freight volume and freight turnover in the hard coal segment due to the transportation of aggregates and construction materials."

The management board is taking all kinds of measures to bridge the gap from the coal areas with shipments in other cargo categories, such as aggregates. At the end of October, it is planned to start operating the largest dry port located in Zduńska-Wola Karsznice, which will give us a boost to further develop intermodal services internationally. We seek customers for our Company wherever possible.

How is PKP CARGO going to fight for a better cash flow structure?

As part of its financing structure, the Company is taking steps to raise external financing for varying time periods in connection with its financed assets.

This gives the opportunity to manage debt flexibly and, at the same time, maintain a stable structure of repayment of PKP CARGO's financial liabilities.

What is the outlook for the freight rates for the next quarters? Is it to be expected that Q1'23 was the peak in this regard?

In terms of pricing policy and commercial policy PKP CARGO operates in market conditions and adjusts its price offer to the prevailing market trends. We want to react flexibly and recapture the market, competing with more than 120 companies in the industry - we observe the situation on a daily basis and our goal is to present the most attractive offer possible while ensuring the profitability of our operations. This is the daily concern of the entire Management Board, especially the commercial and operational divisions, which react to what is happening in the market with a sense of financial responsibility for the Company.

Can you recall what Q2 2022 looked like a year ago? What were the perturbations then? What volumes were lost before the company switched to new routes?

The second quarter of last year was marked by the outbreak of war across the eastern border and the related shocks to the fuel and energy markets, among others, while the effects of the coronavirus pandemic were still ongoing - so this is not a period that provides a typical basis for comparison. We encourage you to read our interim reports, which we published after Q2 2023. They can be found on our website in the Investor Relations tab, in Periodic Reports.

The 24% year-on-year increase in average salary per employee is higher than inflation. Why are the beneficiaries of good results only employees and not shareholders?

To keep shareholders happy, employees equally need to be at the center of attention, especially in a business like ours. We signed an agreement with the trade unions on systemic wage increases ending a long-running collective dispute.

At the same time, PKP CARGO's stock price has risen significantly over the past year. With regard to profit distribution and dividend payment, the final decision will be known after the Shareholder Meeting.

You have said a lot about the difficult operating conditions in the first quarter, and yet the company has a profit. Which types of transport have influenced this the most?

The good results are the result of increased demand for coal transportation. Also not insignificant is the revision of freight rates we made just last year to reflect increases in key energy and traction

fuel costs.

When will the main intermodal investments in Karsznice and Małaszewicze be completed?

*Completion of the Karsznice investment is planned for the end of 2023.
Małaszewicze - investment completed by the end of 2022.*