



PKP CARGO GROUP Q3 2019



**LEADING FREIGHT
CARRIER**



Presentation agenda



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Summary of results
after Q3 2019

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Commercial
results

03 

Financial
results

04 

PKP CARGO
International

01

Recap of performance after Q3 2019



01



PKP CARGO Group results after Q3 2019



REVENUES 3,672 million PLN -4.4% yoy	EBITDA profitability of 19.4% 713 616* million PLN +1.8% yoy -12.1% yoy*	NET RESULT profitability of 2.7% 99 million PLN -49.2% yoy
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* ratio adjusted for the impact exerted by IFRS 16 on EBITDA

02

Commercial results



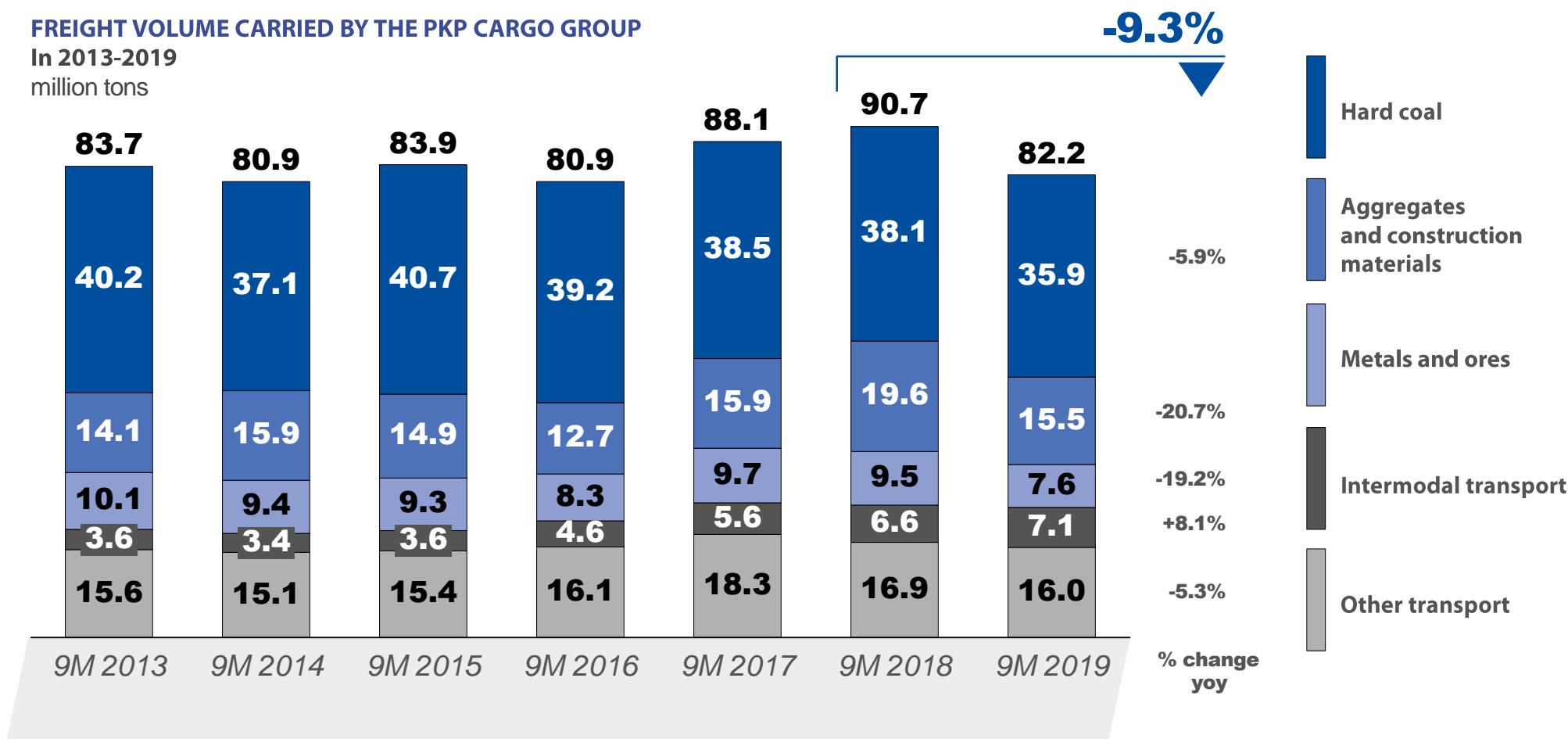
02

Transported cargo volumes are close to the average values from recent years; intermodal transport is increasing and already constitutes nearly 9% of the freight volume

FREIGHT VOLUME CARRIED BY THE PKP CARGO GROUP

In 2013-2019

million tons



02

In the major cargo groups, the situation is determined by the negative market environment



Solid fuels

- transport services to power plants and cogeneration plants of the leading energy group in Poland **taken over from competitors**
- lower yoy **production and sales of hard coal** and lower **coal imports from Russia** – no sales markets, full cargo yards
- **decline in electricity production** in hard coal-fired commercial power plants
- **higher transport of coke** despite a decline of its production in Poland



Construction materials and aggregates

- slower **execution of railway capital expenditure projects** as part of the National Railway Program
- slower performance of contracts caused by **higher prices of construction materials**
- failure of talks between the investor and contractors for sections of the A1, S3, S5 and S7 roads demanding indexation of contracts
- lower **capacity of rail lines**



Intermodal transport

- higher percentage of cargo that **used to be transported in conventional ways** and is now transported in containers
- transport **between seaports and terminals located in the country's interior**
- increased quantum of transport services by PKP CARGO International a.s. – **new transport services**, among others from Germany to the Czech Republic and from Poland to Slovenia



Metals and ores

- lower steel output in Poland – **declining demand for steel**
- lower **imports of iron ores** – delay in signing the Polish-Ukrainian agreement on rail transport services
- lack of shipments from **Huta Częstochowa** and expected shutdown of the blast furnace at the **ArcelorMittal plant in Krakow**
- lower volume of transported metals – weaker demand for finished products, some of the clients switching to container transport

03

Financial results



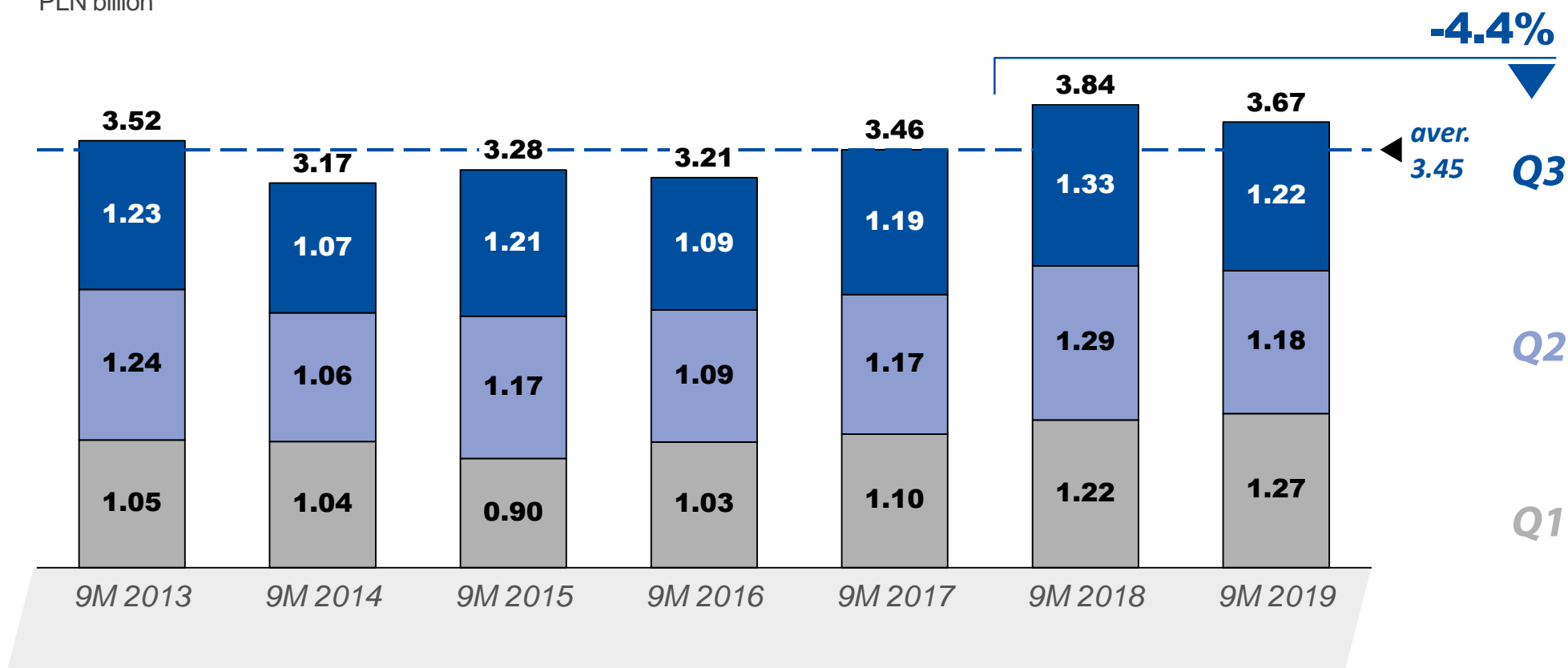
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Revenues are close to record high levels despite the lower freight volume

OPERATING REVENUE OF THE PKP CARGO GROUP

in 2013-2019

PLN billion



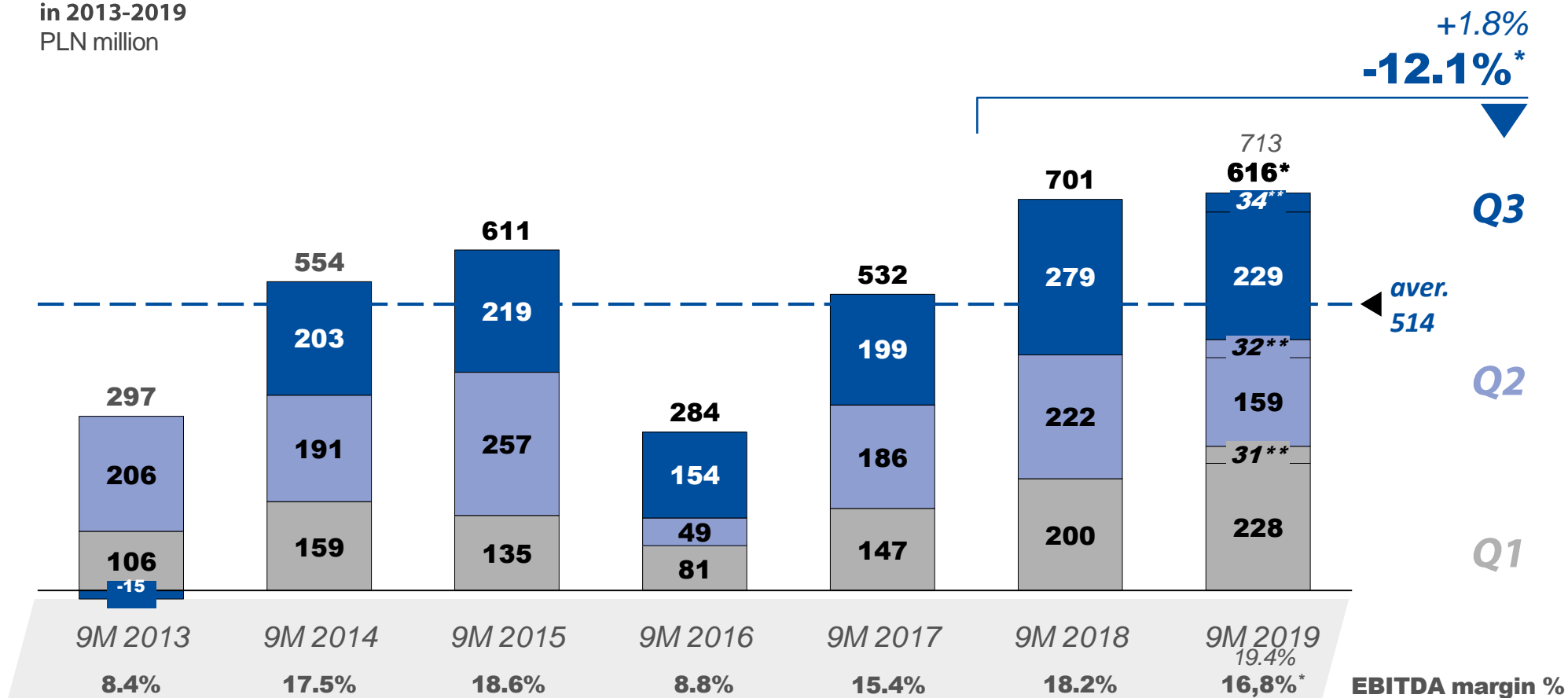


EBITDA (net of the IFRS 16 impact) remains very high

EBITDA OF THE PKP CARGO GROUP

in 2013-2019

PLN million



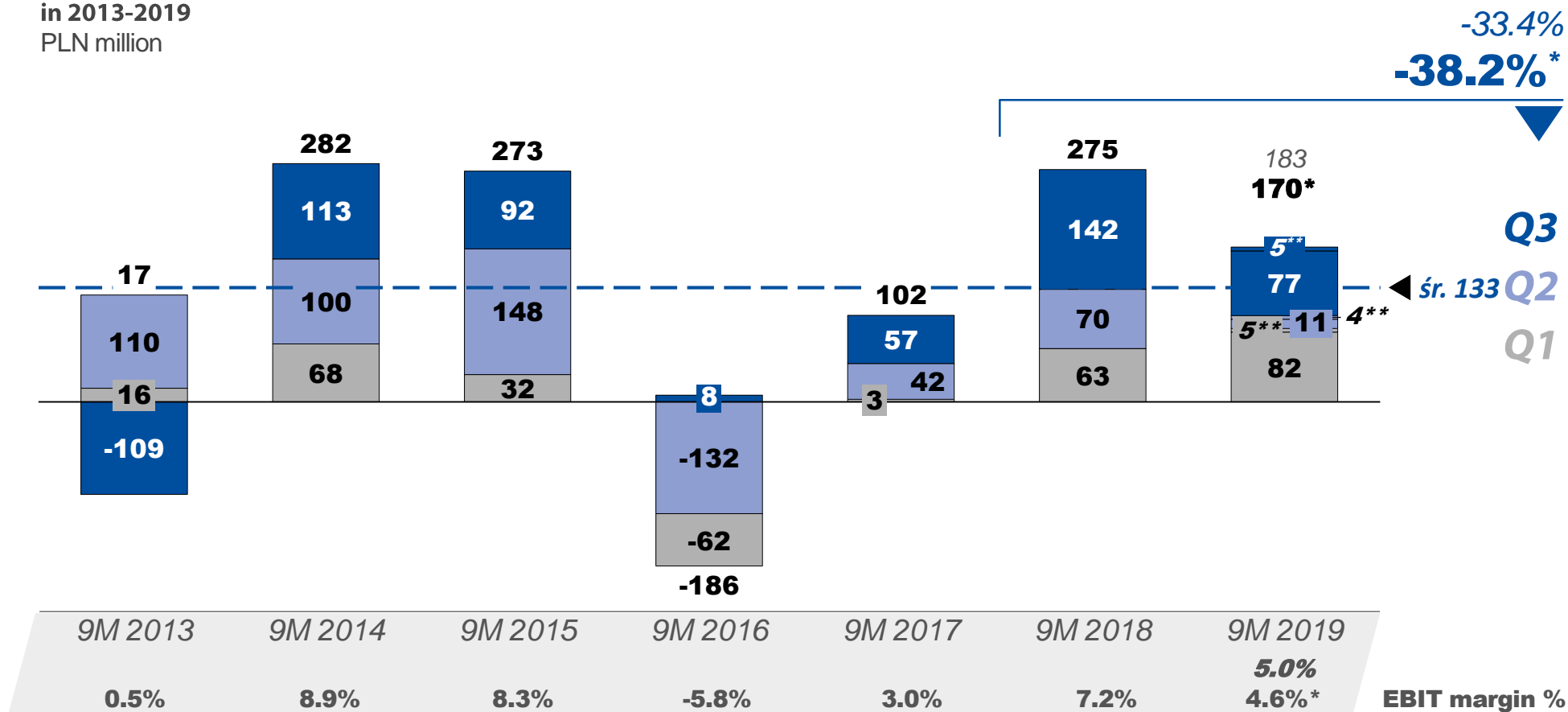
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In Q3, the Group posted a significantly improved operating profit as compared to the previous quarter

EBIT OF THE PKP CARGO GROUP

in 2013-2019

PLN million



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

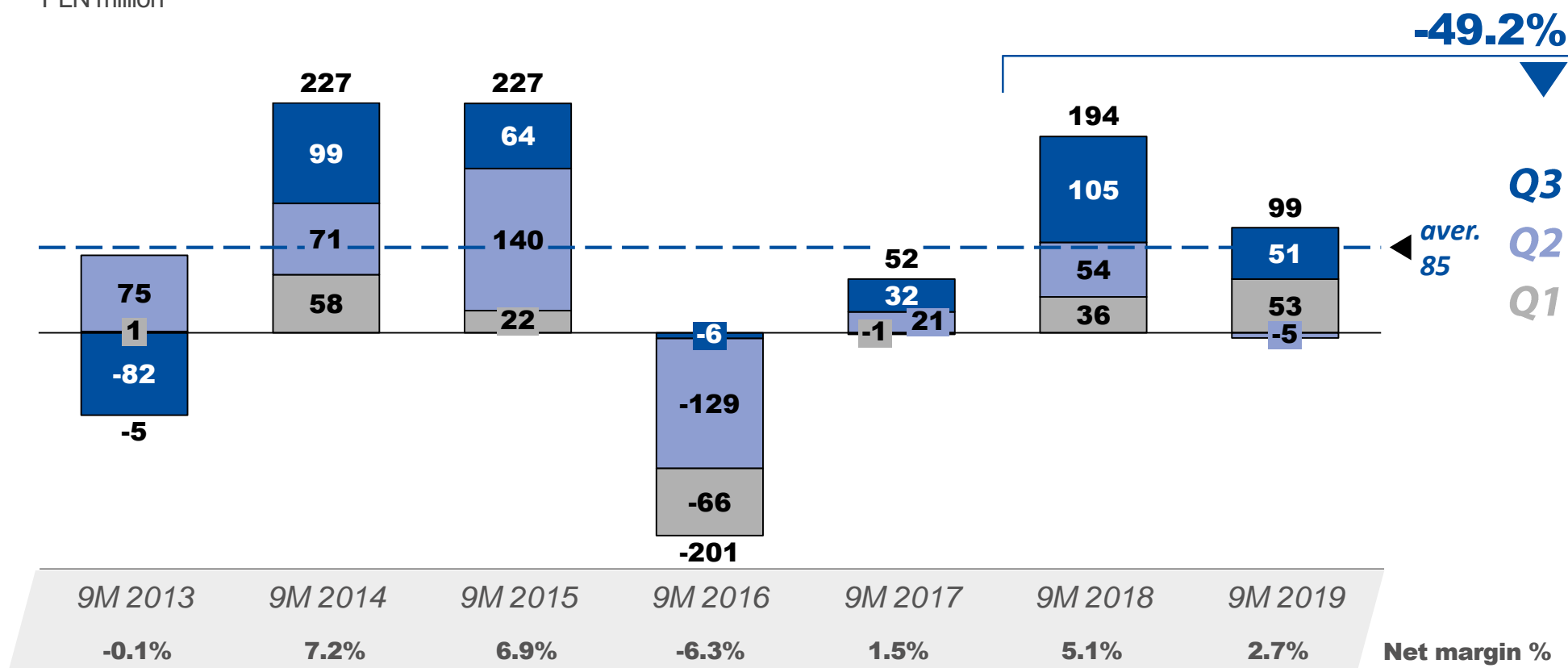
** Impact exerted by IFRS 16 on quarterly EBIT

To facilitate the reading of this document, some figures have been rounded off, which will not cause any significant deviations in the presented data.

03

Net result remains above the average for previous years

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

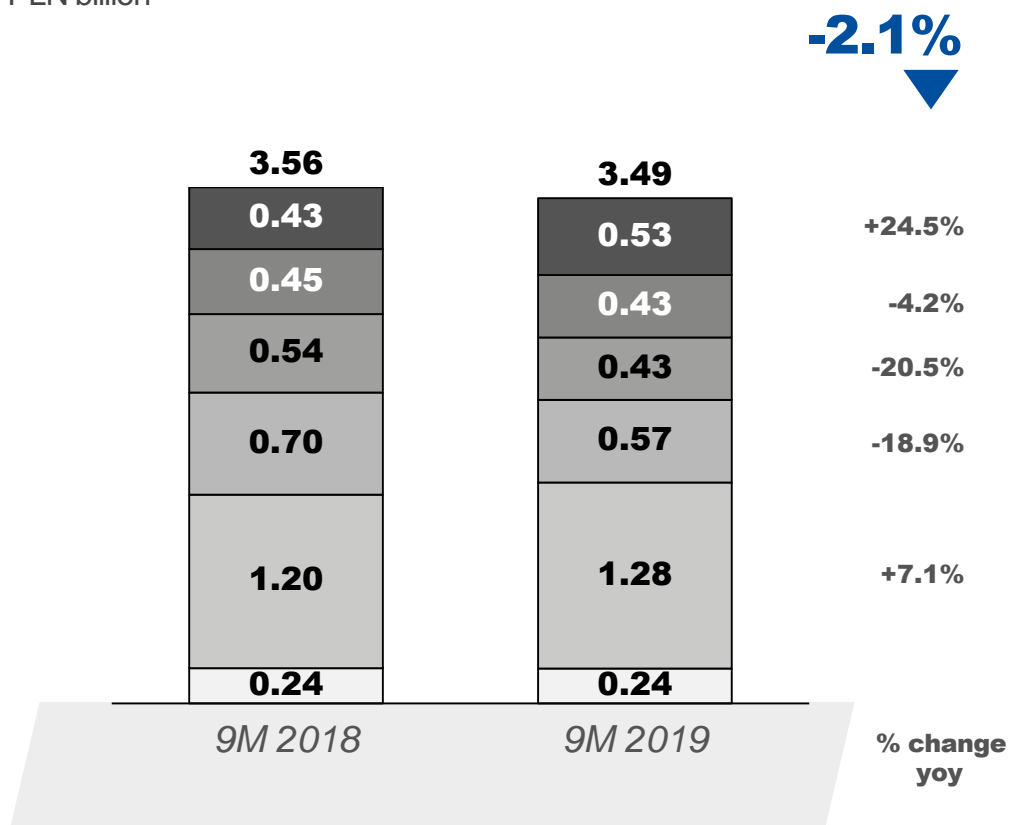


03



Costs were cut predominantly in the variable cost category

COSTS OF THE PKP CARGO GROUP
in 2018-2019
PLN billion



Depreciation and impairment losses

- **Increase chiefly** as a result of implementing IFRS 16
- Without the IFRS 16 application effect, depreciation increase by **PLN 20.2 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 turnover**
- In the period of 9M 2019, the compensation effect for higher electricity prices was recognized. The final settlement effect was PLN 35.5 million

Infrastructure access services

- **Significant decline** caused by lower transport volumes and lower PKP PLK prices

Transport services and other services

- Decrease in value mainly due to a greater use of own resources, lower freight turnover

Employee benefits

- Increase driven mainly by the implementation of price raises from 1 September 2018 and 1 August 2019 and growth in the average headcount in the Group

Other expenses and other operating expenses

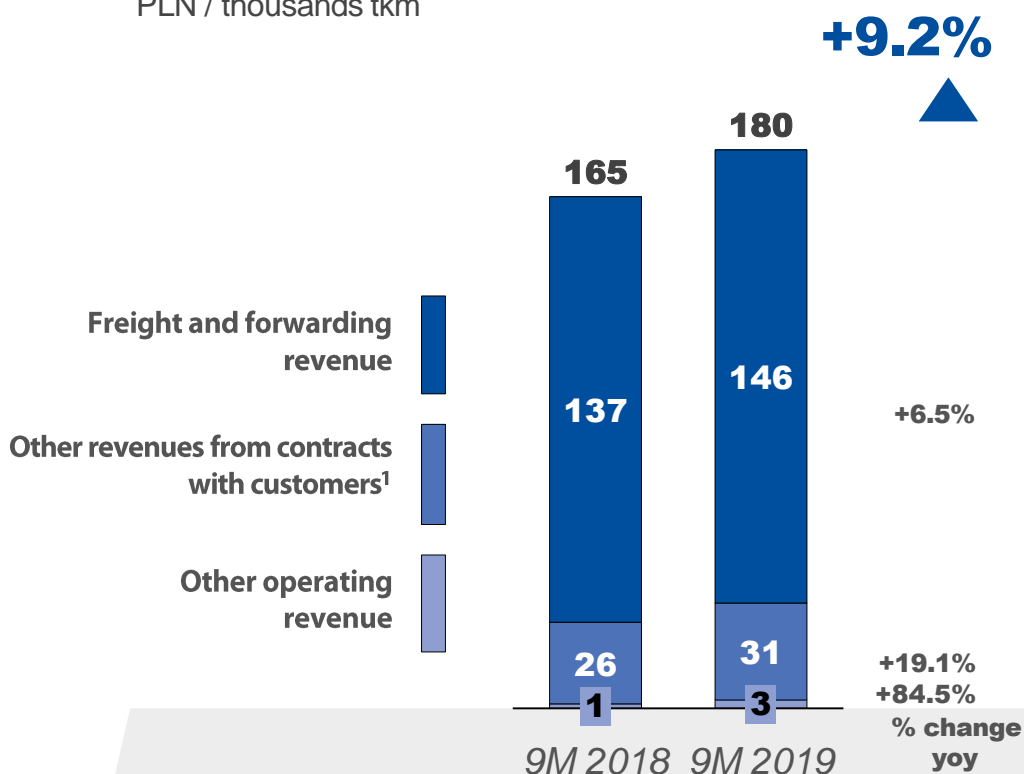
- Other expenses **at a similar level** to last year

03

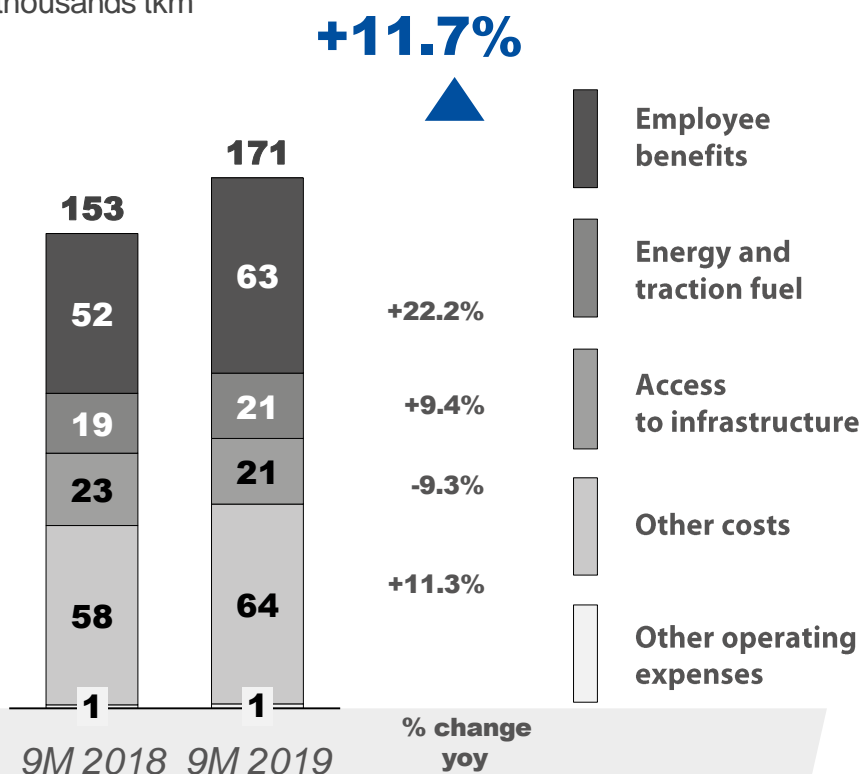


PKP CARGO Group maintains high rate of growth in unit revenue, despite the negative influence of market surroundings

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
To facilitate the reading of this document, some figures have been rounded off, which will not cause any significant deviations in the presented data.

03



Safe levels of debt ratios

CASH FLOW

PLN million	9M 2018	9M 2019
On operating activity	605.8	563.3
On investing activity	-621.6	-588.0
On financing activity	-240.2	-236.3

FINANCIAL RATIOS

	9M 2018	9M 2019
NET DEBT / EBITDA ³	1.0	2.1
ROA ⁴	3.4%	1.2%
ROE ⁵	6.4%	2.5%
EBITDA margin	18.2%	19.4%

KEY BALANCE SHEET ITEMS¹

PLN million	31.12.2018	30.09.2019
Fixed capital	5,453	6,135
Non-current assets	5,187	6,246
Coverage ratio ²	1.05	0.98
Total debt	1 427	2,137
Total debt ratio	0.49	0.53

AVAILABLE FUNDING SOURCES

PLN million	30.09.2019
Cash	187
EIB	23
Pekao SA	350
BGK	200
Available funding sources, total	760

¹ The changes stem chiefly from implementing IFRS 16

² Calculated as the ratio of total equity and non-current liabilities to non-current assets

³ Ratio adjusted for the effect of IFRS 16 on the balance sheet items; EBITDA is the Management Board's projection for 2019 in the amount of PLN 925 million

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

⁵ Calculated as the ratio of net profit for the last 12 months to equity

04

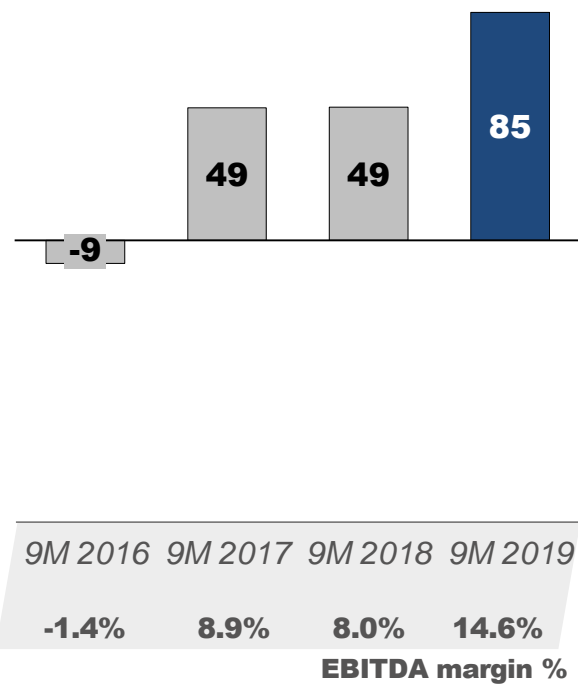
PKP CARGO International



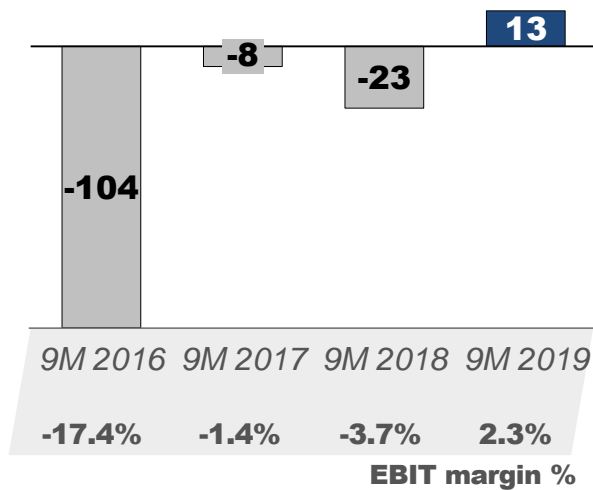
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PKP CARGO International (form. AWT) continues to improve its results

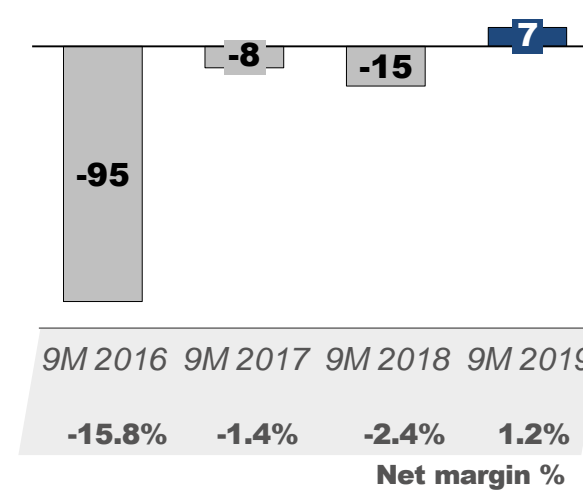
EBITDA
PLN million



EBIT
PLN million



Net profit/loss
PLN million



Attachments





Freight results

Freight turnover [million tkm]	9M 2019	9M 2018	Change	% change	Share after 9M2019	Share after 9M2018
<i>Solid fuels, including:</i>	7,497	8,043	-545	-6.8%	37%	35%
<i>hard coal</i>	6,360	6,876	-517	-7.5%	31%	30%
<i>Aggregates and constr. materials</i>	3,995	5,425	-1,430	-26.4%	20%	23%
<i>Metals and ores</i>	2,323	2,801	-478	-17.1%	11%	12%
<i>Chemicals</i>	1,577	1,679	-102	-6.1%	8%	7%
<i>Liquid fuels</i>	745	845	-100	-11.8%	4%	4%
<i>Timber and agricultural produce</i>	767	1,010	-243	-24.0%	4%	4%
<i>Intermodal transport</i>	3,028	2,926	103	3.5%	15%	13%
<i>Other</i>	467	557	-90	-16.2%	2%	2%
Total	20,399	23,285	-2,885	-12.4%	100%	100%

FREIGHT VOLUME [million tons]	9M 2019	9M 2018	Change	% change	Share after 9M2019	Share after 9M2018
<i>Solid fuels, including:</i>	39.9	42.1	-2.2	-5.2%	49%	46%
<i>hard coal</i>	35.9	38.1	-2.2	-5.9%	44%	42%
<i>Aggregates and constr. materials</i>	15.5	19.6	-4.1	-20.7%	19%	22%
<i>Metals and ores</i>	7.6	9.5	-1.8	-19.2%	9%	10%
<i>Chemicals</i>	4.9	5.2	-0.3	-6.1%	6%	6%
<i>Liquid fuels</i>	2.6	2.8	-0.2	-7.2%	3%	3%
<i>Timber and agricultural produce</i>	2.8	2.9	-0.1	-3.7%	3%	3%
<i>Intermodal transport</i>	7.1	6.6	0.5	8.1%	9%	7%
<i>Other</i>	1.7	2.0	-0.3	-15.0%	2%	2%
Total	82.2	90.7	-8.5	-9.3%	100%	100%



Consolidated statement of comprehensive income

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME [PLN million]

Revenues from contracts with customers	
Consumption of electricity and traction fuel	
Infrastructure access services	
Transport services	
Other services	
Employee benefits	
Other expenses	
Other operating revenue and (expenses)	
Operating profit without depreciation (EBITDA)	
Depreciation and impairment losses	
Profit on operating activities (EBIT)	
Financial income and (expenses)	
Share in the profit / (loss) of entities accounted for under the equity method	
Profit before tax	
Income tax	
NET PROFIT	
OTHER COMPREHENSIVE INCOME	
Measurement of hedging instruments	
Income tax	
Exchange differences resulting from conversion of financial statements	
Total other comprehensive income subject to reclassification to profit or loss	
Actuarial profit/(loss) pertaining to employee benefits	
Income tax	
Measurement of equity instruments at fair value	
Total other comprehensive income not subject to reclassification to profit or loss	
Total other comprehensive income	
TOTAL COMPREHENSIVE INCOME	

9M 2019	9M 2018	Change
3,616.6	3,805.2	-188.6
-430.2	-448.9	18.7
-431.6	-543.2	111.6
-287.2	-341.6	54.4
-284.5	-363.2	78.7
-1,284.9	-1,200.3	-84.6
-210.2	-214.6	4.4
25.1	7.2	17.9
713.1	700.6	12.5
-530.3	-425.9	-104.4
182.8	274.7	-91.9
-55.2	-28.4	-26.8
1.4	-1.1	2.5
129.0	245.2	-116.2
-30.3	-50.9	20.6
98.7	194.3	-95.6
-11.7	-18.5	6.8
2.2	3.5	-1.3
7.4	12.9	-5.5
-2.1	-2.1	0.0
-14.3	-4.0	-10.3
2.7	0.8	1.9
0.7	0.0	0.7
-10.9	-3.2	-7.7
-13.0	-5.3	-7.7
85.7	189.0	-103.3



Consolidated statement of financial position

<i>ASSETS [PLN million]</i>	<i>As at 30 September 2019</i>	<i>As at 31 December 2018</i>
<i>Rolling stock</i>	4,201.2	3,997.0
<i>Other property, plant and equipment</i>	862.9	949.9
<i>Right-of-use assets</i>	965.7	0.0
<i>Investments in entities accounted for under the equity method</i>	37.9	47.3
<i>Trade receivables</i>	1.8	0.7
<i>Other lease payments</i>	11.2	0.0
<i>Other assets</i>	49.1	56.7
<i>Deferred tax assets</i>	116.5	135.6
Total non-current assets	6,246.3	5,187.2
<i>Inventories</i>	167.6	161.7
<i>Trade receivables</i>	663.1	684.6
<i>Lease receivables</i>	0.7	0.0
<i>Deposits above 3 months</i>	0.0	201.1
<i>Other assets</i>	148.2	124.4
<i>Cash and cash equivalents</i>	187.1	447.3
Total current assets	1,166.7	1,619.1
<i>Non-current assets classified as held for sale</i>	1.7	0.0
Total assets	7,414.7	6,806.3



Consolidated statement of financial position

<i>EQUITY AND LIABILITIES [PLN million]</i>	<i>As at 30 September 2019</i>	<i>As at 31 December 2018</i>
Share capital	2,239.3	2,239.3
Supplementary capital	781.4	628.2
Other items of equity	-64.6	-44.2
Exchange differences resulting from conversion of financial statements of foreign operations	83.2	75.8
Retained earnings	465.5	584.4
Equity	3,504.8	3,483.5
Debt liabilities	1,757.3	1,156.5
Trade payables	1.1	0.5
Investment liabilities	168.7	109.8
Provisions for employee benefits	608.1	591.5
Other provisions	4.5	20.5
Deferred tax liability	89.9	88.5
Other liabilities	0.9	1.8
Non-current liabilities	2,630.5	1,969.1
Debt liabilities	379.5	270.5
Trade payables	378.4	499.4
Investment liabilities	74.9	177.6
Provisions for employee benefits	130.7	115.5
Other provisions	45.5	56.9
Other liabilities	270.4	233.8
Current liabilities	1,279.4	1,353.7
Total liabilities	3,909.9	3,322.8
Total equity and liabilities	7,414.7	6,806.3



Consolidated Cash Flow Statement

Cash flow [PLN million]	9M 2019	9M 2018
Cash flow on operating activities		
Profit before tax	129.0	245.2
Adjustments		
Depreciation and impairment losses	530.3	425.9
(Profits) / losses on interest, dividends	39.7	12.8
Received / (paid) interest	1.2	4.0
Received / (paid) income tax	-38.1	-57.1
Movement in working capital	-76.9	-10.8
Other adjustments	-21.9	-14.2
Net cash on operating activities	563.3	605.8
Cash flow from investing activities		
Expenditures on the acquisition of non-financial non-current assets	-816.6	-509.5
Proceeds on the sale of non-financial non-current assets	15.0	23.0
Proceeds on the sale of other financial assets	1.0	5.3
Proceeds from dividends received	2.4	1.1
Repayment of extended loans	0.0	0.3
Proceeds / (expenditures) on bank term deposits longer than 3 months	200.0	-149.0
Other proceeds / (expenditures) on investing activities	10.2	7.2
Net cash on investing activities	-588.0	-621.6
Cash flow from financing activities		
Expenditures on finance leases	-95.9	-37.1
Proceeds from drawn down loans/borrowings	99.3	0.4
Repayment of loans/borrowings	-186.1	-181.6
Interest paid on finance leases and loans/borrowings	-40.0	-23.3
Subsidies received	57.5	3.0
Dividends paid out to owners	-67.2	0.0
Other expenditures concerning financing activities	-3.9	-1.6
Net cash from financing activities	-236.3	-240.2
Net increase / (decrease) in cash and cash equivalents	-261.0	-256.0
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	0.8	1.8
Cash and cash equivalents at the end of the reporting period, including:	187.1	262.6
restricted	43.0	33.2

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