

PKP CARGO Group financial and operational results

H1 2023



Warsaw, 28th August 2023





> Agenda

- **Results summary**
- Operational results
- Financial results
- Outlook

> PKP CARGO Group results 1H 2023

Strong financial results

Revenues from contracts with customers

2 900 m PLN

+18% y/y

Net profit

110 m PLN

+152 m y/y

EBITDA

611 m PLN

+65% y/y
profitability 21%

Freight volume

42 m tons

-17 % y/y

CAPEX

962 m PLN

+154% y/y

OPEX

2 662 m PLN

+9% y/y

Freight turnover

11 632 m tkm

-13 % y/y



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- Significant growth in revenues from contracts with customers
- Slight increase in operating costs

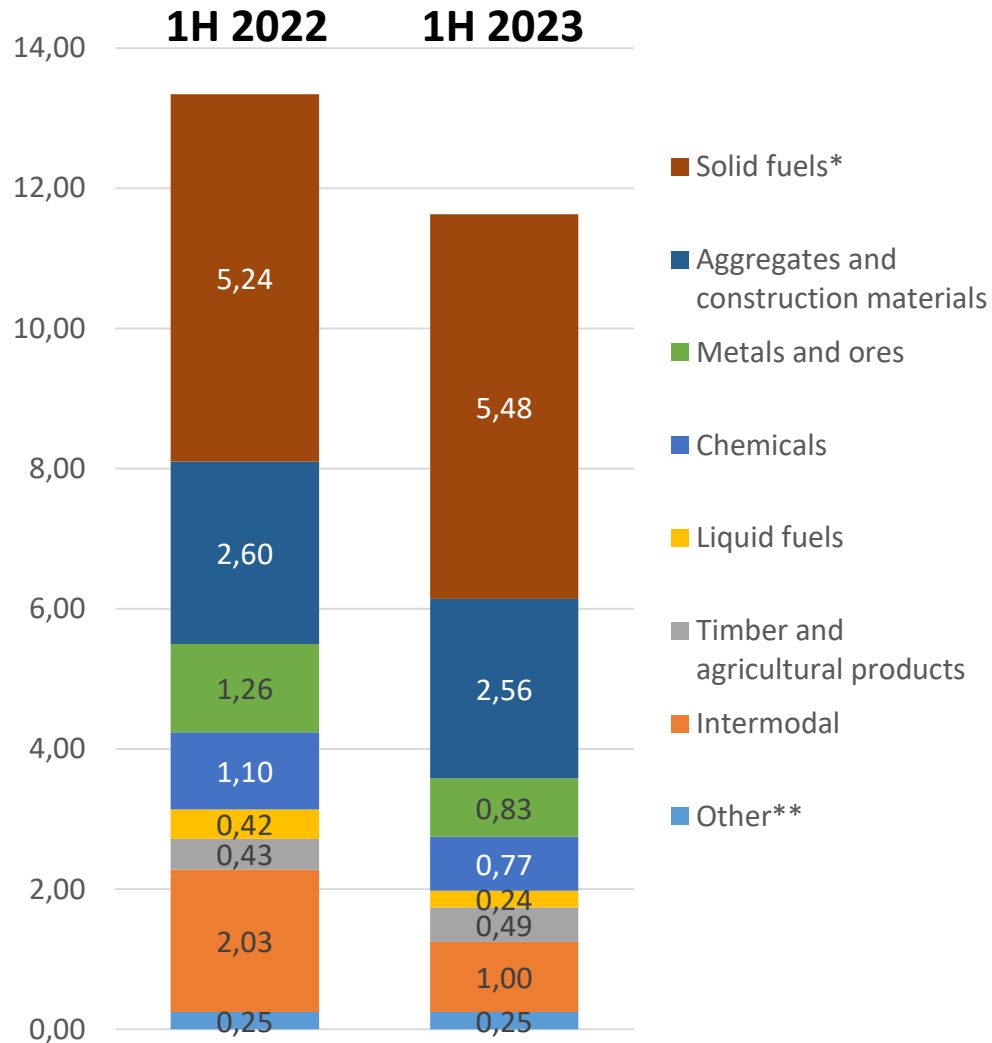


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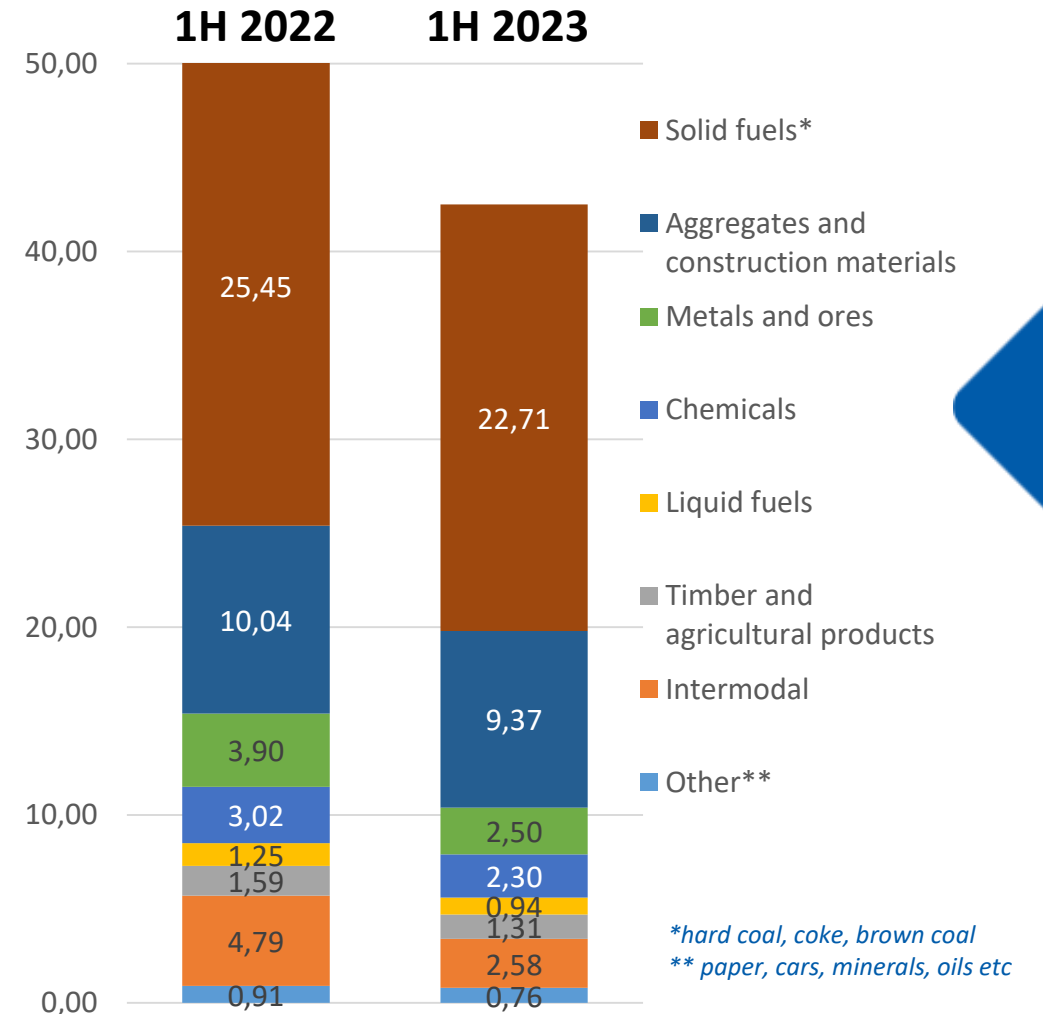
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> Decrease in freight parameters in 1H 2023

Freight turnover y/y
bn tkm



Freight volume y/y
M tons



*hard coal, coke, brown coal
** paper, cars, minerals, oils etc

> Impact of seasonality on all cargo rail transport



HARD COAL TRANSPORT:

The dynamics of changes that were noticeable on the international and domestic coal market influenced customers' decisions on coal demand in the first half of 2023. It resulted in changes in the volume and directions of transports carried out by PKP CARGO S.A., which were additionally decreased due to accumulation of inventories on the customers side (intensification of transport in 2022),



AGGREGATES AND CONSTRUCTION MATERIALS:

Lower customers' demand for construction materials due to following reasons: remaining stocks of materials, limited deliveries of limestone to steelworks in the Czech Republic and to German power stations, restricted quartzite exports via ports to Iceland. On the plus side, increased aggregate deliveries from mines in Silesia to stations located in northern and eastern Poland,



INTERMODAL:

Difficult situation on the intermodal market in the world: the war in Ukraine, economic slowdown, inflation, which had a significant impact on the increase in intermodal transport prices and resulted in a decrease in the amount of transported cargo, coal transport priority. Ongoing repairs of infrastructure in the East-West corridor, insufficient infrastructure capacity in connection with the provision of transport services from/to Ukraine,



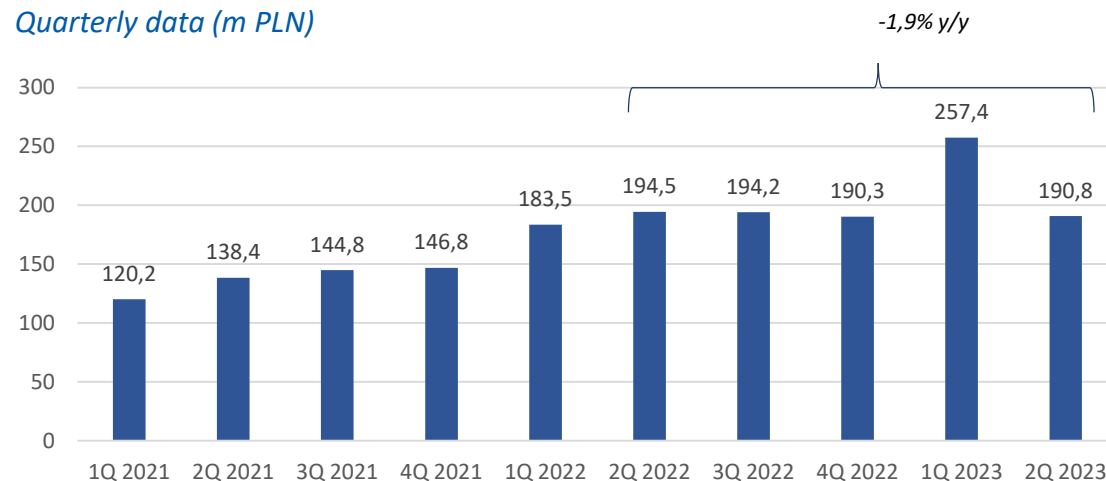
PRODUCE AND TIMBER:

Reducing both domestic timber transport and timber imports from Belarus and Lithuania. Downturn in the market for paper and wood products manufacturers.

> Consumption of traction electricity and traction fuel

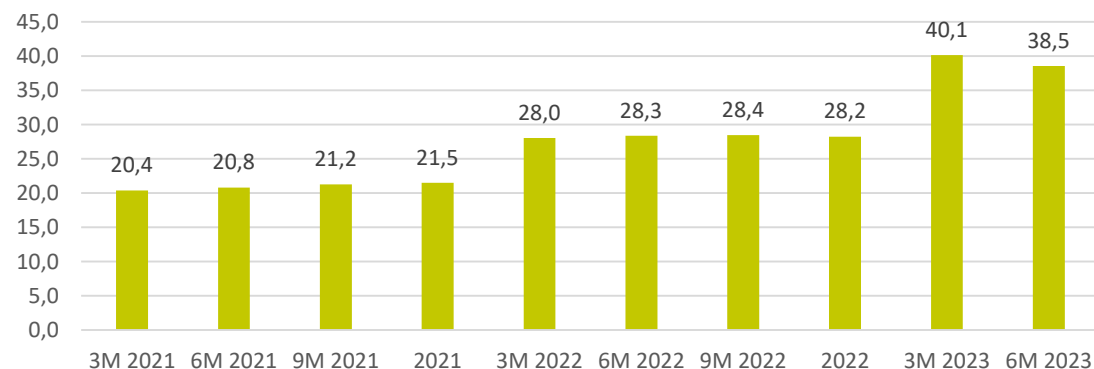
Traction electricity and fuel costs in PKP CARGO Group

Quarterly data (m PLN)



Traction electricity and fuels costs per freight turnover

(PLN/ths tkm)



Traction electricity consumption

- Increase by 18,6 % in costs of traction electricity in first half of 2023 y/y H1 results from similar increase on the wholesale market of Energy prices. Signed agreement with PKP Energetyka allowed PKP CARGO Group to neutralize the influence at the turn of 2022 and 2023 by concluding futures contracts during more favorable period of short decline in pricing in Q2 2023. Thanks to this strategy PKP CARGO managed to curb negative influence of electricity pricing on its customers.
- Variable costs of traction electricity and fuel consumption have fallen in Q2 by 1,9% in comparison to respective period last year.

> PKP CARGO Group - CAPEX

Investments in modern rolling stock

Rolling stock structure in numbers
PKP CARGO Group



Train cars

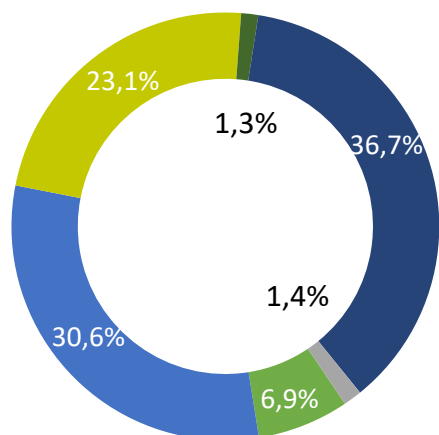
53 142



Locomotives

1 565

CAPEX structure in 1H 2023 (m PLN)



- Investment buildings
- Purchases, periodic repairs and maintenance of train cars
- Modernization and periodic repairs and maintenance of locomotives
- IT
- Rights to assets use
- Others

	1H 2022	1H 2023	y/y	% y/y
Investment buildings	9,3	66,7	57,4	+617,2%
Purchases, periodic repairs and maintenance of train cars	287,2	294,2	7,0	+2,4%
Modernization and periodic repairs and maintenance of locomotives	62,5	222,3	159,8	+255,7%
IT	1,7	12,4	10,7	+629,4%
Rights to assets use ¹⁾	13,6	353,0	339,4	+2 495,6%
Others ²⁾	4,5	13,4	8,9	+197,8%
Total	378,8	962,0	583,2	+154,0%

1) Rights to assets use include leasing on rolling stock, that amounted in 1H 2023 to PLN 270,4 m. The rights to assets use do not include leasing of transport equipment that in 6 months of 2023 amounted to PLN 1,5 m

2) Other investments include i.a.: machines and workshops equipment



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> Employment in PKP CARGO Group



HEADCOUNT IN GROUP (IN PERSONS) AS AT:	BLUE-COLLAR POSITIONS IN GROUP (IN PERSONS) AS AT:	WHITE-COLLAR POSITIONS IN GROUP (IN PERSONS) AS AT:
30/06/2023 19.984	30/06/2023 15.167	30/06/2023 4.817
31/12/2022 20.038	31/12/2022 15.271	31/12/2022 4.767

Employment costs per freight turnover

Employment costs (PLN/ tkm)



Maintaining full operational efficiency by:

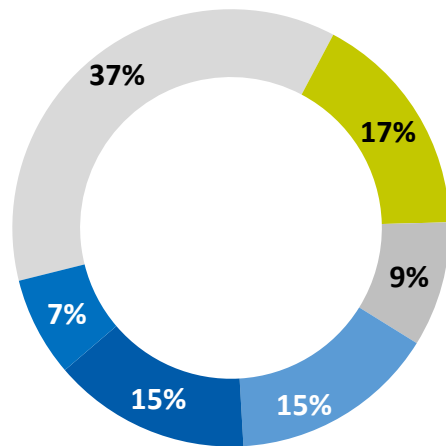
- monitoring the level of employee departures for retirement benefits and appropriately responding to staff shortages in a given business area,
- optimal use of human resources by introducing projects and processes that improve the implementation of goals,
- responding quickly to the dynamically changing employment market,
- organization of the training process, taking into account the time necessary for employees to acquire qualifications and professional qualifications.

> Operating costs in challenging market environment

Operating costs - structure and change in 1H 2023

m PLN

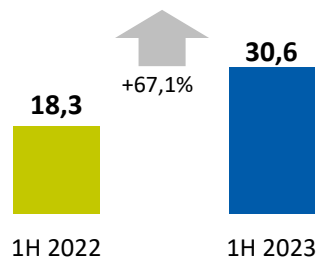
- Employee benefits
- Consumption of traction electricity and fuel
- Access to infrastructure costs
- Transport and other services
- Depreciation, amortization and impairment losses
- Other expenses



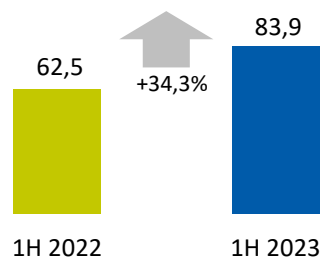
	1H 2022	1H 2023	y/y	% y/y
Employee benefits	832,8	975,5	142,7	17,1%
Consumption of traction electricity and traction fuel	378,0	448,2	70,2	18,6%
Access to infrastructure costs	276,8	246,2	-30,6	-11,1%
Transport and other services*	418,2	406,1	-12,1	-2,9%
Depreciation, amortization and impairment losses	365,4	389,7	24,3	6,7%
Other expenses**	176,1	196,5	20,4	11,6%
Total	2 447,3	2 662,2	214,9	8,8%

Unit costs per freight turnover

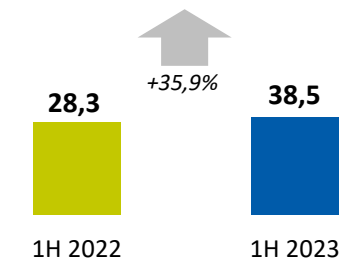
EBITDA per employee (ths PLN/employee)



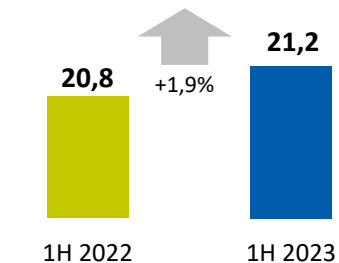
Employee benefits (PLN/ths tkm)



Traction electricity and fuel (PLN/ths tkm)



Access to infrastructure (PLN/ths tkm)

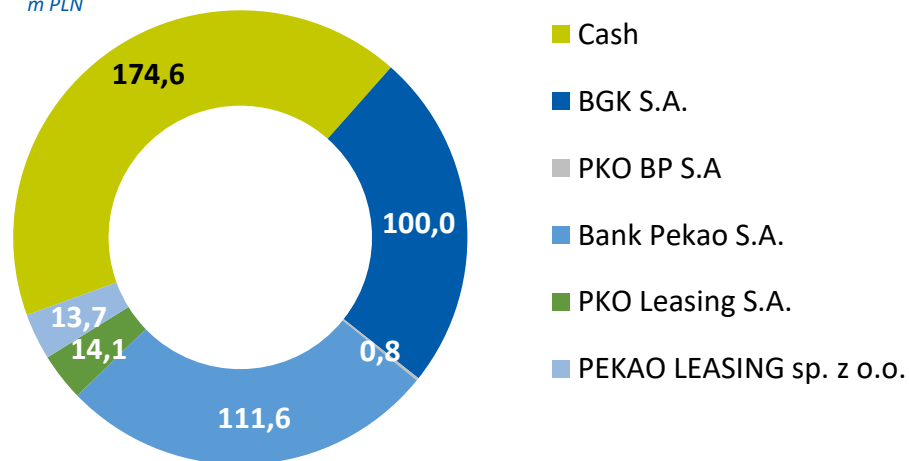


> Cash flows, liabilities and funding sources

Improvement of financial structure

Available funding sources as of 30.06.2023

m PLN



Liabilities structure

m PLN

	31.12.2022	30.06.2023
Long-term	2.344,6	2.529,4
Short-term	2.082,7	2.275,3
Total	4.427,3	4.804,7

Ratio	1H 2022	1H 2023
EBITDA margin	15,0%	20,9%
ROA	-1,8%	3,7%
ROE	-4,5%	9,1%
ROS	-1,7%	3,8%

Cash flow

m PLN

Cash flow	1H 2022	1H 2023	change
Operational	320,0	695,7	375,7
Investment	-430,8	-587,6	-156,8
Financing	-31,7	-111,1	-79,4

> Financial subsidies for rail in Europe

EUR 376 m

- DB CARGO - government aid in recent years has reached EUR 376 million despite the company having incurred losses for over 10 years - in 2022, a loss of EUR 227 million.

EUR 170 m

- SNCF FRET – in 2019, the company received EUR 170 million in government aid and EUR 5.3 billion in debt forgiveness. Currently, the company is being restructured.

EUR 104 m

- Rail Cargo – OBB's subsidiary received over EUR 100 million in subsidies and assistance from the government, which allowed the company to return to profitability.



- Maintains stability and cost discipline,
- ensures the profitability of freight transport,
- did not receive financial support from the State Treasury,
- **generated a positive financial result in 2022 and subsequent quarters of 2023.**

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➤ Stable prospects in a difficult market environment

1H 2023:

- Achieving very good financial results by maintaining profitable contracts,
- the impact of seasonality on the reduction of transport parameters,
- maintaining cost discipline with increased revenues.

Outlook and goals for the incoming quarters:

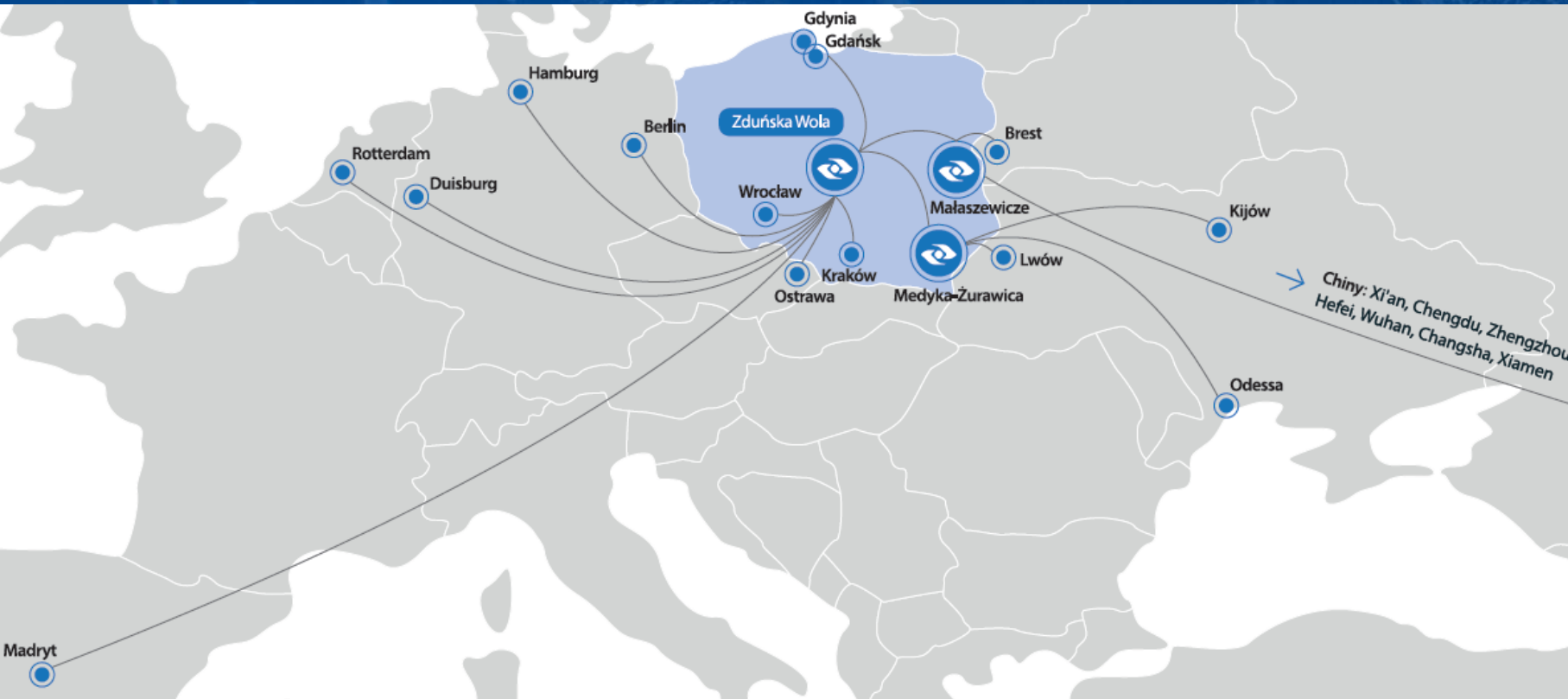
- Focusing on the profitability of transport and striking a balance between the price and the transported freight turnover,
- increase in freight volume due to incoming winter season,
- noticeable symptoms of cooling down of the economy - probable pressure on the parameters of freight volume and transport performance in 2023.

> Intermodal terminal Karsznice

Development and investment in modern rolling stock

Intermodal terminal located in Central Poland, at the junction of the main European east-west communication line and the north-south route connecting e.g. Adriatic, Baltic and North Sea.

✓ located directly on the S8 route connecting the terminal with the European motorway network



- Terminal area: **13 ha,**
- Destination transshipment capacity: **500 ths. multimodal units annually.**

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➤ Intermodal terminal Karsznice

Offered services:

- Transshipment and storage of empty and loaded containers with neutral and dangerous shipments
- Transshipments and storage of semi-trailers and swap bodies handling of containers: ISO 20', ISO 30', ISO 40' and ISO 45', refrigerated containers, containers with neutral, dangerous cargo as well as empty, tank containers – size ISO 8'6" and ISO 9'6"
- Packing and unpacking goods from containers, palletizing

Available equipment:

- Containers transshipment equipment
- Storage yard area 33 000 m²
- Smart systems optimizing Logistics operations, i.a:
Automated system for containers identification allowing for recognition of potential damage
- Over 100 parking places for servicing trucks
- Electronic system of service slots allocation for cargo trains and trucks
- 24/7 monitoring and night lighting
- Drip tray for hazardous cargo materials

Thank you

Please feel free to contact Investors Relations Team in order to obtain more information

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