

# 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



3

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



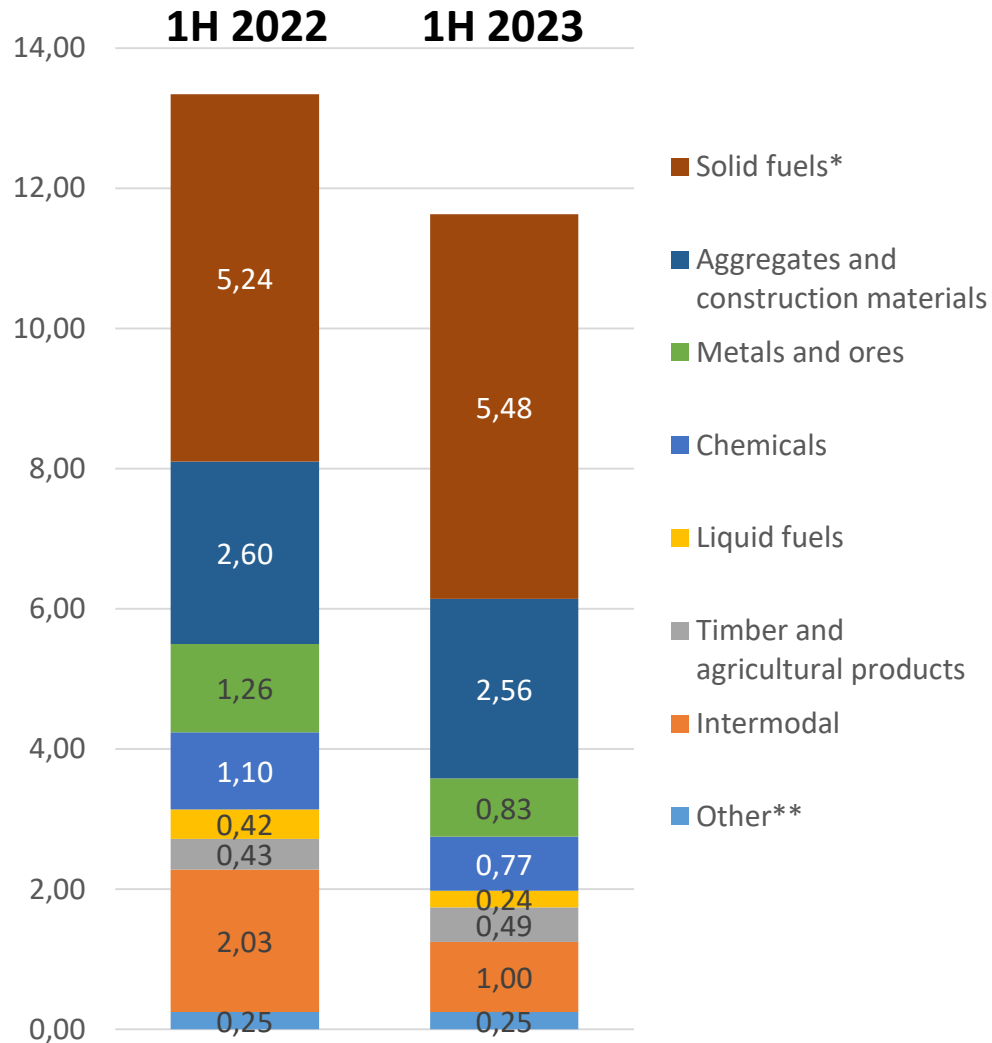


## > Agenda

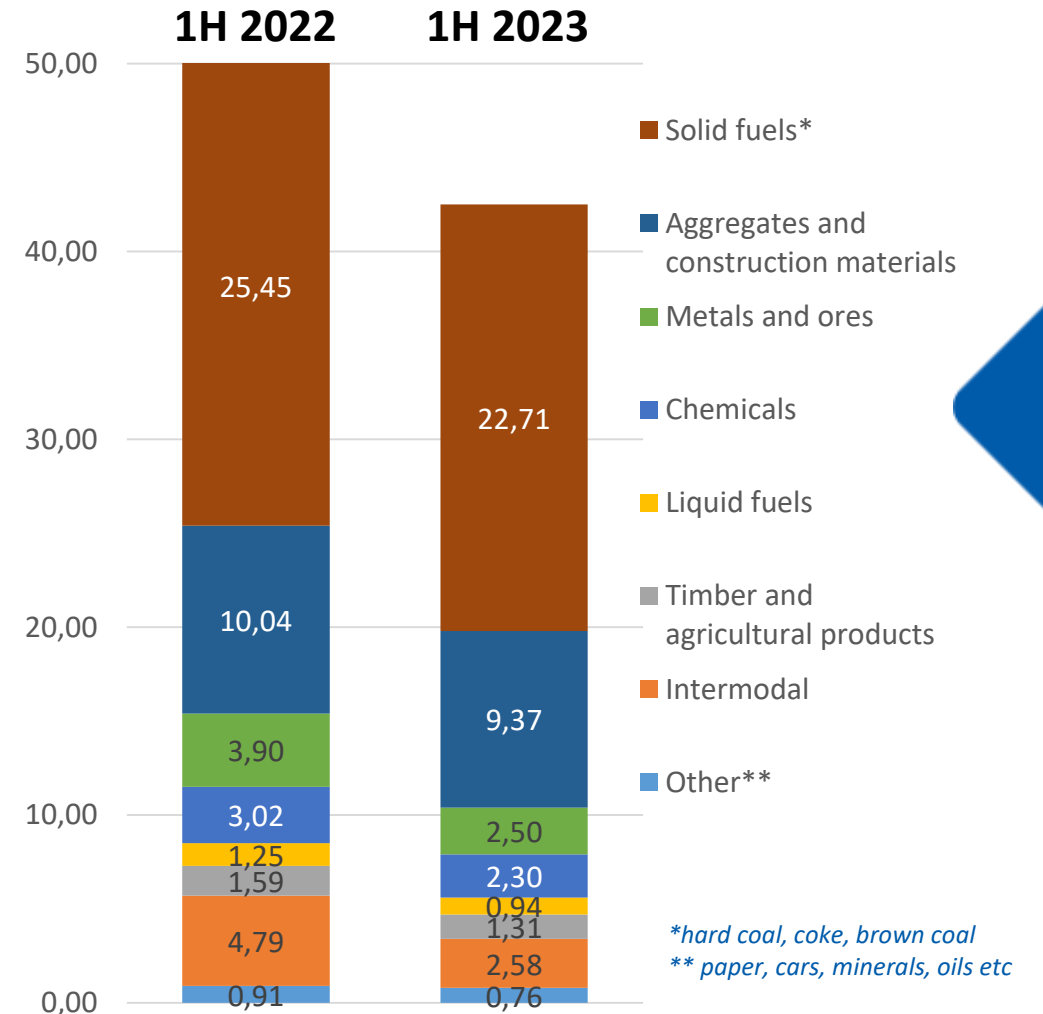
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# > Decrease in freight parameters in 1H 2023

Freight turnover y/y  
bn tkm



Freight volume y/y  
M tons



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



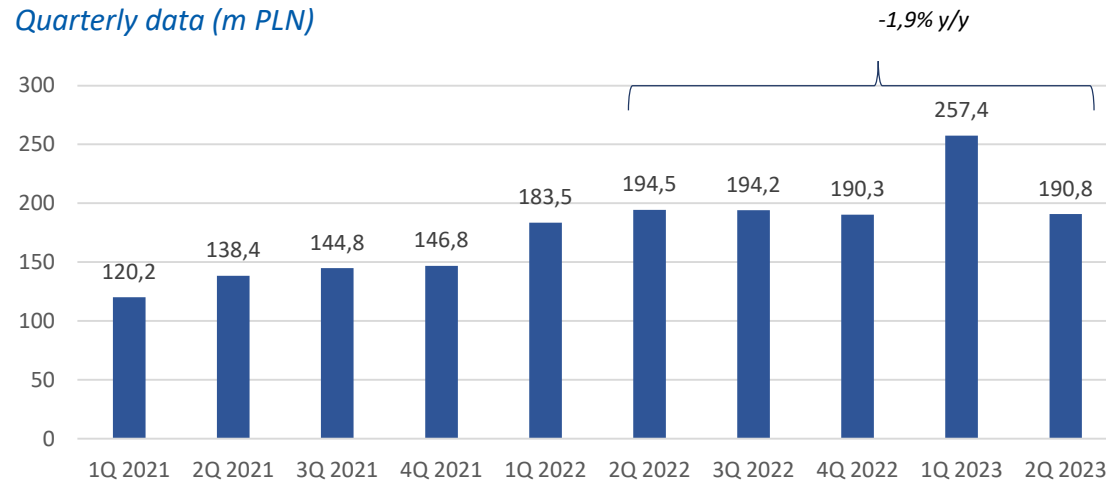
# Consumption of traction electricity and traction fuel

## 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.

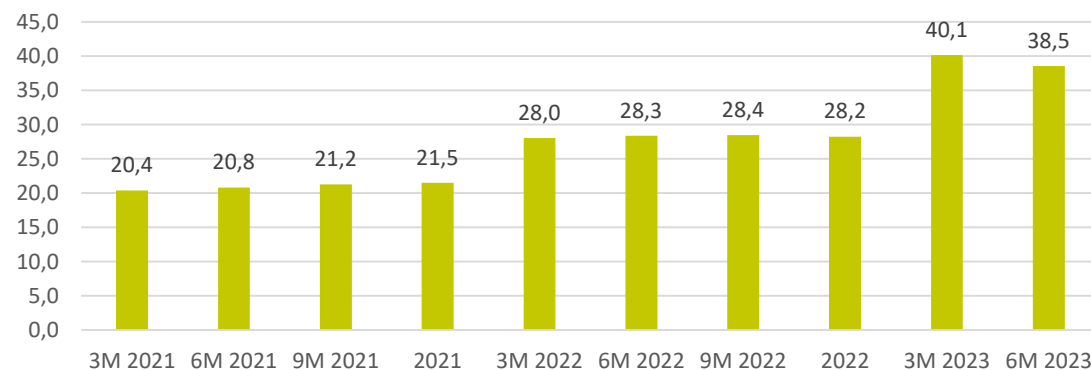
### Traction electricity and fuel costs in PKP CARGO Group

Quarterly data (m PLN)



### Traction electricity and fuels costs per freight turnover

(PLN/ tks tkm)



# > PKP CARGO Group - CAPEX

## Investments in modern rolling stock

Rolling stock structure in numbers  
PKP CARGO Group



Train cars

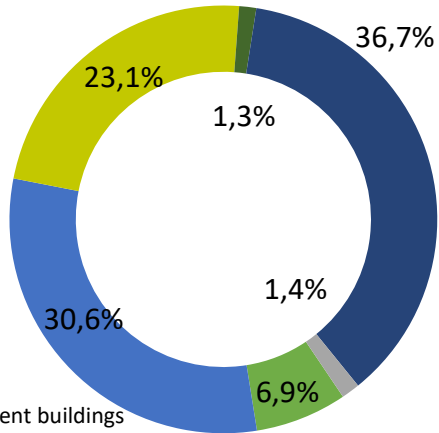
53 142



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

	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 <sup>1)</sup>	13,6	353,0	339,4	+2 495,6%
Others <sup>2)</sup>	4,5	13,4	8,9	+197,8%
<b>Total</b>	<b>378,8</b>	<b>962,0</b>	<b>583,2</b>	<b>+154,0%</b>

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



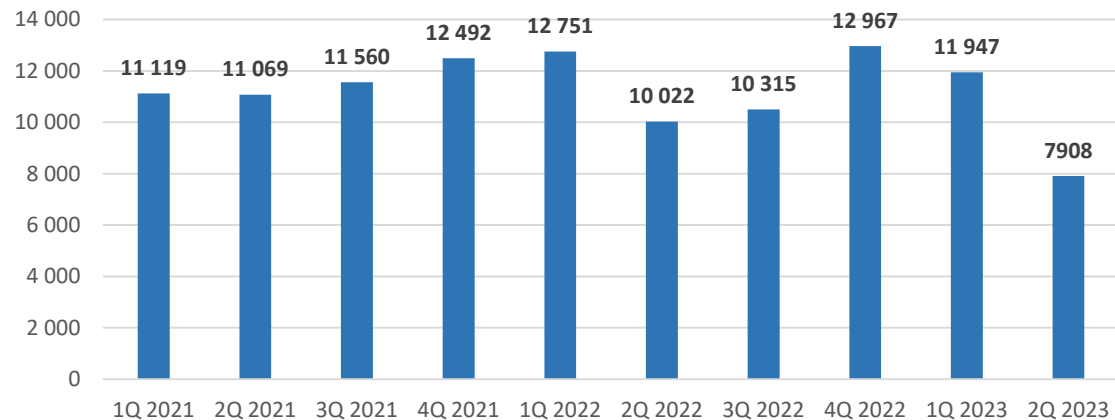


# > Hard coal transport

## Energy safety provided by PKP CARGO

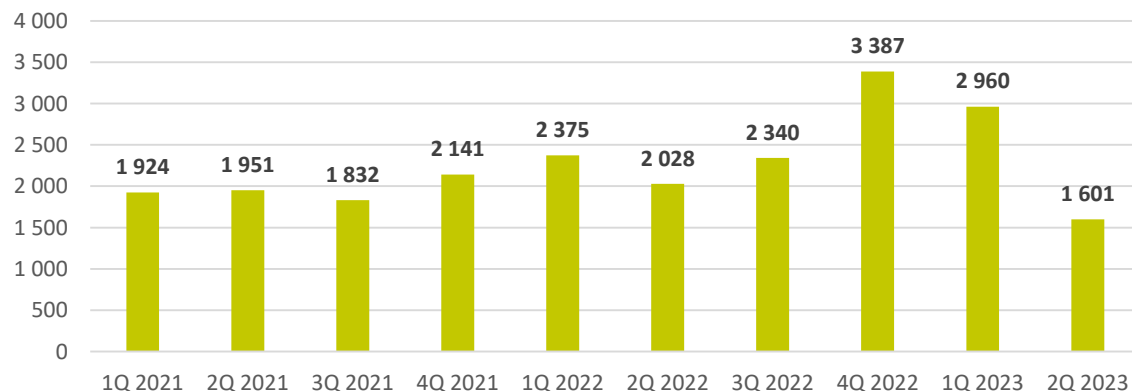
### Hard coal – freight volume

(ths tons)



### Hard coal transport – freight turnover

(m tkm)



- Growth rate of changes occurring in the international and domestic coal market influenced clients' decisions on coal deliveries in H1 2023, which translated into the quantity and directions of transports performed by PKP CARGO,
- accumulated inventories (intensification of transport in 2022),
- generation of energy by commercial power plants based on hard coal only in the period from January to June 2023 stood at 37,571 GWh, i.e. down 13.0% as compared to the same period of 2022 (in the 6 months of 2022, 43,176 GWh were produced based on hard coal),
- increase in the average haul of hard coal by 36 km (18.8%) in connection with the changed direction of deliveries,
- PKP CARGO International - higher hard coal shipments, lower coke and lignite shipments to cogeneration plants and power plants.



# > Aggregates and construction materials – PKP CARGO Group

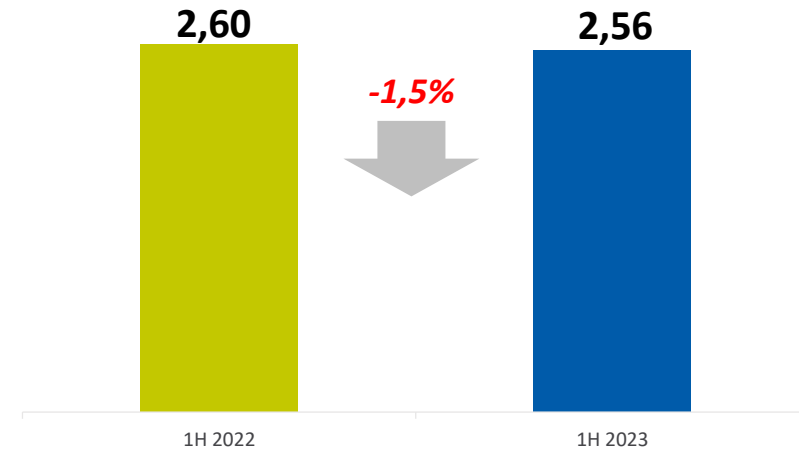
- Decreased demand from customers on aggregates and construction materials was mainly caused by maintaining high level of stocks and:
  - reduced volume of limestone transport operations to Czech steelworks and German power plants,
  - lower volume of transport operations in exports of quartzite through seaports to Iceland – weaker demand from buyers
  - PKP CARGO International a.s. – reduced volume of transport operations for a major producer in this segment which decided to suspend cement production due to its high price
- Increased deliveries of crushed stone from mines in Lower Silesia to stations located in the northern and eastern parts of Poland.

**Main transport routes: Poland, Germany, Ukraine, Belarus, Czechia**

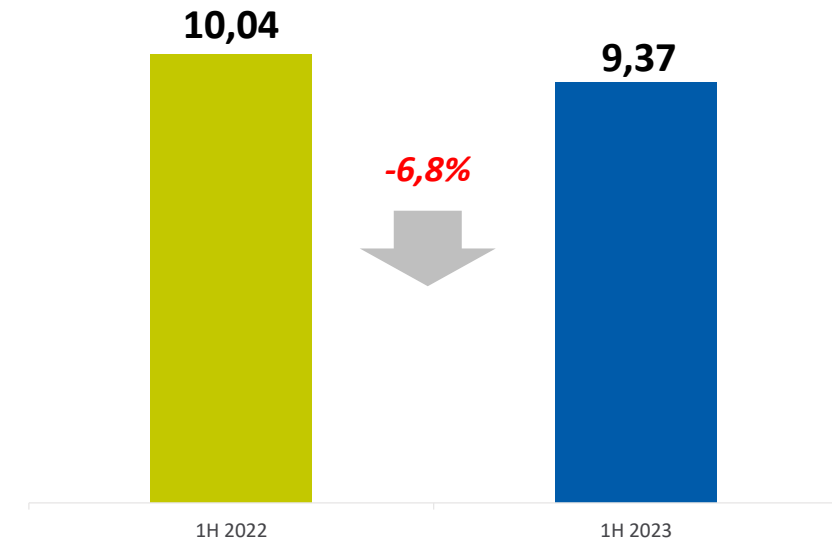


## Aggregates and construction materials

Freight turnover, bn tkm



Freight volume, m tons

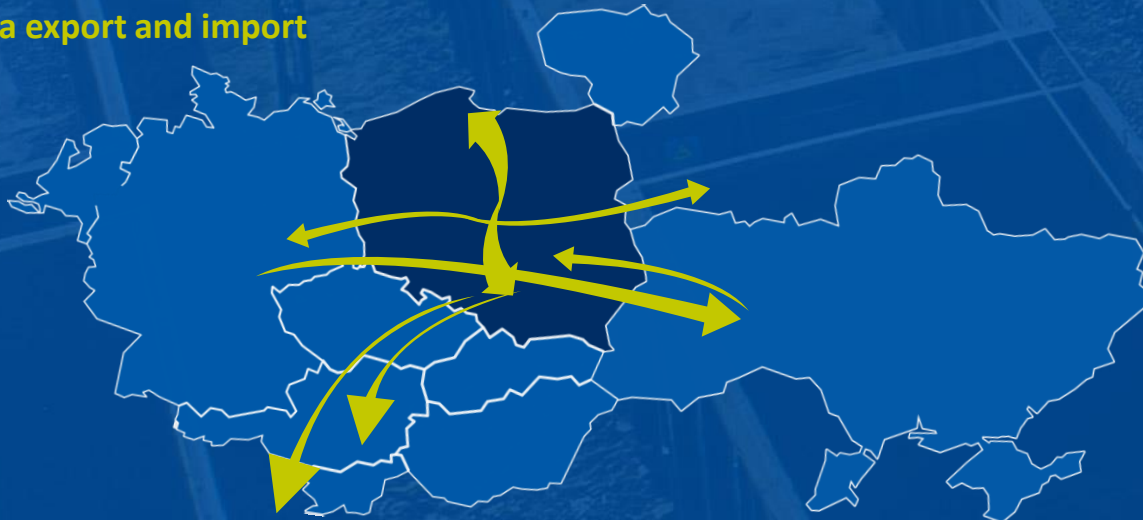




# > Intermodal – PKP CARGO Group

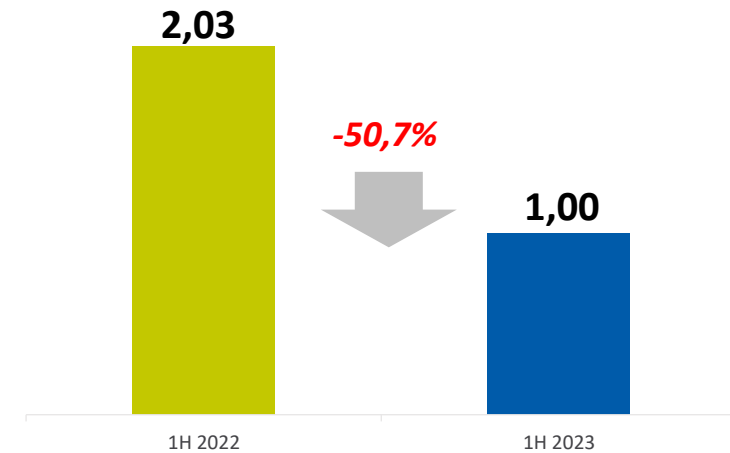
- Difficult situation on the global intermodal market: war in Ukraine, economic slowdown, inflationary pressure – these factors translated considerably into an increase in the prices of intermodal transport operations and resulted in decreased quantities of transported cargo (in favor of road and sea transport), priority given to coal transport.
- Repairs of the infrastructure in the East-West corridor, insufficient throughput of the infrastructure in connection with transports from and to Ukraine.

Main transport routes: Ukraine, China, Germany, Austria, Italy, Czechia, Belarus, sea export and import

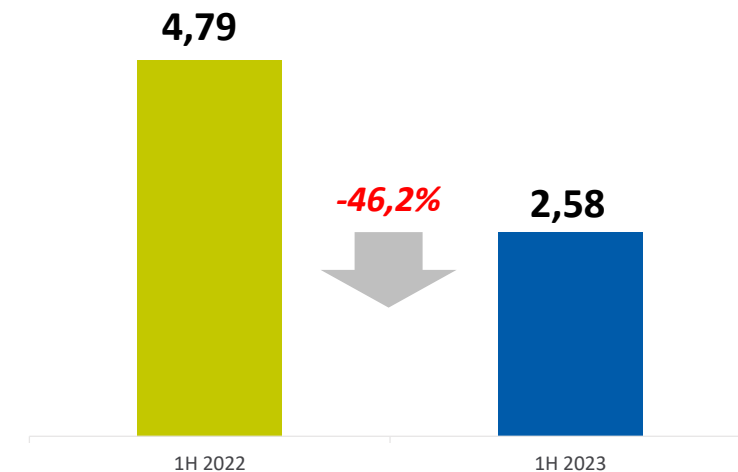


## Intermodal

Freight turnover, bn tkm



Freight volume, m tons





# ➤ Metal and ores – PKP CARGO Group

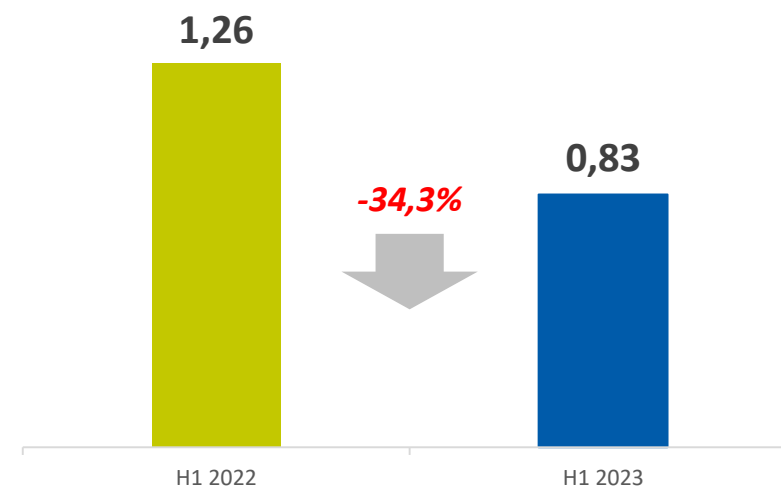
- The volume of shipments in this market segment is heavily influenced by the economic situation in Poland and globally, affecting the volume of supply and demand for steel. The war in Ukraine in 2022 has caused financial turmoil, the collapse of trade with Russia and Belarus, which has translated into increased price pressure in the metals markets, among others. In 2023, the persistently high inflation and steep interest rates in most economies curbed the recovery in demand for steel.
- According to the World Steel Association, global steel production in the period from January to June 2023 was 943.9 million tons, down 1.1% compared to the same period in 2022.
  - Poland's steel production plunged by 20.0% yoy to 3.4 million tons
  - Poland's coke production fell by 12,2% yoy to 4,1 million tons,
  - steel production in the European Union plummeted (to 66.3 million tons, down 10.9% year-on-year).

**Main transport routes: Ukraine, Czechia, Germany, Slovakia, sea export and import**

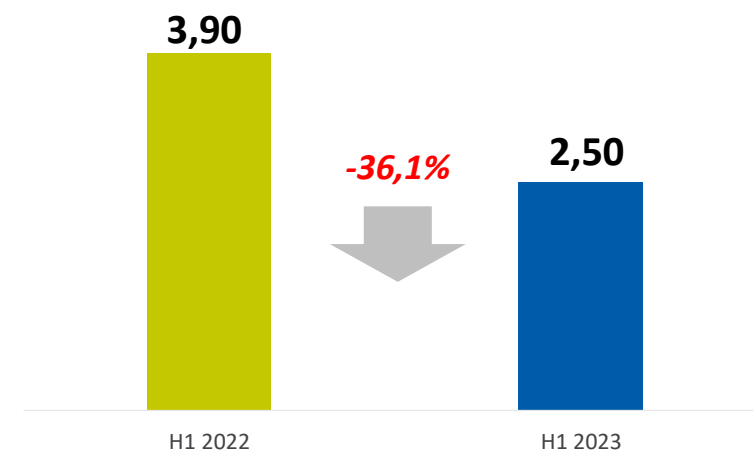


## Metals and ores

*Freight turnover, bn tkm*



*Freight volume, m tons*





# > Produce and timber – PKP CARGO Group

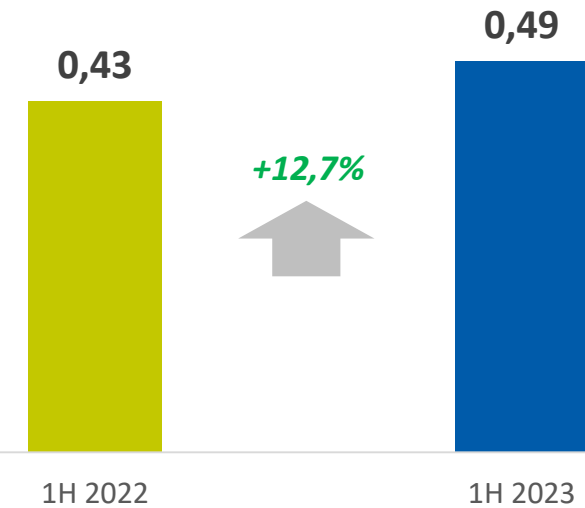
- Absence of imported timber shipments through Polish seaports.
- Less transports of imported timber from Belarus and Lithuania
- Reduction in domestic transport of timber (in connection with a significant downturn in the market for paper and wood products manufacturers).

Main transport routes: Ukraine, Germany, Czechia, Latvia, Slovakia, Belarus

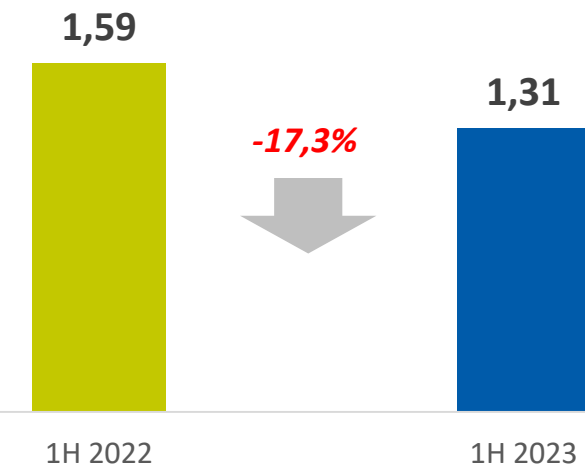


## Produce and timber

Freight turnover, bn tkm



Freight volume, m tons







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# > Employment in PKP CARGO Group



HEADCOUNT  
IN GROUP (IN PERSONS)  
AS AT:

30/06/2023  
**19.984**

31/12/2022  
**20.038**

BLUE-COLLAR POSITIONS  
IN GROUP (IN PERSONS)  
AS AT:

30/06/2023  
**15.167**

31/12/2022  
**15.271**

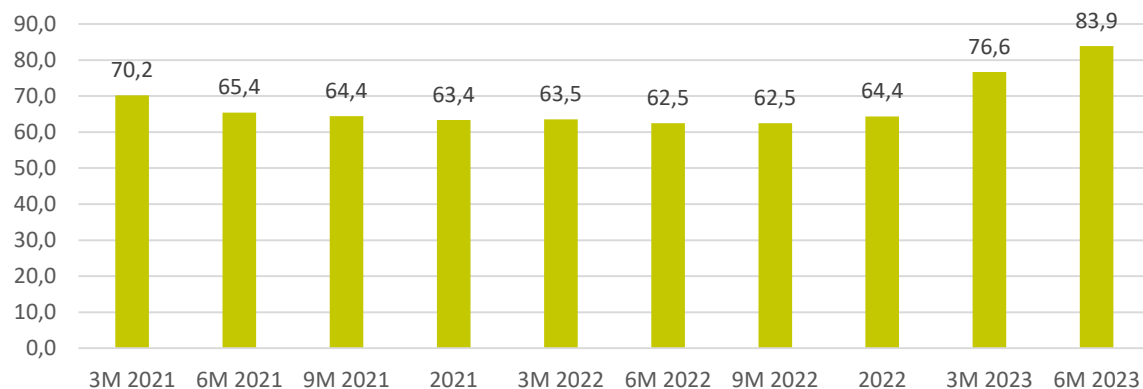
WHITE-COLLAR POSITIONS  
IN GROUP (IN PERSONS)  
AS AT:

30/06/2023  
**4.817**

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.

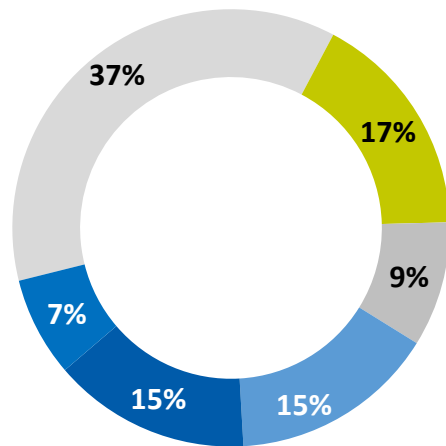


# > Operating costs in challenging market environment

## Operating costs - structure and change in 1H 2023

m PLN

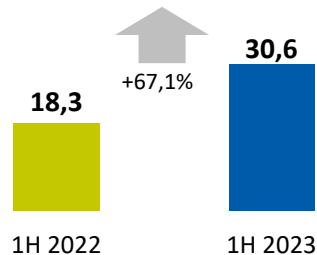
- Employee benefits
- Consumption of traction electricity and fuel
- Access to infrastructure costs
- Transport and other services
- Depreciation, amortization and impairment losses
- Other expenses



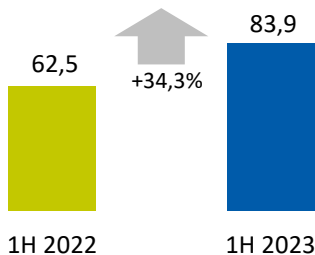
	1H 2022	1H 2023	y/y	% y/y
Employee benefits	832,8	975,5	142,7	17,1%
Consumption of traction electricity and traction fuel	378,0	448,2	70,2	18,6%
Access to infrastructure costs	276,8	246,2	-30,6	-11,1%
Transport and other services*	418,2	406,1	-12,1	-2,9%
Depreciation, amortization and impairment losses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

## Unit costs per freight turnover

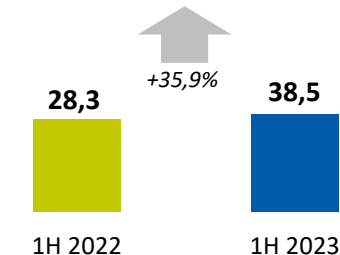
EBITDA per employee (ths PLN/employee)



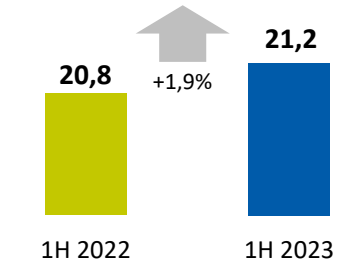
Employee benefits (PLN/ths tkm)



Traction electricity and fuel (PLN/ths tkm)



Access to infrastructure (PLN/ths tkm)

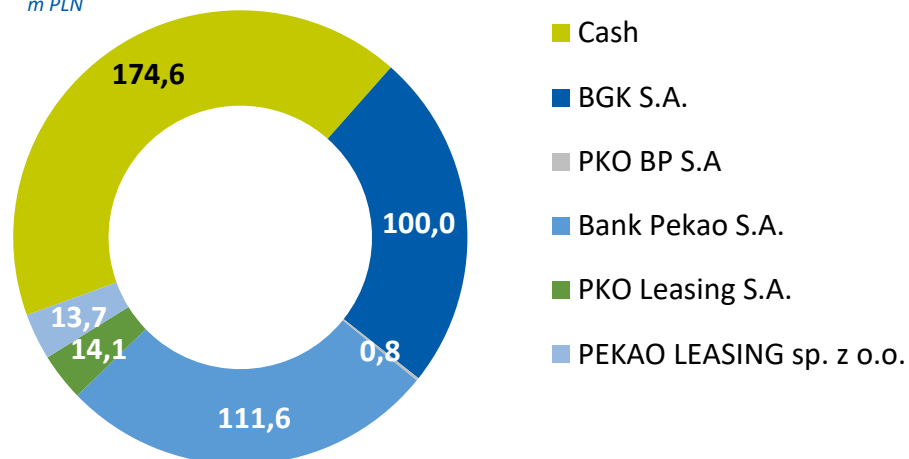


# > Cash flows, liabilities and funding sources

## 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
<b>Total</b>	<b>4.427,3</b>	<b>4.804,7</b>

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.**

17





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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:

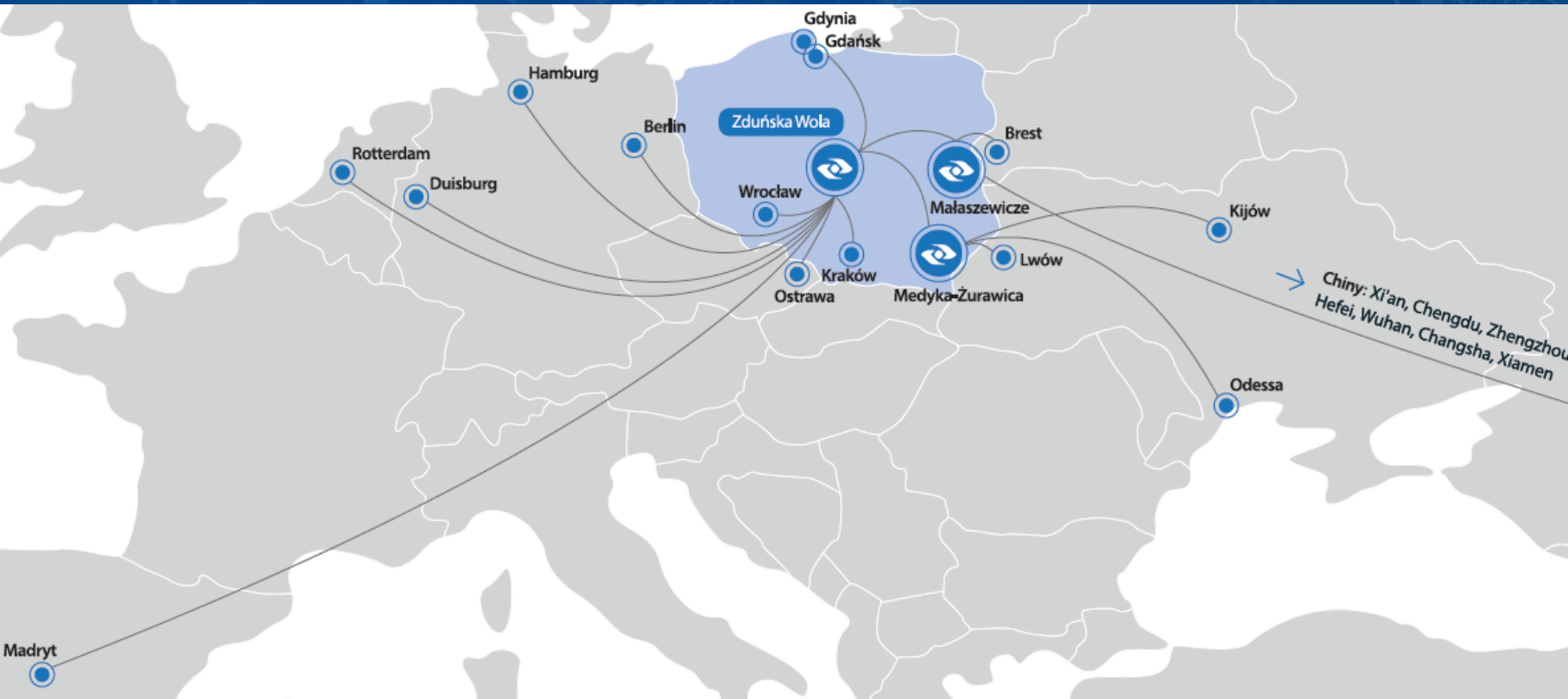
- Focusing on the profitability of transport and striking a balance between the price and the transported freight turnover,
- increase in freight volume due to incoming winter season,
- noticeable symptoms of cooling down of the economy - probable pressure on the parameters of freight volume and transport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

**120**



## ➤ 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 m<sup>2</sup>
- 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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