

Financial and operating results of the PKP CARGO Group

for Q1 2024



Warsaw, 27 May 2024





> Agenda

- **Summary of results**
- Market environment
- Operating results
- Financial results
- Priorities in 2024

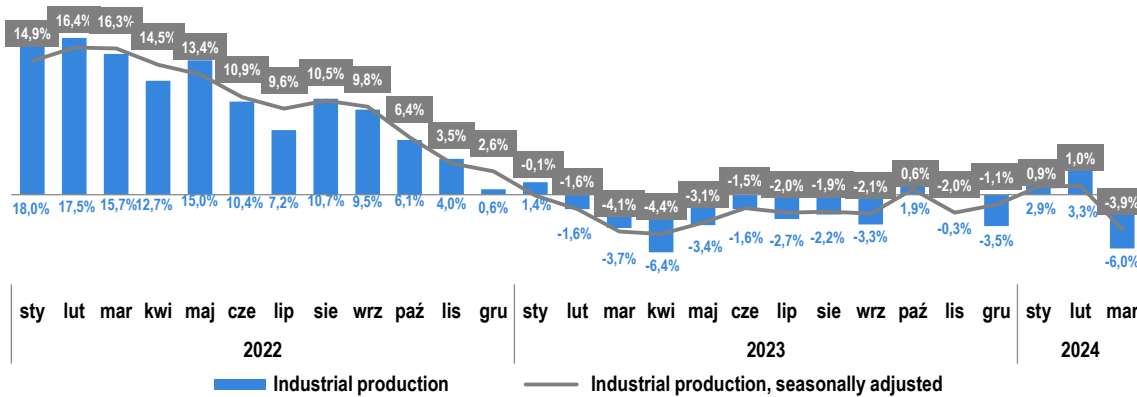


> Agenda

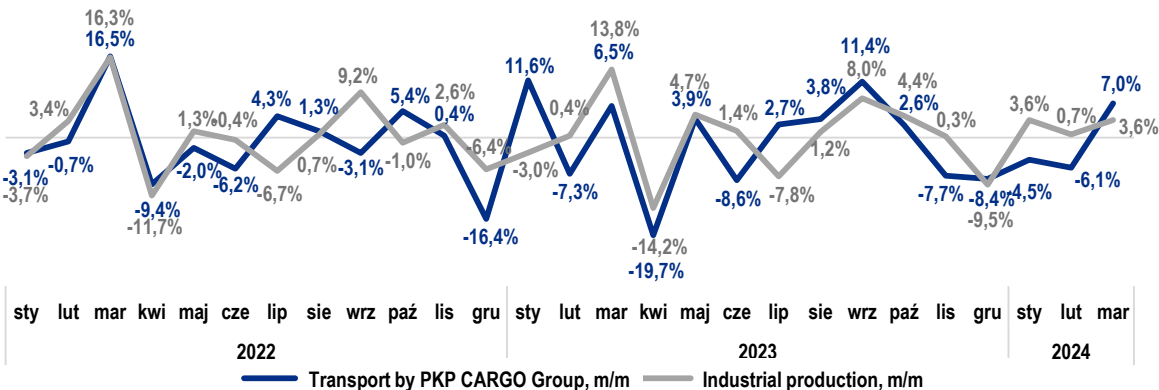
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➤ Deepening downturn in the industrial sector

Industrial production growth, y/y



Changes in industrial production vs. changes in transport by the PKP CARGO Group on the domestic market, m/m



Polish rail freight market under pressure from a slowdown in the industrial sector in Q1 2024

- A slowdown in the industrial sector in Q1 2024:
 - In March 2024, year-on-year decreases in industrial production were recorded in 26 out of 34 industrial sectors classified by Statistics Poland.
 - The decrease occurred, among others, in the production of goods important in the context of potential transport services by the PKP CARGO Group, i.e. electrical equipment (-29.1% yoy), coal and lignite (-25.9% yoy), metals (-12.5% yoy), metal products (-10.3% yoy), machinery and equipment (-9.3% yoy), furniture (-8.1% yoy), other non-metallic mineral products (-6.6% yoy), rubber and plastic products (-5.3% yoy), motor vehicles, trailers and semi-trailers (-4.7% yoy), wood, cork, straw and wicker products (-3.9%) and paper and paper products (-0.7% yoy).
 - There was a clear decline in mining and quarrying output (-13.1% yoy), which was due to high coal stockpiles and limited demand from the energy sector.



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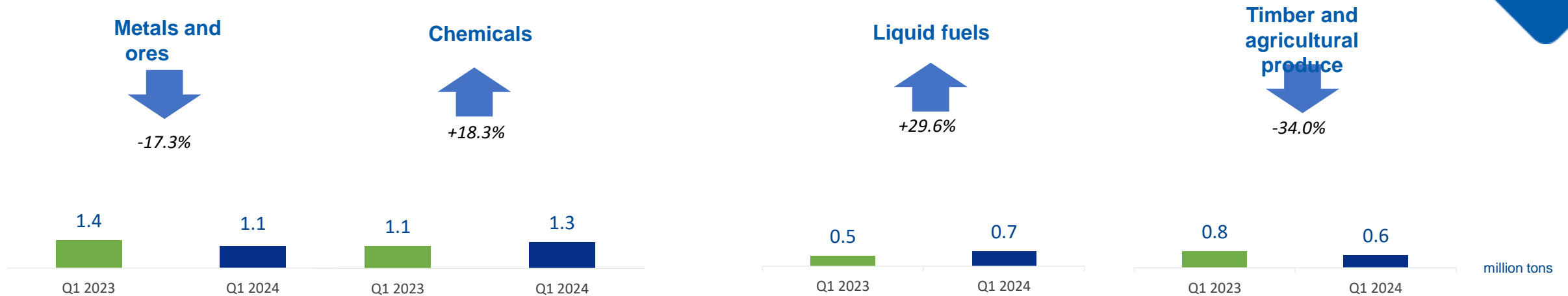
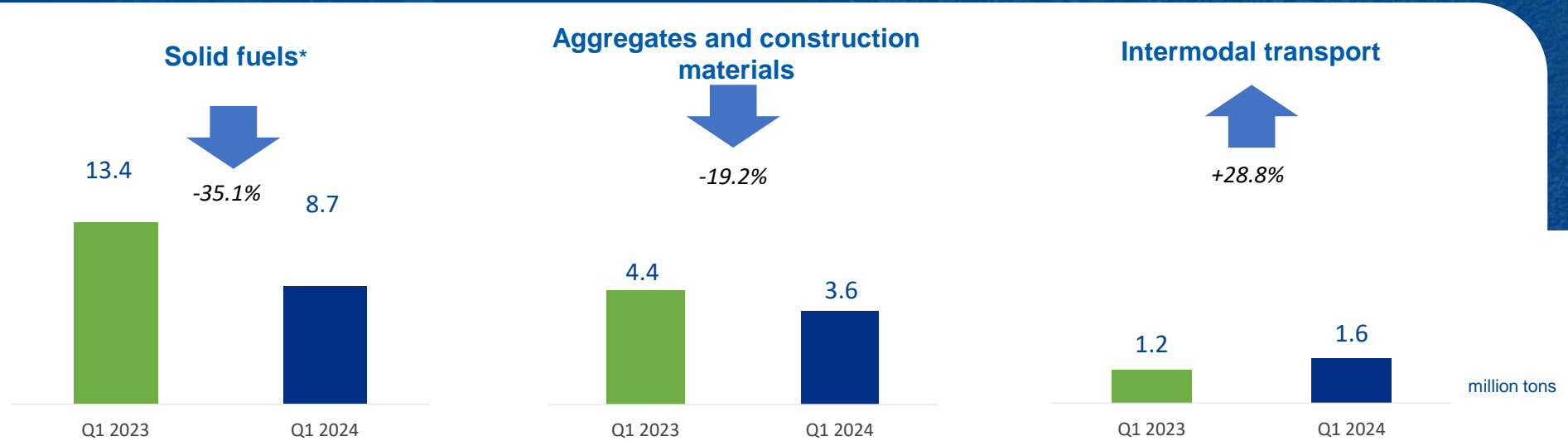
➤ Decline in freight volume



Polish rail freight market under pressure in Q1 2024

- In Q1 2024, the rail freight sector transported 54.2 million tons of cargo (-10.5% yoy).
- In the period in question, the PKP CARGO Group transported 16.2 million tons of cargo, i.e. 25.3% less year-on-year (*domestic market*).
 - PKP CARGO Group's share of the Polish market was 30%, compared to 35.8% in the corresponding period of 2023.
- In March of this year, the volume of cargo transported by the sector increased by 5.1% compared to the previous month
- In the PKP CARGO Group, the volume of cargo increased by +7.0% month-on-month.
 - The monthly increase among its competitors was +4.3%.
- The PKP CARGO Group's market share in March 2024 was 29.6% (+0.5 p.p. month-on-month) in terms of freight volume.
 - *Long-term market growth potential during market recovery*

> Situation in key transport segments - freight volume of the PKP CARGO Group in Q1 2024 (consolidated numbers)



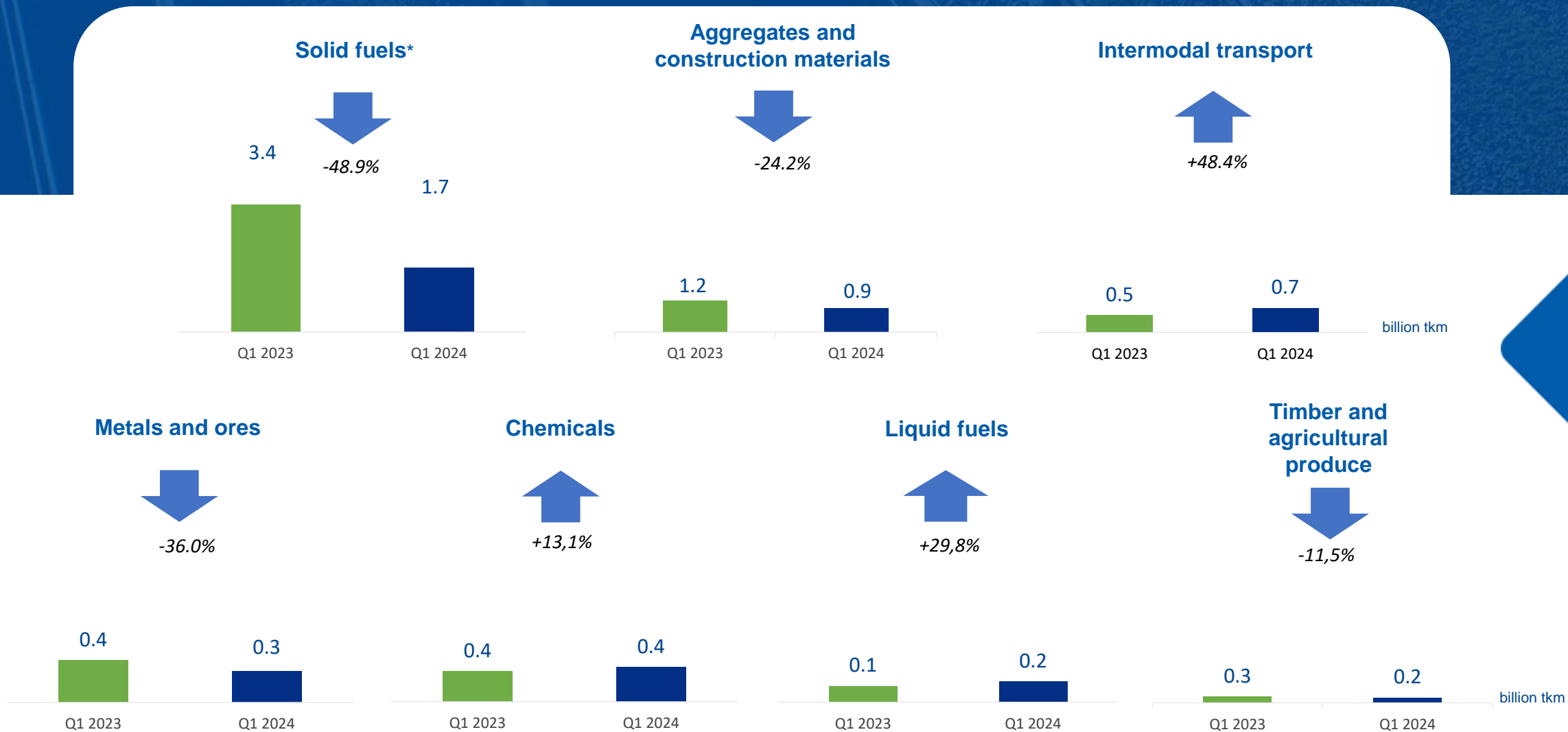
Decline in freight turnover



Polish rail freight market under pressure in Q1 2024

- In Q1 2024, freight turnover fell 12.6% yoy to 14.0 billion tkm.
- In the period under review, the PKP CARGO Group achieved freight turnover of 4.2 billion tkm (-30.8% yoy) (*domestic market*)
 - The market share of the PKP CARGO Group by freight turnover was 29.6 (-7.8 p.p yoy).
- In March of this year, freight turnover in the sector increased by 6.6% compared to the previous month.
- The PKP CARGO Group increased its freight turnover by 11.7% month-on-month, while private rail freight operators in aggregate grew by +4.6% month-on-month.
- In March 2024, the PKP CARGO Group's market share in terms of freight turnover was 29.4% (+1.3 p.p. month-on-month).

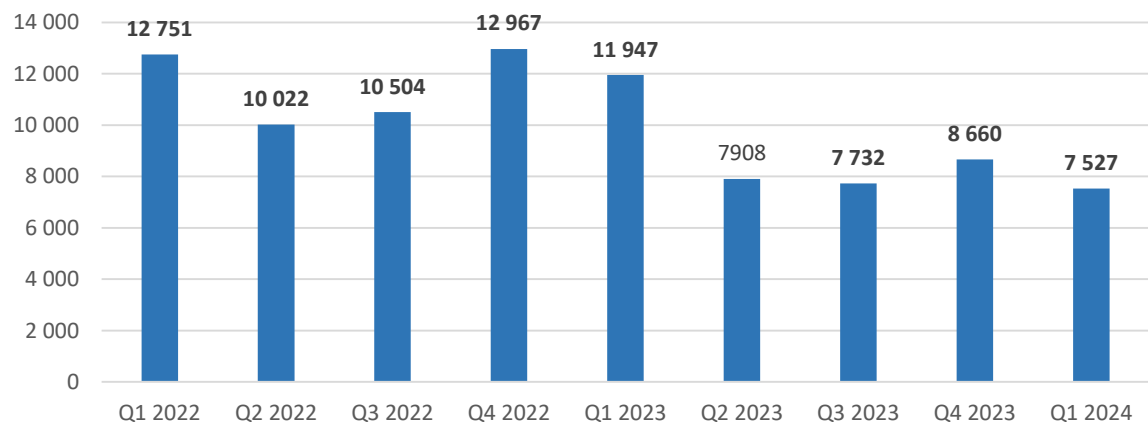
> Situation in key transport segments - freight turnover PKP CARGO Group in Q1 2024 (consolidated data)



➤ Critical segment of the rail freight market impacted by the climate policy

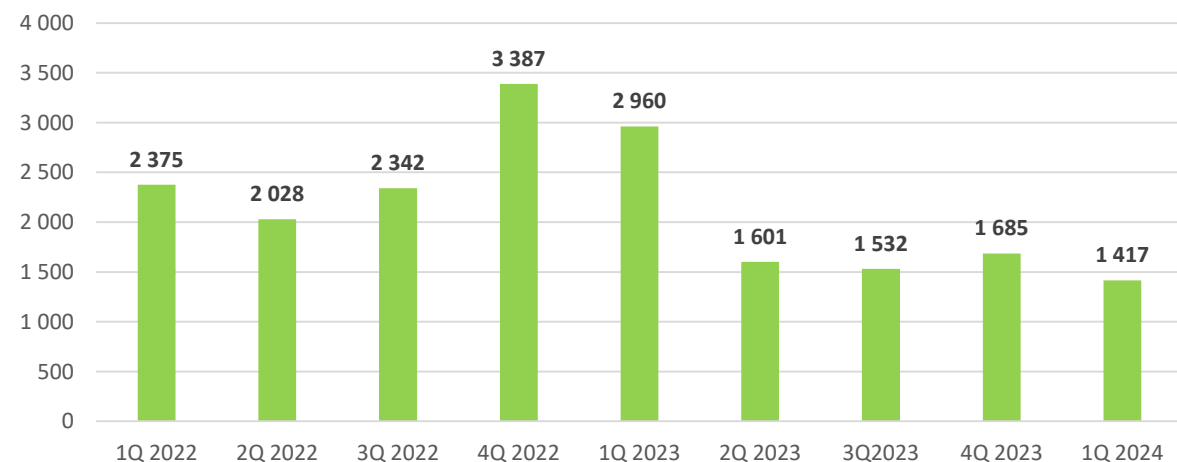
Transport: hard coal - PKP CARGO Group *(consolidated data)*

freight volume (thous. tons)



Transport: hard coal - PKP CARGO Group *(consolidated data)*

freight turnover (mm tkm)



- The demand of the energy sector for coal is consistently declining:
 - Companies adapt to the requirements of the climate policy
 - Domestic hard coal production and sales in Poland decreased in Q1 of this year by -4.6% and 14.1% yoy, respectively.
 - Reduction of hard coal's share in energy mix: the share of hard coal in total energy production was 43.7% in Q1 of this year.
- Growing competition from other fuel: lower prices of natural gas, development of RES
- High level of hard coal inventories in mine storage yards in Poland: at the end of March 2024 it was over 4.9 million tons (up by +3.2 million tons, or +184.7% yoy); moreover it has visibly increased since the end of the last year (up by almost +0.8 million tons, or +18.2% vs. December 2023)



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> Q1 2024 results of the PKP CARGO Group under pressure from market slowdown

REVENUES FROM
CONTRACTS WITH
CUSTOMERS

PLN 1,180.7 m

-24.5% yoy

FREIGHT
VOLUME

17.9 m tons

-23.3% yoy

FREIGHT
TURNOVER

4.6 b tkm

-28.8% yoy

CAPITAL EXPENDITURES
(CAPEX)

PLN 323.5 m

-31.1% yoy

EBITDA

PLN 122.4 m

-65.9% yoy

EBIT

PLN -96.8 m

PLN -264.8 million yoy

NET RESULT

PLN -118.1 m

PLN -222.3 million yoy

CASH AT THE
END OF THE PERIOD

PLN 176.6 m

vs. PLN 263.7 million
at the end of 2023

EBITDA
MARGIN

10.3%

OPERATING
EXPENSES

PLN 1,263.0 m

-9.2% yoy

FINANCIAL REVENUE
(AND EXPENSES)

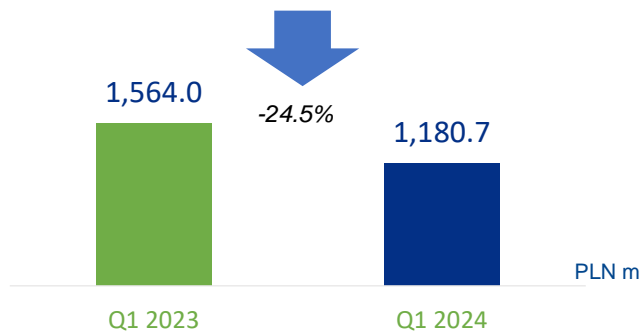
PLN -48.0 m

+15.7% yoy

12

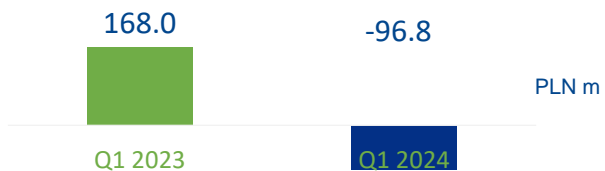
> Decrease in revenues and operating results

Revenues from contracts with customers

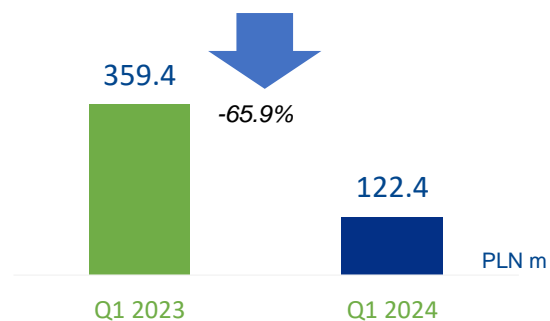


EBIT

↓
PLN -264.8 million



EBITDA



Decrease in revenues and operating results

- Revenues and EBITDA fell by 24.5% and 65.9% yoy, respectively.

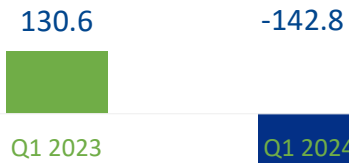
EBIT impacted by:

- Increased depreciation expenses, which are driven by capital expenditures incurred in previous years in order to develop the Group – by PLN 27.8 million, i.e. 14.5% yoy.
- A 6% yoy increase in employee benefits, which represent 41.3% of costs incurred in Q1, driven, among other things, by salary raises (PLN 29.5 million) since January 2024.
- Reduced costs of:
 - consumption of electricity and traction fuel and infrastructure access services - due to lower freight turnover
 - transportation services – due to lower freight turnover

> Net profit under pressure from financial expenses

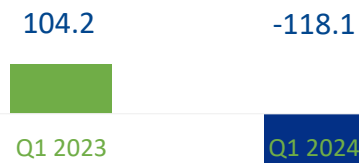
Pre-tax result PLN m

↓
PLN -273.4 million



Net result PLN m

↓
PLN -222.3 million



Financial revenue (and expenses) PLN m

↓
15.7%



Decline in profit

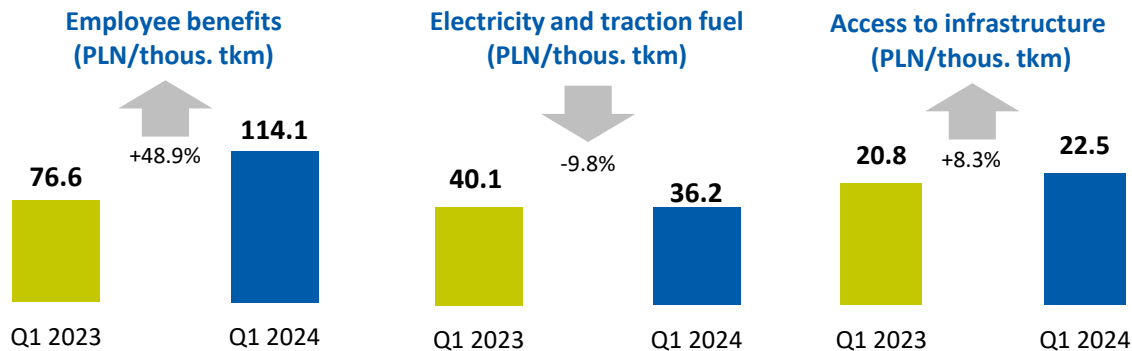
- Net financial revenue and (expenses): PLN -48.0 million.
- Negative pre-tax result: PLN -142.8 million.
- Net loss of PLN 118.1 million compared to a profit of PLN 104.2 million in the corresponding period of 2023.
- Income tax of PLN 24.7 million recognized in profit or loss

Pressure from employee and depreciation expenses

in PLN million

	Q1 2023	Q1 2024	Change yoy	% change yoy	% share
Employee benefits	491.8	521.3	29.5	+6.0%	41.3%
Depreciation and amortization and impairment losses	191.4	219.2	27.8	+14.5%	17.4%
Electricity and traction fuel	257.4	165.4	-92.0	-35.7%	13.1%
Access to infrastructure	133.2	102.7	-30.5	-22.9%	8.1%
Transport and other services*	213.2	162.3	-50.9	-23.9%	12.8%
Other cost**	104.1	92.1	-12.0	-11.5%	7.3%
Total	1,391.1	1,263.0	-128.1	-9.2%	100%

Unit cost per freight turnover



- Payroll costs up by 6% yoy.
- Headcount down by 408 people compared to 31 December 2023
 - Employee benefits are growing faster than freight turnover, which reduces operating efficiency of the business
- Results are under additional pressure from depreciation expenses due to high capital expenditure program in the previous years

15



ZATRUDNIENIE
W GRUPIE (OSOBY)
STAN NA:

31/03/2024
19 525

31/12/2023
19 933

STANOWISKA ROBOTNICZE
W GRUPIE (OSOBY)
STAN NA:

31/03/2024
14 754

31/12/2023
15 108

STANOWISKA NIEROBOTNICZE
W GRUPIE (OSOBY)
STAN NA:

31/03/2024
4 771

31/12/2023
4 825

> Reduction of capital expenditures to match the needs

PLN m

	Q1 2023	Q1 2024	Change yoy	% change yoy	% share
Investment construction activity	29.5	2.8	-26.7	-90.5%	0.9%
Locomotive upgrades	0.1	0.0	-0.1	-100.0%	0.0%
Workshop machinery and equipment	8.3	1.3	-7.0	-84.3%	0.4%
ICT development	1.8	1.0	-0.8	-44.4%	0.3%
Other ²⁾	0.4	0.7	0.3	75.0%	0.2%
Components in overhaul, including:	160.8	203.4	42.6	26.5%	62.9%
Repairs and periodic inspections of locomotives	30.8	40.4	9.6	31.2%	12.5%
Repairs and periodic inspections of wagons	130.0	163.0	33.0	25.4%	50.4%
Right-of-use assets ¹⁾ , including:	268.4	114.3	-154.1	-57.4%	35.3%
Real estate	57.8	60.5	2.7	4.7%	18.7%
Locomotives	202.9	50.8	-152.1	-75.0%	15.7%
Wagons	2.1	0.2	-1.9	-90.5%	0.1%
Other rights	5.6	2.8	-2.8	-50.0%	0.9%
Total	469.3	323.5	-145.8	-31.1%	100%

Structure of rolling stock used by the PKP CARGO Group

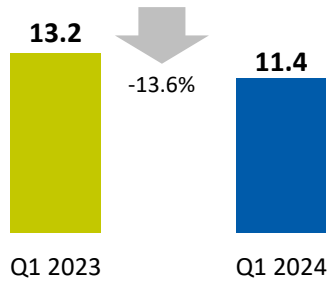


- 1) Locomotive leases + real estate leases, Expenditures for right-of-use assets for 3M 2023 do not include increases of PLN 1.5 million resulting from leaseback of transport equipment.
- 2) Others capital expenditures include expenditures on, among others, workshop machinery and equipment

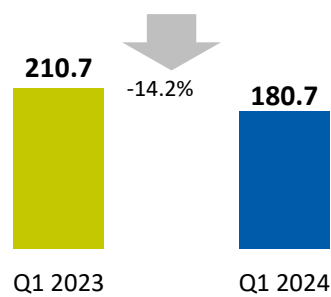
- 31.1% decline in capital expenditures yoy to PLN 323.5 million
 - Decrease in capital construction expenditure, mainly due to the completion of construction of the Zduńska Wola Karsznice multimodal terminal
 - Decrease in other areas, such as purchases of machinery, equipment, other workshop and office equipment and computerization, i.e. purchases of computer hardware and intangible assets (software)
 - Decrease in right-of-use asset: 3 Dragon locomotives were derecognized as locomotive leases
- The largest expenditures were incurred in Q1 2024 on repairs and periodic inspection of locomotives and wagons

> Improvement of operational efficiency as an objective for 2024

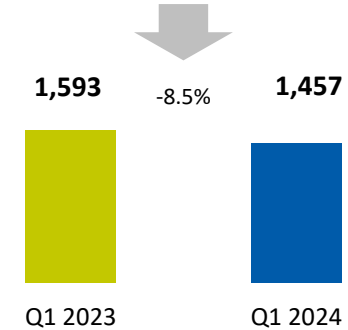
Average daily running time of a locomotive (h)



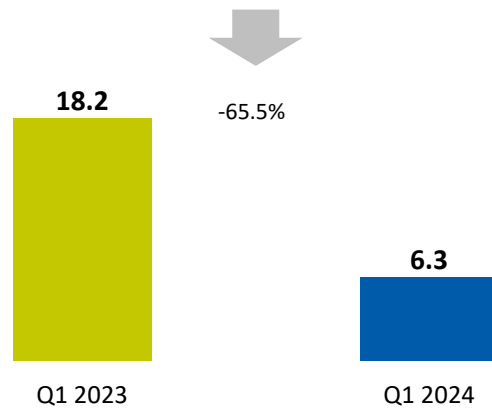
Average distance covered per locomotive (km/day)



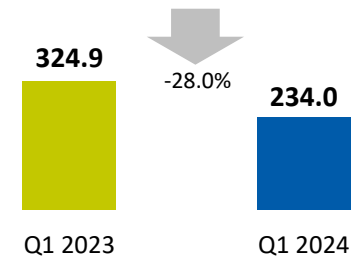
Average gross train tonnage per operating locomotive (in tons)



EBITDA per employee (thous. PLN/employee)

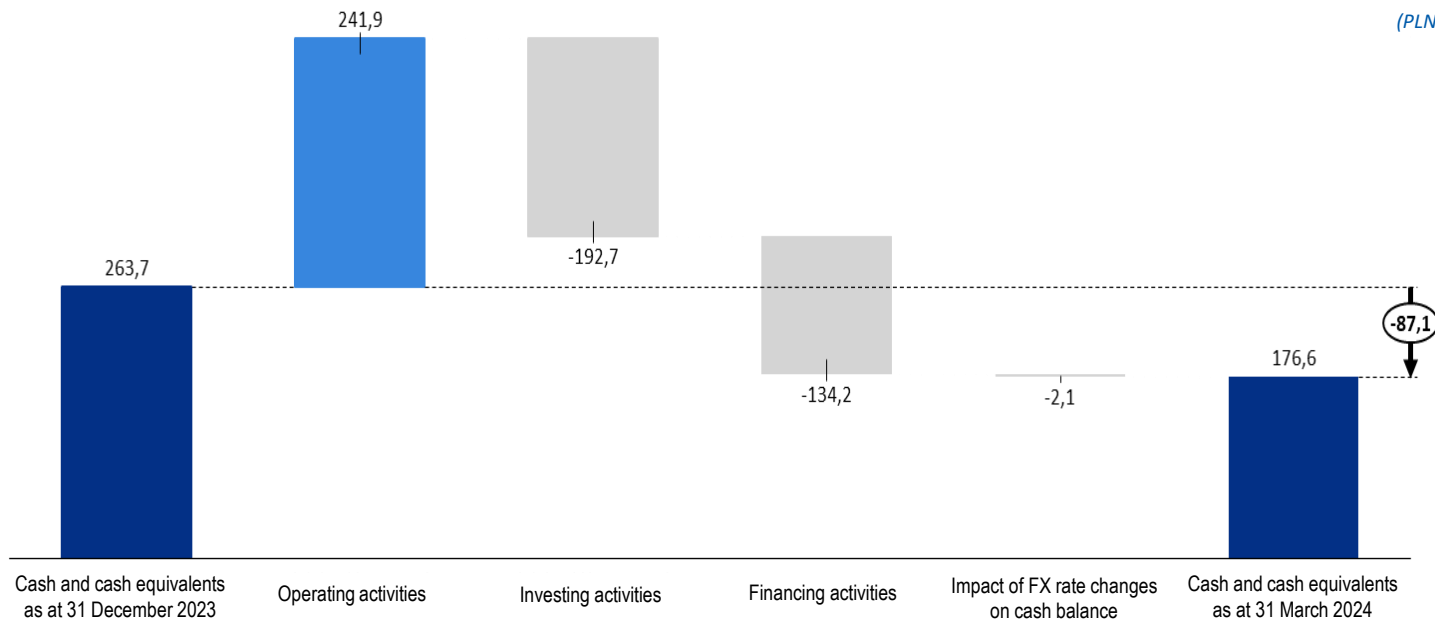


Freight turnover per employee (thous. tkm/per capita)

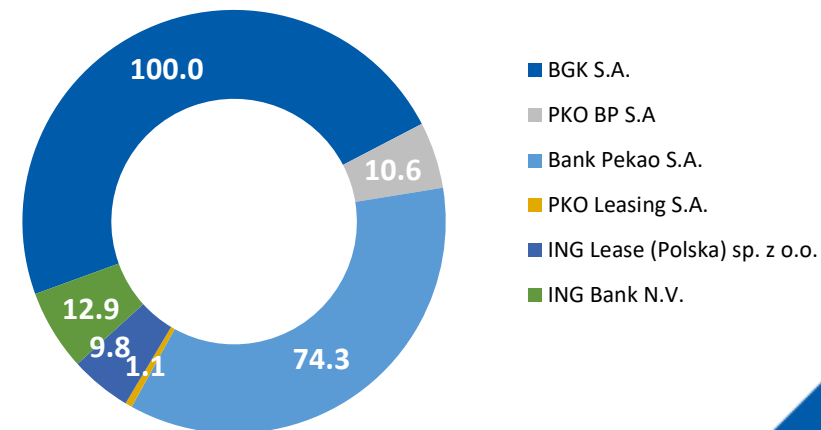


> Financial position under pressure from debt

Cash flows in Q1 (PLN million)



Available external financing sources as at 31 March 2024 (PLN million)



18

CASH AT THE BEGINNING OF THE PERIOD
as at 31 December 2023

PLN 263.7 million + PLN 287.8 million
of available external financing



CASH AT THE END OF THE PERIOD

PLN 176.6 m + PLN 208.7 m
of available external financing

> Current and non-current liabilities a challenge for liquidity

Structure of liabilities (€ million)

Liabilities	31 Dec 2023	31 Mar 2024
Non-current	2,784.2	2,770.7
Current	2,333.3	2,414.7
Total liabilities	5,117.5	5,185.4

31 March 2024	Contractual maturities from the end of the reporting period				Total (no discount)	Carrying amount
	Under 3 months	From 3 to 12 months	From 1 year to 5 years	Over 5 years		
Debt liabilities	473.0	461.0	1,683.5	844.6	3,462.1	2,895.4
Trade payables	891.6	3.0	3.5	-	898.1	898.1
Investment commitments	140.6	14.2	11.4	-	166.2	165.8
Cash pool	14.3	-	-	-	14.3	14.3
Total	1,519.5	478.2	1,698.4	844.6	4,540.7	3,973.6

31 December 2023	Contractual maturities from the end of the reporting period				Total (no discount)	Carrying amount
	Under 3 months	From 3 to 12 months	From 1 year to 5 years	Over 5 years		
Debt liabilities	404.5	486.4	1,640.3	874.1	3,405.3	2,893.8
Trade payables	841.5	2.9	3.4	-	847.8	847.8
Investment commitments	122.7	18.8	15.7	-	157.2	156.9
Cash pool	14.2	-	-	-	14.2	14.2
Derivatives – swap contract	0.1	-	-	-	0.1	0.1
Total	1,383.0	508.1	1,659.4	874.1	4,424.6	3,912.8



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> Management priorities in the upcoming quarters

- Focus on optimizing processes and reducing costs to improve the financial standing of the Group
 - Active cost policy adjusted on an ongoing basis to the market and liquidity situation
 - Active employee policy
- Develop preventive measures to improve the position of the company in the sector
- Accelerate sales activities - attract new business partners and increase the order portfolio

Implement the ESG Strategy

- Make efforts to change the energy consumption model towards increasing the share of renewable energy, taking into account the unique requirements of the rail transport market
- Integrate the ESG criteria into the rolling stock modernization and procurement process, taking into account the need for decarbonization in the Group's key business areas.
- Build a sustainable service offering based on ESG activities

Thank you for your attention

For more information, contact
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