

PKP CARGO Group financial results

2023



Warsaw, April 24th 2024



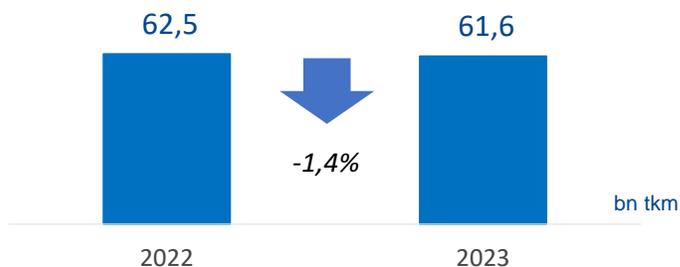


> Agenda

- **Results overview**
- Operational results
- Financial results
- Market perspectives in 2024
- Goals for the future

> Cargo freight market under pressure

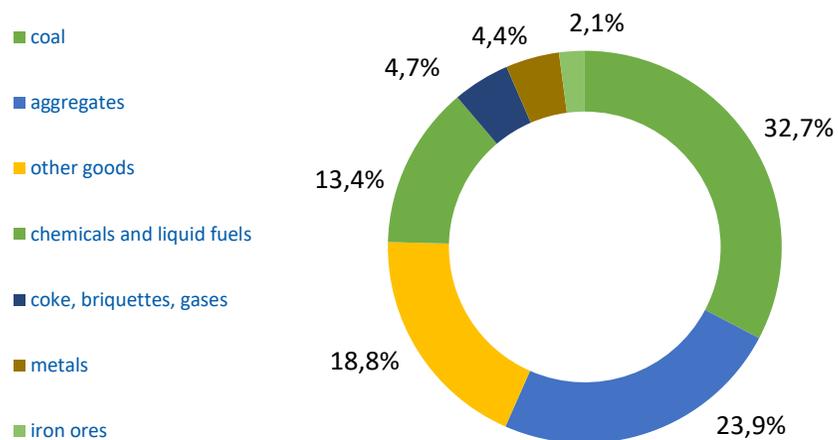
Freight turnover



Freight volume



Market structure

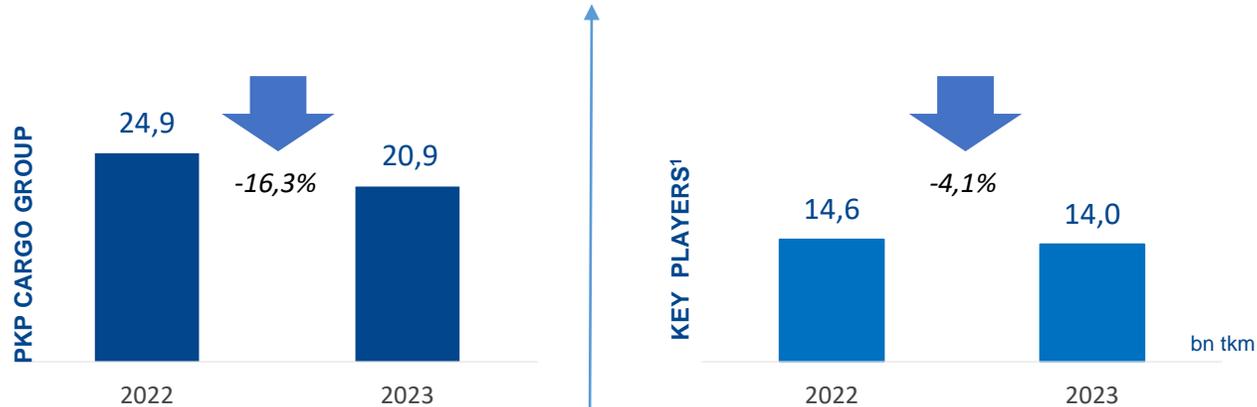


Cargo freight market in 2023 under pressure

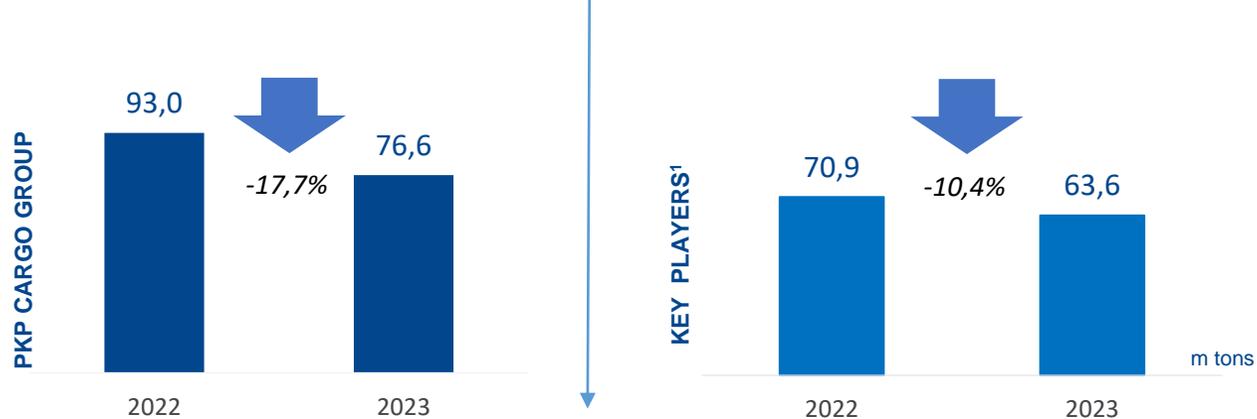
- Economic downturn, inflation, high costs of capital, rise of costs of fuel and traction electricity.
- War in Ukraine, change in routes, limitations in cargo deliveries, drop in sea freight rates.
 - Only in January 2023 market growth by 3,9% y/y (volume).
 - Biggest drops between April-June, by 15,2%, 12,1% 11,2% y/y respectively.
- Increase in average distance ratio by 5,7% (+14 km) up to 266 km – change of direction of transports and infrastructure modernization.
- Biggest drops in coal transportation segment– 12,2% y/y
 - Metals and metal products -7,2% drop y/y
 - Iron ores – 29,4% drop y/y
 - Chemicals -7,3% drop y/y
- Growth in following segments:
 - Aggregates +10,8% y/y
 - Oil and refinery products +7,2% y/y
 - Agriculture produce +10,7% y/y

> Largest declines in the freight market in Poland

Freight turnover



Freight volume



The decline affected mostly the biggest players in the market

- Key players noted decreases
 - On freight volume- by 10,4% y/y
 - On freight turnover- by 4,1% y/y
- PKP CARGO ends year with following results:
 - 33,1% market share (freight volume), i.e. 4,4 p.p. drop y/y
 - 33,9% market share (freight turnover), i.e. 6,0 p.p. drop y/y



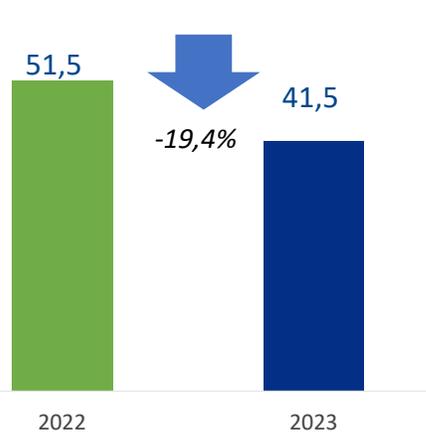
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> PKP CARGO Group in 2023 – freight volume

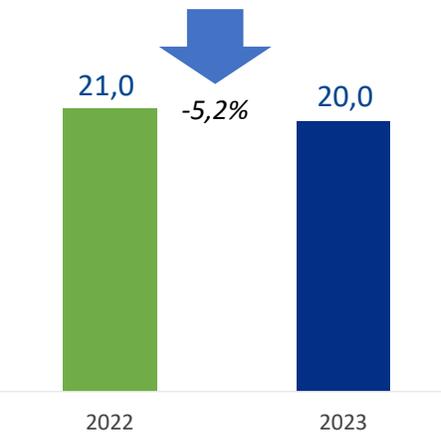
Solid fuels*

Freight volume, m tons



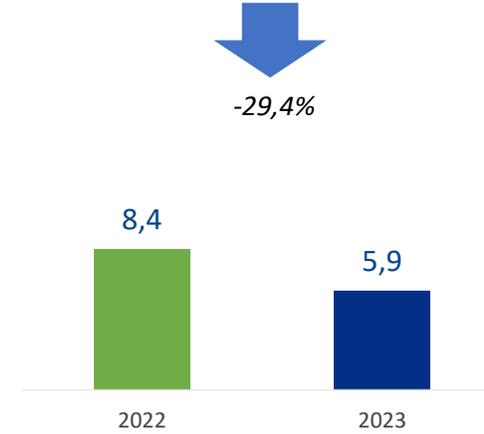
Aggregates and construction materials

Freight volume, m tons



Intermodal

Freight volume, m tons



Metals and ores

Freight volume, m tons



Chemical products

Freight volume, m tons

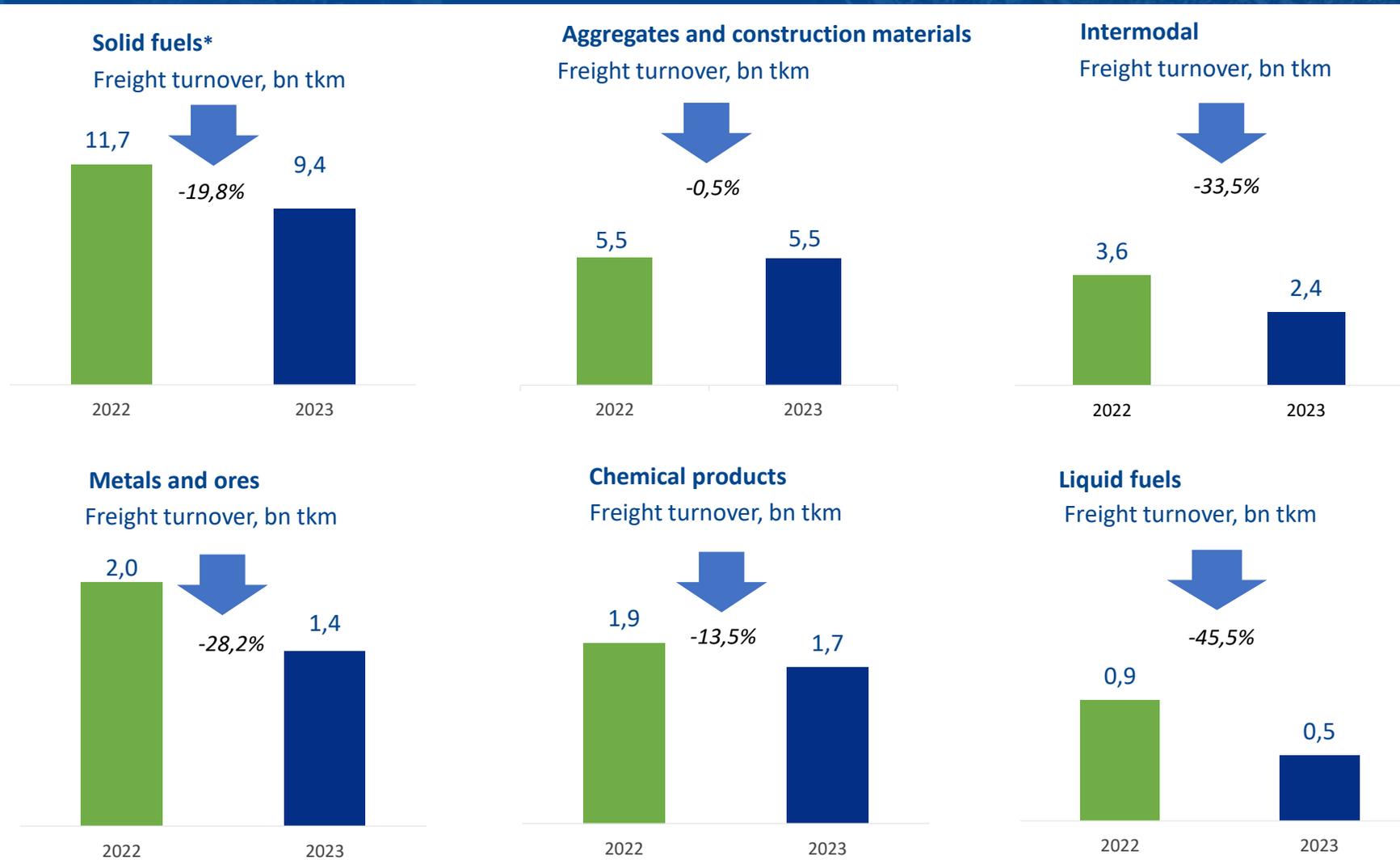


Liquid fuels

Freight volume, m tons



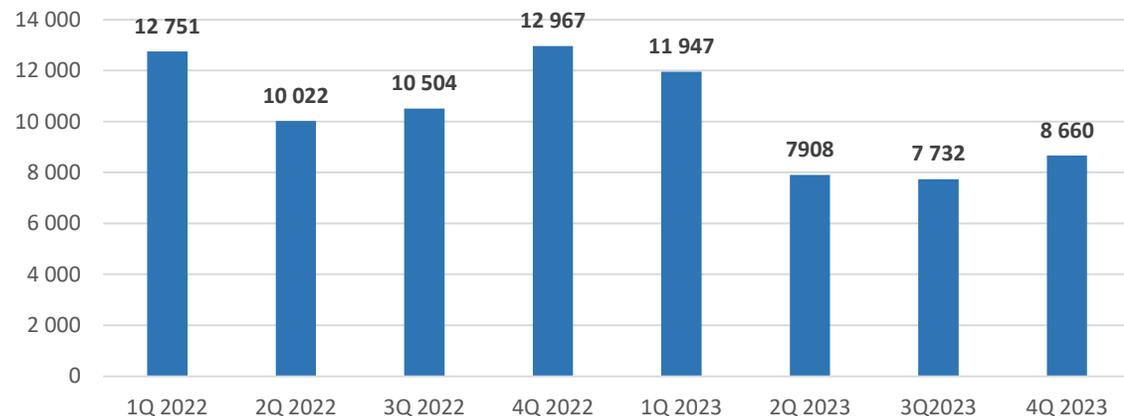
> PKP CARGO Group in 2023 - freight turnover



> Coal transport in PKP CARGO Group

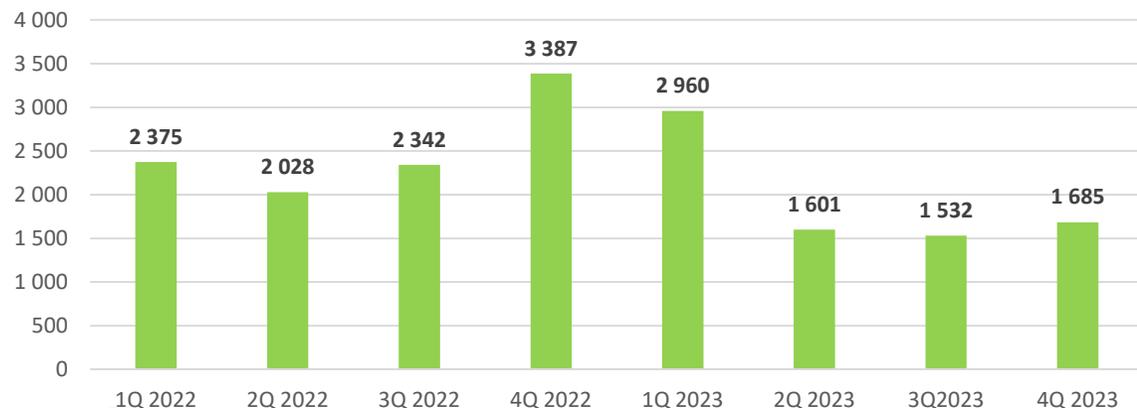
Transport: coal

Freight volume (ths. tons)



Transport: coal

Freight turnover (m tkm)



- Starting in February 2023 the energy sector demand decreased:
 - Low intake of coal transports ordered by local authorities.
 - Stock pile-up resulted in lower coal import through sea ports.
- Numerous modernizations: train tracks to Połaniec, on the premises of power plants in Łódź and Kozięłowy, on the siding in power plant Siekierki that resulted in stopping the deliveries.
 - Modernization works took place in power plants as well.
- Drop in average distance of coal transports due to shift in transports routes.
- Heating season starting date was postponed due to more favourable weather and warmer temperatures.
- Decrease in production and usage of electric energy in Poland.



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> PKP CARGO Group results in 2023 impacted negatively by market downturn

Revenues from contracts with customers

PLN 5 491,9 m

+1,9% y/y

Freight volume

82,7 m tons

-17,8% y/y

Freight turnover

22,3 bn tkm

-17,5% y/y

CAPEX

PLN 1 721,4 m

+121,8% y/y

EBITDA

PLN 1 083,1 m

+1,6% y/y

EBIT

PLN 291,4 m

-12,6% y/y

Net profit

PLN 82,1 m

-44,5% y/y

FINANCIAL SOURCES AS OF 2023

PLN 263,7 m

vs PLN 181,5 m in 2022

EBITDA Margin

19,5%

EBIT Margin

5,2%

OPEX

PLN 5 155,6 m

+2% y/y

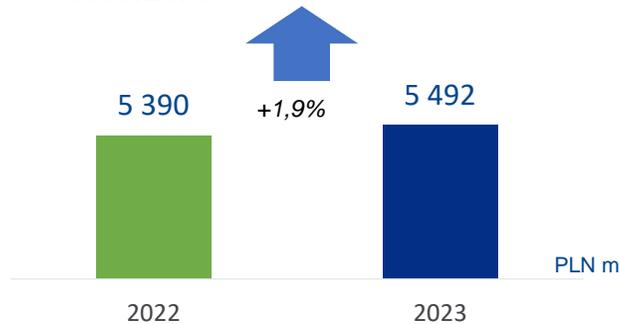
FINANCIAL REVENUES AND COSTS

PLN 181,5 M

+20,5% y/y

> Revenues and EBITDA grow in a competitive market

Revenues from contracts with customers



EBITDA



EBIT



Net profit



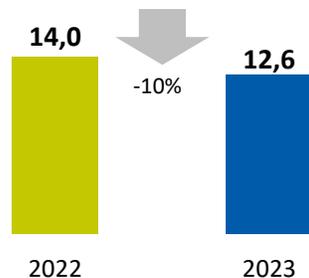
Growth in revenues and EBITDA

- Growth in revenues and EBITDA despite geopolitical factors, economic or market downturn.
 - Active pricing strategy: Increase in transport rates on chosen projects.
- EBIT affected by:
 - Employment costs, pay-rise agreement (as of June 2022 and January 2023), single paid-out award for employees in July 2023;
 - Employment costs rise by 12,7% y/y + PLN 220 m y/y.
 - Decline in employment by 105 persons.
- Depreciation costs growth – acceleration of investments in 2023 for the benefit of the future economic value of the Group; i.e +8% y/y, (by PLN 58,7 m y/y up to the level of PLN 791,7 m)
- Traction electricity and fuel costs – growth in energy prices on TGE, while drop in freight turnover; + PLN 33,8 m y/y, i.e +4% y/y
- Net profit affected by financial costs:
 - growth by 20,5% y/y up to the level of PLN 181,5 m.

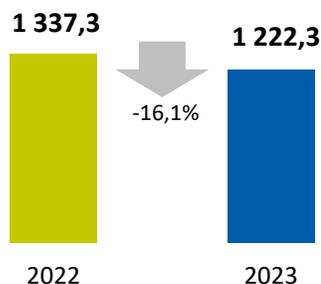
> Active pricing strategy and cost discipline

Operational ratios in 2023

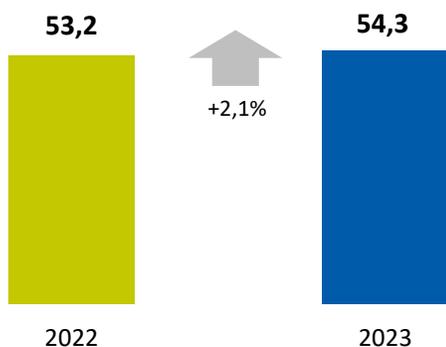
Average time of work of locomotive per day (h)



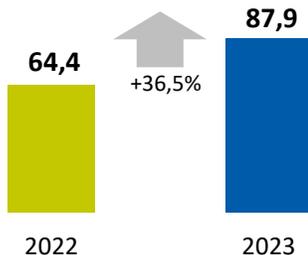
Freight turnover per employee (ths tkm/per capita)



EBITDA per employee (ths PLN/employee)

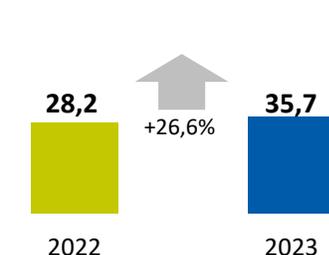


Employment costs (PLN/ths tkm)

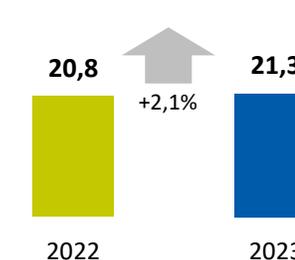


Unit costs per freight turnover

Traction electricity and fuel (PLN/ths tkm)



Access to infrastructure (PLN/ths tkm)



	2022	2023	Change y/y	Change % y/y	% Share
Employee costs	1 738,4	1 958,4	220,0	12,7%	38%
Depreciation, amortization and impairment losses	733,0	791,7	58,7	8,0%	15,4%
Traction electricity and traction fuel	762,5	796,3	33,8	4,4%	15,4%
Access to infrastructure costs	562,5	473,9	-88,6	-15,8%	9,2%
Transport and other services*	899,2	762,9	-136,3	-15,2%	14,8%
Other expenses**	359,5	372,4	12,9	3,6%	7,2%
Total	5 055,1	5 155,6	100,5	2,0%	

> Development and investments in modern rolling stock

CAPEX structure in 2023 (PLN m)	2022	2023	Change y/y	Change % y/y	Share %
Purchases, periodic repairs and maintenance of train cars	510,4	771,2	260,8	+51%	44,8%
Modernization and periodic repairs and maintenance of locomotives	125,9	403,6	277,7	+221%	23,4%
Investment buildings	44,4	92,9	48,5	+109%	5,4%
Rights to assets use ¹⁾	67,3	393,5	326,2	+485%	22,9%
IT	5,1	25,5	20,4	+400%	1,5%
Others ²⁾	23,1	34,7	11,6	50%	2,0%
Total	776,2	1 721,4	945,2	+122%	100%

1) Right to assets use do not include the leaseback on locomotives and transshipment equipment amounting to PLN 260,4 m in 2023 and PLN 16,7 m in 2022.

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

Rolling stock structure in numbers
PKP CARGO Group



Locomotives

1 549



Train cars

52 358

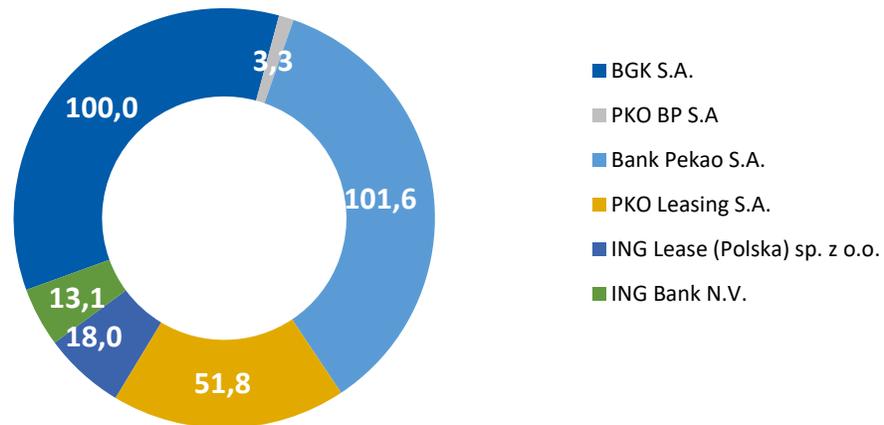
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- Purchase of new rolling stock: 21 Dragon 2 locomotives and 5 Siemens locomotives
- Modernization and periodic repairs and maintenance of rolling stock
- Modernization of container terminals, construction of storage yards , tracks infrastructure modernization
- Buildings' modernization, including workshop facilities; purchase and modernization of equipment and machines for container terminals fitting
- Completion and opening for operations multimodal Terminal in Zduńska Wola Karsznice

> Cash flows, liabilities and funding sources

(in PLN mln)

Available external funding sources as of 31.12.2023



Cash flow

(PLN m)

Cash flow	2022	2023	change	% y/y
Operational	1 018,4	1 211,0	192,6	+19%
Investment	-772,9	-987,1	-214,2	+28%
Financial	-319,5	-133,4	186,1	-58%

Liabilities structure

(PLN m)

Liabilities	31.12.2022	31.12.2023	% y/y
Long-term	2 344,6	2 784,2	+19%
Short-term	2 082,7	2 333,3	+12%
Total	4 427,3	5 117,5	+16%

CASH AS OF START OF THE REPORTING PERIOD

PLN 181,5 m in 2022

CASH AS OF THE END OF REPORTING PERIOD

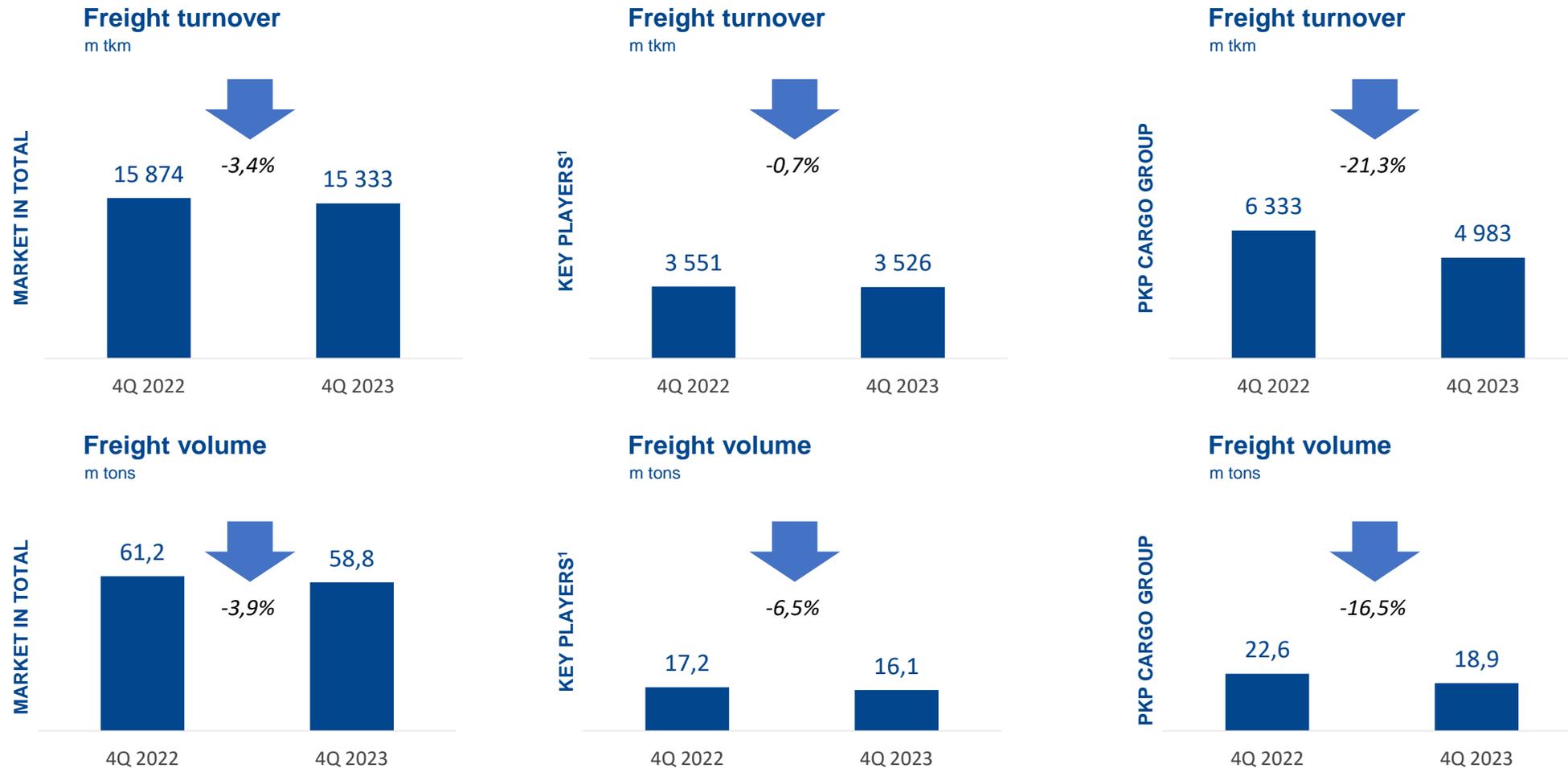
PLN 263,7 m in 2023



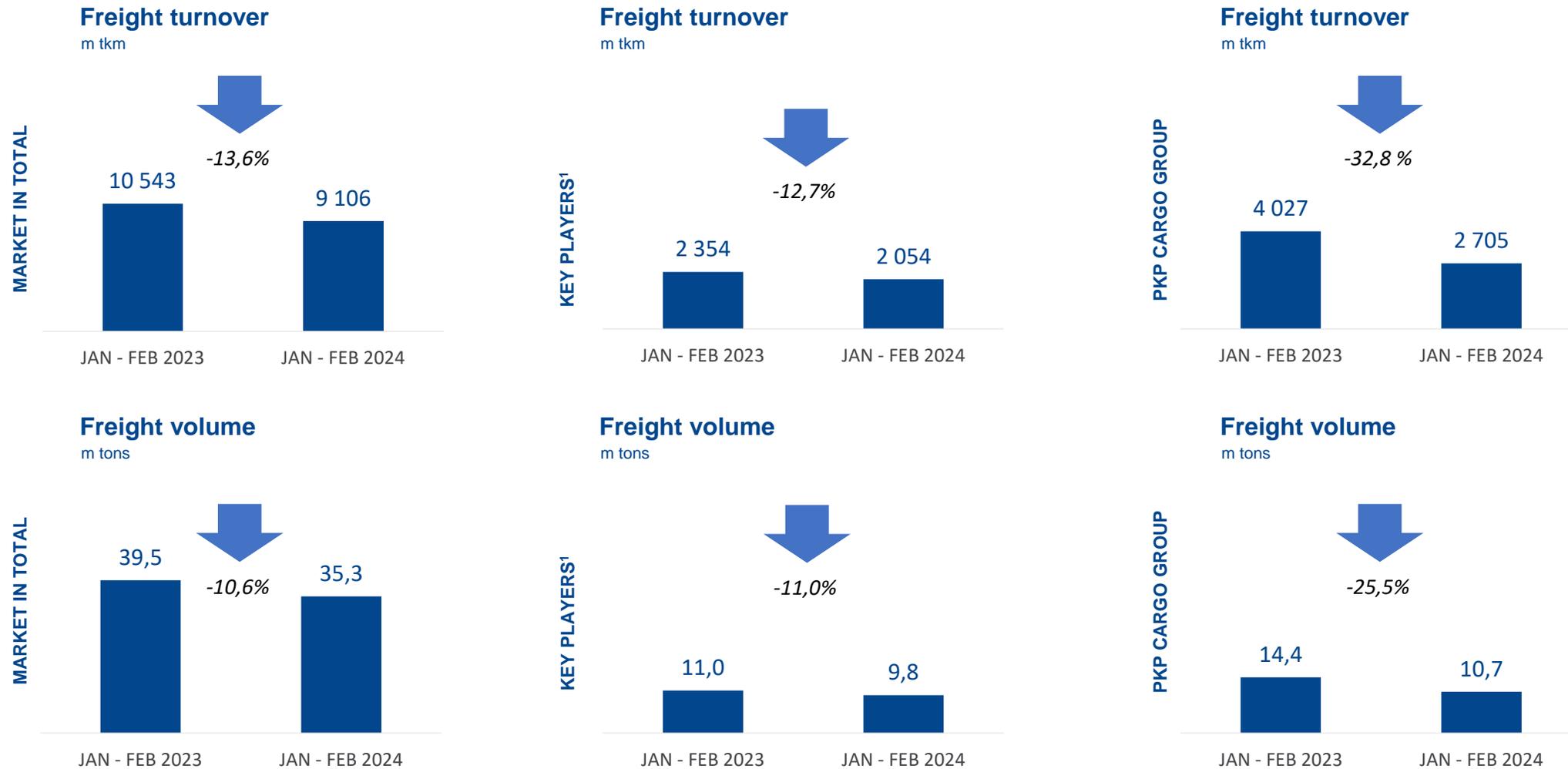
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> PKP CARGO under market pressure in 4Q 2023



> Market decline continues in January – February 2024





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> Perspectives and goals for the next quarters

- Focus on optimizing processes and increasing operational efficiency while cost-curbing and growth in Group sales potential
- Maintaining current clients and intensive acquisition of new business partners among others: in intermodal segment
- Step-by step modernization and profiling for the planned development of rolling stock, including multi-system locomotives

ESG strategy implementation

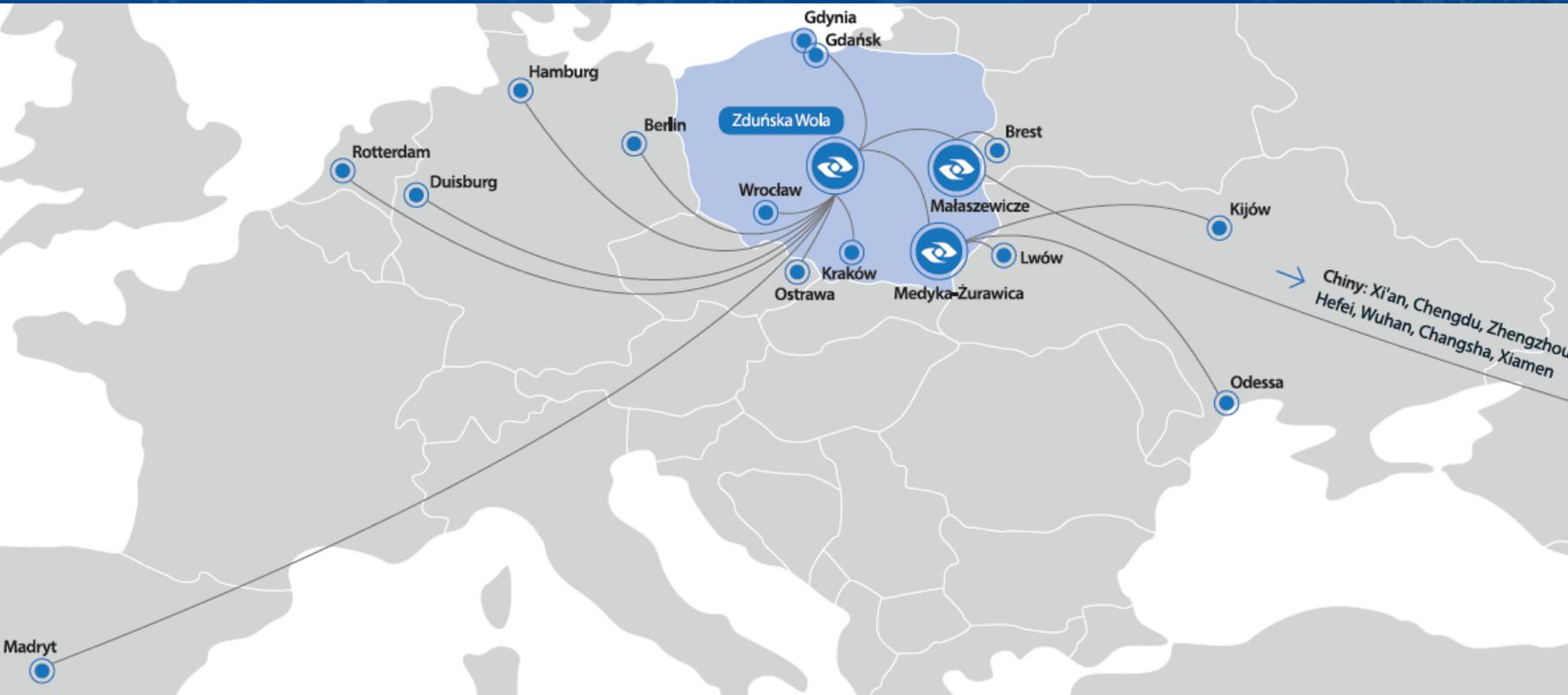
- Striving to change energy mix model into more renewable energy usage given the specifics of rail cargo market
- Inclusion of ESG criteria into process of purchasing and modernization of rolling stock, bearing in mind decarbonization goals in key business aspects of the PKP CARGO Group
- Building balanced and sustainable business offer based on ESG mindset

➤ Intermodal terminal Karsznice

Smart technology in transportation sector in Poland and in Europe

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**
- Smart systems optimizing logistics works

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Thank you

More info:

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