



# PKP CARGO GROUP 1Q 2020



**LEADING FREIGHT  
CARRIER**



## 01

Summary of results

## 02

Commercial results

## 03

Financial results

## 04

Intermodal transport

# 01

## Summary of 1Q 2020 Results



# 01



## Results of PKP CARGO Group after 1Q 2020



### Financials

**PLN 1,036 m** Revenue

**PLN 90 m** EBITDA

**PLN -106 m** EBIT



### Operations

**5,805 tkm m** freight turnover

**23 m tons** freight volume

**248 tkm thous.**  
freight turnover per employee

# 02

## Commercial results



# 02

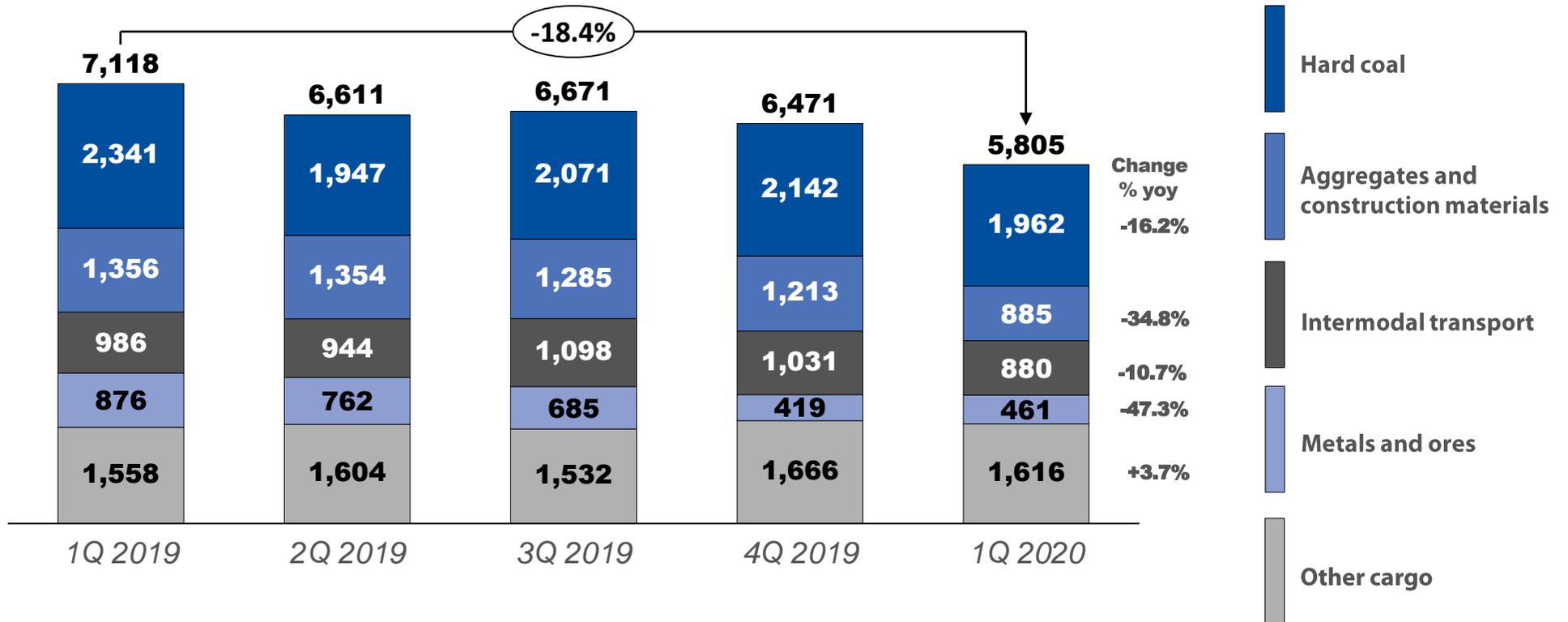


## Sensitivity to general economic trends influenced transport of major freight groups in 1Q 2020

### FREIGHT TURNOVER OF PKP CARGO GROUP

Q1 2019 – Q1 2020

million tkm



# 02



## COVID-19 influences operations of PKP CARGO clients in the most important industries



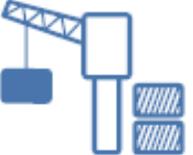
### Solid fuels

- Predicted **20% drop of volumes at Polish coal market** in following months, due to lower electricity consumption
- Low **competitiveness of mining industry facing plummeting prices of coal** on the European market
- Limited **demand for coking coal** from steel industry



### Aggregates and construction materials

- **Risk of delays** in infrastructure projects and potential revaluation of contracts
- **National Rail Program continuation** – completion of 90% to be achieved at the end of 2020 (projects completed or in progress)
- Execution of the Local Roads Fund objectives in 2020 valued PLN 3 bn



### Intermodal transport

- Expected **downturn in international trade** – even up to 30% according to WTO
- Temporary **increase in rail transport from China** occurring simultaneously with decrease of activity in Baltic ports
- Potential **competition of car transport** in sector of short distance transport



### Metals and ores

- **Weak performance of automotive industry in Europe** and expected lower demand for new cars
- Continued lockdown of ArcelorMittal steel mill in Kraków
- **Relatively good outlook** in construction industry

# 03

## Financial results



# 03

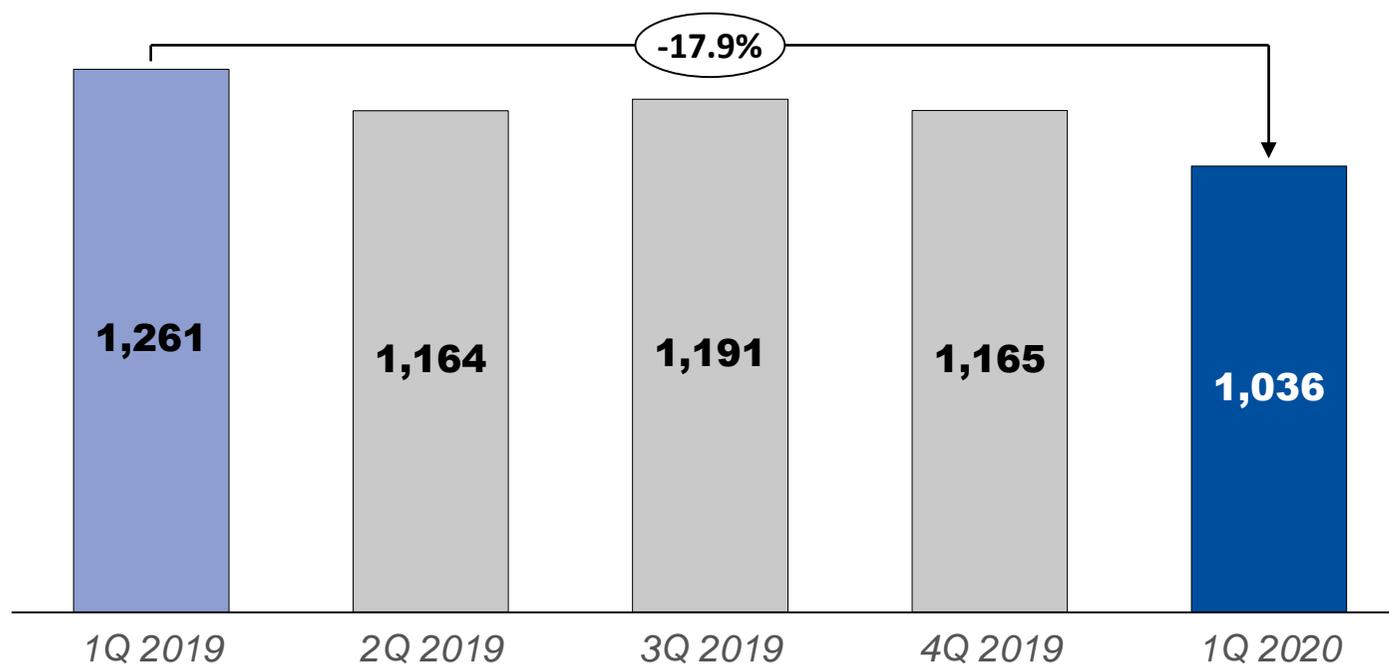


## PKP CARGO Group generated over PLN 1 bn of revenues in 1Q 2020 on the basis of significantly depleted freight turnover

### REVENUE ON CONTRACTS WITH CUSTOMERS

Q1 2019 – Q1 2020

PLN m



- Decrease in revenues was slightly lower than depletion of freight turnover (-17.9% vs. -18.4%) and volume (-19.6% yoy)
- Freight rates similar to 4Q 2019
- Increase in trans-border transport and gradual extension of serviced routes
- Growing revenues from sidings and handling segments

# 03

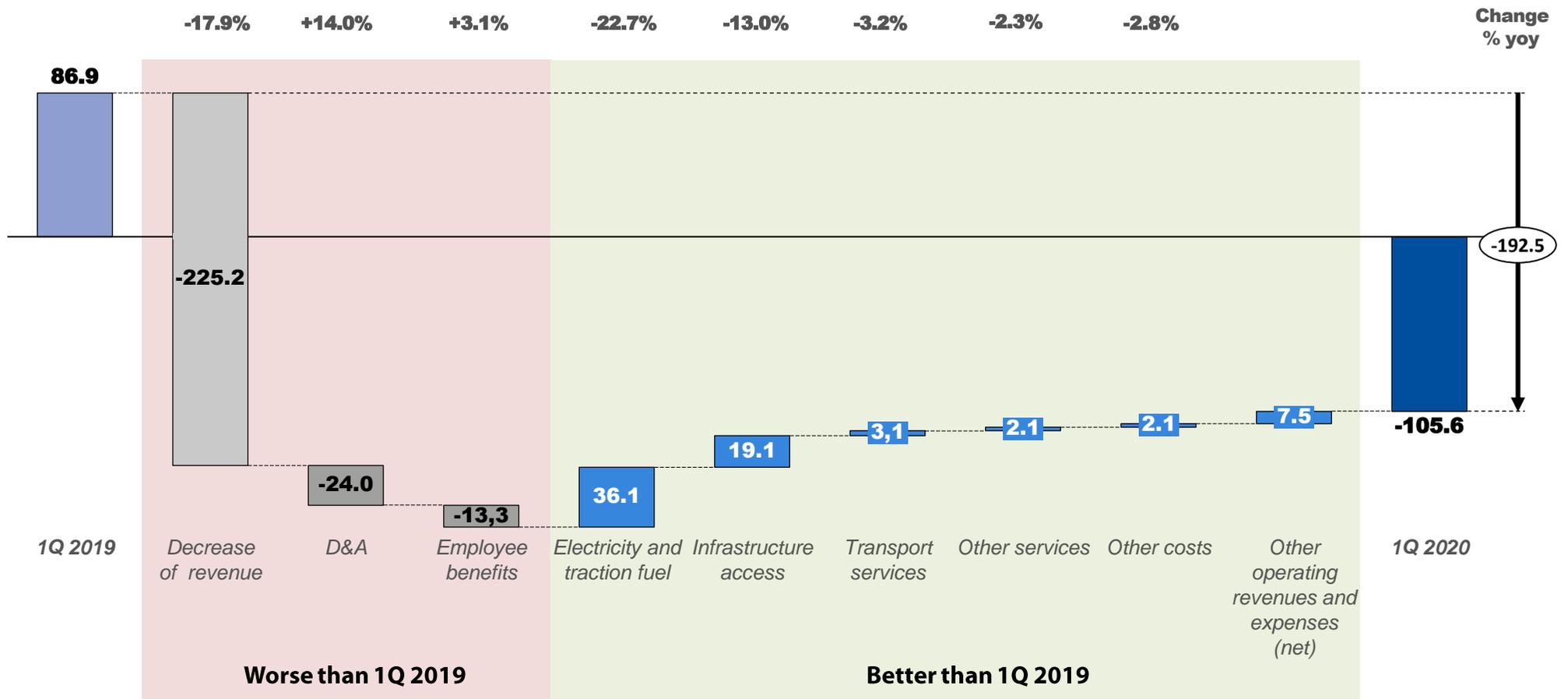


Lower revenues, high operational leverage and recent CAPEX growth led to EBIT loss in 1Q 2020

## COMPONENTS OF EBIT CHANGE

Q1 2019 – Q1 2020

PLN m



# 03

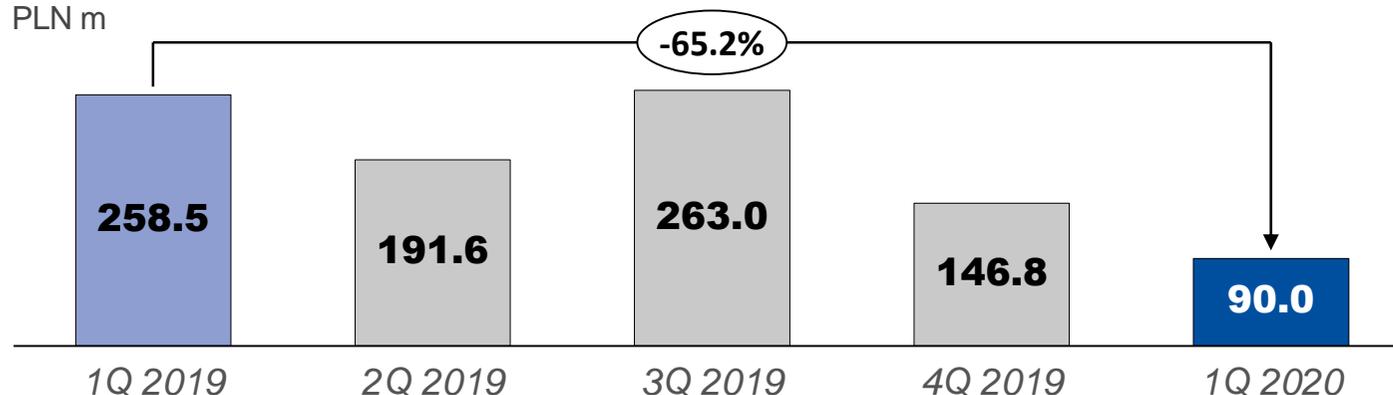


## EBITDA and net result of PKP CARGO Group remained in downward trend

### EBITDA OF PKP CARGO GROUP

Q1 2019 – Q1 2020

PLN m

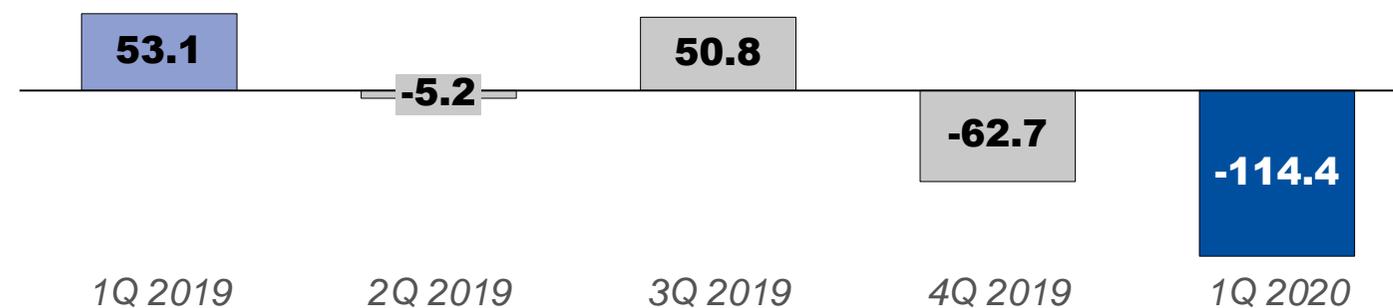


- A significant decrease in EBITDA as a result of a decrease in revenues compared to the very good 1Q 2019

### NET RESULT OF PKP CARGO GROUP

Q1 2019 – Q1 2020

PLN m



- Increased financial cost mainly due to FX change (+ PLN 12.5 m yoy)

# 03



The company has a stable balance sheet structure and secured financing sources

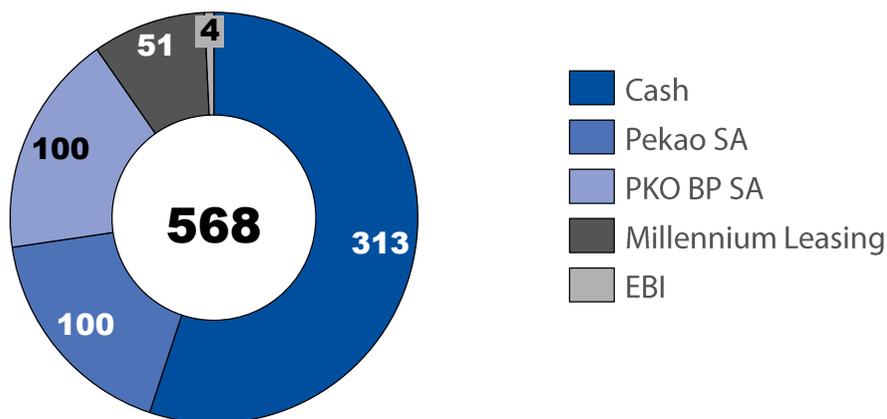
Key balance sheet items		
PLN m	31.12.2019	31.03.2020
Fixed capital	6,539	6,346
Non-current assets	6,504	6,491
Coverage ratio <sup>1</sup>	1.01	0.98
Total debt	2,623	2,607
<b>Total debt ratio</b>	<b>0.57</b>	<b>0.58</b>

Financial ratios		
	3M 2019	3M 2020
Net debt/ EBITDA	1.5	3.3 <sup>2</sup>
ROA <sup>3</sup>	2.7%	-1.7%
ROE <sup>4</sup>	5.7%	-4.0%
EBITDA margin	20.5%	8.7%

## AVAILABLE FUNDING SOURCES

As at 31.03.2020

PLN m



<sup>1</sup> - Calculated as the ratio of total equity and non-current liabilities to non-current assets

<sup>2</sup> - The estimated value of the consolidated net debt/EBITDA ratio calculated after eliminating the impact of IFRS 16 was 2.7

<sup>3</sup> - Calculated as the ratio of net profit for the last 12 months to total assets

<sup>4</sup> - Calculated as the ratio of net profit for the last 12 months to equity

# 04

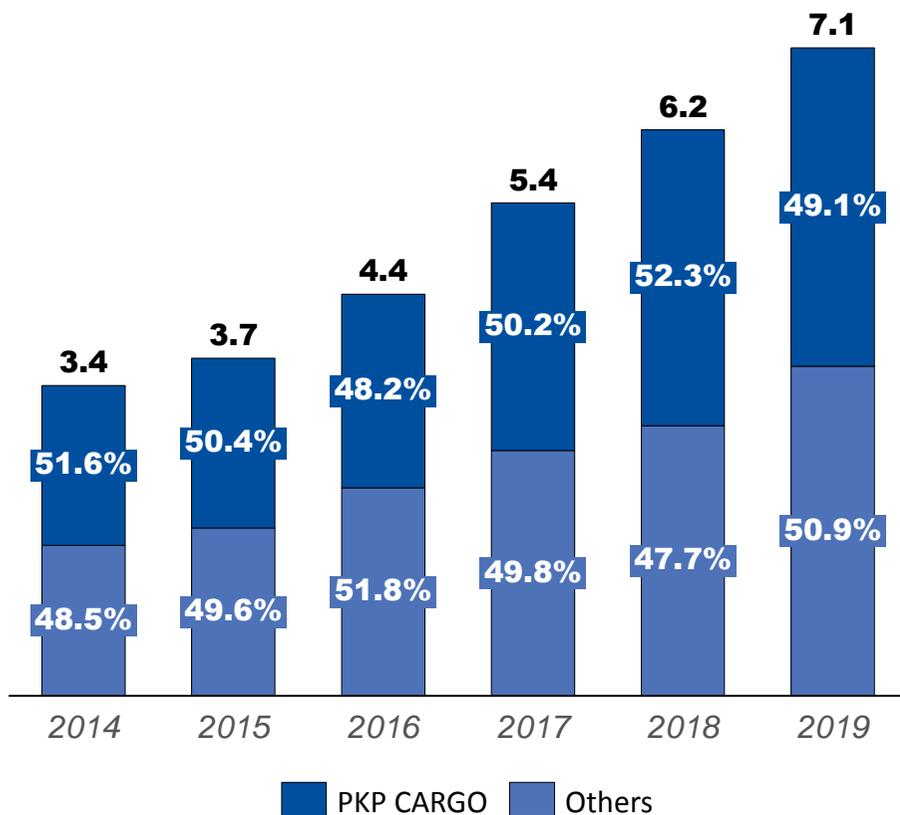
## Intermodal transport



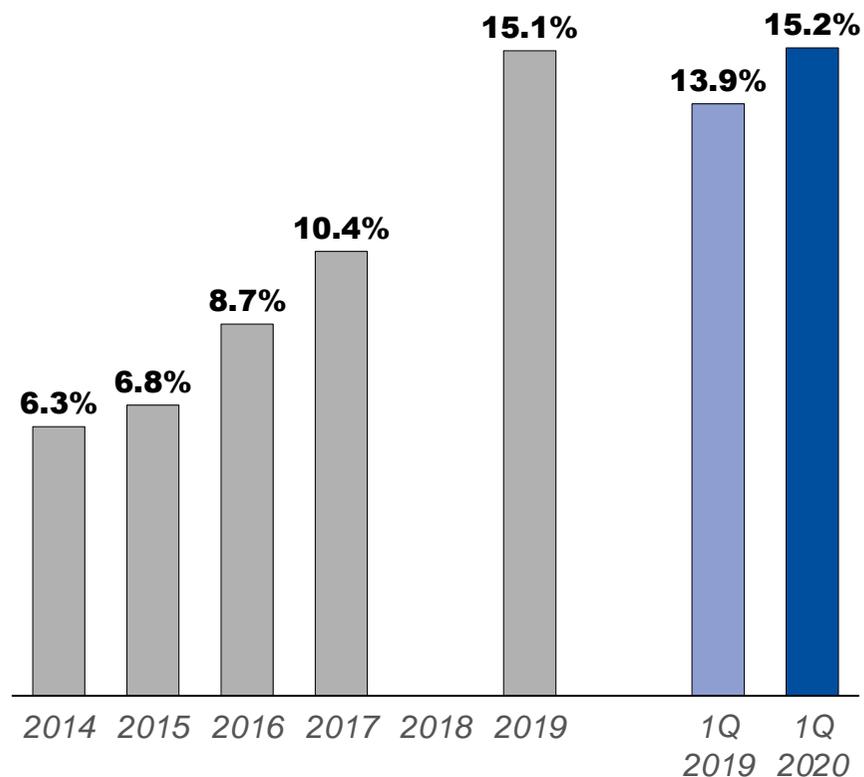
# 04

PKP CARGO secured stable position on the Polish market, while intermodal transport has become segment of great importance for the whole Group

**INTERMODAL TRANSPORT IN POLAND  
FREIGHT TURNOVER**  
tkm bn



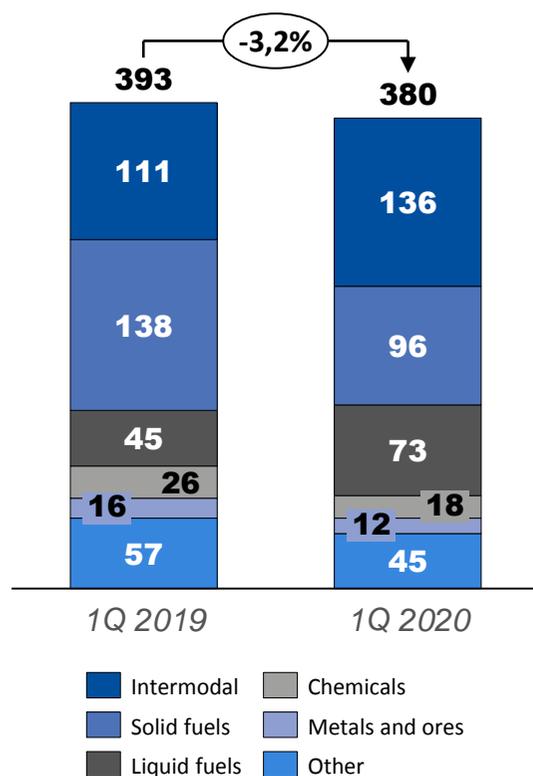
**INTERMODAL IN PKP CARGO GROUP  
SHARE IN FREIGHT TURNOVER**



# 04

PKP CARGO International has been changing its freight turnover structure recently with success by replacing coal with other goods

## FREIGHT TURNOVER PKP CARGO INTERNATIONAL GROUP million tkm



### Intermodal

- More than 1/3 of PKP CARGO International freight turnover (+23% yoy)
- Extension of average distance – i.a. intensified transport on Czechia-Hungary route

### Solid fuels

- 25% share of total freight turnover and below 50% of volume
- Lower output of OKD mines and weak demand from industry

### Liquid fuels

- Significant increase due to greater share of transport on Czechia-Germany route
- Higher transport on the Czech market and in imports from Slovakia to Poland

### Chemicals

- Lower demand as a result of weaker industry output

### Metals and ores

- Unfavourable conditions on steel market and greater importance of long distance deliveries (Koper/Luka – Karvina)

### Other

- Limited activity of automotive industry

# 04



## PKP CARGO Group undergoes deep transformation process – from industrial carrier towards European logistics servicer



- Dynamic **acquisition of market shares** in the fast-growing **intermodal transport** segment
- CAPEX effort focused on **rolling stock dedicated for intermodal**
- **Digitalisation** supporting transport processes and customer service
- **Dominant position** on the European part of the **New Silk Road**



- Transformation – from a carrier of hard coal **to intermodal operator**
- Dynamic growth of **liquid fuels** segment
- **Rebranding** – from **AWT to PKP CARGO INTERNATIONAL** – brand presence in 6 EU countries
- Expansion on **Slovenian market**, development of connections from Central Europe to **Koper port**



- Gradual **integration of all container and bulk terminals** of the Group
- Creating **largest network of terminals in Central Europe**
- **Expanding the offer of services** and increasing the efficiency of management
- Project of European hub – **Central Multimodal Terminal** in Central Poland



- Transformation of an entity from a rail freight forwarder into a **logistics operator**
- Development of unique **domestic and international** connections
- **New connections** on the New Silk Road
- Competence development in non-rail areas to **ensure a full logistics chain**

# Attachments





## Freight results

<b>FREIGHT TURNOVER</b> <b>[million tkm]</b>	<b>1Q 2020</b>	<b>1Q 2019</b>	<b>Change</b>	<b>% change</b>	<b>Share in 1Q 2020</b>	<b>Share in 1Q 2019</b>
<i>Solid fuels Including</i>	2,430	2,714	-284	-10.5%	42%	38%
<i>Hard coal</i>	1,962	2,341	-379	-16.2%	34%	33%
<i>Aggregates and constr. Materials</i>	885	1,356	-471	-34.8%	15%	19%
<i>Metals and ores</i>	461	876	-415	-47.3%	8%	12%
<i>Chemicals</i>	470	526	-56	-10.6%	8%	7%
<i>Liquid fuels</i>	256	246	11	4.3%	4%	3%
<i>Timber and agricultural produce</i>	266	282	-16	-5.6%	5%	4%
<i>Intermodal transport</i>	880	986	-106	-10.7%	15%	14%
<i>Other</i>	156	132	24	18.1%	3%	2%
<b>Total</b>	<b>5,805</b>	<b>7,118</b>	<b>-1,313</b>	<b>-18.4%</b>	<b>100%</b>	<b>100%</b>
<b>FREIGHT VOLUME</b> <b>[million tons]</b>	<b>1Q 2020</b>	<b>1Q 2019</b>	<b>Change</b>	<b>% change</b>	<b>Share in 1Q 2020</b>	<b>Share in 1Q 2019</b>
<i>Solid fuels Including</i>	12,2	14,2	-2,0	-13,8%	53%	50%
<i>Hard coal</i>	10,7	12,8	-2,1	-16,2%	47%	45%
<i>Aggregates and constr. Materials</i>	3,5	5,0	-1,5	-29,3%	15%	17%
<i>Metals and ores</i>	1,7	2,9	-1,2	-42,4%	7%	10%
<i>Chemicals</i>	1,5	1,7	-0,2	-13,4%	6%	6%
<i>Liquid fuels</i>	0,8	0,9	-0,1	-14,7%	3%	3%
<i>Timber and agricultural produce</i>	0,8	1,0	-0,2	-21,9%	3%	4%
<i>Intermodal transport</i>	2,1	2,4	-0,3	-14,4%	9%	8%
<i>Other</i>	0,5	0,5	0,0	-7,6%	2%	2%
<b>Total</b>	<b>23,0</b>	<b>28,6</b>	<b>-5,6</b>	<b>-19,6%</b>	<b>100%</b>	<b>100%</b>



## Consolidated statement of comprehensive income

<b>CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME [PLN million]</b>			
	<b>1Q 2020</b>	<b>1Q 2019</b>	<b>Change</b>
Revenues from contracts with customers	1,035.7	1,260.9	-225.2
Consumption of electricity and traction fuel	(123.1)	(159.2)	-36.1
Infrastructure access services	(127.6)	(146.7)	-19.1
Transport services	(94.6)	(97.7)	-3.1
Other services	(91.0)	(93.1)	-2.1
Employee benefits	(441.6)	(428.3)	13.3
Other expenses	(73.9)	(76.0)	-2.1
Other operating revenue and (expenses)	6.1	(1.4)	+7.5
<b>Operating profit without depreciation (EBITDA)</b>	<b>90.0</b>	<b>258.5</b>	<b>-168.5</b>
Depreciation and impairment losses	195.6	171.6	+24.0
<b>Profit on operating activities (EBIT)</b>	<b>(105.6)</b>	<b>86.9</b>	<b>-192.5</b>
Financial income and (expenses)	(33.8)	(18.8)	-15.0
Share in the profit / (loss) of entities accounted for under the equity method	0.5	0.8	-0.3
<b>Profit before tax</b>	<b>(138.9)</b>	<b>68.9</b>	<b>-207.8</b>
Income tax	24.5	(15.8)	+40.3
<b>NET PROFIT</b>	<b>(114.4)</b>	<b>53.1</b>	<b>-167.5</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Measurement of hedging instruments	(45.8)	0.4	-46.2
Income tax	8.7	(0.1)	8.8
Exchange differences resulting from conversion of financial statements	(7.0)	(2.6)	-4.4
<b>Total other comprehensive income subject to reclassification to profit or loss</b>	<b>(44.1)</b>	<b>(2.3)</b>	<b>-41.8</b>
<b>Total other comprehensive income</b>	<b>(44.1)</b>	<b>(2.3)</b>	<b>-41.8</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>(158.5)</b>	<b>50.8</b>	<b>-209.3</b>



## Consolidated statement of financial position

<b>ASSETS [PLN million]</b>	<b>As at 31 March 2020</b>	<b>As at 31 December 2019</b>
Rolling stock	4,277.5	4,329.6
Other property, plant and equipment	898.9	872.4
Right-of-use assets	1,072.5	1,078.8
Investments in entities accounted for under the equity method	41.2	40.4
Trade receivables	3.5	3.0
Other lease payments	11.0	10.9
Other assets	43.0	55.0
Deferred tax assets	143.4	113.7
<b>Total non-current assets</b>	<b>6,491.0</b>	<b>6,503.8</b>
Inventories	150.8	161.0
Trade receivables	624.1	591.3
Lease receivables	0.6	0.7
Income tax receivables	57.8	51.4
Other assets	96.3	132.7
Cash and cash equivalents	313.4	550.4
<b>Total current assets</b>	<b>1,243.0</b>	<b>1,487.5</b>
Non-current assets classified as held for sale	22.2	-
<b>Total assets</b>	<b>7,756.2</b>	<b>7,991.3</b>



## Consolidated statement of financial position

	As at 31 March 2020	As at 31 December 2019
<b>EQUITY AND LIABILITIES [PLN million]</b>		
Share capital	2,239.3	2,239.3
Supplementary capital	781.4	781.4
Other items of equity	(114.8)	(77.7)
Exchange differences resulting from conversion of financial statements of foreign operations	70.5	77.5
Retained earnings	288.4	402.8
<b>Equity</b>	<b>3,264.8</b>	<b>3,423.3</b>
Debt liabilities	2,174.8	2,201.4
Trade payables	3.0	2.7
Investment commitments	153.4	157.0
Provisions for employee benefits	657.4	657.1
Other provisions	4.2	5.4
Deferred tax liability	87.2	92.3
Other liabilities	1.3	-
<b>Non-current liabilities</b>	<b>3,081.3</b>	<b>3,115.9</b>
Debt liabilities	431.7	421.3
Trade payables	427.5	412.2
Investment commitments	96.3	181.5
Provisions for employee benefits	143.6	127.1
Other provisions	40.0	45.6
Other liabilities	271.0	264.4
<b>Current liabilities</b>	<b>1,410.1</b>	<b>1,452.1</b>
<b>Total liabilities</b>	<b>4,491.4</b>	<b>4,568.0</b>
<b>Total equity and liabilities</b>	<b>7,756.2</b>	<b>7,991.3</b>



## Consolidated Cash Flow Statement

Cash flow [PLN million]
<b>Cash flow on operating activities</b>
<b>Profit before tax</b>
<b>Adjustments</b>
Depreciation and impairment losses
(Profits) / losses on interest, dividends
Received / (paid) interest
Received / (paid) income tax
Movement in working capital
Other adjustments
<b>Net cash on operating activities</b>
<b>Cash flow from investing activities</b>
Expenditures on the acquisition of non-financial non-current assets
Proceeds on the sale of non-financial non-current assets
Proceeds from dividends received
Proceeds / (expenditures) on bank term deposits longer than 3 months
Other proceeds / (expenditures) on investing activities
<b>Net cash on investing activities</b>
<b>Cash flow from financing activities</b>
Expenditures on finance leases
Proceeds from drawn down loans/borrowings
Repayment of loans/borrowings
Interest paid on finance leases and loans/borrowings
Subsidies received
Other expenditures concerning financing activities
<b>Net cash from financing activities</b>
Net increase / (decrease) in cash and cash equivalents
Cash and cash equivalents at the beginning of the reporting period
Impact exerted by FX rate movements on the cash balance in foreign currencies
<b>Cash and cash equivalents at the end of the reporting period, including:</b>
restricted

1Q 2020	1Q 2019
<b>(138.9)</b>	<b>68.9</b>
195.6	171.6
15.8	13.8
1.3	0.2
(5.5)	(11.3)
35.1	(77.6)
(0.6)	(2.9)
<b>102.8</b>	<b>162.7</b>
(249.5)	(288.9)
5.2	3.5
-	0.1
-	200.0
1.6	2.6
<b>(242.7)</b>	<b>(82.7)</b>
(35.8)	(33.7)
18.2	-
(77.6)	(61.6)
(14.9)	(13.2)
12.7	37.1
(0.8)	(0.4)
<b>(98.2)</b>	<b>(71.8)</b>
(238.1)	8.2
550.4	447.3
1.1	(0.3)
<b>313.4</b>	<b>455.2</b>
45.3	35.5



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