

PKP CARGO GROUP

Q3 2020



**LEADING
FREIGHT
CARRIER**



Agenda



01

Market
environment

02

Commercial
results

03

Financial
results

04

PKP CARGO
Group



Results of the PKP CARGO Group in Q3 2020



Financial data Q3 2020

PLN 1,009.6 million in
revenue on contracts
with customers

PLN 226.9 million
EBITDA

PLN 36.6 million EBIT



Operational data Q3 2020

5.99 billion tkm freight
turnover

23.9 million tons freight
volume

01

Market environment



01

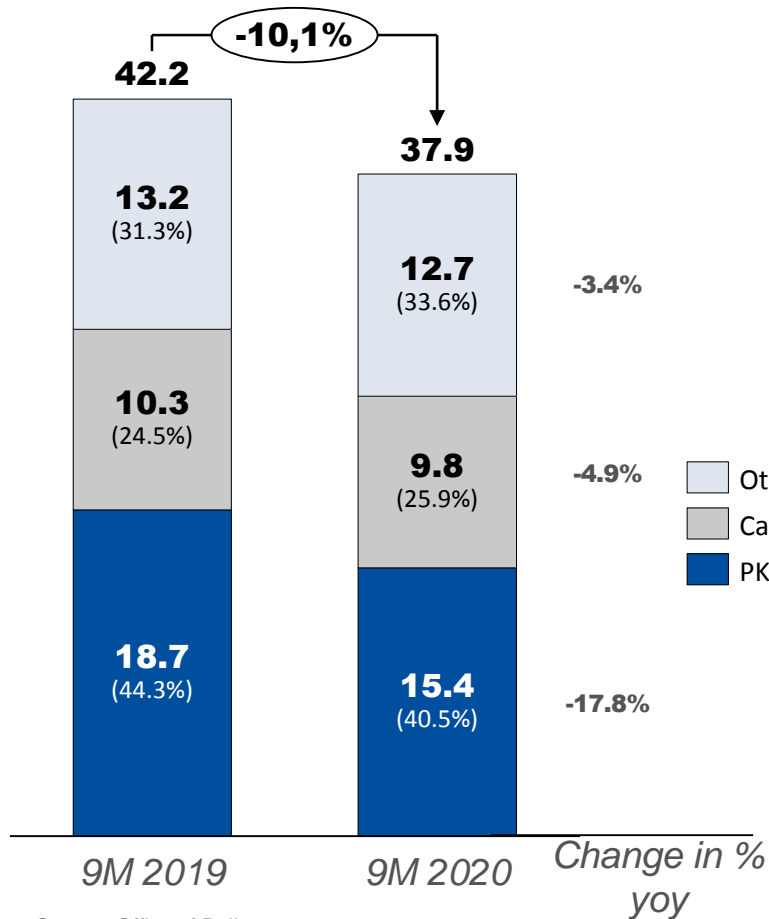


In 9M 2020, the cargo rail transport market in Poland shrank by more than 10% on an annual basis.

POLISH RAIL FREIGHT MARKET MEASURED BY FREIGHT TURNOVER

Jan-Sep 2019 and 2020

billion tkm



Source: Office of Rail

Transport GRUPA PKP CARGO 2020

	Market share measured by freight turnover 9M 2019:	Market share measured by freight turnover 9M 2020:
Lotos Kolej	9.7%	10.5%
PKP LHS	5.5%	4.9%
Orlen Kol-Trans	3.7%	4.2%
PUK Kolprem	1.8%	2.6%
Pol-Miedź Trans	1.9%	1.4%
Ciech Cargo	1.0%	1.0%
Railpolonia	0.6%	0.8%
JSW Logistics	0.4%	0.5%
DB Cargo Polska	5.6%	5.0%
CTL Logistics	4.0%	4.4%
Freightliner PL	3.1%	3.4%
Inter Cargo	2.3%	2.3%
PCC Intermodal	1.2%	1.8%
Captrain Polska	1.9%	1.7%
CD Cargo Poland	1.8%	1.7%
Rail Polska	1.7%	1.5%
Ecco Rail	0.8%	1.3%
LTE Polska	1.0%	1.0%
Olavion	0.9%	0.8%
Metrans Polonia	0.4%	0.7%
HSL	0.5%	0.6%
Logistics & Transport	0.8%	0.6%
Bartex	0.0%	0.6%
Transchem	0.4%	0.4%
Others	4.8%	5.8%
PKP CARGO	44.3%	40.5%

01

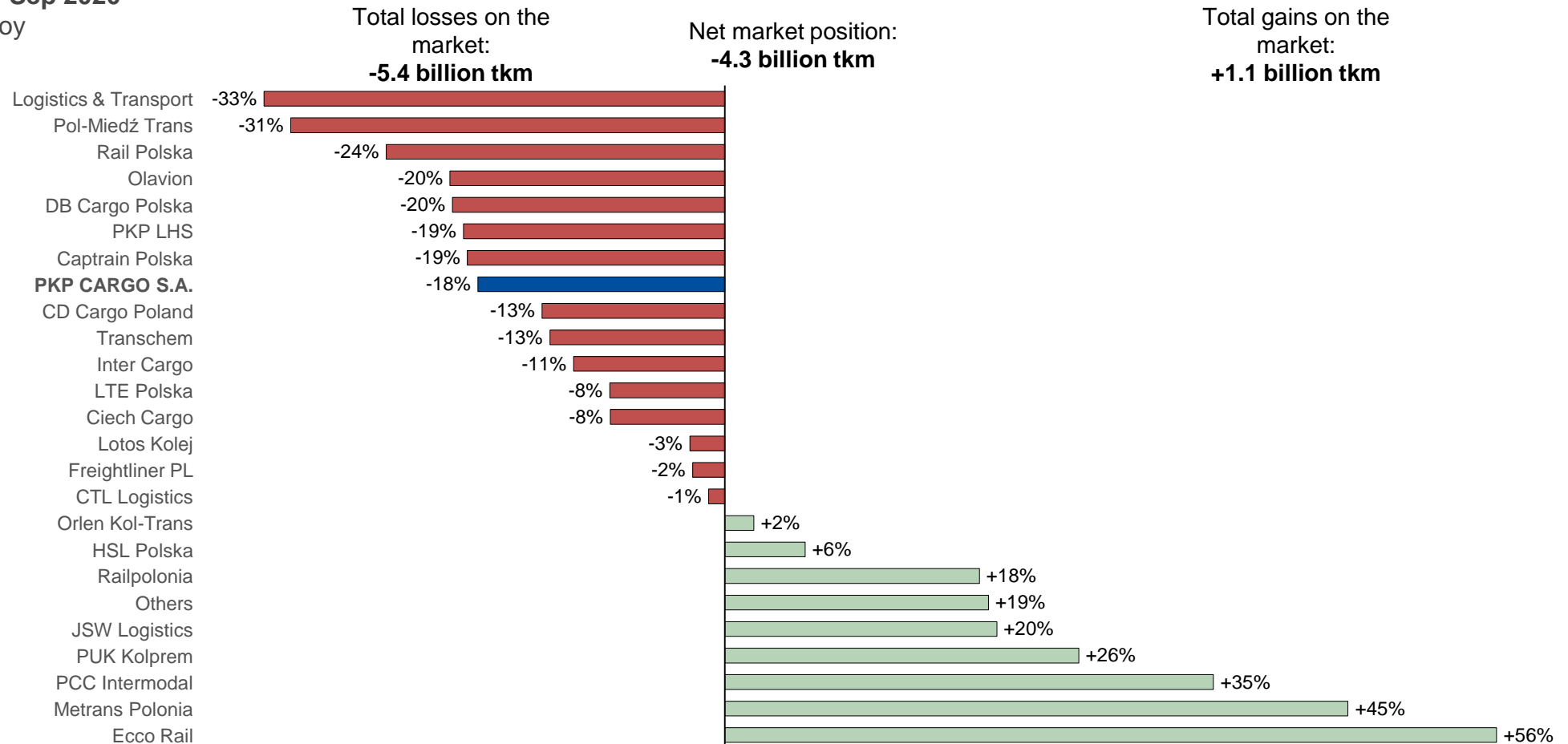


The largest players with a universal profile of business continued to post significant slumps in Q3

CHANGE IN FREIGHT TURNOVER

Jan-Sep 2020

% yoy



Source: Office of Rail

02

Commercial results



02

The COVID-19 epidemic and climate policy have curtailed market demand for freight transport in the most important cargo categories



Solid fuels

- Power sector's **dwindling coal demand** and downtime in mines
- Higher **energy imports** from neighboring countries and **high coal inventories in power plants**
- Limited **coking coal demand** in the metallurgical industry



Aggregates and construction materials

- Completion of **investments carried out in 2019** and **slight recovery** in Q3
- Expected **rebound in infrastructural construction** in 2021
- Greater **competition** in the segment



Intermodal transport

- Rebound of transport services on the **New Silk Road** after the decline in H1 2020
- **Temporary curtailment of imports and exports through seaports** (household appliances, wood and furniture)
- Intensified activity in the **Three Seas Initiative** region (Slovenia, Hungary, Romania)



Metals and ores

- Decision to **permanently shut down the blast furnace** at the ArcelorMittal plant in Kraków
- Lower production in the **automotive sector**
- High **inventories of scrap metal** and competition posed by road transport

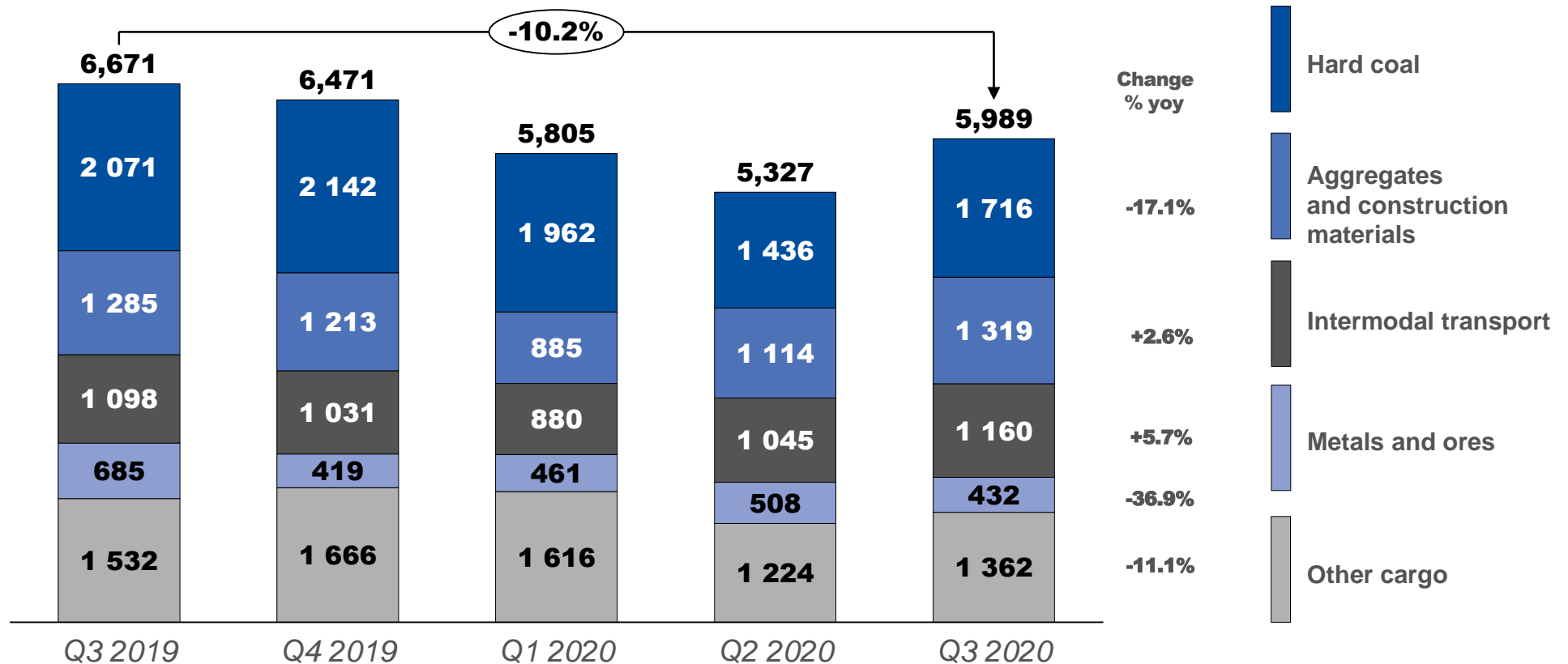


The Group posted the best quarterly results this year in terms of freight performance, having improved yoy results in two key segments

PKP CARGO GROUP'S FREIGHT TURNOVER

Q3 2019 – Q3 2020

million tkm



02

The Group intensified its commercial activities and expanded its offering of intermodal connections in the recent months

JULY

- Launch of the Warsaw-Gdynia-Warsaw operator connection under the CONNECT OPERATOR brand
 - Signing of agreements with the ENEA Group for deliveries of coal to power plants (estimated gross value: PLN 72 million / 15 months)
-

AUGUST

- Appointment of Mr. Piotr Wasaty to the position of Management Board Member in charge of Commerce
-

SEPTEMBER

- Signing of an agreement to establish an intermodal company with LTG CARGO Polska (Lithuania – Poland – Western Europe)
 - Signing of agreements with ArcelorMittal Group companies (gross value of nearly PLN 1 billion until 2023)
-

OCTOBER

- Renewal of coal transport agreements with PGNiG Termika (approx. PLN 101 million / 2 years)
 - New operator connections of CONNECT OPERATOR from Małaszewicze to terminals in Poland
-

NOVEMBER

- Agreement with Krajowa Spółka Cukrowa for deliveries to the Gdańsk terminal (2 million tons in 2021-2030)

03

Financial results



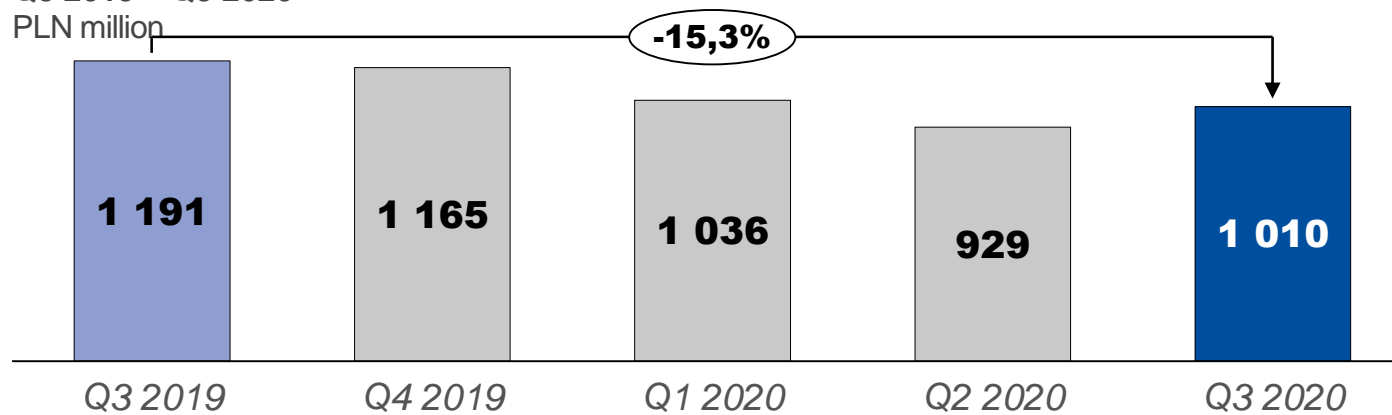


PKP CARGO is gradually rebuilding its revenues and recurring EBIT after the weak Q2 2020

PKP CARGO GROUP'S REVENUE ON CONTRACTS WITH CLIENTS

Q3 2019 – Q3 2020

PLN million

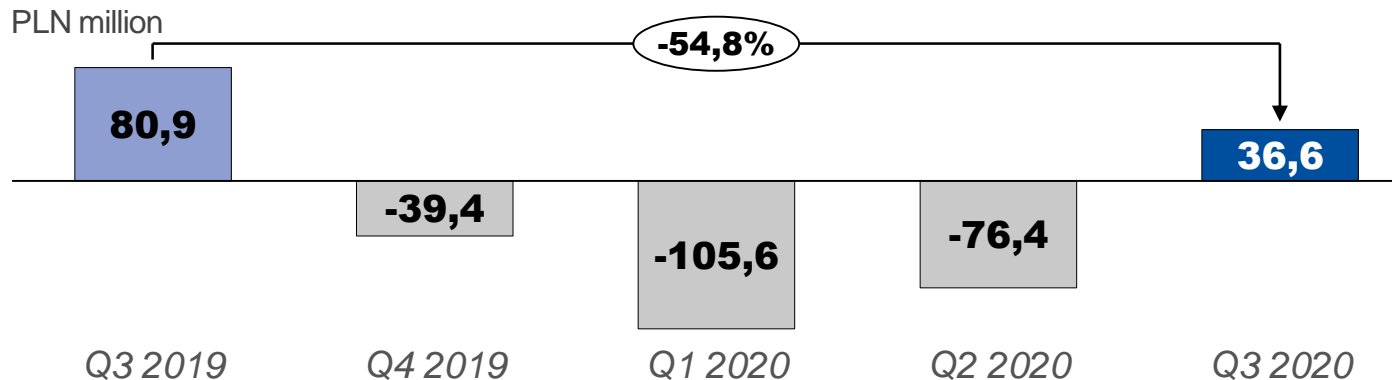


- Gradual improvement in revenues as a result of growing transport activity in each month of Q3
- Downward trend in unit revenues

PKP CARGO GROUP'S OPERATIONAL RESULT

Q3 2019 – Q3 2020

PLN million



- Non-recurring events in Q3: impact of the Anti-Crisis Shield (PLN 80.6 million)

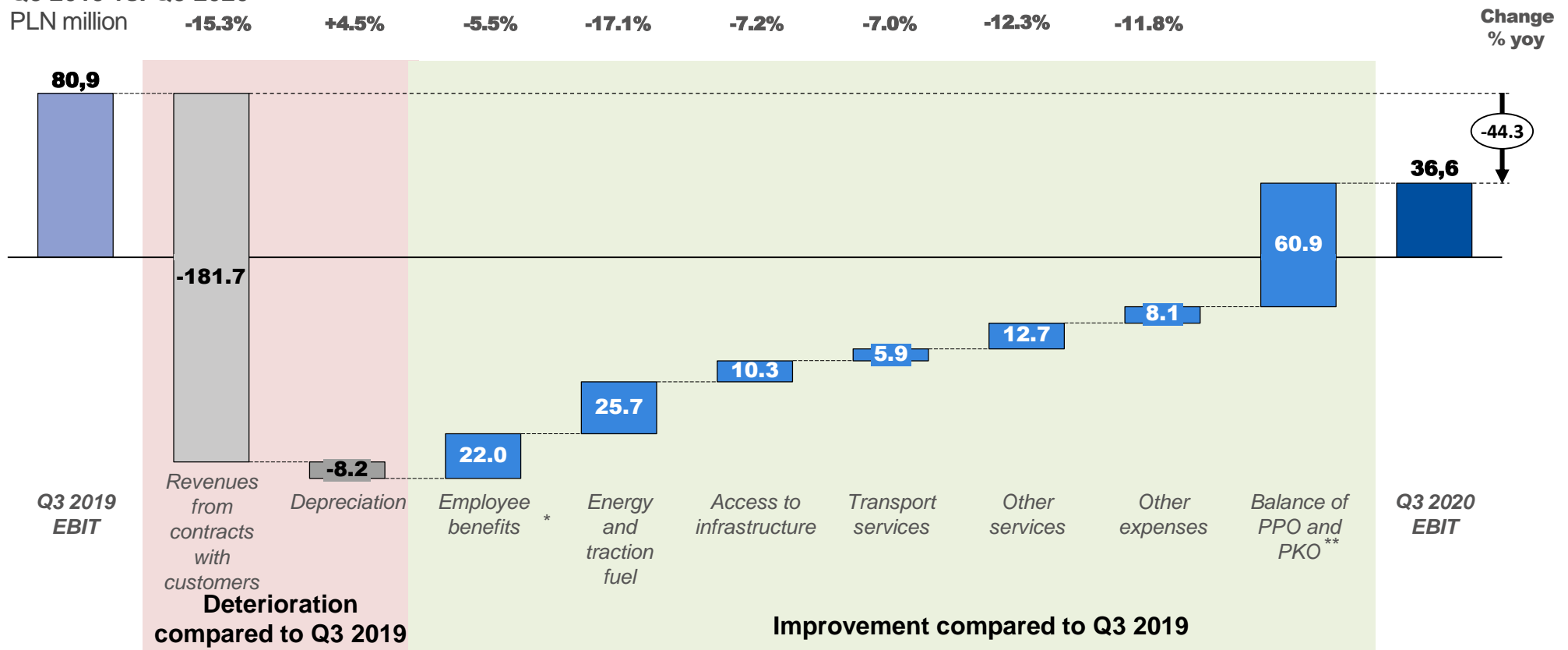


The Group consistently pursues significant savings efforts in all cost categories

COMPONENTS OF THE EVOLUTION IN THE PKP CARGO GROUP'S OPERATING PROFIT

Q3 2019 vs. Q3 2020

PLN million



* Includes reduced working time (9/10) in July and August 2020 at PKP CARGO S.A. and from July to September at PKP CARGO CONNECT (-5%) and PKP CARGOTABOR.

** Includes the impact exerted by PLN 80.6 million of financial support for salaries from the Guaranteed Employee Benefits Fund

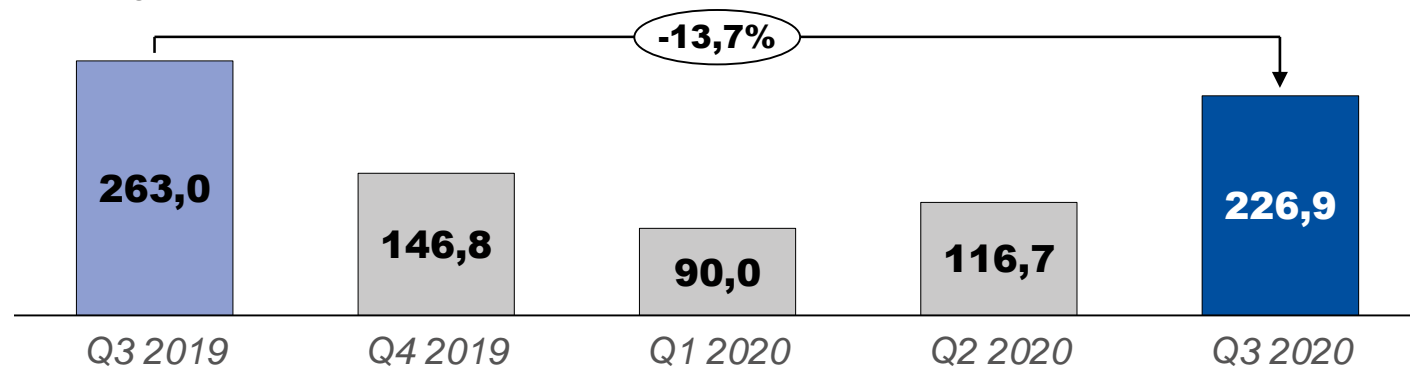
03

Non-recurring events and improvement in cost efficiency translated into a significant increase in EBITDA and net result in qoq terms

EBITDA OF THE PKP CARGO GROUP

Q3 2019 – Q3 2020

PLN million

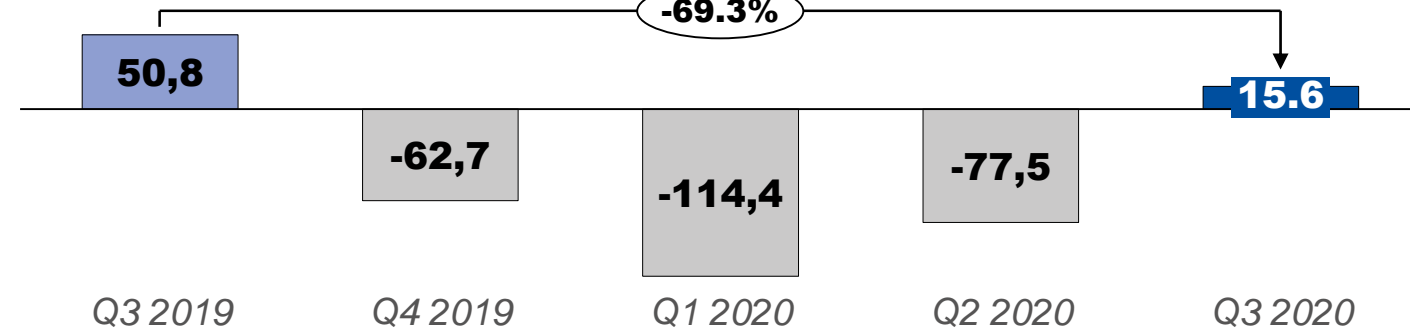


- EBITDA after 9M 2020: **PLN 433.6** million

THE PKP CARGO GROUP'S NET RESULT

Q3 2019 – Q3 2020

PLN million



- Increase in **depreciation** costs in 2020 offset by lower **financial expenses** and lower **income tax**

03



The Group has a stable balance sheet structure and secured funding sources

KEY BALANCE SHEET ITEMS

PLN million	31 Dec 2019	30 Sep 2020
Fixed capital	6,539	6,288
Non-current assets	6,504	6,453
Coverage ratio ¹	1.01	0.97
Total debt	2,623	2,650
Total debt ratio	0.57	0.59

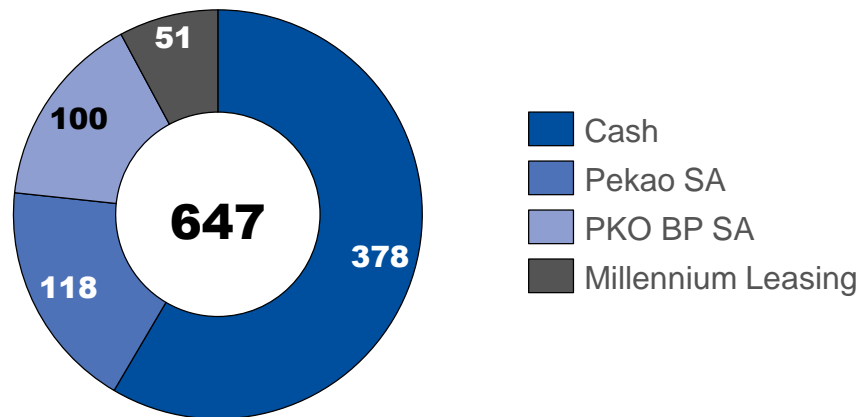
FINANCIAL RATIOS

	9M 2019	9M 2020
ROA ²	1.2%	-3.1%
ROE ³	2.5%	-7.6%
EBITDA margin ⁴	19.4%	13.9%

AVAILABLE FUNDING SOURCES

As at 30 September 2020

PLN million



¹ Calculated as the ratio of total equity and non-current liabilities to non-current assets

² Calculated as the ratio of net profit for the last 12 months to total assets

³ Calculated as the ratio of net profit for the last 12 months to equity

⁴ Calculated as the ratio of the operating result plus depreciation and amortization (EBITDA) to total operating revenue

04

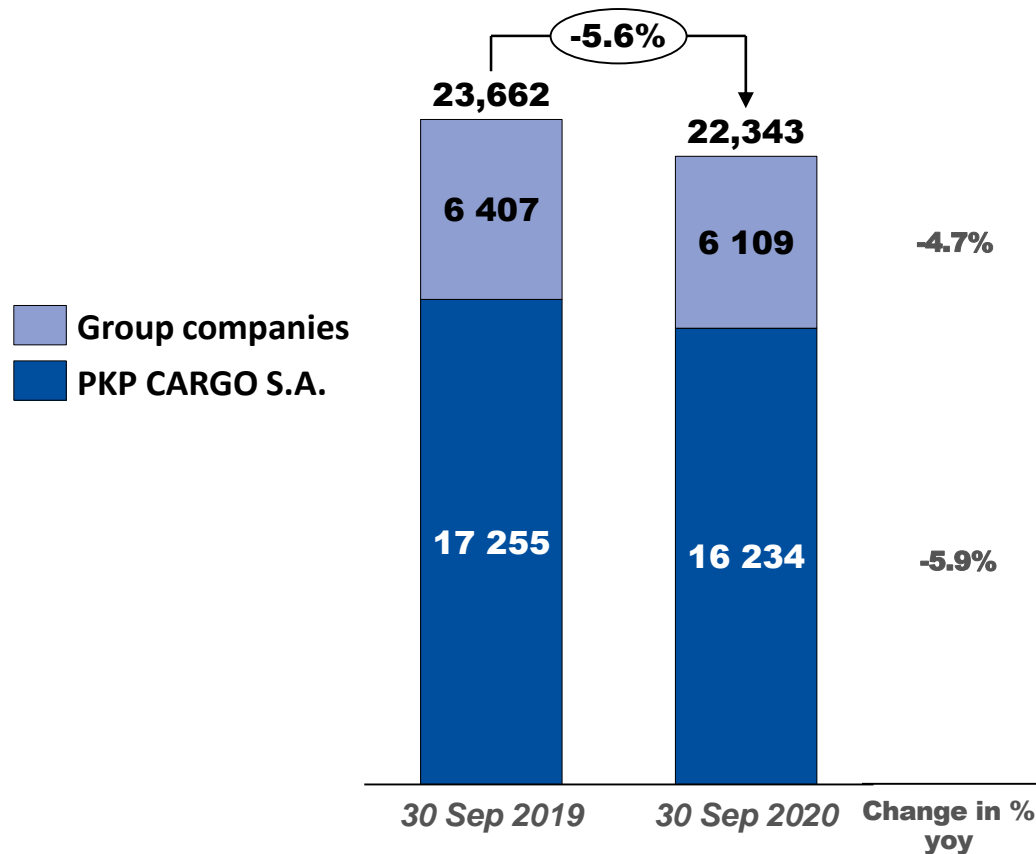
PKP CARGO Group



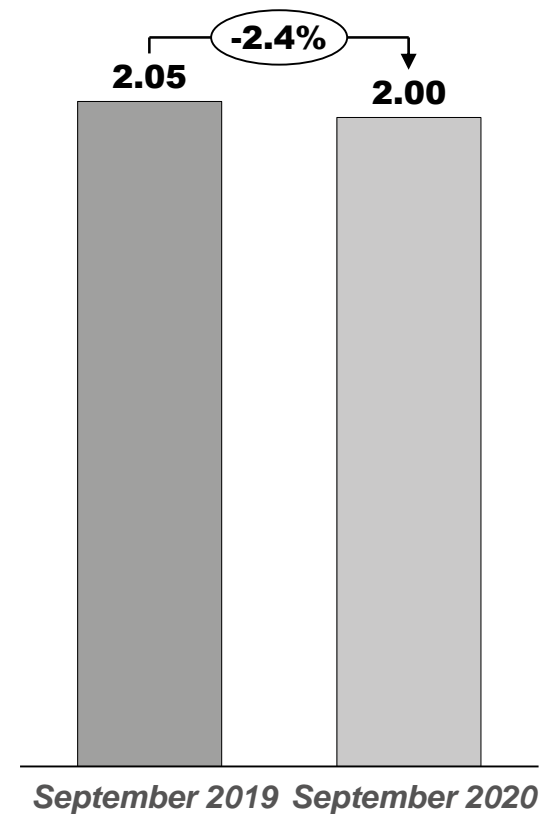
04

During the last 12 months, the Group's headcount decreased significantly, but the downward trend in the market is likely to rebound

HEADCOUNT IN THE PKP CARGO GROUP
in persons



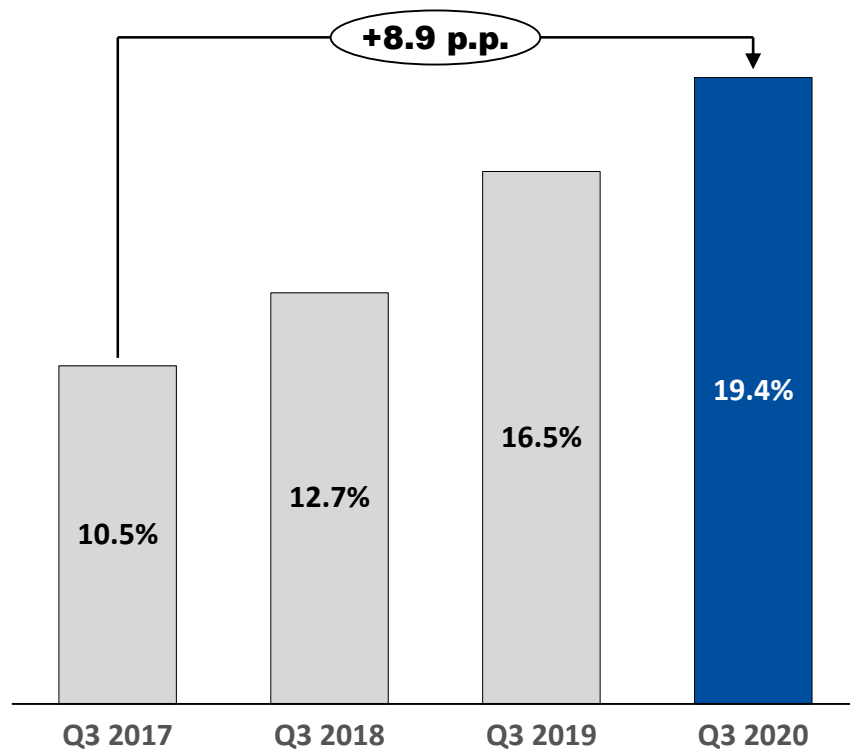
PKP CARGO S.A.'S FREIGHT TURNOVER
billion tkm



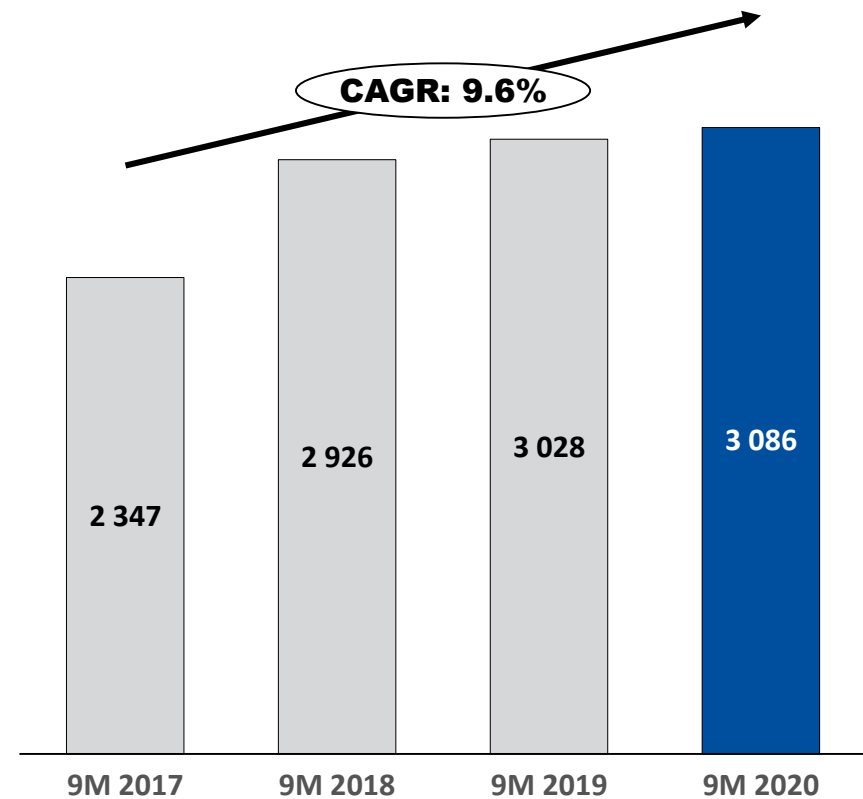
04

Dynamic growth of intermodal transport reflects goals of PKP CARGO Strategy

SHARE OF INTERMODAL IN FREIGHT TURNOVER OF PKP CARGO GROUP
Q3 2017-2020
%



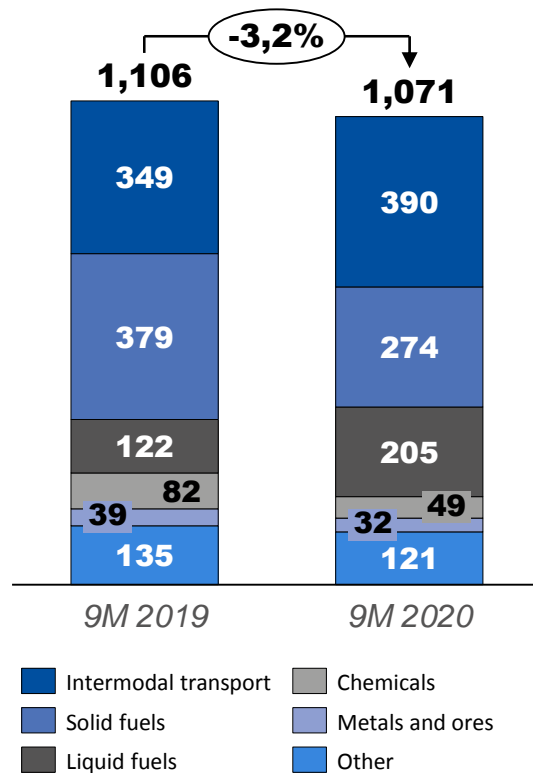
INTERMODAL FREIGHT TURNOVER OF PKP CARGO GROUP
First 9 months of each year
million tkm



PKP CARGO

INTERNATIONAL GROUP'S FREIGHT TURNOVER

million tkm



Intermodal

- Increase by 11.8% yoy in January-September 2020
- Nearly a 37% share in freight turnover

Solid fuels

- Lower production of coal mines and decline in exports from the Czech Republic
- Decline in the share of freight turnover from approx. 34% to approx. 26%

Liquid fuels

- Increase in the quantum of transport services between Slovakia and Poland and between Germany and the Czech Republic

Chemicals

- Decrease as a result of lower production of the chemical sector in Central Europe

Metals and ores

- Lower quantum of transport services as a result of the epidemic and curtailed industrial output

Other

- Rebuilding of transport services for the automotive sector
- No transport of grains or agricultural products

Appendices





Freight results

Freight turnover [million tkm]

	9M 2020	9M 2019	Change	% change	Share – 9M 2020	Share – 9M 2019
Solid fuels including:	6,207	7,497	-1,291	-17.2%	36%	37%
hard coal	5,114	6,360	-1,245	-19.6%	30%	31%
Aggregates and construction materials	3,317	3,995	-678	-17.0%	19%	20%
Metals and ores	1,401	2,323	-922	-39.7%	8%	11%
Chemicals	1,353	1,577	-224	-14.2%	8%	8%
Liquid fuels	557	745	-188	-25.3%	3%	4%
Timber and agricultural produce	728	767	-39	-5.1%	4%	4%
Intermodal transport	3,086	3,028	57	1.9%	18%	15%
Other	473	467	6	1.3%	3%	2%
Total	17,121	20,399	-3,278	-16.1%	100%	100%

FREIGHT VOLUME [million tons]

	9M 2020	9M 2019	Change	% change	Share – 9M 2020	Share – 9M 2019
Solid fuels including:	33.9	39.9	-6.0	-15.1%	50%	49%
hard coal	30.4	35.9	-5.4	-15.1%	45%	44%
Aggregates and construction materials	13.3	15.5	-2.2	-14.5%	20%	19%
Metals and ores	4.5	7.6	-3.1	-40.6%	7%	9%
Chemicals	4.1	4.9	-0.8	-16.1%	6%	6%
Liquid fuels	1.6	2.6	-1.0	-37.9%	2%	3%
Timber and agricultural produce	2.0	2.8	-0.8	-28.0%	3%	3%
Intermodal transport	6.9	7.1	-0.2	-3.1%	10%	9%
Other	1.5	1.7	-0.3	-15.5%	2%	2%
Total	67.8	82.2	-14.4	-17.5%	100%	100%



Consolidated statement of comprehensive income

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME [PLN million]

Revenues from contracts with customers
Consumption of electricity and traction fuel
Infrastructure access services
Transport services
Other services
Employee benefits
Other expenses
Other operating revenue and (expenses)
Operating profit before depreciation (EBITDA)
Depreciation and impairment losses
Profit / loss on operating activities (EBIT)
Financial income and (expenses)
Share in the profit / (loss) of entities accounted for under the equity method
Profit before tax
Income tax
NET PROFIT / (LOSS)
OTHER COMPREHENSIVE INCOME
Measurement of hedging instruments
Income tax
FX differences from translation of financial statements
Total other comprehensive income subject to reclassification to profit or loss
Actuarial gains / (losses) on employee benefits
Income tax
Measurement of equity instruments at fair value
Total other comprehensive income not subject to reclassification to profit or loss
Total other comprehensive income
TOTAL COMPREHENSIVE INCOME

9M 2020	9M 2019
2,974.2	3,616.6
(359.2)	(430.2)
(375.4)	(431.6)
(238.4)	(287.2)
(267.4)	(284.5)
(1,234.7)	(1,284.9)
(193.9)	(210.2)
128.4	25.1
433.6	713.1
(579.0)	(530.3)
(145.4)	182.8
(64.4)	(55.2)
1.4	1.4
(208.4)	129.0
32.1	(30.3)
(176.3)	98.7
(43.6)	(11.7)
8.3	2.2
(6.4)	7.4
(41.7)	(2.1)
(52.1)	(14.3)
9.9	2.7
(0.7)	0.7
(42.9)	(10.9)
(84.6)	(13.0)
(260.9)	85.7



Consolidated statement of financial position

ASSETS [PLN million]
<i>Rolling stock</i>
<i>Other property, plant and equipment</i>
<i>Right-of-use assets</i>
<i>Investments in entities accounted for under the equity method</i>
<i>Trade receivables</i>
<i>Lease receivables</i>
<i>Other assets</i>
<i>Deferred tax assets</i>
Total non-current assets
<i>Inventories</i>
<i>Trade receivables</i>
<i>Lease receivables</i>
<i>Income tax receivables</i>
<i>Other assets</i>
<i>Cash and cash equivalents</i>
Total current assets
<i>Non-current assets classified as held for sale</i>
Total assets

<i>As at 30 September 2020</i>	<i>As at 31 December 2019</i>
4,312.2	4,329.6
861.7	872.4
1,022.7	1,078.8
41.7	40.4
4.8	3.0
11.2	10.9
35.1	55.0
163.9	113.7
6,453.3	6,503.8
158.7	161.0
577.0	591.3
0.7	0.7
2.7	51.4
102.4	132.7
378.2	550.4
1,219.7	1,487.5
12.3	-
7,685.3	7,991.3



Consolidated statement of financial position

EQUITY AND LIABILITIES [PLN million]
Share capital
Supplementary capital
Other items of equity
FX differences from translation of financial statements of foreign operations
Retained earnings
Equity
Debt liabilities
Trade payables
Investment commitments
Provisions for employee benefits
Other provisions
Deferred tax liability
Other liabilities
Non-current liabilities
Debt liabilities
Trade payables
Investment commitments
Provisions for employee benefits
Other provisions
Other liabilities
Current liabilities
Total liabilities
Total equity and liabilities

As at 30 September 2020	As at 31 December 2019
2,239.3	2,239.3
782.4	781.4
(155.9)	(77.7)
71.1	77.5
225.5	402.8
3,162.4	3,423.3
2,178.0	2,201.4
3.5	2.7
159.7	157.0
693.6	657.1
5.4	5.4
85.5	92.3
0.1	-
3,125.8	3,115.9
472.2	421.3
306.7	412.2
187.6	181.5
133.0	127.1
38.5	45.6
259.1	264.4
1,397.1	1,452.1
4,522.9	4,568.0
7,685.3	7,991.3



Consolidated cash flow statement

Cash flow [PLN million]
Cash flow on operating activities
Profit / (loss) before tax
Adjustments
Depreciation and impairment losses
(Profits) / losses on interest, dividends
Interest received / (paid)
Income tax received / (paid)
Movement in working capital
Other adjustments
Net cash from operating activities
Cash flows from investing activities
Expenditures on the acquisition of non-financial non-current assets
Proceeds on the sale of non-financial non-current assets
Proceeds on the sale of other financial assets
Proceeds from dividends received
Proceeds / (expenditures) on bank term deposits longer than 3 months
Other proceeds / (expenditures) on investing activities
Net cash from investing activities
Cash flow from financing activities
Expenditures on leases
Proceeds from drawn down loans/borrowings
Repayment of credit facilities / loans
Interest paid on leases and loans/borrowings
Subsidies received
Dividends paid out to owners
Inflow / (outflow) as part of cash pool
Other expenditures concerning financing activities
Net cash from financing activities
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
Cash and cash equivalents at the end of the reporting period, including:
restricted cash

9M 2020	9M 2019
(208.4)	129.0
579.0	530.3
42.3	39.7
1.9	1.2
45.4	(38.1)
(21.2)	(76.9)
(57.9)	(21.9)
381.1	563.3
(498.1)	(816.6)
35.9	15.0
-	1.0
0.4	2.4
-	200.0
2.6	10.2
(459.2)	(588.0)
(114.0)	(95.9)
289.3	99.3
(241.4)	(186.1)
(42.7)	(40.0)
17.4	57.5
-	(67.2)
1.5	-
(3.9)	(3.9)
(93.8)	(236.3)
(171.9)	(261.0)
550.4	447.3
(0.3)	0.8
378.2	187.1
44.6	43.0



Disclaimers

This presentation has been prepared by PKP CARGO S.A. ("Company", "PKP CARGO") solely for information purposes. This presentation may not be copied, distributed or transmitted directly or indirectly to any person, for any purpose whatsoever without PKP CARGO's knowledge and explicit consent. The copying, distribution and transmission of this presentation to other jurisdictions may be subject to legal limitations while those persons who obtain it should familiarize themselves with all the limitations of this kind and submit to them. The failure to abide by these limitations may constitute a breach of the prevailing law. The data and information contained in this presentation do not portray a thorough financial analysis of the Company, nor do they represent a commercial offer of the Company. A detailed description of PKP CARGO's business and financial position has been presented in the current reports and periodic reports published on the following website: www.pkp-cargo.pl. Information about entering into contracts to acquire the assets described in this presentation has been published by PKP CARGO in current reports. The information contained in this presentation is merely supplementary to the above information; at the same time, this information does not constitute a standalone basis for the Company to transmit the same in the framework of discharging the reporting duties of public companies.

All the data set forth in this presentation are based on sources the Company deems to be exact and credible; however, the Company does not bear liability for the exactitude and credibility of these sources. The Company reserves the right to alter the data and information contained in this presentation at any time without giving prior notification to the persons to whom this presentation is furnished. This presentation may contain certain statements referring to future events. These statements, however, cannot be understood to be the Company's forecasts or projections concerning the Company's results or an indication of the Company's future results. The assumptions adopted by the Management Board are based on the Company's Management Board's current knowledge, awareness and views and are dependent on a number of factors that may cause the actual results achieved in the future to differ materially from the results referred to in this document.

PKP CARGO is not liable for damages ensuing from third parties using this presentation. This presentation has been prepared solely for information purposes and does not constitute an offer to acquire or sell or participate in any investment whatsoever, including the acquisition of any of the Company's securities or other financial instruments, or to participate in any commercial undertaking.



To obtain additional information about PKP CARGO, please contact the
Development, Investor Relations and Promotion Department:

PKP CARGO S.A.

Development, Investor Relations and Marketing Department
ul. Grójecka 17
02-021 Warsaw

Telephone: +48 22 391-47-09

Fax: +48 22 474-29-53

e-mail : relacje.inwestorskie@pkpcargo.com