

PKP CARGO Group financial and operational results

1Q 2023



Warsaw, 31st of May 2023





> Agenda

- **Results summary**
- Operational results
- Financial results
- Outlook

> PKP CARGO Group results 1Q 2023

Strong financial results

Revenues from contracts
with customers

1 564 m PLN

34 % y/y

Net profit

104 m PLN

+152 m r/r

EBITDA

359 m PLN

+ 136 % y/y profitability 23%

Freight volume

23,3 m tons

- 10 % y/y



CAPEX

469 m PLN

+111% y/y

OPEX

1 391 m PLN

+16% y/y

Freight turnover

6 417 m tkm

- 2,0 % y/y

3

- Very good results for Q1 2023 due to delivering strong parameters of freight volume and turnover.
- Bearing in mind the signs of economic slowdown PKP CARGO Group focus is to maintain profitability of freight transport and strike balance between pricing and volume of goods.



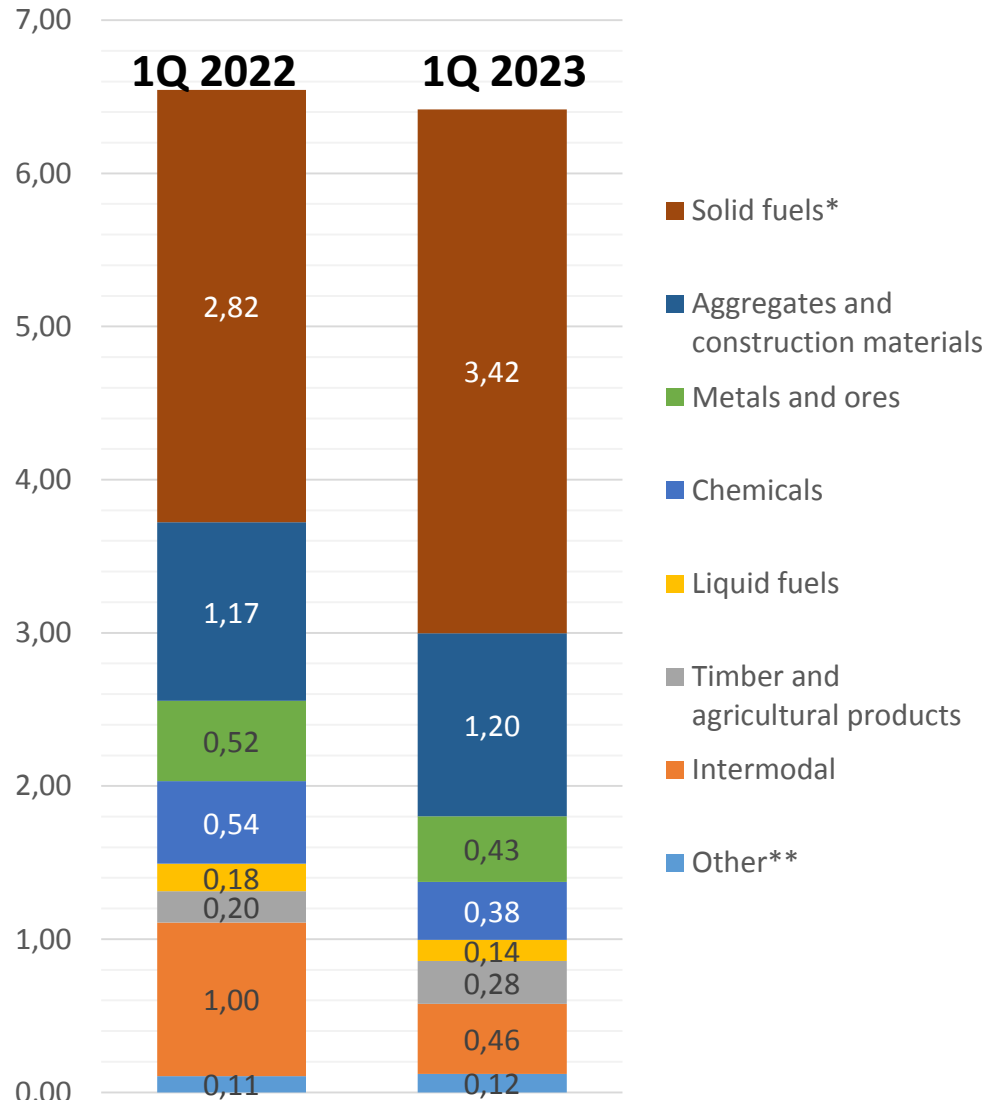
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> PKP CARGO Group freight results - stable levels

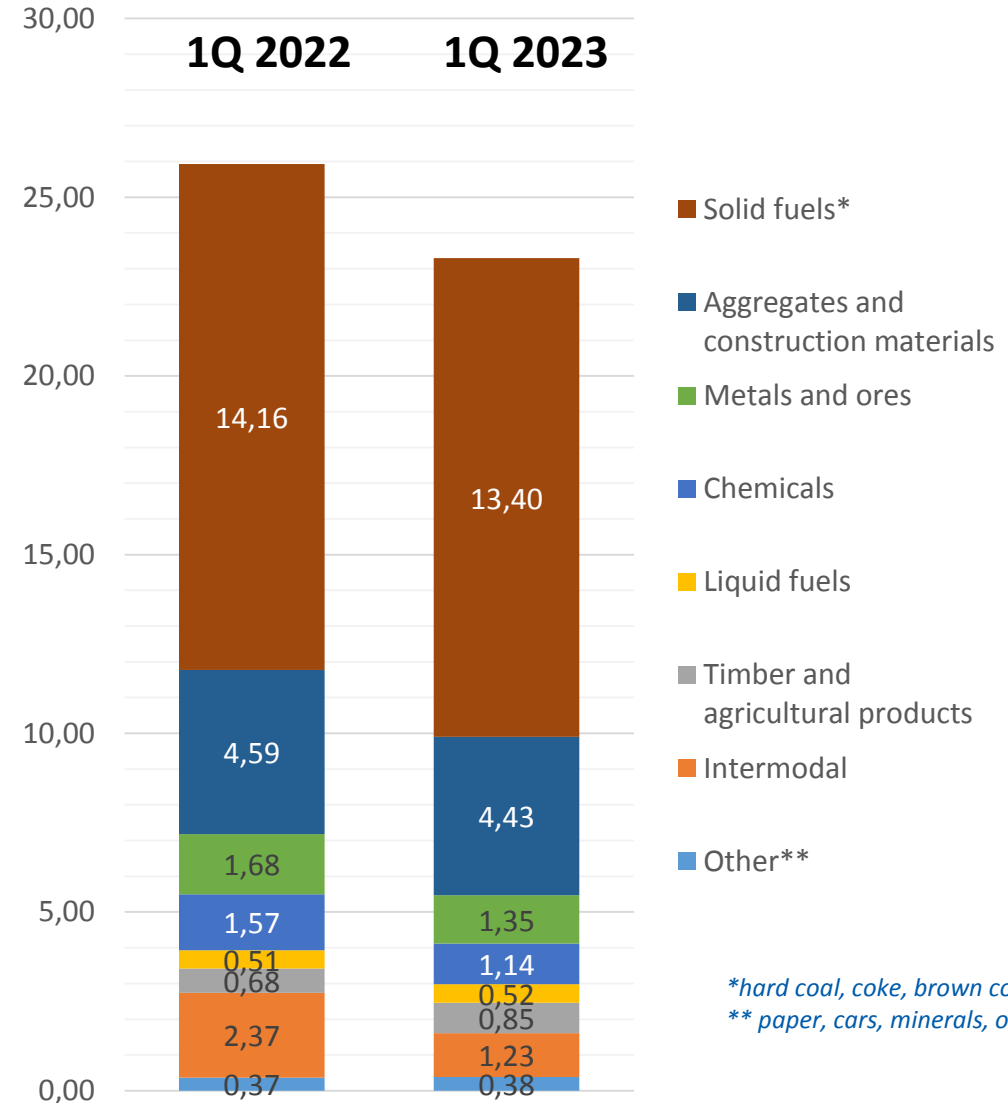
Freight turnover y/y

bn tkm



Freight volume y/y

M tons



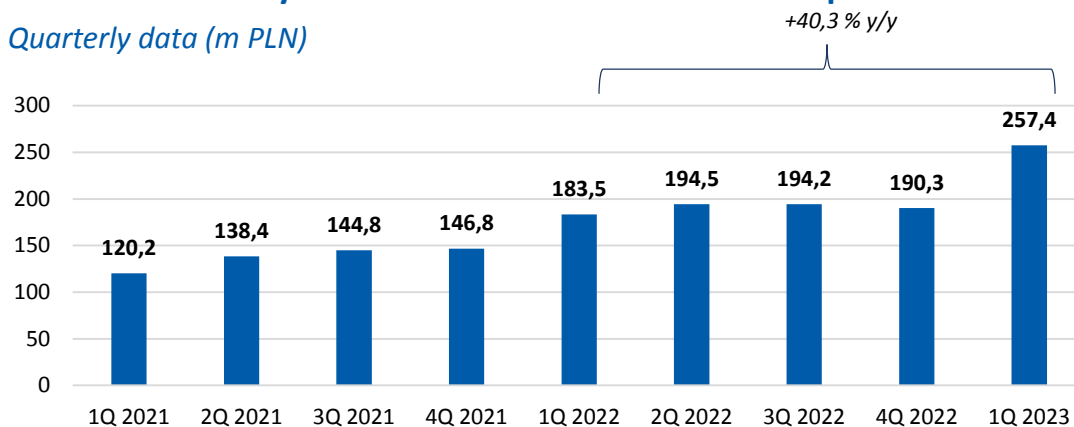
*hard coal, coke, brown coal

** paper, cars, minerals, oils etc

> Consumption of traction electricity and traction fuel

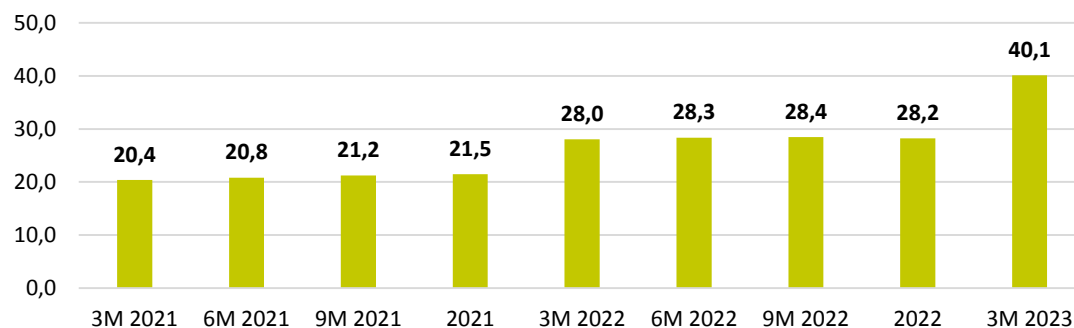
Traction electricity and fuel costs in PKP CARGO Group

Quarterly data (m PLN)



Traction electricity and fuels costs per freight turnover

(PLN/ tks tkm)



Traction electricity and fuel consumption

- Higher costs of traction electricity consumption are caused by the increase in domestic electricity prices and distribution services tariff by the supplier of PKP CARGO Group
- There has been an increase in freight turnover for bulk haulage trains which can be additionally characterized by lower energy consumption than other categories of freight trains. It had a positive impact on financial results.

> PKP CARGO Group - CAPEX

Investing in modern rolling stock

Rolling stock structure in numbers
PKP CARGO Group



Train cars

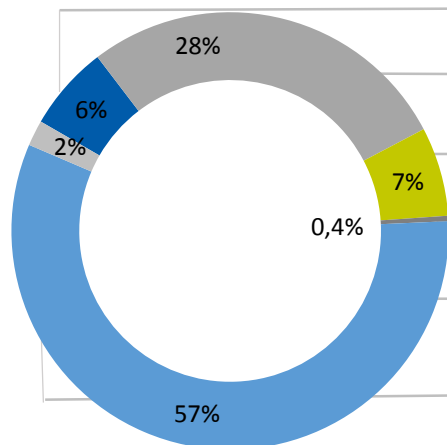
53 143



Locomotives

1 556

CAPEX structure in 1Q 2023 (mn PLN)



Investment buildings

Purchases, periodic repairs and maintenance of train cars

Modernization and periodic repairs and maintenance of locomotives

IT

Rights to assets use ¹⁾²⁾

Others^{1) 2)}

Total

1Q 2022

3,7

169,2

35,4

1,3

9,7

2,9

222,2

1Q 2023

29,5

130,0

30,9

1,8

268,4

8,7

469,3

y/y

25,8

-39,2

- 4,5

0,5

258,7

5,8

247,1

% y/y

+706,9%

-23,2%

-12,7%

+38,5%

+2 667,1%

+200,0%

+111,2%

1) Rights to assets use include leasing on rolling stock, that amounted in 1Q 2023 to PLN 202,8 m. The rights to assets use do not include leasing of transport equipment that in 3 months of 2023 amounted to PLN 1,6 m.

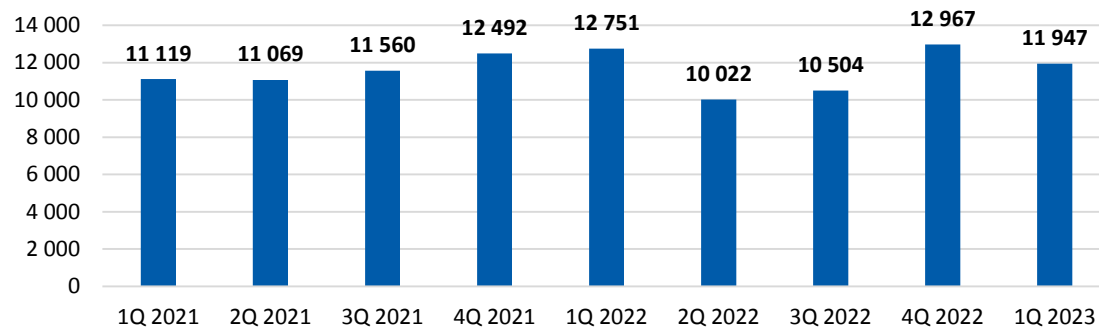
2) Other investments include i.a.: machines and workshops equipment

> Hard coal transport

We provide energy safety

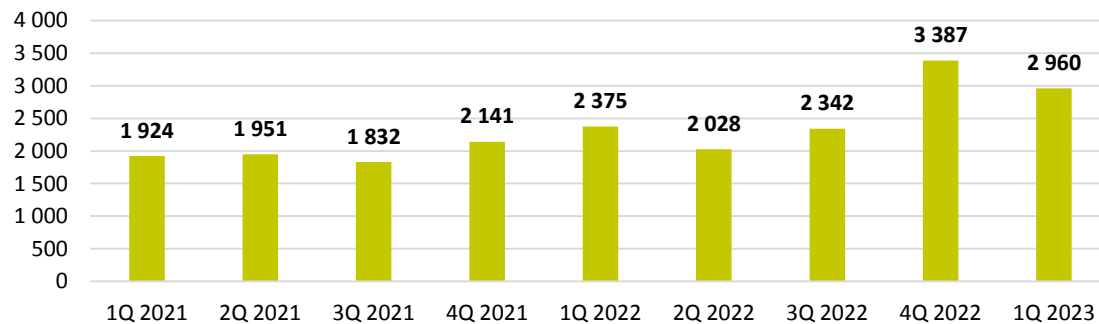
Hard coal – freight volume

(ths tons)



Hard coal transport – freight turnover

(m tkm)



- High level of inventories at contractors,
- According to report by PSE – lower level of demand for energy. Production of electricity from hard coal and lignite in 1Q 2023 amounted to 30 256 GWh and decreased by 13,6% y/y,
- Lower level of coal collection by the local authorities,
- An increase in average distance for hard coal transportation by 61 km (33,0%) – due to shift in supply chain direction,
- PKP CARGO International a.s. – increased transports of hard coal for Teplarna Kladno (last year there was a boiler failure issue that affected the transportation levels).

> Aggregates and construction materials – PKP CARGO Group

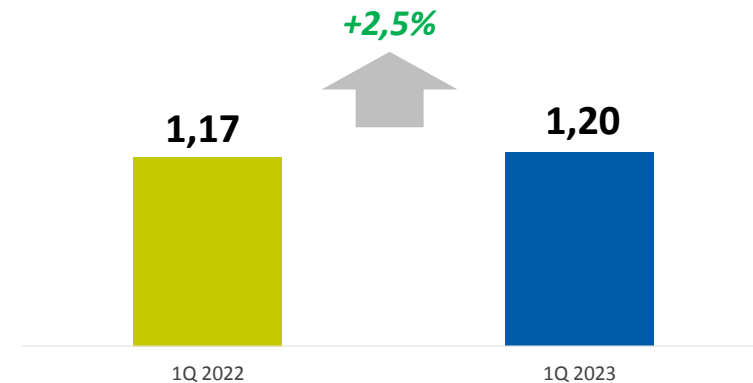
- limited operational possibilities of PKP CARGO S.A. (priority given to the transport of hard coal),
- reduced volume of limestone transport operations to Czech steelworks,
- lower volume of transport operations in exports of quartzite through seaports to Iceland – weaker demand from buyers,
- reduced volume of transport operations for one of major producers in this segment which decided to suspended cement production in February due to its high price.

Main transport routes: Poland, Lithuania, Slovakia, Slovenia, Austria, Czechia, Germany, the Netherlands

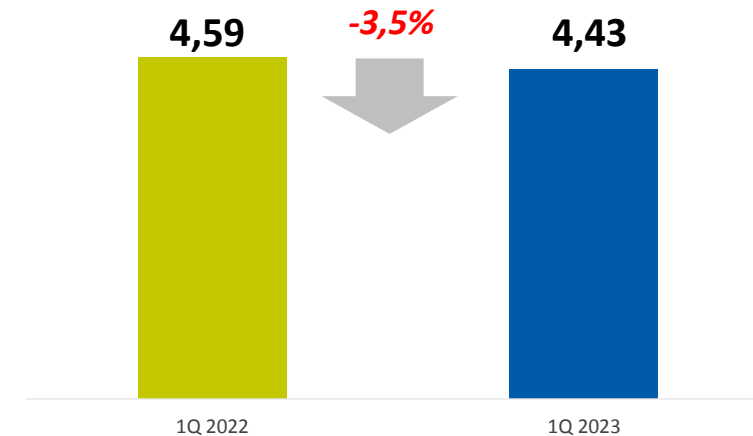


Aggregates and construction materials

Freight turnover, bn tkm



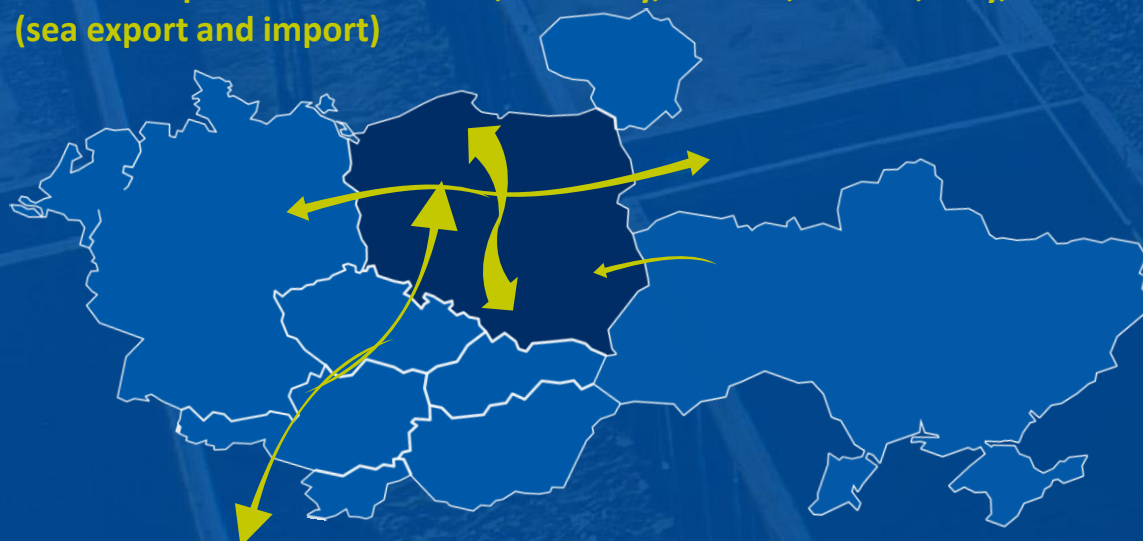
Freight volume, m tons



> Intermodal – PKP CARGO Group

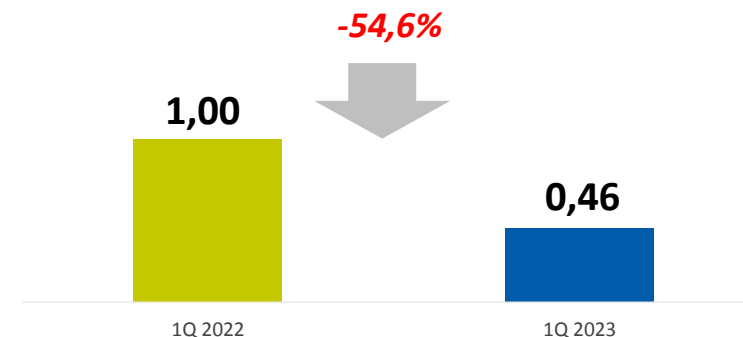
- difficult situation on the global intermodal market: war in Ukraine, economic slowdown, inflationary pressure,
- decreased quantities of transported cargo (in favor of road transport),
- decrease in the volume of intermodal trains to/from seaports, resulting from the priority of coal transport operations in 2022 ,
- PKP CARGO INTERNATIONAL – completion of transport services for a major customer.

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

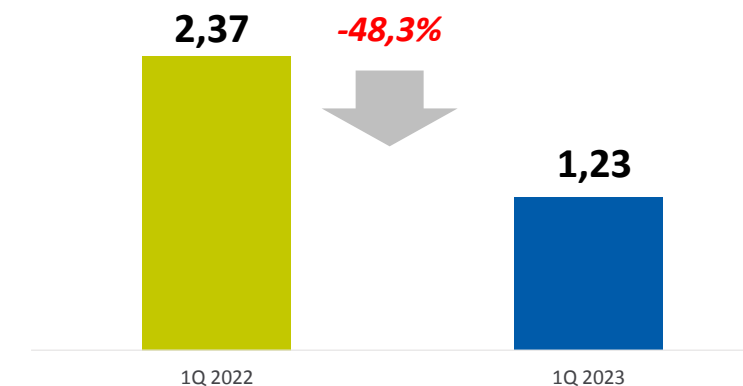


Intermodal

Freight turnover, bn tkm



Freight volume, m tons



> Metals and ores – PKP CARGO Group

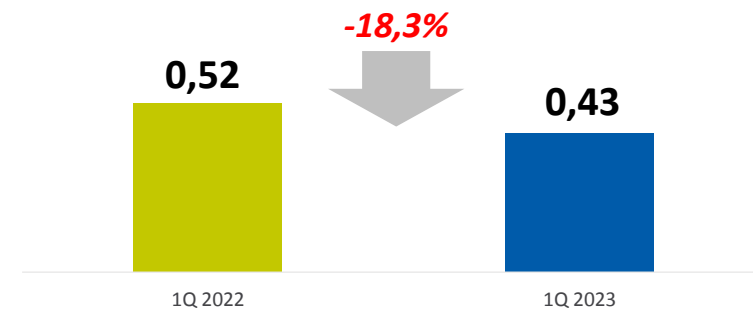
- decline in the volume of transported metals caused by the economic situation in Poland and across the world, affecting the supply of and demand for steel,
- Q1 2023, the persistently high inflation and steep interest rates in most global economies curbed the recovery in demand for steel,
- priority of hard coal transport.

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

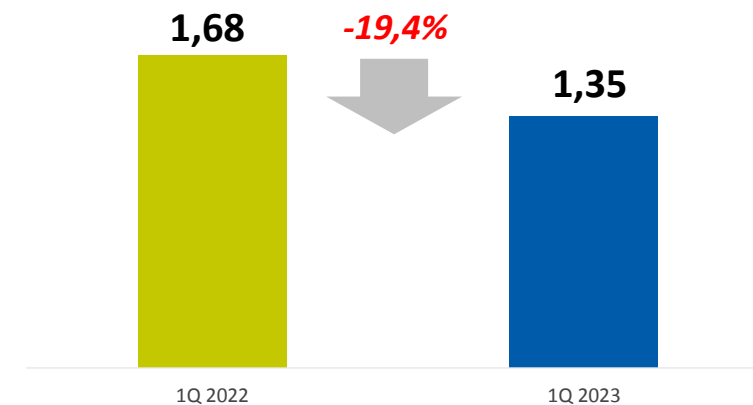


Metals and ores

Freight turnover, bn tkm



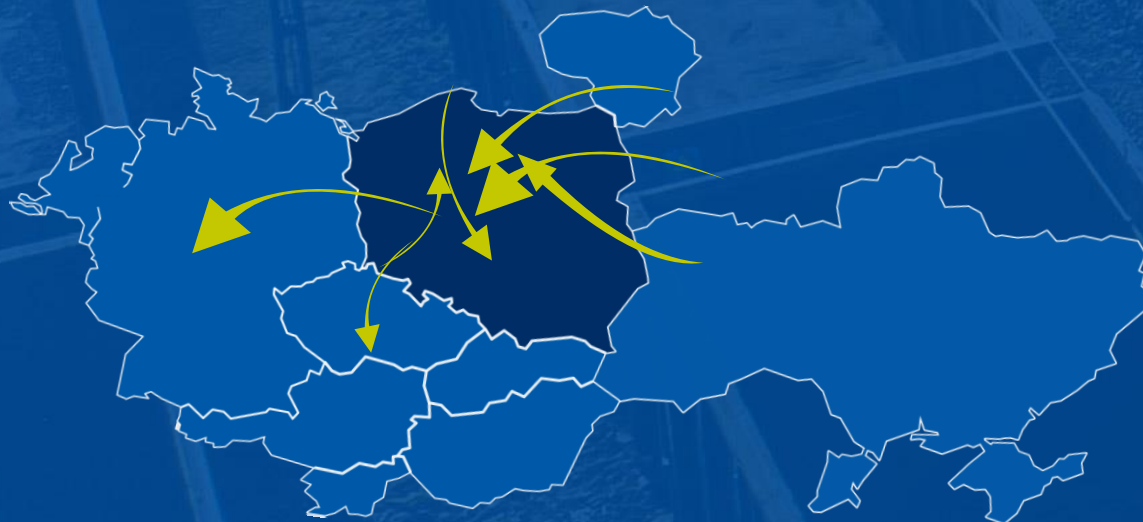
Freight volume, m tons



> Produce and timber – PKP CARGO Group

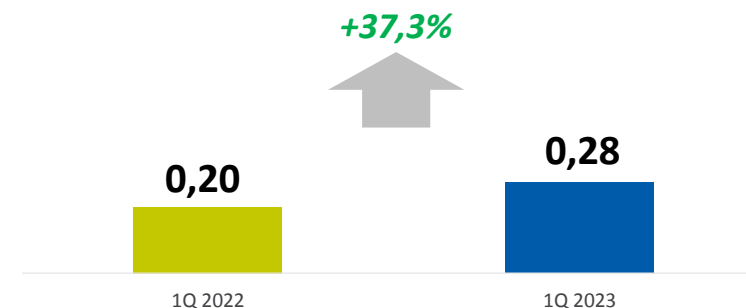
- rapid growth of grain transport operations in imports from Ukraine to seaports,
- increase in the average haul by 32 km (+10.8%) as a result of a change in the structure of transport operations.

Main transport routes: Ukraine, Germany, Slovakia

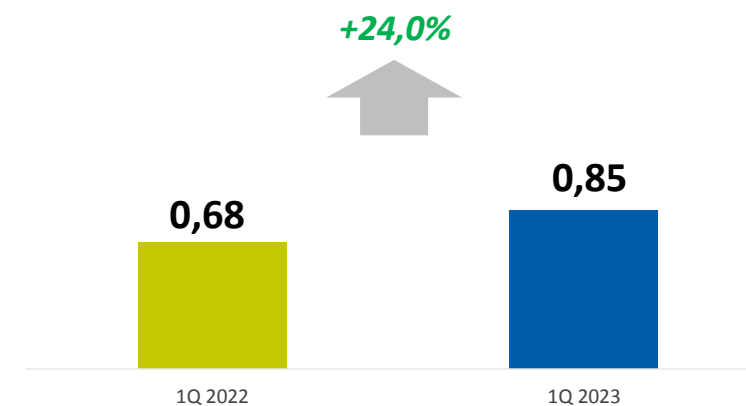


Produce and timber

Freight turnover, bn tkm



Freight volume, m tons





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> Employment in PKP CARGO Group



HEADCOUNT
IN **GROUP** (IN PERSONS)
AS AT:

31/03/2023
19.752

31/12/2022
20.038

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

31/03/2023
14.994

31/12/2022
15.271

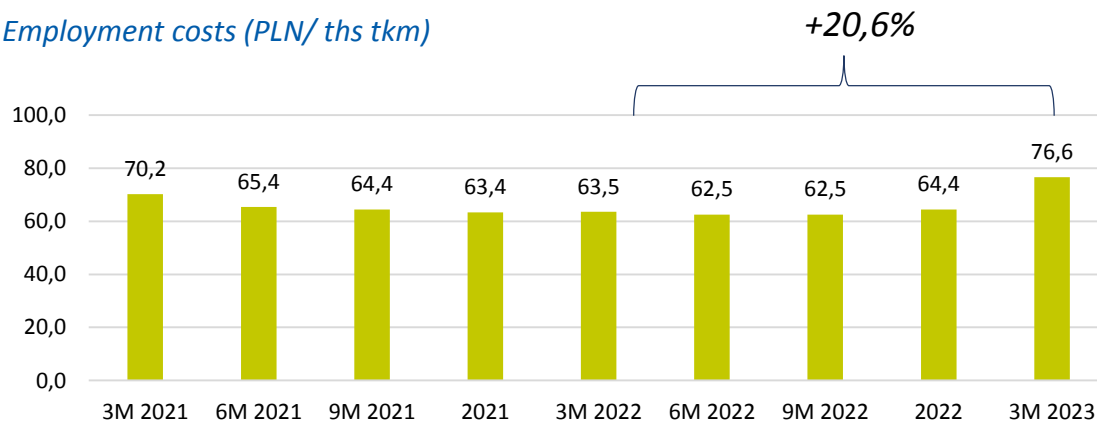
WHITE-COLLAR POSITIONS
IN **GROUP** (IN PERSONS)
AS AT:

31/03/2023
4.758

31/12/2022
4.767

Employment costs per freight turnover

Employment costs (PLN/ tbs tkm)



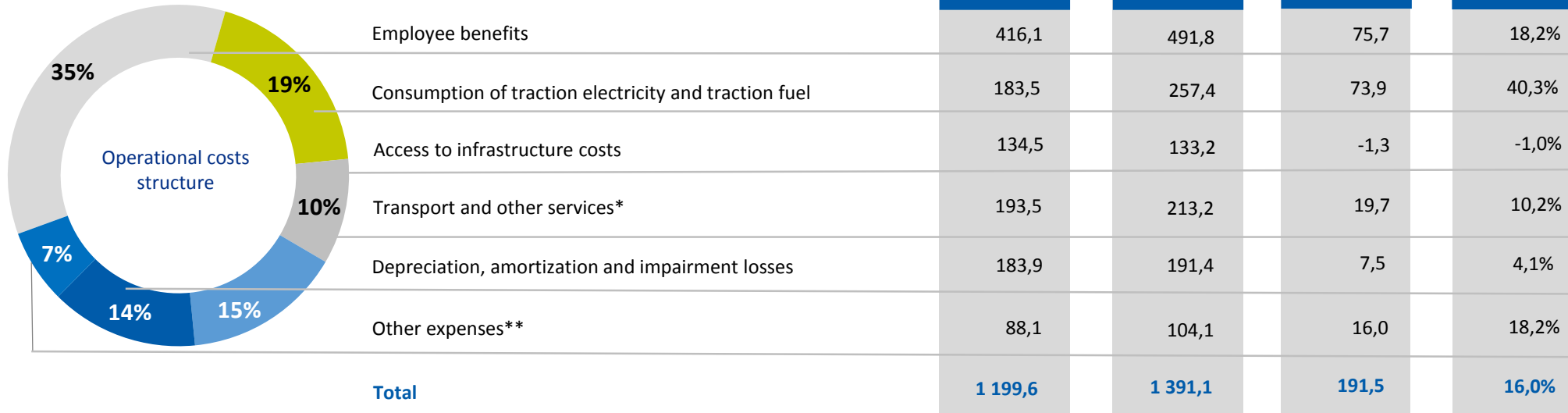
Employment

- flexible employment, multi-skill-professionals – creating job positions designed for dual-professionals by trainings and development of employee skills and competences
- Functional flexibility – depending on current needs for work, adapting employees' tasks and temporary delegations,
- Temporary allocation of employees – in order to fully benefit from human resources and potential

> Operating costs in challenging market environment

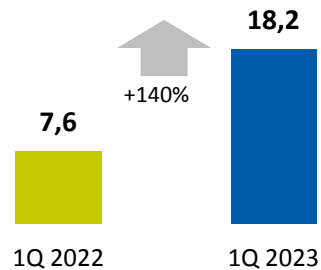
Operating costs - structure and change in 1Q 2023

m PLN

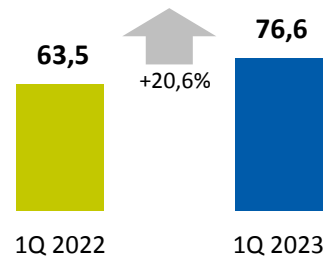


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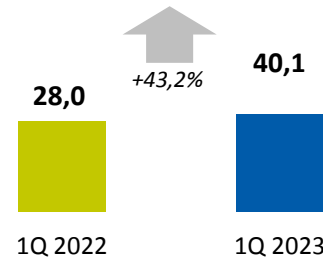
EBITDA per employee (ths PLN/employee)



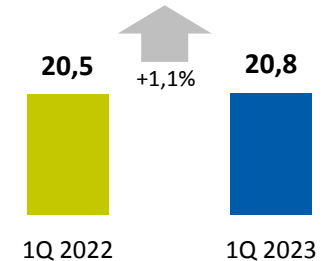
Employee benefits (PLN/ths tkm)



Traction electricity and fuel (PLN/ths tkm)



Access to infrastructure (PLN/ths tkm)

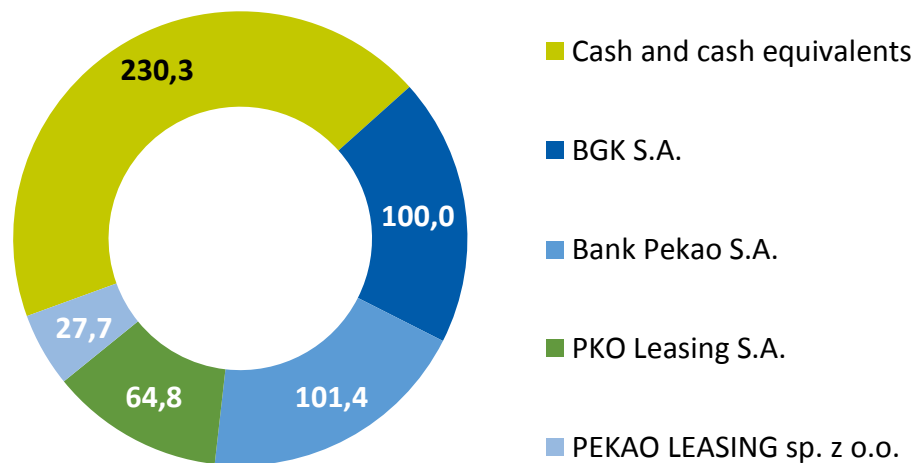


> Cash flows, liabilities and funding sources

Improvement of financial structure

Available funding source

As of 31.03.2023, m PLN



Ratio	1Q 2022	1Q 2023
EBITDA margin	12,9%	22,8%
ROA	-2,7%	3,7%
ROE	-6,7%	8,9%
ROS	-4,0%	6,6%

Liabilities structure

m PLN

	31.12.2022	31.03.2023
Long-term	2 344,6	2 550,9
Short-term	2 082,7	2 139,5
Total	4 427,3	4 690,4

Cash flow

m PLN

Cash flow	1Q 2022	1Q 2023	change
Operational	37,6	297,4	259,8
Investment	- 230,7	- 252,1	- 21,4
Financing	49,1	3,2	- 45,9



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> Outlook

Stable prospects in a difficult market environment (1/2)

1Q 2023:

- Favorable KPIs such as freight volume and freight turnover, and in turn strong financial results.
- Good results were in part a consequence to high demand on coal from last year.

Perspective and goals for the next quarters:

- Focusing on the profitability of transport and finding a balance between the price and the volume of transported cargo
- Unlikely „in plus" deviations in terms of freight volume and turnover in the perspective of the following months of the year
- First signs of economy slowdown – might result in pressure on delivering the parameters of freight volume and turnover in 2023

> Outlook

Stable prospects in a difficult market environment (2/2)



COAL TRANSPORT:

Due to strong seasonality - there is an anticipation from the customers' side of an incoming decrease in the coal market price and as a result there is an increase in storage of the raw material in heaps.



AGGREGATES AND CONSTRUCTION MATERIALS:

Transports based on permanent contracts with customers with visible stabilization on the market. Nevertheless, there is little possibility to compensate potential gap in both freight volume and turnover in coal by transportation of aggregates and construction materials.



INTERMODAL:

The results of the intermodal segment were strongly affected by the war in Ukraine and significant reduction in transshipment capacity in ports and coal deposits. Customers were forced to search for an alternative transport means, often choosing car transport.



TIMBER AND PRODUCE:

PKP CARGO Group expects stabilization in this segment with the possibility of a slight increase. However, the introduced agriculture produce embargo restricts more activity in this segment.

CAPEX:

In 2022 PKP CARGO Group invested PLN 776 m. In 2023 CAPEX is expected to slightly increase due to necessary modernizations of rolling stock (previously postponed in time)

Traction electricity costs:

Signing of an agreement with PGE Energetyka for the sale of electricity and provision of distribution services for the period: from 2023 to 2024.

Changes in energy costs depend on the prices of contracts quoted on the Polish Power Exchange (TGE). An ongoing dialogue with PGE Energetyka aim at further optimization in this area.



> Q&A

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Thank you

Please feel free to contact Investors Relations Team in order to obtain more information

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