

PKP CARGO GROUP 2018



Unchallenged
LEADING POSITION



Presentation agenda



01

Summary of
results

02

Commercial
results

03

Financial
results

04

Outlook 2019

01

Summary of annual performance



01



In 2018, the PKP CARGO Group posted record operating revenue, EBITDA and net result



REVENUES

5,238
PLN million

+11% yoy

EBITDA

17% profitability

907
PLN million

+30% yoy

NET RESULT

3.5% profitability

184
PLN million

+125% yoy



02

Commercial results



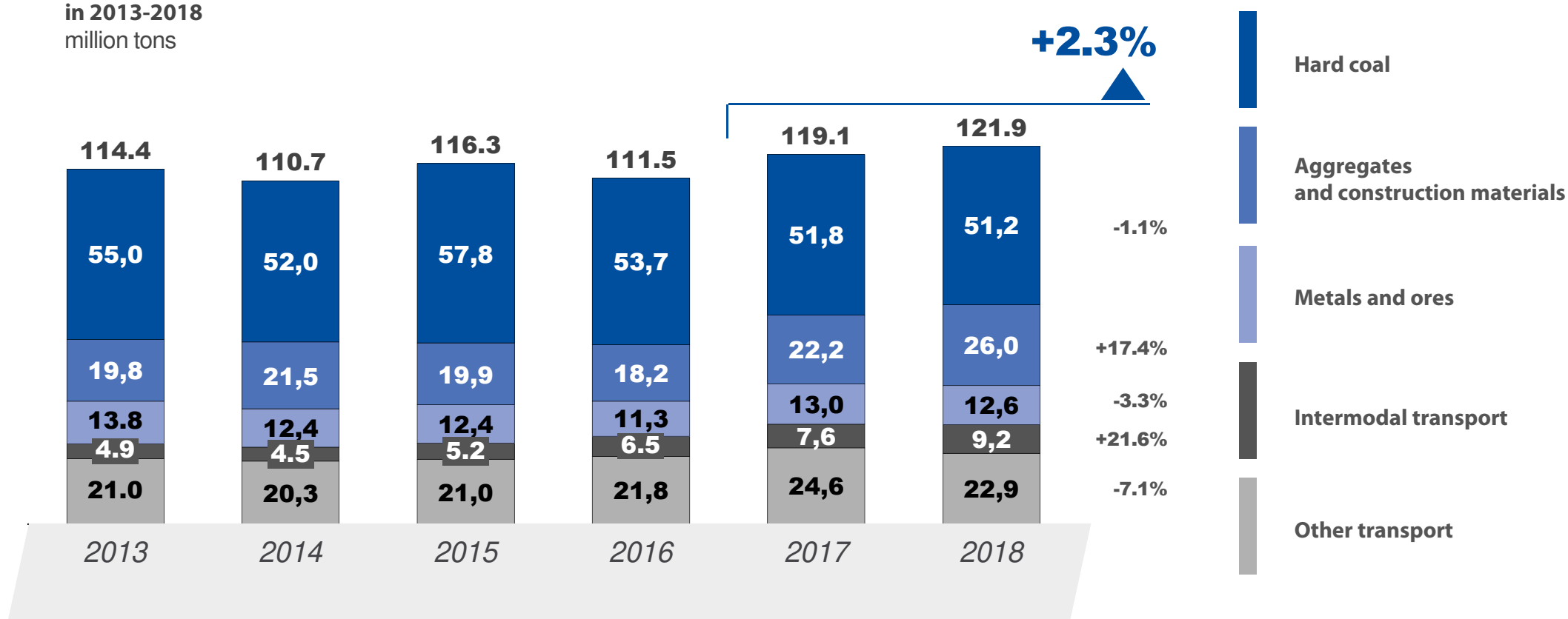
02

Demand for aggregates and construction materials made the strongest contribution to transport growth

FREIGHT VOLUME IN THE PKP CARGO GROUP

in 2013-2018

million tons



03

Financial results



03

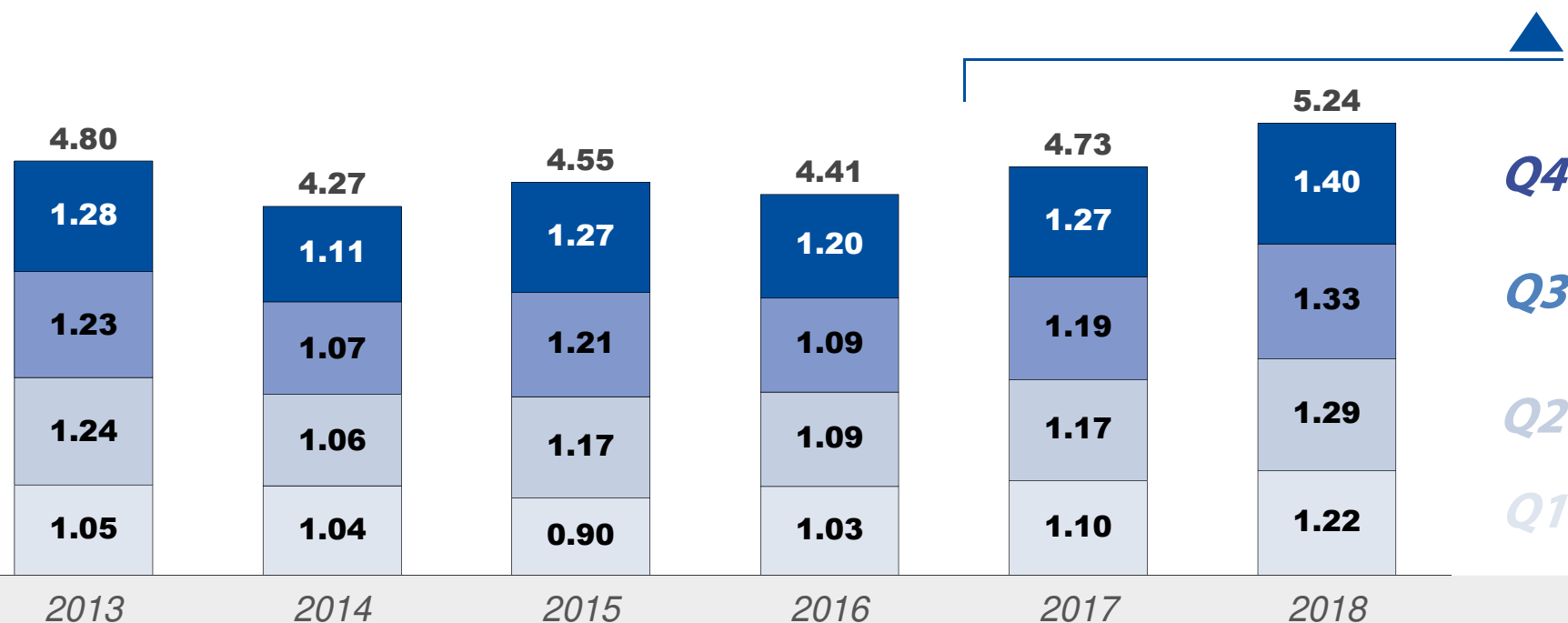
In 2018, the PKP CARGO Group generated the highest operating revenue since 2013

OPERATING REVENUE

in 2013-2018

PLN billion

+11%



03



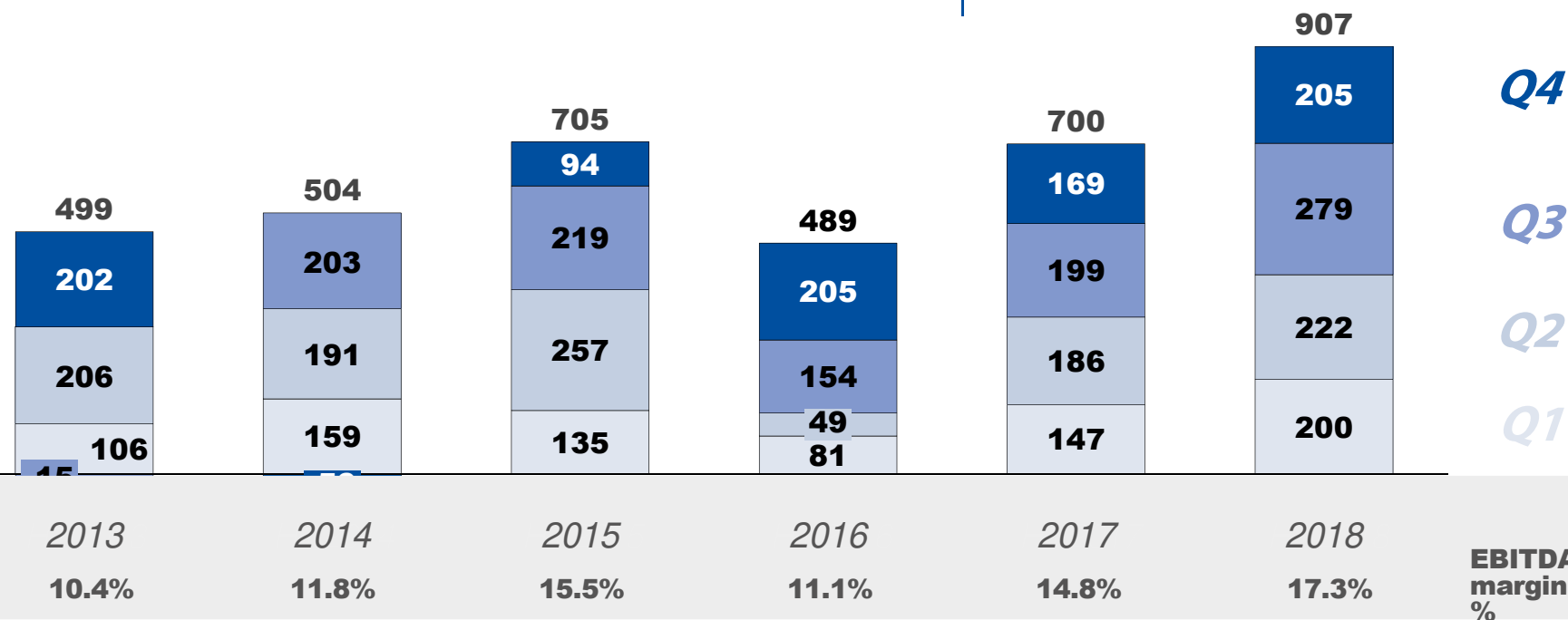
The PKP CARGO Group posted its highest EBITDA since going public

EBITDA OF THE PKP CARGO GROUP

in 2013-2018

PLN million

+30%



03

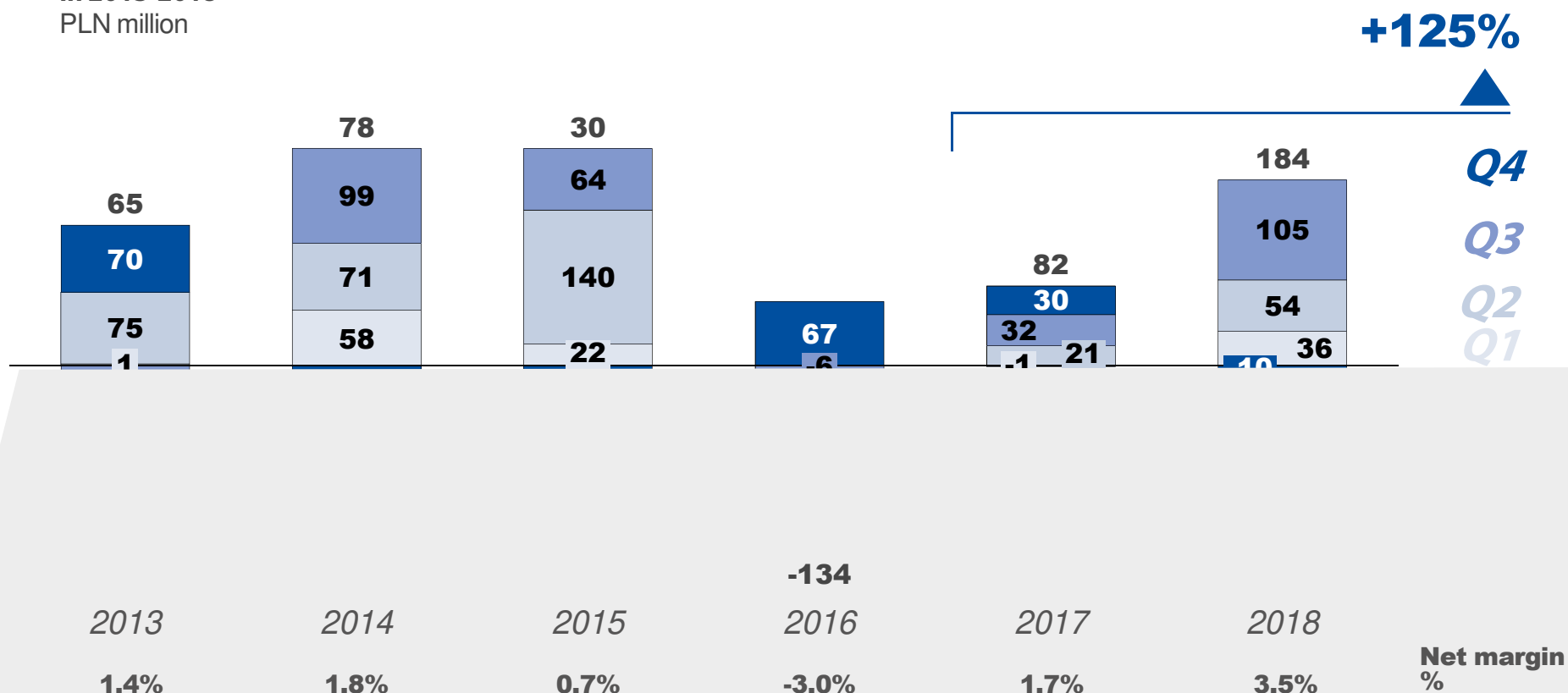


In 2018, the net result increased compared to 2017
by 125%

THE PKP CARGO GROUP'S NET RESULT

in 2013-2018

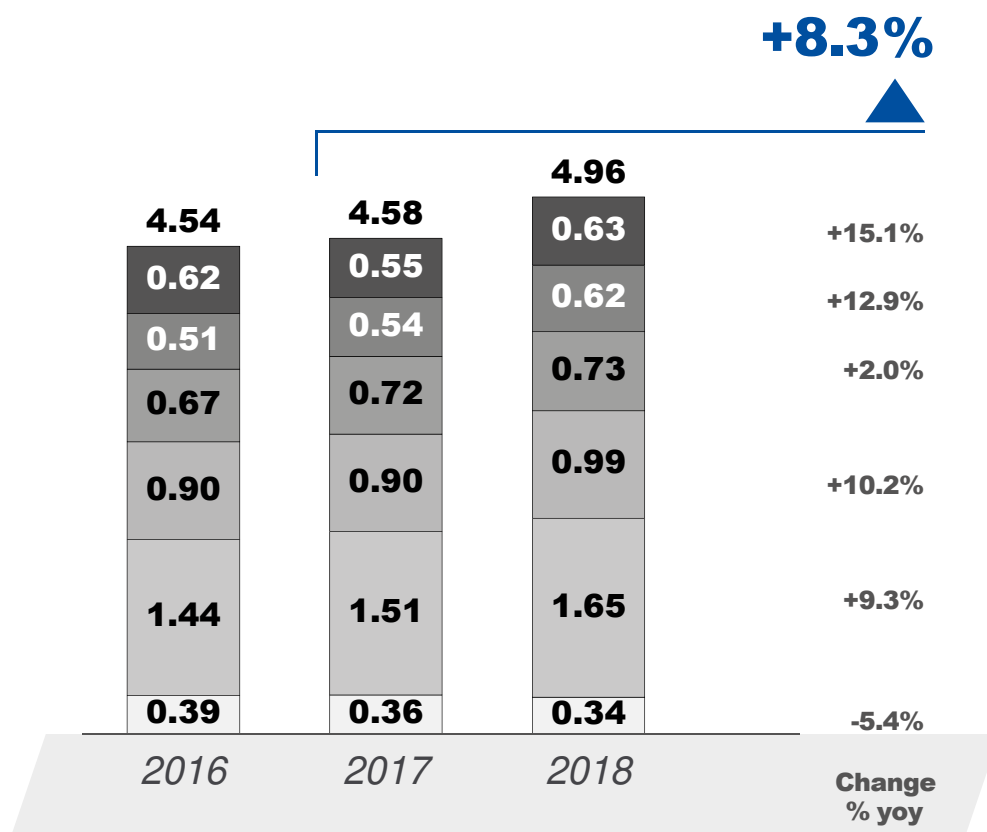
PLN million





Costs continue to be under control despite wage hikes and the impairment loss taken on rolling stock

OPERATING EXPENSES in 2016-2018 PLN billion



Depreciation and impairment losses

- An **impairment loss of PLN 69.0 million** was recognized as a result of an impairment test and as part of the optimization processes carried out in the AWT Group

Consumption of electricity and traction fuel

- Higher consumption of **fuel** (PLN 40.5 million) and **energy** (PLN 29.8 million)
- Costs up chiefly as a result of **more transport**

Access to infrastructure

- Expenses **at a similar level** to last year

Transport services and other services

- Higher **rents** and charges for the use of **rolling stock** by PLN 47.7 million – increasing the quantity of leased rolling stock
- Costs of land reclamation services up PLN 23.8 million

Employee benefits

- Wage increases** in PKP CARGO Group companies
- Headcount up by 390 persons in key operating teams to handle growing volumes of transport

Other expenses

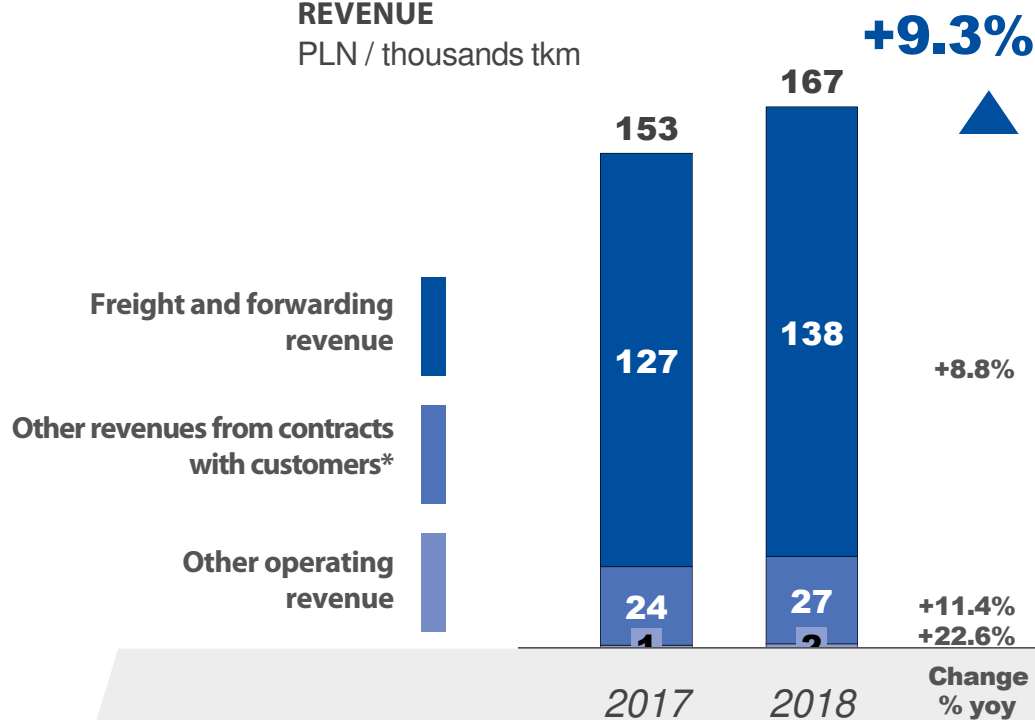
- Other expenses **at a similar level** to last year

03

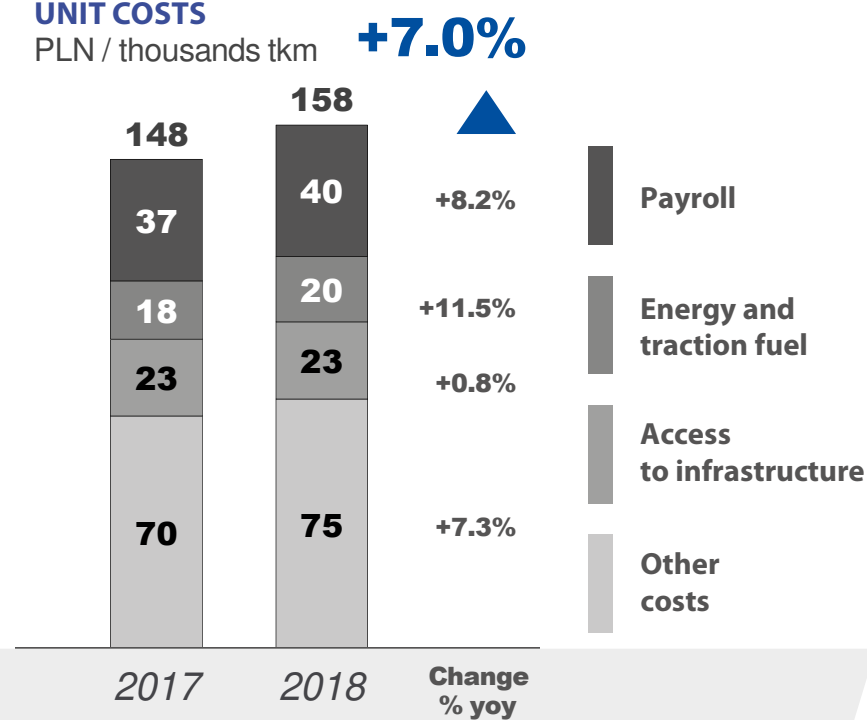


The increase in freight rates translated into improved revenue per tkm with concurrent cost control and discipline

PKP CARGO GROUP'S UNIT REVENUE
PLN / thousands tkm



THE PKP CARGO GROUP'S UNIT COSTS
PLN / thousands tkm



* Revenues from contracts with customers, excluding revenues on rail transportation and freight forwarding services

03



Ratios improved as debt fell,
operational cash flows were higher than capex cash flows by PLN 251 million

CASH FLOW			
PLN million	2017	2018	Change
On operating activity	601	863	+262
On investing activity	-740	-612	+128
On financing activity	-99	-323	-224

FINANCIAL RATIOS		
	2017	2018
NET DEBT / EBITDA	1.3	0.9
ROA	1.2%	2.7%
ROE	2.5%	5.2%
EBIT margin	3.2%	5.3%

KEY BALANCE SHEET ITEMS		
PLN million	31.12.2017	31.12.2018
Constant capital	5,428	5,453
Non-current assets	4,952	5,187
Coverage ratio*	1.10	1.05
Total debt	1,701	1,427
Total debt ratio	0.50	0.49

FUNDING SOURCES	
PLN million	31.12.2018
Cash**	648
EIB	71
Pekao SA	100
PKO BP	1
Total funding	820

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

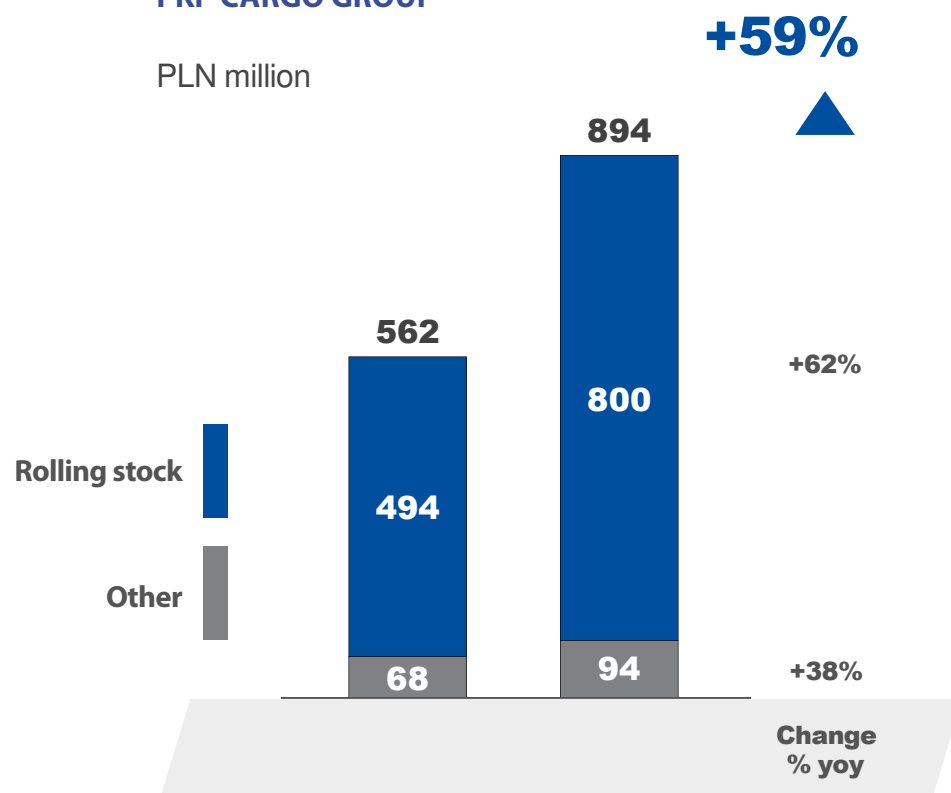
03



The PKP CARGO Group has rebuilt its transport potential and consistently upgrades its rolling stock

CAPITAL EXPENDITURES OF THE PKP CARGO GROUP

PLN million



KEY INVESTMENTS in 2018

- Purchase of 3 new DRAGON-2 six-axle electric locomotives
- Modernization of SM48 and ET41 locomotives
- Construction of a painting facility for the Maintenance and Repair Section in Bydgoszcz
- Roll-out of a software defined network (SDN) for the Data Processing Center
- Purchase of database servers

04

Outlook 2019





The PKP CARGO Group consistently implements the adopted strategy

ADOPTION AND IMPLEMENTATION OF THE PKP CARGO GROUP STRATEGY

THE MOST COMPETITIVE OFFER IN THE REGIONS OF THE NEW SILK ROAD, THE THREE SEAS INITIATIVE AND THE EU

- ✓ Entry to the Slovenian market
- ✓ Acquisition of intermodal platforms
- ✓ Signed partnership agreements in Italy and Lithuania
- ✓ Purchase of multi-system locomotives

GROWTH IN OPERATING EFFICIENCY

- ✓ MBO pilot project
- ✓ Digitization program for the PKP CARGO Group
- ✓ Project Management Policy

SHARE PRICE GROWTH HIGHER THAN INCREASE IN WIG 30

- ✓ Transparency in market communication
- ✓ Dividend policy

NET PROFIT MARGIN OF 5%

- ✓ Reorganization of AWT
- ✓ Higher rates on contracts
- ✓ Effective cost management

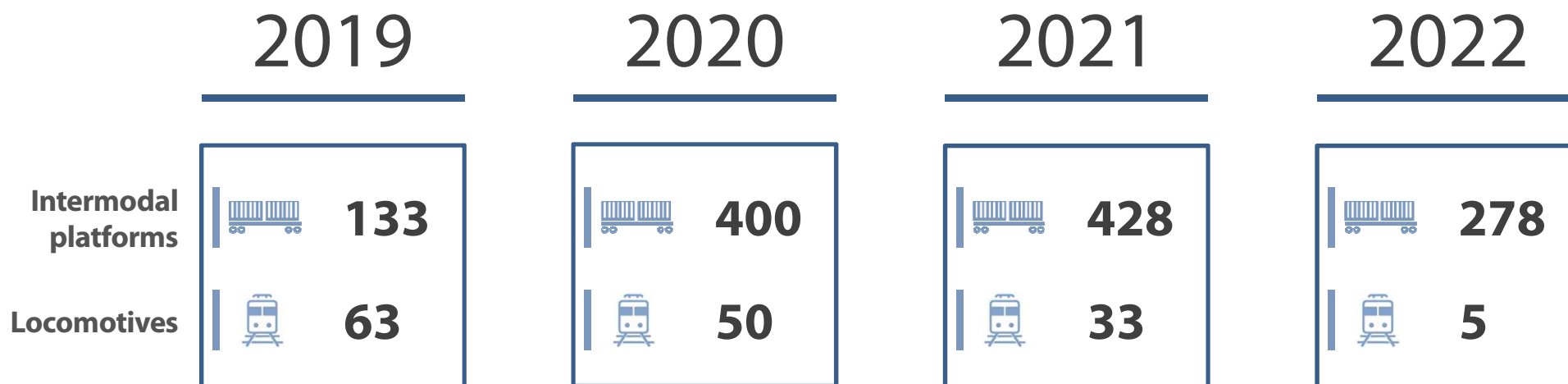
04

The key market on which the PKP CARGO Group builds its future is the intermodal transport market

INVESTMENTS IN ROLLING STOCK

in 2019-2022

units



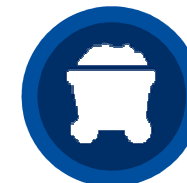
PLN 300 million in co-funding from the EU

04

Outlook for the key market segments in 2019

HARD COAL

- Increase in freight rates
- New units in power plants in Opole and Jaworzno
- Coal imports from Russia



AGGREGATES AND CONSTRUCTION MATERIALS

- Execution of infrastructural investments
- Investment projects executed by PKP PLK and GDDKiA are expected to peak in 2021



METALS AND ORES

- Growth in demand for steel in Poland in 2019 up 2-3%
- Execution of infrastructural investments
- Steel prices increase after the EU defends the market



INTERMODAL TRANSPORT

- Development of the North-South corridor
- Growth on the New Silk Road
- Continued development of transshipment in ports
- Stable outlook for Poland's GDP growth in 2019

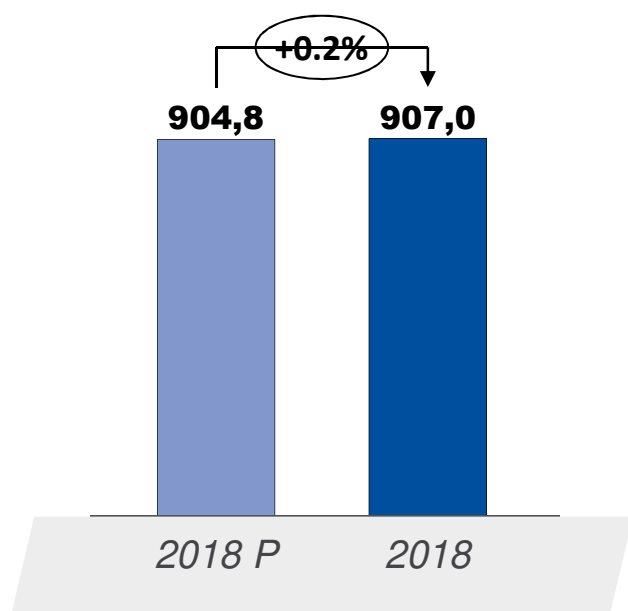


04

The Group's financial performance was better than expected in ambitious forecasts

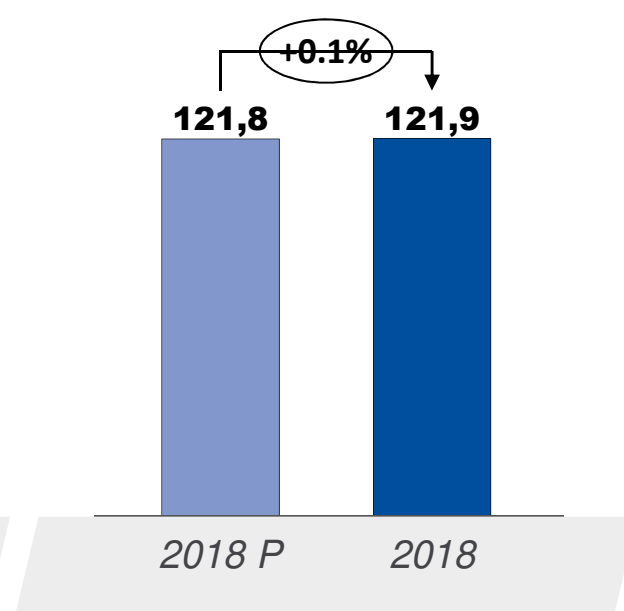
EBITDA

Forecast vs. performance
PLN million



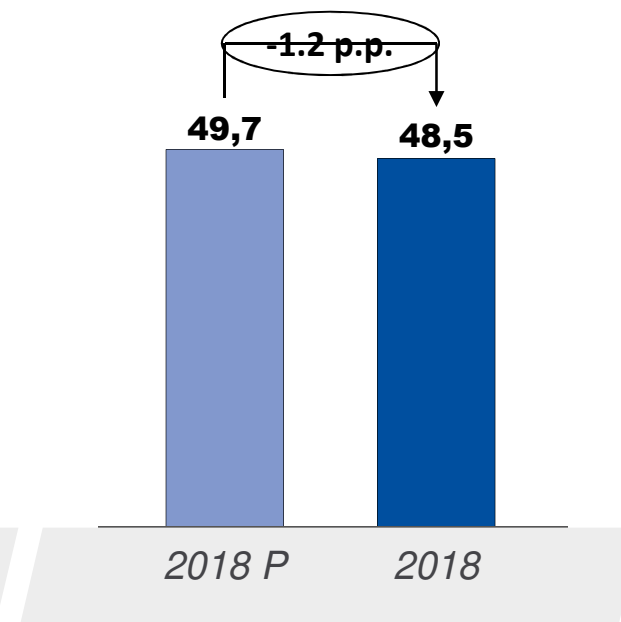
FREIGHT VOLUME

Forecast vs. performance
million tons



MARKET SHARE IN POLAND

Forecast vs. performance
% according to freight turnover



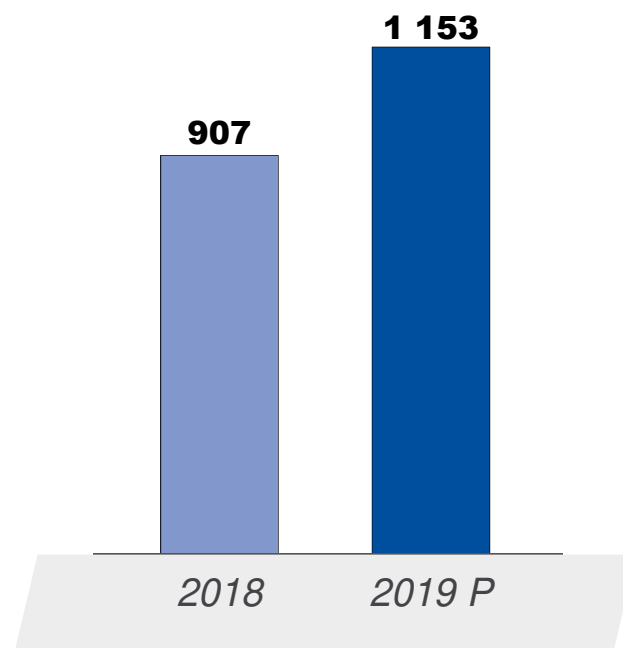
04

According to plan, EBITDA in 2019 should be 27% higher than in 2018.

EBITDA*

performance 2018 vs. forecast 2019

PLN million



* In the EBITDA forecast for 2019, approx. PLN 118 million comes from the restatement under IFRS 16



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