

## **Information on recognition of impairment losses on non-current assets and inventories in the annual financial statements**

Current report no. 14/2016 of 15 March 2016

*Legal basis (selected in ESPI):*

*Article 56 Section 1 Item 1 of the Act on Offerings – confidential information*

The Management Board of PKP CARGO S.A. (“Company”, “PKP CARGO”) hereby reports that, following a material decline in the market prices of scrap metal in Q4 2015, the Company’s Management Board, having analyzed the impact of this change on the 2015 standalone and consolidated financial statements, decided to recognize impairment losses based on the prices of appropriate scrap metal classes as at the end of 2015, on the following assets:

- 1) property, plant and equipment – rolling stock, in the amount of PLN 147,799 thousand,
- 2) inventories, in the amount of PLN 5,288 thousand,
- 3) non-current assets classified as held for sale, in the amount of PLN 24,029 thousand.

The total amount of the impairment losses in the 2015 standalone and consolidated financial statements is PLN 143,464 thousand, which includes the effect of tax.

The impairment losses are non-cash items and have no effect on PKP CARGO’s liquidity and do not affect its compliance with financial covenants under the existing loan agreements.

The figures presented above are estimates and are subject to change. The Company’s final results will be presented in the 2015 standalone and consolidated financial statements, which are scheduled for publication on 18 March 2016.

Legal basis:

Article 56 Section 1 Item 1 of the Act of 29 July 2005 on Public Offering and the Terms and Conditions for Introducing Financial Instruments to an Organized Trading System and on Public Companies (Journal of Laws of 2013, Item 1382).