

Interim Condensed Consolidated Financial Statements

of the PKP CARGO
CAPITAL GROUP for
the period of 6 months
ended 30 June 2023
prepared in accordance
with EU IFRS

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INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	6 months ended 30/06/2023	3 months ended 30/06/2023	6 months ended 30/06/2022	3 months ended 30/06/2022	
Revenues from contracts with customers	2,899.5	1,335.5	2,451.5	1,285.2	<i>Note 2.1</i>
Consumption of traction electricity and traction fuel	(448.2)	(190.8)	(378.0)	(194.5)	<i>Note 2.2</i>
Services of access to infrastructure	(246.2)	(113.0)	(276.8)	(142.3)	
Transport services	(167.6)	(78.4)	(173.4)	(88.0)	
Other services	(238.5)	(114.5)	(244.8)	(136.7)	<i>Note 2.2</i>
Employee benefits	(975.5)	(483.7)	(832.8)	(416.7)	<i>Note 2.2</i>
Other expenses	(196.5)	(92.4)	(176.1)	(88.0)	<i>Note 2.2</i>
Other operating revenue and (expenses)	(15.8)	(10.9)	1.9	0.1	<i>Note 2.3</i>
Operating profit without depreciation (EBITDA)	611.2	251.8	371.5	219.1	
Depreciation, amortization and impairment losses	(389.7)	(198.3)	(365.4)	(181.5)	<i>Note 2.2</i>
Profit / (loss) on operating activities (EBIT)	221.5	53.5	6.1	37.6	
Financial revenue and (expenses)	(87.3)	(45.8)	(55.8)	(30.7)	<i>Note 2.4</i>
Share in the profit / (loss) of entities accounted for under the equity method	5.6	1.5	2.8	1.7	<i>Note 5.3</i>
Profit / (loss) before tax	139.8	9.2	(46.9)	8.6	
Income tax	(30.1)	(3.7)	4.5	(3.4)	<i>Note 3.1</i>
NET PROFIT / (LOSS)	109.7	5.5	(42.4)	5.2	
OTHER COMPREHENSIVE INCOME					
Measurement of hedging instruments	31.7	27.5	(9.3)	(3.7)	<i>Note 6.1</i>
Income tax	(6.0)	(5.2)	1.8	0.7	<i>Note 3.1</i>
FX differences resulting from translation of financial statements	(24.0)	(41.6)	15.3	(5.3)	
Total other comprehensive income subject to reclassification in the financial result	1.7	(19.3)	7.8	(8.3)	
Actuarial profits / (losses) on post-employment benefits	(55.5)	(54.9)	45.4	45.4	<i>Note 5.8</i>
Income tax	10.6	10.5	(8.6)	(8.6)	<i>Note 3.1</i>
Measurement of equity instruments at fair value	3.8	3.8	-	-	<i>Note 6.1</i>
Total other comprehensive income not subject to reclassification in the financial result	(41.1)	(40.6)	36.8	36.8	
Total other comprehensive income	(39.4)	(59.9)	44.6	28.5	
TOTAL COMPREHENSIVE INCOME	70.3	(54.4)	2.2	33.7	
Net profit / (loss) attributable:					
Net profit / (loss) attributable to shareholders of the Parent Company	109.7	5.5	(42.4)	5.2	
Total other comprehensive income attributable:					
Total other comprehensive income attributable to shareholders of the Parent Company	70.3	(54.4)	2.2	33.7	
Earnings / (losses) per share (PLN per share)					
Weighted average number of ordinary shares	44,786,917	44,786,917	44,786,917	44,786,917	
Basic earnings / (losses) per share	2.45	0.12	(0.95)	0.11	
Diluted earnings / (losses) per share	2.45	0.12	(0.95)	0.11	

In the periods covered by these Interim Condensed Consolidated Financial Statements, there was no non-controlling interest.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30/06/2023	31/12/2022	
ASSETS			
Rolling stock	4,457.9	4,208.3	<i>Note 5.1</i>
Other property, plant and equipment	926.2	891.1	<i>Note 5.1</i>
Rights-of-use assets	1,221.5	972.2	<i>Note 5.2</i>
Investments in entities accounted for under the equity method	40.5	41.8	<i>Note 5.3</i>
Trade receivables	8.2	7.3	<i>Note 5.5</i>
Lease receivables	8.7	8.7	
Other assets	58.8	48.6	<i>Note 5.6</i>
Deferred tax assets	173.3	176.1	<i>Note 3.1</i>
Total non-current assets	6,895.1	6,354.1	
Inventories	217.6	200.8	<i>Note 5.4</i>
Trade receivables	666.6	769.4	<i>Note 5.5</i>
Lease receivables	0.8	0.6	
Income tax receivables	12.3	1.6	
Other assets	140.9	151.9	<i>Note 5.6</i>
Cash and cash equivalents	174.6	181.5	<i>Note 4.3</i>
Total current assets	1,212.8	1,305.8	
Non-current assets classified as held for sale	-	0.3	
TOTAL ASSETS	8,107.9	7,660.2	
EQUITY AND LIABILITIES			
Share capital	2,239.3	2,239.3	<i>Note 4.2</i>
Supplementary capital	795.9	678.0	
Other items of equity	(81.3)	(65.9)	
FX differences resulting from translation of financial statements	152.9	176.9	
Retained earnings	196.4	204.6	
Total equity	3,303.2	3,232.9	
Debt liabilities	1,867.7	1,711.5	<i>Note 4.1</i>
Trade liabilities	8.2	7.9	
Investment liabilities	25.3	46.7	<i>Note 5.7</i>
Provisions for employee benefits	537.4	483.5	<i>Note 5.8</i>
Other provisions	0.5	0.5	<i>Note 5.9</i>
Deferred tax liability	90.2	94.5	<i>Note 3.1</i>
Other liabilities	0.1	-	
Total long-term liabilities	2,529.4	2,344.6	
Debt liabilities	782.7	660.7	<i>Note 4.1</i>
Trade liabilities	798.2	803.8	
Investment liabilities	169.3	143.0	<i>Note 5.7</i>
Provisions for employee benefits	180.4	156.7	<i>Note 5.8</i>
Other provisions	19.0	21.4	<i>Note 5.9</i>
Other liabilities	325.7	297.1	<i>Note 5.10</i>
Total short-term liabilities	2,275.3	2,082.7	
Total liabilities	4,804.7	4,427.3	
TOTAL EQUITY AND LIABILITIES	8,107.9	7,660.2	

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Supplementary capital	Other items of equity			FX differences resulting from translation of financial statements	Retained earnings / (Accumulated losses)	Total equity
			Profits / (losses) on measurement of equity instruments at fair value	Actuarial profits/ (losses) on post-employment benefits	Measurement of hedging instruments			
1/01/2023	2,239.3	678.0	(12.9)	(26.7)	(26.3)	176.9	204.6	3,232.9
Net result for the period	-	-	-	-	-	-	109.7	109.7
Other comprehensive income for the period (net)	-	-	3.8	(44.9)	25.7	(24.0)	-	(39.4)
Total comprehensive income	-	-	3.8	(44.9)	25.7	(24.0)	109.7	70.3
Other changes for the period	-	117.9	-	-	-	-	(117.9)	-
30/06/2023	2,239.3	795.9	(9.1)	(71.6)	(0.6)	152.9	196.4	3,303.2
1/01/2022	2,239.3	771.7	(12.9)	(42.0)	(20.9)	142.5	(37.1)	3,040.6
Net result for the period	-	-	-	-	-	-	(42.4)	(42.4)
Other comprehensive income for the period (net)	-	-	-	36.8	(7.5)	15.3	-	44.6
Total comprehensive income	-	-	-	36.8	(7.5)	15.3	(42.4)	2.2
Other changes for the period	-	(97.3)	-	-	-	-	97.3	-
30/06/2022	2,239.3	674.4	(12.9)	(5.2)	(28.4)	157.8	17.8	3,042.8

INTERIM CONSOLIDATED CASH FLOW STATEMENT

	6 months ended 30/06/2023	6 months ended 30/06/2022	
Cash flows from operating activities			
Profit / (loss) before tax	139.8	(46.9)	
Adjustments			
Depreciation, amortization and impairment losses	389.7	365.4	<i>Note 2.2</i>
(Profits) / losses on the sale and liquidation of non-financial non-current assets	(1.3)	(6.3)	
(Profits) / losses on interest, dividends	67.8	45.6	
Received / (paid) interest	(0.3)	0.1	
Received / (paid) income tax	(37.1)	(5.6)	
Movement in working capital	195.7	(79.7)	
Other adjustments	(58.6)	47.4	
Net cash from operating activities	695.7	320.0	
Cash flows from investing activities			
Expenditures on the acquisition of non-financial non-current assets	(596.0)	(467.8)	
Proceeds from the sale of non-financial non-current assets	2.5	33.6	
Proceeds from dividends received	2.8	2.5	
Other inflows from investing activities	3.1	0.9	
Net cash from investing activities	(587.6)	(430.8)	
Cash flows from financing activities			
Payments on lease liabilities	(82.6)	(68.6)	<i>Note 4.1</i>
Proceeds from bank loans and borrowings	198.1	169.5	<i>Note 4.1</i>
Repayment of bank loans and borrowings	(153.3)	(154.6)	<i>Note 4.1</i>
Interest paid on lease liabilities and bank loans and borrowings	(72.1)	(39.0)	<i>Note 4.1</i>
Grants received	-	63.0	
Other outflows from financing activities	(1.2)	(2.0)	
Net cash from financing activities	(111.1)	(31.7)	
Net increase / (decrease) in cash and cash equivalents	(3.0)	(142.5)	
Cash and cash equivalents at the beginning of the reporting period	181.5	254.5	
Impact exerted by FX rate movements on the cash balance in foreign currencies	(3.9)	0.9	
Cash and cash equivalents at the end of the reporting period, including:	174.6	112.9	
<i>Restricted cash</i>	<i>38.0</i>	<i>32.0</i>	



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. General information

1.1 Key information about the Group's business

Information about the Parent Company

PKP CARGO S.A. ("Company", "Parent Company") was established pursuant to a Notary Deed of 29 June 2001 (Rep. A No. 1287/2001). Basic information about the Parent Company is presented in the table below.

Basic information about the Parent Company	
Name	PKP CARGO S.A.
Domicile	Poland
Address of the registered office of the Parent Company	02-021 Warsaw at Grójecka Street no 17
KRS	0000027702 – District Court for the capital city of Warsaw, 12th Commercial Division of the National Court Register, Poland
REGON statistical number	277586360
NIP tax identification number	954-23-81-960

In H1 2023, the Parent Company did not change its name or other identification details.

The financial year of the Parent Company and the companies from the PKP CARGO Group is a calendar year.

The composition of the Parent Company's management and supervisory bodies and the Parent Company's shareholding structure as at 30 June 2023 are presented in the Management Board Report on the Activity of the PKP CARGO Capital Group for H1 2023, in [Chapters 2.1](#) and [2.3](#), respectively.

Information about the Group

The Group's core business is rail freight transport. In addition to rail freight transport services, the Group also provides additional services:

- intermodal services,
- shipping (domestic and international),
- terminals,
- rail sidings and traction,
- rolling stock maintenance and repairs,
- reclamation services.

As at the balance sheet date, the PKP CARGO Group (hereinafter: "Group") comprised PKP CARGO S.A. as its parent company and 20 subsidiaries. In addition, the Group held shares in 2 associated entities and 1 joint venture.

The duration of individual Group companies is unlimited.

1.1 Key information about the Group's business (cont.)

Detailed information about members of the Group as at 30 June 2023 and 31 December 2022 is as follows:

Name	Type	Registered office	% of shares held	
			30/06/2023	31/12/2022
Centralny Terminal Multimodalny Sp. z o.o.	other subsidiary	Warsaw	100%	100%
PKP CARGO SERVICE Sp. z o.o.	subsidiary – consolidated by the full method	Warsaw	100%	100%
PKP CARGO TERMINALE Sp. z o.o.	subsidiary – consolidated by the full method	Żurawica	100%	100%
PKP CARGOTABOR Sp. z o.o. ¹⁾	subsidiary – consolidated by the full method	Warsaw	100%	100%
CARGOTOR Sp. z o.o.	subsidiary – consolidated by the full method	Warsaw	100%	100%
PKP CARGOTABOR USŁUGI Sp. z o.o. ²⁾	subsidiary – consolidated by the full method	Warsaw	100%	100%
PKP Linia Chełmska Szerokotorowa Sp. z o.o.	other subsidiary	Warsaw	100%	100%
ONECARGO CONNECT Sp. z o.o.	other subsidiary	Warsaw	100%	100%
COSCO Shipping Lines (POLAND) Sp. z o.o.	associate	Gdynia	20%	20%
PKP CARGO CONNECT Sp. z o.o.	subsidiary – consolidated by the full method	Warsaw	100%	100%
Transgaz S.A.	other subsidiary	Zalesie near Małaszewicze	64%	64%
Cargosped Terminal Braniewo Sp. z o.o.	subsidiary – consolidated by the full method	Braniewo	100%	100%
PKP CARGO CONNECT GmbH	other subsidiary	Hamburg	100%	100%
Terminale Przeładunkowe Sławków Medyka Sp. z o.o.	shares in joint ventures	Sławków	50%	50%
PKP CARGO INTERNATIONAL a.s.	subsidiary – consolidated by the full method	Ostrava	100%	100%
PKP CARGO INTERNATIONAL HU Zrt.	subsidiary – consolidated by the full method	Budapest	100%	100%
AWT ROSCO a.s.	subsidiary – consolidated by the full method	Ostrava	100%	100%
AWT CFT a.s. ³⁾	subsidiary – consolidated by the full method	Ostrava	100%	100%
AWT Rekultivace a.s.	subsidiary – consolidated by the full method	Petřvald	100%	100%
DEPOS Horni Sucha a.s.	associate	Horní Suchá	20.6%	20.6%
PKP CARGO INTERNATIONAL SK a.s.	other subsidiary	Bratislava	100%	100%
AWT DLT s.r.o.	other subsidiary	Kladno	100%	100%
PKP CARGO INTERNATIONAL SI d.o.o.	other subsidiary	Grčarevec	80%	80%

¹⁾ On 30 January 2023, the share capital of PKP CARGOTABOR Sp. z o.o. was increased through creation of new shares, which were covered by a cash contribution made by the Parent Company in the amount of PLN 13.5 million.

²⁾ On 2 March 2023, the share capital of PKP CARGOTABOR USŁUGI Sp. z o.o. was increased through creation of new shares worth PLN 28.3 million, which were covered by a non-cash contribution made by the Parent Company.

³⁾ With effect from 6 March 2023, AWT Čechofracht a.s. with its registered office in Ostrava, a fully owned subsidiary of PKP CARGO INTERNATIONAL a.s., changed its name to AWT CFT a.s.

Other subsidiaries are not consolidated by the full method due to the materiality criterion adopted by the Group. The companies are valued using the equity method, which is presented in [Note 5.3](#) to these Condensed Consolidated Financial Statements or presented as other assets.

1.2 Basis for preparation of the Interim Condensed Consolidated Financial Statements

These Interim Condensed Consolidated Financial Statements have been prepared in accordance with International Accounting Standard no. 34 Interim Financial Reporting as endorsed by the European Union.

These Interim Condensed Consolidated Financial Statements should be read together with the audited Consolidated Financial Statements of the PKP CARGO Group for the year ended 31 December 2022 prepared according to EU IFRS. The accounting policy used to prepare these Interim Condensed Consolidated Financial Statements is consistent with the one used to prepare the Consolidated Financial Statements for the financial year ended 31 December 2022. However a change was made in the presentation of costs of other services for the period of 6 months ended 30 June 2022 in connection with a change introduced starting from the Quarterly Consolidated Financial Statements for the period of 9 months ended 30 September 2022.

Based on the financial projections approved in the Group, these Interim Condensed Consolidated Financial Statements for the period of 6 months ended 30 June 2023 have been prepared based on the assumption that the Group will continue to be a going concern in the foreseeable future. As at the preparation date of these financial statements, there are no material circumstances indicating any substantial doubt about the Group's ability to continue its business as a going concern for a period of at least 12 months from the end of the reporting period.

These Interim Condensed Consolidated Financial Statements have been prepared in accordance with the historic cost principle, except for measured at fair value derivatives and investments in equity instruments.

Within the year, the Group's business does not show any material seasonal or cyclical trends.

These Interim Condensed Consolidated Financial Statements consist of the consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated cash flow statement and selected notes.

These Interim Condensed Consolidated Financial Statements have been prepared in Polish zloty (PLN). The data in the financial statements are presented in millions of PLN.

Transactions in foreign currencies are translated to the functional currency at the exchange rate from the date of the transaction or measurement when the items are restated. As at the balance sheet date, cash assets and liabilities denominated in foreign currencies are restated according to the average NBP exchange rate binding on that date. Foreign exchange gains and losses obtained as a result of settlements of those transactions and balance sheet valuation of assets and liabilities denominated in foreign currencies are recorded in the result, provided they are not deferred in other comprehensive income when they are eligible for recognition as security for cash flows. Non-cash items carried at historical cost expressed in a foreign currency are translated using the exchange rate from the transaction date.

The financial data of foreign entities have been translated into the Polish currency for consolidation purposes in the following manner:

- a) assets and liabilities items at the exchange rate at the end of the reporting period,
- b) items of the statement of profit or loss and other comprehensive income and of the statement of cash flows at the average exchange rate in the reporting period calculated as the arithmetic mean of the exchange rates prevailing on the last day of each month in a given period.

FX differences from the above translations are presented in the equity as FX differences resulting from translation of financial statements.

In these Interim Condensed Consolidated Financial Statements, for the needs of valuation of the financial statements of foreign operations subject to consolidation, the Group adopted the following exchange rates:

Currency	Items of the statement of financial position		Items of the statement of profit or loss and other comprehensive income and the cash flow statement	
	30/06/2023	31/12/2022	6 months ended 30/06/2023	6 months ended 30/06/2022
EUR	4.4503	4.6899	4.6130	4.6427
CZK	0.1875	0.1942	0.1951	0.1884

The data for the 6 months ended 30 June 2023 and 30 June 2022 presented in these Interim Condensed Consolidated Financial Statements have been reviewed by an auditor. The line items of the consolidated statement of financial position as at 31 December 2022 were audited by a statutory auditor during the audit of the Consolidated Financial Statements of the PKP CARGO Group for the year ended 31 December 2022 prepared according to EU IFRS. The data for the 3 months ended 30 June 2023 and 30 June 2022 presented in these Interim Condensed Consolidated Financial Statements have not been reviewed or audited by an auditor.

These Interim Condensed Consolidated Financial Statements were approved for publication by the Parent Company's Management Board on 25 August 2023.

1.3 Applied International Financial Reporting Standards platform

Standards and interpretations adopted by the IASB and EU which have entered into effect

When approving these Interim Condensed Consolidated Financial Statements, the Group applied the following amendments to the standards and interpretations issued by the International Accounting Standards Board for application by the EU:

Standard / Interpretation	Effective date
IFRS 17 "Insurance contracts" and amendments to IFRS 17	1 January 2023
Amendments to IFRS 17 "Insurance contracts: First application of IFRS 17 and IFRS 9 – Comparative information	1 January 2023
Amendments to IAS 1 "Presentation of financial statements" and IFRS Practice Statement 2: Disclosure of Accounting policies	1 January 2023
Amendments to IAS 8 "Accounting policies, changes in accounting estimates and errors" – definition of estimates	1 January 2023
Amendments to IAS 12 "Income Tax" – deferred tax related to assets and liabilities arising from a single transaction	1 January 2023

The above standards and interpretations had no material influence on the Group's financial statements.

Standards and interpretations adopted by the IASB and not endorsed by the EU

IFRS as approved by the EU do not currently differ materially from the regulations adopted by the International Accounting Standards Board (IASB), with the exception of the following standards, their amendments and interpretations, which have not yet been approved by the EU and have not entered into effect. The Management Board of the Parent Company believes that the approval of the standards mentioned below by the EU will not result in any major changes to the Group's financial statements in the successive reporting periods:

Standard / Interpretation	Effective date
Amendments to IAS 12 "Income Tax" – International Tax Reform – Pillar Two Model Rules	1 January 2023
Amendments to IAS 1 "Presentation of financial statements" – Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants	1 January 2024
Amendments to IFRS 16 "Leases" – Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to IAS 7 "Statement of Cash Flows" and IFRS 7 "Financial Instruments: Disclosures – Supplier Finance Arrangements"	1 January 2024
Amendments to IAS 21 "The Effects of Changes in Foreign Exchange Rates" – Lack of Exchangeability	1 January 2025

1.4 Liquidity position of the Group

The Group is exposed to liquidity risk following from the ratio of current assets to current liabilities. In order to minimize the possibility of disruption in cash flows and the risk of losing liquidity, the Group takes measures aimed at ensuring the availability of tools supporting the financing of operating and investing activities in the medium term.

On 2 January 2023, the Parent Company signed an Investment Loan Agreement with Bank Powszechna Kasa Oszczędności Bank Polski S.A. up to the maximum amount of PLN 100.0 million with the availability term until 29 December 2023. Additionally, on 26 May 2023, the Parent Company and PKP CARGOTABOR Sp. z o.o. signed an overdraft facility agreement with Bank Polska Kasa Opieki S.A. for the total amount of PLN 50.0 million to be available until 25 May 2024. Additionally, cash pooling systems are in place in the PKP CARGO Group, which as at 30 June 2023 comprise 8 Group companies. The cash pool systems, independently of the cash collected by particular participants, offers flexible lines of credit in the form of a current account overdraft facilities. Information on the financing sources available as at 30 June 2023 is presented in [Note 4.1](#) to these Consolidated Financial Statements.

Also, in the course of managing the liquidity position, the Group monitors trade receivables and liabilities on an ongoing basis.

An update on the risks arising from Russia's invasion of Ukraine may affect the Group's financial position in subsequent reporting periods.

1.4 Liquidity position of the Group (cont.)

The maturities of financial liabilities are presented below.

Maturity of the Group's financial liabilities as at the balance sheet date by maturity date based on contractual undiscounted payments (together with interest payable in the future):

30/06/2023	Contractual maturities from the end of the reporting period				Total (no discount)	Carrying amount
	Below 3 months	From 3 to 12 months	From 1 year to 5 years	Over 5 years		
Debt liabilities	414.2	488.1	1,501.3	739.9	3,143.5	2,650.4
Cash pool	1.2	-	-	-	1.2	1.2
Trade liabilities	794.6	3.6	8.2	-	806.4	806.4
Investment liabilities	131.9	38.2	25.5	-	195.6	194.6
Derivatives – swap contract	0.2	-	-	-	0.2	0.2
Total	1,342.1	529.9	1,535.0	739.9	4,146.9	3,652.8

31/12/2022	Contractual maturities from the end of the reporting period				Total (no discount)	Carrying amount
	Below 3 months	From 3 to 12 months	From 1 year to 5 years	Over 5 years		
Debt liabilities	303.9	451.4	1,352.7	662.3	2,770.3	2,372.2
Cash pool	1.2	-	-	-	1.2	1.2
Trade liabilities	797.7	6.1	7.9	-	811.7	811.7
Investment liabilities	94.5	49.6	47.2	-	191.3	189.7
Derivatives – swap contract	0.3	-	-	-	0.3	0.3
Total	1,197.6	507.1	1,407.8	662.3	3,774.8	3,375.1

The table below presents the age structure of trade liabilities, investment liabilities and trade receivables.

Age structure of trade liabilities and investment liabilities

	30/06/2023			31/12/2022		
	Trade liabilities	Investment liabilities	Total	Trade liabilities	Investment liabilities	Total
Non-overdue liabilities	456.8	176.0	632.8	534.0	177.7	711.7
Overdue liabilities						
to 30 days	150.2	7.8	158.0	146.7	6.6	153.3
31 - 90 days	186.7	10.8	197.5	124.7	5.4	130.1
91 - 180 days	7.7	-	7.7	3.0	-	3.0
181 - 365 days	2.8	-	2.8	1.2	-	1.2
over 365 days	2.2	-	2.2	2.1	-	2.1
Total	806.4	194.6	1,001.0	811.7	189.7	1,001.4

Age analysis of trade receivables

	30/06/2023			31/12/2022		
	Gross	Expected credit losses	Net	Gross	Expected credit losses	Net
Non-overdue receivables	608.4	(0.7)	607.7	710.0	(1.1)	708.9
Overdue receivables						
to 30 days	22.2	(0.3)	21.9	34.8	(0.2)	34.6
31 - 90 days	18.4	(0.8)	17.6	16.6	(1.0)	15.6
91 - 180 days	11.8	(1.8)	10.0	4.3	(2.0)	2.3
181 - 365 days	6.3	(3.1)	3.2	4.3	(1.4)	2.9
over 365 days	139.6	(125.2)	14.4	141.7	(129.3)	12.4
Total	806.7	(131.9)	674.8	911.7	(135.0)	776.7

1.5 Significant values based on professional judgment and estimates

In the period of 6 months ended 30 June 2023, changes to material values based on professional judgment and estimation related to:

- provisions for employee benefits

As at 30 June 2023, Group companies performed an actuarial valuation of its provisions for employee benefits mainly in connection with a change of the discount rate and a change of the basis for calculating the charge for the Company Social Benefits Fund. The discount rate adopted for the valuation of provisions for employee benefits as at 30 June 2023 was 5.75% (6.8% as at 31 December 2022), while the assumed increase in the calculation basis of the provision on account of a charge to the Company Social Benefits Fund was 15.1% in H2 2023 and 6.3% from 2024 (with 5.2% for the entire projection period as at 31 December 2022). The update of actuarial assumptions caused a decrease in provisions for employee benefits by PLN 74.1 million, out of which PLN 18.6 million charged the cost of employee benefits. The movement in provisions for employee benefits was also affected by the increase in the provision for unused holidays in the amount of PLN 15.1 million. Detailed information on this matter is presented in [Note 5.8](#) to these Interim Consolidated Financial Statements.

During the 6 months ended 30 June 2023, no other changes were made to the assumptions adopted by the Parent Company's Management Board for the calculation of estimates that would have a material impact on the current period or any future periods.

2. Notes to the statement of profit or loss and other comprehensive income

2.1 Revenues from contracts with customers

Structure of revenues from contracts with customers

The Group conducts its business within one segment only, i.e. domestic and international cargo freight and provision of comprehensive logistics services related to rail freight.

The Parent Company's Management Board does not evaluate the Group's performance and does not make decisions concerning allocation of resources to groups of services provided account being taken of the structure of revenues from contracts with customers, as presented below. Therefore, the specific service groups may not be treated as the Group's operating segments.

6 months ended 30/06/2023	Group of entities related to the biggest external counterparty	PKP Group related parties	State Treasury related parties	Others	Total
Revenue from rail transportation services and freight forwarding services	110.2	5.5	833.6	1,419.5	2,368.8
Revenue from other transportation activity	0.6	-	0.4	62.9	63.9
Revenue from siding and traction services	-	7.4	85.7	86.7	179.8
Revenue from transshipment services	-	0.3	7.7	98.0	106.0
Revenue from reclamation services	-	0.7	-	35.2	35.9
Revenue from sales of goods and materials	-	-	-	43.8	43.8
Other revenues	0.4	14.3	5.7	80.9	101.3
Total	111.2	28.2	933.1	1,827.0	2,899.5
Revenue recognition date					
At a point of time	-	0.3	-	43.9	44.2
Over a period	111.2	27.9	933.1	1,783.1	2,855.3
Total	111.2	28.2	933.1	1,827.0	2,899.5

2.1 Revenues from contracts with customers (cont.)

3 months ended 30/06/2023	Group of entities related to the biggest external counterparty	PKP Group related parties	State Treasury related parties	Others	Total
Revenue from rail transportation services and freight forwarding services	45.2	0.9	332.8	690.9	1,069.8
Revenue from other transportation activity	0.1	-	0.1	32.1	32.3
Revenue from siding and traction services	-	4.4	40.3	43.7	88.4
Revenue from transshipment services	-	0.1	3.6	46.5	50.2
Revenue from reclamation services	-	0.3	-	22.0	22.3
Revenue from sales of goods and materials	-	-	-	28.6	28.6
Other revenues	0.2	4.3	2.8	36.6	43.9
Total	45.5	10.0	379.6	900.4	1,335.5
Revenue recognition date					
At a point of time	-	0.2	-	28.7	28.9
Over a period	45.5	9.8	379.6	871.7	1,306.6
Total	45.5	10.0	379.6	900.4	1,335.5

6 months ended 30/06/2022	Group of entities related to the biggest external counterparty	PKP Group related parties	State Treasury related parties	Others	Total
Revenue from rail transportation services and freight forwarding services	122.1	0.2	533.4	1,252.9	1,908.6
Revenue from other transportation activity	0.9	-	0.3	79.8	81.0
Revenue from siding and traction services	-	5.5	80.5	82.2	168.2
Revenue from transshipment services	-	-	0.5	81.1	81.6
Revenue from reclamation services	-	2.4	0.5	51.3	54.2
Revenue from sales of goods and materials	-	-	-	82.9	82.9
Other revenues	0.6	9.5	5.4	59.5	75.0
Total	123.6	17.6	620.6	1,689.7	2,451.5
Revenue recognition date					
At a point of time	-	-	-	84.1	84.1
Over a period	123.6	17.6	620.6	1,605.6	2,367.4
Total	123.6	17.6	620.6	1,689.7	2,451.5



2.1 Revenues from contracts with customers (cont.)

3 months ended 30/06/2022	Group of entities related to the biggest external counterparty	PKP Group related parties	State Treasury related parties	Others	Total
Revenue from rail transportation services and freight forwarding services	56.9	0.2	263.2	673.6	993.9
Revenue from other transportation activity	0.3	-	0.2	42.0	42.5
Revenue from siding and traction services	-	2.8	40.0	40.7	83.5
Revenue from transshipment services	-	-	0.4	44.9	45.3
Revenue from reclamation services	-	1.9	-	33.0	34.9
Revenue from sales of goods and materials	-	-	-	46.4	46.4
Other revenues	0.3	4.2	2.8	31.4	38.7
Total	57.5	9.1	306.6	912.0	1,285.2
Revenue recognition date					
At a point of time	-	-	-	47.0	47.0
Over a period	57.5	9.1	306.6	865.0	1,238.2
Total	57.5	9.1	306.6	912.0	1,285.2

Geography

The Group defines the geographical territory of business as the location of the registered office of the service recipient, and not as the country of the service provision. Poland is the key geographic area of the Group's activity. Revenues from contracts with customers of the Group broken down by their country of incorporation are presented below:

	6 months ended 30/06/2023	3 months ended 30/06/2023	6 months ended 30/06/2022	3 months ended 30/06/2022
Poland	2,218.4	1,001.4	1,759.1	914.2
Czech Republic	325.9	161.3	323.0	179.6
Germany	127.3	59.1	131.4	67.1
Italy	37.2	19.5	26.7	14.1
Slovakia	34.8	17.2	35.7	19.1
Ukraine	27.0	16.1	5.0	4.0
Denmark	23.1	10.2	30.6	13.9
Other countries	105.8	50.7	140.0	73.2
Total	2,899.5	1,335.5	2,451.5	1,285.2

Non-current assets net of financial instruments and deferred tax assets, broken down by location

	30/06/2023	31/12/2022
Poland	5,986.1	5,411.0
Czech Republic	681.6	733.7
Other countries	10.7	11.5
Total	6,678.4	6,156.2

Information on key customers

In the period of 6 months ended 30 June 2023 and 30 June 2022, revenues from any single customer of the Group did not exceed 10% of the total revenues from contracts with customers.

Assets from contracts with customers

	6 months ended 30/06/2023	6 months ended 30/06/2022
As at the beginning of the reporting period	49.8	33.9
Recognition of revenue before the sales document is issued	41.0	57.9
Reclassification to receivables	(50.0)	(33.2)
FX differences from valuation	0.2	0.5
As at the end of the reporting period	41.0	59.1

2.2 Operating expenses

Consumption of traction electricity and traction fuel

	6 months ended 30/06/2023	3 months ended 30/06/2023	6 months ended 30/06/2022	3 months ended 30/06/2022
Consumption of traction fuel	(74.4)	(30.3)	(99.1)	(54.6)
Consumption of traction electricity	(373.8)	(160.5)	(278.9)	(139.9)
Total	(448.2)	(190.8)	(378.0)	(194.5)

Other services

	6 months ended 30/06/2023	3 months ended 30/06/2023	6 months ended 30/06/2022	3 months ended 30/06/2022
Repair and maintenance services for non-current assets	(50.2)	(24.7)	(46.1)	(25.0)
Rent and fees for the use of property and rolling stock	(53.6)	(25.5)	(63.7)	(36.5)
Telecommunications services	(3.1)	(1.4)	(3.1)	(1.6)
Legal, consulting and similar services	(5.2)	(2.5)	(5.2)	(2.5)
IT services	(24.7)	(12.5)	(23.4)	(11.6)
Transshipment services	(31.2)	(21.5)	(24.2)	(18.0)
Reclamation services	(21.4)	(5.7)	(40.7)	(21.8)
Traction and shunting services, train drivers	(22.8)	(9.2)	(19.4)	(10.4)
Other services	(26.3)	(11.5)	(19.0)	(9.3)
Total	(238.5)	(114.5)	(244.8)	(136.7)

Employee benefits

	6 months ended 30/06/2023	3 months ended 30/06/2023	6 months ended 30/06/2022	3 months ended 30/06/2022
Payroll	(730.3)	(360.0)	(629.0)	(321.5)
Social security expenses	(155.5)	(77.3)	(133.0)	(68.2)
Expenses for contributions to the Company Social Benefits Fund	(15.5)	(7.7)	(16.0)	(8.0)
Other employee benefits during employment	(25.0)	(12.2)	(20.8)	(10.4)
Post-employment benefits	(6.3)	(1.5)	(3.0)	(1.1)
Movement in provisions for employee benefits	(42.9)	(25.0)	(31.0)	(7.5)
Total	(975.5)	(483.7)	(832.8)	(416.7)

Other expenses

	6 months ended 30/06/2023	3 months ended 30/06/2023	6 months ended 30/06/2022	3 months ended 30/06/2022
Consumption of non-traction fuel	(15.4)	(6.4)	(19.0)	(10.2)
Consumption of electricity, gas and water	(42.0)	(11.5)	(29.0)	(9.5)
Consumption of materials	(55.8)	(27.5)	(41.7)	(21.2)
Taxes and charges	(20.9)	(10.7)	(19.4)	(10.0)
Cost of goods and materials sold	(25.6)	(17.5)	(46.4)	(28.1)
Business trips	(18.2)	(9.2)	(13.0)	(6.6)
Other	(18.6)	(9.6)	(7.6)	(2.4)
Total	(196.5)	(92.4)	(176.1)	(88.0)

2.2 Operating expenses (cont.)

Depreciation, amortization and impairment losses

	6 months ended 30/06/2023	3 months ended 30/06/2023	6 months ended 30/06/2022	3 months ended 30/06/2022
Depreciation of rolling stock	(293.7)	(148.7)	(268.3)	(134.4)
Depreciation of other property, plant and equipment	(33.5)	(16.5)	(33.5)	(16.7)
Depreciation of rights-of-use assets	(59.7)	(31.6)	(58.3)	(28.4)
Amortization of intangible assets	(3.0)	(1.5)	(4.0)	(2.0)
(Recognized) / reversed impairment losses:				
Rolling stock	0.2	-	-	-
Other property, plant and equipment	-	-	(1.3)	-
Total	(389.7)	(198.3)	(365.4)	(181.5)

2.3 Other operating revenue and (expenses)

Other operating revenue and (expenses)

	6 months ended 30/06/2023	3 months ended 30/06/2023	6 months ended 30/06/2022	3 months ended 30/06/2022
Profit on sales of non-financial non-current assets	0.7	0.4	8.7	3.6
Reversed impairment losses on trade receivables	1.9	0.5	1.0	0.4
Penalties and compensations	10.5	3.5	6.7	3.5
Reversal of other provisions	1.8	0.6	1.8	0.9
Interest on trade and other receivables	1.7	0.8	1.2	0.6
Net result on FX differences on trade receivables and liabilities	-	-	1.7	0.8
Grants	1.0	0.6	2.5	0.5
Other	2.0	1.1	2.2	1.1
Total other operating revenue	19.6	7.5	25.8	11.4
Recognized impairment losses on trade receivables	(3.9)	(1.7)	(1.7)	(1.1)
Penalties and compensations	(8.7)	(4.4)	(6.5)	(3.6)
Costs of liquidation of non-current and current assets	(3.2)	(1.8)	(4.8)	0.1
Recognized other provisions	(2.7)	(1.3)	(4.3)	(3.0)
Interest on trade and other liabilities	(10.3)	(5.6)	(4.6)	(3.1)
Net result on FX differences on trade receivables and liabilities	(3.9)	(2.7)	-	-
Other	(2.7)	(0.9)	(2.0)	(0.6)
Total other operating expenses	(35.4)	(18.4)	(23.9)	(11.3)
Other operating revenue and (expenses)	(15.8)	(10.9)	1.9	0.1



2.4 Financial revenue and (expenses)

Financial revenue and (expenses)

	6 months ended 30/06/2023	3 months ended 30/06/2023	6 months ended 30/06/2022	3 months ended 30/06/2022
Interest income	2.8	1.5	0.7	0.6
Other	0.1	-	0.5	0.5
Total financial revenue	2.9	1.5	1.2	1.1
Interest expenses	(69.7)	(37.1)	(45.3)	(25.8)
Other				
Settlement of the discount on provisions for employee benefits	(18.2)	(8.8)	(10.1)	(5.5)
Net result on FX differences	(1.7)	(1.2)	(0.5)	0.3
Other	(0.6)	(0.2)	(1.1)	(0.8)
Total financial expenses	(90.2)	(47.3)	(57.0)	(31.8)
Financial revenue and (expenses)	(87.3)	(45.8)	(55.8)	(30.7)

3. Notes on taxation

3.1 Income tax

Income tax recognized in profit or loss

	6 months ended 30/06/2023	3 months ended 30/06/2023	6 months ended 30/06/2022	3 months ended 30/06/2022
Current income tax				
Current tax charge	(24.2)	(10.4)	(8.0)	(4.6)
Adjustments recognized in the current year relating to tax from previous years	-	-	(0.2)	(0.1)
Deferred tax				
Deferred income tax of the reporting period	(5.9)	6.7	12.7	1.3
Income tax recognized in profit / loss	(30.1)	(3.7)	4.5	(3.4)

According to the legal provisions in effect, no differentiation of rates is expected in the future periods. Frequent differences of opinions as to legal interpretation of the tax regulations, both within the State bodies, and between the State bodies and enterprises, entail lack of certainty and give rise to conflicts. Therefore, the tax risk in Poland is much higher than usually observed in the countries with better developed tax systems. Tax returns may be subject to control for a period of five years, starting from the end of the year of the tax payment. As a result of such controls, the Group's tax settlements may be increased by additional tax liabilities.

Deferred income tax recognized in other comprehensive income

	6 months ended 30/06/2023	3 months ended 30/06/2023	6 months ended 30/06/2022	3 months ended 30/06/2022
Deferred tax on the measurement of hedging instruments	(6.0)	(5.2)	1.8	0.7
Deferred tax on actuarial profits / (losses) pertaining to post-employment benefits	10.6	10.5	(8.6)	(8.6)
FX differences from translation of the balance of deferred income tax recognized in other comprehensive income ⁽¹⁾	2.8	5.2	(1.9)	0.6
Deferred income tax recognized in other comprehensive income	7.4	10.5	(8.7)	(7.3)

⁽¹⁾ This item is presented in equity as FX differences from translation of financial statements of foreign operations.

3.1 Income tax (cont.)

Balance of deferred tax assets and liabilities

Deferred tax assets and liabilities are offset at the level of the financial statements of each Group company. Accordingly, the following values are presented in these Interim Condensed Consolidated Financial Statements:

	30/06/2023	31/12/2022
Deferred tax assets	173.3	176.1
Deferred tax liabilities	(90.2)	(94.5)
Total	83.1	81.6

Table of movements in deferred tax before the set-off

6 months ended 30/06/2023	1/01/2023	Recognized in profit or loss	Recognized in other comprehensive income	FX differences resulting from translation of deferred tax balance	30/06/2023
Temporary differences relating to deferred tax (liabilities) / assets:					
Non-financial non-current assets	(83.7)	(1.3)	-	3.9	(81.1)
Rights-of-use assets and lease liabilities	(16.3)	6.8	-	(1.0)	(10.5)
Other provisions and liabilities	23.3	(7.0)	-	-	16.3
Inventories	(9.3)	1.9	-	-	(7.4)
Lease receivables	(1.7)	(0.2)	-	-	(1.9)
Trade receivables	(4.1)	1.8	-	-	(2.3)
Provisions for employee benefits	121.7	3.9	10.6	(0.1)	136.1
Other	9.0	3.7	(6.0)	-	6.7
Unused tax losses	42.7	(15.5)	-	-	27.2
Total	81.6	(5.9)	4.6	2.8	83.1

6 months ended 30/06/2022	1/01/2022	Recognized in profit or loss	Recognized in other comprehensive income	FX differences resulting from translation of deferred tax balance	30/06/2022
Temporary differences relating to deferred tax (liabilities) / assets:					
Non-financial non-current assets	(118.2)	23.9	-	(1.7)	(96.0)
Rights-of-use assets and lease liabilities	(12.7)	(2.0)	-	(0.2)	(14.9)
Other provisions and liabilities	17.7	(0.1)	-	-	17.6
Inventories	(7.9)	(0.3)	-	-	(8.2)
Lease receivables	(1.7)	(0.1)	-	-	(1.8)
Trade receivables	1.2	(2.5)	-	-	(1.3)
Provisions for employee benefits	124.7	2.3	(8.6)	-	118.4
Other	17.0	4.5	1.8	-	23.3
Unused tax losses	89.7	(13.0)	-	-	76.7
Total	109.8	12.7	(6.8)	(1.9)	113.8

Maturity analysis of deferred tax assets from tax losses

Expiration dates of the tax losses to which deferred tax assets were applied as at 30 June 2023

Year	2024	2025	2026	2027	2028	Total
Unused tax losses	71.8	19.2	46.3	2.8	2.8	142.9

Expiration dates of the tax losses to which deferred tax assets were applied as at 31 December 2022

Year	2024	2025	2026	2027	2028	Total
Unused tax losses	72.4	106.1	46.2	-	-	224.7

3.1 Income tax (cont.)

Tax loss not recognized in calculation of deferred tax assets

The amount of tax losses not included in the calculation of deferred tax asset results from tax losses generated by the following companies:

	30/06/2023	31/12/2022
PKP CARGO INTERNATIONAL HU Zrt.	14.5	14.2
AWT CFT a.s. (formerly AWT Čechofracht a.s.)	8.9	9.5
PKP CARGOTABOR USŁUGI Sp. z o.o.	-	0.1
Total	23.4	23.8

Expiration dates of the tax losses to which deferred tax assets were not applied as at 30 June 2023

Year	2023	2024	2025	2026	Total
Unused tax losses	6.1	4.8	12.2	0.3	23.4

Expiration dates of the tax losses to which deferred tax assets were not applied as at 31 December 2022

Year	2023	2024	2025	2026	Total
Unused tax losses	6.0	5.3	12.2	0.3	23.8

4. Notes on debt

4.1 Reconciliation of debt liabilities

The Group's debt liabilities consist of the following two main categories: bank loans and borrowings and leases. Loan agreements were signed mainly to finance current activity, finance and refinance the investment plan and acquisitions. Liabilities contracted under the signed loan agreements are repaid in PLN and EUR.

Lease agreements are signed in PLN, CZK and EUR and pertain mainly to property and rolling stock.

Items in foreign currencies

30/06/2023	In functional currency PLN	In foreign currency		Total
		EUR	CZK	
Bank loans and borrowings	942.5	562.8	-	1,505.3
Leases	1,079.1	37.9	28.1	1,145.1
Total	2,021.6	600.7	28.1	2,650.4

31/12/2022	In functional currency PLN	In foreign currency		Total
		EUR	CZK	
Bank loans and borrowings	848.1	646.2	-	1,494.3
Leases	793.0	52.6	32.3	877.9
Total	1,641.1	698.8	32.3	2,372.2



4.1 Reconciliation of debt liabilities (cont.)

Reconciliation of debt liabilities

6 months ended 30/06/2023	Bank loans and borrowings	Leases	Total
1/01/2023	1,494.3	877.9	2,372.2
New liabilities contracted	198.1	288.4	486.5
Modifications of existing agreements	-	62.7	62.7
Leaseback	-	1.5	1.5
Transaction costs	0.4	-	0.4
Accrual of interest	43.0	26.0	69.0
Payments under debt, including:			
Repayments of the principal	(153.3)	(82.6)	(235.9)
Interest paid	(45.7)	(26.4)	(72.1)
Transaction costs	(0.4)	-	(0.4)
Other	-	(0.6)	(0.6)
FX differences recognized in the result	(29.7)	(0.9)	(30.6)
FX translation differences	(1.4)	(0.9)	(2.3)
30/06/2023	1,505.3	1,145.1	2,650.4
Long-term	892.9	974.8	1,867.7
Short-term	612.4	170.3	782.7
Total	1,505.3	1,145.1	2,650.4

6 months ended 30/06/2022	Bank loans and borrowings	Leases	Total
1/01/2022	1,632.9	931.3	2,564.2
New liabilities contracted	169.5	1.9	171.4
Modifications of existing agreements	-	11.7	11.7
Transaction costs	0.9	-	0.9
Accrual of interest	25.3	18.8	44.1
Payments under debt, including:			
Repayments of the principal	(154.6)	(68.6)	(223.2)
Interest paid	(23.5)	(15.5)	(39.0)
Transaction costs	(0.9)	-	(0.9)
Other	-	(2.2)	(2.2)
FX differences recognized in the result	12.2	0.5	12.7
FX translation differences	0.7	2.6	3.3
30/06/2022	1,662.5	880.5	2,543.0
Long-term	1,182.2	719.1	1,901.3
Short-term	480.3	161.4	641.7
Total	1,662.5	880.5	2,543.0

Other amounts under leases recognized in the statement of profit or loss and other comprehensive income:

	Presentation in the statement of profit or loss and other comprehensive income	6 months ended 30/06/2023	6 months ended 30/06/2022
Revenues from operating leases	Revenues from contracts with customers	28.5	18.8
Costs of short-term leases	Other services	(32.3)	(39.5)

4.1 Reconciliation of debt liabilities (cont.)

Terms and conditions of loan agreements

Contracts signed with banks impose legal and financial obligations on the Group that are standard in such transactions. The key ratios measured in such obligations set forth in loan agreements signed by the Group include: the Net Debt/EBITDA ratio and the total debt ratio.

The above ratios are calculated on the basis of data contained in the Standalone Financial Statements of selected subsidiaries, as well as the Consolidated Financial Statements of the PKP CARGO Group and the PKP CARGO INTERNATIONAL Group.

According to the provisions of the agreements signed by the Group, compliance with the terms and conditions of loan agreements is reviewed on a quarterly basis, on a semi-annual basis and at the end of each financial year.

The Net Debt/EBITDA is the level of financial debt less cash to the generated EBITDA and is calculated excluding the impact of IFRS 16. The maximum permitted level of the Net Debt/EBITDA ratio, depending on the contract, is set within the range of 2.25-4.5. For selected agreements, there is also an obligation to satisfy the Net Debt/EBITDA ratio and total debt ratio calculated on the basis of forecast figures.

In most agreements, the total debt ratio is defined as the ratio of total liabilities (excluding the impact of IFRS 16) to total balance sheet amount (excluding the impact of IFRS 16) and its level cannot exceed 60%.

As at 30 June 2023, the covenants defined in loan agreements for the Parent Company and subsidiaries were satisfied and therefore under IAS 1 non-current loan liabilities did not have to be reclassified to the current part.

Unused credit and lease facilities

Type of loan	Bank Name	Period of availability	Currency of the contract	30/06/2023	31/12/2022
Overdraft	Bank Gospodarstwa Krajowego	20/10/2023	PLN	100.0	100.0
Overdraft	Powszechna Kasa Oszczędności Bank Polski S.A. ¹⁾	19/03/2024	PLN	0.8	58.7
Overdraft	Bank Polska Kasa Opieki S.A. ²⁾	24/05/2024	PLN	100.0	100.0
Overdraft	Bank Polska Kasa Opieki S.A. ³⁾	25/05/2024	PLN	10.0	-
Overdraft	Powszechna Kasa Oszczędności Bank Polski S.A. ⁴⁾	27/06/2024	PLN	-	-
Overdraft	Bank Polska Kasa Opieki S.A.	9/07/2024	PLN	1.6	1.6
Leasing facility	PEKAO LEASING sp. z o.o.	9/10/2023	PLN	13.7	99.0
Leasing facility	PKO Leasing S.A.	31/12/2023	PLN	14.1	200.0
Total				240.2	559.3

⁽¹⁾ On 17 March 2023, the Parent Company signed an annex to the overdraft facility agreement extending the availability period of the facility until 19 March 2024.

⁽²⁾ On 24 May 2023, the Parent Company signed an annex the overdraft facility agreement extending the availability period of the facility until 24 May 2024.

⁽³⁾ On 26 May 2023, the Parent Company and PKP CARGOTABOR Sp. z o.o. signed an overdraft facility agreement with Bank Polska Kasa Opieki S.A., to be available until 25 May 2024. The total financing amount received was PLN 50.0 million.

⁽⁴⁾ On 26 June 2023, the Parent Company signed an annex to the overdraft facility agreement extending the availability period of the facility until 27 June 2024.

4.2 Equity

Share capital

	30/06/2023	31/12/2022
The share capital consists of:		
Ordinary shares – fully paid up and registered	2,239.3	2,239.3

As at 30 June 2023 and 31 December 2022, the share capital consisted of ordinary shares with a par value of PLN 50 each. Fully paid up ordinary shares with a par value of PLN 50 are equivalent to one vote at the shareholder meeting and carry the right to a dividend.

PKP S.A. is the parent company of PKP CARGO S.A. Pursuant to the articles of association of the Parent Company, PKP S.A. holds special personal rights to appoint and dismiss Supervisory Board Members in a number equal to half the composition of the Supervisory Board plus one. PKP S.A. has a personal right to appoint the Supervisory Board Chairperson and to determine the number of Supervisory Board Members. Additionally, in the event that PKP S.A.'s share in the Company's share capital is 50% or less, PKP S.A. will have an exclusive personal right to propose candidates for the President of the Parent Company's Management Board. The personal rights of PKP S.A. shall be vested always when PKP S.A. holds at least 25% of the Parent Company's share capital.

In the period of 6 months ended 30 June 2023 and 30 June 2022, there were no movements in the share capital of the Parent Company.

Movement in supplementary capital and retained earnings

On 29 June 2023, the Ordinary Shareholder Meeting of the Parent Company adopted a resolution on the distribution of the net profit earned in 2022 in the amount of PLN 102.7 million, and decided to allocate it in full to the supplementary capital.

In the period of 6 months ended 30 June 2023, changes in the Group's supplementary capital also resulted from a resolution of 31 May 2023 adopted by the Ordinary Shareholder Meeting of PKP CARGO SERVICE Sp. z o.o. in the matter of the partial allocation to supplementary capital of the net profit of PLN 13.2 million generated in 2022, and a resolution of 2 June 2023 adopted by the Ordinary Shareholder Meeting of Cargosped Terminal Braniewo Sp. z o.o. in the matter of a partial allocation to supplementary capital of the net profit generated in 2022 of PLN 2.0 million.

4.3 Cash and cash equivalents

Structure of cash and cash equivalents

	30/06/2023	31/12/2022
Cash on hand and on bank accounts	95.3	114.7
Bank deposits up to 3 months	79.3	52.8
Other cash	-	14.0
Total	174.6	181.5
<i>including restricted cash</i>	<i>38.0</i>	<i>47.3</i>

Restricted cash included mostly cash accumulated on VAT accounts and bank accounts kept for tender deposits and guarantees.



5. Notes to the statement of financial position

5.1 Rolling stock and other property, plant and equipment

Movement in rolling stock and other property, plant and equipment

6 months ended 30/06/2023	Rolling stock	Other property, plant and equipment					Total
		Real properties	Technical machinery and equipment	Means of transport	Other fixed assets	Fixed assets under construction	
Gross value							
1/01/2023	7,343.7	1,033.2	483.6	104.5	46.0	103.1	1,770.4
<i>Increases / (decreases):</i>							
Periodic repairs of rolling stock	-	-	-	-	-	375.6	375.6
Other acquisitions	-	-	-	-	-	221.5	221.5
Purchase of leased items	73.0	-	4.8	2.2	-	-	7.0
Settlement of fixed assets under construction	518.3	6.8	8.3	2.0	0.9	(536.3)	(518.3)
Sales (including leaseback)	(0.7)	-	(0.6)	(3.2)	-	-	(3.8)
Liquidation	(148.0)	-	(0.4)	-	(0.2)	(0.1)	(0.7)
FX translation differences	(28.7)	(7.3)	(1.9)	(1.6)	(0.1)	(0.4)	(11.3)
Other	0.4	0.1	-	-	-	(3.9)	(3.8)
30/06/2023	7,758.0	1,032.8	493.8	103.9	46.6	159.5	1,836.6
Accumulated depreciation							
1/01/2023	(2,950.2)	(363.3)	(381.8)	(88.3)	(41.6)	-	(875.0)
<i>(Increases) / decreases:</i>							
Depreciation	(293.7)	(17.5)	(12.7)	(2.4)	(0.9)	-	(33.5)
Purchase of leased items	(32.6)	-	(3.0)	(1.8)	-	-	(4.8)
Sales (including leaseback)	0.6	-	0.6	1.7	-	-	2.3
Liquidation	146.0	-	0.4	-	0.2	-	0.6
FX translation differences	9.4	2.3	1.2	1.4	0.1	-	5.0
Other	(0.2)	(0.2)	(0.5)	(0.1)	-	-	(0.8)
30/06/2023	(3,120.7)	(378.7)	(395.8)	(89.5)	(42.2)	-	(906.2)
Accumulated impairment							
1/01/2023	(185.2)	(0.9)	(1.8)	-	-	(1.6)	(4.3)
<i>(Increases) / decreases:</i>							
Derecognition	0.2	-	-	-	-	-	-
Utilization	0.1	-	-	-	-	0.1	0.1
FX translation differences	5.5	-	-	-	-	-	-
30/06/2023	(179.4)	(0.9)	(1.8)	-	-	(1.5)	(4.2)
Net value							
1/01/2023	4,208.3	669.0	100.0	16.2	4.4	101.5	891.1
30/06/2023	4,457.9	653.2	96.2	14.4	4.4	158.0	926.2

5.1 Rolling stock and other property, plant and equipment (cont.)

6 months ended 30/06/2022	Rolling stock	Other property, plant and equipment					Total
		Real properties	Technical machinery and equipment	Means of transport	Other fixed assets	Fixed assets under construction	
Gross value							
1/01/2022	7,155.4	1,014.3	468.3	96.0	45.0	83.7	1,707.3
<i>Increases / (decreases):</i>							
Periodic repairs of rolling stock	-	-	-	-	-	225.1	225.1
Other acquisitions	-	-	-	-	-	139.0	139.0
Purchase of leased items	23.3	-	-	-	-	-	-
Settlement of fixed assets under construction	342.9	24.3	9.7	1.6	0.3	(378.8)	(342.9)
Grant for non-current assets	(51.0)	(17.5)	-	-	-	5.9	(11.6)
Sales (including leaseback)	(12.8)	(6.5)	(4.5)	(1.3)	-	-	(12.3)
Liquidation	(201.1)	-	(0.9)	-	-	(0.2)	(1.1)
Reclassified to assets held for sale	(8.1)	-	-	-	-	-	-
FX translation differences	19.3	4.4	1.2	0.9	-	0.4	6.9
Other	0.9	-	-	-	-	(1.9)	(1.9)
30/06/2022	7,268.8	1,019.0	473.8	97.2	45.3	73.2	1,708.5
Accumulated depreciation							
1/01/2022	(2,726.7)	(327.0)	(354.6)	(84.9)	(39.9)	-	(806.4)
<i>(Increases) / decreases:</i>							
Depreciation	(268.3)	(17.8)	(13.1)	(1.7)	(0.9)	-	(33.5)
Purchase of leased items	(9.0)	-	-	-	-	-	-
Sales (including leaseback)	8.6	-	0.4	1.2	-	-	1.6
Liquidation	168.4	-	0.9	-	-	-	0.9
Reclassified to assets held for sale	5.6	-	-	-	-	-	-
FX translation differences	(6.6)	(1.0)	(0.6)	(0.9)	-	-	(2.5)
Other	(0.6)	(0.1)	(0.3)	-	-	-	(0.4)
30/06/2022	(2,828.6)	(345.9)	(367.3)	(86.3)	(40.8)	-	(840.3)
Accumulated impairment							
1/01/2022	(187.1)	(0.9)	(1.7)	-	-	(4.9)	(7.5)
<i>(Increases) / decreases:</i>							
Recognition	-	-	-	-	-	(1.3)	(1.3)
Utilization	0.6	-	-	-	-	3.0	3.0
FX translation differences	(2.1)	-	-	-	-	-	-
30/06/2022	(188.6)	(0.9)	(1.7)	-	-	(3.2)	(5.8)
Net value							
1/01/2022	4,241.6	686.4	112.0	11.1	5.1	78.8	893.4
30/06/2022	4,251.6	672.2	104.8	10.9	4.5	70.0	862.4

5.2 Rights-of-use assets

Movement in rights-of-use assets

6 months ended 30/06/2023	Rolling stock	Real properties	Technical machinery and equipment	Means of transport	Other fixed assets	Total
Gross value						
1/01/2023	486.9	844.4	61.4	25.5	1.4	1,419.6
<i>Increases / (decreases):</i>						
New leases	270.4	12.7	2.3	3.0	-	288.4
Modifications of agreements	0.3	59.5	0.1	2.5	0.3	62.7
Sale and leaseback	-	-	-	1.5	-	1.5
Periodic repairs of rolling stock	1.9	-	-	-	-	1.9
Return of leased items	(4.6)	(1.9)	-	(0.1)	-	(6.6)
Purchase of leased items	(73.0)	-	(4.8)	(2.2)	-	(80.0)
Other	-	0.6	-	-	-	0.6
FX translation differences	(4.1)	(1.6)	(0.9)	(0.4)	-	(7.0)
30/06/2023	677.8	913.7	58.1	29.8	1.7	1,681.1
Accumulated depreciation						
1/01/2023	(186.4)	(220.9)	(20.5)	(18.4)	(1.2)	(447.4)
<i>(Increases) / decreases:</i>						
Depreciation	(20.3)	(33.7)	(3.3)	(2.3)	(0.1)	(59.7)
Return of leased items	4.6	1.4	-	0.1	-	6.1
Purchase of leased items	32.6	-	3.0	1.8	-	37.4
FX translation differences	2.5	0.9	0.5	0.1	-	4.0
30/06/2023	(167.0)	(252.3)	(20.3)	(18.7)	(1.3)	(459.6)
Net value						
1/01/2023	300.5	623.5	40.9	7.1	0.2	972.2
30/06/2023	510.8	661.4	37.8	11.1	0.4	1,221.5

6 months ended 30/06/2022	Rolling stock	Real properties	Technical machinery and equipment	Means of transport	Other fixed assets	Total
Gross value						
1/01/2022	527.5	799.1	53.0	21.5	1.4	1,402.5
<i>Increases / (decreases):</i>						
New leases	-	0.5	1.2	0.2	-	1.9
Modifications of agreements	-	8.8	-	2.9	-	11.7
Return of leased items	(6.5)	(2.2)	-	(0.2)	-	(8.9)
Purchase of leased items	(23.3)	-	-	-	-	(23.3)
FX translation differences	3.7	6.7	0.4	0.1	-	10.9
30/06/2022	501.4	812.9	54.6	24.5	1.4	1,394.8
Accumulated depreciation						
1/01/2022	(175.2)	(166.5)	(14.9)	(14.3)	(0.9)	(371.8)
<i>(Increases) / decreases:</i>						
Depreciation	(21.6)	(30.5)	(3.8)	(2.3)	(0.1)	(58.3)
Return of leased items	6.5	0.4	-	0.2	-	7.1
Purchase of leased items	9.0	-	-	-	-	9.0
Other	(0.2)	-	-	-	-	(0.2)
FX translation differences	(1.8)	(6.1)	(0.2)	(0.1)	-	(8.2)
30/06/2022	(183.3)	(202.7)	(18.9)	(16.5)	(1.0)	(422.4)
Net value						
1/01/2022	352.3	632.6	38.1	7.2	0.5	1,030.7
30/06/2022	318.1	610.2	35.7	8.0	0.4	972.4

5.3 Investments in entities accounted for under the equity method

Investments in entities accounted for under the equity method

	Carrying amount	
	30/06/2023	31/12/2022
COSCO Shipping Lines (POLAND) Sp. z o.o.	0.2	0.9
Terminale Przeładunkowe Sławków - Medyka Sp. z o.o.	22.3	22.3
Transgaz S.A.	7.3	7.3
PKP CARGO CONNECT GmbH	4.9	3.3
PKP CARGO INTERNATIONAL SK a. s.	2.4	2.8
PKP CARGO INTERNATIONAL SI d.o.o.	2.1	4.0
Centralny Terminal Multimodalny Sp. z o.o.	1.3	1.2
Total	40.5	41.8

Investments in entities accounted for under the equity method

	6 months ended 30/06/2023	6 months ended 30/06/2022
As at the beginning of the reporting period	41.8	36.7
Share in the profit / (loss) of entities accounted for under the equity method	5.6	2.8
Movement in equity on account of dividends	(6.6)	(3.4)
FX differences from translation of financial statements	(0.3)	-
As at the end of the reporting period	40.5	36.1

5.4 Inventories

Structure of inventories

	30/06/2023	31/12/2022
Strategic inventories	50.4	31.8
Rolling stock during liquidation	28.0	42.5
Other inventories	145.2	130.3
Impairment losses	(6.0)	(3.8)
Net inventories	217.6	200.8

5.5 Trade receivables

Structure of trade receivables

	30/06/2023	31/12/2022
Trade receivables	806.7	911.7
Impairment loss for receivables	(131.9)	(135.0)
Total	674.8	776.7
Non-current assets	8.2	7.3
Current assets	666.6	769.4
Total	674.8	776.7

5.6 Other assets

Structure of other assets

	30/06/2023	31/12/2022
Financial assets		
Shares in unlisted companies	9.6	5.8
Non-financial assets		
Costs settled over time		
Prepayments for purchase of electricity	40.4	74.1
Insurance	14.7	5.1
IT services	2.7	4.8
Purchase of transportation benefits	7.4	0.1
Other costs settled over time	7.4	3.8
Prepayments for purchase of non-financial non-current assets	2.7	18.2
Other	5.1	1.5
Other receivables		
VAT settlements	50.5	46.3
Receivables from the sale of shares	3.3	4.1
Dividend receivables	4.0	0.3
Other	22.3	15.7
Intangible assets		
Licenses	22.4	12.9
Other intangible assets	0.3	0.3
Intangible assets under development	6.9	7.5
Total	199.7	200.5
Non-current assets	58.8	48.6
Current assets	140.9	151.9
Total	199.7	200.5

5.7 Investment liabilities

Structure of investment liabilities

	30/06/2023	31/12/2022
Investment liabilities related to rolling stock	141.8	149.7
Investment liabilities related to real properties	40.4	31.5
Other	12.4	8.5
Total	194.6	189.7
Long-term liabilities	25.3	46.7
Short-term liabilities	169.3	143.0
Total	194.6	189.7



5.8 Provisions for employee benefits

As at 30 June 2023 and 31 December 2022, the actuarial valuation of provisions for employee benefits for the Parent Company was based on the following main assumptions:

	Valuation as at [%]	
	30/06/2023	31/12/2022
Discount rate	5.75	6.8
Assumed average annual growth of the base for calculation of provisions for retirement and disability severance pays and jubilee awards		
2023	-	13.9
2024	4.1	4.1
2025	3.4	3.4
from 2026	2.5	2.5
Assumed growth of the price of transportation benefits	3.5	3.5
Assumed average annual growth of the base for calculation of provisions on account of charge for the Company Social Benefits Fund		
2023	15.1	5.2
from 2024	6.3	5.2
Weighted average employee mobility ratio	up to 3.0	up to 2.9

The Parent Company's share in the value of the Group's provisions for employee benefits, as measured using actuarial methods, was approx. 85%.

The value of provisions for employee benefits is materially affected by the adopted assumptions for discount rate, the assumed salary growth and the expected average employment growth. The sensitivity analysis for changes in the foregoing assumptions may be found below. The analysis was conducted by changing only one variable while leaving the remaining assumptions unchanged.

Sensitivity analysis of provisions for employee benefits

	30/06/2023	Discount rate		Salary growth ratio		Employee mobility ratio	
		+0.30 pp.	-0.30 pp.	+0.25 pp.	-0.25 pp.	+0.25 pp.	-0.25 pp.
Jubilee awards	268.7	(3.6)	3.7	2.9	(2.8)	(2.8)	2.9
Retirement and disability severance pays	228.4	(2.9)	3.0	2.3	(2.3)	(1.7)	1.7
Post-mortem benefits	7.4	(0.1)	0.1	0.1	(0.1)	(0.1)	0.1
Company Social Benefits Fund	127.1	(4.5)	4.8	3.7	(3.5)	(0.5)	0.5
Transportation benefits	23.1	(0.8)	0.8	0.6	(0.6)	(0.1)	0.1
Total	654.7	(11.9)	12.4	9.6	(9.3)	(5.2)	5.3

	31/12/2022	Discount rate		Salary growth ratio		Employee mobility ratio	
		+0.30 pp.	-0.30 pp.	+0.25 pp.	-0.25 pp.	+0.25 pp.	-0.25 pp.
Jubilee awards	252.6	(3.3)	3.4	3.1	(3.0)	(2.6)	2.7
Retirement and disability severance pays	217.5	(2.6)	2.7	2.5	(2.5)	(1.6)	1.6
Post-mortem benefits	7.1	(0.1)	0.1	0.1	(0.1)	(0.1)	0.1
Company Social Benefits Fund	91.7	(2.8)	3.0	2.6	(2.4)	(0.3)	0.3
Transportation benefits	20.5	(0.6)	0.7	0.6	(0.6)	(0.1)	0.1
Total	589.4	(9.4)	9.9	8.9	(8.6)	(4.7)	4.8

5.8 Provisions for employee benefits (cont.)

Movement in provisions for employee benefits

	Retirement and disability severance pays	Company Social Benefits Fund	Transportation benefits	Post-mortem benefits	Jubilee awards	Other employee benefits	Total provisions
1/01/2023	217.5	91.7	20.5	7.1	252.6	50.8	640.2
Current service cost	3.4	0.7	0.2	0.2	5.6	-	10.1
Interest expenses	6.2	3.0	0.7	0.3	8.0	-	18.2
Actuarial (profits)/ losses recognized in other comprehensive income	18.1	34.6	2.2	0.6	-	-	55.5
Actuarial (profits)/ losses recognized in the statement of profit or loss	-	-	-	-	18.6	-	18.6
Recognition of provisions	-	-	-	-	-	18.0	18.0
Reversal of provisions	-	-	-	-	-	(3.8)	(3.8)
Benefits paid out	(16.8)	(2.9)	(0.5)	(0.8)	(15.9)	(1.6)	(38.5)
FX translation differences	-	-	-	-	(0.2)	(0.3)	(0.5)
30/06/2023	228.4	127.1	23.1	7.4	268.7	63.1	717.8
Long-term provisions	173.3	120.9	21.9	6.2	215.1	-	537.4
Short-term provisions	55.1	6.2	1.2	1.2	53.6	63.1	180.4
Total	228.4	127.1	23.1	7.4	268.7	63.1	717.8

	Retirement and disability severance pays	Company Social Benefits Fund	Transportation benefits	Post-mortem benefits	Jubilee awards	Other employee benefits	Total provisions
1/01/2022	205.2	125.5	24.0	6.7	259.4	35.6	656.4
Current service cost	3.5	1.1	0.2	0.2	5.8	-	10.8
Interest expenses	3.2	2.1	0.4	0.1	4.3	-	10.1
Actuarial (profits)/ losses recognized in other comprehensive income	(3.0)	(33.4)	(8.1)	(0.9)	-	-	(45.4)
Actuarial (profits)/ losses recognized in the statement of profit or loss	-	-	-	-	(5.0)	-	(5.0)
Recognition of provisions	-	-	-	-	-	27.2	27.2
Reversal of provisions	-	-	-	-	-	(2.1)	(2.1)
Benefits paid out	(8.4)	(2.8)	(0.4)	(0.5)	(13.5)	(2.2)	(27.8)
FX translation differences	-	-	-	-	0.1	0.2	0.3
30/06/2022	200.5	92.5	16.1	5.6	251.1	58.7	624.5
Long-term provisions	153.5	87.0	15.2	4.7	195.9	-	456.3
Short-term provisions	47.0	5.5	0.9	0.9	55.2	58.7	168.2
Total	200.5	92.5	16.1	5.6	251.1	58.7	624.5

5.9 Other provisions

Structure of other provisions

	30/06/2023	31/12/2022
Provision for land reclamation	5.8	7.9
Other provisions	13.7	14.0
Total	19.5	21.9
Long-term provisions	0.5	0.5
Short-term provisions	19.0	21.4
Total	19.5	21.9

5.10 Other liabilities

Structure of other liabilities

	30/06/2023	31/12/2022
Financial liabilities		
Cash pool	1.2	1.2
Derivatives – swap contract	0.2	0.3
Other liabilities		
Liabilities arising out of collateral (deposits, bid deposits, guarantees)	40.5	41.6
Public law liabilities	127.8	116.8
Settlements with employees	108.5	105.6
Received grants	0.3	0.1
VAT settlements	12.3	18.5
Current tax liabilities	4.0	6.6
Other settlements	31.0	6.4
Total	325.8	297.1
Long-term liabilities	0.1	-
Short-term liabilities	325.7	297.1
Total	325.8	297.1

6. Financial instruments

6.1 Financial instruments

Categories and classes of financial instruments

Financial assets by categories and classes	Note	30/06/2023	31/12/2022
Financial assets measured at fair value through other comprehensive income			
Investments in equity instruments	Note 5.6	9.6	5.8
Financial assets measured at amortized cost			
Trade receivables	Note 5.5	674.8	776.7
Receivables from the sale of shares	Note 5.6	3.3	4.1
Cash and cash equivalents	Note 4.3	174.6	181.5
Financial assets excluded from the scope of IFRS 9		9.5	9.3
Total		871.8	977.4

Financial liabilities by categories and classes	Note	30/06/2023	31/12/2022
Financial liabilities measured at fair value through profit or loss			
Derivatives – swap contract	Note 5.10	0.2	0.3
Hedging financial instruments			
Bank loans and borrowings	Note 4.1	557.3	640.3
Financial liabilities excluded from the scope of IFRS 9	Note 4.1	21.3	26.7
Financial liabilities measured at amortized cost			
Bank loans and borrowings	Note 4.1	948.0	854.0
Trade liabilities		806.4	811.7
Investment liabilities	Note 5.7	194.6	189.7
Cash pool	Note 5.10	1.2	1.2
Financial liabilities excluded from the scope of IFRS 9	Note 4.1	1,123.8	851.2
Total		3,652.8	3,375.1

Impairment losses on trade receivables are presented in [Note 1.4](#) to these Interim Condensed Consolidated Financial Statements.

6.1 Financial instruments (cont.)

Hedge accounting

In the period from 1 January 2023 to 30 June 2023, the Group applied hedge accounting to its cash flows. The purpose of the hedging activity was to mitigate the impact of the FX risk within the EUR/PLN currency pair on future cash flows. The hedged item is a highly likely cash flow denominated in EUR.

As at 30 June 2023, the Group has established the following hedging instruments:

- investment loans denominated in EUR. The hedged cash flows will be realized until January 2035. As at 30 June 2023, the nominal amount of the hedging instrument was EUR 125.2 million, which is an equivalent of PLN 557.3 million.
- leases denominated in EUR. The hedged cash flows will be realized until May 2028. As at 30 June 2023, the nominal amount of the hedging instrument was EUR 4.8 million, which is an equivalent of PLN 21.3 million.

Fair value hierarchy

As at 30 June 2023 and 31 December 2022, financial instruments measured at fair value were investments in equity instruments and derivatives – swap contracts.

	30/06/2023		31/12/2022	
	Level 2	Level 3	Level 2	Level 3
Assets				
Investments in equity instruments - shares in unlisted companies	-	9.6	-	5.8
Liabilities				
Derivatives – swap contract	0.2	-	0.3	-

Measurement methods for financial instruments measured at fair value

a) Derivatives – swap contract

Fair value of the swap contract was determined on the basis of a difference between the price from the contract date and the market price as at the balance sheet date. The forward price is calculated based on the market price of diesel fuel.

b) Investments in financial instruments

This line item includes predominantly an equity stake in Euroterminal Sławków Sp. z o.o. worth PLN 8.7 million, the value of which was measured by an independent adviser using the modified Swiss method. The Swiss method is a mixed measurement method as it combines the asset value aspect with the ability to generate future cash flows. According to the Swiss method, the value of the enterprise is calculated as the weighted average of the values determined by the asset-based approach and the income-based approach. This method attaches a greater weight (twice as large) to the value determined by the income-based approach. The adoption of the Swiss method is justified on the grounds that Euroterminal Sławków Sp. z o.o. has a moderate ability to generate profits in the future but owns material assets in the form of land plots and property.



c) Other financial instruments

For the category of financial instruments that are not carried at fair value as at the balance sheet date, the Group does not disclose fair value because as at 30 June 2023 and 31 December 2022 fair value was not materially different from the value presented in the statement of financial position.

In the period of 6 months ended 30 June 2023 and 30 June 2022, there were no transfers between level 2 and level 3 of the fair value hierarchy.

6.1 Financial instruments (cont.)

Revenues, costs, profits and losses in the consolidated statement of profit or loss and other comprehensive income by categories of financial instruments

6 months ended 30/06/2023	Hedging financial instruments	Investments in equity instruments	Financial assets measured at amortized cost	Financial assets excluded from the scope of IFRS 9	Financial liabilities measured at fair value	Financial liabilities measured at amortized cost	Financial liabilities excluded from the scope of IFRS 9	Total
Interest income / (expense)	(8.2)	-	4.2	0.2	-	(45.7)	(25.7)	(75.2)
FX differences	-	-	(3.6)	-	-	(1.1)	(1.0)	(5.7)
Impairment losses / revaluation	-	-	(2.0)	-	-	-	-	(2.0)
Transaction costs related to loans	-	-	-	-	-	(0.4)	-	(0.4)
Effect of settlement of cash flow hedge accounting	(3.5)	-	-	-	-	-	-	(3.5)
Other	-	-	-	-	0.1	-	-	0.1
Profit / (loss) before tax	(11.7)	-	(1.4)	0.2	0.1	(47.2)	(26.7)	(86.7)
Revaluation	31.7	3.8	-	-	-	-	-	35.5
Other comprehensive income	31.7	3.8	-	-	-	-	-	35.5

In the period of 6 months ended 30 June 2023, the effect of settling cash flow hedge accounting adjusted the value of revenues from contracts with customers in the amount of PLN (3.5) million. In the financial year ended 30 June 2023, the change in the measurement of hedging financial instruments recognized in other comprehensive income included a change in the measurement of bank loans and leases in the amount of PLN 31.7 million, which are recognized under the hedge accounting applied by the Group.

6 months ended 30/06/2022	Hedging financial instruments	Financial assets measured at amortized cost	Financial assets excluded from the scope of IFRS 9	Financial liabilities measured at amortized cost	Financial liabilities excluded from the scope of IFRS 9	Total
Interest income / (expense)	(1.5)	1.5	0.2	(29.9)	(18.3)	(48.0)
FX differences	-	1.8	-	-	(0.6)	1.2
Impairment losses / revaluation	-	(0.7)	-	-	-	(0.7)
Transaction costs related to loans	-	-	-	0.9	-	0.9
Effect of settlement of cash flow hedge accounting	(4.0)	-	-	-	-	(4.0)
Profit / (loss) before tax	(5.5)	2.6	0.2	(29.0)	(18.9)	(50.6)
Revaluation	(9.3)	-	-	-	-	(9.3)
Other comprehensive income	(9.3)	-	-	-	-	(9.3)

In the period of 6 months ended 30 June 2022, the effect of settling cash flow hedge accounting adjusted the value of revenues from contracts with customers in the amount of PLN (4.0) million. In the financial year ended 30 June 2022, the change in the measurement of hedging financial instruments recognized in other comprehensive income included a change in the measurement of bank loans and leases in the amount of PLN (9.3) million, which are recognized under the hedge accounting applied by the Group.

7. Other notes

7.1 Related party transactions

Transactions with the State Treasury and other parties related to the State Treasury

In the period of 6 months ended 30 June 2023 and 30 June 2022, the State Treasury was a higher-level parent entity of the PKP CARGO Group. Accordingly, all companies owned by the State Treasury (directly or indirectly) are the Group's related parties and are presented separately as PKP Group related parties and other State Treasury related parties. In these Interim Condensed Consolidated Financial Statements, the Parent Company's Management Board has disclosed transactions with material related parties identified as such according to the best knowledge of the Management Board.

In the period of 6 months ended 30 June 2023 and 30 June 2022, there were no individual transactions effected between the PKP CARGO Group and the State Treasury or other entities related to the State Treasury which would be significant due to a non-standard scope and amount. In the periods covered by these Interim Condensed Consolidated Financial Statements, the Group's most important clients among other parties related to the State Treasury were members of the following groups: PGE, JSW, Wegłokoks, PKN Orlen. The Group's most important suppliers related to the State Treasury were PGE Group entities.

Transactions with PKP Group related parties

In the periods covered by these Interim Condensed Consolidated Financial Statements, the Group entered into the following commercial transactions with PKP Group related parties:

	6 months ended 30/06/2023		30/06/2023	
	Sales to related parties	Purchases from related parties	Receivables from related parties	Liabilities to related parties
Parent company	0.2	44.0	7.7	597.8
Subsidiaries / co-subsidiaries – unconsolidated	5.0	13.8	0.3	1.8
Associates	3.0	1.0	1.0	0.3
Other PKP Group related parties	20.0	269.8	3.0	207.1

	6 months ended 30/06/2022		31/12/2022	
	Sales to related parties	Purchases from related parties	Receivables from related parties	Liabilities to related parties
Parent company	0.1	38.9	1.3	580.3
Subsidiaries / co-subsidiaries – unconsolidated	2.6	10.3	1.3	2.3
Associates	2.4	-	1.1	-
Other PKP Group related parties	12.5	280.1	11.7	203.9

Purchase transactions with the parent company (PKP S.A.) pertained in particular to lease and rental agreements treated as leasing contracts, the supply of utilities, costs of fees for membership in international railway organizations and occupational medicine services.

In the PKP CARGO Group sales transactions covered freight transport services, lease of equipment and sub-lease of real estate. Purchase transactions comprised, among other maintenance and repair of rolling stock, freight forwarding services, transshipment services and intermodal transport.

Sales transactions with other PKP Group related parties comprised, among others, train traction services, lease and operation of locomotives, services related to financial settlements with foreign rail freight companies, rolling stock maintenance services and sub-lease of property. Purchase transactions comprised, among others, access to rail infrastructure, lease of property, supply of utilities, maintenance of rail traffic facilities, purchase of network maintenance services, operation of IT systems.

In addition to commercial transactions, the Group had dividend receivables and cash pooling settlements disclosed in [Note 5.6](#) and [Note 5.10](#) of these Consolidated Financial Statements.

7.1 Related party transactions (cont.)

Remunerations of key management personnel

Remunerations of key management personnel presented in this note include the amounts of benefits disbursed in the relevant period.

Remunerations of Management Board members	Parent Company		Subsidiaries	
	6 months ended 30/06/2023	6 months ended 30/06/2022	6 months ended 30/06/2023	6 months ended 30/06/2022
Short-term benefits	1.4	1.0	3.2	2.5
Post-employment benefits	-	0.7	-	0.1
Termination benefits	-	-	-	0.1
Total	1.4	1.7	3.2	2.7

Remunerations of Supervisory Board Members	Parent Company		Subsidiaries	
	6 months ended 30/06/2023	6 months ended 30/06/2022	6 months ended 30/06/2023	6 months ended 30/06/2022
Short-term benefits	0.7	0.6	0.6	0.6
Total	0.7	0.6	0.6	0.6

Remunerations of other members of key management personnel	Parent Company		Subsidiaries	
	6 months ended 30/06/2023	6 months ended 30/06/2022	6 months ended 30/06/2023	6 months ended 30/06/2022
Short-term benefits	3.3	3.2	10.9	8.2
Post-employment benefits	-	0.1	-	-
Termination benefits	0.2	0.1	-	-
Total	3.5	3.4	10.9	8.2

In the period of 6 months ended 30 June 2023 and 30 June 2022, members of the key management personnel of the Parent Company and the PKP CARGO Group subsidiaries did not enter into any loan or guarantee transactions with the Group.

All related party transactions were effected on an arm's length basis.

7.2 Liabilities to incur expenditures for non-financial non-current assets

Structure of liabilities to incur expenditures for non-financial non-current assets

	30/06/2023	31/12/2022
Contractual liabilities on account of purchase and repairs of rolling stock and other property, plant and equipment	240.8	650.1
Contractual liabilities on account of non-commenced lease contracts	-	1.5
Total	240.8	651.6

7.3 Contingent liabilities

Structure of contingent liabilities

	30/06/2023	31/12/2022
Guarantees issued on the Group's request	120.2	132.3
Other contingent liabilities	139.8	152.4
Total	260.0	284.7

Guarantees issued on the Group's request

As at 30 June 2023, the Group included in contingent liabilities guarantees issued by banks and insurance companies at the request of PKP CARGO Group companies. This line item comprises mainly commercial contract performance bonds, customs guarantees and payment guarantees.

7.3 Contingent liabilities (cont.)

Other contingent liabilities

This line item comprises the claims made against the group in court proceedings in the case of which the probability of outflow of cash is assessed as low, and claims in the case of which it is not possible to make a reliable estimate of the payment amount in the future by the Group. The amounts presented in this note correspond to the value of the full claims reported by external entities. Assessment of the estimates may change in subsequent periods as a result of future events.

7.4 Impact of the war in Ukraine on the Group's activities

The war in Ukraine remains the main risk factor for the Group's performance in the current year. It is currently impossible to predict how this conflict will develop or when it will finally come to an end. The aggression of Russia (supported by Belarus) accelerated deglobalization and fragmentation processes in international trade. At present, the impact of the conflict on the prices of fossil fuels and food is diminishing, which is of crucial importance, especially for large manufacturers, for whom the security of uninterrupted energy supply and energy price is a priority. Manufacturers are struggling with high prices of fossil fuel and energy, which, combined with reduced domestic consumption and demand from key trading partners, have effectively slowed the production and transportation of finished goods (as well as materials and other components needed in the production process). The immediate effect of Russia's aggression is a rapid reduction of economic relations with Russia and Belarus (which, before the conflict, supplied Poland with metallurgical products, fuel, wood and cement). Additional EU sanctions packages (which have so far focused on selected products) are currently focused on sealing restrictions due to actions by third parties attempting to market products as their own. The restriction of trade in crude oil and petroleum products in December 2022 and February 2023 was a breakthrough in trade relations. Many contractors of the Group who traded with partners in the East have not yet reached the pre-war level of turnover, which has resulted in a decrease in the flow of goods ordered for transportation. The Group companies focused on the markets of their partners in the East continue to work to acquire new customers and new markets, which is difficult given the need to significantly redesign business processes, but necessary given the ongoing conflict and the lack of concrete prospects for a return to normal trade relations in these areas. The impact of the conflict on the prices of fossil fuels and food has diminished, but any escalation of war activities or production and transportation problems could lead to a return to rapidly rising prices and limited availability of goods.

Ports have maintained their increased importance as delivery points for goods that used to arrive in Poland mainly by land (such as coal from Russia, timber from Belarus), but this year the dynamics may be limited to selected areas only (e.g. fossil fuel) due to the weak economic situation in Poland and Europe. Maritime trade is positively affected by low sea freight prices and the unclogging of supply chains, which have been a major obstacle to production in recent years, as well as the reduced importance of the "New Silk Road". However, the overall volume of imports and transits will be lower due to direct shipments to the affected countries by sea freight, as well as a sharp reduction in production affecting all aspects of transportation activity (including a reduction in freight or transshipments).

As a result of the war, the scale of economic relations between Poland and Ukraine is growing, with exports mainly of goods needed for military operations (but also a whole range of goods needed for the proper functioning of the state) and numerous manufacturers continuing to do business in the country despite the difficult conditions. Taking advantage of the good economic situation in this area, PKP CARGO Group carries out mainly export and transit shipments of fuels, import shipments of metals and metal products, transit shipments of grain, export shipments of fertilizers and intermodal transportation in all directions. At the level of declarations, there is a desire to expand land connections between the countries, but the pace of work is not very fast, which unfortunately causes numerous capacity constraints on the connections between the two transportation systems, with the border being the bottleneck. Additionally, as a result of farmers' protests, which were held among others in Poland, the import of food products to selected Eastern European countries has been restricted at the EU level, while the Polish authorities have increased the pressure on inspections and transit traffic. This could further reduce the potential for trade between the countries, which has been growing at double-digit rates in some areas.

The companies of the PKP CARGO Group constantly monitor and analyze all legal and factual changes in the rules of cargo transportation related to the changing situation in Ukraine. In the case of the import restrictions on certain agricultural products, an information campaign was conducted among customers and employees to ensure that the changed transportation process ran as smoothly and efficiently as possible. The border terminals in northeastern Poland and the freight forwarders in this area were the most affected by the problems caused by the hostilities. Only a full restoration of trade would allow them to reach 100% of their potential, but due to geopolitical factors we cannot expect this to happen quickly. In light of the above, it is necessary to further diversify and change the character of the business.

7.4 Impact of the war in Ukraine on the Group's activities (cont.)

Rail transport in general and PKP CARGO Group companies in particular are strongly exposed to the effects of the macroeconomic environment, which is currently a negative factor limiting economic activity. The slowdown in GDP growth in Poland and in the countries with which Poland has the largest trade turnover (as well as the lack of a clear recovery in global GDP growth), persistently high inflation, and limited investment all contribute to a reduction in the level of demand and, consequently, also production and the need for transportation. Nevertheless, the Polish economy is doing quite well in such a difficult macroeconomic environment, achieving a positive trade balance (the key here is the slowdown in imports and the growth in exports), which partially offsets the negative effects of decline in consumption. In the medium term, high inflation remains an important issue to be addressed, as it limits the ability of companies to invest (in part due to the high cost of capital).

The Group does not currently see any fundamental threats to its operations from the war in Ukraine or the macroeconomic environment, but the situation remains volatile and requires constant monitoring.

7.5 Subsequent events

On 5 July 2023, the Parent Company signed a Framework Lease Agreement with ING LEASE (Polska) Sp. z o.o. for the lease of fixed assets up to a maximum total net value of PLN 200.0 million plus interest with an availability period of 12 months from the date of the agreement.

7.6 Approval of the financial statements

These Interim Condensed Consolidated Financial Statements were approved for publication by the Parent Company's Management Board on 25 August 2023.

Parent Company's Management Board

Dariusz Seliga
President of the Management Board

Marek Olkiewicz
Management Board Member

Maciej Jankiewicz
Management Board Member

Jacek Rutkowski
Management Board Member

Zenon Kozendra
Management Board Member

Warsaw, 25 August 2023