PKP CARGO GROUP'S

Consolidated Quarterly Report

for Q3 2023

www.pkpcargo.com

PKPCARGO

www.pkpcargo.com

Quarterly Condensed Consolidated Financial Statements

of the PKP CARGO CAPITAL GROUP for the period of 9 months ended 30 September 2023 prepared in accordance with EU IFRS

PKPCARGO

Table of contents

(in PLN million) (translation of a document originally issued in Polish)

QUARTERLY CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	9 months ended 30/09/2023	3 months ended 30/09/2023	9 months ended 30/09/2022	3 months ended 30/09/2022	
Revenues from contracts with customers	4,168.2	1,268.7	3,814.6	1,363.1	*Note 2.1*
Consumption of traction electricity and traction fuel	(620.8)	(172.6)	(572.2)	(194.2)	*Note 2.2*
Services of access to infrastructure	(359.6)	(113.4)	(418.8)	(142.0)	
Transport services	(226.3)	(58.7)	(263.2)	(89.8)	
Other services	(349.0)	(110.5)	(393.8)	(149.0)	*Note 2.2*
Employee benefits	(1,438.7)	(463.2)	(1,256.4)	(423.6)	*Note 2.2*
Other expenses	(273.3)	(76.8)	(258.5)	(82.4)	*Note 2.2*
Other operating revenue and (expenses)	(47.1)	(31.3)	(3.2)	(5.1)	*Note 2.3*
Operating profit without depreciation (EBITDA)	**853.4**	**242.2**	**648.5**	**277.0**	
Depreciation, amortization and impairment losses	(594.4)	(204.7)	(550.2)	(184.8)	*Note 2.2*
Profit / (loss) on operating activities (EBIT)	**259.0**	**37.5**	**98.3**	**92.2**	
Financial revenue and (expenses)	(133.3)	(46.0)	(101.4)	(45.6)	*Note 2.4*
Share in the profit / (loss) of entities accounted for under the equity method	7.1	1.5	4.8	2.0	*Note 5.4*
Profit / (loss) before tax	**132.8**	**(7.0)**	**1.7**	**48.6**	
Income tax	(30.9)	(0.8)	(6.4)	(10.9)	*Note 3.1*
NET PROFIT / (LOSS)	**101.9**	**(7.8)**	**(4.7)**	**37.7**	
OTHER COMPREHENSIVE INCOME					
Measurement of hedging instruments	9.6	(22.1)	(33.2)	(23.9)	*Note 6.1*
Income tax	(1.8)	4.2	6.3	4.5	*Note 3.1*
FX differences resulting from translation of financial statements	(15.1)	8.9	47.2	31.9	
Total other comprehensive income subject to reclassification in the financial result	**(7.3)**	**(9.0)**	**20.3**	**12.5**	
Actuarial profits / (losses) on post-employment benefits	(55.5)	-	42.9	(2.5)	*Note 5.9*
Income tax	10.6	-	(8.1)	0.5	*Note 3.1*
Measurement of equity instruments at fair value	3.8	-	-	-	*Note 6.1*
Total other comprehensive income not subject to reclassification in the financial result	**(41.1)**	**-**	**34.8**	**(2.0)**	
Total other comprehensive income	**(48.4)**	**(9.0)**	**55.1**	**10.5**	
TOTAL COMPREHENSIVE INCOME	**53.5**	**(16.8)**	**50.4**	**48.2**	
Net profit / (loss) attributable:					
Net profit / (loss) attributable to shareholders of the Parent Company	101.9	(7.8)	(4.7)	37.7	
Total other comprehensive income attributable:					
Total other comprehensive income attributable to shareholders of the Parent Company	53.5	(16.8)	50.4	48.2	
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	**2.28**	**(0.17)**	**(0.11)**	**0.84**	
Diluted earnings / (losses) per share	**2.28**	**(0.17)**	**(0.11)**	**0.84**	

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

(in PLN million) (translation of a document originally issued in Polish)

QUARTERLY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30/09/2023	31/12/2022	
ASSETS			
Rolling stock	4,462.3	4,208.3	*Note 5.1*
Other property, plant and equipment	912.5	891.1	*Note 5.1*
Rights-of-use assets	1,323.7	972.2	*Note 5.2*
Investments in entities accounted for under the equity method	41.1	41.8	*Note 5.4*
Trade receivables	8.3	7.3	*Note 5.6*
Lease receivables	8.6	8.7	
Other assets	46.6	48.6	*Note 5.7*
Deferred tax assets	191.5	176.1	*Note 3.1*
Total non-current assets	**6,994.6**	**6,354.1**	
Inventories	224.2	200.8	*Note 5.5*
Trade receivables	688.0	769.4	*Note 5.6*
Lease receivables	0.9	0.6	
Other assets	141.9	153.5	*Note 5.7*
Cash and cash equivalents	216.8	181.5	*Note 4.3*
Total current assets	**1,271.8**	**1,305.8**	
Non-current assets classified as held for sale	23.8	0.3	*Note 5.3*
TOTAL ASSETS	**8,290.2**	**7,660.2**	
EQUITY AND LIABILITIES			
Share capital	2,239.3	2,239.3	*Note 4.2*
Supplementary capital	795.9	678.0	
Other items of equity	(99.2)	(65.9)	
FX differences resulting from translation of financial statements	161.8	176.9	
Retained earnings	188.6	204.6	
Total equity	**3,286.4**	**3,232.9**	
Debt liabilities	1,928.8	1,711.5	*Note 4.1*
Trade liabilities	8.5	7.9	
Investment liabilities	19.8	46.7	*Note 5.8*
Provisions for employee benefits	523.3	483.5	*Note 5.9*
Other provisions	3.9	0.5	*Note 5.10*
Deferred tax liability	91.9	94.5	*Note 3.1*
Total long-term liabilities	**2,576.2**	**2,344.6**	
Debt liabilities	724.2	660.7	*Note 4.1*
Trade liabilities	958.6	803.8	
Investment liabilities	170.9	143.0	*Note 5.8*
Provisions for employee benefits	166.2	156.7	*Note 5.9*
Other provisions	13.8	21.4	*Note 5.10*
Other liabilities	393.9	297.1	*Note 5.11*
Total short-term liabilities	**2,427.6**	**2,082.7**	
Total liabilities	**5,003.8**	**4,427.3**	
TOTAL EQUITY AND LIABILITIES	**8,290.2**	**7,660.2**	

(in PLN million) (translation of a document originally issued in Polish)

QUARTERLY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Supplementary capital	Other items of equity: Profits / (losses) on measurement of equity instruments at fair value	Other items of equity: Actuarial profits / (losses) on post-employment benefits	Other items of equity: Measurement of hedging instruments	FX differences resulting from translation of financial statements	Retained earnings / (Accumulated losses)	Total equity
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	-	-	-	-	-	-	101.9	**101.9**
Other comprehensive income for the period (net)	-	-	3.8	(44.9)	7.8	(15.1)	-	**(48.4)**
Total comprehensive income	-	-	3.8	(44.9)	7.8	(15.1)	101.9	**53.5**
Other changes for the period	-	117.9	-	-	-	-	(117.9)	**-**
30/09/2023	**2,239.3**	**795.9**	**(9.1)**	**(71.6)**	**(18.5)**	**161.8**	**188.6**	**3,286.4**
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	-	-	-	-	-	-	(4.7)	**(4.7)**
Other comprehensive income for the period (net)	-	-	-	34.8	(26.9)	47.2	-	**55.1**
Total comprehensive income	-	-	-	34.8	(26.9)	47.2	(4.7)	**50.4**
Other changes for the period	-	(93.7)	-	-	-	-	93.7	**-**
30/09/2022	**2,239.3**	**678.0**	**(12.9)**	**(7.2)**	**(47.8)**	**189.7**	**51.9**	**3,091.0**

(in PLN million) (translation of a document originally issued in Polish)

QUARTERLY CONSOLIDATED CASH FLOW STATEMENT

	9 months ended 30/09/2023	9 months ended 30/09/2022	
Cash flows from operating activities			
Profit / (loss) before tax	**132.8**	**1.7**	
Adjustments			
Depreciation, amortization and impairment losses	594.4	550.2	*Note 2.2*
(Profits) / losses on the sale and liquidation of non-financial non-current assets	(2.0)	(9.0)	
(Profits) / losses on FX differences	1.1	6.1	
(Profits) / losses on interest, dividends	105.2	82.6	
Received / (paid) interest	0.1	0.3	
Received / (paid) income tax	(26.8)	(8.3)	
Movement in working capital	344.4	(94.5)	
Other adjustments	(59.6)	43.1	
Net cash from operating activities	**1,089.6**	**572.2**	
Cash flows from investing activities			
Expenditures on the acquisition of non-financial non-current assets	(910.2)	(664.2)	
Proceeds from the sale of non-financial non-current assets	171.4	64.2	
Proceeds from dividends received	7.7	4.0	
Other inflows from investing activities	4.9	2.5	
Net cash from investing activities	**(726.2)**	**(593.5)**	
Cash flows from financing activities			
Payments on lease liabilities	(114.4)	(103.1)	*Note 4.1*
Proceeds from bank loans and borrowings	149.4	211.2	*Note 4.1*
Repayment bank loans and borrowings	(270.4)	(231.8)	*Note 4.1*
Interest paid on leases liabilities and bank loans and borrowings	(108.5)	(71.8)	*Note 4.1*
Grants received	4.7	88.1	
Inflow / (outflow) as part of cash pool	13.0	-	
Other outflows from financing activities	(1.4)	(2.8)	
Net cash from financing activities	**(327.6)**	**(110.2)**	
Net increase / (decrease) in cash and cash equivalents	35.8	(131.5)	
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	(0.5)	4.4	
Cash and cash equivalents at the end of the reporting period, including:	**216.8**	**127.4**	
Restricted cash	*64.2*	*44.3*	

(in PLN million) (translation of a document originally issued in Polish)

NOTES TO THE QUARTERLY 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 the period of 9 months ended 30 September 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 September 2023 are presented in the Additional Information to the Consolidated Quarterly Report for Q3 2023 in **Chapters 2.1** and **2.3**, respectively.

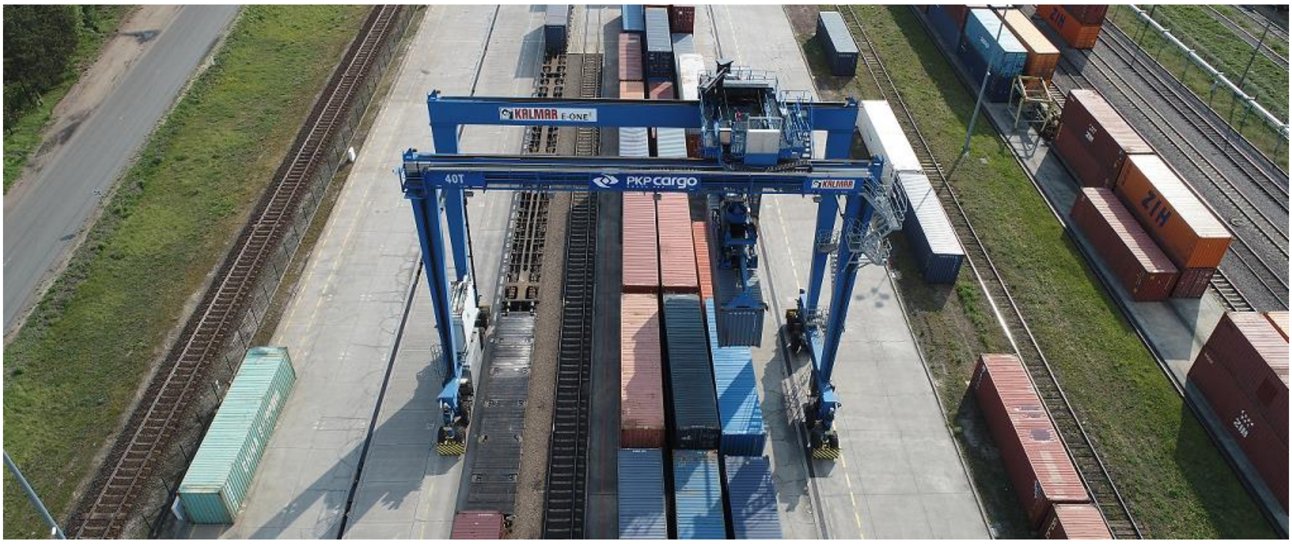
Information about the Group

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),
- terminal,
- 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.



(in PLN million) (translation of a document originally issued in Polish)

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

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

Name	Type	Registered office	% of shares held 30/09/2023	% of shares held 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 5.4** to these Condensed Consolidated Financial Statements or presented as other assets.

1.2 Basis for preparation of the Quarterly Condensed Consolidated Financial Statements

These Quarterly 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 Quarterly 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 Quarterly Condensed Consolidated Financial Statements is consistent with the one used to prepare the Consolidated Financial Statements for the financial year ended 31 December 2022.

Based on the financial projections approved in the Group, these Quarterly Condensed Consolidated Financial Statements for the period of 9 months ended 30 September 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 Quarterly Condensed Consolidated Financial Statements have been prepared in accordance with the historic cost principle, except for derivatives measured at fair value and investments in equity instruments.

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

These Quarterly 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 Quarterly 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 profits 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 Quarterly 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	
	30/09/2023	31/12/2022	9 months ended 30/09/2023	9 months ended 30/09/2022
EUR	4.6356	4.6899	4.5773	4.6880
CZK	0.1901	0.1942	0.1923	0.1904

These Quarterly Condensed Consolidated Financial Statements have not been audited by a statutory 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.

These Quarterly Condensed Consolidated Financial Statements were approved for publication by the Parent Company's Management Board on 29 November 2023.

(in PLN million) (translation of a document originally issued in Polish)

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 Quarterly 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
Amendments to IAS 12 “Income Tax” – International Tax Reform – Pillar Two Model Rules	1 January 2023

In the opinion of the Parent Company's Management Board, the above standards and interpretations had no material impact on the Group's financial statements, with the exception of the amendments to IAS 12 resulting from the International Tax Reform. As at the date of approval of these Quarterly Condensed Consolidated Financial Statements, the Pillar Two Model Rules have not yet been implemented in Poland, and therefore it is not possible to assess the impact of these changes on the Group's financial statements.

Standards and interpretations adopted by the IASB which have not endorsed by the EU or have not entered into effect

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 or have not entered into effect. The Management Board of the Parent Company believes that the introduction 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 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. As at 30 September 2023, the liquidity position of the PKP CARGO Group ensured operational and transportation continuity of its business activities. 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 (overdrafts, leases and cash pool).

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. Also, in the period of 9 months of 2023, the Group used an additional source of financing for its activity in the form of lease agreements. The most significant agreements were the lease of 16 locomotives with a total value of PLN 270.4 million and the sale and leaseback of 22 locomotives with a total value of PLN 168.0 million.

Information on the financing sources available as at 30 September 2023 is presented in **Note 4.1** to these Quarterly Condensed Consolidated Financial Statements.

In the course of managing the liquidity position, the Group also monitors trade receivables and liabilities on an ongoing basis. In the first 9 months of 2023, trade liabilities and investment liabilities increased as compared to 31 December 2022, mainly due to the higher level of past due liabilities. Since new external financing was obtained, a significant portion of past due liabilities was paid after the balance sheet date.

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

(in PLN million) (translation of a document originally issued in Polish)

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):

30/09/2023	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	384.8	458.4	1,547.7	762.4	**3,153.3**	**2,653.0**
Cash pool	14.2	-	-	-	**14.2**	**14.2**
Trade liabilities	955.3	3.3	8.5	-	**967.1**	**967.1**
Investment liabilities	144.2	27.3	20.0	-	**191.5**	**190.7**
Total	**1,498.5**	**489.0**	**1,576.2**	**762.4**	**4,326.1**	**3,825.0**

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

	30/09/2023			31/12/2022		
	Trade liabilities	Investment liabilities	Total	Trade liabilities	Investment liabilities	Total
Non-overdue liabilities	518.3	167.1	685.4	534.0	177.7	711.7
Overdue liabilities						
to 30 days	144.3	6.0	150.3	146.7	6.6	153.3
31 - 90 days	217.9	15.1	233.0	124.7	5.4	130.1
91 - 180 days	78.2	2.5	80.7	3.0	-	3.0
181 - 365 days	5.4	-	5.4	1.2	-	1.2
over 365 days	3.0	-	3.0	2.1	-	2.1
Total	**967.1**	**190.7**	**1,157.8**	**811.7**	**189.7**	**1,001.4**

Age analysis of trade receivables

	30/09/2023			31/12/2022		
	Gross	Expected credit losses	Net	Gross	Expected credit losses	Net
Non-overdue receivables	636.7	(1.0)	635.7	710.0	(1.1)	708.9
Overdue receivables						
to 30 days	22.4	(0.2)	22.2	34.8	(0.2)	34.6
31 - 90 days	10.5	(0.7)	9.8	16.6	(1.0)	15.6
91 - 180 days	9.5	(4.7)	4.8	4.3	(2.0)	2.3
181 - 365 days	12.4	(2.8)	9.6	4.3	(1.4)	2.9
over 365 days	143.0	(128.8)	14.2	141.7	(129.3)	12.4
Total	**834.5**	**(138.2)**	**696.3**	**911.7**	**(135.0)**	**776.7**

(in PLN million) (translation of a document originally issued in Polish)

1.5 Significant values based on professional judgment and estimates

In the period of 9 months ended 30 September 2023, changes to material values based on professional judgment and estimations affected the following items:

- 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 increased in provisions for employee benefits by PLN 74.1 million, out of which PLN 18.6 million increased the cost of employee benefits.

During the 9 months ended 30 September 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.

9 months ended 30/09/2023	PKP Group related parties	State Treasury related parties	Others	Total
Revenue from rail transportation services and freight forwarding services	6.9	1,145.7	2,256.8	**3,409.4**
Revenue from other transportation activity	-	0.6	93.3	**93.9**
Revenue from siding and traction services	11.1	124.7	127.8	**263.6**
Revenue from transshipment services	0.5	20.3	126.5	**147.3**
Revenue from reclamation services	0.7	-	52.5	**53.2**
Revenue from sales of goods and materials	-	-	59.6	**59.6**
Other revenues	18.9	8.5	113.8	**141.2**
Total	**38.1**	**1,299.8**	**2,830.3**	**4,168.2**
Revenue recognition date				
At a point of time	1.0	-	59.9	**60.9**
Over a period	37.1	1,299.8	2,770.4	**4,107.3**
Total	**38.1**	**1,299.8**	**2,830.3**	**4,168.2**

(in PLN million) (translation of a document originally issued in Polish)

2.1 Revenues from contracts with customers (cont.)

3 months ended 30/09/2023	PKP Group related parties	State Treasury related parties	Others	Total
Revenue from rail transportation services and freight forwarding services	1.4	312.1	727.0	**1,040.5**
Revenue from other transportation activity	-	0.2	29.8	**30.0**
Revenue from siding and traction services	3.7	39.0	41.1	**83.8**
Revenue from transshipment services	0.2	12.6	28.5	**41.3**
Revenue from reclamation services	-	-	17.3	**17.3**
Revenue from sales of goods and materials	-	-	15.8	**15.8**
Other revenues	4.6	2.8	32.6	**40.0**
Total	**9.9**	**366.7**	**892.1**	**1,268.7**
Revenue recognition date				
At a point of time	0.7	-	16.0	**16.7**
Over a period	9.2	366.7	876.1	**1,252.0**
Total	**9.9**	**366.7**	**892.1**	**1,268.7**

9 months ended 30/09/2022	PKP Group related parties	State Treasury related parties	Others	Total
Revenue from rail transportation services and freight forwarding services	0.8	843.1	2,136.1	**2,980.0**
Revenue from other transportation activity	-	0.4	125.5	**125.9**
Revenue from siding and traction services	8.1	119.6	121.4	**249.1**
Revenue from transshipment services	-	1.0	136.3	**137.3**
Revenue from reclamation services	4.9	0.5	82.7	**88.1**
Revenue from sales of goods and materials	-	-	117.8	**117.8**
Other revenues	12.3	9.2	94.9	**116.4**
Total	**26.1**	**973.8**	**2,814.7**	**3,814.6**
Revenue recognition date				
At a point of time	-	-	119.1	**119.1**
Over a period	26.1	973.8	2,695.6	**3,695.5**
Total	**26.1**	**973.8**	**2,814.7**	**3,814.6**

3 months ended 30/09/2022	PKP Group related parties	State Treasury related parties	Others	Total
Revenue from rail transportation services and freight forwarding services	0.6	309.7	761.1	**1,071.4**
Revenue from other transportation activity	-	0.1	44.8	**44.9**
Revenue from siding and traction services	2.6	39.1	39.2	**80.9**
Revenue from transshipment services	-	0.5	55.2	**55.7**
Revenue from reclamation services	2.5	-	31.4	**33.9**
Revenue from sales of goods and materials	-	-	34.9	**34.9**
Other revenues	2.8	3.8	34.8	**41.4**
Total	**8.5**	**353.2**	**1,001.4**	**1,363.1**
Revenue recognition date				
At a point of time	-	-	35.0	**35.0**
Over a period	8.5	353.2	966.4	**1,328.1**
Total	**8.5**	**353.2**	**1,001.4**	**1,363.1**

(in PLN million) (translation of a document originally issued in Polish)

2.1 Revenues from contracts with customers (cont.)

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:

	9 months ended 30/09/2023	3 months ended 30/09/2023	9 months ended 30/09/2022	3 months ended 30/09/2022
Poland	3,157.2	938.8	2,747.2	988.1
Czech Republic	456.4	130.5	486.2	163.2
Germany	196.0	68.7	206.2	74.8
Italy	56.3	19.1	39.7	13.0
Slovakia	49.1	14.3	53.2	17.5
Ukraine	45.0	18.0	17.3	12.3
Denmark	38.4	15.3	43.6	13.0
Other countries	169.8	64.0	221.2	81.2
Total	**4,168.2**	**1,268.7**	**3,814.6**	**1,363.1**

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

	30/09/2023	31/12/2022
Poland	6,086.7	5,411.0
Czech Republic	687.6	733.7
Other countries	10.3	11.5
Total	**6,784.6**	**6,156.2**

Information on key customers

In the period of 9 months ended 30 September 2023 and 30 September 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

	9 months ended 30/09/2023	9 months ended 30/09/2022
As at the beginning of the reporting period	**49.8**	**33.9**
Recognition of revenue before the sales document is issued	47.6	69.3
Reclassification to receivables	(49.9)	(34.5)
FX differences from valuation	0.1	0.6
As at the end of the reporting period	**47.6**	**69.3**

(in PLN million) (translation of a document originally issued in Polish)

2.2 Operating expenses

Consumption of traction electricity and traction fuel

	9 months ended 30/09/2023	3 months ended 30/09/2023	9 months ended 30/09/2022	3 months ended 30/09/2022
Consumption of traction fuel	(104.0)	(29.6)	(153.6)	(54.5)
Consumption of traction electricity	(516.8)	(143.0)	(418.6)	(139.7)
Total	**(620.8)**	**(172.6)**	**(572.2)**	**(194.2)**

Other services

	9 months ended 30/09/2023	3 months ended 30/09/2023	9 months ended 30/09/2022	3 months ended 30/09/2022
Repair and maintenance services for non-current assets	(75.1)	(24.9)	(69.7)	(23.6)
Rent and fees for the use of property and rolling stock	(75.6)	(22.0)	(103.4)	(39.7)
Telecommunications services	(4.7)	(1.6)	(4.5)	(1.4)
Legal, consulting and similar services	(8.3)	(3.1)	(7.7)	(2.5)
IT services	(38.4)	(13.7)	(35.8)	(12.4)
Transshipment services	(45.1)	(13.9)	(43.1)	(18.9)
Reclamation services	(33.6)	(12.2)	(69.1)	(28.4)
Traction and shunting services, train drivers	(32.1)	(9.3)	(30.9)	(11.5)
Other services	(36.1)	(9.8)	(29.6)	(10.6)
Total	**(349.0)**	**(110.5)**	**(393.8)**	**(149.0)**

Employee benefits

	9 months ended 30/09/2023	3 months ended 30/09/2023	9 months ended 30/09/2022	3 months ended 30/09/2022
Payroll	(1,096.0)	(365.7)	(961.5)	(332.5)
Social security expenses	(231.7)	(76.2)	(203.0)	(70.0)
Expenses for contributions to the Company Social Benefits Fund	(24.1)	(8.6)	(24.0)	(8.0)
Other employee benefits during employment	(37.6)	(12.6)	(30.3)	(9.5)
Post-employment benefits	(7.8)	(1.5)	(4.3)	(1.3)
Movement in provisions for employee benefits	(41.5)	1.4	(33.3)	(2.3)
Total	**(1,438.7)**	**(463.2)**	**(1,256.4)**	**(423.6)**

Other expenses

	9 months ended 30/09/2023	3 months ended 30/09/2023	9 months ended 30/09/2022	3 months ended 30/09/2022
Consumption of non-traction fuel	(21.3)	(5.9)	(28.7)	(9.7)
Consumption of electricity, gas and water	(50.8)	(8.8)	(36.2)	(7.2)
Consumption of materials	(81.3)	(25.5)	(64.5)	(22.8)
Taxes and charges	(31.5)	(10.6)	(29.3)	(9.9)
Cost of goods and materials sold	(35.8)	(10.2)	(64.8)	(18.4)
Business trips	(27.4)	(9.2)	(20.6)	(7.6)
Other	(25.2)	(6.6)	(14.4)	(6.8)
Total	**(273.3)**	**(76.8)**	**(258.5)**	**(82.4)**

(in PLN million) (translation of a document originally issued in Polish)

2.2 Operating expenses (cont.)

Depreciation, amortization and impairment losses

	9 months ended 30/09/2023	3 months ended 30/09/2023	9 months ended 30/09/2022	3 months ended 30/09/2022
Depreciation of rolling stock	(449.0)	(155.3)	(405.9)	(137.6)
Depreciation of other property, plant and equipment	(49.8)	(16.3)	(50.0)	(16.5)
Depreciation of rights-of-use assets	(90.9)	(31.2)	(87.1)	(28.8)
Amortization of intangible assets	(4.9)	(1.9)	(5.7)	(1.7)
(Recognized) / reversed impairment losses:				
Rolling stock	0.2	-	-	-
Other property, plant and equipment	-	-	(1.5)	(0.2)
Total	**(594.4)**	**(204.7)**	**(550.2)**	**(184.8)**

2.3 Other operating revenue and (expenses)

Other operating revenue and (expenses)

	9 months ended 30/09/2023	3 months ended 30/09/2023	9 months ended 30/09/2022	3 months ended 30/09/2022
Profit on sales of non-financial non-current assets	1.7	1.0	15.9	7.2
Reversed impairment losses for trade receivables	2.2	0.3	2.1	1.1
Penalties and compensations	15.6	5.1	8.9	2.2
Reversal of other provisions	2.6	0.8	1.3	(0.5)
Interest on trade and other receivables	2.6	0.9	1.7	0.5
Net result on FX differences on trade receivables and liabilities	-	-	3.5	1.8
Grants	3.4	2.4	3.8	1.3
Other	2.0	-	2.6	0.4
Total other operating revenue	**30.1**	**10.5**	**39.8**	**14.0**
Recognized impairment losses for trade receivables	(8.8)	(4.9)	(2.3)	(0.6)
Penalties and compensations	(12.9)	(4.2)	(10.4)	(3.9)
Costs of liquidation of non-current and current assets	(4.8)	(1.6)	(10.8)	(6.0)
Recognized other provisions	(3.1)	(0.4)	(4.3)	-
Interest on trade and other liabilities [1)]	(42.3)	(32.0)	(11.6)	(7.0)
Net result on FX differences on trade receivables and liabilities	(1.8)	2.1	-	-
Other	(3.5)	(0.8)	(3.6)	(1.6)
Total other operating expenses	**(77.2)**	**(41.8)**	**(43.0)**	**(19.1)**
Other operating revenue and (expenses)	**(47.1)**	**(31.3)**	**(3.2)**	**(5.1)**

[1)] The increase in this item in the first 9 months of 2023 is mainly due to the higher level of past due liabilities. On 21 November 2023, the Parent Company received two interest notes from one of its contractors for the total amount of PLN 23.4 million on account of late payments. Having analyzed these notes, the Parent Company decided to recognize the amount of interest accrued during the period ended 30 September 2023 in the amount of PLN 20.9 million in these Quarterly Condensed Consolidated Financial Statements.

(in PLN million) (translation of a document originally issued in Polish)

2.4 Financial revenue and (expenses)

Financial revenue and (expenses)

	9 months ended 30/09/2023	3 months ended 30/09/2023	9 months ended 30/09/2022	3 months ended 30/09/2022
Interest income	4.7	1.9	1.8	1.1
Other	0.2	0.1	0.6	0.1
Total financial revenue	**4.9**	**2.0**	**2.4**	**1.2**
Interest expenses	(109.3)	(39.6)	(83.4)	(38.1)
Settlement of the discount on provisions for employee benefits	(27.2)	(9.0)	(18.0)	(7.9)
Net result on FX differences	(1.0)	0.7	(0.8)	(0.3)
Other	(0.7)	(0.1)	(1.6)	(0.5)
Total financial expenses	**(138.2)**	**(48.0)**	**(103.8)**	**(46.8)**
Financial revenue and (expenses)	**(133.3)**	**(46.0)**	**(101.4)**	**(45.6)**

3. Notes on taxation

3.1 Income tax

Income tax recognized in profit or loss

	9 months ended 30/09/2023	3 months ended 30/09/2023	9 months ended 30/09/2022	3 months ended 30/09/2022
Current income tax				
Current tax charge	(38.3)	(14.1)	(13.9)	(5.9)
Adjustments recognized in the current year relating to tax from previous years	0.1	0.1	(0.2)	-
Deferred tax				
Deferred income tax of the reporting period	7.3	13.2	7.7	(5.0)
Income tax recognized in profit / loss	**(30.9)**	**(0.8)**	**(6.4)**	**(10.9)**

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.

In **Note 3.1** to the Consolidated Financial Statements of the PKP CARGO Group for the financial year ended 31 December 2022 prepared in accordance with EU IFRS, the Parent Company provided a description of the material estimates related to the settlement in the 2022 CIT return of the tax loss incurred in 2016, i.e. before the existence of the Tax Group including the Parent Company in 2017-2019. On 20 September 2023, the Parent Company received a refund of the overpaid income tax in the amount reported in the 2022 tax return.

Deferred income tax recognized in other comprehensive income

	9 months ended 30/09/2023	3 months ended 30/09/2023	9 months ended 30/09/2022	3 months ended 30/09/2022
Deferred tax on the measurement of hedging instruments	(1.8)	4.2	6.3	4.5
Deferred tax on actuarial profits / (losses) pertaining to post-employment benefits	10.6	-	(8.1)	0.5
FX differences from translation of the balance of deferred income tax recognized in other comprehensive income [1)]	1.9	(0.9)	(6.1)	(4.2)
Deferred income tax recognized in other comprehensive income	**10.7**	**3.3**	**(7.9)**	**0.8**

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

(in PLN million) (translation of a document originally issued in Polish)

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 Quarterly Condensed Consolidated Financial Statements:

	30/09/2023	31/12/2022
Deferred tax assets	191.5	176.1
Deferred tax liabilities	(91.9)	(94.5)
Total	**99.6**	**81.6**

Table of movements in deferred tax before the set-off

9 months ended 30/09/2023	1/01/2023	Recognized in profit or loss	Recognized in other comprehensive income	FX differences resulting from translation of deferred tax balance	30/09/2023
Temporary differences relating to deferred tax (liabilities) / assets:					
Non-financial non-current assets	(83.7)	(3.2)	-	2.8	**(84.1)**
Rights-of-use assets and lease liabilities	(16.3)	11.9	-	(0.8)	**(5.2)**
Other provisions and liabilities	23.3	(0.1)	-	-	**23.2**
Inventories	(9.3)	1.2	-	-	**(8.1)**
Lease receivables	(1.7)	(0.1)	-	-	**(1.8)**
Trade receivables	(4.1)	8.5	-	-	**4.4**
Provisions for employee benefits	121.7	(2.0)	10.6	(0.1)	**130.2**
Other	9.0	9.8	(1.8)	-	**17.0**
Unused tax losses	42.7	(18.7)	-	-	**24.0**
Total	**81.6**	**7.3**	**8.8**	**1.9**	**99.6**

9 months ended 30/09/2022	1/01/2022	Recognized in profit or loss	Recognized in other comprehensive income	FX differences resulting from translation of deferred tax balance	30/09/2022
Temporary differences relating to deferred tax (liabilities) / assets:					
Non-financial non-current assets	(118.2)	34.6	-	(5.5)	**(89.1)**
Rights-of-use assets and lease liabilities	(12.7)	(2.7)	-	(0.7)	**(16.1)**
Other provisions and liabilities	17.7	3.7	-	0.1	**21.5**
Inventories	(7.9)	(1.9)	-	-	**(9.8)**
Lease receivables	(1.7)	(0.1)	-	-	**(1.8)**
Trade receivables	1.2	(3.7)	-	-	**(2.5)**
Provisions for employee benefits	124.7	(3.1)	(8.1)	0.1	**113.6**
Other	17.0	5.5	6.3	(0.1)	**28.7**
Unused tax losses	89.7	(24.6)	-	-	**65.1**
Total	**109.8**	**7.7**	**(1.8)**	**(6.1)**	**109.6**

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 September 2023

Year	2024	2025	2026	2027	2028	Total
Unused tax losses	71.9	-	46.2	4.0	4.0	**126.1**

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**

(in PLN million) (translation of a document originally issued in Polish)

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:

	30/09/2023	31/12/2022
PKP CARGO INTERNATIONAL HU Zrt.	14.4	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	**23.3**	**23.8**

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

Year	2023	2024	2025	2026	Total
Unused tax losses	6.1	4.8	12.2	0.2	**23.3**

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

30/09/2023	In functional currency	In foreign currency		Total
	PLN	EUR	CZK	
Bank loans and borrowings	801.1	559.8	-	**1,360.9**
Leases	1,231.4	32.1	28.6	**1,292.1**
Total	**2,032.5**	**591.9**	**28.6**	**2,653.0**

31/12/2022	In functional currency	In foreign currency		Total
	PLN	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**

(in PLN million) (translation of a document originally issued in Polish)

4.1 Reconciliation of debt liabilities (cont.)

Reconciliation of debt liabilities

9 months ended 30/09/2023	Bank loans and borrowings	Leases	Total
1/01/2023	**1,494.3**	**877.9**	**2,372.2**
New liabilities contracted	149.4	296.9	**446.3**
Modifications of existing agreements	-	63.8	**63.8**
Leaseback	-	169.4	**169.4**
Transaction costs	0.4	-	**0.4**
Accrual of interest	65.7	42.4	**108.1**
Payments under debt, including:			
Repayments of the principal	(270.4)	(114.4)	**(384.8)**
Interest paid	(69.9)	(38.6)	**(108.5)**
Transaction costs	(0.4)	-	**(0.4)**
Set off	-	(6.4)	**(6.4)**
Other	-	1.1	**1.1**
FX differences recognized in the result	(7.8)	0.2	**(7.6)**
FX translation differences	(0.4)	(0.2)	**(0.6)**
30/09/2023	**1,360.9**	**1,292.1**	**2,653.0**
Long-term	828.1	1,100.7	**1,928.8**
Short-term	532.8	191.4	**724.2**
Total	**1,360.9**	**1,292.1**	**2,653.0**

9 months ended 30/09/2022	Bank loans and borrowings	Leases	Total
1/01/2022	**1,632.9**	**931.3**	**2,564.2**
New liabilities contracted	211.2	11.7	**222.9**
Modifications of existing agreements	-	11.5	**11.5**
Leaseback	-	17.0	**17.0**
Transaction costs	1.3	-	**1.3**
Accrual of interest	52.4	29.3	**81.7**
Payments under debt, including:			
Repayments of the principal	(231.8)	(104.7)	**(336.5)**
Interest paid	(44.8)	(27.0)	**(71.8)**
Transaction costs	(1.1)	-	**(1.1)**
Other	(0.3)	(2.1)	**(2.4)**
FX differences recognized in the result	38.1	1.4	**39.5**
FX translation differences	2.0	5.6	**7.6**
30/09/2022	**1,659.9**	**874.0**	**2,533.9**
Long-term	1,131.9	715.5	**1,847.4**
Short-term	528.0	158.5	**686.5**
Total	**1,659.9**	**874.0**	**2,533.9**

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	9 months ended 30/09/2023	9 months ended 30/09/2022
Revenues from operating leases	Revenues from contracts with customers	43.2	29.9
Costs of short-term leases	Other services	(44.8)	(58.9)

(in PLN million) (translation of a document originally issued in Polish)

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 September 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	30/09/2023	31/12/2022
Overdraft	Bank Gospodarstwa Krajowego	20/10/2023	PLN	97.0	100.0
Overdraft	Powszechna Kasa Oszczędności Bank Polski S.A. [1)]	19/03/2024	PLN	0.4	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	99.4	-
Overdraft	Bank Polska Kasa Opieki S.A.	09/07/2024	PLN	1.6	1.6
Overdraft	Powszechna Kasa Oszczędności Bank Polski S.A. [5)]	27/07/2024	PLN	0.6	-
Investment loan	European Investment Bank [6)]	26/09/2026	PLN	177.1	-
Leasing facility	PEKAO LEASING sp. z o.o.	09/10/2023	PLN	7.8	99.0
Leasing facility	PKO Leasing S.A.	31/12/2023	PLN	14.1	200.0
Leasing facility	ING Lease (Polska) sp. z o.o. [7)]	13/06/2024	PLN	32.0	-
Total				**540.0**	**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.

[5)] On 28 July 2023, PKP CARGO TERMINALE Sp. z o.o. signed an overdraft facility agreement with Powszechna Kasa Oszczędności Bank Polski S.A. with the availability period until 27 July 2024 up to the maximum amount of PLN 10.0 million.

[6)] On 26 September 2023, the Parent Company signed an investment loan agreement with the European Investment Bank with the availability period until 26 September 2026 up to the amount of PLN 177.1 million.

[7)] 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 with the availability period until 13 June 2024.

(in PLN million) (translation of a document originally issued in Polish)

4.2 Equity

Share capital

	30/09/2023	31/12/2022
The share capital consists of:		
Ordinary shares – fully paid up and registered	2,239.3	2,239.3

As at 30 September 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 9 months ended 30 September 2023 and 30 September 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 9 months ended 30 September 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

	30/09/2023	31/12/2022
Cash on hand and on bank accounts	121.7	114.7
Bank deposits up to 3 months	94.8	52.8
Other cash	0.3	14.0
Total	**216.8**	**181.5**
including restricted cash	*64.2*	*47.3*

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

(in PLN million) (translation of a document originally issued in Polish)

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

9 months ended 30/09/2023	Rolling stock	Other property, plant and equipment					
		Real properties	Technical machinery and equipment	Means of transport	Other fixed assets	Fixed assets under construction	Total
Gross value							
1/01/2023	**7,343.7**	**1,033.2**	**483.6**	**104.5**	**46.0**	**103.1**	**1,770.4**
Increases / (decreases):							
Periodic repairs of rolling stock	-	-	-	-	-	620.6	**620.6**
Other acquisitions	-	-	-	-	-	287.5	**287.5**
Purchase of leased items	72.5	-	4.8	2.2	-	-	**7.0**
Settlement of fixed assets under construction	809.5	8.1	9.6	4.9	1.1	(833.2)	**(809.5)**
Grant for non-current assets	(4.3)	-	-	-	-	-	**-**
Sales (including leaseback)	(153.3)	-	(0.6)	(3.5)	-	-	**(4.1)**
Liquidation	(250.9)	(0.1)	(0.4)	-	(0.2)	(0.2)	**(0.9)**
Reclassified to assets held for sale	-	(20.6)	-	-	-	-	**(20.6)**
FX translation differences	(16.7)	(4.2)	(1.2)	(1.1)	(0.1)	(0.3)	**(6.9)**
Other	0.5	0.2	-	-	-	(3.9)	**(3.7)**
30/09/2023	**7,801.0**	**1,016.6**	**495.8**	**107.0**	**46.8**	**173.6**	**1,839.8**
Accumulated depreciation							
1/01/2023	**(2,950.2)**	**(363.3)**	**(381.8)**	**(88.3)**	**(41.6)**	**-**	**(875.0)**
(Increases) / decreases:							
Depreciation	(449.0)	(26.3)	(18.7)	(3.5)	(1.3)	-	**(49.8)**
Purchase of leased items	(32.3)	-	(3.0)	(1.8)	-	-	**(4.8)**
Sales (including leaseback)	27.8	-	0.6	2.0	-	-	**2.6**
Liquidation	242.7	0.1	0.4	-	0.2	-	**0.7**
Reclassified to assets held for sale	-	1.3	-	-	-	-	**1.3**
FX translation differences	5.8	1.3	0.8	0.9	-	-	**3.0**
Other	(0.2)	(0.2)	(0.8)	(0.1)	(0.1)	-	**(1.2)**
30/09/2023	**(3,155.4)**	**(387.1)**	**(402.5)**	**(90.8)**	**(42.8)**	**-**	**(923.2)**
Accumulated impairment							
1/01/2023	**(185.2)**	**(0.9)**	**(1.8)**	**-**	**-**	**(1.6)**	**(4.3)**
(Increases) / decreases:							
Derecognition	0.2	-	-	-	-	-	**-**
Utilization	0.2	-	-	-	-	0.2	**0.2**
FX translation differences	1.5	-	-	-	-	-	**-**
30/09/2023	**(183.3)**	**(0.9)**	**(1.8)**	**-**	**-**	**(1.4)**	**(4.1)**
Net value							
1/01/2023	**4,208.3**	**669.0**	**100.0**	**16.2**	**4.4**	**101.5**	**891.1**
30/09/2023	**4,462.3**	**628.6**	**91.5**	**16.2**	**4.0**	**172.2**	**912.5**

(in PLN million) (translation of a document originally issued in Polish)

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

9 months ended 30/09/2022	Rolling stock	Other property, plant and equipment					
		Real properties	Technical machinery and equipment	Means of transport	Other fixed assets	Fixed assets under construction	Total
Gross value							
1/01/2022	**7,155.4**	**1,014.3**	**468.3**	**96.0**	**45.0**	**83.7**	**1,707.3**
Increases / (decreases):							
Periodic repairs of rolling stock	-	-	-	-	-	342.4	**342.4**
Other acquisitions	-	-	-	-	-	152.5	**152.5**
Purchase of leased items	23.3	-	-	-	-	-	**-**
Settlement of fixed assets under construction	454.0	26.6	13.2	2.5	0.6	(496.9)	**(454.0)**
Grant for non-current assets	(74.4)	(15.9)	(2.0)	-	-	5.9	**(12.0)**
Sales (including leaseback)	(30.5)	(7.5)	(6.0)	(2.0)	-	-	**(15.5)**
Liquidation	(319.6)	(0.8)	(1.7)	-	(0.1)	(0.2)	**(2.8)**
Reclassified to assets held for sale	(8.1)	-	-	-	-	-	**-**
FX translation differences	57.4	13.6	3.6	3.0	0.1	1.3	**21.6**
Other	(0.6)	-	-	-	-	(1.9)	**(1.9)**
30/09/2022	**7,256.9**	**1,030.3**	**475.4**	**99.5**	**45.6**	**86.8**	**1,737.6**
Accumulated depreciation							
1/09/2022	**(2,726.7)**	**(327.0)**	**(354.6)**	**(84.9)**	**(39.9)**	**-**	**(806.4)**
(Increases) / decreases:							
Depreciation	(405.9)	(26.8)	(19.3)	(2.6)	(1.3)	-	**(50.0)**
Purchase of leased items	(9.0)	-	-	-	-	-	**-**
Sales (including leaseback)	12.6	0.2	0.6	2.0	-	-	**2.8**
Liquidation	258.1	0.7	1.7	-	0.1	-	**2.5**
Reclassified to assets held for sale	5.6	-	-	-	-	-	**-**
FX translation differences	(20.0)	(3.9)	(2.1)	(2.7)	(0.1)	-	**(8.8)**
Other	0.8	(0.2)	(0.5)	(0.1)	-	-	**(0.8)**
30/09/2022	**(2,884.5)**	**(357.0)**	**(374.2)**	**(88.3)**	**(41.2)**	**-**	**(860.7)**
Accumulated impairment							
1/01/2022	**(187.1)**	**(0.9)**	**(1.7)**	**-**	**-**	**(4.9)**	**(7.5)**
(Increases) / decreases:							
Recognition	-	-	-	-	-	(1.5)	**(1.5)**
Utilization	0.8	-	-	-	-	3.1	**3.1**
FX translation differences	(6.8)	-	(0.1)	-	-	(0.1)	**(0.2)**
30/09/2022	**(193.1)**	**(0.9)**	**(1.8)**	**-**	**-**	**(3.4)**	**(6.1)**
Net value							
1/01/2022	**4,241.6**	**686.4**	**112.0**	**11.1**	**5.1**	**78.8**	**893.4**
30/09/2022	**4,179.3**	**672.4**	**99.4**	**11.2**	**4.4**	**83.4**	**870.8**

(in PLN million) (translation of a document originally issued in Polish)

5.2 Rights-of-use assets

Movement in rights-of-use assets

9 months ended 30/09/2023	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**
Increases / (decreases):						
New leases	271.8	13.4	8.0	3.7	-	**296.9**
Modifications of agreements	0.3	60.4	0.1	2.6	0.3	**63.7**
Sale and leaseback	125.4	-	-	1.5	-	**126.9**
Periodic repairs of rolling stock	1.9	-	-	-	-	**1.9**
Return of leased items	(39.1)	(2.2)	-	(0.1)	-	**(41.4)**
Purchase of leased items	(72.5)	-	(4.8)	(2.2)	-	**(79.5)**
Reclassified to assets held for sale	-	(4.6)	-	-	-	**(4.6)**
Other	(0.2)	3.0	(0.4)	-	-	**2.4**
FX translation differences	(3.0)	(1.0)	(0.6)	(0.2)	-	**(4.8)**
30/09/2023	**771.5**	**913.4**	**63.7**	**30.8**	**1.7**	**1,781.1**
Accumulated depreciation						
1/01/2023	**(186.4)**	**(220.9)**	**(20.5)**	**(18.4)**	**(1.2)**	**(447.4)**
(Increases) / decreases:						
Depreciation	(30.6)	(51.8)	(4.7)	(3.6)	(0.2)	**(90.9)**
Return of leased items	39.1	1.6	-	0.1	-	**40.8**
Purchase of leased items	32.3	-	3.0	1.8	-	**37.1**
Reclassified to assets held for sale	-	0.1	-	-	-	**0.1**
FX translation differences	1.9	0.6	0.3	0.1	-	**2.9**
30/09/2023	**(143.7)**	**(270.4)**	**(21.9)**	**(20.0)**	**(1.4)**	**(457.4)**
Net value						
1/01/2023	**300.5**	**623.5**	**40.9**	**7.1**	**0.2**	**972.2**
30/09/2023	**627.8**	**643.0**	**41.8**	**10.8**	**0.3**	**1,323.7**

9 months ended 30/09/2022	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**
Increases / (decreases):						
New leases	-	8.0	3.5	0.2	-	**11.7**
Modifications of agreements	-	8.5	-	3.0	-	**11.5**
Sale and leaseback	13.6	-	1.2	-	-	**14.8**
Return of leased items	(6.5)	(14.0)	(0.1)	(0.2)	(0.1)	**(20.9)**
Purchase of leased items	(23.3)	-	-	-	-	**(23.3)**
FX translation differences	11.5	8.8	1.4	0.5	-	**22.2**
30/09/2022	**522.8**	**810.4**	**59.0**	**25.0**	**1.3**	**1,418.5**
Accumulated depreciation						
1/01/2022	**(175.2)**	**(166.5)**	**(14.9)**	**(14.3)**	**(0.9)**	**(371.8)**
(Increases) / decreases:						
Depreciation	(31.7)	(46.0)	(5.7)	(3.5)	(0.2)	**(87.1)**
Return of leased items	6.5	12.3	0.1	0.1	-	**19.0**
Purchase of leased items	9.0	-	-	-	-	**9.0**
Other	(0.2)	-	-	-	-	**(0.2)**
FX translation differences	(5.9)	(7.2)	(0.6)	(0.2)	-	**(13.9)**
30/09/2022	**(197.5)**	**(207.4)**	**(21.1)**	**(17.9)**	**(1.1)**	**(445.0)**
Net value						
1/01/2022	**352.3**	**632.6**	**38.1**	**7.2**	**0.5**	**1,030.7**
30/09/2022	**325.3**	**603.0**	**37.9**	**7.1**	**0.2**	**973.5**

(in PLN million) (translation of a document originally issued in Polish)

5.3 Non-current assets classified as held for sale

Changes in assets classified as held for sale

	9 months ended 30/09/2023	9 months ended 30/09/2022
As at the beginning of the reporting period	**0.3**	**15.7**
Increases / (decreases):		
Reclassified from property, plant and equipment	23.8	2.5
Sales	-	(14.7)
Other	(0.3)	(0.2)
FX translation differences	-	0.2
As at the end of the reporting period	**23.8**	**3.5**

In September 2023, the Group signed an agreement with a contractor to sell real properties located in Gniewczyna Łańcucka, which is described in **Note 5.11**. The parties to the transaction have determined that the real property will be transferred to the contract in November 2023.

5.4 Investments in entities accounted for under the equity method

Investments in entities accounted for under the equity method

	Carrying amount	
	30/09/2023	31/12/2022
COSCO Shipping Lines (POLAND) Sp. z o.o.	0.5	0.9
Terminale Przeładunkowe Sławków - Medyka Sp. z o.o.	22.5	22.3
Transgaz S.A.	7.8	7.3
PKP CARGO CONNECT GmbH	3.7	3.3
PKP CARGO INTERNATIONAL SK a. s.	2.6	2.8
PKP CARGO INTERNATIONAL SI d.o.o.	2.7	4.0
Centralny Terminal Multimodalny Sp. z o.o.	1.3	1.2
Total	**41.1**	**41.8**

Change in investments in entities accounted for under the equity method

	9 months ended 30/09/2023	9 months ended 30/09/2022
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	7.1	4.8
Movement in equity on account of dividends	(7.8)	(4.3)
As at the end of the reporting period	**41.1**	**37.2**

5.5 Inventories

Structure of inventories

	30/09/2023	31/12/2022
Strategic inventories	47.5	31.8
Rolling stock during liquidation	28.9	42.5
Other inventories	152.0	130.3
Impairment losses	(4.2)	(3.8)
Net inventories	**224.2**	**200.8**

(in PLN million) (translation of a document originally issued in Polish)

5.6 Trade receivables

Structure of trade receivables

	30/09/2023	31/12/2022
Trade receivables	834.5	911.7
Impairment loss for receivables	(138.2)	(135.0)
Total	**696.3**	**776.7**
Non-current assets	8.3	7.3
Current assets	688.0	769.4
Total	**696.3**	**776.7**

5.7 Other assets

Structure of other assets

	30/09/2023	31/12/2022
Financial assets		
Shares in unlisted companies	9.6	5.8
Derivatives – swap contract	0.2	-
Non-financial assets		
Costs settled over time		
Prepayments for purchase of electricity	42.1	74.1
Insurance	10.2	5.1
IT services	3.4	4.8
Purchase of transportation benefits	3.7	0.1
Other costs settled over time	6.2	3.8
Prepayments for purchase of non-financial non-current assets	3.0	18.2
Other	1.7	1.5
Other receivables		
VAT settlements	31.9	46.3
Income tax receivables	1.2	1.6
Receivables from the sale of shares	3.0	4.1
Receivables on account of sale of non-financial non-current assets	31.4	-
Other	11.4	16.0
Intangible assets		
Licenses	21.7	12.9
Other intangible assets	-	0.3
Intangible assets under development	7.8	7.5
Total	**188.5**	**202.1**
Non-current assets	46.6	48.6
Current assets	141.9	153.5
Total	**188.5**	**202.1**

5.8 Investment liabilities

Structure of investment liabilities

	30/09/2023	31/12/2022
Investment liabilities related to rolling stock	169.8	149.7
Investment liabilities related to real properties	13.3	31.5
Other	7.6	8.5
Total	**190.7**	**189.7**
Long-term liabilities	19.8	46.7
Short-term liabilities	170.9	143.0
Total	**190.7**	**189.7**

(in PLN million) (translation of a document originally issued in Polish)

5.9 Provisions for employee benefits

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	5.2	1.0	0.3	0.3	8.3	-	**15.1**
Interest expenses	9.3	4.5	1.0	0.4	12.0	-	**27.2**
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	-	-	-	-	19.2	-	**19.2**
Recognition of provisions	-	-	-	-	-	15.3	**15.3**
Reversal of provisions	-	-	-	-	-	(8.1)	**(8.1)**
Benefits paid out	(26.6)	(4.2)	(0.8)	(0.9)	(40.4)	(1.7)	**(74.6)**
FX translation differences	-	-	-	-	(0.1)	(0.2)	**(0.3)**
30/09/2023	**223.5**	**127.6**	**23.2**	**7.5**	**251.6**	**56.1**	**689.5**
Long-term provisions	170.1	121.3	22.0	6.3	203.6	-	**523.3**
Short-term provisions	53.4	6.3	1.2	1.2	48.0	56.1	**166.2**
Total	**223.5**	**127.6**	**23.2**	**7.5**	**251.6**	**56.1**	**689.5**

	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 employment cost	5.3	1.6	0.4	0.3	8.9	-	**16.5**
Interest expense	5.8	3.6	0.7	0.2	7.7	-	**18.0**
Actuarial (profits)/ losses recognized in other comprehensive income	(0.5)	(33.4)	(8.1)	(0.9)	-	-	**(42.9)**
Actuarial (profits)/ losses recognized in the statement of profit or loss	-	-	-	-	(1.2)	-	**(1.2)**
Recognition of provisions	-	-	-	-	-	24.5	**24.5**
Reversal of provisions	-	-	-	-	-	(6.5)	**(6.5)**
Benefits paid out	(15.7)	(4.1)	(0.7)	(0.7)	(38.6)	(3.9)	**(63.7)**
FX translation differences	0.1	-	-	-	0.3	0.6	**1.0**
30/09/2022	**200.2**	**93.2**	**16.3**	**5.6**	**236.5**	**50.3**	**602.1**
Long-term provisions	154.2	87.3	15.3	4.7	186.9	-	**448.4**
Short-term provisions	46.0	5.9	1.0	0.9	49.6	50.3	**153.7**
Total	**200.2**	**93.2**	**16.3**	**5.6**	**236.5**	**50.3**	**602.1**

5.10 Other provisions

Structure of other provisions

	30/09/2023	31/12/2022
Provision for land reclamation	4.8	7.9
Other provisions	12.9	14.0
Total	**17.7**	**21.9**
Long-term provisions	3.9	0.5
Short-term provisions	13.8	21.4
Total	**17.7**	**21.9**

(in PLN million) (translation of a document originally issued in Polish)

5.11 Other liabilities

Structure of other liabilities

	30/09/2023	31/12/2022
Financial liabilities		
Cash pool	14.2	1.2
Derivatives – swap contract	-	0.3
Other liabilities		
Liabilities arising out of collateral (deposits, bid deposits, guarantees)	43.9	41.6
Public law liabilities	122.2	116.8
Settlements with employees	112.9	105.6
VAT settlements	22.2	18.5
Current tax liabilities	17.4	6.6
Liabilities from contracts with customers [1]	31.4	-
Other settlements	29.7	6.5
Total	**393.9**	**297.1**
Short-term liabilities	393.9	297.1
Total	**393.9**	**297.1**

[1] This item represents a performance obligation under an agreement to sell real property in Gniewczyna Łańcucka, signed on 26 September 2023 with an entity organizationally subordinated to the Ministry of National Defence. According to the agreement, the property is to be released in November 2023 due to the need to prepare the property for its physical transfer to the buyer. Until the property is released, the Group will be able to use the property, it will be entitled to a significant portion of the remaining benefits associated with the subject matter of the agreement and will bear most of the risks associated with the property. The Group considers the date of release of the property to be the date of sale, as required under IFRS 15.

6. Financial instruments

6.1 Financial instruments

Categories and classes of financial instruments

Financial assets by categories and classes	Note	30/09/2023	31/12/2022
Financial assets measured at fair value through profit or loss			
Derivatives – swap contract	*Note 5.7*	0.2	-
Financial assets measured at fair value through other comprehensive income			
Investments in equity instruments	*Note 5.7*	9.6	5.8
Financial assets measured at amortized cost			
Trade receivables	*Note 5.6*	696.3	776.7
Receivables from the sale of shares	*Note 5.7*	3.0	4.1
Receivables on account of sale of non-financial non-current assets	*Note 5.7*	31.4	-
Cash and cash equivalents	*Note 4.3*	216.8	181.5
Financial assets excluded from the scope of IFRS 9		9.5	9.3
Total		**966.8**	**977.4**

Financial liabilities by categories and classes	Note	30/09/2023	31/12/2022
Financial liabilities measured at fair value through profit or loss			
Derivatives – swap contract	*Note 5.11*	-	0.3
Hedging financial instruments			
Bank loans and borrowings	*Note 4.1*	554.2	640.3
Financial liabilities excluded from the scope of IFRS 9	*Note 4.1*	7.0	26.7
Financial liabilities measured at amortized cost			
Bank loans and borrowings	*Note 4.1*	806.7	854.0
Trade liabilities		967.1	811.7
Investment liabilities	*Note 5.8*	190.7	189.7
Cash pool	*Note 5.11*	14.2	1.2
Financial liabilities excluded from the scope of IFRS 9	*Note 4.1*	1,285.1	851.2
Total		**3,825.0**	**3,375.1**

(in PLN million) (translation of a document originally issued in Polish)

6.1 Financial instruments (cont.)

Impairment losses on trade receivables are presented in **Note 1.4** to these Quarterly Condensed Consolidated Financial Statements.

Hedge accounting

In the period from 1 January 2023 to 30 September 2023, the Group applied cash flow hedge accounting. 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 September 2023, the following hedging instruments had been established by the Group:

- investment loans denominated in EUR. The hedged cash flows will be realized until January 2035. As at 30 September 2023, the nominal amount of the hedging instrument was EUR 119.5 million, which is an equivalent of PLN 554.2 million.
- leases denominated in EUR. The hedged cash flows will be realized until May 2024. As at 30 September 2023, the nominal amount of the hedging instrument was EUR 1.5 million, which is an equivalent of PLN 7.0 million.

Fair value hierarchy

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

	30/09/2023		31/12/2022	
	Level 2	Level 3	Level 2	Level 3
Assets				
Derivatives – swap contract	0.2	-	-	-
Investments in equity instruments - shares in unlisted companies	-	9.6	-	5.8
Liabilities				
Derivatives – swap contract	-	-	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 equity 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 which are not carried at fair value as at the balance sheet date, the Group does not disclose fair value because as at 30 September 2023 and 31 December 2022 were not materially different from their values presented in the statement of financial position.

In the 9-month period ended 30 September 2023 and 30 September 2022, there were no transfers between level 2 and level 3 of the fair value hierarchy.

(in PLN million) (translation of a document originally issued in Polish)

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

9 months ended 30/09/2023	Hedging financial instruments	Investments in equity instruments	Financial assets measured at fair value through profit or loss	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)	(13.6)	-	-	6.9	0.3	(95.5)	(42.1)	**(144.0)**
FX differences	-	-	-	(1.1)	-	(1.7)	0.1	**(2.7)**
Impairment losses / revaluation	-	-	-	(6.7)	-	-	-	**(6.7)**
Transaction costs related to loans	-	-	-	-	-	(0.4)	-	**(0.4)**
Effect of settlement of cash flow hedge accounting	(5.1)	-	-	-	-	-	-	**(5.1)**
Other	-	-	0.2	-	-	-	-	**0.2**
Profit / (loss) before tax	**(18.7)**	**-**	**0.2**	**(0.9)**	**0.3**	**(97.6)**	**(42.0)**	**(158.7)**
Revaluation	9.6	3.8	-	-	-	-	-	**13.4**
Other comprehensive income	**9.6**	**3.8**	**-**	**-**	**-**	**-**	**-**	**13.4**

In the period of 9 months ended 30 September 2023, the effect of settling cash flow hedge accounting adjusted the value of revenues from contracts with customers in the amount of PLN (5.1) million. In the period ended 30 September 2023, the change in the measurement of hedging financial instruments recognized in other comprehensive income included a change in the measurement of bank loans in the amount of PLN 10.5 million and lease liabilities in the amount of PLN (0.9) million, recognized as part of the hedge accounting applied by the Group.

9 months ended 30/09/2022	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)	(2.9)	3.0	0.3	(63.3)	(28.6)	**(91.5)**
FX differences	-	4.1	-	-	(1.3)	**2.8**
Impairment losses / revaluation	-	(0.2)	-	-	-	**(0.2)**
Transaction costs related to loans	-	-	-	(1.3)	-	**(1.3)**
Effect of settlement of cash flow hedge accounting	(6.5)	-	-	-	-	**(6.5)**
Other	-	-	-	0.3	-	**0.3**
Profit / (loss) before tax	**(9.4)**	**6.9**	**0.3**	**(64.3)**	**(29.9)**	**(96.4)**
Revaluation	(33.2)	-	-	-	-	**(33.2)**
Other comprehensive income	**(33.2)**	**-**	**-**	**-**	**-**	**(33.2)**

In the period of 9 months ended 30 September 2022, the effect of settling cash flow hedge accounting adjusted the value of revenues from contracts with customers in the amount of PLN (6.5) million. In the period of 9 months ended 30 September 2022, the change in the measurement of hedging financial instruments recognized in other comprehensive income included a change in the measurement of bank loans in the amount of PLN (32.9) million and lease liabilities in the amount of PLN (0.3) million, recognized as part of the hedge accounting applied by the Group.

(in PLN million) (translation of a document originally issued in Polish)

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 9 months ended 30 September 2023 and 30 September 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 Quarterly 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 9 months ended 30 September 2023 and 30 September 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, other than the transaction described in **Note 5.11**. In the periods covered by these Quarterly 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, PKN Orlen and ENEA. In the period of 9 months ended 30 September 2023, the Group's most important suppliers that were other parties related to the State Treasury were PGE Group entities.

Transactions with PKP Group related parties

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

	9 months ended 30/09/2023		30/09/2023	
	Sales to related parties	Purchases from related parties	Receivables from related parties	Liabilities to related parties
Parent company	0.2	68.2	-	599.3
Subsidiaries/co-subsidiaries – unconsolidated	5.4	20.1	0.3	1.7
Associates	4.4	1.7	1.0	0.2
Other PKP Group related parties	28.1	392.3	4.6	280.9

	9 months ended 30/09/2022		31/12/2022	
	Sales to related parties	Purchases from related parties	Receivables from related parties	Liabilities to related parties
Parent company	0.1	58.1	1.3	580.3
Subsidiaries/co-subsidiaries – unconsolidated	3.9	14.5	1.3	2.3
Associates	4.2	0.1	1.1	-
Other PKP Group related parties	17.9	425.4	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 cash pooling settlements disclosed in **Note 5.11** of these Quarterly Condensed Consolidated Financial Statements.

(in PLN million) (translation of a document originally issued in Polish)

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	
	9 months ended 30/09/2023	9 months ended 30/09/2022	9 months ended 30/09/2023	9 months ended 30/09/2022
Short-term benefits	3.1	1.6	4.8	3.9
Post-employment benefits	-	0.7	-	0.3
Termination benefits	-	-	-	0.2
Total	**3.1**	**2.3**	**4.8**	**4.4**

Remunerations of Supervisory Board Members	Parent Company		Subsidiaries	
	9 months ended 30/09/2023	9 months ended 30/09/2022	9 months ended 30/09/2023	9 months ended 30/09/2022
Short-term benefits	1.1	1.0	1.0	1.0
Total	**1.1**	**1.0**	**1.0**	**1.0**

Remunerations of other key management personnel	Parent Company		Subsidiaries	
	9 months ended 30/09/2023	9 months ended 30/09/2022	9 months ended 30/09/2023	9 months ended 30/09/2022
Short-term benefits	5.0	4.8	16.3	14.0
Post-employment benefits	-	0.2	-	-
Termination benefits	0.3	0.1	-	-
Total	**5.3**	**5.1**	**16.3**	**14.0**

In the period of 9 months ended 30 September 2023 and 30 September 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

	30/09/2023	31/12/2022
Contractual liabilities on account of purchase and repairs of rolling stock and other property, plant and equipment	394.8	650.1
Contractual liabilities on account of non-commenced lease contracts	0.2	1.5
Total	**395.0**	**651.6**

(in PLN million) (translation of a document originally issued in Polish)

7.3 Contingent liabilities

Structure of contingent liabilities

	30/09/2023	31/12/2022
Guarantees issued on the Group's order	140.2	132.3
Other contingent liabilities	111.9	152.4
Total	**252.1**	**284.7**

Guarantees issued on the Group's order

As at 30 September 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 excise tax guarantees.

Other contingent liabilities

This line item includes claims made against the Group in legal proceedings and other claims for which the probability of an outflow of cash is considered remote and for which the Group is unable to make a reliable estimate of the future cash outflow. 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.

The decrease in other contingent liabilities is due to the closing of a lawsuit brought by one of the contractors for payment of PLN 31.5 million in compensation for loss of profit, loss of credibility, loss of good name and reputation, as well as compensation for the Plaintiff's costs for severance payments to employees and compensation for unused holidays. On 24 August 2023, in a closed session, the Supreme Court refused to examine the Plaintiff's appeal in cassation appeal, thus ending the case.

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. Work is currently under way on regulations to seal the restrictions in trade with Russia and to eliminate the intermediaries that help the aggressor state to sidestep the restrictions. 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 that were oriented towards the markets beyond the Eastern border have felt a noticeable impact of the decline in shipments on their current operations. Although some of their business has been redirected to other areas, they must continue to look for new clients, especially in the area where they operate and among their suppliers who are interested in collaborating in logistics processes.

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. We should also note the increase in economic activity in Ukraine, which is to some extent related to the ongoing war, however this is a positive signal and may be the basis for further increase in the exchange of industrial goods, but also in other market segments.

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

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. In selected areas, Poland continues to record growth in economic exchange of up to several dozen percent, but problems with Ukrainian grain may have a real impact on this cooperation.

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. 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.

7.5 Subsequent events

On 19 October 2023, the Parent Company executed an annex to an overdraft facility agreement with Bank Gospodarstwa Krajowego for the maximum amount of up to PLN 100.0 million extending the loan availability until 29 February 2024.

On 27 October 2023, the Parent Company signed a Master Lease Agreement with PKO Leasing S.A. up to the total net price of assets purchased for lease purposes not exceeding PLN 200.0 million. The loan is available for 12 months from the signing of the Master Lease Agreement.

Other events occurring after the balance sheet date are described in **Note 2.3** to these Quarterly Condensed Consolidated Financial Statements.

7.6 Approval of the financial statements

These Quarterly Condensed Consolidated Financial Statements were approved for publication by the Parent Company's Management Board on 29 November 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, 29 November 2023

www.pkpcargo.com

Quarterly Financial Information

of PKP CARGO S.A.
for the period of 9 months
ended 30 September 2023

PKPCARGO

PREPARED IN ACCORDANCE WITH IFRS EU (in millions of PLN)

QUARTERLY STANDALONE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	9 months ended 30/09/2023	3 months ended 30/09/2023	9 months ended 30/09/2022	3 months ended 30/09/2022
Revenues from contracts with customers	3,207.4	988.2	2,814.2	1,004.5
Consumption of traction electricity and traction fuel	(583.3)	(162.9)	(516.5)	(174.0)
Services of access to infrastructure	(351.7)	(110.5)	(410.3)	(138.2)
Other services	(273.8)	(83.2)	(302.1)	(101.1)
Employee benefits	(1,079.8)	(350.5)	(926.2)	(316.2)
Other expenses	(173.4)	(50.6)	(157.0)	(49.0)
Other operating revenue and (expenses)	(44.1)	(32.8)	(7.2)	(12.2)
Operating profit without depreciation (EBITDA)	**701.3**	**197.7**	**494.9**	**213.8**
Depreciation, amortization and impairment losses	(505.7)	(176.1)	(455.7)	(154.7)
Profit / (loss) on operating activities (EBIT)	**195.6**	**21.6**	**39.2**	**59.1**
Financial revenue and (expenses)	(90.1)	(43.8)	(68.0)	(42.9)
Profit / (loss) before tax	**105.5**	**(22.2)**	**(28.8)**	**16.2**
Income tax	(19.9)	2.6	5.3	(4.1)
NET PROFIT / (LOSS)	**85.6**	**(19.6)**	**(23.5)**	**12.1**
OTHER COMPREHENSIVE INCOME				
Measurement of hedging instruments	11.3	(20.7)	(32.8)	(23.9)
Income tax	(2.2)	3.9	6.3	4.6
Total other comprehensive income subject to reclassification in the financial result	**9.1**	**(16.8)**	**(26.5)**	**(19.3)**
Actuarial profits / (losses) on post-employment benefits	(44.0)	-	40.3	-
Income tax	8.4	-	(7.7)	-
Measurement of equity instruments at fair value	3.8	-	-	-
Total other comprehensive income not subject to reclassification in the financial result	**(31.8)**	**-**	**32.6**	**-**
Total other comprehensive income	**(22.7)**	**(16.8)**	**6.1**	**(19.3)**
TOTAL COMPREHENSIVE INCOME	**62.9**	**(36.4)**	**(17.4)**	**(7.2)**
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 and diluted earnings / (losses) per share	**1.91**	**(0.44)**	**(0.52)**	**0.28**

PREPARED IN ACCORDANCE WITH IFRS EU (in millions of PLN)

QUARTERLY STANDALONE STATEMENT OF FINANCIAL POSITION

	30/09/2023	31/12/2022
ASSETS		
Rolling stock	4,084.3	3,778.1
Other property, plant and equipment	419.9	459.5
Rights-of-use assets	1,042.6	653.1
Investments in related parties	897.1	858.0
Lease receivables	21.0	22.1
Financial assets	24.5	4.9
Other assets	26.8	36.6
Deferred tax assets	132.4	135.7
Total non-current assets	**6,648.6**	**5,948.0**
Inventories	108.6	97.7
Trade receivables	499.9	532.7
Lease receivables	2.0	1.5
Financial assets	4.4	-
Other assets	80,2	112.9
Cash and cash equivalents	86.1	55.2
Total current assets	**781.2**	**800.0**
Non-current assets classified as held for sale	-	0.1
TOTAL ASSETS	**7,429.8**	**6,748.1**
EQUITY AND LIABILITIES		
Share capital	2,239.3	2,239.3
Supplementary capital	738.4	635.7
Other items of equity	(77.1)	(54.4)
Retained earnings / (Accumulated losses)	85.6	102.7
Total equity	**2,986.2**	**2,923.3**
Debt liabilities	1,742.0	1,519.6
Investment liabilities	19.8	46.1
Provisions for employee benefits	440.5	419.7
Other provisions	0.5	0.5
Total long-term liabilities	**2,202.8**	**1,985.9**
Debt liabilities	626.9	598.8
Trade liabilities	812.0	598.6
Investment liabilities	321.8	197.9
Provisions for employee benefits	129.7	125.5
Other provisions	5.3	7.2
Current tax liabilities	-	2.3
Other financial liabilities	115.7	92.6
Other liabilities	229.4	216.0
Total short-term liabilities	**2,240.8**	**1,838.9**
Total liabilities	**4,443.6**	**3,824.8**
TOTAL EQUITY AND LIABILITIES	**7,429.8**	**6,748.1**

PREPARED IN ACCORDANCE WITH IFRS EU (in millions of PLN)

QUARTERLY STANDALONE STATEMENT OF CHANGES IN EQUITY

	Share capital	Supplementary capital	Other items of equity: Profits / (losses) on measurement of equity instruments at fair value	Other items of equity: Actuarial profits / (losses) on post-employment benefit	Other items of equity: Measurement of hedging instruments	Retained Earnings / (Accumulated losses)	Total equity
1/01/2023	**2,239.3**	**635.7**	**(12.9)**	**(9.3)**	**(32.2)**	**102.7**	**2,923.3**
Net result for the period	-	-	-	-	-	85.6	**85.6**
Other comprehensive income for the period (net)	-	-	3.8	(35.6)	9.1	-	**(22.7)**
Total comprehensive income	-	-	3.8	(35.6)	9.1	85.6	**62.9**
Other changes for the period	-	102.7	-	-	-	(102.7)	-
30/09/2023	**2,239.3**	**738.4**	**(9.1)**	**(44.9)**	**(23.1)**	**85.6**	**2,986.2**
1/01/2022	**2,239.3**	**744.7**	**(12.9)**	**(22.7)**	**(26.7)**	**(109.0)**	**2,812.7**
Net result for the period	-	-	-	-	-	(23.5)	**(23.5)**
Other comprehensive income for the period (net)	-	-	-	32.6	(26.5)	-	**6.1**
Total comprehensive income	-	-	-	32.6	(26.5)	(23.5)	**(17.4)**
Other changes for the period		(109.0)	-	-	-	109.0	-
30/09/2022	**2,239.3**	**635.7**	**(12.9)**	**9.9**	**(53.2)**	**(23.5)**	**2,795.3**

PREPARED IN ACCORDANCE WITH IFRS EU (in millions of PLN)

QUARTERLY STANDALONE CASH FLOW STATEMENT

	9 months ended 30/09/2023	9 months ended 30/09/2022
Cash flows from operating activities		
Profit / (loss) before tax	**105.5**	**(28.8)**
Adjustments		
Depreciation, amortization and impairment losses	505.7	455.7
(Profits) / losses on the sale and liquidation of non-financial non-current assets	(0.3)	(5.7)
(Profits) / losses on FX differences	2.6	6.4
(Profits) / losses on interest, dividends	65.1	51.8
Received / (paid) interest	0.9	0.6
Received / (paid) income tax	(12.8)	1.4
Movement in working capital	352.2	(34.5)
Other adjustments	(40.6)	40.3
Net cash from operating activities	**978.3**	**487.2**
Cash flows from investing activities		
Expenditures on the acquisition of non-financial non-current assets	(795.4)	(620.4)
Proceeds from the sale of non-financial non-current assets	168.4	49.6
Expenditures on the acquisition of related parties	(31.5)	(0.1)
Expenditures on extended loans	(20.0)	-
Proceeds from dividends received	38.4	25.5
Other inflows from investing activities	2.6	2.0
Net cash from investing activities	**(637.5)**	**(543.4)**
Cash flows from financing activities		
Payments on lease liabilities	(71.0)	(56.5)
Proceeds from bank loans and borrowings	100.0	211.2
Repayment of bank loans and borrowings	(260.9)	(224.4)
Interest paid on lease liabilities and bank loans and borrowings	(99.5)	(64.3)
Grants received	4.6	76.6
Inflows / (outflows) as part of cash pool	17.7	13.3
Other outflows from financing activities	(1.3)	(2.7)
Net cash from financing activities	**(310.4)**	**(46.8)**
Net increase / (decrease) in cash and cash equivalents	30.4	(103.0)
Cash and cash equivalents as at the beginning of the reporting period	55.2	141.0
Impact exerted by FX rate movements on the cash balance in foreign currencies	0.5	-
Cash and cash equivalents as at the end of the reporting period, including:	**86.1**	**38.0**
Restricted cash	*49.0*	*28.8*

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, 29 November 2023

www.pkpcargo.com

Other information

to PKP CARGO GROUP'S
Consolidated quarterly report

for Q3
2023

PKPCARGO

ADDITIONAL INFORMATION TO THE CONSOLIDATED QUARTERLY REPORT FOR Q3 2023

1. Organization of the PKP CARGO Group

1.1 Highlights on the Company and the PKP CARGO Group

The PKP CARGO Group ("PKP CARGO Group") is a rail freight operator in Poland and the European Union ("EU") that has provided comprehensive logistics services for years. The Group's development is focused on enhancing
and extending its operations in terms of its product range and geographic area. Apart from transport activity, the PKP CARGO Group provides complementary services supporting the Group in the area of rail freight, including siding and traction services, terminal or forwarding services.
The PKP CARGO Group holds licenses for the provision of rail freight services in the following 9 EU countries: Lithuania, Slovakia, Hungary, Slovenia, Austria, the Czech Republic, Germany, the Netherlands and Poland.

As at 30 September 2023, the PKP CARGO Group consisted of the following entities besides PKP CARGO S.A. (hereinafter: "PKP CARGO"):

a) 20 subsidiaries of PKP CARGO, controlled directly or indirectly (by entities controlled by PKP CARGO), including:

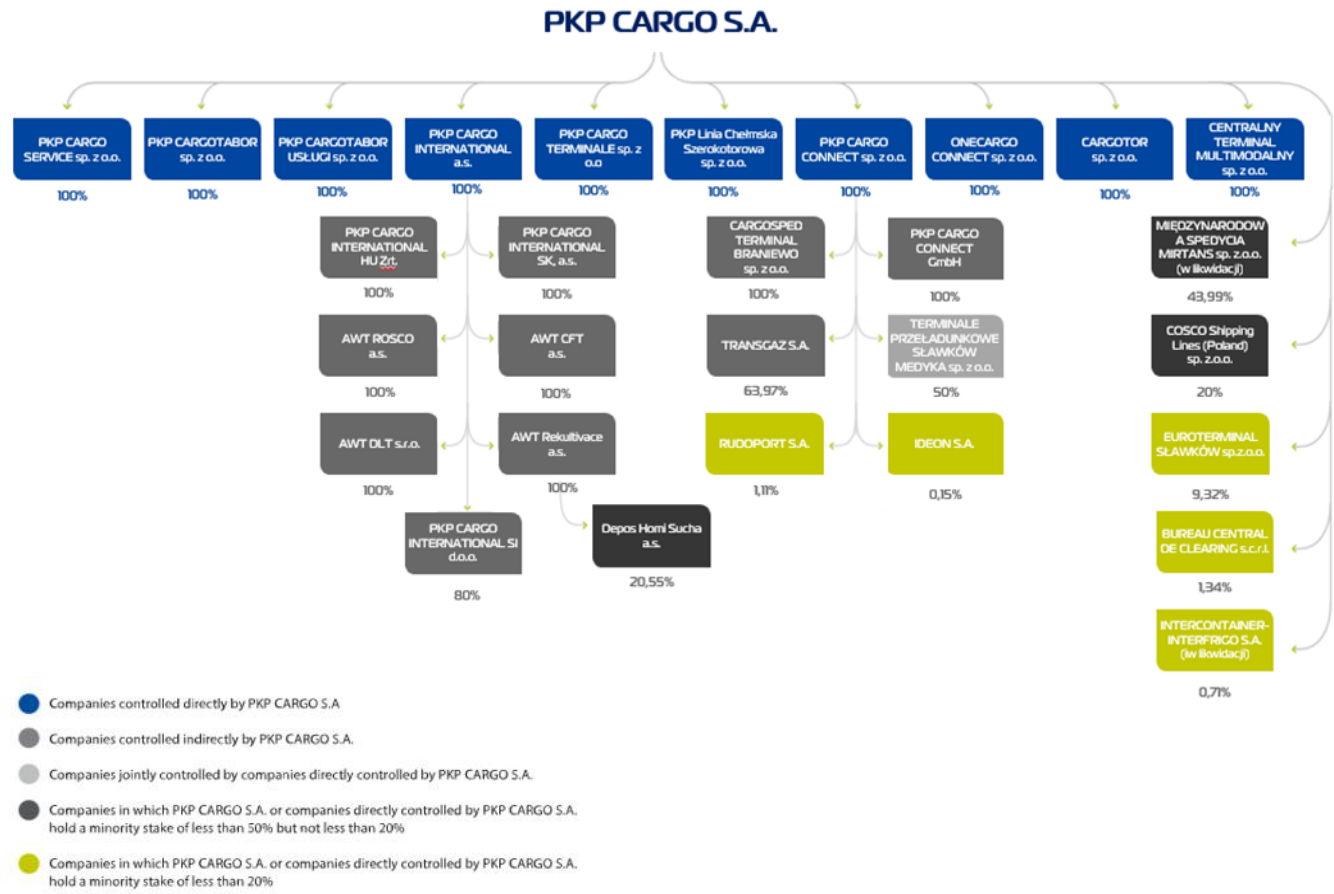
– 10 subsidiaries controlled directly by PKP CARGO,
– 10 subsidiaries controlled directly by companies directly controlled by PKP CARGO (and indirectly controlled by PKP CARGO), including 3 companies directly controlled by PKP CARGO CONNECT sp. z o.o. and 7 companies directly controlled by PKP CARGO INTERNATIONAL a.s.;

b) 1 jointly controlled subsidiary (in which a member of the PKP CARGO Group holds a 50% stake in the share capital), specifically:

– 1 company under a joint control of PKP CARGO CONNECT sp. z o.o., holding a 50% stake in its share capital (under an indirect joint control of PKP CARGO): TERMINALE PRZEŁADUNKOWE SŁAWKÓW MEDYKA sp. z o.o.,
Moreover, as at 30 September 2023, PKP CARGO or PKP CARGO's (direct or indirect) subsidiaries held shares in 8 companies that were not controlled or jointly controlled by PKP CARGO or PKP CARGO's subsidiaries, including:
– 5 companies in which PKP CARGO directly holds a minority stake,
– 2 companies in which PKP CARGO CONNECT sp. z o.o., a company directly controlled by PKP CARGO, holds a minority stake in the share capital in a manner that does not make it possible to exercise control or joint control,
– 1 company related to the PKP CARGO INTERNATIONAL Group in which a company indirectly controlled by PKP CARGO holds a minority stake in the share capital in a manner that does not make it possible to exercise control or joint control.

The chart below presents the structure of capital links with the companies, in which PKP CARGO S.A. or its subsidiaries hold shares – as at 30 September 2023:

Figure 1 Structure of capital links with companies in which PKP CARGO S.A. or its subsidiaries hold an equity stake – as at 30 September 2023



Source: Proprietary material

During the 3 quarters of 2023, the following changes were made to the organization of PKP CARGO Group:

- increase in the share capital of PKP CARGO TERMINALE sp. z o.o. with its registered office in Żurawica, a wholly owned subsidiary of PKP CARGO

On 23 December 2022, an Extraordinary Shareholder Meeting of PKP CARGO TERMINALE sp. z o.o. with its registered office in Żurawica was held and adopted a resolution to increase the share capital of PKP CARGO TERMINALE sp. z o.o. from PLN 75,015,000.00 to PLN 93,015,000.00, that is by PLN 18,000,000.00, by creating 18,000 new shares with a par value of PLN 1,000.00 each and a total par value of PLN 18,000,000.00, covered by PKP CARGO S.A. with a cash contribution of PLN 18,000,000.00.
The said increase in the share capital of PKP CARGO TERMINALE sp. z o.o. formally occurred on the date of its registration by the registry court (the entry in the National Court Register is of a constitutive nature in this case), which took place on 20 April 2023;

- increase in the share capital of PKP CARGOTABOR sp. z o.o. with its registered office in Warsaw, a wholly owned subsidiary of PKP CARGO

On 30 January 2023, an Extraordinary Shareholder Meeting of PKP CARGOTABOR sp. z o.o. with its registered office in Warsaw was held and adopted a resolution to increase the share capital of PKP CARGOTABOR sp. z o.o. from PLN 92,264,000.00 to PLN 105,764,000.00, that is by PLN 13,500,000.00, by creating 13,500 new shares with a par value of PLN 1,000.00 each and a total par value of PLN 13,500,000.00, covered by PKP CARGO with a cash contribution of PLN 13,500,000.00.
The said increase in the share capital of PKP CARGOTABOR sp. z o.o. formally occurred on the date of its registration by the registry court (the entry in the National Court Register is of a constitutive nature in this case), which took place on 16 February 2023.

- increase in the share capital of PKP CARGOTABOR USŁUGI Sp. z o.o. with its registered office in Warsaw, a wholly owned subsidiary of PKP CARGO

On 2 March 2023, the Extraordinary Shareholder Meeting of PKP CARGOTABOR USŁUGI sp. z o.o. with its registered office in Warsaw was held, at which the following resolutions of the Extraordinary Shareholder Meeting of PKP CARGOTABOR USŁUGI Sp. z o.o. were adopted: to increase the share capital of PKP CARGOTABOR USŁUGI Sp. z o.o. from PLN 18,138,000.00 to PLN 46,474,000.00, that is by PLN 28,336,000.00, by establishing 28,336 new shares with a par value of PLN 1,000.00 each, with a total par value of PLN 28,336,000.00, which were covered by PKP CARGO S.A. with an in-kind contribution of a market value of PLN 29,764,375.00 in the

form of the ownership title to real estate, the perpetual usufruct right to real estate and the ownership title to the buildings and structures considered a separate property from the land on which they are erected, and the ownership title to movables owned by the former Fabryka Wagonów Gniewczyna S.A. with the excess of the value of the in-kind contribution over the total par value of the newly established shares, equal to PLN 1,428,375.00, will be transferred to the supplementary capital of "PKP CARGOTABOR USŁUGI" sp. z o.o. in the form of a share premium;
The said increase in the share capital of "PKP CARGO USŁUGI" sp. z o.o. formally occurred on the date of its registration by the registry court (the entry in the National Court Register is of a constitutive nature in this case), which took place on 05 April 2023.

- change of the company name from AWT Čechofracht a.s. to AWT CFT a.s. with its registered office in Ostrava, Czech Republic – in this company, PKP CARGO INTERNATIONAL a.s. holds a 100% stake in the share capital.

With effect from 6 March 2023, AWT Čechofracht a.s. with its registered office in Ostrava, Czech Republic, a fully owned subsidiary of PKP CARGO INTERNATIONAL a.s., changed its name to AWT CFT a.s. with its registered office in Ostrava, Czech Republic. The amount of AWT CFT a.s.'s share capital and the stake in its share capital held by PKP CARGO INTERNATIONAL a.s. did not change.
In Q3 2023 and until the date of publication of this report, apart from the events enumerated above, no other changes were made to the Group's organization resulting from a merger, obtaining or losing control over subsidiaries or long-term investments, or a demerger, restructuring or discontinuation of business.

1.2 Consolidated entities

The Quarterly Condensed Consolidated Financial Statements of the PKP CARGO Group as at 30 September 2023 encompass PKP CARGO S.A. and 12 subsidiaries consolidated by the full method:

Table 1 Subsidiaries consolidated by the full method

Company name	Core business
PKP CARGO SERVICE Sp. z o.o. ("PKP CARGO SERVICE")	Comprehensive handling of rail sidings, rail freight transport and maintenance of rail infrastructure.
PKP CARGOTABOR Sp. z o.o. ("PKP CARGOTABOR")	Repair and maintenance of rolling stock and physical liquidation of rail cars and locomotives, repairs of electrical machinery and wheel sets as well as weighing and adjustment of rolling stock.
PKP CARGOTABOR USŁUGI Sp. z o.o. ("PKP CARGOTABOR USŁUGI")	Collection, treatment and disposal of waste and recovery of raw materials. Lease of real properties.
PKP CARGO TERMINALE Sp. z o.o. (formerly CL Medyka-Żurawica and CL Małaszewicze) ("PKP CARGO TERMINALE")	Transshipment, storage, segregation, packaging, crushing and a variety of other border services. The company owns terminals that facilitate the transshipment of bulk and unit cargo, including containers. The company also has the ability to offer rail gauge switching services and as the only company on the country's eastern border has a 6-chamber thaw room.
CARGOSPED TERMINAL BRANIEWO Sp. z o.o. ("CARGOSPED TERMINAL BRANIEWO")	Transshipment of goods and buying and selling of coal. The company is active in wholesale and retail sales in this area.
CARGOTOR Sp. z o.o. ("CARGOTOR")	Managing track and service infrastructure (rail sidings and track systems) along with the requisite plant and buildings, making infrastructure available to rail operators on commercial terms.
PKP CARGO CONNECT Sp. z o.o. ("PKP CARGO CONNECT")	Freight forwarding and logistics services in Poland and abroad. The company provides comprehensive logistics services using rail and vehicle, marine and inland water transportation by organizing transport, transshipment, storage, warehousing, packaging and distribution. Customs clearance services to clients of the PKP CARGO Group.
PKP CARGO INTERNATIONAL a.s. (formerly Advanced World Transport a.s.) ("PKP CARGO INTERNATIONAL")	Comprehensive handling of rail freight transport (the Czech Republic, Slovakia and Poland), rail freight forwarder in the whole Central and Eastern European region, manages an intermodal terminal located in the community of Paskov and it offers comprehensive services to make deliveries and pick-ups by road transport ("last mile"). Rolling stock management in the PKP CARGO INTERNATIONAL Group.
AWT ROSCO a.s. ("AWT Rosco")	Cleaning of rail and automobile cisterns.

AWT CFT a.s. **(formerly AWT Ćechofracht a.s.)** **("AWT CFT")**	International freight forwarding services.
AWT Rekultivace a.s. **("AWT Rekultivace")**	Construction engineering business, including management and revitalization of post-industrial areas (including mining areas), demolition works, management of waste treatment facilities, elimination of underground mining pits, decontamination of soil, etc.
PKP CARGO INTERNATIONAL HU Zrt. **(formerly AWT Rail HU Zrt)** **("PKP CARGO INTERNATIONAL HU")**	Rail transport services and rail siding handling services in Hungary on the basis of its own rail operator's license.

Additionally, the list of companies accounted for under the equity method is presented in **Note 5.3** to the Quarterly Condensed Consolidated Financial Statements of the PKP CARGO Group prepared as at 30 September 2023.

Table 2 Entities accounted for under the equity method

Company name	Core business
Centralny Terminal Multimodalny Sp. z o.o.	As at the delivery date of this report, the company does not conduct any operating activity.
COSCO Shipping Lines (POLAND) Sp. z o.o.	Shipments carried out using the company's own fleet (container ships, bulk carriers, tankers, multi-purpose and specialized ships, including semi-submersible ships) and leased fleet, maintenance and sale of ships and spare parts, provision of warehouse and terminal services (also at Cosco's own terminals).
Transshipment Terminals Sławków – Medyka Sp. z o.o.	Core lines of business: transshipment operations, storage in storage yards, railway transport, freight forwarding by road, freight forwarding services.
Transgaz S.A.	Transshipment of a broad range of liquefied gases, including propane, butane, propane-butane, propylene, isobutane, etc., and petrochemicals that require heating, including: paraffins, waxes, slack paraffins, certain oils.
PKP CARGO CONNECT GmbH	An international logistics company providing comprehensive transport, transshipment, warehousing and customs services. Specialization: transport and handling of containers, especially in the port of Hamburg and at railway terminals in Germany.
PKP CARGO INTERNATIONAL SK a.s.	Comprehensive rail transport services in Slovakia.
PKP CARGO INTERNATIONAL SI d.o.o.	Comprehensive rail transport services in Slovenia.

2. Information about the Parent Company

2.1 Composition of the Management Board and Supervisory Board of PKP CARGO S.A.

MANAGEMENT BOARD

Composition of the Management Board of PKP CARGO S.A. as at 30 September 2023

As at the date of this report, the composition of the Company's Management Board has not changed.

SUPERVISORY BOARD

Table 3 Composition of the PKP CARGO S.A. Supervisory Board as at 30 September 2023

Name	Position	Period in office	
		from	to
Władysław Szczepkowski	Supervisory Board Chairman	12 July 2022	to date
Andrzej Leszczyński	Supervisory Board Vice-Chairperson	12 July 2022	to date
Grzegorz Dostatni	Supervisory Board Member	28 July 2022	to date
Henryk Grymel	Supervisory Board Member	29 June 2022	to date
Tomasz Pietrek	Supervisory Board Member	29 June 2022	to date
Marek Ryszka	Supervisory Board Member	29 June 2022	to date
Paweł Sosnowski	Supervisory Board Member	26 June 2019	to date
Jarosław Stawiarski	Supervisory Board Member	7 July 2022	to date
Jarosław Ślepaczuk	Supervisory Board Member	29 June 2022	to date
Michał Wnorowski	Supervisory Board Member	29 June 2022	to date
Izabela Wojtyczka	Supervisory Board Member	16 July 2020	to date

Source: Proprietary material

As at the date of this report, the composition of the Company's Supervisory Board has not changed.

SUPERVISORY BOARD AUDIT COMMITTEE

Table 4 Composition of the Audit Committee of the PKP CARGO S.A. Supervisory Board as at 30 September 2023

Name	Position	Period in office	
		from	to
Michał Wnorowski	Committee Chairman	23 August 2022	to date
Jarosław Ślepaczuk	Committee Member	12 July 2022	to date
Izabela Wojtyczka	Committee Member	12 July 2022	to date

Source: Proprietary material

As at the date of this report, the composition of the Audit Committee has not changed.

NOMINATION COMMITTEE

Table 5 Composition of the Nomination Committee of the PKP CARGO S.A. Supervisory Board as at 30 September 2023

Name	Position	Period in office	
		from	to
Izabela Wojtyczka	Committee Chairwoman	12 July 2022	to date
Paweł Sosnowski	Committee Member	12 July 2022	to date
Władysław Szczepkowski	Committee Member	12 July 2022	to date

Source: Proprietary material

As at the date of this report, the composition of the Nomination Committee has not changed.

STRATEGY COMMITTEE / STRATEGY AND SUSTAINABILITY COMMIITTEE since 27 September 2023[1]

Following an amendment to the Rules of Procedure of the PKP CARGO S.A. Supervisory Board, adopted by Resolution No. 116/VIII/2023 of the Supervisory Board dated 27 September 2023, the Strategy Committee changed its name to the Strategy and Sustainability Committee and the Committee's tasks were extended to include:

- submitting to the Supervisory Board its opinions on strategy drafts or amendments to the strategy proposed by the Company's Management Board and on the Company's annual and long-term action plans, including actions and strategic objectives in the area of management of environmental, social and governance (ESG) factors;
- providing opinions on documents of a strategic nature submitted to the Supervisory Board by the Management Board, including in the ESG area;
- monitoring, assessing and conducting evaluations of undertakings and projects executed as part of the strategy pursued by the Company or the PKP CARGO Group;
- assessing risks and opportunities that may affect the pursuit of the strategy of the Company and the PKP CARGO Group;
- assessing the impact of planned and undertaken investments and divestments on the financial standing of the Company and the PKP CARGO Group or the sustainable development of the Company and the PKP CARGO Group.

[1] *Change of a committee name from Strategy Committee to Strategy and sustainable Growth Committee as of September, the 27th 2023*

Table 6 Composition of the Strategy and Sustainability Committee of the PKP CARGO S.A. Supervisory Board as at 30 September 2023

Name	Position	Period in office	
		from	to
Władysław Szczepkowski	Committee Chairman	12 July 2022	to date
Henryk Grymel	Committee Member	12 July 2022	to date
Andrzej Leszczyński	Committee Member	12 July 2022	to date
Tomasz Pietrek	Committee Member	12 July 2022	to date
Michał Wnorowski	Committee Member	12 July 2022	to date

Source: Proprietary material

As at the date of this report, the composition of the Strategy and Sustainability Committee has not changed.

2.2 Structure of PKP CARGO S.A.'s share capital

The structure of PKP CARGO S.A.'s share capital as at the delivery date of this report is presented in the table below:

Table 7 Structure of PKP CARGO S.A.'s share capital

Shares	Issue date	Issue registration date	Number of shares
Series A	8 July 2013	2 October 2013	43,338,000
Series B	8 July 2013	2 October 2013	15
Series C	2 October 2013	25 April 2014	1,448,902
Total			**44,786,917**

Source: Proprietary material

2.3 Shareholders holding at least 5% of the total votes

Table 8 Shareholder structure of PKP CARGO S.A. as at 30 September 2023 and as at the delivery date of this report

Shareholder	Number of shares	% of equity	Number of votes	% of the total number of votes at the Shareholder Meeting
PKP S.A.	14,784,194	33.01%	14,784,194	33.01%
Nationale-Nederlanden OFE	4,418,443	9.87%	4,418,443	9.87%
Allianz PTE*, including:	3,691,689	8.24%	3,691,689	8.24%
Allianz Polska OFE	*3,105,654*	*6.93%*	*3,105,654*	*6.93%*
Generali PTE	2,624,886	5.86%	2,624,886	5.86%
Other shareholders	19,267,705	43.02%	19,267,705	43.02%
Total	**44,786,917**	**100.00%**	**44,786,917**	**100.00%**

** Allianz Polska OFE, Allianz Polska DFE*
Source: Proprietary material

2.4 Listing of shares held by management and supervisory board members

According to information available to the Company, the holdings of PKP CARGO shares or rights thereto by the Company's management and supervisory personnel as at the date of this report was as follows:

Table 9 PKP CARGO S.A. shares held by Management Board members as at the date of this report

Name	Number of PKP CARGO S.A. shares held by Management Board members
	as at the date of this report
Dariusz Seliga	0
Marek Olkiewicz	0
Jacek Rutkowski	0
Maciej Jankiewicz	0
Zenon Kozendra	46

Source: Proprietary material

This status has not changed since the delivery date of the consolidated report for H1 2023.

Table 10 PKP CARGO S.A. shares held by Supervisory Board members as at the date of this report

Name	Number of PKP CARGO S.A. shares held by the Supervisory Board member
	as at the date of this report
Władysław Szczepkowski	0
Paweł Sosnowski	0
Marek Ryszka	0
Andrzej Leszczyński	0
Izabela Wojtyczka	0
Michał Wnorowski	0
Henryk Grymel	70
Tomasz Pietrek	46
Jarosław Ślepaczuk	0
Jarosław Stawiarski	0
Grzegorz Dostatni	0

Source: Proprietary material

This status has not changed since the delivery date of the consolidated report for H1 2023.

3. Key areas of operation of the PKP CARGO Group

3.1 Macroeconomic environment

Polish industry and economy

The decrease in sold industrial output in three quarters of 2023 by -1.9% yoy (vs. +12.3% yoy in the same period of 2022), confirming a trend of a strong decline in activity in Polish industry.[2] Sales were below last year level in all three quarters of this year, including Q3 with a -2.4% yoy decrease in production, confirming the continuation of the negative performance already started in Q1 this year (with a decline of -0.6% yoy) and the deepening of the decline in Q2 this year (to -2.7% yoy). In 2022, all quarters saw annualized growth in industrial output sold, which, however, gradually declined in subsequent quarters to reach +9.7% yoy in Q3. A limited demand from Western European countries, which account for the majority of Polish exports, and low domestic consumption (which so far has not managed to recover from the shock of the war in Ukraine, including in particular energy costs and an increase in the cost of capital due to high inflation) had the strongest influence on the Polish industry. Industrial manufacturing which is the

[2] Statistics Poland (in enterprises employing more than 9 staff)

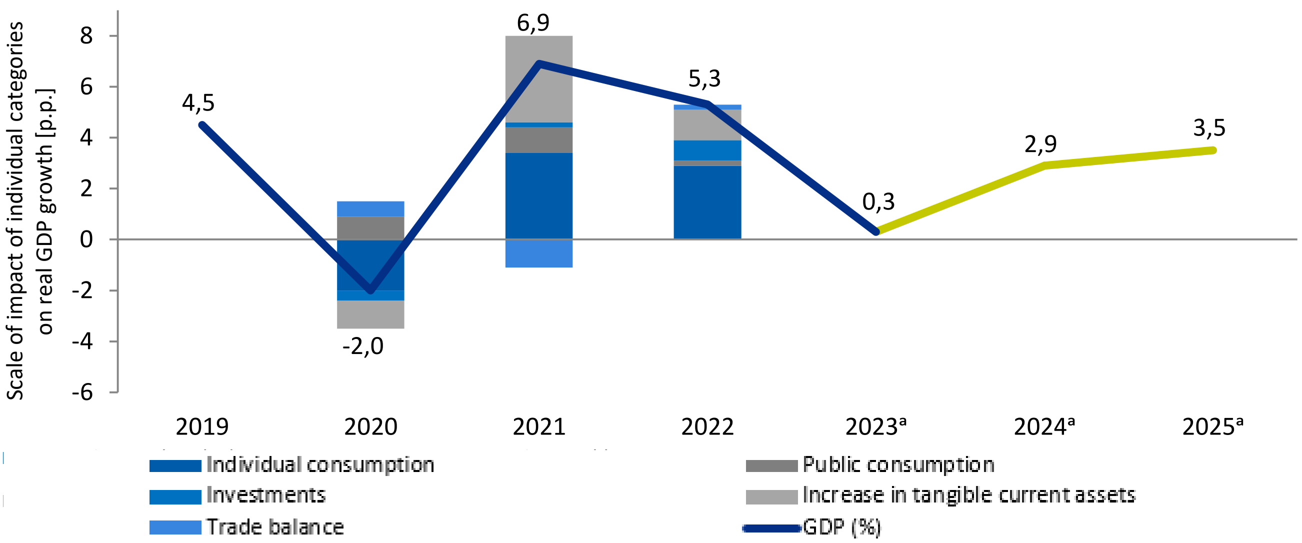
most important and significant sector for the Polish economy, recorded a negative result during the 9 months of this year (with a -1.0% yoy decrease in activity). After a positive result in Q1 2023 (+0.8% yoy), there was a noticeable deterioration in the result in Q2 (-1.4% yoy), and Q3 saw a notable year-on-year decline in production (-2.3% yoy). Other sectors reported negative yoy results in each of the quarters, which unfortunately, together with external data, suggests a prolonged period of declining activity, which is likely to increase noticeably only next year.[3]

A decrease in yoy output (January-September) in 22 (out of 34) **industrial branches** which account for a 75% share in the sector's sold output, including those of key significance for transports of the PKP CARGO Group, such as coal and lignite mining (-19.0%), chemicals and chemical products (-16.1%), wood products (-15.0%), metals (-14.5%, including pig iron, ferroalloys, cast iron, steel and steel products by -26.1%), other non-metallic raw materials (-11.5%), paper and paper products (-11.8%), furniture (-8.7%), rubber and plastic products (-3.0%), and metal products (-2.2%). On the other hand, increases were recorded in certain sectors, including production of motor vehicles excluding motorbikes (+31.7%), production of machinery and equipment (+7.9%) and production of electric appliances (+9.9%).[4]

GDP growth in 2022 was +5.3% yoy (after adjustment by Statistics Poland, +0.2 p.p. change from the previous estimate), compared to +6.9% yoy growth in 2021, a -2.0% yoy decline in 2020 and +4.5% yoy growth in 2019.[5] This year, most economists expect the positive growth rate to be maintained, with its year-on-year level not expected to surpass +0.7%.

Quarterly GDP growth (first from the previous year, data not adjusted for seasonality) – according to preliminary estimates published by Statistics Poland, in Q3 of this year GDP growth was +0.4% yoy (compared to -0.6% yoy in Q2 of this year and +4.1% yoy in Q3 2022). Seasonally adjusted data point to an increase of +1.4% yoy and +0.5% qoq. [6]

Figure 2 Real GDP growth rate in Poland in 2019, and in 2020-2022, with decomposition and forecasts of 2023-2025 – seasonally unadjusted data.



a – Inflation and economic growth projection of the National Bank of Poland for 2023-2025 (July 2023)
Source: Proprietary material based on data published by Statistics Poland and the National Bank of Poland

Sustained high growth of price over three quarters of 2023 (+13.2% yoy)[7] in spite of a gradual consolidation of disinflationary processes (due, inter alia, among other things, to the high reference base in the previous year, administrative restrictions on the volatility of selected prices introduced by the government and stabilization of commodity prices). At the same time, there was a significant reduction in the growth of industrial output prices (+5.1% yoy) with construction and assembly production prices still growing strongly (+11.0% yoy). Strong slowdown in demand and the impact of the high reference base effect (starting from Q2 2023) led to a noticeable reduction in prices of industrial output sold in successive quarters in yoy terms (after a significant increase in Q1 2023 of +16.1% yoy, in Q2 2023 prices increased by only +3.1% yoy, to fall by -2.6% yoy in Q3 2023).[8]

[3] Statistics Poland
[4] Statistics Poland
[5] Statistics Poland
[6] Statistics Poland
[7] Statistics Poland
[8] Statistics Poland

A leading indicator for industrial processing (PMI) remains below the 50.0 point threshold – in September 2023, for the seventeenth consecutive month, the PMI was below the 50.0 point threshold marking the technical border between recovery and recession in the industrial processing sector (reaching 43.9 points). In Q3 2023, the value of this indicator was an average of 43.5 points. (and 45.9 points during the nine months of this year), which is better than the result in last year's Q3, when the average was only 42.0 points. At the same time, the result is close to the last quarter of last year, but significantly worse than the results of the first and second quarters of this year, when the index recorded 48.1 points and 46.2 points, respectively. The fact that the PMI index remains below the threshold is due to a decline in each of the five categories that determine its value. However, the reduced volume of incoming new orders (related to the still weak demand for products) was of key importance here, which consequently affects the actual output. Analysts point to data regarding, inter alia, future output projections, which may indicate that we are now at the point of gradual recovery from the most severe slowdown, although due to weak demand this process will be prolonged over time.[9]
Deterioration of the business tendency indicator for industrial processing (Statistics Poland) – this indicator, after a very poor result in Q4 of last year: -20.4, and a gradual improvement in Q1 to -15.0, and then in Q2 to -11.6, declined slightly again in Q3 to -12.9. This means that the ratio of businesses expecting a further deterioration in their economic position in the coming months to those expecting the opposite remains the same.[10]

Projections: In its projection of inflation and GDP growth, the National Bank of Poland expects the Polish economy to slow down even more this year. It expects economic growth to reach +0.3% yoy in 2023, +2.9% yoy in 2024 and then +3.5% yoy in 2025. At the same time, a significant increase in prices will be observed during this period (even though their growth drivers will gradually decline, especially on the demand and raw materials and energy side), i.e. +11.4% yoy in 2023, +4.6% yoy in 2024 and +3.7% yoy in 2025.[11]

Over the course of the three quarters of 2023, the poor and deteriorating economy both domestically and in major trading partners, was the crucial factor for rail freight, as well as for industrial production in the country.

Significant factors affecting the situation in Polish industry in the three quarters of 2023 included, inter alia:

- decline in hard coal output to 34.9 million tons (-4.7 million tons, or -11.8% yoy).[12]
- significant decline in the hard coal sale to 33.0 million tons (-7.3 million tons yoy, i.e. -18.0% yoy).[13]
- increase in the volume of hard coal inventories in mine storage yards: 3.8 million tons as at the end of September 2023 (up by +2.7 million tons, or +246.1% compared to the end of September last year) which raises great concern in Polish mines due to high imports of the commodity and significant inventories held by coal buyers and intermediary companies.[14]
- substantial increase in hard coal imports (according to data published by Eurostat); during the first 9 months of 2023, imports of this commodity increased by +30.2% yoy (to nearly 15.0 million tons). Colombia was the main supply source of this commodity in this period (+257.5% yoy, from 1.2 million tons to nearly 4.4 million tons, which translated into a market share of 29.1%). The second largest exporter of coal to Poland was Kazakhstan (3.9 million tons, +153.8% yoy and a 26.2% share), followed by Australia (over 1.5 million tons, a 10.3% share), Indonesia (1.2 million tons, an 8.1% share) and South Africa (nearly 1.2 million tons, a 7.7% share). The top five exporters of this commodity to Poland achieved a combined share of more than 81.3% of our country's total coal imports (a yoy increase of +5.8 million tons, or +25.7 p.p.). Russia, which accounted for a 22.4% market share in the corresponding period of 2022 (2.6 million tons), due to the embargo imposed by Poland in April 2022 ended up not exporting any coal to Poland in 2023.[15]
- stabilization and gradual increase of coal prices in the international market: since Q2 2023, stabilization of coal prices can be observed in global markets, as the prices have been moving in a relatively narrow range for most of the year (with a growth trend noted recently). In Q3, the average price of coal at ARA ports fell by -65.0% yoy to USD 115.74 per ton (vs. USD 330.98 per ton in Q3 2022). In turn, in 9M of this year, it decreased by -55.4% yoy (to USD 128.32 per ton). Interest in coal in Europe remains lower, due among other things to relatively low prices of gas, which provides a substitute for coal in the energy mix. Fluctuations of gas prices also translate into changes in coal prices. Following the rerouting of surplus supplies to Asia (due to growing demand in that part of the world), a high level of inventories at ARA ports is still noticeable. Current prices remain heavily influenced by global events, such as strikes among energy producers, unplanned outages due to accidents, or natural disasters, among other things. The ongoing armed conflicts, if they escalate (due to their location in sensitive areas on the world map), can quickly lead to significant rises in market prices.[16]

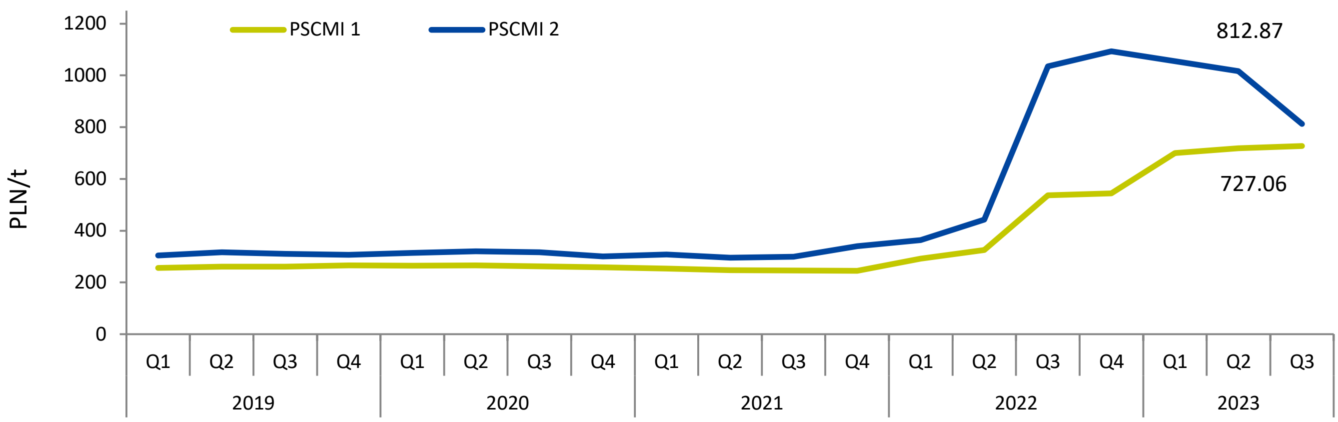
[9] IHS Markit
[10] Statistics Poland
[11] National Bank of Poland
[12] Industrial Development Agency (ARP)
[13] Industrial Development Agency (ARP)
[14] Industrial Development Agency (ARP)
[15] Eurostat
[16] Industrial Development Agency (ARP), WNP

- stabilization of prices on the Polish coal market at new, higher, levels: in Q3 2023, the average value of the coal index for the commercial power industry, PSCMI1, was PLN 727.06 per ton (+35.5% yoy and +1.3% qoq). PSCMI 2 in this period was PLN 812.87 per ton (-21.4% yoy and -20.0% qoq). Since August last year, commodity prices have surged as a result of the renegotiation of previously executed coal supply contracts by Polish mining companies which resulted from a significant increase in prices on global markets in 2022.[17]
- decrease in electricity consumption in Poland by -4.6% yoy to 123.0 TWh.[18]
- decrease in electricity generation by -8.8% yoy to 118.9 TWh. In parallel, the volume of electricity generated by hard coal-fired commercial power plants decreased by -13.5% yoy (to 55.2 TWh). In case of lignite-fired power plants, a strong decline was reported, by -27.8% yoy (to 25.7 TWh). At the same time, electricity generation in gas-fired power plants increased by +30.2% yoy, in wind power plants it decreased by +3.7% yoy, while generation from other renewable sources increased by +45.4% yoy.[19] In 9M 2023, as part of its foreign trade operations, Poland was a net importer of electricity at the level of 4183.0 GWh (imports amounted to 10,661 GWh, while exports to 6478 GWh).[20]
- reversal of the favorable (from the perspective of hard coal producers) trend in the national energy mix: decrease in the share of hard coal in total energy output to 46.4% (-2.5 p.p. yoy).[21]
- increase in construction and assembly output: +2.3% yoy (compared to +3.8% yoy in H1 2023 and +8.9% yoy in the corresponding period of 2022).[22] Increased performance was recorded in the sections of construction and assembly output in which entities build civil and water engineering facilities (+10.5% yoy) and perform specialized construction work (+3.9% yoy). A noticeable decline in output was recorded by companies involved in the construction of buildings (-8.1% yoy) as a consequence, inter alia, of an increase in borrowing costs and limited credit for individuals, but also the fact that developers delayed planned investments (mainly due to the market downturn).[23]
- decrease in cement production in Poland by -13.4% yoy to 12.6 million tons and cement clinker by -14.0% yoy to 9.3 million tons.[24]
- decrease in steel production in Poland by -19.4% yoy to 4.9 million tons.[25]
- stabilization in global crude steel output: according to Wordsteel 1,406.4 million tons were produced (+0.1% yoy). This included, however, a decline in steel production in the European Union (down -9.1% yoy to 96.2 million tons), with an increase in steel production in Asia and Oceania (to 1,055.7 million tons, or +1.6% yoy). China produced 795.1 million tons of steel (+1.7% yoy) and held a roughly 55% share of the global market.[26]
- decline in crude steel output in Poland: a decrease was recorded in the production of cold-rolled sheets by -22.0% yoy to 0.8 million tons, the production of hot-rolled bars and rods by -19.8% yoy to 0.8 million tons, hot-rolled products by -10.9% yoy to 5.5 million tons, and bars and flat bars by -9.7% yoy to 2.4 million tons, and the production of thin sheets (-0.3% yoy to 0.8 million tons).[27]
- decline in coke production in Poland by -9.4% yoy to 6.0 million tons,[28] which resulted from a low demand for steel products, with high production costs in Europe (this even led to the permanent or temporary closure of specific production lines, including in order to carry out significant investments and renovations aimed at reducing the cost of future production).
- decline in the output of fertilizers in Poland: including nitrogenous fertilizers (-21.5% yoy to 1.1 million tons), potassic fertilizers (-45.7% yoy to 0.1 million tons) and phosphorous fertilizers (-49.5% yoy to 0.1 million tons).[29]
- decline in the output of ammonia (-24.8% yoy to 1.2 million tons), sulfuric acid (-19.8% yoy to 0.9 million tons), plastics (-15.8% yoy to 2.2 million tons) and nitric acid (-15.7% yoy to 1.3 million tons).[30]
- growth of automotive production: a total of 226.0 thousand passenger cars were manufactured in Poland (compared to 182.5 thousand in the corresponding period of 2022), resulting in the filling of outstanding orders and had a strong positive impact on performance of Polish exports (an increase in production by +23.8% yoy was recorded), while in the European Union states the situation was weakening. Production of trucks and tractors also recorded very good performance (an increase from 149.1 thousand units in 9M 2022 to 221.5 thousand units in the corresponding period of 2023), with the growth of +48.5% yoy. Bus manufacturers also showed a slight improvement, increasing production

[17] Industrial Development Agency (ARP) - release
[18] Polskie Sieci Elektroenergetyczne
[19] Polskie Sieci Elektroenergetyczne
[20] WNP, Polskie Sieci Elektroenergetyczne
[21] Polskie Sieci Elektroenergetyczne
[22] Statistics Poland, in construction companies, including enterprises with up to 9 staff
[23] Statistics Poland
[24] Statistics Poland
[25] Statistics Poland
[26] Worldsteel.org
[27] Statistics Poland
[28] Statistics Poland
[29] Statistics Poland
[30] Statistics Poland

from 3 500 to 3 700 units (i.e. +4.4% yoy). At the same time, there was a noticeable increase in the production of combustion engines for motor vehicles (excluding motorcycles and rail vehicles), which increased by +20.2% yoy (to nearly 1.78 million units, including 1.59 million diesel engines) and should clearly exceed 2 million units this year (as compared to 1.96 million last year).[31]

Figure 3 Current and historical values of coal price indices on the Polish market: power industry (PSCMI 1) and heating sector (PSCMI 2)



Source: Proprietary material based on the Industrial Development Agency's data

Czech industry and economy

Industrial output in Q3 2023 (after taking into account the calendar effect) was lower by -3.3% yoy (after a +1.1% yoy increase in Q2 and +1.2% yoy in Q1).[32] In the same period, the production of cars, trailers and semi-trailers increased (+5.0% yoy), as well as the production of electrical equipment (+0.7% yoy). On the other hand, a decline was recorded in the production of: metals (-11.6% yoy), machinery and equipment (-7.0% yoy), paper and paper products (-6.2% yoy), wood and wooden products (-2.7 yoy), chemicals and chemical products (-2.5% yoy), fabricated metal products (-1.4% yoy), as well as in the generation and distribution of electricity, gas, heat and air conditioning (-14.3% yoy), and mining and quarrying (-13.8% yoy). Industrial processing, being the key industrial section, posted negative performance (-1.9% yoy), after still positive results in Q1 and Q2 2023 (+2.7% yoy and +2.9% yoy, respectively), due to the declining situation experienced by customers in Western European countries.[33]

A significant decrease in the value of new orders in Q3 2023 (after taking into account the calendar effect) declined by -4.9% (following a -2.8% yoy decrease in Q2 and +1.8% yoy increase in Q1), caused by a noticeable decline in domestic orders (by -7.4% yoy) and a lower number of foreign orders (-3.6% yoy).[34]

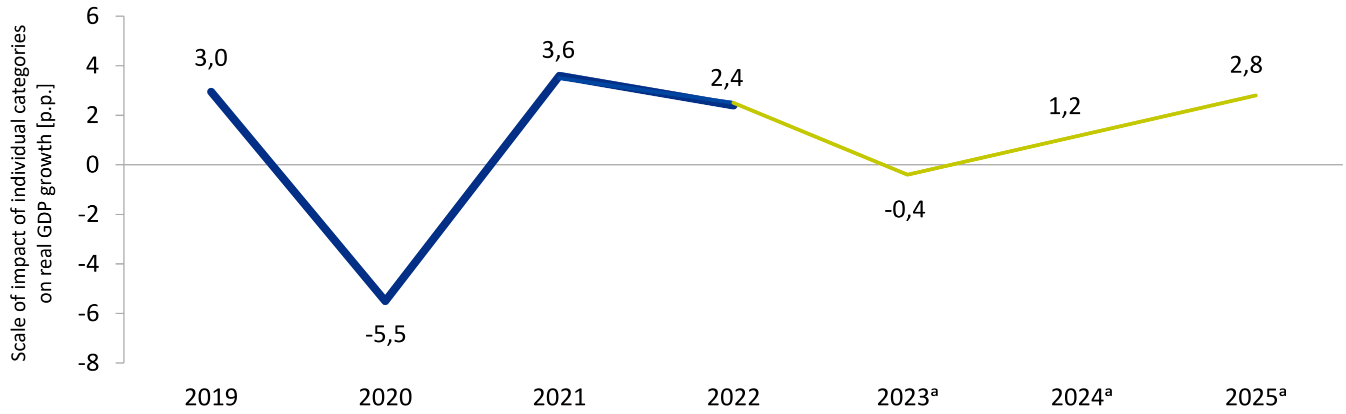
Poor economic situation: limited demand (both domestic and abroad), declining new orders for future periods, and decreasing production needs, point to a strong slowdown in both the Czech Republic and the countries with the strongest economic relations. A positive effect of lower cost pressure consists in a declining rate of price growth; interest rates, however, remain relatively high, effectively raising the cost of raising capital and consequently chilling the domestic market. Although apparently the prices of energy carriers have normalized, stabilization has followed at levels relatively higher than historical averages, which regrettably translates into a decline in the profitability of the production of many commodities, which are becoming cheaper on global markets, as well as domestically (due to declining demand, with significant spare production capacity).

GDP decline in 2023 – according to the CZSO's preliminary estimates, GDP was down in Q3 by -0.6% yoy (following a -0.6% decline in Q2 and a -0.4% yoy decline in Q1), with a concurrent decrease by -0.3% qoq (following the continuation of the performance in Q2 and a slight increase by +0.1 qoq in Q1). The year-on-year decline in the rate of growth was mainly due to low household demand and limited accumulation, while external demand continued to have a positive impact. The reason for the quarter-on-quarter decline

[31] Polish Automotive Industry Association, Statistics Poland
[32] Czech Statistical Office
[33] Czech Statistical Office
[34] Czech Statistical Office

was the negative rate of growth in foreign demand, which was related to, inter alia, the declining performance of the German economy, as well as that of other European partners.[35]

Figure 4 Real GDP growth rate in the Czech Republic in 2019-2022 and forecasts for 2023-2025 – data adjusted for seasonality



a – Macroeconomic forecasts of the Czech National Bank CNB)
Source: Proprietary material based on data from the Czech Statistical Office and the Czech National Bank (CNB)

Inflation: in Q3 2023, inflation reached +8.0% yoy (after decreasing from +16.4% yoy in Q1 to +11.1% yoy in Q2). In 2023, there was a month-on-month decline in the rate of price growth (inflation fell from +17.5% in January to +6.9% in September this year), due to both the effect of a high reference base (last September, it reached the highest level of +18.0% yoy), the limited scale of domestic and foreign demand, as well as the stabilization of commodity prices (which, combined with monetary policy, allowed for a successive reduction in the rate of price growth).[36]
Projections: In November 2023, the Czech National Bank updated its projection regarding the rate of growth of GDP for the current year and the next two years. GDP is expected to decline by -0.4% yoy in 2023. At the same time, the prediction is that GDP will grow by only +1.2% yoy in 2024, and only in 2025 will the economy return to faster growth (with GDP increasing by +2.8% yoy). According to the analyses, in 2023 inflation will be +10.8% yoy, to reach +2.6% yoy and +2.1% yoy in 2024-2025, respectively.[37]
Further deterioration in the volume of new orders and production in the Czech Republic: in Q3 2023, PMI averaged 42.0 points for the Czech Republic (compared to 42.1 points in Q2 2023 and 44.4 points in Q1 2023), remaining significantly below the 50.0 threshold which is the technical boundary between recovery and recession in the industrial sector.[38]The downward trend observed since June has been halted, but PMI remains subject to slight changes, with very low levels over the last six months (when values did not reach 43.0 points). This was caused mainly by the continued low and constantly declining demand for products which entails a declining volume of new orders and a reduction in industrial activity. Since June 2023, when the index reached 40.8 points (a level slightly higher than in May 2020), it fluctuated between 41.4 and 42.9 points. Shrinking employment, reduced inventories and increasing spare capacity add to the picture of a difficult operating situation for an economy geared towards external markets, with a strong slowdown in key export markets. The progressively receding cost pressure, along with the stabilization of energy and energy fuel prices, is a positive development.[39]

Significant factors affecting the situation in the Czech Republic in the three quarters of 2023 included, inter alia:

- decrease in hard coal mined: in the first half of this year, the volume of hard coal mined was 0.67 million tons (-5.6% yoy), including 0.27 million tons of coking coal (-53.6 % yoy) and 0.40 million tons of thermal coal (+192.8% yoy). Coking coal production in Q2 remained at a relatively low level similar to the output reported in H2 of the previous year, and at the same time slightly higher than in Q1 this year (+17.2% qoq). In addition, the growth in thermal coal was due to a very low reference base in H1 2022 and output was nearly half that of the second half of last year. Lignite production also declined in the first half of last year, with output of 14.21 million tons (by -13.5% yoy). Of key importance was the decline in Q2 this year, when only 5.52 million tons of this material were extracted, which represents a result even

[35] Czech Statistical Office
[36] vdb.czso.cz
[37] cnb.cz
[38] Markit PMI
[39] Markit PMI

poorer than the production results in the hardest period of the pandemic, i.e. Q2 and Q3 2020 (with the results close to 6.0 million tons).[40]

- drop in the coke production: coke production in H1 2023 was 1.04 million tons (-15.9% yoy). In that period, there was a decrease in imports (0.09 million tons, down -23.1% yoy) and raw material exports (0.26 million tons, down -11.7% yoy). The main reason for the reduction in production (as well as in the turnover of the raw material) was a severe reduction in activity in metallurgy, which was most strongly influenced by the global reduction in the price of finished goods (resulting from poor demand) and high energy costs.[41]
- Output decline in the automotive sector: in Q3 2023, a total of 281.1 thousand motor vehicles of various types (passenger cars, trucks, buses and motorcycles) were manufactured in the territory of the Czech Republic, which means a decrease by -8.7% yoy. This year's Q3 was the first quarter, after five consecutive quarters with the output of passenger cars at the level over 0.3 million units, in which the output did not exceed the level, reaching merely not more than 279.5 thousand units (which was connected with a strong slowdown in the European Union states, which are natural recipients of the most of the output of the Czech motor industry because of the limited capacity of the country's internal market). A very big increase was recorded in the production of trucks (+22.0% yoy, as a result of a low reference base last year), for which the result improved also in terms of three quarters this year (+5.7% yoy). On the other hand, in Q3 the production of buses, passenger cars and motorcycles declined (-8.1% yoy, -8.7% yoy and -35.3% yoy respectively). At the same time, during 9 months of 2023, it was the production of passenger cars, with output of nearly 1.02 million units (of which over 939.7 thousand for export), that powered the industry as a whole (making up almost 99.5% of motor vehicles manufactured in that period) and achieved growth of +11.5 yoy, in spite of a weaker result in the last quarter.[42]
- decrease in construction and assembly output (data adjusted for seasonality) – in Q3 this year, the output increased by +0.1% yoy (following a decrease of -3.2% in Q2 2023 and -2.0% in Q1 2023). After declines in output in three consecutive quarters, there was a slight increase in construction and assembly output, which was also associated with a lower reference base of the previous year. It should be noted that building construction companies reported an increase by +1.3% yoy in Q1 2023, followed by a fall by -2.2% yoy in Q2 and then a slight rise in output (by +0.4% yoy in Q3 2023). The civil works contractors, after a strong decline in Q1 2023 (-9.6% yoy) and in Q2 2023 (-5.6% yoy), reported only a slight decrease in output in Q3 2023 (-0.6% yoy).[43]

3.2 Freight transportation activity

The rail transport market is presented taking into account the transport in the domestic and Czech markets where the transport activity was the most important for the PKP CARGO Group.

3.2.1 Rail transport market in Poland

The rail freight market, in spite of a clear deterioration of the economic situation, is still growing, which is shown by the ever increasing number of rail operators obtaining licenses for rail freight operations. At present, 124 rail operators active on the Polish rail freight market hold an active license issued by the President of the Office of Rail Transport for the conduct of rail freight operations (as at 30 October 2023).[44] Three members of the PKP CARGO Group, namely PKP CARGO S.A., PKP CARGO SERVICE Sp. z o.o. and PKP CARGO International a.s., render rail freight transport services.[45]

During three quarters 2023, in the freight transport market, a decrease in demand for rail freight transport services could be clearly observed. Adverse trends for the rail sector include the economic downturn in Poland and abroad, strong reduction in cargo deliveries in connection with the situation on the east border as a result of war in Ukraine, high costs of capital, industrial stagnation in the euro zone as well as lower sea freight prices. This segment still strongly feels consequences of ongoing war in Ukraine but data show also a high negative scale of impact of high prices of fuel and energy and inflation. In 9M 2023, 173.1 million tons of goods were transported by rail, down -14.3 million tons (-7.6%) as compared to the result of the corresponding period of the previous year. At the same time, the freight turnover of all rail operators totaled 46.3 billion tkm (-0.4 billion tkm), i.e. it went down by -0.8% yoy (because of the lengthening of trade relations and structural changes in freight). During 9 months of 2023, only in January did rail operators-manage to increase the volume of transported goods (+3.9% yoy) compared to the results achieved in the corresponding periods of 2022. Since February this year, only yoy declines have already been recorded in the weight of cargo carried by operators present in the Polish market, including the biggest percentage reduction recorded in April, May and June (by -15.2% yoy, -12.1% yoy

[40] Czech Ministry of Industry and Trade
[41] Czech Ministry of Industry and Trade
[42] AutoSap
[43] Czech Statistical Office
[44] Office of Rail Transport (licensed rail operators, as stated in the updated list of the Office of Rail Transport of 30 October 2023), the statistics take into account entities providing transport services under a license issued by the President of the Office of Rail Transport. Moreover, there are companies operating on the market under an international license;
[45] Office of Rail Transport

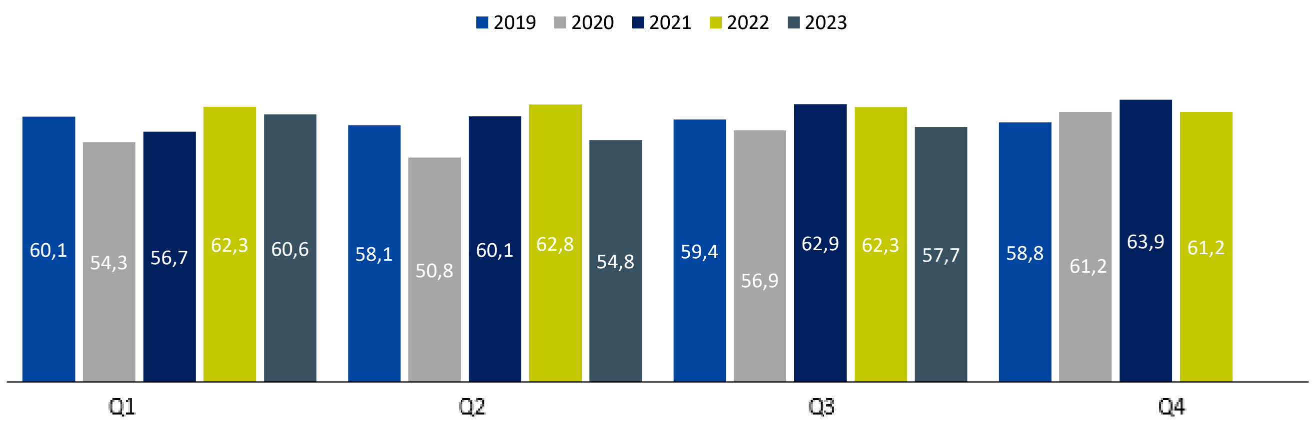
and -11.2% yoy respectively). A sharp reduction in commodity flows from the Far East was observed, as well as a significant slowdown in the coal market (translating into increasing inventories at mines). The average haul for the entire market during the first 9 months of 2023 amounted to 267 km, i.e. it was higher than in the corresponding period of 2022 (+19 km, or +7.4% yoy). In the same period, the average haul increased both in the case of competitive rail operators (+24 km, i.e. by +9.9% yoy), and to a lesser extent in the PKP CARGO Group (+11 km, i.e. by +4.2% yoy).[46] The factors contributing to the increase in average haul included both changes in delivery destinations and new cargo distribution channels as well as large-scale repairs to the rail infrastructure.

During the first 8 months of 2023, the main cargo category transported by rail[47] continued to be hard coal, whose transports even though showing a clear downward trend still accounted for 33.2% of the total rail freight transport volume. The following changes in rail transport year-on-year performance were recorded over that period in the cargo categories defined by Statistics Poland:[48]

- hard coal (a drop in freight volume by -10.3% yoy to 50.5 million tons),
- aggregates, stone, sand and gravel (freight volume up by 6.6% yoy to 33.3 million tons),
- refined petroleum products (up 9.2% yoy to 14.2 million tons),
- coke, briquette and gases (up 1.8% yoy to 7.4 million tons),
- metals and metal products (down -8.4% yoy to 7.0 million tons),
- chemicals, chemical products (down -11.7% yoy to 6.2 million tons),
- agricultural products (up by 19.3% yoy to 4.6 million tons),
- iron ores (down -37.0% yoy to 3.6 million tons).

A significant decrease in freight volume transported by rail compared to the corresponding period of 2022 was recorded at the time in hard coal transports (-5.8 million tons), iron ores (-2.1 million tons), chemicals and chemical products (-0.8 million tons), timber and wooden products (-0.7 million tons), metal and metal products (-0.6 million tons) and other cargo (-0.6 million tons).[49] At the same time, an increase in rail freight volumes was recorded with respect to aggregates, stone, sand and gravel (+2.1 million tons yoy), refined petroleum products (+1.2 million tons), agricultural products (+0.7 million tons yoy).[50]

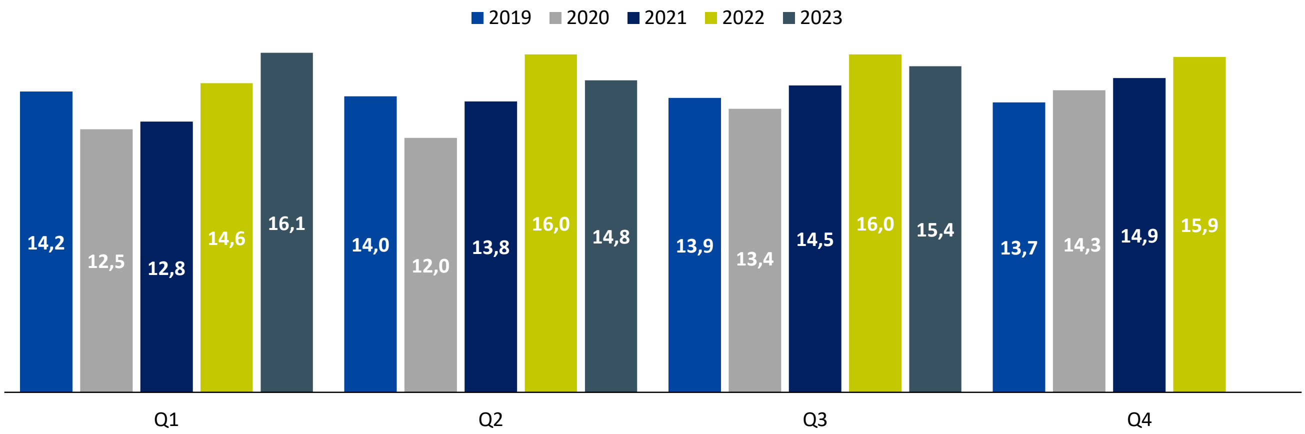
Figure 5 Rail freight volumes in Poland broken down by quarter in 2019-2023 (million tons)



Source: Proprietary material based on the Office of Rail Transport's data

[46] Office of Rail Transport
[47] Based on the NST classification
[48] Statistics Poland - data for the first 8 months of 2023
[49] Statistics Poland - data for the first 8 months of 2023
[50] Statistics Poland - data for the first 8 months of 2023

Figure 6 Rail freight turnover in Poland broken down by quarter in 2019-2023 (billion tkm)



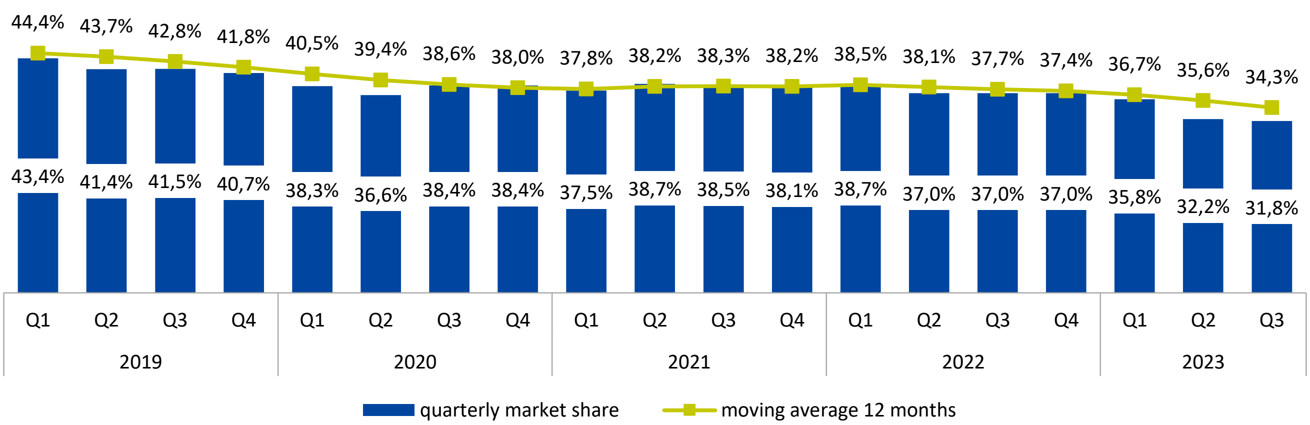
Source: Proprietary material based on the Office of Rail Transport's data

3.2.2 Position of the PKP CARGO Group in the rail freight transport market in Poland

According to the Office of Rail Transport's data, during three quarters of 2023, 30 rail carriers conducted transport operations whose market share in terms of transported freight volume exceeded 0.5%. These included two Companies of the PKP CARGO Group: PKP CARGO S.A. and PKP CARGO Service Sp. z o.o.

The PKP Cargo[51] Group continues to be the undisputed leader in the rail freight transport market in Poland both in terms of share in the transported freight volume and the generated freight turnover. The PKP CARGO Group's market shares after 9M 2023 were 33.3% (-4.2 p.p. yoy) in terms of freight volume and 34.3% in terms of freight turnover (-5.5 p.p. yoy).[52] During 9 months of 2023, the market shares of the PKP CARGO Group continued to decrease, achieving the lowest level in July. Since August, the trend was interrupted as the shares in August clearly increased and September consolidated the trend (+2.4 p.p. mom in terms of freight volume and +3.0 p.p. mom in freight turnover). The respective market shares of the PKP CARGO Group's parent company, that is PKP CARGO S.A., were 31.6% (-4.1 p.p. yoy) in terms of freight volume and 34.0% (-5.4 p.p. yoy) in terms of freight turnover.[53]

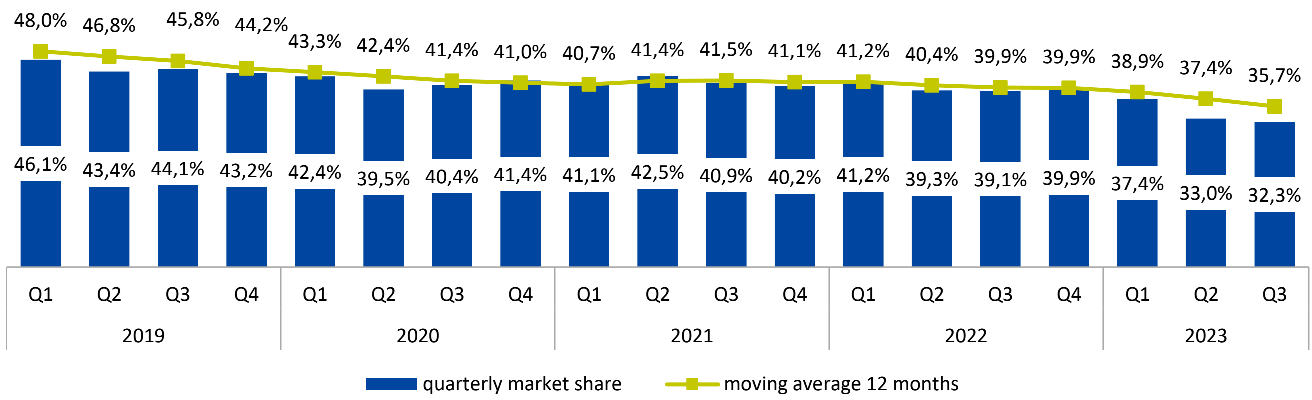
Figure 7 Quarterly shares of the PKP CARGO Group in freight volume in Poland in 2019-2023



Source: Proprietary material based on the Office of Rail Transport's data

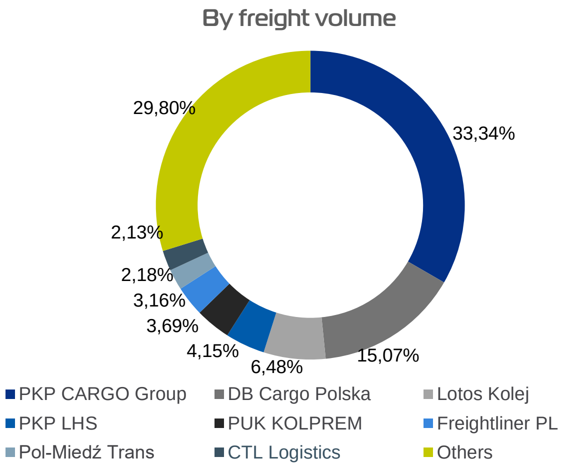
[51] The PKP CARGO Group's freight volume takes into account also freight transported by PKP CARGO International a.s. in Poland.
[52] PKP CARGO Group and Office of Rail Transport data
[53] Office of Rail Transport

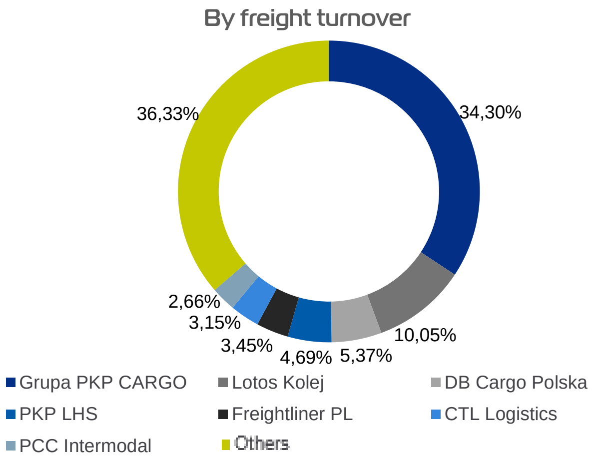
Figure 8 Quarterly shares of the PKP CARGO Group in total freight turnover in Poland in 2019-2023



Source: Proprietary material based on the Office of Rail Transport's data

Figure 9 Market shares of the largest rail operators in Poland in the first 3 quarters of 2023





Source: Proprietary material based on the Office of Rail Transport's data

The following companies were the main competitors of the Group on the Polish rail freight transport market: DB Cargo Polska, Lotos Kolej, PKP LHS, PUK Kolprem, Freightliner PL, Pol-Miedź Trans, and CTL Logistics.

In the period in question, the competitors transported a total of 115.4 million tons of freight (-1.4% yoy). In 9M 2023, in terms of freight volume, the highest increases in market shares yoy among PKP CARGO Group competitors were recorded in Lotos Kolej (+1.2 p.p. yoy) but Orlen Koltrans was acquired by Lotos Kolej and since July 2023, and its transports are counted with those by Lotos Kolej), Freightliner PL (+0.8 p.p. yoy) and LTG Cargo Polska and CD Cargo Poland (+0.6 p.p. yoy). The competitors of the PKP CARGO Group that recorded the largest drops in market shares were DB Cargo Polska (-0.9 p.p. yoy) and PKP LHS (-0.5 p.p. yoy). The drop in market shares in Orlen KolTrans was associated with its acquisition by Lotos Kolej was (-1.2 p.p.).[54]

At the same time, freight turnover generated by operators competing with the PKP CARGO Group increased by +8.4% yoy, to 30.4 billion tkm. The largest yoy increase in market shares was reported by LTG Cargo Poland (+1.1 p.p. yoy), which began transport operations only in April 2022. The shares of Lotos Kolej and Rail STM (+0.9 p.p. yoy, each), as well as Alza Cargo (+0.7 p.p. yoy) and PCC Intermodal (+0.6 p.p. yoy) increased significantly. The competitors that recorded the largest drops were Orlen KolTrans (-1.6 p.p. yoy) and PKP LHS (-0.5 p.p. yoy).[55]

[54] own calculations based on Office of Rail Transport data
[55] own calculations based on Office of Rail Transport data

3.2.3 Rail freight transport market in the Czech Republic

In H1 2023, a total of 257.5 million tons of cargo was transported in the Czech Republic (-13.3% yoy) and freight turnover stood at 40.9 billion tkm (-6.4% yoy).[56] A year-on-year decrease was recorded over that period in terms of freight volume and freight turnover in transport by road and by rail. As for the other means of transport in aggregate*, there was also a drop in freight volumes and simultaneously a slight increase in freight turnover.
The average haul of cargo in the market increased by +7.9% yoy and reached 158.7 km, with the road transport segment recording an increase in the average haul by +9.9% yoy (to 153.7 km) and the rail transport showing a decrease in the average haul by -1.9% yoy (to 173.2 km).[57]

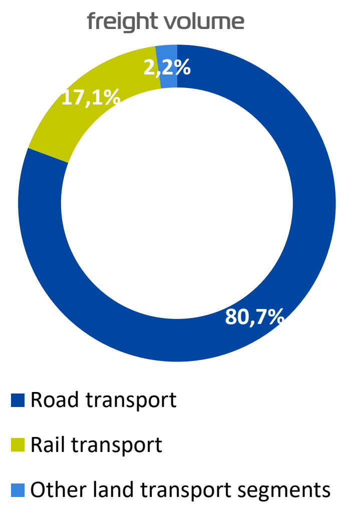
Table 11 Freight transport market in the Czech Republic in H1 2023

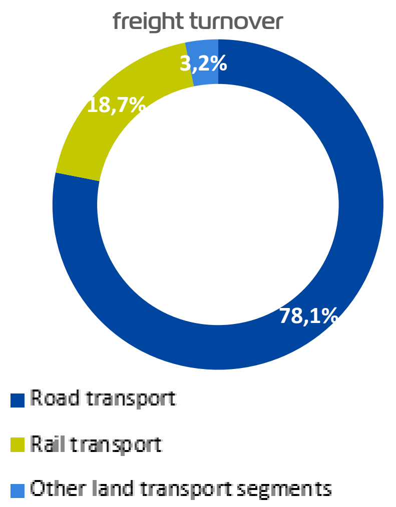
Item	FREIGHT VOLUME			FREIGHT TURNOVER			AVERAGE HAUL		
	Volume (million tons)	Change yoy	Change % yoy	Volume (billion tkm)	Change yoy	Change % yoy	Distance (km)	Change yoy	Change % yoy
Total transport market	257.5	-39.5	-13.3%	40.9	-2.8	-6.4%	158.7	11.6	7.9%
Road transport	207.8	-36.0	-14.8%	31.9	-2.2	-6.4%	153.7	13.8	9.9%
Rail transport	44.1	-3.1	-6.7%	7.6	-0.7	-8.5%	173.2	-3.4	-1.9%
Other land transport segments	5.7	-0.3	-5.4%	1.3	0.1	5.9%	231.0	24.7	12.0%

**Source: Proprietary material based on data published by the Ministry of Transport of the Czech Republic (data excluding air transport)*

In H1 2023, rail transport in the Czech Republic recorded a yoy decrease in freight volume to 44.1 million tons (-6.7% yoy) with a concurrent decrease in freight turnover to 7.6 billion tkm (-8.5% yoy).[58] In the same period, transports of goods by road were down -14.8% in terms of freight volume and down -6.4% in terms of freight turnover. This translated into a clear decrease in the share of road transport in terms of freight volume (-1.4 p.p. yoy) and an increase in the share of rail transport (+1.2 p.p. yoy). At the same time, rail transport recorded a slight decrease in terms of freight turnover (-0.4 p.p. yoy), with a minimum increase in the share of the road transport (+0.04 p.p. yoy). [59]

Figure 10 Shares of various modes of transport in the transport market in the Czech Republic in H1 2023:

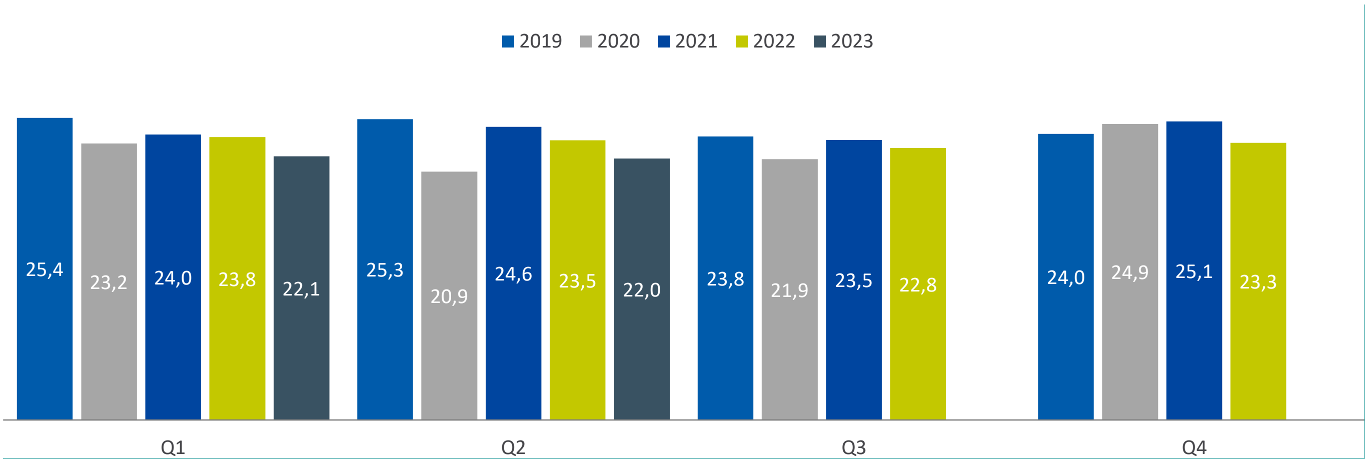




Source: Proprietary material based on data published by the Ministry of Transport of the Czech Republic

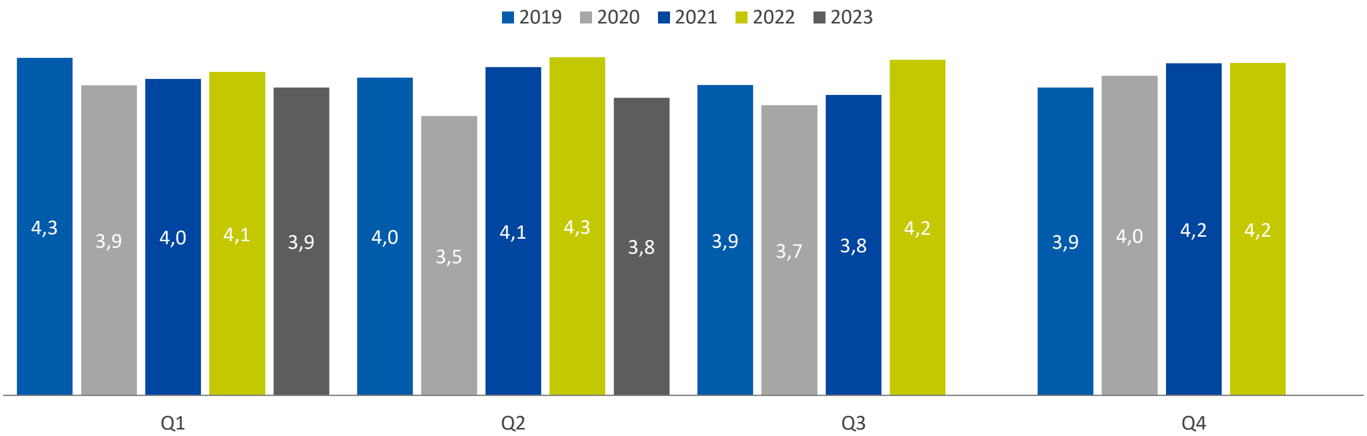
[56] Ministry of Transport of the Czech Republic, Czech Statistical Office. Data for Q3 2023 will be available around the end of Q4 2023 and the beginning of Q1 2024 (data without air transport)
[57] Ministry of Transport of the Czech Republic, Czech Statistical Office (data without air transport).
[58] Ministry of Transport of the Czech Republic, Czech Statistical Office (data without air transport).
[59] Ministry of Transport of the Czech Republic, Czech Statistical Office (data without air transport).

Figure 11 Quarterly rail freight transport in the Czech Republic by freight volume in 2019-2023 (million tons)



Source: Proprietary material based on data published by the Ministry of Transport of the Czech Republic

Figure 12 Rail freight transport in the Czech Republic by freight turnover broken down by quarter in 2019-2023 (billion tkm)



Source: Proprietary material based on data published by the Ministry of Transport of the Czech Republic

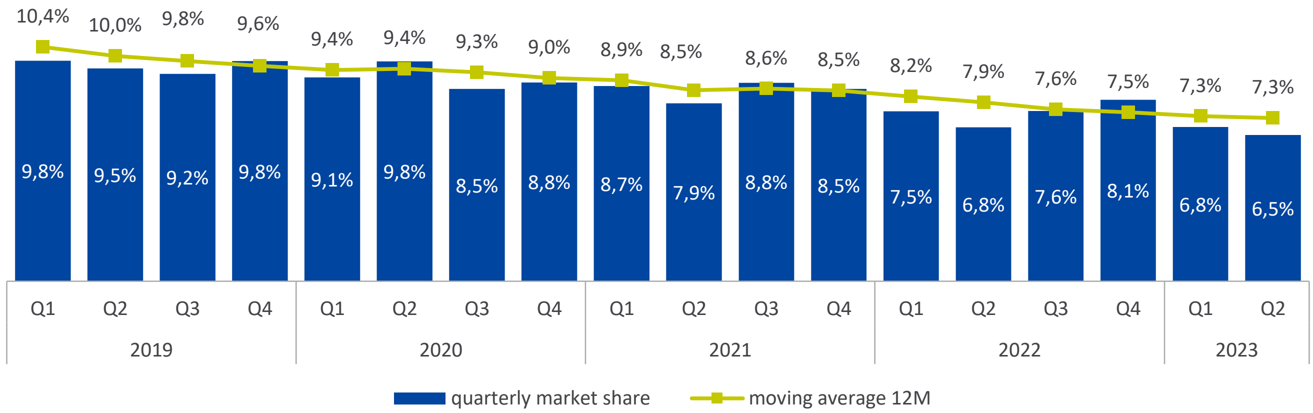
3.2.4 Position of PKP CARGO Group companies in the rail transport market in the Czech Republic

According to data published by the Czech rail infrastructure manager (SŽDC), 117 operators are currently licensed to provide rail freight services in this country, including 2 members of the PKP CARGO Group: PKP CARGO S.A. and PKP CARGO International a.s.[60]
In the first 3 quarters of 2023, PKP CARGO International a.s. transported 4.3 million tons of freight (-16.5% yoy) and achieved freight turnover of 0.4 billion tkm (-35.6% yoy).[61] In the same period, the average haul of PKP CARGO International decreased to 100.5 km (-22.8% yoy), as a result of, inter alia, rearrangements in the mix of transported freight.[62] Intermodal transport decreased significantly (-55.5% yoy to 0.5 million tons), and accounted for only 12.8% of the Company's transport business. The decrease in transport volume was also recorded in such cargo categories as metals and ore (-64.6% yoy), liquid fuels (-31.0% yoy) and chemicals (-15.3% yoy). In the period under analysis, 67.9% share in the volume of transport operations completed by PKP CARGO International were solid fuels, the volume of which increased by +3.1% yoy (of which, the volume of hard coal transport operations, which account for 38.6% of the Company's transport business, increased by +5.5% yoy). There was also a significant increase in shipments of aggregates and construction materials (+41.5% yoy).[63]
The decrease in transport operations in numerous cargo categories was a consequence of natural economic processes caused by strong economic downturn in Europe but also actions taken by the Group aimed at increasing the profitability of transports (while optimizing the utilization of resources used by the Company). The decrease in demand followed from high cost of capital, which

[60] SŽDC
[61] PKP CARGO International's own statistics
[62] PKP CARGO International's own statistics
[63] PKP CARGO International's own statistics

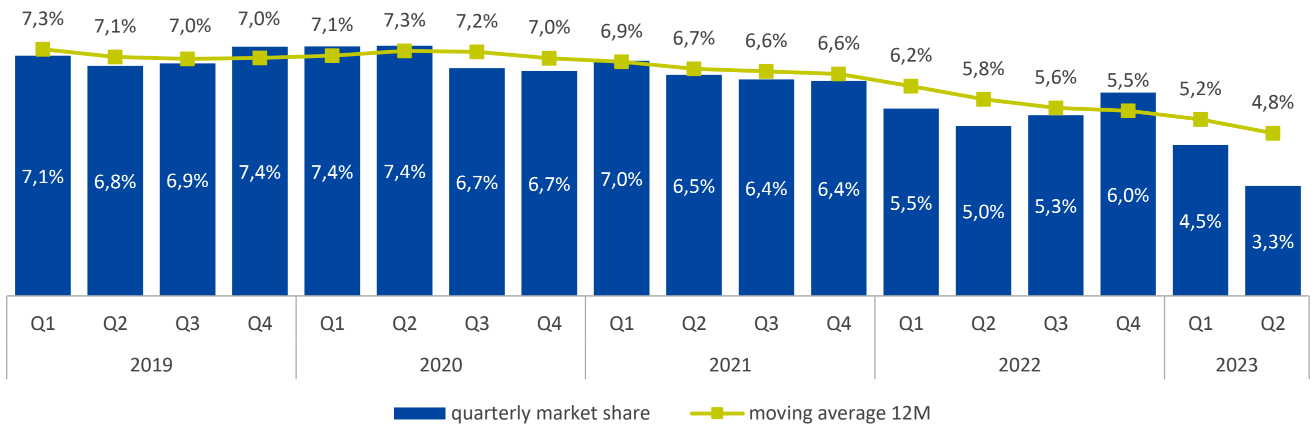
effectively halted the activity of companies in the market but also from many changes resulting from war in Ukraine (including changes to the directions of supply, shifts in logistics corridors or a sharp increase in many significant components).
According to SŽDC data on the shares in the rail transport market in terms of gross freight turnover, during 9 months of 2023, PKP CARGO International's market share in the Czech market decreased by -1.3 p.p. yoy to 4.0%.[64] Because of the strong competition in the market, the Company recorded another decrease in its share (a fall from nearly 5.5% of share achieved at the end of 2022) but has remained sixth in the market (increasingly further away from two operators, LOKORAIL a.s. and Rail Cargo Carrier - Czech Republic s.r.o.).[65]

Figure 13 PKP CARGO International a.s.'s quarterly market shares in total freight volume in the Czech Republic in 2019-2023*



** data for Q3 2023 will be available at the end Q4 2023 and the beginning of Q1 2024*
Source: proprietary material based on data from the Czech Ministry of Transport, the Czech Statistical Office and PKP CARGO International

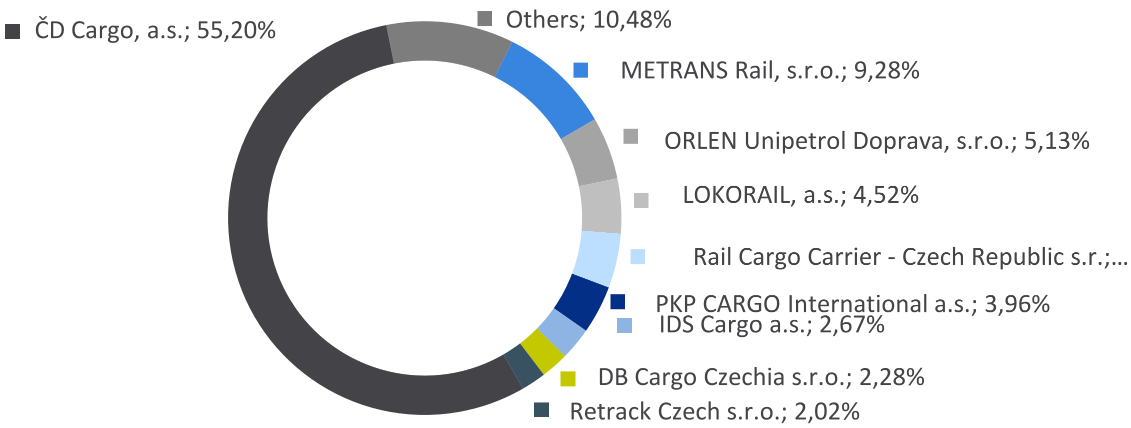
Figure 14 PKP CARGO International a.s.'s quarterly market shares in total freight turnover in the Czech Republic in 2019-2023*



** data for Q3 2023 will be available at the end Q4 2023 and the beginning of Q1 2024*
Source: proprietary material based on data from the Czech Ministry of Transport, the Czech Statistical Office and PKP CARGO International

[64] SŽDC
[65] SŽDC

Figure 15 Market shares of the biggest rail operators by operational freight turnover in the Czech Republic in the first 3 quarters of 2023 (btkm)



Source: SŽDC (Czech rail infrastructure manager)

ČD Cargo a.s. remained the undisputed leader of the Czech rail freight transport market in terms of gross operational turnover (in spite of a noticeable decrease in market shares quarter on quarter this year) and its share amounted to 55.2% yoy (-3.0 p.p. yoy).[66] On the other hand, a significant increase in yoy market share was recorded by LOKORAIL a.s. (+1.7 p.p. yoy to 4.5%) and ORLEN Unipetrol Doprava (+1.3 p.p. yoy to nearly 5.1%), i.e. the operator being a member of the Orlen Group which focuses its business on the fuels and chemicals transport segment. Retrack Czech s.r.o. (formerly known as Carbo Rail CZ s.r.o.) appeared in the list of noteworthy operators (for the third quarter in a row), with a 2.0% market share. Companies which also improved their market position include Rail Cargo Carrier – Czech Republic (+0.3 p.p. yoy to nearly 4.5%) and DB Cargo Czechia s.r.o. (+0.2 p.p. yoy to 2.3%). PKP CARGO International recorded a clear decline of its market share (-1.3 p.p. yoy to almost 4.0%). In parallel, Metrans Rail decreased its share (-0.2 p.p. yoy to 9.3%), but was able to defend its position as the runner-up on the rail freight market in the Czech Republic. The market shares of IDS Cargo a.s., i.e. an independent logistics carrier operating in the Czech Republic and Slovakia were also lower than in three quarters of 2022 (-0.3 p.p. yoy to 2.7%). CER Slovakia a.s. (which for three quarters of 2022 had a share of nearly 1.2%, now failed to make it into the list, signifying a decrease in its share in excess of over -0.2 p.p. yoy).[67]
The list of the largest rail operators on the Czech market published by SŽDC does not include PKP CARGO S.A. In 9M 2023, the Company's import operations of iron ore from Ukraine decreased year-on-year and no import operations of iron ore via the port of Gdańsk were carried out. The transport volumes of calcium flux, metals, cement clinker, chemicals and timber also withered. At the same time, an increase in the volume of intermodal transport and automotive transport in transit between Poland and Italy was recorded.[68]

3.2.5 PKP CARGO Group's rail transport business

The data on the transport activity conducted by the PKP CARGO Group in 9M 2023 and 9M 2022 contain consolidated data of PKP CARGO S.A., PKP CARGO SERVICE Sp. z o.o. and companies from the PKP CARGO International Group. Transport services are rendered by 6 members of the Group, namely PKP CARGO S.A., PKP CARGO SERVICE Sp. z o.o., PKP CARGO International a.s., PKP CARGO International HU Zrt., PKP CARGO International SK a.s. and PKP CARGO INTERNATIONAL SI d.o.o.

[66] SŽDC
[67] SŽDC
[68] PKP CARGO S.A.'s own statistics

Table 12 Freight turnover of the PKP CARGO Group in 9M and Q3 2023 and 2022

Item	9M 2023	9M 2022	Change 9M 2023/ 9M 2022		9M 2023	9M 2022	Q3 2023	Q3 2022	Change Q3 2023/ Q3 2022	
	(million tkm)			*%*	*percentage of total (%)*		*(million tkm)*			*%*
Solid fuels[1]	7,369	7,945	-576	-7.2%	44%	39%	1,884	2,705	-821	-30.3%
of which hard coal	6,093	6,746	-653	-9.7%	36%	34%	1,532	2,342	-810	-34.6%
Aggregates and construction materials[2]	4,107	4,235	-128	-3.0%	24%	21%	1,544	1,632	-88	-5.4%
Metals and ores[3]	1,135	1,721	-586	-34.0%	7%	9%	307	460	-152	-33.2%
Chemicals[4]	1,232	1,526	-294	-19.2%	7%	8%	460	429	31	7.2%
Liquid fuels[5]	355	675	-320	-47.4%	2%	3%	115	258	-144	-55.6%
Timber and agricultural produce[6]	724	669	55	8.2%	4%	3%	234	234	-1	-0.2%
Intermodal transport	1,606	2,963	-1,358	-45.8%	9%	15%	604	930	-326	-35.1%
Other[7]	392	383	9	2.3%	2%	2%	141	135	6	4.1%
Total	**16,921**	**20,118**	**-3,198**	**-15.9%**	**100%**	**100%**	**5,288**	**6,783**	**-1,495**	**-22.0%**

Source: Proprietary material

Table 13 Freight volume of the PKP CARGO Group in 9M and Q3 2023 and 2022

Item	9M 2023	9M 2022	Change 9M 2023/ 9M 2022		9M 2023	9M 2022	Q3 2023	Q3 2022	Change Q3 2023/ Q3 2022	
	(million tons)			*%*	*percentage of total (%)*		*(million tons)*			*%*
Solid fuels[1]	31.6	37.3	-5.7	-15.2%	51%	49%	8.9	11.8	-2.9	-24.7%
of which hard coal	27.6	33.3	-5.7	-17.1%	44%	44%	7.7	10.5	-2.8	-26.4%
Aggregates and construction materials[2]	15.1	16.3	-1.2	-7.5%	24%	21%	5.7	6.3	-0.6	-8.8%
Metals and ores[3]	3.5	5.5	-2.0	-36.6%	6%	7%	1.0	1.6	-0.6	-38.1%
Chemicals[4]	3.6	4.2	-0.6	-14.2%	6%	6%	1.3	1.2	0.1	10.3%
Liquid fuels[5]	1.4	2.0	-0.7	-32.5%	2%	3%	0.4	0.8	-0.4	-45.3%
Timber and agricultural produce[6]	1.9	2.3	-0.4	-19.2%	3%	3%	0.6	0.7	-0.2	-23.4%
Intermodal transport	4.1	6.8	-2.7	-40.1%	7%	9%	1.5	2.0	-0.5	-25.6%
Other[7]	1.2	1.4	-0.3	-19.1%	2%	2%	0.4	0.5	-0.1	-24.0%
Total	**62.3**	**75.9**	**-13.6**	**-17.9%**	**100%**	**100%**	**19.8**	**24.9**	**-5.1**	**-20.5%**

Source: Proprietary material

In 9M 2023, the average haul of freight transported by rail by the PKP CARGO Group was 272 km (haul up by +7 km yoy).

Table 14 Average haul of the PKP CARGO Group in 9M and Q3 2023 and 2022

Item	9M 2023	9M 2022	Change 9M 2023/ 9M 2022		Q3 2023	Q3 2022	Change Q3 2023/ Q3 2022	
	(km)			*%*	*(km)*			*%*
Solid fuels[1]	233	213	20	9.4%	211	229	-17	-7.5%
of which hard coal	221	203	18	8.9%	198	223	-25	-11.2%
Aggregates and construction materials[2]	272	260	13	4.9%	270	260	10	3.7%
Metals and ores[3]	327	314	13	4.1%	315	292	23	8.0%
Chemicals[4]	341	363	-21	-5.9%	352	362	-10	-2.8%
Liquid fuels[5]	258	331	-73	-22.1%	265	327	-62	-18.9%
Timber and agricultural produce[6]	385	287	97	33.9%	412	316	96	30.3%
Intermodal transport	392	434	-42	-9.6%	398	457	-58	-12.8%
Other[7]	341	269	71	26.5%	361	264	98	37.0%
Total	**272**	**265**	**7**	**2.5%**	**267**	**272**	**-5**	**-1.9%**

Source: Proprietary material

1. Includes hard coal, coke and lignite
2. Includes all kinds of stone, sand, bricks and cement.
3. Includes ores and pyrites, as well as metals and metal products.
4. Includes fertilizers and other chemicals.
5. Includes crude oil and petrochemical products.
6. Includes grain, potatoes, sugar beets, other produce, wood and wooden products.
7. Includes other freight.

Key drivers that affected the freight volume categories after 3 quarters 2023:

solid fuels

- Since February, demand for energy has been lower as was the collection of coal ordered by townships and communes, while the accumulation of inventories stored in coal yards reduced coal imports via sea ports,
- flooding a longwall at LW Bogdanka, repairs of an access road to Połaniec, repairs in cogeneration plants in Łódź and Koziegłowy, repair works (in June) at the siding of the Siekierki Cogeneration Plant, causing interruptions in deliveries; reduction of energy output in the Ostrołęka Power Plant, failure of transshipment machines at the station of Łaziska Średnie; in July and August, repair works were performed in power plants and cogeneration plants as well as in Tauron Ciepło Branches.
- the heating season starting later because of weather conditions,
- reduction in the production and consumption of electricity in Poland,
- increase in the average haul of hard coal by 18 km (8.9%) in connection with the changed direction of deliveries,

aggregates and construction materials

- In connection with a considerable decline in coal transport this year, rolling stock resources of rail operators were released, which resulted in heightened competitive activity in the aggregates transport market,
- discontinuation of limestone transport operations to Czech steelworks,
- lower number of transports of limestone to German power plants – transports carried out according to the current demand of customers, which depends on the electricity production level,
- lower volume of transport operations in exports of quartzite through seaports to Iceland – weaker demand from buyers,
- increase in the average haul by 13 km (4.9%) in connection with the changed structure/direction of deliveries – PKP CARGO S.A. made increased transports of crushed stone from mines in Lower Silesia to stations located in the northern and eastern parts of Poland,
- PKP CARGO INTERNATIONAL – reduced volume of transport operations for a major producer in this segment which decided to suspended cement production in February due to its high price.

metals and ores

- A decreased demand for metal products and raw materials used in production in Poland and in the world. The uncertain economic environment: the war in Ukraine, the sanctions policy, the collapse of trade with Russia and Belarus, increased price pressures, the persistently high inflation and high interest rates in most economies limited the recovery in demand for steel,
- decrease in global steel production (according to the World Steel Association, it reached 1,256.4 million tons in January-August 2023, down 0.2% compared to the same period in 2022),
- growth in average haul by 13 km (4.1%), i.e. similar to last year's number.

chemicals

- Decrease in the production volume of fertilizers by the leading manufacturer due to problems with domestic sales (high production costs) and exports (tough competition due to the high prices of natural gas which is a key raw material for production),
- slow improvement of the production and transport situation since Q3
- Decrease in the average haul by 21 km (-5.9%) – a significant share of shipments to Ukraine is short-haul operations near the border.

intermodal

- Difficult situation in the intermodal market globally: a decrease in NJS shipments, driven by the ongoing conflict in Ukraine, an increase in the price of rail transport, coupled with declining prices for maritime transport, which brought on greater interest in maritime transport,
- repairs of the infrastructure in the East-West corridor, insufficient throughput of border crossing hindering transports from and to Ukraine,

- decrease in the average haul by 42 km (-9.6%) due to a change in the structure of transport operations,
- PKP CARGO INTERNATIONAL – no transport services for a major customer.

liquid fuels

- The declining haul is a result of Orlen Koltrans (now Lotos Kolej) performing an increasing share of domestic transport and imports from Lithuania,
- the loss of transport for Slovnaft,
- diversification of fuel suppliers to Ukraine – imports from Hungary, Slovakia and Romania,
- decrease in the average haul by 73 km (-22.1%) due to the increased share of short-haul operations near the border with Ukraine.

timber and agricultural produce

- At the beginning of the year, demand for wood decreased due to lower production of white paper and wood-based panels,
- decrease in wood imports from Poland to the Czech Republic and Slovakia due to high wood prices in Poland and restrictions on the production of packaging paper,
- increase in grain shipments from Ukraine, mainly in transit to Polish seaports and to Germany and the Netherlands,
- increase in the average haul by 97 km (+33.9%) as a result of a change in the structure of transport operations.

others

- Maintenance of transport operations involving other commodities in Q3 2023 at a similar level to the corresponding period in 2022.

3.3 Other services

The Group does not distinguish operating segments of its activity, since it has one main product, which incorporates all the material services provided by the Group. The Group conducts its business within one main segment – domestic and international cargo freight and provision of comprehensive logistics services related to rail freight. The Management Board of the Parent Company analyzes financial data in the layout in which they were presented in the Quarterly Condensed Consolidated Financial Statements of the Group. The Group additionally provides services related to rolling stock repairs, infrastructure maintenance and land reclamation services, but they are not material for the Group's business and therefore are not treated as separate operating segments.

3.4 Headcount

Information about changes in the headcount in the PKP CARGO Group in 9M 2023 and in comparative periods is presented below. In Q3 2023, compared to the corresponding period in 2022, the PKP CARGO Group recorded a decrease in headcount by 176 persons.

Figure 16 Headcount in the PKP CARGO Group in 9M 2023 and comparative periods.

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

30/09/2023
19 847

30/06/2023
19 984

30/09/2022
20 023

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

30/09/2023
15 038

30/06/2023
15 167

30/09/2022
15 267

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

30/09/2023
4 809

30/06/2023
4 817

30/09/2022
4 756

3.5 PKP CARGO Group's investments

In the 9 months of 2023, the PKP CARGO Group incurred capital expenditures of PLN 1,284.6 million, up 147.1% compared to the corresponding period of 2022. These expenditures were spent on the acquisition of property, plant and equipment and intangible assets in the form of procurement, modernization and the overhaul component (P4 and P5 periodic repairs of rolling stock and P3 periodic inspections of rolling stock). Moreover, right-of-use assets were recognized under IFRS 16 (mainly related to locomotive leases and real estate leases).

The majority of capital expenditures during the 9 months of 2023 in the PKP CARGO Group were allocated to the execution of capital expenditure endeavors associated with its rolling stock, specifically to periodic repairs (P4 and P5) and periodic inspection (P3) of rolling stock and purchase of locomotives – in total PLN 812.2 million (or 63.2% of capital expenditures). Moreover, expenditures were incurred on investment construction activity in the amount of PLN 76.7 million, purchases of machinery, equipment, other workshop and office devices and cars for PLN 18.4 million, on ICT development, i.e. purchases of computer hardware and intangible assets (software) in the amount of PLN 14.8 million, and on right-of-use assets for PLN 362.5 million, including: PLN 270.4 million in locomotive leases (i.e. 21.0% of capital expenditures), PLN 73.8 million in real estate leases and PLN 18.3 million in other rights.

Table 15 Capital expenditures on property, plant and equipment, intangible assets and right-of-use assets in the PKP CARGO Group in 9M 2023 as compared to 9M 2022 (millions of PLN)

Item	9 months 2023	9 months 2022	Change 2023-2022	Change 2023-2022 %
Investment construction activity	76.7	15.3	61.4	401.3%
Locomotive purchases	191.5	0.0	191.5	-
Locomotive upgrades	0.1	15.6	-15.5	-99.4%
Wagon purchases	0.0	110.6	-110.6	-100.0%
Workshop machinery and equipment	15.9	8.2	7.7	93.9%
ICT development	14.8	2.6	12.2	469.2%
Other	2.5	1.8	0.7	38.9%
Components in overhaul, including:	620.6	342.4	278.2	81.3%
Repairs and periodic inspections of locomotives	131.2	73.9	57.3	77.5%
Repairs and periodic inspections of wagons	489.4	268.5	220.9	82.3%
Right-of-use assets, including:	362.5	23.3	339.2	1,455.8%
Locomotive leases	270.4	0.0	270.4	-
Total	**1,284.6**	**519.8**	**764.8**	**147.1**

** Expenditures for right-of-use assets for 9M 2022 do not include increases of PLN 14.8 million resulting from leaseback of a locomotive and transshipment equipment, while expenditures for right-of-use assets for 9M 2023 do not include increases of PLN 126.9 million resulting from leaseback of locomotives and transport devices.*
Source: Proprietary material

3.6 Key information and events that took place within 3 quarters of 2023 and up until the day of report publishing date

- On 2 January 2023, PKP CARGO executed an Investment Loan Agreement with Bank Powszechna Kasa Oszczędności Bank Polski S.A. up to the maximum amount of PLN 100 million with the availability term until 29 December 2023.
- On 24 January 2023, the Company signed a Memorandum of Understanding as part of mediation carried out on 18 and 24 January 2023 to resolve an industrial dispute regarding the implementation of a systemic wage increase. The Management Board and the Trade Unions agreed that as of 1 January 2023, funds will be allocated for the increase of basic remuneration of PKP CARGO employees remunerated in accordance with CBA in the average gross amount of PLN 415.00 per 1 employee (on FTE basis) and for the employees remunerated based on Resolution No. 498/2012 (as amended) of the Management Board of PKP CARGO S.A. in the average gross amount of PLN 764.00 per 1 employee (on FTE basis). Thus, the collective dispute launched by the statement of 1 March 2022 was ended.
- On 16 January 2023, a decision was issued by the President of the Office of Competition and Consumer Protection (UOKiK) to approve, at the request of PKP Polskie Linie Kolejowe S.A. with its registered office in Warsaw, a concentration whereby PKP Polskie Linie Kolejowe S.A. with its registered office in Warsaw ("PKP PLK") obtained control over CARGOTOR (a fully-owned subsidiary of PKP CARGO).
- On 30 January 2023, the Company's subsidiary, PKP CARGOTABOR and ALSTOM POJAZDY SZYNOWE Sp. z o.o. executed an agreement for the purchase of assets of ALSTOM's branch under liquidation. The agreement concerns the purchase of tangible assets along with related property rights to the documentation of assets and intangible assets, that is protection rights to trademarks, and property rights to the documentation of assets and other proprietary copyrights to the documentation of assets, inventories. The net value of the agreement is PLN 13.5 million plus VAT at the applicable rate.
- By the end of January, PKP CARGO announced and published the PKP CARGO Group Strategy Revision for 2019-2023. The revision reaffirmed the Group's vision and mission and modified its strategic goals. Group PKP CARGO is to become number 1 in the area of the "Three Seas Initiative" and on the New Silk Road routes in the EU measured by freight turnover and freight volume by 2023 and strengthen its position in 2023–2038, and to acquire 50% share in the Polish rail freight market measured by freight turnover by 2027.
- On 20 February 2023, PKP CARGO S.A. obtained a consent from the Supervisory Board to the disposal of assets in the form of a transfer to PKP CARGOTABOR USŁUGI of the ownership title and the perpetual usufruct right to real property, the ownership title to buildings and structures located on the land and representing property separate from the land, and the ownership title to the movable property comprising assets of the former Fabryka Wagonów Gniewczyna S.A. in Gniewczyna Łańcucka with the total net market value of PLN 29.8 million.
- On 17 March 2023, PKP CARGO executed an annex to the Overdraft Facility Agreement with Bank Powszechna Kasa Oszczędności Bank Polski S.A. of 19 December 2019 for the maximum amount of up to PLN 100 million, amending the contractual terms by extending the loan availability until 19 March 2024.
- On 22 March 2023, PKP CARGO accepted twelve Dragon 2 electric locomotives manufactured by Newag S.A.
- On 30 March 2023, PKP CARGO and PKP CARGO TERMINALE entered into a loan agreement for up to PLN 20 million.
- In performance of the agreement for the purchase of locomotives, which the Company informed about in its Current Report No. 45/2019, the Company continued to finance the delivery of locomotives based on the agreements entered into by and between PKP CARGO, the consortium of NEWAG S.A. and NEWAG LEASE Sp. z o.o. S.K.A., and PKO LEASING S.A. and Pekao Leasing Sp. z o.o. on the financing of locomotive deliveries. Under the agreements and framework lease agreements signed, a total of 16 lease agreements were executed for a total value of PLN 270.4 million.
- On 24 May 2023, PKP CARGO executed an annex to the overdraft facility agreement extending the availability period of the facility until 24 May 2024.
- On 26 May 2023, PKP CARGO and PKP CARGOTABOR executed an overdraft facility agreement with Bank Polska Kasa Opieki S.A. for up to the maximum amount of PLN 50,000,000.00, to be available until 25 May 2024.
- On 26 June 2023, PKP CARGO executed an annex to an overdraft facility agreement with Bank Powszechna Kasa Oszczędności Bank Polski S.A. for the maximum amount of up to PLN 100 million, which extends the loan availability until 27 June 2024.
- On 5 July 2023, PKP CARGO executed with ING Lease (Polska) sp. z o.o. the Master Lease Agreement for the total net price of the acquired fixed assets up to PLN 200 million. The limit is available to PKP CARGO and the PKP CARGO Group Companies for the term of 12 months provided that an appropriate annex is executed.
- On 27 July 2023, the Management Board of PKP CARGO adopted Resolution No. 267/2023 on the payment of an additional bonus to the employees. The Company allocated PLN 7,642,849.50 for this purpose.

- On 5 July 2023, the Parent Company executed with ING Lease (Polska) sp. z o.o. the Master Lease Agreement for the total net price of the acquired leased assets up to PLN 200 million. The limit is available to PKP CARGO S.A. until 13 June 2024 and provided that an appropriate annex is executed for PKP CARGO Group companies.
- On 28 July 2023, a PKP CARGO Group company entered into an agreement with Bank Powszechna Kasa Oszczędności S.A. for current account overdraft up to the amount of PLN 10 million with the availability period until 27 July 2024.
- On 6 September 2023, PKP CARGO concluded four transport contracts with PGE Group companies (PGE Górnictwo i Energetyka Konwencjonalna S.A. with its registered office in Bełchatów, PGE Energia Ciepła S.A. with its registered office in Warsaw (Principal) to provide the Principal with rail transport services of hard coal and calcium sorbents with the total maximum weight of 18.26 million tons. The contracts will be in effect from 6 September 2023 to 5 March 2026. The estimated maximum net value of the contracts during their term is PLN 986.38 million (gross value of PLN 1,213.24 million).
- On 15 September 2023, PKP CARGO S.A. entered into a Master Lease Agreement with PKO Leasing S.A. in Warsaw for the lease of fixed assets up to the total net value of fixed assets of PLN 200 million plus interest and borrowing costs.
- On 26 September 2023, the Parent Company entered into an investment loan agreement with the European Investment Bank up to the maximum amount of EUR 80 million.
- On 26 September 2023, a subsidiary (PKP CARGOTABOR USŁUGI sp. z o.o.) signed a sale agreement for State defense and security purposes, selling assets of the former Fabryka Wagonów Gniewczyna S.A. in Gniewczyna Łańcucka to the State Treasury, the Regional Board of Infrastructure in Lublin, i.e. to an entity organizationally subordinated to the Minister of National Defense.
- On 6 October 2023, the Management Board of PKP CARGO signed an arrangement with the Trade Unions (Professional Section of NSZZ "Solidarity" of the PKP CARGO Group, the Federation of Trade Unions of Railway Workers, the National Secretariat of Railway Workers NSZZ "Solidarity"-80) regarding the additional one-time payment of an award to employees. The total estimated cost will be PLN 12.7 million (to be paid out by 10 December 2023) On 19 October 2023, PKP CARGO signed an annex to the overdraft facility agreement with Bank Gospodarstwa Krajowego for the maximum amount of up to PLN 100 million extending the availability of the facility until 24 February 2023.
- On 19 October 2023, PKP CARGO S.A. signed an annex to the overdraft facility agreement with Bank Gospodarstwa Krajowego for the maximum amount of up to PLN 100 million extending the loan availability until 29 February 2024.
- On 27 October 2023, PKP CARGO S.A. signed a Master Lease Agreement with PKO Leasing S.A. up to the total net price of assets purchased for lease purposes not exceeding PLN 200 million. The loan is available for 12 months from the signing of the Master Lease Agreement.
- On November 21st, 2023, PKP CARGO S.A. received two interest notes from one of the contractors amounting to PLN 23.4 million caused by the delays in payment. Having analyzed the notes in question, PKP CARGO S.A. decided to recognize the amount of interest accrued for the period until September 30th, 2023 in the total amount of PLN 20.9 million in the Quarterly Consolidated Financial Statements.

4. Analysis of the financial situation and assets of the PKP CARGO Group

4.1 Economic and financial highlights of the PKP CARGO Group

4.1.1. Financial highlights of the PKP CARGO Group and PKP CARGO S.A.

Table 16 Financial highlights of the PKP CARGO Group

PKP CARGO Group	in PLN million[69]		EUR million	
	9M 2023	9M 2022	9M 2023	9M 2022
Exchange rates (PLN/EUR)			**4.5773**	**4.6880**
Operating revenue	4 198,3	3 854,4	917,2	822,2
Operating profit / loss	259,0	98,3	56,6	21,0
Profit / loss before tax	132,8	1,7	29,0	0,4
Net profit / loss	101,9	(4,7)	22,3	(1,0)
Total comprehensive income attributable to the owners of the parent company	53,5	50,4	11,7	10,8
Weighted average number of shares	44 786 917	44 786 917	44 786 917	44 786 917
Weighted average number of shares taken into account to calculate diluted profit	44 786 917	44 786 917	44 786 917	44 786 917
Earnings / losses per share (PLN)	2,28	(0,11)	0,50	(0,02)
Diluted earnings / losses per share (PLN)	2,28	(0,11)	0,50	(0,02)
Net cash flow from operating activities	1 089,6	572,2	238,0	122,1
Net cash flow from investing activities	(726,2)	(593,5)	(158,7)	(126,6)
Net cash flow from financing activities	(327,6)	(110,2)	(71,5)	(23,5)
Movement in cash and cash equivalents	35,8	(131,5)	7,8	(28,0)
	30 Sep 2023	**31 Dec 2022**	**30 Sep 2023**	**31 Dec 2022**
Exchange rates (PLN/EUR)			**4.6356**	**4.6899**
Non-current assets	6 994,6	6 354,1	1 508,9	1 354,8
Current assets	1 271,8	1 305,8	274,4	278,4
Non-current assets classified as held for sale	23,8	0,3	5,1	0,1
Share capital	2 239,3	2 239,3	483,1	477,5
Equity attributable to the owners of the parent company	3 286,4	3 232,9	709,0	689,3
Non-current liabilities	2 576,2	2 344,6	555,7	499,9
Current liabilities	2 427,6	2 082,7	523,7	444,1

Source: Interim Condensed Consolidated Financial Statements of the PKP CARGO Group for the period of 9M ended 30 September 2023 prepared according to EU IFRS.

[69] To facilitate the reading of this document, some figures have been rounded off, which will not cause any significant deviations in the presented data. In all cases of possible distortions, the data are presented with greater accuracy.

Table 17 Financial highlights of PKP CARGO S.A.

PKP CARGO S.A.	in PLN million[70]		EUR million	
	9M 2023	9M 2022	9M 2023	9M 2022
Exchange rates (PLN/EUR)			**4.5773**	**4.6880**
Operating revenue	3 231,2	2 842,5	705,9	606,3
Operating profit / loss	195,6	39,2	42,7	8,4
Profit / loss before tax	105,5	(28,8)	23,0	(6,1)
Net profit / loss	85,6	(23,5)	18,7	(5,0)
Comprehensive income	62,9	(17,4)	13,7	(3,7)
Weighted average number of shares	44 786 917	44 786 917	44 786 917	44 786 917,0
Weighted average number of shares taken into account to calculate diluted profit	44 786 917	44 786 917	44 786 917	44 786 917,0
Earnings / losses per share (PLN)	1,91	(0,52)	0,42	(0,11)
Diluted earnings / losses per share (PLN)	1,91	(0,52)	0,42	(0,11)
Net cash flow from operating activities	978,3	487,2	213,7	103,9
Net cash flow from investing activities	(637,5)	(543,4)	(139,3)	(115,9)
Net cash flow from financing activities	(310,4)	(46,8)	(67,8)	(10,0)
Movement in cash and cash equivalents	30,4	(103,0)	6,6	(22,0)
	30 Sep 2023	**31 Dec 2022**	**30 Sep 2023**	**31 Dec 2022**
Exchange rates (PLN/EUR)			**4.6356**	**4.6899**
Non-current assets	6 648,6	5 948,0	1 434,3	1 268,3
Current assets	781,2	800,0	168,5	170,6
Non-current assets classified as held for sale	-	0,1	-	-
Share capital	2 239,3	2 239,3	483,1	477,5
Equity attributable to the owners of the parent company	2 986,2	2 923,3	644,2	623,3
Non-current liabilities	2 202,8	1 985,9	475,2	423,4
Current liabilities	2 240,8	1 838,9	483,4	392,2

Source: Interim Condensed Standalone Financial Statements of PKP CARGO S.A. for the 9M ended 30 September 2023.

The following average PLN to EUR exchange rates set by the National Bank of Poland have been used to translate selected financial data in the periods covered by the Interim Condensed Consolidated Financial Statements of the PKP CARGO Group and the Interim Condensed Standalone Financial Statements of PKP CARGO S.A. for the period of 9M ended 30 September 2023:

- exchange rate on the last day of the reporting period: 30 September 2023: EUR 1 = PLN 4.6356; 31 December 2022: EUR 1 = PLN 4.6899;
- average exchange rate in the period calculated as the arithmetic mean of the exchange rates prevailing on the last day of each month in the respective period: 1 January – 30 September 2023: EUR 1 = PLN 4.5773, 1 January – 30 September 2022: EUR 1 = PLN 4.6880.

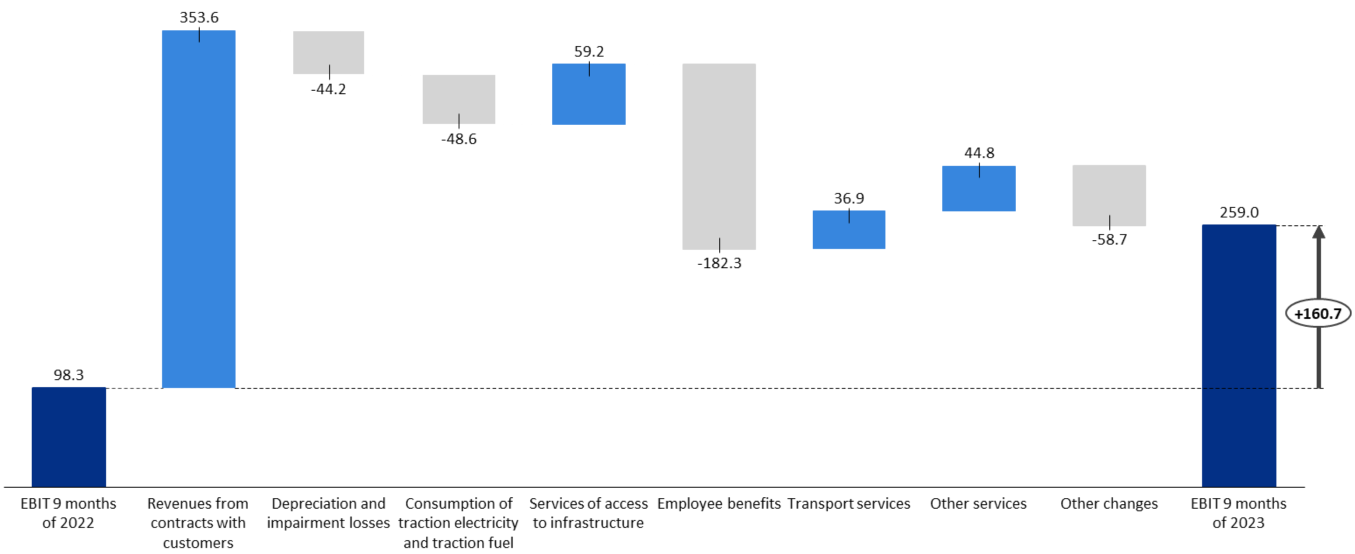
[70] To facilitate the reading of this document, some figures have been rounded off, which will not cause any significant deviations in the presented data.
In all cases of possible distortions, the data are presented with greater accuracy.

4.1.2. Analysis of selected financial highlights of the PKP CARGO Group

Statement of profit or loss of the PKP CARGO Group

During the first 9 months of 2023, EBIT reached PLN 259.0 million, marking an improvement compared to the corresponding period of 2022 by PLN 160.7 million.

Figure 17 EBIT in 9M 2023 as compared to the corresponding period in 2022 (PLN million)



Source: Proprietary material

The following is a description of the most significant deviations affecting EBIT in the first 9 months of 2023 as compared to the first 9 months of 2022:

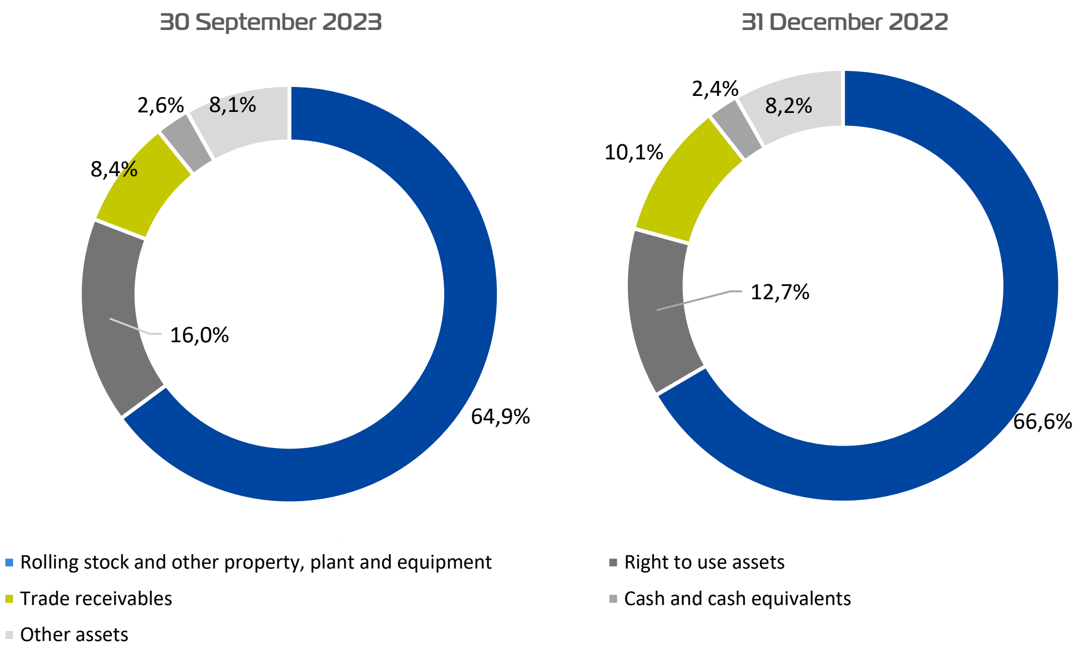
- an increase in revenues from contracts with customers (including predominantly revenues from transport and freight forwarding services and also, without limitation, siding and traction services and transshipment services) as a direct consequence of the increase in freight rates. The details pertaining to the PKP CARGO Group's transport services are described in section **3.2.5 PKP CARGO Group's rail transport business**.
- an increase in depreciation and impairment allowances resulting from higher capital expenditures (predominantly expenditures on rolling stock) in 2023;
- an increase in the costs of consumption of electricity and traction fuel resulting chiefly from an increase in prices of energy contracted on the Polish Power Exchange (POLPX), with a concurrent decrease in the costs of consumption of traction fuel;
- an increase in the costs of employee benefits, including in connection with the signing of agreements on wage increases as of June 2022 and January 2023 and a one-time award for employees in July 2023, with a concurrent decline in the total number of employees. The detailed changes in headcount are presented in section **3.4 Headcount**;
- a decrease in the costs of other services was driven mainly by the lower costs of land reclamation services and rents and fees for the use of real properties and rolling stock, with a concurrent increase in the cost of repair and maintenance of non-current assets and other services;
- the adverse impact of the "other changes" item was caused by, among other factors, higher costs of interest on trade payables, lower income from sales of non-financial non-current assets (included in deferred income), higher cost of consumption of materials and consumption of electricity, gas and water, offset by an increase in costs of materials sold.

Statement of financial position of the PKP CARGO Group

ASSETS

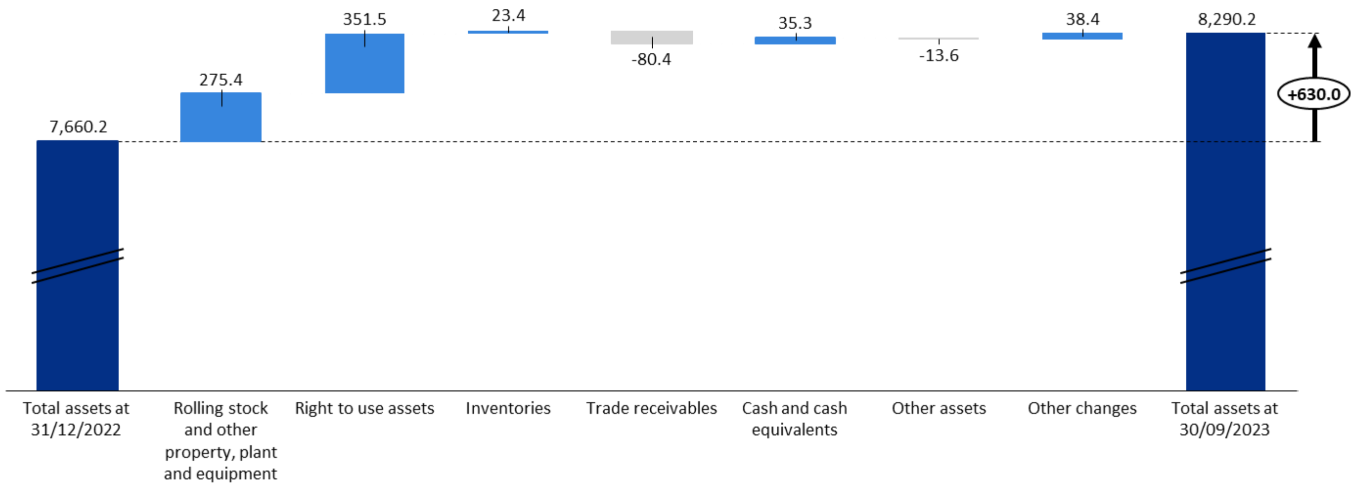
The biggest share in the PKP CARGO Group's asset structure as at 30 September 2023 was held by rolling stock and other property, plant and equipment, which in aggregate accounted for 64.8% of total assets, compared to 66.6% as at 31 December 2022. Among current assets, the biggest share in total assets during the period was attributable to trade receivables the value of which accounted for 8.3% of the Company's total assets (8.4% with non-current assets).

Figure 18 Structure of assets – as at 30 September 2023 and 31 December 2022



Source: Proprietary material

Figure 19 Movement in the Group's assets in the first 9 months of 2023 (PLN million)



Source: Proprietary material

The most significant changes affecting the value of assets as at 30 September 2023 as compared to 31 December 2022 are discussed below:

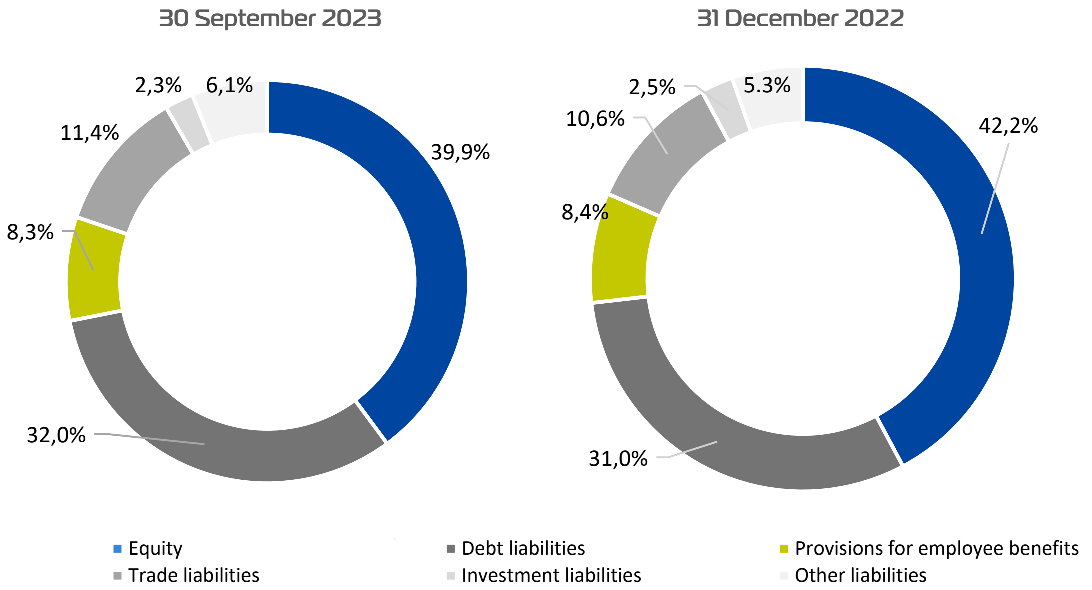
- increase in the value of rolling stock and other property, plant and equipment as a result of the investments made in the first 9 months of 2023 in property, plant and equipment (predominantly rolling stock) in excess of depreciation;
- increase in right-of-use assets resulting mainly from the excess of rights over depreciation. Right-of-use assets mainly related to rolling stock, including locomotive leasing and sale and leaseback of locomotives;
- increase in the value of inventories (mostly strategic inventories and other inventories) as a consequence of the higher purchase cost of new inventories and the purchase of wheel sets and monoblock wheels in connection with the implementation of a project co-funded by the EU;
- decrease in trade receivables due to active management of working capital;
- increase in cash by PLN 35.3 million resulting predominantly from expenditures related to the acquisition of non-financial non-current assets in the amount of PLN 910.2 million, repayment of loans, borrowings and leases along with interest in the amount of PLN 493.3 million, with simultaneous proceeds from operating activities of PLN 1 089.6 million and proceeds from loans of PLN 149.4 million;

- increase in the “other changes” line item, mainly due to an increase in deferred tax assets and assets classified as held for sale;

EQUITY AND LIABILITIES

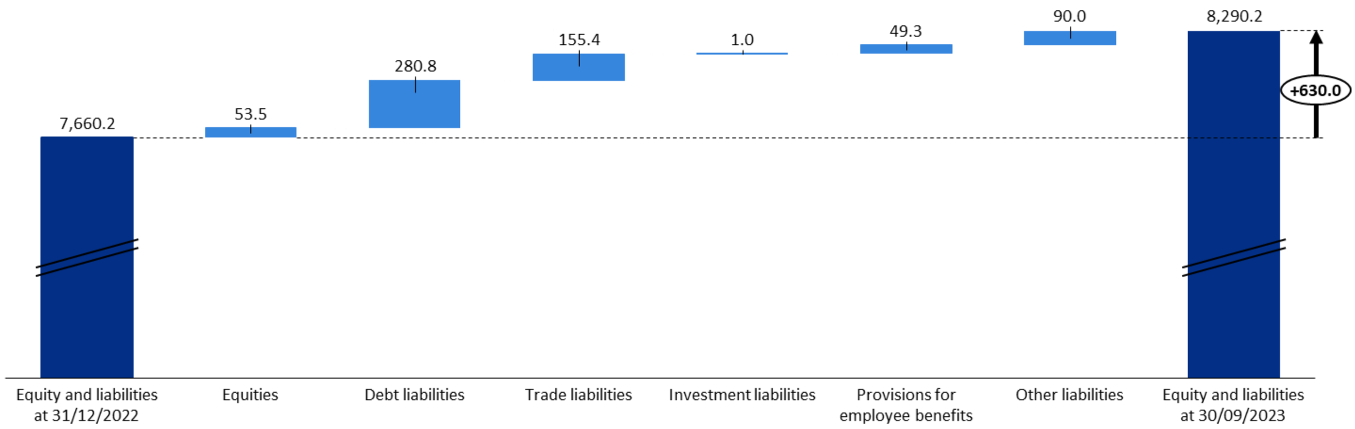
The largest share in the structure of the PKP CARGO Group’s equity and liabilities as at 30 September 2023 was attributable to equity, which accounted for 39.6% of the sum of equity and liabilities, compared to 42.2% as at 31 December 2022. Debt liabilities accounted for 32.0% of total equity and liabilities, compared to 31.0% as at 31 December 2022.

Figure 20 Structure of the Group’s equity and liabilities as at 30 September 2023 and 31 December 2022



Source: Proprietary material

Figure 21 Movement in the Group’s equity and liabilities in the first 9 months of 2023 (PLN million)



Source: Proprietary material

The most significant changes affecting the value of equity and liabilities as at 30 September 2023, as compared to 31 December 2022, are discussed below:

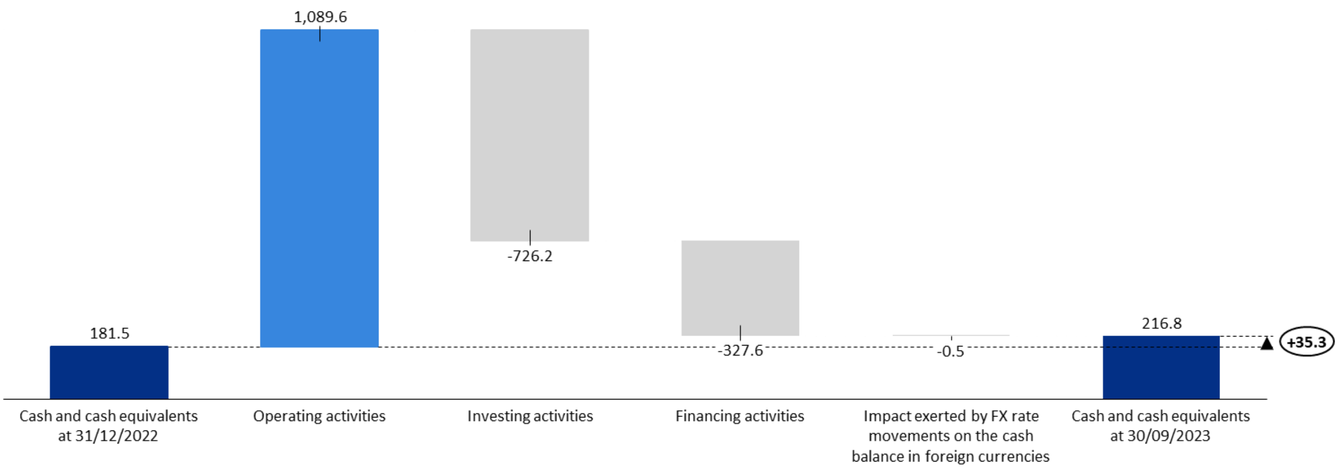
- increase in equity mainly due to the positive net result for 9 months of 2023 reported by the PKP CARGO Group;
- increase in new liabilities incurred on account of loans, borrowings and leases in the amount of PLN 446.3 million, modification of existing lease agreements in the amount of PLN 63.8 million and a concurrent repayment of principal under loans, borrowings and leases of PLN 384.8 million. Detailed information on debt liabilities is presented in **Note 4.1 to the Consolidated Financial Statements**;

- increase in provisions for employee benefits, chiefly as a result of a change in the discount rate from 6.8% as at 31 December 2022 to 5.75% (change made as at 30 June 2023). This change caused a decrease in provisions for employee benefits by PLN 74.1 million;
- increase in trade payables mainly as a result of active working capital management;
- increase in the value of other changes was caused largely by the increase in liabilities on account of contracts with customers, an increase in other settlements and an increase in cash pool liabilities;

4.1.3 Statement of cash flows of the PKP CARGO Group

The value of cash and cash equivalents as at 30 September 2023 increased by PLN 35.3 million compared to 31 December 2022.

Figure 22 Cash flows of the PKP CARGO Group in the first 9 months of 2023 (PLN million)



Source: Proprietary material

- positive cash flows from operating activities were achieved concurrently with, among others, profit before tax of PLN 132.8 million, depreciation and impairment allowances of PLN 594.4 million and positive cash flows from changes in working capital of PLN 344.4 million;
- negative cash flows from investing activities resulted mainly from investments in the acquisition of non-financial non-current assets amounting to PLN 910.2 million (including investments in rolling stock), offset by proceeds from the sale of non-financial non-current assets amounting to PLN 171.4 million;
- negative cash flows from financing activities reflect mainly the effect of the repayment of loans and leases with interests in the amount of PLN 493.3 million, offset by inflows from new loans in the amount of PLN 149.4 million.

4.1.4 Selected financial and operating ratios of the PKP CARGO Group

The table below presents the PKP CARGO Group's key financial and operating ratios in the first 9 months of 2023 compared to the corresponding period of the previous year.

Table 18 Key financial and operating ratios of the PKP CARGO Group in 9M 2023 as compared to the corresponding period of 2022

Item	9 months 2023	9M 2022	Change	Rate of change
			2023 - 2022	2023 - 2022
EBITDA margin[1]	20,3%	16,8%	3,5	20,8%
Net profit margin (ROS)[2]	2,4%	-0,1%	2,5	-
ROA[3]	3,1%	-1,0%	4,1	-
ROE[4]	7,7%	-2,5%	10,2	-
Average distance covered per locomotive (km per day)[5]	213,7	212,2	1,5	0,7%
Average gross train tonnage per operating locomotive (tons)[6]	1 516,0	1 527,0	-11,0	-0,7%
Average running time of train locomotives (hours per day)[7]	14,3	14,1	0,2	1,4%
Freight turnover per employee (thousands tkm/employee)[8]	852,1	993,9	-141,8	-14,3%

Source: Proprietary material

1. Calculated as the ratio of the operating result plus depreciation and amortization (EBITDA) to total operating revenue.
2. Calculated as the ratio of net result to total operating revenue.
3. Calculated as the ratio of net result for the last 12 months to total assets.
4. Calculated as the ratio of net profit for the last 12 months to equity.
5. Calculated as the ratio of vehicle-kilometers (i.e. the distance covered by the Group's vehicles in the given period) to vehicle-days (i.e. the product of the number of active vehicles and number of calendar days in the respective period).
6. Calculated as the quotient of gross ton-kilometers and train-kilometers in train work in relation to the locomotives driving the train (in dual traction or pushing the train in the respective period).
7. Calculated as the quotient of vehicle-hours (i.e. the number of hours of work of the Group's vehicles in the given period) and vehicle-days (i.e. the product of the number of active vehicles and number of calendar days in the given period).
8. Calculated as the ratio of freight turnover to the average headcount (in FTEs) in the Group in the given period.

The above metrics are Alternative Performance Measures (APMs). In the Company's opinion, they provide significant information on the Group's financial standing, efficiency of operations and profitability. The APMs applied by the Group should be treated only as additional information and should be viewed in parallel with the Group's financial statements as they facilitate the analysis and assessment of the Group's financial performance in the reporting periods. They also provide useful information on the Group's financial standing and, in the Company's opinion, enable an optimal assessment of the Group's financial performance. The metrics applied by the Group were calculated in accordance with the formulas mentioned above.

To assess the performance of the PKP CARGO Group, the following basic financial indicators may be applied: EBITDA margin, net profit margin, ROA, ROE, and the following basic operational indicators: average daily mileage, average daily running time of locomotives and average train weight per locomotive, which reflect the freight volume and the degree of utilization of traction vehicles.

- in 9 months of 2023, the EBITDA margin improved slightly, chiefly due to the significant increase of operating revenue. Detailed information on the reasons for movement in EBITDA and the net result is presented in section **5.3. Key economic and financial figures of the PKP CARGO Group;**
- improvement in the ROA and ROE ratios coupled with the return on sales (ROS), largely due to the better net result in the period under analysis;
- decrease in the average gross tonnage per locomotive as a result of a change in the structure of freight transported;
- decrease in the freight turnover per employee ratio, reflecting predominantly a decrease in freight turnover by 15.9%, with a concurrent decrease in the average headcount expressed in FTEs by 1.9%.

4.2 Factors that will affect financial performance in the next quarter

Macroeconomic environment

The macroeconomic environment is having an increasingly negative impact on the activities of the Group's companies, as a result of low domestic consumption (due to high inflation and economic slowdown) and the lack of real GDP growth in the European economic partners, which unfortunately translates into lower demand for products and transportation. Adding to the global economic slowdown, the sharp decline of Poland's GDP growth led to a significant reduction in the activity of manufacturing companies, which in turn resulted in a decline in the volume of rail freight traffic and the demand for freight forwarding services. A favorable trade balance (due to a decrease in imports as a result of lower domestic consumption and production, while maintaining a relatively good export activity) will keep economic activity in Poland at a relatively good level. The high level of inflation has a negative impact on both companies, which have to cut back on all their spending due to rising business costs, as well as consumers, whose activity is also severely restricted. As a result, the GDP growth rate slowed sharply and even turned negative in some quarters. The high cost of capital and the uncertainty in the market result in a persistently low level of private sector investment, which unfortunately may have a negative impact on the country's future growth capacity and therefore on the transportation market as a whole. The low level of unemployment is driven mainly by demographic changes, which will gradually lead to a shortage of workers in many areas and difficulties in attracting new ones, which is already affecting the transportation market.

Armed conflict in Ukraine

The main hazard and a factor that significantly affects PKP CARGO Group's performance is the war in Ukraine and its economic consequences. Russia's aggression against Ukraine has caused many changes and breaks in economic relations, but it also led to the emergence of new (previously unexpected) relations. The reduction of trade with Russia and Belarus as a result of economic sanctions imposed mainly by Western countries (including the European Union) has caused damage to many Polish companies that previously focused on this direction of economic exchange (due to geographical proximity) and led to a sharp decline in rail freight transport. The successive packages of sanctions imposed by the European Union included, among others, ores, metal products and metals, cement and timber (which were the commodities that built the strength of rail freight from that direction in the past). However, this embargo and the price cap on oil and petroleum products (from December of the previous year and February of this year) has put a dent in Russia's budget revenues and forced it to adjust, which has complicated the country's internal situation (as manifested by shortages at gas stations and attempts to reduce the gray area in exports). Work is currently under way on regulations to seal the restrictions in trade with Russia and to eliminate the intermediaries that help the aggressor state to sidestep the restrictions. The Group companies that served the Russian and Belarusian directions have noted a noticeable impact of the decrease in shipments on their current operations. Even though their business has been partially redirected to other areas, they are forced to continue to look for new clients, especially in the area where they operate and among their suppliers who are interested in cooperation in logistics processes.

Despite numerous problems and difficulties (caused, among other things, by the current internal politics of both countries), there is a noticeable increase in economic relations between Poland and Ukraine, which is due to the need to supply our neighbor with goods necessary for its defense, but also for the daily functioning of the state and its citizens. We should also note the increase in economic activity in Ukraine, which is to some extent related to the ongoing war, however this is a positive signal and may be the basis for further increase in the exchange of industrial goods, but also in other market segments (this process can be observed, among others, in the activities of PKP CARGO CONNECT and other PKP CARGO Group companies). The Group companies provide freight transport services for a highly diversified range of goods, including export and transit of fuels, import and transit of metals and metal products, transit of grain as well as intermodal transport. So far, however, the parties have undertaken no increased efforts to develop the infrastructure in the border area, which would significantly increase the border capacity and the efficiency of the performed transports. In selected areas, Poland continues to record growth in economic exchange of up to several dozen percent, but problems with Ukrainian grain may have a real impact on this cooperation.

PKP CARGO Group companies and PKP CARGO S.A. as the largest company in the Group, are constantly monitoring and analyzing all legal changes as well as the actual state of cargo transport operations because of the dynamic changes in the market caused directly or indirectly by the war in Ukraine. 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 the resumption of trade on a significant scale would allow them to exploit most of their potential, since they are naturally oriented towards the Eastern markets. Unfortunately, due to the aggression of Russia and the actions of Belarus, this is not possible and may not become a real possibility in the coming years. Therefore, it is crucial to continue diversification or even gradually change the character of the business.

Climate

We can observe a growing influence of the climate on the activities of PKP CARGO Group companies, which is due to: climate change (which naturally leads to changes in the operation of entire sectors of the economy) and the fact that Poland has transferred its prerogatives in this respect to the European Union level (and as a result, Polish companies are fully subject to the effects of Community legislation in this respect). In particular, transportation and construction in the broadest sense are areas that will be subject to EU policy regulations on environmental impact fees in the near future. In the area of rail transport, it may become crucial to ensure the supply of electricity from low-carbon sources, which should reduce the level of environmental charges. Another priority is to continue to gradually modernize and acquire new means of transport (which includes the modernization of diesel locomotives with a view to replacing them with e.g. hydrogen locomotives) to ensure that they meet the requirements, which are increasing on a yearly basis, and do not generate additional emissions-related costs. Equally fundamental is the need to modernize the entire real estate base (including transshipment terminals), which can be a significant burden if key environmental standards (which will be rapidly tightened in the coming years) are not met. The low energy efficiency of a significant part of the facilities creates the need to urgently modernize them and, if possible, retrofit them with their own energy sources, which will benefit future operating costs, but will be a very costly process. The climate has a multidimensional impact on the activities of the Group's companies. We are also seeing growing demands from our customers, who are increasingly considering the environmental impact of the transportation process as an element of the offer. This is demonstrated, among others, by a change in the structure of transported goods (including a gradual departure from the transport of bulk goods), the directions of transport, as well as the requirements for rolling stock, terminals and the entire logistic process (taking into account the environmental impact and the carbon footprint of the suppliers of the Group companies). The PKP CARGO Group companies recognize these challenges, modernize the means of transport and try to win orders in new promising areas, which is a response to the rapidly changing reality and processes that are transforming the entire economy at a very fast pace.

Market for commodities and aggregates

There has been an increase in demand for the transportation of aggregates for infrastructure construction, due to the increased activity of ongoing road and rail construction projects. Another factor increasing the transportation business is favorable weather, which allow the construction process to continue. One of the factors that reduces the level of freights are restrictions on procurement/extraction of aggregate. The building construction segment has suffered a decline recently due to the lack of new housing projects; this has a significant impact on the demand for construction materials such as gravel for concrete, lime, cement and

raw materials for their production, such as ash, slag (the acquisition of these raw materials depends on the level of steel production (blast furnace slag) and the quality of ash from the combustion of coal in power plants).
In summary, the outlook for the next quarter in the construction segment is moderately optimistic. The favorable weather favors shipments of aggregates, which account for the largest percentage of shipments in the segment

Market for intermodal transport services

Shipments on the New Silk Road fell by approx. 75.53% in terms of freight volume compared to Q3 2022. Such a large decrease is due to the ongoing conflict in Ukraine, but is also driven by the increase in rail transportation prices, while ocean transportation prices were falling. This has led to greater interest in maritime shipping and China's increased exports to other Eastern partners. Huge congestion at border crossings with Ukraine (Medyka Gr, Dorohusk Gr) and in terminals supporting the border crossing do not help the situation in the transport sector. The related complications prevent the parties involved from increasing the intensity of transport operations in this region. The long handling times mean that transport services are being taken over by the providers of road transport services. Another factor important for intermodal transport is the repairs of the infrastructure in the East-West corridor and in Olsztyn. This has significantly reduced throughput and increased the cost of transporting goods due to a detour. This has resulted in a shift to trucks and a loss of market for rail carriers.

Rail infrastructure access charges

Infrastructure in Poland

Under the Rail Transport Act and the Regulation of the Minister of Infrastructure and Construction of 7 April 2017 on the Provision of Rail Infrastructure (Journal of Laws of 2017, item 755, as amended) all infrastructure managers must abide by the pertinent regulations regarding the acquisition of rights to order/refuse timetables, the charging of fees for related line access and the provision of service infrastructure facilities.
On the domestic infrastructure, in the timetable for 2022/2023, changes were made to the price lists from previous timetables with regard to access to the PKP PLK S.A. infrastructure, mostly in the unit rate of the basic and shunting fee and removal of an additional component of the unit rate of the basic fee related to the type of transport. In their price lists, private rail infrastructure operators apply rates applicable to earlier timetables or higher ones.

International infrastructure.

PKP CARGO S.A. is party to and continues to enter into agreements for access to infrastructure with managers of international rail networks for the pertinent timetable periods. In all countries, price lists and settlement rules are public information and are available on the websites of infrastructure managers.
In 2023, the most important activities of foreign managers included the continued operation of the program for co-financing the use of freight train routes administered by the German public infrastructure manager DB Netz.
In Austria, starting from 1 January 2023, reimbursements for access to infrastructure (previously granted automatically by the Infrastructure Administrator due to COVID-19) took the form of subsidies to Rail Infrastructure Access Charges from Schig (a body appointed by the Federal Ministry of Climate Protection, the Environment, Energy and Mobility in Austria) with the requirement to submit a pertinent application and join the subsidy program, including by the signing of a contract (from January to the end of March, 50% reimbursement of infrastructure fees to rail carriers for the passage of loaded and empty trains; after signing an annex with Schig, from April to December 2023, 100% reimbursement, as above).

Price level of traction fuel and energy

The price of traction fuel, compared to previous financial periods, has fallen by 9% from the previous quarter and by 23% from the beginning of the year. In Q1 and April 2023, the price remained at a good high level. A sharp decline occurred in May, in the order of 200-400 PLN/t. Prices rose slightly in the third quarter. Due to geopolitical conditions, namely the war in Ukraine and the level of economic indicators, it is difficult to clearly predict the further development of the prices of this commodity. Going forward, the price of electricity will be determined mainly by the ongoing energy crisis.

Changes in the legal environment

A significant increase in the minimum wage as of 1 January 2023 and another as of 1 July 2023 has contributed to the increasing cost of employment, including the higher burden of social security contributions under current legislation.
Numerous amendments to the Labor Code granting a number of additional rights to employees, including extended parental leave, leaves of absence in cases of force majeure, as well as the use of flexible forms of working time organization and the performance of

employee duties remotely, force the employer to introduce numerous amendments to procedures and internal regulations. Additionally, introduction of the ability to verify the sobriety of employees or to check the presence of substances with effects similar to those of alcohol obligates employers to purchase certain devices with valid documents confirming their calibration.

Benefits

Due to the lifting of the state of epidemic emergency on 1 July 2023, it became necessary to perform a large number of periodic medical check-ups of PKP CARGO S.A. employees by 31 December 2023, the validity of which has been extended due to the COVID-19 pandemic.
Due to the increase in costs of benefits provided by Rail Occupational Medicine Unit as of 1 March 2023, the factor specified above will affect financial performance in the next quarter.

4.3 Management Board's stance with respect to the possibility of realizing previously published result forecasts for the year

PKP CARGO S.A. S.A. has not published any financial forecasts for 2023.

4.4 Information about production assets

4.4.1 Rolling stock

The PKP CARGO Group's rolling stock is maintained by repair shops operating within the structures of PKP CARGO S.A. Units and in subsidiaries. The PKP CARGO Group's rolling stock repair and maintenance organization is qualified to repair and maintain wagons, electric locomotives at all the maintenance levels from P1 to P5 and to repair diesel locomotives at maintenance levels from P1 to P4. In addition to the rolling stock owned by the PKP CARGO Group, the Group's establishments also repair rolling stock and sub-assemblies for other owners.
On top of regularly-scheduled activities the points of repair functioning in the PKP CARGO Group's structures conduct ongoing repairs to the rolling stock to fix the defects that appear in the rolling stock during the course of its operation. The quantity of current repairs of the rolling stock depends on the freight turnover.
The PKP CARGO Group production assets include wagons and traction rolling stock the quantity of which changes as a result of sales, purchases and scrapping of rolling stock components. Moreover, the quantity of rolling stock is affected by completed repairs of electric machines and wheel sets for refurbished wagons (periodic repairs combined with the replacement of rims or the replacement of monoblock wheels). Competences related to the repair of the most significant components of the circulation reserve – electric machines and wheel sets – are held by PKP CARGOTABOR, which carries out the full range of repairs of electric machines used in the locomotives operated by the PKP CARGO Group.

Figure 23 Structure of rolling stock used by the PKP CARGO Group

	DIESEL LOCOMOTIVES	ELECTRIC LOCOMOTIVES	WAGONS OWNED AND IN LEASE
30/09/2023	713	841	52.637
30/06/2023	726	839	53.142
31/12/2022	731	816	53.459

4.4.2 Real estate

In the transport process, due to the necessity to guarantee appropriate maintenance and repair support, real estate plays an important role. The majority of real estate held by the Group is used on the basis of long-term lease and rental agreements. The table below presents changes in real estate owned and used by the PKP CARGO Group during the first 9 months of 2023.

Table 19Real estate owned and used by the PKP CARGO Group as at 30 September 2023* and 31 December 2022.

Item	30 Sep 2023	31 Dec 2022	Change 2023-2022
Land – owned, in perpetual usufruct and leased from other entities [ha]	1,408	1,406	2
Buildings – owned, leased and rented from other entities [m^2]	729,690	722,756	6,934

**On 26 September 2023, the ownership of the real estate of the former Gniewczyna Wind Farm in Gniewczyna was transferred by notarial deed to an external contractor (own land, perpetual usufruct land 33 ha, own buildings 47,213 sqm), The property will be released in Q4 2023.*
Source: Proprietary material

The increase in the area of the land and buildings used (owned, leased and rented from other entities) is a result of the ongoing verification of the quantum of assets required by the Parent Company and its subsidiaries and its adaptation to the scale and profile of their business activities. In the period in question, the largest impact was due to the increase in the sub-lease of real estate by PKP CARGOTABOR.

5. Other key information and events

5.1 Proceedings pending before courts, arbitration bodies or public administration authorities

PKP CARGO S.A. and its subsidiaries did not participate in any major proceedings pending before courts, arbitration bodies or public administration authorities in cases concerning liabilities or receivables of PKP CARGO S.A. or its subsidiaries, except for those disclosed in the consolidated financial statements, in particular in the notes concerning contingent liabilities.

5.2 Information on transactions with related parties

In the first 9 months of 2023, no entity from the PKP CARGO Group entered into any transactions with related parties on non-market terms.
Detailed information on transactions with related parties is presented in **Note 7.1 to the CFS**.

5.3 Information on extended guarantees and sureties for loans or borrowings

PKP CARGO S.A. and its subsidiaries did not extend any sureties for loans or borrowings and did not grant guarantees to a single entity or subsidiary of such entity whose total amount would be material.

5.4 Other information of relevance for evaluation of the employment situation, financial standing, financial performance, assets and their movements as well as information of relevance for assessment of the ability of the Issuer and other Group companies to pay their debts

Other than the information presented in this Report, no other information has been identified that would be of relevance for evaluation of the employment situation, financial standing, financial performance, assets or their movements or information of relevance for assessment of the ability of the issuer to pay its debts.

This Additional Information to the Consolidated Quarterly Report has been prepared by the PKP CARGO S.A. Management Board.

Parent Company's Management Board

Dariusz Seliga
President of the Management Board

Marek Olkiewicz
Management Board Member

Jacek Rutkowski
Management Board Member

Maciej Jankiewicz
Management Board Member

Zenon Kozendra
Management Board Member

Warsaw, 29 November 2023

For more information on PKP CARGO please contact:

PKP CARGO S.A.

Grójecka 17 Street
02-021 Warsaw

phone: +48 22 391 47 09
e-mail: relacje.inwestorskie@pkpcargo.com