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Standalone Financial Statements

of PKP CARGO S.A. for the financial year ended 31 December 2023 prepared in accordance with IFRS EU

PKPCARGO

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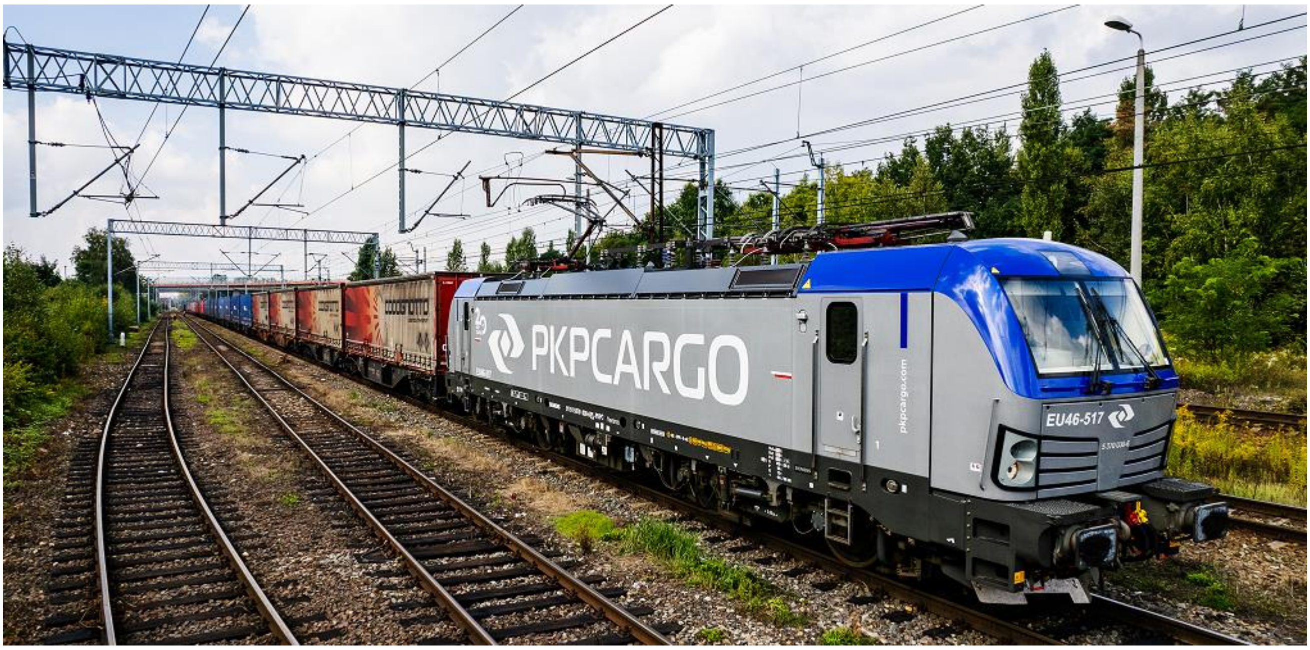
(in millions of PLN) (translation of a document originally issued in Polish)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	2023	2022	
Revenues from contracts with customers	4,225.5	4,003.6	*Note 2.1*
Consumption of traction electricity and traction fuel	(746.9)	(686.5)	*Note 2.2*
Services of access to infrastructure	(462.6)	(550.6)	
Other services	(373.5)	(408.1)	*Note 2.2*
Employee benefits	(1,475.9)	(1,286.3)	*Note 2.2*
Other expenses	(234.9)	(214.9)	*Note 2.2*
Other operating revenue and (expenses)	(63.1)	(6.7)	*Note 2.3*
Operating profit without depreciation (EBITDA)	**868.6**	**850.5**	
Depreciation, amortization and impairment losses	(676.4)	(608.3)	*Note 2.2*
Profit on operating activities (EBIT)	**192.2**	**242.2**	
Financial revenue and (expenses)	(135.0)	(115.3)	*Note 2.4*
Profit before tax	**57.2**	**126.9**	
Income tax	(12.0)	(24.2)	*Note 3.1*
NET PROFIT	**45.2**	**102.7**	
OTHER COMPREHENSIVE INCOME			
Measurement of hedging instruments	44.0	(6.8)	*Note 6.1*
Income tax	(8.4)	1.3	*Note 3.1*
Total other comprehensive income subject to reclassification in the financial result	**35.6**	**(5.5)**	
Actuarial profits / (losses) on post-employment benefits	(86.6)	16.5	*Note 5.11*
Income tax	16.5	(3.1)	*Note 3.1*
Measurement of equity instruments at fair value	3.8	-	
Total other comprehensive income not subject to reclassification in the financial result	**(66.3)**	**13.4**	
Total other comprehensive income	**(30.7)**	**7.9**	
TOTAL COMPREHENSIVE INCOME	**14.5**	**110.6**	
Earnings per share (PLN per share)			
Weighted average number of ordinary shares	44,786,917	44,786,917	
Basic earnings per share	**1.01**	**2.29**	
Diluted earnings per share	**1.01**	**2.29**	



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

STATEMENT OF FINANCIAL POSITION

	31/12/2023	31/12/2022	
ASSETS			
Rolling stock	4,078.1	3,778.1	*Note 5.1*
Other property, plant and equipment	411.1	459.5	*Note 5.1*
Rights-of-use assets	1,162.4	653.1	*Note 5.2*
Investments in related parties	897.1	858.0	*Note 5.3*
Lease receivables	29.6	22.1	*Note 5.6*
Financial assets	23.4	4.9	*Note 5.7*
Other assets	31.6	36.6	*Note 5.8*
Deferred tax assets	135.6	135.7	*Note 3.1*
Total non-current assets	**6,768.9**	**5,948.0**	
Inventories	92.3	97.7	*Note 5.4*
Trade receivables	468.0	532.7	*Note 5.5*
Lease receivables	2.9	1.5	*Note 5.6*
Financial assets	4.6	-	*Note 5.7*
Other assets	112.0	112.9	*Note 5.8*
Cash and cash equivalents	120.2	55.2	*Note 4.3*
Total current assets	**800.0**	**800.0**	
Non-current assets classified as held for sale	-	0.1	
TOTAL ASSETS	**7,568.9**	**6,748.1**	
EQUITY AND LIABILITIES			
Share capital	2,239.3	2,239.3	*Note 4.2*
Supplementary capital	738.4	635.7	
Other items of equity	(85.1)	(54.4)	
Retained earnings	45.2	102.7	
Total equity	**2,937.8**	**2,923.3**	
Debt liabilities	1,908.5	1,519.6	*Note 4.1*
Investment liabilities	15.6	46.1	*Note 5.10*
Provisions for employee benefits	493.0	419.7	*Note 5.11*
Other provisions	0.4	0.5	*Note 5.12*
Total long-term liabilities	**2,417.5**	**1,985.9**	
Debt liabilities	709.0	598.8	*Note 4.1*
Trade liabilities	687.1	598.6	*Note 5.9*
Investment liabilities	314.6	197.9	*Note 5.10*
Provisions for employee benefits	136.1	125.5	*Note 5.11*
Other provisions	8.5	7.2	*Note 5.12*
Current tax liabilities	-	2.3	
Other financial liabilities	140.5	92.6	*Note 5.13*
Other liabilities	217.8	216.0	*Note 5.14*
Total short-term liabilities	**2,213.6**	**1,838.9**	
Total liabilities	**4,631.1**	**3,824.8**	
TOTAL EQUITY AND LIABILITIES	**7,568.9**	**6,748.1**	

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

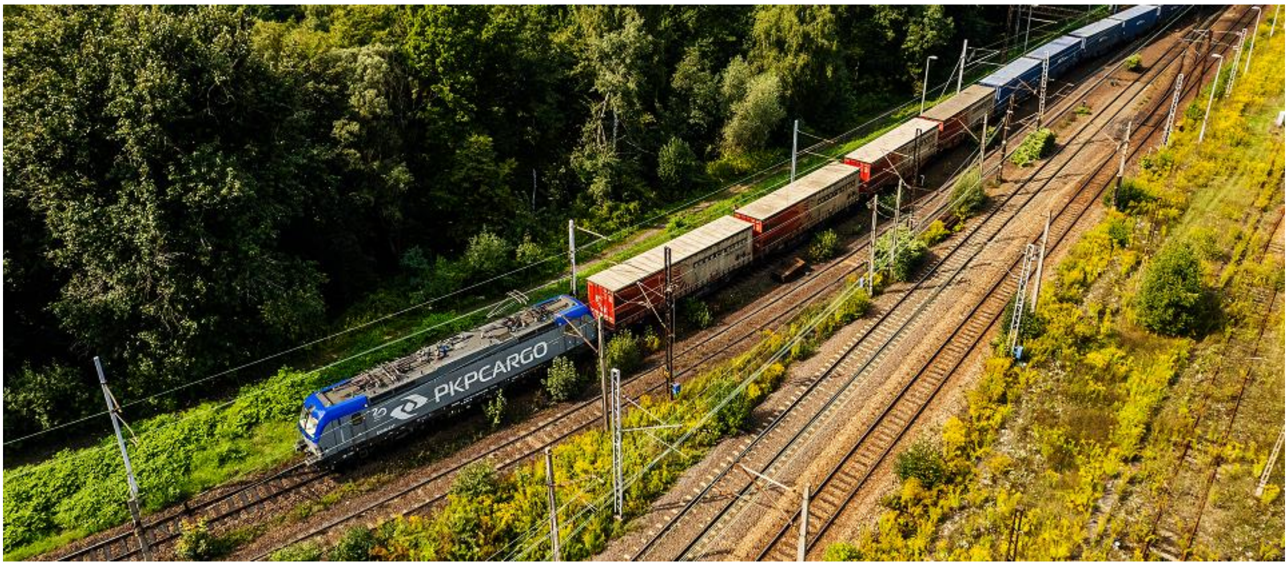
STATEMENT OF CHANGES IN EQUITY

	Share capital	Supplementary capital	Other items of equity			Retained earnings	Total	
			Profits / (losses) on measurement of equity instruments at fair value	Actuarial profits / (losses) on post-employment benefits	Measurement of hedging instruments			
1/01/2023	**2,239.3**	**635.7**	**(12.9)**	**(9.3)**	**(32.2)**	**102.7**	**2,923.3**	
Net result for the financial year	-	-	-	-	-	45.2	**45.2**	
Other comprehensive income for the financial year (net)	-	-	3.8	(70.1)	35.6	-	**(30.7)**	
Total comprehensive income	-	-	3.8	(70.1)	35.6	45.2	**14.5**	
Other changes for the financial year	-	102.7	-	-	-	(102.7)	**-**	*Note 4.2*
31/12/2023	**2,239.3**	**738.4**	**(9.1)**	**(79.4)**	**3.4**	**45.2**	**2,937.8**	
1/01/2022	**2,239.3**	**744.7**	**(12.9)**	**(22.7)**	**(26.7)**	**(109.0)**	**2,812.7**	
Net result for the financial year	-	-	-	-	-	102.7	**102.7**	
Other comprehensive income for the financial year (net)	-	-	-	13.4	(5.5)	-	**7.9**	
Total comprehensive income	-	-	-	13.4	(5.5)	102.7	**110.6**	
Other changes for the financial year	-	(109.0)	-	-	-	109.0	**-**	
31/12/2022	**2,239.3**	**635.7**	**(12.9)**	**(9.3)**	**(32.2)**	**102.7**	**2,923.3**	

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

CASH FLOW STATEMENT

	2023	2022	
Cash flows from operating activities			
Profit before tax	**57.2**	**126.9**	
Adjustments			
Depreciation, amortization and impairment losses	676.4	608.3	*Note 2.2*
(Profits) / losses on the sale and liquidation of non-financial non-current assets	(0.4)	(11.9)	
(Profits) / losses on FX differences	2.2	7.1	
(Profits) / losses on interest, dividends	100.0	90.2	
Received / (paid) interest	1.3	0.8	
Received / (paid) income tax	(12.9)	0.9	
Movement in working capital	307.1	(23.3)	*Note 4.4*
Other adjustments	(83.3)	16.5	*Note 4.4*
Net cash from operating activities	**1,047.6**	**815.5**	
Cash flows from investing activities			
Expenditures on the acquisition of non-financial non-current assets	(1,176.3)	(780.0)	
Proceeds from the sale of non-financial non-current assets	316.8	53.1	
Expenditures on the acquisition of related parties	(31.5)	(0.1)	
Proceeds from dividends received	38.4	25.5	
Expenditures on extended loans	(20.0)	-	
Repayment of extended loans	0.8	-	
Other inflows from investing activities	5.7	2.6	
Net cash from investing activities	**(866.1)**	**(698.9)**	
Cash flows from financing activities			
Payments on lease liabilities	(110.4)	(76.1)	*Note 4.1*
Proceeds from bank loans and borrowings	342.7	141.4	*Note 4.1*
Repayment of bank loans and borrowings	(347.5)	(299.1)	*Note 4.1*
Interest paid on lease liabilities and bank loans and borrowings	(138.2)	(94.3)	*Note 4.1*
Grants received	97.0	82.5	
Inflow / (outflow) as part of cash pool	41.6	46.4	
Other outflows from financing activities	(1.7)	(3.2)	
Net cash from financing activities	**(116.5)**	**(202.4)**	
Net increase / (decrease) in cash and cash equivalents	65.0	(85.8)	
Cash and cash equivalents at the beginning of the reporting period	55.2	141.0	*Note 4.3*
Cash and cash equivalents at the end of the reporting period, including:	**120.2**	**55.2**	*Note 4.3*
Restricted cash	*21.9*	*27.2*	*Note 4.3*



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

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

1. General information

1.1 Key information about the Company's business

Information about the Company

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

Basic information about the Company	
Name	PKP CARGO S.A.
Domicile	Poland
Address of the registered office of the 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 numer	277586360
NIP tax identification numer	954-23-81-960

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

The Company's financial year is the calendar year.

The Company core business is rail transport of cargo. In addition to rail freight transport services, the Company also provides additional services:
- intermodal services,
- shipping (domestic and international),
- terminals,
- rail sidings and traction,
- rolling stock maintenance and repairs.

The composition of the Company's management and supervisory bodies and the Company's shareholding structure as at 31 December 2023 are presented accordingly in the Management Board Report on the Activity of the PKP CARGO Group for the financial year 2023 in **Chapters 8.11** and **8.4**, respectively.

Information about the Group

PKP CARGO S.A. is the parent company of the PKP CARGO Group and prepares consolidated financial statements pursuant to International Financial Reporting Standards approved by the European Union ("EU IFRS").

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.

Additional information about subsidiaries, associates and interests in joint ventures is presented in **Note 5.3** to these Standalone Financial Statements.

The duration of individual Group companies is unlimited.

1.2 Basis for preparation of the financial statements

These Standalone Financial Statements have been prepared in accordance with International Financial Reporting Standards and related interpretations adopted by the European Union ("EU IFRS"), published and in effect in 2023.

On the basis of the financial forecasts approved in the Company, these Standalone Financial Statements for the year ended 31 December 2023 have been prepared on the assumption that the Company will continue to be a going concern in the foreseeable future. As at the preparation date of these Standalone Financial Statements, there are no material circumstances indicating any substantial doubt about the Company's ability to continue as a going concern operations for the period of at least 12 months of the date of the financial statements.

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

These Standalone Financial Statements have been audited by a statutory auditor.

The Company's accounting principles described in individual notes were applied in a continuous manner to all presented periods. The accounting principles, significant estimates and judgments for the key items of the financial statements were presented in individual notes to these Standalone Financial Statements.

1.2 Basis for preparation of the financial statements (cont.)

Note	Title	Amount recognized in the Standalone Financial Statements		Accounting Policy	Significant estimates and judgments
		2023	2022		
2.1	Revenues from contracts with customers	4,225.5	4,003.6	X	X
2.2	Operating expenses	(3,970.2)	(3,754.7)		
2.3	Other operating revenue and (expenses)	(63.1)	(6.7)		
2.4	Financial revenue and (expenses)	(135.0)	(115.3)		
3.1	Income tax	(12.0)	(24.2)	X	X
5.1	Rolling stock	4,078.1	3,778.1	X	X
5.1	Other property, plant and equipment	411.1	459.5	X	X
5.2	Rights-of-use assets	1,162.4	653.1	X	X
5.3	Investments in related parties	897.1	858.0	X	X
3.1	Deferred tax assets	135.6	135.7	X	X
5.4	Inventories	92.3	97.7	X	
5.5	Trade receivables	468.0	532.7	X	X
5.6	Lease receivables	32.5	23.6	X	
5.7	Financial assets	28.0	4.9	X	
5.8	Other assets	143.6	149.5	X	
4.3	Cash and cash equivalents	120.2	55.2	X	
	Non-current assets classified as held for sale	-	0.1		
4.2	Equity	2,937.8	2,923.3	X	
4.1	Debt liabilities	2,617.5	2,118.4	X	X
5.9	Trade liabilities	687.1	598.6	X	X
5.10	Investment liabilities	330.2	244.0	X	
5.11	Provisions for employee benefits	629.1	545.2	X	X
5.12	Other provisions	8.9	7.7		X
	Current tax liabilities	-	2.3		
5.13	Other financial liabilities	140.5	92.6	X	
5.14	Other liabilities	217.8	216.0	X	
7.3	Contingent liabilities	168.8	199.2	X	X

These Standalone Financial Statements have been drawn up in Polish zloty (PLN). Polish zloty is the Company's functional and reporting currency. The data in the financial statements are presented in millions of PLN.

As at 31 December 2023 and 31 December 2022, for the needs of valuation of the line items of the statement of financial position expressed in currencies other than PLN, the Company used the following exchange rates:

Currency	31/12/2023	31/12/2022
EUR	4.3480	4.6899

These Standalone Financial Statements have been approved for publication by the Management Board on 23 April 2024.

(in millions of PLN) (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

Approving the Standalone Financial Statements the Company applied the following amendments of 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

The Company's Management Board believes that the above standards and interpretations had no material influence on the financial statements.

Standards and Interpretations adopted by the IASB and EU which have not yet entered into effect

In the opinion of the Company's Management Board, the standards and interpretations mentioned below will not result in any major amendments to the Company's financial statements in the successive reporting periods:

Standard / Interpretation	Effective date
Amendments to IFRS 16 "Leases" – Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to IAS 1 "Presentation of financial statements" – classification of liabilities as short-term or long-term and non-current liabilities with covenants	1 January 2024

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

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

Standard / Interpretation	Effective date
Amendments to IAS 7 "Statement of Cash Flows" and IFRS 7 "Financial Instruments: Disclosures – Supplier Finance Arrangements"	1 January 2024
Amendment to IAS 21 "The Effects of Changes in Foreign Exchange Rates" – Lack of Exchangeability	1 January 2025

1.4 Liquidity position of the Company and liquidity risk management

The Company is exposed to liquidity risk following from the ratio of current assets to current liabilities. In order to minimize the possibility of disruption in cash flows and the risk of losing liquidity, in 2023, the Company undertook 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 agreements).

On 2 January 2023, the 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. On 26 September 2023, the 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. Also, in 2023, the Company 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 45 locomotives with a total value of PLN 344.8 million.

As at 31 December 2023 there was no need to reclassify loan liabilities. Details are presented in **Note 4.1**.

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

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

1.4 Liquidity position of the Company and liquidity risk management (cont.)

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

31/12/2023	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	380.6	446.4	1,496.2	789.6	**3,112.8**	**2,617.5**
Trade liabilities	687.1	-	-	-	**687.1**	**687.1**
Investment liabilities	296.5	18.5	15.7	-	**330.7**	**330.2**
Cash pool	140.5	-	-	-	**140.5**	**140.5**
Total	**1,504.7**	**464.9**	**1,511.9**	**789.6**	**4,271.1**	**3,775.3**

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	287.9	398.7	1,208.1	560.2	**2,454.9**	**2,118.4**
Trade liabilities	598.4	0.2	-	-	**598.6**	**598.6**
Investment liabilities	150.2	48.8	46.6	-	**245.6**	**244.0**
Cash pool	92.6	-	-	-	**92.6**	**92.6**
Total	**1,129.1**	**447.7**	**1,254.7**	**560.2**	**3,391.7**	**3,053.6**

Age structure of trade liabilities and investment liabilities

	31/12/2023			31/12/2022		
	Trade liabilities	Investment liabilities	Total	Trade liabilities	Investment liabilities	Total
Non-overdue liabilities	431.8	239.8	671.6	338.1	232.4	570.5
Overdue liabilities						
to 30 days	144.9	69.1	214.0	126.2	6.2	132.4
31 - 90 days	99.2	19.0	118.2	128.4	5.4	133.8
91 - 180 days	3.6	0.5	4.1	3.3	-	3.3
181 - 365 days	3.8	-	3.8	2.0	-	2.0
over 365 days	3.8	1.8	5.6	0.6	-	0.6
Total	**687.1**	**330.2**	**1,017.3**	**598.6**	**244.0**	**842.6**

Age analysis of trade receivables

	31/12/2023			31/12/2022		
	Gross	Expected credit losses	Net	Gross	Expected credit losses	Net
Non-overdue receivables	410.6	-	410.6	489.0	(0.8)	488.2
Overdue receivables						
to 30 days	26.5	(0.2)	26.3	15.7	(0.1)	15.6
31 - 90 days	15.3	(0.5)	14.8	12.1	(0.8)	11.3
91 - 180 days	1.3	(0.4)	0.9	3.7	(1.7)	2.0
181 - 365 days	6.8	(5.8)	1.0	3.7	(0.4)	3.3
over 365 days	40.9	(26.5)	14.4	36.6	(24.3)	12.3
Total	**501.4**	**(33.4)**	**468.0**	**560.8**	**(28.1)**	**532.7**

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

2.1 Revenues from contracts with customers

Accounting policy applied

The Company recognizes revenue from contracts with customers in such a manner as to reflect the transfer of promised goods or services to the customer in the amount corresponding to the compensation expected to be payable to the Company in return for such goods or services. Revenue from sales is disclosed at fair value of the payment received or due less VAT, refunds, rebates and discounts.
Revenues are recognized upon (or during) fulfillment of the obligation to make the performance through the provision of the promised good or service (i.e. asset) to the customer.
Revenue from sales of services is recognized in the statement of profit or loss and other comprehensive income over time, because the customer receives and at the same time benefits from the performance provided by the Company as it is being provided. The Company is of the opinion that this condition is fulfilled, because the work performed by it to date would not have to be substantially re-performed by another entity if it were to complete the remaining portion of the obligation toward the customer.
Revenue from sales of materials is recognized in the statement of profit or loss and other comprehensive income when the customer obtains control over the asset in question. The moment of the transfer of control is the same as the moment when the significant risk and benefits resulting from their ownership were transferred. In the case of commission contracts, revenue is not recognized at the time of delivery to the intermediary but when the asset is transferred to the end customer.
The Company does not apply payment terms or advance payments exceeding 12 months, hence the contracts do not contain a significant financing component.

Variable remuneration

Commercial contracts contain a variable remuneration element resulting from the following:
- the possibility of imposing penalties on the client in connection with its failure to meet the contractual provisions pertaining to transportation of a specified freight volume,
- the possibility of imposing fines on the Company by the client in the event of failure to transport the ordered freight volume.

The Company estimates the value of variable remuneration resulting from penalties based on the degree of performance of a given contract in the agreed settlement period. Facts and circumstances determining the probability of the occurrence of each scenario are reviewed at least at the end of each reporting period.

Assets from contracts with customers

The Company recognizes in its statement of financial position a contract asset constituting the Company's right to remuneration in return for goods or services that the Company has provided to the customer if this right is dependent on a condition other than the passage of time. Assets arising from contracts with customers are presented under the trade receivables item and include predominantly assets that have not yet been invoiced but reflect services that have been completed or are in the process of being provided.

SIGNIFICANT VALUES BASED ON PROFESSIONAL JUDGMENT AND ESTIMATES

Significant estimates pertaining to contracts with customers relate to recognized but not invoiced revenues resulting from the following:

- from the degree of progress of transport services, which are measured based on the estimated level of freight volume the transportation of which has not been completed as at the balance sheet date and the average obtainable price,
- from the freight volume that has already been delivered to the destination but has not yet been collected by the customer. The measurement takes into account the actual freight volume and the average obtainable price,
- from rents for wagons owned by the Company which are used by foreign rail transport companies in the course of transport services rendered outside Poland. This item is measured based on the quantity of wagons outside Poland (data obtained from IT systems) and prices resulting from agreements and contracts with foreign rail freight companies.

The value of recognized revenue estimates as at the balance sheet date is presented in this note in the table on movement in assets arising from contracts with customers.

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

2.1 Revenues from contracts with customers (cont.)

Structure of revenues from contracts with customers

The Company 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 Company's Management Board does not evaluate the Company'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 Company's operating segments.

2023	PKP Group related parties	State Treasury related parties	Others	Total
Revenue from rail transportation services and freight forwarding services	364.1	1,440.6	2,229.1	**4,033.8**
Revenue from siding and traction services	43.6	1.7	11.1	**56.4**
Revenue from sales of materials	7.6	-	50.4	**58.0**
Other revenues	53.0	6.4	17.9	**77.3**
Total	**468.3**	**1,448.7**	**2,308.5**	**4,225.5**
Revenue recognition date				
At a point of time	7.6	-	50.4	**58.0**
Over a period	460.7	1,448.7	2,258.1	**4,167.5**
Total	**468.3**	**1,448.7**	**2,308.5**	**4,225.5**

2022	PKP Group related parties	State Treasury related parties	Others	Total
Revenue from rail transportation services and freight forwarding services	337.7	1,311.5	2,122.8	**3,772.0**
Revenue from siding and traction services	40.4	0.7	12.9	**54.0**
Revenue from sales of materials	12.9	-	89.0	**101.9**
Other revenues	50.2	6.2	19.3	**75.7**
Total	**441.2**	**1,318.4**	**2,244.0**	**4,003.6**
Revenue recognition date				
At a point of time	12.9	-	89.0	**101.9**
Over a period	428.3	1,318.4	2,155.0	**3,901.7**
Total	**441.2**	**1,318.4**	**2,244.0**	**4,003.6**

Geography

The Company defines the geographical territory of business as the location of the registered seat of the service recipient, and not as the country of the service provision.

The Company operates in one principal geographic area, i.e. Poland, where its registered offices are also located. Total revenues for all geographic areas outside Poland for the financial year ended 31 December 2023 and 31 December 2022 did not exceed 11% of total revenues from contracts with customers. There is no single geographic area (outside of Poland) which generated more than 6% of revenues from contracts with customers.

Revenues from contracts with customers generated on external customers and broken down based on their country of incorporation is presented below:

	2023	2022
Poland	3,815.4	3,567.6
Germany	207.0	227.8
Czech Republic	76.0	101.5
Slovakia	40.2	30.2
Other countries	86.9	76.5
Total	**4,225.5**	**4,003.6**

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

2.1 Revenues from contracts with customers (cont.)

Information on key customers

In the financial year ended 31 December 2023, as well as in the financial year ended 31 December 2022, no sales to any group represented more than 10% of total revenues from contracts with customers.

Assets from contracts with customers

	2023	2022
As at the beginning of the reporting period	**32.9**	**28.2**
Recognition of revenue before the sales document is issued	29.6	32.9
Reclassification to receivables	(32.9)	(28.2)
As at the end of the reporting period	**29.6**	**32.9**

2.2 Operating expenses

Consumption of traction electricity and traction fuel

	2023	2022
Consumption of traction fuel	(106.9)	(161.5)
Consumption of traction electricity	(640.0)	(525.0)
Total	**(746.9)**	**(686.5)**

Other services

	2023	2022
Repair and maintenance services for non-current assets	(125.9)	(109.8)
Rent and fees for the use of property and rolling stock	(55.1)	(80.3)
Transport services	(84.5)	(106.9)
Telecommunications services	(3.9)	(3.8)
Legal, consulting and similar services	(6.2)	(4.8)
IT services	(48.7)	(43.0)
Transshipment services	(3.3)	(4.7)
Traction and shunting services, train drivers	(39.8)	(45.7)
Other services	(6.1)	(9.1)
Total	**(373.5)**	**(408.1)**

Employee benefits

	2023	2022
Payroll	(1,132.4)	(982.5)
Social security expenses	(221.7)	(191.8)
Expenses for contributions to the Company Social Benefits Fund	(28.5)	(27.3)
Other employee benefits during employment	(35.8)	(27.0)
Post-employment benefits	(8.0)	(4.8)
Movement in provisions for employee benefits	(49.5)	(52.9)
Total	**(1,475.9)**	**(1,286.3)**

Other expenses

	2023	2022
Consumption of non-traction fuel	(7.8)	(9.6)
Consumption of electricity, gas and water	(51.2)	(37.6)
Consumption of materials	(57.4)	(49.2)
Taxes and charges	(33.2)	(32.0)
Cost of materials sold	(34.9)	(50.1)
Business trips	(30.2)	(23.2)
Other	(20.2)	(13.2)
Total	**(234.9)**	**(214.9)**

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

2.2 Operating expenses (cont.)

Depreciation, amortization and impairment losses

	2023	2022
Depreciation of rolling stock	(571.0)	(509.8)
Depreciation of other property, plant and equipment	(25.8)	(28.1)
Depreciation of rights-of-use assets	(82.3)	(67.5)
Amortization of intangible assets	(6.2)	(6.6)
(Recognized) / reversed impairment losses:		
Rolling stock	8.9	4.0
Other property, plant and equipment	-	(0.3)
Total	**(676.4)**	**(608.3)**

2.3 Other operating revenue and (expenses)

Other operating revenue and (expenses)

	2023	2022
Profit on sales of non-financial non-current assets	0.4	15.2
Reversed impairment losses on trade receivables	1.7	1.8
Penalties and compensations	14.6	11.7
Interest on trade and other receivables	3.8	2.3
Net result on FX differences on trade receivables and trade liabilities	-	1.9
Grants	5.1	4.7
Reversal of other provisions	2.4	1.2
Other	4.4	2.4
Total other operating revenue	**32.4**	**41.2**
Recognized impairment losses for trade receivables	(8.2)	(2.4)
Penalties and compensations	(9.4)	(12.0)
Interest on trade and other liabilities	(58.7)	(20.5)
Costs of liquidation of non-current and current assets	(6.5)	(9.0)
Recognized other provisions	(3.7)	(1.5)
Net result on FX differences on trade receivables and trade liabilities	(3.3)	-
Other	(5.7)	(2.5)
Total other operating expenses	**(95.5)**	**(47.9)**
Other operating revenue and (expenses)	**(63.1)**	**(6.7)**

2.4 Financial revenue and (expenses)

Financial revenue and (expenses)

	2023	2022
Interest income	2.8	2.0
Dividend income	38.1	25.8
Other	0.2	0.3
Total financial revenue	**41.1**	**28.1**
Interest expenses	(143.4)	(117.5)
Settlement of the discount on provisions for employee benefits	(30.5)	(24.1)
Net result on FX differences	(1.7)	(0.2)
Other	(0.5)	(1.6)
Total financial expenses	**(176.1)**	**(143.4)**
Financial revenue and (expenses)	**(135.0)**	**(115.3)**

3. Explanatory notes on taxation

3.1 Income tax

Accounting policy applied

The income tax of the reporting period includes current and deferred income tax. The current tax burden is calculated on the basis of the tax result for the given reporting period. The tax result differs from the accounting pre-tax result due to exclusion of revenue which temporarily is not subject to taxation and expenses which are temporarily not tax deductible, as well as the expenses and revenues that will never be subject to taxation. Tax charge is calculated based on the tax rates applicable in the given financial year.

Deferred income tax is recognized with respect to temporary differences between the tax value of an asset or liability and the corresponding carrying amount. Deferred tax liabilities are recognized with respect to taxable temporary differences. Deferred tax assets are recognized with reference to deductible temporary differences up to the amount of the Company's likely future taxable income sufficient to settle such temporary differences.

The value of the deferred tax assets is reviewed at each balance sheet date in terms of prospects of generation of future tax profits required to settle it.

Deferred tax assets and liabilities are subject to offsetting if there is an enforceable legal title to set off current income tax assets and liabilities and if the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority if there is an intention to settle the accounts in net amounts.

SIGNIFICANT VALUES BASED ON PROFESSIONAL JUDGMENT AND ESTIMATES

The Company recognizes a deferred tax asset based on the assumption that taxable income would be recorded in the future, allowing the Group to use the asset. As at 31 December 2023, the Company recognized deferred tax assets on the tax loss incurred in 2020 and 2021.

In 2016, the Company generated a tax loss of PLN 141 million. At the stage of planning to join the Tax Group, the Company applied for a tax ruling concerning the impact of the Tax Group on the period to settle the loss incurred in 2016 (i.e. before the Tax Group was established). In the tax ruling of 4 October 2016 ref. no. 1462-IPPB5.4510.860.2016.1.RS, the Director of the State Tax Chamber agreed with the position presented by the Company and stated that the term of the Tax Group is not included in the term intended for the settlement of a loss incurred by the Company prior to the establishment of the Tax Group. This meant in practice that the term of operation of the Tax Group suspended the period given to settle the tax loss, for the duration of the Tax Group. The same position was also presented by administrative court, as well as the General Interpretation no. DD6.8202.4.2021 of the Minister of Finance, Funds and Regional Policy issued on 19 October 2021. In 2017-2019, the Company functioned within the Tax Group. After the end of the Tax Group's term, the Company incurred a tax loss in 2020 and 2021. Given the above, by posting taxable income during 2022, the Company decided to settle 50% of the 2016 taxable loss, i.e. PLN 70.5 million. Accordingly, the Company did not pay due CIT advances for the individual months of 2022 (because the 2016 loss reduced the taxable income, on which advances would have had to be paid).

As of 1 January 2022, the provisions on tax groups in the CIT Act have been relaxed and two new rules for loss settlements in tax groups have been introduced, which are directly related to each other:

- on the one hand, companies that are part of a tax group can settle within them losses incurred before the tax group was formed,
- at the same time, the regulations stipulated clearly that such loss may be settled by the company itself after the tax group is dissolved (but since the Company had the right to settle it also within the tax group, the 5-year term for loss settlement will include the duration of the tax group).

No transitional provisions have been adopted for the new regulation, which raised concern after the law came into force.

In October 2022, the parliament adopted transitional provisions specifying that the above changes apply to losses incurred after 31 December 2021. However, in the final text of the law (with relevant changes introduced by the Senate), the transitional provision has been completely changed and specifies that the new rules will also apply to losses incurred before 1 January 2022.

This wording of the regulation gives rise to the risk associated with the Company's approach of settling the 2016 loss against advances due for 2022. The Company's Management Board believes that the new tax regulations governing tax losses incurred before 2022, which came into force on 1 January 2023, violate a number of principles derived from the Constitution of the Republic of Poland, including the principle of the protection of vested rights and the principle of non-retroactivity of laws.

After analyzing all available scenarios, in order to minimize the risk of potential tax arrears and fines being levied under the Fiscal Penal Code, a decision was made to pay the income tax advance in the amount resulting from the settled 2016 loss in the amount of PLN 13.4 million and then file a tax return for 2022 showing an overpayment resulting from the recognition of the 2016 loss available for settlement. When the Company filed a claim for refund of the overpayment resulting from the 2022 returns, it submitted a detailed position on the matter to the tax authorities. On 20 September 2023, the Company received a refund of the overpaid income tax in the amount reported in the 2022 tax return. The Company settled the remaining 50% of the 2016 tax loss against the 2023 taxable income.

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

3.1 Income tax (cont.)

Income tax recognized in profit / loss

	2023	2022
Current income tax		
Current tax charge	(3.8)	(2.9)
Adjustments recognized in the current year relating to tax from previous years	-	(0.1)
Deferred tax		
Deferred income tax of the reporting period	(8.2)	(21.2)
Income tax recognized in profit / loss	**(12.0)**	**(24.2)**

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 Company's tax settlements may be increased by additional tax liabilities.

Deferred income tax recognized in other comprehensive income

	2023	2022
Deferred tax on the measurement of hedging instruments	(8.4)	1.3
Deferred tax on actuarial profits / (losses) pertaining to post-employment benefits	16.5	(3.1)
Deferred income tax recognized in other comprehensive income	**8.1**	**(1.8)**

Reconciliation of the effective tax rate

	2023	2022
Profit (loss) before tax	**57.2**	**126.9**
Income tax expense at 19%	(10.9)	(24.1)
Tax effect of revenue which does not constitute revenue within the meaning of tax regulations, including:		
Dividend	7.2	4.9
Reversal of non-tax provisions and impairment losses	-	1.9
Other	1.3	1.0
Tax effect of non-deductible expenses arising from tax regulations, including:		
PFRON disability fund	(4.4)	(4.1)
Permanent differences in expenses related with property, plant and equipment	(0.5)	(0.5)
Representation expenses	(0.2)	(0.3)
Penalties and compensations	(1.2)	(1.8)
Value added tax and other public law liabilities	(2.1)	(0.2)
Other	(1.2)	(0.9)
Adjustments disclosed in the current year relating to tax from previous years	**-**	**(0.1)**
Income tax recognized in profit / loss	**(12.0)**	**(24.2)**
Effective tax rate	**21.0%**	**19.1%**

The corporate income tax rate effective in Poland in the years 2022-2023 amounted to 19%.

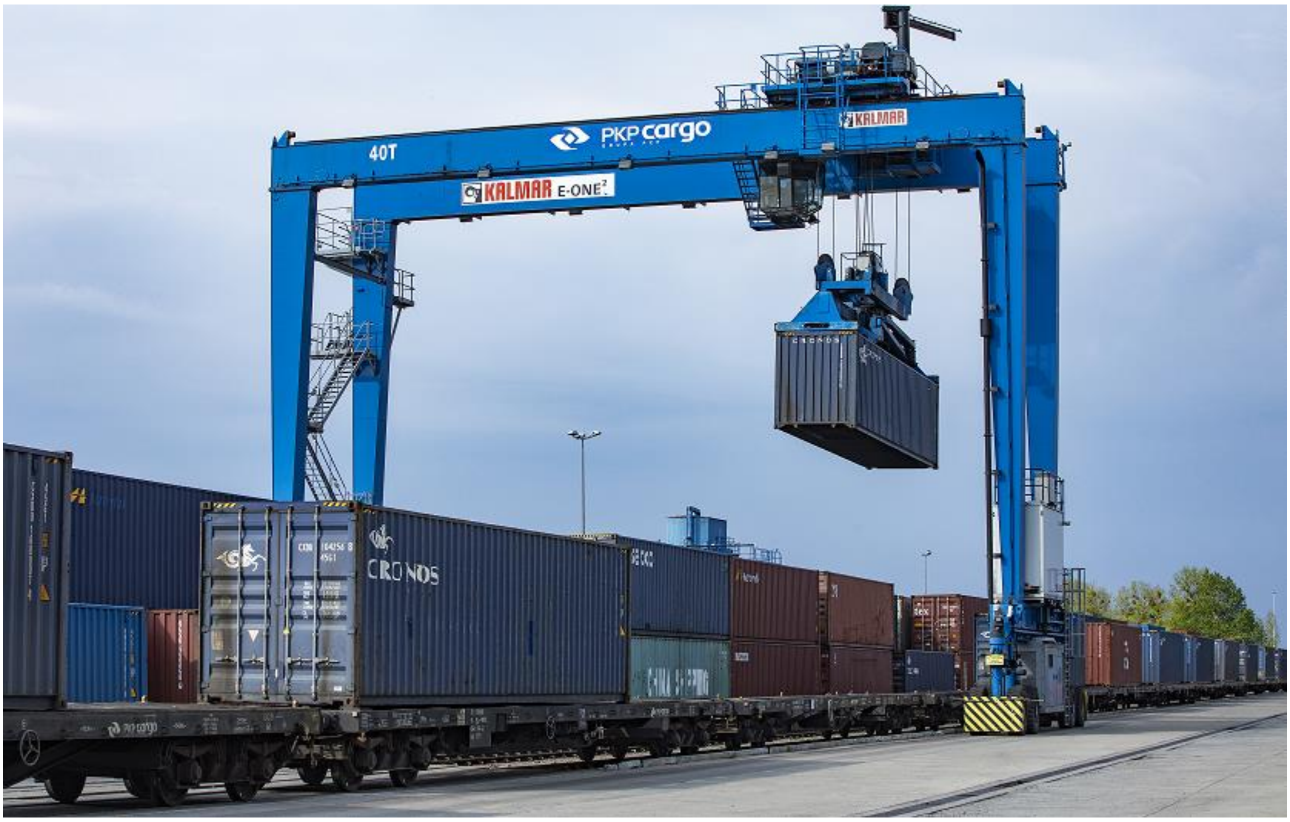
(in millions of PLN) (translation of a document originally issued in Polish)

3.1 Income tax (cont.)

Table of movements in deferred tax

2023	1/01/2023	Recognized in profit or loss	Recognized in other comprehensive income	31/12/2023
Temporary differences relating to deferred tax (liabilities) / assets:				
Non-financial non-current assets	**(22.1)**	(7.8)	-	**(29.9)**
Rights-of-use assets and lease liabilities	**3.4**	7.3	-	**10.7**
Other provisions and liabilities	**18.4**	1.6	-	**20.0**
Inventories	**(9.7)**	1.8	-	**(7.9)**
Trade receivables	**(9.3)**	1.7	-	**(7.6)**
Provisions for employee benefits	**103.6**	(0.6)	16.5	**119.5**
Other	**9.7**	7.6	(8.4)	**8.9**
Unused tax losses	**41.7**	(19.8)	-	**21.9**
Total	**135.7**	**(8.2)**	**8.1**	**135.6**

2022	1/01/2022	Recognized in profit or loss	Recognized in other comprehensive income	31/12/2022
Temporary differences relating to deferred tax (liabilities) / assets:				
Non-financial non-current assets	**(53.8)**	31.7	-	**(22.1)**
Rights-of-use assets and lease liabilities	**5.1**	(1.7)	-	**3.4**
Other provisions and liabilities	**13.7**	4.7	-	**18.4**
Inventories	**(8.9)**	(0.8)	-	**(9.7)**
Trade receivables	**(6.6)**	(2.7)	-	**(9.3)**
Provisions for employee benefits	**106.4**	0.3	(3.1)	**103.6**
Other	**17.6**	(9.2)	1.3	**9.7**
Unused tax losses	**85.2**	(43.5)	-	**41.7**
Total	**158.7**	**(21.2)**	**(1.8)**	**135.7**



4. Explanatory notes on debt and equity management

4.1 Reconciliation of debt liabilities

Accounting policy applied

Bank loans and borrowings are initially recognized at fair value minus the incurred transaction costs.
After initial recognition, loans and borrowings are shown according to amortized cost using the effective interest rate method.

A lease liability is measured at the present value of the lease payments that are not paid on such date, which include:

- fixed lease payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option;
- cash penalties for lease termination if the lessee is reasonably certain not to exercise the early termination option.

The current value of future lease payments is calculated using the interest rate applicable to the lease. If the interest rate applicable to a lease cannot be determined easily, the Company applies the lessee's incremental borrowing rate for the lease in question.

After the initial recognition, the Company measures the lease liability by:

- increasing the carrying amount to reflect interest on the lease liability;
- reducing the carrying amount to reflect the lease payments made; and
- remeasuring the carrying amount to reflect any reassessment or lease modifications.

The Company takes advantage of an exemption and does not apply the requirements for measurement of lease liabilities and rights-of-use assets in respect of:

- short-term leases, i.e. leases with a term of up to 12 months and without a purchase option;
- leases for which the underlying asset is of low value. The Company defines assets of low value as those whose value, when new, does not exceed PLN 25 thousand.

In cases where the exemptions referred to above are applied, the Company recognizes lease payments as an expense falling under the straight-line method over the lease term or under another method that provides a better reflection of the benefits obtained by the Company.

SIGNIFICANT VALUES BASED ON PROFESSIONAL JUDGMENT AND ESTIMATES

Significant estimates in respect to lease liabilities concern the model for determining:

a) the discount rate
The Company discounts lease payments using the interest rate implicit in the lease, if that rate can be readily determined; otherwise it uses the incremental borrowing rate.
The incremental borrowing rate is calculated on the basis of the following two components:

- a reference rate appropriate for the currency in question; and
- credit risk premium, which is based on the banks' credit margins and takes into account the contract term.

b) lease term
As regards lease periods, including in particular for leases entered into for an indefinite term, the Company takes into account all relevant facts and circumstances that create an economic incentive for the lessee to exercise the option to extend the lease or not to exercise the option to terminate the lease, such as:

- the importance of the asset to the Company's operations, considering whether the asset is a specialized asset, the location of the asset and the availability of suitable alternatives,
- significant leasehold improvements undertaken (or expected to be undertaken) over the term of the contract,
- contractual terms and conditions for the optional periods compared with market rates,
- circumstances related to the exercise of the option to extend the contract.

For contracts executed for a specific term without an extension option, the Company uses the term of the contract as the lease period.

The Company'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 and EUR and pertain mainly to real properties and rolling stock.
As at 31 December 2023, the Company had a registered pledge on wagons securing the repayment of bank loan liabilities of PLN 100.0 million.

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

4.1 Reconciliation of debt liabilities (cont.)

Items in foreign currencies

31/12/2023	In functional currency PLN	In foreign currency EUR	Total
Bank loans and borrowings	928.8	478.6	**1,407.4**
Leases	1,198.0	12.1	**1,210.1**
Total	**2,126.8**	**490.7**	**2,617.5**

31/12/2022	In functional currency PLN	In foreign currency EUR	Total
Bank loans and borrowings	841.5	615.0	**1,456.5**
Leases	636.4	25.5	**661.9**
Total	**1,477.9**	**640.5**	**2,118.4**

Reconciliation of debt liabilities

2023	Bank loans and borrowings	Leases	Total
1/01/2023	**1,456.5**	**661.9**	**2,118.4**
New liabilities contracted	342.7	275.7	**618.4**
Modifications of agreements	-	74.5	**74.5**
Leaseback	-	344.8	**344.8**
Transaction costs	0.5	-	**0.5**
Accrual of interest	83.6	51.9	**135.5**
Payments under debt, including:			
Repayments of the principal	(347.5)	(110.4)	**(457.9)**
Interest paid	(87.3)	(50.9)	**(138.2)**
Transaction costs	(0.5)	-	**(0.5)**
Set off	-	(35.0)	**(35.0)**
Other	-	(1.2)	**(1.2)**
FX differences recognized in the result	(40.6)	(1.2)	**(41.8)**
31/12/2023	**1,407.4**	**1,210.1**	**2,617.5**
Long-term	862.0	1,046.5	**1,908.5**
Short-term	545.4	163.6	**709.0**
Total	**1,407.4**	**1,210.1**	**2,617.5**

2022	Bank loans and borrowings	Leases	Total
1/01/2022	**1,585.6**	**680.5**	**2,266.1**
New liabilities contracted	141.4	15.4	**156.8**
Modifications of agreements	-	30.7	**30.7**
Leaseback	-	15.8	**15.8**
Transaction costs	1.5	-	**1.5**
Accrual of interest	80.4	30.4	**110.8**
Payments under debt, including:			
Repayments of the principal	(299.1)	(76.1)	**(375.2)**
Interest paid	(66.0)	(28.3)	**(94.3)**
Transaction costs	(1.1)	-	**(1.1)**
Set off	-	(1.6)	**(1.6)**
Other	-	(5.1)	**(5.1)**
FX differences recognized in the result	13.8	0.2	**14.0**
31/12/2022	**1,456.5**	**661.9**	**2,118.4**
Long-term	958.1	561.5	**1,519.6**
Short-term	498.4	100.4	**598.8**
Total	**1,456.5**	**661.9**	**2,118.4**

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

4.1 Reconciliation of debt liabilities (cont.)

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	2023	2022
Revenues from operating leases	Revenues from contracts with customers	62.9	58.4
Costs of short-term leases	Other services	(8.2)	(18.8)

Terms and conditions of loan agreements

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

The above ratios are calculated on the basis of data contained in both the Consolidated Financial Statements the of PKP CARGO Group.

According to the provisions of the agreements signed by the Company, 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 3.0-4.5. 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 31 December 2023, the covenants defined in loan agreements 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	31/12/2023	31/12/2022
Overdraft	Bank Gospodarstwa Krajowego [1)]	29/02/2024	PLN	100.0	100.0
Overdraft	Powszechna Kasa Oszczędności Bank Polski S.A. [2)]	19/03/2024	PLN	2.8	58.7
Overdraft	Bank Polska Kasa Opieki S.A. [3)]	24/05/2024	PLN	100.0	100.0
Leasing facility	PEKAO LEASING sp. z o.o.	09/10/2023	PLN	-	92.2
Leasing facility	PKO Leasing S.A.	31/12/2023	PLN	-	200.0
Leasing facility	ING Lease (Polska) sp. z o.o. [4)]	13/06/2024	PLN	7.9	-
Leasing facility	PKO Leasing S.A. [5)]	26/10/2024	PLN	51.8	-
Total				**262.5**	**550.9**

[1)] On 19 October 2023, the Company executed an annex to the overdraft facility agreement extending the availability period of the facility until 29 February 2024. On 29 February 2024, the Company executed another annex extending the availability period of the facility until 28 February 2025.

[2)] On 17 March 2023, the Company signed an annex to the overdraft facility agreement extending the availability period of the facility until 19 March 2024. On 19 March 2024, the Company executed another annex extending the availability period of the facility until 30 June 2024.

[3)] On 24 May 2023, the Company signed an annex to the overdraft facility agreement extending the availability period of the facility until 24 May 2024.

[4)] On 5 July 2023, the Company signed a Master 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.

[5)] On 27 October 2023, the Company signed a Master Lease Agreement with PKO Leasing S.A. for the lease of fixed assets up to a maximum total net value of PLN 200.0 million with the availability period until 26 October 2024.

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

4.2 Equity and capital management policy

Accounting policy applied

The share capital in the standalone financial statements is shown in the amount stated in the Articles of Association.

Supplementary capital includes a share premium account (agio), profit of previous years transferred to supplementary capital and the reserve capital created from the retirement of shares.

Other items of equity include actuarial profits / (losses) on employee benefits, the effect of measurement of equity instruments at fair value and the effective portion of profits and losses on hedging instruments in hedge accounting applied by the Company.

Retained earnings / (Accumulated losses) include the financial result of the current year undistributed earnings and uncovered losses from previous years, as well as the differences attributable to transition to EU IFRS.

Share capital

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

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

PKP S.A. is the parent company of PKP CARGO S.A. Pursuant to Articles of Association of the 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 Management Board. The personal rights of PKP S.A. are applicable at any time when PKP S.A. holds at least 25% of the Company's share capital.

In the financial year ended 31 December 2023 and 31 December 2022, no changes in the share capital of the Company took place.

Movement in supplementary capital and retained earnings

On 29 June 2023, the Ordinary Shareholder Meeting of the 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.

The Management Board of the Company proposes to allocate the entire net profit for the year 2023 reported in these Standalone Financial Statements to the supplementary capital.

Equity management

The main objective of equity management in the Company is to ensure the ability to continue operations, create value for shareholders and benefits for other stakeholders. In accordance with the adopted policy and assumptions following from selected facility agreements, the Company accepts the maximum level of debt up to 60% of total assets. As described in detail in **Note 4.1**, in order to verify covenants under loan agreements, the total debt ratio was calculated based on the data presented in the Consolidated Financial Statements of the PKP CARGO Group and adjusted for the impact of IFRS 16. The total debt ratio adjusted for the impact of IFRS 16 was 58% as at 31 December 2023 and 54% as at 31 December 2022. The debt level is monitored by the Company on an ongoing basis. The assumed capital structure can be ensured through: issue of new shares, sale of assets, return of capital to the shareholders or adjustment of the dividend amount.

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

4.3 Cash and cash equivalents

Accounting policy applied
Cash and cash equivalents include cash in current accounts, bank deposits payable on demand, other short-term investments with high liquidity and with original maturity date of up to three months.

Structure of cash and cash equivalents

	31/12/2023	31/12/2022
Cash on hand and on bank accounts	119.4	41.2
Other cash	0.8	14.0
Total	**120.2**	**55.2**
including restricted cash	*21.9*	*27.2*

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

4.4 Notes to the cash flow statement

Movement in working capital

2023	Movement in statement of financial position	Movement in tax settlements	Net cash flow from investing activities	Net cash flow from financing activities	Other	Net cash flow from operating activities (movement in working capital)
Inventories	5.4	-	7.9	-	-	**13.3**
Trade receivables	64.7	-	(1.4)	-	1.3	**64.6**
Other assets	5.9	6.8	(5.6)	(6.4)	(0.1)	**0.6**
Provisions	85.1	-	-	-	-	**85.1**
Trade liabilities	88.5	-	-	-	0.1	**88.6**
Investment liabilities	86.2	-	(50.5)	-	-	**35.7**
Other liabilities	(0.5)	2.4	18.0	(0.7)	-	**19.2**
Total working capital	**335.3**	**9.2**	**(31.6)**	**(7.1)**	**1.3**	**307.1**

2022	Movement in statement of financial position	Movement in tax settlements	Net cash flow from investing activities	Other	Net cash flow from operating activities (movement in working capital)
Inventories	(10.4)	-	47.0	-	**36.6**
Trade receivables	(152.2)	-	(0.8)	0.4	**(152.6)**
Other assets	(50.4)	(1.7)	11.1	-	**(41.0)**
Provisions	(25.3)	-	-	-	**(25.3)**
Trade liabilities	152.5	-	-	-	**152.5**
Investment liabilities	(163.8)	-	146.3	-	**(17.5)**
Other liabilities	44.4	(2.4)	(18.0)	-	**24.0**
Total working capital	**(205.2)**	**(4.1)**	**185.6**	**0.4**	**(23.3)**

Other adjustments

	2023	2022
Actuarial profits / (losses) on post-employment benefits recognized in other comprehensive income	(86.6)	16.5
Measurement of hedging instruments	3.8	-
Other	(0.5)	-
Other adjustments in the cash flow statement	**(83.3)**	**16.5**

4.4 Notes to the statement of cash flows (cont.)

Non-financial transactions

In the financial years ended 31 December 2023 and 31 December 2022, major non-financial transactions concerning investing and financial activity which were not reflected in the cash flow statement were as follows:

- Setting off mutual settlements

The Company set off trade receivables with liabilities arising from the purchase of non-financial non-current assets. The total amount of set offs in 2023 amounted to PLN 1.4 million, whereas in 2022 it was PLN 0.8 million. Additionally, the Company set off receivables from sales of fixed assets and other receivables against lease liabilities in the total amount of PLN 35.0 million in 2023 and PLN 1.6 million in 2022.

- Contributions-in-kind made to the subsidiaries

In the financial year ended 31 December 2023, the Company transferred to its subsidiary PKP CARGOTABOR USŁUGI Sp. z o.o. a contribution-in-kind in the form of property, plant and equipment and rights-of-use assets in the total amount of PLN 25.5 million. The contribution-in-kind was contributed to raise the subsidiary's share capital by PLN 28.3 million.

- Derecognition of rolling stock

When it is decided to derecognize a rolling stock component, its residual value is posted in the item of inventories. In 2023, the residual value of non-current assets reclassified to inventories amounted to PLN 7.9 million, whereas in 2022 it was PLN 47.1 million.

5. Explanatory notes to the statement of financial position

5.1 Rolling stock and other property, plant and equipment

Accounting policy applied

Rolling stock and other property, plant and equipment (hereinafter referred to as: property, plant and equipment) are measured at purchase price or production cost reduced by depreciation and impairment losses. The initial value of a property, plant and equipment item consists of its acquisition cost or cost of production, along with any import duties, non-refundable purchase taxes included in the price. It is also reduced by any rebates, discounts and subsidies and increased by any costs directly attributable to preparation of the asset for its intended use and, if applicable, the borrowing costs. Government grants are recognized as reduction of the assets' value at the moment when it is reasonably certain that they will be obtained and that all the necessary conditions will be met.

The Company presents perpetual usufruct rights that are exempted from payments as property, plant and equipment.

Fixed assets under construction are presented in the statement of financial position at the production cost reduced by recognized impairment losses.

An item of property, plant and equipment is removed from the statement of financial position at the moment of sale or when no economic benefits are expected from its use. When it is decided to derecognize an item of property, plant and equipment, its book value is recognized in the profit or loss of the period in which the decision was taken, except for rolling stock items, whose residual values, when it is decided to derecognize them, are posted in the item of inventories.

Within rolling stock items, the Company identifies and separates all the material elements, or components, making up the given asset with different economic useful lives. The material components of freight cars and locomotives distinguished by the Company comprise the main part of the rolling stock item and the repair/periodic inspection part. In addition, the residual value (scrap value) is established for the rolling stock items.

Residual value of rolling stock

The residual value of rolling stock is measured based on prices of scrap of specific classes, less cost to sell. The residual value of rolling stock is not depreciated but is subject to periodic verification at the end of each financial year. The Company changes the residual value if it has a material impact on the Company's financial statements.

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

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

Accounting policy applied

Repairs and periodic inspections of rolling stock

Rolling stock undergoes planned maintenance operations at five levels, the extent of which is based on the rules set forth in the Regulation of the Minister of Infrastructure dated 12 October 2005 on general technical conditions for the operation of railroad vehicles (Journal of Laws of 2016, Item 226, as amended). Detailed requirements for these operations are given in the Maintenance System Documentation (DSU), which is mandatory for each of the operated railroad vehicles. Rolling stock is subject to planned maintenance operations according to repair cycles defined in the Maintenance System Documentation (DSU), depending on the permissible time and/or course of the vehicle's operation.

Upon completion of a level 4 and 5 modernization or repair, reinstatements to operation are issued indicating the period of possible operation of the rolling stock component until the next P4 or P5 level repair indicated in the repair cycle specified in the Maintenance System Documentation (DSU). An asset may be operated over the entire period provided also that a P3 inspection is carried out halfway through the cycle. If no repair / inspection at levels P3, P4 and P5 is carried out, the rolling stock asset loses its operational capacity and cannot be used in rail transport. The Company considers repairs and periodic inspections at levels P3, P4 and P5 as the condition for continuous use of rolling stock asset item and at the moment of performing such a repair, if the criteria for its recognition are satisfied, the costs of the repair is recognized in the carrying amount of the rolling stock asset and are depreciated in the period specified in the reinstatement.

Other costs of ongoing maintenance and repairs for property, plant and equipment and costs of ongoing overhauls (which are not costs of P3, P4 or P5 periodic inspections and repairs) are treated on general terms as costs of the period in which they were carried out.

Depreciation of property, plant and equipment

The Company uses straight-line depreciation. The value of property, plant and equipment subject to depreciation is distributed equally over the useful life. The initial value of an asset subject to depreciation is determined after deducting its residual value.

Freehold land and rights of perpetual usufruct of land are not depreciated.

The estimated useful lives and residual values are verified at the end of each reporting period (with a prospective application of any changes in estimates).

To calculate depreciation, the Company applies the following economic useful lives for particular groups of non-current assets:

Real properties, including:	
Land and perpetual usufruct rights to land	are not subject to depreciated
Buildings, premises and civil and water engineering facilities	from 5 to 75 years
Technical machinery and equipment	from 2 to 40 years
Rolling stock, including:	
Freight cars:	
- main part of a wagons	from 36 to 48 years
- periodic repairs of wagons	from 4 to 6 years
- periodic inspections of wagons	from 2 to 3 years
Electric locomotives:	
- main part of a locomotive	from 24 to 45 years
- periodic repairs of locomotives	from 4 to 8 years
- periodic inspections of locomotives	from 2 to 4 years
Other means of transportation	from 2 to 25 years
Other fixed assets	from 2 to 25 years

Impairment of property, plant and equipment

At each balance sheet date, the Company performs an analysis of the carrying amounts of non-current assets owned to determine if there are any indications of impairment. If such indications of impairment are identified, the recoverable amount of the cash-generating units or individual assets is estimated to determine a potential related charge.

The recoverable amount is measured as the higher of the following two values: fair value less cost of disposal or value in use. The value in use is defined as the present value of estimated future cash flows discounted using a discount rate before tax. If the recoverable amount of a cash-generating unit or individual asset is lower than its carrying amount, the latter is reduced to the recoverable amount. An impairment loss is recognized in the line item “depreciation, amortization and impairment losses”. Where an impairment loss is reversed, the net value of the asset is increased to the revised estimate of the recoverable amount, which, however, does not exceed the carrying amount of the asset that would have been determined had an impairment loss not been recognized in previous years. The reversal of an impairment loss is recognized in the line item “depreciation, amortization and impairment losses”.

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

SIGNIFICANT VALUES BASED ON PROFESSIONAL JUDGMENT AND ESTIMATES

Economic useful lives of fixed assets

The Company estimates the economic useful lives of individual items of property, plant and equipment and on this basis determines the depreciation rates for these items. The estimates are based on the expected economic useful lives of the assets. Depreciation rates may change in the event of circumstances causing a change in the expected useful life, which in turn affects the value of the depreciation charges and the net carrying amount of specific items of property, plant and equipment in future periods. The verification of the useful lives of property, plant and equipment conducted as at 31 December 2023 and 31 December 2022 did not reveal the need to correct the previously applied depreciation rates.

Residual value of the rolling stock

As at 31 December 2023, the Company carried out a review of the residual value of its rolling stock based on a valuation performed by an independent appraiser. The price of scrap is an important factor affecting the measurement of residual value. Due to the observed decline in scrap metal prices, the residual value of rolling stock, as determined by an expert appraiser, has been reduced compared to the previous valuation. Accordingly, the Company decided to reduce the residual value of its rolling stock, but this change did not have a material impact on the amount of impairment loss for rolling stock.

Impairment of non-current assets

In accordance with IAS 36, the Company assesses at the end of each reporting period whether there is any objective evidence of impairment of non-current assets.
As at 31 December 2023, the main indication of the possible impairment of assets was the fact that the market value of Company's net assets remained persistently lower than their carrying amount. According to IAS 36, recoverable amount is measured at the higher of: fair value less cost to sell, or value in use.
The risk of impairment was identified at the level of components of rolling stock and properties. The recoverable amount of these assets was determined based on their fair value less cost to sell. The fair value was determined on the basis of valuations prepared by independent appraisers.
The fair value of rolling stock was determined using the cost method with elements of the comparative method. The market value of rolling stock was estimated based on the replacement cost, while taking into account, among other things, the loss in value due to physical, functional and external (economic) factors. The replacement cost is the cost as at the valuation date that would have to be incurred in order to receive a new technical asset, which is identical or has similar parameters. Other factors considered in the valuation process included:

- production year,
- number and types of repairs accompanied by modernizations,
- number of kilometers traveled,
- costs of individual repairs,
- date of most recent repairs,
- whether the design is contemporary,
- prices and availability of new units.

The appraisers used their knowledge of locomotive and rail car prices on the primary and secondary markets, for domestic and international companies. They also utilized, among others, the price catalogs of machinery and equipment of railway vehicles of a given type.
The fair value of the appraised properties was determined using a mixed approach with elements of comparative, income-based or replacement valuation methods. Land was measured using a comparative method and the building placed on such land with an income or cost method, depending on the type of property.
In order to determine the recoverable amount, the cost to sell of the measured assets were disregarded, as they were deemed insignificant.

Based on the valuations, as at 31 December 2023:
a) the fair value exceeded the carrying amount of all rolling stock components. The analysis at the level of individual asset items resulted in the reversal of an impairment loss in the amount of PLN 8.9 million;
b) no impairment of the appraised properties was identified.
The fair value of the remaining assets of the Company not subject to valuation did not differ materially from their carrying amounts.

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

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

Change in the balance of property, plant and equipment

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	**6,534.9**	**583.3**	**210.2**	**27.5**	**25.4**	**30.0**	**876.4**
Increases / (decreases):							
Periodic repairs of rolling stock	-	-	-	-	-	1,026.7	**1,026.7**
Purchase of new assets / modernization	-	-	-	-	-	200.2	**200.2**
Purchase of leased items	-	-	4.8	0.2	-	-	**5.0**
Settlement of fixed assets under construction	1,225.9	0.4	4.4	1.7	0.4	(1,232.8)	**(1,225.9)**
Grant for non-current assets	(96.3)	-	-	-	-	-	**-**
Sales (including leaseback)	(302.2)	-	(0.6)	(0.2)	-	-	**(0.8)**
Contribution in kind	(0.4)	(20.6)	(2.6)	-	(0.4)	-	**(23.6)**
Liquidation	(351.3)	(0.1)	(0.2)	-	(0.1)	(0.2)	**(0.6)**
Other	0.3	0.2	-	-	-	(3.9)	**(3.7)**
31/12/2023	**7,010.9**	**563.2**	**216.0**	**29.2**	**25.3**	**20.0**	**853.7**
Accumulated depreciation							
1/01/2023	**(2,686.3)**	**(182.0)**	**(183.1)**	**(27.1)**	**(24.0)**	**-**	**(416.2)**
Increases / (decreases):							
Depreciation	(571.0)	(15.9)	(8.7)	(0.4)	(0.8)	-	**(25.8)**
Purchase of leased items	-	-	(3.0)	(0.1)	-	-	**(3.1)**
Sales (including leaseback)	43.1	-	0.6	0.2	-	-	**0.8**
Contribution in kind	0.1	1.0	0.6	-	0.2	-	**1.8**
Liquidation	342.8	0.1	0.2	-	0.1	-	**0.4**
Other	(0.2)	-	-	-	-	-	**-**
31/12/2023	**(2,871.5)**	**(196.8)**	**(193.4)**	**(27.4)**	**(24.5)**	**-**	**(442.1)**
Accumulated impairment							
1/01/2023	**(70.5)**	**-**	**-**	**-**	**-**	**(0.7)**	**(0.7)**
Increases / (decreases):							
Derecognition, including:	8.9	-	-	-	-	-	**-**
effect of fair value measurement	8.9	-	-	-	-	-	**-**
Utilization	0.3	-	-	-	-	0.2	**0.2**
31/12/2023	**(61.3)**	**-**	**-**	**-**	**-**	**(0.5)**	**(0.5)**
Net value							
1/01/2023	**3,778.1**	**401.3**	**27.1**	**0.4**	**1.4**	**29.3**	**459.5**
31/12/2023	**4,078.1**	**366.4**	**22.6**	**1.8**	**0.8**	**19.5**	**411.1**

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

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

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	**6,381.3**	**587.7**	**205.7**	**27.5**	**25.1**	**25.6**	**871.6**
Increases / (decreases):							
Periodic repairs of rolling stock	-	-	-	-	-	494.9	**494.9**
Purchase of new assets / modernization	-	-	-	-	-	120.0	**120.0**
Purchase of leased items	-	-	2.7	0.8	-	-	**3.5**
Settlement of fixed assets under construction	603.6	2.4	2.2	-	0.3	(608.5)	**(603.6)**
Grant for non-current assets	(80.3)	-	-	-	-	-	**-**
Sales (including leaseback)	(17.6)	(6.5)	-	(0.8)	-	-	**(7.3)**
Liquidation	(343.4)	(0.3)	(0.5)	-	-	(2.0)	**(2.8)**
Reclassified to assets held for sale	(8.1)	-	-	-	-	-	**-**
Other	(0.6)	-	0.1	-	-	-	**0.1**
31/12/2022	**6,534.9**	**583.3**	**210.2**	**27.5**	**25.4**	**30.0**	**876.4**
Accumulated depreciation							
1/01/2022	**(2,478.4)**	**(165.1)**	**(172.0)**	**(27.2)**	**(23.2)**	**-**	**(387.5)**
Increases / (decreases):							
Depreciation	(509.8)	(17.2)	(9.9)	(0.2)	(0.8)	-	**(28.1)**
Purchase of leased items	-	-	(1.7)	(0.5)	-	-	**(2.2)**
Sales (including leaseback)	3.9	-	-	0.8	-	-	**0.8**
Liquidation	291.6	0.3	0.5	-	-	-	**0.8**
Reclassified to assets held for sale	5.6	-	-	-	-	-	**-**
Other	0.8	-	-	-	-	-	**-**
31/12/2022	**(2,686.3)**	**(182.0)**	**(183.1)**	**(27.1)**	**(24.0)**	**-**	**(416.2)**
Accumulated impairment							
1/01/2022	**(75.4)**	**-**	**-**	**-**	**-**	**(2.4)**	**(2.4)**
Increases / (decreases):							
Recognition	-	-	-	-	-	(0.3)	**(0.3)**
Derecognition, including:	4.0	-	-	-	-	-	**-**
effect of fair value measurement	4.0	-	-	-	-	-	**-**
Utilization	0.9	-	-	-	-	2.0	**2.0**
31/12/2022	**(70.5)**	**-**	**-**	**-**	**-**	**(0.7)**	**(0.7)**
Net value							
1/01/2022	**3,827.5**	**422.6**	**33.7**	**0.3**	**1.9**	**23.2**	**481.7**
31/12/2022	**3,778.1**	**401.3**	**27.1**	**0.4**	**1.4**	**29.3**	**459.5**

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

5.2 Rights-of-use assets

Accounting policy applied

Rights-of-use assets are initially measured at cost, which includes the lease liability in the current value of lease payments outstanding at such date, all lease payments paid up until the start date, minus all lease incentives received, all initial direct costs incurred by the Company as the lessee and estimated costs to be incurred in connection with the disassembly and removal of the underlying asset and the renovation of the place in which it was located.

The rights-of-use asset item is also used by the Company to present the perpetual usufruct right to land, used by the Company in return for valuable consideration. Perpetual usufruct rights to land for which the Company does not pay any fees due to the exemption applicable to it by operation of law do not fulfill the definition of a lease and thus are presented by the Company as part of other property, plant and equipment.

After initial recognition, the Company measures the right-of-use asset at cost less any accumulated depreciation and total impairment losses, adjusted for any remeasurement of the lease liability.

In the case of expenditures on repairs and periodic inspections of rights-of-use assets, the Company applies IAS 16, i.e. presents assets related to repairs and their periodic inspections in the same item of the statement of financial position, i.e. in the rights-of-use assets item.

Useful lives of rights-of-use assets

The Company uses straight-line depreciation. The value of a right-of-use asset is distributed systematically over its useful life.
The useful lives of rights-of-use assets in leases were as follows:

Rolling stock	2 to 32 years
Strategic property	14 to 17 years
Other property	2 to 15 years
Machinery and equipment	2 to 15 years
Other	2 to 15 years

The useful life of perpetual usufruct rights to land is defined by the Company as the period remaining until the date until which these rights have been granted unless the circumstances require the adoption of a longer or shorter period.

SIGNIFICANT VALUES BASED ON PROFESSIONAL JUDGMENT AND ESTIMATES

Useful lives of rights-of-use assets

The Company estimates the economic useful lives and consequently the depreciation rates for individual rights-of-use assets. If the lease transfers ownership of the underlying asset to the Company before the end of the lease term or if the Company expects to exercise its purchase option, the Company will depreciate the right-of-use asset from the commencement date to the end of the useful life of the asset. Otherwise, the Company depreciates the right-of-use asset until the earlier of: the end of the useful life of the asset or the end of the lease term. Depreciation rates may change in the event of circumstances causing a change in the expected useful life, which in turn affects the value of the depreciation charges and the carrying amount of specific items of right-of-use assets. The verification of the useful lives of right-of-use assets conducted as at 31 December 2023 and 31 December 2022 did not reveal the need to correct the previously applied depreciation rates.

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

5.2 Rights-of-use assets (cont.)

Movement in rights-of-use assets

2023	Rolling stock	Real properties	Technical machinery and equipment	Means of transport	Other fixed assets	Total
Gross value						
1/01/2023	**257.1**	**604.5**	**9.6**	**8.9**	**0.6**	**880.7**
Increases / (decreases):						
New leases	270.4	0.8	4.4	0.1	-	**275.7**
Periodic repairs of rolling stock	0.3	-	-	-	-	**0.3**
Modifications of agreements	-	60.1	0.4	2.2	0.3	**63.0**
Leaseback	258.9	-	-	-	-	**258.9**
Return of leased items	(64.0)	(0.1)	-	(0.1)	-	**(64.2)**
Purchase of leased items	-	-	(4.8)	(0.2)	-	**(5.0)**
Contribution in kind	-	(4.7)	-	-	-	**(4.7)**
Other	-	0.3	-	-	-	**0.3**
31/12/2023	**722.7**	**660.9**	**9.6**	**10.9**	**0.9**	**1,405.0**
Accumulated depreciation						
1/01/2023	**(69.5)**	**(146.1)**	**(3.9)**	**(7.6)**	**(0.5)**	**(227.6)**
Increases / (decreases):						
Depreciation	(30.2)	(48.3)	(1.3)	(2.3)	(0.2)	**(82.3)**
Return of leased items	64.0	0.1	-	0.1	-	**64.2**
Purchase of leased items	-	-	3.0	0.1	-	**3.1**
Contribution in kind	-	0.1	-	-	-	**0.1**
Other	-	(0.1)	-	-	-	**(0.1)**
31/12/2023	**(35.7)**	**(194.3)**	**(2.2)**	**(9.7)**	**(0.7)**	**(242.6)**
Net value						
1/12/2023	**187.6**	**458.4**	**5.7**	**1.3**	**0.1**	**653.1**
31/12/2023	**687.0**	**466.6**	**7.4**	**1.2**	**0.2**	**1,162.4**

2022	Rolling stock	Real properties	Technical machinery and equipment	Means of transport	Other fixed assets	Total
Gross value						
1/01/2022	**243.8**	**577.6**	**11.5**	**7.8**	**0.7**	**841.4**
Increases / (decreases):						
New leases	-	14.6	0.8	-	-	**15.4**
Modifications of agreements	-	28.6	-	1.9	-	**30.5**
Leaseback	13.6	-	-	-	-	**13.6**
Return of leased items	(0.3)	(16.3)	-	-	(0.1)	**(16.7)**
Purchase of leased items	-	-	(2.7)	(0.8)	-	**(3.5)**
31/12/2022	**257.1**	**604.5**	**9.6**	**8.9**	**0.6**	**880.7**
Accumulated depreciation						
1/01/2022	**(48.0)**	**(116.6)**	**(3.5)**	**(6.0)**	**(0.4)**	**(174.5)**
Increases / (decreases):						
Depreciation	(21.1)	(42.1)	(2.1)	(2.1)	(0.1)	**(67.5)**
Return of leased items	0.3	12.6	-	-	-	**12.9**
Purchase of leased items	-	-	1.7	0.5	-	**2.2**
Other	(0.7)	-	-	-	-	**(0.7)**
31/12/2022	**(69.5)**	**(146.1)**	**(3.9)**	**(7.6)**	**(0.5)**	**(227.6)**
Net value						
1/01/2022	**195.8**	**461.0**	**8.0**	**1.8**	**0.3**	**666.9**
31/12/2022	**187.6**	**458.4**	**5.7**	**1.3**	**0.1**	**653.1**

5.3 Investments in related parties

Accounting policy applied

Investments in related parties are recognized at the purchase price less impairment losses. The value of shares and stock taken up in return for a contribution in kind is presented at the book value of the contribution in kind made by the Company.

SIGNIFICANT VALUES BASED ON PROFESSIONAL JUDGMENT AND ESTIMATES

As at each balance sheet date, the Company analyzes whether or not objective grounds exist that might imply an impairment loss on investments in related parties. If such grounds exist then the Company is required to determine the recoverable amount of the assets showing signs of impairment.
As at 31 December 2023, the Company identified indications of impairment of investments in PKP CARGOTABOR Sp. z o.o., CARGOTOR Sp. z o.o. and PKP CARGO INTERNATIONAL a.s., as a result of which impairment tests were carried out for cash-generating units identified for each of the tested companies separately. The recoverable amount of the analyzed assets was determined on the basis of their estimated value in use using the net discounted cash flows method.

PKP CARGOTABOR Sp. z o.o.
Presented below are the key assumptions affecting the estimate of the value in use of the tested cash-generating units:
- discounted cash flows were developed on the basis of detailed financial projections for the period from 2024 to 2028,
- in the period covered by the detailed projection, the compound annual growth rate (CAGR) of operating revenue will be at 4.4% in nominal terms,
- in the whole period covered by the detailed projection, CAPEX will reach the level of 3.7% of annual operating revenue in nominal terms,
- the after-tax weighted average cost of capital (WACC) in the detailed projection period will be at a level of 10.2% in nominal terms,
- after the detailed projection period, the growth of future cash flows was assumed at 0.0% in nominal terms.

Since the recoverable amount determined as a result of the test exceeded the carrying amount of the tested assets owned by PKP CARGOTABOR Sp. z o.o., as at 31 December 2023 the Company recognized no impairment loss for shares in PKP CARGOTABOR Sp. z o.o.

CARGOTOR Sp. z o.o.
Presented below are the key assumptions affecting the estimate of the value in use of the tested cash-generating units:
- discounted cash flows were developed on the basis of detailed financial projections for the period from 2024 to 2028,
- for the projection period of 2024-2028, it was assumed that the current conflict in Ukraine would end in early 2025,
- in the period covered by the detailed projection, the compound annual growth rate (CAGR) of operating revenue will be at 14.5% in nominal terms,
- in the whole period covered by the detailed projection, CAPEX will reach the level of 6.6% of annual operating revenue in nominal terms,
- the after-tax weighted average cost of capital (WACC) will be at a level of 10.2% in nominal terms,
- after the detailed projection period, the growth of future cash flows was assumed at 2.5% in nominal terms.

Since the recoverable amount determined as a result of the test exceeded the carrying amount of the assets tested as at 31 December 2023, the Company recognized no impairment loss for the shares in CARGOTOR Sp. z o.o.

PKP CARGO INTERNATIONAL a.s.
Presented below are the key assumptions affecting the estimate of the value in use of the tested cash-generating units:
- the cash-generating unit was considered to be all owned by the PKP CARGO INTERNATIONAL Group, used mainly to service customers on the Czech rail market,
- discounted cash flows were developed on the basis of detailed financial projections for the period from 2024 to 2033; in the opinion of the Company's Management Board, it is reasonable to adopt financial projections for more than five years because the property, plant and equipment used by PKP CARGO INTERNATIONAL a.s. have a considerably longer period of economic life.
- in the detailed projection period of 2024-2033, the compound annual growth rate (CAGR) of operating revenue will be at 2.8% in real terms,
- in the whole period covered by the detailed projection, CAPEX will reach the level of 5.3% of annual operating revenue in real terms,
- the after-tax weighted average cost of capital (WACC) in the detailed projection period will be at a level of 6.0% in real terms,
- after the detailed projection period, the growth of future cash flows was assumed at 0.0% in real terms.

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

5.3 Investments in related parties (cont.)

Since the recoverable amount determined as a result of the test exceeded the carrying amount of the assets tested as at 31 December 2023, the Company recognized no impairment loss for the shares in PKP CARGO International a.s.

A sensitivity analysis was carried out for the key assumptions of impairment test model for such figures as WACC and the future cash flows increase ratio after the detailed projection period.
The WACC change by +/- 0.3 p.p. and a +/- 0.3 p.p. change in the level of future cash flows after the period of forecast does not cause the need to recognize an impairment loss for shares in PKP CARGOTABOR Sp. z o.o., CARGOTOR Sp. z o.o. and PKP CARGO INTERNATIONAL a.s.

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

Name	Type	Registered office	% of shares held		Value of shares held	
			31/12/2023	31/12/2022	31/12/2023	31/12/2022
Centralny Terminal Multimodalny Sp. z o.o.	subsidiary	Warsaw	100%	100%	1.5	1.5
PKP CARGO SERVICE Sp. z o.o.	subsidiary	Warsaw	100%	100%	15.4	15.4
PKP CARGO TERMINALE Sp. z o.o.	subsidiary	Żurawica	100%	100%	69.1	69.1
PKP CARGOTABOR Sp. z o.o. 1)	subsidiary	Warsaw	100%	100%	131.2	117.7
CARGOTOR Sp. z o.o.	subsidiary	Warsaw	100%	100%	20.2	20.2
PKP CARGOTABOR USŁUGI Sp. z o.o. 2)	subsidiary	Warsaw	100%	100%	35.6	10.1
PKP Linia Chełmska Szerokotorowa Sp. z o.o.	subsidiary	Warsaw	100%	100%	0.1	0.1
ONECARGO CONNECT Sp. z o.o.	subsidiary	Warsaw	100%	100%	-	-
COSCO Shipping Lines (POLAND) Sp. z o.o.	associate	Gdynia	20%	20%	1.1	1.1
PKP CARGO CONNECT Sp. z o.o.	subsidiary	Warsaw	100%	100%	123.2	123.2
Transgaz S.A.	indirect subsidiary	Zalesie near Małaszewicze	64%	64%		
Cargosped Terminal Braniewo Sp. z o.o.	indirect subsidiary	Braniewo	100%	100%		
PKP CARGO CONNECT GmbH	indirect subsidiary	Hamburg	100%	100%		
Terminale Przeładunkowe Sławków Medyka Sp. z o.o.	interests in joint ventures	Sławków	50%	50%		
PKP CARGO INTERNATIONAL a.s.	subsidiary	Ostrava	100%	100%	499.7	499.7
PKP CARGO INTERNATIONAL HU Zrt.	indirect subsidiary	Budapest	100%	100%		
AWT ROSCO a.s.	indirect subsidiary	Ostrava	100%	100%		
AWT CFT a.s. 3)	indirect subsidiary	Ostrava	100%	100%		
AWT Rekultivace a.s.	indirect subsidiary	Petřvald	100%	100%		
DEPOS Horni Sucha a.s.	associate	Horní Suchá	20.6%	20.6%		
PKP CARGO INTERNATIONAL SK a.s.	indirect subsidiary	Bratislava	100%	100%		
AWT DLT s.r.o.	indirect subsidiary	Kladno	100%	100%		
PKP CARGO INTERNATIONAL SI d.o.o.	indirect subsidiary	Grčarevec	80%	80%		
TOTAL					**897.1**	**858.0**

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

5.3 Investments in related parties (cont.)

Changes in the Group's structure

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 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 cash contribution made by the 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.

5.4 Inventories

Accounting policy applied

Inventories are carried at their cost or net realizable value, whichever is lower. Inventories releases are made using the FIFO method. The realizable value is the estimated sale price of inventories less any costs necessary to effect the sale. The Company recognizes impairment losses for inventories if useless or damaged inventories exist or when the net sales price of such inventories is lower than their carrying amount. The amount of the impairment loss for inventories is determined on the basis of usefulness analysis carried out at least at the end of each financial year. Based on this analysis, impairment losses for inventories are recognized for those inventories that are not useful from the Company's point of view.

Structure of inventories

	31/12/2023	31/12/2022
Strategic inventories	28.5	23.7
Rolling stock during liquidation	23.2	42.5
Other inventories	42.3	33.2
Impairment losses	(1.7)	(1.7)
Net inventories	**92.3**	**97.7**

List of changes in impairment losses for inventories

	2023	2022
As at the beginning of the reporting period	**(1.7)**	**(1.8)**
Recognition	(0.7)	(1.3)
Utilization	0.7	1.4
As at the end of the reporting period	**(1.7)**	**(1.7)**

5.5 Trade receivables

Accounting policy applied

Trade receivables are treated as financial instruments and measured at amortized cost in accordance with the business model applied by the Company, the purpose of which is to obtain contractual cash flows constituting the sole repayment of the nominal value and interest on specific dates.

The Company applies a simplified approach, as permitted by IFRS 9, and measures its impairment losses in the amount equal to credit losses expected throughout the lifetime of trade receivables.

The probability of incurred credit losses was estimated on the basis of the historical analysis of recoverability of the balances of trade receivables in specific aging ranges.

For this purpose, the indicators of default by counterparties for each aging range were estimated, in accordance with the table breaking down the aging structure of trade receivables.

Impairment losses are calculated by taking into account the rates of default and the amount of unpaid receivables as at the balance sheet date for each interval in the aging structure.

Moreover, the Company recognizes impairment losses for an individual basis in cases where an objective proof exists that the Company will be unable to recover the amounts due.

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

5.5 Trade receivables (cont.)

SIGNIFICANT VALUES BASED ON PROFESSIONAL JUDGMENT AND ESTIMATES

The calculation and measurement of impairment losses for trade receivables and assets arising from contracts with customers is an area that requires estimation. Expected credit losses are calculated on the basis of an individual assessment of the recoverability of a given receivable and taking into account the model applied by the Company to estimate its counterparty default ratio. Impairment losses determined on a case by case basis require judgment of whether the receivable in question will be repaid by the counterparty, taking into account the established security and settlements made, if any. Such judgment is made by the Company's debt collection unit. The model of estimation of the counterparty default ratio applied by the Company is based on a simplified impairment losses matrix for each aging range based on the expected credit losses throughout the lifetime of the receivables. The estimation of the expected credit losses is based on a method that makes use of expected counterparty default ratios calculated on the basis of historical data for the years 2020-2023 obtained from financial and accounting systems. The war in Ukraine had no material impact on the level of expected credit losses. The reconciliation of impairment losses for receivables is presented in the tables below.

Structure of trade receivables

	31/12/2023	31/12/2022
Trade receivables	501.4	560.8
Impairment loss for receivables	(33.4)	(28.1)
Total	**468.0**	**532.7**
Current assets	468.0	532.7
Total	**468.0**	**532.7**

Reconciliation of impairment losses for trade receivables

	Lifetime expected credit losses					
	2023			2022		
	without impairment	with impairment	Total	without impairment	with impairment	Total
As at the beginning of the reporting period	**(0.9)**	**(27.2)**	**(28.1)**	**(0.9)**	**(33.1)**	**(34.0)**
Recognition	-	(8.2)	**(8.2)**	-	(2.4)	**(2.4)**
Reversal	0.2	1.5	**1.7**	-	1.8	**1.8**
Utilization	-	0.4	**0.4**	-	6.4	**6.4**
FX differences	-	0.8	**0.8**	-	0.1	**0.1**
As at the end of the reporting period	**(0.7)**	**(32.7)**	**(33.4)**	**(0.9)**	**(27.2)**	**(28.1)**

Movement in the carrying amount of gross trade receivables

	2023			2022		
	without impairment	with impairment	Total	without impairment	with impairment	Total
As at the beginning of the reporting period	**533.6**	**27.2**	**560.8**	**381.4**	**33.1**	**414.5**
Recognized	5,051.7	-	**5,051.7**	4,770.2	-	**4,770.2**
Interest accrued	3.4	0.3	**3.7**	2.0	-	**2.0**
Written off	(0.1)	(0.4)	**(0.5)**	-	(6.4)	**(6.4)**
Repaid	(5,111.1)	(1.5)	**(5,112.6)**	(4,617.8)	(1.8)	**(4,619.6)**
Transferred	(7.9)	7.9	**-**	(2.4)	2.4	**-**
FX differences	(0.9)	(0.8)	**(1.7)**	0.2	(0.1)	**0.1**
As at the end of the reporting period	**468.7**	**32.7**	**501.4**	**533.6**	**27.2**	**560.8**

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

5.6 Lease receivables

Accounting policy applied

Assets held under a finance lease are recognized in the statement of financial position as lease receivables at an amount equal to the net investment in the lease. Lease payments relating to the period, excluding costs for services, are applied against the gross investment in the lease to reduce both the principal and the unearned financial revenue. Financial revenue from finance leases is recognized in subsequent periods at a fixed rate of return on the net investment in the lease.

Assets subject to operating leases are recognized in the statement of financial position according to the nature of the asset. Lease income from operating leases is recognized in the profit or loss of the current period on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished.

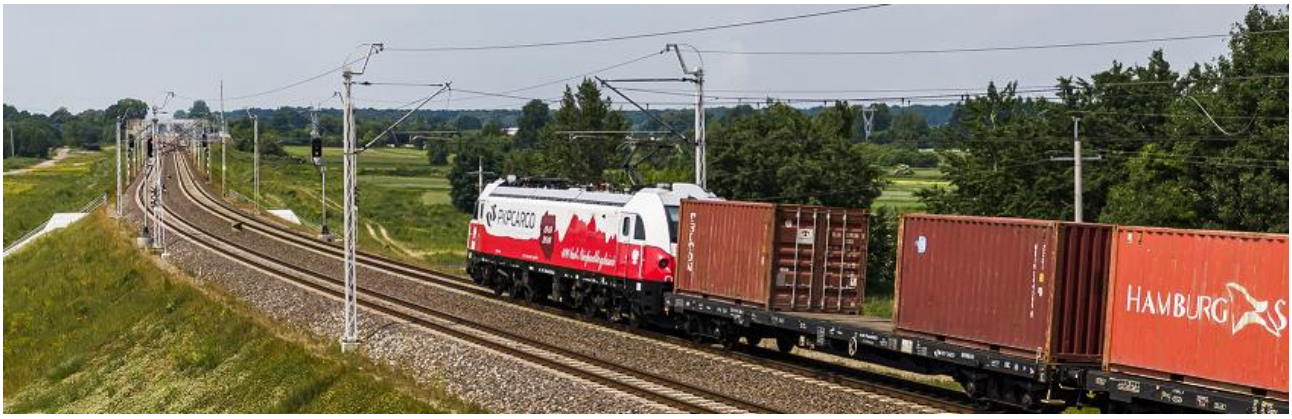
Reconciliation of lease receivables

	2023	2022
As at the beginning of the reporting period	**23.6**	**24.9**
Modifications of agreements	11.9	0.2
Accrual of interest	1.1	1.1
Repayment of receivables, including:		
Principal received	(3.3)	(1.5)
Interest received	(0.9)	(1.1)
Other changes	0.1	-
As at the end of the reporting period	**32.5**	**23.6**

Lease receivables

31/12/2023	Undiscounted lease payments	Unearned finance income	Present value of minimum payments
Up to 1 year	4.2	(1.3)	2.9
From 1 year to 5 years	15.1	(4.2)	10.9
Over 5 years	21.1	(2.4)	18.7
Total	**40.4**	**(7.9)**	**32.5**
Non-current receivables	36.2	(6.6)	29.6
Current receivables	4.2	(1.3)	2.9
Total	**40.4**	**(7.9)**	**32.5**

31/12/2022	Undiscounted lease payments	Unearned finance income	Present value of minimum payments
Up to 1 year	2.4	(0.9)	1.5
From 1 year to 5 years	10.4	(3.2)	7.2
Over 5 years	17.1	(2.2)	14.9
Total	**29.9**	**(6.3)**	**23.6**
Non-current receivables	27.5	(5.4)	22.1
Current receivables	2.4	(0.9)	1.5
Total	**29.9**	**(6.3)**	**23.6**



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

5.7 Financial assets

Accounting policy applied

The accounting policy pertaining to financial instruments is described in **Note 6** to these Standalone Financial Statements.

Structure of financial assets

	31/12/2023	31/12/2022
Shares in unlisted companies	8.7	4.9
Loans granted to related parties (PKP CARGO Group)	19.3	-
Total	**28.0**	**4.9**
Non-current assets	23.4	4.9
Current assets	4.6	-
Total	**28.0**	**4.9**

5.8 Other assets

Accounting policy applied

As other assets, the Company recognizes predominantly prepaid expenses which are recognized in the amount of incurred expenses that relate to future periods and will generate future economic benefits for the Company. Prepaid expenses are written off in line with the passage of time.
Other receivables include predominantly public law receivables and are measured at the amount due.
Intangible assets are presented at purchase price or production cost less amortization and the total amount of impairment losses. The Company uses straight-line depreciation. The period of useful life and the amortization method are verified at the end of each reporting period, and the results of estimate changes are settled prospectively.

Structure of other assets

	31/12/2023	31/12/2022
Non-financial assets		
Costs settled over time		
Prepayments for purchase of electricity	36.0	73.1
Insurance	5.8	2.6
IT services	6.5	3.3
Other costs settled over time	1.0	0.3
Prepayments for purchase of non-financial non-current assets	-	16.0
Other	2.7	0.2
Other receivables		
VAT settlements	48.3	22.6
Income tax receivables	6.8	-
Receivables on account of transfer of receivables	2.7	4.1
Other	7.5	10.3
Intangible assets		
Licenses	21.6	11.4
Intangible assets during adjustment	4.7	5.6
Total	**143.6**	**149.5**
Non-current assets	31.6	36.6
Current assets	112.0	112.9
Total	**143.6**	**149.5**

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

5.9 Trade liabilities

Accounting policy applied

Trade liabilities are initially measured at fair value adjusted for transaction costs and subsequently at amortized cost. Liabilities with a maturity of up to 1 year are measured in the amount payable, because they do not contain a significant financing component.

SIGNIFICANT VALUES BASED ON PROFESSIONAL JUDGMENT AND ESTIMATES

At each balance sheet date, the Company measures the amount of interest due from its counterparty related to late payment of its liabilities. At this stage, it also examines cases where the counterparty has the right to charge interest to the Company, but has not yet done so. In such cases, the Company assesses the probability of cash outflows and decides to recognize these liabilities on this basis.

On 21 November 2023, the Company received two interest notes from one of its contractors for the total amount of PLN 23.4 million on account of late payments. Receivables arising from purchase contracts affected by delays in payment were subjected to factoring arrangements between the supplier and the factor, and all payments for the performance of the contracts were made to the factor. In the Company's opinion, the right to charge interest on overdue receivables is undisputed in this case, as there has been an actual delay in payment. However, the Company challenges the jurisdiction of the entity that made the claim to the Company. After reviewing the case, the Company's Management Board decided to recognize interest on delayed payments in full due to the existence of a legal title to make a claim to the Company for payment of the interest due and the likelihood exists of a cash outflow associated with the need to settle this claim. Assessment of the estimates may change in subsequent periods as a result of future events.

Structure of trade liabilities

	31/12/2023	31/12/2022
Trade liabilities	607.8	549.5
Interest liabilities	53.8	16.7
Prepayments and accruals	25.5	32.4
Total	**687.1**	**598.6**
Short-term liabilities	687.1	598.6
Total	**687.1**	**598.6**

5.10 Investment liabilities

Accounting policy applied

Investment liabilities include obligations related to the purchase of non-financial non-current assets. Initially, they are carried at fair value adjusted for transaction costs and subsequently at amortized cost. This applies to liabilities with maturity of over 1 year for which the liability value corresponds to the amount that would be paid in a single cash transaction. The difference between this amount and the total payments is recognized as interest expense over the period of commercial credit. Liabilities with a maturity of up to 1 year are measured in the amount payable, because they do not contain a significant financing component.

Structure of investment liabilities

	31/12/2023	31/12/2022
Investment liabilities related to rolling stock	321.0	240.2
Investment liabilities related to real properties	1.0	1.0
Other	8.2	2.8
Total	**330.2**	**244.0**
Long-term liabilities	15.6	46.1
Short-term liabilities	314.6	197.9
Total	**330.2**	**244.0**

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

5.11 Provisions for employee benefits

Accounting policy applied

The Company provides its employees with long-term benefits during their employment (jubilee awards) as well as post-employment benefits (retirement and disability severance pays, transportation benefits and benefits from the Company Social Benefits Fund for retirement and disability pensioners, post-mortem benefits). Jubilee awards are paid out to the employees after working for specified number of years. Retirement and disability severance pays are paid out as lump sum when the employee retires or begins to collect disability benefits. The amount of retirement and disability severance pays and jubilee awards depends on the number of years of service and the employee's average remuneration. Post-mortem benefits are paid out after the employee's death. The Company is establishing provisions for future liabilities arising out of the foregoing virtues to assign the costs to the respective periods.

In its statement of financial position, the Company recognizes the foregoing benefits at the current value of the liability as at the date ending the reporting period.

The amount of long-term benefits during the employment period and post-employment benefits is calculated by an independent actuarial firm using the projected individual benefits method. The current value of liability on that account is determined through discounting the estimated future cash expenditures – using the interest rates based on market interest rates for government bonds. Current employment cost reflects the increase in the defined benefit obligation resulting from employee service in the current period and is recognized in profit and loss as employee benefits, except when it is recognized as the cost of manufacturing an asset. The costs of past employment are recognized directly in financial result. Net interest cost is calculated by applying a discount rate to the net value of the defined benefit obligation and presented in financial expenses. Actuarial earnings and losses resulting from adjustments of actuarial assumptions ex post and changes to actuarial assumptions are referred to equity through other comprehensive income in the period in which they arose. In case of jubilee awards, they are referred to the costs of the period.

SIGNIFICANT VALUES BASED ON PROFESSIONAL JUDGMENT AND ESTIMATES

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

	Valuation as at [%]	
	31/12/2023	31/12/2022
Discount rate	5.3	6.8
Assumed average annual growth of the base for calculation of provisions for retirement and disability severance pays and jubilee awards		
2023	-	13.9
2024	9.6 - 12.7	4.1
2025	3.6	3.4
2026	3.2	2.5
2027	2.7	2.5
2028	2.1	2.5
from 2029	2.5	2.5
Assumed growth of the price of transportation benefits		
2023	-	3.5
2024	11.6	3.5
from 2025	2.1 - 3.6	3.5
Assumed average annual growth of the base for calculation of provisions on account of charge for the Company Social Benefits Fund	6.3	5.2
Weighted average employee mobility ratio	up to 3.1	up to 2.9

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

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

5.11 Provisions for employee benefits (cont.)

Sensitivity analysis of provisions for employee benefits

	31/12/2023	Discount rate		Salary growth ratio		Employee mobility ratio	
		+0.30 pp.	-0.30 pp.	+0.25 pp.	-0.25 pp.	+0.25 pp.	-0.25 pp.
Jubilee awards	225.6	(3.1)	3.2	3.3	(3.2)	(2.5)	2.6
Retirement and disability severance pays	209.9	(2.5)	2.6	2.7	(2.7)	(1.6)	1.6
Post-mortem benefits	4.7	(0.1)	0.1	0.1	(0.1)	(0.1)	0.1
Company Social Benefits Fund	135.7	(5.1)	5.4	4.8	(4.5)	(0.5)	0.5
Transportation benefits	24.6	(0.8)	0.8	0.8	(0.7)	(0.1)	0.1
Total	**600.5**	**(11.6)**	**12.1**	**11.7**	**(11.2)**	**(4.8)**	**4.9**

	31/12/2022	Discount rate		Salary growth ratio		Employee mobility ratio	
		+0.30 pp.	-0.30 pp.	+0.25 pp.	-0.25 pp.	+0.25 pp.	-0.25 pp.
Jubilee awards	214.8	(2.7)	2.8	2.9	(2.9)	(2.2)	2.2
Retirement and disability severance pays	189.8	(2.2)	2.3	2.4	(2.4)	(1.4)	1.4
Post-mortem benefits	5.2	(0.1)	0.1	0.1	(0.1)	(0.1)	0.1
Company Social Benefits Fund	84.1	(2.6)	2.7	2.5	(2.4)	(0.2)	0.3
Transportation benefits	19.1	(0.6)	0.6	0.6	(0.5)	(0.1)	0.1
Total	**513.0**	**(8.2)**	**8.5**	**8.5**	**(8.3)**	**(4.0)**	**4.1**

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	**189.8**	**84.1**	**19.1**	**5.2**	**214.8**	**32.2**	**545.2**
Current service cost	5.7	1.4	0.3	0.2	9.0	-	**16.6**
Interest expense	10.2	6.0	1.3	0.3	12.7	-	**30.5**
Actuarial (profits) / losses recognized in other comprehensive income	32.0	49.8	4.9	(0.1)	-	-	**86.6**
Actuarial (profits)/ losses recognized in the statement of profit or loss	-	-	-	-	36.5	-	**36.5**
Recognition of provisions	-	-	-	-	-	(3.6)	**(3.6)**
Benefits paid out	(27.8)	(5.6)	(1.0)	(0.9)	(47.4)	-	**(82.7)**
31/12/2023	**209.9**	**135.7**	**24.6**	**4.7**	**225.6**	**28.6**	**629.1**
Long-term provisions	155.0	129.5	23.3	3.9	181.3	-	**493.0**
Short-term provisions	54.9	6.2	1.3	0.8	44.3	28.6	**136.1**
Total	**209.9**	**135.7**	**24.6**	**4.7**	**225.6**	**28.6**	**629.1**

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

5.11 Provisions for employee benefits (cont.)

	Retirement and disability severance pays	Company Social Benefits Fund	Transportation benefits	Post-mortem benefits	Jubilee awards	Other employee benefits	Total provisions
1/01/2022	**178.3**	**115.2**	**22.2**	**4.9**	**219.3**	**19.9**	**559.8**
Current service cost	5.4	1.4	0.3	0.2	8.8	-	**16.1**
Interest expense	7.8	4.9	0.9	0.2	10.3	-	**24.1**
Actuarial (profits)/ losses recognized in other comprehensive income	18.6	(32.2)	(3.5)	0.6	-	-	**(16.5)**
Actuarial (profits)/ losses recognized in the statement of profit or loss	-	-	-	-	24.5	-	**24.5**
Recognition of provisions	-	-	-	-	-	12.3	**12.3**
Benefits paid out	(20.3)	(5.2)	(0.8)	(0.7)	(48.1)	-	**(75.1)**
31/12/2022	**189.8**	**84.1**	**19.1**	**5.2**	**214.8**	**32.2**	**545.2**
Long-term provisions	146.7	78.8	18.0	4.2	172.0	-	**419.7**
Short-term provisions	43.1	5.3	1.1	1.0	42.8	32.2	**125.5**
Total	**189.8**	**84.1**	**19.1**	**5.2**	**214.8**	**32.2**	**545.2**

Items recognized in the result in reference to employee benefits programs

	31/12/2023	31/12/2022
Employee benefits	(49.5)	(52.9)
Financial expenses	(30.5)	(24.1)
Total recognized in the result before tax	**(80.0)**	**(77.0)**

Actuarial (profits) / losses

2023	Change of demographic assumptions	Change of financial assumptions	Other changes	Total
Actuarial losses / (profits) – post-employment benefits				
Retirement and disability severance pays	0.5	14.6	16.9	**32.0**
Company Social Benefits Fund	9.7	38.6	1.5	**49.8**
Transportation benefits	1.7	0.5	2.7	**4.9**
Post-mortem benefits	(0.7)	0.3	0.3	**(0.1)**
Actuarial losses / (profits) – other long-term benefits				
Jubilee awards	(0.5)	18.3	18.7	**36.5**
Total	**10.7**	**72.3**	**40.1**	**123.1**

2022	Change of demographic assumptions	Change of financial assumptions	Other changes	Total
Actuarial losses / (profits) – post-employment benefits				
Retirement and disability severance pays	(2.4)	(9.1)	30.1	**18.6**
Company Social Benefits Fund	(3.4)	(23.8)	(5.0)	**(32.2)**
Transportation benefits	(0.6)	(4.8)	1.9	**(3.5)**
Post-mortem benefits	0.2	(0.2)	0.6	**0.6**
Actuarial losses / (profits) – other long-term benefits				
Jubilee awards	(3.3)	(10.2)	38.0	**24.5**
Total	**(9.5)**	**(48.1)**	**65.6**	**8.0**

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

5.11 Provisions for employee benefits (cont.)

Analysis of maturities of paid out employee benefits

31/12/2023	Retirement and disability severance pays	Company Social Benefits Fund	Transportation benefits	Post-mortem benefits	Jubilee awards	Other employee benefits	Total
up to 1 year	54.9	6.2	1.3	0.8	44.3	28.6	**136.1**
1 to 5 years	88.9	25.3	5.5	2.1	104.0	-	**225.8**
over 5 years	66.1	104.2	17.8	1.8	77.3	-	**267.2**
Total	**209.9**	**135.7**	**24.6**	**4.7**	**225.6**	**28.6**	**629.1**

31 /12/2022	Retirement and disability severance pays	Company Social Benefits Fund	Transportation benefits	Post-mortem benefits	Jubilee awards	Other employee benefits	Total
up to 1 year	43.1	5.3	1.1	1.0	42.8	32.2	**125.5**
1 to 5 years	86.0	19.8	4.4	2.4	103.2	-	**215.8**
over 5 years	60.7	59.0	13.6	1.8	68.8	-	**203.9**
Total	**189.8**	**84.1**	**19.1**	**5.2**	**214.8**	**32.2**	**545.2**

5.12 Other provisions

SIGNIFICANT VALUES BASED ON PROFESSIONAL JUDGMENT AND ESTIMATES

Where the determination of whether a present obligation exists is unclear, for example in the case of a lawsuit, the Company recognizes provisions for such events if it concludes that, taking into account all available evidence, the existence of the obligation at the balance sheet date is more likely than not. If a present obligation is more likely not to exist at the balance sheet date then the Company discloses information about a contingent liability, unless the possibility of an outflow of resources embodying economic benefits is remote. The decision on whether or not a claim should be recognized in the form of a provision or a contingent liability depends on an assessment of the probability of loss in the litigation carried out by internal legal services or external law firms. Assessment of the estimates may change in subsequent periods as a result of future events.

Structure of other provisions

	2023	2022
As at the beginning of the reporting period	**7.7**	**18.4**
Recognition	3.7	1.5
Reversal	(2.4)	(11.8)
Utilization	(0.1)	(0.4)
As at the end of the reporting period	**8.9**	**7.7**
Long-term provisions	0.4	0.5
Short-term provisions	8.5	7.2
Total	**8.9**	**7.7**

Other provisions

This line item mostly includes the provisions established for disputed claims, litigation and contractual penalties, which are more likely than not to result in an outflow of cash in order to satisfy the claim.

According to the Company's Management Board, the amount of other provisions as at 31 December 2023, and as at 31 December 2022, represents the best estimate of the amount that will likely have to be paid. The estimate is based on the management's best knowledge, the experience to date and other factors which are considered to be the most reasonable in the given situation.

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

5.13 Other financial liabilities

Accounting policy applied

The accounting policy pertaining to financial instruments is described in **Note 6** to these Standalone Financial Statements.

Structure of other financial liabilities

	31/12/2023	31/12/2022
Cash pool	140.5	92.6
Total	**140.5**	**92.6**
Short-term liabilities	140.5	92.6
Total	**140.5**	**92.6**

5.14 Other liabilities

Accounting policy applied

Liabilities are the Company's present obligation resulting from future events, whose fulfillment will, according to expectations, cause the outflow from the entity of the means entailing economic benefits.
Other liabilities include predominantly public law settlements and payroll liabilities which are carried at the amount due.

Structure of other liabilities

	31/12/2023	31/12/2022
Liabilities arising out of collateral (deposits, bid deposits, guarantees)	24.0	23.8
Liabilities on the purchase of shares	-	18.0
Public law liabilities	99.6	87.0
Settlements with employees	79.7	74.1
Other settlements	14.5	2.2
VAT settlements	-	10.9
Total	**217.8**	**216.0**
Short-term liabilities	217.8	216.0
Total	**217.8**	**216.0**

6. Financial instruments and principles of financial risk management

Accounting policy applied

The Company recognizes a financial asset or a financial liability in its statement of financial position when the Company becomes bound by the contractual provisions of the instrument. At initial recognition, the Company measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. After initial recognition, financial assets of a debt nature are classified as measured:

a) at amortized cost,
b) at fair value through other comprehensive income,
c) at fair value through profit or loss.

Such classification is based on:

a) the entity's business model for managing financial assets,
b) the contractual cash flow characteristics of the financial asset, i.e. whether the contractual cash flows are 'solely payments of principal and interest' ("SPPI"). The nature and the purpose of financial assets are determined at the moment of initial recognition.

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

6. Financial instruments and principles of financial risk management (cont.)

Accounting policy applied

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met:
a) the financial asset is held within a business model whose objective is achieved by holding financial assets in order to collect contractual cash flows;
b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

In this category, the Company classifies mainly:
a) trade receivables,
b) cash and cash equivalents.

As at 31 December 2023 and 31 December 2022, the Company did not have any financial assets of a debt nature measured at fair value through other comprehensive income or measured at fair value through profit or loss.

Investments in equity instruments

Investments in equity instruments are measured at fair value through other comprehensive income.

Financial liabilities

The Company classifies all financial liabilities as subsequently measured at amortized cost, except for:
a) financial liabilities at fair value through profit or loss;
b) liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies,
c) financial guarantee contracts,
d) commitments to provide a loan at a below-market interest rate;
e) contingent consideration recognized by the acquiring company in a business combination to which IFRS 3 applies.

The Company derecognizes a financial asset when, and only when, the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and all related risks and rewards of ownership of the financial asset to another entity.

6.1 Financial instruments

Categories and classes of financial instruments

Financial assets by categories and classes	Note	31/12/2023	31/12/2022
Financial assets measured at fair value through other comprehensive income			
Investments in equity instruments	*Note 5.7*	8.7	4.9
Financial assets measured at amortized cost			
Trade receivables	*Note 5.5*	468.0	532.7
Loans granted	*Note 5.7*	19.3	-
Cash and cash equivalents	*Note 4.3*	120.2	55.2
Receivables from transfer of receivables	*Note 5.8*	2.7	4.1
Financial assets excluded from the scope of IFRS 9	*Note 5.6*	32.5	23.6
Total		**651.4**	**620.5**

Financial liabilities by categories and classes	Note	31/12/2023	31/12/2022
Hedging financial instruments			
Bank loans and borrowings	*Note 4.1*	473.6	609.2
Financial liabilities measured at amortized cost			
Bank loans and borrowings	*Note 4.1*	933.8	847.4
Trade liabilities	*Note 5.9*	687.1	598.6
Investment liabilities	*Note 5.10*	330.2	244.0
Cash pool	*Note 5.13*	140.5	92.6
Liabilities on the purchase of shares	*Note 5.14*	-	18.0
Financial liabilities excluded from the scope of IFRS 9	*Note 4.1*	1,210.1	661.9
Total		**3,775.3**	**3,071.7**

Impairment losses on trade receivables are presented in **Note 1.4** and in **Note 5.5** to these Standalone Financial Statements.

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

6.1 Financial instruments (cont.)

Hedge accounting

In the period from 1 January 2023 to 31 December 2023, the Company applied hedge accounting to its cash flows. The purpose of the hedging activity was to mitigate the impact of the FX risk within the EUR/PLN currency pair on the future cash flows. The hedged item is a highly likely cash flow denominated in EUR.

As at 31 December 2023, the following hedging instruments were established:

- investment loans denominated in EUR. The hedged cash flows will be realized until January 2035. As at 31 December 2023, the nominal amount of the hedging instrument was EUR 108.9 million, which is an equivalent of PLN 473.6 million.

Fair value hierarchy

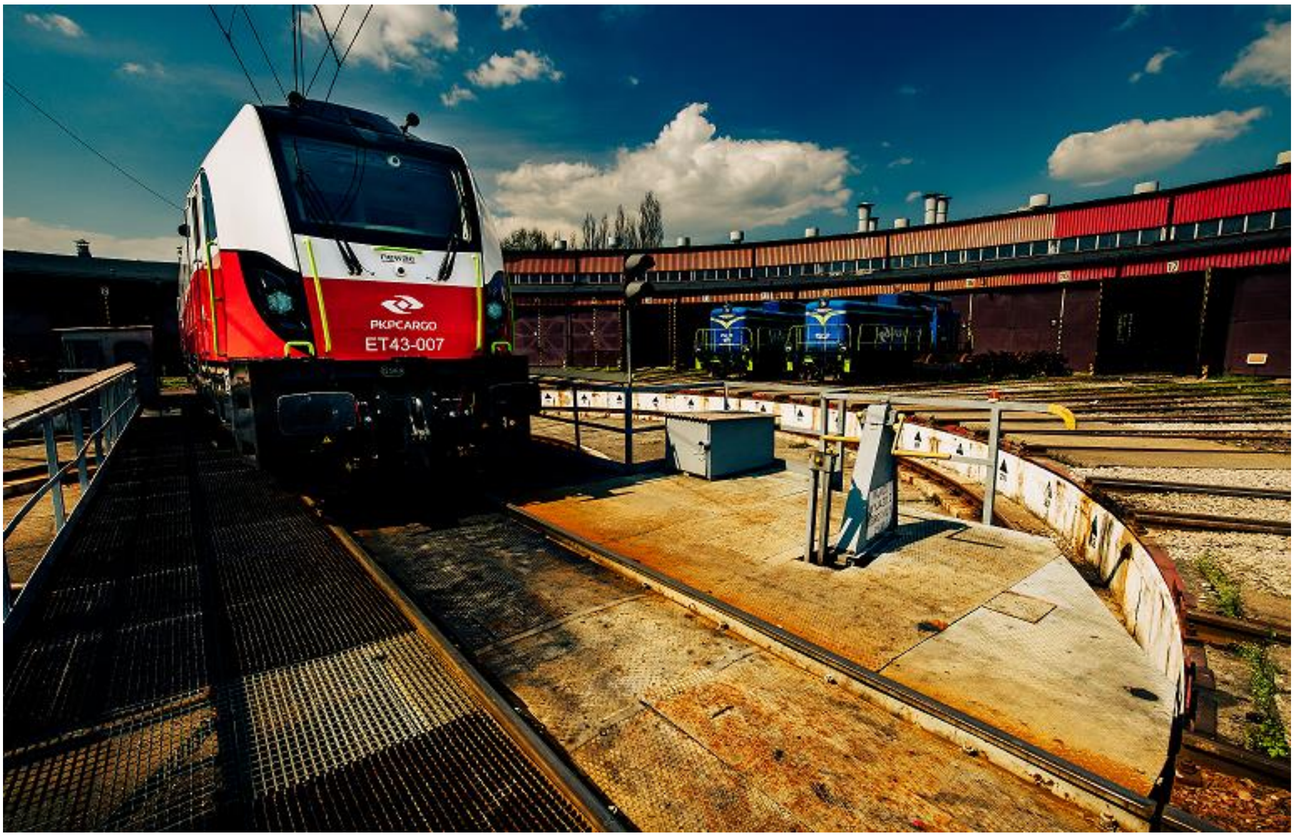
As at 31 December 2023 and 31 December 2022, financial instruments measured at fair value were investments in equity instruments.

	31/12/2023		31/12/2022	
	Level 2	Level 3	Level 2	Level 3
Assets				
Investments in equity instruments – shares in unlisted companies	-	8.7	-	4.9

Measurement methods for financial instruments measured at fair value

a) 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.

b) Other financial instruments
For the category of financial instruments that are not carried at fair value as at the balance sheet date, the Company does not disclose fair value because as at 31 December 2023 and 31 December 2022 fair value was not materially different from the value presented in the statement of financial position.
In the financial year ended 31 December 2023 and 31 December 2022, there were no transfers between levels 2 and 3 of the fair value hierarchy.



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

6.1 Financial instruments (cont.)

Revenues, costs, profits and losses in the standalone statement of comprehensive income by categories of financial instruments

2023	Hedging financial instruments	Investments in equity instruments	Financial assets measured at amortized cost	Financial assets excluded from the scope of IFRS 9	Financial liabilities measured at amortized cost	Total financial liabilities excluded from the scope of IFRS 9	Total
Interest income / (expense)	(17.9)	-	5.2	1.1	(132.0)	(51.9)	**(195.5)**
FX differences	-	-	(6.9)	-	0.5	1.3	**(5.1)**
Impairment losses / revaluation	-	-	(6.5)	-	-	-	**(6.5)**
Transaction costs related to loans	-	-	-	-	(0.5)	-	**(0.5)**
Effect of settlement of cash flow hedge accounting	(3.4)	-	-	-	-	-	**(3.4)**
Profit / (loss) before tax	**(21.3)**	**-**	**(8.2)**	**1.1**	**(132.0)**	**(50.6)**	**(211.0)**
Revaluation	44.0	3.8	-	-	-	-	**47.8**
Other comprehensive income	**44.0**	**3.8**	**-**	**-**	**-**	**-**	**47.8**

In the financial year ended 31 December 2023, the effect of settling cash flow hedge accounting adjusted the value of revenues from contracts with customers in the amount of PLN (3.4) million. The change in the measurement of hedging financial instruments includes a change in the measurement of bank loans in the amount of PLN 44.0 million, recognized as part of the hedge accounting applied by the Company.

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	Total financial liabilities excluded from the scope of IFRS 9	Total
Interest income / (expense)	(7.0)	3.1	1.1	(100.2)	(30.4)	**(133.4)**
FX differences	-	1.9	-	(0.1)	(0.2)	**1.6**
Impairment losses / revaluation	-	(0.6)	-	-	-	**(0.6)**
Transaction costs related to loans	-	-	-	(1.5)	-	**(1.5)**
Effect of settlement of cash flow hedge accounting	(7.0)	-	-	-	-	**(7.0)**
Profit / (loss) before tax	**(14.0)**	**4.4**	**1.1**	**(101.8)**	**(30.6)**	**(140.9)**
Revaluation	(6.8)	-	-	-	-	**(6.8)**
Other comprehensive income	**(6.8)**	**-**	**-**	**-**	**-**	**(6.8)**

In the financial year ended 31 December 2022, the effect of settling cash flow hedge accounting adjusted the value of revenues from contracts with customers in the amount of PLN (7.0) million. The change in the measurement of hedging financial instruments includes a change in the measurement of bank loans in the amount of PLN (6.8) million, recognized as part of the hedge accounting applied by the Company.

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

6.1 Financial instruments (cont.)

Offsetting financial assets

31/12/2023	Gross value of recognized financial assets	Gross value of recognized financial liabilities offset in the statement of financial position	Net value of financial assets presented in the statement of financial position	Associated values not offset in the statement of financial position – cash collateral received	Net value
Trade receivables	468.0	-	468.0	(0.3)	467.7
Total	**468.0**	**-**	**468.0**	**(0.3)**	**467.7**

31/12/2022	Gross value of recognized financial assets	Gross value of recognized financial liabilities offset in the statement of financial position	Net value of financial assets presented in the statement of financial position	Associated values not offset in the statement of financial position – cash collateral received	Net value
Trade receivables	532.7	-	532.7	(0.7)	532.0
Total	**532.7**	**-**	**532.7**	**(0.7)**	**532.0**

Offsetting financial liabilities

31/12/2023	Gross value of recognized financial liabilities	Gross value of recognized assets offset in the statement of financial position	Net value of financial liabilities presented in the statement of financial position	Associated values not offset in the statement of financial position – cash collateral provided	Net value
Cash pool	148.5	(8.0)	140.5	-	140.5
Total	**148.5**	**(8.0)**	**140.5**	**-**	**140.5**

31/12/2022	Gross value of recognized financial liabilities	Gross value of recognized assets offset in the statement of financial position	Net value of financial liabilities presented in the statement of financial position	Associated values not offset in the statement of financial position – cash collateral provided	Net value
Cash pool	104.5	(11.9)	92.6	-	92.6
Total	**104.5**	**(11.9)**	**92.6**	**-**	**92.6**

The values presented in the above tables as securing trade receivables that have not been offset in the statement of financial position are recognized under other liabilities.

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

6.2 Objectives and principles of financial risk management

Objectives and principles of financial risk management

In the years covered by these Standalone Financial Statements, the Company was exposed to the following types of financial risk:

- market risk, including:
  a) currency risk
  b) interest rate risk
- credit risk
- liquidity risk

Market risk

The Company is exposed to market risks associated with changes of the exchange rates and interest rates. The objective of the market risk management process is to limit undesirable impact of changes of market risk factors on the cash flows and results in the short and medium term. The Company manages market risks following from the aforementioned factors on the basis of internal procedures which define the rules of measurement of individual exposures, parameters and time horizon.
The principles of market risk management are implemented through assigned organizational units under the supervision of the Company's Management Board. Market risk management is executed based on developed strategies, with partial utilization of derivative instruments.

In 2023, the Company did not use forward transactions for the EUR/PLN currency pair.

Foreign exchange risk management

As at 31 December 2023, the Company was exposed to foreign exchange risk concerning for the most part trade receivables and debt liabilities denominated in EUR.

As a result of valuation of receivables and liabilities denominated in foreign currencies conducted as at the balance sheet date, and also as a result of ongoing settlements in foreign currencies, there arise positive and negative foreign exchange differences. Their values fluctuate during the year, which is caused by changes in exchange rates.

In a long-term perspective, the valuation risk matches the risk of change of cash flows, therefore the Company's cash flows are subject to hedging operations.
For the EUR/PLN exchange rate, there is partial natural hedging due to the fact that proceeds from contracts with customers in EUR are partly hedged by expenditures in the same currency. The FX risk management transactions used by the Company are aimed at hedging the net free position exposed to change of the value in PLN.

Items in foreign currencies

31/12/2023	Total value of items in PLN	EUR/PLN	
		in a foreign currency	in PLN
ASSETS			
Current assets			
Trade receivables	37.2	8.5	37.2
Other assets	2.5	0.6	2.5
Cash and cash equivalents	15.6	3.6	15.6
Total	**55.3**	**12.7**	**55.3**
EQUITY AND LIABILITIES			
Long-term liabilities			
Debt liabilities	397.2	91.4	397.2
Short-term liabilities			
Debt liabilities	93.5	21.5	93.5
Trade liabilities	15.4	3.5	15.4
Other liabilities	0.5	0.1	0.5
Total	**506.6**	**116.5**	**506.6**
Net currency item	**(451.3)**	**(103.8)**	**(451.3)**

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

6.2 Objectives and principles of financial risk management (cont.)

31/12/2022	Total value of items in PLN	EUR/PLN	
		in a foreign currency	in PLN
ASSETS			
Current assets			
Trade receivables	63.3	13.5	63.3
Cash and cash equivalents	15.3	3.3	15.3
Total	**78.6**	**16.8**	**78.6**
EQUITY AND LIABILITIES			
Long-term liabilities			
Debt liabilities	528.2	112.6	528.2
Short-term liabilities			
Debt liabilities	112.3	24.0	112.3
Trade liabilities	12.6	2.7	12.6
Total	**653.1**	**139.3**	**653.1**
Net currency item	**(574.5)**	**(122.5)**	**(574.5)**

Sensitivity to FX risk

The Company is exposed to the foreign exchange risk regarding the currency pair EUR/PLN in connection with its operating and financing activities. Deviations in exchange rates were calculated based on the average daily volatility of exchange rates in the period under analysis. The sensitivity of financial instruments to foreign exchange risk has been calculated as the difference between the original carrying amount of the financial instruments and their potential value while assuming changes in foreign exchange rates. The tables below present the Company's exposure to the foreign exchange risk in 2023 and 2022.

31/12/2023	Value of the item in PLN	EUR/PLN					
		impact on the result		impact on other comprehensive income		impact on equity	
		+3%	-3%	+3%	-3%	+3%	-3%
ASSETS							
Current assets							
Trade receivables	37.2	1.1	(1.1)	-	-	1.1	(1.1)
Other assets	2.5	0.1	(0.1)	-	-	0.1	(0.1)
Cash and cash equivalents	15.6	0.4	(0.4)	-	-	0.4	(0.4)
EQUITY AND LIABILITIES							
Long-term liabilities							
Debt liabilities	397.2	(0.3)	0.3	(11.6)	11.6	(11.9)	11.9
Short-term liabilities							
Debt liabilities	93.5	-	-	(2.8)	2.8	(2.8)	2.8
Trade liabilities	15.4	(0.5)	0.5	-	-	(0.5)	0.5
Other liabilities	0.5	-	-	-	-	-	-
Total gross effect		**0.8**	**(0.8)**	**(14.4)**	**14.4**	**(13.6)**	**13.6**

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

6.2 Objectives and principles of financial risk management (cont.)

31/12/2022	Value of the item in PLN	EUR/PLN					
		impact on the result		impact on other comprehensive income		impact on equity	
		+2%	-2%	+2%	-2%	+2%	-2%
ASSETS							
Current assets							
Trade receivables	63.3	1.3	(1.3)	-	-	1.3	(1.3)
Cash and cash equivalents	15.3	0.3	(0.3)	-	-	0.3	(0.3)
EQUITY AND LIABILITIES							
Non-current liabilities							
Debt liabilities	528.2	(0.3)	0.3	(10.3)	10.3	(10.6)	10.6
Current liabilities							
Debt liabilities	112.3	(0.2)	0.2	(2.0)	2.0	(2.2)	2.2
Trade liabilities	12.6	(0.3)	0.3	-	-	(0.3)	0.3
Total gross effect		**0.8**	**(0.8)**	**(12.3)**	**12.3**	**(11.5)**	**11.5**

Interest rate risk management

As at 31 December 2023, the Company was exposed to the risk of volatility of cash flows due to interest rate (floating rate) under bank loan agreements and lease agreements. Interest on lease agreements was accrued according to the reference rates increased by the financing party's margin. In 2023, the reference rate for lease contracts denominated in PLN was WIBOR 1M.

Interest on investment loan agreements accrued at the WIBOR 1M and 3M as well as EURIBOR 3M reference rates plus the banks' margins.

Interest rate risk in investment loan and leasing agreements is executed through revaluation of installments in monthly and quarterly periods, depending on the agreement.

As at 31 December 2023, the Company had no bank deposits. In future periods, if bank deposits are concluded, the cash position may be exposed to interest rate risk as a result of changes in interest rates on deposits.

In 2022-2023, the Company did not use derivative instruments to hedge the interest rate risk.

Financial instruments by interest rate type

Financial assets	31/12/2023			31/12/2022		
	Interest rate		Total	Interest rate		Total
	fixed interest rate	variable interest rate		fixed interest rate	variable interest rate	
Lease receivables	32.5	-	**32.5**	23.6	-	**23.6**
Receivables on account of transfer of receivables	2.7	-	**2.7**	4.1	-	**4.1**
Loans granted	-	19.3	**19.3**	-	-	**-**
Cash and cash equivalents	120.2	-	**120.2**	55.2	-	**55.2**
Total	**155.4**	**19.3**	**174.7**	**82.9**	**-**	**82.9**

Financial liabilities	31/12/2023			31/12/2022		
	Interest rate		Total	Interest rate		Total
	fixed interest rate	variable interest rate		fixed interest rate	variable interest rate	
Debt liabilities	761.8	1,855.7	**2,617.5**	599.3	1,519.1	**2,118.4**
Investment liabilities	51.5	-	**51.5**	121.0	-	**121.0**
Cash pool	140.5	-	**140.5**	92.6	-	**92.6**
Total	**953.8**	**1,855.7**	**2,809.5**	**812.9**	**1,519.1**	**2,332.0**

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

6.2 Objectives and principles of financial risk management (cont.)

Interest rate fluctuation sensitivity

The sensitivity analyses presented below are based on the level of exposure of financial instruments to interest rate risk as at the balance sheet date. In the case of assets and liabilities with variable interest rates, for the needs of the analysis it is assumed that the amount of outstanding assets and liabilities as at the balance sheet date will be unpaid for the whole year. The Company identifies the exposure to interest rate risk mainly for WIBOR and EURIBOR. Interest rate deviations are calculated on the basis of observations of average interest rate fluctuations. The sensitivity analysis presented below does not comprise the interest accrued as at the balance sheet date. The analysis results are presented in gross terms (before tax).

31/12/2023	Value of the item in PLN	Interest rate risk			
		WIBOR		EURIBOR	
		impact on the result and equity		impact on the result and equity	
		+ 450 bps	- 450 bps	+ 250 bps	- 250 bps
ASSETS					
Loans granted	19.2	0.9	(0.9)	-	-
EQUITY AND LIABILITIES					
Long-term liabilities					
Debt liabilities	1,243.0	(40.8)	40.8	(8.4)	8.4
Short-term liabilities					
Debt liabilities	601.6	(14.4)	14.4	(1.8)	1.8
Total gross effect		**(54.3)**	**54.3**	**(10.2)**	**10.2**

31/12/2022	Value of the item in PLN	Interest rate risk			
		WIBOR		EURIBOR	
		impact on the result and equity		impact on the result and equity	
		+ 450 bps	- 450 bps	+ 250 bps	- 250 bps
EQUITY AND LIABILITIES					
Non-current liabilities					
Debt liabilities	1,007.4	(31.2)	31.2	(12.8)	12.8
Current liabilities					
Debt liabilities	495.3	(19.9)	19.9	(2.5)	2.5
Total gross effect		**(51.1)**	**51.1**	**(15.3)**	**15.3**

Credit risk management

The table below presents the items of the statement of financial position exposed to credit risk by financial instrument class:

	31/12/2023	31/12/2022
Trade receivables	468.0	532.7
Loans granted	19.3	-
Lease receivables	32.5	23.6
Cash and cash equivalents	120.2	55.2
Receivables on account of transfer of receivables	2.7	4.1
Total	**642.7**	**615.6**

Conducting its commercial activity, the Company sells services to business entities with a deferred payment date, which may lead to the risk that receivables from counterparties for services provided may not be received. To minimize the credit risk, the Company manages the risk through a prevailing client creditworthiness assessment procedure. This assessment is carried out for all clients who use deferred payment dates. Concentration of risk associated with trade receivables is limited due to the large number of business partners with commercial credit dispersed among different sectors of economy.

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

6.2 Objectives and principles of financial risk management (cont.)

Structure of trade receivables in terms of entity types

	31/12/2023	31/12/2022
PKP Group related parties	14.7%	12.4%
State Treasury related parties	33.0%	42.4%
Other entities	52.3%	45.2%
Total	**100.0%**	**100.0%**

In order to reduce the risk of problems with recovery of trade receivables, the Company accepts security interests from their customers in the form of, among others: bank/insurance guarantees, assignment of contracts and other. As at 31 December 2023, 4.5% of trade receivables were secured. The Company evaluates the creditworthiness of its clients on an ongoing basis.

The credit risk associated with cash and bank deposits is perceived as low. All entities in which the Company invests free cash operate in the financial sector. These include domestic banks, foreign banks and branches of foreign banks with a high creditworthiness.

The concentration of risk involving cash held is presented in the table below.

Bank	Credit rating agency	Rating	31/12/2023
Bank A	Moody's Investor Service Ltd	A2	78.2%
Bank B	Moody's Investor Service Ltd	A2	19.9%
Bank C	Moody's Investor Service Ltd	A2	1.3%
Other			0.6%
Total			**100.0%**

7. Other notes

7.1 Related party transactions

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

In the financial years ended 31 December 2023 and 31 December 2022, the State Treasury was the Company's upper level parent entity. Accordingly, all companies owned by the State Treasury (directly or indirectly) are the Company's related parties and are presented separately as PKP Group related parties and other State Treasury related parties. In these Standalone Financial Statements, the Management Board has disclosed transactions with material related parties identified as such according to the best knowledge of the Management Board.

In the financial year ended 31 December 2023 and 31 December 2022, no transactions were identified between the Company and other parties related to the State Treasury which would be material due to a non-standard scope or amount. In the periods covered by these Standalone Financial Statements, the Company's most important clients among other parties related to the State Treasury were members of the following groups: PGE, JSW, ENEA and PKN Orlen. PGE Group entities were the Company's most important suppliers related to the State Treasury.

Transactions with PKP Group related parties

In the period covered by these Standalone Financial Statements, the Company entered into the following commercial transactions with its related parties from the PKP Group:

	2023		31/12/2023	
	Sales to related parties	Purchases from related parties	Receivables from related parties	Liabilities to related parties
Parent company	0.4	69.9	1.1	494.6
Subsidiaries / co-subsidiaries	436.0	770.3	95.2	264.1
Associates	4.0	-	0.4	-
Other PKP Group related parties	27.9	34.1	2.9	165.4

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

7.1 Related party transactions (cont.)

	2022		31/12/2022	
	Sales to related parties	Purchases from related parties	Receivables from related parties	Liabilities to related parties
Parent Company	0.2	64.4	0.9	473.6
Subsidiaries / co-subsidiaries	416.3	594.4	77.4	154.2
Associates	0.3	-	0.4	-
Other PKP Group related parties	24.4	537.6	9.8	200.8

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 Company had cash pooling settlements disclosed in **Note 5.13** of these Standalone Financial Statements and settlements on account of a loan granted to PKP CARGO Terminale Sp. z o.o. presented in **Note 5.7** of these Standalone Financial Statements.

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	2023	2022
Short-term benefits	3.7	2.3
Post-employment benefits	-	0.7
Total	**3.7**	**3.0**

Remunerations of Supervisory Board Members	2023	2022
Short-term benefits	1.4	1.3
Total	**1.4**	**1.3**

Remunerations of other key management personnel	2023	2022
Short-term benefits	6.7	6.4
Post-employment benefits	-	0.3
Termination benefits	0.3	0.1
Total	**7.0**	**6.8**

In the financial year ended 31 December 2023 and 31 December 2022, the members of the key management personnel did not enter into any loan and guarantee transactions with the Company.

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

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

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

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

	31/12/2023	31/12/2022
Contractual liabilities relating to the purchase of non-financial non-current assets	698.6	595.9
Total	**698.6**	**595.9**

7.3 Contingent liabilities

Accounting policy applied

According to the Company's accounting policy, a contingent liability is:
a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
(b) a present obligation that arises from past events but is not recognized in the statement of financial position or in the statement of profit or loss and other comprehensive income, because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or because the amount of the obligation cannot be measured with sufficient reliability.

SIGNIFICANT VALUES BASED ON PROFESSIONAL JUDGMENT AND ESTIMATES

Contingent liability items subject to significant estimations pertain to claims brought against the Company to court. The decision on whether or not a claim should be recognized in the form of a provision or a contingent liability depends on an assessment of the probability of loss in the litigation carried out by internal legal services or external law firms. Such assessment of the estimates may change in subsequent periods as a result of future events, thus it may be necessary to establish a provision that would have an unfavorable effect on the Company's financial result.

Structure of contingent liabilities

	31/12/2023	31/12/2022
Guarantees issued at PKP CARGO S.A.'s request	64.3	54.9
Other contingent liabilities	104.5	144.3
Total	**168.8**	**199.2**

Guarantees issued at PKP CARGO S.A.'s request

As at 31 December 2023 there were outstanding guarantees issued by banks on the Company's order for commercial business partners. The guarantees comprised mainly performance bonds (worth PLN 58.2 million), payment guarantees (worth PLN 3.6 million) and tender bonds (worth PLN 1.2 million).

As at 31 December 2022 there were outstanding guarantees issued by banks on the Company's order for commercial business partners. The guarantees comprised mainly performance bonds (worth PLN 36.3 million), payment guarantees (worth PLN 12.3 million) and tender bonds (worth PLN 5.2 million).

Other contingent liabilities

This line item comprises the claims made against the Company in court proceedings in the case of which the probability of outflow of cash is assessed as low, and claims in the case of which it is not possible to make a reliable estimate of the payment amount in the future by the Company. 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 Disclosures following from Article 36g Section 1 of the Rail Transport Act

In accordance with Article 36g Section 1 of the Rail Transport Act, PKP CARGO S.A., being at the same time a rail carrier and service infrastructure operator, is obligated to prepare regulatory financial information through disclosure in the notes to these Standalone Financial Statements appropriate balance sheet (statement of financial position) and statement of profit or loss (statement of profit or loss and other comprehensive income) items separately for the business involving management of service infrastructure facilities. As part of this note the Company presents the statements mentioned above with a breakdown into different types of activity.

Rules governing the allocation of items of the statement of profit or loss and other comprehensive income

The Company allocates the items of the statement of comprehensive income to respective activities on the basis of accounting records. The Company keeps a record of expenses by nature using the Cost Centers and controlling orders. The analytical records of controlling objects makes it possible to single out and properly allocate the sales revenue items and direct and indirect operating expenses to its respective activities. Administrative expenses are allocated to respective activities using an allocation key based on the structure of the technical cost of services.
The items of other operating revenues and operating expenses are subject to detailed identification on the basis of accounting records. Since the Company has not identified any material items related to service infrastructure activities, these items were allocated fully to the Company's other activities.
Financial revenue and expense items are excluded from the division, except for the costs of settlement of the discount on account of the provision for employee benefits and interest expense on leases, which are allocated to individual activities using an allocation key and interest related to lease liabilities, which are subject to a detailed identification. Items excluded from such allocation include income tax and other comprehensive income items, since they are related to the activity of the whole Company.

Detailed information about the rules of allocation of the items of the statement of comprehensive income is presented below:

Item designation	Allocation key
Revenues from contracts with customers	detailed identification method
Operating expenses	detailed identification method / proportional method
Other operating revenue and (expenses)	detailed identification method / proportional method
Costs of settlement of discount on provisions for employee benefits	detailed identification method / proportional method
Interest expenses related to lease liabilities	proportional method
Financial revenue and (expenses)	excluded from the allocation
Income tax recognized in profit or loss	excluded from the allocation
Other comprehensive income	excluded from the allocation

Items of revenues from contracts with customers presented in the service infrastructure activities include revenues earned from external entities. On the other hand, cost items presented in service infrastructure activities include all costs generated by the Company in this activity, regardless of whether they were generated for the purposes of services provided to external entities or for the Company's own needs.

Rules governing the allocation of items of the statement of financial position

The Company allocates items of the statement of financial position to specific types of activity based on:

a) detailed identification of individual items of the statement of financial position

Detailed identification applies primarily to the items of property, plant and equipment (rolling stock and other), rights-of-use asset, intangible assets, inventories, other non-financial assets, trade receivables and liabilities, the purchase and sale of non-financial non-current assets, settlements with employees, other provisions and partially provisions for employee benefits.

In the case of the property, plant and equipment items and rights-of-use assets the Company performed a detailed identification of individual components used in the service infrastructure activities. As at 31 December 2023, assets identified as used in several separate types of activity were allocated to the type of activity which they are involved in for the most part.

In the case of inventory items the Company performed a detailed identification of individual components which may be used in the service infrastructure activities. The identified components were fully allocated to service infrastructure activities. Due to the general use of individual components it is not out of the question that in the future some of them may be used in other activities of the Company.

Provisions for employee benefits concerning retirement and disability severance pays, post-mortem benefits, jubilee awards and provisions for the Company Social Benefits Fund and transportation benefits for the current employees are calculated by an independent actuarial company.

7.4 Disclosures following from Article 36g Section 1 of the Rail Transport Act (cont.)

In the case of trade receivables and payables and settlements with the employees, the Company allocated them to individual items on the basis of accounting records. In the case of the remaining items listed above, the Company has not identified material items associated with the service infrastructure activities, so all of these items were allocated to the Company's other activities.

b) an allocation key
Provisions for the Company Social Benefits Fund and transportation benefits for the current retirees and disability recipients are allocated on the basis of an allocation key based on the number of employees assigned to the service infrastructure activity and other activities. On the other hand, lease liabilities are allocated using the allocation key based on the structure of rights-of-use assets used in the service infrastructure activity as compared to the overall value of the rights-of-use assets.

c) exclusion of certain items from allocation.
Some items of the statement of financial position are not allocated to specific types of activity and are excluded from the allocation because they pertain to the activities of the whole Company. The items excluded from the allocation include mainly financial items such as: shares, cash and cash equivalents, other financial assets, liabilities on account of loans and borrowings and other financial liabilities. Other excluded items are: equity, deferred tax assets and liabilities and income tax and VAT settlements.

Detailed information about the rules of allocation of the items of the statement of financial position is presented below:

Item designation	Allocation key
ASSETS	
Rolling stock	detailed identification method
Other property, plant and equipment	detailed identification method
Rights-of-use assets	detailed identification method
Investments in related parties	excluded from the allocation
Trade receivables	detailed identification method
Financial assets	excluded from the allocation
Non-financial assets	detailed identification method
Receivables on account of sale of non-financial non-current assets	detailed identification method
Public law receivables	excluded from the allocation
Other receivables	excluded from the allocation
Intangible assets	detailed identification method
Inventories	detailed identification method
Cash and cash equivalents	excluded from the allocation
Deferred tax assets	excluded from the allocation
EQUITY AND LIABILITIES	
Equity	excluded from the allocation
Bank loans and borrowings	excluded from the allocation
Lease liabilities	detailed identification method / proportional method
Trade liabilities	detailed identification method
Investment liabilities	detailed identification method
VAT liabilities	excluded from the allocation
Current tax liabilities	excluded from the allocation
Employee compensation, personal income tax's liability and social security liabilities	detailed identification method
Other liabilities	excluded from the allocation
Provisions for employee benefits	detailed identification method / proportional method
Other provisions	detailed identification method
Deferred tax liability	excluded from the allocation

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

7.4 Disclosures following from Article 36g Section 1 of the Rail Transport Act (cont.)

Breakdown of the statement of profit or loss and other comprehensive income and the statement of financial position for 2022-2023 by type of activity:

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Service infrastructure activities	Elimination of capitalized expenses	Other activities	Excluded items	2023
Revenues from contracts with customers	5.8	-	4,219.7	-	**4,225.5**
Consumption of traction electricity and traction fuel	-	-	(746.9)	-	**(746.9)**
Services of access to infrastructure	-	-	(462.6)	-	**(462.6)**
Other services	(38.4)	12.8	(347.9)	-	**(373.5)**
Employee benefits	(239.3)	35.4	(1,272.0)	-	**(1,475.9)**
Other expenses	(168.8)	56.9	(123.0)	-	**(234.9)**
Other operating revenue and (expenses)	-	-	(63.1)	-	**(63.1)**
Operating profit / (loss) without depreciation (EBITDA)	**(440.7)**	**105.1**	**1,204.2**	**-**	**868.6**
Depreciation, amortization and impairment losses	(24.3)	-	(652.1)	-	**(676.4)**
Profit / (loss) on operating activities (EBIT)	**(465.0)**	**105.1**	**552.1**	**-**	**192.2**
Financial revenue and (expenses)	(10.7)	-	(26.2)	(98.1)	**(135.0)**
Profit / (loss) before tax	**(475.7)**	**105.1**	**525.9**	**(98.1)**	**57.2**
Income tax	-	-	(12.0)	-	**(12.0)**
NET PROFIT / (LOSS)	**(475.7)**	**105.1**	**513.9**	**(98.1)**	**45.2**

	Service infrastructure activities	Elimination of capitalized expenses	Other activities	Excluded items	2022
Revenues from contracts with customers	8.6	-	3,995.0	-	**4,003.6**
Consumption of traction electricity and traction fuel	-	-	(686.5)	-	**(686.5)**
Services of access to infrastructure	-	-	(550.6)	-	**(550.6)**
Other services	(31.4)	9.7	(386.4)	-	**(408.1)**
Employee benefits	(194.8)	29.6	(1,121.1)	-	**(1,286.3)**
Other expenses	(113.4)	30.2	(131.7)	-	**(214.9)**
Other operating revenue and (expenses)	(2.0)	-	(4.7)	-	**(6.7)**
Operating profit / (loss) without depreciation (EBITDA)	**(333.0)**	**69.5**	**1,114.0**	**-**	**850.5**
Depreciation, amortization and impairment losses	(22.3)	-	(586.0)	-	**(608.3)**
Profit / (loss) on operating activities (EBIT)	**(355.3)**	**69.5**	**528.0**	**-**	**242.2**
Financial revenue and (expenses)	(8.7)	-	(20.9)	(85.7)	**(115.3)**
Profit / (loss) before tax	**(364.0)**	**69.5**	**507.1**	**(85.7)**	**126.9**
Income tax	-	-	(24.2)	-	**(24.2)**
NET PROFIT / (LOSS)	**(364.0)**	**69.5**	**482.9**	**(85.7)**	**102.7**

As part of the service infrastructure activities, costs were incurred in connection with the services performed for the needs of the Company’s core business in the amount of approx. PLN 470.2 million in 2023 and approx. PLN 360.2 million in 2022.

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

7.4 Disclosures following from Article 36g Section 1 of the Rail Transport Act (cont.)

STATEMENT OF FINANCIAL POSITION

	Service infrastructure activities	Other activity	Excluded items	31/12/2023
ASSETS				
Rolling stock	-	4,078.1	-	**4,078.1**
Other property, plant and equipment	127.9	283.2	-	**411.1**
Rights-of-use assets	127.8	1,034.6	-	**1,162.4**
Investments in related parties	-	-	897.1	**897.1**
Lease receivables	-	-	29.6	**29.6**
Financial assets	-	-	23.4	**23.4**
Other assets	-	31.6	-	**31.6**
Deferred tax assets	-	-	135.6	**135.6**
Total non-current assets	**255.7**	**5,427.5**	**1,085.7**	**6,768.9**
Inventories	65.0	27.3	-	**92.3**
Trade receivables	0.9	467.1	-	**468.0**
Lease receivables	-	-	2.9	**2.9**
Financial assets	-	-	4.6	**4.6**
Other assets	-	46.8	65.2	**112.0**
Cash and cash equivalents	-	-	120.2	**120.2**
Total current assets	**65.9**	**541.2**	**192.9**	**800.0**
Non-current assets classified as held for sale	-	-	-	**-**
TOTAL ASSETS	**321.6**	**5,968.7**	**1,278.6**	**7,568.9**
EQUITY AND LIABILITIES				
Share capital	-	-	2,239.3	**2,239.3**
Supplementary capital	-	-	738.4	**738.4**
Other items of equity	-	-	(85.1)	**(85.1)**
Retained earnings	-	-	45.2	**45.2**
Total equity	**-**	**-**	**2,937.8**	**2,937.8**
Debt liabilities	148.6	897.9	862.0	**1,908.5**
Investment liabilities	-	15.6	-	**15.6**
Provisions for employee benefits	70.1	422.9	-	**493.0**
Other provisions	-	0.4	-	**0.4**
Total non-current liabilities	**218.7**	**1,336.8**	**862.0**	**2,417.5**
Debt liabilities	22.1	141.6	545.3	**709.0**
Trade liabilities	14.8	672.3	-	**687.1**
Investment liabilities	-	314.6	-	**314.6**
Provisions for employee benefits	13.7	122.4	-	**136.1**
Other provisions	-	8.5	-	**8.5**
Other financial liabilities	-	-	140.5	**140.5**
Other liabilities	20.8	58.9	138.1	**217.8**
Total short-term liabilities	**71.4**	**1,318.3**	**823.9**	**2,213.6**
Total liabilities	**290.1**	**2,655.1**	**1,685.9**	**4,631.1**
TOTAL EQUITY AND LIABILITIES	**290.1**	**2,655.1**	**4,623.7**	**7,568.9**

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

7.4 Disclosures following from Article 36g Section 1 of the Rail Transport Act (cont.)

STATEMENT OF FINANCIAL POSITION

	Service infrastructure activities	Other activity	Excluded items	31/12/2022
ASSETS				
Rolling stock	-	3,778.1	-	**3,778.1**
Other property, plant and equipment	129.1	330.4	-	**459.5**
Rights-of-use assets	118.5	534.6	-	**653.1**
Investments in related parties	-	-	858.0	**858.0**
Lease receivables	-	-	22.1	**22.1**
Financial assets	-	-	4.9	**4.9**
Other assets	-	36.6	-	**36.6**
Deferred tax assets	-	-	135.7	**135.7**
Total non-current assets	**247.6**	**4,679.7**	**1,020.7**	**5,948.0**
Inventories	53.4	44.3	-	**97.7**
Trade receivables	0.8	531.9	-	**532.7**
Lease receivables	-	-	1.5	**1.5**
Other assets	-	76.0	36.9	**112.9**
Cash and cash equivalents	-	-	55.2	**55.2**
Total current assets	**54.2**	**652.2**	**93.6**	**800.0**
Non-current assets classified as held for sale	-	0.1	-	**0.1**
TOTAL ASSETS	**301.8**	**5,332.0**	**1,114.3**	**6,748.1**
EQUITY AND LIABILITIES				
Share capital	-	-	2,239.3	**2,239.3**
Supplementary capital	-	-	635.7	**635.7**
Other items of equity	-	-	(54.4)	**(54.4)**
Retained earnings	-	-	102.7	**102.7**
Total equity	**-**	**-**	**2,923.3**	**2,923.3**
Debt liabilities	133.7	427.8	958.1	**1,519.6**
Investment liabilities	-	46.1	-	**46.1**
Provisions for employee benefits	59.2	360.5	-	**419.7**
Other provisions	-	0.5	-	**0.5**
Total long-term liabilities	**192.9**	**834.9**	**958.1**	**1,985.9**
Debt liabilities	19.5	80.9	498.4	**598.8**
Trade liabilities	15.5	583.1	-	**598.6**
Investment liabilities	-	197.9	-	**197.9**
Provisions for employee benefits	12.5	113.0	-	**125.5**
Other provisions	-	7.2	-	**7.2**
Current tax liabilities	-	-	2.3	**2.3**
Other financial liabilities	-	-	92.6	**92.6**
Other liabilities	18.3	55.8	141.9	**216.0**
Total short-term liabilities	**65.8**	**1,037.9**	**735.2**	**1,838.9**
Total liabilities	**258.7**	**1,872.8**	**1,693.3**	**3,824.8**
TOTAL EQUITY AND LIABILITIES	**258.7**	**1,872.8**	**4,616.6**	**6,748.1**

7.5 Impact of the war in Ukraine on the activity of PKP CARGO S.A.

The main risk factor that continues to affect the Company's current and future performance is the war in Ukraine. It is still impossible to estimate the direction and extent of the activities. For organizations in Poland, the war increased the scale of economic problems, reoriented the direction of trade, which resulted in a significant remodeling of the existing relationships, but on the other hand also created new business relationships. PKP CARGO S.A. is affected by the significant increase in prices of fossil fuels and energy, which leads to an increase in expenses in this area, but at the same time reduces the purchasing capacity of its customers (among other things, due to the still high prices of transport services, coupled with a decrease in the prices of industrial products sold). In the past years, Ukraine was the key supplier of many products to Europe (including steel products, elements important for manufacturers in the automotive industry, or oil products); after the outbreak of the war, supplies were significantly reduced and have largely not been restored to date. Further packages of European Union's sanctions against the Russian Federation have not hampered trade with Russia enough to realistically affect the country's ability to wage war (given Russia's accumulated stockpile of equipment and large raw materials base, as well as the significant number of countries in the "global south" that do not impose any significant trade restrictions). Of particular importance were the restrictions on trade in oil and petroleum products introduced in December 2022 and February 2023, which forced Russia to seek new selling markets and directions, including with the use using ships flying the flags of other countries. Transportation services provided by PKP CARGO S.A. suffered the most in the Eastern direction, where the war and hostile relations with Russia and Belarus made it necessary to redefine and restructure the direction of operations. The still lower cost of sea freight, with significant cost of insurance for cargo transported through Russia and Belarus, has led to a decline in the importance of the New Silk Road. If it recovers, it will happen only if hostilities end or are suspended. At the same time, the growing importance of maritime transport has redirected the flow of goods from the east-west direction to north-south direction, thus highlighting the limited capacity of the network and the need for further investment in this area.

Despite differences in interests and problems in various sectors (including agriculture, road transport, industry), trade between Poland and Ukraine continues to be well above the long-term averages. Taking advantage of the favorable economic situation, PKP CARGO S.A. carries out, among other things, export and transit shipments of fuels, import and transit of metals and metal products, transit of grain and the entire spectrum of goods in container freight transport.

PKP CARGO S.A. is monitoring legal and factual changes associated with the impact of the war on the operations of the Company and its subsidiaries. As a result, decisions are taken to adjust the company's overall operations, and appropriate information and related procedures are prepared to minimize the negative impact of the war and the changing global environment on transportation processes, while ensuring that new emerging opportunities are taken advantage of.

The ongoing armed conflict in Ukraine has also affected the operations of the Company's subsidiaries. The war affected the activity of CARGOTOR Sp. z o.o. the most. Accordingly, as at 31 December 2023, impairment test were carried out for shares in CARGOTOR Sp. z o.o., which is described in **Note 5.3** to these Standalone Financial Statements.

The company does not currently see any fundamental threat to its operations from the war in Ukraine, but the situation remains volatile and requires constant monitoring and adaptation.

7.6 Impact of the macroeconomic environment on the Company's activities

The macroeconomic environment is the single factor with the greatest impact on the directions and pace of development of the transportation market in Poland. After the negative effect in 2023, it should now have a positive impact on the functioning of the rail freight market and the performance of transport operators, including PKP CARGO S.A. The energy crisis, which affected the main economies of the European Union (with a visible decline in the consumption of fossil fuels due to weaker business conditions and the further development of supply chains, driving up prices), also contributed to a significant slowdown in economic growth in Poland (where the considerable dependence of the Polish economy on coal is a decisive factor preventing a reduction in energy costs for companies), thus also leading to lower transportation needs of companies in Poland. The problems with the economy cause lower demand from consumers, institutions and businesses (which is also due to the high cost of credit and still relatively high inflation). The increase in prices of consumer goods and services continues to have a highly negative effect on the economy and GDP growth rate. The positive trade balance in 2023 (with significantly lower imports) may deteriorate significantly due to, among other things, increased household spending or the strengthening of the Polish currency exchange rate, which should visibly increase the level of imports (given the relatively limited increase in the flow of goods exported from Poland). Among macroeconomic factors, inflation is the most important factor holding back economic growth (and therefore also the activity of manufacturing and transportation companies). Simultaneously accelerated growth of key economic partners, but also the internal market, should drive demand for rail transportation in the rail freight market.

At present, the Company does not perceive any fundamental threats from the macroeconomic environment to its operations. It is important to note that the situation remains very volatile and requires the Company to continue to actively analyze it and take numerous adjustments.

7.7 Impact of climate change on the Company's activities

Current social and environmental trends have focused on climate change as one of the greatest challenges of our time. The Company is aware of the ongoing climate change and the potential of rail transport to mitigate it. Low carbon intensity of rail transport makes it an excellent solution for reducing emissions across the transportation sector. One of the key initiatives of the European Commission is a modal shift to rail transport so that it can gradually serve a growing flow of people and goods. As a leading rail freight operator in Poland and the European Union, the Company has the opportunity to be part of this solution. Especially if the Company's business strategy calls for an increase in its market share in rail and intermodal freight transport.

On the other hand, climate change is leading to changes in EU and national legislation, which are constantly increasing environmental protection requirements and forcing companies to incur additional environmental charges or to take adaptation measures to avoid or minimize these costs (for example, the Company is subject to special environmental requirements for the disposal of redundant rolling stock).

The actions taken by the Company, i.e. the purchase of new rolling stock or the modernization of its existing rolling stock are aimed, among other things, at reducing electricity consumption in the freight transport process, as well as reducing the noise level of freight wagons by replacing cast iron brake blocks with composite ones.

The Company is exposed to the risk of climate change primarily due to the potential impact of climatic factors on the geographic and economic environment in which the Company operates.

As at 31 December 2023, climate risk has not had a material direct impact on the various areas in which estimations are carried out, including the impairment testing of selected assets, or on the Company's going concern issues for the period of 12 months after the date of approval of these financial statements.

7.8 Subsequent events

On 1 February 2024, the Supervisory Board of the Company decided to suspend Mr. Dariusz Seliga, President of the PKP CARGO S.A. Management Board, and Mr. Marek Olkiewicz, PKP CARGO S.A. Management Board Member in charge of Operations, in the performance of their duties and appoint Mr. Maciej Jankiewicz, PKP CARGO S.A. Management Board Member in charge of Finance, as Acting President of the PKP CARGO S.A. Management Board.

On 22 April 2024, the Supervisory Board of the Company dismissed Mr. Jacek Rutkowski, Management Board Member in charge of Commerce, from the Management Board of PKP CARGO S.A.

On 19 March 2024, an annex was executed to the cash pooling service agreement with a bank, extending the term of the agreement until 19 March 2025.

Other events occurring after the balance sheet date are described in **Note 4.1** to these Standalone Financial Statements.

7.9 Approval of the financial statements

These Standalone Financial Statements were approved for publication by the Company's Management Board on 23 April 2024.

Management Board

Maciej Jankiewicz
Acting President of the Management Board

Zenon Kozendra
Management Board Member

Warsaw, 23 April 2024