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Consolidated Quarterly Report

of PKP CARGO Group S.A.
for Q1
2024



Quarterly Condensed Consolidated Financial Statements

of the PKP CARGO S.A.
CAPITAL GROUP for the
period of 3 months ended
31 March 2024 prepared in
accordance with EU IFRS



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QUARTERLY CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	3 months ended 31/03/2024	3 months ended 31/03/2023	
Revenues from contracts with customers	1,180.7	1,564.0	<i>Note 2.1</i>
Consumption of traction electricity and traction fuel	(165.4)	(257.4)	<i>Note 2.2</i>
Services of access to infrastructure	(102.7)	(133.2)	
Transport services	(61.9)	(89.2)	
Other services	(100.4)	(124.0)	<i>Note 2.2</i>
Employee benefits	(521.3)	(491.8)	<i>Note 2.2</i>
Other expenses	(92.1)	(104.1)	<i>Note 2.2</i>
Other operating revenue and (expenses)	(14.5)	(4.9)	<i>Note 2.3</i>
Operating profit without depreciation (EBITDA)	122.4	359.4	
Depreciation, amortization and impairment losses	(219.2)	(191.4)	<i>Note 2.2</i>
Profit / (loss) on operating activities (EBIT)	(96.8)	168.0	
Financial revenue and (expenses)	(48.0)	(41.5)	<i>Note 2.4</i>
Share in the profit / (loss) of entities accounted for under the equity method	2.0	4.1	<i>Note 5.3</i>
Profit / (loss) before tax	(142.8)	130.6	
Income tax	24.7	(26.4)	<i>Note 3.1</i>
NET PROFIT / (LOSS)	(118.1)	104.2	
OTHER COMPREHENSIVE INCOME			
Measurement of hedging instruments	4.1	4.2	<i>Note 6.1</i>
Income tax	(0.8)	(0.8)	<i>Note 3.1</i>
FX differences resulting from translation of financial statements	(22.6)	17.6	
Total other comprehensive income subject to reclassification in the financial result	(19.3)	21.0	
Actuarial profits / (losses) on post-employment benefits	(0.3)	(0.6)	
Income tax	0.1	0.1	<i>Note 3.1</i>
Total other comprehensive income not subject to reclassification in the financial result	(0.2)	(0.5)	
Total other comprehensive income	(19.5)	20.5	
TOTAL COMPREHENSIVE INCOME	(137.6)	124.7	
Net profit / (loss) attributable:			
Net profit / (loss) attributable to the shareholders of the Parent Company	(118.1)	104.2	
Total other comprehensive income attributable:			
Total other comprehensive income attributable to shareholders of the Parent Company	(137.6)	124.7	
Earnings / (losses) per share (PLN per share)			
Weighted average number of ordinary shares	44,786,917	44,786,917	
Basic earnings / (losses) per share	(2.64)	2.33	
Diluted earnings / (losses) per share	(2.64)	2.33	

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

QUARTERLY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	31/03/2024	31/12/2023	
ASSETS			
Rolling stock	4,447.8	4,440.3	<i>Note 5.1</i>
Other property, plant and equipment	836.2	857.7	<i>Note 5.1</i>
Rights-of-use assets	1,519.7	1,436.1	<i>Note 5.2</i>
Investments in entities accounted for under the equity method	41.5	42.7	<i>Note 5.3</i>
Trade receivables	0.2	1.2	<i>Note 5.5</i>
Lease receivables	9.8	8.9	
Other assets	49.3	52.4	<i>Note 5.6</i>
Deferred tax assets	218.6	191.3	<i>Note 3.1</i>
Total non-current assets	7,123.1	7,030.6	
Inventories	189.8	200.2	<i>Note 5.4</i>
Trade receivables	629.7	668.3	<i>Note 5.5</i>
Lease receivables	0.8	0.9	
Income tax receivables	9.0	10.1	
Other assets	121.3	146.2	<i>Note 5.6</i>
Cash and cash equivalents	176.6	263.7	<i>Note 4.3</i>
Total current assets	1,127.2	1,289.4	
TOTAL ASSETS	8,250.3	8,320.0	
EQUITY AND LIABILITIES			
Share capital	2,239.3	2,239.3	<i>Note 4.2</i>
Supplementary capital	797.1	797.1	
Other items of equity	(108.0)	(111.1)	
FX differences resulting from translation of financial statements	87.0	109.6	
Retained earnings	49.5	167.6	
Total equity	3,064.9	3,202.5	
Debt liabilities	2,095.6	2,089.7	<i>Note 4.1</i>
Trade liabilities	3.5	3.4	<i>Note 5.7</i>
Investment liabilities	11.3	15.6	<i>Note 5.8</i>
Provisions for employee benefits	570.0	578.9	<i>Note 5.9</i>
Other provisions	3.5	3.6	<i>Note 5.10</i>
Deferred tax liability	86.8	93.0	<i>Note 3.1</i>
Total long-term liabilities	2,770.7	2,784.2	
Debt liabilities	799.8	804.1	<i>Note 4.1</i>
Trade liabilities	894.6	844.4	<i>Note 5.7</i>
Investment liabilities	154.5	141.3	<i>Note 5.8</i>
Provisions for employee benefits	177.3	170.2	<i>Note 5.9</i>
Other provisions	14.4	17.7	<i>Note 5.10</i>
Other liabilities	374.1	355.6	<i>Note 5.11</i>
Total short-term liabilities	2,414.7	2,333.3	
Total liabilities	5,185.4	5,117.5	
TOTAL EQUITY AND LIABILITIES	8,250.3	8,320.0	

QUARTERLY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Supplementary capital	Other items of equity			FX differences resulting from translation of financial statements	Retained earnings / (Accumulated losses)	Total equity
			Profits / (losses) on measurement of equity instruments at fair value	Actuarial profits / (losses) on post-employment benefits	Measurement of hedging instruments			
1/01/2024	2,239.3	797.1	(9.1)	(109.3)	7.3	109.6	167.6	3,202.5
Net result for the period	-	-	-	-	-	-	(118.1)	(118.1)
Other comprehensive income for the period (net)	-	-	-	(0.2)	3.3	(22.6)	-	(19.5)
Total comprehensive income	-	-	-	(0.2)	3.3	(22.6)	(118.1)	(137.6)
31/03/2024	2,239.3	797.1	(9.1)	(109.5)	10.6	87.0	49.5	3,064.9
1/01/2023	2,239.3	678.0	(12.9)	(26.7)	(26.3)	176.9	204.6	3,232.9
Net result for the period	-	-	-	-	-	-	104.2	104.2
Other comprehensive income for the period (net)	-	-	-	(0.5)	3.4	17.6	-	20.5
Total comprehensive income	-	-	-	(0.5)	3.4	17.6	104.2	124.7
31/03/2023	2,239.3	678.0	(12.9)	(27.2)	(22.9)	194.5	308.8	3,357.6

QUARTERLY CONSOLIDATED CASH FLOW STATEMENT

	3 months ended 31/03/2024	3 months ended 31/03/2023	
Cash flows from operating activities			
Profit / (loss) before tax	(142.8)	130.6	
Adjustments			
Depreciation, amortization and impairment losses	219.2	191.4	<i>Note 2.2</i>
(Profits) / losses on interest, dividends	40.5	31.7	
Received / (paid) interest	0.3	(0.1)	
Received / (paid) income tax	(3.5)	(23.8)	
Movement in working capital	133.6	(32.2)	
Other adjustments	(5.4)	(0.2)	
Net cash from operating activities	241.9	297.4	
Cash flows from investing activities			
Expenditures on the acquisition of non-financial non-current assets	(201.7)	(255.8)	
Proceeds from the sale of non-financial non-current assets	7.3	1.9	
Proceeds from dividends received	-	0.4	
Other inflows from investing activities	1.7	1.4	
Net cash from investing activities	(192.7)	(252.1)	
Cash flows from financing activities			
Payments on lease liabilities	(41.6)	(40.3)	<i>Note 4.1</i>
Proceeds from bank loans and borrowings	29.6	158.7	<i>Note 4.1</i>
Repayment of bank loans and borrowings	(104.3)	(77.3)	<i>Note 4.1</i>
Interest paid on leases liabilities and bank loans and borrowings	(37.8)	(37.1)	<i>Note 4.1</i>
Grants received	20.3	-	
Other outflows from financing activities	(0.4)	(0.8)	
Net cash from financing activities	(134.2)	3.2	
Net increase / (decrease) in cash and cash equivalents	(85.0)	48.5	
Cash and cash equivalents at the beginning of the reporting period	263.7	181.5	
Impact exerted by FX rate movements on the cash balance in foreign currencies	(2.1)	0.3	
Cash and cash equivalents at the end of the reporting period including:	176.6	230.3	
<i>Restricted cash</i>	41.0	43.1	



NOTES TO THE QUARTERLY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. General information

1.1 Key information about the Group's business

Information about the Parent Company

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

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

In Q1 2024, the Parent Company did not change its name or other identification details.

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

The composition of the Parent Company's management and supervisory bodies and the Parent Company's shareholding structure as at 31 March 2024 are presented in the Additional Information to the Consolidated Quarterly Report of the PKP CARGO S.A. Group for Q1 2024 in [Chapters 2.1](#) and [2.3](#), respectively.

Information about the Group

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

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

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

The term of the activities of the individual Group companies is not limited, with the exception of PKP CARGOTABOR USŁUGI Sp. z o.o., which went into liquidation as of 25 April 2024. PKP CARGOTABOR USŁUGI Sp. z o.o. does not carry out any significant business activities.



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

Name	Type	Registered office	% of shares held	
			31/03/2024	31/12/2023
Centralny Terminal Multimodalny Sp. z o.o.	other subsidiary	Warsaw	100%	100%
PKP CARGO SERVICE Sp. z o.o.	subsidiary – consolidated by the full method	Warsaw	100%	100%
PKP CARGO TERMINALE Sp. z o.o.	subsidiary – consolidated by the full method	Żurawica	100%	100%
PKP CARGOTABOR Sp. z o.o.	subsidiary – consolidated by the full method	Warsaw	100%	100%
CARGOTOR Sp. z o.o.	subsidiary – consolidated by the full method	Warsaw	100%	100%
PKP CARGOTABOR USŁUGI Sp. z o.o.	subsidiary – consolidated by the full method	Warsaw	100%	100%
PKP Linia Chełmska Szerokotorowa Sp. z o.o.	other subsidiary	Warsaw	100%	100%
ONECARGO CONNECT Sp. z o.o.	other subsidiary	Warsaw	100%	100%
COSCO Shipping Lines (POLAND) Sp. z o.o.	associate	Gdynia	20%	20%
PKP CARGO CONNECT Sp. z o.o.	subsidiary – consolidated by the full method	Warsaw	100%	100%
Transgaz S.A.	other subsidiary	Zalesie near Małaszewicze	64%	64%
Cargosped Terminal Braniewo Sp. z o.o.	subsidiary – consolidated by the full method	Braniewo	100%	100%
PKP CARGO CONNECT GmbH	other subsidiary	Hamburg	100%	100%
Terminale Przeładunkowe Sławków Medyka Sp. z o.o.	shares in joint ventures	Sławków	50%	50%
PKP CARGO INTERNATIONAL a.s.	subsidiary – consolidated by the full method	Ostrava	100%	100%
PKP CARGO INTERNATIONAL HU Zrt.	subsidiary – consolidated by the full method	Budapest	100%	100%
AWT ROSCO a.s.	subsidiary – consolidated by the full method	Ostrava	100%	100%
AWT CFT a.s.	subsidiary – consolidated by the full method	Ostrava	100%	100%
AWT Rekultivace a.s.	subsidiary – consolidated by the full method	Petřvald	100%	100%
DEPOS Horni Sucha a.s.	associate	Horní Suchá	20.6%	20.6%
PKP CARGO INTERNATIONAL SK a.s.	other subsidiary	Bratislava	100%	100%
AWT DLT s.r.o.	other subsidiary	Kladno	100%	100%
PKP CARGO INTERNATIONAL SI d.o.o.	other subsidiary	Grčarevec	80%	80%

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

1.2 Basis for preparation of the Quarterly Condensed Consolidated Financial Statements and going concern assumption

These Quarterly Condensed Consolidated Financial Statements for the period of 3 months ended 31 March 2024 have been prepared based on the assumption that the Group will continue to be a going concern in the foreseeable future.

The downward trend in the market of rail freight transport in Poland has continued for several quarters of years and the PKP CARGO S.A. Group, as the market leader, is especially exposed to the decrease in transports, which also translates into lower revenues. The persisting high inflation affects the prices of purchased raw materials and other materials and services and at the same time causes a high pressure on raising wages of employees. The increase in costs resulting from the inflation and the fuel market crisis and the necessity to maintain energy security at the end of 2022 and the beginning of 2023 limited the Group's opportunities to compete in the most profitable transport categories and made it lose some customers, which had an impact on the results of the most recent months. As a result of the above, there was a considerable fall in demand for the services provided by the Group.

In Q1 2024, revenues from rail transportation and freight forwarding services fell down by over 25% compared to Q1 2023 and were the major factor which determined the decline in revenues from contracts with customers. Following the decrease in the freight volume transported by the Group, there were lower variable costs, i.e. costs of using traction energy and traction fuel, infrastructure access services, transportation and freight forwarding services. However, fixed expenses, i.e. depreciation and costs of employee benefits, went up. The increase in the costs of depreciation results from the considerable capital expenditures incurred in the most recent periods, especially periodic repairs of rolling stock, while costs of employee benefits are related to the systemic increase in employee wages implemented as of 1 January 2024. The described factors caused the Group to generate a net loss of PLN 118.1 million, with the EBITDA result at the level of PLN 122.4 million.

The results achieved in Q1 2024, with incurred capital expenditures of PLN 323.5 million, contributed to the deterioration of the Group's liquidity position, which is presented in [Note 1.4](#) to these Quarterly Condensed Consolidated Financial Statements.

Bearing the present situation in mind, the Parent Company's Management Board plans a number of optimization and saving measures, among others by terminating some cost-generating contracts, making some employees temporarily out of work and reducing capital expenditures, all of them aimed to mitigate the risk and improve the Group's revenue and liquidity position. Due to the above, these Quarterly Condensed Consolidated Financial Statements have been prepared based on the assumption that the Group will continue to be a going concern.

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

These Quarterly Condensed Consolidated Financial Statements should be read together with the audited Consolidated Financial Statements of the PKP CARGO S.A. Group for the year ended 31 December 2023 prepared according to EU IFRS. The accounting policy used to prepare these Quarterly Condensed Consolidated Financial Statements is consistent with the one used to prepare the Consolidated Financial Statements for the for the financial year ended 31 December 2023.

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

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

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

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

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

1.2 Basis for preparation of the Quarterly Condensed Consolidated Financial Statements and going concern assumption (cont.)

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

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

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

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

Currency	Items of the statement of financial position		Items of the statement of profit or loss and other comprehensive income and the cash flow statement	
	31/03/2024	31/12/2023	3 months ended 31/03/2024	3 months ended 31/03/2023
EUR	4.3009	4.3480	4.3211	4.7005
CZK	0.1700	0.1759	0.1719	0.1987

These Quarterly Condensed Consolidated Financial Statements have not been audited by a statutory auditor. The line items of the consolidated statement of financial position as at 31 December 2023 were audited by a statutory auditor during the audit of the Consolidated Financial Statements of the PKP CARGO S.A. Group for the year ended 31 December 2023 prepared according to EU IFRS.

These Quarterly Condensed Consolidated Financial Statements were approved for publication by the Parent Company's Management Board on 27 May 2024.

1.3 Applied International Financial Reporting Standards platform

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

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

Standard / Interpretation	Effective date
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 Current or Non-current and Non-current Liabilities with Covenants	1 January 2024
Amendments to IAS 7 "Statement of Cash Flows" and IFRS 7 "Financial Instruments: Disclosures – Supplier Finance Arrangements"	1 January 2024

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

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

IFRS as approved by the EU do not currently differ materially from the regulations adopted by the International Accounting Standards Board (IASB), with the exception of the following standards, their amendments and interpretations, which have not yet been approved by the EU and have not entered into effect. The Management Board of the Parent Company believes that the approval of the standards mentioned below by the EU will not result in any major changes to the Group's financial statements in the successive reporting periods, except for the changes arising from IFRS 18 "Presentation and Disclosure in Financial Statements". As at the date of approval of these Quarterly Condensed Consolidated Financial Statements, the Group was still analyzing the changes arising from IFRS 18 and therefore the impact of this standard on the Group's financial statements cannot be assessed.

Standard / Interpretation	Effective date
Amendment to IAS 21 "The Effects of Changes in Foreign Exchange Rates" – Lack of Exchangeability	1 January 2025
IFRS 18 "Presentation and Disclosure in Financial Statements"	1 January 2027

1.4 Liquidity position of the Group and liquidity risk management

In connection with the deterioration of the rail freight market, the Group's operations have experienced temporary financial difficulties with current liquidity. The Management Board of the Parent Company is taking measures to optimize costs and to ensure the availability of instruments to support the financing of operating activities in the medium term (including overdraft facilities). In the course of managing the liquidity position, the levels of trade receivables and payables are monitored on an ongoing basis.

Information on the financing sources is presented in [Note 4.1](#).

An update of the risks accompanying the war in Ukraine may affect the Group's financial position in subsequent reporting periods.

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

31/03/2024	Contractual maturities from the end of the reporting period				Total (no discount)	Carrying amount
	Below	From 3 to 12	From 1 year	Over		
	3 months	months	to 5 years	5 years		
Debt liabilities	473.0	461.0	1,683.5	844.6	3,462.1	2,895.4
Trade liabilities	891.6	3.0	3.5	-	898.1	898.1
Investment liabilities	140.6	14.2	11.4	-	166.2	165.8
Cash pool	14.3	-	-	-	14.3	14.3
Total	1,519.5	478.2	1,698.4	844.6	4,540.7	3,973.6

31/12/2023	Contractual maturities from the end of the reporting period				Total (no discount)	Carrying amount
	Below	From 3 to 12	From 1 year	Over		
	3 months	months	to 5 years	5 years		
Debt liabilities	404.5	486.4	1,640.3	874.1	3,405.3	2,893.8
Trade liabilities	841.5	2.9	3.4	-	847.8	847.8
Investment liabilities	122.7	18.8	15.7	-	157.2	156.9
Cash pool	14.2	-	-	-	14.2	14.2
Derivatives – swap contract	0.1	-	-	-	0.1	0.1
Total	1,383.0	508.1	1,659.4	874.1	4,424.6	3,912.8

Age structure of trade liabilities and investment liabilities

	31/03/2024			31/12/2023		
	Trade liabilities	Investment liabilities	Total	Trade liabilities	Investment liabilities	Total
Non-overdue liabilities	420.7	106.9	527.6	589.7	149.7	739.4
Overdue liabilities						
to 30 days	167.7	32.6	200.3	156.2	7.2	163.4
31 - 90 days	246.4	26.3	272.7	92.3	-	92.3
91 - 180 days	56.5	-	56.5	3.1	-	3.1
181 - 365 days	2.3	-	2.3	3.0	-	3.0
over 365 days	4.5	-	4.5	3.5	-	3.5
Total	898.1	165.8	1,063.9	847.8	156.9	1,004.7

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

Age analysis of trade receivables

	31/03/2024			31/12/2023		
	Gross	Expected credit losses	Net	Gross	Expected credit losses	Net
Non-overdue receivables	566.2	(0.3)	565.9	585.3	(0.5)	584.8
Overdue receivables						
to 30 days	31.6	(0.4)	31.2	47.3	(0.3)	47.0
31 - 90 days	14.0	(1.1)	12.9	17.6	(1.2)	16.4
91 - 180 days	4.8	(1.1)	3.7	2.9	(1.0)	1.9
181 - 365 days	6.5	(5.7)	0.8	11.3	(6.8)	4.5
over 365 days	135.4	(120.0)	15.4	135.8	(120.9)	14.9
Total	758.5	(128.6)	629.9	800.2	(130.7)	669.5

1.5 Significant values based on professional judgment and estimates

In the period of 3 months ended 31 March 2024, no changes were made to the assumptions adopted by the Parent Company's Management Board for the calculation of estimates that would have a material impact on the current period or any future periods.

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

2.1 Revenues from contracts with customers

Structure of revenues from contracts with customers

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

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

3 months ended 31/03/2024	PKP Group related parties	State Treasury related parties	Others	Total
Revenue from rail transportation services and freight forwarding services	1.3	309.9	645.1	956.3
Revenue from other transportation activity	-	-	24.6	24.6
Revenue from siding and traction services	3.9	46.7	41.1	91.7
Revenue from transshipment services	-	3.8	27.7	31.5
Revenue from reclamation services	0.3	-	8.3	8.6
Revenue from sales of goods and materials	-	-	27.6	27.6
Other revenues	5.8	3.0	31.6	40.4
Total	11.3	363.4	806.0	1,180.7
Revenue recognition date				
At a point of time	0.2	-	28.3	28.5
Over a period	11.1	363.4	777.7	1,152.2
Total	11.3	363.4	806.0	1,180.7

2.1 Revenues from contracts with customers (cont.)

3 months ended 31/03/2023	PKP Group related parties	State Treasury related parties	Others	Total
Revenue from rail transportation services and freight forwarding services	4.6	500.8	793.6	1,299.0
Revenue from other transportation activity	-	0.3	31.3	31.6
Revenue from siding and traction services	3.0	45.4	43.0	91.4
Revenue from transshipment services	0.2	4.1	51.5	55.8
Revenue from reclamation services	0.4	-	13.2	13.6
Revenue from sales of goods and materials	-	-	15.2	15.2
Other revenues	10.0	2.9	44.5	57.4
Total	18.2	553.5	992.3	1,564.0
Revenue recognition date				
At a point of time	0.1	-	15.2	15.3
Over a period	18.1	553.5	977.1	1,548.7
Total	18.2	553.5	992.3	1,564.0

Geography

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

	3 months ended 31/03/2024	3 months ended 31/03/2023
Poland	875.3	1,217.0
Czech Republic	109.1	164.6
Germany	73.5	68.2
Italy	20.1	17.7
Ukraine	19.6	10.9
Slovakia	14.0	17.6
Other countries	69.1	68.0
Total	1,180.7	1,564.0

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

	31/03/2024	31/12/2023
Poland	6,281.4	6,173.6
Czech Republic	594.9	634.7
Other countries	8.8	11.4
Total	6,885.1	6,819.7

Information on key customers

In the period of 3 months ended 31 March 2024 and 31 March 2023, revenue from no single customer of the Group exceeded 10% of the total revenues from contracts with customers.

Assets from contracts with customers

	31/03/2024	31/03/2023
As at the beginning of the reporting period	35.7	49.8
Recognition of revenue before the sales document is issued	34.2	35.0
Reclassification to receivables	(34.9)	(48.5)
FX differences from valuation	(0.3)	0.4
As at the end of the reporting period	34.7	36.7

2.2 Operating expenses

Consumption of traction electricity and traction fuel

	3 months ended 31/03/2024	3 months ended 31/03/2023
Consumption of traction fuel	(30.5)	(44.1)
Consumption of traction electricity	(134.9)	(213.3)
Total	(165.4)	(257.4)

Other services

	3 months ended 31/03/2024	3 months ended 31/03/2023
Repair and maintenance services for non-current assets	(21.1)	(25.5)
Rent and fees for the use of property and rolling stock	(27.3)	(28.1)
Telecommunications services	(1.7)	(1.7)
Legal, consulting and similar services	(3.0)	(2.7)
IT services	(15.6)	(12.2)
Transshipment services	(6.5)	(9.7)
Reclamation services	(6.0)	(15.7)
Traction and shunting services, train drivers	(10.9)	(13.6)
Other services	(8.3)	(14.8)
Total	(100.4)	(124.0)

Employee benefits

	3 months ended 31/03/2024	3 months ended 31/03/2023
Payroll	(389.3)	(370.3)
Social security expenses	(80.9)	(78.2)
Expenses for contributions to the Company Social Benefits Fund	(10.8)	(7.8)
Other employee benefits during employment	(14.9)	(12.8)
Post-employment benefits	(5.3)	(4.8)
Movement in provisions for employee benefits	(20.1)	(17.9)
Total	(521.3)	(491.8)

Other expenses

	3 months ended 31/03/2024	3 months ended 31/03/2023
Consumption of non-traction fuel	(6.9)	(9.0)
Consumption of electricity, gas and water	(22.1)	(30.5)
Consumption of materials	(20.0)	(28.3)
Taxes and charges	(10.2)	(10.2)
Cost of goods and materials sold	(15.8)	(8.1)
Business trips	(8.5)	(9.0)
Other	(8.6)	(9.0)
Total	(92.1)	(104.1)

Depreciation, amortization and impairment losses

	3 months ended 31/03/2024	3 months ended 31/03/2023
Depreciation of rolling stock	(166.6)	(145.0)
Depreciation of other property, plant and equipment	(16.7)	(17.0)
Depreciation of rights-of-use assets	(33.6)	(28.1)
Amortization of intangible assets	(2.2)	(1.5)
(Recognized) / reversed impairment losses:		
Rolling stock	-	0.2
Other property, plant and equipment	(0.1)	-
Total	(219.2)	(191.4)

2.3 Other operating revenue and (expenses)

Other operating revenue and (expenses)

	3 months ended 31/03/2024	3 months ended 31/03/2023
Profit on sales of non-financial non-current assets	0.6	0.3
Reversed impairment losses for trade receivables	0.6	1.4
Penalties and compensations	2.5	7.0
Reversal of other provisions	0.5	1.2
Interest on trade and other receivables	1.0	0.9
Net result on FX differences on trade receivables and liabilities	0.8	-
Grants	1.4	0.4
Other	1.4	0.9
Total other operating revenue	8.8	12.1
Recognized impairment losses for trade receivables	(1.2)	(2.2)
Penalties and compensations	(3.3)	(4.3)
Costs of liquidation of non-current and current assets	(2.9)	(1.4)
Recognized other provisions	(0.8)	(1.4)
Interest on trade and other liabilities	(13.9)	(4.7)
Net result on FX differences on trade receivables and liabilities	-	(1.2)
Other	(1.2)	(1.8)
Total other operating expenses	(23.3)	(17.0)
Other operating revenue and (expenses)	(14.5)	(4.9)

2.4 Financial revenue and (expenses)

Financial revenue and (expenses)

	3 months ended 31/03/2024	3 months ended 31/03/2023
Interest income	1.4	1.3
Net result on FX differences	0.3	-
Other	-	0.1
Total financial revenue	1.7	1.4
Interest expenses	(41.6)	(32.6)
Settlement of the discount on provisions for employee benefits	(7.7)	(9.4)
Net result on FX differences	-	(0.5)
Other	(0.4)	(0.4)
Total financial expenses	(49.7)	(42.9)
Financial revenue and (expenses)	(48.0)	(41.5)

3. Notes on taxation

3.1 Income tax

Income tax recognized in profit or loss

	3 months ended 31/03/2024	3 months ended 31/03/2023
Current income tax		
Current tax charge	(5.5)	(13.8)
Adjustments recognized in the current year relating to tax from previous years	(0.7)	-
Deferred tax		
Deferred income tax of the reporting period	30.9	(12.6)
Income tax recognized in profit or loss	24.7	(26.4)

The corporate income tax rates in effect in the PKP CARGO S.A. Group in the years 2023-2024 were: 19% in Poland, 21% in the Czech Republic in 2024 (19% in 2023) and 9% in Hungary.

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

Deferred income tax recognized in other comprehensive income

	3 months ended 31/03/2024	3 months ended 31/03/2023
Deferred tax on the measurement of hedging instruments	(0.8)	(0.8)
Deferred tax on actuarial profits / (losses) pertaining to post-employment benefits	0.1	0.1
FX differences from translation of the balance of deferred income tax recognized in other comprehensive income ¹⁾	3.3	(2.4)
Deferred income tax recognized in other comprehensive income	2.6	(3.1)

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

Balance of deferred tax assets and liabilities

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

	31/03/2024	31/12/2023
Deferred tax assets	218.6	191.3
Deferred tax liabilities	(86.8)	(93.0)
Total	131.8	98.3

3.1 Income tax (cont.)

Table of movements in deferred tax before the set-off

3 months ended 31/03/2024	1/01/2024	Recognized in profit or loss	Recognized in other comprehensive income	FX differences resulting from translation of deferred tax balance	31/03/2024
Temporary differences relating to deferred tax (liabilities) / assets:					
Non-financial non-current assets	(89.7)	2.0	-	3.1	(84.6)
Rights-of-use assets and lease liabilities	(2.0)	(2.8)	-	0.2	(4.6)
Other provisions and liabilities	25.0	2.7	-	-	27.7
Inventories	(7.5)	1.0	-	-	(6.5)
Lease receivables	(1.9)	(0.2)	-	-	(2.1)
Trade receivables	(1.1)	(1.5)	-	-	(2.6)
Provisions for employee benefits	142.6	(1.0)	0.1	(0.1)	141.6
Other	8.4	15.8	(0.8)	0.1	23.5
Unused tax losses	24.5	14.9	-	-	39.4
Total	98.3	30.9	(0.7)	3.3	131.8

3 months ended 31/03/2023	1/01/2023	Recognized in profit or loss	Recognized in other comprehensive income	FX differences resulting from translation of deferred tax balance	31/03/2023
Temporary differences relating to deferred tax (liabilities) / assets:					
Non-financial non-current assets	(83.7)	0.2	-	(2.2)	(85.7)
Rights-of-use assets and lease liabilities	(16.3)	2.3	-	(0.2)	(14.2)
Other provisions and liabilities	23.3	(7.0)	-	-	16.3
Inventories	(9.3)	0.5	-	-	(8.8)
Lease receivables	(1.7)	0.1	-	-	(1.6)
Trade receivables	(4.1)	2.7	-	-	(1.4)
Provisions for employee benefits	121.7	(0.8)	0.1	-	121.0
Other	9.0	2.3	(0.8)	-	10.5
Unused tax losses	42.7	(12.9)	-	-	29.8
Total	81.6	(12.6)	(0.7)	(2.4)	65.9

Maturity analysis of deferred tax assets from tax losses

Expiration dates of the tax losses to which deferred tax assets were recognized as at 31 March 2024

Year	2024	2025	2026	2027	2028	2029	Total
Unused tax losses	1.0	69.3	46.3	5.7	45.3	39.5	207.1

Expiration dates of the tax losses to which deferred tax assets were recognized as at 31 December 2023

Year	2024	2025	2026	2027	2028	2029	Total
Unused tax losses	1.2	69.3	46.3	5.7	6.1	-	128.6

Tax loss not recognized in calculation of deferred tax assets

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

	31/03/2024	31/12/2023
PKP CARGO INTERNATIONAL HU Zrt.	3.1	8.0
AWT CFT a.s.	7.9	8.2
PKP CARGOTABOR USŁUGI Sp. z o.o.	3.2	3.1
Total	14.2	19.3

3.1 Income tax (cont.)

Expiration dates of the tax losses to which deferred tax assets were not applied as at 31 March 2024

Year	2024	2025	2026	2027	2028	2029	Total
Unused tax losses	4.2	3.5	0.2	1.6	1.6	3.1	14.2

Expiration dates of the tax losses to which deferred tax assets were not applied as at 31 December 2023

Year	2024	2025	2026	2027	2028	2029	Total
Unused tax losses	4.4	11.5	0.2	1.6	1.6	-	19.3

4. Notes on debt

4.1 Reconciliation of debt liabilities

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

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

Items in foreign currencies

31/03/2024	In functional currency	In foreign currency		Total
	PLN	EUR	CZK	
Bank loans and borrowings	929.2	470.0	-	1,399.2
Leases	1,449.2	24.6	22.4	1,496.2
Total	2,378.4	494.6	22.4	2,895.4

31/12/2023	In functional currency	In foreign currency		Total
	PLN	EUR	CZK	
Bank loans and borrowings	980.1	500.2	-	1,480.3
Leases	1,361.9	26.5	25.1	1,413.5
Total	2,342.0	526.7	25.1	2,893.8

Reconciliation of debt liabilities

3 months ended	Bank loans and borrowings	Leases	Total
31/03/2024			
1/01/2024	1,480.3	1,413.5	2,893.8
New liabilities contracted	29.6	58.1	87.7
Modifications of existing agreements	-	56.0	56.0
Leaseback	-	6.2	6.2
Transaction costs	0.3	-	0.3
Accrual of interest	20.3	21.1	41.4
Payments under debt, including:			
Repayments of the principal	(104.3)	(41.6)	(145.9)
Interest paid	(21.4)	(16.4)	(37.8)
Transaction costs	(0.3)	-	(0.3)
Other	-	(0.1)	(0.1)
FX differences recognized in the result	(5.0)	(0.5)	(5.5)
FX translation differences	(0.3)	(0.1)	(0.4)
31/03/2024	1,399.2	1,496.2	2,895.4
Long-term	825.8	1,269.8	2,095.6
Short-term	573.4	226.4	799.8
Total	1,399.2	1,496.2	2,895.4

4.1 Reconciliation of debt liabilities (cont.)

3 months ended 31/03/2023	Bank loans and borrowings	Leases	Total
1/03/2023	1,494.3	877.9	2,372.2
New liabilities contracted	158.7	206.3	365.0
Modifications of existing agreements	-	60.2	60.2
Leaseback	-	1.6	1.6
Transaction costs	0.3	-	0.3
Accrual of interest	21.2	11.0	32.2
Payments under debt, including:			
Repayments of the principal	(77.3)	(40.3)	(117.6)
Interest paid	(22.8)	(14.3)	(37.1)
Transaction costs	(0.3)	-	(0.3)
Other	-	(0.1)	(0.1)
FX differences recognized in the result	(1.7)	(0.3)	(2.0)
FX translation differences	(0.1)	1.5	1.4
31/03/2023	1,572.3	1,103.5	2,675.8
Long-term	1,000.1	934.5	1,934.6
Short-term	572.2	169.0	741.2
Total	1,572.3	1,103.5	2,675.8

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	31/03/2024	31/03/2023
Revenues from operating leases	Revenues from contracts with customers	15.7	15.7
Costs of short-term leases	Other services	(11.0)	(17.3)

Terms and conditions of loan agreements

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

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

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

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

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

As at 31 March 2024, the covenants defined in loan agreements for the Parent Company and subsidiaries were satisfied and therefore under IAS 1 non-current loan liabilities did not have to be reclassified to the current part.

4.1 Reconciliation of debt liabilities (cont.)

Unused credit and lease facilities

Type of loan	Bank Name	Period of availability	Currency of the contract	31/03/2024	31/12/2023
Overdraft	Bank Polska Kasa Opieki S.A. ¹⁾	24/05/2024	PLN	72.7	100.0
Overdraft	Bank Polska Kasa Opieki S.A. ²⁾	25/05/2024	PLN	12.0	-
Overdraft	Powszechna Kasa Oszczędności Bank Polski S.A.	27/06/2024	PLN	0.1	-
Overdraft	Powszechna Kasa Oszczędności Bank Polski S.A. ³⁾	30/06/2024	PLN	0.5	2.8
Overdraft	Bank Polska Kasa Opieki S.A.	09/07/2024	PLN	1.6	1.6
Overdraft	Powszechna Kasa Oszczędności Bank Polski S.A.	27/07/2024	PLN	10.0	0.5
Overdraft	Bank Gospodarstwa Krajowego ⁴⁾	28/02/2025	PLN	100.0	100.0
Overdraft	ING Bank N.V.	22/11/2028	EUR	12.9	13.1
Leasing facility	ING Lease (Polska) sp. z o.o.	13/06/2024	PLN	9.8	18.0
Leasing facility	PKO Leasing S.A.	26/10/2024	PLN	1.1	51.8
Total				220.7	287.8

¹⁾ On 23 May 2024, the Parent Company executed an annex extending the availability period of the facility until 23 August 2024.

²⁾ On 23 May 2024, the Parent Company with a subsidiary executed an annex extending the availability period of the facility until 23 August 2024.

³⁾ On 19 March 2024, the Parent Company executed an annex extending the availability period of the facility until 30 June 2024.

⁴⁾ On 29 February 2024, the Parent Company executed an annex extending the availability period of the facility until 28 February 2025.

4.2 Equity

Share capital

	31/03/2024	31/12/2023
The share capital consists of:		
Ordinary shares – fully paid up and registered	2,239.3	2,239.3

As at 31 March 2024 and as at 31 December 2023, the share capital consisted of ordinary shares with a par value of PLN 50 each. Fully paid up ordinary shares with a par value of PLN 50 are equivalent to one vote at the shareholder meeting and carry the right to a dividend.

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

In the period of 3 months ended 31 March 2024 and 31 March 2023, there were no movements in the share capital of the Parent Company.

Movement in supplementary capital and retained earnings

On 23 April 2024, the Parent Company's Management Board adopted a resolution with a recommendation to allocate the 2023 net profit of PLN 45.2 million shown in the Standalone Financial Statements in its entirety to supplementary capital.

4.3 Cash and cash equivalents

Structure of cash and cash equivalents

	31/03/2024	31/12/2023
Cash on hand and on bank accounts	83.2	171.5
Bank deposits up to 3 months	93.4	91.4
Other cash	-	0.8
Total	176.6	263.7
<i>including restricted cash</i>	<i>41.0</i>	<i>37.5</i>

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

5. Notes to the statement of financial position

5.1 Rolling stock and other property, plant and equipment

Movement in rolling stock and other property, plant and equipment

3 months ended 31/03/2024	Rolling stock	Other property, plant and equipment					Total
		Real properties	Technical machinery and equipment	Means of transport	Other fixed assets	Fixed assets under construction	
Gross value							
1/01/2024	7,777.0	1,056.8	504.4	105.8	49.0	66.1	1,782.1
<i>Increases / (decreases):</i>							
Periodic repairs of rolling stock	-	-	-	-	-	203.4	203.4
Other acquisitions	-	-	-	-	-	4.9	4.9
Purchase of leased items	-	-	-	0.8	-	-	0.8
Settlement of fixed assets under construction	200.1	5.9	6.8	2.7	0.7	(216.2)	(200.1)
Grant for non-current assets	(10.5)	-	-	-	-	-	-
Sales	(2.6)	-	(6.4)	(0.8)	-	-	(7.2)
Liquidation	(92.7)	-	(2.5)	-	(0.5)	(0.1)	(3.1)
FX translation differences	(28.0)	(6.0)	(1.7)	(1.6)	(0.1)	(0.4)	(9.8)
31/03/2024	7,843.3	1,056.7	500.6	106.9	49.1	57.7	1,771.0
Accumulated depreciation							
1/01/2024	(3,169.6)	(390.0)	(399.3)	(88.3)	(42.7)	-	(920.3)
<i>(Increases) / decreases:</i>							
Depreciation	(166.6)	(8.3)	(6.6)	(1.2)	(0.6)	-	(16.7)
Purchase of leased items	-	-	-	(0.3)	-	-	(0.3)
Sales	2.1	-	0.1	0.8	-	-	0.9
Liquidation	92.6	-	1.5	-	0.4	-	1.9
FX translation differences	11.6	2.0	1.2	1.2	0.1	-	4.5
Other	-	(0.1)	(0.5)	(0.1)	(0.1)	-	(0.8)
31/03/2024	(3,229.9)	(396.4)	(403.6)	(87.9)	(42.9)	-	(930.8)
Accumulated impairment							
1/01/2024	(167.1)	(0.8)	(1.7)	-	-	(1.6)	(4.1)
<i>(Increases) / decreases:</i>							
Recognition	-	-	(0.1)	-	-	-	(0.1)
Utilization	-	-	0.1	-	-	-	0.1
FX translation differences	1.5	-	0.1	-	-	-	0.1
31/03/2024	(165.6)	(0.8)	(1.6)	-	-	(1.6)	(4.0)
Net value							
1/01/2024	4,440.3	666.0	103.4	17.5	6.3	64.5	857.7
31/03/2024	4,447.8	659.5	95.4	19.0	6.2	56.1	836.2

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

3 months ended 31/03/2023	Rolling stock	Other property, plant and equipment					Total
		Real properties	Technical machinery and equipment	Means of transport	Other fixed assets	Fixed assets under construction	
Gross value							
1/01/2023	7,343.7	1,033.2	483.6	104.5	46.0	103.1	1,770.4
<i>Increases / (decreases):</i>							
Periodic repairs of rolling stock	-	-	-	-	-	160.8	160.8
Other acquisitions	-	-	-	-	-	38.5	38.5
Purchase of leased items	33.0	-	4.2	1.1	-	-	5.3
Settlement of fixed assets under construction	162.1	2.5	3.2	1.0	0.4	(169.2)	(162.1)
Sales	-	-	-	(1.7)	-	-	(1.7)
Liquidation	(70.2)	-	(0.2)	-	(0.1)	(0.1)	(0.4)
FX translation differences	19.1	4.4	1.3	1.0	0.1	0.4	7.2
Other	0.1	0.1	-	-	-	-	0.1
31/03/2023	7,487.8	1,040.2	492.1	105.9	46.4	133.5	1,818.1
Accumulated depreciation							
1/01/2023	(2,950.2)	(363.3)	(381.8)	(88.3)	(41.6)	-	(875.0)
<i>(Increases) / decreases:</i>							
Depreciation	(145.0)	(8.8)	(6.5)	(1.3)	(0.4)	-	(17.0)
Purchase of leased items	(15.1)	-	(2.7)	(0.9)	-	-	(3.6)
Sales	-	-	-	0.2	-	-	0.2
Liquidation	69.0	-	0.2	-	0.1	-	0.3
FX translation differences	(7.6)	(1.3)	(0.8)	(0.9)	(0.1)	-	(3.1)
Other	-	(0.1)	(0.2)	-	-	-	(0.3)
31/03/2023	(3,048.9)	(373.5)	(391.8)	(91.2)	(42.0)	-	(898.5)
Accumulated impairment							
1/01/2023	(185.2)	(0.9)	(1.8)	-	-	(1.6)	(4.3)
<i>(Increases) / decreases:</i>							
Derecognition	0.2	-	-	-	-	-	-
Utilization	-	-	-	-	-	0.1	0.1
FX translation differences	(0.1)	-	-	-	-	-	-
31/03/2023	(185.1)	(0.9)	(1.8)	-	-	(1.5)	(4.2)
Net value							
1/01/2023	4,208.3	669.0	100.0	16.2	4.4	101.5	891.1
31/03/2023	4,253.8	665.8	98.5	14.7	4.4	132.0	915.4



5.2 Rights-of-use assets

Movement in rights-of-use assets

3 months ended 31/03/2024	Rolling stock	Real properties	Technical machinery and equipment	Means of transport	Other fixed assets	Total
Gross value						
1/01/2024	847.0	926.4	72.2	31.3	2.0	1,878.9
<i>Increases / (decreases):</i>						
New leases	50.7	5.1	0.5	1.8	-	58.1
Modifications of agreements	0.1	55.4	0.4	0.1	-	56.0
Leaseback	-	-	6.2	-	-	6.2
Periodic repairs of rolling stock	0.2	-	-	-	-	0.2
Return of leased items	-	(2.1)	-	(2.0)	-	(4.1)
Purchase of leased items	-	-	-	(0.8)	-	(0.8)
Other	-	(0.4)	-	-	-	(0.4)
FX translation differences	(3.1)	(1.6)	(0.9)	(0.4)	-	(6.0)
31/03/2024	894.9	982.8	78.4	30.0	2.0	1,988.1
Accumulated depreciation						
1/01/2024	(112.9)	(284.8)	(22.6)	(20.9)	(1.6)	(442.8)
<i>(Increases) / decreases:</i>						
Depreciation	(11.2)	(18.9)	(2.4)	(1.0)	(0.1)	(33.6)
Return of leased items	-	2.1	-	2.0	-	4.1
Purchase of leased items	-	-	-	0.3	-	0.3
FX translation differences	2.2	0.9	0.4	0.1	-	3.6
31/03/2024	(121.9)	(300.7)	(24.6)	(19.5)	(1.7)	(468.4)
Net value						
1/01/2024	734.1	641.6	49.6	10.4	0.4	1,436.1
31/03/2024	773.0	682.1	53.8	10.5	0.3	1,519.7

3 months ended 31/03/2023	Rolling stock	Real properties	Technical machinery and equipment	Means of transport	Other fixed assets	Total
Gross value						
1/01/2023	486.9	844.4	61.4	25.5	1.4	1,419.6
<i>Increases / (decreases):</i>						
New leases	202.8	0.3	2.3	0.9	-	206.3
Modifications of agreements	0.3	57.5	0.1	2.3	-	60.2
Leaseback	-	-	-	1.6	-	1.6
Periodic repairs of rolling stock	1.9	-	-	-	-	1.9
Return of leased items	(4.6)	(0.3)	-	(0.1)	-	(5.0)
Purchase of leased items	(33.0)	-	(4.2)	(1.1)	-	(38.3)
Other	-	0.5	-	-	-	0.5
FX translation differences	3.8	1.2	0.6	0.2	-	5.8
31/03/2023	658.1	903.6	60.2	29.3	1.4	1,652.6
Accumulated depreciation						
1/01/2023	(186.4)	(220.9)	(20.5)	(18.4)	(1.2)	(447.4)
<i>(Increases) / decreases:</i>						
Depreciation	(9.3)	(16.0)	(1.7)	(1.0)	(0.1)	(28.1)
Return of leased items	4.6	0.2	-	0.1	-	4.9
Purchase of leased items	15.1	-	2.7	0.9	-	18.7
FX translation differences	(1.5)	(0.6)	(0.3)	(0.1)	-	(2.5)
31/03/2023	(177.5)	(237.3)	(19.8)	(18.5)	(1.3)	(454.4)
Net value						
1/01/2023	300.5	623.5	40.9	7.1	0.2	972.2
31/03/2023	480.6	666.3	40.4	10.8	0.1	1,198.2

5.3 Investments in entities accounted for under the equity method

Investments in entities accounted for under the equity method

	Carrying amount	
	31/03/2024	31/12/2023
COSCO Shipping Lines (POLAND) Sp. z o.o.	0.2	0.2
Terminale Przeładunkowe Sławków - Medyka Sp. z o.o.	23.0	22.7
Transgaz S.A.	8.7	8.2
PKP CARGO CONNECT GmbH	4.2	3.6
PKP CARGO INTERNATIONAL SK a.s.	2.5	2.5
PKP CARGO INTERNATIONAL SI d.o.o.	1.6	4.2
Centralny Terminal Multimodalny Sp. z o.o.	1.3	1.3
Total	41.5	42.7

Investments in entities accounted for under the equity method

	3 months ended 31/03/2024	3 months ended 31/03/2023
As at the beginning of the reporting period	42.7	41.8
Share in the profit / (loss) of entities accounted for under the equity method	2.0	4.1
Movement in equity on account of dividends	(2.9)	(3.2)
FX differences from translation of financial statements	(0.3)	-
As at the end of the reporting period	41.5	42.7

5.4 Inventories

Structure of inventories

	31/03/2024	31/12/2023
Strategic inventories	37.3	36.8
Rolling stock during liquidation	15.5	23.2
Other inventories	140.9	143.5
Impairment losses	(3.9)	(3.3)
Net inventories	189.8	200.2

5.5 Trade receivables

Structure of trade receivables

	31/03/2024	31/12/2023
Trade receivables	758.5	800.2
Impairment losses for receivables	(128.6)	(130.7)
Total	629.9	669.5
Non-current assets	0.2	1.2
Current assets	629.7	668.3
Total	629.9	669.5

5.6 Other assets

Structure of other assets

	31/03/2024	31/12/2023
Financial assets		
Shares in unlisted companies	9.5	9.5
Non-financial assets		
Costs settled over time		
Prepayments for purchase of electricity	33.1	36.7
Insurance	6.1	9.0
IT services	7.8	7.9
Purchase of transportation benefits	12.1	-
Other costs settled over time	5.6	5.5
Prepayments for purchase of non-financial non-current assets	0.6	3.4
Other	2.4	4.0
Other receivables		
VAT settlements	46.2	63.7
Receivables from the sale of shares	2.4	2.7
Dividend receivables	3.3	0.4
Other	9.3	22.1
Intangible assets		
Licenses	23.2	24.3
Other intangible assets	0.7	0.8
Intangible assets during adjustment	8.3	8.6
Total	170.6	198.6
Non-current assets	49.3	52.4
Current assets	121.3	146.2
Total	170.6	198.6

5.7 Trade liabilities

Structure of trade liabilities

	31/03/2024	31/12/2023
Trade liabilities	786.9	742.9
Interest liabilities	59.6	49.5
Prepayments and accruals	51.6	55.4
Total	898.1	847.8
Long-term liabilities	3.5	3.4
Short-term liabilities	894.6	844.4
Total	898.1	847.8

5.8 Investment liabilities

Structure of investment liabilities

	31/03/2024	31/12/2023
Investment liabilities related to rolling stock	154.6	131.5
Investment liabilities related to real properties	3.2	3.6
Other	8.0	21.8
Total	165.8	156.9
Long-term liabilities	11.3	15.6
Short-term liabilities	154.5	141.3
Total	165.8	156.9

5.9 Provisions for employee benefits

Structure of provisions for employee benefits

	31/03/2024	31/12/2023
Post-employment defined benefit plans		
Retirement and disability severance benefits	233.4	245.3
Company Social Benefits Fund	151.5	150.6
Transportation benefits	26.7	26.6
Post-mortem benefits	6.9	6.8
Other employee benefits		
Jubilee awards	266.6	271.3
Other employee benefits (unused vacation time/bonuses)	62.2	48.5
Total	747.3	749.1
Long-term provisions	570.0	578.9
Short-term provisions	177.3	170.2
Total	747.3	749.1

5.10 Other provisions

Structure of other provisions

	31/03/2024	31/12/2023
Provision for land reclamation	3.3	3.5
Other provisions	14.6	17.8
Total	17.9	21.3
Long-term provisions	3.5	3.6
Short-term provisions	14.4	17.7
Total	17.9	21.3

5.11 Other liabilities

Structure of other liabilities

	31/03/2024	31/12/2023
Financial liabilities		
Cash pool	14.3	14.2
Derivatives – swap contract	-	0.1
Other liabilities		
Liabilities arising out of collateral (deposits, bid deposits, guarantees)	46.7	45.1
Public law liabilities	136.5	134.9
Settlements with employees	116.3	113.9
VAT settlements	9.5	8.8
Current income tax liabilities	19.1	17.7
Other settlements	31.7	20.9
Total	374.1	355.6
Short-term liabilities	374.1	355.6
Total	374.1	355.6

6. Financial instruments

6.1 Financial instruments

Categories and classes of financial instruments

Financial assets by categories and classes	Note	31/03/2024	31/12/2023
Financial assets measured at fair value through other comprehensive income			
Investments in equity instruments	Note 5.6	9.5	9.5
Financial assets measured at amortized cost			
Trade receivables	Note 5.5	629.9	669.5
Receivables from the sale of shares	Note 5.6	2.4	2.7
Cash and cash equivalents	Note 4.3	176.6	263.7
Financial assets excluded from the scope of IFRS 9		10.6	9.8
Total		829.0	955.2

Financial liabilities by categories and classes	Note	31/03/2024	31/12/2023
Financial liabilities measured at fair value through profit or loss			
Derivatives – swap contract	Note 5.11	-	0.1
Hedging financial instruments			
Bank loans and borrowings	Note 4.1	465.5	495.2
Financial liabilities excluded from the scope of IFRS 9	Note 4.1	1.4	3.9
Financial liabilities measured at amortized cost			
Bank loans and borrowings	Note 4.1	933.7	985.1
Trade liabilities	Note 5.7	898.1	847.8
Investment liabilities	Note 5.8	165.8	156.9
Cash pool	Note 5.11	14.3	14.2
Financial liabilities excluded from the scope of IFRS 9	Note 4.1	1,494.8	1,409.6
Total		3,973.6	3,912.8

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

Hedge accounting

In the period from 1 January 2024 to 31 March 2024, the Group applied cash flow hedging accounting. The purpose of the hedging activity was to mitigate the impact of the FX risk within the EUR/PLN currency pair on future cash flows. The hedged item is a highly likely cash flow denominated in EUR.

As at 31 March 2024, the Group has established the following hedging instruments:

- investment loans denominated in EUR. The hedged cash flows will be realized until January 2035. As at 31 March 2024, the nominal amount of the hedging instrument was EUR 108.2 million, which is an equivalent of PLN 465.5 million.
- leases denominated in EUR. The hedged cash flows will be realized until May 2024. As at 31 March 2024, the nominal amount of the hedging instrument was EUR 0.3 million, which is an equivalent of PLN 1.4 million.

6.1 Financial instruments (cont.)

Fair value hierarchy

As at 31 March 2024 and 31 December 2023, financial instruments measured at fair value were investments in equity instruments and derivatives – swap contracts.

	31/03/2024		31/12/2023	
	Level 2	Level 3	Level 2	Level 3
Assets				
Investments in equity instruments - shares in unlisted companies	-	9.5	-	9.5
Liabilities				
Derivatives – swap contract	-	-	0.1	-

Measurement methods for financial instruments measured at fair value

a) Derivatives – swap contract

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

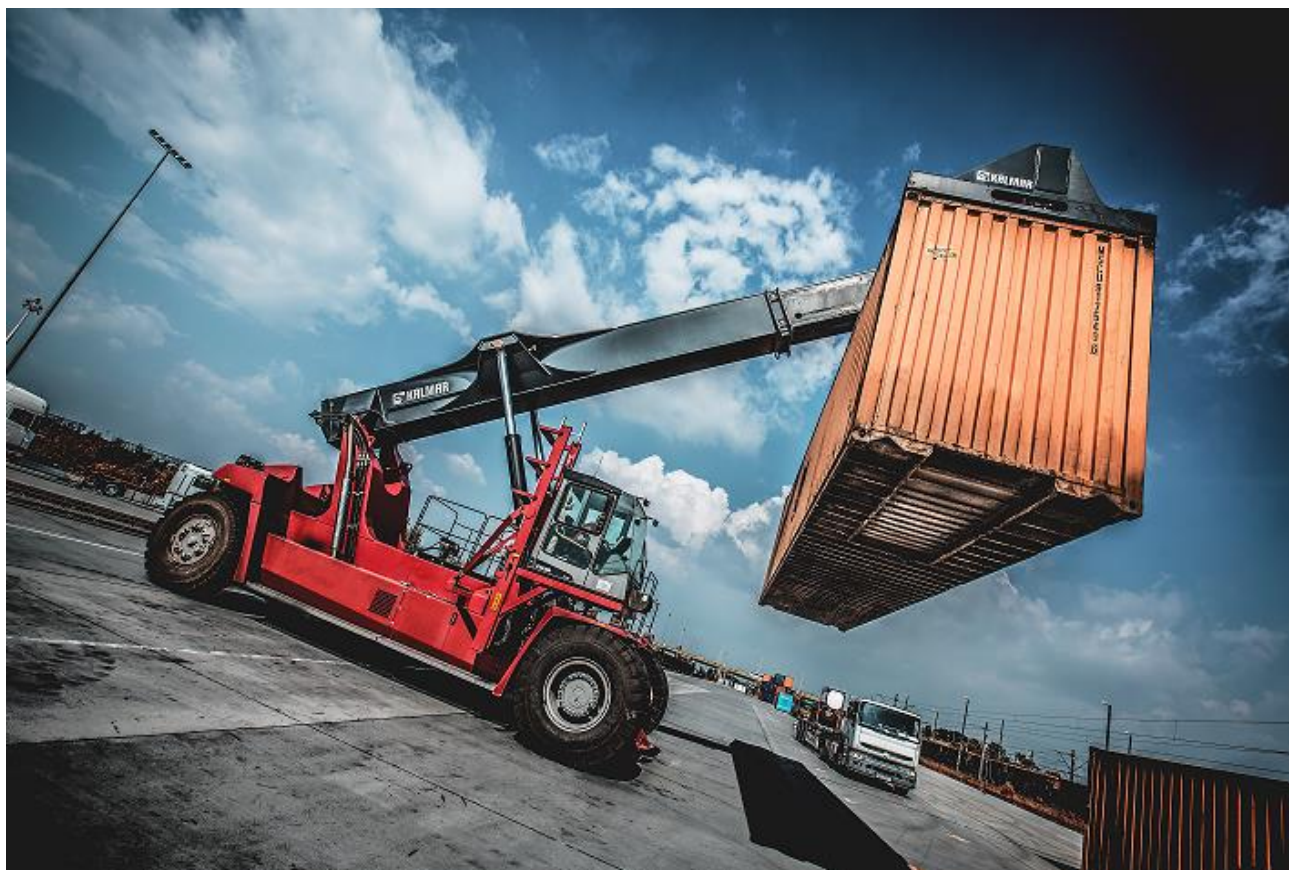
b) Investments in financial instruments

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

c) Other financial instruments

For the category of financial instruments which are not carried at fair value as at the balance sheet date, the Group does not disclose fair value because the fair values of these financial instruments as at 31 March 2024 and 31 December 2023 were not materially different from their values presented in the statement of financial position.

In the period of 3 months ended 31 March 2024 and 31 March 2023, there were no transfers between level 2 and level 3 of the fair value hierarchy.



6.1 Financial instruments (cont.)

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

3 months ended 31/03/2024	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)	(4.7)	2.3	0.1	(29.6)	(21.1)	(53.0)
FX differences	-	0.7	(0.3)	0.5	0.2	1.1
Impairment losses / revaluation	-	(0.6)	-	-	-	(0.6)
Transaction costs related to loans	-	-	-	(0.3)	-	(0.3)
Profit / (loss) before tax	(4.7)	2.4	(0.2)	(29.4)	(20.9)	(52.8)
Revaluation	4.1	-	-	-	-	4.1
Other comprehensive income	4.1	-	-	-	-	4.1

In the period ended 31 March 2024, the change in the measurement of hedging financial instruments recognized in other comprehensive income included a change in the measurement of bank loans in the amount of PLN 4.6 million and lease liabilities in the amount of PLN (0.5) million, recognized as part of the hedge accounting applied by the Group.

3 months ended 31/03/2023	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)	(3.9)	2.0	0.1	(22.2)	(10.9)	(34.9)
FX differences	-	0.1	-	0.3	(2.1)	(1.7)
Impairment losses / revaluation	-	(0.8)	-	-	-	(0.8)
Transaction costs related to loans	-	-	-	(0.3)	-	(0.3)
Effect of settlement of cash flow hedge accounting	(2.4)	-	-	-	-	(2.4)
Profit / (loss) before tax	(6.3)	1.3	0.1	(22.2)	(13.0)	(40.1)
Revaluation	4.2	-	-	-	-	4.2
Other comprehensive income	4.2	-	-	-	-	4.2

In the period of 3 months ended 31 March 2023, the effect of settling cash flow hedge accounting adjusted the value of revenues from contracts with customers in the amount of PLN (2.4) million.

In the period ended 31 March 2023, the change in the measurement of hedging financial instruments recognized in other comprehensive income included a change in the measurement of bank loans in the amount of PLN 4.2 million that are designated for hedge accounting applied by the Group.

7. Other notes

7.1 Related party transactions

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

In the period of 3 months ended 31 March 2024 and 31 March 2023, the State Treasury was an upper level parent entity of the PKP CARGO Group. Accordingly, all companies owned by the State Treasury (directly or indirectly) are the Group's related parties and are presented separately as PKP Group related parties and other State Treasury related parties. In these Quarterly Condensed Consolidated Financial Statements, the Parent Company's Management Board has disclosed transactions with significant related parties identified as such according to the best knowledge of the Management Board.

In the period of 3 months ended 31 March 2024 and 31 March 2023, there were no transactions effected between the PKP CARGO Group and the State Treasury or other entities related to the State Treasury which would be significant due to a non-standard scope and amount. In the periods covered by these Quarterly Condensed Consolidated Financial Statements, the Group's most important clients among other parties related to the State Treasury were members of the following groups: PGE, PKN Orlen, JSW and ENEA. In the period of 3 months ended 31 March 2024, the Group's most important suppliers related to the State Treasury were PGE Group entities.

Transactions with PKP Group related parties

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

	3 months ended 31/03/2024		31/03/2023	
	Sales to related parties	Purchases from related parties	Receivables from related parties	Liabilities to related parties
Parent company	0.2	25.3	0.2	638.1
Subsidiaries/co-subsidiaries – unconsolidated	1.4	7.7	3.4	3.0
Associates	1.3	0.6	0.5	-
Other PKP Group related parties	8.4	110.9	4.2	251.2

	3 months ended 31/03/2023		31/12/2023	
	Sales to related parties	Purchases from related parties	Receivables from related parties	Liabilities to related parties
Parent company	0.2	22.2	1.1	587.4
Subsidiaries/co-subsidiaries – unconsolidated	3.9	7.6	0.7	2.2
Associates	1.2	0.3	0.8	0.1
Other PKP Group related parties	12.9	138.1	3.0	168.4

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.

Sales transactions within the PKP Group included freight transport services, lease of equipment and sub-lease of real estate. Purchase transactions comprised, among others, maintenance and repair of rolling stock, freight forwarding services, transshipment services and intermodal transport.

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

In addition to commercial transactions, the Group had dividend receivables disclosed in [Note 5.6](#) and cash pooling liabilities disclosed in [Note 5.11](#) of these Consolidated Financial Statements.

7.1 Related party transactions (cont.)

Remunerations of key management personnel

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

Remunerations of Management Board Members	Parent Company		Subsidiaries	
	3 months ended 31/03/2024	3 months ended 31/03/2023	3 months ended 31/03/2024	3 months ended 31/03/2023
Short-term benefits	0.5	0.7	1.7	1.5
Total	0.5	0.7	1.7	1.5

Remunerations of Supervisory Board Members	Parent Company		Subsidiaries	
	3 months ended 31/03/2024	3 months ended 31/03/2023	3 months ended 31/03/2024	3 months ended 31/03/2023
Short-term benefits	0.5	0.4	0.3	0.3
Total	0.5	0.4	0.3	0.3

Remunerations of other members of key management personnel	Parent Company		Subsidiaries	
	3 months ended 31/03/2024	3 months ended 31/03/2023	3 months ended 31/03/2024	3 months ended 31/03/2023
Short-term benefits	1.9	1.7	5.5	5.2
Termination benefits	0.1	0.2	0.1	-
Total	2.0	1.9	5.6	5.2

In the period of 3 months ended 31 March 2024 and 31 March 2023, members of the key management personnel of the Parent Company and the PKP CARGO Group subsidiaries did not enter into any loan or guarantee transactions with the Group.

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

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

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

	31/03/2024	31/12/2023
Contractual liabilities on account of purchase and repairs of rolling stock and other property, plant and equipment	136.0	337.4
Contractual liabilities on account of non-commenced lease contracts	7.4	7.8
Total	143.4	345.2



7.3 Contingent liabilities

Structure of contingent liabilities

	31/03/2024	31/12/2023
Guarantees issued on the Group's order	133.6	142.7
Other contingent liabilities	105.3	109.0
Total	238.9	251.7

Guarantees issued on the Group's order

As at 31 March 2024, the Group included in contingent liabilities guarantees issued by banks and insurance companies at the request of PKP CARGO Group companies. This line item comprises mainly commercial contract performance bonds, customs guarantees and excise tax guarantees.

Other contingent liabilities

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

7.4 Subsequent events

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

On 24 April 2024, the Company's Supervisory Board dismissed, effective as of 24 April 2024, Mr. Dariusz Seliga, Management Board President, and Mr. Marek Olkiewicz, Management Board Member in charge of Operations, from the PKP CARGO S.A. Management Board and, effective as of 25 April 2024, Mr. Maciej Jankiewicz, Management Board Member in charge of Finance, from the PKP CARGO S.A. Management Board, entrusting him with the performance of the duties of President of the Management Board.

At the same time, on 24 April 2024, the Company's Supervisory Board adopted a resolution to delegate the following to act temporarily, i.e. from 26 April 2024 to 25 July 2024, in the capacity of the Company's Management Board Member:

- Mr. Marcin Wojewódka - a Supervisory Board Member of PKP CARGO S.A., and entrust him with discharging the duties of President of the Management Board,
- Ms. Monika Starecka - a Supervisory Board Member of PKP CARGO S.A., and entrust her with discharging the duties of Management Board Member in charge of Finance,
- Mr. Paweł Miłek - a Supervisory Board Member of PKP CARGO S.A., and entrust him with discharging the duties of Management Board Member in charge of Commerce.

Other events that transpired after the balance sheet date are presented in [Note 1.1](#) and [Note 4.1](#) to these Condensed Consolidated Financial Statements and in [Chapter 3.6](#) of the Additional Information to the Consolidated Quarterly Report of the PKP CARGO S.A. Group for Q1 2024.

7.5 Approval of the financial statements

These Quarterly Condensed Consolidated Financial Statements were approved for publication by the Parent Company's Management Board on 27 May 2024.

Parent Company's Management Board

Marcin Wojewódka
acting as President of the Management Board

Monika Starecka
acting as Management Board Member

Paweł Miłek
acting as Management Board Member

Zenon Kozendra
Management Board Member

Warsaw, 27 May 2024

www.pkpcargo.com

Quarterly Financial Information

of PKP CARGO S.A.
for the period of 3 months
ended 31 March 2024



QUARTERLY STANDALONE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	3 months ended 31/03/2024	3 months ended 31/03/2023
Revenues from contracts with customers	907.3	1,210.4
Consumption of traction electricity and traction fuel	(153.8)	(240.4)
Services of access to infrastructure	(98.9)	(131.1)
Other services	(92.2)	(103.4)
Employee benefits	(396.9)	(366.7)
Other expenses	(62.8)	(63.4)
Other operating revenue and (expenses)	(17.4)	(1.9)
Operating profit without depreciation (EBITDA)	85.3	303.5
Depreciation, amortization and impairment losses	(190.6)	(160.8)
Profit / (loss) on operating activities (EBIT)	(105.3)	142.7
Financial revenue and (expenses)	(45.2)	(39.6)
Profit / (loss) before tax	(150.5)	103.1
Income tax	27.0	(21.9)
NET PROFIT / (LOSS)	(123.5)	81.2
OTHER COMPREHENSIVE INCOME		
Measurement of hedging instruments	4.8	3.5
Income tax	(0.9)	(0.7)
Total other comprehensive income subject to reclassification in the financial result	3.9	2.8
Total other comprehensive income	3.9	2.8
TOTAL COMPREHENSIVE INCOME	(119.6)	84.0
Earnings / (losses) per share (PLN per share)		
Weighted average number of ordinary shares	44,786,917	44,786,917
Basic earnings / (losses) per share	(2.76)	1.81
Diluted earnings / (losses) per share	(2.76)	1.81

QUARTERLY STANDALONE STATEMENT OF FINANCIAL POSITION

	31/03/2024	31/12/2023
ASSETS		
Rolling stock	4,116.0	4,078.1
Other property, plant and equipment	407.4	411.1
Rights-of-use assets	1,242.5	1,162.4
Investments in related parties	897.1	897.1
Lease receivables	32.0	29.6
Financial assets	22.2	23.4
Other assets	30.1	31.6
Deferred tax assets	161.7	135.6
Total non-current assets	6,909.0	6,768.9
Inventories	84.6	92.3
Trade receivables	446.6	468.0
Lease receivables	3.1	2.9
Financial assets	4.6	4.6
Other assets	99.9	112.0
Cash and cash equivalents	42.8	120.2
Total current assets	681.6	800.0
TOTAL ASSETS	7,590.6	7,568.9
EQUITY AND LIABILITIES		
Share capital	2,239.3	2,239.3
Supplementary capital	738.4	738.4
Other items of equity	(81.2)	(85.1)
Retained earnings	(78.3)	45.2
Total equity	2,818.2	2,937.8
Debt liabilities	1,914.8	1,908.5
Investment liabilities	11.3	15.6
Provisions for employee benefits	482.6	493.0
Other provisions	0.4	0.4
Total long-term liabilities	2,409.1	2,417.5
Debt liabilities	724.0	709.0
Trade liabilities	768.4	687.1
Investment liabilities	350.8	314.6
Provisions for employee benefits	138.2	136.1
Other provisions	5.3	8.5
Other financial liabilities	147.1	140.5
Other liabilities	229.5	217.8
Total short-term liabilities	2,363.3	2,213.6
Total liabilities	4,772.4	4,631.1
TOTAL EQUITY AND LIABILITIES	7,590.6	7,568.9

QUARTERLY STANDALONE STATEMENT OF CHANGES IN EQUITY

	Share capital	Supplementary capital	Other items of equity			Retained Earnings/ (Accumulated losses)	Total
			Profits / (losses) on measurement of equity instruments at fair value	Actuarial profits / (losses) on post-employment benefit	Measurement of hedging instruments		
1/01/2024	2,239.3	738.4	(9.1)	(79.4)	3.4	45.2	2,937.8
Net result for the period	-	-	-	-	-	(123.5)	(123.5)
Other comprehensive income for the period (net)	-	-	-	-	3.9	-	3.9
Total comprehensive income	-	-	-	-	3.9	(123.5)	(119.6)
31/03/2024	2,239.3	738.4	(9.1)	(79.4)	7.3	(78.3)	2,818.2
1/01/2023	2,239.3	635.7	(12.9)	(9.3)	(32.2)	102.7	2,923.3
Net result for the period	-	-	-	-	-	81.2	81.2
Other comprehensive income for the period (net)	-	-	-	-	2.8	-	2.8
Total comprehensive income	-	-	-	-	2.8	81.2	84.0
31/03/2023	2,239.3	635.7	(12.9)	(9.3)	(29.4)	183.9	3,007.3

QUARTERLY STANDALONE CASH FLOW STATEMENT

	3 months ended 31/03/2024	3 months ended 31/03/2023
Cash flows from operating activities		
Profit / (loss) before tax	(150.5)	103.1
Adjustments		
Depreciation, amortization and impairment losses	190.6	160.8
(Profits) / losses on interest, dividends	38.6	31.5
Received / (paid) interest	0.5	0.2
Received / (paid) income tax	-	(16.2)
Movement in working capital	131.6	(37.3)
Other adjustments	(0,4)	0.8
Net cash from operating activities	210.4	242.9
Cash flows from investing activities		
Expenditures on the acquisition of non-financial non-current assets	(188.0)	(212.3)
Proceeds from the sale of non-financial non-current assets	-	0.2
Expenditures on the acquisition of shares in related entities	-	(31.5)
Proceeds from dividends received	-	0.3
Repayment of extended loans	1.1	-
Other inflows from investing activities	1.4	0.6
Net cash from investing activities	(185.5)	(242.7)
Cash flows from financing activities		
Payments on lease liabilities	(29.2)	(28.0)
Proceeds from bank loans and borrowings	29.6	158.7
Repayment of bank loans and borrowings	(83.4)	(74.8)
Interest paid on lease liabilities and bank loans and borrowings	(34.8)	(34.3)
Grants received	10.6	-
Inflows / (outflows) as part of cash pool	5.5	18.0
Other outflows from financing activities	(0.5)	(0.6)
Net cash from financing activities	(102.2)	39.0
Net increase / (decrease) in cash and cash equivalents	(77.3)	39.2
Cash and cash equivalents as at the beginning of the reporting period	120.2	55.2
Impact exerted by FX rate movements on the cash balance in foreign currencies	(0.1)	-
Cash and cash equivalents as at the end of the reporting period, including:	42.8	94.4
<i>Restricted cash</i>	25.0	26.9

Management Board

Marcin Wojewódka
acting as President of the Management Board

Monika Starecka
acting as Management Board Member

Paweł Miłek
acting as Management Board Member

Zenon Kozendra
Management Board Member

Warsaw, 27 May 2024

www.pkpcargo.com

Other Information

of PKP CARGO S.A. GROUP'S
Consolidated quarterly report

for Q1

2024



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1. Organization of the PKP CARGO Group

1.1 Highlights on the Company and the PKP CARGO Group

The PKP CARGO Group (“PKP CARGO Group”) is a rail freight operator in Poland and the European Union (“EU”) that has provided comprehensive logistics services for years. The Group’s development is focused on enhancing and extending its operations in terms of its product range and geographic area. Apart from transport activity, the PKP CARGO Group provides complementary services supporting the Group in the area of rail freight, including siding and traction services, terminal services and forwarding services.

The PKP CARGO Group holds licenses for the provision of rail freight services in the following 9 EU countries: Lithuania, Slovakia, Hungary, Slovenia, Austria, the Czech Republic, Germany, the Netherlands and Poland.

As at 31 March 2024, the PKP CARGO Group consisted of the following entities:

- a) 20 subsidiaries of PKP CARGO, controlled directly or indirectly (by entities controlled by PKP CARGO), including:
 - 10 subsidiaries controlled directly by PKP CARGO;
 - 10 subsidiaries controlled directly by companies directly controlled by PKP CARGO (and indirectly controlled by PKP CARGO), including 3 companies directly controlled by PKP CARGO CONNECT sp. z o.o. and 7 companies directly controlled by PKP CARGO INTERNATIONAL a.s.;
- b) 1 company under a joint control of PKP CARGO CONNECT sp. z o.o., holding a 50% stake in its share capital (under an indirect joint control of PKP CARGO): TERMINALE PRZEŁADUNKOWE SŁAWKÓW MEDYKA sp. z o.o.;

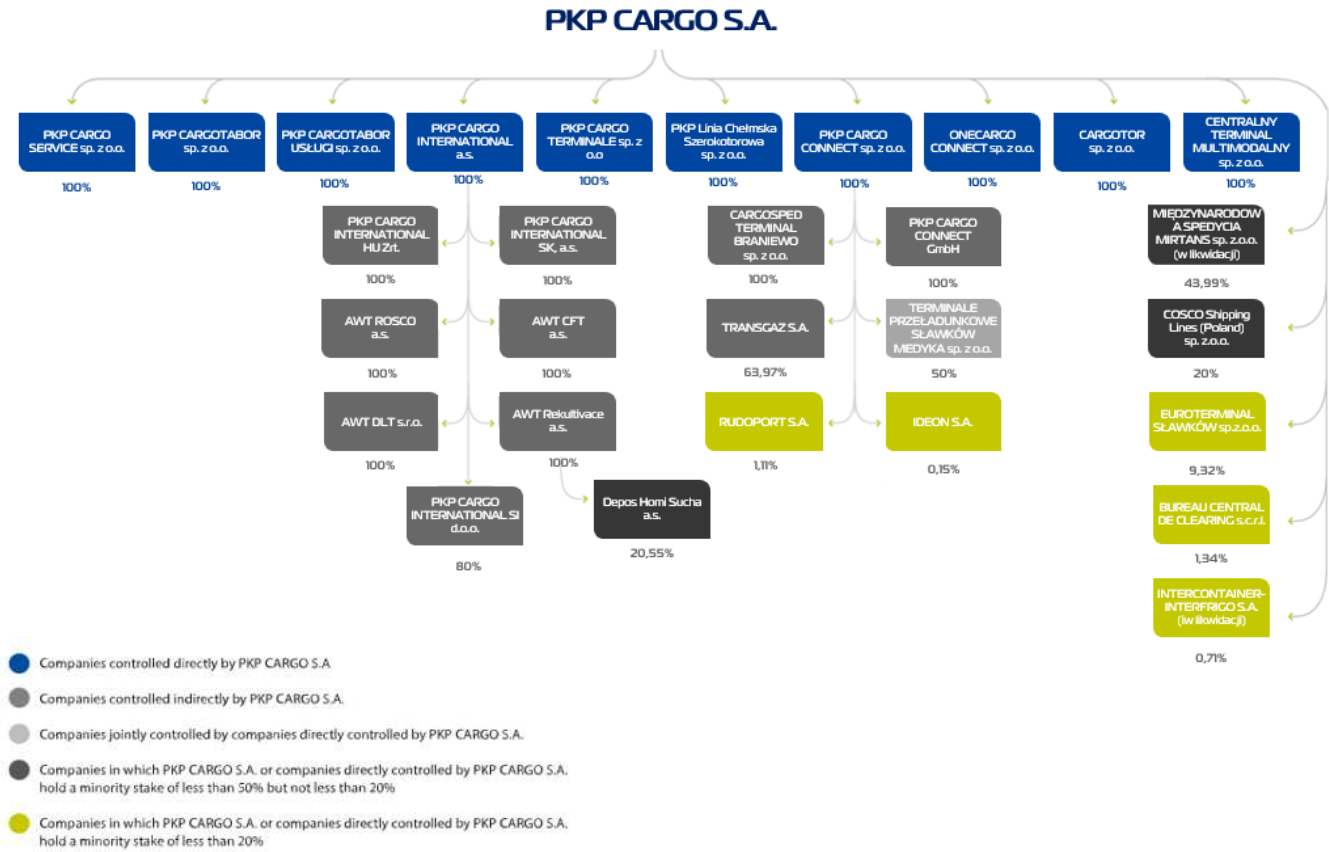
Moreover, as at 31 March 2024, PKP CARGO S.A. (“PKP CARGO”) or PKP CARGO’s (direct or indirect) subsidiaries held shares in 8 companies that were not controlled or jointly controlled by PKP CARGO or PKP CARGO’s subsidiaries, including:

- 5 companies in which PKP CARGO directly holds a minority stake,
- 2 companies in which PKP CARGO CONNECT sp. z o.o., a company directly controlled by PKP CARGO, holds a minority stake in the share capital in a manner that does not make it possible to exercise control or joint control,
- 1 company related to the PKP CARGO INTERNATIONAL Group in which a company indirectly controlled by PKP CARGO holds a minority stake in the share capital in a manner that does not make it possible to exercise control or joint control.



The chart below presents the structure of capital links with the companies, in which PKP CARGO S.A. or its subsidiaries hold shares – as at 31 March 2024:

Figure 1 Structure of capital links with companies in which PKP CARGO S.A. or its subsidiaries hold an equity stake – as at 31 March 2024



- Companies controlled directly by PKP CARGO S.A.
- Companies controlled indirectly by PKP CARGO S.A.
- Companies jointly controlled by companies directly controlled by PKP CARGO S.A.
- Companies in which PKP CARGO S.A. or companies directly controlled by PKP CARGO S.A. hold a minority stake of less than 50% but not less than 20%
- Companies in which PKP CARGO S.A. or companies directly controlled by PKP CARGO S.A. hold a minority stake of less than 20%

Source: Proprietary material.

In terms of the structure of capital links, no changes occurred during the first 3 months of 2024.

After Q1 2024, a decision was made to dissolve PKP CARGOTABOR USŁUGI sp. z o.o. with its registered office in Warsaw. On 25 April 2024, the Extraordinary Shareholder Meeting of PKP CARGOTABOR USŁUGI sp. z o.o. was held and adopted a resolution to dissolve PKP CARGOTABOR USŁUGI sp. z o.o. through liquidation and to appoint a liquidator for the company as of 25 April 2024.

In Q1 2024 and until the date of publication of this report, apart from the event described above, no other changes were made to the Group’s organization resulting from a merger, obtaining or losing control over subsidiaries or long-term investments, or a demerger, restructuring or discontinuation of business.

1.2 Consolidated entities

The Quarterly Condensed Consolidated Financial Statements of the PKP CARGO Group as at 31 March 2024 encompass PKP CARGO S.A. and 12 subsidiaries consolidated by the full method and 7 subsidiaries consolidated by the equity method:

Table 1 Subsidiaries consolidated by the full method

Company name	Core business
PKP CARGO SERVICE Sp. z o.o. ("PKP CARGO SERVICE")	Comprehensive handling of rail sidings, rail freight and maintenance of rail infrastructure.
PKP CARGOTABOR Sp. z o.o. ("PKP CARGOTABOR")	Repair and maintenance of rolling stock and physical liquidation of rail cars and locomotives, repairs of electrical machinery and wheel sets as well as weighing and adjustment of rolling stock.
PKP CARGOTABOR USŁUGI Sp. z o.o. ("PKP CARGOTABOR USŁUGI")	As at the delivery date of this report, the company does not conduct any operating activity.
PKP CARGO TERMINALE Sp. z o.o. ("PKP CARGO TERMINALE") (former CL Medyka-Żurawica and former CL Małaszewicze)	Transshipment, storage, segregation, packaging, crushing and a variety of other border services. The company owns terminals that facilitate the transshipment of bulk cargo, unit cargo and containers. The company also has the ability to offer rail gauge switching services and as the only company on the country's eastern border has a 6-chamber thaw room.
CARGOSPED TERMINAL BRANIEWO Sp. z o.o. ("CARGOSPED TERMINAL BRANIEWO")	Transshipment of goods and buying and selling of coal. The company is also active in wholesale and retail sales.
CARGOTOR Sp. z o.o. ("CARGOTOR")	Managing track and service infrastructure (rail sidings and track systems) along with the requisite plant and buildings, making infrastructure available to rail operators on commercial terms.
PKP CARGO CONNECT Sp. z o.o. ("PKP CARGO CONNECT")	Freight forwarding and logistics services in Poland and abroad. The company provides comprehensive logistics services using rail and vehicle, marine and inland water transportation by organizing transport, transshipment, storage, warehousing, packaging and distribution. Customs clearance services to clients of the PKP CARGO Group.
PKP CARGO INTERNATIONAL a.s. ("PKP CARGO INTERNATIONAL") (formerly Advanced World Transport a.s.)	Comprehensive handling of rail freight (the Czech Republic, Slovakia and Poland), rail freight forwarder in the whole Central and Eastern European region, manages an intermodal terminal located in the community of Paskov. Comprehensive services related to deliveries and pick-ups by road transport ("last mile"). Rolling stock management in the PKP CARGO INTERNATIONAL Group.
AWT ROSCO a.s. ("AWT Rosco")	Cleaning of rail and automobile cisterns.
AWT CFT a.s. ("AWT CFT")	International freight forwarding services. As at the delivery date of this report, the company does not conduct any operating activity.
AWT Rekulivace a.s. ("AWT Rekulivace")	Construction engineering business, including management and revitalization of post-industrial areas (including mining areas), demolition works, management of waste treatment facilities, elimination of underground mining pits, decontamination of soil, etc.
PKP CARGO INTERNATIONAL HU Zrt. ("PKP CARGO INTERNATIONAL HU") (formerly: AWT Rail HU Zrt)	Rail transport services and rail siding handling services in Hungary on the basis of its own rail operator's license.

Moreover, the list of companies accounted for under the equity method is presented in [Note 5.3](#) to the Quarterly Condensed Consolidated Financial Statements of the PKP CARGO Group for the 3 months ended 31 March 2024, prepared in accordance with EU IFRS.

Table 2 Entities accounted for under the equity method

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

2. Information about the Parent Company

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

MANAGEMENT BOARD

Table 3 Composition of the PKP CARGO S.A. Management Board

Name	Position	Period in office	
		from	to
Dariusz Seliga	President of the Management Board	13 April 2022	24 April 2024*
Marcin Wojewódka	acting President of the Management Board	26 April 2024	25 July 2024**
Marek Olkiewicz	Management Board Member in charge of Operations	3 February 2022	24 April 2024*
Zenon Kozendra	Management Board Member – Employee Representative	14 July 2016	to date
Maciej Jankiewicz	Management Board Member in charge of Finance	25 April 2022	25 April 2024
	acting President of the Management Board	1 February 2024	
Monika Starecka	acting Management Board Member in charge of Finance	26 April 2024	25 July 2024**
Jacek Rutkowski	Management Board Member in charge of Commerce	25 April 2022	22 April 2024
Paweł Miłek	acting Management Board Member in charge of Commerce	26 April 2024	25 July 2024**

* Suspended from office from 1 February 2024 to 24 April 2024

** Supervisory Board Members temporarily seconded to perform the duties of Management Board Members.

Source: Proprietary material

In Q1 2024 and until the date of publication of this report, the following changes occurred in the Company's Management Board:

- On 1 February 2024, the Supervisory Board suspended from office 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. On the same date, the Supervisory Board appointed Mr. Maciej Jankiewicz, Management Board Member in charge of Finance, as acting President of the Company's Management Board.
- On 22 April 2024, the Supervisory Board dismissed Mr. Jacek Rutkowski, Management Board Member in charge of Commerce, from the PKP CARGO S.A. Management Board.
- On 24 April 2024, the Supervisory Board dismissed Mr. Dariusz Seliga, President of the Management Board, and Mr. Marek Olkiewicz, Management Board Member in charge of Operations, from the Company's Management Board and, effective as of 25 April 2024, Mr. Maciej Jankiewicz, Management Board Member in charge of Finance, from the Company's Management Board and from the post of acting President of the Management Board. Also on the same day, the Company's Supervisory Board adopted a resolution to second Supervisory Board Members to temporarily, that is from 26 April 2024 to 25 July 2024, perform the following duties: Mr. Marcin Wojewódka to serve as acting Management Board Member in the capacity of acting President of the Management Board, Ms. Monika Starecka to serve as acting Management Board Member in the capacity of Management Board Member in charge of Finance, and Mr. Paweł Miłek to serve as acting Management Board Member in the capacity of Management Board Member in charge of Commerce.

On 30 April 2024, the PKP CARGO S.A. Management Board entrusted the supervision of matters and organizational units of the Company's Head Office existing within the scope of powers of the Management Board Member in charge of Operations to Mr. Marcin Wojewódka, acting President of the Management Board, with regard to the Department of Transport and International Cooperation at the PKP CARGO S.A. Head Office, to Ms. Monika Starecka, acting Management Board Member in charge of Finance, with regard to the Department of Rail Traffic Safety at the PKP CARGO S.A. Head Office, and Mr. Paweł Miłek acting Management Board Member in charge of Commerce, with regard to the Department of Rolling Stock and Technical Support at the PKP CARGO S.A. Head Office.

SUPERVISORY BOARD

Table 4 Composition of the PKP CARGO S.A. Supervisory Board

Name	Position	Period in office	
		from	to
Władysław Szczepkowski	Chairman of the Supervisory Board	12 July 2022	to date
Andrzej Leszczyński	Deputy Chairman of the Supervisory Board	12 July 2022	19 April 2024
Grzegorz Dostatni	Supervisory Board Member	28 July 2022	14 May 2024
Henryk Grymel	Supervisory Board Member	29 June 2022	to date
Tomasz Pietrek	Supervisory Board Member	29 June 2022	to date
Marek Ryszka	Supervisory Board Member	29 June 2022	19 April 2024
Paweł Sosnowski	Supervisory Board Member	26 June 2019	14 May 2024
Jarosław Stawiarski	Supervisory Board Member	7 July 2022	19 April 2024
Jarosław Ślepaczuk	Supervisory Board Member	29 June 2022	to date
Michał Wnorowski	Supervisory Board Member	29 June 2022	to date
Izabela Wojtyczka	Supervisory Board Member	16 July 2020	to date
	Supervisory Board Member	19 April 2024	to date
Paweł Miłek	(seconded to temporarily perform the duties of Management Board Member in charge of Commerce)	26 April 2024	25 July 2024
	Supervisory Board Member	19 April 2024	to date
Monika Starecka	(seconded to temporarily perform the duties of Management Board Member in charge of Finance)	26 April 2024	25 July 2024

Marcin Wojewódka	Supervisory Board Member	19 April 2024	to date
	(seconded to temporarily perform the duties of President of the Management Board)	26 April 2024	25 July 2024
Bogusław Nadolnik	Supervisory Board Member	14 May 2024	to date
Robert Stępień	Supervisory Board Member	14 May 2024	to date

Source: Proprietary material

In Q1 2024 and until the date of publication of this report, the following changes occurred in the Company's Supervisory Board:

PKP S.A., acting in the capacity of the Company's shareholder pursuant to § 19 sections 2 and 6 of the Company's Articles of Association:

- dismissed, as of 19 April 2024, Mr. Andrzej Grzegorz Leszczyński, Mr. Jarosław Piotr Stawiarski and Mr. Marek Robert Ryszka from the Supervisory Board, and at the same time appointed Mr. Paweł Miłek, Ms. Monika Starecka and Mr. Marcin Wojewódka to the Supervisory Board,
- dismissed, as of 14 May 2024, Mr. Paweł Tomasz Sosnowski and Mr. Grzegorz Dostatni from the Supervisory Board, and at the same time appointed Mr. Bogusław Edmund Nadolnik and Mr. Robert Wojciech Stępień to the Supervisory Board.

SUPERVISORY BOARD AUDIT COMMITTEE

Table 5 Composition of the Audit Committee of the PKP CARGO S.A. Supervisory Board

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

Source: Proprietary material

NOMINATION COMMITTEE

Table 6 Composition of the PKP CARGO S.A. Supervisory Board Nomination Committee

Name	Position	Period in office	
		from	to
Izabela Wojtyczka	Committee Chairwoman	12 July 2022	to date
Paweł Sosnowski	Committee Member	12 July 2022	14 May 2024 (dismissed from the Supervisory Board)
Władysław Szczepkowski	Committee Member	12 July 2022	to date
Robert Stępień	Committee Member	16 May 2024	to date

Source: Proprietary material

In Q1 2024 and until the date of publication of this report, the following changes occurred in the Nomination Committee:

- On 14 May 2024, Mr. Paweł Sosnowski was dismissed from the Supervisory Board,
- On 16 May 2024, the Supervisory Board appointed Mr. Robert Stępień to the Committee.

STRATEGY AND SUSTAINABILITY COMMITTEE

Table 7 Composition of the PKP CARGO S.A. Supervisory Board Strategy Committee

Name	Position	Period in office	
		from	to
Władysław Szczepkowski	Committee Chairman	12 July 2022	to date
Henryk Grymel	Committee Member	12 July 2022	to date
Tomasz Pietrek	Committee Member	12 July 2022	to date
Michał Wnorowski	Committee Member	12 July 2022	to date
Andrzej Leszczyński	Committee Member	12 July 2022	19 April 2024 (dismissed from the Supervisory Board)
Bogusław Nadolnik	Committee Member	16 May 2024	to date

Source: Proprietary material

In Q1 2024 and until the date of publication of this report, the following changes occurred in the Strategy and Sustainability Committee:

- On 19 April 2024, Mr. Andrzej Leszczyński was dismissed from the Supervisory Board,
- On 16 May 2024, the Supervisory Board appointed Mr. Bogusław Nadolnik to the Committee.

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

The structure of PKP CARGO S.A.'s share capital as at 31 March 2024 is presented in the table below:

Table 8 structure of PKP CARGO S.A.'s share capital

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

Source: Proprietary material

Until the date of publication of this report, there have been no changes in the amount or structure of the Company's share capital.

2.3 Shareholders holding at least 5% of the total votes

In the period from the date of publication of the previous periodic report, that is 23 April 2024, to the delivery date of this report, no changes occurred regarding entities holding, directly or indirectly, significant equity stakes in PKP CARGO S.A.

Table 9 Structure of significant shareholders of PKP CARGO S.A. as at 23 April and 27 May 2024.

Shareholder	Number of shares	% of equity	Number of votes	% of the total number of votes at the Shareholder Meeting
PKP S.A.	14,784,194	33.01%	14,784,194	33.01%
Nationale-Nederlanden OFE	4,418,443	9.87%	4,418,443	9.87%
Allianz Polska OFE	3,105,654	6.93%	3,105,654	6.93%
Other shareholders	22,478,626	50.19%	22,478,626	50.19%
Total	44,786,917	100.00%	44,786,917	100.00%

Source: Proprietary material

2.4 Listing of shares held by management and supervisory board members

The holdings of shares in the Company or rights to such shares by members of the Company's Management Board in the period from the date of publication of the previous periodic report, that is from 23 April 2024, to the delivery date of this report were as follows:

Table 10 PKP CARGO S.A. shares held by Management Board members

Name	Number of PKP CARGO S.A. shares held by Management Board members
as at 27 May 2024	
Marcin Wojewódka	2,852*
Paweł Miłek	0
Monika Starecka	0
Zenon Kozendra	46
as at 23 April 2024	
Dariusz Seliga	0
Jacek Rutkowski	0
Marek Olkiewicz	0
Maciej Jankiewicz	0
Zenon Kozendra	46

* Including 2,100 shares held through Instytut Emerytalny Sp. z o.o.
Source: Proprietary material

The holdings of shares in the Company or rights to such shares by members of the Company's Supervisory Board in the period from the date of publication of the previous periodic report, that is from 23 April 2024, to the delivery date of this report were as follows:

Table 11 PKP CARGO S.A. shares held by Supervisory Board members

Name	Number of PKP CARGO S.A. shares held by the Supervisory Board member
as at 27 May 2024	
Władysław Szczepkowski	0
Izabela Wojtyczka	0
Michał Wnorowski	0
Henryk Grymel	70
Tomasz Pietrek	46
Jarosław Ślepaczuk	0
Paweł Miłek	0
Monika Starecka	0
Marcin Wojewódka	2,852*
Bogusław Nadolnik	0
Robert Stępień	0
as at 23 April 2024	
Władysław Szczepkowski	0
Andrzej Leszczyński	0
Henryk Grymel	70
Tomasz Pietrek	46
Marek Ryszka	0
Paweł Sosnowski	0
Jarosław Stawiarski	0
Jarosław Ślepaczuk	0

Michał Wnorowski	0
Izabela Wojtyczka	0
Grzegorz Dostatni	0

* Including 2,100 shares held through Instytut Emerytalny Sp. z o.o.
 Source: Proprietary material

To the Company's knowledge, as at 23 April 2024 and as at the delivery date of this report, none of the members of the issuer's Management Board or Supervisory Board holds any shares or ownership interests in PKP CARGO S.A.'s related parties.

3. Key areas of operation of the PKP CARGO Group

3.1 Macroeconomic environment

A crucial factor from the perspective of the situation in the rail freight market is the standing of both the domestic economy and global economy (especially in Germany and other EU countries whose trade ties with the respective local economy are the strongest). The trends prevailing in the macroeconomic environment exert a significant impact on industrial output, which in turn affects the demand for freight services. Any trend of national or global economic revival or slowdown exerts a direct impact on the potential volume of freight available for transportation by rail in Poland and the Czech Republic (the second largest freight operator in the PKP CARGO Group is PKP CARGO International a.s., a provider of transport services mainly in the Czech market).

In Q1 2024, the weaker industrial output exerted a strong unfavorable impact on the financial performance of PKP CARGO Group companies, largely due to the specificity of the TFL sector as one providing a complementary function to the work of manufacturers. The marked shrinking of the rail freight market, including the decline in the PKP CARGO Group's freight volume, was a consequence of the reduction in new orders and weaker demand (especially from West European customers). Signals are already appearing that may herald an imminent recovery, which should translate into a gradual improvement in the performance of national economies and distinct players in the transport sector. According to projections by International Monetary Fund economists, it is estimated that after achieving a growth rate of 3.2% yoy in 2023, the global economy will continue to grow at the same rate (+3.2% yoy) in the next two years (that is 2024 and 2025). In parallel, the European Union recorded a GDP growth rate of +0.6% yoy in 2023 and it is estimated that its economies will grow by +1.1% yoy in 2024 and +1.8% yoy in 2025 (with the Eurozone growing by +0.4% yoy, +0.8% yoy and +1.5% yoy in 2023-2025, respectively). At the same time, IMF economists expect the Polish economy to accelerate significantly and record growth rates of +3.1% yoy and +3.5% yoy in the next two years. Inflation in Poland, after the +11.4% year-on-year increase in 2023, should stabilize at an elevated level of +5.0% yoy in the next two years.¹



Polish economy

Decline in industrial output sold in Q1 2024 by -0.7% yoy (compared to -1.1% yoy in 2023).² A slight decrease was recorded in year-on-year sales in industrial processing (which accounts for approx. 80% of the sector's revenue), that is by 0.8% yoy, which turned out to be significant enough to cause the whole industry to generate a negative performance figure. Production in mining and quarrying also declined (-7.4% yoy). The electricity, gas, steam and hot water generation and supply section and the water supply, sewage and waste management and reclamation section recorded an increase in output (+2.4% yoy and +8.1% yoy, respectively).³

A decrease in yoy output (January-March) was recorded in 20 (out of 34) industrial branches which account for a 44.5% share in the sector's sold output, including those of key significance for transports of the PKP CARGO Group, such as: hard coal and lignite mining (-20.6%), metals (-5.5%), machinery and equipment (-4.5%), metal products (-4.2%), other non-metallic mineral products (-3.0%), wood products (-1.9%) and furniture (-0.9%). Among other branches, growth was recorded in the production

¹ International Monetary Fund

² Statistics Poland (in enterprises employing more than 9 staff) / The country's socio-economic situation in Q1 2024

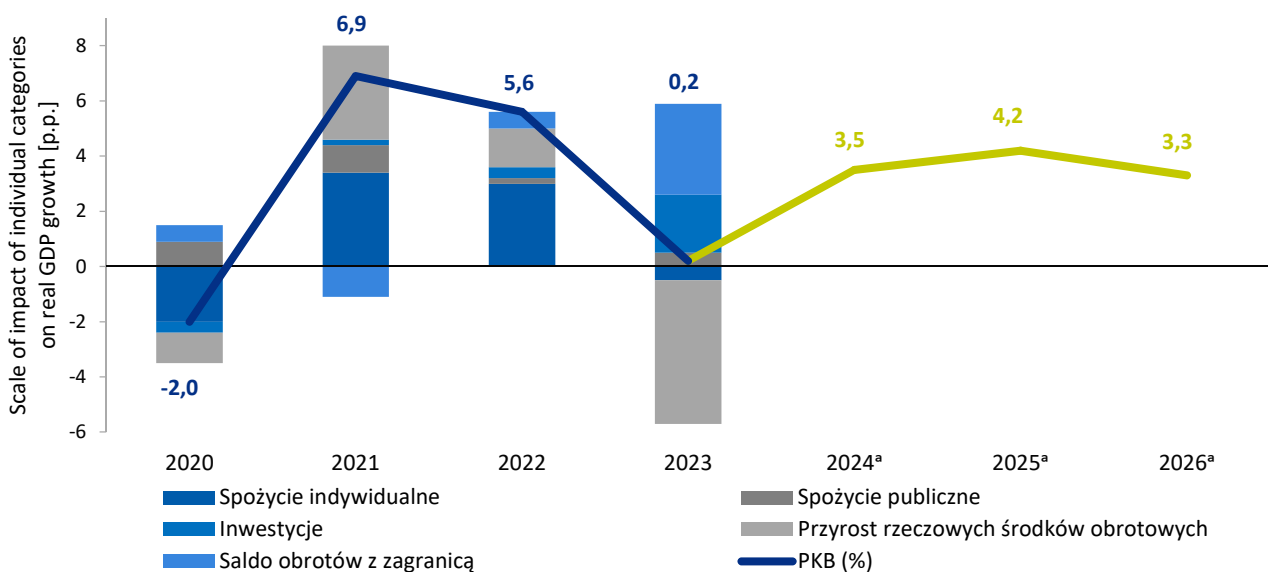
³ Statistics Poland / The country's socio-economic situation in Q1 2024 (p. 43-44)

of motor vehicles (+9.3%), chemicals and chemical products (+7.6%), paper and paper products (+4.7%) and rubber and plastic products (+0.1%).⁴

In 2023, according to preliminary data published by Statistics Poland, the country's GDP grew by +0.2% yoy (compared to +5.6% yoy after adjustment in 2022), as a result of the negative contribution of domestic demand (-3.1 p.p.), especially accumulation (-3.1 p.p.), with a strongly positive impact of the balance of international trade (+3.3 p.p.).⁵

GDP growth in Q1 2024: The rapid estimate of seasonally unadjusted GDP indicates a +1.9% yoy increase in real gross domestic product (compared to a -0.4% yoy decline in Q1 2023). Seasonally adjusted data indicate growth rates of +1.3% yoy and +0.4% qoq.⁶

Figure 2 Real GDP growth rate in Poland in 2020-2023, its decomposition and forecasts for 2024-2026 – seasonally unadjusted data



a – macroeconomic forecasts of the National Bank of Poland for 2024-2026 (March 2024)

Source: Proprietary material based on data published by Statistics Poland and the National Bank of Poland

Price changes in Q1 2024: prices of consumer goods and services increased by +2.8% yoy (compared to +17.0% yoy in Q1 2023).⁷ In parallel, a minor decrease was recorded in the prices of sold industrial output (-10.1% yoy, compared to +16.1% in 2023) coupled with a moderate increase in the prices of construction and assembly output (+7.5% yoy, compared to +12.9% in 2023).⁸

Gradual improvement in Q1 2024 in the Purchasing Managers' Index (PMI) – in March, for the 23rd consecutive month, the PMI was below the 50.0-point threshold marking the technical border between recovery and recession in the industrial processing sector. The continued weak demand from economic partners in the European Union exerts a direct unfavorable impact on the number of new orders and, as a consequence, demand for output. In March, the PMI reached 48.0 points (which is the best result since last year's monthly peak of 48.7 points attained in November) – despite the postponed recovery, businesses are expressing cautious optimism, expecting an increase in demand in the next quarters of this year.⁹

Improvement in the business tendency indicator for industrial processing (Statistics Poland) – this indicator, after the deterioration of Q4 of last year to -13.1 (compared to -12.9 in last year's Q3 and -11.6 in last year's Q2), reached -8.6 in Q1 of this year. The value from March of this year (-7.2) is the best result recorded since October 2021 (when the indicator stood at -6.3). This means a significant increase at the beginning of this year in the number of businesses expecting the economic

⁴ Statistics Poland / The country's socio-economic situation in Q1 2024 (p. 45-48)

⁵ Statistics Poland (<https://stat.gov.pl/obszary-tematyczne/rachunki-narodowe/> – Information from Statistics Poland on the updated GDP estimates for 2022-2023)

⁶ Statistics Poland (stat.gov.pl/obszary-tematyczne/rachunki-narodowe/kwartalne-rachunki-narodowe/szybki-szacunek-produktu-krajowego-brutto-za-i-kwartal-2024-roku,1,45.html)

⁷ Statistics Poland / The country's socio-economic situation in Q1 2024 (p. 29)

⁸ Statistics Poland / The country's socio-economic situation in Q1 2024 (p. 34)

⁹ IHS Markit (www.pmi.spglobal.com/Public/Release/PressReleases – reports for each month)

situation to improve in the coming months vis-à-vis businesses expecting conditions to deteriorate, despite the prevailing negative market sentiment.¹⁰

Forecasts: according to the National Bank of Poland’s current inflation and GDP projection, a noticeable economic growth may be expected in 2024-2026. NBP forecasters predict the GDP growth rate in 2024 and 2025 to reach +3.5% and +4.2% yoy, respectively. The years 2024-2025 are expected to experience lingering elevated price levels, with inflation projected at around +3% yoy with periodic deviations due to adjustment processes following the gradual phasing out of protective measures in various industries.¹¹



Czech economy

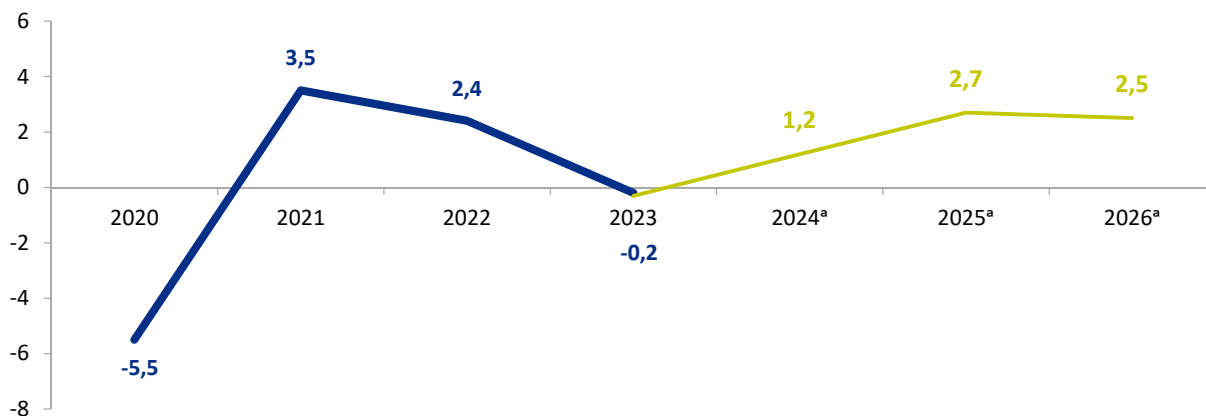
Sold industrial output in the Czech Republic was -1.3% lower year-on-year in Q1 2024.¹² During the first three months of this year, key sectors of Czech industry (in the context of the PKP CARGO Group’s freight forwarding business) experienced a decrease in output, including in hard coal and lignite mining (down -33.0% yoy). The long-term downward trend in lignite and hard coal output is caused by environmental requirements and rising costs related to the use of fossil fuels. Lignite and hard coal mining in the Czech Republic is scheduled to be shut down by 2033 and 2025, respectively.¹³ Declines were also recorded in the production of paper and paper products (-1.3% yoy), chemicals and chemical products (-2.6% yoy), machinery and equipment (-12.2% yoy), and wood and wood products (-16.8% yoy). The key segment of Czech industry, that is the production of motor vehicles, trailers and semi-trailers, recorded an increase in sold output (by +5.2% yoy).¹⁴

The **value of new orders** at current prices in Q1 2024 increased by +1.5% (following three consecutive quarters with yoy declines), with a slight drop in domestic orders (-0.7% yoy) and a noticeable hike in foreign orders (+2.7 yoy).¹⁵

GDP decline in 2023 – by -0.3% yoy (adjusted for calendar effects: by -0.2% yoy).

GDP in Q1 2024 – According to the Czech Statistical Office’s preliminary estimates, the price effect-adjusted and seasonally adjusted GDP was +0.4% yoy and +0.5% qoq higher.¹⁶

Figure 3 Real GDP growth rate in the Czech Republic in 2020-2023 and forecasts for 2024-2026 – data adjusted for seasonality



a – macroeconomic forecasts of the Ministry of Finance of the Czech Republic (April 2024)

Source: Proprietary material based on data from the Czech Statistical Office and the Czech Ministry of Finance

In Q1 2024, the inflation rate reached +2.1% yoy (after +16.4% yoy in Q1 2023 and +7.6% in Q4 2023).¹⁷

¹⁰ Statistics Poland, Statistical Bulletin, Table 62 (part 1), column C

¹¹ National Bank of Poland (nbp.pl/projekcja-inflacji-i-pkb-marzec-2024/)

¹² Czech Statistical Office / Sales from industrial activity: unadjusted data

¹³ fpg24.pl

¹⁴ Czech Statistical Office / Sales from industrial activity: unadjusted data

¹⁵ fpg24.pl - <https://fpg24.pl/czechy-przedluzaja-wydobycie-wegla/>

¹⁶ Czech Statistical Office, czso.cz/csu/czso/ari/gdp-preliminary-estimate-1-quarter-of-2024

¹⁷ vdb.czso.cz / Statistics > Prices, Inflation

Forecasts: according to the Czech Finance Ministry's April 2024 analysis, the seasonally adjusted gross domestic product is expected to grow moderately by +1.2% yoy in 2024, +2.7% yoy in 2025 and 2.5% yoy in 2026. In 2024, the Czech economy may grow by +1.2% yoy, largely due to renewed growth in household consumption and a weaker decline in gross accumulation. Inflation reached the Czech National Bank's target at the beginning of this year and is expected to remain below the target's upper limit in the following months (except for the last quarter of this year). The Czech National Bank expects inflation to grow at +2.4% yoy in Q2 2024, and then the process of gradual subsiding will follow, so that in the next 5 quarters it will approximate the assumed target of 2%.¹⁸

For the years 2024-2026, the average annual price growth is forecasted at +2.7% yoy, +2.4% yoy and +2.0% yoy, respectively.¹⁹

Low PMI values despite gradual improvement in ratings: in Q1 of this year, PMI averaged 44.5 points for the Czech Republic (compared to 42.3 points in Q4 of last year, 42.0 in Q3 of last year and 44.4 in Q2 of last year), remaining clearly below the 50.0 threshold delineating the technical boundary between recovery and recession in the industrial sector. Regular monthly decline in the index from 41.8 points in December 2023 to 46.2 points in March of this year illustrates the continuing deceleration of the Czech economy, which is heavily dependent on export prospects for manufactured goods (due to a relatively small domestic market).²⁰

Impact of the war in Ukraine and the macroeconomic environment on the PKP CARGO Group's activities.

The war in Ukraine keeps exerting a significant impact on the freight market in Poland. The conflict is affecting the PKP CARGO Group's operations as a consequence of the warfare, changes in economic arrangements caused by the war, far-reaching changes in the structure of supply chain markets and numerous changes in various areas of the industry. Uncertainty as to the future evolution of the conflict may adversely shape the relations between Polish and foreign trading partners and thus affect the performance of Group companies.

Due to their involvement in the war, both the Russian Federation and the Republic of Belarus have been subjected to sanctions imposed by countries in the broadly construed Western world. The restrictions imposed by these countries resulted in a marked reduction in the volume of rail freight, including in transit from the Far East. The European Union, acting within the Community framework, has adopted numerous restrictions that include goods often selected for rail transport, such as ores, metal and metal products, cement, timber, etc. The latest packages of sanctions were designed to boost the effectiveness and ensure the enforcement of the restrictions already established. The warfare and the sanctions resulted in the need to redirect existing capacity to other areas. This, however, is a long-term process that requires the establishment of new relationships, but is gradually bearing fruit.

The diminished freight opportunities in transit via the Russian Federation led to a reduction in cargo operations on the New Silk Road (NSR), which was an important transport route for the Group. In recent months this year, against the background of the emerging problems of piracy in the Red Sea coupled with the rising cost of sea freight, the Company has seen a recovery in freight operations on the NSR.

The companies of the PKP CARGO Group are constantly monitoring legal changes related to the provision of transport services and the current situation in the ongoing conflict. Terminals on Poland's northeastern border and companies that largely specialize in freight forwarding services in this region experienced the largest declines in revenue from business dealings with clients from the East.

Taking into account current economic forecasts, 2024 is expected to bring a rebound in the economy. A key factor will be the progressive acceleration of growth in West European economies, which will gradually reverse the slowdown caused by high inflation and the impact of the energy crisis on key industries. In Poland, GDP growth will be supported by household consumption, which will generate additional commodity flows in terms of imports (growing exports will exert a similar impact). Owing to the gradual increase in the intensity of international trade, rail freight will also gain momentum along with related freight forwarding and terminal services in the region. Inflation, expected to remain at an elevated level, will continue to pose a problem due to the increasing cost of capital and its unfavorable impact on the economic activity of market players (effectively increasing the pressure of rising costs). Poland's economy is also affected by the rate of economic growth in neighboring countries, predominantly in Germany.

PKP CARGO Group companies do not indicate any significant risks that might exert a significant impact on their business, including those resulting from the war in Ukraine and the ongoing changes in the macroeconomic environment. It is important to emphasize the high volatility of the market environment, which requires constant monitoring and the taking of active adaptation measures on the part of Group companies.

¹⁸ Czech National Bank, <https://www.cnb.cz/en/monetary-policy/forecast/>

¹⁹ Ministry of Finance of the Czech Republic (www.mfcr.cz/en/fiscal-policy/macroeconomic-analysis/macroeconomic-forecast/2024 – April 2024 forecast)

²⁰ Markit PMI (www.pmi.spglobal.com/Public/Release/PressReleases – reports for each month)

3.2 Freight activity

3.2.1 Rail transport market in Poland

Three members of the PKP CARGO Group, namely PKP CARGO S.A., PKP CARGO SERVICE Sp. z o.o. and PKP CARGO International a.s., render rail freight services on the Polish market.

Despite the current downturn, the rail transport market remains a promising and attractive area of business in view of the EU policy on green transport and the need to reduce the economy's carbon footprint. The number of rail operators obtaining freight licenses keeps increasing steadily. According to Office of Rail Transport data, at the end of Q1 2024, as many as 130 rail operators held an active license issued by the President of the Office of Rail Transport for the conduct of rail freight operations.²¹ In the corresponding period of 2023, there were 116 rail operators in the domestic market, meaning that as many as 14 new operators entered the market over the course of the last 12 months, which was a tough period for the rail freight sector.

In the promising intermodal transport segment, where in 2023, despite a number of adverse factors, such as the weak global economy, the slump in demand suppressing freight exchanges and the war in Ukraine curtailing transport operations along the East-West route, as many as 29 licensed rail operators were in business (in 2022, there were 23 rail operators; back in 2015, there were as few as 11 rail operators).²²

This situation is a clear indication of the strongly intensifying competition among rail operators and a strong determination on their part to adapt to changing market conditions.

In Q1 2024, Poland's sold industrial output was 0.7% lower than in the corresponding period of the previous year. The decline in sold output affected 20 out of 34 industry branches, including a significant drop in segments important to the cargo sector, including hard coal and lignite mining (down -20.6% yoy). Domestic construction and assembly output also dwindled significantly in January-March 2024, down 10.8% year-on-year. Sales of construction work in the period under analysis fell across all construction branches, most notably in companies specializing in civil engineering construction (down 16.2% yoy). Output suffered a nosedive in the construction of pipelines, telecommunication lines and power lines (down 25.7% yoy) and in the construction of roads and railways (down 14.5% yoy).²³

The first months of 2024 confirmed the trend of reduced market demand for rail transport services, which had already been experienced for many months and which continues to be strongly affected by a variety of external and internal factors, including the strong decrease in the rate of economic growth. The segment remains under the strong influence of the ongoing war in Ukraine and the energy crisis in Europe (marked by high prices for energy carriers, fuels, electricity in Poland and inflation). These factors significantly affected many Polish businesses and dented the performance of rail companies.

In Q1 2024, rail operators transported a total of 54.2 million tons of cargo and achieved a freight turnover of 14.0 billion tkm. Compared to the corresponding period of the previous year, the volume of transported cargo in the market decreased by -10.5% yoy (or 6.4 million tons), whereas the completed freight turnover dropped by 12.6% yoy, or 2.0 million tkm. Also, the average haul in the Polish rail freight market in Q1 2024 was lower than in the corresponding period of 2023 and stood at 259 km, or 6 km less, down 2.3% yoy. Each passing month of Q1 of this year saw a negative yoy growth in rail market transport volumes. In January, the volume of cargo transported by rail was lower by 2.7 million tons yoy, down 13.3%, in February it decreased by 1.3 million tons (-6.7% yoy), and in March of this year the decrease was 2.4 million tons (-11.4% yoy). In terms of freight turnover, similar declines were recorded: 17.7% yoy in January, -9.5% yoy in February and -10.3% yoy in March.²⁴

During the first two months of 2024, the main cargo category transported by rail in Poland²⁵ continued to be hard coal the transport of which, even though showing a downward trend, still accounted for as much as 31.2% of the total rail freight volume. The following changes in rail transport year-on-year performance were recorded over that period in the cargo categories defined by Statistics Poland:²⁶

²¹ Office of Rail Transport (licensed rail operators, as stated in the list published by the Office of Rail Transport on 25 March 2024); the statistics take into account entities providing transport services under a license issued by the President of the Office of Rail Transport. Moreover, there are companies operating on the market under an international license.

²² Office of Rail Transport

²³ Statistics Poland

²⁴ Office of Rail Transport

²⁵ Based on the NST classification

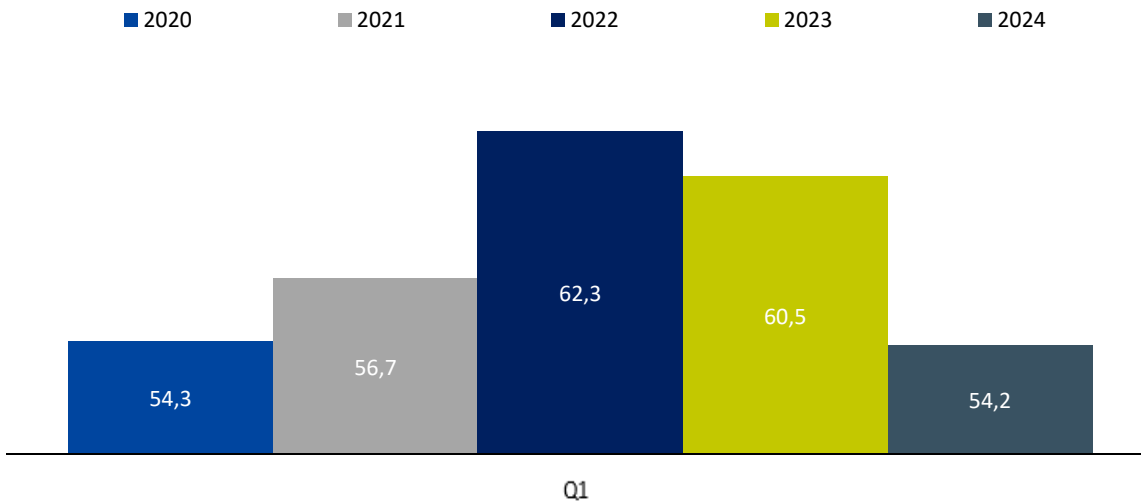
²⁶ Statistics Poland – data for the first 2 months of 2024

- hard coal (freight volume down by 27.7% yoy to 11.0 million tons),
- aggregates, stone, sand and gravel (freight volume up by 4.3% yoy to 7.0 million tons),
- refined petroleum products (down 4.2% yoy to 3.4 million tons),
- metals and metal products (up 1.7% yoy to 1.8 million tons),
- chemicals and chemical products (up 15.0% yoy to 1.8 million tons),
- coke, briquettes and gases (down 7.9% yoy to 1.6 million tons),
- agricultural products (down 13.7% yoy to 1.2 million tons),
- iron ores (down 44.4% yoy to 0.6 million tons).

A significant decrease in freight volume transported by rail compared to the first two months of 2023 was recorded in the transportation of hard coal (-4.2 million tons), iron ore (-0.5 million tons) and agricultural products (-0.2 million tons yoy), among other categories.

At the same time, an increase in freight volumes was recorded with respect to other cargo (+0.7 million tons), aggregates, sand and gravel (+0.3 million tons), and chemicals and chemical products (+0.2 million tons).²⁷

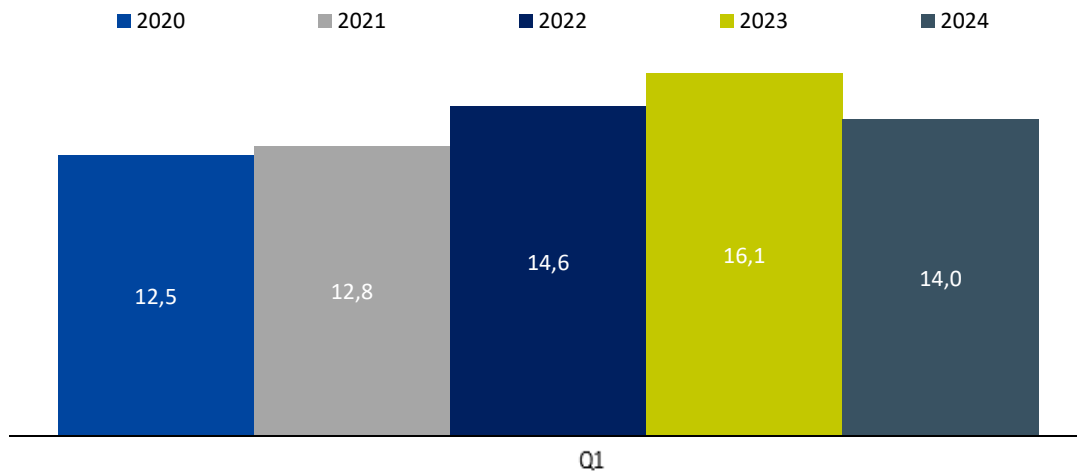
Figure 4 Rail freight volumes in Poland in Q1 of 2020-2024 (million tons)



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

²⁷ Statistics Poland – data for the first 2 months of 2024

Figure 5 Rail freight turnover in Poland in Q1 of 2020-2024 (billion tkm)



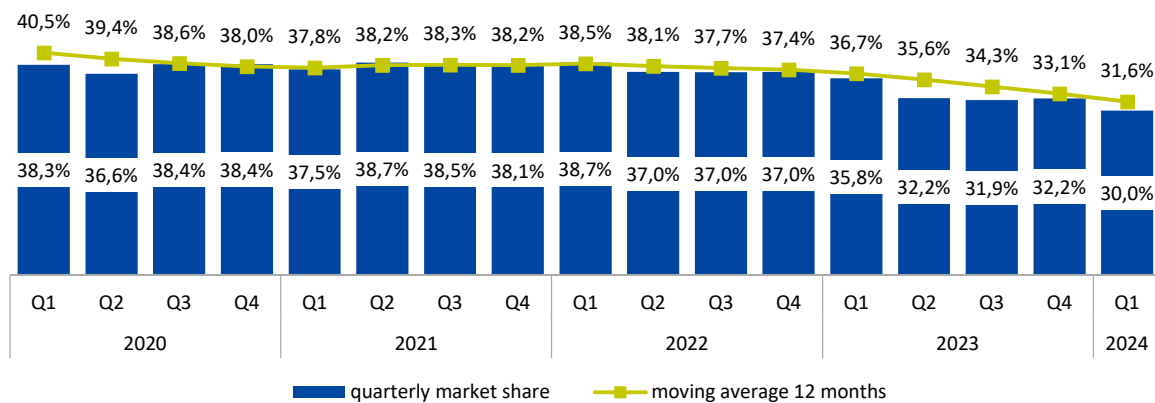
Source: Proprietary material based on the Office of Rail Transport’s data

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

According to Office of Rail Transport data, in Q1 2024, 32 rail carriers conducted transport operations whose market share in terms of transported freight volume exceeded the 0.5% threshold. These included two Companies of the PKP CARGO Group: PKP CARGO S.A. and PKP CARGO Service sp. z o.o.

The PKP CARGO Group²⁸ continues to be the leader in the rail freight market in Poland both in terms of share in the transported freight volume and the generated freight turnover. The PKP CARGO Group’s market share in Q1 2024 was 30.0% (-5.9 p.p. yoy) in terms of freight volume and 29.6% in terms of freight turnover (-7.8 p.p. yoy).²⁹The respective market shares of the PKP CARGO Group’s parent company, that is PKP CARGO S.A., were 28.7% (-5.2 p.p. yoy) in terms of freight volume and 29.4% (-7.6 p.p. yoy) in terms of freight turnover.³⁰

Figure 6 Quarterly shares of the PKP CARGO Group in freight volume in Poland in 2020-2024



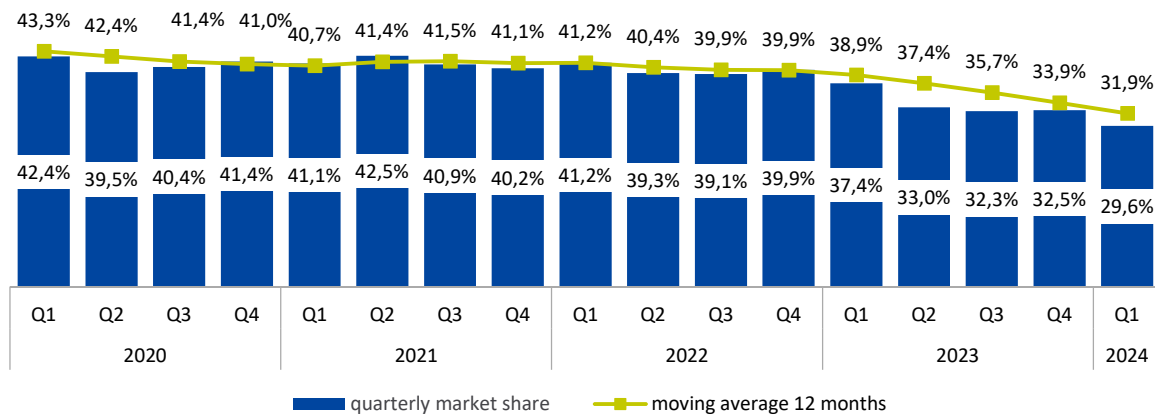
Source: Proprietary material based on the Office of Rail Transport’s data

²⁸ The PKP CARGO Group’s freight volume takes into account also cargo transported by PKP CARGO International a.s. in Poland.

²⁹ PKP CARGO Group and Office of Rail Transport data

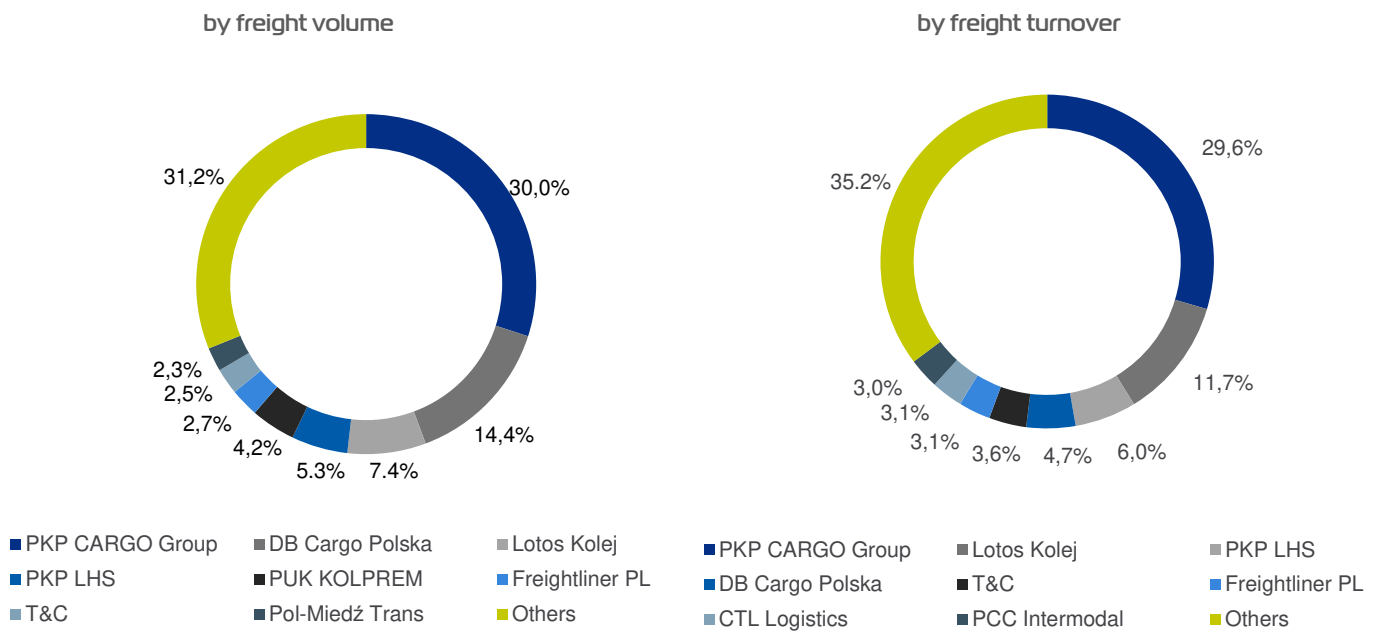
³⁰ Office of Rail Transport

Figure 7 Quarterly shares of the PKP CARGO Group in total freight turnover in Poland in 2020-2024



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

Figure 8 Market shares of the largest freight rail operators in Poland in Q1 2024



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

In Q1 2024, the following companies were the Group's main competitors on the Polish rail transport market in terms of freight volume: DB Cargo Polska, Lotos Kolej, PKP LHS, PUK Kolprem, Freightliner PL, T&C, Pol-Miedź Trans, CTL Logistics and PCC Intermodal.³¹

In Q1 2024, the Group's competitors in the Polish market transported a total of 37.9 million tons of freight (-2.3% yoy). In this period, in terms of freight volume, T&C and Rail STM recorded the largest yoy increase in market share among the PKP CARGO Group's competitors (+0.9 p.p. yoy). PKP LHS also noticeably improved its market share (+0.8 p.p. yoy). The PKP CARGO Group's competitor that recorded the largest drop in market share was DB Cargo Polska (-1.1 p.p. yoy), with a -16.7% yoy decrease in volume.³²

³¹ Office of Rail Transport

³² proprietary material based on Office of Rail Transport data

At the same time, freight turnover generated by the PKP CARGO Group's competitors fell by 1.6% yoy to 9.9 billion tkm. A noticeable decline in market share among competitor was suffered mainly by DB Cargo Polska (-0.6 p.p. yoy), with a 21.9% yoy drop in freight turnover.³³

The market results clearly show that the largest rail operators in terms of volume are the ones experiencing the strongest consequences of the weakened demand for rail freight services.

3.2.4 PKP CARGO Group's rail transport business

The data on the transport activity conducted by the PKP CARGO Group in Q1 2023 and Q1 2024 contain consolidated data of PKP CARGO S.A., PKP CARGO SERVICE sp. z o.o. and PKP CARGO International Group companies. Transport services are rendered by 6 members of the Group, namely PKP CARGO S.A., PKP CARGO SERVICE sp. z o.o., PKP CARGO International a.s., PKP CARGO International HU Zrt., PKP CARGO International SK a.s. and PKP CARGO INTERNATIONAL SI d.o.o.

Table 12 Freight turnover of the PKP CARGO Group in Q1 2024 and Q1 2023

Description	Q1 2024	Q1 2023	Change 2024/2023		Q1 2024	Q1 2023	Change Q1 2024/Q1 2023	
	(million tkm)		%		percentage of total (%)		(million tkm) %	
Solid fuels ¹	1,747	3,419	-1,672	-48.9%	38%	53%	-1,672	-48.9%
<i>of which hard coal</i>	1,417	2,960	-1,544	-52.1%	31%	46%	-1,544	-52.1%
Aggregates and construction materials ²	907	1,196	-289	-24.2%	20%	19%	-289	-24.2%
Metals and ores ³	274	428	-154	-36.0%	6%	7%	-154	-36.0%
Chemicals ⁴	429	379	50	13.1%	9%	6%	50	13.1%
Liquid fuels ⁵	179	138	41	29.8%	4%	2%	41	29.8%
Timber and agricultural produce ⁶	248	280	-32	-11.5%	5%	4%	-32	-11.5%
Intermodal transport	676	456	221	48.4%	15%	7%	221	48.4%
Other ⁷	108	121	-12	-10.0%	2%	2%	-12	-10.0%
Total	4,569	6,417	-1,848	-28.8%	100%	100%	-1,848	-28.8%

Source: Proprietary material; for ease of reading, some figures have been rounded, which may result in minor discrepancies in the data presented

Table 13 Freight volume of the PKP CARGO Group in Q1 2024 and Q1 2023

Description	Q1 2024	Q1 2023	Change 2024/2023		Q1 2024	Q1 2023	Change Q1 2024/Q1 2023	
	(million tons)		%		percentage of total (%)		(million tons) %	
Solid fuels ¹	8.7	13.4	-4.7	-35.1%	49%	58%	-4.7	-35.1%
<i>of which hard coal</i>	7.5	11.9	-4.4	-37.0%	42%	51%	-4.4	-37.0%
Aggregates and construction materials ²	3.6	4.4	-0.8	-19.2%	20%	19%	-0.8	-19.2%
Metals and ores ³	1.1	1.4	-0.2	-17.3%	6%	6%	-0.2	-17.3%
Chemicals ⁴	1.3	1.1	0.2	18.3%	8%	5%	0.2	18.3%
Liquid fuels ⁵	0.7	0.5	0.2	29.6%	4%	2%	0.2	29.6%
Timber and agricultural produce ⁶	0.6	0.8	-0.3	-34.0%	3%	4%	-0.3	-34.0%
Intermodal transport	1.6	1.2	0.4	28.8%	9%	5%	0.4	28.8%
Other ⁷	0.3	0.4	-0.1	-17.5%	2%	2%	-0.1	-17.5%
Total	17.9	23.3	-5.4	-23.3%	100%	100%	-5.4	-23.3%

Source: proprietary material; for ease of reading, some figures have been rounded, which may result in minor discrepancies in the data presented

In Q1 2024, the average haul of freight transported by rail by the PKP CARGO Group was 256 km (down 20 km yoy).

³³ proprietary material based on Office of Rail Transport data

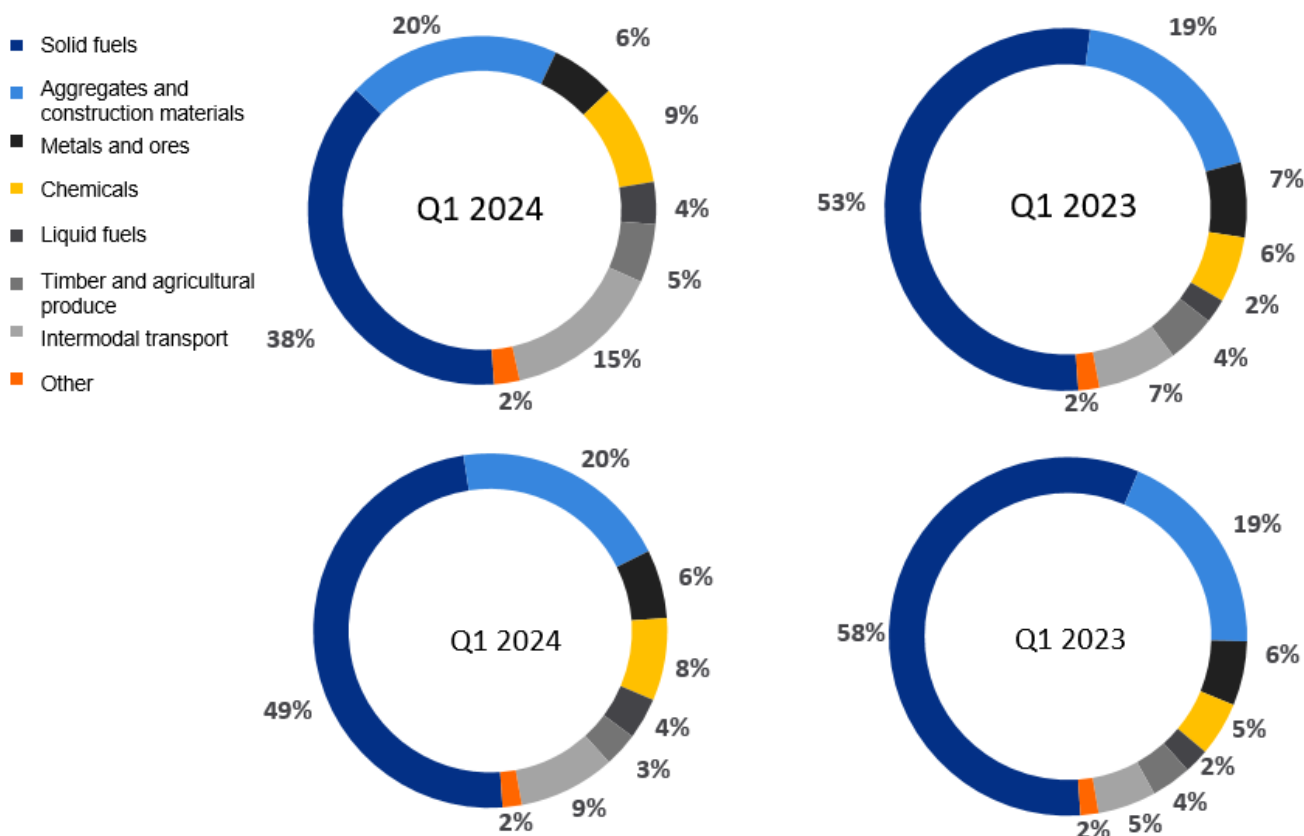
Table 14 Average haul of the PKP CARGO Group in Q1 2024 and Q1 2023

Description	Q1 2024	Q1 2023	Change 2024/2023		Change Q1 2024/ Q1 2023	
		(km)		%	(km)	%
Solid fuels ¹	201	255	-54	-21.3%	-54	-21.3%
of which hard coal	188	248	-60	-24.1%	-60	-24.1%
Aggregates and construction materials ²	253	270	-17	-6.2%	-17	-6.2%
Metals and ores ³	245	317	-72	-22.6%	-72	-22.6%
Chemicals ⁴	318	333	-15	-4.4%	-15	-4.4%
Liquid fuels ⁵	264	264	0	0.1%	0	0.1%
Timber and agricultural produce ⁶	444	331	113	34.1%	113	34.1%
Intermodal transport	428	372	57	15.2%	57	15.2%
Other ⁷	347	318	29	9.1%	29	9.1%
Total	256	275	-20	-7.2%	-20	-7.2%

Source: proprietary material; for ease of reading, some figures have been rounded, which may result in minor discrepancies in the data presented

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

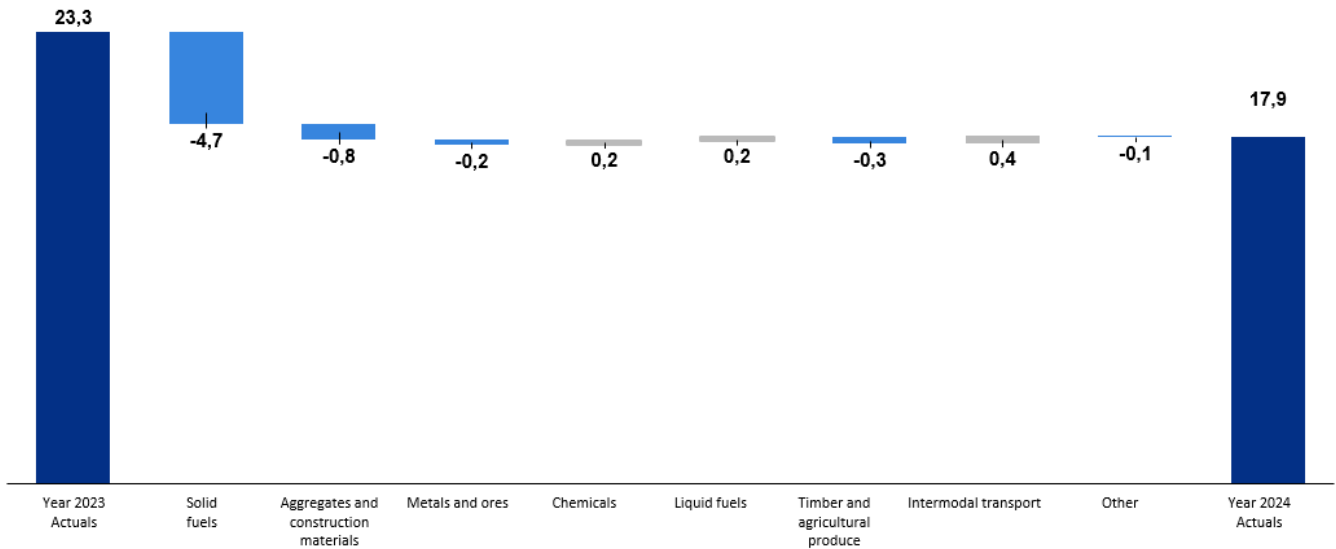
Figure 9 Structure of the PKP CARGO Group’s freight turnover and freight volume in Q1 2023 and 2024



Source: Proprietary material

In Q1 2024, the PKP CARGO Group transported a total of 17.9 million tons of freight volume.

Figure 10 Freight volume of the PKP CARGO Group in Q1 2024 compared to the corresponding period in 2023



Source: Proprietary material

The following were key factors affecting the volume of transport in various cargo categories in Q1 2024:



- stabilization of the hard coal market at a lower level compared to the period of the energy supply crisis in 2022 and early 2023 caused by Russia’s invasion of Ukraine,
- gradual decline in the share of hard coal as a fuel due to the adaptation of businesses to the requirements of climate policy,
- growing competitiveness of other fuels, including due to lower natural gas prices on world markets, development of electricity generation from renewable energy sources and the implementation of transition policies resulting in lower demand for this commodity,
- reduced demand for coal to be used in the production of coke for the metallurgical sector due to the reduced steel output and the accumulation of inventories coupled with a decrease in demand from the heating industry due to weather conditions (prevalence of temperatures above the freezing point),
- PKP CARGO INTERNATIONAL – lower freight volume for the heat and power plants in Kladno due to the lower market price of electricity rendering production unprofitable,
- decrease in the average haul of hard coal by 60 km (-24.1%) in connection with the changed directions of deliveries – drop in the share of freight in sea imports,
- continued decrease in the share of hard coal in Poland’s energy mix: the share of hard coal in total energy output fell to 43.7% (-4.2 p.p. yoy),³⁴
- decline in hard coal output in Poland to 11.4 million tons (-0.6 million tons, or -4.6% yoy),³⁵
- major decline in domestic hard coal sales in Poland to 10.6 million tons (-1.7 million tons yoy, or -14.1% yoy).³⁶
- high level of hard coal inventories in mine storage yards in Poland: at the end of March 2024 it was over 4.9 million tons (up by +3.2 million tons, or +184.7% yoy); moreover it has visibly increased since the end of the last year (up by almost +0.8 million tons, or +18.2% vs. December 2023),³⁷
- marked decline in hard coal imports to Poland: during the first 2 months of 2024 (according to preliminary Eurostat data), imports decreased by -79.2% yoy to 1.1 million tons. Colombia was the main supply source (with a -66.0% yoy decline, from 1.4 million tons to 0.5 million tons, which translated into a 45.2% market share). Kazakhstan remains the second largest exporter of coal to Poland this year (0.4 million tons, -54.2% yoy and a share of 39.3%). Russia has not been exporting any coal to Poland since June 2022 (due to the embargo imposed by Poland in April 2022 on raw material imports from the Russian Federation). In turn, two major suppliers accounted for nearly 85% of Poland’s coal imports (up

³⁴ Polskie Sieci Elektroenergetyczne (<https://www.pse.pl/dane-systemowe/funkcjonowanie-kse/raporty-miesieczne-z-funkcjonowania-kse/raporty-miesieczne>)

³⁵ Industrial Development Agency / polskirynekwegla.pl/raport-dynamiczny/wydobycie-i-sprzedaz-wegla-kamiennego-ogolem

³⁶ Industrial Development Agency / polskirynekwegla.pl/raport-dynamiczny/wydobycie-i-sprzedaz-wegla-kamiennego-ogolem

³⁷ Industrial Development Agency / polskirynekwegla.pl/raport-dynamiczny/stan-zapasow-wegla-kamiennego-caly-okres-czasu

from just over 45% during the first 2 months of 2023), with a significant fragmentation of other supply sources,³⁸

- price declines on the Polish coal market: the average value of the coal index for the commercial power industry, PSCMI1, PLN 491.15 per ton (-29.9% yoy and -25.9% qoq), while PSCMI2 for the heating sector reached PLN 609.94 per ton (-42.2% yoy and -14.0 qoq),³⁹
- decline in hard coal mining output in the Czech Republic during the first 2 months of this year (the latest available data released by the Czech Ministry of Industry and Trade) – nearly 0.18 million tons of coal were extracted (-38.2% yoy), including 0.04 million tons of coking coal (-46.2% yoy) and 0.13 million tons of steam coal (-35.3% yoy). Of crucial significance for the Czech economy is the mining of lignite (as this commodity still accounts for much of the Czech economy’s energy supply), which, however, declined by -24.0% yoy (to 5.99 million tons) due to the strong economic downturn.⁴⁰
- decline in coke production in Poland: by -3.7% yoy to 1.9 million tons,⁴¹
- decline in coke production in the Czech Republic – during the first 2 months of 2024, it totaled 0.23 million tons (-34.7% yoy).⁴²



aggregates and construction materials

- Reduced supplies of limestone used in flue gas desulfurization plants for the Polish and German power industry due to weather conditions favorable to RES power generation and a general decline in demand for electricity,
- technological and maintenance breaks at several Lower Silesian aggregate mines; reduced output at the Radkowice mine due to the depletion of the deposit,
- strong competition from rail operators with spare resources due to a decline in demand for the transportation of coal and other cargo, and truck operators benefiting from the greater availability of drivers and means of transport following reduced access to eastern markets,
- PKP CARGO INTERNATIONAL – lower demand for freight – decrease in the volume of production experienced by a client,
- decrease in the average haul by 17 km (6.2%) in connection with the changed structure/direction of deliveries – last year, PKP CARGO S.A. recorded an increased freight volume of crushed stone from mines in Lower Silesia to stations located in the northern and eastern parts of Poland,
- increase in domestic cement production by +8.4% yoy to 3.3 million tons with a concurrent decline in cement clinker output by -12.1% yoy to 1.9 million tons,⁴³
- drop in construction and assembly output in Poland by -10.8% yoy.⁴⁴ In this period, each of the construction branches recorded a decline, including in civil engineering construction (-16.2% yoy), specialized construction work (-8.8% yoy) and building construction (-6.9% yoy).⁴⁵



metals and ores

- The weak demand for steel products in Poland and globally forces a reduction in output levels at ArcelorMittal Poland plants and other facilities. The reduced steel output also resulted in a decrease in demand for raw materials, specifically metal scrap and iron ore, and a decline in slag output,
- shutdown of a furnace at the Liberty Ostrava steel plant in the Czech Republic,
- high volume of billet imports from outside the EU,
- tough situation in the steel industry due to the ongoing technological transition commanded by climate policy – regulations make it more expensive to do business,
- high prices of raw materials (iron ore, coal, coke) and electricity, the cost of which is particularly important due to the high energy intensity of the industry; energy prices are lower in countries outside the EU,
- decline in average haul by 72 km (-22.6%) – change in the structure of freight routes,
- decrease in steel production in Poland by -3.7% yoy to 1.8 million tons,⁴⁶
- decline in the output of steel products in Poland: production of hot-rolled products decreased by -37.6% yoy to 1.4 million tons, hot-rolled bars and rods by -24.8% yoy to 0.2 million tons, bars and flat bars by -

³⁸ Eurostat – data for the first 2 months of 2024 – European Commission / Eurostat / International Trade

³⁹ Industrial Development Agency – releases (polskirynekwegla.pl/krajowe-indeksy-weglowe-notowanie-z-marca-2024-r)

⁴⁰ Czech Ministry of Industry and Trade / mpo.gov.cz/cz/energetika/statistika/tuha-paliva/mesicni-statistika-uhli-2024--280404/

⁴¹ Statistics Poland – Production of major industrial products in March 2024 – tables.

⁴² Czech Ministry of Industry and Trade / mpo.gov.cz/cz/energetika/statistika/tuha-paliva/mesicni-statistika-uhli-2024--280404/

⁴³ Statistics Poland – Production of major industrial products in March 2024 – tables.

⁴⁴ Statistics Poland, in construction companies, including enterprises with up to 9 staff.

⁴⁵ Statistics Poland / The country’s socio-economic situation in Q1 2024 (p. 50-51)

⁴⁶ Statistics Poland – Production of major industrial products in March 2024 – tables.

12.5% yoy to 0.8 million, thin sheets by -5.7% yoy to 0.3 million tons, and cold-rolled sheets by -5.1% yoy to 0.4 million tons.⁴⁷



chemicals

- A slow recovery was recorded in the fertilizer market after a very weak start to 2023, when the high prices of natural gas – the main raw material for production – significantly reduced the output and sales volumes of domestic producers,
- additional fertilizer freight services to Ukraine,
- decrease in the average haul by 15 km (-4.4%) – a significant share of shipments to Ukraine is short-haul operations near the border,
- increase in the output of fertilizers in Poland – including potassium fertilizers (+23.2% yoy to just under 0.1 million tons), nitrogen fertilizers (+5.6% yoy to 0.4 million tons) and phosphate fertilizers (+1.3% yoy to just under 0.1 million tons),⁴⁸
- increased domestic output of the following chemical products, among others: plastics (+1.9% yoy to 0.8 million tons, ammonia (+6.9% yoy to 0.5 million tons) and nitric acid (+7.8% yoy to 0.6 million tons),⁴⁹
- decrease in the output of sulfuric acid in Poland (-9.9% yoy to 0.3 million tons).⁵⁰



intermodal

- Freight along the New Silk Road intensified due to shipping problems in the Red Sea – as a consequence of the conflict in the Middle East and the actions of the Huti rebels, some of the merchandise previously transported by sea returned to the northern corridor of the New Silk Road with transshipment in Małaszewicze,
- increase in shipments through Polish ports from/to Ukraine,
- growing freight of woodchips, metal ores, grain and hard coal in containers,
- growing freight from/to Italy,
- freight services related to the armed conflict in Ukraine,
- PKP CARGO INTERNATIONAL – new PKP CARGO INTERNATIONAL HU freight services for clients that did not use them in Q1 2023,
- increase in the average haul by +57 km (+15.2%) due to a change in the structure of transport operations.



liquid fuels

- Additional fuel freight from Plock to Ukraine,
- the average haul in Q1 2024 did not change compared to Q1 2023.
- increased domestic output of diesel fuel (+9.4% yoy to 4.0 million tons) and motor gasoline (+17.2% yoy to 1.4 million tons).⁵¹



timber and agricultural produce

- Import grain shipments from Ukraine halted; ongoing transit shipments only partially compensated for the lost freight volume,
- problems with the transportation of agricultural products from Ukraine due to congestion at the Dorohusk and Medyka border crossings and farmers' protests,
- lower freight volumes of timber and wood-based panels in land import and domestic transport in Q1 2024 caused by a decline in production in this market segment in Poland,
- increase in the average haul by 113 km (+34.1%) as a result of an increase in the share of transit shipments of grain and animal feed, export shipments of timber, and export and import shipments of wood-based panels.

⁴⁷ Statistics Poland – Production of major industrial products in March 2024 – tables.

⁴⁸ Statistics Poland – Production of major industrial products in March 2024 – tables.

⁴⁹ Statistics Poland – Production of major industrial products in March 2024 – tables.

⁵⁰ Statistics Poland – Production of major industrial products in March 2024 – tables.

⁵¹ Statistics Poland – Production of major industrial products in March 2024 – tables.



others

- Freight of other goods in Q1 2024 stayed at a similar level to that completed in the corresponding period of 2023,
- increased volumes of vehicle freight,
- increased output of the automotive sector in the Czech Republic – a total of nearly 0.40 million motor vehicles of various types (passenger cars, trucks, buses and motorcycles) were manufactured, up +11.5% yoy. During the period, 0.39 million passenger cars were made, up +11.5% yoy, accounting for 99.5% of total output. The output of trucks also increased (by +12.2% yoy, to 0.4 thousand), as did the production of buses (by +6.7% yoy, to over 1.2 thousand), accompanied by a significant hike in the production of motorcycles (+31.7% yoy, to just under 0.2 thousand),⁵²
- increase in automotive production in Poland: a total of 80.0 thousand passenger cars were manufactured (compared to 72.6 thousand in Q1 2023), an increase by +10.2% yoy and a return to Q1 2021 production levels. Moreover, a strong increase was recorded in the production of trucks and tractors in Q1 of this year to 95.9 thousand vehicles (from 73.6 thousand in Q1 2023), up +30.4% yoy. However, the production of buses was noticeably lower (by 17.1% yoy to less than 1.1 thousand).⁵³

3.3 Information on business segments

The PKP CARGO Group does not distinguish operating segments of its activity, since it has one main product, which incorporates all the material services provided by the Group. The Group conducts its business within one main segment – domestic and international cargo freight and provision of comprehensive logistics services related to rail freight. The Group additionally provides services related to rolling stock repairs, infrastructure maintenance and land reclamation services, but they are not material for the Group’s business and therefore are not treated as separate operating segments.

3.4 Headcount

Information about changes in the PKP CARGO Group’s headcount during the first 3 months of 2024 and as at the end of 2023 is provided below.

Figure 11 Structure of the PKP CARGO Group’s headcount as at 31 March 2024 and 31 December 2023

	HEADCOUNT IN GROUP (IN PERSONS) AS AT:	BLUE-COLLAR POSITIONS IN GROUP (IN PERSONS) AS AT:	WHITE-COLLAR POSITIONS IN GROUP (IN PERSONS) AS AT:
	31/03/2024 19.525	31/03/2024 14.754	31/03/2024 4.771
31/12/2023 19.933	31/12/2023 15.108	31/12/2023 4.825	

Source: Proprietary material

Since the beginning of 2024, the PKP CARGO Group recorded a decrease in headcount by 408 persons, of which PKP CARGO S.A. by 314 persons.

3.5 PKP CARGO Group’s investments

In 3M 2024, the PKP CARGO Group incurred capital expenditures of PLN 323.5 million, down -31.1% compared to the corresponding period of 2023. These expenditures were spent on the acquisition of property, plant and equipment and intangible assets in the form of procurement, modernization and the overhaul component (periodic repairs of P4 and P5 rolling stock and periodic checkups of P3 rolling stock). Capital expenditures also contain right-of-use assets (mainly locomotive leases and property leases) under IFRS16.

⁵² AutoSap (<https://autosap.cz/en/data-and-statistics/manufacture-and-sale-of-vehicles/> – data for March 2024)

⁵³ Polish Automotive Industry Association – pzp.org.pl/pl/Rynek-motoryzacyjny/Produkcja-pojazdow-samochodowych-i-silnikow-do-pojazdow-mechanicznych-w-Polsce/MARZEC-2024

The majority of the Group's capital expenditures during the first 3 months of 2024 were earmarked for the execution of investment tasks associated with rolling stock, mainly for periodic repairs and periodic check-ups of rolling stock (the number of periodic repairs and periodic inspections performed in this period is derived from the cycles specified in the Maintenance System Documentation (DSU) of the rolling stock approved by the Office of Rail Transport), in the total amount of PLN 203.4 million (or 62.9% of capital expenditures). Moreover, the Group incurred expenditures on investment construction activity in the amount of PLN 2.8 million, purchases of machinery, equipment, other workshop and office fittings for PLN 2.0 million, on ICT development, i.e. purchases of computer hardware and intangible assets (software) in the amount of PLN 1.0 million, and on right-of-use assets for PLN 114.3 million, including: PLN 50.7 million in locomotive leases, PLN 60.5 million in real estate leases and PLN 3.1 million in other rights.

Table 15 Capital expenditures on property, plant and equipment, intangible assets and right-of-use assets in the PKP CARGO Group in Q1 2024 as compared to Q1 2023 (millions of PLN)

Description	3 months of 2024	3 months of 2023	Change 2024-2023	Change 2024-2023 %
Investment construction activity	2.8	29.5	-26.7	-90.5%
Locomotive upgrades	0.0	0.1	-0.1	-100.0%
Workshop machinery and equipment	1.3	8.3	-7.0	-84.3%
ICT development	1.0	1.8	-0.8	-44.4%
Other	0.7	0.4	0.3	75.0%
Components in overhaul, including:	203.4	160.8	42.6	26.5%
<i>Repairs and periodic inspections of locomotives</i>	40.4	30.8	9.6	31.2%
<i>Repairs and periodic inspections of wagons</i>	163.0	130.0	33.0	25.4%
Right-of-use assets, of which related to:	114.3	268.4	-154.1	-57.4%
<i>Property</i>	60.5	57.8	2.7	4.7%
<i>Locomotives</i>	50.8	202.9	-152.1	-75.0%
<i>Wagons</i>	0.2	2.1	-1.9	-90.5%
<i>Other rights</i>	2.8	5.6	-2.8	-50.0%
Total	323.5	469.3	-145.8	-31.1%

* Expenditures for right-of-use assets do not include increases resulting from leaseback of transport/transshipment equipment in the amount of PLN 1.6 million for 3 months of 2023 and in the amount of PLN 6.2 million for 3 months of 2024.

Source: Proprietary material

3.6 Key information and events in Q1 2024 and until the statement date

- On 17 January 2024, the Company's Management Board gave consent to the execution of a cooperation agreement with CMC Poland Sp. z o. o., whose subject matter is for the Company to provide services for CMC Poland Sp. z o. o. by transporting scrap and metal products in the period between 1 January 2024 and 31 December 2026. The expected estimated total net value of the agreement during its term will be PLN 192,014,521 million (PLN 236,177,860 million with VAT). During the negotiations held on 10 January 2024, as part of a collective dispute with the Trade Unions about the implementation of a wage raise as of 1 October 2023 within negotiations in a collective dispute, the Company did not reach agreement and, consequently, a Statement of Differences of Opinion was prepared. The signing of this statement of differences of opinion terminated the negotiations, whereby the collective dispute moved into the stage of mediation.
- On 29 February 2024, PKP CARGO signed an annex to the overdraft facility agreement with Bank Gospodarstwa Krajowego for the maximum amount of up to PLN 100 million extending the loan availability until 28 February 2025.
- On 19 March 2024, PKP CARGO executed an annex to an overdraft facility agreement with Bank Powszechna Kasa Oszczędności Bank Polski S.A. for the maximum amount of up to PLN 100 million, which extends the loan availability until 30 June 2024.
- On 11 March 2024, the Company received the last tranche from the co-financing in the amount of PLN 51,700,000, granted by the Management Board of the Łódź Voivodship from the Regional Operational Program. Public aid constituted 49.98% of the eligible costs of execution of the infrastructural project in Zduńska Wola – Karsznice.
- On 18 April 2024, the PKP CARGO S.A. Extraordinary Shareholder Meeting was held and it adopted:

- The resolution to change the consent given to the execution, with the consortium of audit firms, Grant Thornton Polska P.S.A. and Grant Thornton Frąckowiak P.S.A., of Annex 2 to Agreement for the audit and review of standalone and consolidated financial statements for 2021-2025,
 - The resolution to amend § 12 section 2 and § 25 section 3 of the Company's Articles of Association.
- On 17 May 2024, the Company's Management Board terminated the Employee Guarantee Package entered into on 2 September 2013 between the Company and the trade union organizations.
 - On 23 May 2023, PKP CARGO executed an annex to an overdraft facility agreement with Bank Polska Kasa Opieki S.A. for up to a maximum amount of PLN 100 million, extending the loan availability until 23 August 2024.
 - On 23 May 2023, PKP CARGO together with a different company from PKP CARGO Capital Group executed an annex to an overdraft facility agreement with Bank Polska Kasa Opieki S.A. for up to a maximum amount of PLN 50 million, extending the loan availability until 23 August 2024.

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

4.1 Economic and financial highlights of the PKP CARGO Group

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

Table 16 Financial highlights of the PKP CARGO Group

PKP CARGO Group	PLN million ⁵⁴		in EUR million	
	3 months of 2024	3 months of 2023	3 months of 2024	3 months of 2023
Exchange rates (PLN/EUR)			4.3211	4.7005
Operating revenue	1,189.5	1,576.1	275.3	335.3
Operating profit / loss	-96.8	168.0	-22.4	35.7
Profit / loss before tax	-142.8	130.6	-33.0	27.8
Net profit/loss	-118.1	104.2	-27.3	22.2
Total comprehensive income attributable to the owners of the parent company	-137.6	124.7	-31.8	26.5
Weighted average number of shares	44,786,917	44,786,917	44,786,917	44,786,917
Weighted average number of shares taken into account to calculate diluted profit	44,786,917	44,786,917	44,786,917	44,786,917
Earnings / losses per share (PLN)	-2.64	2.33	-0.61	0.50
Diluted earnings / losses per share (PLN)	-2.64	2.33	-0.61	0.50
Net cash flow from operating activities	241.9	297.4	56.0	63.2
Net cash flow from investing activities	-192.7	-252.1	-44.6	-53.6
Net cash flow from financing activities	-134.2	3.2	-31.1	0.7
Movement in cash and cash equivalents	-85.0	48.5	-19.7	10.3
	31 March 2024	31 December 2023	31 March 2024	31 December 2023
Exchange rates (PLN/EUR)			4.3009	4.348
Non-current assets	7,123.1	7,030.6	1,656.2	1,617.0
Current assets	1,127.2	1,289.4	262.1	296.5
Share capital	2,239.3	2,239.3	520.7	515.0
Equity attributable to the owners of the parent company	3,064.9	3,202.5	712.6	736.6
Non-current liabilities	2,770.7	2,784.2	644.2	640.3
Current liabilities	2,414.7	2,333.3	561.5	536.6

Source: Quarterly Condensed Consolidated Financial Statements of the PKP CARGO Group for the period of 3 months ended 31 March 2024 prepared according to EU IFRS

⁵⁴ To facilitate the reading of this document, some figures have been rounded off, which will not cause any significant deviations in the presented data. In all cases of possible distortions, the data are presented with greater accuracy.

Table 17 Financial highlights of PKP CARGO S.A.

PKP CARGO S.A.	PLN million ⁵⁵		in EUR million	
	3 months of 2024	3 months of 2023	3 months of 2024	3 months of 2023
Exchange rates (PLN/EUR)			4.3211	4.7005
Operating revenue	912.9	1,220.3	211.3	259.6
Operating profit / loss	-105.3	142.7	-24.4	30.4
Profit / loss before tax	-150.5	103.1	-34.8	21.9
Net profit/loss	-123.5	81.2	-28.6	17.3
Total comprehensive income attributable to the owners of the parent company	-119.6	84.0	-27.7	17.9
Weighted average number of shares	44,786,917	44,786,917	44,786,917	44,786,917
Weighted average number of shares taken into account to calculate diluted profit	44,786,917	44,786,917	44,786,917	44,786,917
Earnings / losses per share (PLN)	-2.76	1.81	-0.6	0.39
Diluted earnings / losses per share (PLN)	-2.76	1.81	-0.6	0.39
Net cash flow from operating activities	210.4	242.9	48.7	51.6
Net cash flow from investing activities	-185.5	-242.7	-42.9	-51.6
Net cash flow from financing activities	-102.2	39.0	-23.7	8.3
Movement in cash and cash equivalents	-77.3	39.2	-17.9	8.3
	31 March 2024	31 December 2023	31 March 2024	31 December 2023
Exchange rates (PLN/EUR)			4.3009	4.348
Non-current assets	6,909.0	6,768.9	1,606.4	1,556.8
Current assets	681.6	800.0	158.5	184.0
Share capital	2,239.3	2,239.3	520.7	515.0
Equity attributable to the owners of the parent company	2,818.2	2,937.8	655.3	675.7
Non-current liabilities	2,409.1	2,417.5	560.1	556.0
Current liabilities	2,363.3	2,213.6	549.5	509.1

Source: Quarterly Financial Information of PKP CARGO S.A. for the period of 3 months ended 31 March 2024 prepared according to EU IFRS

The following average PLN to EUR exchange rates set by the National Bank of Poland have been used to translate selected financial data in the periods covered by the Quarterly Condensed Consolidated Financial Statements of the PKP CARGO Group and the Quarterly Financial Information of PKP CARGO S.A. for the period of 3 months ended 31 March 2024:

- exchange rate in force on the last day of the reporting period: 31 March 2024: EUR 1 = PLN 4.3009; 31 December 2023: EUR 1 = PLN 4.3480;
- the average exchange rate in the period calculated as the arithmetic mean of the exchange rates prevailing on the last day of each month in a given period: 1 January – 31 March 2024: EUR 1 = PLN 4.3211, 1 January – 31 March 2023: EUR 1 = PLN 4.7005.

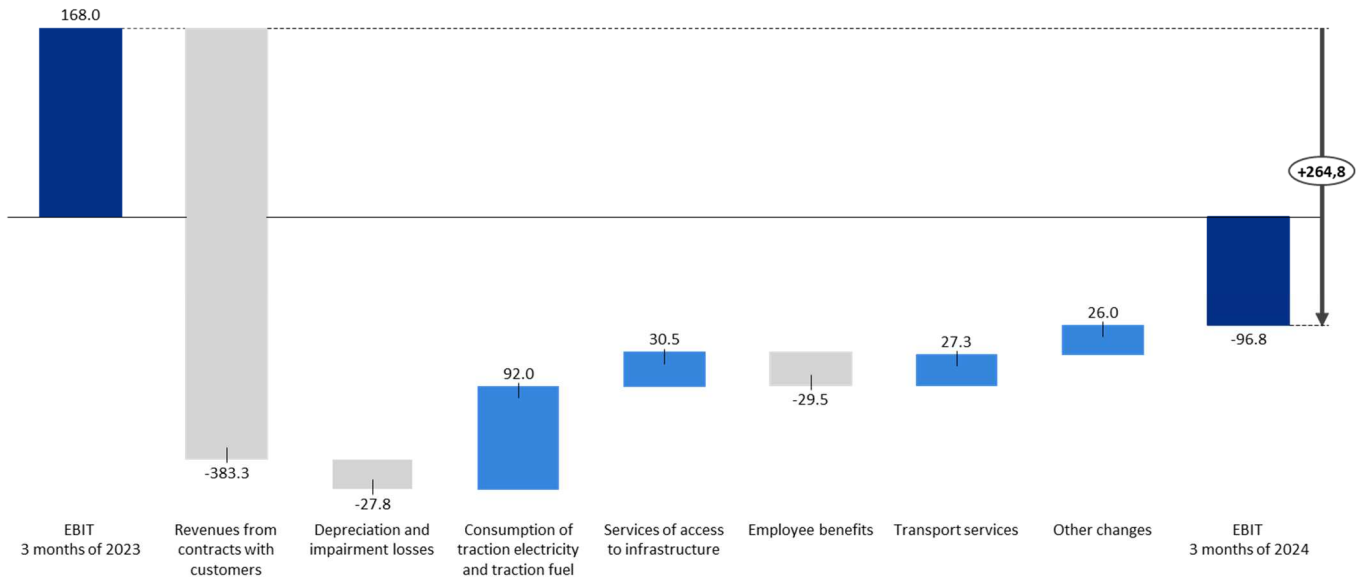
⁵⁵ To facilitate the reading of this document, some figures have been rounded off, which will not cause any significant deviations in the presented data. In all cases of possible distortions, the data are presented with greater accuracy.

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

Statement of profit or loss of the PKP CARGO Group

During the first 3 months of 2024, EBIT reached PLN -96.8 million, having gone down by PLN 264.8 million compared to the corresponding period of 2023.

Figure 12 EBIT in Q1 2024 as compared to the corresponding period in 2023 (PLN million)



Source: Proprietary material

The following is a description of the most significant deviations affecting EBIT in the first 3 months of 2024 as compared to the first 3 months of 2023:

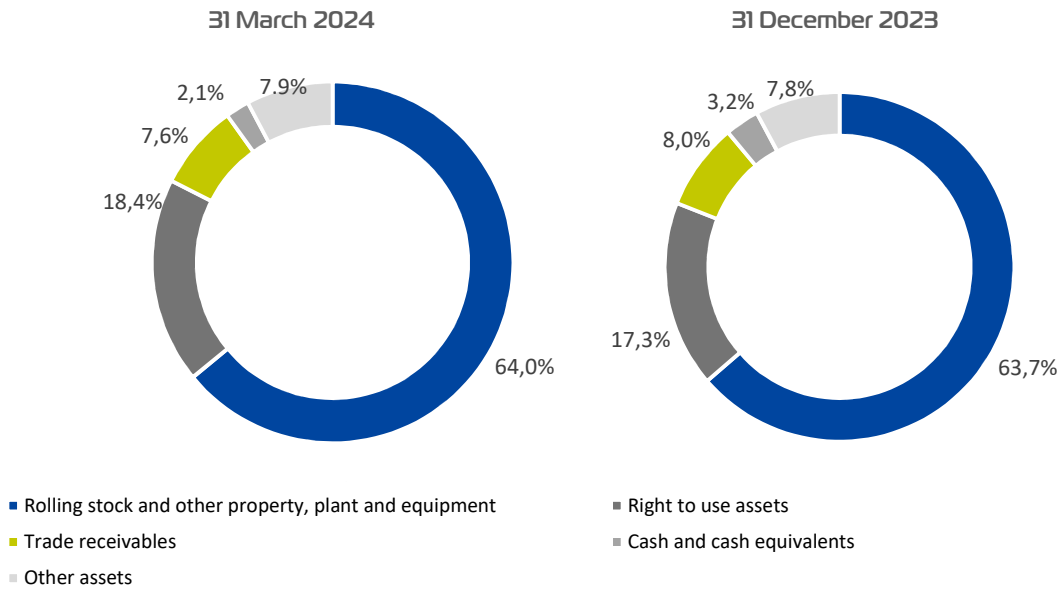
- decrease in revenues from contracts with customers (including predominantly revenues from transport and freight forwarding services) as a direct consequence of decline in freight volume and freight turnover. The details pertaining to the PKP CARGO Group’s transport services are described in section **3.2.4 PKP CARGO Group’s rail transport business**;
- an increase in depreciation and impairment allowances resulting from higher capital expenditures (predominantly expenditures on rolling stock) in 2023;
- decrease in the costs of consumption of electricity and traction fuel and infrastructure access services in connection with the decline in freight turnover;
- an increase in the costs of employee benefits was recorded mostly as a result of agreements on wage increases as of January 2024, with a concurrent decline in the total number of employees. Detailed information on the changes in headcount is presented in section **3.4 Headcount**;
- lower costs of transport services indirectly correlated with performed freight turnover and the number of launched trains
- decrease in costs under “other changes” was caused by, among other factors, the lower costs of land reclamation services, electricity, gas and water consumption, consumption of materials, repair services and maintenance of fixed assets as well as lower costs of shunting, traction and audit services.

Statement of financial position of the PKP CARGO Group

ASSETS

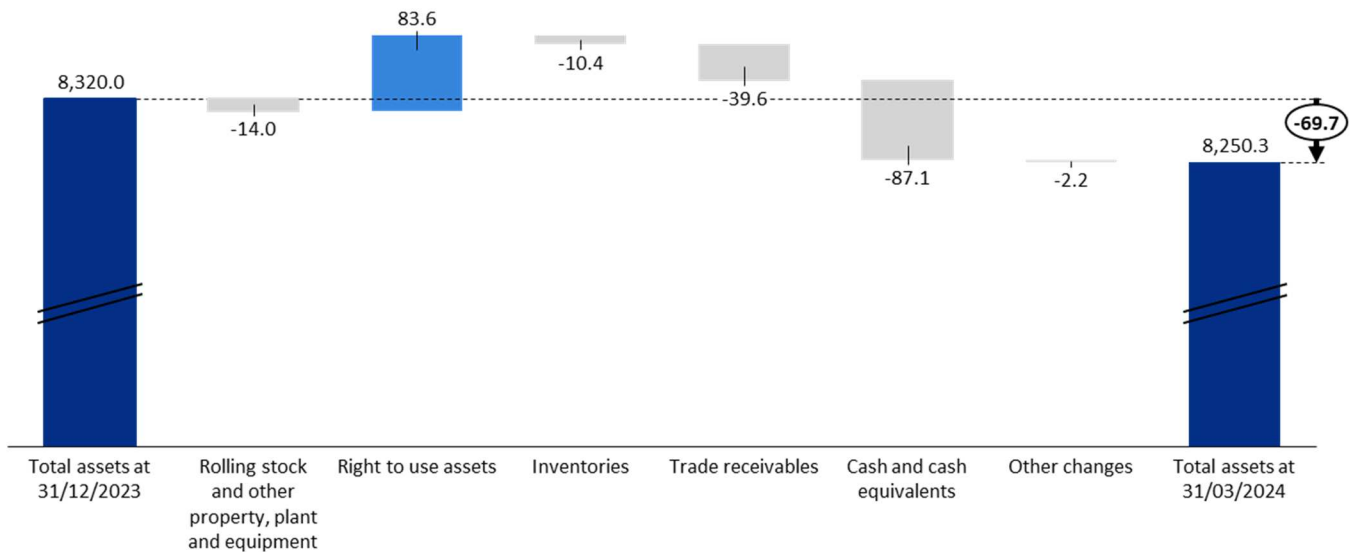
The biggest share in the PKP CARGO Group’s asset structure as at 31 March 2024 was held by rolling stock and other property, plant and equipment, which in aggregate accounted for 64.0% of total assets, compared to 63.7% as at 31 December 2023. At the same time, the largest share in the structure of current assets was attributable to trade receivables the value of which accounted for 7.6% of the Company’s total assets.

Figure 13 Structure of assets – as at 31 March 2024 and 31 December 2023.



Source: Proprietary material

Figure 14 Movement in the Group’s assets in Q1 2024 (PLN million)



Source: Proprietary material

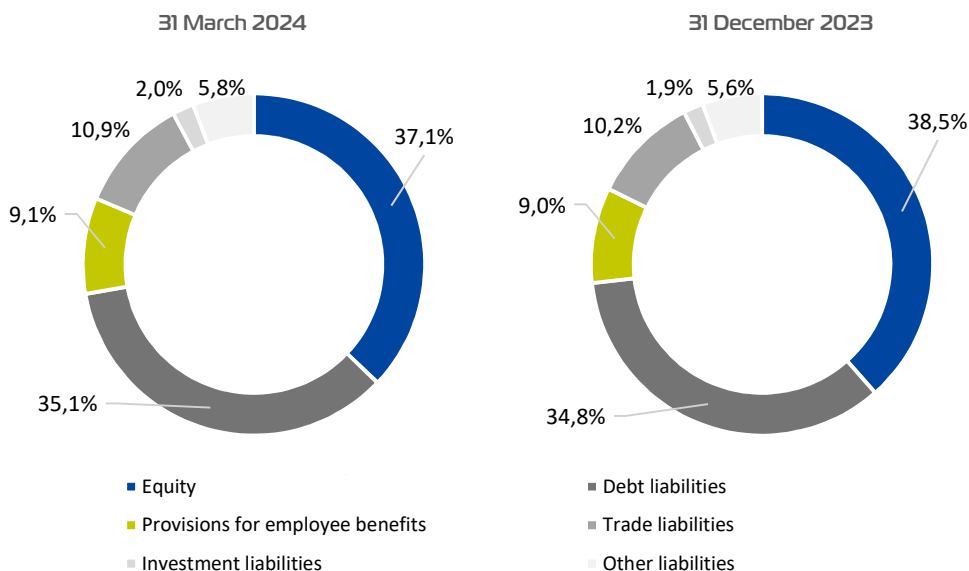
The most significant changes affecting the value of assets as at 31 March 2024, as compared to 31 December 2023, are explained below:

- decrease in the value of rolling stock and other property, plant and equipment as a consequence of the depreciation and lower level of investments in Q1 2024;
- increase in right-of-use assets is related mostly to the acquisition of new leases concerning mainly rolling stock, including leases of locomotives and the area related to real estate leases;
- decrease in the value of trade receivables related to the decrease in sales of services in the first 3 months of 2024;
- decrease in cash by PLN 87.1 million resulting predominantly from expenditures related to the acquisition of non-financial non-current assets in the amount of PLN 201.7 million, expenditures related to taken out loans/borrowings and leases along with interest in the amount of PLN 183.7 million, with simultaneous proceeds from operating activities of PLN 241.9 million, proceeds from loans of PLN 29.6 million and received grants in the amount of PLN 20.3 million.

EQUITY AND LIABILITIES

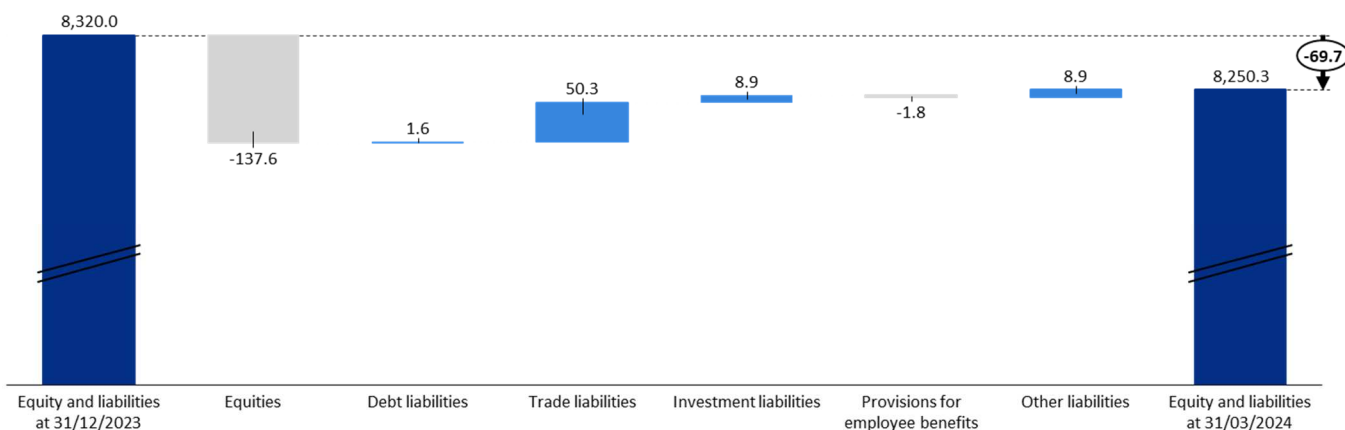
The largest share in the structure of the PKP CARGO Group’s equity and liabilities as at 31 March 2024 was attributable to equity, which accounted for 37.1% of total equity and liabilities, compared to 38.5% as at 31 December 2023. In the period under analysis, debt liabilities accounted for 35.1% of total equity and liabilities, compared to 34.8% as at 31 December 2023.

Figure 15 Structure of the Group’s equity and liabilities as at 31 March 2024 and 31 December 2023.



Source: Proprietary material

Figure 16 Movement in the Group’s equity and liabilities in Q1 2024 (PLN million)



Source: Proprietary material

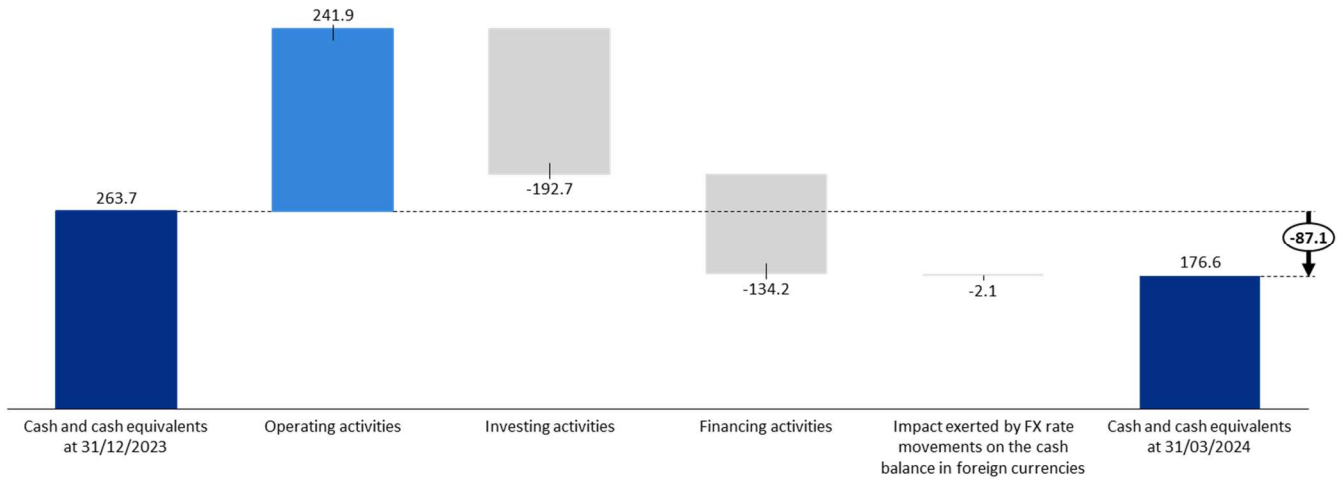
The most significant changes affecting the value of equity and liabilities as at 31 March 2024, as compared to 31 December 2023, are explained below:

- decline in equity mainly due to the net loss for 3 months of 2024 reported by the PKP CARGO Group (the item of retained earnings) and a lower amount of foreign exchange differences from translation of foreign operations;
- increase in trade payables, mainly due to the emergence of overdue liabilities;
- increase in investment liabilities caused in part by an increase in investment liabilities related to rolling stock.

4.1.3 Statement of cash flows of the PKP CARGO Group

The value of cash and cash equivalents as at 31 March 2024 fell by PLN 87.1 million compared to 31 December 2023.

Figure 17 Cash flows in the PKP CARGO Group in Q1 2024 (PLN million)



Source: Proprietary material

The factors which had the highest impact on cash and cash equivalents in the first 3 months of 2024 as compared to 31 December 2023 were as follows:

- positive cash flows from operating activities were achieved concurrently with, among others, loss before tax of PLN 142.8 million, depreciation and impairment allowances of PLN 219.2 million and positive cash flows from changes in working capital of PLN 133.6 million;
- negative cash flows from investing activities resulted predominantly from capital expenditures on the acquisition of non-financial non-current assets in the amount of PLN 201.7 million (including mostly investments in rolling stock);
- negative cash flows from financing activities reflect mainly the effect of the repayment of loans and leases with interests in the amount of PLN 183.7 million, offset by inflows from new loans in the amount of PLN 29.6 million.

4.1.4 Selected financial and operating ratios of the PKP CARGO Group

The table below presents the PKP CARGO Group's key financial and operating ratios in the first 3 months of 2024 compared to the corresponding period of the previous year.

Table 18 Key financial and operating ratios of the PKP CARGO Group in Q1 2024 as compared to the corresponding period of 2023.

Description	3 months of 2024	3 months of 2023	Change	
			2024-2023	Rate of change 2024-2023
EBITDA margin ¹	10.3%	22.8%	-12.5	-54.9
Net profit margin (ROS) ²	-9.9%	6.6%	-16.5	-
ROA ³	-1.7%	3.7%	-5.4	-
ROE ⁴	-4.6%	8.9%	-13.1	-
Average distance covered per locomotive (km per day) ⁵	180.7	210.7	-30.0	-14.2%
Average gross train tonnage per operating locomotive (tons) ⁶	1,457.0	1,593.0	-136.0	-8.5%
Average running time of train locomotives (hours per day) ⁷	11.4	13.2	-1.8	-13.6%
Freight turnover per employee (thousands tkm/employee) ⁸	231.8	322.4	-90.6	-28.1

Source: Proprietary material

- Calculated as the ratio of the operating result plus depreciation and amortization (EBITDA) to total operating revenue.
- Calculated as the ratio of net result to total operating revenue.
- Calculated as the ratio of net result for the last 12 months to total assets.
- Calculated as the ratio of net profit for the last 12 months to equity.
- Calculated as the ratio of vehicle-kilometers (i.e. the distance covered by the Group's vehicles in the given period) to vehicle-days (i.e. the product of the number of active vehicles and number of calendar days in the respective period).

6. Calculated as the quotient of gross ton-kilometers and train-kilometers in train work in relation to the locomotives driving the train (in dual traction or pushing the train in the given period).
7. Calculated as the quotient of vehicle-hours (i.e. the number of hours of work of the Group's vehicles in the given period) and vehicle-days (i.e. the product of the number of active vehicles and number of calendar days in the given period).
8. Calculated as the ratio of freight turnover to the average headcount (in FTEs) in the Group in the given period.

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

The factors which had the highest impact on the above indicators in the first 3 months of 2024 compared to the first 3 months of 2023 were as follows:

- in the first 3 months of 2024, the EBITDA margin deteriorated, chiefly due to the significant decrease of operating revenue. Detailed information on the reasons for movement in EBITDA and the net result is presented in section **5.3. Key economic and financial figures of the PKP CARGO Group**;
- deterioration in the ROA and ROE ratios coupled with the return on sales (ROS) is largely due to the negative net result in the period under analysis;
- the decline in the gross train weight per locomotive was caused by the fact that the transport process was performed in the period of very numerous closures and operating difficulties on the PKP PLK grid;
- decrease in the average gross tonnage per locomotive and decline in the average running time of train locomotives result from a decrease in freight turnover;
- decrease in the freight turnover per employee ratio follows predominantly from a decrease in freight turnover by 28.8%, with a concurrent decrease in the average headcount expressed in FTEs by 1.0%.

4.2 Factors that will affect financial performance in the next quarter

Liquidity risk

The downward trend in the market of rail freight in Poland has continued for several quarters of years and the PKP CARGO Group, as the market leader, is especially exposed to the decrease in transports, which also translates into lower revenues. The persisting high inflation affects the prices of purchased raw materials and other materials and services and at the same time causes a high pressure on raising wages of employees. The increase in costs resulting from the inflation and the fuel market crisis and the necessity to maintain energy security at the end of 2022 and the beginning of 2023 limited the Group's opportunities to compete in the most profitable transport categories and made it lose some customers, which had an impact on the results of the most recent months. As a result of the above, there was a considerable fall in demand for the services provided by the Group.

In Q1 2024, revenues from rail transportation and freight forwarding services fell down by over 25% compared to Q1 2023 and were the major factor which determined the decline in revenues from contracts with customers. Following the decrease in the freight volume transported by the Group, there were lower variable costs, i.e. costs of using traction energy and traction fuel, infrastructure access services, transportation and freight forwarding services. However, fixed expenses, i.e. depreciation and costs of employee benefits, went up. The increase in the costs of depreciation results from the considerable capital expenditures incurred in the most recent periods, especially periodic repairs of rolling stock, while costs of employee benefits are related to the systemic increase in employee wages implemented as of 1 January 2024. The described factors caused the Group to generate a net loss of PLN 118.1 million, with the EBITDA result at the level of PLN 122.4 million. The results achieved in Q1 2024, with incurred capital expenditures of PLN 323.5 million, contributed to the deterioration of the Group's liquidity position, which is presented in **Note 1.4 to the CFS**.

Bearing the present situation in mind, the Parent Company's Management Board plans an number of optimization and saving measures, among others by terminating some cost-generating contracts, temporarily assigning some employees the status of being out of work and reducing capital expenditures, all of them aimed to mitigate the risk and improve the Group's revenue and liquidity position.

In the course of managing the liquidity position, the levels of trade receivables and payables are monitored on an ongoing basis. Information on the financing sources is presented in **Note 4.1 to these Consolidated Financial Statements**.

Armed conflict in Ukraine

The armed conflict in Ukraine has directly affected global supply chains and rail cargo transport routes. PKP CARGO, as a national rail freight operator, has focused its attention on adapting to rapidly changing market challenges. The Group has become involved in handling the movement of products for which transport routes have been disrupted as a result of the conflict initiated by Russia and, exploiting the potential of the Group's rolling stock, actively participates in handling cargo between Poland and Ukraine.

The PKP CARGO Group is constantly monitoring and taking corrective actions in terms of the services it offers. Due to the uncertain date of the end of the war in Ukraine, the possibilities for planning operations in the eastern direction are limited. Currently, trade exchange between Poland and Ukraine will be conducted in the context of the ongoing conflict. EU sanctions against Russia and Belarus have resulted in a decrease in freight volumes along the New Silk Road to the benefit of a greater activity in the Three Seas Initiative area. The emergence of North-South transportation routes linking the East with Western Europe through the Three Seas Initiative countries may reduce the economic distance between these regions. According to forecasts for the EU, there will be positive trends of economic growth, especially in the countries of the Three Seas Initiative, where the forecasted accumulated growth of GDP in 2022-2028 is much higher than in West European countries. Making modern transportation corridors along the north-south axis by the countries of the Three Seas Initiative and Ukraine creates an opportunity for PKP CARGO to expand the activities in the region. In the entire EU and, what is significant, mainly in the countries of the Three Seas Initiative, the emergence of new projects focusing on railway can be observed, including: new TEN-T corridors (planned investment projects in 2021-2050 worth EUR 247.5 billion), new routes to the east designed by the European Commission and the European Investment Bank – EU integration with Ukraine and Moldova (the value of the entire project is estimated at approx. EUR 11.6 billion).

FX risk

In Q1 2024, the Group was exposed to FX risk resulting from the receivables, payables and cash denominated in foreign currencies. The Group's receivables expressed in foreign currencies are short-term receivables, and payables expressed in foreign currencies are mostly current and non-current liabilities on account of investment loan agreements with maturities of more than 5 years.

For the EUR/PLN exchange rate, natural hedging exists due to the fact that proceeds in EUR are balanced out by expenditures in the same currency. Any surplus inflows in EUR were hedged, among other instruments, by the Group's use of currency risk management transactions.

In Q1 2024, the PKP CARGO Group applied hedge accounting for EUR-denominated loan agreements and EUR-denominated leases.

Interest rate risk

The Group is exposed to the risk of volatility of interest rate cash flows following from bank loans and leases partially based on variable interest rates.

In Q1 2024, interest on financial liabilities was accrued according to fixed interest rates and variable reference rates, plus the financing entity's margin, i.e. based on the following reference rates: WIBOR 1M, WIBOR 3M and EURIBOR 3M.

Hiring

The PKP CARGO S.A. Management Board, in connection with the identification of the occurrence of periodic financial difficulties and temporary reduction of tasks connected with handling transport volumes, took steps to reduce employee-related expenses. Optimization endeavors in this area aim to ensure financial stability. As part of the measures to reduce employee-related expenses, the Management Board decided not to raise wages and salaries of the Company employees and on 17 May 2024, it terminated the Employee Guarantee Package entered into on 2 September 2013 between the Company and the trade union organizations.

Furthermore, the Management Board held consultations with the trade union organizations on the intention to implement as of 1 June 2024 measures aiming to reduce costs by launching the program of assigning selected employees the status of being out of work based on provisions of Article 54 of the Act of 8 September 2000 on the Commercialization and Restructuring of the State-Owned Enterprise "Polskie Koleje Państwowe" (Journal of Laws 2024.561, consolidated version). While being out of work, each employee with such a status will have the right to the following benefits guaranteed by the law:

- welfare benefit in the amount of 60% of the monthly financial equivalent calculated as remuneration for vacation leave;

- engaging in activities necessary to maintain the employee’s professional qualifications;
- using benefits from the Company Social Benefits Fund.

Infrastructural investments

Infrastructural investments in the area of the PKP Network performed in Q1 2024 related to the modernization of rail infrastructure under the National Railway Program and maintenance and repair plans, were among the significant factors affecting the PKP CARGO S.A.’s freight activity. The greatest transport difficulties were caused by track closures connected with, among others, continued modernization of the rail infrastructure in the Upper Silesia region, on sections of the access lines in the direction of the border crossing in Zebrzydowice and on sections on the main coal line leading to Zduńska Wola Karsznice, which consequently hindered efficient handling of priority transports. Apart from the above regions, the following areas were affected by particularly burdensome transport-hindering difficulties:

- continued modernization of the junctions: Czechowice Dziedzice, Bytom, Katowice Muchowiec, Katowice Szopienice Północne and modernization of the Warsaw junction;
- continued modernization of the area of the railway stations: Rzepin, Tczew, Stargard Szczeciński, Warsaw Okęcie, and considerably reduced throughput on line nos. 3, 6, 93, 131, 273, 351;

In next quarter of 2024, it is planned to maintain the line capacity limitations and the disruptions related to performed investments and maintenance and repair work at the current level in connection with the implementation of each stage of the National Railway Program and extension of its projects until 2027.

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

PKP CARGO S.A. S.A. has not published any financial forecasts for 2024.

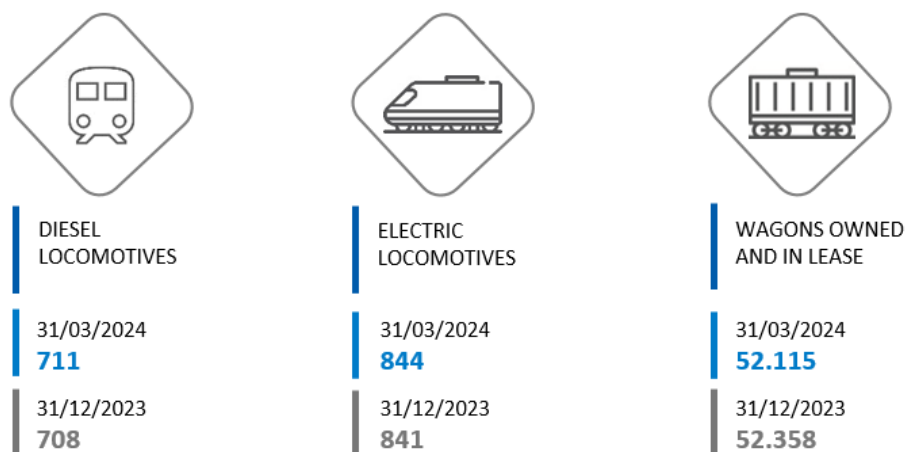
4.4 Information about production assets

4.4.1 Rolling stock

The PKP CARGO Group’s rolling stock is maintained by repair shops operating within the structures of PKP CARGO S.A. Units and in subsidiaries. The PKP CARGO Group’s rolling stock repair and maintenance organization is qualified to repair and maintain wagons, electric locomotives at all the maintenance levels from P1 to P5 and to repair diesel locomotives at maintenance levels from P1 to P4. The Group’s establishments also repair rolling stock and sub-assemblies for other owners. On top of regularly-scheduled activities the points of repair functioning in the PKP CARGO Group’s structures conduct ongoing repairs to the rolling stock to fix the defects that appear in the rolling stock during the course of its operation. The number of current repairs of the rolling stock depends on the freight turnover level.

The PKP CARGO Group production assets include wagons and traction rolling stock the quantity of which changes as a result of sales, purchases and scrapping of rolling stock components. Moreover, the quantity of rolling stock is affected by completed repairs of electric machines and wheel sets for refurbished wagons (periodic repairs combined with the replacement of rims or the replacement of monoblock wheels). Competences related to the repair of the most significant components of the circulation reserve – electric machines and wheel sets – are held by PKP CARGOTABOR, which carries out the full range of repairs of electric machines used in the locomotives operated by the PKP CARGO Group.

Figure 18 Structure of rolling stock used by the PKP CARGO Group



Source: Proprietary material

4.4.2 Real estate

In the transport process, due to the necessity to guarantee appropriate maintenance and repair support, real estate plays an important role. The majority of real estate held by the Group is used on the basis of long-term lease and rental agreements. The table below presents changes in real estate owned and used by the PKP CARGO Group during the first 3 months of 2024.

Table 19 Real estate owned and used by PKP CARGO Group as at 31 March 2024 as compared to 31 March 2023.

Description	31 March 2024	31 March 2023	Change 2024-2023
Land – owned, in perpetual usufruct and leased from other entities [ha]	1,367	1,409	-42
Buildings – owned, leased and rented from other entities [m ²]	684,278	727,849	-43,571

Source: Proprietary material

The decrease in the area of the land and buildings used (owned, leased and rented from other entities) is a result of the ongoing verification of the quantum of assets required by the Company and its subsidiaries and its adaptation to the scale and profile of their business activities.

5. Other key information and events

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

In Q1 2024, PKP CARGO S.A. and its subsidiaries did not participate in any major proceedings pending before courts, arbitration bodies or public administration authorities in cases concerning liabilities or receivables of PKP CARGO S.A. or its subsidiaries.

5.2 Information on transactions with related parties

In the first 3 months of 2024, no entity from the PKP CARGO Group entered into any transactions with related parties on non-market terms.

Detailed information on transactions with related parties is presented in [Note 7.1 to the CFS](#).

5.3 Information on extended guarantees and sureties for loans or borrowings

In Q1 2024, PKP CARGO S.A. and its subsidiaries did not extend any sureties for loans or borrowings and did not grant any guarantees to a single entity or subsidiary of such entity whose total amount would be material.

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

Within optimization measures aiming to ensure the Company's financial stability and further development, the Management Board took the following actions:

- on 10 May 2024, it provided the trade union organizations operating in the Company with information, for them to hold consultations, on the intention to implement as of 1 June 2024 measures aiming to reduce costs by launching the program of assigning selected employees the status of being out of work based on provisions of Article 54 of the Act of 8 September 2000 on the Commercialization and Restructuring of the State-Owned Enterprise "Polskie Koleje Państwowe" (Journal of Laws 2024.561, consolidated version).
- on 17 May 2024, it terminated the Employee Guarantee Package entered into on 2 September 2013 between the Company and the trade union organizations.

In parallel with reducing employee-related expenses, the Management Board is also taking other measures to generate savings. It also analyzed the remaining areas of the Company's activity, where the implementation of repair measures could contribute to the improvement of their effectiveness.

In connection with the identification of periodic financial difficulties of the Company, to secure/maintain ongoing liquidity, the Group undertakes measures aimed at, among others, cost optimization and simultaneously to ensure availability of tools supporting the financing of operating activities in the medium term (including current account overdrafts). In the course of managing the liquidity position, the levels of trade receivables and payables are monitored on an ongoing basis.

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

Parent Company's Management Board

Marcin Wojewódka
acting President of the Management Board

Monika Starecka
acting Management Board Member

Paweł Miłek
acting Management Board Member

Zenon Kozendra
Management Board Member

Warsaw, 27 May 2024