



**Activity report of the PKP CARGO S.A. Supervisory Board
for the year ended 31 December 2023**

Warsaw, 23 May 2024

I. Introduction

The Supervisory Board hereby submits to the Ordinary Shareholder Meeting a report on its activities as the Company's corporate body and assessment of the Company's standing, taking into consideration the appropriateness and effectiveness of its systems of internal control, risk management, compliance with standards or applicable practices and internal audit applied by the Company for 2023 (hereinafter jointly referred to as the "**Report**"); the Report also includes the evaluation of the Company's compliance with reporting duties pertaining to the fulfillment of corporate governance requirements and the evaluation of reasonability of the Company's policy related to sponsorship activities, charitable activities or other activities of a similar nature.

The Report was prepared in accordance with the requirements of: Article 382 § 3¹ of the *Commercial Company Code of 15 September 2000* (consolidated text: Journal of Laws of 2022, Item 1467, as amended), as well as the Best Practice for GPW Listed Companies 2021 attached to Resolution No. 13/1834/2021 of the Supervisory Board of the Stock Exchange of 29 March 2021.

II. Composition of the Supervisory Board and its Committees.

From 1 January 2023 to 31 December 2023, the **Supervisory Board** was composed of:

- Mr. Władysław Szczepkowski – Chairman of the PKP CARGO S.A. Supervisory Board
- Mr. Andrzej Leszczyński – Vice-Chairman of the PKP CARGO S.A. Supervisory Board
- Mr. Grzegorz Dostatni – Member of the PKP CARGO S.A. Supervisory Board
- Mr. Henryk Grymel – Member of the PKP CARGO S.A. Supervisory Board
- Mr. Tomasz Andrzej Pietrek – Member of the PKP CARGO S.A. Supervisory Board
- Mr. Marek Ryszka – Member of the PKP CARGO S.A. Supervisory Board
- Mr. Paweł Sosnowski – Member of the PKP CARGO S.A. Supervisory Board
- Mr. Jarosław Stawiarski – Member of the PKP CARGO S.A. Supervisory Board
- Mr. Jarosław Ślepaczuk – Member of the PKP CARGO S.A. Supervisory Board
- Mr. Michał Wnorowski – Member of the PKP CARGO S.A. Supervisory Board
- Ms. Izabela Wojtyczka – Member of the PKP CARGO S.A. Supervisory Board

The composition of the Supervisory Board in 2023 is presented in the following table:

No.	Name	Position	Information on		Period in office	
			meeting the independence criteria defined in the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Oversight	the existence of actual and material links to a shareholder holding at least 5% of the total number votes in the company	from	to
1	Władysław Szczepkowski	Supervisory Board Chairman	No	Yes	12 July 2022	to date
		Supervisory Board Member			26 June 2019	to date
2	Andrzej Leszczyński	Supervisory Board Vice-Chairman	No	Yes	12 July 2022	19 April 2024
		Supervisory Board Member			29 June 2022	
3	Henryk Grymel	Supervisory Board Member	No	No	29 June 2022	to date
4	Tomasz Pietrek	Supervisory Board Member	No	No	29 June 2022	to date
5	Marek Ryszka	Supervisory Board Member	No	Yes	29 June 2022	19 April 2024
6	Paweł Sosnowski	Supervisory Board Member	No	Yes	26 June 2019	14 May 2024
7	Jarosław Stawiarski	Supervisory Board Member	No	Yes	7 July 2022	19 April 2024
8	Jarosław Ślepaczuk	Supervisory Board Member	No	No	29 June 2022	to date

9	Michał Wnorowski	Supervisory Board Member	Yes	No	29 June 2022	to date
10	Izabela Wojtyczka	Supervisory Board Member	Yes	No	16 July 2020	to date
11	Grzegorz Dostatni	Supervisory Board Member	No	Yes	28 July 2022	14 May 2024

Source: Proprietary material

There are three Committees within the Supervisory Board structure: Audit Committee, Nomination Committee and Strategy and Sustainability Committee, whose activities in the reporting period are described in sections V, VI and VII of the Report.

From 1 January 2023 to 31 December 2023, the Audit Committee of the PKP CARGO S.A. Supervisory Board was composed of:

- Mr. Michał Wnorowski – Chairman of the Supervisory Board Audit Committee
- Mr. Jarosław Ślepaczuk – Member of the Supervisory Board Audit Committee
- Ms. Izabela Wojtyczka – Member of the Supervisory Board Audit Committee

The composition of the Supervisory Board Audit Committee in 2023 is presented in the following table:

No.	Name	Position	Information on		Period in office	
			meeting the independence criteria defined in the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Oversight	the existence of actual and material links to a shareholder holding at least 5% of the total number votes in the company	from	to
1	Michał Wnorowski	Committee Chairman	Yes	No	23 August 2022	to date
		Committee Member			12 July 2022	to date
2	Jarosław Ślepaczuk	Committee Member	No	No	12 July 2022	to date
3	Izabela Wojtyczka	Committee Member	Yes	No	12 July 2022	to date

Source: Proprietary material.

From 1 January 2023 to 31 December 2023, the Supervisory Board Nomination Committee was composed of:

- Ms. Izabela Wojtyczka – Chairwoman of the Nomination Committee
- Mr. Władysław Szczepkowski – Member of the Nomination Committee
- Mr. Paweł Sosnowski – Member of the Nomination Committee.

The composition of the Supervisory Board Nomination Committee in 2023 is presented in the following table:

No.	Name	Position	Information on		Period in office	
			meeting the independence criteria defined in the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Oversight	the existence of actual and material links to a shareholder holding at least 5% of the total number votes in the company	from	to
1	Izabela Wojtyczka	Committee Chairwoman	Yes	No	12 July 2022	to date
		Committee Member			12 July 2022	to date
2	Paweł Sosnowski	Committee Member	No	Yes	12 July 2022	14 May 2024
3	Władysław Szczepkowski	Committee Member	No	Yes	12 July 2022	to date

Source: Proprietary material.

From 1 January 2023 to 31 December 2023, the PKP CARGO S.A. Supervisory Board Strategy Committee was composed of:

- Mr. Władysław Szczepkowski – Chairman of the Strategy Committee
- Mr. Henryk Grymel – Member of the Strategy Committee
- Mr. Andrzej Leszczyński – Member of the Strategy Committee
- Mr. Tomasz Pietrek – Member of the Strategy Committee
- Mr. Michał Wnorowski – Member of the Strategy Committee.

The composition of the Supervisory Board Strategy Committee in 2022 is presented in the following table:

No.	Name	Position	Information on		Period in office	
			meeting the independence criteria defined in the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Oversight	actual and material links to a shareholder holding at least 5% of the total number votes in the company	from	to
1	Władysław Szczepkowski	Committee Chairman	No	Yes	12 July 2022	to date
		Committee Member			12 July 2022	to date
2	Henryk Grymel	Committee Member	No	No	12 July 2022	to date
3	Andrzej Leszczyński	Committee Member	No	Yes	12 July 2022	19 April 2024
4	Tomasz Pietrek	Committee Member	No	No	12 July 2022	to date
5	Michał Wnorowski	Committee Member	Yes	No	12 July 2022	to date

Source: Proprietary material.

III. Legal and formal aspects of the Supervisory Board's activities

The Supervisory Board consists of 11 to 13 members (including the Supervisory Board Chairperson and Vice-Chairperson) appointed for a joint term of office. The number of Supervisory Board members in a specific term of office is set by PKP S.A. (in the 8th term: 11 members). The term of office of the Supervisory Board is 3 years. The Supervisory Board is appointed and dismissed by the Shareholder Meeting, subject to the provisions of § 19 sections 2 and 3 of the Articles of Association of PKP CARGO S.A.

Powers of the Supervisory Board

The Supervisory Board carries out ongoing supervision over the Company's operations in all areas of its activity. Moreover, its powers, in addition to matters reserved by the Commercial Company Code or other statutes, include granting consent for the payment of an interim dividend by the Management Board towards the anticipated end-of-the-year dividend, appointing and dismissing the President and other members of the Management Board, setting the number of Management Board members, granting consent for the establishment or liquidation of the Company's branch, issuing opinions on proposals submitted by the Management Board to the Shareholder Meeting.

Operation of the Supervisory Board

The procedure of the Supervisory Board's operation is described in detail in the Supervisory Board Bylaws adopted by the Supervisory Board. Taking into account the provisions of these Bylaws, the Supervisory Board makes decisions in the form of resolutions, or an appropriate entry in the minutes of the meeting. For Supervisory Board resolutions to be valid, all the Supervisory Board Members must have been invited and at least half of them must be present, including the Supervisory Board Chairperson or Vice-Chairperson. Resolutions of the Supervisory Board are adopted by a simple majority of votes. If an equal number of votes is cast "for" and "against", the Supervisory Board Chairperson has the casting vote. Supervisory Board resolutions in the matter of suspension of Management Board members or Management Board require the consent of the Supervisory Board Chairperson. The Supervisory Board may adopt resolutions without holding a meeting, by following a written procedure or using means of direct remote communication in accordance with the procedure laid down in § 16 of the Bylaws of the Supervisory Board. Decisions in this respect are made by the Supervisory Board Chairperson at his/her own initiative or at a written motion of a Management Board member or Supervisory Board Member.

In accordance with the Supervisory Board Bylaws, in the event of conflicting interests of the Company and personal interests of a Supervisory Board Member, his/her spouse, family or relatives (to the second degree next of kin) and personal relations, the Supervisory Board Member should refrain from participating in the discussion and voting on the resolution of such matters and request that this fact be recorded in the minutes of the Supervisory Board meeting.

Independence criterion for Supervisory Board members

Pursuant to the provisions of § 20 of the Articles of Association, at least two Supervisory Board members elected by the Shareholder Meeting should satisfy the criteria of independence from the Company and entities with significant ties to the Company set out in:

- 1) § 21 of the Articles of Association;
- 2) in Annex II to the *Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board (EU OJ L. 05.02.05)*;
- 3) in the *Best Practice for GPW Listed Companies 2021* constituting an attachment to Resolution No. 13/1834/2021 of the WSE Supervisory Board of 29 March 2021;
- 4) in the Act on Statutory Auditors, Audit Firms and Public Oversight of 11 May 2017.

In the period from 1 January 2023 to 31 December 2023, the Supervisory Board Members fulfilling the criteria of independence from the Company included:

- 1) Mr. Michał Wnorowski – appointed by Resolution No. 25/2022 of the Ordinary Shareholder Meeting of PKP CARGO S.A. of 29 June 2022 on appointing members meeting the independence criteria to the PKP CARGO S.A. Supervisory Board of the 8th term of office;
- 2) Ms. Izabela Wojtyczka – appointed by Resolution No. 26/2022 of the Ordinary Shareholder Meeting of PKP CARGO S.A. of 29 June 2022 on appointing members meeting the independence criteria to the PKP CARGO S.A. Supervisory Board of the 8th term of office.

IV. Supervisory Board's work

In the financial year 2023, the Supervisory Board, in the context of ensuring a long-term capacity to keep up with the increasing domestic and foreign competition in the European rail freight transport market currently undergoing liberalization and taking into account the prospects outlined in the Company's strategy – focused on the major issues relating to the current and future financial situation, commercial activities, operating activities and a broadly defined employment and HR management policy while acknowledging the views of Social Partners. In 2023, the Supervisory Board also analyzed on a daily basis the impact on the Company of the dynamically developing circumstances and conditions related to the extraordinary emergency caused by the war in Ukraine and the Prime Minister's decision on the priority of coal transportation by PKP CARGO S.A.

In the financial year 2023, the Supervisory Board held 9 meetings, during which it adopted 55 resolutions. In addition, the Supervisory adopted 38 resolutions without holding a meeting, using means of direct remote communication.

The dates of Supervisory Board meetings and number of Supervisory Board Members absent from the meetings in 2023 were as follows:

Supervisory Board meetings in 2023		
No.	date	number of Supervisory Board members in attendance at the meeting
1.	30.01.2023	one Supervisory Board Member
2.	27.03.2023	not applicable
3.	04.04.2023	one Supervisory Board Member
4.	29.05.2023	two Supervisory Board members
5.	19.06.2023	two Supervisory Board members
6.	20.07.2023	one Supervisory Board Member
7.	27.09.2023	not applicable
8.	27.11.2023	not applicable
9.	11.12.2023	one Supervisory Board Member

Source: Proprietary material.

A breakdown of resolutions put to a vote by the Supervisory Board in the financial year 2023 is presented in the following table:

Summary of resolutions adopted by the Supervisory Board in 2022		
date	resolution number	in the matter of

30.01.2023	36/VIII/2023	approval of the document "PKP CARGO Group Strategy Revision for 2019-2023"
30.01.2023	37/VIII/2023	issuing an opinion on the PKP CARGO S.A. Management Board's motion to the Shareholder Meeting of PKP CARGO S.A. to amend the Articles of Association of PKP CARGO S.A.
30.01.2023	38/VIII/2023	adoption of the "Bylaws for Appointing Management Board Members in PKP CARGO S.A."
30.01.2023	39/VIII/2023	authorizing the PKP CARGO S.A. Management Board to made changes to lease and tenancy agreements concluded with PKP S.A.
30.01.2023	40/VIII/2023	giving consent to the conclusion of agreements with PKP CARGOTABOR Sp. z o.o. regarding performance of ongoing repairs of cargo wagons and maintenance of locomotives.
30.01.2023	41/VIII/2023	excusing an absence at a PKP CARGO S.A. Supervisory Board meeting
30.01.2023	42/VIII/2023	excusing an absence at a PKP CARGO S.A. Supervisory Board meeting
30.01.2023	43/VIII/2023	giving consent to the conclusion of a sponsorship agreement with Widzew Łódź S.A.
20.02.2023	44/VIII/2023	giving consent to: 1) the disposal of assets by PKP CARGO S.A. in the form of a transfer to PKP CARGOTABOR USŁUGI Sp. z o.o. of the ownership title and the perpetual usufruct right to real property and the ownership title to buildings and structures located on the land and representing property separate from the land, and the ownership title to the movable property with the market value exceeding PLN 20,000,000.00, 2) PKP CARGO S.A. incurring of a liability with the value exceeding PLN 10,000,000.00 through the conclusion of an agreement with PKP CARGOTABOR USŁUGI Sp. z o.o. with its registered office in Warsaw, which is a related party within the meaning of the Regulation of the Minister of Finance issued pursuant to Article 60 sec. 2 of the Act on Public Offerings and the Terms and Conditions for Introducing Financial Instruments to an Organized Trading System and on Public Companies, an agreement providing for a transfer of the ownership title and the perpetual usufruct right to real property and the ownership title to buildings and structures located on the land and representing property separate from the land, and the ownership title to the movable property, constituting the object of the non-cash contribution (in-kind contribution) made by PKP CARGO S.A. in connection with the acquisition of newly established shares in the increased share capital of PKP CARGOTABOR USŁUGI Sp. z o.o.
09.03.2023	45/VIII/2023	entering into an agreement with Petrojet sp. z o.o. for successive supplies of fuel oil for heating purposes.
09.03.2023	46/VIII/2023	entering into agreements for the sale of 86 wrecked locomotives.
09.03.2023	47/VIII/2023	entering into an agreement with PKP CARGOTABOR sp. z o.o. for periodic repairs of cargo wagons.
16.03.2023	48/VIII/2023	entering into Annex No. 2 to the current account overdraft agreement with Powszechna Kasa Oszczędności Bank Polski S.A.
16.03.2023	49/VIII/2023	entering into Annex No. 4 with Powszechna Kasa Oszczędności Bank Polski S.A. to the Agreement to provide the zero-balance cash pooling service
27.03.2023	50/VIII/2023	giving consent to enter into Annex No. 3 to Agreement No. SŽDC: 29051/2018-SŽDC-SŽE for supply of traction electricity in the Czech Republic dated 21 December 2018 and to increase the value of the Agreement
27.03.2023	51/VIII/2023	giving consent to enter, with the Center for EU Transport Projects, into Annex No. POIS.03.02.00-00-0049/18-02 to the Co-Financing Agreement No. POIS.03.02.00-00-0049/18-00 from the Operational Program Infrastructure and Environment 2014-2020
27.03.2023	52/VIII/2023	giving consent to enter into an agreement with Lucchini Poland sp. z o.o. for regular supply of lubricated 20 t/axle wheel sets for wagon cars.
27.03.2023	53/VIII/2023	granting a loan to PKP CARGO TERMINALE sp. z o.o.
27.03.2023	54/VIII/2023	assessing the transactions with related parties concluded in 2021
04.04.2023	55/VIII/2023	statement on the selection of an audit firm to audit the annual Standalone Financial Statements of PKP CARGO S.A. for the financial

		year ended 31 December 2022, prepared in accordance with EU IFRS, and the annual Consolidated Financial Statements of the PKP CARGO Group for the financial year ended 31 December 2022, prepared in accordance with EU IFRS.
04.04.2023	56/VIII/2023	submission by the Supervisory Board of the statement set out in §70(1)(8) and §71(1)(8) of the Finance Minister's Regulation on the current and periodic information transmitted by securities issuers and the conditions for recognizing the information required by the regulations of a non-member state as equivalent.
04.04.2023	57/VIII/2023	assessment of the Standalone Financial Statements of PKP CARGO S.A. for the financial year ended 31 December 2022, prepared in accordance with EU IFRS and issuing an opinion on the PKP CARGO S.A. Management Board's motion to the Ordinary Shareholder Meeting of PKP CARGO S.A.
04.04.2023	58/VIII/2023	assessment of the Consolidated Financial Statements of the PKP CARGO Group for the financial year ended 31 December 2022, prepared in accordance with EU IFRS, and the Management Board Report on the Activity of the PKP CARGO Group in 2022 and issuing an opinion on the request to the Ordinary Shareholder Meeting of PKP CARGO S.A.
04.04.2023	59/VIII/2023	allocation of the profit presented in the Standalone Financial Statements of PKP CARGO S.A. for the financial year ended 31 December 2022 prepared in accordance with EU IFRS.
04.04.2023	60/VIII/2023	evaluating the PKP CARGO Group's Sustainability Report for 2022 and issuing an opinion on the proposal to the Ordinary Shareholder Meeting of PKP CARGO S.A.
13.04.2023	61/VIII/2023	entering into framework agreements and execution agreements to the framework agreements for delivery of cast iron brake blocks for the rolling stock.
13.04.2023	62/VIII/2023	issuing an opinion on the agenda for the PKP CARGO S.A. Extraordinary Shareholder Meeting.
10.05.2023	63/VIII/2023	nominating members of the PKP CARGO S.A. Supervisory Board to take part in the PKP CARGO S.A. Extraordinary Shareholder Meeting.
10.05.2023	64/VIII/2023	excusing an absence at a PKP CARGO S.A. Supervisory Board meeting
10.05.2023	65/VIII/2023	entering into Annex No. 4 to Agreement No. 5700029550 with ORLEN Paliwa sp. z o.o. dated 28.12.2020 for successive sales with delivery of diesel fuel by the Contractor to the Contracting Entity's fuel stations.
10.05.2023	66/VIII/2023	entering into Annex No. 1 to the Guarantee Facility Agreement No. LIN/NS/25/2022 with Credit Agricole Bank Polska S.A. with its registered office in Wrocław.
10.05.2023	67/VIII/2023	issuing an opinion on the supplemented agenda for the PKP CARGO S.A. Extraordinary Shareholder Meeting convened for 17 May 2023.
19.05.2023	68/VIII/2023	giving consent to enter into Annex No. 6 to the overdraft facility agreement with Bank Polska Kasa Opieki S.A.
19.05.2023	69/VIII/2023	giving consent to enter into Annex No. 7 to the account group cash management system agreement with Bank Polska Kasa Opieki S.A.
19.05.2023	70/VIII/2023	giving consent to entering into Annex No. 3 to the guarantee facility agreement with Bank Polska Kasa Opieki S.A.
19.05.2023	71/VIII/2023	giving consent to enter into an overdraft facility agreement with Bank Polska Kasa Opieki S.A.
29.05.2023	72/VIII/2023	excusing an absence at a PKP CARGO S.A. Supervisory Board meeting
29.05.2023	73/VIII/2023	excusing an absence at a PKP CARGO S.A. Supervisory Board meeting
29.05.2023	74/VIII/2023	adopting the Activity Report of the PKP CARGO S.A. Supervisory Board as the Company's corporate body and assessment of the Company's standing, taking into account the assessment of the internal control, risk management and compliance systems and the internal audit function for the year ended 31 December 2022.
29.05.2023	75/VIII/2023	submitting a motion to the Ordinary Shareholder Meeting of PKP CARGO S.A. to grant a discharge to the President of the Management Board of PKP CARGO S.A. on the performance of his duties.

29.05.2023	76/VIII/2023	submitting a motion to the Ordinary Shareholder Meeting of PKP CARGO S.A. to grant a discharge to a Member of the Management Board of PKP CARGO S.A. on the performance of his duties.
29.05.2023	77/VIII/2023	submitting a motion to the Ordinary Shareholder Meeting of PKP CARGO S.A. to grant a discharge to a Member of the Management Board of PKP CARGO S.A. on the performance of his duties.
29.05.2023	78/VIII/2023	submitting a motion to the Ordinary Shareholder Meeting of PKP CARGO S.A. to grant a discharge to a Member of the Management Board of PKP CARGO S.A. on the performance of his duties.
29.05.2023	79/VIII/2023	submitting a motion to the Ordinary Shareholder Meeting of PKP CARGO S.A. to grant a discharge to a Member of the Management Board of PKP CARGO S.A. on the performance of his duties.
29.05.2023	80/VIII/2023	submitting a motion to the Ordinary Shareholder Meeting of PKP CARGO S.A. to grant a discharge to the person seconded to act as President of the PKP CARGO S.A. Management Board.
29.05.2023	81/VIII/2023	adopting the "Report on compensation of Members of the PKP CARGO S.A. Management Board and Supervisory Board in 2022".
29.05.2023	82/VIII/2023	issuing an opinion on the agenda for the PKP CARGO S.A. Ordinary Shareholder Meeting.
29.05.2023	83/VIII/2023	nominating members of the PKP CARGO S.A. Supervisory Board to take part in the PKP CARGO S.A. Ordinary Shareholder Meeting.
29.05.2023	84/VIII/2023	giving consent to entering into Annex No. 3 to the lease agreement with PKP CARGOTABOR sp. z o.o. No. CFNS1b.213.3.2016, dated 20 April 2016.
29.05.2023	85/VIII/2023	giving consent to enter into an agreement with PKP CARGOTABOR Sp. z o.o. on performance of periodic repairs of locomotives.
29.05.2023	86/VIII/2023	entering into the Basic Agreement on Rail Infrastructure Use in Germany with DB Netz AG.
19.06.2023	87/VIII/2023	approving the "PKP CARGO S.A. Business Plan for 2023".
19.06.2023	88/VIII/2023	entering into Annex No. 1 to the current account overdraft agreement with Powszechna Kasa Oszczędności Bank Polski S.A.
19.06.2023	89/VIII/2023	issuing an opinion on the supplemented agenda of the Ordinary Shareholder Meeting of PKP CARGO S.A. convened for 29 June 2023.
19.06.2023	90/VIII/2023	adopting the consolidated text of the Articles of Association of PKP CARGO S.A.
19.06.2023	91/VIII/2023	excusing an absence at a Supervisory Board meeting
19.06.2023	92/VIII/2023	excusing an absence at a Supervisory Board meeting
28.06.2023	93/VIII/2023	entering into a framework agreement and entering into implementing agreements for the framework agreement for the supply of hot-rolled sheet metal.
28.06.2023	94/VIII/2023	giving consent to enter into agreements on performance of periodic repairs of freight wagons.
28.06.2023	95/VIII/2023	entering into Annex No. 1 to agreement No. COT/385/461/23 dated 24 March 2023 with Jacek Surdyk conducting business activity under the name PPHU JACEK SURDYK.
28.06.2023	96/VIII/2023	giving consent to enter into an agreement with PKP CARGOTABOR Sp. z o.o. on the performance of repairs of wheel sets.
29.06.2023	97/VIII/2023	entering into a Framework Lease Agreement with ING Lease (Polska) sp. z o.o.
20.07.2023	98/VIII/2023	entering into a sponsorship agreement with the Polish Olympic Committee.
20.07.2023	99/VIII/2023	variable compensation to Mr. Dariusz Seliga for the financial year 2022.
20.07.2023	100/VIII/2023	variable compensation to Mr. Maciej Jankiewicz for the financial year 2022.
20.07.2023	101/VIII/2023	variable compensation to Mr. Jacek Rutkowski for the financial year 2022.
20.07.2023	102/VIII/2023	variable compensation to Mr. Zenon Kozendra for the financial year 2022.
20.07.2023	103/VIII/2023	variable compensation to Mr. Marek Olkiewicz for the financial year 2022.

20.07.2023	104/VIII/2023	giving consent to enter into an agreement with NEWAG S.A. on performance of periodic repairs of 13 ST48 series locomotives at P4 maintenance level.
20.07.2023	105/VIII/2023	giving consent to enter into an agreement with PKP Informatyka spółka z o.o. to provide system maintenance services and to make available PKP Informatyka spółka z o.o. systems and infrastructure.
20.07.2023	106/VIII/2023	excusing an absence at a PKP CARGO S.A. Supervisory Board meeting
	107/VIII/2023	resolution not adopted
17.08.2023	108/VIII/2023	giving consent to incur a liability by accepting the most favorable offer for the sale of non-traction electricity for the PKP CARGO Purchasing Group in the period from 1 January 2024 to 31 December 2024, and PKP CARGO S.A. concluding an agreement for the sale of non-traction electricity for the period from 1 January 2024 to 31 December 2024.
31.08.2023	109/VIII/2023	on entering into an agreement with Pluxee Polska sp. z o.o. for the supply of food vouchers.
31.08.2023	110/VIII/2023	on adopting the consolidated text of the Articles of Association of PKP CARGO S.A.
31.08.2023	111/VIII/2023	on entering into a donation agreement with the Steam Engine Era Foundation.
15.09.2023	112/VIII/2023	entering into a Master Leasing Agreement with PKO Leasing S.A.
15.09.2023	113/VIII/2023	entering into a leaseback transaction with ING LEASE (Polska) sp. z o.o.
15.09.2023	114/VIII/2023	incurring liabilities by drawing down on the loan amount pursuant to an agreement with the European Investment Bank.
27.09.2023	115/VIII/2023	setting strategic MBO objectives for the President of the PKP CARGO S.A. Management Board and PKP CARGO S.A. Management Board Members for 2023.
27.09.2023	116/VIII/2023	adopting the PKP CARGO S.A. Supervisory Board Bylaws.
09.10.2023	117/VIII/2023	giving consent for the Company to cover the costs of postgraduate studies for 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.
18.10.2023	118/VIII/2023	giving consent to enter into sales agreements for 703 wrecked wagons.
18.10.2023	119/VIII/2023	entering into Annex No. POIS.05.02.00-00-0052/21-01 to the Co-financing Agreement No. POIS.05.02.00-00-0052/21-00 dated 13 October 2022.
18.10.2023	120/VIII/2023	entering into an agreement with PKO LEASING S.A. for the sale of 23 locomotives and a leaseback agreement with PKO LEASING S.A.
18.10.2023	121/VIII/2023	giving consent to enter into Annex No. 6 to the Overdraft Facility Agreement entered into with Bank Gospodarstwa Krajowego.
18.10.2023	122/VIII/2023	entering into agreements for the successive supply of diesel fuel to fuel stations and container storage tanks.
21.11.2023	123/VIII/2023	giving follow-up consent to accept DB Energie GmbH's offer dated 22.09.2023 and giving consent to enter into a "Traction Energy Supply Agreement" with DB Energie GmbH in the Federal Republic of Germany for 2024-2025.
27.11.2023	124/VIII/2023	giving consent to enter into the agreement on PKP Intercity S.A. selling concessionary transportation services for 2024.
27.11.2023	125/VIII/2023	assessing the transactions with related parties concluded in 2022.
05.12.2023	126/VIII/2023	giving consent to enter into an agreement with PKP Polskie Linie Kolejowe S.A. to use throughput capacity for cargo transport in the 2023/2024 train timetable.
08.12.2023	127/VIII/2023	giving consent to enter into the agreement No. TDS-82040-1/2023 with CARGOTOR sp. z o.o. to use throughput capacity in the 2023/2024 timetable.
11.12.2023	128/VIII/2023	approving the "ESG Strategy of the PKP CARGO Group for 2024-2028".

11.12.2023	129/VIII/2023	excusing an absence at a PKP CARGO S.A. Supervisory Board meeting
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Source: Proprietary material.

In 2023, the Supervisory Board did not adopt any resolutions to examine any specific matter at the Company's expense following the procedure in Article 382¹ of the Commercial Company Code.

Moreover, the Supervisory Board analyzed information and studies submitted by the Management Board – also at the Supervisory Board's request or initiative – formulating recommendations or positions reflected in the records of minutes from the Supervisory Board meetings.

The Management Board prepared and submitted to the Supervisory Board the following information:

- 1) in the area of finance, regarding, inter alia:
 - a) the Company's economic and transportation results;
 - b) preparation and adoption of the Business Plan for 2023;
 - c) variable compensation for the Management Board President and for Management Board Members of PKP CARGO S.A. for the financial year 2022;
 - d) assessing transactions concluded in 2021 and 2022 with related parties;
 - e) paid interest notes for unpaid invoices for the last quarter of 2023 and arrears to PKP CARGOTABOR sp. z o.o.

- 2) in the area of strategy and corporate governance, regarding, inter alia:
 - a) setting the MBO objectives for the Management Board to be executed in 2022;
 - b) the investment project in Gniewczyn;
 - c) takeover of the branch of Alstom Pojazdy Szynowe sp. z o. o.;
 - d) construction of a transshipment terminal in Karsznice;

- 3) in the area of management, legal services and marketing, regarding, inter alia:
 - a) resolutions adopted by the PKP CARGO S.A. Management Board;
 - b) issuing an opinion on the PKP CARGO S.A. Management Board's motion to the Extraordinary Shareholder Meeting of PKP CARGO S.A. to amend the Articles of Association of PKP CARGO S.A.;
 - c) Bylaws for Appointing Management Board Members in PKP CARGO S.A.;
 - d) occupational health and safety at PKP CARGO Group for 2022 and the first three quarters of 2023;
 - e) cybersecurity in PKP CARGO S.A.;
 - f) the procedure for selection of bidders for the organization of meetings of the operations and sales divisions;
 - g) request of the NSZZ "Solidarity" of PKP CARGO Eastern Unit of the Company in Lublin;
 - h) regulations in the field of sustainable development that apply to PKP CARGO S.A., as well as legislative proposals under way in EU institutions.

The activities of the Supervisory Board were documented in adopted resolutions and minutes of Supervisory Board meetings in 2023.

In pursuance of the powers defined in the Commercial Company Code and Shareholder Meeting resolutions, the Supervisory Board familiarized itself with the information of the Management Board on issues of key importance for the Company and its position both in the domestic and international market.

In pursuance of the specific obligations following from Article 382 § 3 items 1 and 2 of the *Commercial Company Code*, the Supervisory Board:

- 1) evaluated the Company's financial statements for the financial year 2022 and adopted Resolution No. 57/VIII/2023 (04 April 2023) in this respect;
- 2) considered and gave a favorable opinion on the Management Board's request regarding issuing an opinion on the request to the Shareholder Meeting on the allocation of net profit in the amount of PLN 102,705,659.46 (one hundred and two million seven hundred and five thousand six hundred and fifty nine Polish zloty 46/100) shown in the Standalone Financial Statements of PKP CARGO S.A. for the financial year ended 31 December 2022 prepared in accordance with EU IFRS, to the Company's supplementary capital, and adopted Resolution No. 59/VII/2024 (4 April 2023) on the subject.

The composition of the Management Board in the financial year 2023 is presented in the following table:

No.	Name	Position	Period in office	
			from	to
1	Dariusz Seliga	President of the Management Board	13 April 2022	24 April 2024
2	Marek Olkiewicz	Management Board Member in charge of Operations	3 February 2022	24 April 2024
3	Zenon Kozendra	Management Board Member – Employee Representative	14 July 2016	to date
4	Maciej Jankiewicz	Management Board Member in charge of Finance	25 April 2022	25 April 2024
5	Jacek Rutkowski	Management Board Member in charge of Commerce	25 April 2022	22 April 2024

Source: Proprietary material

V. Supervisory Board Audit Committee

The Supervisory Board Audit Committee is appointed by the Supervisory Board. It consists of at least three Supervisory Board Members, provided that the majority of the Audit Committee members, including its Chairperson, meet the independence criteria specified in § 20 and § 21 of the Company's Articles of Association and in the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Oversight (Journal of Laws 2017.0.1089, as amended). At least one Member of the Audit Committee must be qualified in the area of accounting or audit of financial statements and at least one Member of the Audit Committee has knowledge and skills in the specific industry in which the Company operates. The Committee Members are appointed for a period corresponding to the length of the Supervisory Board's term of office. The tasks of the Audit Committee include in particular: oversight of the organizational unit responsible for internal audit, monitoring the financial reporting process, monitoring the performance of internal control systems, risk management and internal audit systems, including the area of financial reporting, monitoring financial review activities, monitoring the independence of the statutory auditor and the firm authorized to audit financial statements, also when it provides to the Company other services than financial audit and review, assessing the independence of a statutory auditor and giving consent for it to provide permitted financial audit services, recommending a firm authorized to audit financial statements to the Shareholder Meeting to perform financial audit activities, in compliance with the policies in force in the Company: Policy and procedure for the selection of an audit firm to audit the standalone financial statements of PKP CARGO S.A. and the consolidated financial statements of the PKP CARGO Group and Policy for the provision of additional services by PKP CARGO S.A.'s audit firm, its related parties or members of its network. In 2023, the Audit Committee held 11 meetings and took 3 votes using means of direct remote communication, during which 13 resolutions were adopted:

Summary of resolutions adopted by the Supervisory Board Audit Committee in 2023		
date	resolution number	subject matter
13.02.2023	1/2023	approving the Annual Audit Plan of PKP CARGO S.A. for 2023.
16.02.2023	2/2023	recommendations in the area of risk management, IT security and internal audit.
16.02.2023	3/2023	recommendations in the area of insurance policy.
30.03.2023	4/2023	adopting the activity report of the PKP CARGO S.A. Supervisory Board Audit Committee for H2 2022.
04.04.2023	5/2023	statement on the selection of an audit firm to audit the annual Standalone Financial Statements of PKP CARGO S.A. for the financial year ended 31 December 2022, prepared in accordance with EU IFRS, and the annual Consolidated Financial Statements of the PKP CARGO Group for the financial year ended 31 December 2022, prepared in accordance with EU IFRS.
04.04.2023	6/2023	submission by the Supervisory Board of the statement required by §70(1)(8) and §71(1)(8) of the Finance Minister's Regulation of on

		the current and periodic information transmitted by securities issuers and the conditions for recognizing the information required by the regulations of a non-member state as equivalent.
04.04.2023	7/2023	assessment of the Standalone Financial Statements of PKP CARGO S.A. for the financial year ended 31 December 2022 prepared according to EU IFRS
04.04.2023	8/2023	assessment of the Consolidated Financial Statements of the PKP CARGO Group for the financial year ended 31 December 2022 on the Activity of the PKP CARGO Group in 2022 prepared in accordance with EU IFRS and the Management Board Report.
04.04.2023	9/2023	assessment of the Sustainability Report of the PKP CARGO Group for 2022.
19.06.2023	10/2023	issuing an opinion to the Supervisory Board of PKP CARGO S.A. on approving the "PKP CARGO S.A. Business Plan for 2023".
18.09.2023	11/2023	adopting the Activity Report of the PKP CARGO S.A. Supervisory Board Audit Committee for H1 2023.
20.09.2023	12/2023	requesting information from the Company's Management Board in connection with the implementation of the "PKP CARGO S.A. Business Plan for 2023".
16.10.2023	13/2023	adoption of the Policy for the provision of additional services by the audit firm auditing PKP CARGO S.A., its related parties or members of its network" and the "Policy and procedure for the selection of an audit firm to audit standalone financial statements of PKP CARGO S.A. and consolidated financial statements of the PKP CARGO Group".

Source: Proprietary material.

In 2023, the Audit Committee dealt with the following issues in particular:

- 1) monitoring the financial reporting process, including:
 - a) discussion of the results of the audit of the annual financial statements with the statutory auditor, including a review of the report on the audit of the annual financial statements;
 - b) review of the standalone financial statements of PKP CARGO S.A. and the consolidated financial statements of the PKP CARGO Group for the financial year ended 31 December 2022, and discussion of the results of the review of the standalone annual financial statements and the consolidated annual financial statements with the auditor;
 - c) analysis of the consolidated quarterly financial statements and other information for the consolidated quarterly financial statements for Q1 2023;
 - d) review of the tools used in financial reporting and management reporting;
 - e) analyzing the annual financial statements of the Company and the PKP CARGO Group and the PKP CARGO S.A. Management Board Activity Report;
 - f) discussing with the statutory auditor the results of the review of the interim financial statements for the 6-month period ended 30 June 2023;
 - g) analysis of the consolidated financial statements and supplementary information to the consolidated financial statements for the 6-month period ended 30 June 2023;
 - h) analysis of the financial statements and supplementary information to the financial statements for Q3 2023 and the 9-month period ended 30 September 2023;
- 2) monitoring the effective operation of internal control, and internal audit systems and risk management systems, among others with regard to financial reporting, including in particular:
 - a) discussing the semi-annual report on the implementation of internal audit recommendations for H2 2022;
 - b) discussing the half-year report on the activities of the internal audit function at PKP CARGO S.A. for H1 2023;
 - c) discussing the Report on implementation of the Risk Management Policy at PKP CARGO S.A. in 2022;
 - d) discussing the fraud prevention system (monitoring the development and implementation of the system, summing up identified cases);

- e) discussing the report on the activity of the Compliance Section pertaining to the monitoring of legal regulations, including regulatory risks;
 - f) discussing financial risk management (financing, credit risk, FX risk, security policy, insurance policy);
 - g) adopting the Annual Audit Plan at PKP CARGO S.A. for 2023;
 - h) discussing the situation in the Company's internal audit area;
 - i) reviewing the structure of the finance department;
- 3) risk analysis, in particular liquidity risk analysis in terms of actions taken and assessment of their effectiveness to ensure the Company's financial liquidity.

The Committee also dealt with the following topics:

- 1) adopting the Activity Report of the PKP CARGO S.A. Supervisory Board Audit Committee for H2 2022 and H1 2023;
- 2) discussing IT security, audits, inspections and monitoring the implementation of recommendations;
- 3) discussing external audits conducted at the Company;
- 4) discussing the Company's compliance with its disclosure obligations;
- 5) monitoring the legal actions taken by or against the PKP CARGO Group and pending court proceedings;
- 6) discussing the half-year reports on the progress and performance of concluded contracts, for which the PKP CARGO S.A. Supervisory Board gave corporate consent in the form of a resolution for H2 2022 and H1 2023;
- 7) discussing and presenting an opinion to the Supervisory Board on the approval of the PKP CARGO S.A. Business Plan for 2023;
- 8) discussing the status of implementation of the Audit Committee's recommendations for 2022;
- 9) issuing recommendations in the area of risk management, IT security and internal audit;
- 10) issuing recommendations in the area of insurance policy;
- 11) review of the Management Board's material estimates;
- 12) review of the transactions with related parties;
- 13) review of the procurement procedures;
- 14) review of the activity in the area of investor relations;
- 15) review of internal regulations regarding the Audit Committee;
- 16) review of the applied accounting policy and changes made during the year;
- 17) review of the tax strategy and tax risk management system;
- 18) discussing the draft update of the provisions of the Policy for the provision of additional services by the audit firm auditing PKP CARGO S.A., its related parties or members of its network and the Policy and procedure for the selection of an audit firm to audit standalone financial statements of PKP CARGO S.A. and consolidated financial statements of the PKP CARGO Group;
- 19) discussing the letter from the Office of the Polish Financial Supervision Authority dated 9 May 2023 and the Company's response to the letter;
- 20) discussing the issue of ensuring cybersecurity at the Company;
- 21) discussing external sources of financing for the Company's operations;
- 22) assessment of cooperation with the entities providing advisory and consulting services;
- 23) adoption of the Policy for the provision of additional services by the audit firm auditing PKP CARGO S.A., its related parties or members of its network and the Policy and procedure for the selection of an audit firm to audit standalone financial statements of PKP CARGO S.A. and consolidated financial statements of the PKP CARGO Group;
- 24) explaining the circumstances of the Management Board Member's refusal to sign the Company's quarterly report for Q3 2023 and the 9-month period ended 30 September 2023.

VI. Nomination Committee

The Nomination Committee is appointed by the Supervisory Board. It consists of three Supervisory Board Members, of whom at least one Supervisory Board Member must satisfy the independence criteria and be appointed in the manner provided for in § 20 and 21 of the Company's Articles of Association, to discharge the function of Nomination Committee Chairperson. Members of the Nomination Committee are appointed for a term corresponding to the Supervisory Board's term of office. The Nomination Committee organizes and exercises ongoing oversight over the recruitment procedure for the positions of the Company's Management Board Members and over the process of assessment and appointment of the Company's Management Board members, and supports the attainment of the Company's strategic objectives by presenting opinions and findings to the Supervisory Board pertaining to the employment structure and compensation for the Company's employees, including in particular the Company's Management Board Members and upper level management.

In the financial year 2023, the Nomination Committee held 5 meetings and 2 ballots to adopt resolutions using means of remote communication. The Nomination Committee adopted 10 resolutions in 2023:

Breakdown of resolutions adopted by the Supervisory Board Nomination Committee in 2023		
date	resolution number	subject matter
04.05.2023	1/2023	approving the Activity Report of the Nomination Committee of the PKP CARGO S.A. Supervisory Board in 2022.
29.05.2023	2/2023	issuing an opinion on the "Report on compensation of Members of the PKP CARGO S.A. Management Board and Supervisory Board in 2022".
17.07.2023	3/2023	variable compensation to Mr. Dariusz Seliga for the financial year 2022.
17.07.2023	4/2023	variable compensation to Mr. Maciej Jankiewicz for the financial year 2022.
17.07.2023	5/2023	variable compensation to Mr. Jacek Rutkowski for the financial year 2022.
17.07.2023	6/2023	variable compensation to Mr. Marek Olkiewicz for the financial year 2022.
17.07.2023	7/2023	variable compensation to Mr. Zenon Kozendra for the financial year 2022.
17.07.2023	8/2023	issuing an opinion on strategic (MBO) objectives for the President of the Management Board and Management Board Members of PKP CARGO S.A. for 2023.
27.09.2023	9/2023	repealing Resolution No. 8/2023 on issuing an opinion on strategic (MBO) objectives for the President of the Management Board and Management Board Members of PKP CARGO S.A. for 2023.
27.09.2023	10/2023	issuing an opinion on strategic (MBO) objectives for the President of the Management Board and Management Board Members of PKP CARGO S.A. for 2023.

Source: Proprietary material.

In 2023, the Nomination Committee dealt with the following issues in particular:

- 1) setting and overseeing strategic objectives (MBOs) for the PKP CARGO S.A. Management Board:
 - a) settlement of strategic objectives (MBOs) for the PKP CARGO S.A. Management Board Members in 2022;
 - b) preparing and opining strategic objectives (MBOs) for the PKP CARGO S.A. Management Board Members for 2023;
- 2) assessment of the Management Board's work in the context of the company's financial situation;
- 3) monitoring the personnel policy pursued and the compensation system in place:
 - a) discussing the Report on compensation of Members of the PKP CARGO S.A. Management Board and Supervisory Board in 2022;
 - b) discussing amendments to the Company Collective Bargaining Agreement (ZUZP);
 - c) discussing current affairs in the area of the Human Resources Management Department.

VII. Strategy and Sustainability Committee

The Strategy and Sustainability Committee is appointed by the PKP CARGO S.A. Supervisory Board. It consists of at least three Supervisory Board Members, of whom at least one Supervisory Board member must satisfy the independence criteria and be appointed in the manner provided for in § 20 and 21 of the Articles of Association. The Committee Members are appointed for a period corresponding to the length of the Supervisory Board's term of office. The Committee assists the Supervisory Board in defining and properly implementing the strategy and annual and long-term plans of PKP CARGO S.A. and the PKP CARGO Group.

In 2023, the Strategy and Sustainability Committee held 5 meetings, during which 3 resolutions were adopted:

Breakdown of resolutions adopted by the Supervisory Board Strategy and Sustainability Committee in 2023		
Date	Resolution number	in the matter of
24.04.2023	1/2023	approving the Activity Report of the Strategy Committee of the PKP CARGO S.A. Supervisory Board in 2022.
27.09.2023	2/2023	issuing an opinion on the draft PKP CARGO S.A. Supervisory Board Bylaws
11.12.2023	3/2023	issuing an opinion on the ESG Strategy of the PKP CARGO Group for 2024-2028.

Source: Proprietary material.

In 2023, the Strategy and Sustainability Committee dealt with the following issues in particular:

- 1) monitoring the development of the PKP CARGO Group Strategy for 2024-2028 and the ESG Strategy of the PKP CARGO Group for 2024-2028;
- 2) monitoring the execution of annual and long-term activity plans of PKP CARGO S.A. in terms of consistency with the implemented Revision of the PKP CARGO S.A. Strategy, including legal requirements in the area of sustainable development policy (Environmental Social Governance – “ESG”) and proposed activities within the PKP CARGO Group in the ESG area;
- 3) monitoring the progress of projects executed by PKP CARGO S.A.;
- 4) issuing an opinion on amendments to the Supervisory Board Bylaws;
- 5) analyzing the rolling stock strategy for repairing, modernizing and purchasing rolling stock.

VIII. Assessment of the Company's standing

1. Market shares of the PKP CARGO Group

The rail freight market in 2023 operated within a highly volatile international environment, affecting a complex remodeling of supply chains in many of the rail market's relevant industries, and consequently changing both the directions of supplies and the streams of goods themselves, which increasingly arrived in Poland by sea. A major factor affecting rail transport activity and carriers was the strong economic slowdown in Poland and in most countries with which Poland has strong trade relations (especially key partners in Europe). Although the consequences of the war in Ukraine no longer posed as significant an obstacle to business for operators as in the previous year, its far-reaching consequences, along with other problems in global markets, in the form of, among other things, a decline in demand (which was dictated by still-high inflation and energy prices, as well as the significant cost of capital) and the reconstruction of economic dependencies left their mark on overall activity, which in effect limited freight shipments in 2023.

The year 2023 should be described as a difficult time for rail transport, as evidenced by freight performance. In 2023, rail operators transported a total of 231.7 million tons of cargo (-6.8% yoy) and achieved a freight turnover of 61.6 billion tkm (-1.4% yoy). Reduced domestic consumer activity, which had previously supported rapid economic growth, has translated into a reduction in the scale of orders in Poland. In addition, the scale of demand for goods abroad also declined strongly, as did the activity of Polish entities in the East, which unfortunately led to year-on-year declines in rail freight in each of the months from February to December 2023. Compared to the 2022 result, the rail industry recorded a decrease of -16.9 million tons in the volume of goods transported and -0.9 billion tkm in realized freight turnover. The volume of goods transported by rail in 2023 was also noticeably lower than in 2021 (in the previous two years, the weight of goods in the market clearly exceeded the 240 million-ton level). In 2023, the less rapid decrease in freight turnover compared to that in freight volume was caused by an increase in the average haul which stood at nearly 269 km, up by +14 km, compared to the result for 2022. The increase in average haul was influenced both by changes in the direction of freight (due to a reduction in the importance of imports and

transit from the East), as well as continued investments in the construction and modernization of rail infrastructure (including at key seaports for imports into Poland).

In 2023, 125 rail operators on the rail freight market held an active license issued by the President of the Office of Rail Transport (as at 31 December 2023). According to the Office of Rail Transport's data, in 2023, 30 rail carriers conducted transport operations whose market share in terms of transported freight volume exceeded the 0.5% threshold (in 2022, the corresponding figure was 27 rail operators). These included two Companies of the PKP CARGO Group: PKP CARGO S.A. and PKP CARGO Service sp. z o.o. Despite the difficult market situation in 2023, there was still significant interest in obtaining appropriate freight transport licenses on the rail market. Throughout the year, the Office of Rail Transport issued new licenses to rail carriers (as a result, the number of active licenses increased by about 10 year-on-year). In 2023, rail freight transport services were rendered by three companies of the PKP CARGO Group, namely PKP CARGO S.A., PKP CARGO SERVICE Sp. z o.o. and PKP CARGO International a.s. The rail freight market in Poland is highly competitive and continues to grow rapidly, which is demonstrated, for instance, by the situation in the intermodal transport segment, where, despite a number of factors significantly weakening the intermodal segment (such as the deterioration of the global economy, the slump in demand suppressing freight exchanges and the ongoing war in Ukraine relentlessly curtailing transport operations along the East-West route), the market continues to grow quickly in terms of the number of active market players, and during the first 9 months of 2023 (data for the entire year is not yet available) rail intermodal transport services were provided by 26 licensed operators (in 2022 there were 23 operators and back in 2015 there were as few as 11 operators).

The PKP CARGO Group continues to be the undisputed leader in the rail freight transport market in Poland both in terms of share in the transported freight volume and the generated freight turnover. The PKP CARGO Group's market shares in 2023 were 33.1% (-4.4 p.p. yoy) in terms of freight volume and 33.9% in terms of freight turnover (-6.0 p.p. yoy). [1] The respective market shares of the PKP CARGO Group's parent company, that is PKP CARGO S.A., were 31.3% (-4.2 p.p. yoy) in terms of freight volume and 33.5% (-5.8 p.p. yoy) in terms of freight turnover.

The data on the transport activity conducted by the PKP CARGO Group in 2023 and 2022 contain consolidated data of PKP CARGO S.A., PKP CARGO SERVICE sp. z o.o. and companies from the PKP CARGO International Group. Transport services are rendered by 6 members of the PKP CARGO 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. The PKP CARGO Group cooperates with the largest Polish and global companies, including: PGE, ENEA, JSW, ArcelorMittal, TAURON, STRABAG, Węglokoks, PKN ORLEN, LAFARGE, AZOTY, CEMET, Kompania Górnicza.

Praca przewozowa Grupy PKP CARGO w latach 2016-2023									(mln tkm)	
Wyszczególnienie	2023	2022	2021	2020	2019	2018	2017	2016	Zmiana 2023/2022	
Paliwa stałe ¹	9 376	11 690	9 583	8 621	10 015	10 931	11 515	12 542	- 2 315	-19,8%
z czego węgiel kamienny	7 778	10 132	7 848	7 112	8 502	9 313	10 155	11 070	- 2 354	-23,2%
Kruszywa i materiały budowlane ²	5 468	5 497	5 131	4 509	5 208	7 185	5 882	4 636	- 29	-0,5%
Metale i rudy ³	1 425	1 984	2 145	1 980	2 742	3 732	4 027	3 436	- 559	-28,2%
Produkty chemiczne ⁴	1 651	1 909	2 246	1 937	2 068	2 204	2 357	2 078	- 258	-13,5%
Paliwa płynne ⁵	484	887	649	681	1 071	1 165	1 340	1 091	- 403	-45,5%
Drewno i płody rolne ⁶	1 005	948	785	984	1 052	1 384	1 764	1 562	58	6,1%
Przewozy intermodalne	2 380	3 577	4 544	4 290	4 060	4 072	3 235	2 474	- 1 197	-33,5%
Pozostałe ⁷	493	516	508	646	656	718	891	703	- 23	-4,4%
Razem	22 282	27 008	25 590	23 649	26 870	31 390	31 011	28 521	- 4 726	-17,5%

Źródło: Opracowanie własne.

Masa towarowa Grupy PKP CARGO w latach 2016-2023									(mln ton)	
Wyszczególnienie	2023	2022	2021	2020	2019	2018	2017	2016	Zmiana 2023/2022	
Paliwa stałe ¹	41,5	51,5	52,1	47,3	53,3	56,6	57,7	59,8	- 10,0	-19,4%
z czego węgiel kamienny	36,3	46,2	46,2	42,5	47,9	51,2	51,7	53,7	- 10,0	-21,6%
Kruszywa i materiały budowlane ²	20,0	21,0	19,8	17,9	20,4	26,0	22,2	18,2	- 1,1	-5,2%
Metale i rudy ³	4,6	6,5	7,1	6,2	9,3	12,6	13,0	11,3	- 2,0	-30,2%
Produkty chemiczne ⁴	4,9	5,4	6,5	5,8	6,3	6,8	7,0	6,3	- 0,5	-8,5%
Paliwa płynne ⁵	1,9	2,8	1,9	2,0	3,7	3,9	4,5	3,0	- 0,9	-31,8%
Drewno i płody rolne ⁶	2,5	3,2	2,4	2,8	3,7	4,0	4,5	4,4	- 0,7	-21,3%
Przewozy intermodalne	5,9	8,4	10,0	9,7	9,5	9,2	7,6	6,5	- 2,5	-29,4%
Pozostałe ⁷	1,5	1,8	1,8	2,0	2,3	2,7	2,6	2,0	- 0,4	-19,5%
Razem	82,7	100,6	101,6	93,6	108,6	121,9	119,1	111,5	- 17,9	-17,8%

Źródło: Opracowanie własne.

2. Terms and conditions of loan agreements

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

[1] Data from the PKP CARGO Group, Office of Rail Transport

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 PKP CARGO Group companies, 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 December 2023, the covenants defined in loan agreements for the Parent Company and subsidiaries were satisfied and therefore under IAS 1 non-current loan liabilities did not have to be reclassified to the current part.

3. Capital expenditures of the PKP CARGO Group

In 2023, the PKP CARGO Group incurred capital expenditures of PLN 1,327.9 million for the acquisition of property, plant and equipment and intangible assets - through procurement, modernization and the so-called "overhaul component" (periodic repairs of P4 and P5 rolling stock and P3 periodic inspections), and recognized right-of-use assets of PLN 393.5 million. Total expenditures of the PKP CARGO Group in 2023 reached PLN 1,721.4 million, i.e. 121.8% more than in 2022.

The majority of the capital expenditures made by the PKP CARGO Group in 2023 was used to execute investment tasks associated with rolling stock, mainly for periodic repairs and periodic inspections of rolling stock (the number of periodic repairs and periodic inspections performed in 2023 is derived from the cycles specified in the Maintenance System Documentation (DSU) of the rolling stock approved by the Office of Rail Transport and the quantum of rolling stock maintained as fit for operation as required for the provision of transportation services) and the acquisition of locomotives – for a total amount of PLN 1,174.8 million (or 68.2% of total capital expenditures). Moreover, the PKP CARGO Group incurred expenditures on computerization, i.e. purchases of computer hardware in the form of computers and ICT equipment as well as intangible assets (software, purchase of licenses and modifications of the owned and used IT systems) in the amount of PLN 25.5 million, for investment construction activity in the amount of PLN 92.9 million, chiefly to modernize container terminals, modernize and construct storage yards, repair rail infrastructure and modernize buildings and structures, including workshop buildings, and purchase and modernize machinery, plant and tools in container terminals and workshop buildings in the amount of PLN 31.6 million, to purchase office equipment and vehicles for PLN 3.1 million and right-of-use assets for PLN 393.5 million, including mainly for the purchase of locomotives for PLN 272.1 million, rental of real estate for PLN 92.2 million and in other areas for PLN 29.2 million, mostly for leasing vehicles and purchasing tools in container terminals and workshop buildings, ICT equipment financed by leases.

4. Analysis of the financial and operating activities of the PKP CARGO Group

In 2023, the PKP CARGO Group reported EBIT of PLN 291.4 million (PKP CARGO S.A.: PLN 192.2 million) compared to PLN 333.3 million in 2022 (PKP CARGO S.A.: PLN 242.2 million) and a net result of PLN 82.1 million (PKP CARGO S.A.: PLN 45.2 million) compared to PLN 148.0 million in 2022 (PKP CARGO S.A.: PLN 102.7 million). The deterioration in the financial results of the PKP CARGO Group was mainly due to the increase in the unit price of transportation services.

In 2023, revenues from contracts with customers increased by PLN 101.8 million yoy up to PLN 5,491.9 million. The increase in revenues was caused directly by an increase in transport services provided by the PKP CARGO Group (freight turnover went down by -17.5% yoy). The PKP CARGO Group was also involved in the pursuit of optimization endeavors with regard to its fixed assets (including sales of wagons and locomotives unnecessary for the conduct of effective operations, including as scrap metal).

In 2023, the PKP CARGO Group recorded an increase in operating expenses by PLN 100.5 million yoy, to PLN 5,155.6 million. Among the key factors affecting the year-over-year movement in operating expenses were:

- 1) a decrease in variable costs (consumption of electricity and traction fuel and infrastructure access services) by PLN 54.8 million associated with a decrease in the quantum of transport services as well as the observed increase in energy prices contracted on the Polish Power Exchange;

- 2) a decrease in the costs of transport services (including, in particular, freight forwarding) by PLN 75.4 million due to a lower level of freight turnover;
- 3) a decrease in the costs of other services by PLN 60.9 million, including as a result of a PLN 29.2 million decrease in rental fees for rolling stock and real estate and a PLN 37.3 million decrease in reclamation costs;
- 4) an increase in other costs by PLN 12.9 million as a result of, among other factors, a PLN 16.1 million increase in the costs of energy and non-traction fuel, water and gas by (due to the observed increase in the prices of energy carriers and fuels);
- 5) an increase in the costs of depreciation and impairment allowances by PLN 58.7 million resulting from capital expenditures connected with rolling stock higher than in the previous years;
- 6) an increase in the costs of employee benefits by PLN 220.0 million, including in connection with the signing of a wage increase agreement as of June 2022 and January 2023 (mainly in PKP CARGO S.A.) and a one-time award for employees in July 2023 (mainly in PKP CARGO S.A.), with a concurrent decline in the headcount number by 332 year-on-year.

Total assets of the PKP CARGO Group at the end of 2023 totaled PLN 8,320.0 million and were PLN 659.8 million higher than in 2022. The largest portion of the PKP CARGO Group's asset structure as at 31 December 2023 was rolling stock and other property, plant and equipment, which together accounted for 63.7% of total assets, compared to 66.6% as at 31 December 2022. Among current assets, the biggest share in the total assets in the period was held by trade receivables. The largest share in the structure of the PKP CARGO Group's equity and liabilities as at 31 December 2023 was attributable to equity, which accounted for 38.5% of total equity and liabilities, compared to 42.2% as at 31 December 2022. During that period, debt liabilities accounted for 34.8% of total equity and liabilities, compared to 31.0% as at 31 December 2022.

The value of cash and cash equivalents as at 31 December 2023 increased by PLN 82.2 million compared to 31 December 2022. Positive cash flows from operating activities in the amount of PLN 1,211.0 million were achieved, among others, for the reported profit before tax of PLN 119.0 million, depreciation and impairment allowances of PLN 791.7 million, negative cash flows resulting from movements in working capital of PLN 313.0 million and other adjustments of PLN -12.7 million. Negative cash flows from investing activities amounted to PLN -987.1 million and were mainly due to expenses incurred on the purchase of non-financial non-current assets in the amount of PLN -1,359.0 million, with simultaneous proceeds from the sale of non-financial non-current assets of PLN 357.0 million (mostly, the sale of wagons and locomotives unnecessary for the conduct of effective operating activities). On the other hand, negative cash flows from financial activities at PLN -133.4 million resulted from the repayment of loans and leases with interest in the amount of PLN -675.9 million, offset by proceeds of PLN 392.2 million from new loans and PLN 139.0 million from new subsidies.

5. Overview of PKP CARGO Group's 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. At present, the PKP CARGO Group's rolling stock repair and maintenance organization has the competences to repair and maintain wagons, electric locomotives at all the maintenance levels from P1 to P5. In addition to the rolling stock owned by the PKP CARGO Group, these workshops also repair rolling stock and sub-assemblies for other owners. Wagons and traction vehicles are the main elements of the PKP CARGO Group's production assets. Changes in rolling stock levels result directly from actions such as the liquidation and sale of unneeded rolling stock or the purchase of new rolling stock. In 2023, the number of locomotives and wagons owned by the PKP CARGO Group decreased. These changes resulted from the sale and physical liquidation of redundant rolling stock in 2023. In addition to these sales, the PKP CARGO Group continues to purchase new locomotives and container flat wagons. In 2022, 278 flat wagons were purchased and 26 modern multi-system locomotives were acquired in 2023. 3 additional locomotives will be purchased in 2024.

Currently, the PKP CARGO S.A. holds safety certificates allowing it to render independent rail transport services in Slovakia, the Czech Republic, Germany, Austria, the Netherlands and Lithuania.

6. Information on capital ties of the PKP CARGO Group

In 2023, the following changes were made to the structure of capital ties of PKP CARGO S.A. (and subsidiaries of PKP CARGO S.A.):

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

On 23 December 2022, an Extraordinary Shareholder Meeting of PKP CARGO TERMINALE sp. z o.o. with its registered office in Żurawica was held and adopted a resolution to increase the share capital of PKP

CARGO TERMINALE sp. z o.o. from PLN 75,015,000.00 to PLN 93,015,000.00, that is by PLN 18,000,000.00, by creating 18,000 new shares with a par value of PLN 1,000.00 each and a total par value of PLN 18,000,000.00, covered by PKP CARGO S.A. with a cash contribution of PLN 18,000,000.00.

The said increase in the share capital of PKP CARGO TERMINALE sp. z o.o. formally occurred on the date of its registration by the registry court (the entry in the National Court Register is of a constitutive nature in this case), which took place on 20 April 2023.

2. Increase in the share capital of PKP CARGOTABOR sp. z o.o. with its registered office in Warsaw, a wholly owned subsidiary of PKP CARGO S.A.

On 30 January 2023, an Extraordinary Shareholder Meeting of PKP CARGOTABOR sp. z o.o. with its registered office in Warsaw was held and adopted a resolution to increase the share capital of PKP CARGOTABOR sp. z o.o. from PLN 92,264,000.00 to PLN 105,764,000.00, that is by PLN 13,500,000.00, by creating 13,500 new shares with a par value of PLN 1,000.00 each and a total par value of PLN 13,500,000.00, covered by PKP CARGO S.A. with a cash contribution of PLN 13,500,000.00.

The said increase in the share capital of PKP CARGOTABOR sp. z o.o. formally occurred on the date of its registration by the registry court (the entry in the National Court Register is of a constitutive nature in this case), which took place on 16 February 2023.

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

On 2 March 2023, the Extraordinary Shareholder Meeting of PKP CARGOTABOR USŁUGI Sp. z o.o. with its registered office in Warsaw was held, during which resolutions were adopted in the following matters, among others: to increase the share capital of PKP CARGOTABOR USŁUGI Sp. z o.o. from PLN 18,138,000.00 to PLN 46,474,000.00, that is by PLN 28,336,000.00, by establishing 28,336 new shares with a par value of PLN 1,000.00 each, with a total par value of PLN 28,336,000.00, which were covered by PKP CARGO S.A. with an in-kind contribution of a market value of PLN 29,764,375.00 in the form of the ownership title to real estate, the perpetual usufruct right to real estate and the ownership title to the buildings and structures considered a separate property from the land on which they are erected, and the ownership title to movables owned by the former Fabryka Wagonów Gniewczyna S.A. with the excess of the value of the in-kind contribution over the total par value of the newly established shares, equal to PLN 1,428,375.00, will be transferred to the supplementary capital of "PKP CARGOTABOR USŁUGI" Sp. z o.o. in the form of a share premium.

The said increase in the share capital of PKP CARGOTABOR USŁUGI Sp. z o.o. formally occurred on the date of its registration by the registry court (the entry in the National Court Register is of a constitutive nature in this case), which took place on 5 April 2023.

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

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

The amount of AWT CFT a.s.'s share capital and the stake in its share capital held by PKP CARGO INTERNATIONAL a.s. did not change.

IX. Assessment of the Company's standing, taking into consideration the appropriateness and effectiveness of its systems of internal control, risk management, compliance with standards or applicable practices and internal audit applied by the Company

The system of controls in place in PKP CARGO S.A. includes all operational procedures and instructions, mechanisms and structures (organizational and hierarchical), internal regulations (resolutions, decisions and orders) which are implemented and performed by the Company in order to effectively conduct its business. In 2023, in terms of the institutional framework, the system is supported by the Security and Audit Department, and more specifically by the Department's Internal Control Section, the Internal Audit Section, and the Cybersecurity Section.

The internal control function operates pursuant to the "Instructions for exercise of institutional control and cooperation with external control authorities in PKP CARGO S.A. Ck-1". Institutional control is executed

both on the basis of an annual control plan and ad hoc. The control plan is subject to approval by the Management Board President.

The internal audit function operates based on the "Audit Bylaws at PKP CARGO S.A." an integral element of which is the Internal Auditor's Code of Ethics. Audit-related tasks are performed in accordance with the annual audit plan developed on the basis of risk analysis, stakeholder proposals and audited areas. The plan is subject to approval by the Company's Management Board and the Supervisory Board Audit Committee. At the Supervisory Board level, supervision over the operation of the audit function is exercised by the Supervisory Board Audit Committee. An additional power of the Supervisory Board in the audit area is the approval of annual budgets of the internal audit unit.

An important element of the control mechanisms system is the area of the Integrated Management System (IMS). The system covers the following areas in particular: ISO 9001 quality management, ISO 27001 information security management, ISO 14000 environmental management, ISO 45001 occupational health and safety management and the Internal Control System for trade in strategic goods. Within the framework of the Company's IMS policy, the Internal Audit Department cooperates with the organizational units of the Head Office and the Company's units and performs internal audits, updates the Quality Book and the Collection of Processes and Procedures, a document supplementing the Quality Book. In accordance with the applicable standards, the recertification process is performed once every three years, and at least once per year supervision audits are carried out by the certification authority. The renewal audit ended in May 2023.

PKP CARGO S.A. has in place an internal Security Operations Center (SOC), which operates within the structures of the Cybersecurity Section of the Security and Audit Department. Due to specific physical security requirements, it is located in the Company's Head Office in Kraków. The structure of the Security Operations Center and the requirements it must meet are defined in the Act on the National Cybersecurity System and the executive regulations issued thereunder. One of its key tasks is to monitor and detect cyberattacks and to safeguard the information system used to provide continuous monitoring coverage to the essential service, which means that monitoring operations must be conducted on a 24/7/365 basis. The structure of the Security Operations Center in PKP CARGO S.A. rests on four pillars, and the detailed extent of its tasks and responsibilities is specified in the Organizational Bylaws of the Security and Audit Department of the PKP CARGO S.A. Head Office:

1. 1st line – continuously monitors the cybersecurity of ICT systems comprising the Information System used to provide the essential service on a 24/7/365 basis;
2. 2nd line – performs incident analysis and responds to cybersecurity incidents;
3. Cybersecurity Systems Administration Team - performs tasks focused on the administration and maintenance of cybersecurity systems relevant to the Department;
4. Cybersecurity Design and Coordination Team - performs tasks such as Planning, design, and implementation of cybersecurity systems, policies, procedures and cybersecurity documentation, and also recommends cybersecurity-related defense mechanisms.

By Decision No. 17/2020 of the President of the PKP CARGO S.A. Management Board of 15 April 2020 on the adoption of the Organizational Bylaws of the Compliance Section of the PKP CARGO S.A. Head Office, a Compliance Section was established in PKP CARGO S.A. Its duties include coordinating the compliance policy adopted by PKP CARGO S.A. and managing the areas of ethics and preventing corruption. The purpose of the Compliance Management Function at PKP CARGO S.A. is to identify and manage the risk of non-compliance with generally applicable laws and internal regulations, applicable ethical practices, in particular by taking action in situations of non-compliance or suspected non-compliance. The duties of the Compliance Section include the monitoring of legislative amendments (based on legal alerts provided by the LEX Wolters Kluwer system) related to the compliance area, issuing opinions and creating internal regulations in the compliance area, initiating and conducting inspection proceedings in response to suspected irregularities, managing risks by keeping a central register of risks.

The following internal regulations apply in the Company in the field of ethics and counteracting corruption:

- 1) Code of Ethics of PKP CARGO Group adopted by Resolution No. 320/2023 of the PKP CARGO S.A. Management Board of 6 September 2023 (hereinafter: "Code of Ethics");
- 2) Bylaws of reporting irregularities and abuses in the PKP CARGO Group adopted by Resolution No. 321/2023 of the PKP CARGO S.A. Management Board of 6 September 2023;
- 3) Anti-Corruption and Gift Policy of PKP CARGO S.A. adopted by Resolution No. 349/2020 of the PKP CARGO S.A. Management Board of 17 November 2020 (hereinafter: "Anti-Corruption Policy").

The purpose of the Anti-Corruption Policy is to ensure the fulfillment by PKP CARGO S.A. of the standards recommended for compliance management systems in respect of counteracting corruption and the whistleblower protection system in companies listed on the markets organized by the Warsaw Stock Exchange and resulting from Directive (EU) 2019/1937 of the European Parliament and of the Council of

23 October 2019 on the protection of persons who report breaches of Union law. Among the obligations imposed by the directive is the duty to ensure confidential and secure reporting channels and legal protection of whistleblowers against retaliation by the employer.

The Code of Ethics and the Anti-Corruption Policy enable the reporting of irregularities by whistleblowers either openly or anonymously. Accordingly, any person reporting an irregularity may turn directly to the Ethics Officer in the Compliance Section or submit a report through an external entity. In either case, the verification procedure is always carried out by the said Ethics Officer in consultation with the Compliance Officer who manages the daily work of the Compliance Section.

The Compliance Section has been strongly focused on promoting the idea of compliance within the Company among its employees. In order to spread the culture of compliance, an Intranet website (information tabs on the Compliance Section, the Code of Ethics, the Anti-Corruption Policy) and a website for the Company's employees and contractors (devoted to compliance activities at PKP CARGO S.A.) have also been created. The Company regularly conducts employee training courses aimed at promoting compliance (e-learning, training for Value Leaders, middle management). The Compliance Section has also prepared information on compliance at PKP CARGO S.A. for onboarding employees and proposed a template of the anti-corruption clause to be included in contracts entered into by the Company.

In an effort to comply with market standards, PKP CARGO S.A. has implemented and is developing a Compliance Management System, which is to mitigate the risk of sanctions, financial losses and damage to the company's reputation, while at the same time contributing to the creation and consolidation of the Company's positive image.

Acting in the interests of its shareholders, customers and employees, the Company is committed to being a reliable and transparent partner, pursuing growth and increase in the shareholder value of the PKP CARGO Group in accordance with the principles of sustainable development. The Company believes that ethics is the basis of an effective compliance risk management system and a system for the prevention and detection of fraud in this area. Therefore, in order to unify and consolidate the ethical standards in effect in the PKP CARGO Group, it needed to combine and systematize the ethics and compliance functions in all the companies of the PKP CARGO Group. Structural changes were needed in the PKP CARGO Group companies where ethics and compliance had not been addressed. A person responsible for ensuring compliance with ethics and compliance principles had to be appointed to ensure that standards are observed and monitored, and the function itself had to be adapted to the scope and size of each company's business. Accordingly, Compliance Coordinators have been appointed at the subsidiaries in 2023. The responsibilities of a Compliance Coordinator in a subsidiary include:

- 1) taking initiative to implement the Code of Ethics of the PKP CARGO Group,
- 2) supervising the application of the Code of Ethics in the company,
- 3) acting on own initiative or upon notification of a possible violation of the Code of Ethics to clarify matters related to potential violations, including the collection of evidence and its protection and safeguarding against unauthorized access,
- 4) receiving reports of violations of the Code of Ethics,
- 5) cooperating with external entities responsible for operating the reporting system,
- 6) evaluating and verifying reports of violations submitted by employees and other individuals,
- 7) liaising with law enforcement agencies to investigate incidents of corruption in the company,
- 8) ensuring the anonymity of persons who report a violation of the Code of Ethics, as well as of persons who assist in making the report, associates or relatives of the person making the report, and other persons involved in the investigation of the case,
- 9) informing all interested parties of the investigative actions taken, including providing feedback to the individuals who made the reports on the actions taken in connection with the report, within 3 months from the date of confirmation of receipt of the report (this period may be extended to 6 months due to the specific circumstances of the case),
- 10) preparing a report at the end of the investigation process, including information on how the case was handled and resolved,
- 11) creating and maintaining a Register of reports of violations of the Code of Ethics,
- 12) creating and maintaining a Register of Gifts received and given,
- 13) promoting the content of the Code of Ethics among employees,
- 14) receiving and responding to questions from employees, customers and suppliers regarding the applicable Code of Ethics,
- 15) submitting proposals for updating the PKP CARGO S.A. Risk Management Policy to the Compliance Officer of PKP CARGO S.A.,
- 16) initiating and participating in the process of developing training programs in areas related to ethics and delivering training for employees (including management staff),
- 17) submitting quarterly activity reports to the Compliance Officer of PKP CARGO S.A., including the number of irregularities reported, investigations conducted and training provided, as well as an

annual report on the functioning of the Code of Ethics, including in particular a summary of violations reported and corrective measures taken in relation to violations detected.

Compliance Coordinators in subsidiaries were prepared for their work by the Head of the PKP CARGO S.A. Compliance Section, who prepared training materials and presented them in cyclical workshop meetings.

Risk management at PKP CARGO S.A. is a coordinated process encompassing all activities taking place in the Company. Its purpose is to support management in making decisions, setting priorities, determining the level of information quality and security, strengthening the ability to achieve business objectives and identifying possible alternative action paths.

In the risk management area, the Company has in place the "Risk management policy at PKP CARGO S.A." (introduced by Resolution No. 115/2022 adopted by the PKP CARGO S.A. Management Board on 20 April 2022) which defines the process and identifies the persons in charge of its pursuit. The risk management policy imposes the obligation to conduct the identification and assessment of risks and verification of risk treatment plans at least once per year. Also, the most significant risks identified by top management are monitored continuously with the use of key risk indicators (KRIs) designed specifically for this purpose.

X. Assessment of the manner of the Company's fulfillment of reporting duties concerning the application of corporate governance principles

In 2023, the Company was subject to the corporate governance rules adopted by Resolution No. 13/1834/2021 of the Supervisory Board of the Warsaw Stock Exchange on 29 March 2021 included in the document entitled "Best Practice for GPW Listed Companies 2021", with the full wording published on the website of the Warsaw Stock Exchange (hereinafter: "WSE") in the Best Practice 2021 tab.

As required by § 29 section 3 of the WSE Regulations, on 29 July 2021, PKP CARGO S.A. published information on the status of its application of the corporate governance principles set forth in the Best Practice for GPW Listed Companies 2021, which was subsequently updated on 2 August 2023. The information is available on the Company's website in the ESG/Governance tab.

Having examined the information, the Supervisory Board issues a positive opinion on the Company's application of the Best Practice for GPW Listed Companies 2021. The Supervisory Board has reviewed the explanations of the rules the Company decided not to apply and has found the explanations to be adequate. The Supervisory Board has also verified the completeness, accuracy and consistency of the information provided in the designated section of the website.

XI. Assessment of the reasonability of the Company's policy related to sponsorship activities, charitable activities or other activities of a similar nature in the financial year 2023

The Rules and regulations for financing social undertakings in the form of donations and sponsorship by PKP CARGO S.A. contain references to the "Charity Policy for PKP S.A. and PKP Group Companies", a July 2016 document defining the objectives and principles for the conduct of charitable activities and long-term social programs by Polskie Koleje Państwowe S.A. and PKP Group Companies.

For many years PKP CARGO S.A. has been carrying out social programs and sponsoring activities in selected areas. In 2023, they included:

- 1) sports and physical culture, including initiatives, in which PKP CARGO Group employees take part (running, biking);
- 2) events important for the railway community;
- 3) events related to safety in rail traffic;
- 4) science and education, including vocational education in fields related to rail transportation;
- 5) educational activities to raise social awareness in relation to rail transport, both contemporary and its history;
- 6) events promoting knowledge on transportation ecology.

In addition, the activities of previous years concerning the payment of donations to current and retired employees of the Company and their families in need were continued in 2023. The money was spent mainly on treatment and rehabilitation.

XII. Evaluation of the manner in which the Company's Management Board fulfilled its duties stipulated in Article 380¹ CCC, the manner in which the Management Board has prepared or submitted to the Company's Supervisory Board information, documents, reports or clarifications requested in accordance with the procedure provided for in § 4 sec. 5 of the PKP CARGO S.A. Supervisory Board Bylaws, and information on the total remuneration payable by the Company and for all studies commissioned by the Supervisory Board during the financial year 2023 in accordance with the procedure provided for in Article 382¹ of the Commercial Company Code

In 2023, the Management Board insufficiently fulfilled its information duties stipulated in Article 380¹ CCC and in § 4 sec. 5 of the PKP CARGO S.A. Supervisory Board Bylaws.

XIII. Evaluation of the Standalone and Consolidated Financial Statements and the Management Board Report on the Activity of the PKP CARGO Group, as well as the Management Board's motion on the allocation of the profit earned in the financial year ended 31 December 2023

Pursuant to Article 382 § 3 item 1 of the Commercial Company Code, the Supervisory Board, having examined the following documents:

- 1) Standalone Financial Statements of PKP CARGO S.A. for the financial year ended 31 December 2023, prepared in accordance with EU IFRS (hereinafter: "Financial Statements"), comprising:
 - a) statement of profit or loss and other comprehensive income for the period from 1 January 2023 to 31 December 2023,
 - b) statement of financial position as at 31 December 2023,
 - c) statement of changes in equity for the period from 1 January 2023 to 31 December 2023,
 - d) cash flow statement for the period from 1 January 2023 to 31 December 2023,
 - e) notes including significant accounting principles and other explanatory notes to the Standalone Financial Statements of PKP CARGO S.A. for the financial year ended 31 December 2023, prepared in accordance with EU IFRS;
- 2) Consolidated Financial Statements of the PKP CARGO Group for the financial year ended 31 December 2023 prepared in accordance with EU IFRS ("Consolidated Financial Statements"), comprising:
 - a) consolidated statement of profit or loss and other comprehensive income for the period from 1 January 2023 to 31 December 2023,
 - b) consolidated statement of financial position as at 31 December 2023,
 - c) consolidated statement of changes in equity for the period from 1 January 2023 to 31 December 2023,
 - d) consolidated cash flow statement for the period from 1 January 2023 to 31 December 2023,
 - e) notes including significant accounting principles and other explanatory notes to the Consolidated Financial Statements of the PKP CARGO Group for the financial year ended 31 December 2023, prepared in accordance with EU IFRS.
- 3) Management Board Report on the activity of the PKP CARGO Group in 2023,
- 4) Sustainability Report of the PKP CARGO Group for 2023,

on 23 April 2024, adopted Resolution No. 151/VIII/2024 on the assessment of the Standalone Financial Statements of PKP CARGO S.A. for the financial year ended 31 December 2023 prepared in accordance with EU IFRS and on issuing an opinion on the motion of the PKP CARGO S.A. Management Board to the Ordinary Shareholder Meeting of PKP CARGO S.A. and Resolution No. 152/VIII/2024 on the assessment of the Consolidated Financial Statements of the PKP CARGO Group for the financial year ended 31 December 2023 prepared in accordance with EU IFRS and the Management Board Report on the activity of the PKP CARGO Group in 2023 and on issuing an opinion on the motion to the Ordinary Shareholder Meeting of PKP CARGO S.A., whereby it stated the following:

- 1) the audit firm that audited the Financial Statements and the Consolidated Financial Statements, selected by Resolution No. 2/2020 of the Extraordinary Shareholder Meeting of PKP CARGO S.A. of 16 November 2020 (as amended) is:

Grant Thornton Polska P.S.A. (formerly: Grant Thornton Polska spółka z ograniczoną odpowiedzialnością sp.k.) with its registered office in Poznań, entered in the list of audit firms kept by the Polish Agency for Audit Oversight under file no. 4055;

On behalf of the audit firm, the audit of the financial statements was conducted under the supervision of key statutory auditor Marcin Diakonowicz (license no. 10524).

- 2) The Financial Statements and the Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards as endorsed by the European Union ("EU IFRS").
- 3) the components of the Financial Statements comply with EU IFRS, applicable legal regulations and the Company's Articles of Association. The Company's financial standing is reflected by the data contained in the documents forming the Financial Statements, including:
 - a) statement of profit or loss and other comprehensive income for the period from 1 January 2023 to 31 December 2023, showing a net profit of PLN 45.2 million (forty five million two hundred thousand Polish zloty) and positive comprehensive income of PLN 14.5 million (fourteen million five hundred thousand Polish zloty);
 - b) statement of financial position prepared as at 31 December 2023, showing total assets and total liabilities and equity of PLN 7,568.9 million (seven billion five hundred sixty-eight million nine hundred thousand Polish zloty);
 - c) statement of changes in equity for the period from 1 January 2023 to 31 December 2023, showing an increase in equity by PLN 14.5 million (fourteen million five hundred thousand Polish zloty);
 - d) cash flow statement for the period from 1 January 2023 to 31 December 2023 showing an increase in cash by PLN 65.0 million (sixty-five million Polish zloty),
 - e) notes including significant accounting principles and other explanatory notes to the Standalone Financial Statements of PKP CARGO S.A. for the financial year ended 31 December 2023, prepared in accordance with EU IFRS.

It is stated in the statutory auditor's opinion that the Standalone Financial Statements of PKP CARGO S.A. for the financial year ended 31 December 2023:

- a) give a true and fair view of the Company's assets and financial standing as at 31 December 2023 as well as its financial result and cash flows for the financial year ended on that date in accordance with International Accounting Standards, International Financial Reporting Standards and related interpretations announced in the form of regulations of the European Commission, and adopted accounting principles (policy),
 - b) have been prepared on the basis of properly maintained accounting ledgers,
 - c) are consistent as to the form and content with the applicable laws and the provisions of the Company's Articles of Association.
- 4) the components of the Consolidated Financial Statements are in compliance with International Financial Reporting Standards as approved by the European Union, the applicable provisions of law and the Company's Articles of Association.

The financial standing of the PKP CARGO Group is reflected by the data contained in the documents forming the Consolidated Financial Statements, including:

- a) consolidated statement of profit or loss and other comprehensive income for the period from 1 January 2023 to 31 December 2023 showing a net profit of PLN 82.1 million (eighty-two million one hundred thousand Polish zloty) and negative comprehensive income of PLN 30.4 million (thirty million four hundred thousand Polish zloty);
- b) consolidated statement of financial position prepared as at 31 December 2023, showing total assets and total liabilities and equity of PLN 8,320.0 million (eight billion three hundred twenty million Polish zloty);
- c) consolidated statement of changes in equity for the period from 1 January 2023 to 31 December 2023 showing a decrease in equity by PLN 30.4 million (thirty million four hundred thousand Polish zloty),
- d) consolidated cash flow statement for the period from 1 January 2023 to 31 December 2023 showing an increase in cash by PLN 90.5 million (ninety million five hundred thousand Polish zloty);
- e) the notes containing significant accounting principles and other explanatory notes to the Consolidated Financial Statements of the PKP CARGO Group for the financial year ended 31 December 2023, prepared in accordance with EU IFRS.

According to the opinion issued by the statutory auditor, the audited Consolidated Financial Statements:

- a) give a true and fair view of the Group's assets and financial standing as at 31 December 2023 as well as its financial result and cash flows for the financial year ended on that date in accordance with International Accounting Standards, International Financial Reporting Standards and related interpretations announced in the form of regulations of the European Commission, and adopted accounting principles (policy),
- b) are consistent as to the form and content with the laws applicable to the Group and the provisions of the Parent Company's Articles of Association.

- 5) Acting pursuant to Article 55 Section 2a of the Accounting Act of 29 September 1994 (consolidated text in Journal of Laws of 2021, Item 217, as amended), the Management Board has prepared a consolidated report on the activity of the Company and the PKP CARGO Group as a single report.

In opinion of the independent statutory auditor, the Management Board Report (which includes the Management Board Report on the activity of PKP CARGO S.A. in 2023) was prepared in accordance with Article 49 of the Accounting Act of 29 September 1994 (consolidated text: Journal of Laws of 2021, Item 217, as amended) and § 71 of the Finance Minister's Regulation of 29 March 2018 on the Current and Periodic Information Transmitted by Securities Issuers and the Conditions for Recognizing the Information Required by the Regulations of a Non-Member State as Equivalent (Journal of Laws of 2018 Item 757) and is consistent with information included in the Consolidated Financial Statements.

Furthermore, the independent statutory auditor stated that in the light of its knowledge about the PKP CARGO Group and its environment obtained during the audit, the statutory auditor had not identified any material misstatements in the Management Board Report on the activity of the PKP CARGO Group in 2023.

- 6) The Supervisory Board is of the opinion that the annual Standalone Financial Statements of PKP CARGO S.A. for the financial year ended 31 December 2023 and the annual Consolidated Financial Statements of the PKP CARGO Group for the financial year ended 31 December 2023 prepared in accordance with EU IFRS and the Management Board Report on the activity of the PKP CARGO Group in 2023 are consistent with the ledgers, documents and facts.

In connection with §70(1)(14) and §71(1)(12) of the *Finance Minister's Regulation of 29 March 2018 on the Current and Periodic Information Transmitted by Securities Issuers and the Conditions for Recognizing the Information Required by the Regulations of a Non-Member State as Equivalent* (Journal of Laws of 2018 Item 757), the Supervisory Board, by Resolution Nos. 151/VIII/2024 and 152/VIII/2024 of 23 April 2024, endorsed the Standalone Financial Statements of PKP CARGO S.A. for the financial year ended 31 December 2023 prepared in accordance with EU IFRS and the Consolidated Financial Statements of the PKP CARGO Group for the financial year ended 31 December 2023 prepared in accordance with EU IFRS, based on:

- 1) their content and the report on the audit thereof included in the unqualified report on the audit issued for the PKP CARGO S.A. Shareholder Meeting and Supervisory Board by the independent statutory auditor,
- 2) information obtained during meetings and teleconferences with Grant Thornton Polska P.S.A. (formerly: Grant Thornton Polska spółka z ograniczoną odpowiedzialnością sp.k.) with its registered office in Poznań, i.e. the audit firm, including the key statutory auditor,
- 3) information provided to the Supervisory Board by the Supervisory Board Audit Committee as part of the performance, by the Supervisory Board Audit Committee, of assignments provided for in the applicable laws and internal regulations,
- 4) information and data presented to the Supervisory Board by the Management Board,
- 5) information obtained by the Supervisory Board in the capacity of a supervisory body based on the powers vested in the Supervisory Board, including in particular information on internal control and audit activities and access to documents and financial ledgers.

The Management Board has submitted a motion to the Ordinary Shareholder Meeting on the allocation of the net profit of PLN 45,189,668.32 (forty five million one hundred eighty-nine thousand six hundred sixty-eight Polish zloty 32/100) presented in the Standalone Financial Statements of PKP CARGO S.A. for the financial year ended 31 December 2023 prepared according to EU IFRS.

By Resolution No. 154/VIII/2024 of 23 April 2024, the Supervisory Board issued a positive opinion on the motion submitted by the Management Board to the Ordinary Shareholder Meeting on the allocation of the profit presented in the Standalone Financial Statements of PKP CARGO S.A. for the financial year ended 31 December 2023 prepared in accordance with EU IFRS.

XIV. Supervisory Board's self-assessment of its work

The Supervisory Board members participated in the efforts of the Supervisory Board and its individual Committees, and continuously carried out intensive work, the scope of which is described in detail in this *Report*. The Supervisory Board members were in constant contact with the Management Board and, as part of the tasks performed by individual Committees, also with the Company's employees, in particular in the following areas: internal audit, finance, corporate governance, development, human resources management and strategy.

The Supervisory Board has identified risks that may affect the operations of the Company and the PKP CARGO Group and has formulated recommendations and postulates in this regard.

The Supervisory Board analyzed on an ongoing basis the financial performance, freight performance and key economic indicators of the Company provided by the Management Board or the Company's employees.

The Supervisory Board repeatedly recommended to the Management Board various remedial actions, in the areas of trade, operations, investments, organization and human resources management.

In the context of major changes in the market environment and the inability to achieve the adopted strategic objectives, the Supervisory Board expresses the need to develop a new long-term strategy for the PKP CARGO Group, which takes into account the existing global and domestic growth trends.

XV. Supervisory Board's recommendations for the Shareholder Meeting

During its work on the assessment of the financial statements for 2023, the Supervisory Board thoroughly analyzed the opinion presented by the statutory auditor on key issues related to the audit of the financial statements of the Company and the PKP CARGO Group and obtained clarifications from the Management Board. It also comprehensively examined various matters related to the current financial standing of PKP CARGO S.A. and key members of the PKP CARGO Group.

The Supervisory Board, having familiarized itself with the financial statements of the Company and the PKP CARGO Group for the financial year ended 31 December 2023 and the Management Board's report on the activities of the PKP CARGO Group and the Sustainability Report of the PKP CARGO Group for the same period, endorses these documents in the version presented by the Management Board and recommends their approval by the Ordinary Shareholder Meeting.

The Supervisory Board examined the Management Board's motion, in which the Management Board proposed the allocation of the profit presented in the Standalone Financial Statements of PKP CARGO S.A. for the financial year ended 31 December 2023 prepared in accordance with EU IFRS, in the amount of PLN 45,189,668.32.

A positive opinion is hereby issued by the Supervisory Board on the said motions of the Management Board and their approval by the Ordinary Shareholder Meeting is hereby recommended.

The Supervisory Board recommends to the Ordinary Shareholder Meeting to adopt resolutions granting a discharge to the individuals serving on the Management Board in the financial year 2023 on the performance of their duties.

Warsaw, 23 May 2024