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Other information

to PKP CARGO S.A.
under restructuring
CAPITAL GROUP
Consolidated Report

for Q3
2024



ADDITIONAL INFORMATION TO THE CONSOLIDATED QUARTERLY REPORT FOR Q3 2024

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1. Organization of the PKP CARGO w restrukturyzacji Group

1.1 Highlights on the Company and the PKP CARGO w restrukturyzacji Group

The PKP CARGO S.A. w restrukturyzacji Group (hereinafter also referred to as the “PKP CARGO Group” or the “Group”) is a rail freight operator in Poland and the European Union (“EU”) that has provided comprehensive logistics services for years. Apart from transport activity, the PKP CARGO Group provides complementary services supporting the Group in the area of rail freight, including siding and traction services, terminal or forwarding services.

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



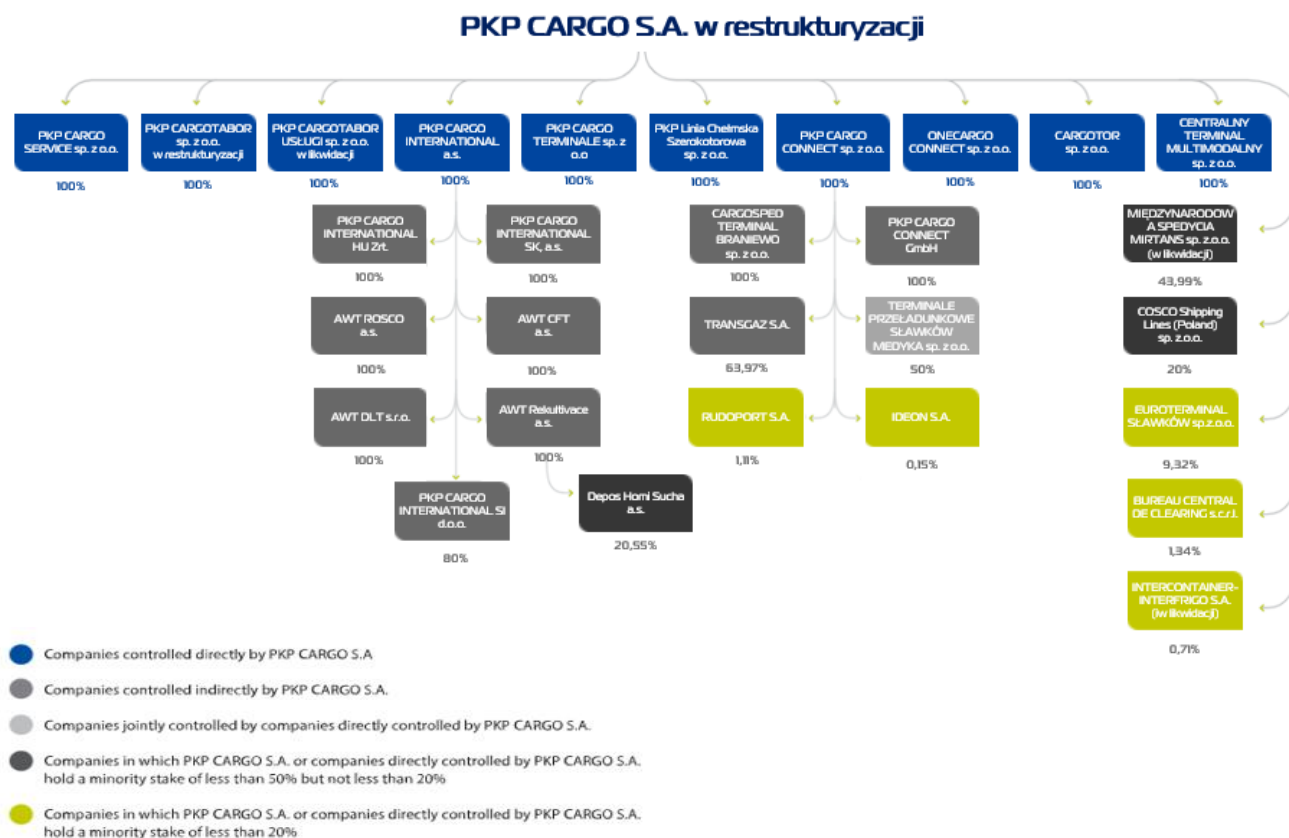
As at 30 September 2024, the PKP CARGO w restrukturyzacji Group consisted of the following entities besides PKP CARGO S.A. (hereinafter: “PKP CARGO”):

- a) 20 subsidiaries of PKP CARGO, controlled directly or indirectly (by entities controlled by PKP CARGO), including:
 - 10 subsidiaries controlled directly by PKP CARGO,
 - 10 subsidiaries controlled directly by companies directly controlled by PKP CARGO (and indirectly controlled by PKP CARGO), including 3 companies directly controlled by PKP CARGO CONNECT sp. z o.o. and 7 companies directly controlled by PKP CARGO INTERNATIONAL a.s.;
 - b) 1 jointly controlled subsidiary (in which a member of the PKP CARGO Group holds a 50% stake in the share capital):
 - 1 company under a joint control of PKP CARGO CONNECT sp. z o.o., holding a 50% stake in its share capital (under an indirect joint control of PKP CARGO): TERMINALE PRZEŁADUNKOWE SŁAWKÓW MEDYKA sp. z o.o.,
- Moreover, as at 30 September 2024, PKP CARGO or PKP CARGO’s (direct or indirect) subsidiaries held shares in 8 companies that were not controlled or jointly controlled by PKP CARGO or PKP CARGO’s subsidiaries, including:
- 5 companies in which PKP CARGO directly holds a minority stake,
 - 2 companies in which PKP CARGO CONNECT sp. z o.o., a company directly controlled by PKP CARGO, holds a minority stake in the share capital in a manner that does not make it possible to exercise control or joint control,

– 1 company related to the PKP CARGO INTERNATIONAL Group in which a company indirectly controlled by PKP CARGO holds a minority stake in the share capital in a manner that does not make it possible to exercise control or joint control.

The chart below presents the structure of capital links with the companies in which PKP CARGO or its subsidiaries held shares as at 30 September 2024:

Figure 1 Structure of capital links with companies in which PKP CARGO or its subsidiaries hold shares – as at 30 September 2024



Source: Proprietary material

During the first three quarters of 2024, the following changes were made to the organization of PKP CARGO Group:

- on 25 April 2024, the Extraordinary Shareholder Meeting of PKP CARGOTABOR USŁUGI sp. z o.o. was held and adopted a resolution to dissolve PKP CARGOTABOR USŁUGI sp. z o.o. through liquidation and to appoint a liquidator for the company as of 25 April 2024.
- on 25 July 2024, the restructuring proceedings of PKP CARGO S.A. were opened.
- on 2 September 2024, the restructuring proceedings of PKP CARGOTABOR sp. z o.o. were opened.

In Q3 2024 and until the date of publication of this report, apart from the events enumerated above, no other changes were made to the PKP CARGO Group’s organization resulting from a merger, obtaining or losing control over subsidiaries or long-term investments, or a demerger, restructuring or discontinuation of business.

1.2 Consolidated entities

The Quarterly Condensed Consolidated Financial Statements of the PKP CARGO Group as at 30 September 2024 encompass PKP CARGO S.A. and 12 subsidiaries consolidated by the full method:

Table 1 Subsidiaries consolidated by the full method

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

The following table contains a list of entities accounted for under the equity method:

Table 2 Entities accounted for under the equity method

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

2. Information about the Parent Company

2.1 Composition of the PKP CARGO Management Board and Supervisory Board

MANAGEMENT BOARD

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

Name	Position	Period in office	
		from	to
Marcin Wojewódka	acting President of the Management Board	26 April 2024	25 July 2024*
		26 July 2024	25 October 2024*
		26 October 2024	25 January 2025*
Paweł Miłek	acting Management Board Member in charge of Commerce,	26 April 2024	25 July 2024*
		26 July 2024	25 October 2024*
		26 October 2024	25 January 2025*
	acting Management Board Member in charge of Restructuring	26 October 2024	25 January 2025*
Monika Starecka	acting Management Board Member in charge of Finance	26 April 2024	25 July 2024*
		26 July 2024	25 October 2024*
		26 October 2024	25 January 2025*

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

In Q3 2024 and until the date of publication of this report, the following changes occurred in the Company's Management Board:

- On 2 July 2024, the District Court for the Capital City of Warsaw, 18th Commercial Division, appointed a temporary court supervisor: Zimmerman Filipiak Restrukturyzacja Spółka Akcyjna;
- On 15 July 2024, the Company's Supervisory Board adopted resolutions to again second Supervisory Board Members to temporarily, that is from 26 July 2024 to 25 October 2024, perform the following duties: Mr. Marcin Wojewódka to serve as acting Management Board Member in the capacity of acting President of the Management Board, Ms. Monika Starecka to serve as acting Management Board Member in the capacity of Management Board Member in charge of Finance, and Mr. Paweł Miłek to serve as acting Management Board Member in the capacity of Management Board Member in charge of Commerce.
- On 25 July 2024, the District Court for the Capital City of Warsaw in Warsaw, 18th Commercial Division, appointed Ms. Izabela Skonieczna-Powałka as administrator of the remedial estate.
- On 2 September 2024, the Supervisory Board, at the request of some of the trade unions operating in the Company, dismissed Mr. Zenon Kozendra, Management Board Member – Representative of Employees, from the Company's Management Board.
- On 15 October 2024, the Company's Supervisory Board adopted resolutions to again second Supervisory Board Members to temporarily, that is from 26 October 2024 to 25 January 2025, perform the following duties: Mr. Marcin Wojewódka to serve as acting Management Board Member in the capacity of acting President of the Management Board, Ms. Monika Starecka to serve as acting Management Board Member in the capacity of Management Board Member in charge of Finance, and Mr. Paweł Miłek to serve as acting Management Board Member in the capacity of Management Board Member in charge of Commerce.
- On 7 November 2024, the Judge-Commissioner at the District Court for the City of Warsaw in Warsaw, 18th Commercial Division, established a Council of Creditors composed of Bank Gospodarstwa Krajowego, Bank Powszechna Kasa Oszczędności Bank Polski S.A., Skinest Rail Polska Sp. z o.o., PETROJET Sp. z o.o., NEWAG S.A. and alternate members: MOTO FLOTA Sp. z o.o. and PGE Energetyka Kolejowa S.A.
- On 13 November 2024, the Company's Supervisory Board adopted a resolution to additionally entrust Mr. Paweł Miłek with the duties of Management Board Member in charge of Restructuring.

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

On 6 August 2024, the PKP CARGO S.A. w restrukturyzacji Management Board entrusted the oversight of the Restructuring Projects Team to Ms. Monika Starecka, acting Management Board Member in charge of Finance.

On 3 September 2024, the PKP CARGO S.A. w restrukturyzacji Management Board entrusted the oversight of matters and organizational units of the Company's Head Office existing within the scope of powers of the Management Board Member – Employee Representative within the scope of activity of: (i) Real Estate Department at the PKP CARGO S.A. w restrukturyzacji Head Office to Ms. Monika Starecka, acting Management Board Member in charge of Finance, (ii) Social Communication Department at the PKP CARGO S.A. w restrukturyzacji Head Office to Mr. Marcin Wojewódka, acting President of the Management Board, (iii) Occupational Health and Safety Team at the PKP CARGO S.A. w restrukturyzacji Head Office to Mr. Paweł Miłek, acting Management Board Member in charge of Commerce.

On 11 September 2024, the PKP CARGO S.A. w restrukturyzacji Management Board established the Restructuring Projects Department and entrusted the exercise of temporary oversight thereof to Ms. Monika Starecka, acting Management Board Member in charge of Finance.

SUPERVISORY BOARD

Table 4 Composition of the PKP CARGO Supervisory Board

Name	Position	Period in office	
		from	to
Władysław Szczepkowski	Chairman of the Supervisory Board	12 July 2022	to date
Henryk Grymel	Supervisory Board Member	29 June 2022	21 November 2024
Tomasz Pietrek	Supervisory Board Member	29 June 2022	21 November 2024
Jarosław Ślepaczuk	Supervisory Board Member	29 June 2022	21 November 2024
Michał Wnorowski	Supervisory Board Member	29 June 2022	to date
Paweł Miłek	Supervisory Board Member	19 April 2024	to date
	(seconded to temporarily perform the duties of Management Board Member in charge of Commerce and Management Board Member in charge of Restructuring)	26 April 2024	25 July 2024
		26 July 2024	25 October 2024
		26 October 2024	25 January 2025
Monika Starecka	Supervisory Board Member	19 April 2024	to date
	(seconded to temporarily perform the duties of Management Board Member in charge of Finance)	26 April 2024	25 July 2024
		26 July 2024	25 October 2024
		26 October 2024	25 January 2025
Marcin Wojewódka	Supervisory Board Member	19 April 2024	to date
	(seconded to temporarily perform the duties of President of the Management Board)	26 April 2024	25 July 2024
		26 July 2024	25 October 2024
		26 October 2024	25 January 2025
Bogusław Nadolnik	Supervisory Board Member	14 May 2024	to date
Robert Stępień	Supervisory Board Member	14 May 2024	to date
Marzena Piszczek	Supervisory Board Member	21 November 2024	to date
Izabela Wojtyczka	Supervisory Board Member	16 July 2020	7 October 2024

Grzegorz Lato	Supervisory Board Member	7 October 2024	21 November 2024
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Source: Proprietary material

In Q3 2024 and until the date of publication of this report, the following changes occurred in the Company's Supervisory Board:

- on 7 October 2024, the Company's Extraordinary Shareholder Meeting:
 - dismissed Ms. Izabela Wojtyczka from the Supervisory Board,
 - appointed Mr. Grzegorz Lato to the Supervisory Board.
- on 7 November 2024, Mr. Grzegorz Lato, Supervisory Board Member, tendered his resignation effective as of 21 November 2024.
- on 21 November 2024, the Company's Extraordinary Shareholder Meeting:
 - dismissed Mr. Henryk Grymel, Mr. Tomasz Pietrek and Mr. Jarosław Ślepaczuk from the Supervisory Board,
 - appointed Ms. Marzena Piszczek to the Supervisory Board.

SUPERVISORY BOARD AUDIT COMMITTEE

Table 5 Composition of the Audit Committee of the PKP CARGO Supervisory Board

Name	Position	Period in office	
		from	to
Michał Wnorowski	Committee Chairman	23 August 2022	to date
Marzena Piszczek	Committee Member	27 November 2024	to date
Władysław Szczepkowski	Committee Member	27 November 2024	to date
Jarosław Ślepaczuk	Committee Member	12 July 2022	21 November 2024 (dismissed from the Supervisory Board)
Izabela Wojtyczka	Committee Member	12 July 2022	7 October 2024 (dismissed from the Supervisory Board)
Grzegorz Lato	Committee Member	15 October 2024	21 November 2024

Source: Proprietary material

In Q3 2024 and until the date of publication of this report, the following changes occurred in the Supervisory Board's Audit Committee:

- on 15 October 2024, the Company's Supervisory Board appointed Mr. Grzegorz Lato to its Audit Committee.
- on 7 November 2024, Mr. Grzegorz Lato, Supervisory Board Member, tendered his resignation effective as of 21 November 2024.
- on 21 November 2024, the Company's Extraordinary Shareholder Meeting dismissed Mr. Jarosław Ślepaczuk from the Supervisory Board.
- on 27 November 2024, the Company's Supervisory Board appointed Ms. Marzena Piszczek and Mr. Władysław Szczepkowski to the its Audit Committee.

NOMINATION COMMITTEE

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

Name	Position	Period in office	
		from	to
Marzena Piszczek	Committee Chairman	27 November 2024	to date
Robert Stępień	Committee Member	16 May 2024	to date
Władysław Szczepkowski	Committee Member	12 July 2022	to date
Grzegorz Lato	Committee Chairman	15 October 2024	21 November 2024
Izabela Wojtyczka	Committee Chairwoman	12 July 2022	7 October 2024 (dismissed from the Supervisory Board)

Source: Proprietary material

In Q3 2024 and until the date of publication of this report, the following changes occurred in the Supervisory Board's Nomination Committee:

- on 15 October 2024, the Company's Supervisory Board appointed Mr. Grzegorz Lato to its Nomination Committee to serve as Chairman of the Committee.
- on 7 November 2024, Mr. Grzegorz Lato, Supervisory Board Member, tendered his resignation effective as of 21 November 2024.
- on 27 November 2024, the Company's Supervisory Board appointed Ms. Marzena Piszczek to its Nomination Committee to serve as Chairwoman of the Committee.

STRATEGY AND SUSTAINABILITY COMMITTEE

Table 7 Composition of the Strategy and Sustainability Committee of the PKP CARGO Supervisory Board

Name	Position	Period in office	
		from	to
Władysław Szczepkowski	Committee Chairman	12 July 2022	to date
Michał Wnorowski	Committee Member	12 July 2022	to date
Bogusław Nadolnik	Committee Member	16 May 2024	to date
Henryk Grymel	Committee Member	12 July 2022	21 November 2024 (dismissed from the Supervisory Board)
Tomasz Pietrek	Committee Member	12 July 2022	21 November 2024 (dismissed from the Supervisory Board)

Source: Proprietary material

In Q3 2024 and until the date of publication of this report, the following changes occurred in the Supervisory Board's Strategy and Sustainability Committee:

- on 21 November 2024, the Company's Extraordinary Shareholder Meeting dismissed Mr. Henryk Grymel and Mr. Tomasz Pietrek from the Supervisory Board.

on 27 November 2024, due to the remedial proceedings in progress, the Supervisory Board decided to suspend the operation of the Strategy and Sustainability Committee until 31 January 2025.

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

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

Table 8 Structure of PKP CARGO's share capital

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

Source: Proprietary material

2.3 Shareholders holding at least 5% of the total votes

In the period from the date of publication of the previous periodic report, that is 30 September 2024, to the delivery date of this report, the following changes occurred regarding entities holding, directly or indirectly, significant equity stakes in PKP CARGO:

Table 9 Shareholding structure of PKP CARGO as at 30 September 2024

Shareholder	Number of shares	% of equity	Number of votes	% of the total number of votes at the Shareholder Meeting
PKP S.A.	14,784,194	33.01%	14,784,194	33.01%
Funds* managed by Nationale-Nederlanden PTE S.A.	4,490,053	10.03%	4,490,053	10.03%
Allianz Polska OFE	3,105,654	6.93%	3,105,654	6.93%
Other shareholders	22,407,016	50.03%	22,407,016	50.03%
Total	44,786,917	100.00%	44,786,917	100.00%

* *Nationale-Nederlanden Otwarty Fundusz Emerytalny, Nationale-Nederlanden Dobrowolny Fundusz Emerytalny, Nationale-Nederlanden Dobrowolny Fundusz Emerytalny Nasze Jutro 2025, Nationale-Nederlanden Dobrowolny Fundusz Emerytalny Nasze Jutro 2030, Nationale-Nederlanden Dobrowolny Fundusz Emerytalny Nasze Jutro 2035, Nationale-Nederlanden Dobrowolny Fundusz Emerytalny Nasze Jutro 2040, Nationale-Nederlanden Dobrowolny Fundusz Emerytalny Nasze Jutro 2045, Nationale-Nederlanden Dobrowolny Fundusz Emerytalny Nasze Jutro 2050, Nationale-Nederlanden Dobrowolny Fundusz Emerytalny Nasze Jutro 2055, Nationale-Nederlanden Dobrowolny Fundusz Emerytalny Nasze Jutro 2060 and Nationale-Nederlanden Dobrowolny Fundusz Emerytalny Nasze Jutro 2065*

Source: Proprietary material

On 3 October 2024, Powszechnie Towarzystwo Emerytalne Allianz Polska Spółka Akcyjna, acting on behalf of Allianz Polska Otwarty Fundusz Emerytalny, notified the Company of a decrease in its share in the total number of votes in PKP CARGO below the threshold of 5% of the total number of votes in the Company.

Table 10 Shareholding structure of PKP CARGO as at the publication date of this report.

Shareholder	Number of shares	% of equity	Number of votes	% of the total number of votes at the Shareholder Meeting
PKP S.A.	14,784,194	33.01%	14,784,194	33.01%
Funds* managed by Nationale-Nederlanden PTE S.A.	4,490,053	10.03%	4,490,053	10.03%
Other shareholders	25,512,670	56.96%	25,512,670	56.96%
Total	44,786,917	100.00%	44,786,917	100.00%

* *Nationale-Nederlanden Otwarty Fundusz Emerytalny, Nationale-Nederlanden Dobrowolny Fundusz Emerytalny, Nationale-Nederlanden Dobrowolny Fundusz Emerytalny Nasze Jutro 2025, Nationale-Nederlanden Dobrowolny Fundusz Emerytalny Nasze Jutro 2030, Nationale-Nederlanden Dobrowolny Fundusz Emerytalny Nasze Jutro 2035, Nationale-Nederlanden Dobrowolny Fundusz Emerytalny Nasze Jutro 2040, Nationale-Nederlanden Dobrowolny Fundusz Emerytalny Nasze Jutro 2045, Nationale-Nederlanden Dobrowolny Fundusz Emerytalny Nasze Jutro 2050, Nationale-Nederlanden Dobrowolny Fundusz Emerytalny Nasze Jutro 2055, Nationale-Nederlanden Dobrowolny Fundusz Emerytalny Nasze Jutro 2060 and Nationale-Nederlanden Dobrowolny Fundusz Emerytalny Nasze Jutro 2065*

Source: Proprietary material

2.4 Listing of shares held by management and supervisory board members

The holdings of PKP CARGO shares or rights thereto by the Company's management and supervisory personnel as at the publication date of the previous periodic report, that is 30 September 2024, and as at the publication date of this report was as follows:

Table 11 PKP CARGO shares held by management personnel as at the date of the previous report, i.e. 30 September 2024, and the publication date of this report

Name	Number of PKP CARGO S.A. shares held by Management Board members
as at the publication date of this report	
Izabela Skonieczna-Powałka	0
Marcin Wojewódka	42,100*
Paweł Miłek	3,922
Monika Starecka	10,000**
as at 30 September 2024	
Izabela Skonieczna-Powałka	0

Marcin Wojewódka	34,100*
Paweł Miłek	3,922
Monika Starecka	10,000**

* Including 2,100 shares held through Instytut Emerytalny Sp. z o.o.

** all shares held through Equinox Consulting Sp. z o.o.

Source: Proprietary material

Table 12 PKP CARGO S.A. shares held by Supervisory Board members as at the date of publication of this report and as at 30 September 2024

Name	Number of PKP CARGO S.A. shares held by the Supervisory Board member
as at the publication date of this report	
Władysław Szczepkowski	0
Michał Wnorowski	0
Henryk Grymel	70
Tomasz Pietrek	46
Jarosław Ślepaczuk	0
Marcin Wojewódka	42,100*
Paweł Miłek	3,922
Monika Starecka	10,000**
Bogusław Nadolnik	0
Robert Stępień	0
Grzegorz Lato	0
as at 30 September 2024	
Władysław Szczepkowski	0
Michał Wnorowski	0
Henryk Grymel	70
Tomasz Pietrek	46
Jarosław Ślepaczuk	0
Marcin Wojewódka	34,100*
Paweł Miłek	3,922
Monika Starecka	10,000**
Bogusław Nadolnik	0
Robert Stępień	0

* Including 2,100 shares held through Instytut Emerytalny Sp. z o.o.

** all shares held through Equinox Consulting Sp. z o.o.

Source: Proprietary material

In the period from the date of publication of the report for H1 2024, i.e. from 30 September 2024, to the date of publication of this report, Mr. Marcin Wojewódka, Supervisory Board Member and at the same time acting President of the Management Board, acquired a total of 8,000 PKP CARGO shares.

No other Management Board or Supervisory Board members executed any transactions on the Company's shares in the said period.

3. Key areas of operation of the PKP CARGO Group

3.1 Macroeconomic environment

Macroeconomic environment of the European economy

A crucial factor from the perspective of the rail freight market is the country's macroeconomic situation coupled with the weak economic environment (especially in Germany and other EU countries whose trade ties with the local economy are the strongest). This exerts a significant impact on the economic standing of Poland and the Czech Republic, and thus also translates, indirectly, into the operating performance and revenues generated by members of the PKP CARGO Group. Poland and the Czech Republic are significant players in global trade and major links in the international supply chain. The trends prevailing in the macroeconomic environment translate significantly into the volume of industrial output, which in turn greatly affects the demand for freight services. Any trend of national or global economic revival or slowdown exerts a direct impact on the potential volume of freight available for transportation by rail in Poland and the Czech Republic (the second largest freight operator in the PKP CARGO Group is PKP CARGO International a.s., a provider of transport services mainly in the Czech market).

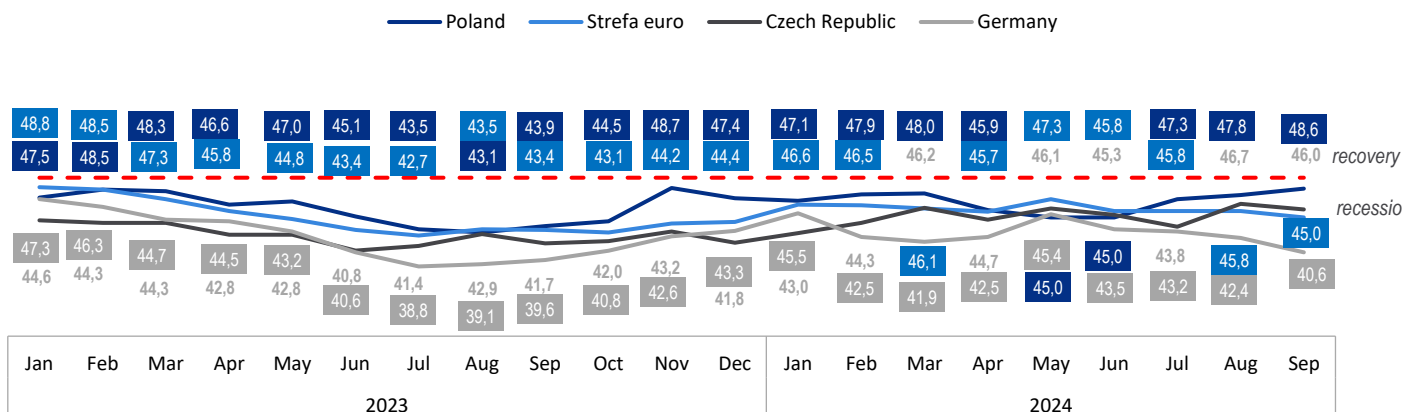
Uncertainty as to the consequences of the war in Ukraine, the possibility of an escalation of the conflict in the Middle East, uncertainty about the future economic policy of the United States (potential intensification of trade and customs wars, including with Europe) are giving rise to a high degree of uncertainty regarding active growth of the transport industry. For a sustained favorable rebound in the industry, a recovery in foreign demand remains crucial. Unfortunately, current data from the global economy (dragged down by Germany's industrial decline) do not indicate a rapid improvement. The postponed effects of the energy crisis in the EU are currently surfacing, with many industries finding themselves unable to return to a path of rapid growth – all this against the backdrop of the growing significance of competitors (including from Asia), which also adversely affects Polish exporters. September's PMI figures point to a clear economic downturn in the major Eurozone economies. Meanwhile, the situation of European manufacturers continues to look bleak. The HCOB Eurozone Manufacturing PMI, a measure of overall industrial health in the Eurozone in September 2024, reached 45.0 points, indicating a deterioration in the area's manufacturing industry (with the score remaining below the 50-point benchmark for the 27th consecutive month). At the same time, the PMI of the German industrial sector stood at a mere 40.6 points (the lowest score in 12 months).¹ An index value above 50 points indicates an increase in industrial activity. Conversely, a score below this threshold points to a downturn. In parallel, according to data published by the German Federal Statistical Office (Destatis), September 2024 also saw a major decline in German industrial output (-2.5% mom and -4.6% yoy). Quarterly data also point to an unambiguous downward trend (in Q3 2024, output declined by -1.9% qoq). Adverse trends affected most branches of German industry with the slowdown also recorded in key sectors (automotive, chemicals and machinery). The situation was particularly concerning in the automotive segment, where output declined in September by as much as -7.8% mom, and in the chemical industry where output shrank by -4.3% mom. The power sector also withered, with energy output down by -2.1% mom. A similar trend was also recorded in the construction industry, where output declined by -1.4% mom. In general though, production declines were particularly severe in energy-intensive industries (-3.3% mom and -2.0% yoy). In this area, declining output was experienced chiefly by the chemical industry.² High energy costs and intense competition (mainly from China) triggered declines in industrial output and foreign investment. These factors are causing a massive withdrawal of foreign capital from the German market, exacerbating the prospects for economic growth. The shockwaves of this situation are also felt beyond Germany's borders. Poland, which is a key economic partner for Germany, is measurably losing the benefits of supply chain integration. Meanwhile, domestic companies are facing the challenge of adapting to new business models and searching for alternative markets (which is a real challenge in the context of the weak activity in the European Union's construction and industrial sectors).³

¹ IHS Markit (www.pmi.spglobal.com/Public/Release/PressReleases – reports for each month)

² Money.pl/gospodarka/czarny-wrzesien-znaczacy-spadek-produkcji-przemyslowej-w-niemczech-7090044345281248a.html

³ Money.pl/gospodarka/czarny-wrzesien-znaczacy-spadek-produkcji-przemyslowej-w-niemczech-7090044345281248a.html

Figure 2 PMI for the manufacturing sector (Markit IHS)



Source: Proprietary material

In 9M 2024, 15 European Union countries recorded negative trade balances, with France experiencing the largest negative result (EUR -68.1 billion, up from EUR -90.4 billion in 2023).⁴

After a noticeable decline in the European Union’s rate of economic growth (GDP), a gradual increase in economic activity has ensued, albeit rather small and gradual. Growth in the first three quarters of this year was: +0.6% yoy in Q1, +0.8% yoy in Q2 and +1.0% yoy in Q3. In contrast, the Community’s largest economy (Germany) has been experiencing GDP declines since Q3 of last year (approx. -0.2% yoy for each quarter). Due to the numerous interconnections within the EU, this exerts an unfavorable impact on the performance of other economies in the region. The Czech Republic, after posting a negative result in Q3 of last year (-0.4% yoy), has been publishing positive and growing performance since Q1 of this year (+0.4% yoy in Q1, +0.6% yoy in Q2 and +1.3% yoy in Q3).

Polish industry and economy



Slight increase in industrial output sold during the first three quarters of 2024 by +0.2% yoy (compared to a -2.3% yoy decrease in the corresponding period of 2023), driven by growth in Q2 and Q3 of this year (by +0.8% and +0.6%, respectively), with a decrease in Q1 of this year (by -0.6% yoy).⁵ During the period under review, the performance of the manufacturing sector (which accounts for more than 4/5 of the sector’s revenue) improved by only +0.1% yoy. The electricity, gas, steam and hot water generation and supply section and the water supply, sewage and waste management and reclamation section recorded an increase in output (+1.2% yoy and +8.2% yoy, respectively). However, the decline in output of the mining and quarrying sector continued (-4.3% yoy).⁶

Increase in yoy output (January-September) in 21 (out of 34) industrial branches which account for an approx. 74% share in the sector’s sold output, including: furniture (+0.9%), rubber and plastic products (+1.4%), motor vehicles (+1.9%), other non-metallic mineral products (+3.1%), wood products (+3.6%), chemicals and chemical products (+4.9%), paper and paper products (+6.8%). In turn, decreases were recorded in branches of major significance for the PKP CARGO Group’s business, including: coal and lignite mining (-14.1%), machinery and equipment manufacturing (-4.4%), metals (-4.2%) and metal products (-1.2%).⁷

According to Statistics Poland’s estimate, **GDP growth in 2023 was only +0.1% yoy** (compared to +5.3% yoy in 2022).⁸

GDP growth in 2024 – According to Statistics Poland’s quick estimate, Gross Domestic Product for Q3 2024 (seasonally unadjusted data) increased by +2.7% yoy in real terms (compared to a -0.6% yoy decline in Q3 2023), following growth of +2.1% yoy in Q1 of this year and +3.2% yoy in Q2 of this year.⁹ Accordingly, positive growth is noticeable despite the tough macroeconomic environment (the pressures of which include limited internal and external demand for the industrial sector’s output). The spending of funds under the National Reconstruction Plan should trigger a noticeable increase in the country’s economic activity next year. In parallel, an impetus for further recovery may also come from the improved performance of other Community economies.

⁴ Statistics Poland / The country’s socio-economic situation in Q1-Q3 2024 (p. 81)

⁵ Statistics Poland (in enterprises employing more than 9 staff) / The country’s socio-economic situation in Q1-Q3 2024

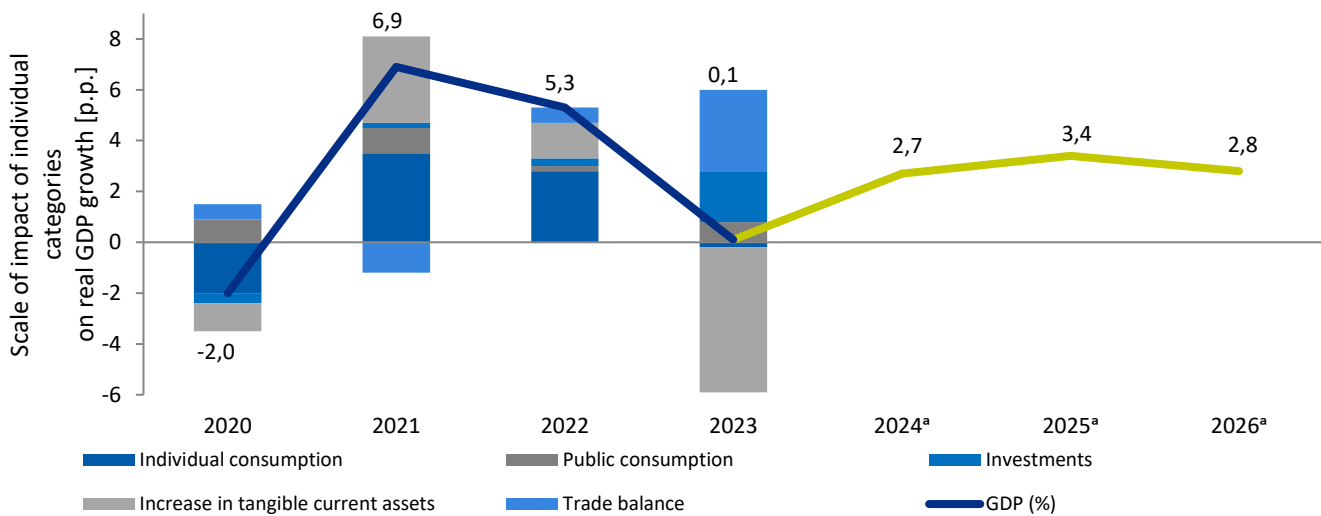
⁶ Statistics Poland / The country’s socio-economic situation in Q1-Q3 2024 (p. 45-46)

⁷ Statistics Poland / The country’s socio-economic situation in Q1-Q3 2024 (p. 48-50)

⁸ Statistics Poland (<https://stat.gov.pl/obszary-tematyczne/rachunki-narodowe/> – Information from Statistics Poland on the updated GDP estimates broken down by quarter for 1995-2023 and Q1-Q2 2024 (30 October 2024)

⁹ Statistics Poland (<https://stat.gov.pl/obszary-tematyczne/rachunki-narodowe/> – Quick estimate of gross domestic product for Q3 2024 (14 November 2024)

Figure 3 Real GDP growth rate in Poland in 2020-2023, its decomposition and forecasts for 2024-2026 – seasonally unadjusted data



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

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

Price changes during the first three quarters of 2024: prices of consumer goods and services increased by +3.3% yoy (compared to +13.2% yoy in the corresponding period of the previous year).¹⁰ At the same time, the prices of industrial output sold decreased by -7.7% yoy, while the prices of construction and assembly output and increased noticeably (by +6.5% yoy).¹¹

Improvement in Q3 2024 in the values of the Purchasing Managers' Index (PMI) – in September, for the 29th consecutive month, the PMI was below the 50.0-point threshold marking the technical border between recovery and recession in the industrial processing sector. The uptick of the index in Q3 of this year to an average value of 47.9 points (up from 45.0 points in June of this year to 48.6 points in September of this year) signifies a marked improvement in the value relative to that recorded in Q2 of this year, when the average value declined to 45.3 points (from 47.7 points in Q1 of this year). However, the deterioration in the prospects of Poland's key cooperating countries in the European Union brings about a further decline in the volume of new orders (although the rate of this decline is definitely lower than in previous periods) and a reduction in the volume of economic output (on a smaller scale than in the previous quarter).¹²

Values of the manufacturing business tendency indicator (Statistics Poland) – following an upward shift during the first five months of this year from -10.5 to -6.2, the indicator dropped sharply to -10.1 in June of this year and then gradually rebounded in subsequent months (from -9.8 in July to -8.1 in September). The average value in Q3 (-8.7) was similar to that in Q1 (-8.6) and noticeably worse than in Q2 (-7.7). This means a noticeable reduction at the end of Q3 of this year (compared to the end of Q2 of this year) in the number of businesses expecting the economic situation to worsen in the coming months compared to those expecting conditions to improve (due to, for instance, a slower decline in new orders or a better perception of the industry's prospects despite the market situation remaining difficult).¹³

Forecasts: according to the National Bank of Poland's current inflation and GDP projection, clear economic growth may be anticipated in 2024-2026. According to the forecast, GDP growth is expected to be as follows: +2.7% yoy in 2024, +3.4% yoy in 2025, and +2.8% yoy in 2026. The years 2024 and 2025 are anticipated to be marked by noticeably elevated price levels, with inflation at, +3.7% yoy and +5.6% yoy, respectively. In 2026, in year-on-year terms, the rate will decline to +2.7%.¹⁴

The following significant factors affected the situation of key industries during the first three quarters of 2024:

- Decline in hard coal output to 32.1 million tons (-2.8 million tons, or -8.0% yoy).¹⁵
- Noticeable decline in the hard coal sale to 30.5 million tons (-2.5 million tons yoy, or -7.7% yoy).¹⁶

¹⁰ Statistics Poland / The country's socio-economic situation in Q1-Q3 2024 (p. 30)

¹¹ Statistics Poland / The country's socio-economic situation in Q1-Q3 2024 (p. 30)

¹² IHS Markit (www.pmi.spglobal.com/Public/Release/PressReleases) – reports for each month

¹³ Statistics Poland, Statistical Bulletin, Table 62 (part 1), column C

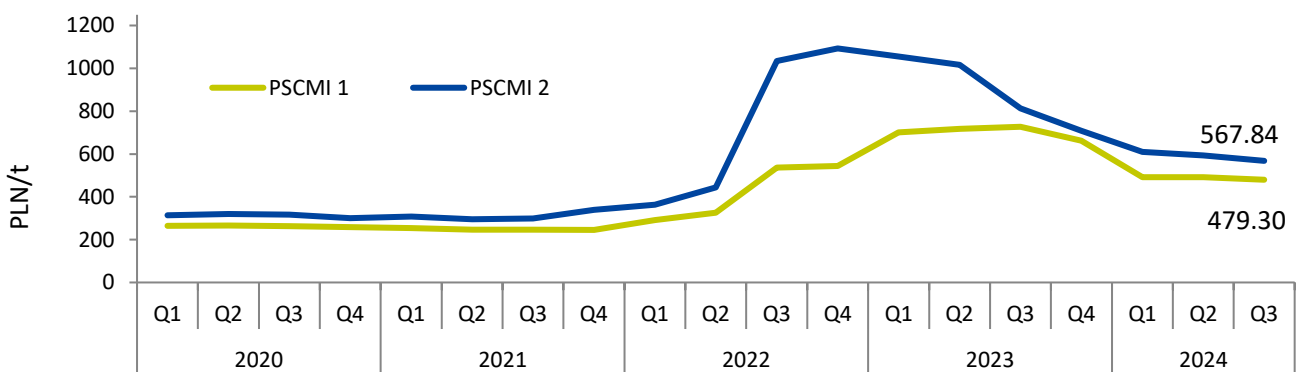
¹⁴ National Bank of Poland (nbp.pl/polityka-pieniezna/dokumenty-rpp/raporty-o-inflacji/..., Inflation Report, November 2024 (.pdf), p. 59)

¹⁵ Industrial Development Agency / polskirynekwegla.pl/raport-dynamiczny/wydobycie-i-sprzedaz-wegla-kamiennego-ogolem

¹⁶ Industrial Development Agency / polskirynekwegla.pl/raport-dynamiczny/wydobycie-i-sprzedaz-wegla-kamiennego-ogolem

- Very high level of hard coal inventories in mine storage yards: at the end of September 2024, inventories stood at more than 5.5 million tons (up by +1.8 million tons, or +47.2% yoy); moreover, inventories also increased significantly compared to the end of 2023 (up by +1.4 million tons, or +32.8% vis-à-vis December 2023).¹⁷
- Noticeable decline in hard coal imports: according to Eurostat data, during the first 9 months of 2024, imports plummeted by -59.8% yoy to 6.0 million tons. Kazakhstan was the main source (with a volume decrease of -36.7% yoy, to 2.5 million tons, which translated into a 41.1% market share). The second largest exporter of coal to Poland was Colombia (huge decline by -62.0% yoy to 1.7 million tons and a 27.5% market share). Russia has not been exporting coal to Poland since June 2022 (due to the embargo imposed in April 2022). These two major suppliers accounted for nearly 69% of Poland’s coal imports.¹⁸
- Price decline in the Polish coal market in Q3 of this year: the average value of PSCMI1 for the commercial power generation segment stood at PLN 479.30 per ton (-34.1% yoy and -2.4% qoq). Meanwhile, PSCMI2 for the district heating segment reached PLN 567.84 per ton (-30.1% yoy and -4.3% qoq).¹⁹

Figure 4 Current and historical values of coal price indices on the Polish market: power industry (PSCMI 1) and heating sector (PSCMI 2)



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

- Increase in electricity consumption in Poland by +1.8% yoy to 125.3 TWh.²⁰
- Increase in electricity output by +3.4% yoy to 123.0 TWh. In parallel, the volume of electricity generated by hard coal-fired commercial power plants decreased by -10.4% yoy (to 49.5 TWh), while lignite-fired power plants recorded a +3.5% yoy increase in output (to 26.6 TWh). In the same period, electricity generation in gas-fired power plants increased by +21.5% yoy (to 11.5 TWh), from other renewable sources increased by +30.5% yoy (to 15.4 TWh) and from wind power increased by +24.7% yoy (to 17.6 TWh).²¹
- Reduction in the importance of hard coal in the national energy mix: decrease in the share of hard coal in total energy output to 40.2% (-6.2 p.p. yoy).²²
- Decrease in construction and assembly output: by -7.0% yoy (vs. +2.1% yoy increase in January-September 2023).²³ In this period, each of the construction branches recorded a decline, including building construction (-2.9% yoy), civil engineering construction (-8.1% yoy) and specialized construction work (-10.1% yoy).²⁴
- Increase in Poland’s cement output by +5.8% yoy to 13.3 million tons, with a decrease in cement clinker output by -3.1% yoy to nearly 9.1 million tons.²⁵
- Increase in steel production in Poland by +10.3% yoy to 5.4 million tons.²⁶
- Decline in steel product output in Poland: output of hot-rolled products decreased by -22.6% yoy to 4.3 million tons, hot-rolled bars and rods by -3.8% yoy to 0.8 million tons, and bars and flat bars by -1.3% yoy to 2.3 million tons.²⁷

¹⁷ Industrial Development Agency / polskirynekwegla.pl/raport-dynamiczny/stan-zapaszow-wegla-kamiennego-caly-okres-czasu

¹⁸ Eurostat – data for the first 9 months of 2024 – European Commission / Eurostat / International Trade

¹⁹ Industrial Development Agency (ARP) – press releases (polskirynekwegla.pl/krajowe-indeksy-weglowe-notowanie-z-wrzesnia-2024-r)

²⁰ Polskie Sieci Elektroenergetyczne (https://www.pse.pl/dane-systemowe/funkcjonowanie-kse/raporty-miesieczne-z-funkcjonowania-kse/raporty-miesieczne)

²¹ Polskie Sieci Elektroenergetyczne (https://www.pse.pl/dane-systemowe/funkcjonowanie-kse/raporty-miesieczne-z-funkcjonowania-kse/raporty-miesieczne)

²² Polskie Sieci Elektroenergetyczne (https://www.pse.pl/dane-systemowe/funkcjonowanie-kse/raporty-miesieczne-z-funkcjonowania-kse/raporty-miesieczne)

²³ Statistics Poland / The country’s socio-economic situation in Q1-Q3 2024: Construction and assembly output by construction companies with more than 9 employees (p. 53)

²⁴ Statistics Poland / The country’s socio-economic situation in Q1-Q3 2024 (p. 54)

²⁵ Statistics Poland – Output of major industrial products in September 2024 – tables.

²⁶ Statistics Poland – Output of major industrial products in September 2024 – tables.

²⁷ Statistics Poland – Output of major industrial products in September 2024 – tables.

- Increased output of the following steel products (among others): cold-rolled sheets by +25.2% yoy to 1.0 million tons and thin sheets by +1.2% yoy to 0.8 million tons.²⁸
- Decline in coke production in Poland by -3.8% yoy to 5.8 million tons.²⁹
- Increase in the production of fertilizers in Poland, including: nitrogen fertilizers (+25.5% yoy to 1.3 million tons), potassium fertilizers (+24.3% yoy to 0.2 million tons) and phosphate fertilizers (+17.4% yoy to 0.2 million tons).³⁰
- Increased output of the following chemical products (among others): nitric acid (+26.0% yoy to 1.7 million tons), ammonia (+25.8% yoy to 1.5 million tons), motor gasoline (+9.1% yoy to 4.2 million tons), diesel fuels (+8.0% yoy to 12.2 million tons) and plastics (+7.7% yoy to 2.4 million tons).³¹
- Decreased output of sulfuric acid (-1.7% yoy to 0.9 million tons).³²
- Decrease in oil imports during the first 8 months of 2024 by -3.7% yoy to 16.6 million tons (by 0.6 million tons).³³
- Gradual deceleration of automotive production in Poland against the backdrop of the lingering low demand: a total of 177.8 thousand passenger cars were manufactured (compared to 226.0 thousand in the corresponding period of the previous year), down by -21.3% yoy. In parallel, an increase was recorded in the number of trucks and tractors produced to 255.6 thousand (from 221.5 thousand in the corresponding period of the previous year), up +15.4% yoy. In turn, the production of vehicles for public transportation (for 10 or more passengers) declined (by -5.8% yoy to fewer than 3.5 thousand, or 215 fewer), as did, to a smaller extent, the production of car engines (by -2.9% yoy, to 1,725 thousand), due to last year's very high base.³⁴

Czech industry and economy



Industrial output sold (current prices, unadjusted data) in the Czech Republic was +5.6% yoy higher in Q3 2024, following a -0.7% yoy decline in Q1 and a -0.2% yoy decline in Q2.³⁵ Among the significant areas for rail freight, Q3 declines were posted in: coal and lignite mining (-26.5% yoy) and metal production (-8.1% yoy). Year-on-year increases were posted in the production of: machinery and equipment (+1.3% yoy), paper and paper products (+7.5% yoy), wood and wood products (+7.7% yoy), rubber and plastic products (+8.0% yoy), motor vehicles, trailers and semi-trailers (+10.0% yoy).³⁶

Value of new orders (current prices, unadjusted data): in Q3 2024, it increased by +6.0% yoy (with good growth in Q1 at +2.2% yoy and in Q2 at +4.2% yoy), with a noticeable increase in both domestic orders (+8.6% yoy) and foreign orders (+4.6 yoy).³⁷

Seasonally adjusted GDP growth in Q3 2024 – According to the CZSO's preliminary estimate, Gross Domestic Product was +1.3% yoy higher (after a +0.6% yoy increase in Q2 of this year and a -0.4% yoy decline in Q3 of last year), and simultaneously increased by +0.3% qoq (after a +0.4% qoq increase in Q2 of this year). In Q3, growth was driven by stronger domestic demand (especially household consumer spending, with a smaller favorable impact from government spending), while external demand remained stagnant (also a component of growth).³⁸

²⁸ Statistics Poland – Output of major industrial products in September 2024 – tables.

²⁹ Statistics Poland – Output of major industrial products in September 2024 – tables.

³⁰ Statistics Poland – Output of major industrial products in September 2024 – tables.

³¹ Statistics Poland – Output of major industrial products in September 2024 – tables.

³² Statistics Poland – Output of major industrial products in September 2024 – tables.

³³ Statistics Poland – Statistical Bulletin No. 9/2024

³⁴ Polish Automotive Industry Association – pzpmm.org.pl/pl/Rynek-motoryzacyjny/Produkcja-pojazdow-samochodowych-i-silnikow-do-pojazdow-mechanicznych-w-Polsce/WRZESIEŃ-2024

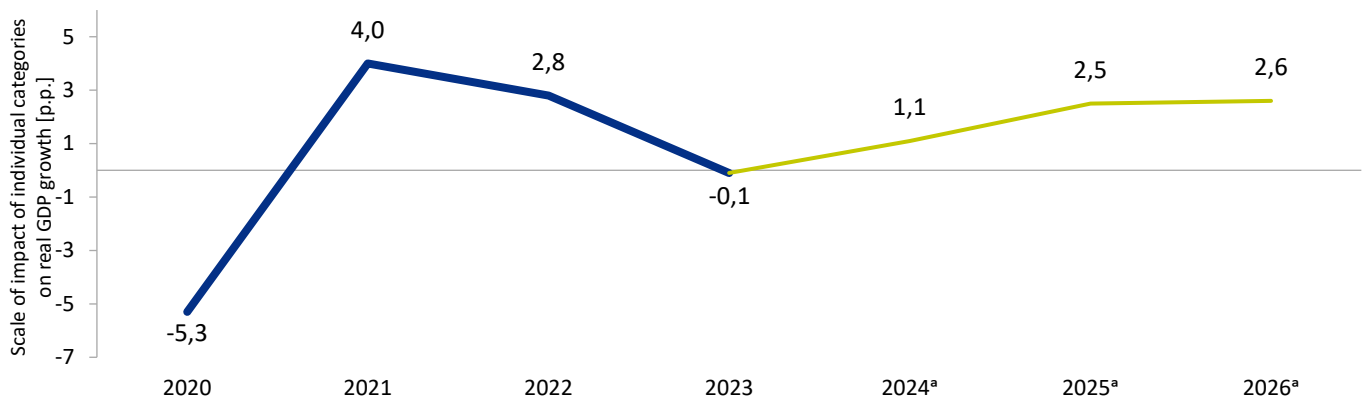
³⁵ Czech Statistical Office / Sales from industrial activity: unadjusted data

³⁶ Czech Statistical Office / Sales from industrial activity: unadjusted data

³⁷ Czech Statistical Office / New industrial orders by selected CZ-NACE divisions: unadjusted data

³⁸ Czech Statistical Office, csu.gov.cz/rychle-informace/predbezny-odhad-hdp-3-ctvrtleti-2024

Figure 5 Real GDP growth rate in the Czech Republic in 2020-2023 and forecasts for 2024-2026 – data adjusted for seasonality



^a – Macroeconomic forecasts of the Czech Ministry of Finance (November 2024)

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

Inflation in Q3 2024 reached +2.3% yoy (following a +2.5% yoy increase in prices in Q2 of this year and a +8.0% yoy increase in Q3 of last year).³⁹

Forecasts of the Czech Ministry of Finance: GDP is expected to gradually increase by: +1.1% yoy in 2024, +2.5% yoy in 2025 and +2.6% yoy in 2026. In these years, inflation should remain close to the inflation target (of approx. 2% yoy, with a slight downward trend).⁴⁰

Improved PMI values, with monthly results still highly volatile: during the first 9 months of 2024, the average PMI value was 45.1 points, compared to 44.9 points in H1 of this year. In parallel, the PMI for the Czech Republic has been below the threshold of 50.0 points for 28 months, marking the technical boundary between recovery and recession in the industrial sector. It is important to note the gradual improvement in the average performance in each of the first three quarters of 2024: an increase from 44.5 points in Q1 to 45.4 points in Q2, to 45.5 points in Q3 (already marking four consecutive quarters with minimal growth, from a very low score of only 42.0 points in last year's Q3). After the index improved from 43.8 points in July of this year to 46.7 points in August (best result in two years), it dwindled again in September to 46.0 points. The lingering low volume of new orders (due to the challenges experienced by key Western partners) does not permit a sufficient use of production capacity of this export-oriented highly industrialized country.⁴¹

The following significant factors affected the situation of key Czech industries during the first three quarters of 2024:

- Decrease in hard coal output: during the first 8 months of 2024, 0.81 million tons of coal were produced (-9.1% yoy), including nearly 0.37 million tons of coking coal (-3.9% yoy) and over 0.44 million tons of thermal coal (-12.9% yoy). Imports saw a noticeable decline (-30.5% yoy, to 1.99 million tons), while the country's exports of this commodity increased (+71.4% yoy, to 0.81 million tons). Of key significance for the Czech economy is still lignite mining (providing a key source of fuel for power units in the Czech Republic). However, due to the continuing downturn, the output of this material declined by approx. -20% yoy (to 14.53 million tons).⁴²
- Strong decline in coke production during the first 8 months of this year by -29.5% yoy to 0.95 million tons. At the same time, a slight increase was posted in crude imports (to 0.15 million tons, up +4.8% yoy), with a parallel increase in exports (to 0.43 million tons, up +9.4% yoy).⁴³
- Historically worst steel production output in the Czech Republic: in H1 2024, Czech steel output was nearly 1.3 million tons, down by more than -0.6 million tons compared to the corresponding period of last year, reflecting the very difficult situation in this market. At the same time, steel consumption declined to 2.9 million tons (down -0.13 million tons yoy). The dominant factor in the sector's performance is still the weak (since 2022) demand, compounded by high energy prices, the problem of elevated inflation and uncertainty in the international environment. In particular, the suspension of production at Liberty Ostrava was a major blow to the industry's performance. In conjunction with these difficulties,

³⁹ vdb.czso.cz / Statistics > Prices, Inflation (Consumer price index according to ECOICOP - year-on-year index)

⁴⁰ www.mfcr.cz/en/fiscal-policy/macroeconomic-analysis/macroeconomic-forecast/2024

⁴¹ Markit PMI (www.pmi.spglobal.com/Public/Release/PressReleases)

⁴² Czech Ministry of Industry and Trade (https://www.mpo.gov.cz/cz/energetika/statistika/tuha-paliva/)

⁴³ Czech Ministry of Industry and Trade (https://www.mpo.gov.cz/cz/energetika/statistika/tuha-paliva/)

a decline in the output of steel products is evident. In H1 2024, exports of steel and steel products totaled nearly 1.6 million tons (down -0.45 million tons yoy) vis-à-vis an increase in imports (to 3.4 million tons, up +0.1 million tons).⁴⁴

- Construction output increased in Q3 2024 after two consecutive quarters of declines (seasonally and calendar-adjusted data, current prices) – after a -4.7% yoy decline in Q1 of this year, the decline in Q2 was -4.0% yoy, whereas in Q3 output rebounded to +1.9% yoy. After three consecutive quarters with negative yoy performance posted by building construction entities (declines of -1.1%, -8.3% and -5.3%), Q3 saw a +0.4% yoy increase. Engineering and construction output also showed a noticeable improvement, which strongly contributed to the +2% growth in the industry in Q3 of this year. After three quarters of consistent growth followed by a decline in the weak Q2 of this year (-1.6% yoy), a marked rebound ensued in Q3 (+4.6% yoy).⁴⁵
- The positive upward trend in the Czech chemical industry (in year-on-year terms, calendar-adjusted data, current prices) was discontinued after consecutive deep declines in the preceding quarters of this year: following a +5.3% yoy increase in Q1 and a +2.0% yoy increase in Q2, the sector's output suffered a noticeable decline of -4.3% yoy in Q3. This indicates the industry's abundant problems related to uneven competition with production coming from outside the European Union as well as high costs (including raw materials and energy) suppressing market competitiveness of the sector's products.⁴⁶
- Greater output of the automotive sector: during the first three quarters of 2024, a total of more than 1,102.4 thousand motor vehicles of various types (passenger cars, trucks, buses and motorcycles) were produced in the Czech Republic, up +7.8% compared to the corresponding period of 2023 (with a +11.5% yoy increase in Q1, a slight -1.2% yoy decrease in Q2 and a rebound to +15.4% in Q3). During the period under review, 1,097.3 thousand passenger cars were manufactured, up +7.8% yoy (predominantly due to the significant positive result in Q1 and Q3, when the yoy production growth surpassed +10%). During the first 9 months of this year, a noticeable increase in the production of motorcycles (+45.1% yoy to nearly 0.8 thousand) and trucks (+16.9% yoy to 1.1 thousand) was also recorded. In turn, the production of buses declined (by -11.8% yoy to 3.2 thousand). The market's Q3 performance, despite the year-on-year increase in output, does not inspire optimism due to declines in production volumes in each of the major vehicle categories except passenger cars, the output of which slightly exceeded the 300,000 mark (having reached 322,900 vehicles, a number similar to the 380,000 vehicles manufactured in the weak Q2 of this year). In parallel, only 80.1 thousand electric vehicles were manufactured during the first three quarters of this year, indicating a continued strong yoy decline (down -18.2%).⁴⁷

3.2 Freight activity

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

3.2.1 Rail transport market in Poland

Three members of the PKP CARGO Group, namely PKP CARGO S.A. w restrukturyzacji, PKP CARGO SERVICE Sp. z o.o. and PKP CARGO International a.s., render rail freight services on the Polish market. According to Office of Rail Transport data, at the end of September 2024, as many as 137 operators held an active license issued for the conduct of rail freight operations (in the corresponding period of 2023, there were 124 such carriers).⁴⁸

The results for the first three quarters of 2024 confirm the unfavorable impact of the weakening of market demand for products in the European Union, directly affecting the scale of rail freight services in Poland. The war in Ukraine, the economic downturn in Europe and the relatively high energy prices are translating into reduced volumes of freight operations. During the first three quarters of this year, rail operators transported a total of 166.5 million tons of cargo and achieved a freight turnover of 43.9 billion tkm. Compared to the corresponding period of the previous year, the volume of transported cargo in the market decreased by -3.7% yoy (or -6.4 million tons), whereas the completed freight turnover declined by -5.2% yoy (or -2.4 billion tkm). Also, the average haul in Poland's rail freight market was slightly lower in year-on-year terms in the same period, at 263.4 km (-4 km or -1.5% yoy).

In Q1 this year, freight performance showed negative rates of yoy growth for each of the months, with respect to both freight volume and freight turnover (January and March saw negative double-digit rates of growth). In Q2 2024, the freight parameters under review improved slightly in year-on-year terms for each of the months. In Q3 of this year, the rail freight market again experienced downward trends, and the market saw declines that intensified with each successive month. As late as in July of this year, the market volume

⁴⁴ Ocelarskaunie.cz / Výroba oceli v ČR se za 1. pololetí roku významně propadla

⁴⁵ Czech Statistical Office / Construction production index

⁴⁶ Czech Statistical Office / Industrial production index

⁴⁷ AutoSap (<https://autosap.cz/en/data-and-statistics/manufacture-and-sale-of-vehicles/> – data for September 2024)

⁴⁸ Office of Rail Transport (licensed rail operators, as stated in the list published by the Office of Rail Transport on 23 September 2024); the statistics take into account entities providing transport services under a license issued by the President of the Office of Rail Transport. Moreover, there are companies operating on the market under an international license.

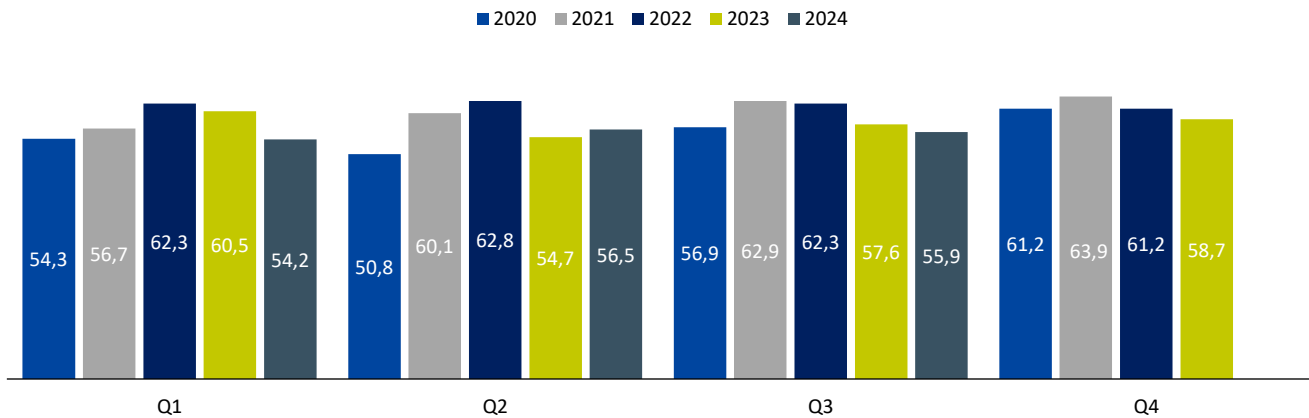
remained slightly positive (+2.0% yoy in terms of freight volume with an already visible -1.1% yoy decline in freight turnover). Then, in August of this year, both freight parameters already recorded a nearly -2% decline, and September brought a large negative year-on-year performance correction – a -9.2% yoy decrease in freight volume and a -10.5% yoy decline in freight turnover. It is worth noting, however, that at the same time favorable indications surfaced in the rail market regarding the performance of the rail intermodal transport segment, where in H1 of this year increases were recorded across all basic parameters describing this market segment (freight volume, freight turnover, ITU and TEU).⁴⁹

During the first 8 months of 2024, the largest cargo category⁵⁰ in rail freight transport in Poland was invariably hard coal, the transport of which follows a lingering downward path in the structure of rail freight, but still accounts for 27.2% of total rail freight traffic. The following changes in rail transport year-on-year performance were recorded over that period in the cargo categories defined by Statistics Poland:⁵¹

- hard coal (a drop in freight volume by -20.4% yoy to 40.2 million tons),
- aggregates, stone, sand and gravel (freight volume up by +6.2% yoy to 35.3 million tons),
- refined petroleum products (down -1.3% yoy to 14.1 million tons),
- chemicals, chemical products (up +19.9% yoy to 7.4 million tons),
- coke, briquettes, gases (down -4.9% yoy to 7.1 million tons),
- metals and metal products (down -6.1% yoy to 6.6 million tons),
- agricultural products (down -7.8% yoy to 4.2 million tons),
- iron ore (up +6.2% yoy to 3.8 million tons).

A noticeable decrease in the volume of freight transported by rail compared to the first 8 months of 2023 was recorded mainly in hard coal (-10.3 million tons). Furthermore, decreases were recorded in the volume of transported: metals and metal products, coke, briquettes, gases and agricultural products (approx. -0.4 million tons each), and refined oil products (-0.2 million tons), among other categories. In parallel, the market saw year-on-year increases in freight volumes of: other cargo (+2.5 million tons, largely due to a recovery in intermodal freight), aggregates, sand and gravel (+2.0 million tons), chemicals and chemical products (+1.2 million tons), cement, lime, gypsum (+0.5 million tons), secondary raw materials, scrap metal (+0.5 million tons), other construction materials (+0.4 million tons) and iron ore (+0.2 million tons), among other categories.⁵²

Figure 6 Rail freight volumes in Poland broken down by quarter in 2020-2024 (million tons)



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

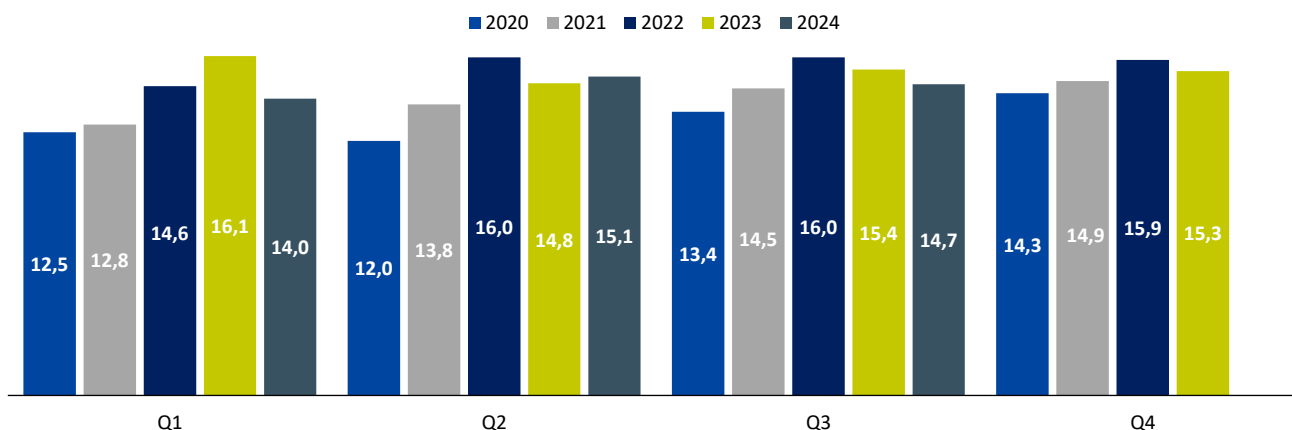
⁴⁹ Office of Rail Transport

⁵⁰ Based on the NST classification

⁵¹ Statistics Poland (data for the first 8 months of 2024)

⁵² Statistics Poland (data for the first 8 months of 2024)

Figure 7 Rail freight turnover in Poland broken down by quarter in 2020-2024 (billion tkm)



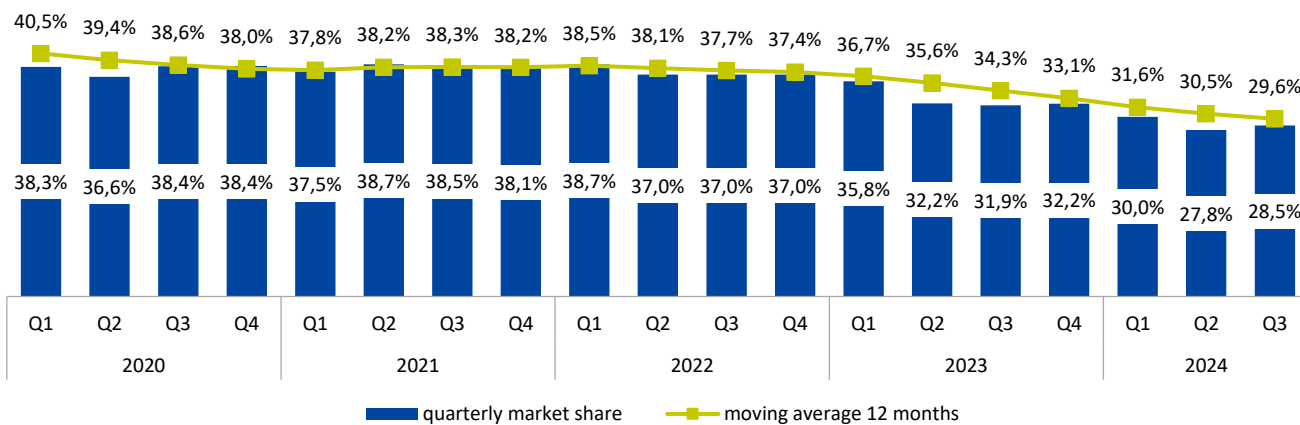
Source: Proprietary material based on the Office of Rail Transport’s data

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

According to the Office of Rail Transport’s data, during the first three quarters of 2024, 31 rail carriers whose market share in terms of transported freight volume exceeded the 0.5% threshold conducted transport operations. These included two members of the PKP CARGO Group: PKP CARGO S.A. w restrukturyzacji and PKP CARGO Service Sp. z o.o.⁵³

The PKP CARGO Group⁵⁴ is the leader in the rail freight market in Poland both in terms of share in the transported freight volume and the generated freight turnover. The PKP CARGO Group’s market share during the first three quarters of 2024 was 28.7 (-4.7 p.p. yoy) in terms of freight volume and 28.0% in terms of freight turnover (-6.3 p.p. yoy).⁵⁵ Concurrently, the respective market shares of the PKP CARGO Group’s parent company, that is PKP CARGO S.A. w restrukturyzacji, were 27.5% (-4.1 p.p. yoy) in terms of freight volume and 27.8% (-6.2 p.p. yoy) in terms of freight turnover.⁵⁶

Figure 8 Quarterly shares of the PKP CARGO Group in freight volume in Poland in 2020-2024



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

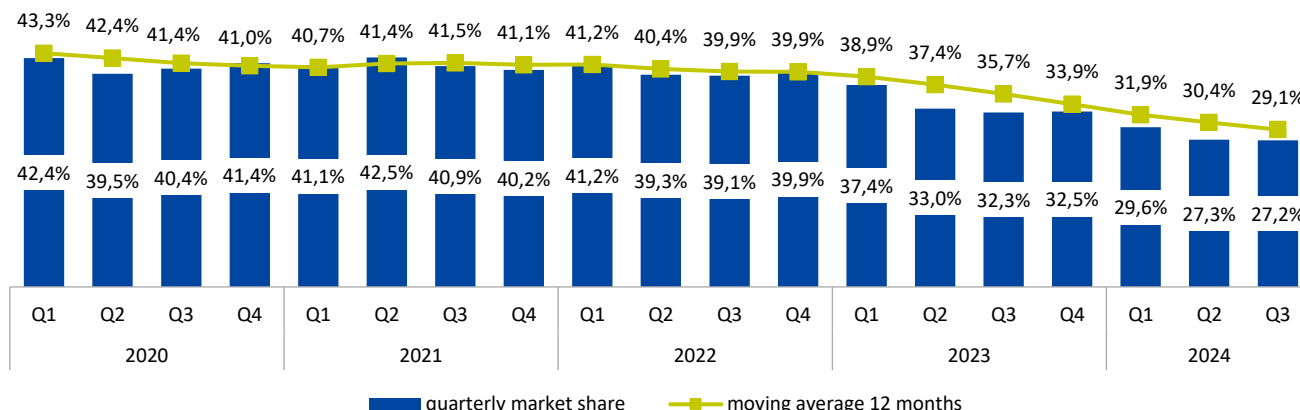
⁵³ Office of Rail Transport

⁵⁴ The PKP CARGO Group’s freight volume takes into account also cargo transported by PKP CARGO International a.s. in Poland.

⁵⁵ PKP CARGO Group and Office of Rail Transport data

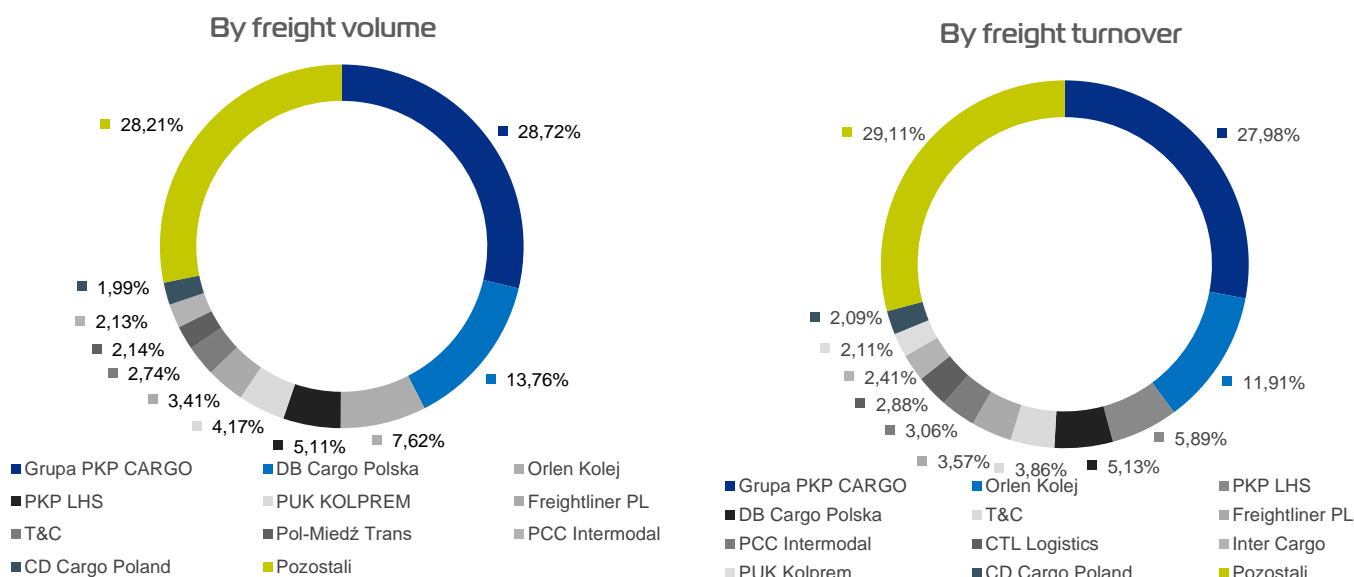
⁵⁶ Office of Rail Transport

Figure 9 Quarterly shares of the PKP CARGO Group in total freight turnover in Poland in 2020-2024



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

Figure 10 Market shares of the largest rail operators in Poland in the first three quarters of 2024



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

During the first three quarters of 2024, the following companies were the Group's main competitors on the Polish rail transport market in terms of freight volume: DB Cargo Polska, Orlen Kolej, PKP LHS, PUK Kolprem, Freightliner PL, T&C, Pol-Miedź Trans, PCC Intermodal and CD Cargo Poland.⁵⁷

During the first three quarters of 2024, the Group's competitors in the Polish market transported a total of 118.7 million tons of freight (+3.0% yoy). In this period, in terms of freight volume, T&C and PKP LHS recorded the largest yoy increase in market share among the PKP CARGO Group's competitors (+1.0 p.p. each). Noteworthy was also the good combined performance of the other smaller market carriers, none of which exceeded the market share threshold of 0.5% (+1.7 p.p.). In turn, the PKP CARGO Group's competitor that recorded the largest drop in market share was DB Cargo Polska (-1.3 p.p. yoy), with a -12.2% yoy decrease in freight volume.⁵⁸

At the same time, freight turnover generated by operators competing with the PKP CARGO Group increased by +4.0% yoy, to 31.6 billion tkm. Also in terms of this parameter, the largest year-on-year increases in market shares were reported by T&C (+1.7 p.p. yoy)

⁵⁷ Office of Rail Transport

⁵⁸ proprietary material based on Office of Rail Transport data

and PKP LHS (+1.2 p.p. yoy). The other small carriers combined saw market share gains of +0.8 p.p. yoy. Significant declines in market share among the Group’s competitors were recorded by Orlen Kolej (-0.6 p.p. yoy) and Ecco Rail (-0.4 p.p. yoy).⁵⁹ The largest rail carriers in terms of freight volume (PKP CARGO Group, DB Cargo Polska and Orlen Kolej) continue to be most affected by reduced market demand for rail freight operations and, accordingly, lost the most freight volume year-on-year after the first three quarters of 2024.

3.2.3 Rail freight transport market in the Czech Republic

In H1 2024, a total of 264.8 million tons of cargo was transported in the Czech Republic (+4.9% yoy) and freight turnover stood at 43.2 billion tkm (+8.4% yoy).⁶⁰ The market saw the following changes: year-on-year decreases in freight volume and freight turnover in waterway transport, a decrease in freight volume and an increase in freight turnover in rail transport, increases in both these parameters in truck transport.

In H1 2024, the average haul of cargo in the market increased by +3.4% yoy and reached 163.1 km, with the road transport segment recording an increase in the average haul by +3.4% yoy (to 159.0 km) and the rail transport segment showing improvement in the average haul by +4.8% yoy (to 181.8 km).⁶¹

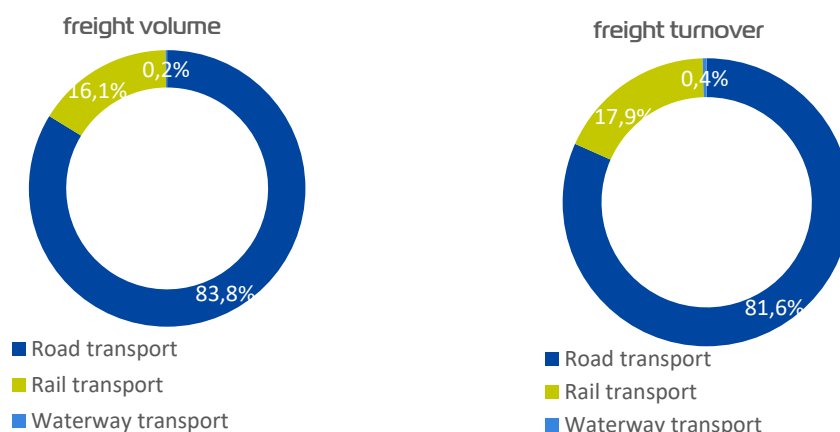
Table 13 Freight transport market in the Czech Republic in H1 2024

Description	FREIGHT VOLUME			FREIGHT TURNOVER			AVERAGE HAUL		
	Volume (million tons)	Change yoy	Change % yoy	Volume (billion tkm)	Change yoy	Change % yoy	Distance (km)	Change yoy	Change % yoy
Total transport market	264.8	12.3	4.9%	43.2	3.4	8.4%	163.1	5.4	3.4%
Road transport	221.8	14.1	6.8%	35.3	3.3	10.4%	159.0	5.3	3.4%
Rail transport	42.5	-1.6	-3.6%	7.7	0.1	1.1%	181.8	8.4	4.8%
Other land transport segments	0.5	-0.2	-27.0%	0.2	-0.1	-23.4%	407.5	19.2	4.9%

* Source: proprietary material based on data published by the Ministry of Transport of the Czech Republic (data for rail, road and water transport).

In H1 2024, rail transport in the Czech Republic recorded a decrease in freight volume to 42.5 million tons (-3.6% yoy) with a concurrent increase in freight turnover to 7.7 billion tkm (+1.1% yoy).⁶² In the same period, cargo operations carried out by road increased by +6.8% (to 221.8 million tons) in terms of freight volume and by +10.4% (to 35.3 billion tkm) in terms of freight turnover. These results translated into a noticeable decline in the rail sector’s share of freight volume (down -1.4 p.p. yoy), with road transport’s share increasing (up +1.5 p.p. yoy). At the same time, rail transport recorded a significant decrease in terms of freight turnover (-1.3 p.p. yoy), with a noticeable increase in the share of the road transport (+1.5 p.p. yoy).⁶³

Figure 11 Shares of various modes of transport in the transport market in the Czech Republic in H1 2024:



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

⁵⁹ proprietary material based on Office of Rail Transport data

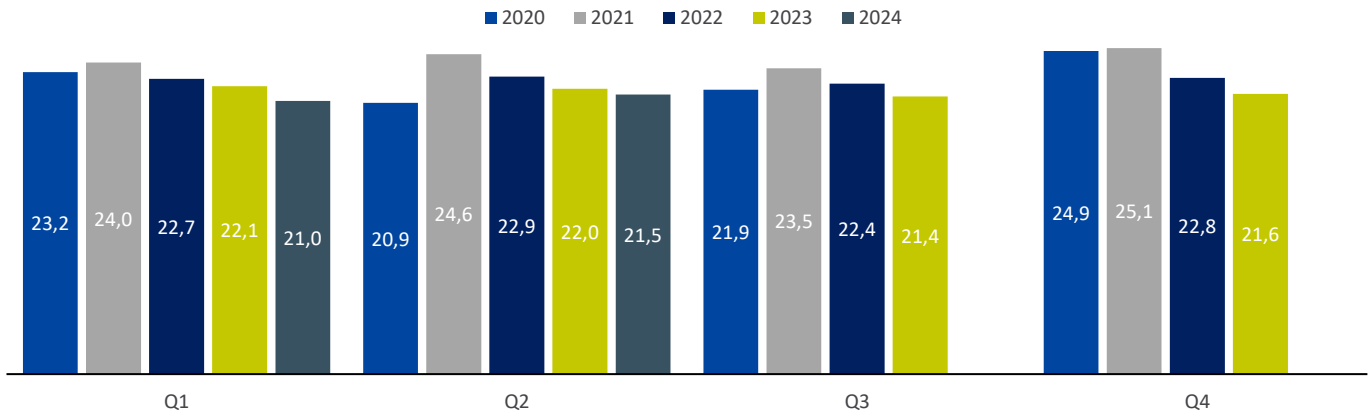
⁶⁰ Ministry of Transport of the Czech Republic, Czech Statistical Office. Data for Q3 2024 will be available around the end of Q4 2024 and the beginning of Q1 2025 (for rail transport, road transport and waterway transport).

⁶¹ Ministry of Transport of the Czech Republic, Czech Statistical Office (data are for rail, road and water transport)

⁶² Ministry of Transport of the Czech Republic, Czech Statistical Office (data are for rail, road and water transport)

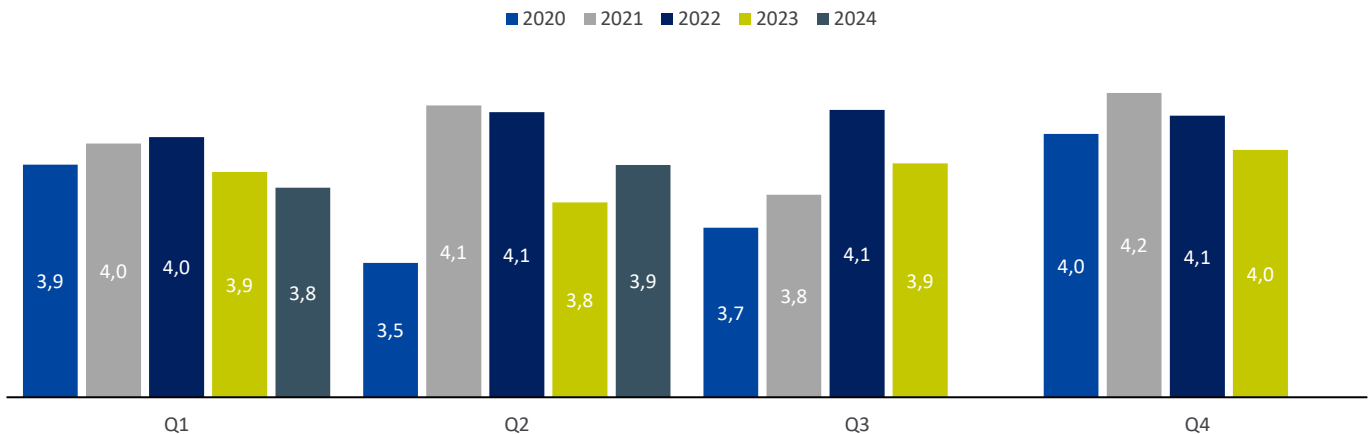
⁶³ Ministry of Transport of the Czech Republic, Czech Statistical Office (data are for rail, road and water transport)

Figure 12 Quarterly rail freight transport in the Czech Republic by freight volume in 2020–2024 (million tons)



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

Figure 13 Rail freight transport in the Czech Republic by freight turnover broken down by quarter in 2020–2024 (billion tkm)



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

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

According to data published by the Czech rail infrastructure manager (SŽDC), 118 operators are currently licensed to provide rail freight services in this country, including 2 members of the PKP CARGO Group: PKP CARGO S.A. w restrukturyzacji and PKP CARGO International a.s.⁶⁴

Freight operations carried out by PKP CARGO International a.s. and other entities in the Czech rail freight market remain under a significant international impact, including due to the weak external demand for Czech industrial products (given that the country’s economy is highly dependent on exports), which reduces the scale of potential transport operations and strongly influences the performance of distinct carriers.

In the first three quarters of 2024, PKP CARGO International a.s. transported 3.9 million tons of freight (-9.4% yoy) and achieved freight turnover of 0.4 billion tkm (+0.9% yoy).⁶⁵ In the same period, the average haul of PKP CARGO International increased to 112.0 km (+11.4% yoy).⁶⁶ Decreases in terms of freight volume were posted in the following cargo categories: solid fuels (-28.6% yoy, including hard coal by -30.7% yoy), aggregates and construction materials (-48.1% yoy), and to a lesser extent other cargo (-13.3% yoy). Other cargo categories recorded growth in shipments during the reporting period. The strongest growth in terms of volume was recorded in intermodal freight (+33.9% yoy). The restoration of the normal scale of freight transport operations resulted in increases in the following cargo categories: metals and ores (+263.3% yoy) and timber and agricultural crops (+733.6% yoy). A positive rate of growth was also posted by the liquid fuels (+26.6% yoy) and chemical products (+13.8% yoy) segments. Solid fuels remain the

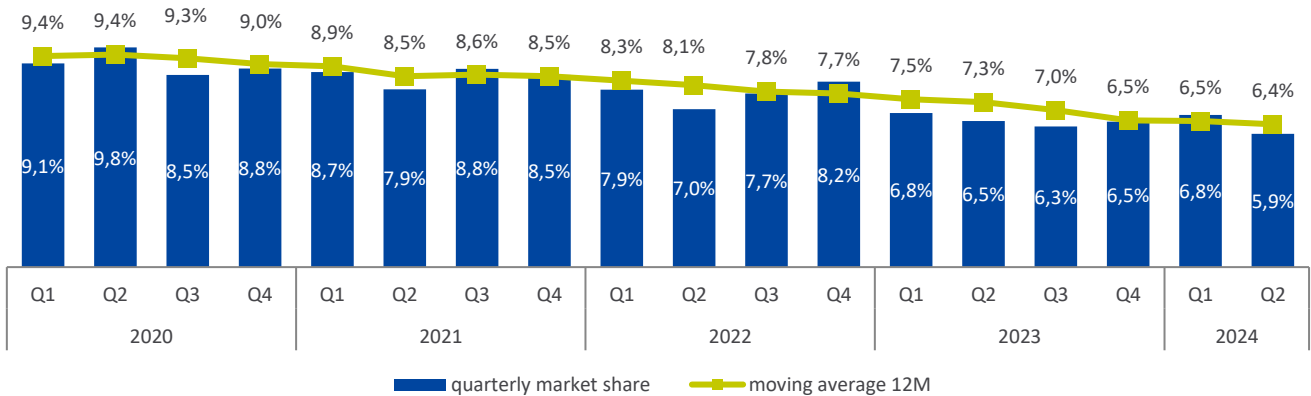
⁶⁴ SŽDC (as at 30 September 2024)

⁶⁵ PKP CARGO International’s own statistics

⁶⁶ PKP CARGO International’s own statistics

largest cargo category in terms of freight volume, with a decrease in share from 67.9% during the first three quarters of 2023 to 53.6% in the corresponding period of 2024. Intermodal transport remained the second most important, with an increase in its share in total volume to 19.0% (from 12.8% last year).⁶⁷

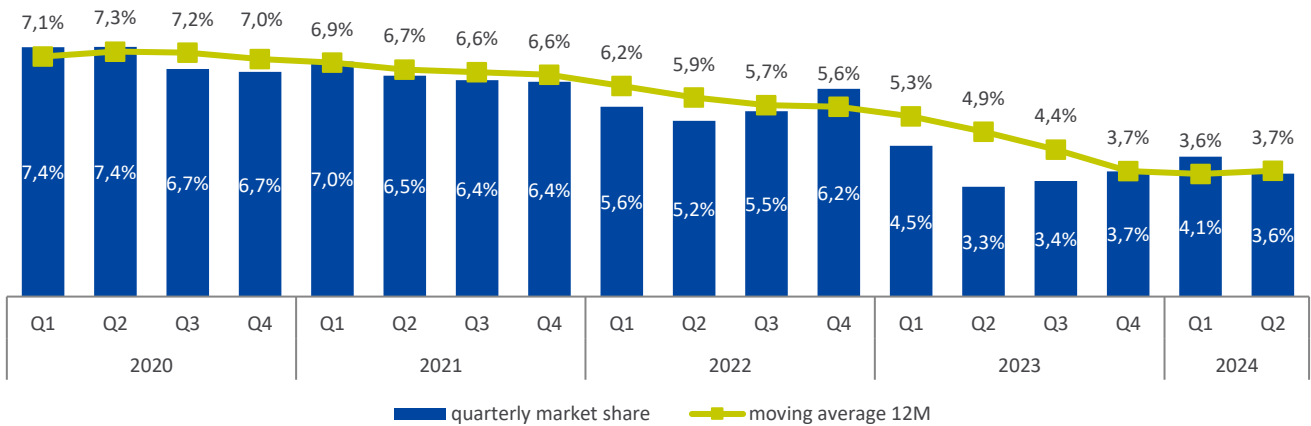
Figure 14 PKP CARGO International a.s.'s quarterly market shares in total freight volume in the Czech Republic in 2020-2024*



* data for Q3 2024 will be available at the end Q4 2024 or the beginning of Q1 2025

Source: proprietary material based on data from the Czech Ministry of Transport, the Czech Statistical Office and PKP CARGO International

Figure 15 PKP CARGO International a.s.'s quarterly market shares in total freight turnover in the Czech Republic in 2020-2024*

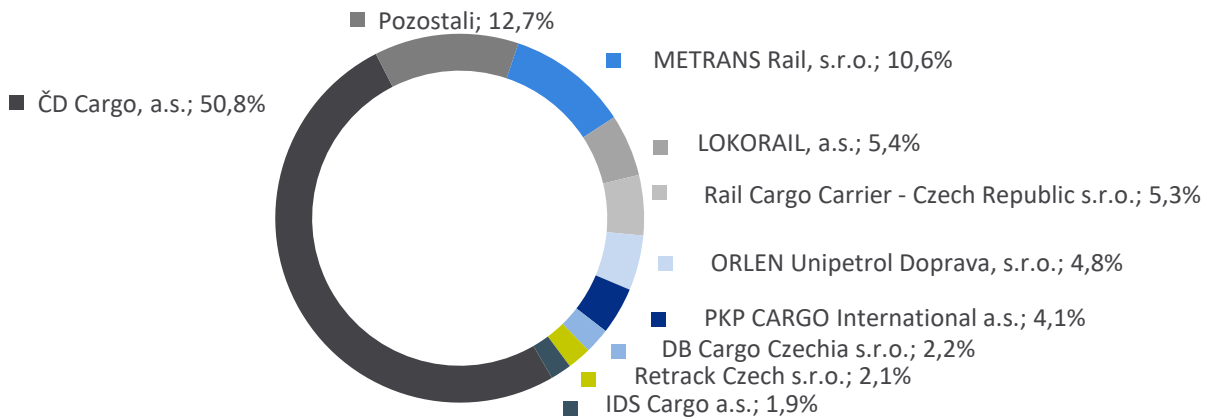


* data for Q3 2024 will be available at the end Q4 2024 and the beginning of Q1 2025

Source: proprietary material based on data from the Czech Ministry of Transport, the Czech Statistical Office and PKP CARGO International

⁶⁷ PKP CARGO International's own statistics

Figure 16 Market shares of the biggest rail operators by operational freight turnover in the Czech Republic in the first three quarters of 2024 (btkm)



Source: SŽDC (Czech rail infrastructure manager)

According to SŽDC data on the shares in the rail transport market in terms of gross freight turnover in the first three quarters of 2024, PKP CARGO International, while halting share declines, saw a slight year-on-year increase in market share (+0.2 p.p. yoy to over 4.1%).⁶⁸ The company continues to rank 6th among operators in the Czech market.

ČD Cargo a.s. remained the undisputed leader of the Czech rail freight transport market in terms of gross operational turnover despite a significant decrease in its year-on-year market share during the first three quarters of 2024 to 50.8% yoy (-4.4 p.p. yoy), with a noticeable increase in its quarter-on-quarter share for the second consecutive quarter.⁶⁹

Noticeable year-on-year market share increases during the first three quarters of this year were recorded by Metrans Rail (+1.4 p.p. yoy and an increase in market share to 10.6%, while maintaining its position as the market runner-up), LOKORAIL a.s. (+0.9 p.p. yoy and an increase in market share to 5.4%, moving from fourth to third place in the market), and Rail Cargo Carrier – Czech Republic (+0.8 p.p. yoy and an increase in market share to 5.3% with a drop from third to fourth place). Retrack Czech s.r.o. earned itself a market share of approx. 2.1% (up +0.1 p.p. yoy). The other smaller operators collectively achieved significant share gains in the period under review (+2.2 p.p. yoy), which translated into a market share result of 12.7%.

In turn, market shares declined for IDS Cargo a.s., an independent logistics operator carrying freight in the Czech Republic and Slovakia (-0.8 p.p. yoy to 1.9%), ORLEN Unipetrol Doprava, a member of the Orlen Group (-0.3 p.p. yoy to 4.8%), and to a minimal extent DB Cargo Czechia s.r.o. (-0.04 p.p. yoy to 2.2% of the market).⁷⁰

SŽDC’s compilation of the largest rail operators in the Czech market for the first 9 months of this year does not show an isolated performance of PKP CARGO S.A. In this period, compared to the corresponding period of last year, the Company’s hard coal shipments from Poland to the Czech Republic and, to a lesser extent, from the Czech Republic to Poland significantly decreased due to weaker demand from the power and metallurgical industries. The situation in the metallurgical industry also affected the suspension of iron ore transport operations from Ukraine to a steel mill in the Czech Republic (which had shut down production and is currently undergoing restructuring) and resulted in the absence of slag shipments from the Czech Republic to Poland. The volume of intermodal transport operations in transit through the Czech Republic also declined, as did the volume of transported sulfuric acid from Poland to Slovakia and methanol from Poland to the Czech Republic.⁷¹

3.2.5 PKP CARGO Group’s rail transport business

The data on the transport activity conducted by the PKP CARGO Group in 9M 2024 and 9M 2023 contain consolidated data of PKP CARGO, PKP CARGO SERVICE and companies from the PKP CARGO International Group. Transport services are rendered by 6 members of the Group, namely PKP CARGO, PKP CARGO SERVICE, PKP CARGO International, PKP CARGO International HU Zrt., PKP CARGO International SK and PKP CARGO INTERNATIONAL SI d.o.o.

⁶⁸ SŽDC

⁶⁹ SŽDC

⁷⁰ SŽDC

⁷¹ PKP CARGO S.A.’s own statistics

Table 14 Freight turnover of the PKP CARGO Group in 9M and Q3 2024 and 2023

Description	9M 2024	9M 2023	Change 9M 2024/ 9M 2023		9M 2024	9M 2023	Q3 2024	Q3 2023	Change Q3 2024/ Q3 2023	
	(million tkm)		%		percentage of total (%)		(million tkm)		%	
Solid fuels ¹	4,601	7,369	-2,768	-37.6%	34%	44%	1,407	1,884	-477	-25.3%
of which hard coal	3,718	6,093	-2,376	-39.0%	28%	36%	1,156	1,532	-376	-24.5%
Aggregates and construction materials ²	3,295	4,107	-812	-19.8%	24%	24%	1,182	1,544	-362	-23.4%
Metals and ores ³	871	1,135	-265	-23.3%	6%	7%	302	307	-5	-1.6%
Chemicals ⁴	1,307	1,232	75	6.1%	10%	7%	437	460	-23	-5.0%
Liquid fuels ⁵	482	355	127	35.9%	4%	2%	148	115	34	29.5%
Timber and agricultural produce ⁶	590	724	-133	-18.4%	4%	4%	162	234	-72	-30.8%
Intermodal transport	2,006	1,606	400	24.9%	15%	9%	644	604	40	6.7%
Other ⁷	364	392	-28	-7.1%	3%	2%	118	141	-23	-16.0%
Total	13,517	16,921	-3,404	-20.1%	100%	100%	4,401	5,288	-887	-16.8%

Source: Proprietary material

Table 15 Freight volume of the PKP CARGO Group in 9M and Q3 2024 and 2023

Description	9M 2024	9M 2023	Change 9M 2024/ 9M 2023		9M 2024	9M 2023	Q3 2024	Q3 2023	Change Q3 2024/ Q3 2023	
	(million tons)		%		percentage of total (%)		(million tons)		%	
Solid fuels ¹	23.7	31.6	-7.9	-25.1%	45%	51%	7.7	8.9	-1.2	-13.6%
of which hard coal	20.4	27.6	-7.2	-26.0%	39%	44%	6.7	7.7	-1.0	-13.2%
Aggregates and construction materials ²	12.3	15.1	-2.8	-18.4%	24%	24%	4.3	5.7	-1.5	-25.6%
Metals and ores ³	3.4	3.5	-0.1	-2.4%	6%	6%	1.1	1.0	0.2	16.0%
Chemicals ⁴	4.0	3.6	0.3	9.7%	8%	6%	1.3	1.3	0.0	-1.0%
Liquid fuels ⁵	1.7	1.4	0.3	20.5%	3%	2%	0.5	0.4	0.1	15.6%
Timber and agricultural produce ⁶	1.6	1.9	-0.3	-17.4%	3%	3%	0.5	0.6	-0.1	-15.6%
Intermodal transport	4.5	4.1	0.4	10.3%	9%	7%	1.5	1.5	-0.1	-4.0%
Other ⁷	1.1	1.2	-0.1	-6.0%	2%	2%	0.4	0.4	0.0	-0.3%
Total	52.2	62.3	-10.1	-16.3%	100%	100%	17.2	19.8	-2.6	-13.2%

Source: Proprietary material

In 9M 2023, the average haul of freight transported by rail by the PKP CARGO Group was 259 km (a decrease in the haul by -12 km yoy).

Table 16 Average haul of the PKP CARGO Group in 9M and Q3 2024 and 2023

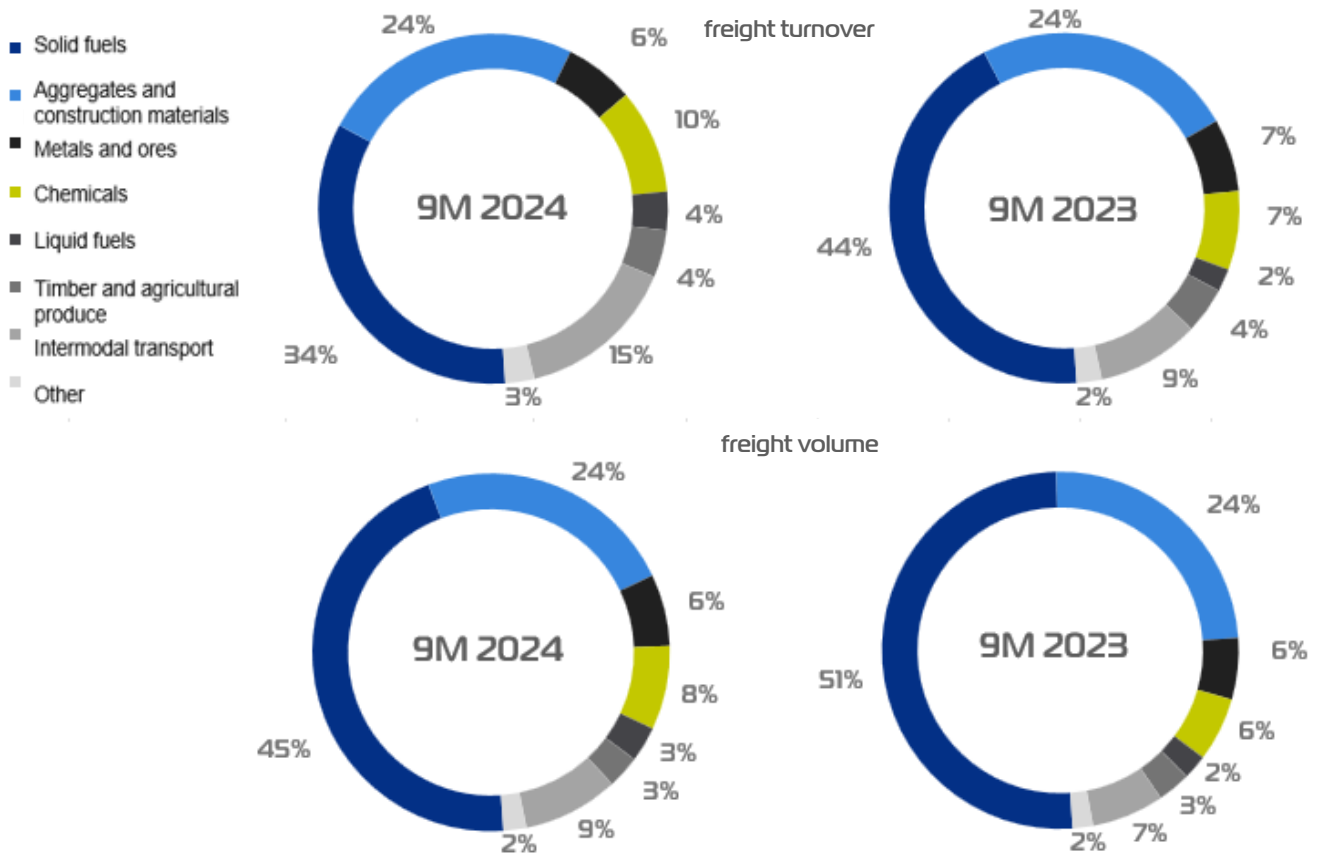
Description	9M 2024	9M 2023	Change 9M 2024/ 9M 2023		Q3 2024	Q3 2023	Change Q3 2024/ Q3 2023	
	(km)		%		(km)		%	
Solid fuels ¹	194	233	-39	-16.7%	183	211	-29	-13.6%
of which hard coal	182	221	-39	-17.6%	172	198	-26	-13.0%
Aggregates and construction materials ²	268	272	-5	-1.7%	278	270	8	2.8%
Metals and ores ³	257	327	-70	-21.4%	268	315	-48	-15.2%
Chemicals ⁴	330	341	-11	-3.3%	338	352	-14	-4.0%
Liquid fuels ⁵	291	258	33	12.7%	297	265	32	12.0%
Timber and agricultural produce ⁶	380	385	-5	-1.2%	338	412	-74	-18.0%
Intermodal transport	445	392	52	13.3%	443	398	44	11.2%
Other ⁷	337	341	-4	-1.1%	304	361	-57	-15.7%
Total	259	272	-12	-4.6%	256	267	-11	-4.1%

Source: Proprietary material

1. Includes hard coal, coke and lignite
2. Includes all kinds of stone, sand, bricks and cement.
3. Includes ores and pyrites, as well as metals and metal products.

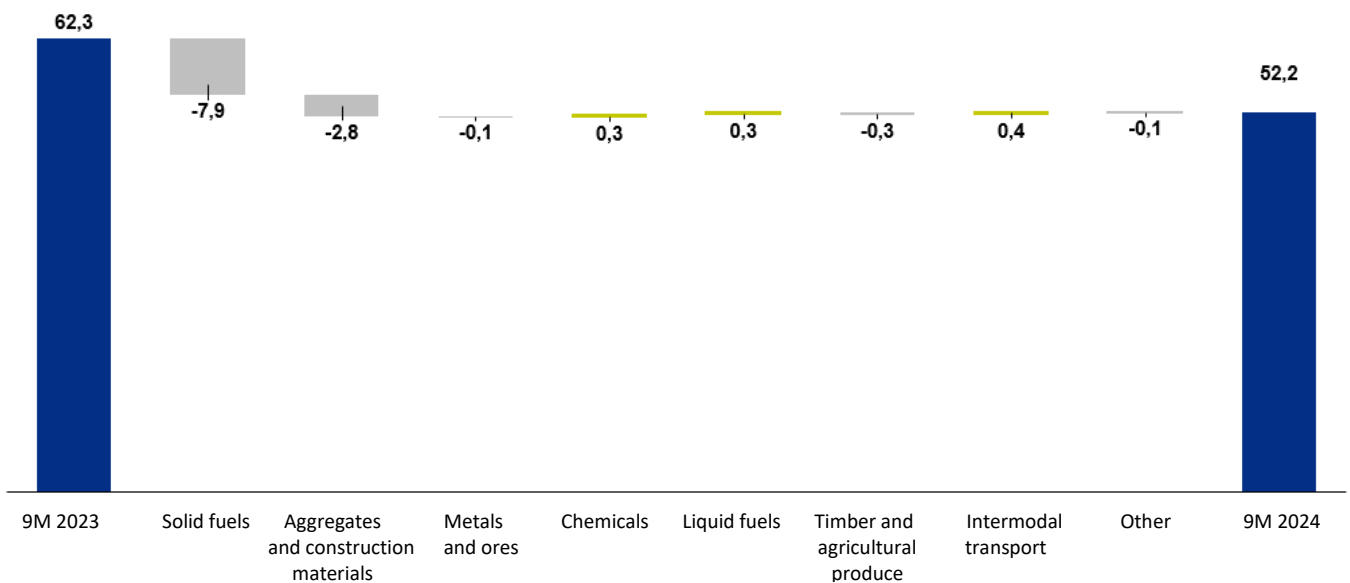
- 4. Includes fertilizers and other chemicals.
- 5. Includes crude oil and petrochemical products.
- 6. Includes grain, potatoes, sugar beets, other produce, wood and wooden products.
- 7. Includes other freight.

Figure 17 Structure of the PKP CARGO Group's freight turnover and freight volume in 9M 2024 and 2023



Source: Proprietary material

Figure 18 Freight volume of the PKP CARGO Group in 9M 2024 compared to the corresponding period in 2023



Source: Proprietary material

Key factors affecting the volume of transport in various cargo categories during the first three quarters of 2024:



solid
fuels

- Decline of the hard coal market to a lower level compared to the period of the energy supply crisis in 2022 and early 2023 caused by Russia's invasion of Ukraine,
- gradual decline in the share of hard coal as a fuel due to the adaptation of businesses to the requirements of climate policy,
- growing competitiveness of other fuels, development of electricity generation from renewable energy sources and implementation of transition policies resulting in lower demand for this commodity,
- reduced demand for coal to be used in the production of coke for the metallurgical sector due to the reduced steel output coupled with a decrease in demand from the heating industry due to weather conditions (prevalence of temperatures above the freezing point in winter, accumulation of inventories),
- PKP CARGO INTERNATIONAL – smaller volume of freight operations for the power sector due to the lower market price of electricity – production is not profitable; adverse consequences of the flood in Ostrava,
- decrease in the average haul of hard coal by -39 km (-17.6%) in connection with the changed directions of deliveries – drop in the share of freight in sea imports.



aggregates and
construction
materials

- Reduced supplies of limestone used in flue gas desulfurization plants for the Polish and German power industry due to weather conditions favorable to RES power generation and a general decline in demand for electricity,
- decrease in demand for the output of one of the customers – hydrotechnical stone,
- technological and maintenance breaks at the beginning of the year at several Lower Silesian aggregate mines; reduced output at the Radkowice mine due to the depletion of the deposit, difficulties in the conduct of transport operations related to the September flood in southern Poland,
- strong competition from rail operators with spare resources due to a decline in demand for the transportation of coal and other cargo, and truck operators benefiting from the greater availability of drivers and means of transport following reduced access to eastern markets,
- PKP CARGO INTERNATIONAL – lower demand for freight – decrease in the volume of production experienced by a client,
- decrease in the average haul by -5 km (-1.7%) in connection with the changed structure/direction of deliveries – last year, PKP CARGO S.A. recorded an increased freight volume of crushed stone from mines in Lower Silesia to stations located in the northern and eastern parts of Poland.



metals
and ores

- The weaker demand for steel products in Poland and globally forces a reduction in output levels at ArcelorMittal Poland plants and other facilities. The reduced steel output also resulted in a decrease in demand for raw materials, specifically metal scrap and iron ore, and a decline in slag output,
- shutdown of a furnace at the Liberty Ostrava steel plant (restructuring process underway) in the Czech Republic,
- decreased volume of transported pig iron from Ukraine through Polish seaports (attempts to resume exports from Ukraine via the Black Sea); no shipments of slab from Ukraine to CMC due to lower production levels,
- cessation of ore shipments from Świnoujście for ArcelorMittal Poland (production from accumulated inventories; more favorable price of ore imported from Ukraine via LHS), increase in the share of steel products made from imported semi-finished products (slabs),
- tough situation in the steel industry due to the ongoing technological transition commanded by climate policy – regulations make it more expensive to do business,
- high prices of raw materials (iron ore, coal, coke) and electricity, the cost of which is particularly important due to the high energy intensity of the industry; energy prices are lower in countries outside the EU,
- traffic hindrances in the Zawiercie station area during track repairs,



chemicals

- decline in average haul by -70 km (-21.4%) – change in the structure of freight routes.
- A slow recovery was recorded in the fertilizer market after a very weak start to 2023, when the high prices of natural gas – the main raw material for production – significantly reduced the output and sales volumes of domestic producers,
- additional fertilizer freight services to Ukraine,
- increase in the volume of export shipments through seaports,
- decrease in the average haul by 11 km (-3.3%) – a significant share of shipments to Ukraine is short-haul operations near the border.



intermodal

- Freight along the New Silk Road intensified due to shipping problems in the Red Sea – as a consequence of the conflict in the Middle East and the actions of the Huti rebels, a significant portion of the merchandise previously transported by sea returned to the northern corridor of the New Silk Road with transshipment in Małaszewicze,
- increase in shipments through Polish ports from/to Ukraine,
- growing freight of woodchips, metal ores, grain and hard coal in containers,
- growing freight from/to Italy,
- freight services related to the armed conflict in Ukraine,
- carriage of empty containers at the Małaszewicze station to ports,
- PKP CARGO INTERNATIONAL – new freight services for customers that did not use them in the corresponding period of 2023,
- increase in the average haul by +52 km (+13.3%) due to a change in the structure of transport operations.



liquid fuels

- Additional fuel freight from Plock to Ukraine,
- acquisition of petroleum coke shipments from Polish seaports to Ukraine and to domestic customers,
- increase in the average haul by 33 km (+12.7%).



timber and agricultural produce

- Decrease in grain shipments due to the imposition of an embargo on imports of agricultural products from Ukraine in May 2023,
- problems with the transportation of agricultural products from Ukraine due to congestion at the Dorohusk and Medyka border crossings and farmers' protests; longer waiting times as extensive customs and veterinary procedures at the Ukrainian-Polish border slow down transit shipments,
- decrease in the average haul by 5 km (-1.2%) as a result of a drop in the share of transit shipments of grain and animal feed, export shipments of timber, and export and import shipments of wood-based panels.



others

- Freight of other goods in the first 9 months of 2024 was at a slightly lower level than that transported in the corresponding period of 2023,
- no import shipments of clay and feldspar from Ukraine,
- decrease in shipments of paper in sea transit and exports,
- decreased volume of military transport operations,
- decline in the average haul by 4 km (-1.1%).

3.3 Other services

The PKP CARGO Group does not distinguish operating segments of its activity, since it has one main product, which incorporates all the material services provided by the Group. The Group conducts its business within one main segment – domestic and international cargo freight and provision of comprehensive logistics services related to rail freight. The Management Board of

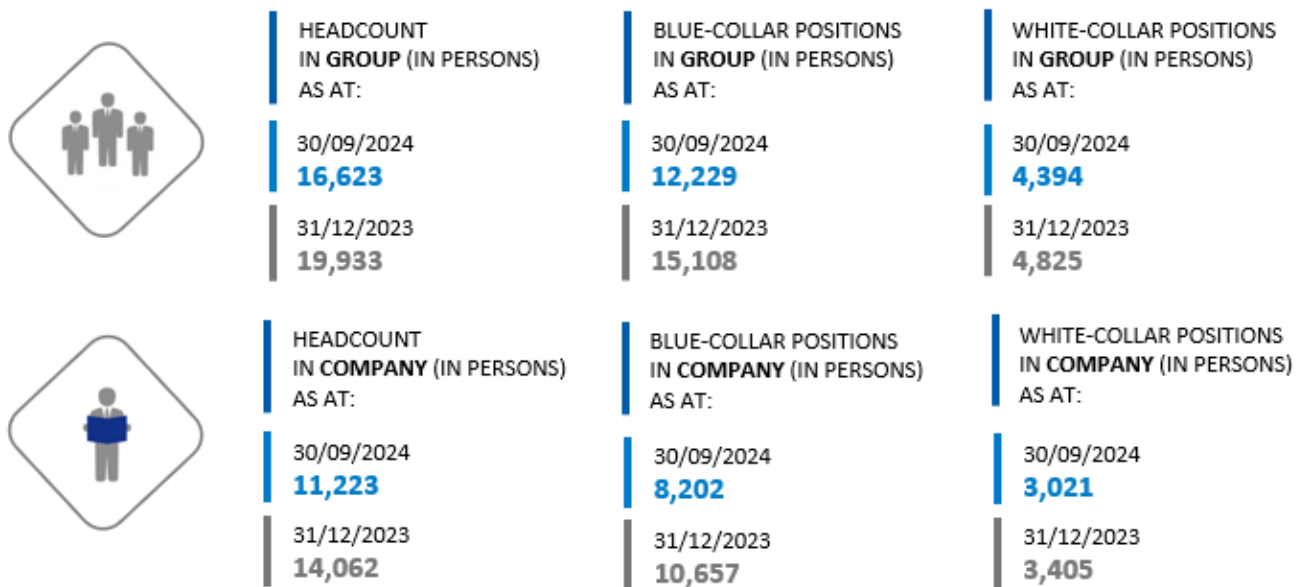
the parent company analyzes financial data in the layout in which they were presented in the Quarterly Condensed Consolidated Financial Statements of the Group. The Group additionally provides services related to rolling stock repairs, infrastructure maintenance and land reclamation services, but they are not material for the Group’s business and therefore are not treated as separate operating segments.

3.4 Headcount

During the first 9 months of 2024, the PKP CARGO Group, as part of the ongoing restructuring process involving group layoffs, recorded a decrease in headcount by 3,310 staff, including 2,839 PKP CARGO S.A. w restrukturyzacji staff, of whom 1,426 Company employees were on furlough leave (in accordance with the provisions of Article 54 of the Act of 8 September 2000 on Commercialization, Restructuring and Privatization of the State-Owned Enterprise “Polskie Koleje Państwowe” (Journal of Laws 2024.561)).

On 31 October 2024, the Company completed its process of group layoffs, during which employers handed out 2,515 terminations of employment contracts. In this period, a group of 1,150 staff also terminated their employment for reasons other than the Company’s restructuring, including as a result of retirement or disability, termination of the employment contract by the employee or termination of the employment contract at the end of its term. As a result of the procedure, headcount declined by 3,665 staff across PKP CARGO S.A. w restrukturyzacji.

Figure 19 Headcount in PKP CARGO Group as at 30 September 2024 and 31 December 2023



3.5 PKP CARGO Group’s investments

In the first 9 months of 2024, the PKP CARGO Group incurred capital expenditures of PLN 532.5 million, down 58.5% compared to the corresponding period of 2023. These expenditures were spent on the acquisition of property, plant and equipment and intangible assets in the form of procurement, modernization and the overhaul component (P4 and P5 periodic repairs of rolling stock and P3 periodic inspections of rolling stock). Moreover, right-of-use assets were recognized under IFRS 16 (mainly related to locomotive leases and real estate leases).

The majority of capital expenditures during the first 9 months of 2024 in the PKP CARGO Group were allocated to the execution of capital expenditure endeavors associated with its rolling stock, specifically, for the most part, to periodic repairs (P4 and P5) and checkups (P3) of rolling stock – PLN 348.9 million in total (or 65.5% of capital expenditures). Moreover, expenditures were incurred on investment construction activity in the amount of PLN 13.7 million, purchases of machinery, equipment, other workshop fittings and means of transport for PLN 10.7 million, on ICT development, i.e. purchases of computer hardware and intangible assets (software) in the amount of PLN 3.7 million, and on right-of-use assets for PLN 155.5 million, including: PLN 71.4 million in locomotive leases and PLN 0.5 million in repairs of leased rolling stock (or 13.5% of capital expenditures), PLN 71.8 million in real property leases and PLN 11.8 million in other rights.

Table 17 Capital expenditures on property, plant and equipment, intangible assets and right-of-use assets in the PKP CARGO Group in 9M 2024 as compared to 9M 2023 (millions of PLN)

Description	9 months 2024	9 months 2023	Change 2024-2023	Change 2024-2023 %
Investment construction activity	13.7	76.7	-63.0	-82.1%
Purchase of traction vehicles	0.0	191.5	-191.5	-100.0%
Locomotive upgrades	5.6	0.1	5.5	-
Workshop machinery and equipment	6.5	15.9	-9.4	-59.1%
ICT development	3.7	14.8	-11.1	-75.0%
Other	4.2	2.5	1.7	68.0%
Components in overhaul, including:	343.3	620.6	-277.3	-44.7%
<i>Repairs and periodic inspections of locomotives</i>	66.1	131.2	-65.1	-49.6%
<i>Repairs and periodic inspections of wagons</i>	277.2	489.4	-212.2	-43.4%
Right-of-use assets*, of which related to:	155.5	362.5	-207.0	-57.1%
<i>Real properties</i>	71.8	73.8	-2.0	-2.7%
<i>Rolling stock</i>	71.9	274.0	-202.1	-73.8%
<i>Other rights</i>	11.8	14.7	-2.9	-19.7%
Total	532.5	1,284.6	-752.1	-58.5%

* Expenditures for right-of-use assets do not include increases resulting from leaseback of: transshipment equipment in the amount of PLN 6.2 million for 9 months of 2024 and a total of PLN 126.9 million for 9 months of 2023, of which: locomotives at PLN 125.4 million and transport equipment at PLN 1.5 million.
 Source: Proprietary material

3.6 Key information and events in the first three quarters of 2024 and until the report publication date

3.6.1 Optimization measures in the PKP CARGO Group's employment area

PKP CARGO S.A. w restrukturyzacji

During the first three quarters of 2024, the Company's Management Board took steps to optimize the Company's cost area to ensure financial stability and improve profitability. On 17 May 2024, the PKP CARGO S.A. Management Board terminated the Employee Guarantee Package entered into on 2 September 2013 between the Company and the trade union organizations. Under the Package, the Company's obligations until 2023 included ensuring guaranteed employment for the Company's staff (guarantee of employment for the period specified in the Package for individuals employed by the Company as at the effective date of the Package). In view of the restructuring activities in the employee area, the provisions of the Package in this regard became irrelevant. In turn, some of the provisions of the Package remained in effect, such as the obligation to effect an annual wage increase correlated with the Company's financial performance and financial standing. The provisions of the Package remained in force until 17 August 2024 due to the 3-month notice period.

On 27 May 2024, the Management Board launched a program to put up to 30% of the Company's employees on furlough leave for a period of 12 months in accordance with Article 54 of the Act of 8 September 2000 on Commercialization, Restructuring and Privatization of the State-Owned Enterprise "Polskie Koleje Państwowe" (Journal of Laws 2024.561). The furlough leave was applied to all professional groups of employees, including the management of the respective units of the Company and the departments of the Company's Head Office, with the priority of ensuring the continued operational efficiency of each entity or organizational unit.

On 11 June 2024, the Company's Management Board decided to unilaterally terminate by notice the Company Collective Bargaining Agreement for Employees Hired by the Units of PKP CARGO S.A. ("CCBA") and the Memorandum of Agreement on Mutual Obligations of the Parties to the Company Collective Bargaining Agreement for Employees Hired by the Establishments of PKP CARGO S.A. entered into on 14 February 2005 ("Valentine's Day Agreement"). The CCBA and the Valentine's Day Agreement will be terminated at the end of a 24-month notice period, which will expire on 11 June 2026. The decision was preceded by a proposal submitted to, and subsequently rejected by, the Trade Unions operating at PKP CARGO to enter into an agreement to terminate the CCBA and the Valentine's Day Agreement with effect from 31 December 2024.

On 3 July 2024, the Company's Management Board made a decision for the Units and the Head Office of PKP CARGO S.A. to carry out group layoffs and, on 24 July 2024, adopted a resolution in this regard. The group layoffs were scheduled to affect up to 30% of the

Company's staff (up to 4,142 employees) in various occupational groups and were designed to take place during the period from the day after the date of notification to county labor offices up until 30 September 2024.

The decisions were made by the PKP CARGO Management Board in order to reduce costs, including payroll and payroll-related expenses, and carry out reorganization introduced by the Company's Management Board with a view to improving PKP CARGO S.A. w restrukturyzacji's financial performance. These measures were aimed at ensuring the Company's financial stability, continued growth and regaining its strong market position.

The group layoffs at PKP CARGO covered 2,515 employees at an estimated cost of approx. PLN 113.25 million (without annual leave equivalents). As part of the employment optimization endeavors at PKP CARGO, headcount was reduced between 3 July 2024 and 4 November 2024 by a total of 3,665 staff, of whom 2,515 left as part of group layoffs and the remainder for other reasons. As at 4 November 2024, the Company's headcount stood at 10,046 staff.

PKP CARGOTABOR Sp. z o.o. w restrukturyzacji

On 6 August 2024, the PKP CARGO TABOR Sp. z o.o. w restrukturyzacji Management Board began consultations with the trade unions operating in the company on the intention to conduct group layoffs to be carried out pursuant to the Act of 13 March 2003 on the Detailed Principles of Terminating Employment for Reasons Not Attributable to Employees. The consultations were completed on 18 September 2024 with the parties failing to sign an agreement specifying the rules for dealing with employees affected by the intended group layoffs.

On 21 August 2024, the company's Management Board handed over notices of intent to carry out group layoffs to trade union organizations operating in the company. The intended layoffs would apply to no more than 752 staff.

On 25 October 2024, also PKP CARGOTABOR Sp. z o.o. w restrukturyzacji adopted the "Rules and Regulations on Group Layoffs at PKP CARGOTABOR Sp. z o.o. w restrukturyzacji" and began the process of group layoffs to be carried out pursuant to the Act of 13 March 2003 on the Detailed Principles of Terminating Employment for Reasons Not Attributable to Employees. No more than 520 of the company's staff will be affected by the group layoffs by the end of November 2024. As at the date of publication of this report, the company's estimated provision for the costs of group layoffs is PLN 10.8 million. The company assumes the possibility of obtaining funds, in order to temporarily finance these costs, from the Guaranteed Employee Benefits Fund.

3.6.2. Major decisions and events within the framework of remedial proceedings

- New organizational rules and regulations were adopted with a view to simplifying the management structure by eliminating the division of Rolling Stock Maintenance Departments at the Company's units and shifting their powers to the Maintenance Sections at the Company's units and to the Rolling Stock and Technical Support Department at the Company's Head Office.
- Launch of a scale-down of selected rolling stock maintenance points. As a result, the total number of rolling stock maintenance points at PKP CARGO and PKP CARGOTABOR is expected to reach 29 (53 before restructuring). The purpose behind the rolling stock maintenance point optimization efforts is to align the number of maintenance facilities with the Company's current needs. As a result, the operating costs of the maintenance area will be reduced, in particular employee costs and fixed costs resulting from the rents that the PKP CARGO Group pays for renting maintenance and workshop space. Owing to the measures taken, it is estimated that on an annual basis, the PKP CARGO Group will incur lower fixed costs by approx. PLN -17 million due to the cessation of rent payments (including PLN 8.3 million by PKP CARGO).
- On 18 October 2024, the Company's Management Board decided to apply for the disbursement of benefits from the Guaranteed Employee Benefits Fund, assuming that the value of the requested benefits will not exceed PLN 100 million. As at the date of publication of this report, the value of the benefits applied for to the Guaranteed Employee Benefits Fund was approximately PLN 71 million. These benefits will cover approximately 65% of the Company's liabilities to employees for the payment of amounts resulting from termination of employment contracts as part of group layoffs and employee claims for unpaid annual leave equivalents in the amount of up to PLN 25 million.

3.6.3. Court-supervised restructuring of PKP CARGO

On 27 June 2024, the Company's Management Board filed a petition with the court to open the remedial proceedings. The purpose of filing the petition was to improve the Company's financial and liquidity situation. The decision to file the petition was made by the Management Board after considering the best interests of the Company and its shareholders. The Management Board believes that the restructuring process to be carried out under court supervision will enable the Company to continue its operations and achieve the best possible outcomes for its creditors, employees and shareholders.

On 2 July 2024, the Company's Management Board received a decision from the District Court for the Capital City of Warsaw in Warsaw, 18th Commercial Division, to establish security for the Company's assets by appointing a temporary court supervisor: Zimmerman Filipiak Restrukturyzacja Spółka Akcyjna.

On 25 July 2024, the District Court for the Capital City of Warsaw in Warsaw, 18th Commercial Division, decided to open remedial proceedings of PKP CARGO, pursuant to Article 288(3) of the Commercial Code, to enable the Company to exercise management over the entire enterprise to an extent not exceeding the scope of ordinary management, and to appoint an administrator, Ms. Izabela Skonieczna-Powałka (license no. 772).

On 7 November 2024, the Judge-Commissioner at the District Court for the City of Warsaw in Warsaw, 18th Commercial Division, established a Council of Creditors composed of Bank Gospodarstwa Krajowego S.A., Bank Powszechna Kasa Oszczędności Bank Polski S.A., Skinest Rail Polska Sp. z o.o., PETROJET Sp. z o.o., NEWAG S.A. and alternate members: MOTO FLOTA Sp. z o.o. and PGE Energetyka Kolejowa S.A.

3.6.4. Court-supervised restructuring of PKP CARGOTABOR

On 27 July 2024, the Management Board of PKP CARGOTABOR Sp. z o.o. filed a petition to open remedial proceedings and a petition to declare bankruptcy. The filing of these petitions was a consequence of withholding orders for rolling stock repairs from PKP CARGO and of PKP CARGO's failure to pay its liabilities.

On 6 August 2024, the Management Board received a decision from the District Court for the City of Warsaw in Warsaw, 18th Commercial Division, on the establishment of security for the assets of PKP CARGOTABOR Sp. z o.o. through the appointment of a temporary court supervisor, Marcin Mirosław Kubiczek (license no. 244).

On 2 September 2024, the District Court for the Capital City of Warsaw in Warsaw, 18th Commercial Division, decided to open remedial proceedings of PKP CARGOTABOR Sp. z o.o., pursuant to Article 288(3) of the Commercial Code, to enable the subsidiary to exercise management over the entire enterprise to an extent not exceeding the scope of ordinary management, and to appoint an administrator, Geromin Lewandowski Restrukturyzacja Sp. z o.o. (KRS number 0000998859).

3.6.5. Other key information and events

- As a result of negotiations conducted on 10 January 2024 within the framework of the collective dispute initiated in December 2023 with eight Trade Union Organizations that are Parties to the Collective Bargaining Agreement, PKP CARGO S.A. failed to reach an agreement on the implementation of a wage increase effective from 1 October 2023. As a result, a statement of differences of opinion was prepared at the completion of the negotiations, following which the collective dispute entered the mediation stage. At the moment, the talks have been halted.
- On 17 January 2024, the Company's Management Board gave consent to the execution of a cooperation agreement with CMC Poland Sp. z o.o., whose subject matter is for the Company to provide services for CMC Poland Sp. z o.o. by transporting scrap and metal products in the period between 1 January 2024 and 31 December 2026. The expected estimated net value of the agreement during its term of validity will be PLN 192,014,521 million (PLN 236,177,860 million with VAT).
- On 29 February 2024, PKP CARGO signed an annex to the overdraft facility agreement with Bank Gospodarstwa Krajowego for the maximum amount of up to PLN 100 million extending the loan availability until 28 February 2025.
- On 19 March 2024, PKP CARGO and Bank Powszechna Kasa Oszczędności Bank Polski S.A. signed an annex to the overdraft facility agreement for up to PLN 100 million extending the loan availability period until 30 June 2024, and then, on 25 June 2024, PKP CARGO and Bank Powszechna Kasa Oszczędności Bank Polski S.A. signed an annex to the overdraft facility agreement of 19 December 2019 extending the loan availability period until 30 September 2024.
- On 11 March 2024, PKP CARGO TERMINALE received the last tranche from the co-financing in the amount of PLN 51,700,000, granted by the Administration of Łódzkie Voivodship from the Regional Operational Program. Public aid constituted 49.98% of the eligible costs of execution of the infrastructural project in Zduńska Wola – Karsznice.
- On 18 April 2024, the PKP CARGO S.A. Extraordinary Shareholder Meeting was held and adopted:
 - Resolution to change the consent given to the execution, with the consortium of audit firms, Grant Thornton Polska P.S.A. and Grant Thornton Frąckowiak P.S.A., of Annex 2 to Agreement for the audit and review of standalone and consolidated financial statements for 2021-2025,
 - Resolution to amend § 12 section 2 and § 25 section 3 of the Company's Articles of Association.
- On 23 May 2024, PKP CARGO executed an annex to an overdraft facility agreement with Bank Polska Kasa Opieki S.A. for up to PLN 100 million, extending the loan availability until 23 August 2024,
- On 23 May 2024, PKP CARGO and another member company of the PKP CARGO Group executed an annex to an overdraft facility agreement with Bank Polska Kasa Opieki S.A. for up to PLN 50 million, extending the loan availability until 23 August 2024.

- On 12 June 2024, the Company's Management Board and PKP Polskie Linie Kolejowe S.A. ("PKP PLK") signed a Letter of Intent whereby PKP CARGO and PKP PLK expressed their continued interest in taking steps aimed at the acquisition by PKP PLK from PKP CARGO of a 100% stake in CARGOTOR Sp. z o.o.
- On 20 June 2024, the Company's Management Board filed a notice with the District Prosecutor's Office in Warsaw on suspicion of the commission an offense to the Company's detriment by persons who served as Members of the PKP CARGO S.A. Management Board between 2022 and 2023. During their term in office, irregularities were identified resulting from their failure to fulfill their obligations to exercise due diligence resulting from the professional nature of their activities, which became the basis for filing a notice of suspicion of the commission of an offense to the Company's detriment under Article 304 § 1 of the Code of Criminal Procedure.
- On 25 June 2024, PKP CARGO executed an annex to an overdraft facility agreement with Bank Powszechna Kasa Oszczędności Bank Polski S.A. of 28 June 2022 extending the loan availability period until 30 September 2024.
- On 24 July 2024, the Company's Management Board received official information about the selection of the Company's bid as the most favorable one in the proceeding held by ENEA Trading Sp. z o.o. acting for and on behalf of ENEA Wytwarzanie Sp. z o.o. for transporting thermal coal by rail from Lubelski Węgiel "Bogdanka" S.A. for Enea Wytwarzanie sp. z o.o. The total value of the Company's bid was PLN 138,397,000. The agreements were signed on 4 September 2024.
- On 29 July 2024, ArcelorMittal accepted the commercial proposals presented by the Company for the execution of two agreements with ArcelorMittal Poland S.A. and ArcelorMittal Warszawa Sp. z o.o. for transporting cargo of various commodity groups with a total estimated volume of approximately 6 million tons.
- On 27 August 2024, the Company's Management Board received a request from the Trade Unions addressed to the Company's Supervisory Board to dismiss Mr. Zenon Kozendra, a representative of employees, from the Company's Management Board.
 On 4 September 2024, the Company's Management Board filed a notice with the District Prosecutor's Office in Warsaw on suspicion of the commission an offense by Mr. Jacek Sasin who served as the Minister of State Assets in 2019-2023.
- On 25 September 2024, the Company's Management Board received official information that the Company's bid, submitted together with PKP CARGO Service Sp. z o.o. as a Consortium, had been selected as the most advantageous one in the procedure held by TAURON Ciepło Sp. z o.o. in the form of an open tender entitled: "Provision of coal transportation services by rail for TAURON Ciepło Sp. z o.o.'s generating units". The total gross value of the bids was PLN 14,555,881.50. The agreements were signed on 11 October 2024.
- On 3 October 2024, a trilateral Letter of Intent was signed between PKP CARGO, PKP CARGOTABOR w restrukturyzacji and MW Rail S.A. with its registered office in Wrocław (a subsidiary of M.W. Trade S.A.). The subject matter of the Letter of Intent is for the parties to enter into negotiations to lease or rent to MWR real properties located in Olsztyn and currently leased by PKP CARGO companies and equipment owned by PKP CARGOTABOR sp. z o.o. w restrukturyzacji, which belong to the Olsztyn Section of the Northern Rail Rolling Stock Repair Unit, with a potential purchase option.
- On 8 November 2024, the Company's Management Board received official information about the selection of the Company's bid as the most advantageous one in the procedure held by PGE Polska Grupa Energetyczna S.A. for the provision of coal transportation services by rail to the Branches of PGE Energia Ciepła S.A. and ZEW KOGENERACJA S.A. in 2025-2027. In accordance with the bid, PKP CARGO will provide its services for a gross price of PLN 173,946,467.07.
- On 27 November 2024, the Company's Supervisory Board approved the execution of the Agreement on the use of capacity for the carriage of cargo in the 2024/2025 train timetable between PKP CARGO S.A. w restrukturyzacji and PKP Polskie Linie Kolejowe S.A. The Agreement will be in force from 15 December 2024 to 13 December 2025. The total estimated value of the Company's liabilities to PKP PLK under the Agreement, during its term, is PLN 387.5 million net, or PLN 476.6 million with VAT.

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

4.1 Economic and financial highlights of the PKP CARGO Group

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

Table 18 Financial highlights of the PKP CARGO Group

PKP CARGO Group	PLN million ⁷²		in EUR million	
	9M 2024	9M 2023	9M 2024	9M 2023
Exchange rates (PLN/EUR)			4.3022	4.5773
Operating revenue	3,407.8	4,198.3	792.1	917.2
Operating profit / (loss)	-792.2	259.0	-184.1	56.6
Profit / (loss) before tax	-928.4	132.8	-215.8	29.0
Net profit / (loss)	-795.7	101.9	-185.0	22.3
Total comprehensive income attributable to the owners of the parent company	-854.4	53.5	-198.6	11.7
Weighted average number of shares	44,786,917	44,786,917	44,786,917	44,786,917
Weighted average number of shares taken into account to calculate diluted profit	44,786,917	44,786,917	44,786,917	44,786,917
Earnings / (loss) per share (PLN)	-17.77	2.28	-4.13	0.50
Diluted earnings / (loss) per share (PLN)	-17.77	2.28	-4.13	0.50
Net cash flow from operating activities	890.3	1,089.6	206.9	238.0
Net cash flow from investing activities	-352.1	-726.2	-81.8	-158.7
Net cash flow from financing activities	-293.5	-327.6	-68.2	-71.5
Movement in cash and cash equivalents	244.7	35.8	56.9	7.8
	30 Sep 2024	31 Dec 2023	30 Sep 2024	31 Dec 2023
Exchange rates (PLN/EUR)			4.2791	4.348
Non-current assets	6,742.8	7,030.6	1,575.8	1,617.0
Current assets	1,402.0	1,289.4	327.6	296.5
Non-current assets classified as held for sale	0.3	-	0.1	-
Share capital	2,239.3	2,239.3	523.3	515.0
Equity attributable to the owners of the parent company	2,348.1	3,202.5	548.7	736.6
Non-current liabilities	2,558.0	2,784.2	597.8	640.3
Current liabilities	3,239.0	2,333.3	756.9	536.6

Source: Quarterly Condensed Consolidated Financial Statements of the PKP CARGO w restrukturyzacji Group for the period of 9 months ended 30 September 2024, prepared in accordance with EU IFRS

⁷² To facilitate the reading of this document, some figures have been rounded off, which will not cause any significant deviations in the presented data. In all cases of possible distortions, the data are presented with greater accuracy.

Table 19 Financial highlights of PKP CARGO S.A.

PKP CARGO S.A.	PLN million ⁷³		in EUR million	
	9M 2024	9M 2023	9M 2024	9M 2023
Exchange rates (PLN/EUR)			4.3022	4.5773
Operating revenue	2,597.2	3,231.2	603.7	705.9
Operating profit / (loss)	-729.9	195.6	-169.7	42.7
Profit / (loss) before tax	-859.0	105.5	-199.7	23.0
Net profit / (loss)	-738.7	85.6	-171.7	18.7
Total comprehensive income attributable to the owners of the parent company	-770.6	62.9	-179.1	13.7
Weighted average number of shares	44,786,917	44,786,917	44,786,917	44,786,917
Weighted average number of shares taken into account to calculate diluted profit	44,786,917	44,786,917	44,786,917	44,786,917
Earnings / (loss) per share (PLN)	-16.49	1.91	-3.83	0.42
Diluted earnings / (loss) per share (PLN)	-16.49	1.91	-3.83	0.42
Net cash flow from operating activities	826.9	978.3	192.2	213.7
Net cash flow from investing activities	-328.9	-637.5	-76.4	-139.3
Net cash flow from financing activities	-287.2	-310.4	-66.8	-67.8
Movement in cash and cash equivalents	210.8	30.4	49.0	6.6
	30 Sep 2024	31 Dec 2023	30 Sep 2024	31 Dec 2023
Exchange rates (PLN/EUR)			4.2791	4.348
Non-current assets	6,504.1	6,768.9	1,520.0	1,556.8
Current assets	931.6	800.0	217.7	184.0
Non-current assets classified as held for sale	0.3	-	0.1	-
Share capital	2,239.3	2,239.3	523.3	515.0
Equity	2,167.2	2,937.8	506.5	675.7
Non-current liabilities	2,210.6	2,417.5	516.6	556.0
Current liabilities	3,058.2	2,213.6	714.7	509.1

Source: Quarterly Financial Information of PKP CARGO S.A. w restrukturyzacji for the period of 9 months ended 30 September 2024, prepared in accordance with EU IFRS.

The following average PLN to EUR exchange rates set by the National Bank of Poland have been used to translate selected financial data in the periods covered by the Quarterly Condensed Consolidated Financial Statements of the PKP CARGO w restrukturyzacji Group and the Quarterly Financial Information of PKP CARGO S.A. w restrukturyzacji for the period of 9 months ended 30 September 2024:

- exchange rate in force on the last day of the reporting period: 30 September 2024: EUR 1 = PLN 4.2791; 31 December 2023: EUR 1 = PLN 4.3480;
- the average exchange rate in the period calculated as the arithmetic mean of the exchange rates prevailing on the last day of each month in a given period: 1 January – 30 September 2024: EUR 1 = PLN 4.3022, 1 January – 30 September 2023: EUR 1 = PLN 4.5773.

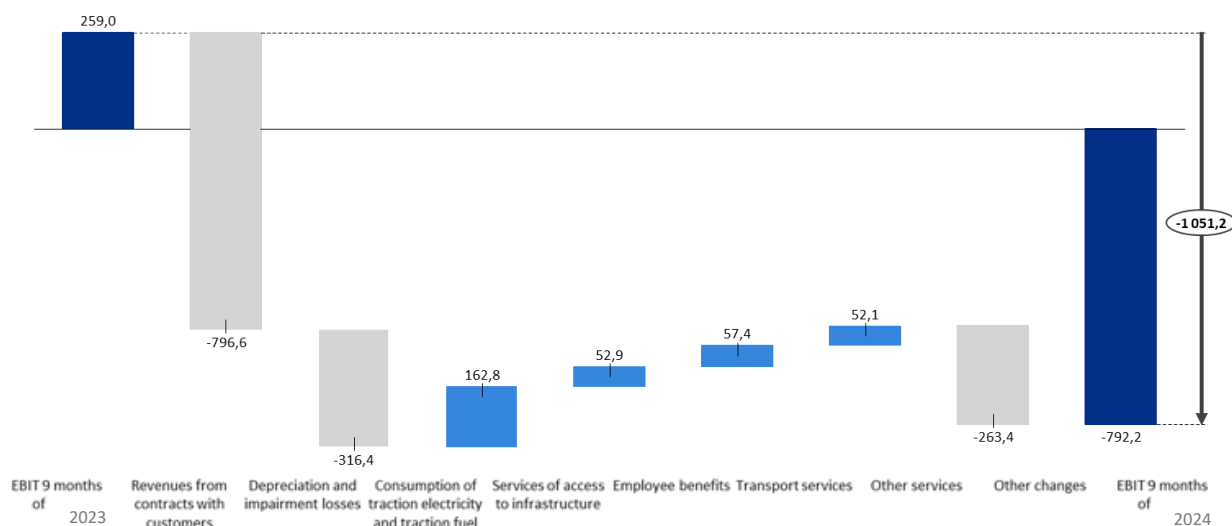
⁷³ To facilitate the reading of this document, some figures have been rounded off, which will not cause any significant deviations in the presented data. In all cases of possible distortions, the data are presented with greater accuracy.

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

Statement of profit or loss of the PKP CARGO Group

During the first 9 months of 2024, EBIT was PLN -792.2 million, having gone down by PLN 1,051.2 million compared to the corresponding period of 2023.

Figure 20 EBIT in 9M 2024 as compared to the corresponding period in 2023 (PLN million)



Source: Proprietary material

The following is a description of the most significant deviations affecting EBIT in the first 9 months of 2024 as compared to the first 9 months of 2023:

- decrease in revenues from contracts with customers (including predominantly revenues from transport and freight forwarding services) as a direct consequence of decline in freight volume and unit price. The details pertaining to the PKP CARGO Group's transport services are described in section [3.2.5 PKP CARGO Group's rail transport business](#).
- increase in depreciation and impairment allowances as a result of the impairment allowances created for non-current assets as a result of the impairment tests conducted as at 30 June 2024 on the assets of the Company and PKP CARGOTABOR Sp. z o.o. w restrukturyzacji in the total amount of PLN 253.9 million;
- decrease in the costs of consumption of electricity and traction fuel and infrastructure access services in connection with the decline in freight turnover;
- decrease in the cost of employee benefits as a result of the reversal of provisions for employee benefits in connection with the group layoffs, which resulted in a significant reduction in the number of employees covered by individual benefits and the furlough leave program. Detailed information on the changes in headcount is presented in section [3.4 Headcount](#);
- decrease in the cost of transportation services correlated with a decrease in freight turnover;
- increase in costs on the other changes line item was mainly due to the establishment of restructuring provisions of PLN 149.1 million and impairment loss allowances on VAT receivables in the amount of PLN 203.1 million, with a simultaneous decrease in the costs of handling services, reclamation services, rents and fees for the use of real properties and rolling stock, consumption of electricity, gas and water, consumption of materials mainly for current repairs of rolling stock and other costs.

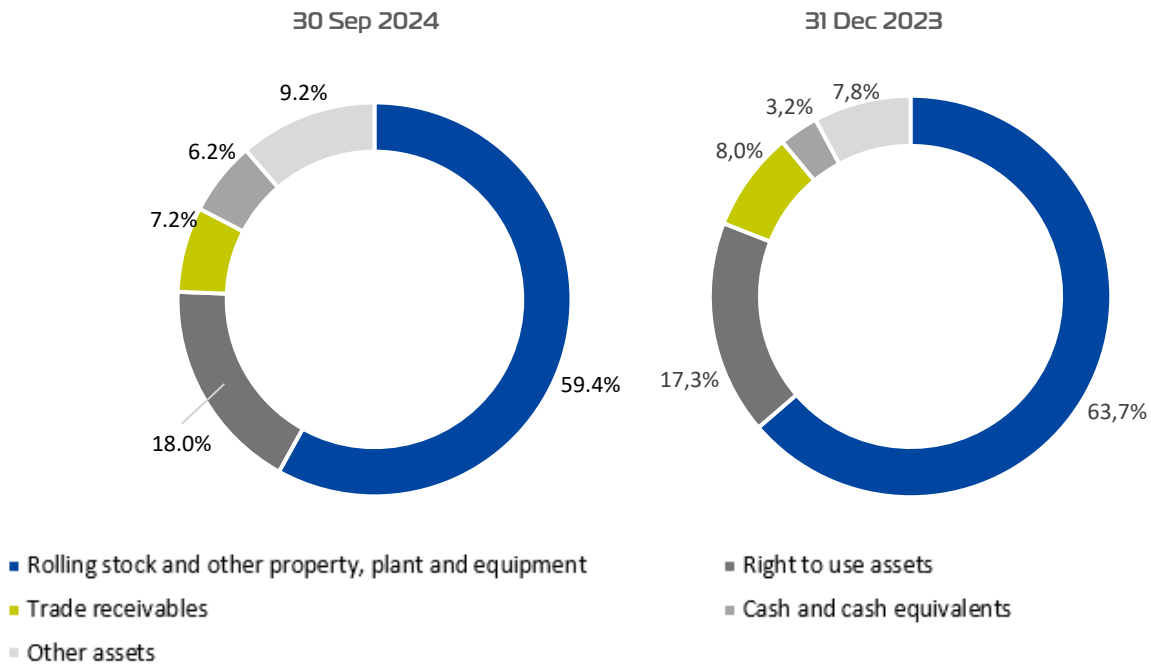
Statement of financial position of the PKP CARGO Group

ASSETS

The biggest share in the PKP CARGO Group's asset structure as at 30 September 2024 was held by rolling stock and other property, plant and equipment, which in aggregate accounted for 59.4% of total assets, compared to 63.7% as at 31 December 2023. At the

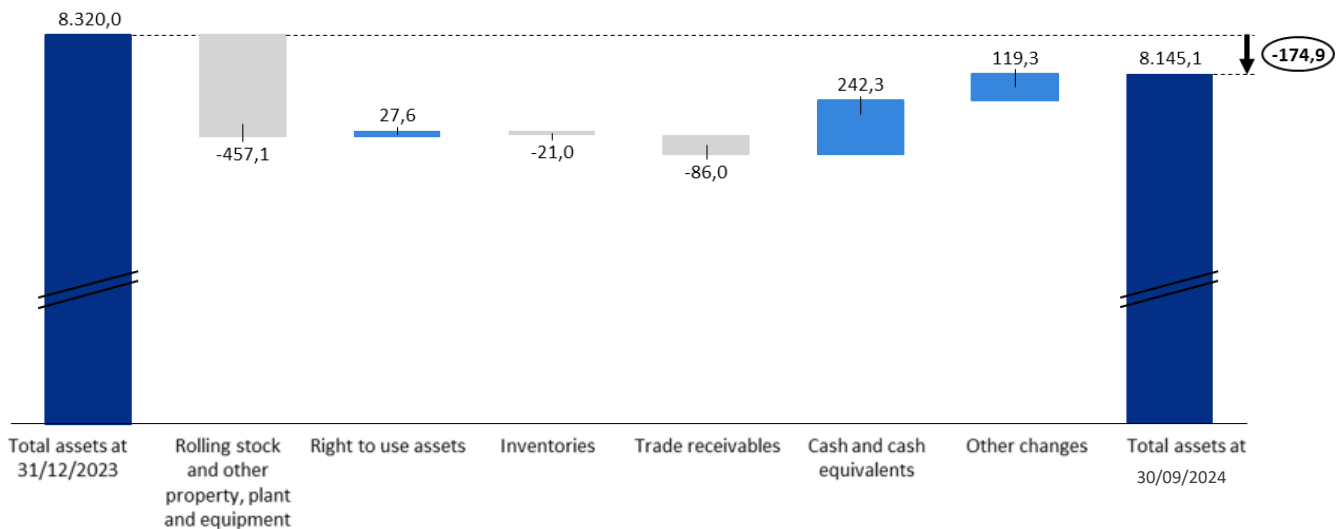
same time, the largest share in the structure of current assets was attributable to trade receivables, which accounted for 7.2% of the Company’s total assets, compared to 8.0% as at 31 December 2023.

Figure 21 Structure of assets – as at 30 September 2024 and 31 December 2023



Source: Proprietary material

Figure 22 Movement in the Group’s assets in the first 9 months of 2024 (PLN million)



Source: Proprietary material

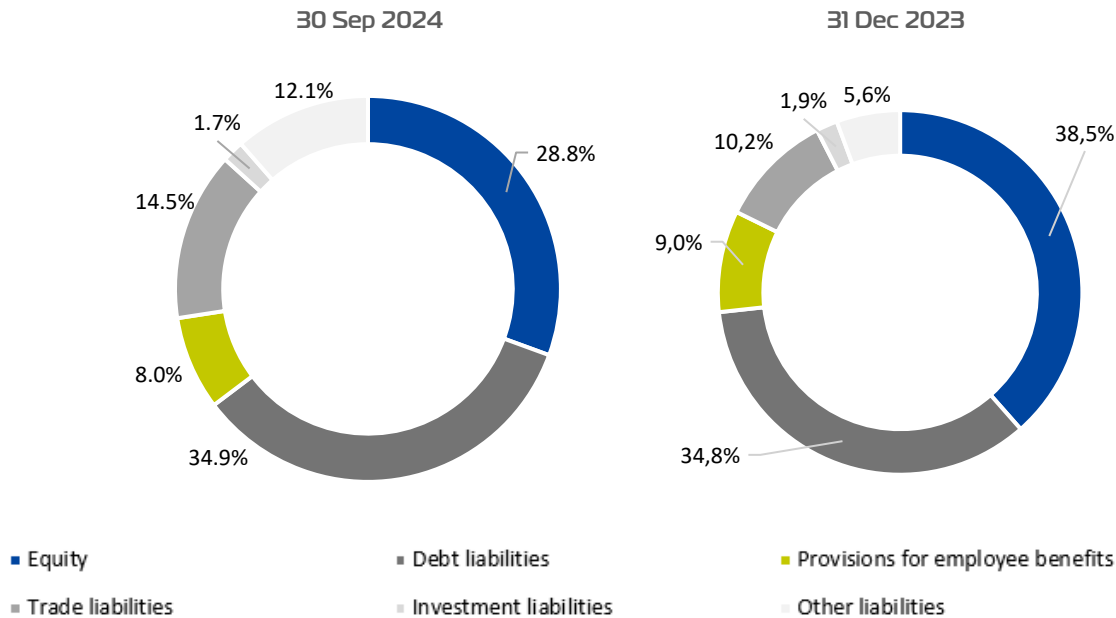
The most significant changes affecting the value of assets as at 30 September 2024 as compared to 31 December 2023 are discussed below:

- decrease in the value of rolling stock and other property, plant and equipment, chiefly as a result of impairment losses on fixed assets resulting from asset impairment tests conducted as at 30 June 2024 and lower investments in the first 9 months of 2024;
- increase in right-of-use assets resulting mainly from the excess of rights over depreciation;
- decrease in the value of trade receivables related to the decline in sales of services in the first three quarters of 2024;
- increase in the value of cash by PLN 242.3 million, largely as a result of the cessation of payments on liabilities that will be included in the list of receivables to be covered by the composition agreement;
- increase in other changes, primarily due to an increase in deferred income tax assets and VAT receivables.

EQUITY AND LIABILITIES

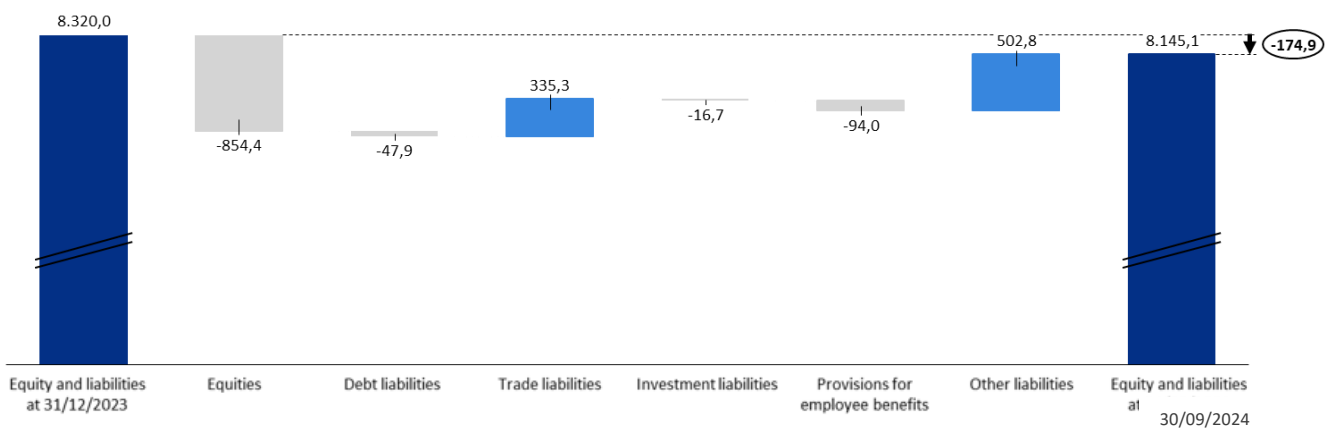
The largest share in the structure of the PKP CARGO Group’s equity and liabilities as at 30 September 2024 was attributable to equity, which accounted for 28.8% of the sum of equity and liabilities, compared to 38.5% as at 31 December 2023. Debt liabilities accounted for 34.9% of total equity and liabilities, compared to 34.8% as at 31 December 2023.

Figure 23 Structure of the Group’s equity and liabilities as at 30 September 2024 and 31 December 2023.



Source: Proprietary material

Figure 24 Movement in the Group’s equity and liabilities in the first 9 months of 2024 (PLN million)



Source: Proprietary material

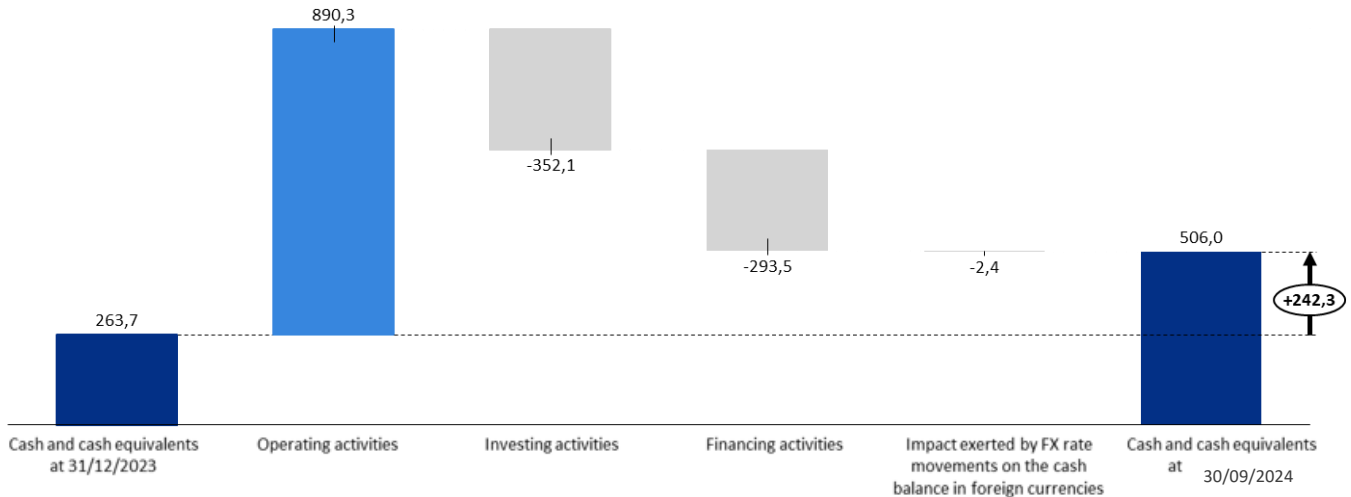
The most significant changes affecting the value of equity and liabilities as at 30 September 2024 compared to 31 December 2023 are explained below:

- decline in equity mainly due to the net loss for the first 9 months of 2024 reported by the PKP CARGO Group (the retained earnings/uncovered losses item) and a lower amount of foreign exchange differences from translation of foreign operations;
- increase in trade payables, mainly due to the emergence of overdue liabilities, which will be included in the list of receivables and will be covered by the composition agreement, and increase in interest payables on overdue liabilities;
- increase in the value of other changes as a result of the establishment of a restructuring provision, an increase in VAT settlements, public law liabilities and settlements with employees.

4.1.3 Statement of cash flows of the PKP CARGO Group

The value of cash and cash equivalents as at 30 September 2024 increased by PLN 242.3 million compared to 31 December 2023.

Figure 25 Cash flows of the PKP CARGO Group in the first 9 months of 2024 (PLN million)



Source: Proprietary material

- positive cash flows from operating activities were achieved concurrently with, among others, loss before tax of PLN 928.4 million, depreciation and impairment allowances of PLN 910.8 million and positive cash flows from changes in working capital of PLN 884.2 million;
- negative cash flows from investing activities resulted predominantly from capital expenditures on the acquisition of non-financial non-current assets in the amount of PLN 384.0 million (including mostly investments in rolling stock);
- negative cash flows from financing activities, chiefly as a result of the repayment of loans and leases with interest in the amount of PLN 405.5 million, offset by inflows of PLN 84.4 million from new loans and PLN 28.4 million from new subsidies.

4.1.4 Selected financial and operating ratios of the PKP CARGO Group

The table below presents the PKP CARGO Group's key financial and operating ratios in the first 9 months of 2024 compared to the corresponding period of the previous year. To present the Group's financial and operational standing in a comprehensive manner, alternative performance measures (APMs) have been applied. The Company presents certain selected APMs below as it believes that they serve as a source of additional valuable information (apart from the data presented in financial statements) on financial and operational standing and also facilitate analysis and assessment of the financial performance generated by the Group during the first 9 months of 2024 compared to the first 9 months of 2023.

The selection of these APMs was preceded by analysis of their relevance with regard to providing investors with useful information on the Group's financial and operational standing. The APMs applied by the Company should be analyzed only as additional information and reviewed in conjunction with the Group's financial statements.

Table 20 Key financial and operating ratios of the PKP CARGO Group in 9M 2024 as compared to the corresponding period of 2023

Description	9M 2024	9M 2023	Change	
			2024 - 2023	Rate of change 2024 - 2023
EBITDA margin ¹	3.5%	20.3%	-16.8	-82.9%
Net profit margin (ROS) ²	-23.3%	2.4%	-25.8	-
ROA ³	-10.0%	3.1%	-13.1	-
ROE ⁴	-34.7%	7.7%	-42.5	-
Average distance covered per locomotive (km per day) ⁵	185.4	198.6	-13.2	-6.6%
Average gross train tonnage per operating locomotive (tons) ⁶	1,437.0	1,551.0	-114.0	-7.4%
Average running time of train locomotives (hours per day) ⁷	11.6	12.7	-1.1	-8.7%

Freight turnover per employee (thousands tkm/employee) ⁸	741.6	852.1	-110.5	-13.0%
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Source: Proprietary material

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

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

- in the first 9 months of 2024, the EBITDA margin deteriorated, chiefly due to the significant decrease of operating revenue. Detailed information on the reasons for movement in EBITDA and the net result is presented in section **5.3. Key economic and financial figures of the PKP CARGO Group**;
- deterioration in the ROA and ROE ratios coupled with the return on sales (ROS) is largely due to the negative net result in the period under analysis;
- decrease in the average 24-hour locomotives mileage, chiefly as a result of declining freight turnover;
- decline in the average gross train tonnage per locomotive caused by the performance of the transport process in the period of very numerous closures and operating difficulties on the PKP PLK grid;
- decrease in the average 24-hour locomotive operating time. The main reason for this phenomenon was the completion of freight turnover in a situation of an increase in commercial velocity;
- decrease in the freight turnover per employee ratio follows predominantly from a decrease in freight turnover by 20.1%, with a concurrent decrease in the average headcount expressed in FTEs by 8.2% (not counting a decrease due to layoffs).

4.2 Factors that will affect financial performance in the next quarter

Armed conflict in Ukraine

The war beyond Poland's eastern border is significantly affecting the freight market in Poland as a result of the impact on both global markets and directly on entities operating in the European and Polish economic areas.

The sanctions imposed on the Russian Federation by the United States, the European Union and other international actors are affecting Russia and Belarus. PKP CARGO Group entities are also strongly affected by the lack of opportunities or restrictions related to services normally rendered in relation to these countries.

Restrictions primarily affect the market for fuels and crude oil, but also commodities that are particularly suitable for rail transportation, such as ores, metal and metal products, cement, and timber.

In turn, trade with Ukraine has increased considerably, despite numerous problems at the logistical level, this direction may be considered as developing.

The significance of imports by sea has increased, as has the importance of Polish ports, which have gained strategic prominence with limited mining output in the country and the need to import commodities and goods which previously were imported largely through pipelines.

Given the resurgent GDP growth, imports into the country should increase appreciably over time, which, along with relatively stable export volumes, should ensure a rolling increase in freight volume.

The slowdown in growth and the economic problems of the People's Republic of China (partly due to a reduction in global demand), in conjunction with the ongoing war in Ukraine, created a barrier to the development of rail freight along the New Silk Road, which adversely affected the Group's freight volume. However, increasing sea freight costs (including those caused by the conflict in the Middle East and the Huti attacks), coupled with the expected gradual return of prosperity, should drive container freight growth along the New Silk Road (as is already evident in shipments through the Małaszewicze terminal this year).

PKP CARGO Group companies are actively monitoring all organizational and legal changes related to the provision of transport services and the current situation in the ongoing conflict. Invariably, the terminals on Poland's northeastern border and companies that largely specialize in freight forwarding and transportation services in this region experienced the largest declines in revenue from business dealings with customers from this direction. The reorientation of their potential is in progress. However, due to the slowdown in economic growth and output coupled with the difficult situation of other entities in the region, this is a long-term process

that requires the building of new competencies and relationships. PKP CARGO Group companies have not identified any significant risks related to the ongoing war in Ukraine and the impact in the macroeconomic environment which might significantly affect their operations. At the same time, the market environment remains highly volatile, requiring PKP CARGO Group companies to apply active adaptation measures.

Infrastructural investments

Infrastructural investments in the area of the PKP Network completed during the first three quarters of 2024 related to the modernization of rail infrastructure and maintenance and repair plans, were among the significant factors affecting the PKP CARGO's freight activity. The greatest hindrances to transport operations were caused by the continuation of ongoing modernization of rail infrastructure in the Upper Silesia region, on sections of the access lines in the direction of the border crossing in Zebrzydowice and on sections on the main coal line between Zduńska Wola Karsznice and Tarnowskie Góry, which consequently hampered the handling of priority transport. Moreover, transport hindrances were associated with the continued modernization of the Upper Silesian junctions and stations such as: Czechowice Dziedzice, Bytom, Chorzów Stary, Katowice Szopienice Północne, Pszczyna, Kobiór, and the continued reconstruction of the Warsaw junction and the following station areas: Rzepin, Tczew, Stargard Szczeciński, Białystok, Korsze, including the occurrence of further capacity constraints on railroad lines 3, 6, 93, 131, 139, 273, 276 and 351.

In next quarter, it is planned to maintain the line capacity limitations and the disruptions related to performed investments and maintenance and repair work at the current or higher level due to the work on subsequent stages of the National Railway Program and the expansion of its projects until 2027.

Changes in the legal environment

The initiation of the remedial proceedings on 25 July 2024 and the establishment of the administrator of the PKP CARGO S.A. remedial estate is associated with a change in the legal status of the Company (PKP CARGO S.A. w restrukturyzacji), resulting in operation under the provisions of the Restructuring Law.

Hiring

In Q3 2024, the program (launched on 1 June) of putting the Company's employees on furlough leave in accordance with Article 54 of the Act of 8 September 2000 on Commercialization, Restructuring and Privatization of the State-Owned Enterprise "Polskie Koleje Państwowe". The number of employees on furlough leave as at 30 September 2024 was 1,426, which accounted for 11.2% of the Company's workforce. Employees on furlough leave are entitled to a social benefit in the amount of 60% of the monthly financial equivalent.

Also in Q3 2024, the process of group layoffs of the Company's employees was underway.

Course of the process of group layoffs during the reporting period:

- 3 July 2024 – information on the intention to carry out group layoffs by PKP CARGO S.A. Units and Head Office. It was announced that group layoffs will include up to 30% of the Company's workforce, that is a maximum of 4,142 staff in various professional groups, to be completed by 30 September 2024.
- 4-23 July 2024 – consultations with the trade unions operating at the Company's Units and Head Office, and notification of the Trade Union Organizations that are signatories to the Collective Bargaining Agreement during the meetings of the Parties to the Collective Bargaining Agreement.
- 24 July 2024 – decision by the Management Board to conduct, within the framework of the restructuring plan, group layoffs by PKP CARGO Units and Head Office in connection with the failure to enter into agreements with the social party.
- 14 August 2024 – issuance by the Administrator of the Rules and Regulations on Group Layoffs at the Company's Head Office and Units, which launched the previously announced process of group layoffs. The Rules and Regulations were adopted after consultations with the Company's Trade Unions, which took place between 4 and 23 July 2024, ended in failure to reach a consensus between the parties and, as a result, failure to enter into an agreement. In connection with the issuance of the Rules and Regulations, formal notices of group layoffs to the relevant Labor Offices were submitted with their copies forwarded to the trade unions.
- The group layoffs ended on 31 October 2024.

The process of group layoffs was preceded by an analysis of all positions and the taking into account of various economic considerations, including work efficiency, relevance to key operations and potential for adaptation in new organizational structures. Employees to be covered by the layoffs were selected in accordance with the provisions of the Rules and Regulations on Group

Layoffs, which enumerated the criteria for selecting employees for layoffs (including work demand, workload/team closure, job evaluation). In the decision-making process regarding the final number of employees covered by the program of group layoffs in the respective organizational unit, various circumstances were taken into account, including the current fluctuation of employees, resulting from natural departures or parting with the employer at the initiative of the employee as well as other considerations. The group layoffs were carried out in compliance with the termination notice period provided for in the Labor Code or with the termination notice period referred to in the Company Collective Bargaining Agreement for PKP CARGO Employees. The documents of termination of employment contracts under this procedure were effectively delivered by the end of September 2024.

Ultimately, the Company's group layoffs covered 2,515 staff at an estimated cost of approx. PLN 113.25 million (without annual leave equivalents).

As part of its corporate social responsibility endeavors, PKP CARGO signed letters of intent with rail companies and businesses operating in other sectors of the economy, owing to which the laid-off employees had the opportunity to first take advantage of the job offers presented, thus gaining the prospect of continuing their employment. Moreover, a comprehensive program was launched to support employees leaving the Company. For instance, the Company prepared various training courses, offered assistance in preparing for the recruitment process, job fairs, handbooks, phone calls and an e-mail box where substantive support was provided by employees of the Human Resources Management Department.

These measures, along with other corrective programs being implemented, are among the factors aimed at ensuring liquidity in the Company in order to enable it to fulfill all its obligations on an ongoing basis. Despite the difficult circumstances in the labor and social areas, this is the only way to rebuild the Company's strong position and, in the long run, to maintain as many needed jobs as possible and to improve the Company's financial standing.

Flood damage

As a result of the flood that swept through southwestern Poland and the Czech Republic, various pieces of the Company's rolling stock were flooded in Kłodzko and the Czech Republic, including 143 wagons and 4 locomotives. At this stage, an estimate of the amount of losses is being created. Repair activities in the case of wagons consist of the revision of carriage nodes of wheel sets together with the revision of bearings, revision of pneumatic and mechanical brake systems, revision of bogies and train-crash devices, and, in the case of locomotives, complete bogies along with traction motors. The final amount of costs associated with the flooding of rolling stock should not exert a material impact on the Company's operations.

In addition to the factors mentioned above, the macroeconomic environment described in section 3 of this report will impact the Group's financial performance in the next quarter.

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

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

4.4 Information about production assets

4.4.1 Rolling stock

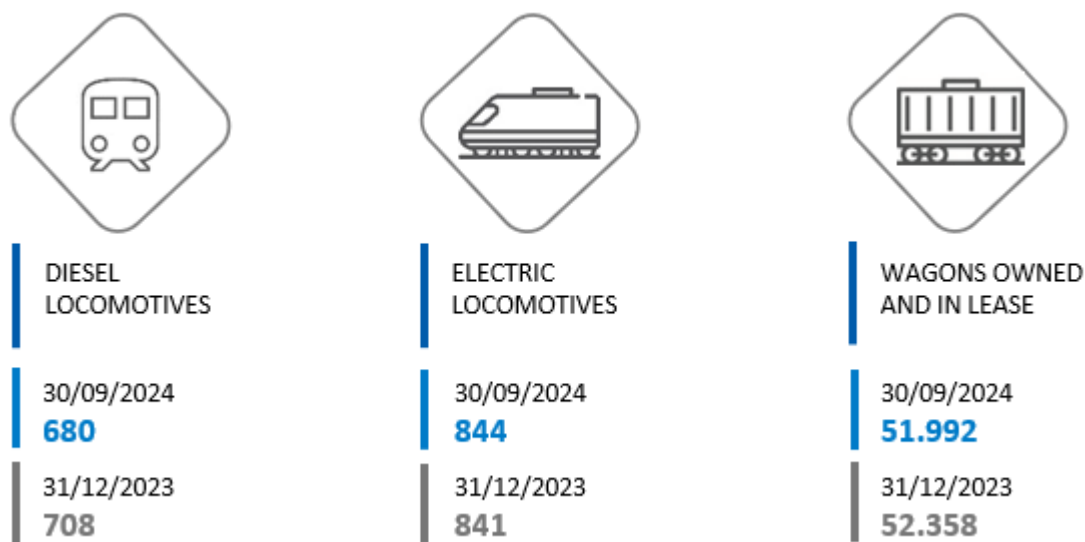
The PKP CARGO Group's rolling stock is maintained by repair shops operating within the structures of PKP CARGO Units and in subsidiaries. The PKP CARGO Group's rolling stock repair and maintenance organization has the competences to repair and maintain wagons, electric locomotives at all the maintenance levels from P1 to P5. In addition to the rolling stock owned by the PKP CARGO Group, the Group's establishments also repair rolling stock and sub-assemblies for other owners.

On top of regularly-scheduled activities the points of repair functioning in the PKP CARGO Group's structures conduct ongoing repairs to the rolling stock to fix the defects that appear in the rolling stock during the course of its operation. The quantity of current repairs of the rolling stock depends on the freight turnover.

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

machines and wheel sets – are held by PKP CARGOTABOR sp. z o.o., which carries out the full range of repairs of electric machines used in the locomotives operated by the PKP CARGO Group.

Figure 26 Structure of rolling stock used by the PKP CARGO Group



4.4.2 Real estate

In the transport process, due to the necessity to guarantee appropriate maintenance and repair support, real estate plays an important role. The majority of real estate held by the PKP CARGO Group is used on the basis of long-term lease and rental agreements. The table below presents changes in real estate owned and used by the PKP CARGO Group during the first 9 months of 2024.

Table 21 Real estate owned and used by PKP CARGO Group as at 30 September 2024 as compared to 31 December 2023.

Description	30 Sep 2024	31 Dec 2023	Change 2024-2023
Land – owned, in perpetual usufruct and leased from other entities [ha]	1,367.09	1,366.85	0.24
Buildings – owned, leased and rented from other entities [m ²]	681,753	683,073	-1,320

Source: Proprietary material

5. Other key information and events

5.1 Material proceedings pending before courts, arbitration bodies or public administration authorities

PKP CARGO S.A. w restrukturyzacji is not a party to any material proceedings pending before courts, arbitration bodies or public administration authorities pertaining to liabilities or claims the unit value of which would be material to the value of the Company's equity.

On 24 October 2024, a judgment was issued in a case brought by ZUE S.A. in Kraków against PKP CARGO TERMINALE sp. z o.o. in Żurawica for payment, in which ZUE S.A. was ordered to pay PLN 12,298,714.23 with statutory interest and PLN 225,017.00 as reimbursement of legal expenses. The judgment relates to the case of indexation of agreement no. CLGI/3732/35/2022/M of 29 July 2022. PKP CARGO TERMINALE sp. z o.o. has requested the court to issue a written justification for the judgment. As of the date of publication of this report, the case is in progress.

5.2 Information on transactions with related parties

In the first 9 months of 2024, no entity from the PKP CARGO Group entered into any transactions with related parties on non-market terms.

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

5.3 Information on extended guarantees and sureties for loans or borrowings

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

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

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

Administrator of PKP CARGO S.A. w restrukturyzacji

Izabela Skonieczna-Powałka
Administrator of PKP CARGO S.A.
w restrukturyzacji (license no. 772)

Warsaw, 28 November 2024