

Quarterly Condensed Consolidated Financial Statements

of the PKP CARGO
CAPITAL GROUP

for the period of 3 months
ended 31 March 2023

prepared in accordance with EU IFRS

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QUARTERLY CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	3 months ended 31/03/2023	3 months ended 31/03/2022	
Revenues from contracts with customers	1,564.0	1,166.3	Note 2.1
Consumption of traction electricity and traction fuel	(257.4)	(183.5)	Note 2.2
Services of access to infrastructure	(133.2)	(134.5)	
Transport services	(89.2)	(85.4)	
Other services	(124.0)	(108.1)	Note 2.2
Employee benefits	(491.8)	(416.1)	Note 2.2
Other expenses	(104.1)	(88.1)	Note 2.2
Other operating revenue and (expenses)	(4.9)	1.8	Note 2.3
Operating profit without depreciation (EBITDA)	359.4	152.4	
Depreciation, amortization and impairment losses	(191.4)	(183.9)	Note 2.2
Profit / (loss) on operating activities (EBIT)	168.0	(31.5)	
Financial revenue and (expenses)	(41.5)	(25.1)	Note 2.4
Share in the profit / (loss) of entities accounted for under the equity method	4.1	1.1	Note 5.3
Profit / (loss) before tax	130.6	(55.5)	
Income tax	(26.4)	7.9	Note 3.1
NET PROFIT / (LOSS)	104.2	(47.6)	
OTHER COMPREHENSIVE INCOME			
Measurement of hedging instruments	4.2	(5.6)	Note 6.1
Income tax	(0.8)	1.1	Note 3.1
FX differences resulting from translation of financial statements	17.6	20.6	
Total other comprehensive income subject to reclassification in the financial result	21.0	16.1	
Actuarial profits / (losses) on post-employment benefits	(0.6)	-	
Income tax	0.1	-	Note 3.1
Total other comprehensive income not subject to reclassification in the financial result	(0.5)	-	
Total other comprehensive income	20.5	16.1	
TOTAL COMPREHENSIVE INCOME	124.7	(31.5)	
Net profit / (loss) attributable:			
Net profit / (loss) attributable to shareholders of the Parent Company	104.2	(47.6)	
Total other comprehensive income attributable:			
Total other comprehensive income attributable to shareholders of the Parent Company	124.7	(31.5)	
Earnings / (losses) per share (PLN per share)			
Weighted average number of ordinary shares	44,786,917	44,786,917	
Basic earnings / (losses) per share	2.33	(1.06)	
Diluted earnings / (losses) per share	2.33	(1.06)	

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

QUARTERLY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	31/03/2023	31/12/2022	
ASSETS			
Rolling stock	4,253.8	4,208.3	Note 5.1
Other property, plant and equipment	915.4	891.1	Note 5.1
Rights-of-use assets	1,198.2	972.2	Note 5.2
Investments in entities accounted for under the equity method	42.7	41.8	Note 5.3
Trade receivables	8.2	7.3	Note 5.5
Lease receivables	8.1	8.7	
Other assets	64.5	48.6	Note 5.6
Deferred tax assets	161.3	176.1	Note 3.1
Total non-current assets	6,652.2	6,354.1	
Inventories	219.7	200.8	Note 5.4
Trade receivables	789.8	769.4	Note 5.5
Lease receivables	0.7	0.6	
Income tax receivables	12.1	1.6	
Other assets	143.1	151.9	Note 5.6
Cash and cash equivalents	230.3	181.5	Note 4.3
Total current assets	1,395.7	1,305.8	
Non-current assets classified as held for sale	0.1	0.3	
TOTAL ASSETS	8,048.0	7,660.2	
EQUITY AND LIABILITIES			
Share capital	2,239.3	2,239.3	Note 4.2
Supplementary capital	678.0	678.0	
Other items of equity	(63.0)	(65.9)	
FX differences resulting from translation of financial statements	194.5	176.9	
Retained earnings	308.8	204.6	
Total equity	3,357.6	3,232.9	
Debt liabilities	1,934.6	1,711.5	Note 4.1
Trade liabilities	9.6	7.9	
Investment liabilities	34.2	46.7	Note 5.7
Provisions for employee benefits	476.6	483.5	Note 5.8
Other provisions	0.5	0.5	Note 5.9
Deferred tax liability	95.4	94.5	Note 3.1
Total long-term liabilities	2,550.9	2,344.6	
Debt liabilities	741.2	660.7	Note 4.1
Trade liabilities	775.2	803.8	
Investment liabilities	116.8	143.0	Note 5.7
Provisions for employee benefits	164.1	156.7	Note 5.8
Other provisions	20.5	21.4	Note 5.9
Other liabilities	321.7	297.1	Note 5.10
Total short-term liabilities	2,139.5	2,082.7	
Total liabilities	4,690.4	4,427.3	
TOTAL EQUITY AND LIABILITIES	8,048.0	7,660.2	

QUARTERLY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Supplementary capital	Other items of equity			FX differences resulting from translation of financial statements	Retained earnings / (Accumulated losses)	Total equity
			Profits / (losses) on measurement of equity instruments at fair value	Actuarial profits / (losses) on post-employment benefits	Measurement of hedging instruments			
1/01/2023	2,239.3	678.0	(12.9)	(26.7)	(26.3)	176.9	204.6	3,232.9
Net result for the period	-	-	-	-	-	-	104.2	104.2
Other comprehensive income for the period (net)	-	-	-	(0.5)	3.4	17.6	-	20.5
Total comprehensive income	-	-	-	(0.5)	3.4	17.6	104.2	124.7
31/03/2023	2,239.3	678.0	(12.9)	(27.2)	(22.9)	194.5	308.8	3,357.6
1/01/2022	2,239.3	771.7	(12.9)	(42.0)	(20.9)	142.5	(37.1)	3,040.6
Net result for the period	-	-	-	-	-	-	(47.6)	(47.6)
Other comprehensive income for the period (net)	-	-	-	-	(4.5)	20.6	-	16.1
Total comprehensive income	-	-	-	-	(4.5)	20.6	(47.6)	(31.5)
31/03/2022	2,239.3	771.7	(12.9)	(42.0)	(25.4)	163.1	(84.7)	3,009.1

QUARTERLY CONSOLIDATED CASH FLOW STATEMENT

	3 months ended 31/03/2023	3 months ended 31/03/2022	
Cash flows from operating activities			
Profit / (loss) before tax	130.6	(55.5)	
Adjustments			
Depreciation, amortization and impairment losses	191.4	183.9	Note 2.2
(Profits) / losses on interest, dividends	31.7	19.4	
Received / (paid) interest	(0.1)	0.4	
Received / (paid) income tax	(23.8)	(3.4)	
Movement in working capital	(32.2)	(108.7)	
Other adjustments	(0.2)	1.5	
Net cash from operating activities	297.4	37.6	
Cash flows from investing activities			
Expenditures on the acquisition of non-financial non-current assets	(255.8)	(258.1)	
Proceeds from the sale of non-financial non-current assets	1.9	27.2	
Proceeds from dividends received	0.4	-	
Other inflows from investing activities	1.4	0.2	
Net cash from investing activities	(252.1)	(230.7)	
Cash flows from financing activities			
Payments on lease liabilities	(40.3)	(42.2)	Note 4.1
Proceeds from bank loans and borrowings	158.7	163.5	Note 4.1
Repayment of bank loans and borrowings	(77.3)	(77.5)	Note 4.1
Interest paid on lease liabilities and bank loans and borrowings	(37.1)	(18.9)	Note 4.1
Grants received	-	25.1	
Other outflows from financing activities	(0.8)	(0.9)	
Net cash from financing activities	3.2	49.1	
Net increase / (decrease) in cash and cash equivalents	48.5	(144.0)	
Cash and cash equivalents at the beginning of the reporting period	181.5	254.5	
Impact exerted by FX rate movements on the cash balance in foreign currencies	0.3	0.8	
Cash and cash equivalents as at the end of the reporting period, including:	230.3	111.3	
<i>Restricted cash</i>	43.1	39.4	



NOTES TO THE QUARTERLY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. General information

1.1 Key information about the Group's business

Information about the Parent Company

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

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

In Q1 2023, the Parent Company did not change its name or other identification details.

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

The composition of the Parent Company's management and supervisory bodies and the Parent Company's shareholding structure as at 31 March 2023 are presented in the Additional Information to the Consolidated Quarterly Report for Q1 2023 in [Sections 2.1](#) and [2.3](#), respectively.

Information about the Group

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

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

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

The duration of individual Group companies is unlimited.



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

Name	Type	Registered office	% of shares held	
			31/03/2023	31/12/2022
Centralny Terminal Multimodalny Sp. z o.o.	other subsidiary	Warsaw	100%	100%
PKP CARGO SERVICE Sp. z o.o.	subsidiary – consolidated by the full method	Warsaw	100%	100%
PKP CARGO TERMINALE Sp. z o.o.	subsidiary – consolidated by the full method	Żurawica	100%	100%
PKP CARGOTABOR Sp. z o.o. ¹⁾	subsidiary – consolidated by the full method	Warsaw	100%	100%
CARGOTOR Sp. z o.o.	subsidiary – consolidated by the full method	Warsaw	100%	100%
PKP CARGOTABOR USŁUGI Sp. z o.o. ²⁾	subsidiary – consolidated by the full method	Warsaw	100%	100%
PKP Linia Chełmska Szerokotorowa Sp. z o.o.	other subsidiary	Chełm	100%	100%
ONECARGO CONNECT Sp. z o.o.	other subsidiary	Warsaw	100%	100%
COSCO Shipping Lines (POLAND) Sp. z o.o.	associate	Gdynia	20%	20%
PKP CARGO CONNECT Sp. z o.o.	subsidiary – consolidated by the full method	Warsaw	100%	100%
Transgaz S.A.	other subsidiary	Zalesie near Małaszewicze	64%	64%
Cargosped Terminal Braniewo Sp. z o.o.	subsidiary – consolidated by the full method	Braniewo	100%	100%
PKP CARGO CONNECT GmbH	other subsidiary	Hamburg	100%	100%
Terminale Przeładunkowe Sławków Medyka Sp. z o.o.	shares in joint ventures	Sławków	50%	50%
PKP CARGO INTERNATIONAL a.s.	subsidiary – consolidated by the full method	Ostrava	100%	100%
PKP CARGO INTERNATIONAL HU Zrt.	subsidiary – consolidated by the full method	Budapest	100%	100%
AWT ROSCO a.s.	subsidiary – consolidated by the full method	Ostrava	100%	100%
AWT CFT a.s. ³⁾	subsidiary – consolidated by the full method	Ostrava	100%	100%
AWT Rekultivace a.s.	subsidiary – consolidated by the full method	Petřvald	100%	100%
DEPOS Horní Sucha a.s.	associate	Horní Suchá	20.6%	20.6%
PKP CARGO INTERNATIONAL SK a.s.	other subsidiary	Bratislava	100%	100%
AWT DLT s.r.o.	other subsidiary	Kladno	100%	100%
PKP CARGO INTERNATIONAL SI d.o.o.	other subsidiary	Grčarevec	80%	80%

¹⁾ On 30 January 2023, the share capital of PKP CARGOTABOR Sp. z o.o. was increased through creation of new shares, which were covered by a cash contribution made by the Parent Company in the amount of PLN 13.5 million.

²⁾ On 2 March 2023, the share capital of PKP CARGOTABOR USŁUGI Sp. z o.o. was increased through creation of new shares worth PLN 28.3 million, which were covered by a cash contribution made by the Parent Company.

³⁾ With effect from 6 March 2023, AWT Čechofracht a.s. with its registered office in Ostrava, a fully owned subsidiary of PKP CARGO INTERNATIONAL a.s., changed its name to AWT CFT a.s.

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

1.2 Basis for preparation of the Quarterly Condensed Consolidated Financial Statements

These Quarterly Condensed Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards and related interpretations adopted by the European Union ("EU IFRS"), published and in effect in Q1 2023.

These Quarterly Condensed Consolidated Financial Statements should be read together with the audited Consolidated Financial Statements of the PKP CARGO Capital Group for the year ended 31 December 2022 prepared according to EU IFRS. The accounting policy used to prepare these Quarterly Condensed Consolidated Financial Statements is consistent with the one used to prepare the Consolidated Financial Statements for the financial year ended 31 December 2022. However a change was made in the presentation of costs of other services for the period of 3 months ended 31 March 2022 in connection with a change introduced starting from the Quarterly Consolidated Financial Statements for the period of 9 months ended 30 September 2022.

Based on the financial projections approved in the Group, these Quarterly Condensed Consolidated Financial Statements for the period of 3 months ended 31 March 2023 have been prepared based on the assumption that the Group will continue to be a going concern in the foreseeable future. As at the preparation date of these financial statements, there are no material circumstances indicating any substantial doubt about the Group's ability to continue its business as a going concern for a period of at least 12 months from the end of the reporting period.

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

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

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

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

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

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

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

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

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

Currency	Items of the statement of financial position		Items of the statement of profit or loss and other comprehensive income and the cash flow statement	
	31/03/2023	31/12/2022	3 months ended 31/03/2023	3 months ended 31/03/2022
EUR	4.6755	4.6899	4.7005	4.6472
CZK	0.1987	0.1942	0.1987	0.1888

These Quarterly Condensed Consolidated Financial Statements have not been audited by a statutory auditor. The line items of the consolidated statement of financial position as at 31 December 2022 were audited by a statutory auditor during the audit of the Consolidated Financial Statements of the PKP CARGO Capital Group for the year ended 31 December 2022 prepared according to EU IFRS.

These Quarterly Condensed Consolidated Financial Statements were approved for publication by the Parent Company's Management Board on 30 May 2023.

1.3 Applied International Financial Reporting Standards platform

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

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

Standard / Interpretation	Effective date
IFRS 17 "Insurance contracts" and amendments to IFRS 17	1 January 2023
Amendments to IAS 1 "Presentation of financial statements" and IFRS Practice Statement 2: Disclosure of Accounting policies	1 January 2023
Amendments to IAS 8 "Accounting policies, changes in accounting estimates and errors" – definition of estimates	1 January 2023
Amendments to IAS 12 "Income Tax" – deferred tax related to assets and liabilities arising from a single transaction	1 January 2023
Amendments to IFRS 17 "Insurance contracts: First application of IFRS 17 and IFRS 9 – Comparative information	1 January 2023

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

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

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

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

1.4 Liquidity position of the Group and liquidity risk management

The Group is exposed to liquidity risk following from the ratio of current assets to current liabilities. In order to minimize the possibility of disruption in cash flows and the risk of losing liquidity, the Group takes measures aimed at ensuring the availability of tools supporting the financing of operating and investing activities in the medium term.

On 2 January 2023, the Parent Company executed an Investment Loan Agreement with bank Powszechna Kasa Oszczędności Bank Polski S.A. up to the maximum amount of PLN 100.0 million with the availability term until 29 December 2023. The PKP CARGO Group has also implemented a cash pooling system which covered 8 Group companies as at 31 March 2023. The cash pool, independently of the cash collected by particular participants, is associated with a flexible line of credit in the form of a current account overdraft facility. Information on the financing sources available as at 31 March 2023 is presented in [Note 4.1](#) to these Condensed Consolidated Financial Statements.

Also, in the course of managing the liquidity position, the Group monitors trade receivables and payables on an ongoing basis.

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

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

31/03/2023	Contractual maturities from the end of the reporting period				Total (no discount)	Carrying amount
	Below 3 months	From 3 to 12 months	From 1 year to 5 years	Over 5 years		
Debt liabilities	371.7	489.0	1,545.1	751.1	3,156.9	2,675.8
Trade liabilities	772.4	2.8	9.6	-	784.8	784.8
Investment liabilities	72.0	45.8	34.5	-	152.3	151.0
Cash pool	1.2	-	-	-	1.2	1.2
Total	1,217.3	537.6	1,589.2	751.1	4,095.2	3,612.8

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

31/12/2022	Contractual maturities from the end of the reporting period				Total (no discount)	Carrying amount
	Below 3 months	From 3 to 12 months	From 1 year to 5 years	Over 5 years		
Debt liabilities	303.9	451.4	1,352.7	662.3	2,770.3	2,372.2
Trade liabilities	797.7	6.1	7.9	-	811.7	811.7
Investment liabilities	94.5	49.6	47.2	-	191.3	189.7
Cash pool	1.2	-	-	-	1.2	1.2
Derivatives – swap contract	0.3	-	-	-	0.3	0.3
Total	1,197.6	507.1	1,407.8	662.3	3,774.8	3,375.1

Age structure of trade liabilities and investment liabilities

	31/03/2023			31/12/2022		
	Trade liabilities	Investment liabilities	Total	Trade liabilities	Investment liabilities	Total
Non-overdue liabilities	513.4	142.8	656.2	534.0	177.7	711.7
Overdue liabilities						
to 30 days	196.6	7.7	204.3	146.7	6.6	153.3
31 - 90 days	67.7	0.5	68.2	124.7	5.4	130.1
91 - 180 days	3.7	-	3.7	3.0	-	3.0
181 - 365 days	1.5	-	1.5	1.2	-	1.2
over 365 days	1.9	-	1.9	2.1	-	2.1
Total	784.8	151.0	935.8	811.7	189.7	1,001.4

Age analysis of trade receivables

	31/03/2023			31/12/2022		
	Gross	Expected credit losses	Net	Gross	Expected credit losses	Net
Non-overdue receivables	723.3	(1.1)	722.2	710.0	(1.1)	708.9
Overdue receivables						
to 30 days	45.5	(0.1)	45.4	34.8	(0.2)	34.6
31 - 90 days	7.1	(0.9)	6.2	16.6	(1.0)	15.6
91 - 180 days	9.9	(1.4)	8.5	4.3	(2.0)	2.3
181 - 365 days	5.0	(2.9)	2.1	4.3	(1.4)	2.9
over 365 days	144.0	(130.4)	13.6	141.7	(129.3)	12.4
Total	934.8	(136.8)	798.0	911.7	(135.0)	776.7

1.5 Significant values based on professional judgment and estimates

In the 3 months ended 31 March 2023, no changes were made to the assumptions adopted by the Parent Company's Management Board for the calculation of estimates that would have a material impact on the current period or any future periods.

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

2.1 Revenues from contracts with customers

Structure of revenues from contracts with customers

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

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

3 months ended 31/03/2023	Group of entities related to the biggest external counterparty	PKP Group related parties	State Treasury related parties	Others	Total
Revenue from rail transportation services and freight forwarding services	65.0	4.6	500.8	728.6	1,299.0
Revenue from other transportation activity	0.5	-	0.3	30.8	31.6
Revenue from siding and traction services	-	3.0	45.4	43.0	91.4
Revenue from transshipment services	-	0.2	4.1	51.5	55.8
Revenue from reclamation services	-	0.4	-	13.2	13.6
Revenue from sales of goods and materials	-	-	-	15.2	15.2
Other revenues	0.2	10.0	2.9	44.3	57.4
Total	65.7	18.2	553.5	926.6	1,564.0
Revenue recognition date					
At a point of time	-	0.1	-	15.2	15.3
Over a period	65.7	18.1	553.5	911.4	1,548.7
Total	65.7	18.2	553.5	926.6	1,564.0

3 months ended 31/03/2022	Group of entities related to the biggest external counterparty	PKP Group related parties	State Treasury related parties	Others	Total
Revenue from rail transportation services and freight forwarding services	65.2	-	270.2	579.3	914.7
Revenue from other transportation activity	0.6	-	0.1	37.8	38.5
Revenue from siding and traction services	-	2.7	40.5	41.5	84.7
Revenue from transshipment services	-	-	0.1	36.2	36.3
Revenue from reclamation services	-	0.5	0.5	18.3	19.3
Revenue from sales of goods and materials	-	-	-	36.5	36.5
Other revenues	0.3	5.3	2.6	28.1	36.3
Total	66.1	8.5	314.0	777.7	1,166.3
Revenue recognition date					
At a point of time	-	-	-	37.1	37.1
Over a period	66.1	8.5	314.0	740.6	1,129.2
Total	66.1	8.5	314.0	777.7	1,166.3

2.1 Revenues from contracts with customers (cont.)

Geography

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

	3 months ended 31/03/2023	3 months ended 31/03/2022
Poland	1,217.0	844.9
Czech Republic	164.6	143.4
Germany	68.2	64.3
Italy	17.7	12.6
Slovakia	17.6	16.6
Denmark	12.9	16.7
Other countries	66.0	67.8
Total	1,564.0	1,166.3

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

	31/03/2023	31/12/2022
Poland	5,722.2	5,411.0
Czech Republic	735.5	733.7
Other countries	11.0	11.5
Total	6,468.7	6,156.2

Information on key customers

In the period of 3 months ended 31 March 2023 and 31 March 2022, revenue from no single customer of the Group exceeded 10% of the total revenues from contracts with customers.

Assets from contracts with customers

	31/03/2023	31/03/2022
As at the beginning of the reporting period	49.8	33.9
Recognition of revenue before the sales document is issued	35.0	43.2
Reclassification to receivables	(48.5)	(33.2)
FX differences from valuation	0.4	0.5
As at the end of the reporting period	36.7	44.4



2.2 Operating expenses

Consumption of traction electricity and traction fuel

	3 months ended 31/03/2023	3 months ended 31/03/2022
Consumption of traction fuel	(44.1)	(44.5)
Consumption of traction electricity	(213.3)	(139.0)
Total	(257.4)	(183.5)

Other services

	3 months ended 31/03/2023	3 months ended 31/03/2022
Repair and maintenance services for non-current assets	(25.5)	(21.1)
Rent and fees for the use of property and rolling stock	(28.1)	(27.2)
Telecommunications services	(1.7)	(1.5)
Legal, consulting and similar services	(2.7)	(2.7)
IT services	(12.2)	(11.8)
Transshipment services	(9.7)	(6.2)
Reclamation services	(15.7)	(18.9)
Traction and shunting services, train drivers	(13.6)	(9.0)
Other services	(14.8)	(9.7)
Total	(124.0)	(108.1)

Employee benefits

	3 months ended 31/03/2023	3 months ended 31/03/2022
Payroll	(370.3)	(307.5)
Social security expenses	(78.2)	(64.8)
Expenses for contributions to the Company Social Benefits Fund	(7.8)	(8.0)
Other employee benefits during employment	(12.8)	(10.4)
Post-employment benefits	(4.8)	(1.9)
Movement in provisions for employee benefits	(17.9)	(23.5)
Total	(491.8)	(416.1)

Other expenses

	3 months ended 31/03/2023	3 months ended 31/03/2022
Consumption of non-traction fuel	(9.0)	(8.8)
Consumption of electricity, gas and water	(30.5)	(19.5)
Consumption of materials	(28.3)	(20.5)
Taxes and charges	(10.2)	(9.4)
Cost of materials sold	(8.1)	(18.3)
Business trips	(9.0)	(6.4)
Other	(9.0)	(5.2)
Total	(104.1)	(88.1)

Depreciation, amortization and impairment losses

	3 months ended 31/03/2023	3 months ended 31/03/2022
Depreciation of rolling stock	(145.0)	(133.9)
Depreciation of other property, plant and equipment	(17.0)	(16.8)
Depreciation of rights-of-use assets	(28.1)	(29.9)
Amortization of intangible assets	(1.5)	(2.0)
(Recognized) / reversed impairment losses:		
Rolling stock	0.2	-
Other property, plant and equipment	-	(1.3)
Total	(191.4)	(183.9)

2.3 Other operating revenue and (expenses)

Other operating revenue and (expenses)

	3 months ended 31/03/2023	3 months ended 31/03/2022
Profit on sales of non-financial non-current assets	0.3	5.1
Reversed impairment losses on trade receivables	1.4	0.6
Penalties and compensations	7.0	3.2
Reversal of other provisions	1.2	0.9
Interest on trade and other receivables	0.9	0.6
Net result on FX differences on trade receivables and liabilities	-	0.9
Grants	0.4	2.0
Other	0.9	1.1
Total other operating revenue	12.1	14.4
Recognized impairment losses on trade receivables	(2.2)	(0.6)
Penalties and compensations	(4.3)	(2.9)
Costs of liquidation of non-current and current assets	(1.4)	(4.9)
Recognized other provisions	(1.4)	(1.3)
Interest on trade and other liabilities	(4.7)	(1.5)
Net result on FX differences on trade receivables and liabilities	(1.2)	-
Other	(1.8)	(1.4)
Total other operating expenses	(17.0)	(12.6)
Other operating revenue and (expenses)	(4.9)	1.8

2.4 Financial revenue and (expenses)

Financial revenue and (expenses)

	3 months ended 31/03/2023	3 months ended 31/03/2022
Interest income	1.3	0.1
Other	0.1	-
Total financial revenue	1.4	0.1
Interest expenses	(32.6)	(19.5)
Settlement of the discount on provisions for employee benefits	(9.4)	(4.6)
Net result on FX differences	(0.5)	(0.8)
Other	(0.4)	(0.3)
Total financial expenses	(42.9)	(25.2)
Financial revenue and (expenses)	(41.5)	(25.1)

3. Notes on taxation

3.1 Income tax

Income tax recognized in profit or loss

	3 months ended 31/03/2023	3 months ended 31/03/2022
Current income tax		
Current tax charge	(13.8)	(3.4)
Adjustments recognized in the current year relating to tax from previous years	-	(0.1)
Deferred tax		
Deferred income tax of the reporting period	(12.6)	11.4
Income tax recognized in profit or loss	(26.4)	7.9

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

Deferred income tax recognized in other comprehensive income

	3 months ended 31/03/2023	3 months ended 31/03/2022
Deferred tax on the measurement of hedging instruments	(0.8)	1.1
Deferred tax on actuarial profits / (losses) pertaining to post-employment benefits	0.1	-
FX differences from translation of the balance of deferred income tax recognized in other comprehensive income ¹⁾	(2.4)	(2.5)
Deferred income tax recognized in other comprehensive income	(3.1)	(1.4)

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

Balance of deferred tax assets and liabilities

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

	31/03/2023	31/12/2022
Deferred tax assets	161.3	176.1
Deferred tax liabilities	(95.4)	(94.5)
Total	65.9	81.6

Table of movements in deferred tax before the set-off

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

3.1 Income tax (cont.)

3 months ended 31/03/2022	1/01/2022	Recognized in profit or loss	Recognized in other comprehensive income	FX differences resulting from translation of deferred tax balance	31/03/2022
Temporary differences relating to deferred tax (liabilities) / assets:					
Non-financial non-current assets	(118.2)	10.7	-	(2.3)	(109.8)
Rights-of-use assets and lease liabilities	(12.7)	(1.0)	-	(0.3)	(14.0)
Other provisions and liabilities	17.7	1.3	-	-	19.0
Inventories	(7.9)	2.5	-	-	(5.4)
Lease receivables	(1.7)	-	-	-	(1.7)
Trade receivables	1.2	(0.5)	-	-	0.7
Provisions for employee benefits	124.7	1.8	-	0.1	126.6
Other	17.0	3.1	1.1	-	21.2
Unused tax losses	89.7	(6.5)	-	-	83.2
Total	109.8	11.4	1.1	(2.5)	119.8

Maturity analysis of deferred tax assets from tax losses

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

Year	2024	2025	2026	2027	2028	Total
Unused tax losses	72.2	37.3	46.2	0.7	0.7	157.1

Expiration dates of the tax losses to which deferred tax assets were recognized as at 31 December 2022

Year	2024	2025	2026	2027	2028	Total
Unused tax losses	72.4	106.1	46.2	-	-	224.7

Tax loss not recognized in calculation of deferred tax assets

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

	31/03/2023	31/12/2022
PKP CARGO INTERNATIONAL HU Zrt.	14.8	14.2
AWT CFT a.s. (formerly AWT Čechofracht a.s.)	9.7	9.5
PKP CARGOTABOR USŁUGI Sp. z o.o.	0.1	0.1
Total	24.6	23.8

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

Year	2023	2024	2025	2026	Total
Unused tax losses	6.3	5.4	12.6	0.3	24.6

Expiration dates of the tax losses to which deferred tax assets were not applied as at 31 December 2022

Year	2023	2024	2025	2026	Total
Unused tax losses	6.0	5.3	12.2	0.3	23.8



4. Notes on debt

4.1 Reconciliation of debt liabilities

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

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

Items in foreign currencies

31/03/2023	In functional currency PLN	In foreign currency		Total
		EUR	CZK	
Bank loans and borrowings	954.6	617.7	-	1,572.3
Leases	1,025.6	46.4	31.5	1,103.5
Total	1,980.2	664.1	31.5	2,675.8

31/12/2022	In functional currency PLN	In foreign currency		Total
		EUR	CZK	
Bank loans and borrowings	848.1	646.2	-	1,494.3
Leases	793.0	52.6	32.3	877.9
Total	1,641.1	698.8	32.3	2,372.2

Reconciliation of debt liabilities

3 months ended 31/03/2023	Bank loans and borrowings	Leases	Total
1/01/2023	1,494.3	877.9	2,372.2
New liabilities contracted	158.7	206.3	365.0
Modifications of existing agreements	-	60.2	60.2
Leaseback	-	1.6	1.6
Transaction costs	0.3	-	0.3
Accrual of interest	21.2	11.0	32.2
Payments under debt, including:			
Repayments of the principal	(77.3)	(40.3)	(117.6)
Interest paid	(22.8)	(14.3)	(37.1)
Transaction costs	(0.3)	-	(0.3)
Other	-	(0.1)	(0.1)
FX differences recognized in the result	(1.7)	(0.3)	(2.0)
FX translation differences	(0.1)	1.5	1.4
31/03/2023	1,572.3	1,103.5	2,675.8
Long-term	1,000.1	934.5	1,934.6
Short-term	572.2	169.0	741.2
Total	1,572.3	1,103.5	2,675.8



4.1 Reconciliation of debt liabilities (cont.)

3 months ended 31/03/2022	Bank loans and borrowings	Leases	Total
1/01/2022	1,632.9	931.3	2,564.2
New liabilities contracted	163.5	0.4	163.9
Modifications of existing agreements	-	9.3	9.3
Transaction costs	0.2	-	0.2
Accrual of interest	9.9	9.0	18.9
Payments under debt, including:			
Repayments of the principal	(77.5)	(42.2)	(119.7)
Interest paid	(9.2)	(9.7)	(18.9)
Transaction costs	(0.3)	-	(0.3)
Other	-	(1.5)	(1.5)
FX differences recognized in the result	8.2	0.4	8.6
FX translation differences	0.3	2.3	2.6
31/03/2022	1,728.0	899.3	2,627.3
Long-term	1,256.0	741.6	1,997.6
Short-term	472.0	157.7	629.7
Total	1,728.0	899.3	2,627.3

Other amounts under leases recognized in the statement of profit or loss and other comprehensive income:

	Presentation in the statement of profit or loss and other comprehensive income	31/03/2023	31/03/2022
Revenues from operating leases	Revenues from contracts with customers	15.7	8.1
Costs of short-term leases	Other services	(17.3)	(19.4)

Terms and conditions of loan agreements

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

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

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

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

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

As at 31 March 2023, the covenants defined in loan agreements for the Parent Company and subsidiaries were satisfied and therefore under IAS 1 non-current loan liabilities did not have to be reclassified to the current part.

4.1 Reconciliation of debt liabilities (cont.)

Unused credit and lease facilities

Type of loan	Bank Name	Period of availability	Currency of the contract	31/03/2023	31/12/2022
Overdraft	Bank Polska Kasa Opieki S.A.	24/05/2023	PLN	99.8	100.0
Overdraft	Powszechna Kasa Oszczędności Bank Polski S.A.	27/06/2023	PLN	-	-
Overdraft	Bank Polska Kasa Opieki S.A.	09/07/2023	PLN	1.6	1.6
Overdraft	Bank Gospodarstwa Krajowego	20/10/2023	PLN	100.0	100.0
Overdraft	Powszechna Kasa Oszczędności Bank Polski S.A. ¹⁾	19/03/2024	PLN	-	58.7
Leasing facility	PEKAO LEASING Sp. z o.o.	9/10/2023	PLN	27.7	99.0
Leasing facility	PKO Leasing S.A.	31/12/2023	PLN	64.8	200.0
Total				293.9	559.3

¹⁾ On 17 March 2023, the Parent Company executed an annex to the overdraft facility agreement extending the availability period of the facility until 19 March 2024.

4.2 Equity

Share capital

	31/03/2023	31/12/2022
The share capital consists of:		
Ordinary shares – fully paid up and registered	2,239.3	2,239.3

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

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

In the period of 3 months ended 31 March 2023 and 31 March 2022, there were no movements in the share capital of the Parent Company.

Movement in supplementary capital and retained earnings

On 4 April 2023, the Parent Company's Management Board adopted a resolution with a recommendation to allocate the 2022 profit of PLN 102.7 million shown in the Standalone Financial Statements in its entirety to supplementary capital.

4.3 Cash and cash equivalents

Structure of cash and cash equivalents

	31/03/2023	31/12/2022
Cash on hand and on bank accounts	127.4	114.7
Bank deposits up to 3 months	97.0	52.8
Other cash	5.9	14.0
Total	230.3	181.5
<i>including restricted cash</i>	<i>43.1</i>	<i>47.3</i>

Restricted cash included mostly cash received as tender deposits or guarantees and cash accumulated on bank accounts dedicated for the split-payment mechanism.

5. Notes to the statement of financial position

5.1 Rolling stock and other property, plant and equipment

Movement in rolling stock and other property, plant and equipment

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

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

3 months ended 31/03/2022	Rolling stock	Other property, plant and equipment					Total
		Real properties	Technical machinery and equipment	Means of transport	Other fixed assets	Fixed assets under construction	
Gross value							
1/01/2022	7,155.4	1,014.3	468.3	96.0	45.0	83.7	1,707.3
<i>Increases / (decreases):</i>							
Periodic repairs of rolling stock	-	-	-	-	-	117.7	117.7
Other acquisitions	-	-	-	-	-	93.6	93.6
Purchase of leased items	21.1	-	-	-	-	-	-
Settlement of fixed assets under construction	199.8	23.3	2.6	1.0	0.3	(227.0)	(199.8)
Grant for non-current assets	(23.8)	(7.1)	-	-	-	5.9	(1.2)
Sales	(2.6)	(6.5)	(0.4)	(0.5)	-	-	(7.4)
Liquidation	(55.9)	-	(0.9)	-	-	(0.2)	(1.1)
FX translation differences	25.4	5.5	1.5	1.2	-	0.5	8.7
Other	0.9	-	-	-	-	-	-
31/03/2022	7,320.3	1,029.5	471.1	97.7	45.3	74.2	1,717.8
Accumulated depreciation							
1/01/2022	(2,726.7)	(327.0)	(354.6)	(84.9)	(39.9)	-	(806.4)
<i>(Increases) / decreases:</i>							
Depreciation	(133.9)	(8.8)	(6.6)	(0.9)	(0.5)	-	(16.8)
Purchase of leased items	(7.8)	-	-	-	-	-	-
Sales	2.2	-	0.4	0.5	-	-	0.9
Liquidation	51.3	-	0.9	-	-	-	0.9
FX translation differences	(8.9)	(1.5)	(0.8)	(1.1)	-	-	(3.4)
Other	(0.6)	-	(0.2)	-	-	-	(0.2)
31/03/2022	(2,824.4)	(337.3)	(360.9)	(86.4)	(40.4)	-	(825.0)
Accumulated impairment							
1/01/2022	(187.1)	(0.9)	(1.7)	-	-	(4.9)	(7.5)
<i>(Increases) / decreases:</i>							
Recognition	-	-	-	-	-	(1.3)	(1.3)
Utilization	0.1	-	-	-	-	0.2	0.2
FX translation differences	(1.6)	-	-	-	-	(0.1)	(0.1)
31/03/2022	(188.6)	(0.9)	(1.7)	-	-	(6.1)	(8.7)
Net value							
1/01/2022	4,241.6	686.4	112.0	11.1	5.1	78.8	893.4
31/03/2022	4,307.3	691.3	108.5	11.3	4.9	68.1	884.1

5.2 Rights-of-use assets

Movement in rights-of-use assets

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

3 months ended 31/03/2022	Rolling stock	Real properties	Technical machinery and equipment	Means of transport	Other fixed assets	Total
Gross value						
1/01/2022	527.5	799.1	53.0	21.5	1.4	1,402.5
<i>Increases / (decreases):</i>						
New leases	-	0.2	-	0.2	-	0.4
Modifications of agreements	-	6.4	-	2.9	-	9.3
Return of leased items	(6.5)	(1.7)	-	(0.2)	-	(8.4)
Purchase of leased items	(21.1)	-	-	-	-	(21.1)
Other	-	(0.1)	-	-	-	(0.1)
FX translation differences	4.7	7.1	0.5	0.2	-	12.5
31/03/2022	504.6	811.0	53.5	24.6	1.4	1,395.1
Accumulated depreciation						
1/01/2022	(175.2)	(166.5)	(14.9)	(14.3)	(0.9)	(371.8)
<i>(Increases) / decreases:</i>						
Depreciation	(11.7)	(15.1)	(1.9)	(1.1)	(0.1)	(29.9)
Return of leased items	6.5	0.3	-	0.1	-	6.9
Purchase of leased items	7.8	-	-	-	-	7.8
FX translation differences	(2.3)	(6.3)	(0.2)	(0.1)	-	(8.9)
31/03/2022	(174.9)	(187.6)	(17.0)	(15.4)	(1.0)	(395.9)
Net value						
1/01/2022	352.3	632.6	38.1	7.2	0.5	1,030.7
31/03/2022	329.7	623.4	36.5	9.2	0.4	999.2

5.3 Investments in entities accounted for under the equity method

Detailed information on the entities accounted for under the equity method

	Carrying amount	
	31/03/2023	31/12/2022
COSCO Shipping Lines (POLAND) Sp. z o.o.	1.0	0.9
Terminale Przeładunkowe Sławków - Medyka Sp. z o.o.	22.6	22.3
Transgaz S.A.	8.2	7.3
PKP CARGO CONNECT GmbH	5.2	3.3
PKP CARGO INTERNATIONAL SK a. s.	2.8	2.8
PKP CARGO INTERNATIONAL SI d.o.o.	1.7	4.0
Centralny Terminal Multimodalny Sp. z o.o.	1.2	1.2
Total	42.7	41.8

Investments in entities accounted for under the equity method

	3 months ended 31/03/2023	3 months ended 31/03/2022
As at the beginning of the reporting period	41.8	36.7
Sale of shares	-	-
Share in the profit / (loss) of entities accounted for under the equity method	4.1	1.1
Movement in equity on account of dividends	(3.2)	(2.5)
FX differences from translation of financial statements	-	0.3
As at the end of the reporting period	42.7	35.6

5.4 Inventories

Structure of inventories

	31/03/2023	31/12/2022
Strategic inventories	40.7	31.8
Rolling stock during liquidation	41.1	42.5
Other inventories	142.7	130.3
Impairment losses	(4.8)	(3.8)
Net inventories	219.7	200.8

5.5 Trade receivables

Structure of trade receivables

	31/03/2023	31/12/2022
Trade receivables	934.8	911.7
Impairment loss on receivables	(136.8)	(135.0)
Total	798.0	776.7
Non-current assets	8.2	7.3
Current assets	789.8	769.4
Total	798.0	776.7

5.6 Other assets

Structure of other assets

	31/03/2023	31/12/2022
Financial assets		
Shares in unlisted companies	5.8	5.8
Non-financial assets		
Costs settled over time		
Prepayments for purchase of electricity	52.4	74.1
Insurance	6.0	5.1
IT services	3.8	4.8
Purchase of transportation benefits	10.8	0.1
Other costs settled over time	6.9	3.8
Prepayments for purchase of non-financial non-current assets	34.2	18.2
Other	2.1	1.5
Other receivables		
VAT settlements	43.8	46.3
Receivables from the sale of shares	3.7	4.1
Dividend receivables	3.1	0.3
Other	14.2	15.7
Intangible assets		
Licenses	11.7	12.9
Other intangible assets	0.3	0.3
Intangible assets under development	8.8	7.5
Total	207.6	200.5
Non-current assets	64.5	48.6
Current assets	143.1	151.9
Total	207.6	200.5

5.7 Investment liabilities

Structure of investment liabilities

	31/03/2023	31/12/2022
Investment liabilities related to rolling stock	111.2	149.7
Investment liabilities related to real properties	36.0	31.5
Other	3.8	8.5
Total	151.0	189.7
Long-term liabilities	34.2	46.7
Short-term liabilities	116.8	143.0
Total	151.0	189.7

5.8 Provisions for employee benefits

Structure of provisions for employee benefits

	31/03/2023	31/12/2022
Post-employment defined benefit plans		
Retirement and disability severance benefits	209.2	217.5
Company Social Benefits Fund	92.2	91.7
Transportation benefits	20.7	20.5
Post-mortem benefits	6.8	7.1
Other employee benefits		
Jubilee awards	249.0	252.6
Other employee benefits (unused vacation time/bonuses)	62.8	50.8
Total	640.7	640.2
Long-term provisions	476.6	483.5
Short-term provisions	164.1	156.7
Total	640.7	640.2

5.9 Other provisions

Structure of other provisions

	31/03/2023	31/12/2022
Provision for land reclamation	7.3	7.9
Other provisions	13.7	14.0
Total	21.0	21.9
Long-term provisions	0.5	0.5
Short-term provisions	20.5	21.4
Total	21.0	21.9

5.10 Other liabilities

Structure of other liabilities

	31/03/2023	31/12/2022
Financial liabilities		
Cash pool	1.2	1.2
Derivatives – swap contract	-	0.3
Other liabilities		
Liabilities arising out of collateral (deposits, bid deposits, guarantees)	39.9	41.6
Public law liabilities	129.1	116.8
Settlements with employees	112.6	105.6
Received grants	-	0.1
VAT settlements	16.3	18.5
Current income tax liabilities	6.9	6.6
Other settlements	15.7	6.4
Total	321.7	297.1
Short-term liabilities	321.7	297.1
Total	321.7	297.1

6. Financial instruments

6.1 Financial instruments

Categories and classes of financial instruments

Financial assets by categories and classes	Note	31/03/2023	31/12/2022
Financial assets measured at fair value through other comprehensive income			
Investments in equity instruments	Note 5.6	5.8	5.8
Financial assets measured at amortized cost			
Trade receivables	Note 5.5	798.0	776.7
Receivables from the sale of shares	Note 5.6	3.7	4.1
Cash and cash equivalents	Note 4.3	230.3	181.5
Financial assets excluded from the scope of IFRS 9		8.8	9.3
Total		1,046.6	977.4

6.1 Financial instruments (cont.)

Financial liabilities by categories and classes	Note	31/03/2023	31/12/2022
Financial liabilities measured at fair value through profit or loss			
Derivatives – swap contract	Note 5.10	-	0.3
Hedging financial instruments			
Bank loans and borrowings	Note 4.1	611.9	640.3
Financial liabilities excluded from the scope of IFRS 9	Note 4.1	24.6	26.7
Financial liabilities measured at amortized cost			
Bank loans and borrowings	Note 4.1	960.4	854.0
Trade liabilities		784.8	811.7
Investment liabilities	Note 5.7	151.0	189.7
Cash pool	Note 5.10	1.2	1.2
Financial liabilities excluded from the scope of IFRS 9	Note 4.1	1,078.9	851.2
Total		3,612.8	3,375.1

Impairment losses for trade receivables are presented in [Note 5.5](#) to these Quarterly Condensed Consolidated Financial Statements.

Hedge accounting

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

As at 31 March 2023, the Group has established the following hedging instruments:

- investment loans denominated in EUR. The hedged cash flows will be realized until January 2035. As at 31 March 2023, the nominal amount of the hedging instrument was EUR 130.9 million, which is an equivalent of PLN 611.9 million.
- leases denominated in EUR. The hedged cash flows will be realized until January 2028. As at 31 March 2023, the nominal amount of the hedging instrument was EUR 5.3 million, which is an equivalent of PLN 24.6 million.

Fair value hierarchy

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

	31/03/2023		31/12/2022	
	Level 2	Level 3	Level 2	Level 3
Assets				
Investments in equity instruments - shares in unlisted companies	-	5.8	-	5.8
Liabilities				
Derivatives – swap contract	-	-	0.3	-

Measurement methods for financial instruments measured at fair value

a) Derivatives – swap contract

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

b) Investments in financial instruments

This line item includes predominantly an equity stake in Euroterminal Sławków Sp. z o.o. worth PLN 4.9 million, the value of which was measured by an independent adviser using the modified Swiss method. The Swiss method is a mixed measurement method as it combines the asset value aspect with the ability to generate future cash flows. According to the Swiss method, the value of the enterprise is calculated as the weighted average of the values determined by the asset-based approach and the income-based approach. This method attaches a greater weight (twice as large) to the value determined by the income-based approach. The adoption of the Swiss method is justified on the grounds that Euroterminal Sławków Sp. z o.o. has a moderate ability to generate profits in the future but owns material assets in the form of land plots and property.

c) Other financial instruments

For the category of financial instruments which are not carried at fair value as at the balance sheet date, the Group does not disclose fair value because the fair values of these financial instruments as at 31 March 2023 and 31 December 2022 were not materially different from their values presented in the statement of financial position.

In the period of 3 months ended 31 March 2023 and 31 March 2022, there were no transfers between level 2 and level 3 of the fair value hierarchy.

6.1 Financial instruments (cont.)

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

3 months ended 31/03/2023	Hedging financial instruments	Financial assets measured at amortized cost	Financial assets excluded from the scope of IFRS 9	Financial liabilities measured at amortized cost	Total financial liabilities excluded from the scope of IFRS 9	Total
Interest income / (expense)	(3.9)	2.0	0.1	(22.2)	(10.9)	(34.9)
FX differences	-	0.1	-	0.3	(2.1)	(1.7)
Impairment losses / revaluation	-	(0.8)	-	-	-	(0.8)
Transaction costs related to loans	-	-	-	(0.3)	-	(0.3)
Effect of settlement of cash flow hedge accounting	(2.4)	-	-	-	-	(2.4)
Profit / (loss) before tax	(6.3)	1.3	0.1	(22.2)	(13.0)	(40.1)
Revaluation	4.2	-	-	-	-	4.2
Other comprehensive income	4.2	-	-	-	-	4.2

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

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

3 months ended 31/03/2022	Hedging financial instruments	Financial assets measured at amortized cost	Financial assets excluded from the scope of IFRS 9	Financial liabilities measured at amortized cost	Total financial liabilities excluded from the scope of IFRS 9	Total
Interest income / (expense)	(0.7)	0.6	0.1	(11.4)	(8.8)	(20.2)
FX differences	-	-	-	0.3	(0.3)	-
Impairment losses / revaluation	-	-	-	-	-	-
Transaction costs related to loans	-	-	-	(0.2)	-	(0.2)
Effect of settlement of cash flow hedge accounting	(2.1)	-	-	-	-	(2.1)
Profit / (loss) before tax	(2.8)	0.6	0.1	(11.3)	(9.1)	(22.5)
Revaluation	(5.6)	-	-	-	-	(5.6)
Other comprehensive income	(5.6)	-	-	-	-	(5.6)

In the period of 3 months ended 31 March 2022, the effect of settling cash flow hedge accounting adjusted the value of revenues from contracts with customers in the amount of PLN (2.1) million.

In the period of 3 months ended 31 March 2022, the change in the measurement of hedging financial instruments recognized in other comprehensive income included a change in the measurement of bank loans in the amount of PLN (5.9) million and lease liabilities in the amount of PLN 0.3 million, recognized as part of the hedge accounting applied by the Group.

7. Other notes

7.1 Related party transactions

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

In the period of 3 months ended 31 March 2023 and 31 March 2022, the State Treasury was a upper level parent entity of the PKP CARGO Group. Accordingly, all companies owned by the State Treasury (directly or indirectly) are the Group's related parties and are presented separately as PKP Group related parties and other State Treasury related parties. In these Quarterly Condensed Consolidated Financial Statements, the Parent Company's Management Board has disclosed transactions with significant related parties identified as such according to the best knowledge of the Management Board.

In the period of 3 months ended 31 March 2023 and 31 March 2022, there were no individual transactions effected between the PKP CARGO Group and the State Treasury or other entities related to the State Treasury which would be significant due to a non-standard scope and amount. In the periods covered by these Quarterly Condensed Consolidated Financial Statements, the Group's most important clients among other parties related to the State Treasury were members of the following groups: PGE, Węglokoks, PKN Orlen and JSW.

Transactions with PKP Group related parties

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

	3 months ended 31/03/2023		31/03/2023	
	Sales to related parties	Purchases from related parties	Receivables from related parties	Liabilities to related parties
Parent company	0.2	22.2	0.2	601.2
Subsidiaries/co-subsidiaries – unconsolidated	3.9	7.6	0.5	2.4
Associates	1.2	0.3	0.3	0.2
Other PKP Group related parties	12.9	138.1	5.2	175.1

	3 months ended 31/03/2022		31/12/2022	
	Sales to related parties	Purchases from related parties	Receivables from related parties	Liabilities to related parties
Parent company	0.1	18.4	1.3	580.3
Subsidiaries/co-subsidiaries – unconsolidated	1.4	5.6	1.3	2.3
Associates	0.6	0.1	1.1	-
Other PKP Group related parties	6.4	136.0	11.7	203.9

Purchase transactions with the parent company (PKP S.A.) pertained in particular to lease and rental agreements treated as leasing contracts, the supply of utilities, costs of fees for membership in international railway organizations and occupational medicine services.

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

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

In addition to commercial transactions, the Group had dividend receivables disclosed in [Note 5.6](#) and cash pooling settlements disclosed in [Note 5.10](#) of these Consolidated Financial Statements.

7.1 Related party transactions (cont.)

Remunerations of key management personnel

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

Remunerations of Management Board members	Parent Company		Subsidiaries	
	3 months ended 31/03/2023	3 months ended 31/03/2022	3 months ended 31/03/2023	3 months ended 31/03/2022
Short-term benefits	0.7	0.4	1.5	1.4
Post-employment benefits	-	0.5	-	0.2
Total	0.7	0.9	1.5	1.6

Remunerations of Supervisory Board Members	Parent Company		Subsidiaries	
	3 months ended 31/03/2023	3 months ended 31/03/2022	3 months ended 31/03/2023	3 months ended 31/03/2022
Short-term benefits	0.4	0.3	0.3	0.3
Total	0.4	0.3	0.3	0.3

Remunerations of other members of key management personnel	Parent Company		Subsidiaries	
	3 months ended 31/03/2023	3 months ended 31/03/2022	3 months ended 31/03/2023	3 months ended 31/03/2022
Short-term benefits	1.7	1.7	5.2	4.4
Termination benefits	0.2	0.1	-	-
Total	1.9	1.8	5.2	4.4

In the period of 3 months ended 31 March 2023 and 31 March 2022, members of the key management personnel of the Parent Company and the PKP CARGO Group subsidiaries did not enter into any loan or guarantee transactions with the Group.

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

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

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

	31/03/2023	31/12/2022
Contractual liabilities on account of purchase and repairs of rolling stock and other property, plant and equipment	409.4	650.1
Contractual liabilities on account of non-commenced lease contracts	10.7	1.5
Total	420.1	651.6

7.3 Contingent liabilities

Structure of contingent liabilities

	31/03/2023	31/12/2022
Guarantees issued on the Group's order	119.8	132.3
Other contingent liabilities	141.7	152.4
Total	261.5	284.7

Guarantees issued on the Group's order

As at 31 March 2023, the Group included in contingent liabilities guarantees issued by banks and insurance companies at the request of PKP CARGO Group companies. This line item comprises mainly commercial contract performance bonds, customs guarantees and payment guarantees.

Other contingent liabilities

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

7.4 Impact of the war in Ukraine on the Group's activities

The war in Ukraine remains the main risk factor for PKP CARGO Group's performance in the current year. It is still impossible to predict the direction in which this conflict will develop (and when it will end) and, consequently, the influence it will have on the current economic processes. This war has been a stimulus for gradual deglobalization and fragmentation in international trade. The impact of the conflict on the rise in energy and food prices is diminishing, but the inflationary impulse caused by last year's price hike remains a factor slowing down rapid economic growth. The rise in energy prices has been an important driver of operating costs in PKP CARGO Group companies and, by increasing the cost of doing business, leads to price increases for customers. Russia's aggression in Ukraine has caused a significant decline in trade with Russia and Belarus (which have clearly lost their importance) due to sanctions and also due to the approach of companies that have left these markets on their own.

The Group's companies, which had been focused on the Eastern markets, are continuing to reorganize their activities in order to move as far away as possible from their strong economic ties in that direction.

The role of ports as delivery points for goods that previously arrived in Poland mainly by land (e.g. coal from Russia or containers from China) is increasing due to the decrease in the price of sea transportation, the risk and cost of insuring goods on the "New Silk Road", and the end of disruptions in supply chains.

The growing importance of Ukraine in the economic exchange with Poland creates excellent prospects for cooperation in the coming years. PKP CARGO Group companies are involved in the transportation of a broad range of goods (for example, PKP CARGO S.A. transports iron ore and humanitarian aid).

All legal and factual changes related to the impact of the war on the functioning of PKP CARGO Group companies are analyzed on an ongoing basis, which allows the Group to take appropriate action, including relevant investments or taking preventive measures. The adverse effect on the revenues of the PKP CARGO Group subsidiaries will be limited mainly to those operating terminals on the eastern border of Poland and providing freight forwarding services in this geographic area (although it will affect almost all companies of the Group).

PKP CARGO Group companies do not currently perceive any significant risks to their operations that are related to the war in Ukraine, but the situation is dynamic and requires constant monitoring in this respect.

7.5 Subsequent events

On 21 April 2023, the Parent Company concluded 4 lease agreements for locomotives with the total value of PLN 67.6 million.

On 24 May 2023, the Parent Company executed an annex to the overdraft facility agreement extending the availability period of the facility until 24 May 2024.

On 26 May 2023, the Parent Company and PKP CARGOTABOR Sp. z o.o. signed the overdraft facility agreement with Bank Polska Kasa Opieki S.A. up to the maximum amount of PLN 50.0 million with the availability term until 25 May 2024.

7.6 Approval of the financial statements

These Quarterly Condensed Consolidated Financial Statements were approved for publication by the Parent Company's Management Board on 30 May 2023.

Parent Company's Management Board

Dariusz Seliga
President of the Management Board

Marek Olkiewicz
Management Board Member

Maciej Jankiewicz
Management Board Member

Jacek Rutkowski
Management Board Member

Zenon Kozendra
Management Board Member

Warsaw, 30 May 2023

Quarterly Financial Information

of PKP CARGO S.A.

for the period of 3 months
ended 31 March 2023

QUARTERLY STANDALONE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	3 months ended 31/03/2023	3 months ended 31/03/2022
Revenues from contracts with customers	1,210.4	870.3
Consumption of traction electricity and traction fuel	(240.4)	(167.3)
Services of access to infrastructure	(131.1)	(132.3)
Other services	(103.4)	(96.6)
Employee benefits	(366.7)	(305.4)
Other expenses	(63.4)	(57.4)
Other operating revenue and (expenses)	(1.9)	5.5
Operating profit without depreciation (EBITDA)	303.5	116.8
Depreciation, amortization and impairment losses	(160.8)	(150.0)
Profit / (loss) on operating activities (EBIT)	142.7	(33.2)
Financial revenue and (expenses)	(39.6)	(21.8)
Profit / (loss) before tax	103.1	(55.0)
Income tax	(21.9)	8.8
NET PROFIT / (LOSS)	81.2	(46.2)
OTHER COMPREHENSIVE INCOME		
Measurement of hedging instruments	3.5	(6.5)
Income tax	(0.7)	1.3
Total other comprehensive income subject to reclassification in the financial result	2.8	(5.2)
Total other comprehensive income	2.8	(5.2)
TOTAL COMPREHENSIVE INCOME	84.0	(51.4)
Earnings / (losses) per share (PLN per share)		
Weighted average number of ordinary shares	44,786,917	44,786,917
Basic earnings / (losses) per share	1.81	(1.03)
Diluted earnings / (losses) per share	1.81	(1.03)

QUARTERLY STANDALONE STATEMENT OF FINANCIAL POSITION

	31/03/2023	31/12/2022
ASSETS		
Rolling stock	3,819.7	3,778.1
Other property, plant and equipment	439.2	459.5
Rights-of-use assets	892.2	653.1
Investments in related parties	897.1	858.0
Lease receivables	21.8	22.1
Financial assets	4.9	4.9
Other assets	51.0	36.6
Deferred tax assets	115.0	135.7
Total non-current assets	6,240.9	5,948.0
Inventories	106.1	97.7
Trade receivables	554.5	532.7
Lease receivables	1.6	1.5
Income tax receivables	12.1	-
Other assets	106.1	112.9
Cash and cash equivalents	94.4	55.2
Total current assets	874.8	800.0
Non-current assets classified as held for sale	0.1	0.1
TOTAL ASSETS	7,115.8	6,748.1
EQUITY AND LIABILITIES		
Share capital	2,239.3	2,239.3
Supplementary capital	635.7	635.7
Other items of equity	(51.6)	(54.4)
Retained earnings	183.9	102.7
Total equity	3,007.3	2,923.3
Debt liabilities	1,748.6	1,519.6
Investment liabilities	33.8	46.1
Provisions for employee benefits	410.3	419.7
Other provisions	0.5	0.5
Total long-term liabilities	2,193.2	1,985.9
Debt liabilities	680.2	598.8
Trade liabilities	581.1	598.6
Investment liabilities	200.9	197.9
Provisions for employee benefits	125.2	125.5
Other provisions	7.2	7.2
Current tax liabilities	-	2.3
Other financial liabilities	112.7	92.6
Other liabilities	208.0	216.0
Total short-term liabilities	1,915.3	1,838.9
Total liabilities	4,108.5	3,824.8
TOTAL EQUITY AND LIABILITIES	7,115.8	6,748.1

QUARTERLY STANDALONE STATEMENT OF CHANGES IN EQUITY

	Share capital	Supplementary capital	Other items of equity			Retained Earnings/ (Accumulated losses)	Total
			Profits / (losses) on measurement of equity instruments at fair value	Actuarial profits / (losses) on post- employment benefit	Measurement of hedging instruments		
1/01/2023	2,239.3	635.7	(12.9)	(9.3)	(32.2)	102.7	2,923.3
Net result for the period	-	-	-	-	-	81.2	81.2
Other comprehensive income for the period (net)	-	-	-	-	2.8	-	2.8
Total comprehensive income	-	-	-	-	2.8	81.2	84.0
31/03/2023	2,239.3	635.7	(12.9)	(9.3)	(29.4)	183.9	3,007.3
1/01/2022	2,239.3	744.7	(12.9)	(22.7)	(26.7)	(109.0)	2,812.7
Net result for the period	-	-	-	-	-	(46.2)	(46.2)
Other comprehensive income for the period (net)	-	-	-	-	(5.2)	-	(5.2)
Total comprehensive income	-	-	-	-	(5.2)	(46.2)	(51.4)
31/03/2022	2,239.3	744.7	(12.9)	(22.7)	(31.9)	(155.2)	2,761.3

QUARTERLY STANDALONE CASH FLOW STATEMENT

	3 months ended 31/03/2023	3 months ended 31/03/2022
Cash flow from operating activities		
Profit / (loss) before tax	103.1	(55.0)
Adjustments		
Depreciation, amortization and impairment losses	160.8	150.0
(Profits) / losses on interest, dividends	31.5	17.2
Received / (paid) interest	0.2	0.4
Received / (paid) income tax	(16.2)	-
Movement in working capital	(37.3)	(84.2)
Other adjustments	0.8	(2.1)
Net cash from operating activities	242.9	26.3
Cash flow from investing activities		
Expenditures on the acquisition of non-financial non-current assets	(212.3)	(242.1)
Proceeds from the sale of non-financial non-current assets	0.2	25.1
Expenditures on the acquisition of shares in related entities	(31.5)	(0.1)
Proceeds from dividends received	0.3	-
Other inflows from investing activities	0.6	0.5
Net cash from investing activities	(242.7)	(216.6)
Cash flow from financing activities		
Payments on lease liabilities	(28.0)	(20.3)
Proceeds from bank loans and borrowings	158.7	163.2
Repayment of bank loans and borrowings	(74.8)	(74.7)
Interest paid on lease liabilities and bank loans and borrowings	(34.3)	(16.4)
Grants received	-	23.8
Inflows / (outflows) as part of cash pool	18.0	9.8
Other outflows from financing activities	(0.6)	(0.9)
Net cash from financing activities	39.0	84.5
Net increase / (decrease) in cash and cash equivalents	39.2	(105.8)
Cash and cash equivalents as at the beginning of the reporting period	55.2	141.0
Cash and cash equivalents as at the end of the reporting period, including:	94.4	35.2
<i>Restricted cash</i>	26.9	21.0

Management Board

Dariusz Seliga
President of the Management Board

Marek Olkiewicz
Management Board Member

Maciej Jankiewicz
Management Board Member

Jacek Rutkowski
Management Board Member

Zenon Kozendra
Management Board Member

Warsaw, 30 May 2023

Other information
to PKP CARGO GROUP'S
Consolidated quarterly report
for Q1 2023

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1. Organization of the PKP CARGO Group

1.1 Highlights on the Company and the PKP CARGO Group

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

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

As at 31 March 2023, the PKP CARGO Group consisted of the following entities besides PKP CARGO S.A. ("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 company under a joint control of PKP CARGO CONNECT sp. z o.o., holding a 50% stake in its share capital (under an indirect joint control of PKP CARGO): TERMINALE PRZEŁADUNKOWE SŁAWKÓW MEDYKA sp. z o.o.;

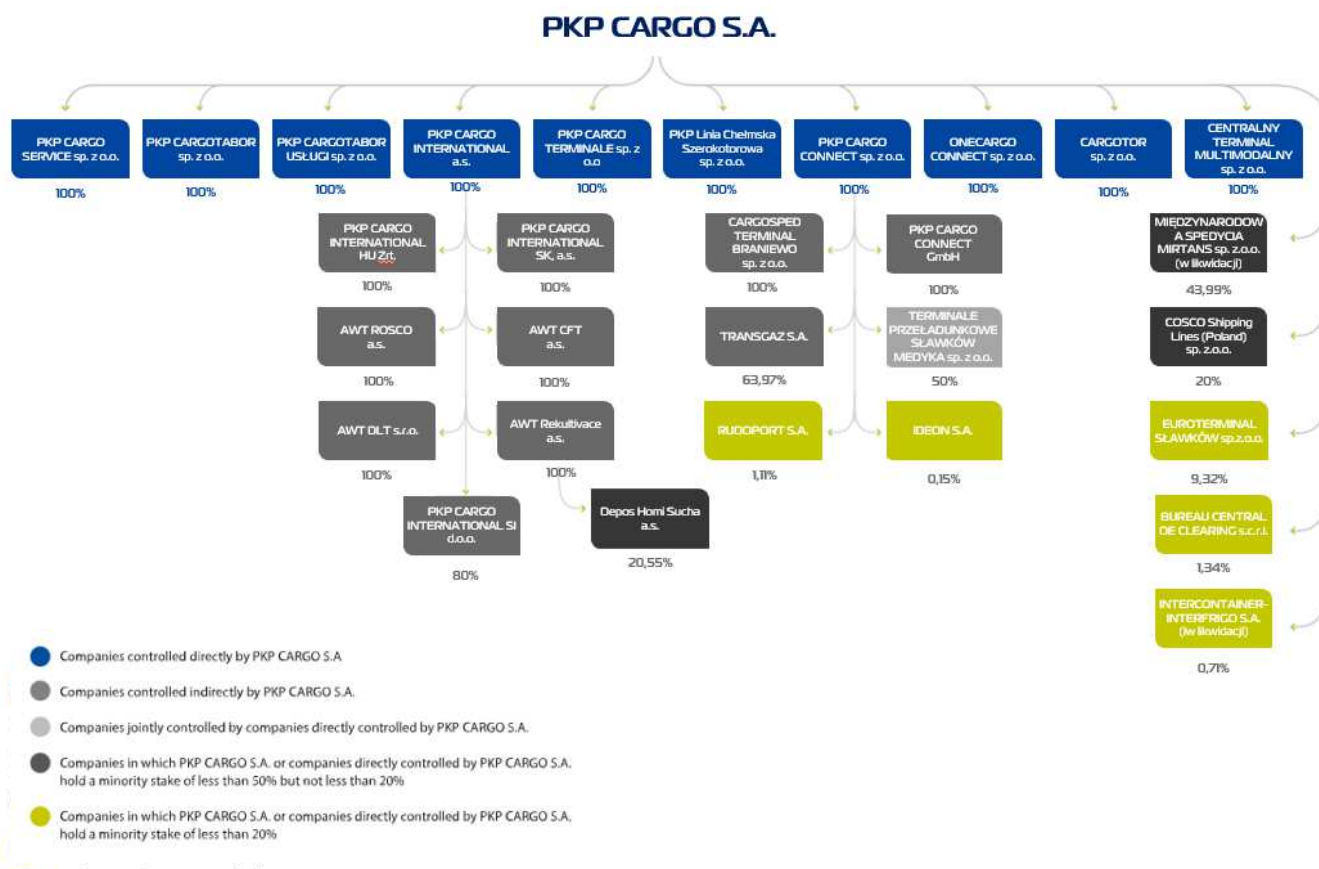
Moreover, as at 31 March 2023, PKP CARGO or PKP CARGO's (direct or indirect) subsidiaries held shares in 8 companies that were not controlled or jointly controlled by PKP CARGO or PKP CARGO's subsidiaries, including:

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

The chart below presents the structure of capital links with companies in which PKP CARGO S.A. or its subsidiaries hold an equity stake – as at 31 March 2023:



Figure 1 Structure of capital links with companies in which PKP CARGO S.A. or its subsidiaries hold an equity stake – as at 31 March 2023



Source: Proprietary material.

In terms of the structure of capital links, the following changes occurred during the first 3 months of 2023:

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

On 23 December 2022, an Extraordinary Shareholder Meeting of PKP CARGO TERMINALE sp. z o.o. with its registered office in Żurawica was held and adopted a resolution to increase the share capital of PKP CARGO TERMINALE sp. z o.o. from PLN 75,015,000.00 to PLN 93,015,000.00, that is by PLN 18 million, by creating 18,000 new shares with a par value of PLN 1,000.00 each and a total par value of PLN 18 million, to be covered by PKP CARGO S.A. with a cash contribution of PLN 18 million.

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

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

On 30 January 2023, an Extraordinary Shareholder Meeting of PKP CARGOTABOR sp. z o.o. with its registered office in Warsaw was held and adopted a resolution to increase the share capital of PKP CARGOTABOR sp. z o.o. from PLN 92,264,000.00 to PLN 105,764,000.00, that is by PLN 13.5 million, by creating 13,500 new shares with a par value of PLN 1,000.00 each and a total par value of PLN 13.5 million, covered by PKP CARGO S.A. with a cash contribution of PLN 13.5 million.

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

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

On 2 March 2023, the Extraordinary Shareholder Meeting of PKP CARGOTABOR USŁUGI sp. z o.o. with its registered office in Warsaw was held, during which resolutions were adopted in the following matters, among others:

1. to increase the share capital of PKP CARGOTABOR USŁUGI sp. z o.o. from PLN 18,138,000.00 to PLN 46,474,000.00, that is by PLN 28,336,000.00, by establishing 28,336 new shares with a par value of PLN 1,000.00 each, with a total par value of PLN 28,336,000.00, which were covered by PKP CARGO S.A. with an in-kind contribution of a market value of PLN 29,764,375.00 in the form of the ownership title to real estate, the perpetual usufruct right to real estate and the ownership title to the buildings and structures considered a separate property from the land on which they are erected, and the ownership title to movables owned by the former Fabryka Wagonów Gniewczyna S.A., with the excess of the value of the in-kind contribution over the total par value of the newly established shares, equal to PLN 1,428,375.00, was transferred to the supplementary capital of PKP CARGOTABOR USŁUGI sp. z o.o. in the form of a share premium (the increase in the share capital of PKP CARGOTABOR USŁUGI sp. z o.o. formally occurred on the date of its registration by the registry court, as the entry in the National Court Register is of a constitutive nature in this case, which took place on 5 April 2023),
2. to consent to the acquisition by PKP CARGOTABOR USŁUGI sp. z o.o., by way of a rights transfer agreement, in performance of the obligation arising from the obligation to make an in-kind contribution, of assets consisting of the ownership title to real estate, the perpetual usufruct right to real estate, the ownership title to buildings and structures located on the land which are considered separate from the land, and the ownership title to movables owned by the former Fabryka Wagonów Gniewczyna S.A.

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

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

In Q1 2023 and until the date of publication of this report, apart from the events enumerated above, no other changes were made to the Group's organization resulting from a merger, obtaining or losing control over subsidiaries or long-term investments, or a demerger, restructuring or discontinuation of business.

1.2 Consolidated entities

The Condensed Quarterly Consolidated Financial Statements of the PKP CARGO Group as at 31 March 2023 encompass PKP CARGO S.A. and 12 subsidiaries consolidated by the full method:

Table 1 Subsidiaries consolidated by the full method

Company name	Core business
PKP CARGO SERVICE Sp. z o.o. ("PKP CARGO SERVICE")	Comprehensive handling of rail sidings, rail freight transport and maintenance of rail infrastructure.
PKP CARGOTABOR Sp. z o.o. ("PKP CARGOTABOR")	Repair and maintenance of rolling stock and physical liquidation of rail cars and locomotives, repairs of electrical machinery and wheel sets as well as weighing and adjustment of rolling stock.
PKP CARGOTABOR USŁUGI Sp. z o.o. ("PKP CARGOTABOR USŁUGI")	Collection, treatment and disposal of waste and recovery of raw materials. Real estate lease.
PKP CARGO TERMINALE Sp. z o.o. ("PKP CARGO TERMINALE") (former CL Medyka-Żurawica and former CL Małaszewicze)	Transshipment, storage, segregation, packaging, crushing and a variety of other border services. The company owns terminals that facilitate the transshipment of bulk and unit cargo, including containers. The company also has the ability to offer rail gauge switching services and as the only company on the country's eastern border has a 6-chamber thaw room.
CARGOSPED TERMINAL BRANIEWO Sp. z o.o. ("CARGOSPED TERMINAL BRANIEWO")	Transshipment of goods and buying and selling of coal. The company is active in wholesale and retail sales in this area.
CARGOTOR Sp. z o.o. ("CARGOTOR")	Managing track and service infrastructure (rail sidings and track systems) along with the requisite plant and buildings, making infrastructure available to rail operators on commercial terms.

PKP CARGO CONNECT Sp. z o.o. ("PKP CARGO CONNECT")	Freight forwarding and logistics services in Poland and abroad. The company provides comprehensive logistics services using rail and vehicle, marine and inland water transportation by organizing transport, transshipment, storage, warehousing, packaging and distribution. Customs clearance services to clients of the PKP CARGO Group.
PKP CARGO INTERNATIONAL a.s. ("PKP CARGO INTERNATIONAL") (formerly Advanced World Transport a.s.)	Comprehensive handling of rail freight transport (the Czech Republic, Slovakia and Poland), rail freight forwarder in the whole Central and Eastern European region, manages an intermodal terminal located in the community of Paskov and it offers comprehensive services to make deliveries and pick-ups by road transport ("last mile"). Rolling stock management in the PKP CARGO INTERNATIONAL Group.
AWT ROSCO a.s. ("AWT Rosco")	Cleaning of rail and automobile cisterns.
AWT CFT a.s. ("AWT CFT")	International freight forwarding services.
AWT Rekultivace a.s. ("AWT Rekultivace")	Construction engineering business, including management and revitalization of post-industrial areas (including mining areas), demolition works, management of waste treatment facilities, elimination of underground mining pits, decontamination of soil, etc.
PKP CARGO INTERNATIONAL HU Zrt. (formerly: AWT Rail HU Zrt) ("PKP CARGO INTERNATIONAL HU")	Rail transport services and rail siding handling services in Hungary on the basis of its own rail operator's license.

Additionally, the list of companies accounted for under the equity method is presented in [Note 5.3](#) to the Quarterly Condensed Consolidated Financial Statements of the PKP CARGO Group prepared as at 31 March 2023.

Table 2 Entities accounted for under the equity method

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

2. Information about the Parent Company

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

MANAGEMENT BOARD

Composition of the PKP CARGO S.A. Management Board from 1 January 2023 to the delivery date of this report:



Dariusz Seliga
President of
Management Board



Jacek Rutkowski
Board Member in charge
of Commerce



Maciej Jankiewicz
Board Member in charge
of Finance



Zenon Kozendra
Board Member -
Employee Representative



Marek Olkiewicz
Board Member in charge
of Operations

SUPERVISORY BOARD

Table 3 Composition of the PKP CARGO S.A. Supervisory Board from 1 January 2023 to the delivery date of this report

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

Jarosław Ślepaczuk	Supervisory Board Member	29 June 2022	to date
Michał Wnorowski	Supervisory Board Member	29 June 2022	to date
Izabela Wojtyczka	Supervisory Board Member	16 July 2020	to date

Source: Proprietary material

SUPERVISORY BOARD AUDIT COMMITTEE

Table 4 Composition of the PKP CARGO S.A. Supervisory Board Audit Committee from 1 January 2023 to the delivery date of this report

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

Source: Proprietary material

NOMINATION COMMITTEE

Table 5 Composition of the PKP CARGO S.A. Supervisory Board Nomination Committee from 1 January 2023 to the delivery date of this report

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

Source: Proprietary material

STRATEGY COMMITTEE

Table 6 Composition of the Strategy Committee of the PKP CARGO S.A. Supervisory Board from 1 January 2023 to the delivery date of this report

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

Source: Proprietary material

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

The structure of PKP CARGO S.A.'s share capital as at 31 March 2023 is presented in the table below:

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

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

Source: Proprietary material

2.3 Shareholders holding at least 5% of the total votes

Table 8 Shareholder structure of PKP CARGO S.A. as at 31 March 2023

Shareholder	Number of shares	% of equity	Number of votes	% of the total number of votes at the Shareholder Meeting
PKP S.A.	14,784,194	33.01%	14,784,194	33.01%
Nationale-Nederlanden OFE	4,418,443	9.87%	4,418,443	9.87%
PTE Allianz*	3,691,689	8.24%	3,691,689	8.24%
Generali PTE	2,696,440	6.02%	2,696,440	6.02%
Other shareholders	19,196,151	42.86%	19,196,151	42.86%
Total	44,786,917	100.00%	44,786,917	100.00%

*Allianz Polska OFE, Allianz Polska DFE and Drugi Allianz Polska OFE

Source: Proprietary material

On 16 May 2023, the Company was notified by Powszechnie Towarzystwo Emerytalne Allianz Polska S.A. managing the open-end pension fund Allianz Polska Otwarty Fundusz Emerytalny ("Allianz OFE") that on 12 May 2023, as a result of the liquidation of Drugi Allianz Polska Otwarty Fundusz Emerytalny by way of a transfer of its assets to Allianz OFE, the stake in the total number of votes in PKP CARGO S.A. on the accounts of Allianz OFE reached 6.93%.

Shareholder	Number of shares	% of equity	Number of votes	% of the total number of votes at the Shareholder Meeting
PKP S.A.	14,784,194	33.01%	14,784,194	33.01%
Nationale-Nederlanden OFE	4,418,443	9.87%	4,418,443	9.87%
Allianz PTE*, including:	3,691,689	8.24%	3,691,689	8.24%
Allianz Polska OFE	3,105,654	6.93%	3,105,654	6.93%
Generali PTE	2,696,440	6.02%	2,696,440	6.02%
Other shareholders	19,196,151	42.86%	19,196,151	42.86%
Total	44,786,917	100.00%	44,786,917	100.00%

* Allianz Polska OFE, Allianz Polska DFE

Source: Proprietary material

2.4 Listing of shares held by management and supervisory board members

In the period from the date of publication of the report for 2022, that is from 4 April 2023, to the delivery date of this report, no changes occurred in the holdings of shares in the Company or rights to such shares by persons managing the Company.

Table 9 PKP CARGO S.A. shares held by Management Board members

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

Source: Proprietary material

In the period from the date of publication of the report for 2022, that is from 4 April 2023, to the delivery date of this report, no changes occurred in the holdings of shares in the Company or rights to such shares by persons supervising the Company.

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

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

Source: Proprietary material

According to the Company's knowledge, no members of the issuer's Management Board or Supervisory Board, as at 31 March 2023 or as at the delivery date of this report, hold any shares or ownership interests in PKP CARGO S.A.'s related parties.

3. Key areas of operation of the PKP CARGO Group

3.1 Macroeconomic environment



Polish industry and economy

The decrease in sold industrial output in Q1 2023 by -0.6% yoy (+16.0% yoy in 2022) confirms a clear trend of a decreasing rate of growth in the Polish industry.¹ Although this year's March was the second month in a row when production sold was lower than the year before, the Polish industry continues to achieve quite positive results (especially in the context of a high reference base in the previous year, when inventories were accumulated in Q1). The industrial sector, despite a marked decline in demand this year, both domestic and foreign, continued to show relatively high resilience to the adverse impact of external factors (including the ongoing war in Ukraine) as well as internal problems (including high inflation, the significant cost of capital or high energy prices, among others). The rate of growth in industrial output kept decreasing from quarter to quarter already in 2022, having attained: +16.0% yoy in Q1, +11.3% yoy in Q2, +9.7%

¹ Statistics Poland (in enterprises employing more than 9 staff)

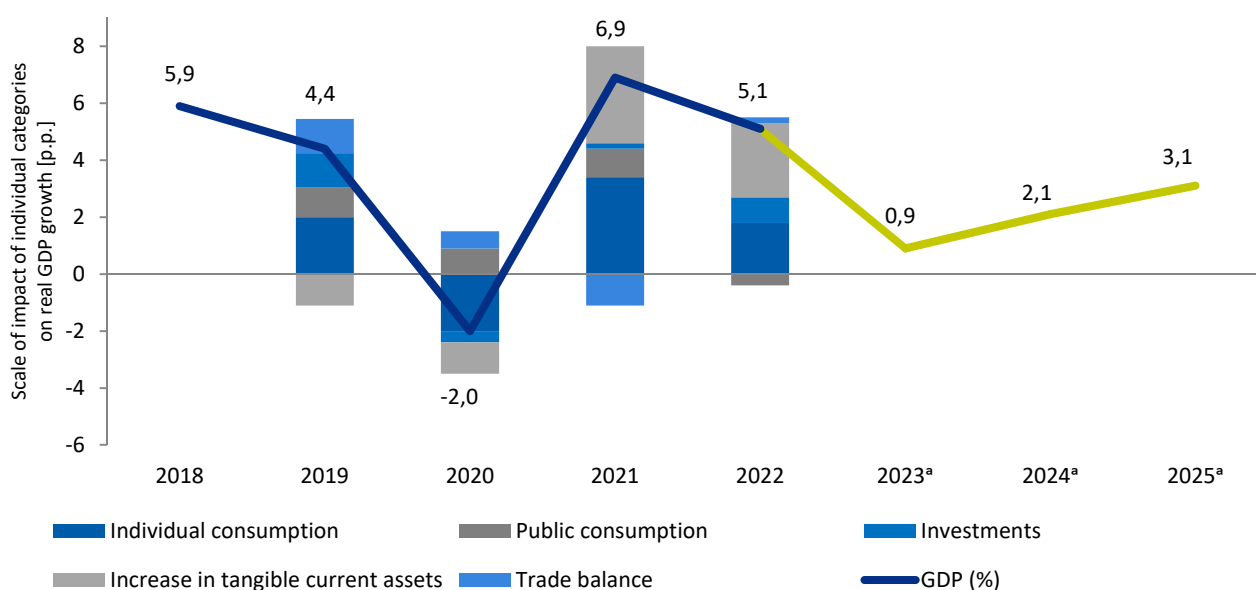
yoy in Q3, +4.6% yoy in Q4 2022, to reach a negative result in Q1 2023 (even though industrial processing, which accounts for about 4/5 of the sold industrial output, has retained a positive growth rate of +0.8% yoy).²

In the same period, a decrease in yoy output (January-March) was recorded in 18 (out of 34) industrial branches which account for a 58% share in the sector's sold output, including those of key significance for transports of the PKP CARGO Group, such as: chemicals and chemical products (-20.3%), metals (-18.9%), including pig iron, ferro-alloys, cast iron and steel by -30.2%, wood products (-15.2%), products from other non-metallic raw materials (-9.8%), extraction of hard coal and lignite (-9.7%), paper and paper products (-9.4%), furniture (-7.2%), rubber and plastic products (-1.9%) and metal products (-0.9%). On the other hand, increases were recorded in certain sectors, including production of machinery and equipment (+14.1%) and motor vehicles (+22.6%).³

In 2022, according to adjusted data published by Statistics Poland, the country's GDP grew by +5.1% yoy (compared to the preliminary result for the previous year at the level of +4.9% yoy and +6.9% yoy in 2021). What had the greatest impact on the high growth rate last year was domestic demand (contribution of +4.9 p.p.), additionally supported by the positive foreign trade balance (+0.2 p.p.). A decisive factor was accumulation (+3.5 p.p.), led by an increase in tangible current assets (+2.6 p.p.) and also, to a lesser extent, expenditures for fixed assets (+0.9 p.p.). In the case of total consumption (with a positive contribution of +1.4 p.p. to the GDP growth), it was household consumption which significantly supported the growth rate last year (+1.8 p.p.), while public consumption was a category which adversely influenced the final growth rate (-0.4 p.p.).⁴

According to a quick estimate by Statistics Poland, the gross domestic product decreased by -0.2% yoy in real terms in Q1 2023 (compared to an increase by +2.3% yoy in Q4 in the previous year and an increase by +8.8% yoy in the corresponding period of 2022). The GDP adjusted for seasonality grew by +3.9% qoq in real terms, remaining at the same time at a level close to that recorded in the corresponding period of the previous year.

Figure 2 Real GDP growth rate in Poland in 2018-2022 (decomposed for 2019-2022) and forecast for 2023-2025 – data not adjusted for seasonality



a – macroeconomic forecasts of the National Bank of Poland for 2023-2025 (March 2023)

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

Strong price growth in Q1 2023: the increase in prices of consumer goods and services continued, reaching +17.0% yoy (compared to +9.7% yoy in Q1 2022).⁵ At the same time, a strong increase was recorded in the prices of sold industrial output (+16.0% yoy) and the prices of construction and assembly output (+12.8% yoy).⁶

A leading indicator for industrial processing (PMI) remains below the 50.0-point threshold – in March 2023, for the eleventh consecutive month, the PMI was below the 50.0-point threshold marking the technical border between recovery and recession in the industrial processing sector (reaching 48.3 points). In Q1 2023, the index recorded the average value of 48.1 points, i.e.

² Statistics Poland

³ Statistics Poland

⁴ Statistics Poland

⁵ Statistics Poland

⁶ Statistics Poland

a level close to the result in Q2 2022 (although certainly above the results from Q3 and Q4 last year, when the index was 42.0 points and 43.7 points respectively). The fact that PMI remains below the threshold is due to a decline in the number of new orders and demand for products, as well as negative opinions of business people about the future economic situation in industry.⁷

An improvement of the business tendency indicator for industrial processing (Statistics Poland) – this indicator, after deterioration to -20.4 in Q4 2022 (compared to -16.5 in Q3 last year), reached -15.0 in Q1 2023. This means that the number of businesses expecting a further deterioration of the economic standing in the coming months decreased in relation to the number of businesses expecting the opposite to occur, although negative opinions continue to prevail very strongly.⁸

Forecasts: the current projection of the National Bank of Poland concerning inflation and the GDP growth predicts a strong slowdown of activity in Poland in 2023-2024. According to the forecast, the economic growth will be as follows: +0.9% yoy in 2023, +2.1% yoy in 2024 and +3.1% yoy in 2025. At the same time, the increase in prices is anticipated to continue, especially this year and, to a lesser extent, next year (i.e. CPI inflation: +11.9% yoy in 2023, +5.7% yoy in 2024 and +3.5% yoy in 2025).⁹

In Q1 2023, the largest share in the cargo transport by rail continues invariably to consist of bulk cargo, including hard coal, aggregates, coke, ores and metals, chemicals and chemical products, and liquid fuels. The economy interest in these commodities (including the power sector, the construction industry and the steel industry) has affected the demand for railway transport services and, thereby, the transport performance and financial results of companies of the PKP CARGO Group. Significant factors affecting the situation in Polish industry in Q1 2023 included:

- decline in the hard coal output: to 12.0 million tons (-2.4 million tons yoy, i.e. -16.4% yoy), with a simultaneous drop of the domestic hard coal sales to 12.3 million tons (by -2.7 million tons yoy, i.e. by -18.1% yoy).¹⁰
- volume of hard coal inventories in the mines' storage yards: 1.7 million tons as at the end of March 2023 (down by -0.4 million tons, or -20.5% compared to the end of last year).¹¹
- increase in hard coal imports in the first 2 months of 2023 by +111.4% yoy (to 5.1 million tons). Columbia was the new main supply source of this commodity (an increase of +1718.3% yoy, from nearly 0.1 million tons to 1.4 million tons, which translated into a 28.3% increase in the market share). The second exporter of coal to Poland was Kazakhstan (0.9 million tons, +373.6% yoy and a share of 18.2%), the third was the Republic of South Africa (0.8 million tons, no imports in the first 2 months last year, with a share of 15.3%), while the fourth position was achieved by Indonesia (0.6 million tons, imports of minimum quantities of coal in the corresponding period of last year and a 11.7 share). Russia, which reached a 62.5% market share in 2022 (1.5 million tons), due to the embargo imposed by Poland in April 2022 on raw material imports from the Russian Federation, did not export any coal to Poland in 2023.¹²
- decline in coal prices and their stabilization on the international market: a further decrease in coal prices in the world markets and stabilization of coal rates at levels similar to ones before the outbreak of war in February 2022. In Q1 of this year, the average price of coal at ARA ports fell by -31.9% yoy to USD 147.25 per ton (vs. USD 216.29 per ton in Q1 2022). Coal enjoyed declining interest in Europe due to a relatively mild winter, high inventory levels and stabilization of economic sentiment in the gas market, and also due to good availability of this raw material.
- slowdown of growth and stabilization of prices at high levels on the Polish coal market: in Q1 2023, the average value of the coal index for the commercial power industry, PSCMI1, was PLN 700.22 per ton (an increase by +140.1% from the corresponding quarter of 2022 and an increase of +30.5% compared to Q4 in the previous year.) The PSCMI2 index for the period reached PLN 1,055.19 per ton (+190.6% higher than in Q1 2022 and -0.5% lower than in the last quarter of last year). This year-over-year increase takes into account the increase in commodity prices caused by the renegotiation of previously executed coal supply contracts by Polish mining companies with contractors, which resulted from a significant increase in prices on global markets last year.¹³
- decrease in electricity consumption in Poland by -3.5% yoy to 44.1 TWh.¹⁴
- decrease in electricity generation in Q1 of this year by -6.8% yoy to 43.5 TWh. In parallel, the volume of electricity generated by hard coal-fired commercial power plants decreased by -8.2% yoy (to 20.8 TWh) and decreased considerably for lignite-fired power plants by -23.5% yoy (to 9.4 TWh). At the same time, electricity generation in gas-fired power plants increased by +25.5% yoy, while in wind power plants it increased by +4.1% yoy.¹⁵

⁷ IHS Markit

⁸ Statistics Poland

⁹ National Bank of Poland

¹⁰ Industrial Development Agency (ARP)

¹¹ Industrial Development Agency (ARP)

¹² Eurostat

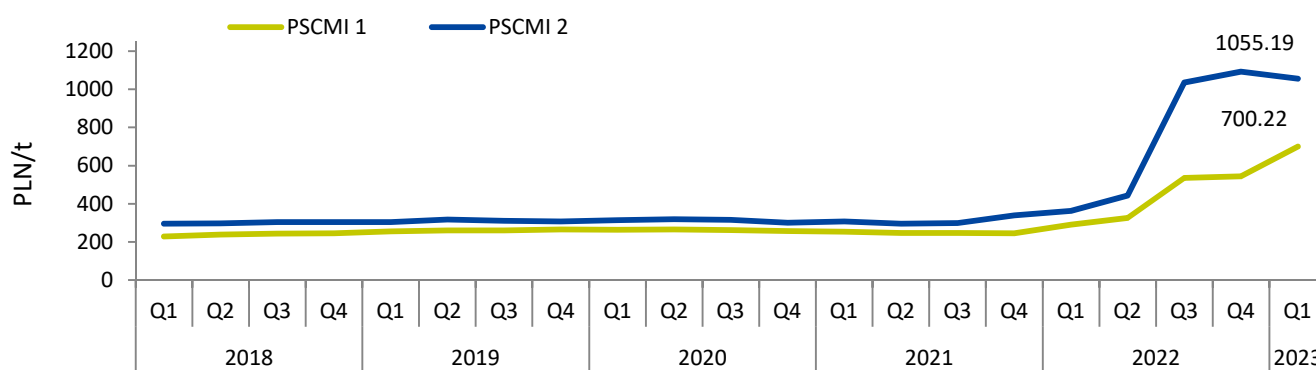
¹³ Industrial Development Agency (ARP) - release

¹⁴ Polskie Sieci Elektroenergetyczne

¹⁵ Polskie Sieci Elektroenergetyczne

- reversal of the favorable (from the perspective of hard coal producers) trend in the national energy mix: decrease in the share of hard coal in total energy output to 47.9% (-0.7 p.p. yoy).¹⁶
- increase in construction and assembly output: +3.5% yoy (compared to +23.3% yoy in Q1 last year).¹⁷ Increased performance was recorded in the sections of construction and assembly output in which entities perform specialist construction works (+5.3% yoy) and construction of civil and water engineering facilities (+13.7% yoy). A noticeable decrease in output was recorded by companies engaged in the construction of buildings (-6.4% yoy), which was a natural consequence of the decrease in the performance of residential investment projects (as a result of a considerable growth in the cost of capital and limited availability of loans, among others).¹⁸
- decrease in cement production in Poland by -15.6% yoy to 3.1 million tons and cement clinker by -16.9% yoy to 2.2 million tons.¹⁹
- decrease in steel production in Poland: down by -12.3% yoy to 1.9 million tons.²⁰
- stabilization in global crude steel output: according to Worldsteel 459.3 million tons were produced (-0.1% yoy). This includes a decline in steel production in the European Union (production stood at 33.1 million tons (-10.1% yoy), with an increase in steel production in Asia (to 345.6 million tons, i.e. +3.4% yoy). China produced 261.6 million tons (+6.1% yoy) and held a nearly 57% share in the global market.²¹
- decline in crude steel output in Poland: a decrease was recorded in the production of cold-rolled sheets by -8.7% yoy to 0.4 million tons, the production of hot-rolled bars and rods by -7.9% yoy to 0.3 million tons, hot-rolled products by -5.5% yoy to 2.3 million tons and rods and flat bars by -4.4% yoy to 0.9 million tons. On the other hand, the production of thin sheets grew slightly (i.e. by +3.2% yoy to 0.3 million tons).²²
- decrease in coke production in Poland: by -15.6% yoy to 2.0 million tons²³ in connection with a decrease in the profitability of steel production in Europe, due to high energy costs and the weakening demand for products.
- decline in the output of fertilizers in Poland – including phosphorous fertilizers (-30.3% yoy to 0.1 million tons), potassic fertilizers (-24.2% yoy to 0.1 million tons) and nitrogenous fertilizers (-17.8% yoy to 0.4 million tons).²⁴
- decline in the output of: sulfuric acid (-10.1% yoy to 0.3 million tons), nitric acid (-14.6% yoy to 0.5 million tons), plastics (-15.6% yoy to 0.8 million tons) and ammonia (-25.4% yoy to 0.5 million tons).²⁵
- growth of automotive production: a total of 71.7 thousand passenger cars were manufactured in Poland (compared to 50.8 thousand in Q1 2022), which means a discontinuation of the downward trend from previous years and an increase by +41.1% yoy. At the same time, there was an almost double increase (+95.6% yoy) in the production of trucks and tractors (from 37.6 thousand in Q1 2022 to 73.6 thousand in Q1 of this year), which was a consequence, among others, of growing demand of the transportation and military industries.²⁶

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



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

¹⁶ Polskie Sieci Elektroenergetyczne

¹⁷ Statistics Poland, in construction companies, including enterprises with up to 9 staff

¹⁸ Statistics Poland

¹⁹ Statistics Poland

²⁰ Statistics Poland

²¹ Worldsteel.org

²² Statistics Poland

²³ Statistics Poland

²⁴ Statistics Poland

²⁵ Statistics Poland

²⁶ Polish Automotive Industry Association

Czech industry and economy



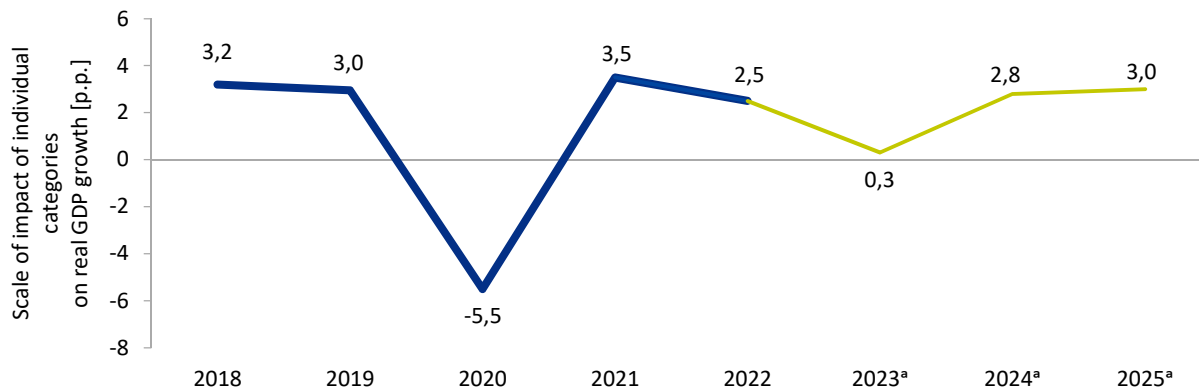
The industrial output in Q1 2023 (after taking into account the calendar effect) was higher by +0.8% yoy (+3.2% yoy in Q4 2022 and +0.3% yoy in Q1 2022).²⁷ In the same period, the production of cars, trailers and semi-trailers increased noticeably (+26.1% yoy), and so did, to a lesser extent, the production of electrical equipment (+4.4% yoy) and of machines and equipment (+4.0% yoy). On the other hand, a decline was recorded in the production of: metals (-18.5% yoy), chemicals and chemical products (-16.6% yoy), wood and wooden products (-12.2% yoy), paper and paper products (-11.1% yoy) as well as in the generation and distribution of electricity, gas, heat and air conditioning (-9.3% yoy), in the manufacture of finished metal products (-2.2% yoy) and, finally, in the production of other transport equipment (-2.0% yoy).²⁸

The value of new orders in Q1 2023 (after taking into account the calendar effect) was higher by +2.2% (+12.5% yoy in Q4 of last year and +6.0% yoy in Q1 of last year), including an increase in domestic orders by +10.2% and a decrease in foreign ones by -1.3% yoy.²⁹

Deteriorating economic situation: decreasing rate of receiving new orders, declining growth rate of both performed production and the GDP show that effects of the slowdown in Europe translate into results of the Czech economy. The problems are intensified by the steady inflation pressure, high costs of capital and decreasing consumption. A counterweight to adverse processes in the economy is a positive result on export, which may be a significant factor in changing the present trends and a successive return to the growth path, which should be supported by a gradual improvement of sentiment among consumers. The GDP in Q1 2023 – according to a preliminary estimate by the CZSO, the GDP was lower by -0.2% yoy (after an increase of +0.3% yoy in Q4, +1.5 yoy in Q3, +3.5% yoy in Q2 and +4.7% in Q1 2022), but at the same time it grew by +0.1% qoq. The reduction in the growth rate on a quarterly basis was due to declining household demand, which was aggravated by declining gross accumulation (after a 2-year growth). The adverse impact of declining domestic consumption was, however, countered by good external demand results.³⁰

The GDP increase in 2022 - according to the estimate published by the CZSO, the GDP improved by +2.5% yoy (after an adjusted increase of +3.5% yoy in 2021, and the difficult 2020, when the Czech GDP decreased by -5.5% yoy).³¹

Figure 4 Real GDP growth rate in the Czech Republic in 2018–2022 and forecasts for 2023–2025 – data adjusted for seasonality



a – Macroeconomic forecasts of the Czech Ministry of Finance

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

Inflation: in Q1 of 2023, inflation reached +16.4% yoy (after decreasing by +17.6% yoy in Q3 to +15.7% yoy in Q4 of last year). What is noticeable is a slower rate of price increases because of, among others, reduction of prices of energy commodities and the effect of last year's high base (in successive months this year, the inflation level yoy was: +17.5%, +16.7% and +15.0% respectively).³²

Forecasts: the analysts of the Czech Ministry of Finance forecast the Gross Domestic Product, seasonally-adjusted in the first two quarters of 2023, to decline in connection with the worsening of the economic situation in global markets and persisting high inflation. According to the forecast, the GDP will decrease year-over-year in the first two quarters of 2023 (by -0.6% yoy and -0.4% yoy respectively) so that the economy will increase in the third and fourth quarters by +0.5% yoy and +1.6%

²⁷ Czech Statistical Office

²⁸ Czech Statistical Office

²⁹ Czech Statistical Office

³⁰ Czech Statistical Office

³¹ Czech Statistical Office

³² vdb.czso.cz

respectively. At the same time, following the estimated +2.5% yoy growth in 2022, the Czech GDP will increase merely by +0.3% yoy in 2023 (compared to a decline by -0.3% yoy in the previous analyses), so that after the predicted return of the global economy to a path of a relatively dynamic growth, the GDP will increase at the rate of +2.8% yoy in 2024 and +3.0% in 2025. According to the Czech Ministry of Finance's forecasts from April 2023, inflation, after reaching the annual average growth rate of +15.1% yoy in 2022, will increase by +10.9% yoy in 2023, to reach the results at the level of +2.0 yoy in the following years.³³

Pessimistic mood among business enterprises and poor PMI results: in Q1 2023, PMI averaged 44.4 points for the Czech Republic (compared to 46.1 points in Q3 and 42.0 points in Q4 2022), remaining since June below the 50.0 threshold delineating the technical boundary between recovery and recession in the industrial sector.³⁴ After a gradual decrease of the indicator from 59.0 points in January last year to 41.6 points in November last year, there was a rebound in December last year and the index increased to 42.6 points, recording a growth and stagnation at the level of approx. 44.5 points in the following three consecutive months (44.6 points, 44.3 points and 44.3 points respectively). This indicates a relatively strong slowdown in the growth rate of the Czech economy, which is largely dependent on the possibilities of exporting produced goods. A positive development in the market was a significant improvement within supply chains, with a corresponding further decline in the balance of inventories and declining pressure on cost increases.³⁵

In Q1 2023, significant factors affecting the situation in Czech industry included:

- decrease in hard coal mined: the volume of hard coal mined was 0.38 million tons (-12.3% yoy), including 0.12 million tons of coking coal (-69.0 % yoy) and 0.26 million tons of thermal coal (+608.3% yoy). Coking coal mining continued a downward trend (a gradual decline in production persisting from Q4 2021, when the output was 0.44 million tons). At the same time, considering the key importance for the power industry, lignite output remained at a relatively high level (i.e. 8.69 million tons, or a decrease by -3.7% yoy).³⁶
- drop in coke output. Coke production in the Czech Republic was 0.54 million tons (-2.0% yoy). At the same time, the imports of this commodity remained to be on a similar low scale as in 2022 (0.04 million tons (decrease by -14.6% yoy), while exports fell to 0.08 million tons (-36.2% yoy). This was due to the strong deceleration of economic growth in European economies, where the majority of production exported from the country is directed and the continued self-limitation in the use of blast furnaces in Europe (due to the resultant of high prices of energy and energy raw materials and relatively low prices of finished goods, due to weakening demand).³⁷
- growth in the output of the automotive industry: a total of 355.4 thousand motor vehicles of various types (passenger cars, trucks, buses and motorcycles) were produced in the Czech Republic in Q1 2023, which represents an increase of +31.0% yoy. Q1 was the fourth consecutive quarter with passenger car production above 0.3 million units (353.7 thousand units and a year-over-year growth at the same time). The highest increase was recorded in the production of passenger cars (+31.5% yoy), a slightly weaker growth was in the production of trucks (+19.5% yoy), while the production of buses and motorcycles declined (-11.6% yoy and -73.0% yoy respectively).³⁸

3.2 Freight transportation activity

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

3.2.1 Rail transport market in Poland

116 rail operators active on the Polish rail freight market hold an active license issued by the President of the Office of Rail Transport for the conduct of rail freight operations (as at 5 April 2023).³⁹ Three members of the PKP CARGO Group, namely PKP CARGO S.A., PKP CARGO SERVICE Sp. z o.o. and PKP CARGO International a.s., render rail freight transport services.⁴⁰ Despite the difficult market situation, the interest in rendering rail freight transport services is still high (in the course of changes in the register – status as at 5 April 2023 – only 2 entities with suspended license were deleted from the register).⁴¹

³³ Czech Ministry of Finance

³⁴ Markit PMI

³⁵ Markit PMI

³⁶ Czech Ministry of Industry and Trade

³⁷ Czech Ministry of Industry and Trade

³⁸ AutoSap

³⁹ Office of Rail Transport (as at 5 April 2023), the statistics take into account entities providing transport services under a license issued by the President of the Office of Rail Transport. Moreover, there are companies operating on the market under an international license;

⁴⁰ Office of Rail Transport

⁴¹ Office of Rail Transport

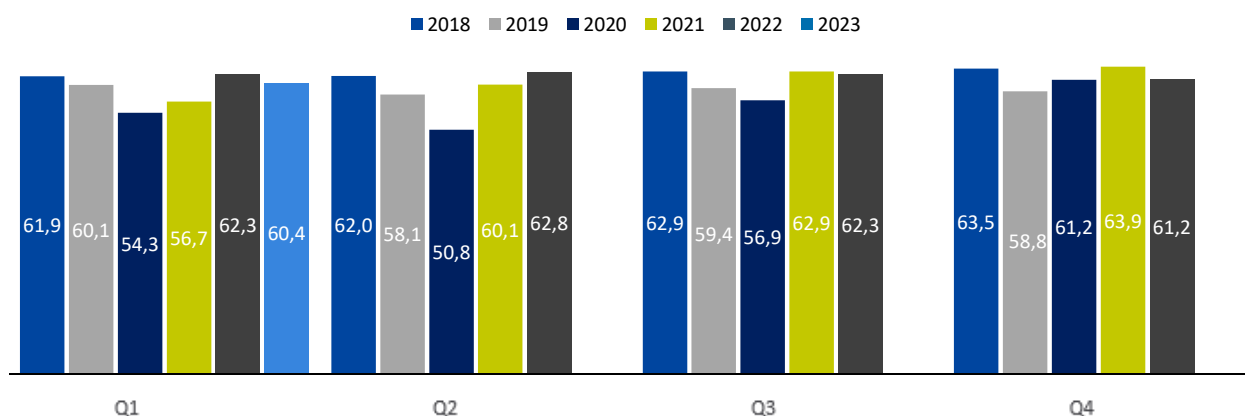
During the first 3 months of 2023, rail operators transported a total of 60.4 million tons of cargo and achieved a freight turnover of over 16 billion tkm. Compared to the corresponding period of the previous year, the volume of transports in the market decreased by -3.0% yoy (i.e. by -1.9 million tons), whereas the completed freight turnover was higher by +9.6% yoy (+1.4 million tkm). The market result concerning the freight turnover performed by rail transport during the first three months of the year has been the best since 2012. The average haul for the entire market during the first 3 months of 2023 amounted to 265 km, i.e. it was higher than in the corresponding period of 2022 (+30 km, or +13.0% yoy). In the same period, the average haul of competitive rail operators increased in total (+34 km, i.e. by +14.9% yoy) to a similar level as in the PKP CARGO Group (+27 km, i.e. by +10.7% yoy). The factors contributing to the increase in average haul included both changes in delivery destinations and new cargo distribution channels, and large-scale repairs to the rail infrastructure. In Q1 2023 (similarly to 2022), the growth rate of the rail transport volume decreased month over month. In January, the rail transport volume was even higher yoy (+3.8%), while in February, it dropped already by -4.3% yoy, and in March of this year, the drop was still much deeper, going down -7.8% yoy.⁴² Rail transport still felt consequences of ongoing war in Ukraine but data show also a high negative scale of impact of high prices of fuel and energy and rampant inflation.

During the first 2 months of 2023, the main cargo category transported by rail⁴³ was hard coal, which accounted for 38.9% of the total freight transport volume. The following changes in rail transport year-over-year performance were recorded over that period in the cargo categories defined by Statistics Poland:⁴⁴

- hard coal (a drop in freight volume by -1.1% yoy to 15.2 million tons),
- aggregates, stone, sand and gravel (freight volume up by +4.6% yoy to 6.7 million tons),
- refined petroleum products (up +25.6% yoy to 3.6 million tons),
- coke, briquettes, gases (down -9.7% yoy to 1.8 million tons),
- metals and metal products (down -0.2% yoy to 1.7 million tons),
- chemicals, chemical products (down -9.4% yoy to 1.5 million tons),
- agricultural products (up +154.1% yoy to 1.4 million tons),
- iron ores (up +6.6% yoy to 1.1 million tons).

The highest increase in freight volume transported by rail compared to the corresponding period of 2022 was recorded then in the transport of agricultural products (+0.8 million tons yoy), refined petroleum products (+0.7 million tons), aggregates, stone, sand and gravel (+0.3 million tons yoy). A significant decline, on the other hand, was recorded in the transport of other cargo (-0.3 million tons), coke, briquettes, gases (-0.2 million tons), hard coal (-0.2 million tons) and chemicals and chemical products (-0.2 million tons).⁴⁵

Figure 5 Rail freight volumes in Poland broken down by quarter in 2018-2023 (million tons)



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

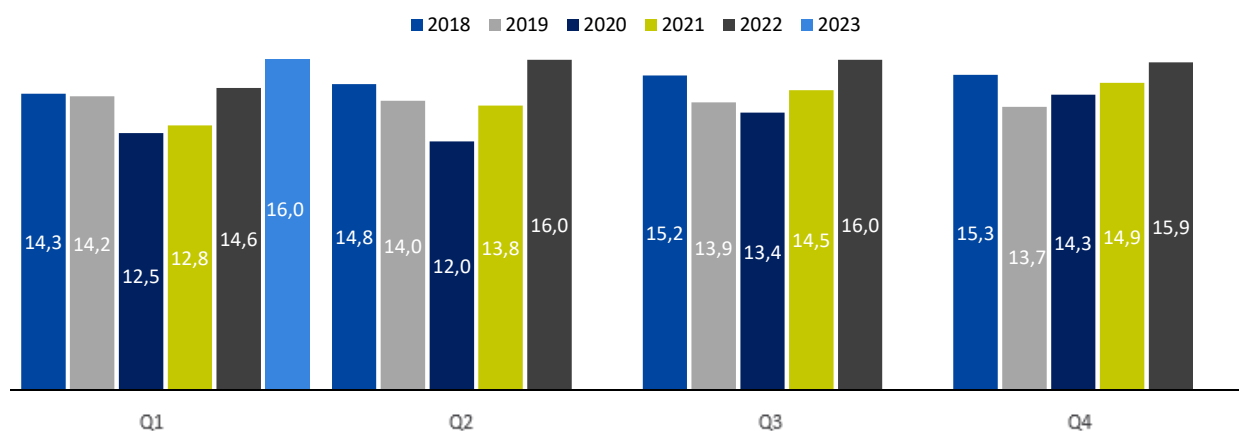
⁴² Office of Rail Transport

⁴³ Based on the NST classification

⁴⁴ Statistics Poland

⁴⁵ Statistics Poland – data for the first 2 months of 2023

Figure 6 Rail freight turnover in Poland broken down by quarter in 2018-2023 (billion tkm)

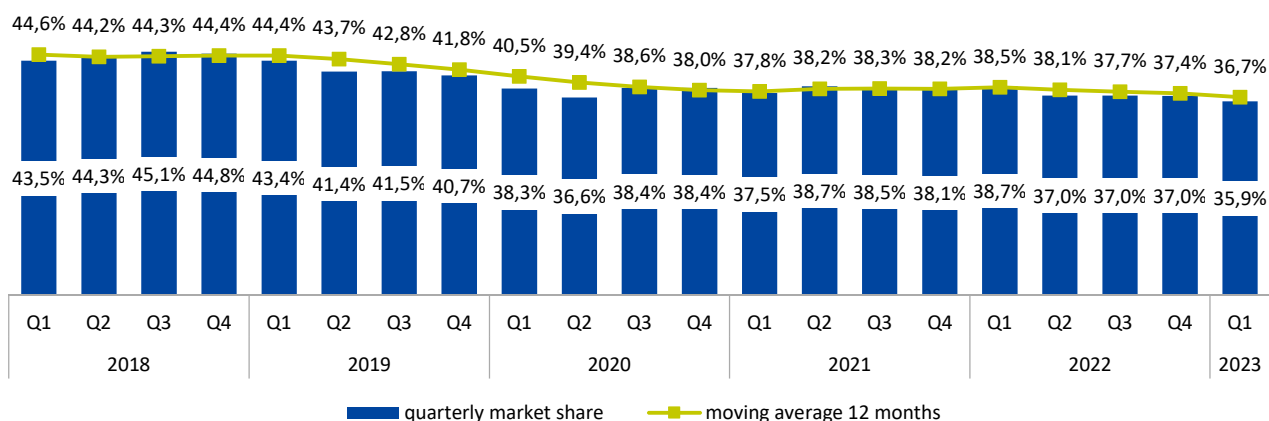


Source: Proprietary material based on the Office of Rail Transport's data

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

According to the Office of Rail Transport's data, during Q1 2023, 28 rail carriers conducted transport operations whose market share in terms of transported freight volume exceeded 0.5%. The PKP CARGO⁴⁶ Group continues to be the undisputed leader in the rail freight transport market in Poland both in terms of share in the transported freight volume and the generated freight turnover. The PKP CARGO Group's market shares were 35.9% (-2.8 p.p. yoy) in terms of freight volume and 37.5% in terms of freight turnover (-3.7 p.p. yoy).⁴⁷ The respective market shares of the PKP CARGO Group's parent company, that is PKP CARGO S.A. in Q1 2023 were 33.9% (-3.0 p.p. yoy) in terms of freight volume and 37.0% (-3.6 p.p. yoy) in terms of freight turnover.⁴⁸

Figure 7 Share of the PKP CARGO Group in freight volume in Poland in 2018-2023



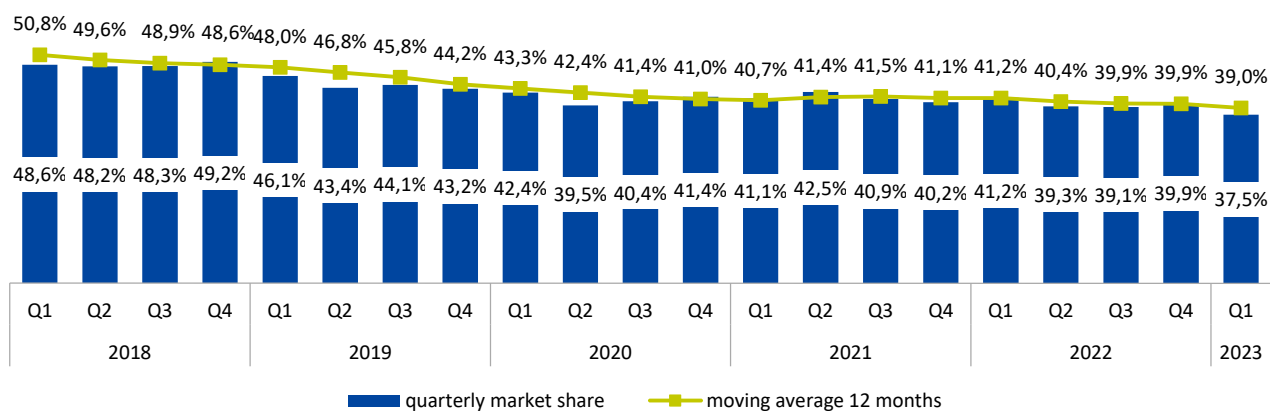
Source: Proprietary material based on the Office of Rail Transport's data

⁴⁶ The PKP CARGO Group's freight volume takes into account also freight transported by PKP CARGO International a.s. in Poland.

⁴⁷ PKP CARGO Group and Office of Rail Transport data

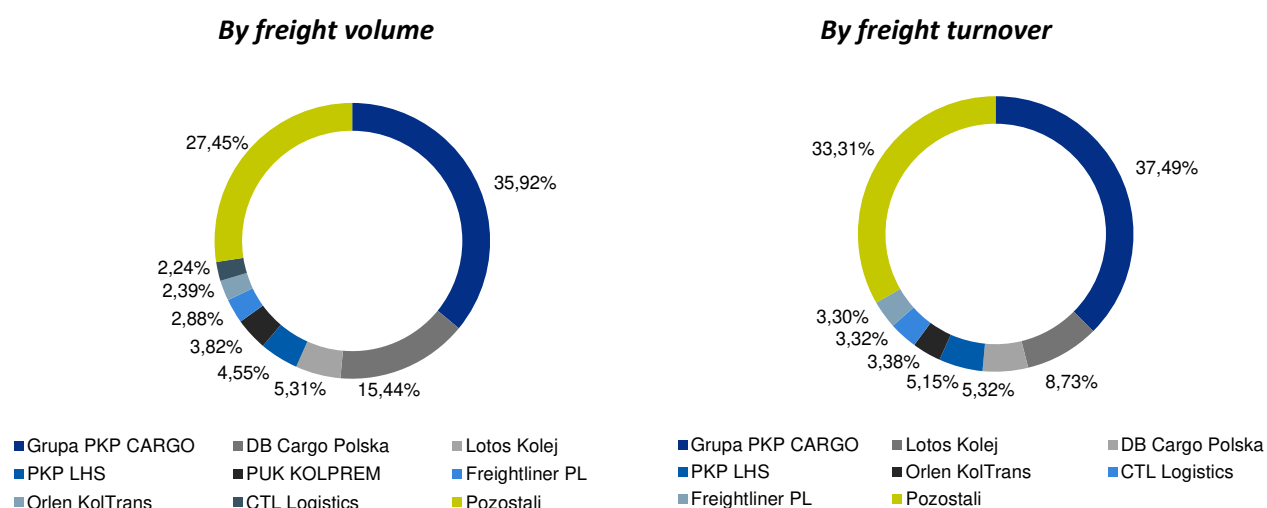
⁴⁸ Office of Rail Transport

Figure 8 Share of the PKP CARGO Group in total freight turnover in Poland in 2018-2023



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

Figure 9 Market shares of the largest freight rail operators in Poland in Q1 2023



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

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

In the period in question, the competitors transported a total of 38.7 million tons of freight (+1.4% yoy). In that period, the largest freight volume was transported by DB Cargo Polska companies (9.3 million tons, down -9.8% yoy), Lotos Kolej (3.2 million tons, up +2.9% yoy) and PKP LHS (2.7 million tons, up +4.2% yoy).⁴⁹ The competitors of the PKP CARGO Group that recorded the largest drops in market shares in Q1 2023 were DB Cargo Polska (to 15.4%, or -1.2 p.p. yoy) and Orlen KolTrans (to 2.4%, or -0.6 p.p. yoy).

At the same time, freight turnover generated by operators competing with the PKP CARGO Group increased by +16.5% yoy, to 10.0 billion tkm. The largest generated freight turnover was achieved by the following competing rail operators: Lotos Kolej (1.4 billion tkm, up +4.3% yoy), DB Cargo Polska (0.9 billion tkm, up +7.1% yoy) and PKP LHS (0.8 billion tkm, up +13.6% yoy).⁵⁰ The competing rail operators that recorded the largest drops in market shares in Q1 2023 were Orlen KolTrans (to 3.4%, or -1.1 p.p. yoy) and Lotos Kolej (to 8.7%, or -0.4 p.p. yoy).

⁴⁹ own calculations based on Office of Rail Transport data

⁵⁰ proprietary material based on Office of Rail Transport data

3.2.3 Rail freight transport market in the Czech Republic

In 2022, a total of 579.5 million tons of cargo was transported in the Czech Republic (-4.9% yoy) and freight turnover stood at 85.2 billion tkm (+3.5% yoy).⁵¹ A year-over-year decrease was recorded over that period in transport by road and by rail, while there was an increase in freight volumes transported by the other means of transport in aggregate*. In terms of completed freight turnover, growths were recorded in all branches of the transport market.*

The average haul of cargo in the market increased by +8.9% yoy and reached 147.0 km, with the road transport segment recording an increase in the average haul by +9.0% yoy (to 138.9 km), whereas in rail transport the average haul grew by +8.3% yoy (to 179.7 km).⁵²

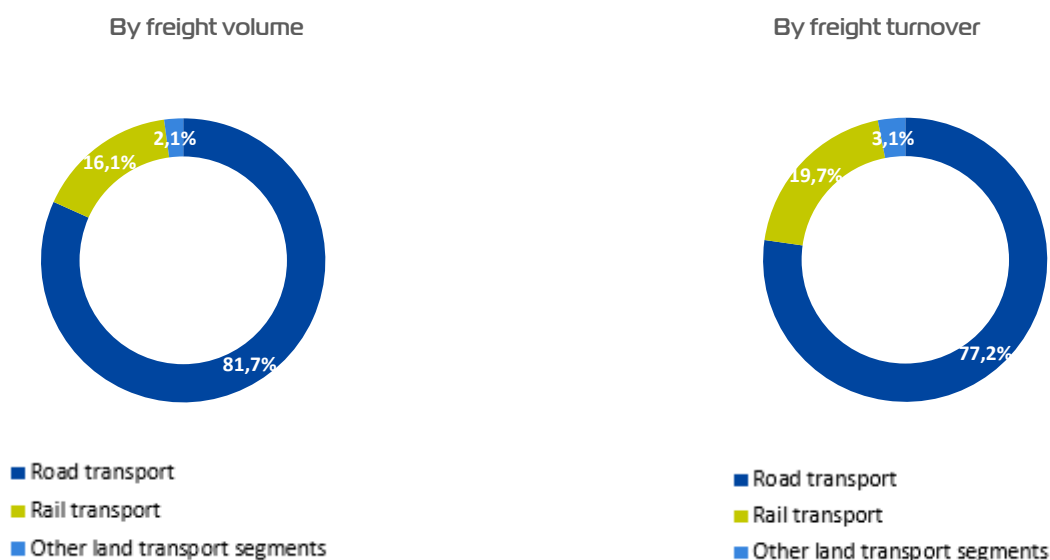
Table 11 Freight transport market in the Czech Republic in 2022

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	579.5	-30.1	-4.9%	85.2	2.9	3.5%	147.0	12.0	8.9%
Road transport	473.7	-26.6	-5.3%	65.8	2.0	3.2%	138.9	11.5	9.0%
Rail transport	93.4	-3.8	-4.0%	16.8	0.7	4.0%	179.7	13.8	8.3%
Other land transport segments	12.4	0.3	2.6%	2.6	0.2	8.7%	211.2	11.8	5.9%

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

In 2022, rail transport in the Czech Republic recorded a decrease in freight volume to 93.4 million tons (-4.0% yoy) with a concurrent increase in freight turnover to 16.8 billion tkm (+4.0% yoy).⁵³ In the same period, transports of goods by road were down -5.3% in terms of freight volume and up +3.2% in terms of freight turnover. This performance translated into a slight decrease in the share of road transport in terms of freight volume (-0.3 p.p. yoy), with a simultaneous increase in the share of rail transport (+0.2 p.p. yoy). At the same time, rail transport recorded a slight increase in terms of freight turnover (+0.1 p.p. yoy), with a decrease in the share in road transport (-0.2 p.p. yoy).⁵⁴

Figure 10 Shares of various modes of transport in the transport market in the Czech Republic in 2022



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

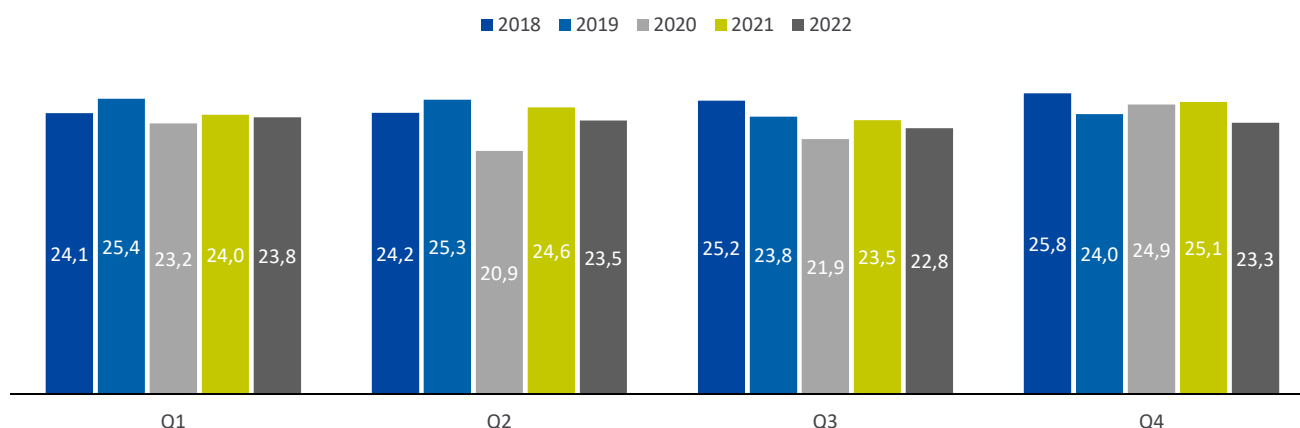
⁵¹ Ministry of Transport of the Czech Republic, data for Q1 2023 will be available at the turn of Q3 2023 (data without air transport).

⁵² Ministry of Transport of the Czech Republic (data without air transport).

⁵³ Ministry of Transport of the Czech Republic (data without air transport).

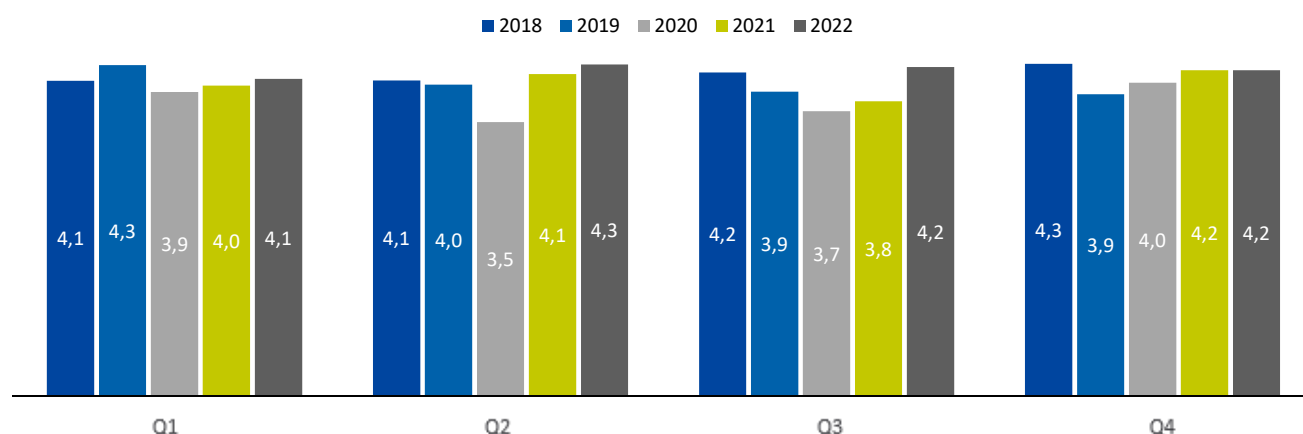
⁵⁴ Ministry of Transport of the Czech Republic (data without air transport).

Figure 11 Quarterly rail freight transport in the Czech Republic by freight volume in 2018–2022 (million tons)



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

Figure 12 Rail freight transport in the Czech Republic by freight turnover broken down by quarter in 2018–2022 (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), 120 operators are currently licensed to provide rail freight services in this country, including 2 members of the PKP CARGO Group: PKP CARGO S.A. and PKP CARGO International a.s.⁵⁵

In Q1 2023, PKP CARGO International a.s. transported 1.5 million tons of freight (-15.4% yoy) and achieved a freight turnover of 0.2 billion tkm (-23.4% yoy).⁵⁶ In the same period, the average haul of PKP CARGO International a.s. decreased to 114.3 km (-9.4% yoy), as a result of a rearrangement in the mix of transported freight.⁵⁷ In the period under analysis, as much as a 69.3% share in the volume of transport operations completed by PKP Cargo International a.s. were solid fuels, the volume of which increased by +9.7% yoy (however, the volume of hard coal transport operations, which account for 33.4% of the Company's transport business, decreased by -9.2% yoy). In Q1 2023, an increase in the transport volume of aggregates and construction materials was also recorded. However, intermodal transport decreased significantly (-54.3% yoy to 0.2 million tons), which in Q1 2023 accounted for only a 12.2% share in the Company's transport business. The decrease in transport volume was also recorded in such cargo categories as metals and ore, chemicals and liquid fuels.⁵⁸

The decrease in freight volume in selected cargo categories resulted from activities deliberately taken by the Group, which were intended to change the freight structure to obtain higher-margin goods, at the same time matching the rolling stock

⁵⁵ SŽDC

⁵⁶ PKP CARGO International's own statistics

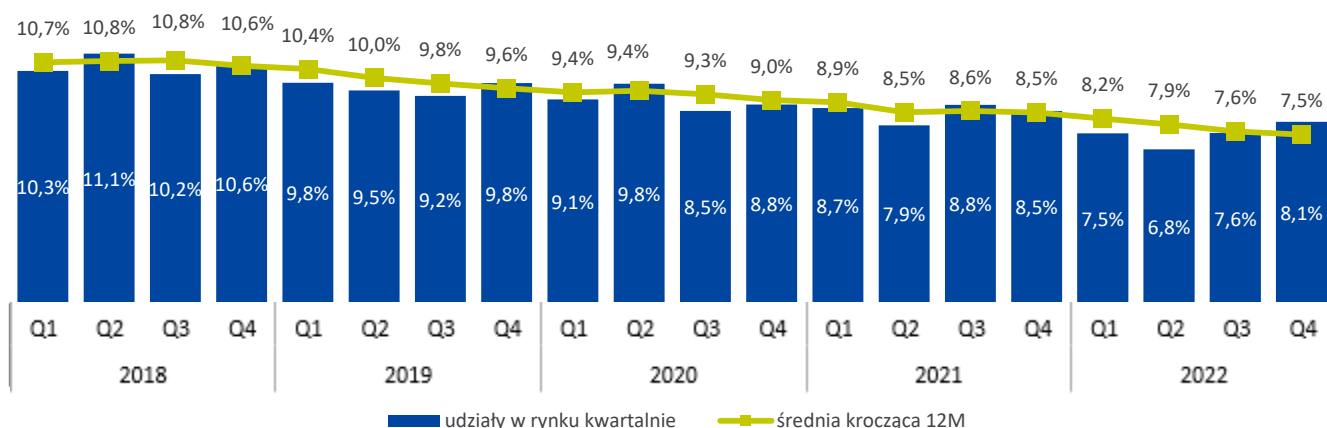
⁵⁷ PKP CARGO International's own statistics

⁵⁸ PKP CARGO International's own statistics

owned by the Company and its logistics base. Some changes, however, were caused by the war in Ukraine, which brought about a change of directions for acquiring components by the Czech industry as well as impacted directions for exporting goods), and to a lesser extent by the pandemic.

According to SŽDC data on the shares in the rail transport market in terms of gross freight turnover, PKP CARGO International a.s.'s market share in the Czech market decreased by -0.8 p.p. yoy to 4.6% in Q1 2023.⁵⁹ In spite of the above, the Company continues to hold the position of the third largest rail operator on the Czech rail freight transport market.⁶⁰

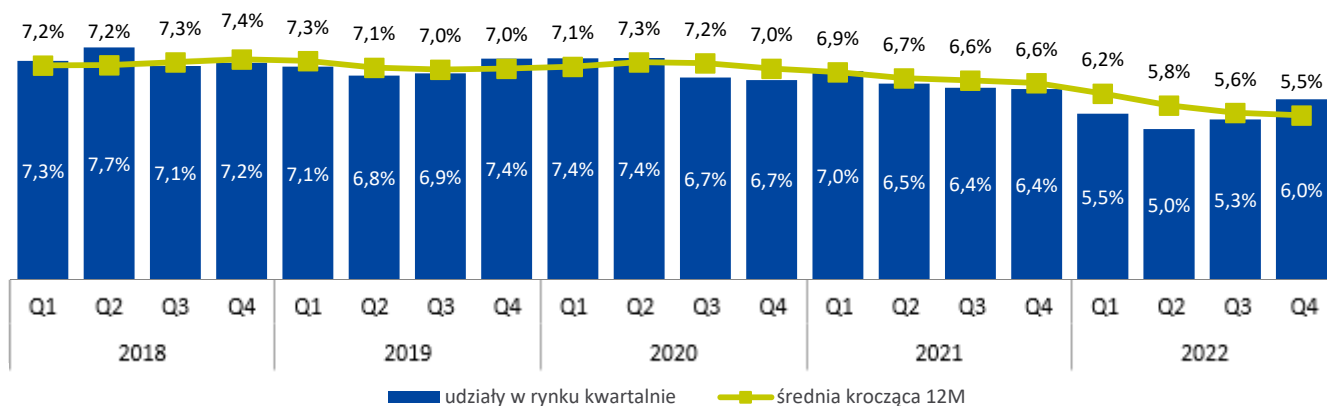
Figure 13 PKP CARGO International a.s.'s quarterly market shares in total freight volume in the Czech Republic in 2018-2022*



* data for Q1 2023 will be available at the turn of Q3 2023

Source: Proprietary material based on data from the Czech Ministry of Transport and PKP CARGO International a.s.

Figure 14 PKP CARGO International a.s.'s quarterly market shares in terms of freight turnover in the Czech Republic in 2018-2022*



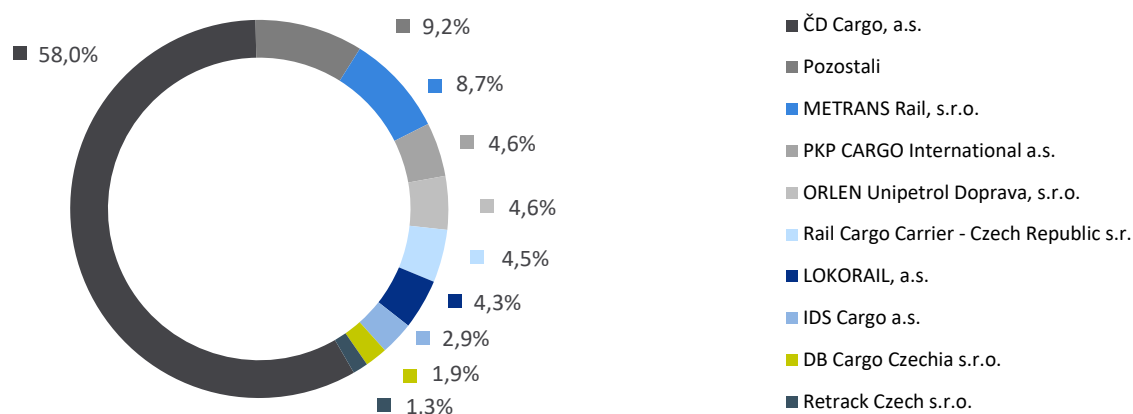
* data for Q1 2023 will be available at the turn of Q3 2023

Source: Proprietary material based on data from the Czech Ministry of Transport and PKP CARGO International a.s.

⁵⁹ SŽDC

⁶⁰ SŽDC

Figure 15 Market shares of the biggest rail operators by operational freight turnover in the Czech Republic in Q1 2023 (btkm)



Source: SŽDC (Czech rail infrastructure manager)

ČD Cargo a.s. remained the undisputed leader of the Czech rail freight transport market in terms of gross operational turnover, and its market share shrank only slightly to 58.0% yoy (-0.2 p.p. yoy).⁶¹ A significant increase in yoy market share was recorded by LOKORAIL a.s. (+1.7 p.p. yoy to 4.3%) and ORLEN Unipetrol Doprava (+0.8 p.p. yoy to 4.6%, this operator focuses its business on the fuels and chemicals transport segment). Retrack Czech s.r.o. (formerly Carbo Rail CZ s.r.o.) appeared for the first time in the list of noteworthy operators, having won a 1.3% market share. Among the companies that also improved their market position were: IDS Cargo a.s., an independent logistics operator doing business in the Czech Republic and Slovakia (+0.5 p.p. yoy to 2.9%), and Rail Cargo Carrier – Czech Republic (+0.3 p.p. yoy to 4.5%). In parallel, Metrans Rail lost a major chunk of its share (-1.1 p.p. yoy to 8.7%), but was able to defend its position as the runner-up on the rail freight market in the Czech Republic. PKP CARGO International a.s. also managed to defend its position as the third rail operator in the country, despite a significant decrease in its market share (-0.8 p.p. yoy to 4.6%). Also lower than in Q1 2022 were the market shares of DB Cargo Czechia s.r.o. (-0.5 p.p. yoy to 1.9%) and CER Slovakia a.s. (which in Q1 2022 had a 1.4% share, but in the reporting period failed to make it into the list, signifying a decrease in its share in excess of -0.4 p.p. yoy).⁶²

The list of the largest rail operators on the Czech market published by SŽDC does not include PKP CARGO S.A. In Q1 2023, the Company's import operations of iron ore from Ukraine decreased year-on-year and no import operations of iron ore via the port of Gdańsk were carried out. Hard coal exports to Poland decreased and no import operations were carried out through Polish ports to the Czech Republic. The transport volumes of metals, calcium flux, containers and chemicals also withered. At the same time, an increase in the volume of automotive transport in transit between Poland and Italy was recorded.⁶³

3.2.5 PKP CARGO Group's rail transport business

The data on the transport activity conducted by the PKP CARGO Group for Q1 2022 and Q1 2023 contain consolidated data of PKP CARGO S.A., PKP CARGO SERVICE sp. z o.o. and companies from the PKP CARGO International Group. Transport services are rendered by 6 members of the Group, namely PKP CARGO S.A., PKP CARGO SERVICE Sp. z o.o., PKP CARGO International a.s., PKP CARGO International HU Zrt., PKP CARGO International SK a.s. and PKP CARGO INTERNATIONAL SI d.o.o.

The Group collaborates with the leading Polish and global groups, including ArcelorMittal, PKN Orlen, PGNiG, Lafarge, Azoty, JSW, Węłokoks, Enea, PGE, Tauron, Polska Grupa Górnicza and MM KWIDZYN.

⁶¹ SŽDC

⁶² SŽDC

⁶³ PKP CARGO S.A.'s own statistics

Table 12 Freight turnover of the PKP CARGO Group in Q1 2023 and Q1 2022

Description	Q1 2023	Q1 2022	Change 2023/2022		Q1 2023	Q1 2022	Q1 2023	Q1 2022	Change Q1 2023/ Q1 2022	
	(million tkm)		%		percentage of total (%)		(million tkm)		%	
Solid fuels ¹	3,419	2,821	598	21.2%	53%	43%	3,419	2,821	598	21.2%
of which hard coal	2,960	2,375	585	24.6%	46%	36%	2,960	2,375	585	24.6%
Aggregates and construction materials ²	1,196	1,167	29	2.5%	19%	18%	1,196	1,167	29	2.5%
Metals and ores ³	428	525	-96	-18.3%	7%	8%	428	525	-96	-18.3%
Chemicals ⁴	379	545	-166	-30.4%	6%	8%	379	545	-166	-30.4%
Liquid fuels ⁵	138	179	-41	-23.0%	2%	3%	138	179	-41	-23.0%
Timber and agricultural produce ⁶	280	204	76	37.3%	4%	3%	280	204	76	37.3%
Intermodal transport	456	1,003	-547	-54.6%	7%	15%	456	1,003	-547	-54.6%
Other ⁷	121	106	14	13.5%	2%	2%	121	106	14	13.5%
Total	6,417	6,550	-132	-2.0%	100%	100%	6,417	6,550	-132	-2.0%

Source: Proprietary material; to facilitate the reading of the table, some figures have been rounded off, which may cause negligible deviations in the presented data

Table 13 Freight volume of the PKP CARGO Group in Q1 2023 and Q1 2022

Description	Q1 2023	Q1 2022	Change 2023/2022		Q1 2023	Q1 2022	Q1 2023	Q1 2022	Change Q1 2023/ Q1 2022	
	(million tons)		%		percentage of total (%)		(million tons)		%	
Solid fuels ¹	13.4	14.2	-0.8	-5.3%	58%	55%	13.4	14.2	-0.8	-5.3%
of which hard coal	11.9	12.8	-0.8	-6.3%	51%	49%	11.9	12.8	-0.8	-6.3%
Aggregates and construction materials ²	4.4	4.6	-0.2	-3.5%	19%	18%	4.4	4.6	-0.2	-3.5%
Metals and ores ³	1.4	1.7	-0.3	-19.4%	6%	6%	1.4	1.7	-0.3	-19.4%
Chemicals ⁴	1.1	1.6	-0.4	-27.3%	5%	6%	1.1	1.6	-0.4	-27.3%
Liquid fuels ⁵	0.5	0.5	0.0	1.5%	2%	2%	0.5	0.5	0.0	1.5%
Timber and agricultural produce ⁶	0.8	0.7	0.2	24.0%	4%	3%	0.8	0.7	0.2	24.0%
Intermodal transport	1.2	2.4	-1.1	-48.3%	5%	9%	1.2	2.4	-1.1	-48.3%
Other ⁷	0.4	0.4	0.0	1.3%	2%	1%	0.4	0.4	0.0	1.3%
Total	23.3	25.9	-2.6	-10.2%	100%	100%	23.3	25.9	-2.6	-10.2%

Source: Proprietary material; to facilitate the reading of the table, some figures have been rounded off, which may cause negligible deviations in the presented data

In Q1 2023, the average haul of freight transported by rail by the PKP CARGO Group was 275 km (an increase in the haul by +23 km yoy).

Table 14 Average haul of the PKP CARGO Group in Q1 2023 and Q1 2022

Description	Q1 2023	Q1 2022	Change 2023/2022		Q1 2023	Q1 2022	Change Q1 2023/ Q1 2022	
	(km)		%		(km)		%	
Solid fuels ¹	255	199	56	28.0%	255	199	56	28.0%
of which hard coal	248	186	61	33.0%	248	186	61	33.0%
Aggregates and construction materials ²	270	254	16	6.2%	270	254	16	6.2%
Metals and ores ³	317	313	4	1.4%	317	313	4	1.4%
Chemicals ⁴	333	348	-15	-4.2%	333	348	-15	-4.2%
Liquid fuels ⁵	264	348	-84	-24.1%	264	348	-84	-24.1%
Timber and agricultural produce ⁶	331	299	32	10.8%	331	299	32	10.8%
Intermodal transport	372	423	-51	-12.1%	372	423	-51	-12.1%
Other ⁷	318	284	34	12.0%	318	284	34	12.0%
Total	275	253	23	9.1%	275	253	23	9.1%

Source: Proprietary material; to facilitate the reading of the table, some figures have been rounded off, which may cause negligible deviations in the presented data.

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.

⁷ Includes other freight.

⁶ Includes grain, potatoes, sugar beets, other produce, wood and wooden products.

The following were key factors affecting the volume of transport in various cargo categories in Q1 2023:



solid
fuels

- high inventory volumes held by counterparties,
- weaker demand for energy – according to a report published by Polskie Sieci Energetyczne, electricity generation from hard coal and lignite in Q1 2023 reached 30,256 GWh, down 13.6% compared to the corresponding period of the previous year,
- lower volume of coal collections by municipalities,
- increase in the average haul of hard coal by 61 km (33.0%) in connection with the changed direction of deliveries,
- PKP CARGO International a.s. – greater volume of transport operations to Teplarna Kladno (in Q1 2022, it suffered a boiler failure).



aggregates and
construction
materials

- Limited operational possibilities of PKP CARGO S.A. (priority given to the transport of hard coal)
- reduced volume of limestone transport operations to Czech steelworks,
- lower volume of transport operations in exports of quartzite through seaports to Iceland – weaker demand from buyers,
- unfavorable weather conditions at the beginning of 2023 (compared to 2022) resulting in a reduced intensity of construction operations,
- increase in the average haul by 16 km (6.2%) in connection with the changed direction of deliveries,
- PKP CARGO International a.s. – reduced volume of transport operations for a major producer in this segment which decided to suspended cement production in February due to its high price.



metals
and ores

- Decline in the volume of transported metals caused by the economic situation in Poland and across the world, affecting the supply of and demand for steel. In 2022, the situation of producers and consumers of steel products was affected by the coronavirus pandemic and Russia's military aggression against Ukraine. In Q1 2023, the persistently high inflation and steep interest rates in most global economies curbed the recovery in demand for steel,
- priority of hard coal transport;
- in Q1 2023, the average haul for the transport of metals and ore (317 km) was similar to that recorded in the corresponding period of 2022.



chemicals

- Decrease in the production volume of fertilizers by the largest Polish producer due to problems with domestic sales (high production costs, absence of subsidies for farmers) and exports (tough competition due to the high prices of natural gas which is a key raw material for production),
- decline in average haul by 15 km (-4.2%).



intermodal

- Difficult situation on the global intermodal market: war in Ukraine, economic slowdown, inflationary pressure – these factors translated considerably into an increase in the prices of intermodal transport operations and resulted in decreased quantities of transported cargo (in favor of road transport),
- as a result of the priority of coal transport operations in 2022 and the inability to serve customers ordering intermodal transport, PKP CARGO S.A. lost these customers to other carriers, which translated into a decrease in the volume of intermodal trains to/from seaports,
- decrease in the average haul by 51 km (-12.1%) due to a change in the structure of transport operations,
- PKP CARGO INTERNATIONAL – completion of transport services for a major customer.



liquid
fuels

- Maintenance of transport operations in Q1 2023 at a similar level to the corresponding period in 2022,
- decrease in the average haul by 84 km (-24.1%) due to the increased share of short-haul operations near the border with Ukraine.



timber and
agricultural produce

- Rapid growth of grain transport operations in imports from Ukraine to seaports,
- increase in the average haul by 32 km (+10.8%) as a result of a change in the structure of transport operations.



others


- Maintenance of transport operations involving other commodities in Q1 2023 at a similar level to the corresponding period in 2022.

3.3 Information on business segments

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

3.4 Headcount

Information about changes in the headcount in the PKP CARGO Group during the first 3 months of 2023 and in the corresponding period of 2022 is provided below.

	HEADCOUNT IN GROUP (IN PERSONS) AS AT:	BLUE-COLLAR POSITIONS IN GROUP (IN PERSONS) AS AT:	WHITE-COLLAR POSITIONS IN GROUP (IN PERSONS) AS AT:
	31/03/2023 19.752	31/03/2023 14.994	31/03/2023 4.758
	31/12/2022 20.038	31/12/2022 15.271	31/12/2022 4.767

Since the beginning of 2023, the PKP CARGO Group recorded a decrease in headcount by 286 persons, of which PKP CARGO S.A. by 321 persons.

3.5 PKP CARGO Group's investments

In the first 3 months of 2023, the PKP CARGO Group incurred capital expenditures of PLN 469.3 million, up 111.2% compared to the corresponding period of 2022. These expenditures were spent on the acquisition of property, plant and equipment and intangible assets in the form of procurement, modernization and the overhaul component (periodic repairs of P4 and P5 rolling stock and periodic checkups of P3 rolling stock). Moreover, right-of-use assets arising from IFRS16 (mainly related to locomotive purchases and real estate leases) were recognized.

The majority of capital expenditures during the first 3 months of 2023 in the PKP CARGO Group were allocated to the execution of capital expenditure endeavors associated with its rolling stock, specifically to periodic repairs (P4 and P5) and checkups (P3) of rolling stock and modernization of locomotives – in total PLN 160.9 million (or 34.3% of capital expenditures). Moreover, expenditures were incurred on investment construction activity in the amount of PLN 29.5 million, purchases of machinery, equipment, other workshop fittings and means of transport for PLN 8.7 million, on ICT development, i.e. purchases of computer hardware and intangible assets (software) in the amount of PLN 1.8 million, and on right-of-use assets for PLN 268.4 million, including: PLN 202.8 million in locomotive leases, PLN 57.8 million in real estate leases and PLN 7.8 million in other rights.

Table 15 Capital expenditures on property, plant and equipment, intangible assets and right-of-use assets in the PKP CARGO Group in Q1 2023 as compared to Q1 2022 (millions of PLN)

Description	Q1 2023	Q1 2022	Change 2023-2022	Change 2023-2022 %
Investment construction activity	29.5	3.7	25.8	706.9%
Locomotive upgrades	0.1	12.2	-12.1	-99.2%
Wagon purchases	0.0	74.7	-74.7	-100.0%
Workshop machinery and equipment	8.3	2.4	5.9	242.4%
ICT development	1.8	1.3	0.5	33.6%
Other	0.4	0.5	-0.1	-22.4%
Components in overhaul, including:	160.8	117.7	43.1	36.7%
<i>Repairs and periodic inspections of locomotives</i>	30.8	23.2	7.6	33.2%
<i>Repairs and periodic inspections of wagons</i>	130.0	94.5	35.5	37.5%
Right-of-use assets*, including:	268.4	9.7	258.7	2667.1%
<i>Locomotive leases</i>	202.8	0.0	202.8	-
Total	469.3	222.2	247.1	111.2%

* Expenditures for right-of-use assets for the first 3 months of 2023 do not include increases of PLN 1.6 million resulting from leaseback of transport equipment.
Source: Proprietary material

3.6 Key information and events

- On 2 January 2023, PKP CARGO S.A. executed an Investment Loan Agreement with Bank Powszechna Kasa Oszczędności Bank Polski S.A. up to the maximum amount of PLN 100 million with the availability term until 29 December 2023.
- On 24 January 2023, the Company signed a Memorandum of Understanding as part of mediation carried out on 18 and 24 January 2023 to resolve an industrial dispute regarding the implementation of a systemic wage increase. The Management Board and the Trade Unions agreed that as of 1 January 2023, funds will be allocated for the increase of basic remuneration of PKP CARGO S.A. employees remunerated in accordance with CBA in the average gross amount of PLN 415.00 per 1 employee (on FTE basis) and for the employees remunerated based on Resolution No. 498/2012 (as amended) of the Management Board of PKP CARGO S.A. in the average gross amount of PLN 764.00 per 1 employee (on FTE basis). Thus, the collective dispute launched by the statement of 1 March 2022 was ended.
- On 16 January 2023, a decision was issued by the President of the Office of Competition and Consumer Protection (UOKiK) to approve, at the request of PKP Polskie Linie Kolejowe S.A. with its registered office in Warsaw, a concentration whereby PKP Polskie Linie Kolejowe S.A. with its registered office in Warsaw ("PKP PLK") obtained control over Cargotor Sp. z o.o. (a fully-owned subsidiary of PKP Cargo).
- On 30 January 2023, the Company's subsidiary, PKP CARGOTABOR Sp. z o.o. and ALSTOM POJAZDY SZYNOWE Sp. z o.o. executed an agreement for the purchase of assets of ALSTOM's branch under liquidation. The agreement concerns the purchase of tangible assets along with related property rights to the documentation of assets and intangible assets, that is protection rights to trademarks, and property rights to the documentation of assets and other proprietary copyrights to the documentation of assets, inventories. The net value of the agreement is PLN 13.5 million plus VAT at the applicable rate.
- At the end of January, PKP CARGO S.A. announced and published the PKP CARGO Group Strategy Revision for 2019-2023. The revision reaffirmed the Group's vision and mission and modified its strategic goals. The PKP CARGO Group strives to become number 1 in the Three Seas Initiative area and on the New Silk Road routes in the EU, as measured by freight turnover and freight volume by 2023, and strengthen its position in 2023-2038, and to attain a 50% share in the Polish rail freight market measured by freight turnover by 2027.
- On 20 February 2023, PKP CARGO S.A. obtained a consent from the Supervisory Board to the disposal of assets in the form of a transfer to PKP CARGOTABOR USŁUGI Sp. z o.o. of the ownership title and the perpetual usufruct right to real property, the ownership title to buildings and structures located on the land and representing property separate from the land, and the ownership title to the movable property comprising assets of the former Fabryka Wagonów Gniewczyna S.A. in Gniewczyna Łądcucka with the total net market value of PLN 29.8 million.

- On 17 March 2023, PKP CARGO S.A. executed an annex to the Overdraft Facility Agreement with Bank Powszechna Kasa Oszczędności Bank Polski S.A. of 19 December 2019 for the maximum amount of up to PLN 100 million, amending the contractual terms by extending the loan availability until 19 March 2024.
- On 22 March 2023, PKP CARGO S.A. accepted twelve Dragon 2 electric locomotives manufactured by Newag S.A.
- On 30 March 2023, PKP CARGO S.A. and PKP CARGO TERMINALE sp. z o.o., entered into a loan agreement for up to PLN 20 million.
- In performance of the agreement for the purchase of locomotives, which the Company informed about in its Current Report No. 45/2019, the Company continued to finance the delivery of locomotives based on the agreements entered into by and between PKP CARGO S.A., the consortium of NEWAG S.A. and NEWAG LEASE Sp. z o.o. S.K.A., and PKO LEASING S.A. and Pekao Leasing Sp. z o.o. on the financing of locomotive deliveries. Under the agreements and framework lease agreements signed, a total of 16 lease agreements were executed for a total value of PLN 270.4 million.
- On 24 May 2023, PKP CARGO S.A. signed an annex to the overdraft agreement extending the availability period until 24 May 2024.
- On 26 May 2023, PKP CARGO SA and PKP CARGOTABOR Sp. z o.o. signed an overdraft agreement with Bank Polska Kasa Opieki S.A. in the amount of PLN 50,000,000.00 with the availability period until 25 May 2024.

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

4.1 Economic and financial highlights of the PKP CARGO Group

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

Table 16 Financial highlights of the PKP CARGO Group

PKP CARGO Group	PLN million ⁶⁴		EUR million	
	3 months of 2023	3 months of 2022	3 months of 2023	3 months of 2022
Exchange rates (PLN/EUR)			4.7005	4.6472
Operating revenue	1,576.1	1,180.7	335.3	254.1
Operating profit / (loss)	168.0	(31.5)	35.7	(6.8)
Profit / (loss) before tax	130.6	(55.5)	27.8	(11.9)
Net profit / (loss)	104.2	(47.6)	22.2	(10.2)
Total comprehensive income attributable to the owners of the parent company	124.7	(31.5)	26.5	(6.8)
Weighted average number of shares	44,786,917	44,786,917	44,786,917	44,786,917
Weighted average number of shares taken into account to calculate diluted profit	44,786,917	44,786,917	44,786,917	44,786,917
Earnings / (loss) per share (PLN)	2.33	(1.06)	0.50	(0.23)
Diluted earnings / (loss) per share (PLN)	2.33	(1.06)	0.50	(0.23)
Net cash flow from operating activities	297.4	37.6	63.2	8.1
Net cash flow from investing activities	(252.1)	(230.7)	(53.6)	(49.6)
Net cash flow from financing activities	3.2	49.1	0.7	10.5
Movement in cash and cash equivalents	48.5	(144.0)	10.3	(31.0)
	31 Mar 2023	31 Dec 2022	31 Mar 2023	31 Dec 2022

⁶⁴ 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.

Exchange rates (PLN/EUR)			4.6755	4.6899
Non-current assets	6,652.2	6,354.1	1,422.8	1,354.8
Current assets	1,395.7	1,305.8	298.5	278.4
Non-current assets classified as held for sale	0.1	0.3	0.0	0.1
Share capital	2,239.3	2,239.3	478.9	477.5
Equity attributable to the owners of the parent company	3,357.6	3,232.9	718.1	689.3
Non-current liabilities	2,550.9	2,344.6	545.6	499.9
Current liabilities	2,139.5	2,082.7	457.6	444.1

Source: Quarterly Condensed Consolidated Financial Statements of the PKP CARGO Group for the period of 3 months ended 31 March 2023 prepared according to EU IFRS.

Table 17 Financial highlights of PKP CARGO S.A.

PKP CARGO S.A.	PLN million ⁶⁵		EUR million	
	3 months of 2023	3 months of 2022	3 months of 2023	3 months of 2022
Exchange rates (PLN/EUR)			4.7005	4.6472
Operating revenue	1,220.3	882.7	259.6	189.9
Operating profit / (loss)	142.7	(33.2)	30.4	(7.1)
Profit / (loss) before tax	103.1	(55.0)	21.9	(11.8)
Net profit / (loss)	81.2	(46.2)	17.3	(9.9)
Comprehensive income	84.0	(51.4)	17.9	(11.1)
Weighted average number of shares	44,786,917	44,786,917	44,786,917	44,786,917
Weighted average number of shares taken into account to calculate diluted profit	44,786,917	44,786,917	44,786,917	44,786,917
Earnings / losses per share (PLN)	1.81	(1.03)	0.39	(0.22)
Diluted earnings / losses per share (PLN)	1.81	(1.03)	0.39	(0.22)
Net cash flow from operating activities	242.9	26.3	51.6	5.6
Net cash flow from investing activities	(242.7)	(216.6)	(51.6)	(46.6)
Net cash flow from financing activities	39.0	84.5	8.3	18.2
Movement in cash and cash equivalents	39.2	(105.8)	8.3	(22.8)
	31 Mar 2023	31 Dec 2022	31 Mar 2023	31 Dec 2022
Exchange rates (PLN/EUR)			4.6755	4.6899
Non-current assets	6,240.9	5,948.0	1,334.8	1,268.3
Current assets	874.8	800.0	187.1	170.6
Non-current assets classified as held for sale	0.1	0.1	0.0	0.0
Share capital	2,239.3	2,239.3	478.9	477.5
Equity	3,007.3	2,923.3	643.2	623.3
Non-current liabilities	2,193.2	1,985.9	469.1	423.4
Current liabilities	1,915.3	1,838.9	409.6	392.2

Source: Quarterly Financial Information of PKP CARGO S.A. for the period of 3 months ended 31 March 2023 prepared according to EU IFRS.

The following average PLN to EUR exchange rates set by the National Bank of Poland have been used to translate selected financial data in the periods covered by the Quarterly Condensed Consolidated Financial Statements of the PKP CARGO Group and the Quarterly Financial Information of PKP CARGO S.A. for the period of 3 months ended 31 March 2023:

⁶⁵ 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.

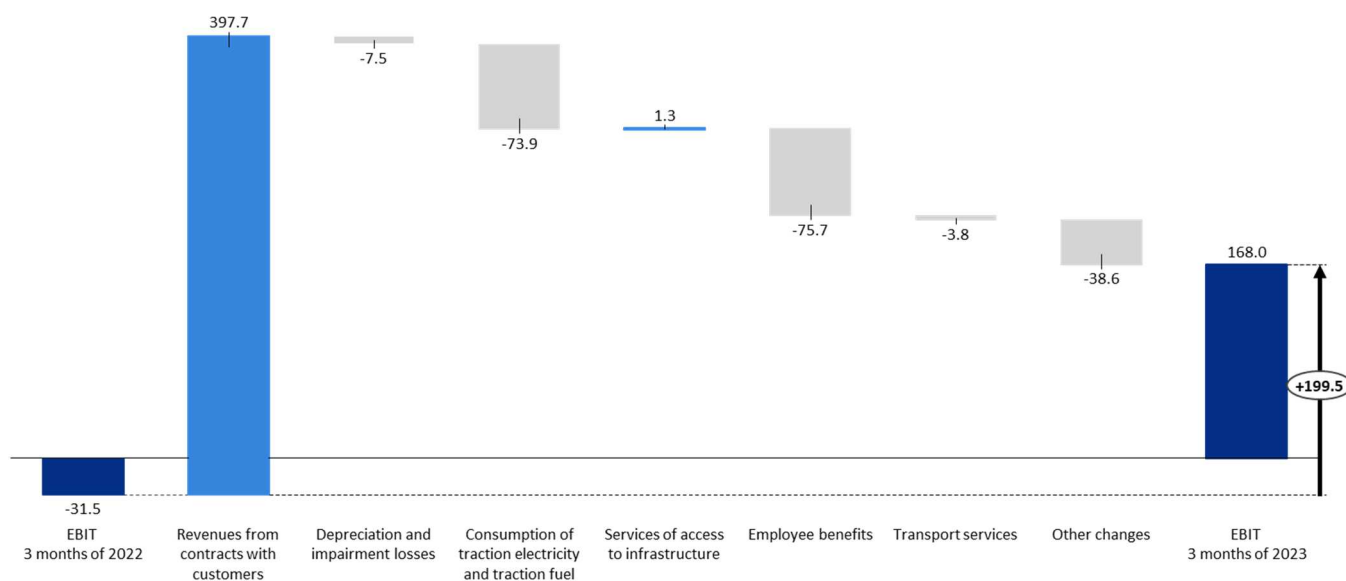
- exchange rate in force on the last day of the reporting period: 31 March 2023: EUR 1 = PLN 4.6755; 31 December 2022: EUR 1 = PLN 4.6899,
- the average exchange rate in the period calculated as the arithmetic mean of the exchange rates prevailing on the last day of each month in a given period: 1 January – 31 March 2023: EUR 1 = PLN 4.7005, 1 January – 31 December 2022: EUR 1 = PLN 4.6472.

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

Statement of profit or loss of the PKP CARGO Group

During the first 3 months of 2023, EBIT reached PLN 168.0 million, marking an improvement compared to the corresponding period of 2022 by PLN 199.5 million.

Figure 16 EBIT in Q1 2023 as compared to the corresponding period in 2022 (PLN million)



Source: Proprietary material

The following is a description of the most significant deviations affecting EBIT in the first 3 months of 2023 as compared to the first 3 months of 2022:

- increase in revenues from contracts with customers (including predominantly revenues from transport and freight forwarding services and also, without limitation, transshipment services and siding and traction services) as a direct consequence of the increase in freight rates. The details pertaining to the PKP CARGO Group's transport services are described in section 3.2.5 PKP CARGO Group's rail transport business.
- increase in depreciation and impairment allowances resulting from higher capital expenditures (including expenditures on rolling stock) in 2022;
- increase in the costs of consumption of electricity and traction fuel resulting chiefly from an increase in domestic prices of fuels and prices of energy contracted on the Polish Power Exchange (POLPX);
- increase in the costs of employee benefits, including in connection with the signing of agreements on wage increases as of June 2022 and January 2023, an increase in other employee benefits during the employment period and a concurrent decline in the total number of employees. Detailed information on the changes in headcount is presented in section 3.4 Headcount;
- increase in costs under "other changes" by PLN 38.6 million, caused by, among other factors, the higher costs of electricity, gas and water consumption, consumption of materials, shunting, traction and audit services, repair services, maintenance of fixed assets and transshipment services.

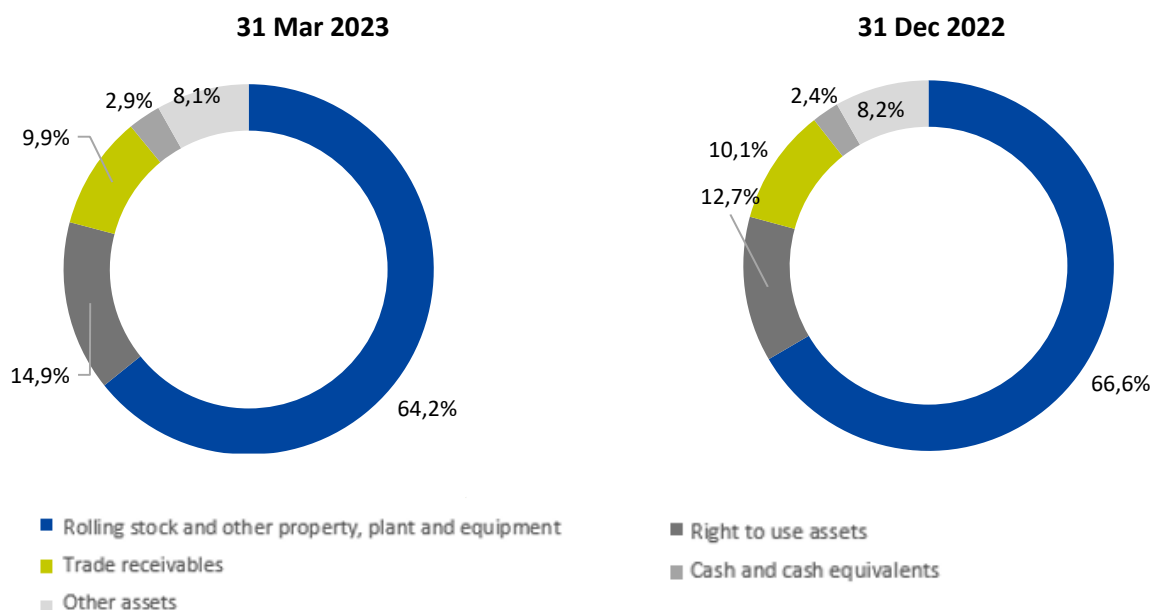
Statement of financial position of the PKP CARGO Group

ASSETS

The biggest share in the PKP CARGO Group's asset structure as at 31 March 2023 was held by rolling stock and other property, plant and equipment, which in aggregate accounted for 64.2% of total assets, compared to 66.6% as at 31 December 2022. At

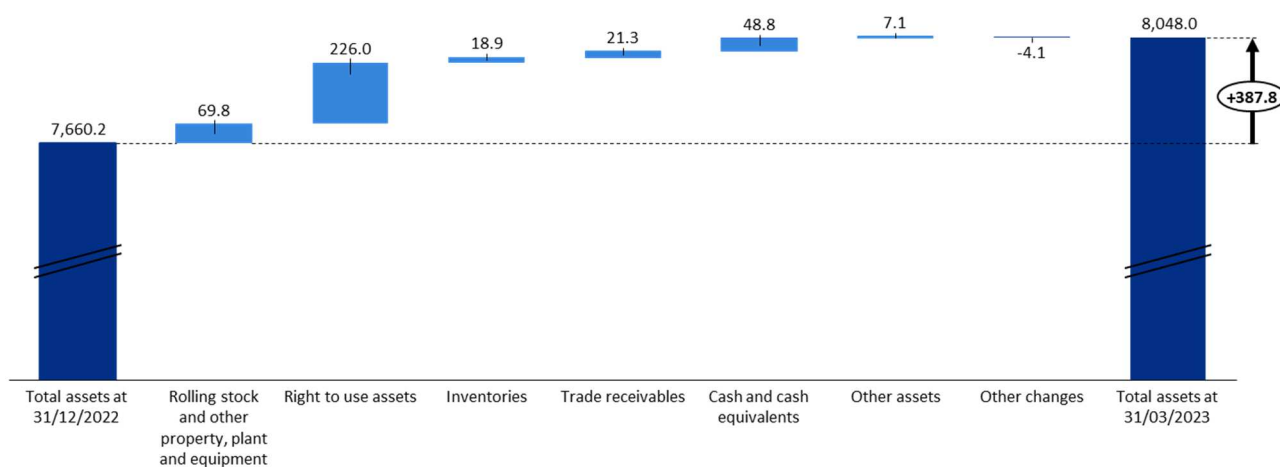
the same time, the largest share in the structure of current assets was attributable to trade receivables the value of which accounted for 9.8% of the Company's total assets.

Figure 17 Structure of assets – as at 31 March 2023 and 31 December 2022



Source: Proprietary material

Figure 18 Movement in the PKP CARGO Group's assets in Q1 2023 (PLN million)



Source: Proprietary material

The most significant changes affecting the value of assets as at 31 March 2023, as compared to 31 December 2022, are explained below:

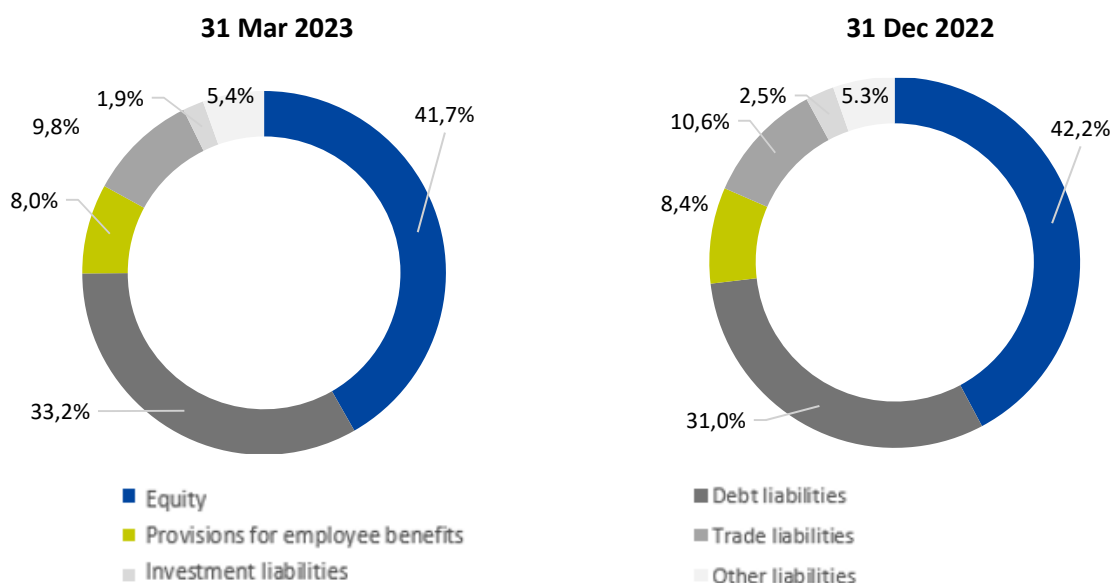
- increase in the value of rolling stock and other property, plant and equipment as a result of changes in the first 3 months of 2023 in investments made in property, plant and equipment (predominantly rolling stock) in excess of depreciation;
- increase in right-of-use assets resulting predominantly from greater capital expenditures in excess of depreciation (greater scale of acquisition of new right-of-use assets with a simultaneous progressive depreciation of assets already in use). Right-of-use assets related mostly to rolling stock, including the purchase of locomotives and the area related to real estate leases;
- increase in the value of inventories (mostly strategic inventories and other inventories) as a consequence of the higher purchase cost of new inventories;
- increase in trade receivables associated with an increase in freight rates (translating into an increase in revenue from contracts with customers);
- increase in the value of cash by PLN 48.8 million, mostly as a result of PLN 297.4 million in cash generated from operations, alongside expenditures on the purchase of non-financial non-current assets totaling PLN 255.8 million;

- increase in other assets, largely due to the increase in assets associated with advance payments for the purchase of non-financial non-current assets, purchase of employee transportation benefits and intangible assets under adjustment with a simultaneous decrease in the value of costs settled over time (including prepayments for electricity purchases).

EQUITY AND LIABILITIES

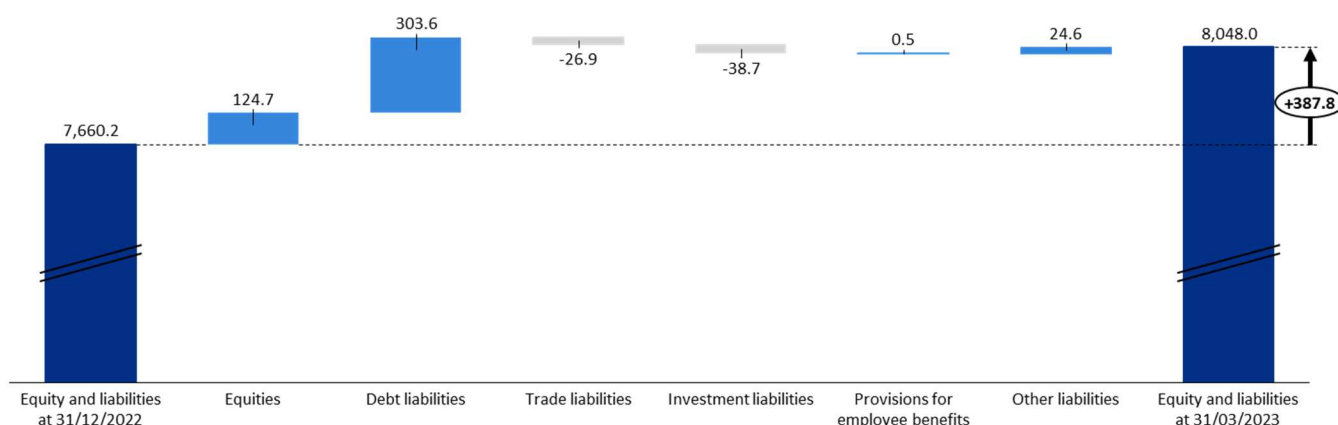
The largest share in the structure of the PKP CARGO Group's equity and liabilities as at 31 March 2023 was attributable to equity, which accounted for 41.7% of total equity and liabilities, compared to 42.2% as at 31 December 2022. In the period under analysis, debt liabilities accounted for 33.2% of total equity and liabilities, compared to 31.0% as at 31 December 2022.

Figure 19 Structure of the Group's equity and liabilities as at 31 March 2023 and 31 December 2022



Source: Proprietary material

Figure 20 Change in the Group's equity and liabilities in Q1 2023 (PLN million)



Source: Proprietary material

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

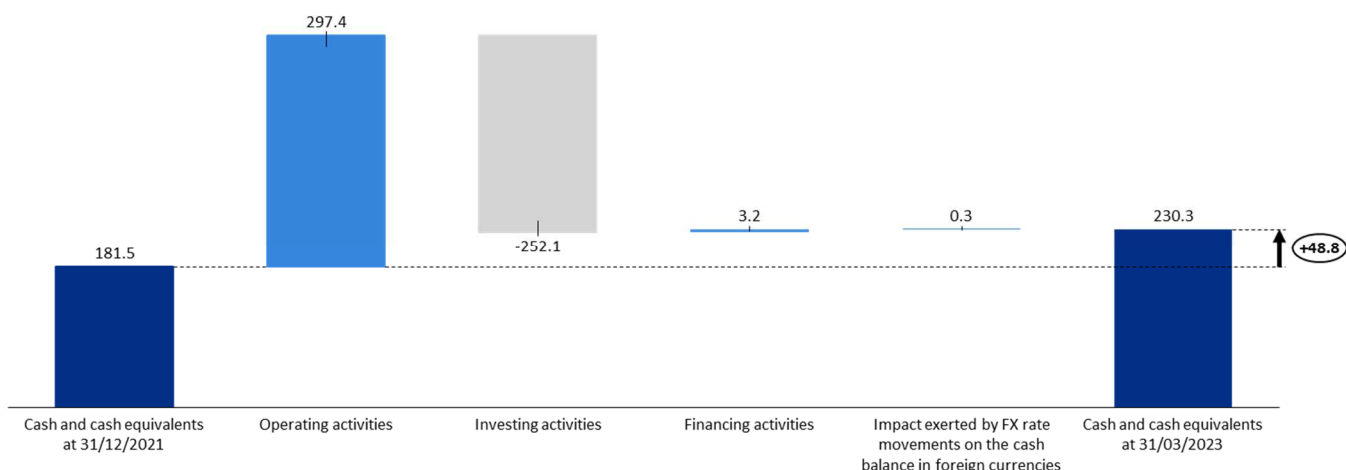
- increase in equity mainly due to the positive net result for the first 3 months of 2023 reported by the PKP CARGO Group (growth in retained earnings) and positive exchange differences on translation of statements of foreign entities;
- increase in the value of debt liabilities resulting from new liabilities incurred on account of loans, borrowings and leases in the amount of PLN 365.0 million, modification of existing lease agreements in the amount of PLN 60.2 million and a concurrent repayment of principal under loans, borrowings and leases of PLN 117.6 million. Detailed information on debt liabilities is presented in [Note 4.1](#) to the Consolidated Financial Statements;

- decrease in trade payables mainly as a result of active working capital management;
- decrease in investment liabilities caused in part by a decrease in investment liabilities related to rolling stock by PLN 38.5 million;
- increase in the value of other changes caused largely by the increase in public-law liabilities, liabilities on account of settlements with employees and other settlements.

4.1.3 Statement of cash flows of the PKP CARGO Group

The value of cash and cash equivalents as at 31 March 2023 increased by PLN 48.8 million compared to 31 December 2022.

Figure 21 Cash flows in the PKP CARGO Group in Q1 2023 (PLN million)



Source: Proprietary material

- positive cash flows from operating activities were generated, among other sources, on the profit before tax of PLN 130.6 million, depreciation and impairment allowances of PLN 191.4 million and negative cash flows caused by movement in working capital of PLN 32.2 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 255.8 million (including investments in rolling stock);
- positive cash flows from financing activities, chiefly as a result of the repayment of loans and leases with interests in the amount of PLN 154.7 million, offset by inflows of PLN 158.7 million from new loans.

4.1.4 Selected financial and operating ratios of the PKP CARGO Group

The table below presents the PKP CARGO Group's key financial and operating ratios in the first 3 months of 2023 compared to the corresponding period of the previous year.

Table 18 Key financial and operating ratios of the PKP CARGO Group in Q1 2023 as compared to the corresponding period of 2022

Description	Q1 2023	Q1 2022	Change	Rate of change
			2023 - 2022	2023/2022
EBITDA margin ¹	22.8%	12.9%	9.9	76.7%
Return on sales (ROS) ²	6.6%	-4.0%	10.6	-
ROA3	3.7%	-2.7%	6.4	-
ROE4	8.9%	-6.7%	15.6	-
Average distance covered per locomotive (km per day) ⁵	210.7	213.7	-3.0	-1.4%
Average gross train tonnage per operating locomotive (tons) ⁶	1,593.0	1,516.0	77.0	5.1%
Average running time of locomotives (hours per day) ⁷	13.2	14.3	-1.1	-7.7%
Freight turnover per employee (thousands tkm/employee) ⁸	322.4	320.6	1.8	0.6%

Source: Proprietary material – data provided by PKP CARGO, PKP CARGO International, PKP CARGO SERVICE

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

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

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

- during the first 3 months of 2023, the EBITDA margin slightly improved, chiefly due to the significant increase in operating revenue. Detailed information on the reasons for movement in EBITDA and the net result is presented in section 4.1. Key economic and financial figures of the PKP CARGO Group;
- improvement in the ROA and ROE ratios coupled with the return on sales (ROS), largely due to the better net result in the period under analysis;
- increase in the average gross tonnage per locomotive as a result of optimization of the freight process;
- slight decrease in the average running time of train locomotives stemming from how the freight turnover process is run, the high number of closures and operating difficulties, and growth in the number of active locomotives which are doing the work with changing freight turnover;
- increase in the freight turnover per employee ratio, reflecting predominantly a decrease in the average headcount expressed in FTE terms by 2.6% yoy, with a concurrent decrease in freight turnover by 2.0%.

4.2 Factors that will affect financial performance in the next quarter

Armed conflict in Ukraine

The war in Ukraine remains the main risk factor for PKP CARGO Group's performance in the current year. It is still impossible to predict the direction in which this conflict will develop (and when it will end) and, consequently, the influence it will have on the current economic processes. This war has been a stimulus for gradual deglobalization and fragmentation in international trade. The impact of the conflict on the rise in energy and food prices is diminishing, but the inflationary impulse caused by last year's price hike remains a factor slowing down rapid economic growth. The rise in energy prices has been an important driver of operating costs in PKP CARGO Group companies and, by increasing the cost of doing business, leads to price increases for customers. Russia's aggression in Ukraine has caused a significant decline in trade with Russia and Belarus (which have clearly lost their importance) due to sanctions and also due to the approach of companies that have left these markets on their own.

The Group's companies, which had been focused on the Eastern markets, are continuing to reorganize their activities in order to move as far away as possible from their strong economic ties in that direction.

The role of ports as delivery points for goods that previously arrived in Poland mainly by land (e.g. coal from Russia or containers from China) is increasing due to the decrease in the price of sea transportation, the risk and cost of insuring goods on the "New Silk Road", and the end of disruptions in supply chains.

The growing importance of Ukraine in the economic exchange with Poland creates excellent prospects for cooperation in the coming years. PKP CARGO Group companies are involved in the transportation of a broad range of goods (for example, PKP CARGO S.A. transports iron ore and humanitarian aid).

All legal and factual changes related to the impact of the war on the functioning of PKP CARGO Group companies are analyzed on an ongoing basis, which allows the Group to take appropriate action, including relevant investments or taking preventive measures. The adverse effect on the revenues of the PKP CARGO Group subsidiaries will be limited mainly to those operating terminals on the eastern border of Poland and providing freight forwarding services in this geographic area (although it will affect almost all companies of the Group).

PKP CARGO Group companies do not currently perceive any significant risks to their operations that are related to the war in Ukraine, but the situation is dynamic and requires constant monitoring in this respect.

FX risk

In Q1 2023, the Group was exposed to FX risk resulting from the receivables, payables and cash denominated in foreign currencies. The Group's receivables expressed in foreign currencies are short-term receivables, and payables expressed in foreign currencies are mostly current and non-current liabilities on account of investment loan agreements with maturities of more than 5 years.

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

In Q1 2023, the PKP CARGO Group applied hedge accounting for EUR-denominated loan agreements.

Interest rate risk

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

In Q1 2023, interest on financial liabilities was accrued according to fixed and variable interest rates and reference rates, plus the financing entity's margin, i.e. based on the following reference rates: WIBOR 1M, WIBOR 3M and EURIBOR 3M.

Market for commodities and aggregates

Demand for aggregates and other construction materials in Poland is driven by large infrastructural investment projects executed within the framework of the "National Road Construction Program" and the "National Railway Program". It may be expected that these production sectors should exert a favorable impact on the performance of the whole construction sector in the coming period. Optimistic but realistic assumptions predict a recovery from the downward trend and entry into an upward trend due to anticipated activity in the civil engineering industry. As in the case of hard coal, the hitherto main East-West direction is being replaced by North-South traffic routes.

Market for intermodal transport services

The position of Poland as a transit country for shipments from the Far East has deteriorated. Although transport services are provided, the decline by several tens of percent is strongly affecting the entities that specialize in this market, as they had to look for alternatives, such as sea or air transport. The limitation (resulting from problems with insurance of transported cargo) may generate potentially dangerous consequences for intermodal transport through our country, in the form of emergence of rail routes alternative to the "New Silk Road", bypassing Russia (but also Poland) in favor of transports carried out via southern Europe.

Rail infrastructure access charges

Infrastructure in Poland

In accordance with the Rail Transport Act and the Regulation of the Minister of Infrastructure and Construction of 7 April 2017 on the Provision of Rail Infrastructure (Journal of Laws of 2017, item 755, as amended) all infrastructure managers must abide by the pertinent regulations regarding the acquisition of rights to order/refuse timetables, the charging of fees for related line access and the provision of service infrastructure facilities.

On the domestic infrastructure, in the timetable for 2022/2023, changes were made to the price lists from previous timetables with regard to access to the PKP PLK S.A. infrastructure, mostly in the unit rate of the basic and shunting fee and removal of an additional component of the unit rate of the basic fee related to the type of transport. In their price lists, private rail infrastructure operators apply rates applicable to earlier timetables or higher ones.

International infrastructure.

In Q1 2023, the most important activities of foreign managers included the continued operation of the program for co-financing the use of freight train routes administered by the German public infrastructure manager DB Netz.

In Austria, starting from 1 January 2023, reimbursements for access to infrastructure (previously granted automatically by the Infrastructure Administrator due to COVID-19) took the form of subsidies to Rail Infrastructure Access Charges from Schig (a body appointed by the Federal Ministry of Climate Protection, the Environment, Energy and Mobility in Austria) with the requirement to submit a pertinent application and join the subsidy program, including by the signing of a contract (from January to the end of March, 50% reimbursement of infrastructure fees to rail carriers for the passage of loaded and empty trains; after signing an annex with Schig, from April to December 2023, 100% reimbursement, as above).

Infrastructural investments

Infrastructural investments in the area of the PKP Network in Q1 2023, related to the modernization of rail infrastructure under the National Railway Program (KPK) and maintenance and repair work, were among the significant factors affecting PKP CARGO S.A.'s freight activity. The greatest transport difficulties were caused by track closures related to the continuation of the final stage of upgrade work on port infrastructure, specifically in the loading areas of the ports of Gdańsk, Gdynia, Szczecin and Świnoujście and on sections of access lines, which in turn hindered the efficient operation of key sidings and the conduct of priority transport operations. Apart from the port areas, the following areas were affected by particularly burdensome transport-hindering difficulties:

- Upper Silesia region with the continuation of upgrade work on the Czechowice Dziedzice, Oświęcim, Bytom, Trzebinia interchange, the Katowice Muchowiec area and track closures on line no. 131, known as the "coal route", and line no. 93;
- continuation of the reconstruction of the Warsaw, Krakow, Łódź, Tczew and Stargard Szczeciński junctions and reduced throughput on line nos. 351, 6 and 3.

Major transport difficulties were related to repair works at the border crossings: continuation of closures on the DB side to the Kunowice/Oderbrücke border crossing, track closures in the vicinity of the Medyka/Mostiska border crossing, continuation of closures in the Małaszewicze area and launch of upgrade work in March of this year on line no. 96 to the Muszyna/Plavec border crossing. In the next quarter of 2023, an upward trend is expected in line capacity limitations and the inconveniences related to infrastructural investments and subsequent stages of line upgrade work to be completed at the final stage of execution of the National Railway Program.

Price level of traction fuel and energy

The significant impact of the economic situation on the market resulted in an increase, in Q1 2023, in traction fuel prices by over 60% compared to the same period of 2022. Going forward, the price of electricity will be determined by the ongoing energy crisis. The embargo on the import of coal from Russia, the absence of infrastructure for electricity generation from renewable sources and the turmoil in gas logistics have caused a significant increase in energy prices.

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

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

4.4 Information about production assets

4.4.1 Rolling stock

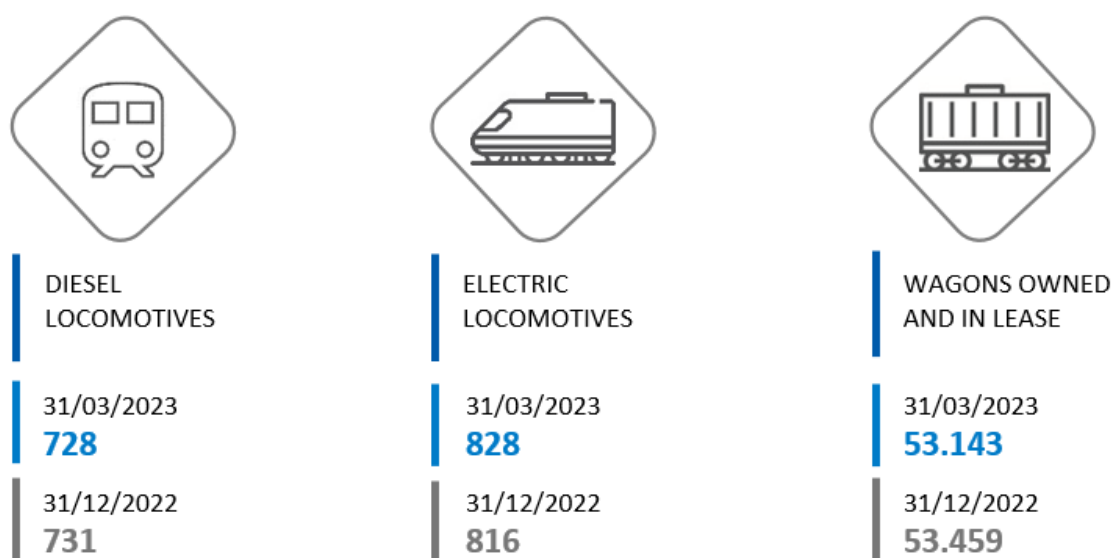
PKP CARGO Group's rolling stock is maintained through repair points functioning within the structures of PKP CARGO S.A. Units and in subsidiaries. The PKP CARGO Group's rolling stock repair and maintenance organization is qualified to repair and maintain wagons, electric locomotives at all the maintenance levels from P1 to P5 and to repair diesel locomotives at maintenance levels from P1 to P4. In addition to the rolling stock owned by the PKP CARGO Group, the Group's establishments also repair rolling stock and sub-assemblies for other owners.

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

The PKP CARGO Group production assets include wagons and traction rolling stock the quantity of which changes as a result of sales, purchases and scrapping of rolling stock components. Moreover, the quantity of rolling stock is affected by completed

repairs of electric machines and wheel sets for refurbished wagons (periodic repairs combined with the replacement of rims or the replacement of monoblock wheels). Competences related to the repair of the most significant components of the circulation reserve – electric machines and wheel sets – are held by PKP CARGOTABOR, which carries out the full range of repairs of electric machines used in the locomotives operated by the PKP CARGO Group.

Figure 22 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 Group is used on the basis of long-term lease and rental agreements. The table below presents changes in real estate owned and used by the PKP CARGO Group during the first 3 months of 2023.

Table 19 Real estate owned and used by PKP CARGO Group as at 31 March 2023 as compared to 31 December 2022

Description	31 Mar 2023	31 Mar 2022	Change 2023-2022
Land – owned, in perpetual usufruct and leased from other entities [ha]	1,409	1,455	-46
Buildings – owned, leased and rented from other entities [m ²]	727,849	728,123	-274

Source: Proprietary material

The decrease in the size of the land and buildings used (owned, leased and rented from other entities) results from the ongoing verification of the quantum of assets necessary for the Parent Company and its subsidiaries and adjusting it to the scale and profile of conducted activity. In the period under analysis, the in-kind contribution of real properties in Gniewczyna to PKP CARGOTABOR USŁUGI had the greatest impact on the volume of land assets.

5. Other key information and events

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

In Q1 2023, PKP CARGO S.A. and its subsidiaries did not participate in any major proceedings pending before courts, arbitration bodies or public administration authorities in cases concerning liabilities or receivables of PKP CARGO S.A. or its subsidiaries.

5.2 Information on transactions with related parties

In the first 3 months of 2023, no entity from the PKP CARGO Group entered into any transactions with related parties on non-market terms.

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

5.3 Information on extended guarantees and sureties for loans or borrowings

In Q1 2023, PKP CARGO S.A. and its subsidiaries did not extend any sureties for loans or borrowings and did not grant any guarantees to a single entity or subsidiary of such entity whose total amount would be material.

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

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 PKP CARGO or the Group to pay their debts.

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

Parent Company's Management Board

Dariusz Seliga
President of the Management Board

Marek Olkiewicz
Management Board Member

Jacek Rutkowski
Management Board Member

Maciej Jankiewicz
Management Board Member

Zenon Kozendra
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Warsaw, 30 May 2023



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