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according to EU IFRS (in millions of PLN)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	2018	2017	
Revenues from contracts with customers	3,910.8	3,563.6	Note 2.1
Consumption of traction electricity and traction fuel	(549.7)	(484.6)	Note 2.2
Services of access to infrastructure	(733.6)	(714.5)	
Other services	(430.0)	(450.7)	Note 2.2
Employee benefits	(1,265.2)	(1,150.7)	Note 2.2
Other expenses	(170.2)	(164.0)	Note 2.2
Other operating revenue and (expenses)	9.1	(8.8)	Note 2.3
Operating profit without depreciation (EBITDA)	**771.2**	**590.3**	
Depreciation, amortization and impairment losses	(453.0)	(440.6)	Note 2.2
Profit on operating activities (EBIT)	**318.2**	**149.7**	
Financial revenue and (expenses)	2.5	(24.2)	Note 2.4
Profit before tax	**320.7**	**125.5**	
Income tax	(66.7)	(31.5)	Note 3.1
NET PROFIT	**254.0**	**94.0**	
OTHER COMPREHENSIVE INCOME			
Measurement of hedging instruments	(22.5)	25.4	Note 6.1
Income tax	4.3	(4.8)	
Total other comprehensive income subject to reclassification in the financial result	**(18.2)**	**20.6**	
Actuarial profits / (losses) on post-employment benefits	(9.4)	(33.6)	Note 5.8
Income tax	1.8	6.3	
Total other comprehensive income not subject to reclassification in the financial result	**(7.6)**	**(27.3)**	
Total other comprehensive income	**(25.8)**	**(6.7)**	
TOTAL COMPREHENSIVE INCOME	**228.2**	**87.3**	
Earnings per share (PLN per share)			
Weighted average number of ordinary shares	44,786,917	44,786,917	
Basic and diluted earnings per share	**5.67**	**2.10**	

The data for the 12 months ended 31 December 2017 have been restated as described in **Notes 1.3, 1.4** and **1.5** to these Standalone Financial Statements.

according to EU IFRS (in millions of PLN)

STATEMENT OF FINANCIAL POSITION

	31/12/2018	31/12/2017	01/01/2017	
ASSETS				
Rolling stock	3,425.7	3,056.0	2,982.4	*Note 5.1*
Other property, plant and equipment	543.1	555.2	579.6	*Note 5.1*
Investments in related parties	805.5	804.7	738.0	*Note 5.2*
Financial assets	5.7	8.6	6.3	*Note 5.5*
Other assets	35.3	44.1	58.8	*Note 5.6*
Deferred tax assets	87.2	94.0	80.1	*Note 3.1*
Total non-current assets	**4,902.5**	**4,562.6**	**4,445.2**	
Inventories	84.2	86.4	59.7	*Note 5.3*
Trade receivables	479.4	461.0	407.9	*Note 5.4*
Financial assets	203.4	281.6	-	*Note 5.5*
Other assets	90.4	53.6	26.8	*Note 5.6*
Cash and cash equivalents	222.4	295.9	612.0	*Note 4.4*
Total current assets	**1,079.8**	**1,178.5**	**1,106.4**	
Non-current assets classified as held for sale	-	-	6.0	
TOTAL ASSETS	**5,982.3**	**5,741.1**	**5,557.6**	
EQUITY AND LIABILITIES				
Share capital	2,239.3	2,239.3	2,239.3	*Note 4.2*
Supplementary capital	596.7	589.2	589.2	*Note 4.2*
Other items of equity	(32.7)	6.0	12.7	
Retained earnings	511.3	254.4	160.4	
Total equity	**3,314.6**	**3,088.9**	**3,001.6**	
Debt liabilities	999.9	1,214.5	1,206.4	*Note 4.1*
Investment liabilities	109.7	-	0.6	*Note 5.7*
Provisions for employee benefits	528.8	520.0	490.5	*Note 5.8*
Other provisions	14.2	14.2	16.4	*Note 5.9*
Total long-term liabilities	**1,652.6**	**1,748.7**	**1,713.9**	
Debt liabilities	231.3	250.4	221.3	*Note 4.1*
Trade payables	292.6	276.1	228.7	
Investment liabilities	225.5	127.8	70.3	*Note 5.7*
Provisions for employee benefits	92.6	85.9	84.8	*Note 5.8*
Other provisions	19.4	16.9	11.6	*Note 5.9*
Other financial liabilities	1.7	-	59.0	*Note 5.10*
Other liabilities	152.0	146.4	166.4	*Note 5.11*
Total short-term liabilities	**1,015.1**	**903.5**	**842.1**	
Total liabilities	**2,667.7**	**2,652.2**	**2,556.0**	
TOTAL EQUITY AND LIABILITIES	**5,982.3**	**5,741.1**	**5,557.6**	

The data as at 31 December 2017 and 1 January 2017 have been restated as described in **Notes 1.3, 1.4** and **1.5** to these Standalone Financial Statements.

according to EU IFRS (in millions of PLN)

STATEMENT OF CHANGES IN EQUITY

			Other items of equity					
	Share capital	Supplementary capital	Profits / (losses) on measurement of equity instruments at fair value	Actuarial profits / (losses) on post-employment benefits	Measurement of hedging instruments	Retained earnings	Total	
1/01/2018 (audited)	**2,239.3**	**589.2**	**-**	**(4.4)**	**16.8**	**265.5**	**3,106.4**	
Corrections of prior period errors	-	-	-	(6.4)	-	(11.1)	**(17.5)**	*Note 1.4*
Changes resulting from the implementation of IFRS 9	-	-	(12.9)	-	-	10.4	**(2.5)**	*Note 1.3*
1/01/2018 (restated)	**2,239.3**	**589.2**	**(12.9)**	**(10.8)**	**16.8**	**264.8**	**3,086.4**	
Net result for the financial year	-	-	-	-	-	254.0	**254.0**	
Other comprehensive income for the financial year (net)	-	-	-	(7.6)	(18.2)	-	**(25.8)**	
Total comprehensive income	-	-	-	(7.6)	(18.2)	254.0	**228.2**	
Other changes for the financial year	-	7.5	-	-	-	(7.5)	**-**	*Note 4.2*
31/12/2018	**2,239.3**	**596.7**	**(12.9)**	**(18.4)**	**(1.4)**	**511.3**	**3,314.6**	
1/01/2017 (audited)	**2,239.3**	**589.2**	**-**	**22.2**	**(3.8)**	**171.5**	**3,018.4**	
Corrections of prior period errors	-	-	-	(5.7)	-	(11.1)	**(16.8)**	*Note 1.4*
1/01/2017 (restated)	**2,239.3**	**589.2**	**-**	**16.5**	**(3.8)**	**160.4**	**3,001.6**	
Net result for the financial year	-	-	-	-	-	94.0	**94.0**	
Other comprehensive income for the financial year (net)	-	-	-	(27.3)	20.6	-	**(6.7)**	
Total comprehensive income	-	-	-	(27.3)	20.6	94.0	**87.3**	
31/12/2017	**2,239.3**	**589.2**	**-**	**(10.8)**	**16.8**	**254.4**	**3,088.9**	

The data for the 12 months ended 31 December 2017 have been restated as described in **Notes 1.3, 1.4** and **1.5** to these Standalone Financial Statements.

according to EU IFRS (in millions of PLN)

STATEMENT OF CASH FLOWS

	2018	2017	
Cash flow from operating activities			
Profit before tax	**320.7**	**125.5**	
Adjustments			
Depreciation, amortization and impairment losses	453.0	440.6	*Note 2.2*
(Profits) / losses on interest, dividends	(22.1)	(1.4)	
Received / (paid) interest	3.5	2.1	
Received / (paid) income tax	(55.2)	(43.1)	
Movement in working capital	30.6	(23.8)	*Note 4.5*
Other adjustments	(20.8)	(21.5)	*Note 4.5*
Net cash from operating activities	**709.7**	**478.4**	
Cash flow from investing activities			
Expenditures on the acquisition of non-financial non-current assets	(655.5)	(451.7)	
Proceeds from the sale of non-financial non-current assets	20.4	8.5	
Expenditures on the acquisition of related parties	-	(114.7)	
Proceeds from dividends received	35.7	20.3	*Note 2.4*
Inflows / (outflows) from bank deposits over 3 months	50.0	(250.0)	
Other inflows / (outflows) from investing activities	13.1	7.4	
Net cash from investing activities	**(536.3)**	**(780.2)**	
Cash flow from financing activities			
Payments on financial lease liabilities	(29.8)	(41.8)	*Note 4.1*
Proceeds from bank loans and borrowings	-	326.5	*Note 4.1*
Repayment of bank loans and borrowings	(219.5)	(228.1)	*Note 4.1*
Interest paid on financial lease liabilities and bank loans and borrowings	(23.9)	(27.3)	*Note 4.1*
Inflows / (outflows) as part of cash pool	24.8	(41.7)	
Other inflows / (outflows) from financing activities	1.5	(1.9)	
Net cash from financing activities	**(246.9)**	**(14.3)**	
Net increase / (decrease) in cash and cash equivalents	(73.5)	(316.1)	
Cash and cash equivalents as at the beginning of the reporting period	295.9	612.0	*Note 4.4*
Cash and cash equivalents as at the end of the reporting period, including:	**222.4**	**295.9**	*Note 4.4*
Restricted cash	*17.7*	*22.8*	*Note 4.4*

The data for the 12 months ended 31 December 2017 have been restated as described in **Notes 1.3, 1.4** and **1.5** to these Standalone Financial Statements.

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

1. General information

1.1 Key information about the Company's business

Information about the Company

PKP CARGO S.A. ("Company") was established pursuant to a Notary Deed of 29 June 2001 (Rep. A No. 1287/2001). The Company's seat is Warsaw, ul. Grójecka 17. The Company was registered in the National Court Register in the District Court in Katowice, Commercial Division of the National Court Register under file number KRS 0000027702. Currently, as a consequence of moving the Company's registered office, the registration files are kept by the District Court for the capital city of Warsaw, 12th Commercial Division of the National Court Register. The Company was assigned the REGON statistical number 277586360 and the NIP tax identification number 954-23-81-960.

The Company's financial year is the calendar year.

The Company core business is rail transport of cargo. In addition to rail freight transport services, the Company also provides additional services:

The composition of the Company's management and supervisory bodies and the Company's shareholding structure as at 31 December 2018 were presented in the Management Board Report on the Activity of the PKP CARGO Group for the financial year 2018 in **Chapters 9.11** and **9.4**, respectively.

Information about the Group

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

As at the balance sheet date, the PKP CARGO Group (hereinafter: "Group") comprised PKP CARGO S.A. as its parent company and 26 subsidiaries. In addition, the Group held stakes in 3 associated entities and 1 joint venture.

Additional information about subsidiaries, associates and interests in joint ventures is presented in **Note 5.2** to these Standalone Financial Statements.

The duration of individual Group companies is unlimited.

according to EU IFRS (in millions of PLN)

1.2 Basis for drawing up the financial statements

These Standalone Financial Statements have been prepared in accordance with International Financial Reporting Standards and related interpretations adopted by the European Union ("EU IFRS"), published and in effect at the time of preparation of the standalone financial statements and in accordance with the Finance Minister's Regulation of 29 March 2018 on the current and periodic information transmitted by securities issuers and the conditions for recognizing the information required by the regulations of a non-member state as equivalent (Journal of Laws of 2018 Item 757, as amended) ("Regulation").

These Standalone Financial Statements for the year ended 31 December 2018 have been prepared on the assumption that the Company will continue to be a going concern in the foreseeable future. As at the preparation date of these Standalone Financial Statements, there are no circumstances indicating any substantial doubt about the Company's ability to continue as a going concern operations for the period of at least 12 months of the date of the financial statements.

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

The Company's business does not show any material seasonal or cyclical trends.

These Standalone Financial Statements have been audited by a statutory auditor. The comparative data presented in these Standalone Financial Statements have been restated due to the correction of previous period errors and a retrospective application of IFRS 15. Moreover, certain items of the standalone statement of financial position as at 1 January 2018 have been restated in connection with the implementation of IFRS 9. Data as at 31 December 2017 are presented based on IAS 39. The effects of restatement in connection with the correction of previous period errors and the implementation of IFRS 15 and IFRS 9 are described in **Notes 1.3**, **1.4** and **1.5** to these Standalone Financial Statements.

The Company's accounting principles described in individual notes were applied in a continuous manner to all presented periods, except for changes resulting from the entry into force of IFRS 9, as described in Note 1.3. The accounting principles, material estimates and judgments for the key items of the financial statements were presented in individual notes to these Standalone Financial Statements.

Note	Title	Amount recognized in the standalone financial statements		Accounting policy	Material estimates and judgments
		2018	2017		
2.1	Revenues from contracts with customers	3,910.8	3,563.6	X	X
2.2	Operating expenses	(3,601.7)	(3,405.1)		
2.3	Other operating revenue and (expenses)	9.1	(8.8)		
2.4	Financial income and (expenses)	2.5	(24.2)		
3.1	Income tax	(66.7)	(31.5)	X	X
5.1	Rolling stock	3,425.7	3,056.0	X	X
5.1	Other property, plant and equipment	543.1	555.2	X	X
5.2	Investments in related parties	805.5	804.7	X	X
5.5	Financial assets	209.1	290.2	X	
5.6	Other assets	125.7	97.7	X	
5.3	Inventories	84.2	86.4	X	
5.4	Trade receivables	479.4	461.0	X	X
4.4	Cash and cash equivalents	222.4	295.9	X	
4.2	Equity	3,314.6	3,088.9	X	
4.1	Debt liabilities	1,231.2	1,464.9	X	
5.7	Investment liabilities	335.2	127.8	X	
5.8	Provisions for employee benefits	621.4	605.9	X	X
5.9	Other provisions	33.6	31.1	X	
5.10	Other financial liabilities	1.7	-		
5.11	Other liabilities	152.0	146.4	X	
7.4	Contingent liabilities	149,8	130,3	X	X

1.2 Basis for drawing up the financial statements (cont.)

These Standalone Financial Statements have been drawn up in Polish zloty (PLN). Polish zloty is the Company's functional and reporting currency. The data in the financial statements are presented in millions of PLN. As at 31 December 2018 and 31 December 2017, for the needs of valuation of the line items of the statement of financial position expressed in currencies other than PLN, the Company used the following exchange rates:

Currency	31/12/2018	31/12/2017
EUR	4.3000	4.1709
CZK	0.1673	0.1632
CHF	3.8166	3.5672

These Standalone Financial Statements were approved for publication by the Management Board on 20 March 2019.

1.3 Applied International Financial Reporting Standards platform

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

In the Management Board's opinion, the following standards have exerted a significant impact on these Standalone Financial Statements:

- **IFRS 9 "Financial Instruments"** – applicable to annual periods beginning on or after 1 January 2018. The key amendments introduced by the new standard pertain to:

  1) Changes of the rules of classification and valuation of financial assets which are based on the entity's business model for managing the assets and the cash flow characteristics. The existing categories of financial assets have been replaced with new ones, i.e. carried out at:
     – amortized cost,
     – fair value through other comprehensive income,
     – fair value through profit or loss.

  The amended standard imposes an obligation to carry shares in unlisted companies in fair value and significantly reduces the existing possibility of carrying assets at cost.

  2) Introduction of a new model for assessment of impairment of financial assets which replaces the concept of incurred losses with the concept of expected credit losses.

  3) Hedge accounting model.

according to EU IFRS (in millions of PLN)

1.3 Applied International Financial Reporting Standards platform (cont.)

Impact on standalone financial statements:

The entry of IFRS 9 into force has affected these Standalone Financial Statements as described below.

Change in the principles of classification and measurement of financial assets

The Company has taken advantage of the IFRS 9 transition provisions allowing for refraining from the restatement of comparative data as regards the changes regarding classification and valuation and impairment of financial assets. Accordingly, it has restated its data as at the date of the first application of IFRS 9, that is 1 January 2018, which means that data for 2017 and 2018 are incomparable with each other, because they were prepared under different accounting policies. The change in the principles of classification has cause changes in the classification of financial assets in the Company's financial statements. Instruments previously classified into the loans and receivables category in accordance with the applicable business model are held for the purpose of collecting contractual cash flows. They satisfy the conditions of classification into assets carried at amortized cost, hence the entry of IFRS 9 into force has not caused a change in the principles of their valuation. Shares held by the Company in companies not listed on active markets were carried at purchase price less impairment losses, if any. In accordance with IFRS 9, investments in equity instruments are measured at fair value. As provided for by the adopted amendments to the accounting policy, the effect of measurement is recognized in other comprehensive income. Presented below are the changes in the classification and measurement of financial assets in connection with entry of IFRS 9 into force.

IAS 39			IFRS 9			
Financial assets by category and class	Valuation method	Per day 1/01/2018	Financial assets by category and class	Valuation method	Per day 1/01/2018	Impact of the change
Hedging financial instruments			**Hedging financial instruments**			
Derivatives	at fair value through other comprehensive income	10.5	Derivatives	at fair value through other comprehensive income	10.5	-
Available-for-sale financial assets			**Financial assets measured at fair value through other comprehensive income**			
Shares in unlisted companies	at cost less impairment losses	6.0	Investments in equity instruments	at fair value through other comprehensive income	4.9	(1.1)
Loans and receivables			**Financial assets measured at amortized cost**			
Trade receivables	at amortized cost	461.0	Trade receivables	at amortized cost	459.3	(1.7)
Bank deposits over 3 months	at amortized cost	250.8	Bank deposits over 3 months	at amortized cost	250.8	-
Cash pool	at amortized cost	22.9	Cash pool	at amortized cost	22.9	-
Cash and cash equivalents	at amortized cost	295.9	Cash and cash equivalents	at amortized cost	295.9	-

1.3 Applied International Financial Reporting Standards platform (cont.)

As at 31 December 2017, the Company, as part of shares in unlisted companies, presented mainly the value of the shares in Euroterminal Sławków Sp. z o.o. in the amount of PLN 6.0 million.
As a result of the first application of IFRS 9, the Company measured the fair value of shares in Euroterminal Sławków Sp. z o.o. The fair value of this shares was calculated as PLN 4.9 million. In the statement of financial position, the effects of the measurement of investments in equity instruments are presented as other items of equity.
As at the date of the first application of IFRS 9, the Company restated the data resulting from the Standalone Financial Statements for the financial year ended 31 December 2017 as follows:

– the effects of measurement of shares in Euroterminal Sławków Sp. z o.o. at fair value as at 1 January 2018 in the amount of PLN 1.1 million decreased financial assets and other items of equity,
– the impairment loss on investment in equity instruments recognized in previous periods in the amount of PLN 11.8 million increased retained earnings and decreased other items of equity.

Model for the assessment of impairment of financial assets

The new financial asset impairment model implemented by the Company is based on an analysis of expected credit losses on trade receivables. The determined amount of the additional impairment loss on trade receivables resulting from implementation of IFRS 9 amounts to PLN 1.7 million.
Changes resulting from the application of IFRS 9 in respect of the model for the assessment of impairment of financial assets are reflected as at 1 January 2018 as follows:

– trade receivables decreased by PLN 1.7 million,
– deferred tax assets increased by PLN 0.3 million,
– retained earnings decreased by PLN 1.4 million.

Impairment losses on trade receivables were determined in accordance with IFRS 9, as described in **Note 5.4**.

Other financial assets of a debt nature are characterized by low credit risk. Moreover, because the calculation of impairment revealed an insignificant amount of the impairment loss, the Company chose not to recognize it.

Hedge accounting

The changes in hedge accounting in the case of the Company pertained mainly to documentation issues and hence the entry into force of IFRS 9 did not affect, in this respect, the Company's assets or financial standing.

The effect of implementation of IFRS 9 as at the day of its first application, i.e. as at 1 January 2018, is presented in **Note 1.5**.

- **IFRS 15 "Revenue from Contracts with Customers"** – applicable to annual periods beginning on or after 1 January 2018. This standard has replaced IAS 18 "Revenues" and IAS 11 "Construction Contracts" and the related interpretations. The fundamental principle of the new standard provides for recognition of the revenues in the financial statements in such a way as to show the transfer of goods or services to customers in the amount that reflects the amount of the remuneration (i.e. payment) which the Company expects to receive in return for such goods or services. In accordance with the new regulations a revenue occurs at the time when control over the goods or services passes on to the customer. The standard has introduced a 5-step approach to revenue recognition:
1) Identify the contracts with customers, which are understood as parties which concluded a contract with the entity to purchase goods or services, resulting from ordinary activity of the entity, in exchange for consideration.
2) Identify the performance obligations in the contract.
3) Determine the transaction price. Determining the transaction price, in addition to the base consideration, one should consider such other components as: variable consideration, non-pecuniary consideration which should be carried at fair value, factors associated with financing the price (by the seller or buyer) e.g. discount resulting from a time difference between the performance of the obligation and the payment for its performance or amounts paid in connection with performance of the obligations of the contract.
4) Allocate the transaction price to the performance obligations in the contract. The best basis to determine the individual price is the price for which the entity may separately sell the given good or service.
5) Recognize revenue when (or as) the entity satisfies a performance obligation. The performance obligation is recognized as satisfied upon transfer of the control over the goods or services subject to the agreement to the customer.

Impact on standalone financial statements:

- **IFRS 15 "Revenue from Contracts with Customers" –** since the Company generates revenues primarily from the provision of rail transport services, the entry of IFRS 15 into force has chiefly affected transportation agreements. As a result of completed works, it has been concluded that the commercial agreements contain a variable consideration component resulting from:
  – the possibility of imposing penalties on the client in connection with its failure to meet the contractual provisions pertaining to transportation of a specified freight volume during the term of the agreement,
  – the possibility of imposing a penalty on the Company by the client in the event of failure to transport the ordered freight volume.

according to EU IFRS (in millions of PLN)

1.3 Applied International Financial Reporting Standards platform (cont.)

Previously, these penalties have been presented as other operating revenues or other operating expenses depending on the nature of the penalty. According to the new standard, these penalties are treated as a component of revenues from sales. Based on IFRS 15 Annex C item 3a the Management Board of the Company has decided that the standard will be implemented retrospectively in accordance with the requirements of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, with the possibility of taking into account the instructions contained in clause C5. The application of this approach did not result in an adjustment of the Company's equity as at the date of its first application of IFRS 15.
In accordance with the previously applied accounting principles, the following items were recognized in the period from 1 January 2017 to 31 December 2017:

– in other operating revenues, debit notes and provisions for penalties imposed on clients in the amount of PLN 12.7 million,
– in other operating expenses, provisions for penalties charged by the customer in the amount of PLN 3.8 million.

In line with the aforementioned changes, the Company has restated its comparative data.

Presented in **Note 1.5** is the restatement of comparative data. Information disclosed in additional notes to these Standalone Financial Statements has also been restated accordingly.

- **Clarifications to IFRS 15 "Revenue from Contracts with Customers"** – applicable to annual periods beginning on or after 1 January 2018. The improvement has provided additional clarifications concerning certain requirements and has introduced an additional exemption for entities introducing IFRS 15 "Revenue from Contracts with Customers".

In the opinion of the Company's Management Board, the standards and interpretations mentioned below did not result in any major amendments to the Accounting Policy applied by the Company:

Standard / Interpretation	Effective date
Amendments to IFRS 2 "Share-based payments"	1 January 2018
Amendments to IFRS 4 "Insurance contracts"	1 January 2018
Amendments to IFRS (cycle 2014-2016) – IFRS 1 and IAS 28	1 January 2018
IFRIC 22 Interpretation – Foreign currency transactions and advance consideration	1 January 2018
Amendments to IAS 40 "Investment property"	1 January 2018

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

In the Management Board's opinion, IFRS 16 "Leases", applicable to annual periods beginning on or after 1 January 2019, will have a significant impact on the Company's Standalone Financial Statements. In accordance with IFRS 16 the lessee recognizes the right to use an asset and lease liability. The right to use an asset is treated like other non-financial assets and amortized accordingly. Lease liabilities are initially carried at current value of the lease payments payable during the lease term, discounted by the lease rate, if it is not difficult to determine it. If such rate cannot be easily determined the lessee applies the marginal interest rate.

Impact on standalone financial statements:

- **IFRS 16 "Leases"** – The Company has conducted a preliminary analysis of the impact of IFRS 16 on the accounting principles used. The analysis has shown that the Company's financial statements will have to recognize material significant assets and liabilities resulting from operating leases, lease or rent and perpetual usufruct rights to land.
The most significant lease contracts pertain to real properties serving as rolling stock repair points and cargo loading points, considered by the Company as strategic for its operations. Other lease contracts for the most part pertain to those rolling stock components and other buildings and real properties that are not considered strategic by the Company. Moreover, presented as lease contracts under IFRS 16 will also be those contracts that pertain to the right of perpetual usufruct of land in the case of which the Company pays fees in return for their use.
The Company's Management Board plans to implement the standard retrospectively in accordance with IFRS 16 Annex C item 5b, by presenting as at 1 January 2019 the combined effect of the application of this standard by adjusting the opening balance of retained earnings, without restating the comparative data. Applying IFRS 16 for the first time, the Company plans to apply the following practical solutions permitted by the standard, including:
  – application of a single discount rate to the measurement of the portfolio of leases with relatively similar characteristics,
  – the use of post-factual knowledge and experience in determining the term of the lease if the contract contains options for renewal or termination,
  – not recognizing the right to use assets and liabilities for short-term lease contracts, i.e. contracts for which the remaining lease term as at 1 January 2019 is shorter than 12 months,
  – exclusion of initial direct costs from the measurement of assets on account of rights to use assets as at 1 January 2019.

according to EU IFRS (in millions of PLN)

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1.3 Applied International Financial Reporting Standards platform (cont.)

The following are additional simplifications that will be applied by the Company to contracts to which it is the lessee party:
- – not recognizing the right to use lease assets and liabilities for contracts pertaining to assets of low initial unit value (IT equipment, furniture, office equipment, etc.),
- – not separating leasing and non-leasing components for lease contracts for selected classes of the underlying asset.

The Company intends to present its rights to the use of assets in a separate statement of financial position. This line item will also include assets used under current finance lease agreements in accordance with IAS 17 and the perpetual usufruct right to land. Moreover, the Company will recognize lease receivable arising out sublease contracts providing for the use of assets that are recognized as finance lease contracts.

Summary of the expected impact

The effect of the implementation of IFRS 16 on the statement of financial position as at 1 January 2019 is presented below:

	31/12/2018	Adjustments	1/01/2019
ASSETS			
Rolling stock	3,425.7	(20.9)	3,404.8
Other property, plant and equipment	543.1	(31.6)	511.5
Right to use assets	-	616.0	616.0
Lease receivables	-	22.2	22.2
Deferred tax assets	87.2	(0.1)	87.1
Total non-current assets	**4,902.5**	**585.6**	**5,488.1**
Lease receivables	-	1.1	1.1
Other assets	90.4	(0.5)	89.9
Total current assets	**1,079.8**	**0.6**	**1,080.4**
TOTAL ASSETS	**5,982.3**	**586.2**	**6,568.5**
EQUITY AND LIABILITIES			
Retained earnings	511.3	0.5	511.8
Total equity	**3,314.6**	**0.5**	**3,315.1**
Debt liabilities	999.9	533.5	1,533.4
Total long-term liabilities	**1,652.6**	**533.5**	**2,186.1**
Debt liabilities	231.3	61.7	293.0
Trade payables	292.6	(9.5)	283.1
Total short-term liabilities	**1,015.1**	**52.2**	**1,067.3**
Total liabilities	**2,667.7**	**585.7**	**3,253.4**
TOTAL EQUITY AND LIABILITIES	**5,982.3**	**586.2**	**6,568.5**

The application of IFRS 16 will also affect the structure of the statement of profit or loss and other comprehensive income in 2019 and in subsequent years.
Based on its analysis, the Company estimates that in 2019 its operating result will increase by PLN 12 million, EBITDA by PLN 75 million and the profit before tax will decrease by PLN 9 million. This analysis has been prepared on the basis of contracts effective as at 31 December 2018 and is based on certain assumptions that are material on that date, in particular with respect to:
- – the actual period of validity of the agreements concluded for an indefinite term and the resulting useful life of the right to use assets;
- – discount rate used for the measurement of the lease liabilities;

The lease periods applied for the purposes of estimation of the value of lease liabilities, broken down into underlying asset classes, were as follows:

Strategic real properties	14 – 17 years
Other real properties	4 – 14 years
Rolling stock	2 – 5 years
Other	2 – 5 years

according to EU IFRS (in millions of PLN)

1.3 Applied International Financial Reporting Standards platform (cont.)

The lease period in contracts for the perpetual usufruct right to land is defined as the period remaining until the date to which these rights have been granted unless the circumstances require the adoption of a longer or shorter period.
The lessee's marginal rates applied for the purposes of estimation of the value of lease liabilities ranged from 1.31% to 4.29%. The diversification of the rates was a result of the following factors having been taken into account:

- currency of the contract,
- term of the contract.

The weighted average lease rate accepted for the measurement of liabilities was 3.93%.

Presented below is an explanation of the key differences between the amounts of future payments, as described in **Note 7.2** to these Standalone Financial Statements, and the value of lease liabilities to be recognized due to the application of IFRS 16:

Amount of future minimum lease payments under non-cancellable operating leases	**126.9**
Operating lease liabilities recognized as at 31 December 2018 as trade payables	**6.4**
Finance lease liabilities recognized as at 31 December 2018	**5.3**
Adjustments	**656.2**
Extension and termination options which the Company is highly likely to exercise	617.7
Exemptions for short-term leases and leases of assets with a low initial value	(12.5)
Perpetual usufruct right to land	49.1
Other	1.9
Nominal value of lease liabilities as at 1 January 2019	**794.8**
Discount	(194.2)
Lease liabilities as at 1 January 2019	**600.6**
including the effect of recognition under IFRS 16	595.2

The main differences are due to the fact that the period of adopted lease payment projections in accordance with IAS 17 applies only to non-cancellable lease periods, which the Company considers to be the termination notice periods. Meanwhile, in accordance with IFRS 16, the lease period over which lease liabilities should be recognized also includes any periods resulting from an extension or early termination of the contract if any scenario leading to such an outcome is sufficiently certain in the Company's opinion. In the case of contracts with an extension option and contracts entered into for an indefinite term for which the Company has estimated the lease period, the lease liability is correspondingly higher. In order to calculate the amount of lease liabilities to be recognized in accordance with IFRS 16, the total amounts of future minimum fees arising from the executed operating lease contracts as at 31 December 2018 have been adjusted to the current value by applying the pertinent discount rate.

In the Management Board's opinion, the standards and interpretations mentioned below will not result in any major amendments to the Accounting Policy applied by the Company in the upcoming reporting periods:

Standard / Interpretation	Effective date
Amendments to IFRS 9 "Financial Instruments" – Prepayment features with negative compensation	1 January 2019
Interpretation of IFRIC 23 – Uncertainty over income tax treatments	1 January 2019
Amendments to IAS 28 "Investments in associates and joint ventures"	1 January 2019
Amendment to IAS 19 "Employee benefits"	1 January 2019

Standards and interpretations adopted by the IASB but not yet endorsed by the EU which have not entered into effect

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 as at 31 December 2018 have not yet been approved by the EU and have not entered into effect:

In the Management Board's opinion, the EU's endorsement of the following standards will not trigger the need to modify significantly the accounting policies applied by the Company:

Standard / Interpretation	Effective date
Amendments to IFRS (cycle 2015-2017) – IFRS 3, IFRS 11, IAS 12 and IAS 23	1 January 2019
Amendments to references to the IFRS Framework	1 January 2020
Amendments to IFRS 3 "Business combinations" – Definition of a business	1 January 2020
Amendments to IAS 1 "Presentation of financial statements" and IAS 8 "Accounting policies, changes in accounting estimates and errors"	1 January 2020
IFRS 17 "Insurance contracts"	1 January 2021

according to EU IFRS (in millions of PLN)

1.4 Corrections of prior period errors

The amount of provisions for employee benefits is calculated by an independent actuarial company using the forecasted individual benefits method. As at 31 December 2018, the Company discovered that during previous periods the calculation of provisions for jubilee bonuses and retirement and disability pension severance pays was based on incorrect periods of the duration of employment with railroad companies, which duration is an input for the calculation and payment of such benefits. Accordingly, the Company remeasured its provisions for jubilee bonuses and retirement and disability pension severance pays, taking into account the correct assumptions regarding the duration of employment and correcting the numbers recognized in previous years correspondingly.

The effect of restatement of the statement of financial position and the statement of profit or loss and other comprehensive income is described in **Note 1.5**. Information disclosed in additional notes to these Standalone Financial Statements has also been restated accordingly.

1.5 Restatement of comparative data

Presented below is the effect of the correction of errors from previous periods and the effect of implementation of IFRS 9 and IFRS 15 on the corresponding financial statements:

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	2017 (audited)	Penalties resulting from sales agreements (IFRS 15)	Corrections of prior period errors	2017 (restated)
Revenues from contracts with customers	3,554.7	8.9		3,563.6
Employee benefits	(1,149.1)	-	(1.6)	(1,150.7)
Other operating revenue and (expenses)	0.1	(8.9)		(8.8)
Operating profit without depreciation (EBITDA)	**591.9**	**-**	**(1.6)**	**590.3**
Profit on operating activities (EBIT)	**151.3**	**-**	**(1.6)**	**149.7**
Financial income and (expenses)	(25.8)	-	1.6	(24.2)
Profit before tax	**125.5**	**-**	**-**	**125.5**
Income tax	(31.5)	-	-	(31.5)
NET PROFIT	**94.0**	**-**	**-**	**94.0**
OTHER COMPREHENSIVE INCOME				
Actuarial profits / (losses) on employee benefits	(32.8)	-	(0.8)	(33.6)
Income tax	6.2	-	0.1	6.3
Total other comprehensive income not subject to reclassification in the financial result	**(26.6)**	**-**	**(0.7)**	**(27.3)**
Total other comprehensive income	**(6.0)**	**-**	**(0.7)**	**(6.7)**
TOTAL COMPREHENSIVE INCOME	**88.0**	**-**	**(0.7)**	**87.3**

according to EU IFRS (in millions of PLN)

1.5 Restatement of comparative data (cont.)

STATEMENT OF FINANCIAL POSITION

	31/12/2017 (audited)	Corrections of prior period errors	31/12/2017 (restated)	Effect of the implementation of IFRS 9		1/01/2018
				Measurement of investments in equity instruments	Model for impairment of financial assets	
ASSETS						
Financial assets	8.6	-	8.6	(1.1)	-	7.5
Deferred tax assets	89.9	4.1	94.0	-	0.3	94.3
Total non-current assets	**4,558.5**	**4.1**	**4,562.6**	**(1.1)**	**0.3**	**4,561.8**
Trade receivables	461.0	-	461.0	-	(1.7)	459.3
Total current assets	**1,178.5**	**-**	**1,178.5**	**-**	**(1.7)**	**1,176.8**
TOTAL ASSETS	**5,737.0**	**4.1**	**5,741.1**	**(1.1)**	**(1.4)**	**5,738.6**
EQUITY AND LIABILITIES						
Other items of equity	12.4	(6.4)	6.0	(12.9)	-	(6.9)
Retained earnings	265.5	(11.1)	254.4	11.8	(1.4)	264.8
Total equity	**3,106.4**	**(17.5)**	**3,088.9**	**(1.1)**	**(1.4)**	**3,086.4**
Provisions for employee benefits	502.9	17.1	520.0	-	-	520.0
Total long-term liabilities	**1,731.6**	**17.1**	**1,748.7**	**-**	**-**	**1,748.7**
Provisions for employee benefits	81.4	4.5	85.9	-	-	85.9
Total short-term liabilities	**899.0**	**4.5**	**903.5**	**-**	**-**	**903.5**
Total liabilities	**2,630.6**	**21.6**	**2,652.2**	**-**	**-**	**2,652.2**
						-
TOTAL EQUITY AND LIABILITIES	**5,737.0**	**4.1**	**5,741.1**	**(1.1)**	**(1.4)**	**5,738.6**

STATEMENT OF FINANCIAL POSITION

	01/01/2017 (audited)	Corrections of prior period errors	01/01/2017 (restated)
ASSETS			
Deferred tax assets	76.2	3.9	80.1
Total non-current assets	**4,441.3**	**3.9**	**4,445.2**
TOTAL ASSETS	**5,553.7**	**3.9**	**5,557.6**
EQUITY AND LIABILITIES			
Other items of equity	18.4	(5.7)	12.7
Retained earnings	171.5	(11.1)	160.4
Total equity	**3,018.4**	**(16.8)**	**3,001.6**
Provisions for employee benefits	474.0	16.5	490.5
Total long-term liabilities	**1,697.4**	**16.5**	**1,713.9**
Provisions for employee benefits	80.6	4.2	84.8
Total short-term liabilities	**837.9**	**4.2**	**842.1**
Total liabilities	**2,535.3**	**20.7**	**2,556.0**
TOTAL EQUITY AND LIABILITIES	**5,553.7**	**3.9**	**5,557.6**

according to EU IFRS (in millions of PLN)

1.5 Restatement of comparative data (cont.)

STATEMENT OF CASH FLOWS

	2017 (audited)	Corrections of prior period errors	2017 (restated)
Cash flow from operating activities			
Profit before tax	**125.5**	**-**	**125.5**
Adjustments			
Movement in working capital	(24.6)	0.8	(23.8)
Other adjustments	(20.7)	(0.8)	(21.5)
Net cash from operating activities	**478.4**	**-**	**478.4**
Net increase / (decrease) in cash and cash equivalents	(316.1)	-	(316.1)
Cash and cash equivalents as at the end of the reporting period	**295.9**	**-**	**295.9**

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

2.1 Revenues from contracts with customers

Accounting policy applied

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

Variable consideration

Commercial contracts contain a variable consideration element resulting from the following:
– the possibility of imposing penalties on the client in connection with its failure to meet the contractual provisions pertaining to transportation of a specified freight volume,
– the possibility of imposing fines on the Company by the client in the event of failure to transport the ordered freight volume.
The Company estimates the value of variable consideration resulting from penalties based on the degree of performance of a given contract in the agreed settlement period. Facts and circumstances determining the probability of the occurrence of each scenario are reviewed at least at the end of each reporting period.

Contract assets

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

Contract liabilities

The Company recognizes in its statement of financial position a contract liability constituting the Company's obligation to transfer goods or services to the customer in return for which the Company has obtained consideration (or the amount of consideration is due) from the customer. The Company recognizes a contract liability chiefly in connection with consideration received in advance for services that have not yet been provided by the Company.

according to EU IFRS (in millions of PLN)

2.1 Revenues from contracts with customers (cont.)

SIGNIFICANT VALUES BASED ON PROFESSIONAL JUDGMENT AND ESTIMATES

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

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

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

Structure of revenues from contracts with customers

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

The Company's Management Board does not evaluate the Company's performance and does not make decisions concerning allocation of resources to groups of services provided account being taken of the structure of revenues from contracts with customers, as presented below. Therefore, the specific service groups may not be treated as the Company's operating segments. The Company's Management Board analyses financial data in the layout in which they have been presented in these Standalone Financial Statements.

The data for the 12 months ended 31 December 2017 in this note have been restated in connection with the retrospective application of IFRS 15, as described in **Notes 1.3** and **1.5** to these Standalone Financial Statements.

2018	Group of entities related to the biggest counterparty that is not a member of the PKP Group	PKP Group related parties	State Treasury related parties	Others	Total
Revenue from rail transportation services and freight forwarding services	421.4	573.6	974.6	1,827.5	3,797.1
Revenue from siding and traction services	-	34.4	0.4	11.0	45.8
Revenue from sales of raw materials	-	12.4	-	21.3	33.7
Revenue from lease of assets and other revenue	-	22.3	3.8	8.1	34.2
Total	**421.4**	**642.7**	**978.8**	**1,867.9**	**3,910.8**
Revenue recognition date					
At a point of time	-	12.4	-	21.3	33.7
Over a period	421.4	630.3	978.8	1,846.6	3,877.1
Total	**421.4**	**642.7**	**978.8**	**1,867.9**	**3,910.8**

2017	Group of entities related to the biggest counterparty that is not a member of the PKP Group	PKP Group related parties	State Treasury related parties	Others	Total
Revenue from rail transportation services and freight forwarding services	487.6	554.1	832.3	1,584.2	3,458.2
Revenue from siding and traction services	-	43.6	0.9	9.0	53.5
Revenue from sales of raw materials	-	2.4	-	9.8	12.2
Revenue from lease of assets and other revenue	-	18.3	11.9	9.5	39.7
Total	**487.6**	**618.4**	**845.1**	**1,612.5**	**3,563.6**
Revenue recognition date					
At a point of time	-	2.4	-	9.8	12.2
Over a period	487.6	616.0	845.1	1,602.7	3,551.4
Total	**487.6**	**618.4**	**845.1**	**1,612.5**	**3,563.6**

according to EU IFRS (in millions of PLN)

2.1 Revenues from contracts with customers (cont.)

Transaction price assigned to other unfulfilled (or partially unfulfilled) performance commitments

In accordance with IFRS 15.121, in the case of executed commercial agreements, the Company takes advantage of a practical simplification and refrains from disclosing information on the total transaction price assigned to a performance commitment that was not fulfilled at the end of the period and refrains from disclosing the period in which revenue from fulfilling the performance commitment is expected to be recognized. The possibility of applying this simplification is due to the fact that a significant portion of contracts are entered into for a period not longer than 12 months or the Company has the right to recognize revenue in the invoiced amount.

Geography

The Company 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.

The Company operates in one principal geographic area, i.e. Poland, where its registered offices are also located. Total revenues for all geographic areas outside Poland for the financial year ended 31 December 2018 and 31 December 2017 did not exceed 13% of total revenue from contracts with customers. There is no single geographic area (outside of Poland) which generates more than 5% of revenues from contracts with customers.

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

	2018	2017
Poland	3,449.2	3,117.8
Germany	154.2	148.2
Slovakia	107.8	77.5
Czech Republic	98.0	111.8
Cyprus	31.3	30.6
Other countries	70.3	77.7
Total	**3,910.8**	**3,563.6**

Information on key customers

In the financial year ended 31 December 2018, sales to two groups exceeded 10% and amounted to 14.1% and 10.8% of the total revenue from contracts with customers, respectively. In the financial year ended 31 December 2017, sales to two groups exceeded 10% and amounted to 14.0% and 13.7% of the total revenue from contracts with customers, respectively.

Assets from contracts with customers

	2018	2017
As at the beginning of the reporting period	**51.5**	**24.7**
Recognition of revenue before the payment due date	43.9	51.5
Reclassification to receivables	(51.5)	(24.7)
As at the end of the reporting period	**43.9**	**51.5**

Liabilities from contracts with customers

	2018	2017
As at the beginning of the reporting period	**0.8**	**0.3**
Recognition of revenues:		
From the opening balance of liabilities from contracts with customers	(0.8)	(0.3)
Payment received or due in advance	1.6	0.8
As at the end of the reporting period	**1.6**	**0.8**

according to EU IFRS (in millions of PLN)

2.2 Operating expenses

Consumption of traction electricity and traction fuel

	2018	2017
Consumption of traction fuel	(160.2)	(124.0)
Consumption of traction electricity	(389.5)	(360.6)
Total	**(549.7)**	**(484.6)**

Other services

	2018	2017
Repair services	(71.7)	(68.7)
Rent and fees for the use of real properties and rolling stock	(147.9)	(115.2)
Transport services	(85.7)	(126.8)
Telecommunications services	(4.0)	(5.0)
Legal, consulting and similar services	(7.5)	(12.9)
IT services	(40.7)	(41.9)
Maintenance and operation services for facilities and fixed assets	(29.3)	(27.3)
Transhipment services	(18.7)	(23.8)
Other services	(24.5)	(29.1)
Total	**(430.0)**	**(450.7)**

Employee benefits

	2018	2017
Payroll	(970.3)	(878.4)
Social security expenses	(192.7)	(174.7)
Expenses for contributions to the Company Social Benefits Fund	(19.5)	(21.6)
Other employee benefits during employment	(29.4)	(28.8)
Post-employment benefits	(4.1)	(5.2)
Movement in provisions for employee benefits	(49.2)	(42.0)
Total	**(1,265.2)**	**(1,150.7)**

Other expenses

	2018	2017
Consumption of non-traction fuel	(8.0)	(7.2)
Consumption of electricity, gas and water	(23.1)	(24.1)
Consumption of materials	(49.3)	(47.6)
Taxes and charges	(19.8)	(31.9)
Cost of raw materials sold	(22.5)	(8.4)
Business trips	(27.4)	(26.2)
Other	(20.1)	(18.6)
Total	**(170.2)**	**(164.0)**

Depreciation, amortization and impairment losses

	2018	2017
Depreciation of rolling stock	(397.8)	(412.2)
Depreciation of other property, plant and equipment	(39.6)	(39.6)
Amortization of intangible assets	(15.6)	(16.0)
Recognized / (reversed) impairment losses:		
Rolling stock	-	27.4
Other property, plant and equipment	-	(0.2)
Total	**(453.0)**	**(440.6)**

according to EU IFRS (in millions of PLN)

2.3 Other operating revenue and (expenses)

Other operating revenue and (expenses)

	2018	2017
Profit on disposal		
Profit on sales of non-financial non-current assets	2.5	2.4
Reversed impairment losses		
Trade receivables	6.8	2.0
Other		
Penalties and compensations	12.7	12.4
Interest on trade and other receivables	3.5	2.6
Net result on FX differences on trade receivables and payables	1.5	-
Other	1.4	5.0
Total other operating revenue	**28.4**	**24.4**
Impairment losses established		
Trade receivables	(3.9)	(4.3)
Other		
Penalties and compensations	(7.0)	(9.0)
Costs of liquidation of non-current and current assets	(4.1)	(2.8)
Other provisions	(0.5)	(11.3)
Net result on FX differences on trade receivables and payables	-	(2.1)
Other	(3.8)	(3.7)
Total other operating expenses	**(19.3)**	**(33.2)**
Other operating revenue and (expenses)	**9.1**	**(8.8)**

The data for the 12 months ended 31 December 2017 have been restated in connection with the retrospective application of IFRS 15, as described in **Notes 1.3** and **1.5** to these Standalone Financial Statements.

2.4 Financial revenue and (expenses)

Financial revenue and (expenses)

	2018	2017
Interest income	8.8	9.1
Dividend income on shares and stocks	35.7	20.3
Other		
Profit on sales of shares and stocks	3.5	-
Net result on foreign exchange differences	-	1.5
Total financial revenue	**48.0**	**30.9**
Interest expenses	(25.6)	(28.4)
Other		
Settlement of the discount on provisions for employee benefits	(17.6)	(17.3)
Impairment losses on shares and stocks	-	(6.2)
Net result on foreign exchange differences	(0.7)	-
Other	(1.6)	(3.2)
Total financial expenses	**(45.5)**	**(55.1)**
Financial revenue and (expenses)	**2.5**	**(24.2)**

The data for the 12 months ended 31 December 2017 have been restated in connection with the correction of errors from previous periods, as described in **Notes 1.4** and **1.5** to these Standalone Financial Statements.

3. Notes on taxation

3.1 Income tax

Accounting policy applied

The income tax of the reporting period includes current and deferred income tax. The current tax burden is calculated on the basis of the tax result for the given reporting period. The tax result differs from the accounting gross profit due to exclusion of revenue which temporarily is not subject to taxation, expenses which temporarily do not represent tax deductible revenue and those expenses and revenue that will not be subject to taxation. Tax burden is calculated based on the tax rates applicable in the given financial year.

Deferred income tax is recognized with respect to temporary differences between the tax base of an asset or liability and the corresponding carrying amount. Deferred tax liabilities are recognized with respect to positive temporary differences. Deferred tax assets are recognized with reference to negative temporary differences up to the amount of the Company’s likely future taxable income sufficient to settle such temporary differences. The value of the deferred tax assets is reviewed at each balance sheet date in terms of prospects of generation of future tax profits required to settle it.

Deferred income tax assets and liabilities are subject to set-off in the case of existence of an enforceable legal title to set off deferred tax assets against deferred tax liabilities, and provided that such deferred tax assets and liabilities pertain to income tax charged by the same tax authorities if it is intended to settle the balances in net amounts.

The Tax Group

On 29 September 2016, the companies of the PKP CARGO Group signed an agreement on the establishment of a tax group (hereinafter referred to as the “Tax Group”) for the period of three fiscal years starting from 1 January 2017. The Tax Group consists of:

- PKP CARGO S.A. as the company representing the Tax Group,
- PKP CARGO SERVICE Sp. z o.o.,
- PKP CARGOTABOR Sp. z o.o.,
- PKP CARGOTABOR USŁUGI Sp. z o.o.,
- PKP CARGO Centrum Logistyczne Małaszewicze Sp. z o.o.,
- PKP CARGO Centrum Logistyczne Medyka-Żurawica Sp. z o.o.,
- PKP CARGO CONNECT Sp. z o.o.

PKP CARGO S.A. is the parent of the Tax Group and represents the Tax Group with respect to the obligations provided for in the CIT Act and the Tax Ordinance Act.

In accordance with the CIT Act, the tax groups are treated as separate CIT payers. Thus, the companies of the Tax Group lose their separate identity for the purposes of CIT for the benefit of the Tax Group as a whole. The taxable income of the Tax Group shall consist of the Tax Group total income calculated as surplus of the total amount of income of all companies of the Tax Group over the sum of their losses. The individual identity of the Tax Group pertains solely to corporate income tax, and should not be understood as tantamount to a separate legal identity. Also, it does not affect the payment of any other taxes.

The companies of the Tax Group must meet a number of requirements such as, inter alia, appropriate value of equity, share of the Tax Group representative in equities of the Tax Group companies, lack of tax arrears, achieving specific level of profitability and execution of transactions with companies out of the Tax Group on an arm’s length basis only. Any breach of the above requirements shall entail dissolution of the tax group and loss of its tax payer status. As at 31 December 2018, the Tax Group satisfied the above requirements.

SIGNIFICANT VALUES BASED ON PROFESSIONAL JUDGMENT AND ESTIMATES

The Company recognizes deferred tax assets assuming that the future taxable income will enable utilization of such deferred tax assets. According to the long-term financial forecasts developed by the Company, these assets are not impaired as at the balance sheet date. A future deterioration of the tax results might lead to this assumption becoming unfounded.

according to EU IFRS (in millions of PLN)

3.1 Income tax (cont.)

Income tax recognized in profit / loss

	2018	2017
Current income tax		
Current tax liability	(52.0)	(43.9)
Adjustments posted in the current year relating to tax from previous years	(1.5)	
Deferred tax		
Deferred income tax of the reporting period	(13.2)	12.4
Income tax recognized in profit / loss	**(66.7)**	**(31.5)**

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

Deferred income tax recognized in other comprehensive income

	2018	2017
Deferred tax on the measurement of hedging instruments	4.3	(4.8)
Deferred tax on actuarial earnings / (losses) pertaining to employee benefits	1.8	6.3
Deferred income tax recognized in other comprehensive income	**6.1**	**1.5**

Reconciliation of the effective tax rate

	2018	2017
Profit / (loss) before tax	**320.7**	**125.5**
Income tax expense at 19%	(60.9)	(23.8)
Tax effect of revenue which does not constitute revenue within the meaning of tax regulations, including:		
Dividends	6.8	3.9
Reversal of non-tax provisions and impairment losses	0.4	0.4
Recovered VAT	1.7	0.8
Other	0.3	0.6
Tax effect of non-deductible expenses within the meaning of tax regulations, including:		
PFRON disability fund	(3.8)	(3.7)
Establishment of non-tax provisions and impairment losses	-	(1.1)
Permanent differences in expenses related with property, plant and equipment	(4.5)	(2.6)
Representation expenses	(0.6)	(0.5)
Penalties and compensations	(0.9)	(0.9)
Valuation of financial instruments	-	(0.4)
Impairment losses on assets	-	(1.2)
Value added tax and other public law liabilities	(0.3)	(1.8)
IT expenses above the limit	(2.3)	-
Other	(2.6)	(1.2)
Income tax recognized in profit / loss	**(66.7)**	**(31.5)**
Effective tax rate	**20.8%**	**25.1%**

The corporate income tax rate effective in Poland in the years 2017 - 2018 amounted to 19%.

Balance of deferred tax assets and liabilities

	31/12/2018	31/12/2017
Deferred tax assets	155.7	150.7
Deferred tax liabilities	(68.5)	(56.7)
Total	**87.2**	**94.0**

according to EU IFRS (in millions of PLN)

3.1 Income tax (cont.)

Movements in deferred tax

2018	1/01/2018 (audited)	Corrections of prior period error and effect of the implementation of IFRS 9	1/01/2018 (restated)	Recognized in profit or loss	Recognized in other comprehensive income	31/12/2018
Temporary differences relating to deferred tax (liabilities) / assets:						
Non-financial non-current assets	(41.8)	-	(41.8)	(13.1)	-	**(54.9)**
Other provisions and liabilities	5.1	-	5.1	0.4	-	**5.5**
Inventories	(3.0)	-	(3.0)	(1.5)	-	**(4.5)**
Trade receivables	(4.3)	0.3	(4.0)	0.1	-	**(3.9)**
Provisions for employee benefits	110.9	4.1	115.0	1.2	1.8	**118.0**
Other	(3.6)	-	(3.6)	(0.3)	4.3	**0.4**
Unused tax losses	26.6	-	26.6	-	-	**26.6**
Total	**89.9**	**4.4**	**94.3**	**(13.2)**	**6.1**	**87.2**

As at 31 December 2018, the Company disclosed deferred tax assets on tax loss incurred in the period from 1 April to 31 December 2016. This loss will be deductible over a period of five tax years following the end of operation of the Tax Group. According to the Company's Management Board, the risk as at 31 December 2018 that it will be impossible to realize the above assets is low.

2017	1/01/2017 (audited)	Corrections of prior period error	1/01/2017 (restated)	Recognized in profit or loss	Recognized in other comprehensive income	31/12/2017
Temporary differences relating to deferred tax (liabilities) / assets:						
Non-financial non-current assets	(72.6)	-	(72.6)	30.8	-	**(41.8)**
Other provisions and liabilities	12.9	-	12.9	(7.8)	-	**5.1**
Inventories	0.2	-	0.2	(3.2)	-	**(3.0)**
Trade receivables	(0.3)	-	(0.3)	(4.0)	-	**(4.3)**
Provisions for employee benefits	105.4	3.9	109.3	(0.6)	6.3	**115.0**
Other	2.2	-	2.2	(1.0)	(4.8)	**(3.6)**
Unused tax losses	28.4	-	28.4	(1.8)	-	**26.6**
Total	**76.2**	**3.9**	**80.1**	**12.4**	**1.5**	**94.0**

Tax loss not recognized in calculation of deferred tax assets

As at 31 December 2018 and 31 December 2017, there was no income tax loss not recognized in calculation of deferred tax assets.

according to EU IFRS (in millions of PLN)

4. Notes on debt, liquidity management and equity management

4.1 Reconciliation of debt liabilities

Accounting policy applied

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

The Company classifies lease agreements as finance lease if, under the concluded agreement, basically all the potential benefits and risk attributable to holding of a leased object are incurred by the lessee. Any other types of lease are treated as operating lease.

Lease payments are divided into interest part and lease liability reduction, in order to obtain fixed periodic interest rate for the remaining balance of the liability in every period. Financial expenses are referred directly to the profit and loss statement unless they may be assigned directly to relevant assets – in such case, they are capitalized.

The Company's debt liabilities consist of the following two main categories: bank loans and borrowings and finance leases. Loan agreements were entered into mainly for the purposes of financing the investment and acquisition plan. The agreements were entered into for a period in excess of 5 years. The repayment of contracted obligations resulting from the executed loan agreements is made in PLN and EUR. As at 31 December 2018 and 31 December 2017 the Company did not have any assets securing repayment of its liabilities. As at 31 December 2018, the Company was using freight wagons, vehicles and IT hardware under the finance lease agreements in effect. Agreements currently in effect were concluded for a term of 3 to 7 years.

Items in foreign currencies

31/12/2018	In the functional currency – PLN	In a foreign currency – EUR	Total
Bank loans and borrowings	757.8	468.1	**1,225.9**
Finance leases	0.6	4.7	**5.3**
Total	**758.4**	**472.8**	**1,231.2**
Variable-interest-rate liabilities	758.4	472.8	**1,231.2**
Total	**758.4**	**472.8**	**1,231.2**

31/12/2017	In the functional currency – PLN	In a foreign currency – EUR	Total
Bank loans and borrowings	936.2	494.3	**1,430.5**
Finance leases	3.1	31.3	**34.4**
Total	**939.3**	**525.6**	**1,464.9**
Variable-interest-rate liabilities	939.3	523.5	**1,462.8**
Fixed-interest-rate liabilities	-	2.1	**2.1**
Total	**939.3**	**525.6**	**1,464.9**

Reconciliation of debt liabilities

2018	Bank loans and borrowings	Finance leases	Total
1/01/2018	**1,430.5**	**34.4**	**1,464.9**
Transaction costs	1.5	-	**1.5**
Accrual of interest	23.3	0.4	**23.7**
Payments under debt, including:			
Repayments of the principal	(219.5)	(29.8)	**(249.3)**
Interest paid	(23.5)	(0.4)	**(23.9)**
Transaction costs	(1.5)	-	**(1.5)**
FX valuation	15.1	0.7	**15.8**
31/12/2018	**1,225.9**	**5.3**	**1,231.2**
Long-term	999.7	0.2	**999.9**
Short-term	226.2	5.1	**231.3**
Total	**1,225.9**	**5.3**	**1,231.2**

according to EU IFRS (in millions of PLN)

4.1 Reconciliation of debt liabilities (cont.)

2017	Bank loans and borrowings	Finance leases	Total
1/01/2017	**1,348.4**	**79.3**	**1,427.7**
Obtained debt	326.5	-	**326.5**
Transaction costs	1.4	-	**1.4**
Accrual of interest	26.0	1.2	**27.2**
Payments under debt, including:			
Repayments of the principal	(228.1)	(41.8)	**(269.9)**
Interest paid	(26.1)	(1.2)	**(27.3)**
Transaction costs	(1.4)	-	**(1.4)**
FX valuation	(16.2)	(3.1)	**(19.3)**
31/12/2017	**1,430.5**	**34.4**	**1,464.9**
Long-term	1,211.2	3.3	**1,214.5**
Short-term	219.3	31.1	**250.4**
Total	**1,430.5**	**34.4**	**1,464.9**

Net debt

	31/12/2018	31/12/2017
Bank loans and borrowings	1,225.9	1,430.5
Finance leases	5.3	34.4
Other financial liabilities	1.5	-
Total debt	**1,232.7**	**1,464.9**
Cash and cash equivalents	(222.4)	(295.9)
Financial assets	(201.1)	(273.7)
Total net debt	**809.2**	**895.3**
EBITDA	771.2	590.3
Net debt / EBITDA	**1.0**	**1.5**

Net debt is construed by the Company as the sum of bank loans, borrowings, lease liabilities and other financial liabilities, i.e. cash pool liabilities minus cash and cash equivalents and selected financial assets, i.e. deposits longer than 3 months and cash pool assets. EBITDA is defined in the statement of profit or loss and other comprehensive income as operating profit plus depreciation and impairment losses. The Company's Management Board perceives EBITDA as a key performance measure.

Net debt/EBITDA is one of the key indicators taken into consideration by the Company's Management Board in analysing financial liquidity and creditworthiness.

Unused credit lines

Type of loan	Bank Name	Period of availability	Currency of the contract	31/12/2018	31/12/2017
Investment loan	European Investment Bank	19/07/2020	EUR	70.7	68.5
Overdraft	Bank Polska Kasa Opieki S.A.	25/05/2018	PLN	-	100.0
Overdraft	Bank Polska Kasa Opieki S.A.	24/05/2019	PLN	100.0	-
Total				**170.7**	**168.5**

On 24 May 2018, an overdraft facility agreement was entered into by the Company with Bank Polska Kasa Opieki S.A. for up to PLN 100 million. The facility will be available for a period of 12 months until 24 May 2019, with an option to extend the availability period by an additional 12 months, i.e. until 24 May 2020.

Breach of the terms and conditions of the loan agreements

As at 31 December 2018, there were no breaches of any loan agreements.

according to EU IFRS (in millions of PLN)

4.2 Equity and capital management policy

Accounting policy applied
The share capital is presented according to the nominal value, in the amount corresponding to the Articles of Association, regardless of the entry in the National Court Register (the 'substance over form' rule).

Share capital

	31/12/2018	31/12/2017
The share capital consists of:		
Ordinary shares – fully paid up and registered	2,239.3	2,239.3

As at 31 December 2018 and 31 December 2017, the Company's share capital consisted of common shares with a par value of PLN 50 each. Fully paid common shares with the par value of PLN 50 are equivalent to one vote at the shareholder meeting and entail the right to dividend.

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

In the financial year ended 31 December 2018 and 31 December 2017, no changes in the share capital of the Company took place.

Supplementary capital

	31/12/2018	31/12/2017
Share premium (agio)	201.3	201.3
Distribution of profit (established pursuant to statutory regulations)	56.2	48.7
Distribution of profit (established in excess statutory value)	199.2	199.2
Capital formed from redemption of shares	140.0	140.0
Total	**596.7**	**589.2**

Pursuant to the requirements of the Commercial Company Code, entities with the status of joint-stock companies are obligated to establish supplementary capital to cover losses. Transfers to supplementary capital should be at least 8% of the earnings for a given financial year as stated in the Company's standalone financial statements, until the amount of capital reaches at least one third of the entity's share capital. The use of supplementary capital is decided upon by the Shareholder Meeting, however the portion of the supplementary capital representing one third of the share capital may only be used to cover a loss shown in the standalone financial statements and must not be set aside for other purposes. The amount to be divided among the shareholders may be increased by undistributed earnings from previous years and amounts transferred from the supplementary capital established from earnings. Agio is the share premium of the Company transferred to supplementary capital without possibility of paying the dividend. The capital established from redemption of shares was the result of reducing the Company's share capital in 2013 for the purpose of covering losses.

In the financial year ended 31 December 2018, supplementary capital increased by PLN 7.5 million as a result of the distribution of net profit generated in 2017.

Retained earnings

Retained earnings of the Company include:

a) profit or loss of the current year,
b) undistributed earnings and uncovered losses from previous years,
c) differences attributable to transition to EU IFRS.

according to EU IFRS (in millions of PLN)

4.2 Equity and capital management policy (cont.)

On 13 June 2018, the Shareholder Meeting of PKP CARGO S.A. adopted a resolution on the distribution of the net profit earned in 2017 of PLN 94 million as follows:
a) allocate PLN 7.5 million to increase the supplementary capital,
b) allocate PLN 86.5 million to cover losses carried forward.

As at 1 January 2018, the line item "retained earnings" has been restated in connection with the implementation of IFRS 9 and correction of previous period errors, as described in **Notes 1.3** and **1.4** to these Standalone Financial Statements.

As at the moment of approval of these Standalone Financial Statements, the Company's Management Board has not adopted any resolution on the distribution of net profit generated in 2018.

Equity management

The main objective of equity management in the Company is to ensure the ability to continue operations, create value for shareholders and benefits for other stakeholders. In accordance with the adopted policy and assumptions following from the bank loans concluded, the Company accepts the maximum level of debt up to 60% of total assets (hence equity may not be lower than 40% of total assets). The debt level is monitored by the Company as at the end of each quarter. The assumed capital structure can be ensured through: issue of new shares, sale of assets, return of capital to the shareholders or adjustment of the dividend amount.

The total debt ratio as at the end of the year was as follows:

	31/12/2018	31/12/2017
Total liabilities	2,667.7	2,652.2
Total balance sheet	5,982.3	5,741.1
Total debt ratio	45%	46%

4.3 Liquidity risk management

The Company may be exposed to liquidity risk following from the ratio of current assets to current liabilities. Additionally, to secure its long-term liquidity, the Company used investment loans and leases (financing of capital expenditures). In addition, to minimize the risk of cash flow disturbances and the risk of liquidity loss as well as to optimize financial expenses in the PKP CARGO Group, a cash pool system is in place and comprises, as at 31 December 2018, 7 Group companies. 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. Under the cash pool agreement, the Company may use a current account overdraft of up to PLN 100 million. As at 31 December 2018, the Company had in aggregate unused credit facilities in the amount of PLN 170.7 million.

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

31/12/2018	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	68.0	183.4	687.5	365.9	**1,304.8**	**1,231.2**
Trade payables	292.6	-	-	-	**292.6**	**292.6**
Investment liabilities	206.5	20.7	110.1	3.1	**340.4**	**335.2**
Derivative instruments – FX forwards	-	0.1	0.1	-	**0.2**	**0.2**
Total	**567.1**	**204.2**	**797.7**	**369.0**	**1,938.0**	**1,859.2**

according to EU IFRS (in millions of PLN)

PKPCARGO

4.3 Liquidity risk management (cont.)

31/12/2017	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	71.3	202.1	741.8	544.6	**1,559.8**	**1,464.9**
Trade payables	276.1	-	-	-	**276.1**	**276.1**
Investment liabilities	127.8	-	-	-	**127.8**	**127.8**
Total	**475.2**	**202.1**	**741.8**	**544.6**	**1,963.7**	**1,868.8**

4.4 Cash and cash equivalents

Accounting policy applied

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

Structure of cash and cash equivalents

	31/12/2018	31/12/2017
Cash on hand and on bank accounts	70.2	49.3
Bank deposits up to 3 months	152.2	246.6
Total	**222.4**	**295.9**
including restricted cash	*17.7*	*22.8*

The decrease in the value of bank deposits with a maturity of up to 3 months was attributable mainly to the repayment of liabilities on account of the purchase of non-financial non-current assets. Detailed information in this respect is presented in the standalone statement of cash flows. The Company estimated the provisions for cash and bank deposits, based on the probability of default, determined using external ratings of banks keeping the cash/deposits and publicly available information from credit rating agencies on the probability of default. The Company chose not to recognize an impairment loss due to its immateriality. Restricted cash included mostly cash accumulated on bank accounts kept for tender deposits, guarantees and the split-payment mechanism.

4.5 Notes to the statement of cash flows

Movement in working capital

2018	Movement in statement of financial position	Effect of the implementation of IFRS 9	Movement in tax settlements	Net cash flow from investing activities	Net cash flow from financing activities	Other	Net cash flow from operating activities (movement in working capital)
Inventories	2.2	-	-	4.6	-	-	6.8
Trade receivables	(18.4)	(1.7)	-	(1.4)	-	(0.3)	(21.8)
Other assets	(28.0)	-	2.4	7.7	7.4	(16.7)	(27.2)
Provisions	18.0	-	-	-	-	-	18.0
Trade payables	16.5	-	-	-	-	0.1	16.6
Investment liabilities	207.4	-	-	(171.3)	-	(0.4)	35.7
Other liabilities	5.6	-	(0.7)	0.5	(2.9)	-	2.5
Total working capital	**203.3**	**(1.7)**	**1.7**	**(159.9)**	**4.5**	**(17.3)**	**30.6**

according to EU IFRS (in millions of PLN)

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

2017	Movement in statement of financial position	Movement in tax settlements	Net cash flow from investing activities	Net cash flow from financing activities	Other	Net cash flow from operating activities (movement in working capital)
Inventories	(26.7)	-	30.4	-	-	3.7
Trade receivables	(53.1)	-	(6.1)	-	0.1	(59.1)
Other assets	(12.1)	0.6	2.1	(10.3)	(16.8)	(36.5)
Provisions	33.7	-	-	-	-	33.7
Trade payables	47.4	-	-	-	-	47.4
Investment liabilities	56.9	-	(50.6)	-	-	6.3
Other liabilities	(20.0)	(1.2)	-	1.9	-	(19.3)
Total working capital	**26.1**	**(0.6)**	**(24.2)**	**(8.4)**	**(16.7)**	**(23.8)**

Other adjustments

	2018	2017
Actuarial profits / (losses) on employee benefits recognized in other comprehensive income	(9.4)	(33.6)
Measurement of hedging instruments	(7.5)	10.2
(Profit) / loss on the sale and liquidation of non-financial non-current assets	(1.3)	(0.8)
(Profit) / loss on investing activities	(3.5)	6.2
Foreign exchange (gains) / losses	0.9	(3.5)
Other adjustments in the cash flow statement	**(20.8)**	**(21.5)**

Non-cash transactions

In the 12-month period ended 31 December 2018 and 31 December 2017, major non-financial transactions concerning investing and financial activity which were not reflected in the cash flow statement were as follows:

- Offsetting mutual settlements

In 2018, the Company offset trade receivables with liabilities arising from the purchase of non-financial non-current assets. The total amount of offsets in 2018 amounted to PLN 1.4 million, whereas in 2017 it was PLN 6.1 million.

- Contributions-in-kind made to the subsidiaries

In 2018, the Company transferred to its subsidiary PKP CARGO SERVICE sp. z o.o. a contribution-in-kind in the form of an item of property, plant and equipment worth PLN 2.7 million. The contribution-in-kind was contributed to raise the subsidiary's share capital by PLN 11.7 million. In 2017, the Company transferred to its subsidiary PKP CARGOTABOR Sp. z o.o. a contribution-in-kind in the form of non-current assets worth PLN 0.5 million. The contribution-in-kind was contributed to raise the subsidiary's share capital by PLN 1.2 million.

- Liquidations of rolling stock

When it is decided to liquidated a rolling stock component, its residual value is posted in the item of inventories. In 2018, the residual value of fixed assets reclassified to inventories was PLN 4.6 million, compared to PLN 30.4 million in 2017.

- Settlement of the put / call option for non-controlling interest

In 2017, a put/call option was settled for non-controlling interest in AWT CE s.r.o. (previously AWT B.V.). The net valuation of the put/call option as at the moment of the exercise of the PLN 41.6 million put option resulted in an adjustment of the value of shares in AWT CE s.r.o.

- Recognition of an impairment loss on assets

In 2017, the Company recognized an impairment loss on its stake in PKP CARGOTABOR USŁUGI Sp. z o.o. in the amount of PLN 6.2 million.

5. Notes to the statement of financial position

5.1 Rolling stock and other property, plant and equipment

Accounting policy applied

Under property, plant and equipment, the Company recognizes rolling stock, real properties (land, buildings and structures) and other items of property, plant and equipment. Property, plant and equipment are measured at purchase price or production cost reduced by depreciation and impairment losses. The initial value of property, plant and equipment consists of their acquisition cost or cost of production, along with any import duties, non-refundable purchase taxes, less any rebates and discounts, plus any costs directly attributable to preparing the asset for its intended use and, if applicable, the costs of external financing, less any subsidies. Government grants are recognized as reduction of the assets' value at the moment when it is reasonably certain that they will be obtained and that all the necessary conditions will be met.

Assets used based on a finance lease agreement (where all the risks and benefits are in principle transferred onto the Company) are treated as the Company's assets and measured at fair value at the moment of purchase but not higher than the current value of minimum lease fees.

Construction-in-progress is presented in the statement of financial position at the production cost reduced by recognized impairment losses.

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

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

Repairs and periodic inspections of rolling stock

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

After completing repair or modernization at level 4 and 5, a technical railworthiness certificate is issued. A technical railworthiness certificate confirms that the given rolling stock asset is allowed to be used until the next repair at level P4 or P5. An asset may be operated in the entire certificate validity period provided also that a P3 inspection is carried out halfway through the cycle. If no repair/inspection at levels P3, P4 and P5 is carried out, the rolling stock asset loses its operational capacity and cannot be used in rail transport. The Company considers periodic repairs and inspections at levels P3, P4 and P5 as the condition for continuous use of rolling stock asset item and at the moment of performing such a repair, if the criteria for its recognition are satisfied, the costs of the repair are recognized in the carrying amount of the rolling stock asset and are depreciated in the period between repairs.

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

Residual value of rolling stock

The residual value of rolling stock is measured based on prices of scrap of specific classes, taking into account disposal costs. The residual value of rolling stock is not subject to depreciation but is subject to periodic verification at the end of each financial year. The Company changes the residual value if it has a material impact on the Company's financial statements.

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

Accounting policy applied

Depreciation of property, plant and equipment

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

Assets used under finance lease agreements are depreciated over their expected useful lives on the same basis as owned assets. If it is not certain that the ownership will be transferred after the lease term, the assets are depreciated over the lease term or useful life of the asset, whichever is shorter.

Freehold land and rights of perpetual usufruct of land are not subject to depreciation.

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

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

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

Impairment of property, plant and equipment

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

The recoverable amount is measured at the higher of the following two values: fair value less cost of disposal or value in use. The value in use is defined as the present value of estimated future cash flows discounted using a discount rate before tax. If the recoverable amount of a cash-generating unit or individual asset is lower than its carrying amount, the latter is reduced to the recoverable amount. An impairment loss is recognized in the line item "depreciation and impairment losses".

Where an impairment loss is reversed, the net value of the asset is increased to the revised estimate of the recoverable amount, which, however, does not exceed the carrying amount of the asset that would have been determined if an impairment loss had not been recognized in previous years. The reversal of an impairment loss is recognized in the line item "depreciation and impairment losses".

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

SIGNIFICANT VALUES BASED ON PROFESSIONAL JUDGMENT AND ESTIMATES

Economic useful lives of fixed assets

The Company estimates the economic useful lives of individual items of property, plant and equipment and on this basis determines the depreciation rates for these items. The estimates are based on the expected economic useful lives of the assets. Depreciation rates may change in the event of circumstances causing a change in the expected useful life, which in turn affects the value of the depreciation charges and the net carrying amount of specific items of property, plant and equipment in future periods. The verification of the useful lives of property, plant and equipment conducted as at 31 December 2018 did not reveal the need to correct the previously applied depreciation rates.

Residual value of the rolling stock

As at 31 December 2018, the Company verified the residual value of its rolling stock. As a result of this verification, the Company decided to update the residual value of its rolling stock without valid technical railworthiness certificates, yet this change did not have a material impact on the value of the impairment loss on rolling stock. In respect of the other rolling stock items, the Company did not update their residual value, because the change did not have a material impact on the Company's financial statements in the current period or in the subsequent periods.

Impairment of non-current assets

In accordance with IAS 36, an entity shall assess at the end of each reporting period whether there is any objective evidence of impairment of non-current assets. As at 31 December 2018, the key indication of a possible impairment of the selected assets was the fact that the market value of the Company's net assets continued to be lower than their carrying amounts. Hence, the Company decided to perform an impairment test.

The impairment test was performed on a cash-generating unit by determining its recoverable amount at the level of its value in use. The cash-generating unit consisted of all assets of the Company in view of the uniformity of its business.

The recoverable value of analysed assets was determined on the basis of their estimated useful value using the net discounted cash flows method, in line with detailed financial projections developed for 2019-2028. In the opinion of the Company's Management Board, it is reasonable to adopt financial projections for more than five years because the property, plant and equipment used by the Company have a considerably longer period of economic life.

Presented below are the key assumptions affecting the estimate of the value in use of the tested cash-generating units:

- in the whole period covered by the detailed projection, the compound annual growth rate (CAGR) of operating revenue will be at 2.8% in real terms,
- in the whole period covered by the detailed projection, capital expenditures will achieve annual operating revenue of 13.2% in real terms,
- the after-tax weighted average capital cost (WACC) level will be at 6.03% in real terms,
- after the detailed projection period, the growth of future cash flows was assumed at 0.0% in real terms.

Since the recoverable amount determined as a result of the test exceeded the carrying amount of the assets tested as at 31 December 2018, the Company recognized no impairment loss for the assets.

The Company's Management Board did not identify any key assumptions which, when changed by reasonably expected values, would lead to impairment.

according to EU IFRS (in millions of PLN)

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

Change in the balance of property, plant and equipment

2018	Rolling stock	Other property, plant and equipment					
		Real properties	Technical machinery and equipment	Means of transport	Other fixed assets	Fixed assets under construction	Total
Gross value							
1/01/2018	**5,095.2**	**582.2**	**210.3**	**35.1**	**22.2**	**13.0**	**862.8**
Increases / (decreases):							
Acquisition	-	-	-	-	-	821.6	**821.6**
Settlement of fixed assets under construction	793.3	11.3	11.3	0.3	1.1	(817.3)	**(793.3)**
Grant for non-current assets	-	-	-	-	-	(0.5)	**(0.5)**
Sales	(31.5)	-	(0.3)	(0.5)	-	-	**(0.8)**
Contribution in kind	(8.3)	-	-	-	-	-	**-**
Liquidation	(327.5)	(0.6)	(1.0)	(0.1)	-	(0.1)	**(1.8)**
31/12/2018	**5,521.2**	**592.9**	**220.3**	**34.8**	**23.3**	**16.7**	**888.0**
Accumulated depreciation and amortization							
1/01/2018	**1,927.7**	**103.5**	**151.1**	**30.7**	**18.1**	**-**	**303.4**
Increases / (decreases):							
Depreciation	397.8	20.4	15.7	1.8	1.7	-	**39.6**
Sales	(9.5)	-	(0.3)	(0.5)	-	-	**(0.8)**
Contribution in kind	(5.0)	-	-	-	-	-	**-**
Liquidation	(322.4)	(0.5)	(0.9)	(0.1)	-	-	**(1.5)**
31/12/2018	**1,988.6**	**123.4**	**165.6**	**31.9**	**19.8**	**-**	**340.7**
Accumulated impairment							
1/01/2018	**111.5**	**1.6**	**-**	**-**	**-**	**2.6**	**4.2**
Increases / (decreases):							
Sales	(3.4)	-	-	-	-	-	**-**
Contribution in kind	(0.6)	-	-	-	-	-	**-**
Liquidation	(0.6)	-	-	-	-	-	**-**
31/12/2018	**106.9**	**1.6**	**-**	**-**	**-**	**2.6**	**4.2**
Net value							
1/01/2018	**3,056.0**	**477.1**	**59.2**	**4.4**	**4.1**	**10.4**	**555.2**
including finance lease	*100.5*	*-*	*4.2*	*2.9*	*-*	*-*	***7.1***
31/12/2018	**3,425.7**	**467.9**	**54.7**	**2.9**	**3.5**	**14.1**	**543.1**
including finance lease	*20.9*	*-*	*0.3*	*1.1*	*-*	*-*	***1.4***

according to EU IFRS (in millions of PLN)

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

2017	Rolling stock	Other property, plant and equipment					
		Real properties	Technical machinery and equipment	Means of transport	Other fixed assets	Fixed assets under construction	Total
Gross value							
1/01/2017	**4,900.4**	**589.4**	**199.9**	**35.3**	**23.3**	**14.0**	**861.9**
Increases / (decreases):							
Acquisition		-	-	-	-	506.5	**506.5**
Settlement of fixed assets under construction	489.6	1.8	15.0	0.1	0.9	(507.4)	**(489.6)**
Sales	(0.2)	-	(0.1)	(0.1)	(0.2)	-	**(0.4)**
Contribution in kind	-	-	(1.9)	-	-	-	**(1.9)**
Liquidation	(290.4)	(5.0)	(2.3)	(0.1)	(0.3)	(0.1)	**(7.8)**
Other	(4.2)	(4.0)	(0.3)	(0.1)	(1.5)	-	**(5.9)**
31/12/2017	**5,095.2**	**582.2**	**210.3**	**35.1**	**22.2**	**13.0**	**862.8**
Accumulated depreciation and amortization							
1/01/2017	**1,758.9**	**91.4**	**138.0**	**28.8**	**18.4**	**-**	**276.6**
Increases / (decreases):							
Depreciation	412.2	18.8	17.1	2.2	1.5	-	**39.6**
Sales	-	-	(0.1)	(0.1)	(0.2)	-	**(0.4)**
Contribution in kind	-	-	(1.4)	-	-	-	**(1.4)**
Liquidation	(239.4)	(3.4)	(2.2)	(0.1)	(0.3)	-	**(6.0)**
Other	(4.0)	(3.3)	(0.3)	(0.1)	(1.3)	-	**(5.0)**
31/12/2017	**1,927.7**	**103.5**	**151.1**	**30.7**	**18.1**	**-**	**303.4**
Accumulated impairment							
1/01/2017	**159.1**	**3.2**	**-**	**-**	**-**	**2.5**	**5.7**
Increases / (decreases):							
Recognition	-	-	-	-	-	0.2	**0.2**
Derecognition	(27.4)	-	-	-	-	-	**-**
Liquidation	(20.2)	(1.6)		-	-	(0.1)	**(1.7)**
31/12/2017	**111.5**	**1.6**	**-**	**-**	**-**	**2.6**	**4.2**
Net value							
1/01/2017	**2,982.4**	**494.8**	**61.9**	**6.5**	**4.9**	**11.5**	**579.6**
including finance lease	*162.2*	*3.5*	*5.0*	*-*	*-*	*-*	***8.5***
31/12/2017	**3,056.0**	**477.1**	**59.2**	**4.4**	**4.1**	**10.4**	**555.2**
including finance lease	*100.5*	*4.2*	*2.9*	*-*	*-*	*-*	***7.1***

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

As at 31 December 2018 and 31 December 2017, the carrying amount of the Company's rolling stock without valid technical railworthiness certificates, for which the Company recognized an impairment loss, was PLN 363 million and PLN 350 million, respectively.

A technical railworthiness certificate is a document issued individually for each rail vehicle, confirming the validity of vehicle inspection and their suitability for transport.

A technical railworthiness certificate is issued immediately after performing level P4 or P5 maintenance activities and upon entering new and modernized vehicles into service. Rolling stock without valid technical railworthiness certificates is treated by the Company:

- as a backup from which additional resources can be drawn from to increase freight turnover following P4 and P5 level repairs,
- as a necessary set of rail vehicles to be rotated in the maintenance process. Performing a P4 or P5 level repair lasts from 30 to 90 days depending on vehicle type. To prevent the number of operated wagons and locomotives with valid technical railworthiness certificate from decreasing, it is necessary to have a larger pool of vehicles so that a vehicle whose technical railworthiness certificates expires can be replaced at least on the same day with another that has been repaired and had a technical railworthiness certificate issued.

5.2 Investments in related parties

Accounting policy applied

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

SIGNIFICANT VALUES BASED ON PROFESSIONAL JUDGMENT AND ESTIMATES

As at each balance sheet date, the Company analyses whether or not objective grounds exist that might imply an impairment loss on investments in related parties. If such grounds exist, the Company is required to perform impairment tests. As at 31 December 2018, the subsidiary AWT CE s.r.o. ran an impairment test of AWT Group assets. The main circumstance was a significant uncertainty as to the implementation of the approved restructuring plan for the main business partner of the AWT Group and the observed changes on the Czech rail market.

The recoverable value of analysed assets was determined on the basis of their estimated useful value using the net discounted cash flows method, in line with detailed financial projections developed for 2019-2028. In the opinion of the Company, adopting financial projections for more than five years is reasonable because the property, plant and equipment used by the AWT Group have a considerably longer period of economic life.

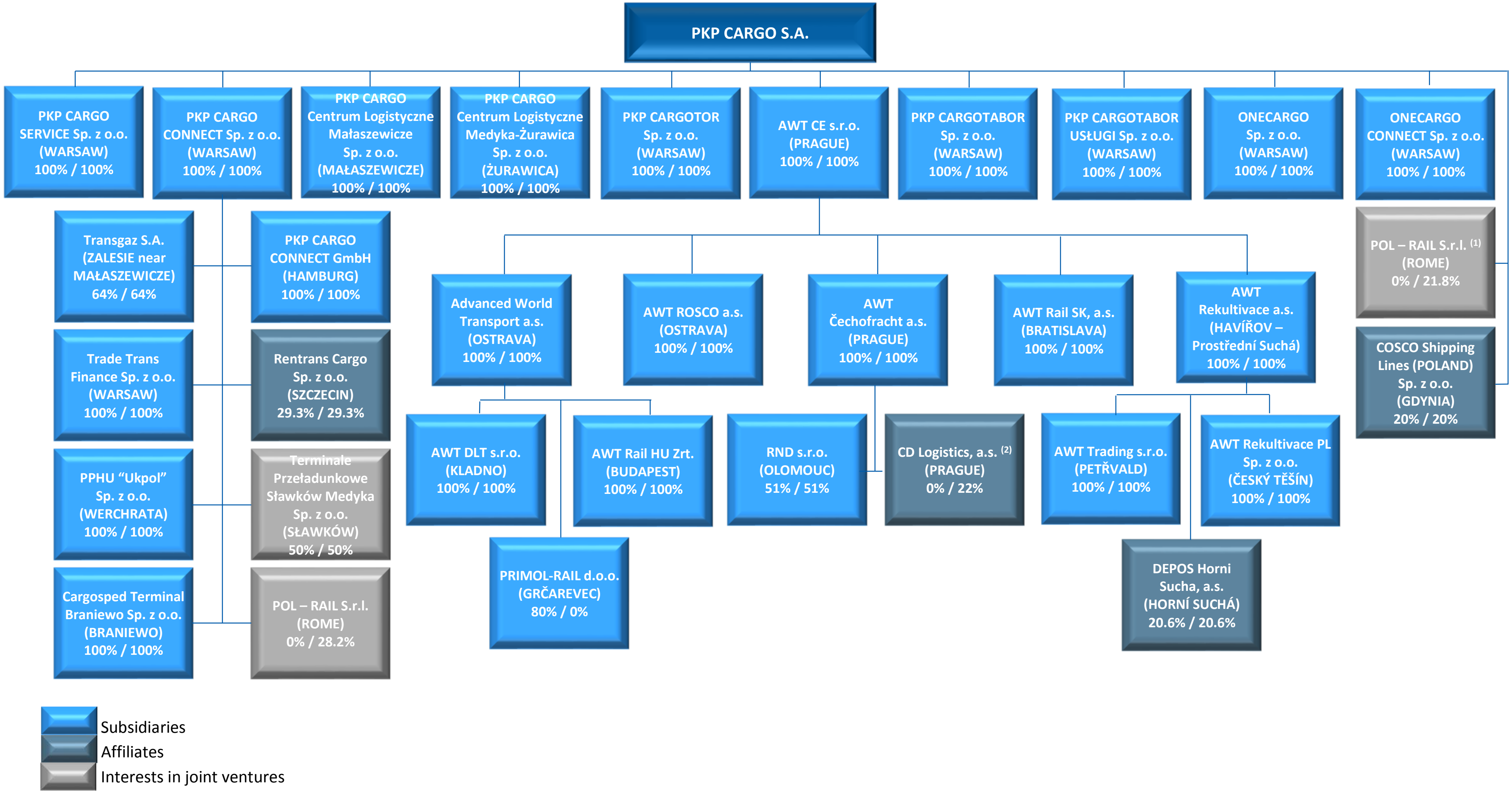
The key assumptions affecting the estimation of the value in use of the tested cash-generating unit were as follows:

a) the cash-generating unit was considered to be all owned by the AWT Group, used mainly to service customers on the Czech rail market,
b) the first three years of the forecast are based on the approved financial plans, for the years 2022-2028 a compound annual growth rate (CAGR) of 3.8% has been assumed in nominal terms (with a 2% projected inflation rate),
c) the after-tax weighted average cost of capital (WACC) in the detailed projection period will be at a level of 7.30% in nominal terms (5.20% in real terms). The WACC calculation takes into account a premium for specific risk, including that related to the main customer undergoing a restructuring process,
d) the increase of remunerations in the residual period was on the level of 0.15% in real terms; no increase was assumed for other parameters.

Test results did not reveal the need to recognize an impairment loss for the shares in AWT CE s.r.o.

The sensitivity analysis was conducted for key assumptions of the impairment test model such as WACC and the future cash flows increase ratio after the period of forecasts. A change of WACC by +/- 0.3 p.p. and the level of future cash flows' growth after the detailed projection period by +/- 0.3 p.p. does not cause the need to recognize an impairment loss for the shares in AWT CE s.r.o.

5.2 Investments in related parties (cont.)



according to EU IFRS (in millions of PLN)

5.2 Investments in related parties (cont.)

On 26 June 2018, AWT Čechofracht a.s. sold a 22% stake in the share capital of CD Logistics, a.s., as a result of which the company ceased to be a related party of the Group.

On 9 September 2018, Czech court registered the transformation of the Dutch company Advanced World Transport B.V. with its registered office in Amsterdam into the Czech company AWT CE s.r.o. with its registered office in Prague. This means that Advanced World Transport B.V. has terminated its legal existence in the Netherlands. The AWT Group's parent company is currently AWT CE s.r.o.

On 6 December 2018, Advanced World Transport a.s. acquired an 80% stake in the Slovenian company PRIMOL-RAIL d.o.o.

On 14 December 2018, members of the PKP CARGO Group sold all their stakes in POL-RAIL S.r.l., as a result of which the company ceased to be a related party of the Group.

List of investments in related parties

	31/12/2018	31/12/2017
AWT CE s.r.o.	499.7	499.7
CARGOTOR Sp. z o.o.	20.2	20.2
COSCO Shipping Lines (POLAND) Sp. z o.o.	1.1	1.1
ONECARGO Sp. z o.o.	-	-
ONECARGO CONNECT Sp. z o.o.	-	-
PKP CARGOTABOR Sp. z o.o.	84.7	84.7
PKP CARGO Centrum Logistyczne Małaszewicze Sp. z o.o.	40.4	40.4
PKP CARGO Centrum Logistyczne Medyka – Żurawica Sp. z o.o.	10.7	10.7
PKP CARGO SERVICE Sp. z o.o.	15.4	12.7
PKP CARGOTABOR USŁUGI Sp. z o.o.	10.1	10.1
PKP CARGO CONNECT Sp. z o.o.	123.2	123.2
POL – RAIL S.r.l.	-	1.9
Total	**805.5**	**804.7**

Movement in investments in related parties

Investments in:	subsidiaries	associates and joint ventures	Total
1/01/2018	**801.7**	**3.0**	**804.7**
Increases / (decreases):			
Acquisition	2.7	-	2.7
Sales	-	(1.9)	(1.9)
31/12/2018	**804.4**	**1.1**	**805.5**
including impairment loss	*(8.9)*	*(1.0)*	*(9.9)*
1/01/2017	**735.0**	**3.0**	**738.0**
Increases / (decreases):			
Acquisition	72.9	-	72.9
Impairment loss	(6.2)	-	(6.2)
31/12/2017	**801.7**	**3.0**	**804.7**
including impairment loss	*(8.9)*	*(1.0)*	*(9.9)*

Pursuant to a Resolution adopted by the Extraordinary Shareholder Meeting of PKP CARGO SERVICE Sp. z o.o. on 11 April 2018, the share capital of PKP CARGO SERVICE Sp. z o.o. was increased through the establishment of shares with a total value of PLN 11.7 million, covered with a contribution in kind. The value of the shares subscribed for corresponds to the book value of the fixed assets transferred in the form of a contribution in kind.

according to EU IFRS (in millions of PLN)

5.3 Inventories

Accounting policy applied

Inventories are carried at their cost or net realizable value, whichever is lower. Inventories releases are made using the FIFO method. The realizable value is the estimated sale price of inventories less any costs necessary to effect the sale. The Company recognizes impairment losses for inventories if redundant or damaged inventories exist or when the net price of the inventories is lower than their carrying amount. The amount of the impairment loss for inventories is determined on the basis of usefulness analysis conducted at least at the end of each financial year. Based on this analysis, the impairment loss for inventories are recognized with respect to inventories that are redundant from the Company's point of view.

Structure of inventories

	31/12/2018	31/12/2017
Strategic inventories	25.3	21.9
Rolling stock during liquidation	20.7	29.7
Other inventories	41.1	38.0
Impairment losses	(2.9)	(3.2)
Net inventories	**84.2**	**86.4**

List of changes in impairment losses for inventories

	2018	2017
As at the beginning of the reporting period	**3.2**	**5.4**
Recognition	0.2	0.1
Utilization	(0.5)	(2.3)
As at the end of the reporting period	**2.9**	**3.2**

according to EU IFRS (in millions of PLN)

5.4 Trade receivables

Accounting policy applied

Accounting policy applied since 1 January 2018

The Company applies a simplified approach, as permitted by IFRS 9, and measures its impairment losses in an amount equal to credit losses expected throughout the lifetime of trade receivables.
The probability of incurred credit losses was estimated on the basis of the historical analysis of recoverability of the balances of trade receivables in specific aging ranges.
For this purpose, the indicators of default by counterparties for each aging range were estimated, in accordance with the table breaking down the aging structure of trade receivables. Impairment losses are calculated by taking into account the rates of default and the amount of unpaid receivables as at the balance sheet date for each interval in the aging structure.
Moreover, the Company recognizes impairment losses on an individual basis in cases where an objective proof exists that the Company will be unable to recover the amounts due.

Accounting policy applied until 31 December 2017

Under the previous accounting policy, the following items were recognized:
a) specific impairment losses:
- receivables from debtors in liquidation or bankruptcy - up to 100% of their value,
- receivables from debtors whose application for bankruptcy was rejected - up to 100% of their value,
- receivables from debtors involved in settlement or composition proceedings - up to 100% of their value,
- receivables disputed by the debtor - up to 100% of their value,
- receivables from debtors involved in recovery proceedings - up to 100% of their value,
- receivables claimed in court - up to 100% of their value;
b) general impairment losses:
- receivables overdue from 6 to 12 months - up to 50% of their value,
- receivables overdue for more than 12 months - up to 100% of their value.

The amount of the impairment loss for receivables is the difference between the current book value and the recoverable value, which is lower. An impairment loss on trade receivables is presented under other operating expenses.

SIGNIFICANT VALUES BASED ON PROFESSIONAL JUDGMENT AND ESTIMATES

The calculation and measurement of impairment losses on trade receivables and assets arising from contracts with customers is an area that requires estimation. Expected credit losses are calculated on the basis of an individual assessment of the recoverability of a given receivable and taking into account the model applied by the Company to estimate its counterparty default ratio. Impairment losses determined on a case by case basis require judgment of whether the receivable in question will be repaid by the counterparty, taking into account the established security and settlements made, if any. Such judgment is made by the Company's debt collection unit. The model of estimation of the counterparty default ratio applied by the Company is based on a simplified impairment loss matrix for each aging range based on the expected credit losses throughout the lifetime of the receivables. The estimation of the expected credit losses is based on a method that makes use of expected counterparty default ratios calculated on the basis of historical data for the years 2015-2018 obtained from financial and accounting systems. The calculation of impairment losses on receivables is presented in the following tables.

Structure of trade receivables

	31/12/2018	31/12/2017
Trade receivables	526.8	509.2
Impairment loss on receivables	(47.4)	(48.2)
Total	**479.4**	**461.0**
Current assets	479.4	461.0
Total	**479.4**	**461.0**

according to EU IFRS (in millions of PLN)

5.4 Trade receivables (cont.)

Reconciliation of impairment losses on trade receivables

Impairment losses on trade receivables	31/12/2018 expected credit losses in the whole period without impairment	with impairment	Total	31/12/2017
Balance at the beginning of the reporting period according to IAS 39	**-**	**48.2**	**48.2**	**47.7**
Adjustment on the initial application of IFRS 9	1.7	-	**1.7**	**-**
Balance at the beginning of the reporting period according to IFRS 9	**1.7**	**48.2**	**49.9**	**47.7**
Recognition	-	3.9	**3.9**	**4.3**
Reversal	(0.3)	(6.5)	**(6.8)**	**(2.0)**
Utilization	-	(0.2)	**(0.2)**	**(0.6)**
FX valuation	-	0.6	**0.6**	**(1.2)**
As at the end of the reporting period	**1.4**	**46.0**	**47.4**	**48.2**

Movement in the carrying amount of gross trade receivables

2018	Gross trade receivables without impairment	with impairment	Total
As at the beginning of the reporting period	**459.0**	**50.2**	**509.2**
Recognized	4,617.3	-	4,617.3
Interest accrued	2.1	0.1	2.2
Written off	-	(0.2)	(0.2)
Repaid	(4,597.2)	(5.4)	(4,602.7)
Transferred	(2.8)	2.8	-
FX valuation	0.1	0.9	1.0
As at the end of the reporting period	**478.4**	**48.4**	**526.8**

Age analysis of trade receivables

	31/12/2018			1/01/2018			31/12/2017		
	Gross	Expected credit losses	Net	Gross	Expected credit losses	Net	Gross	Impairment allowance	Net
Non-overdue receivables	455.1	(1.6)	453.5	433.3	(2.6)	430.7	433.3	(1.7)	431.6
Overdue receivables									
from 0 to 30 days	14.1	(0.4)	13.7	23.7	(0.6)	23.1	23.7	-	23.7
from 31 to 90 days	4.9	(0.4)	4.5	3.2	(0.5)	2.7	3.2	(0.4)	2.8
from 91 to 180 days	4.4	(0.9)	3.5	2.8	(0.7)	2.1	2.8	(0.6)	2.2
from 181 to 365 days	3.2	(1.7)	1.5	1.8	(1.5)	0.3	1.8	(1.5)	0.3
over 365 days	45.1	(42.4)	2.7	44.4	(44.0)	0.4	44.4	(44.0)	0.4
Total	**526.8**	**(47.4)**	**479.4**	**509.2**	**(49.9)**	**459.3**	**509.2**	**(48.2)**	**461.0**

according to EU IFRS (in millions of PLN)

5.5 Financial assets

Accounting policy applied
The accounting policy pertaining to financial instruments is described in **Note 6**.

Structure of financial assets

	31/12/2018	31/12/2017
FX forwards	3.1	10.5
Shares in unlisted companies	4.9	6.0
Bank deposits above 3 months	201.1	250.8
Cash pool	-	22.9
Total	**209.1**	**290.2**
Non-current assets	5.7	8.6
Current assets	203.4	281.6
Total	**209.1**	**290.2**

As at 31 December 2017, impairment loss on the value of shares in unlisted companies was PLN 11.8 million. As at 31 December 2018, these shares were measured at fair value. Accordingly, no impairment losses on the value of shares in unlisted companies were recognized. The movement in the impairment loss on investments in shares is the effect of the first-time application IFRS 9, as described in **Note 1.3** to these Standalone Financial Statements.

5.6 Other assets

Accounting policy applied
As other assets, the Company recognizes mainly prepaid expenses which are recognized in the amount of incurred expenses that relate to future periods and will generate future economic benefits for the Company. Impairment losses on prepaid expenses are recognized chiefly in accordance with the passage of time. Other receivables include mainly public law receivables and are measured at the amount due. Intangible assets are presented at the cost of production less amortization and the total amount of the impairment loss of intangible assets. The Company uses straight-line amortization. The period of economic utility and method of amortization are verified at the end of each reporting period, and the results of estimate changes are settled prospectively.

Structure of other assets

	31/12/2018	31/12/2017
Non-financial assets		
Costs settled over time		
Prepayments for purchase of electricity	30.9	23.0
Insurance	6.7	7.4
IT services	3.8	0.3
Other costs settled over time	1.1	0.6
Other	0.1	1.2
Other receivables		
VAT settlements	45.6	22.0
Income tax receivables	2.9	-
Other	3.8	3.6
Intangible assets		
Licenses	26.0	37.2
Intangible assets during adjustment	4.8	2.4
Total	**125.7**	**97.7**
Non-current assets	35.3	44.1
Current assets	90.4	53.6
Total	**125.7**	**97.7**

according to EU IFRS (in millions of PLN)

5.7 Investment liabilities

Accounting policy applied

Investment liabilities include liabilities related to the purchase of non-financial non-current assets. Initially, they are carried at fair value adjusted for transaction costs. Subsequently, they are measured at amortized cost. This applies to liabilities with a maturity of over 1 year for which the liability value corresponds to the amount that would be paid in a single cash transaction. The difference between this amount and the total payments is recognized as interest expense over the period of commercial credit. Liabilities with a maturity of up to 1 year are measured in the amount payable.

Structure of investment liabilities

	31/12/2018	31/12/2017
Investment liabilities related to rolling stock	307.1	108.7
Investment liabilities related to real properties	11.1	4.5
Other	17.0	14.6
Total	**335.2**	**127.8**
Long-term liabilities	109.7	-
Short-term liabilities	225.5	127.8
Total	**335.2**	**127.8**

5.8 Provisions for employee benefits

Accounting policy applied

The Company provides its employees with long-term benefits during their employment (jubilee awards) as well as benefits after expiration of the tenure of their employment (old-age and disability severance pays, transportation allowances and benefits from the Company Social Benefits Fund (ZFŚS) for old-age and disability pensioners, death benefits). Jubilee awards are paid out to the employees after working for specified number of years. Retirement and disability severance pays are paid out as lump sum when the employee retires or begins to collect disability benefits. The amount of retirement and disability severance pays and jubilee awards depends on the number of years of service and the employee's average remuneration. Post-mortem benefits are paid out after the employee's death. The Company is establishing provisions for future liabilities arising out of the foregoing virtues to assign the costs to the respective periods. The employees are also vested with the right to receive benefits after their employment in the form of social benefits from the Company Social Benefits Fund and train fare discounts. In its statement of financial position, the Company recognizes the foregoing benefits at the current value of the liability as at the date ending the reporting period.

The amount of long-term benefits during the employment period and benefits after the employment period is calculated by an independent actuarial firm using the forecasted individual benefits method. The current value of liability on that account is determined through discounting the estimated future cash expenditures – using the interest rates based on market interest rates for government bonds. The costs of defined benefit plans for which the employee is eligible during his/her ongoing employment is recognized in the result as costs of employee benefits, except when it is recognized as costs of creating an asset component and reflects the growth of liabilities on account of defined benefits attributable to work performed by the employees in the current period. The costs of past employment are recognized directly in the financial result. The net interest cost is calculated through application of the discount rate to the net value of liability on account of specified financial expenses and it is presented in the financial expenses. Actuarial earnings and losses resulting from adjustments of actuarial assumptions ex post and changes to actuarial assumptions are referred to equity through other comprehensive income in the period in which they arose. In case of jubilee awards, they are referred to the costs of the period.

SIGNIFICANT VALUES BASED ON PROFESSIONAL JUDGMENT AND ESTIMATES

As at 31 December 2018 and 31 December 2017, the actuarial valuation of provisions for employee benefits was based on the following assumptions:

	Valuation as at	
	31/12/2018	31/12/2017
	%	%
Discount rate	3.00	3.25
Assumed average annual growth of the base for calculation of provisions for retirement and disability severance pays and jubilee awards	up to 1.5	up to 1.5
Assumed growth of the price of transportation benefits	up to 2.5	up to 2.5
Assumed average annual growth of the base for calculations of provisions for Company Benefits Fund	3.5 - 5	3.5 - 5
Weighted average employee mobility ratio	2.0	2.4

according to EU IFRS (in millions of PLN)

5.8 Provisions for employee benefits (cont.)

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

Sensitivity analysis of provisions for employee benefits

	31/12/2018	Discount rate		Salary growth ratio		Employee mobility ratio	
		+0.30 pp.	-0.30 pp.	+0.25 pp.	-0.25 pp.	+0.25 pp.	-0.25 pp.
Jubilee awards	265.3	(3.7)	3.8	3.2	(3.1)	(3.3)	3.4
Retirement and disability severance benefits	177.1	(2.9)	3.0	2.6	(2.5)	(2.6)	2.7
Post-mortem benefits	6.1	(0.1)	0.1	0.1	(0.1)	(0.1)	0.1
Company Social Benefits Fund	121.6	(4.6)	4.9	4.0	(3.8)	(0.7)	0.7
Transportation benefits	31.0	(1.2)	1.3	1.0	(1.0)	(0.2)	0.2
Total	**601.1**	**(12.5)**	**13.1**	**10.9**	**(10.5)**	**(6.9)**	**7.1**

	31/12/2017	Discount rate		Salary growth ratio		Employee mobility ratio	
		+0.30 pp.	-0.30 pp.	+0.25 pp.	-0.25 pp.	+0.25 pp.	-0.25 pp.
Jubilee awards	251.7	(3.5)	3.7	3.1	(3.0)	(3.2)	3.2
Retirement and disability severance benefits	158.6	(2.7)	2.8	2.4	(2.3)	(2.4)	2.5
Post-mortem benefits	6.3	(0.1)	0.1	0.1	(0.1)	(0.1)	0.1
Company Social Benefits Fund	136.1	(5.3)	5.6	5.0	(4.7)	(0.7)	0.7
Transportation benefits	33.0	(1.3)	1.4	1.2	(1.1)	(0.2)	0.3
Total	**585.7**	**(12.9)**	**13.6**	**11.8**	**(11.2)**	**(6.6)**	**6.8**

Movement in provisions for employee benefits

	Retirement and disability severance benefits	Company Social Benefits Fund	Transportation benefits	Post-mortem benefits	Jubilee awards	Other employee benefits	Total provisions
1/01/2018 (audited)	**150.8**	**136.1**	**33.0**	**6.3**	**237.9**	**20.2**	**584.3**
Corrections of prior period errors	7.8	-	-	-	13.8	-	**21.6**
1/01/2018 (restated)	**158.6**	**136.1**	**33.0**	**6.3**	**251.7**	**20.2**	**605.9**
Current service cost	4.5	1.6	0.5	0.1	8.8	-	**15.5**
Interest expenses	4.3	4.4	1.1	0.2	7.6	-	**17.6**
Actuarial (profits) / losses recognized in other comprehensive income	24.9	(13.1)	(2.5)	0.1	-	-	**9.4**
Actuarial (profits) / losses recognized in the statements of profit or loss	-	-	-	-	33.6	-	**33.6**
Recognition of provisions	-	-	-	-	-	1,8	**1,8**
Reversal of provisions	-	-	-	-	-	(1,7)	**(1,7)**
Benefits paid out	(15.2)	(7.4)	(1.1)	(0.6)	(36.4)	-	**(60.7)**
31/12/2018	**177.1**	**121.6**	**31.0**	**6.1**	**265.3**	**20.3**	**621.4**
Long-term provisions	151.8	116.8	29.9	5.1	225.2	-	**528.8**
Short-term provisions	25.3	4.8	1.1	1.0	40.1	20.3	**92.6**
Total	**177.1**	**121.6**	**31.0**	**6.1**	**265.3**	**20.3**	**621.4**

according to EU IFRS (in millions of PLN)

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5.8 Provisions for employee benefits (cont.)

	Retirement and disability severance benefits	Company Social Benefits Fund	Transportation benefits	Post-mortem benefits	Jubilee awards	Other employee benefits	Total provisions
1/01/2017 (audited)	**138.9**	**122.8**	**32.9**	**6.2**	**232.1**	**21.7**	**554.6**
Corrections of prior period errors	7.0	-	-	-	13.7	-	**20.7**
1/01/2017 (restated)	**145.9**	**122.8**	**32.9**	**6.2**	**245.8**	**21.7**	**575.3**
Current service cost	4.6	1.4	0.5	0.1	9.2	-	**15.8**
Interest expenses	4.3	4.3	1.2	0.2	7.3	-	**17.3**
Actuarial (profits) / losses recognized in other comprehensive income	19.5	14.2	(0.5)	0.4	-	-	**33.6**
Actuarial (profits) / losses recognized in the statements of profit or loss	-	-	-	-	27.7	-	**27.7**
Recognition of provisions	-	-	-	-	-	14.3	**14.3**
Reversal of provisions	-	-	-	-	-	(15.8)	**(15.8)**
Benefits paid out	(15.7)	(6.6)	(1.1)	(0.6)	(38.3)	-	**(62.3)**
31/12/2017	**158.6**	**136.1**	**33.0**	**6.3**	**251.7**	**20.2**	**605.9**
Long-term provisions	135.8	130.5	31.7	5.6	216.4	-	**520.0**
Short-term provisions	22.8	5.6	1.3	0.7	35.3	20.2	**85.9**
Total	**158.6**	**136.1**	**33.0**	**6.3**	**251.7**	**20.2**	**605.9**

Items recognized in the result in reference to employee benefits programs

	31/12/2018	31/12/2017
Employee benefits	(49.2)	(42.0)
Financial expenses	(17.6)	(17.3)
Total recognized in the result before tax	**(66.8)**	**(59.3)**

Actuarial (profits) / losses

2018	change of demographic assumptions	change of financial assumptions	other changes	Total
Actuarial (profits) / losses – post-employment benefits				
Retirement and disability severance benefits	3.7	2.4	18.8	24.9
Company Social Benefits Fund	1.0	3.9	(18.0)	(13.1)
Transportation benefits	0.3	1.0	(3.8)	(2.5)
Post-mortem benefits	-	0.1	-	0.1
Actuarial (profits) / losses – other long-term benefits				
Jubilee awards	4.6	3.1	25.9	33.6
Total	**9.6**	**10.5**	**22.9**	**43.0**

2017	change of demographic assumptions	change of financial assumptions	other changes	Total
Actuarial (profits) / losses – post-employment benefits				
Retirement and disability severance benefits	(0.2)	2.3	17.4	19.5
Company Social Benefits Fund	1.0	4.5	8.7	14.2
Transportation benefits	0.2	1.1	(1.8)	(0.5)
Post-mortem benefits	(0.1)	-	0.5	0.4
Actuarial (profits) / losses – other long-term benefits				
Jubilee awards	(0.4)	3.0	25.1	27.7
Total	**0.5**	**10.9**	**49.9**	**61.3**

according to EU IFRS (in millions of PLN)

5.8 Provisions for employee benefits (cont.)

Analysis of maturities of paid out employee benefits

31/12/2018	Retirement and disability severance benefits	Company Social Benefits Fund	Transportation benefits	Post-mortem benefits	Jubilee awards	Other employee benefits	Total
up to 1 year	25.3	4.8	1.1	1.0	40.1	20.3	**92.6**
1 to 5 years	58.6	21.0	5.1	2.6	117.3	-	**204.6**
over 5 years	93.2	95.8	24.8	2.5	107.9	-	**324.2**
Total	**177.1**	**121.6**	**31.0**	**6.1**	**265.3**	**20.3**	**621.4**

31/12/2017	Retirement and disability severance benefits	Company Social Benefits Fund	Transportation benefits	Post-mortem benefits	Jubilee awards	Other employee benefits	Total
up to 1 year	22.8	5.6	1.3	0.7	35.3	20.2	**85.9**
1 to 5 years	48.4	22.5	4.9	2.4	111.2	-	**189.4**
over 5 years	87.4	108.0	26.8	3.2	105.2	-	**330.6**
Total	**158.6**	**136.1**	**33.0**	**6.3**	**251.7**	**20.2**	**605.9**

The average maturity of employee benefits was 10.8 years as at 31 December 2018.

5.9 Other provisions

Accounting policy applied

Provisions are recognized if the Company is subject to an existing legal or usually expected obligation attributable to future events and when it may be reasonably expected that the fulfilment of this obligation will cause the outflow of cash and the amount of such obligation may be credibly estimated. The recognized amount of provisions reflects the most precise possible estimate of the amount that must be used to settle the ongoing liability as at the balance sheet date, taking into account the risk and uncertainty related to that liability. If provisions are measured using the method of estimated cash flows necessary to settle a current liability, its carrying amount corresponds to the value of those flows at the given moment (if the effect of cash in time is significant). If it is likely that a portion or all the economic benefits, required for settlement of provisions, may be recovered from a third party, such receivables shall be recognized as an asset component if the likelihood of recovering that amount is adequately high and may be credibly estimated.

If it is impossible to unequivocally determine whether the present liability exists, for example in the event of a court case, the Company shall establish provisions for such events if it concludes that after taking into account all the available evidence, such liability is more likely to exist as at the balance sheet date than it is not. If the present liability is more likely not to exist that it is to exist as at the balance sheet date, the Company shall disclose the information on the contingent liability unless it is unlikely that there will be the outflow of the means entailing economic benefits.

Structure of other provisions

2018	Provisions for penalties imposed by UOKiK	Provision for onerous contracts	Other provisions	Total
1/01/2018	**14.2**	**4.5**	**12.4**	**31.1**
Recognition	-	-	8.8	**8.8**
Utilization	-	(4.5)	(1.8)	**(6.3)**
31/12/2018	**14.2**	**-**	**19.4**	**33.6**
Long-term provisions	14.2	-	-	**14.2**
Short-term provisions	-	-	19.4	**19.4**
Total	**14.2**	**-**	**19.4**	**33.6**

according to EU IFRS (in millions of PLN)

5.9 Other provisions (cont.)

2017	Provisions for penalties imposed by UOKiK	Provision for onerous contracts	Other provisions	Total
1/01/2017	**16.4**	**-**	**11.6**	**28.0**
Recognition	1.0	9.1	5.0	**15.1**
Reversal	-	-	(3.2)	**(3.2)**
Utilization	(3.2)	(4.6)	(1.0)	**(8.8)**
31/12/2017	**14.2**	**4.5**	**12.4**	**31.1**
Long-term provisions	14.2	-	-	**14.2**
Short-term provisions	-	4.5	12.4	**16.9**
Total	**14.2**	**4.5**	**12.4**	**31.1**

Provisions for penalties imposed by UOKiK

This provision represents the Management Board's estimated provision on the penalty imposed by the Office of Competition and Consumer Protection (UOKiK). On 15 October 2018, the Court of Competition and Consumer Protection issued a judgment in which it dismissed the Parent Company's appeal and upheld in its entirety the contested decision. Accordingly, in the financial year ended 31 December 2018, no circumstances emerged that would make it necessary to update the established provision of PLN 14.2 million.

Provision for onerous contracts

As at 31 December 2017, this provision represented the amount of the anticipated loss for a procurement agreement for which the inevitable costs of fulfilling the resulting duties were higher than the predicted benefits achievable under this agreement. As a result of the complete performance of the said agreement, the provision was utilized in full in 2018.

Other provisions

This line item mostly includes the provisions established for disputed settlements, litigation and liquidated damages in the event of which it is more likely that there will be an outflow of cash in connection with the performance of those claims than it will not.

According to the Company's Management Board, the amount of other provisions as at 31 December 2018, and as at 31 December 2017, constitutes the best estimate of the amount that will likely have to be paid. The estimate is based on the management's best knowledge, the experience to date and other factors which are considered to be the most reasonable in the given situation.

5.10 Other financial liabilities

Structure of other financial liabilities

	31/12/2018	31/12/2017
Financial liabilities		
FX forwards	0.2	-
Cash pool	1.5	-
Total	**1.7**	**-**
Short-term liabilities	1.7	-
Total	**1.7**	**-**

5.11 Other liabilities

Accounting policy applied

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

Structure of other liabilities

	31/12/2018	31/12/2017
Liabilities arising out of collateral (deposits, bid bonds, guarantees)	22.9	30.1
Public law settlements	54.6	49.6
Settlements with employees	69.4	64.7
Other settlements	5.1	0.9
Short-term tax liabilities	-	1.1
Total	**152.0**	**146.4**
Short-term liabilities	152.0	146.4
Total	**152.0**	**146.4**

6. Financial instruments and principles of financial risk management

Accounting policy applied

Accounting policy effective since 1 January 2018

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

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

Such classification is based on:

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

Financial assets carried at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met:

a) the financial asset is held within a business model whose objective is achieved by holding financial assets in order to collect contractual cash flows;
b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

In this category, the Company classifies mainly:

a) trade receivables,
b) bank deposits over 3 months,
c) cash and cash equivalents.

The differences in the accounting policy pertaining to impairment losses on trade receivables are described in **Note 5.4**.

As at 1 January 2018 and 31 December 2018, the Company did not have any financial assets of a debt nature measured at fair value through other comprehensive income or measured at fair value through profit or loss.

Investments in equity instruments

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

Financial liabilities

The Company classifies all financial liabilities as subsequently measured at amortized cost, except for:

a) financial liabilities at fair value through profit or loss;
b) liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies,
c) financial guarantee contracts,
d) commitments to provide a loan at a below-market interest rate,
e) contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies.

All financial liabilities held by the Company were classified as measured at amortized cost. Additionally, for other financial assets and financial liabilities, the Company presents derivative forward-like financial instruments. These instruments are used to hedge future cash flows. Upon provision of the hedge, the Company defines the hedging relationship. The effective portion of profits / (losses) related to a hedging instrument is recognized in other comprehensive income.
The non-effective portion of profits or losses related to the hedging instrument is recognized in the period's financial result unless it has no material value. Profits/losses related to evaluation of hedging instruments and recognized in other comprehensive income are recognized in the financial result when the hedged item affects the financial performance.
The Company derecognizes a financial asset when, and only when, the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and all related risks and rewards of ownership of the financial asset to another entity.

according to EU IFRS (in millions of PLN)

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

Accounting policy applied

Accounting policy effective until 31 December 2017

As at 31 December 2017, the Company presented the following categories under other financial assets:

a) Loans and receivables

Loans and receivables are non-derivative financial instruments with constant or foreseeable payments, not listed in an active market. The Company included in loans and receivables: cash and cash equivalents, bank deposits with maturity longer than three months, cash pool, trade receivables and receivables from the sale of non-financial non-current assets. Loans and receivables are carried at amortized cost using the effective interest rate method, taking into account impairment, except for those assets where the discount effect is immaterial.

b) Available-for-sale financial assets

In the Company, available-for-sale financial assets included capital investments not listed on an active market, which were measured at cost minus impairment losses.

In addition to changes resulting from differences in the classification of financial assets, changes in the methodology for recognizing impairment losses on trade receivables and changes in the measurement of equity instruments in other entities, there have been no other significant differences in the accounting policy effective since 1 January 2018 that would affect these Standalone Financial Statements.

6.1 Financial instruments

Categories and classes of financial instruments

Financial assets by categories and classes	Note	31/12/2018	Financial assets by categories and classes	31/12/2017
Hedging financial instruments			**Hedging financial instruments**	
Derivatives	*Note 5.5*	3.1	Derivatives	10.5
Financial assets carried at fair value through other comprehensive income			**Available-for-sale financial assets**	
Investments in equity instruments	*Note 5.5*	4.9	Shares in unlisted companies	6.0
Financial assets measured at amortized cost			**Loans and receivables**	
Trade receivables	*Note 5.4*	479.4	Trade receivables	461.0
Bank deposits over 3 months	*Note 5.5*	201.1	Bank deposits over 3 months	250.8
Cash pool	*Note 5.5*	-	Cash pool	22.9
Cash and cash equivalents	*Note 4.4*	222.4	Cash and cash equivalents	295.9
Other		0.8	Other	-
Total		**911.7**		**1,047.1**

Financial liabilities by categories and classes	Note	31/12/2018	31/12/2017
Hedging financial instruments			
Derivatives	*Note 5.10*	0.2	-
Bank loans and borrowings	*Note 4.1*	468.1	494.3
Financial liabilities measured at amortized cost			
Bank loans and borrowings	*Note 4.1*	757.8	936.2
Trade payables		292.6	276.1
Investment liabilities	*Note 5.7*	335.2	127.8
Cash pool	*Note 5.10*	1.5	-
Financial liabilities excluded from the scope of IFRS 9/IAS 39	*Note 4.1*	5.3	34.4
Total		**1,860.7**	**1,868.8**

Impairment losses on shares in unlisted companies and trade receivables are described in **Notes 5.5** and **5.4** to these Standalone Financial Statements, respectively.

according to EU IFRS (in millions of PLN)

6.1 Financial instruments (cont.)

Hedge accounting

In the period from 1 January 2018 to 31 December 2018, the Company applied hedge accounting to its cash flows. The purpose of the hedging activity is to mitigate the impact of the FX risk within the EUR/PLN currency pair on the future cash flows. The hedged item is a highly probable cash flow denominated in EUR.

As at 31 December 2018, the following hedging instruments were established:

- investment loans denominated in EUR. The hedged cash flows will be realized until August 2031. As at 31 December 2018, the nominal amount of the hedging instrument was EUR 108.9 million, which is an equivalent of PLN 468.1 million,
- in forward foreign exchange contracts. The hedged cash flows will be realized until December 2020. As at 31 December 2018, the value of assets and liabilities on account of the measurement of the hedging instrument was PLN 3.1 million and PLN 0.2 million, respectively.

Fair value hierarchy

As at 31 December 2018, financial instruments measured at fair value were forward FX contracts and investments in equity instruments.

	31/12/2018		31/12/2017
	Level 2	Level 3	Level 2
Assets			
Derivatives – forward foreign exchange contracts	3.1	-	10.5
Investments in equity instruments shares in unlisted companies	-	4.9	-
Liabilities			
Derivatives – forward foreign exchange contracts	0.2	-	-

Measurement methods for financial instruments carried at fair value

a) Forward foreign exchange contracts
The fair value of forward foreign exchange contracts is determined on the basis of discounted future cash flows on account of executed transactions calculated based on the difference between the forward price and the transaction price. A forward price is calculated based on NBP fixing and the interest rate curve derived from FX swap transactions.

b) Investments in equity instruments
This line item includes mainly shares 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 significant assets in the form of land plots and real properties.

c) Other financial instruments
For the category of financial instruments which are not carried at fair value as at the balance sheet date, the Company does not disclose fair value because the fair values of these financial instruments as at 31 December 2018 and 31 December 2017 were not materially different from their values presented in the statement of financial position.

Changes to the measurement of financial instruments for Level 3 of the fair value hierarchy

	2018	2017
As at the beginning of the reporting period (audited)	**-**	**(39.7)**
Changes resulting from the implementation of IFRS 9	4.9	-
As at the beginning of the reporting period (restated)	**4.9**	**(39.7)**
Earnings / (losses) for the period recognized in the result	-	(1.9)
Settlement of the put / call option for non-controlling interest	-	41.6
As at the end of the reporting period	**4.9**	**-**

Data as at 1 January 2018 have been restated in connection with the implementation of IFRS 9, as described in **Notes 1.3** and **1.5** to these Standalone Financial Statements.

In the financial year ended 31 December 2018 and 31 December 2017, there were no transfers between levels 2 and 3 of the fair value hierarchy.

according to EU IFRS (in millions of PLN)

6.1 Financial instruments (cont.)

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

2018	Hedging financial instruments	Financial assets measured at amortized cost	Financial liabilities measured at amortized cost	Financial liabilities excluded from the scope of IFRS 9	Total
Interest income / (expense)	(3.0)	11.0	(22.4)	(0.4)	**(14.8)**
FX differences	-	2.3	(0.6)	(0.7)	**1.0**
Impairment losses / revaluation	-	2.9	-	-	**2.9**
Commission in connection with bank loans	-	-	(1.5)	-	**(1.5)**
Effect of settlement of cash flow hedge accounting	6.5	-	-	-	**6.5**
Gross profit / (loss)	**3.5**	**16.2**	**(24.5)**	**(1.1)**	**(5.9)**
Movement in revaluation	(22.5)	-	-	-	**(22.5)**
Other comprehensive income	**(22.5)**	**-**	**-**	**-**	**(22.5)**

In the period of 12 months ended 31 December 2018, the effect of settling cash flow hedge accounting adjusted the value of revenue from contracts with customers in the amount of PLN 6.5 million. In the period of 12 months ended 31 December 2018, the change in the measurement of hedging financial instruments recognized in other comprehensive income included a change in the measurement of derivatives in the amount of PLN (7.6) million and bank loans in the amount of PLN (14.9) million, recognized as part of the hedge accounting applied by the Company.

2017	Hedging financial instruments	Loans and receivables	Financial liabilities measured at fair value through profit or loss	Financial liabilities measured at amortized cost	Total financial liabilities excluded from the scope of IAS 39	Total
Interest income / (expense)	(1.2)	11.5	-	(25.6)	(1.2)	**(16.5)**
FX differences	0.7	(5.6)	-	0.5	3.1	**(1.3)**
Impairment losses / revaluation	0.1	(2.3)	(1.9)	-	-	**(4.1)**
(Profit) / loss on the sale of investments	-	-	-	(1.4)	-	**(1.4)**
Effect of settlement of cash flow hedge accounting	5.8	-	-	-	-	**5.8**
Gross profit / (loss)	**5.4**	**3.6**	**(1.9)**	**(26.5)**	**1.9**	**(17.5)**
Movement in revaluation	25.4	-	-	-	-	**25.4**
Other comprehensive income	**25.4**	**-**	**-**	**-**	**-**	**25.4**

In the period of 12 months ended 31 December 2017, the effect of settling cash flow hedge accounting adjusted the value of revenue from contracts with customers in the amount of PLN 5.8 million. In the period of 12 months ended 31 December 2017, the change in the measurement of hedging financial instruments recognized in other comprehensive income included a change in the measurement of derivatives in the amount of PLN 10.2 million and bank loans in the amount of PLN 15.2 million, recognized as part of the hedge accounting applied by the Company.

according to EU IFRS (in millions of PLN)

6.1 Financial instruments (cont.)

Offsetting financial assets

31/12/2018	Gross value of recognized financial assets	Gross value of recognized financial liabilities offset in the statement of financial position	Net value of financial assets presented in the statement of financial position	Associated values not offset in the statement of financial position – received cash collateral	Net value
Trade receivables	479.4	-	479.4	(3.0)	476.4
Total	**479.4**	**-**	**479.4**	**(3.0)**	**476.4**

31/12/2017	Gross value of recognized financial assets	Gross value of recognized financial liabilities offset in the statement of financial position	Net value of financial assets presented in the statement of financial position	Associated values not offset in the statement of financial position – received cash collateral	Net value
Trade receivables	461.0	-	461.0	(4.4)	456.6
Cash pool	29.3	(6.4)	22.9	-	22.9
Total	**490.3**	**(6.4)**	**483.9**	**(4.4)**	**479.5**

Offsetting financial liabilities

31/12/2018	Gross value of recognized financial liabilities	Gross value of recognized assets offset in the statement of financial position	Net value of financial liabilities presented in the statement of financial position	Associated values not offset in the statement of financial position – provided cash collateral	Net value
Trade payables	292.6	-	292.6	(0.1)	292.5
Cash pool	10.4	(8.9)	1.5	-	1.5
Total	**303.0**	**(8.9)**	**294.1**	**(0.1)**	**294.0**

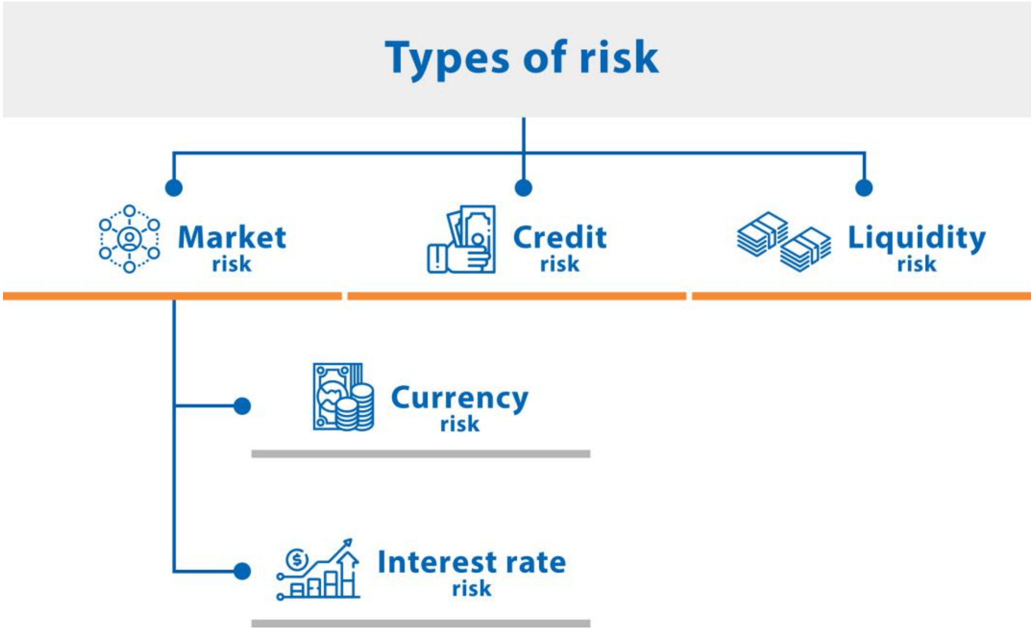
31/12/2017	Gross value of recognized financial liabilities	Gross value of recognized assets offset in the statement of financial position	Net value of financial liabilities presented in the statement of financial position	Associated values not offset in the statement of financial position – provided cash collateral	Net value
Trade payables	276.1	-	276.1	(0.1)	276.0
Total	**276.1**	**-**	**276.1**	**(0.1)**	**276.0**

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

6.2 Objectives and principles of financial risk management

Objectives and principles of financial risk management

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



Market risk

The Company is exposed to market risks associated with changes of the exchange rates and interest rates. The objective of the market risk management process is to limit undesirable impact of changes of market risk factors on the cash flows and results in the short- and medium-term. The Company manages market risks following from the aforementioned factors on the basis of internal procedures which define the rules of measurement of individual exposures, parameters and time horizon.

The principles of market risk management are implemented through assigned organizational units under the supervision of the Company's Management Board. Market risk management is executed based on developed strategies, with partial utilization of derivative instruments. Derivatives are used only to limit the risk of a change in the carrying amount and the risk of cash flow changes. Transactions are entered into only with reliable partners, admitted to participation as a result of application of internal procedures and execution of appropriate documentation.

According to the Financial Risk Management Policy prevailing in the Company, in 2018, the Company used FX risk management transactions for the EUR/PLN currency pair.

Foreign exchange risk management

As at 31 December 2018, the Company was exposed to foreign exchange risk concerning for the most part trade receivables, loan liabilities and lease liabilities denominated in foreign currencies.

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

In a long-term perspective, the valuation risk matches the risk of change of cash flows, therefore the Company's cash flows are subject to hedging operations.

For the EUR / PLN exchange rate, there is partial natural hedging due to the fact that sales revenues in EUR are partly balanced out by costs in the same currency. The FX risk management transactions used by the Company are aimed at hedging the net free position exposed to change of the value in PLN. As part of its hedge accounting policy, the Company used applied forward transactions for the currency pair EUR/PLN in 2017-2018 and established hedging relationships between cash flows arising from bank loans denominated in EUR and future highly probable cash flows arising from operating activities denominated in EUR.

according to EU IFRS (in millions of PLN)

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

Items in foreign currencies

31/12/2018	Total value of items in PLN	EUR/PLN		CHF/PLN	
		in a foreign currency	in PLN	in a foreign currency	in PLN
ASSETS					
Non-current assets					
Financial assets – forward foreign exchange contracts [1]	0.8	16.9	0.8	-	-
Current assets					
Trade receivables	59.7	13.7	58.8	0.2	0.9
Financial assets – forward foreign exchange contracts [1]	2.3	30.3	2.3	-	-
Cash and cash equivalents	25.5	5.9	25.5	-	-
Total	**88.3**	**66.8**	**87.4**	**0.2**	**0.9**
EQUITY AND LIABILITIES					
Long-term liabilities					
Debt liabilities	426.6	99.2	426.6	-	-
Short-term liabilities					
Debt liabilities	46.2	10.7	46.2	-	-
Trade payables	22.8	4.6	19.6	0.8	3.2
Other financial liabilities – forward foreign exchange contracts [1]	0.2	8.8	0.2	-	-
Total	**495.8**	**123.3**	**492.6**	**0.8**	**3.2**
Net currency item	**(407.5)**	**(56.5)**	**(405.2)**	**(0.6)**	**(2.3)**

31/12/2017	Total value of items in PLN	EUR/PLN		CHF/PLN	
		in a foreign currency	in PLN	in a foreign currency	in PLN
ASSETS					
Non-current assets					
Financial assets – forward foreign exchange contracts [1]	2.6	19.2	2.6	-	-
Current assets					
Trade receivables	63.8	14.9	62.0	0.5	1.8
Financial assets – forward foreign exchange contracts [1]	7.9	24.9	7.9	-	-
Cash and cash equivalents	56.7	13.6	56.6	0.0	0.1
Total	**131.0**	**72.6**	**129.1**	**0.5**	**1.9**
EQUITY AND LIABILITIES					
Long-term liabilities					
Debt liabilities	456.7	109.5	456.7	-	-
Short-term liabilities					
Debt liabilities	68.9	16.5	68.9	-	-
Trade payables	62.0	14.1	58.9	0.9	3.1
Total	**587.6**	**140.1**	**584.5**	**0.9**	**3.1**
Net currency item	**(456.6)**	**(67.5)**	**(455.4)**	**(0.4)**	**(1.2)**

[1] For financial assets/other financial liabilities in the tables above, the currency column (EUR) presents the Company's exposure amount in forward transactions, while the currency column (PLN) corresponds to the fair value measurement of derivatives in PLN.

according to EU IFRS (in millions of PLN)

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

Sensitivity to FX risk

The Company is exposed mainly to the foreign exchange risk regarding the currency pair EUR/PLN in connection with its operating and financing activities. Deviations in exchange rates were calculated on the basis of the average volatility of each currency exchange rate in the period under analysis. Sensitivity of financial Instruments to foreign exchange risk has been calculated as the difference between the original carrying amount of the financial Instruments and their potential value while assuming changes to foreign exchange rates. The tables below present the Company's exposure to the foreign exchange risk in 2018 and 2017.

31/12/2018	value of the item in PLN	Currency risk					
		EUR/PLN				CHF/PLN	
		impact on the result		impact on other comprehensive income		impact on the result	
		+6%	-6%	+6%	-6%	+9%	-9%
ASSETS							
Non-current assets							
Financial assets – forward foreign exchange contracts	0.8	-	-	(4.4)	4.4	-	-
Current assets							
Trade receivables	59.7	3.5	(3.5)	-	-	0.1	(0.1)
Financial assets – forward foreign exchange contracts	2.3	-	-	(7.8)	7.8	-	-
Cash and cash equivalents	25.5	1.5	(1.5)	-	-	-	-
EQUITY AND LIABILITIES							
Long-term liabilities							
Debt liabilities	426.6	-	-	(25.6)	25.6	-	-
Short-term liabilities							
Debt liabilities	46.2	(0.3)	0.3	(2.5)	2.5	-	-
Trade payables	22.8	(1.2)	1.2	-	-	(0.3)	0.3
Other financial liabilities - forward foreign exchange contracts	0.2	-	-	(2.3)	2.3	-	-
Total gross effect		**3.5**	**(3.5)**	**(42.6)**	**42.6**	**0.2**	**(0.2)**

31/12/2017	value of the item in PLN	Currency risk					
		EUR/PLN				CHF/PLN	
		impact on the result		impact on other comprehensive income		impact on the result	
		+5%	-5%	+5%	-5%	+5%	-5%
ASSETS							
Non-current assets							
Financial assets – forward foreign exchange contracts	2.6	-	-	(7.3)	7.3	-	-
Current assets							
Trade receivables	63.8	5.1	(5.1)	-	-	0.1	(0.1)
Financial assets – forward foreign exchange contracts	7.9	-	-	(9.3)	9.3	-	-
Cash and cash equivalents	56.7	0.8	(0.8)	-	-	-	-
EQUITY AND LIABILITIES							
Long-term liabilities							
Debt liabilities	456.7	(0.2)	0.2	(22.7)	22.7	-	-
Short-term liabilities							
Debt liabilities	68.9	(1.4)	1.4	(2.0)	2.0	-	-
Trade payables	62.0	(2.9)	2.9	-	-	(0.2)	0.2
Total gross effect		**1.4**	**(1.4)**	**(41.3)**	**41.3**	**(0.1)**	**0.1**

according to EU IFRS (in millions of PLN)

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

FX forward transactions

To manage the foreign exchange risk in 2018 and 2017, FX forward transactions were applied on the EUR/PLN currency pair (sale and purchase of currency).

List of unrealized FX forward contracts

As at 31 December 2018

Company	Transaction type	Transaction date	Contract settlement date	Currency pair	Amount in the base currency	Amount in the volatile currency	Fair value of assets	Fair value of liabilities
Santander	forward	05/2017 - 12/2018	01/2019 – 02/2020	EUR/PLN	9.2	40.3	0.2	-
mBANK	forward	01/2017 - 12/2018	01/2019 – 12/2020	EUR/PLN	14.2	63.3	0.8	0.1
Pekao	forward	06/2017 - 12/2018	01/2019 – 08/2020	EUR/PLN	10.2	45.2	0.6	-
PKO BP	forward	01/2017 - 11/2018	01/2019 – 11/2020	EUR/PLN	19.2	85.3	1.3	0.1
Credit Agricole	forward	02/2017 - 07/2018	01/2019 – 06/2020	EUR/PLN	3.2	14.2	0.2	-
Total					**56.0**	**248.3**	**3.1**	**0.2**

As at 31 December 2017

Company	Transaction type	Transaction date	Contract settlement date	Currency pair	Amount in the base currency	Amount in the volatile currency	Fair value of assets
BZ WBK	forward	06/2016 – 10/2017	01/2018 – 10/2019	EUR/PLN	2.6	11.5	0.7
mBANK	forward	11/2016 – 12/2017	01/2018 – 12/2019	EUR/PLN	8.6	38.4	1.6
Pekao	forward	06/2016 – 10/2017	01/2018 – 10/2019	EUR/PLN	9.6	43.6	2.6
PKO BP	forward	05/2016 – 12/2017	01/2018 – 12/2019	EUR/PLN	17.7	79.7	4.5
RCB	forward	10/2016 – 11/2016	01/2018 – 11/2018	EUR/PLN	1.0	4.5	0.3
Credit Agricole	forward	01/2017 – 12/2017	07/2018 – 12/2019	EUR/PLN	4.6	20.5	0.8
Total					**44.1**	**198.2**	**10.5**

Interest rate risk management

As at 31 December 2018, the Company is exposed to the risk of volatility of interest rate cash flows following from bank loans and lease agreements based on variable interest rates. Interest on lease agreements was accrued according to the reference rates increased by the financing party's margin. The reference rate for lease contracts denominated in EUR is EURIBOR 6M, and for agreements signed in PLN the reference rate is WIBOR 1M. Interest on loan agreements was accrued at the WIBOR 1M and 3M as well as EURIBOR 3M reference rates plus the banks' margins. Interest rate risk in loan and leasing agreements is executed through revaluation of instalments in monthly, quarterly and semi-annual periods, depending on the agreement.

The cash held by the Company as at 31 December 2018 was mainly in the form of fixed rate bank deposits which were concluded with time horizons depending on the Company's liquidity needs. In future periods, as a result of changes in the deposit interest rates, the cash position may be exposed to interest rate risk.

In 2018 and 2017, the Company did not use any derivatives to hedge its interest rate risk.

Financial instruments by interest rate type

As at 31 December 2018 and 31 December 2017, financial assets were interest-bearing at a fixed interest rate.

	31/12/2018	31/12/2017
Bank deposits	201.1	250.8
Cash pool	-	22.9
Cash and cash equivalents	222.4	295.9
Total	**423.5**	**569.6**

according to EU IFRS (in millions of PLN)

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

Financial liabilities	31/12/2018			31/12/2017		
	Interest rate			Interest rate		
	at a fixed interest rate	at a variable interest rate	Total	at a fixed interest rate	at a variable interest rate	Total
Debt liabilities	1.6	1,231.1	**1,232.7**	2.2	1,462.7	**1,464.9**
Liabilities on the purchase of fixed assets	195.8	-	**195.8**	0.6	-	**0.6**
Total	**197.4**	**1,231.1**	**1,428.5**	**2.8**	**1,462.7**	**1,465.5**

Interest rate fluctuation sensitivity

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

31/12/2018	Value of the item in PLN	Interest rate risk			
		WIBOR		EURIBOR	
		impact on the result		impact on the result	
		+ 50 bps	- 50 bps	+ 50 bps	- 50 bps
EQUITY AND LIABILITIES					
Long-term liabilities					
Debt liabilities	999.9	(2.9)	2.9	(2.1)	2.1
Short-term liabilities					
Debt liabilities	230.5	(0.9)	0.9	(0.2)	0.2
Total gross effect		**(3.8)**	**3.8**	**(2.3)**	**2.3**

31/12/2017	Value of the item in PLN	Interest rate risk			
		WIBOR		EURIBOR	
		impact on the result		impact on the result	
		+ 50 bps	- 50 bps	+ 50 bps	- 50 bps
EQUITY AND LIABILITIES					
Long-term liabilities					
Debt liabilities	1,214.5	(3.8)	3.8	(2.3)	2.3
Short-term liabilities					
Debt liabilities	247.4	(0.9)	0.9	(0.3)	0.3
Total gross effect		**(4.7)**	**4.7**	**(2.6)**	**2.6**

Credit risk management

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

	31/12/2018	31/12/2017
Trade receivables	479.4	461.0
Cash and cash equivalents	222.4	295.9
Bank deposits over 3 months	201.1	250.8
Cash pool	-	22.9
Receivables on account of sale of non-financial non-current assets	0.8	-
Total	**903.7**	**1,030.6**

according to EU IFRS (in millions of PLN)

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

Conducting its commercial activity, the Company sells services to business entities with a deferred payment date, which may lead to the risk of counterparties defaulting with meeting the deadlines for payment of the amounts due for the provided services. To minimize the credit risk, the Company manages the risk through a prevailing client creditworthiness assessment procedure. This assessment is carried out for all clients who use a deferred payment date. As part of its internal policy, the Company makes application of the deferred term of payment conditional on acceptability of the business partner's condition and positive history of cooperation. Concentration of risk associated with trade receivables is limited due to the large number of business partners with commercial credit dispersed among different sectors of economy.

Structure of trade receivables in terms of entity types

	31/12/2018	31/12/2017
Group of entities related to the biggest external counterparty	9.7%	11.5%
PKP Group related parties	20.0%	19.9%
Other State Treasury related parties	26.9%	25.0%
Others	43.4%	43.6%
Total	100.0%	100.0%

In addition, to reduce the risk of problems with recovery of trade receivables, the Company accepts security interests from their customers in the form of, among others: bank/insurance guarantees, assignment of contracts and promissory notes. As at 31 December 2018, 7.6% of the trade receivables were secured.

The credit risk associated with cash and bank deposits is perceived as low. All entities in which the Company invests free cash operate in the financial sector. These include domestic banks, foreign banks and branches of foreign banks with a high creditworthiness. The concentration of risk involving cash and bank deposits with a maturity longer than 3 months is presented in the table below.

Bank	Credit rating agency	Rating	31/12/2018
Bank A	Moody's	A2	26.1%
Bank B	Fitch	A-	23.8%
Bank C	Moody's	Baa1	23.7%
Bank D	Moody's	Baa2	11.8%
Bank E	Moody's	A2	11.9%
Bank F	Moody's	Baa1	2.7%
Total			**100.0%**

7. Other notes

7.1 Related party transactions

Transactions with the State Treasury and its other related parties

In the financial year ended 31 December 2018 and the financial year ended 31 December 2017, the State Treasury was for the Company an upper level parent entity. Accordingly, all companies owned by the State Treasury (directly or indirectly) are the Company's related parties and are presented separately as PKP Group related parties and other State Treasury related parties. In these Standalone Financial Statements, the Management Board has disclosed transactions with significant related parties identified as such according to the best knowledge of the Management Board.

In the financial year ended 31 December 2018 and the financial year ended 31 December 2017, no transactions were identified between the Company and other entities related to the State Treasury which would be significant due to a non-standard scope or amount. In the periods covered by these Standalone Financial Statements, the Company's most important clients among other parties related to the State Treasury were members of the following groups: ENEA, JSW, PGE, Azoty, PKN Orlen and Węglokoks. In the periods covered by these Standalone Financial Statements, there were no purchase transactions with other entities related to the State Treasury with any material value.

according to EU IFRS (in millions of PLN)

7.1 Related party transactions (cont.)

Transactions with PKP Group related parties

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

	2018		31/12/2018	
	Sales to related parties	Purchases from related parties	Receivables from related parties	Liabilities to related parties
Parent Company (PKP S.A.)	0.4	58.1	1.3	8.7
Subsidiaries / co-subsidiaries	629.2	628.8	93.1	125.1
Associates	1.0	-	-	-
Other PKP Group related parties	12.1	690.0	1.8	59.7

	2017		31/12/2017	
	Sales to related parties	Purchases from related parties	Receivables from related parties	Liabilities to related parties
Parent Company (PKP S.A.)	0.4	56.4	1.1	7.1
Subsidiaries/co-subsidiaries	596.4	544.1	88.1	119.2
Associates	0.9	-	0.1	-
Other PKP Group related parties	20.7	668.1	2.2	59.3

Purchase transactions with the Parent Company (PKP S.A.) pertain in particular to rental and lease of real estate, supply of utilities and occupational medicine services.

In the PKP CARGO Group sales transactions covered freight transport services, lease of equipment and sub-lease of real estate. Purchase transactions comprised, among other maintenance and repair of rolling stock, freight forwarding services, transhipment 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 real estate. Purchase transactions comprised, among others, access to rail infrastructure, lease of real estate, supply of utilities, maintenance of rail traffic facilities, purchase of network maintenance services, operation of IT systems.

In addition to the commercial transactions the Company granted sureties to its subsidiaries described in **Note 7.4** to these Standalone Financial Statements.

Loans granted to / received from related parties

In the financial year ended 31 December 2018 and 31 December 2017, the Company did not grant or take any loans from its related parties. As at 31 December 2018 and 31 December 2017, the Company had cash pool settlements presented **Notes 5.5** and **5.10** of these Standalone Financial Statements.

Remunerations of key management personnel

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

Remunerations of the Management Board Members	2018	2017
Short-term benefits	2.4	2.4
Post-employment benefits	0.5	1.1
Termination benefits	0.1	0.4
Total	**3.0**	**3.9**

Remunerations of the Supervisory Board Members	2018	2017
Short-term benefits	1.0	1.1
Total	**1.0**	**1.1**

according to EU IFRS (in millions of PLN)

7.1 Related party transactions (cont.)

Remunerations of other members of key management personnel	2018	2017
Short-term benefits	6.4	6.2
Post-employment benefits	0.7	1.1
Termination benefits	0.1	0.5
Total	**7.2**	**7.8**

In the financial year ended 31 December 2018 and 31 December 2017, the members of the key management personnel did not enter into any loan and guarantee transactions with the Company.

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

7.2 Operating lease agreements

Company as a lessee

As at 31 December 2018, the Company's operating lease agreements comprised mainly agreements pertaining to lease of real properties, freight wagons and locomotives. Key real estate lease agreements are concluded for long-term periods with the possibility of early termination within specified contractual deadlines. The term of the lease agreements for freight wagon and locomotives lasts until 2019-2023, depending on the agreement.

The Company presents, as future minimum leasing fees, the fees which it is obligated to pay during the termination notice period for such agreements if the agreement provides for such an option.

For some real property lease agreements, the Company has entered into sub-leasing agreements with its related parties, granting them the right to the said properties in return for the fees specified in the agreements.

The increase in future minimum lease payments as at 31 December 2018 is the effect of new lease agreements for freight wagons and locomotives entered into in 2018.

Leasing fees as cost of the period

	2018	2017
Minimum leasing fees	87.9	64.6
Fees received under sub-lease (subleasing)	(13.0)	(11.6)
Total	**74.9**	**53.0**

Future minimum leasing fees under non-cancellable operating leases

	2018	2017
Up to 1 year	70.6	46.0
From 1 year to 5 years	56.3	27.5
Total	**126.9**	**73.5**

Future minimum fees receivable under non-cancellable sub-lease agreements

	2018	2017
Up to 1 year	7.2	4.1
Total	**7.2**	**4.1**

according to EU IFRS (in millions of PLN)

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

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

	31/12/2018	31/12/2017
Contractual liabilities on account of the acquisition of non-financial non-current assets	1,277.0	120.4
Total	**1,277.0**	**120.4**

As at 31 December 2018, the value of the Company's future investment liabilities included mainly liabilities resulting from:

- a contract entered into with PKP CARGOTABOR Sp. z o.o. for approx. 21,000 periodic repairs of freight cars to be performed until December 2020. The contract is currently underway and as at 31 December 2018 its outstanding contractual value was PLN 629.5 million.
- a contract entered into with NEWAG S.A. for modernization of 60 SM48 locomotives to be performed by May 2021. The contract is currently underway and as at 31 December 2018 its outstanding contractual value was PLN 260.7 million,
- a contract entered into with Pojazdy Szynowe PESA Bydgoszcz S.A. to conduct level five maintenance repairs of 38 ST44 locomotives with a total value of PLN 176.3 million, to be performed from January 2019 to September 2020,
- a contract entered into with PKP CARGOTABOR Sp. z o.o. for overhauls of ET41 locomotives, to be performed until December 2019. The contract is currently underway and as at 31 December 2018 its outstanding contractual value was PLN 100.5 million.

The remaining part of the Company's investment liabilities consisted mainly of contracts for repairs and periodic inspections of wagons for PLN 59.8 million and contracts for the purchase of wagons for PLN 47.4 million.

On 28 January 2019, the Company entered into an annex with a consortium of Siemens Mobility Sp. z o.o. and Siemens Mobility GmbH for the exercise of the option specified in the contract and the Company's right to increase the deliverable by 5 brand new Siemens VECTRON multi-system locomotives with the provision of auxiliary services. 3 locomotives are scheduled to be delivered by July 2019 and 2 locomotives are scheduled to be delivered by January 2020. The total estimated net value of the annex is approx. EUR 26 million, an equivalent of PLN 111.8 million.

7.4 Contingent liabilities

Accounting policy applied

In compliance with the Company accounting policy, a contingent liability is:

a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or

b) a present obligation that arises from past events but is not recognized in the statement of financial position or in the statement of profit or loss and other comprehensive income, because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

SIGNIFICANT VALUES BASED ON PROFESSIONAL JUDGMENT AND ESTIMATES

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

Structure of contingent liabilities

	31/12/2018	31/12/2017
Sureties granted for subsidiaries	1.5	1.5
Guarantees issued at PKP CARGO S.A.'s request	38.1	18.4
Other contingent liabilities	110.2	110.4
Total	**149.8**	**130.3**

Sureties granted for subsidiaries

As at 31 December 2018 and 31 December 2017, there was an outstanding loan agreement surety granted by the Company for PKP CARGOTABOR Sp. z o.o. The surety was secured with a blank promissory note.

according to EU IFRS (in millions of PLN)

7.4 Contingent liabilities (cont.)

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

As at 31 December 2018 there were outstanding guarantees issued by banks on the Company's order for commercial business partners. The guarantees comprised tender bonds (for PLN 13.9 million), performance bonds (for PLN 17.8 million) and payment guarantees (for PLN 6.3 million). As at 31 December 2017, the guarantees comprised tender bonds (for PLN 1.7 million), performance bonds (for PLN 14.3 million) and payment guarantees (for PLN 2.4 million).

Other contingent liabilities

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

7.5 Disclosures following from Article 36g Section 1 of the Rail Transport Act

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

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

Statement of profit or loss and other comprehensive income

The Company allocates the items of the statement of comprehensive income to individual types of activity on the basis of accounting records. The Company keeps a record of expenses by nature using the Cost Centers and controlling orders. The analytical records of controlling objects makes it possible to single out and properly allocate the sales revenue items and operating expenses to individual types of activity.

The items of other operating revenues and operating expenses are subject to detailed identification on the basis of accounting records. Due to the fact that the Company has not identified any major items pertaining to the activity associated with the service infrastructure, these items were allocated fully to the Company's other activities.

Financial revenue and expense items are excluded from the division, except for the costs of settlement of the discount on account of the provision for employee benefits, which are allocated to individual activities on the basis of a division key. Also the income tax items and other comprehensive income are excluded from the division. These items are excluded from the division because they pertain to the activities of the whole Company.

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

Item designation	allocation key
Revenues from contracts with customers	method of detailed identification
Consumption of traction electricity and traction fuel	method of detailed identification
Services of access to infrastructure	method of detailed identification
Other services	method of detailed identification
Employee benefits	method of detailed identification
Other expenses	method of detailed identification
Depreciation, amortization and impairment losses	method of detailed identification
Other operating revenue and (expenses)	method of detailed identification
Costs of settlement of discount on provisions for employee benefits	proportional method
Financial revenue and (expenses)	excluded from the division
Income tax recognized in profit or loss	excluded from the division
Other comprehensive income	excluded from the division

Items of revenue from contracts with customers presented as part of the activity associated with the service infrastructure comprise revenues earned from external entities. Cost items, in turn, are presented in the activity associated with the service infrastructure comprise all costs generated by the Company in this activity, regardless of whether they were generated for the needs of the services performed for external entities or for the Company's own needs.

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

Statement of financial position

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

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

Detailed identification applies primarily to the items: property, plant and equipment (rolling stock and other), intangible assets, inventories, other non-financial assets, trade receivables and payables and purchase and sale of non-financial non-current assets, settlements with employees and others provisions. In the case of the property, plant and equipment items, the Company performed a detailed identification of individual components used in the activity associated with the service infrastructure.
In the case of the property, plant and equipment items, the Company performed a detailed identification of individual components used in the activity associated with service infrastructure. As at 31 December 2018, assets identified as used in several separate types of activity were allocated to the type of activity which they are involved in for the most part. As at 31 December 2017, assets identified as used in several separate types of activity were allocated to the pertinent types of activity based on an allocation key associated with the degree of use of the asset in question in the various types of activity. The change in the allocation method was triggered by the guidelines published by the Office of Rail Transport regarding the preparation of regulatory financial information in compliance with the Rail Transport Act and the Act on Collective Public Transport. The guidelines have been treated prospectively and thus the Company has not restated its comparative data.
In cases where the components of rolling stock or other items of property, plant and equipment are related to several separate activities, the Company allocates them to the activity which they are involved in for the most part. In the case of inventories items the Company performed a detailed identification of individual components which may be used in the activity associated with the service infrastructure. The identified components were fully allocated to the activity associated with the service infrastructure. Due to the general use of individual components it is not out of the question that in the future some of them may be used in other activities of the Company. In the case of trade receivables and payables and settlements with the employees, the Company allocated them to individual items on the basis of accounting records. In the case of the remaining items listed above, the Company did not identify any major items associated with the service infrastructure activity therefore all of these items were allocated to the Company’s other activity.

b) on the basis of a division key

The allocation on the basis of a division key applies to the provisions for employee benefits. This item was allocated to individual types of activity on the basis of the division key based on the number of employees assigned to the service infrastructure activity and other activity.

c) exemption of some of the components from the division.

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

Detailed information about the rules of allocation is presented below:

Item designation	allocation key
ASSETS	
Rolling stock	method of detailed identification
Other property, plant and equipment	method of detailed identification
Investments in related parties	excluded from the division
Trade receivables	method of detailed identification
Financial assets	excluded from the division
Other assets:	
Non-financial assets	method of detailed identification
Other receivables	
Receivables on account of sale of non-financial non-current assets	method of detailed identification
Public law receivables	excluded from the division
Other receivables	excluded from the division
Intangible assets	method of detailed identification
Inventories	method of detailed identification
Cash and cash equivalents	excluded from the division
Deferred tax assets	excluded from the division

according to EU IFRS (in millions of PLN)

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

Item designation	allocation key
EQUITY AND LIABILITIES	
Equity, except for profit for the reporting period	excluded from the division
Debt liabilities	excluded from the division
Trade payables	method of detailed identification
Investment liabilities	method of detailed identification
Other liabilities	
VAT liabilities	excluded from the division
Current tax liabilities	excluded from the division
Employee compensation, PIT and ZUS liabilities	method of detailed identification
Other liabilities	excluded from the division
Provisions for employee benefits	proportional method
Other provisions	method of detailed identification
Deferred tax liability	excluded from the division

Breakdown of the statement of profit or loss and other comprehensive income and the statement of financial position for 2017-2018 by type of activity:

STANDALONE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Activity associated with the service infrastructure	Elimination of capitalized expenses	Other activities	Excluded items	2018
Revenues from contracts with customers	6.1	-	3,904.7	-	3,910.8
Consumption of traction electricity and traction fuel	-	-	(549.7)	-	(549.7)
Services of access to infrastructure	-	-	(733.6)	-	(733.6)
Other services	(38.7)	8.1	(399.4)	-	(430.0)
Employee benefits	(142.5)	26.4	(1,149.1)	-	(1,265.2)
Other expenses	(102.1)	45.9	(114.0)	-	(170.2)
Other operating revenue and (expenses)	-	-	9.1	-	9.1
Operating profit / (loss) without depreciation (EBITDA)	**(277.2)**	**80.4**	**968.0**	**-**	**771.2**
Depreciation, amortization and impairment losses	(9.3)	-	(443.7)	-	(453.0)
Profit / (loss) on operating activities (EBIT)	**(286.5)**	**80.4**	**524.3**	**-**	**318.2**
Financial revenue and (expenses)	(2.3)	-	(15.3)	20.1	2.5
Profit / (loss) before tax	**(288.8)**	**80.4**	**509.0**	**20.1**	**320.7**
Income tax	-	-	-	(66.7)	(66.7)
NET PROFIT / (LOSS)	**(288.8)**	**80.4**	**509.0**	**(46.6)**	**254.0**

according to EU IFRS (in millions of PLN)

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

STANDALONE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Activity associated with the service infrastructure	Elimination of capitalized expenses	Other activities	Excluded items	2017
Revenues from contracts with customers	5.4	-	3,558.2	-	3,563.6
	-	-	-	-	-
Consumption of traction electricity and traction fuel	-	-	(484.6)	-	(484.6)
Services of access to infrastructure	-	-	(714.5)	-	(714.5)
Other services	(37.0)	8.5	(422.2)	-	(450.7)
Employee benefits	(133.3)	24.3	(1,041.7)	-	(1,150.7)
Other expenses	(86.7)	35.1	(112.4)	-	(164.0)
	-	-	-	-	-
Other operating revenue and (expenses)	-	-	(8.8)	-	(8.8)
Operating profit / (loss) without depreciation (EBITDA)	**(251.6)**	**67.9**	**774.0**	**-**	**590.3**
Depreciation, amortization and impairment losses	(8.7)	-	(431.9)	-	(440.6)
Profit / (loss) on operating activities (EBIT)	**(260.3)**	**67.9**	**342.1**	**-**	**149.7**
Financial revenue and (expenses)	(2.9)	-	(14.4)	(6.9)	(24.2)
Profit / (loss) before tax	**(263.2)**	**67.9**	**327.7**	**(6.9)**	**125.5**
Income tax	-	-	-	(31.5)	(31.5)
NET PROFIT / (LOSS)	**(263.2)**	**67.9**	**327.7**	**(38.4)**	**94.0**

As part of activities associated with service infrastructure, costs were incurred in connection with the services performed for the needs of the Company's core business in the amount of approx. PLN 290 million in 2018 and approx. PLN 264 million in 2017.

according to EU IFRS (in millions of PLN)

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

STANDALONE STATEMENT OF FINANCIAL POSITION

	Activity associated with the service infrastructure	Other activity	Excluded items	31/12/2018
ASSETS				
Rolling stock	-	3,425.7	-	3,425.7
Other property, plant and equipment	137.6	405.5	-	543.1
Investments in related parties	-	-	805.5	805.5
Financial assets	-	-	5.7	5.7
Other assets	-	35.3	-	35.3
Deferred tax assets	-	-	87.2	87.2
Total non-current assets	**137.6**	**3,866.5**	**898.4**	**4,902.5**
Inventories	49.8	34.4	-	84.2
Trade receivables	1.1	478.3	-	479.4
Financial assets	-	-	203.4	203.4
Other assets	-	42.0	48.4	90.4
Cash and cash equivalents	-	-	222.4	222.4
Total current assets	**50.9**	**554.7**	**474.2**	**1,079.8**
TOTAL ASSETS	**188.5**	**4,421.2**	**1,372.6**	**5,982.3**
EQUITY AND LIABILITIES				
Share capital	-	-	2,239.3	2,239.3
Supplementary capital	-	-	596.7	596.7
Other items of equity	-	-	(32.7)	(32.7)
Retained earnings	-	-	511.3	511.3
Total equity	**-**	**-**	**3,314.6**	**3,314.6**
Debt liabilities	-	-	999.9	999.9
Investment liabilities	-	109.7	-	109.7
Provisions for employee benefits	68.8	460.0	-	528.8
Other provisions	-	14.2	-	14.2
Deferred tax liability	-	-	-	-
Total long-term liabilities	68.8	**583.9**	999.9	**1,652.6**
Debt liabilities	-	-	231.3	231.3
Trade payables	14.7	277.9	-	292.6
Investment liabilities	-	225.5	-	225.5
Provisions for employee benefits	10.8	81.8	-	92.6
Other provisions	-	19.4	-	19.4
Other financial liabilities	-	-	1.7	1.7
Other liabilities	15.2	54.2	82.6	152.0
Total short-term liabilities	**40.7**	**658.8**	**315.6**	**1015.1**
Total liabilities	**109.5**	**1,242.7**	**1,315.5**	**2,667.7**
TOTAL EQUITY AND LIABILITIES	**109.5**	**1,242.7**	**4,630.1**	**5,982.3**

according to EU IFRS (in millions of PLN)

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

STANDALONE STATEMENT OF FINANCIAL POSITION

	Activity associated with the service infrastructure	Other activity	Excluded items	2017
ASSETS				
Rolling stock	-	3,056.0	-	3,056.0
Other property, plant and equipment	115.6	439.6	-	555.2
Investments in related parties	-	-	804.7	804.7
Financial assets	-	-	8.6	8.6
Other assets	-	44.1	-	44.1
Deferred tax assets	-	-	94.0	94.0
Total non-current assets	**115.6**	**3,539.7**	**907.3**	**4,562.6**
Inventories	42.1	44.3	-	86.4
Trade receivables	0.9	460.1	-	461.0
Financial assets	-	-	281.6	281.6
Other assets	-	28.0	25.6	53.6
Cash and cash equivalents	-	-	295.9	295.9
Total current assets	**43.0**	**532.4**	**603.1**	**1,178.5**
TOTAL ASSETS	**158.6**	**4,072.1**	**1,510.4**	**5,741.1**
EQUITY AND LIABILITIES				
Share capital	-	-	2,239.3	2,239.3
Supplementary capital	-	-	589.2	589.2
Other items of equity	-	-	6.0	6.0
Retained earnings	-	-	254.4	254.4
Total equity	-	-	**3,088.9**	**3,088.9**
Debt liabilities	-	-	1,214.5	1,214.5
Provisions for employee benefits	76.4	443.6	-	520.0
Other provisions	-	14.2	-	14.2
Total long-term liabilities	**76.4**	**457.8**	**1,214.5**	**1,748.7**
Debt liabilities	-	-	250.4	250.4
Trade payables	14.6	261.5	-	276.1
Investment liabilities	-	127.8	-	127.8
Provisions for employee benefits	10.1	75.8	-	85.9
Other provisions	-	16.9	-	16.9
Other liabilities	16.3	48.5	81.6	146.4
Total short-term liabilities	**41.0**	**530.5**	**332.0**	**903.5**
Total liabilities	**117.4**	**988.3**	**1,546.5**	**2,652.2**
TOTAL EQUITY AND LIABILITIES	**117.4**	**988.3**	**4,635.4**	**5,741.1**

7.6 Subsequent events

On 4 January 2019, the Company entered into agreements with members of the PGE Group for the transport of coal and limestone sorbents with a total maximum weight of 16.7 million tons. The agreements were entered into for the period from 1 January 2019 to 31 December 2021. The estimated maximum net value of the agreements during their term of validity is PLN 541.2 million.

More information on subsequent events is provided in **Note 7.3** to these Standalone Financial Statements.

Other subsequent events are described in the Management Board Report on the Activity of the PKP CARGO Group for the financial year 2018 in **Chapter 6.1.**

7.7 Approval of the financial statements

These Standalone Financial Statements were approved for publication by the Company's Management Board on 20 March 2019.

Company's Management Board

Czesław Warsewicz
President of the Management Board

Leszek Borowiec
Management Board Member

Grzegorz Fingas
Management Board Member

Witold Bawor
Management Board Member

Zenon Kozendra
Management Board Member

Warsaw, 20 March 2019