



PKP CARGO GROUP'S
Consolidated Quarterly Report
for Q3 2022



**Quarterly Condensed Consolidated
Financial Statements of the PKP CARGO GROUP
for the period of 9 months ended 30 September 2022
prepared in accordance with EU IFRS**

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QUARTERLY CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	9 months ended 30/09/2022	3 months ended 30/09/2022	9 months ended 30/09/2021	3 months ended 30/09/2021	
Revenues from contracts with customers	3,814.6	1,363.1	3,145.9	1,099.9	<i>Note 2.1</i>
Consumption of traction electricity and traction fuel	(572.2)	(194.2)	(403.4)	(144.8)	<i>Note 2.2</i>
Services of access to infrastructure	(418.8)	(142.0)	(390.1)	(124.0)	
Transport services	(263.2)	(89.8)	(258.6)	(84.4)	
Other services	(393.8)	(149.0)	(284.5)	(107.6)	<i>Note 2.2</i>
Employee benefits	(1,256.4)	(423.6)	(1,223.5)	(409.8)	<i>Note 2.2</i>
Other expenses	(258.5)	(82.4)	(217.2)	(80.9)	<i>Note 2.2</i>
Other operating revenue and (expenses)	(3.2)	(5.1)	23.7	17.1	<i>Note 2.3</i>
Operating profit without depreciation (EBITDA)	648.5	277.0	392.3	165.5	
Depreciation, amortization and impairment losses	(550.2)	(184.8)	(530.7)	(175.6)	<i>Note 2.2</i>
Profit / (loss) on operating activities (EBIT)	98.3	92.2	(138.4)	(10.1)	
Financial revenue and (expenses)	(101.4)	(45.6)	(45.2)	(16.0)	<i>Note 2.4</i>
Share in the profit / (loss) of entities accounted for under the equity method	4.8	2.0	3.0	0.5	<i>Note 5.3</i>
Profit / (loss) before tax	1.7	48.6	(180.6)	(25.6)	
Income tax	(6.4)	(10.9)	27.1	2.1	<i>Note 3.1</i>
NET PROFIT / (LOSS)	(4.7)	37.7	(153.5)	(23.5)	
OTHER COMPREHENSIVE INCOME					
Measurement of hedging instruments	(33.2)	(23.9)	5.3	(14.3)	<i>Note 6.1</i>
Income tax	6.3	4.5	(1.0)	2.7	<i>Note 3.1</i>
FX differences resulting from translation of financial statements	47.2	31.9	24.5	15.9	
Total other comprehensive income subject to reclassification in the financial result	20.3	12.5	28.8	4.3	
Actuarial profits / (losses) on post-employment benefits	42.9	(2.5)	36.4	-	<i>Note 5.8</i>
Income tax	(8.1)	0.5	(6.9)	-	<i>Note 3.1</i>
Total other comprehensive income not subject to reclassification in the financial result	34.8	(2.0)	29.5	-	
Total other comprehensive income	55.1	10.5	58.3	4.3	
TOTAL COMPREHENSIVE INCOME	50.4	48.2	(95.2)	(19.2)	
Net profit / (loss) attributable:					
Net profit / (loss) attributable to shareholders of the Parent Company	(4.7)	37.7	(153.5)	(23.5)	
Total other comprehensive income attributable:					
Total other comprehensive income attributable to shareholders of the Parent Company	50.4	48.2	(95.2)	(19.2)	
Earnings / (losses) per share (PLN per share)					
Weighted average number of ordinary shares	44,786,917	44,786,917	44,786,917	44,786,917	
Basic and diluted earnings / (losses) per share	(0.11)	0.84	(3.43)	(0.53)	

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

QUARTERLY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30/09/2022	31/12/2021	
ASSETS			
Rolling stock	4,179.3	4,241.6	<i>Note 5.1</i>
Other property, plant and equipment	870.8	893.4	<i>Note 5.1</i>
Rights-of-use assets	973.5	1,030.7	<i>Note 5.2</i>
Investments in entities accounted for under the equity method	37.2	36.7	<i>Note 5.3</i>
Trade receivables	5.7	4.2	<i>Note 5.5</i>
Lease receivables	8.6	8.5	
Other assets	50.8	40.5	<i>Note 5.6</i>
Deferred tax assets	205.4	203.1	<i>Note 3.1</i>
Total non-current assets	6,331.3	6,458.7	
Inventories	195.2	164.6	<i>Note 5.4</i>
Trade receivables	762.5	611.7	<i>Note 5.5</i>
Lease receivables	0.5	0.6	
Income tax receivables	0.8	4.5	
Other assets	105.2	103.1	<i>Note 5.6</i>
Cash and cash equivalents	127.4	254.5	<i>Note 4.3</i>
Total current assets	1,191.6	1,139.0	
Non-current assets classified as held for sale	3.5	15.7	
TOTAL ASSETS	7,526.4	7,613.4	
EQUITY AND LIABILITIES			
Share capital	2,239.3	2,239.3	<i>Note 4.2</i>
Supplementary capital	678.0	771.7	
Other items of equity	(67.9)	(75.8)	
FX differences resulting from translation of financial statements	189.7	142.5	
Retained earnings / (Accumulated losses)	51.9	(37.1)	
Total equity	3,091.0	3,040.6	
Debt liabilities	1,847.4	2,090.3	<i>Note 4.1</i>
Trade liabilities	6.7	2.3	
Investment liabilities	63.0	111.8	<i>Note 5.7</i>
Provisions for employee benefits	448.4	529.1	<i>Note 5.8</i>
Other provisions	0.6	7.0	<i>Note 5.9</i>
Deferred tax liability	95.8	93.3	<i>Note 3.1</i>
Total long-term liabilities	2,461.9	2,833.8	
Debt liabilities	686.5	473.9	<i>Note 4.1</i>
Trade liabilities	693.6	639.0	
Investment liabilities	98.6	221.4	<i>Note 5.7</i>
Provisions for employee benefits	153.7	127.3	<i>Note 5.8</i>
Other provisions	32.6	23.3	<i>Note 5.9</i>
Other liabilities	308.5	254.1	<i>Note 5.10</i>
Total short-term liabilities	1,973.5	1,739.0	
Total liabilities	4,435.4	4,572.8	
TOTAL EQUITY AND LIABILITIES	7,526.4	7,613.4	

QUARTERLY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Supplementary capital	Other items of equity			FX differences resulting from translation of financial statements	Retained earnings / (Accumulated losses)	Total equity
			Profits / (losses) on measurement of equity instruments at fair value	Actuarial profits / (losses) on post-employment benefits	Measurement of hedging instruments			
1/01/2022	2,239.3	771.7	(12.9)	(42.0)	(20.9)	142.5	(37.1)	3,040.6
Net result for the period	-	-	-	-	-	-	(4.7)	(4.7)
Other comprehensive income for the period (net)	-	-	-	34.8	(26.9)	47.2	-	55.1
Total comprehensive income	-	-	-	34.8	(26.9)	47.2	(4.7)	50.4
Other changes for the period	-	(93.7)	-	-	-	-	93.7	-
30/09/2022	2,239.3	678.0	(12.9)	(7.2)	(47.8)	189.7	51.9	3,091.0
1/01/2021	2,239.3	782.4	(12.9)	(115.7)	(31.6)	104.8	177.5	3,143.8
Net result for the period	-	-	-	-	-	-	(153.5)	(153.5)
Other comprehensive income for the period (net)	-	-	-	29.5	4.3	24.5	-	58.3
Total comprehensive income	-	-	-	29.5	4.3	24.5	(153.5)	(95.2)
Other changes for the period	-	(10.7)	-	-	-	-	10.7	-
30/09/2021	2,239.3	771.7	(12.9)	(86.2)	(27.3)	129.3	34.7	3,048.6

QUARTERLY CONSOLIDATED CASH FLOW STATEMENT

	9 months ended 30/09/2022	9 months ended 30/09/2021	
Cash flows from operating activities			
Profit / (loss) before tax	1.7	(180.6)	
Adjustments			
Depreciation, amortization and impairment losses	550.2	530.7	<i>Note 2.2</i>
(Profits) / losses on the sale and liquidation of non-financial non-current assets	(9.0)	(17.7)	
(Profits) / losses on FX differences	6.1	5.6	
(Profits) / losses on interest, dividends	82.6	36.2	
Received / (paid) interest	0.3	0.4	
Received / (paid) income tax	(8.3)	(7.9)	
Movement in working capital	(94.5)	(86.8)	
Other adjustments	43.1	34.0	
Net cash from operating activities	572.2	313.9	
Cash flows from investing activities			
Expenditures on the acquisition of non-financial non-current assets	(664.2)	(619.6)	
Proceeds from the sale of non-financial non-current assets	64.2	51.7	
Proceeds from dividends received	4.0	2.9	
Other investment expenditures	-	(27.0)	
Other inflows from investing activities	2.5	1.3	
Net cash from investing activities	(593.5)	(590.7)	
Cash flows from financing activities			
Payments on lease liabilities	(103.1)	(95.9)	
Proceeds from bank loans and borrowings	211.2	418.0	<i>Note 4.1</i>
Repayment of bank loans and borrowings	(231.8)	(219.0)	<i>Note 4.1</i>
Interest paid on lease liabilities and bank loans and borrowings	(71.8)	(35.4)	<i>Note 4.1</i>
Grants received	88.1	38.4	
Other outflows from financing activities	(2.8)	(2.6)	
Net cash from financing activities	(110.2)	103.5	
Net increase / (decrease) in cash and cash equivalents	(131.5)	(173.3)	
Cash and cash equivalents at the beginning of the reporting period	254.5	306.0	
Impact exerted by FX rate movements on the cash balance in foreign currencies	4.4	(2.5)	
Cash and cash equivalents at the end of the reporting period, including:	127.4	130.2	
<i>Restricted cash</i>	<i>44.3</i>	<i>30.1</i>	



NOTES TO THE QUARTERLY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. General information

1.1 Key information about the Group's business

Information about the Parent Company

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

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

In the period of 9 months ended 30 September 2022, the Parent Company did not change its name or other identification details.

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

The composition of the Parent Company's management and supervisory bodies and the Parent Company's shareholding structure as at 30 September 2022 are presented in the Additional Information to the Consolidated Quarterly Report of the PKP CARGO Group for Q3 2022 in [Chapters 2.1](#) and [2.3](#), respectively.

Information about the Group

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

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

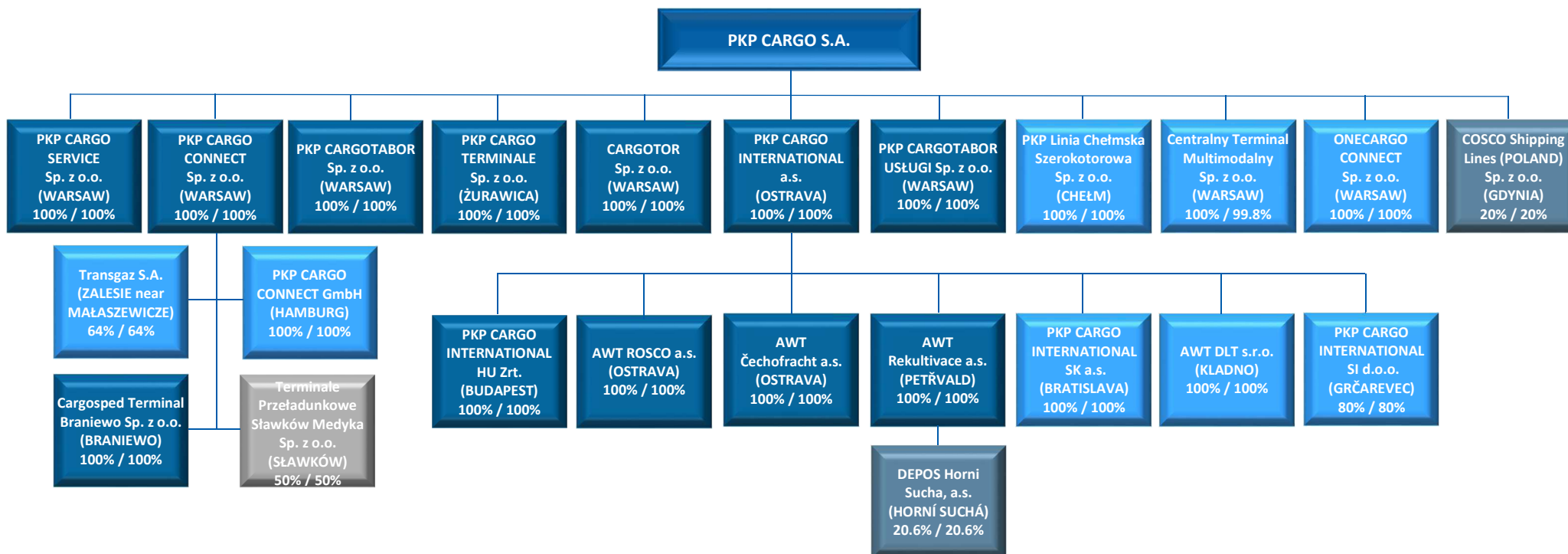
As at the balance sheet date, the PKP CARGO Group (hereinafter: "Group") comprised PKP CARGO S.A. as its parent company and 20 subsidiaries. In addition, the Group held shares in 2 associated entities and 1 joint venture.

On 11 March 2022, the Parent Company signed an agreement with PKP S.A. to purchase a 0.17% share in Centralny Terminal Multimodalny Sp. z o.o. As a result of the agreement, the Parent Company became the sole shareholder of Centralny Terminal Multimodalny Sp. z o.o.

The duration of individual Group companies is unlimited.

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

Detailed information about members of the Group as at 30 September 2022 and 31 December 2021 is as follows:



Subsidiaries – consolidated by the full method
 Associates in the Group

Other subsidiaries in the Group
 Ownership interest in the Group's joint ventures

1.2 Basis for preparation of the Quarterly Condensed Consolidated Financial Statements

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

These Quarterly Condensed Consolidated Financial Statements should be read together with the audited Consolidated Financial Statements of the PKP CARGO Group for the year ended 31 December 2021 prepared according to EU IFRS. The accounting policy used to prepare these Quarterly Condensed Consolidated Financial Statements is consistent with the one used to prepare the Consolidated Financial Statements for the financial year ended 31 December 2021, except for the change of the presentation of costs of other services, as described in [Note 2.2](#).

These Quarterly Condensed Consolidated Financial Statements for the period of 9 months ended 30 September 2022 have been prepared based on the assumption that the Group will continue to be a going concern in the foreseeable future. As at the preparation date of these financial statements, there are no material circumstances indicating any substantial doubt about the Group's ability to continue its business as a going concern for a period of at least 12 months from the end of the reporting period.

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

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

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

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

Transactions in foreign currencies are converted to the functional currency at the exchange rate from the date of the transaction or valuation upon their initial revaluation. As at the balance sheet date, cash assets and liabilities denominated in foreign currencies are converted according to the average NBP exchange rate binding on that date. Foreign exchange gains and losses obtained as a result of settlements of those transactions and balance sheet valuation of assets and liabilities denominated in foreign currencies are recognized in the profit or loss, provided they are not deferred in other comprehensive income when they are eligible for recognition as cash flows' hedging. Non-cash items measured at historical cost expressed in a foreign currency are converted using the exchange rate from the transaction date.

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

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

FX differences from the above conversions are presented in the equity as FX differences resulting from translation of financial statements.

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

Currency	Items of the statement of financial position		Items of the statement of profit or loss and other comprehensive income and the cash flow statement	
	30/09/2022	31/12/2021	9 months ended 30/09/2022	9 months ended 30/09/2021
EUR	4.8698	4.5994	4.6880	4.5585
CZK	0.1980	0.1850	0.1904	0.1771

These Quarterly Condensed Consolidated Financial Statements have not been audited by a statutory auditor. The line items of the consolidated statement of financial position as at 31 December 2021 were audited by a statutory auditor during the audit of the Consolidated Financial Statements of the PKP CARGO Group for the year ended 31 December 2021 prepared according to EU IFRS.

These Quarterly Condensed Consolidated Financial Statements were approved for publication by the Parent Company's Management Board on 23 November 2022.

1.3 Applied International Financial Reporting Standards platform

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

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

Standard / Interpretation	Effective date
Amendments to IFRS 3 "Business combinations", IAS 16 "Property, Plant and Equipment", IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"	1 January 2022
Annual Improvements to IFRS 2018-2020 Cycle (IFRS 1, IFRS 9, IFRS 16 and IAS 41)	1 January 2022

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

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

In the opinion of the Parent Company's Management Board, the standards and interpretations mentioned below will not result in any major amendments to the Group's financial statements in the successive reporting periods:

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

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

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

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

1.4 Impact of the COVID-19 pandemic and the war in Ukraine on the Group's business

During the first 9 months of 2022, the PKP CARGO Group noted a declining impact of the COVID-19 pandemic on the activity of companies in the organizational area (both the number of illnesses among employees and the costs incurred by the entities to counter SARS-CoV-2 virus infection decreased). Even though another wave of the pandemic occurred in Q1 2022, neither the transports nor their full logistic support have been disrupted. The declining impact of the pandemic on transportation activity was noticeable in virtually each cargo category. As the time passed, more and more states lifted the restrictions, which remained at a high level in the East Asia Region only. This fact had a positive effect on the possibility and scale of international trade. The only significant exception was a significant decrease in the quantity of container transports from China (as part of the so-called "New Silk Road"), driven directly by the "zero Covid" principle and implementation of very restrictive lockdowns in numerous major cities of the country's industrial regions.

The Group's companies are monitoring the situation in respect to the possible changes in case the pandemic restrictions are reinstated. If the restrictions return, the scale of business of cooperating entities may be significantly reduced. In addition to the obvious costs, for example an extension of the rail car loading times, the decline in production volumes available for shipping will be the main challenge for the PKP CARGO Group.

1.4 Impact of the COVID-19 pandemic and the war in Ukraine on the Group's business (cont.)

The war in Ukraine affected numerous aspects of activity of the PKP CARGO Group in 2022. Uncertain geopolitical situation globally and consequences of the war in Ukraine have affected and continue to affect both Poland and international trade. They included primarily sudden changes in the stream of cargo coming from the East and the need to take adaptive steps related, among others, to the current sanctions against Russia and Belarus. The sanctions covered a wide variety of goods, such as coal, wood, biomass, metals, etc., i.e. the goods that represent a significant majority of existing trade, which had an adverse effect on the terminals located in the North-Eastern Poland (where actions had to be taken to change the scope of services provided). At the same time, the Polish-Ukrainian border area and the terminals in Żurawica and Medyka, have become the natural direction for all deliveries to Ukraine (whose ports were blocked by the Russian federation in the first half of this year). Regular transports required the situation to quiet down partially; more intensive trade could only take place starting in Q2 of this year. Attempts were made to both transport grain and iron ore out of Ukraine, to partially compensate for the loss of shipments from other directions from the East. The problem however is the limited throughput of the terminals, which cannot naturally replace the capacity offered by Ukraine's sea and river transport. As a result of the agreements concluded in July, grain is currently transported by sea; previously, that was achieved among others by rail transport through Poland (even though, given the restrictions existing on the Black Sea, some of the grain must still be distributed by other trading routes).

The war in Ukraine also has a very negative effect on the exchange of goods via containers on the so-called "New Silk Road". In addition to the inability to make shipments through Ukraine and noticing problems with insuring valuable cargo, China diverted a large portion of cargo to ships, which had an adverse effect on trading exchange from the eastern direction (the decrease in container shipments to/from China is estimated even at almost 50%, which clearly shows the scale of the problem in this once promising and fast-growing market). Also, bulk cargo categories previously imported from Russia and Belarus are currently, due to the embargo, transported mainly by sea, which causes congestion of rail routes at ports. The Group companies, like most transport and freight forwarding companies, are affected by the continuing disruption in global supply chains. They have undertaken measures to redirect resources to areas where demand for their services has increased.

The PKP CARGO Group has been analyzing the impact of the war and its potential effects on both freight and broader transportation support activities on an ongoing basis and has taken appropriate corrective measures. The Group entities use the opportunities associated with changes in goods flow routes by adapting their offer to the requirements of the market.

Currently, in the short-term and medium-term horizon, the risk associated with the operating activity of the Group's companies is not particularly high. Given the current structure of cargo transports and the scope of activities of PKP CARGO Group companies, it is expected that Russia's aggression in Ukraine may cause a loss of a relatively insignificant portion of revenues from services provided, which may be replaced by services provided in other areas. Still, the possible escalation of the conflict and the potential tightening of sanctions may adversely affect the revenues of the subsidiaries of the PKP CARGO Group, especially those operating terminals on Poland's eastern border and providing freight forwarding services in that area. However, as of today there are no real indications of such a threat.

An update of the risks accompanying the COVID-19 pandemic the war in Ukraine may affect the Group's financial position in subsequent reporting periods.

1.5 Significant values based on professional judgment and estimates

In the period of 9 months ended 30 September 2022, changes to significant values based on professional judgment and estimations affected the following items:

- rolling stock and other property, plant and equipment

As at 30 June 2022, the Group performed impairment tests with respect to two cash-generating units defined at the level of assets of the PKP CARGO INTERNATIONAL Group and PKP CARGOTABOR Sp. z o.o. The impairment tests were carried out because the market value of net assets was persistently lower than their carrying amount, while market rates of return on investments rose, affecting the discount rates used in impairment tests. The tests were performed on cash-generating units by determining their recoverable amount at the level of their value in use.

PKP CARGOTABOR Sp. z o.o.

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

- a) discounted cash flows were developed on the basis of detailed financial projections for the period from H2 2022 to 2026;
- b) in the detailed projection period of 2023-2026, the compound annual growth rate (CAGR) of operating revenue will be at 3.6% in real terms,
- c) the after-tax weighted average cost of capital (WACC) in the detailed projection period will be at a level of 6.0% in real terms,
- d) after the detailed projection period, the growth of future cash flows was assumed at 0.0% in real terms.

1.5 Significant values based on professional judgment and estimates (cont.)

Since the recoverable amount determined as a result of the test exceeded the carrying amount of the tested assets owned by PKP CARGOTABOR Sp. z o.o., as at 30 June 2022 the Group recognized no impairment charge for assets owned by PKP CARGOTABOR Sp. z o.o.

A sensitivity analysis was carried out for the key assumptions of impairment test model for such figures as WACC and the future cash flows increase ratio after the detailed projection period. The WACC change by +/- 0.3 p.p. and a +/- 0.3 p.p. change in the level of future cash flows after the period of forecast does not cause the need to recognize an impairment charge for assets owned by the PKP CARGOTABOR Sp. z o.o.

PKP CARGO INTERNATIONAL

Presented below are the key assumptions affecting the estimate of the value in use of the cash-generating unit at the level of the PKP CARGO INTERNATIONAL Group:

- the cash-generating unit was considered to be all owned by the PKP CARGO INTERNATIONAL Group, used mainly to service customers on the Czech rail market,
- discounted cash flows were developed on the basis of detailed financial projections for the period from H2 2022 to 2031; in the opinion of the Parent Company's Management Board, it is reasonable to adopt financial projections for more than five years because the property, plant and equipment used by PKP CARGO INTERNATIONAL a.s. have a considerably longer period of economic life.
- in the detailed projection period of 2023-2031, the compound annual growth rate (CAGR) of operating revenue will be at 3.2% in real terms,
- the after-tax weighted average cost of capital (WACC) in the detailed projection period will be at a level of 5.8% in real terms,
- after the detailed projection period, the growth of future cash flows was assumed at 0.0% in real terms.

Because the recoverable amount determined as a result of the test was not materially different from the carrying amount of the tested non-current assets owned by the PKP CARGO INTERNATIONAL Group, the Group did not revalue the impairment loss for the assets as at 30 June 2022, which as at that date amounted to PLN 116.3 million.

Presented below is the estimated amount of impairment loss as at 30 June 2022 when changing only the following key parameters and keeping the other assumptions on a fixed level:

	PKP CARGO INTERNATIONAL GROUP	
	- 0.3 p.p.	+ 0.3 p.p.
WACC	(49.3)	42.9
Increase after the detailed projection period	27.6	(32.1)

The main assumptions and results of the impairment tests carried out as at 30 June 2022 remain valid as of 30 September 2022.

PKP CARGO S.A.

For the Parent Company, the recoverable amount of its non-current assets as at 31 December 2021 was determined based on their fair value less cost to sell. The fair value of the rolling stock and selected properties was determined on the basis of valuations prepared by independent appraisers. For the remaining assets comprising a cash-generating unit at the Parent Company level that are not subject to valuation, the fair value did not differ materially from their carrying amounts. An analysis carried out as at 30 September 2022 showed that, in the period of 9 months of 2022, there were no changes and circumstances that could have material effect on the outcome of the valuation and therefore the previous appraisals could be used to determine the recoverable amounts of these assets as at 30 September 2022 and to confirm that no impairment allowances must be recognized for the Parent Company's assets on that date.

- provisions for employee benefits

As at 30 June 2022, the Group companies performed an actuarial valuation of its provisions for employee benefits mainly in connection with the change of the discount rate and the agreements concluded with the trade unions regarding salary increases. As a result of the raise, the average salary in the Parent Company increased by approx. 10.6%. The discount rate adopted for the valuation of provisions for employee benefits as at 30 June 2022 was 6.9% (3.5% as at 31 December 2021). Additionally, some of the Group companies measured their provisions for employee benefits as at 30 September 2022 associated with the change of the minimum salary level, which is the basis for calculating selected employee benefits, effective as of 2023. The update of actuarial assumptions caused a decrease in provisions for employee benefits by PLN 44.1 million, out of which PLN 1.2 million reduced the cost of employee benefits. Detailed information on this matter is presented in [Note 5.8](#) to these Quarterly Condensed Consolidated Financial Statements.

During the 9 months ended 30 September 2022, no other changes were made to the assumptions adopted by the Parent Company's Management Board for the calculation of estimates that would have a material impact on the current period or any future periods.

1.6 Liquidity position of the Group

In the period of 9 months ended 30 September 2022, the Parent Company secured additional financing of PLN 100 million under an overdraft facility. Additionally, cash pooling systems are in place in the PKP CARGO Group, which as at 30 September 2022 comprise 8 Group companies. The cash pool systems, independently of the cash collected by particular participants, offers flexible lines of credit in the form of a current account overdraft facilities. Information on the financing sources available as at 30 September 2022 is presented in [Note 4.1](#) to these Quarterly Condensed Consolidated Financial Statements.

On 8 November 2022, the Parent Company signed a master leasing agreement with PKO Leasing S.A. up to the maximum amount of PLN 200 million, to lease new locomotives supplied by a consortium of NEWAG S.A. and Newag Lease sp. z o.o. S.K.A.

An update of the risks accompanying the COVID-19 pandemic the war in Ukraine may affect the Group's financial position in subsequent reporting periods.

The maturities of financial liabilities are presented below.

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

30/09/2022	Contractual maturities from the end of the reporting period				Total (no discount)	Carrying amount
	Below 3 months	From 3 to 12 months	From 1 year to 5 years	Over 5 years		
Debt liabilities	349.3	411.2	1,472.4	674.0	2,906.9	2,533.9
Cash pool	1.1	-	-	-	1.1	1.1
Trade liabilities	690.4	3.2	6.7	-	700.3	700.3
Investment liabilities	50.4	49.6	63.7	-	163.7	161.6
Total	1,091.2	464.0	1,542.8	674.0	3,772.0	3,396.9

31/12/2021	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	136.9	377.8	1,557.8	760.2	2,832.7	2,564.2
Cash pool	1.1	-	-	-	1.1	1.1
Trade liabilities	632.0	7.0	2.3	-	641.3	641.3
Investment liabilities	173.8	49.7	113.4	-	336.9	333.2
Total	943.8	434.5	1,673.5	760.2	3,812.0	3,539.8

The table below presents the age structure of trade liabilities, investment liabilities and trade receivables.

Age structure of trade liabilities and investment liabilities

	30/09/2022			31/12/2021		
	Trade liabilities	Investment liabilities	Total	Trade liabilities	Investment liabilities	Total
Non-overdue liabilities	461.8	149.5	611.3	431.8	310.2	742.0
Overdue liabilities						
to 30 days	127.7	8.2	135.9	143.4	15.9	159.3
31 - 90 days	103.7	3.9	107.6	55.2	7.1	62.3
91 - 180 days	3.5	-	3.5	1.4	-	1.4
181 - 365 days	1.5	-	1.5	1.2	-	1.2
over 365 days	2.1	-	2.1	8.3	-	8.3
Total	700.3	161.6	861.9	641.3	333.2	974.5

1.6 Liquidity position of the Group (cont.)

Age analysis of trade receivables

	30/09/2022			31/12/2021		
	Gross	Expected credit losses	Net	Gross	Expected credit losses	Net
Non-overdue receivables	713.6	(1.4)	712.2	555.3	(1.2)	554.1
Overdue receivables						
to 30 days	31.5	(0.2)	31.3	42.6	(0.2)	42.4
31 - 90 days	8.3	(0.5)	7.8	9.7	(0.8)	8.9
91 - 180 days	5.0	(1.1)	3.9	6.6	(3.2)	3.4
181 - 365 days	6.2	(1.5)	4.7	1.3	(0.7)	0.6
over 365 days	141.8	(133.5)	8.3	140.6	(134.1)	6.5
Total	906.4	(138.2)	768.2	756.1	(140.2)	615.9

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

2.1 Revenues from contracts with customers

Structure of revenues from contracts with customers

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

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

9 months ended 30/09/2022	Group of entities related to the biggest external counterparty	PKP Group related parties	State Treasury related parties	Others	Total
Revenue from rail transportation services and freight forwarding services	168.8	0.8	843.1	1,967.3	2,980.0
Revenue from other transportation activity	2.3	-	0.4	123.2	125.9
Revenue from siding and traction services	-	8.1	119.6	121.4	249.1
Revenue from transshipment services	0.3	-	1.0	136.0	137.3
Revenue from reclamation services	-	4.9	0.5	82.7	88.1
Revenue from sales of goods and materials	-	-	-	117.8	117.8
Other revenues	0.8	12.3	9.2	94.1	116.4
Total	172.2	26.1	973.8	2,642.5	3,814.6
Revenue recognition date					
At a point of time	-	-	-	119.1	119.1
Over a period	172.2	26.1	973.8	2,523.4	3,695.5
Total	172.2	26.1	973.8	2,642.5	3,814.6

2.1 Revenues from contracts with customers (cont.)

3 months ended 30/09/2022	Group of entities related to the biggest external counterparty	PKP Group related parties	State Treasury related parties	Others	Total
Revenue from rail transportation services and freight forwarding services	46.7	0.6	309.7	714.4	1,071.4
Revenue from other transportation activity	1.4	-	0.1	43.4	44.9
Revenue from siding and traction services	-	2.6	39.1	39.2	80.9
Revenue from transshipment services	0.3	-	0.5	54.9	55.7
Revenue from reclamation services	-	2.5	-	31.4	33.9
Revenue from sales of goods and materials	-	-	-	34.9	34.9
Other revenues	0.2	2.8	3.8	34.6	41.4
Total	48.6	8.5	353.2	952.8	1,363.1
Revenue recognition date					
At a point of time	-	-	-	35.0	35.0
Over a period	48.6	8.5	353.2	917.8	1,328.1
Total	48.6	8.5	353.2	952.8	1,363.1

9 months ended 30/09/2021	Group of entities related to the biggest external counterparty	PKP Group related parties	State Treasury related parties	Others	Total
Revenue from rail transportation services and freight forwarding services	215.6	2.4	607.7	1,676.9	2,502.6
Revenue from other transportation activity	0.4	-	0.6	112.8	113.8
Revenue from siding and traction services	-	8.7	107.4	117.1	233.2
Revenue from transshipment services	-	-	0.2	98.3	98.5
Revenue from reclamation services	-	1.1	1.2	46.6	48.9
Revenue from sales of goods and materials	-	-	0.1	59.1	59.2
Other revenues	0.8	12.5	7.2	69.2	89.7
Total	216.8	24.7	724.4	2,180.0	3,145.9
Revenue recognition date					
At a point of time	-	-	0.1	63.7	63.8
Over a period	216.8	24.7	724.3	2,116.3	3,082.1
Total	216.8	24.7	724.4	2,180.0	3,145.9

2.1 Revenues from contracts with customers (cont.)

3 months ended 30/09/2021	Group of entities related to the biggest external counterparty	PKP Group related parties	State Treasury related parties	Others	Total
Revenue from rail transportation services and freight forwarding services	75.6	1.0	212.9	574.2	863.7
Revenue from other transportation activity	-	-	0.2	39.2	39.4
Revenue from siding and traction services	-	3.0	34.6	37.5	75.1
Revenue from transshipment services	-	-	0.2	35.6	35.8
Revenue from reclamation services	-	0.5	0.8	20.0	21.3
Revenue from sales of goods and materials	-	-	-	33.3	33.3
Other revenues	0.2	3.3	2.4	25.4	31.3
Total	75.8	7.8	251.1	765.2	1,099.9
Revenue recognition date					
At a point of time	-	-	-	33.7	33.7
Over a period	75.8	7.8	251.1	731.5	1,066.2
Total	75.8	7.8	251.1	765.2	1,099.9

Geography

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

	9 months ended 30/09/2022	3 months ended 30/09/2022	9 months ended 30/09/2021	3 months ended 30/09/2021
Poland	2,747.2	988.1	2,207.9	795.3
Czech Republic	486.2	163.2	383.0	129.2
Germany	206.2	74.8	214.9	68.7
Austria	66.8	22.5	61.8	22.7
Slovakia	53.2	17.5	54.0	13.0
Denmark	43.6	13.0	52.7	18.1
Other countries	211.4	84.0	171.6	52.9
Total	3,814.6	1,363.1	3,145.9	1,099.9

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

	30/09/2022	31/12/2021
Poland	5,346.5	5,461.9
Czech Republic	751.2	762.0
Other countries	8.1	9.2
Total	6,105.8	6,233.1

Information on key customers

In the period of 9 months ended 30 September 2022 and 30 September 2021, revenues from any single customer of the Group did not exceed 10% of the total revenues from contracts with customers.

Assets from contracts with customers

	9 months ended 30/09/2022	9 months ended 30/09/2021
As at the beginning of the reporting period	33.9	24.2
Recognition of revenue before the sales document is issued	69.3	45.9
Reclassification to receivables	(34.5)	(24.9)
FX differences from valuation	0.6	0.1
As at the end of the reporting period	69.3	45.3

2.2 Operating expenses

Consumption of traction electricity and traction fuel

	9 months ended 30/09/2022	3 months ended 30/09/2022	9 months ended 30/09/2021	3 months ended 30/09/2021
Consumption of traction fuel	(153.6)	(54.5)	(100.5)	(36.4)
Consumption of traction energy	(418.6)	(139.7)	(302.9)	(108.4)
Total	(572.2)	(194.2)	(403.4)	(144.8)

Other services

	9 months ended 30/09/2022	3 months ended 30/09/2022	9 months ended 30/09/2021	3 months ended 30/09/2021
Repair and maintenance services for non-current assets	(69.7)	(23.6)	(67.8)	(22.6)
Rent and fees for the use of real property and rolling stock	(103.4)	(39.7)	(58.1)	(23.3)
Telecommunications services	(4.5)	(1.4)	(4.5)	(1.4)
Legal, consulting and similar services	(7.7)	(2.5)	(7.7)	(2.8)
IT services	(35.8)	(12.4)	(32.8)	(11.2)
Transshipment services ¹⁾	(43.1)	(18.9)	(30.2)	(11.9)
Reclamation services ¹⁾	(69.1)	(28.4)	(25.9)	(12.6)
Traction and shunting services, train drivers	(30.9)	(11.5)	(33.2)	(12.3)
Other services	(29.6)	(10.6)	(24.3)	(9.5)
Total	(393.8)	(149.0)	(284.5)	(107.6)

¹⁾ The Group changed the method of allocating sub-contractor costs incurred by AWT Rekulivace a.s., which were previously presented as reclamation services. Following the change, a reclassification was carried out between reclamation services and transshipment services. The change was recognized retrospectively. The management of the Parent Company believes that the changed presentation ensures a greater transparency of the presented data.

Employee benefits

	9 months ended 30/09/2022	3 months ended 30/09/2022	9 months ended 30/09/2021	3 months ended 30/09/2021
Payroll	(961.5)	(332.5)	(935.6)	(316.5)
Social security expenses	(203.0)	(70.0)	(196.3)	(66.3)
Expenses for contributions to the Company Social Benefits Fund	(24.0)	(8.0)	(23.5)	(7.7)
Other employee benefits during employment	(30.3)	(9.5)	(30.3)	(9.7)
Post-employment benefits	(4.3)	(1.3)	(2.9)	(1.2)
Movement in provisions for employee benefits	(33.3)	(2.3)	(34.9)	(8.4)
Total	(1,256.4)	(423.6)	(1,223.5)	(409.8)

Other expenses

	9 months ended 30/09/2022	3 months ended 30/09/2022	9 months ended 30/09/2021	3 months ended 30/09/2021
Consumption of non-traction fuel	(28.7)	(9.7)	(18.3)	(6.5)
Consumption of electricity, gas and water	(36.2)	(7.2)	(28.1)	(5.6)
Consumption of materials	(64.5)	(22.8)	(58.5)	(22.1)
Taxes and charges	(29.3)	(9.9)	(28.9)	(10.0)
Cost of goods and materials sold	(64.8)	(18.4)	(43.5)	(23.9)
Business trips	(20.6)	(7.6)	(20.0)	(6.9)
Other	(14.4)	(6.8)	(19.9)	(5.9)
Total	(258.5)	(82.4)	(217.2)	(80.9)

2.2 Operating expenses (cont.)

Depreciation, amortization and impairment losses

	9 months ended 30/09/2022	3 months ended 30/09/2022	9 months ended 30/09/2021	3 months ended 30/09/2021
Depreciation of rolling stock	(405.9)	(137.6)	(375.5)	(126.6)
Depreciation of other property, plant and equipment	(50.0)	(16.5)	(50.7)	(15.4)
Depreciation of rights-of-use assets	(87.1)	(28.8)	(89.1)	(28.9)
Amortization of intangible assets	(5.7)	(1.7)	(6.4)	(2.1)
(Recognized) / reversed impairment losses:				
Rolling stock	-	-	(1.5)	(1.5)
Other property, plant and equipment	(1.5)	(0.2)	(7.5)	(1.1)
Total	(550.2)	(184.8)	(530.7)	(175.6)

2.3 Other operating revenue and (expenses)

Other operating revenue and (expenses)

	9 months ended 30/09/2022	3 months ended 30/09/2022	9 months ended 30/09/2021	3 months ended 30/09/2021
Profit on sales of non-financial non-current assets	15.9	7.2	16.2	13.2
Reversed impairment losses for trade receivables	2.1	1.1	6.9	0.2
Penalties and compensations	8.9	2.2	11.8	6.5
Reversal of other provisions	1.3	(0.5)	3.4	2.3
Interest on trade and other receivables	1.7	0.5	1.6	0.4
Net result on FX differences on trade receivables and liabilities	3.5	1.8	-	-
Grants	3.8	1.3	0.6	0.1
Other	2.6	0.4	3.7	(0.3)
Total other operating revenue	39.8	14.0	44.2	22.4
Recognized impairment losses for trade receivables	(2.3)	(0.6)	(3.0)	(0.7)
Penalties and compensations	(10.4)	(3.9)	(6.5)	(2.8)
Costs of liquidation of non-current and current assets	(10.8)	(6.0)	(4.1)	(1.3)
Recognized other provisions	(4.3)	-	(2.0)	0.4
Interest on trade and other payables	(11.6)	(7.0)	(0.4)	(0.2)
Net result on FX differences on trade receivables and liabilities	-	-	(1.1)	0.7
Other	(3.6)	(1.6)	(3.4)	(1.4)
Total other operating expenses	(43.0)	(19.1)	(20.5)	(5.3)
Other operating revenue and (expenses)	(3.2)	(5.1)	23.7	17.1

2.4 Financial revenue and (expenses)

Financial revenue and (expenses)

	9 months ended 30/09/2022	3 months ended 30/09/2022	9 months ended 30/09/2021	3 months ended 30/09/2021
Interest income	1.8	1.1	0.9	0.3
Net result on FX differences	-	-	-	(0.7)
Other	0.6	0.1	0.4	-
Total financial revenue	2.4	1.2	1.3	(0.4)
Interest expenses	(83.4)	(38.1)	(36.3)	(11.7)
Other				
Settlement of the discount on provisions for employee benefits	(18.0)	(7.9)	(8.1)	(2.9)
Net result on FX differences	(0.8)	(0.3)	(0.4)	(0.4)
Other	(1.6)	(0.5)	(1.7)	(0.6)
Total financial expenses	(103.8)	(46.8)	(46.5)	(15.6)
Financial revenue and (expenses)	(101.4)	(45.6)	(45.2)	(16.0)

3. Notes on taxation

3.1 Income tax

Income tax recognized in profit or loss

	9 months ended 30/09/2022	3 months ended 30/09/2022	9 months ended 30/09/2021	3 months ended 30/09/2021
Current income tax				
Current tax charge	(13.9)	(5.9)	(9.4)	(3.1)
Adjustments recognized in the current year relating to tax from previous years	(0.2)	-	-	-
Deferred tax				
Deferred income tax of the reporting period	7.7	(5.0)	36.5	5.2
Income tax recognized in profit or loss	(6.4)	(10.9)	27.1	2.1

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

Deferred income tax recognized in other comprehensive income

	9 months ended 30/09/2022	3 months ended 30/09/2022	9 months ended 30/09/2021	3 months ended 30/09/2021
Deferred tax on the measurement of hedging instruments	6.3	4.5	(1.0)	2.7
Deferred tax on actuarial profits / (losses) pertaining to post-employment benefits	(8.1)	0.5	(6.9)	-
FX differences from translation of the balance of deferred income tax recognized in other comprehensive income ⁽¹⁾	(6.1)	(4.2)	(3.5)	(2.1)
Deferred income tax recognized in other comprehensive income	(7.9)	0.8	(11.4)	0.6

⁽¹⁾ This item is disclosed under equity as FX differences resulting from translation of financial statements from conversion of financial statements of foreign operations.

3.1 Income tax (cont.)

Balance of deferred tax assets and liabilities

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

	30/09/2022	31/12/2021
Deferred tax assets	205.4	203.1
Deferred tax liabilities	(95.8)	(93.3)
Total	109.6	109.8

Table of movements in deferred tax before the set-off

9 months ended 30/09/2022	1/01/2022	Recognized in profit or loss	Recognized in other comprehensive income	FX differences from translation of deferred tax balance	30/09/2022
Temporary differences relating to deferred tax (liabilities) / assets:					
Non-financial non-current assets	(118.2)	34.6	-	(5.5)	(89.1)
Rights-of-use assets and lease liabilities	(12.7)	(2.7)	-	(0.7)	(16.1)
Other provisions and liabilities	17.7	3.7	-	0.1	21.5
Inventories	(7.9)	(1.9)	-	-	(9.8)
Lease receivables	(1.7)	(0.1)	-	-	(1.8)
Trade receivables	1.2	(3.7)	-	-	(2.5)
Provisions for employee benefits	124.7	(3.1)	(8.1)	0.1	113.6
Other	17.0	5.5	6.3	(0.1)	28.7
Unused tax losses	89.7	(24.6)	-	-	65.1
Total	109.8	7.7	(1.8)	(6.1)	109.6

9 months ended 30/09/2021	1/01/2021	Recognized in profit or loss	Recognized in other comprehensive income	FX differences from translation of deferred tax balance	30/09/2021
Temporary differences relating to deferred tax (liabilities) / assets:					
Non-financial non-current assets	(151.2)	30.2	-	(3.3)	(124.3)
Rights-of-use assets and lease liabilities	(9.7)	(1.9)	-	(0.3)	(11.9)
Other provisions and liabilities	13.3	3.9	-	-	17.2
Inventories	(9.3)	1.3	-	-	(8.0)
Lease receivables	(2.1)	0.2	-	-	(1.9)
Trade receivables	2.9	(1.9)	-	-	1.0
Provisions for employee benefits	152.0	(2.7)	(6.9)	0.1	142.5
Other	15.7	2.1	(1.0)	-	16.8
Unused tax losses	75.5	5.3	-	-	80.8
Total	87.1	36.5	(7.9)	(3.5)	112.2

Maturity analysis of deferred tax assets from tax losses

Expiration dates of the tax losses to which deferred tax assets were recognized as at 30 September 2022

Year	2023	2024	2025	2026	Total
Unused tax losses	-	144.6	151.5	46.3	342.4

Expiration dates of the tax losses to which deferred tax assets were recognized as at 31 December 2021

Year	2023	2024	2025	2026	Total
Unused tax losses	71.1	185.9	163.8	50.8	471.6

3.1 Income tax (cont.)

Tax loss not recognized in calculation of deferred tax assets

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

	30/09/2022	31/12/2021
PKP CARGO INTERNATIONAL HU Zrt.	9.4	10.3
AWT Čechofracht a.s.	12.1	11.4
PKP CARGOTABOR USŁUGI Sp. z o.o.	0.3	1.2
Total	21.8	22.9

Expiration dates of the tax losses to which deferred tax assets were not recognized as at 30 September 2022

Year	2022	2023	2024	2025	2026	Total
Unused tax losses	2.7	3.3	11.5	4.0	0.3	21.8

Expiration dates of the tax losses to which deferred tax assets were not recognized as at 31 December 2021

Year	2022	2023	2024	2025	2026	Total
Unused tax losses	3.2	4.1	11.7	3.7	0.2	22.9

4. Notes on debt

4.1 Reconciliation of debt liabilities

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

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

Items in foreign currencies

30/09/2022	In the functional currency	In a foreign currency		Total
	PLN	EUR	CZK	
Bank loans and borrowings	967.1	692.8	-	1,659.9
Leases	794.3	42.9	36.8	874.0
Total	1,761.4	735.7	36.8	2,533.9

31/12/2021	In the functional currency	In a foreign currency		Total
	PLN	EUR	CZK	
Bank loans and borrowings	900.6	732.3	-	1,632.9
Leases	826.1	66.2	39.0	931.3
Total	1,726.7	798.5	39.0	2,564.2

4.1 Reconciliation of debt liabilities (cont.)

Reconciliation of debt liabilities

9 months ended 30/09/2022	Bank loans and borrowings	Leases	Total
1/01/2022	1,632.9	931.3	2,564.2
New liabilities contracted	211.2	11.7	222.9
Modifications of agreements	-	11.5	11.5
Leaseback	-	17.0	17.0
Transaction costs	1.3	-	1.3
Accrual of interest	52.4	29.3	81.7
Payments under debt, including:			
Repayments of the principal	(231.8)	(104.7)	(336.5)
Interest paid	(44.8)	(27.0)	(71.8)
Transaction costs	(1.1)	-	(1.1)
Other	(0.3)	(2.1)	(2.4)
FX differences recognized in the result	38.1	1.4	39.5
FX translation differences	2.0	5.6	7.6
30/09/2022	1,659.9	874.0	2,533.9
Long-term	1,131.9	715.5	1,847.4
Short-term	528.0	158.5	686.5
Total	1,659.9	874.0	2,533.9

9 months ended 30/09/2021	Bank loans and borrowings	Leases	Total
1/01/2021	1,659.3	921.0	2,580.3
New liabilities contracted	418.0	18.2	436.2
Modifications of agreements	-	22.6	22.6
Leaseback	-	8.7	8.7
Transaction costs	1.2	-	1.2
Accrual of interest	10.8	22.8	33.6
Payments under debt, including:			
Repayments of the principal	(219.0)	(95.9)	(314.9)
Interest paid	(10.7)	(24.7)	(35.4)
Transaction costs	(0.4)	-	(0.4)
Other	-	(26.6)	(26.6)
FX differences recognized in the result	3.3	(0.4)	2.9
FX translation differences	0.4	(4.5)	(4.1)
30/09/2021	1,862.9	841.2	2,704.1
Long-term	1,373.4	713.8	2,087.2
Short-term	489.5	127.4	616.9
Total	1,862.9	841.2	2,704.1

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

	Presentation in the statement of profit or loss and other comprehensive income	9 months ended 30/09/2022	9 months ended 30/09/2021
Revenues from operating leases	Revenues from contracts with customers	29.9	20.9
Costs of short-term leases	Other services	(58.9)	(35.1)

4.1 Reconciliation of debt liabilities (cont.)

Terms and conditions of loan agreements

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

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

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

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

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

As at 30 September 2022, for the Parent Company and the subsidiaries, the covenants defined in loan agreements were satisfied and therefore under IAS 1 loan liabilities did not have to be reclassified.

Unused credit and lease facilities

Type of loan	Bank Name	Period of availability	Currency of the contract	30/09/2022	31/12/2021
Overdraft	Bank Polska Kasa Opieki S.A. ¹⁾	9/07/2023	PLN	1.6	0.4
Overdraft	Bank Gospodarstwa Krajowego ²⁾	20/10/2023	PLN	100.0	100.0
Overdraft	Powszechna Kasa Oszczędności Bank Polski S.A.	19/03/2023	PLN	13.9	100.0
Overdraft	Bank Polska Kasa Opieki S.A. ³⁾	24/05/2023	PLN	75.1	100.0
Overdraft	Powszechna Kasa Oszczędności Bank Polski S.A. ⁴⁾	27/06/2023	PLN	-	-
Leasing facility	PKO Leasing S.A. ⁵⁾	18/06/2023	PLN	-	15.2
Total				190.6	315.6

⁽¹⁾ On 11 July 2022, Cargotor Sp. z o.o. executed an annex to the overdraft facility agreement increasing the credit limit amount to PLN 1.6 million and extending the availability period of the facility for additional 12 months, i.e. until 9 July 2023.

⁽²⁾ On 19 September 2022, the Parent Company executed an annex to the overdraft facility agreement extending the availability period of the facility until 20 October 2023.

⁽³⁾ On 23 May 2022, the Parent Company executed an annex the overdraft facility agreement extending the availability period of the facility until 24 May 2023.

⁽⁴⁾ On 28 June 2022, the Parent Company signed a loan agreement with Powszechna Kasa Oszczędności Bank Polski S.A. up to the total maximum amount of PLN 100 million. The subject matter of the loan agreement is financing current activity. The availability period expires and the final repayment date is 27 June 2023.

⁽⁵⁾ The availability of the leasing facility was extended automatically for another 12 months, i.e. until 18 June 2023 in connection with the fulfillment of obligations arising under the contract by the Parent Company. As at 30 September 2022, the limit has been fully used in connection with the lease agreement signed on 27 September 2022.

4.2 Equity

Share capital

	30/09/2022	31/12/2021
The share capital consists of:		
Ordinary shares – fully paid up and registered	2,239.3	2,239.3

As at 30 September 2022 and 31 December 2021, the share capital consisted of ordinary shares with a par value of PLN 50 each. Fully paid up ordinary shares with a par value of PLN 50 are equivalent to one vote at the shareholder meeting and carry the right to a dividend.

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

In the period of 9 months ended 30 September 2022 and 30 September 2021, there were no movements in the Parent Company's share capital.

Movement in supplementary capital and retained earnings

On 29 June 2022, the Parent Company's Ordinary Shareholder Meeting adopted a resolution to cover the net loss incurred in 2021 in the amount of PLN 223.3 million:

- a) with retained earnings from previous years in the amount of PLN 114.3 million;
- b) with reserve capital in the amount of PLN 109.0 million.

In the period of 9 months ended 30 September 2022, changes in the Group's supplementary capital resulted from a resolution of 8 September 2022 adopted by the Ordinary Shareholder Meeting of CARGOTOR Sp. z o.o. to allocate the net profit of PLN 3.6 million generated in 2021 to supplementary capital, a resolution of 9 June 2022 adopted by the Ordinary Shareholder Meeting of PKP CARGO SERVICE Sp. z o.o. to allocate the net profit generated in 2021 of PLN 9.5 million partially to supplementary capital, and the resolution of 13 April 2022 adopted by the Ordinary Shareholder Meeting of Cargosped Terminal Braniewo Sp. z o.o. to allocate the net profit generated in 2021 of PLN 2.2 million to supplementary capital.

4.3 Cash and cash equivalents

Structure of cash and cash equivalents

	30/09/2022	31/12/2021
Cash on hand and on bank accounts	78.3	164.0
Bank deposits up to 3 months	49.1	90.0
Other cash	-	0.5
Total	127.4	254.5
<i>including restricted cash</i>	44.3	60.6

Restricted cash included mostly cash accumulated on bank accounts kept for tender deposits, guarantees and cash deposited on bank accounts kept for the purposes of the split-payment mechanism.



5. Notes to the statement of financial position

5.1 Rolling stock and other property, plant and equipment

Movement in rolling stock and other property, plant and equipment

9 months ended 30/09/2022	Rolling stock	Other property, plant and equipment					Total
		Real properties	Technical machinery and equipment	Means of transport	Other fixed assets	Fixed assets under construction	
Gross value							
1/01/2022	7,155.4	1,014.3	468.3	96.0	45.0	83.7	1,707.3
<i>Increases / (decreases):</i>							
Periodic repairs of rolling stock	-	-	-	-	-	342.4	342.4
Other acquisitions	-	-	-	-	-	152.5	152.5
Purchase of leased items	23.3	-	-	-	-	-	-
Settlement of fixed assets under construction	454.0	26.6	13.2	2.5	0.6	(496.9)	(454.0)
Grant for non-current assets	(74.4)	(15.9)	(2.0)	-	-	5.9	(12.0)
Sales (including leaseback)	(30.5)	(7.5)	(6.0)	(2.0)	-	-	(15.5)
Liquidation	(319.6)	(0.8)	(1.7)	-	(0.1)	(0.2)	(2.8)
Reclassified to assets held for sale	(8.1)	-	-	-	-	-	-
FX translation differences	57.4	13.6	3.6	3.0	0.1	1.3	21.6
Other	(0.6)	-	-	-	-	(1.9)	(1.9)
30/09/2022	7,256.9	1,030.3	475.4	99.5	45.6	86.8	1,737.6
Accumulated depreciation							
1/01/2022	(2,726.7)	(327.0)	(354.6)	(84.9)	(39.9)	-	(806.4)
<i>(Increases) / decreases:</i>							
Depreciation	(405.9)	(26.8)	(19.3)	(2.6)	(1.3)	-	(50.0)
Purchase of leased items	(9.0)	-	-	-	-	-	-
Sales (including leaseback)	12.6	0.2	0.6	2.0	-	-	2.8
Liquidation	258.1	0.7	1.7	-	0.1	-	2.5
Reclassified to assets held for sale	5.6	-	-	-	-	-	-
FX translation differences	(20.0)	(3.9)	(2.1)	(2.7)	(0.1)	-	(8.8)
Other	0.8	(0.2)	(0.5)	(0.1)	-	-	(0.8)
30/09/2022	(2,884.5)	(357.0)	(374.2)	(88.3)	(41.2)	-	(860.7)
Accumulated impairment							
1/01/2022	(187.1)	(0.9)	(1.7)	-	-	(4.9)	(7.5)
<i>(Increases) / decreases:</i>							
Recognition	-	-	-	-	-	(1.5)	(1.5)
Utilization	0.8	-	-	-	-	3.1	3.1
FX translation differences	(6.8)	-	(0.1)	-	-	(0.1)	(0.2)
30/09/2022	(193.1)	(0.9)	(1.8)	-	-	(3.4)	(6.1)
Net value							
1/01/2022	4,241.6	686.4	112.0	11.1	5.1	78.8	893.4
30/09/2022	4,179.3	672.4	99.4	11.2	4.4	83.4	870.8

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

9 months ended 30/09/2021	Rolling stock	Other property, plant and equipment					Total
		Real properties	Technical machinery and equipment	Means of transport	Other fixed assets	Fixed assets under construction	
Gross value							
1/01/2021	7,044.0	945.2	479.4	100.7	44.6	78.3	1,648.2
<i>Increases / (decreases):</i>							
Periodic repairs of rolling stock	-	-	-	-	-	290.0	290.0
Other acquisitions	-	-	-	-	-	271.7	271.7
Purchase of leased items	4.6	-	-	-	-	-	-
Settlement of fixed assets under construction	509.6	7.4	8.9	2.2	0.7	(528.8)	(509.6)
Grant for non-current assets	(34.7)	(2.5)	(1.3)	-	-	(2.0)	(5.8)
Sales	(4.3)	(0.3)	(0.3)	(3.3)	-	-	(3.9)
Leaseback	-	-	(8.0)	(1.3)	-	-	(9.3)
Liquidation	(238.3)	(4.2)	(4.9)	(0.3)	(0.9)	(0.7)	(11.0)
Reclassified to assets held for sale	(133.1)	-	-	-	-	-	-
FX translation differences	23.6	5.2	1.7	1.5	0.1	1.6	10.1
Other	5.2	0.1	-	(4.5)	-	1.6	(2.8)
30/09/2021	7,176.6	950.9	475.5	95.0	44.5	111.7	1,677.6
Accumulated depreciation							
1/01/2021	(2,612.9)	(295.9)	(345.3)	(84.7)	(38.9)	-	(764.8)
<i>(Increases) / decreases:</i>							
Depreciation	(375.5)	(25.2)	(21.9)	(2.2)	(1.4)	-	(50.7)
Purchase of leased items	(1.2)	-	-	-	-	-	-
Sales	3.4	0.3	0.3	3.2	-	-	3.8
Leaseback	-	-	0.1	-	-	-	0.1
Liquidation	216.3	4.2	4.9	0.3	0.8	-	10.2
Reclassified to assets held for sale	90.1	-	-	-	-	-	-
FX translation differences	(4.9)	(1.6)	(1.0)	(1.1)	(0.1)	-	(3.8)
Other	(0.4)	(0.2)	(0.5)	(0.1)	0.1	-	(0.7)
30/09/2021	(2,685.1)	(318.4)	(363.4)	(84.6)	(39.5)	-	(805.9)
Accumulated impairment							
1/01/2021	(186.1)	(2.4)	(1.7)	-	-	(3.7)	(7.8)
<i>(Increases) / decreases:</i>							
Recognition	(1.5)	-	(0.6)	-	-	(6.9)	(7.5)
Utilization	0.5	-	0.6	-	-	0.7	1.3
Reclassified to assets held for sale	11.7	-	-	-	-	-	-
FX translation differences	(1.0)	-	-	-	-	-	-
30/09/2021	(176.4)	(2.4)	(1.7)	-	-	(9.9)	(14.0)
Net value							
1/01/2021	4,245.0	646.9	132.4	16.0	5.7	74.6	875.6
30/09/2021	4,315.1	630.1	110.4	10.4	5.0	101.8	857.7

5.2 Rights-of-use assets

Movement in rights-of-use assets

9 months ended 30/09/2022	Rolling stock	Real properties	Technical machinery and equipment	Means of transport	Other fixed assets	Total
Gross value						
1/01/2022	527.5	799.1	53.0	21.5	1.4	1,402.5
<i>Increases / (decreases):</i>						
New leases	-	8.0	3.5	0.2	-	11.7
Modifications of agreements	-	8.5	-	3.0	-	11.5
Leaseback	13.6	-	1.2	-	-	14.8
Periodic repairs of rolling stock	-	-	-	-	-	-
Return of leased items	(6.5)	(14.0)	(0.1)	(0.2)	(0.1)	(20.9)
Purchase of leased items	(23.3)	-	-	-	-	(23.3)
FX translation differences	11.5	8.8	1.4	0.5	-	22.2
30/09/2022	522.8	810.4	59.0	25.0	1.3	1,418.5
Accumulated depreciation						
1/01/2022	(175.2)	(166.5)	(14.9)	(14.3)	(0.9)	(371.8)
<i>(Increases) / decreases:</i>						
Depreciation	(31.7)	(46.0)	(5.7)	(3.5)	(0.2)	(87.1)
Return of leased items	6.5	12.3	0.1	0.1	-	19.0
Purchase of leased items	9.0	-	-	-	-	9.0
Other	(0.2)	-	-	-	-	(0.2)
FX translation differences	(5.9)	(7.2)	(0.6)	(0.2)	-	(13.9)
30/09/2022	(197.5)	(207.4)	(21.1)	(17.9)	(1.1)	(445.0)
Net value						
1/01/2022	352.3	632.6	38.1	7.2	0.5	1,030.7
30/09/2022	325.3	603.0	37.9	7.1	0.2	973.5

9 months ended 30/09/2021	Rolling stock	Real properties	Technical machinery and equipment	Means of transport	Other fixed assets	Total
Gross value						
1/01/2021	467.2	792.1	29.1	17.6	1.9	1,307.9
<i>Increases / (decreases):</i>						
New leases	4.2	2.6	10.5	0.9	-	18.2
Modifications of agreements	0.1	22.5	-	-	-	22.6
Leaseback	-	-	7.3	1.3	-	8.6
Periodic repairs of rolling stock	1.5	-	-	-	-	1.5
Return of leased items	(20.8)	(30.9)	(0.1)	(0.1)	-	(51.9)
Purchase of leased items	(4.6)	-	-	-	-	(4.6)
Other	(11.7)	0.3	0.9	-	(0.8)	(11.3)
FX translation differences	5.6	1.5	0.6	0.2	-	7.9
30/09/2021	441.5	788.1	48.3	19.9	1.1	1,298.9
Accumulated depreciation						
1/01/2021	(157.5)	(122.8)	(8.7)	(9.7)	(0.6)	(299.3)
<i>(Increases) / decreases:</i>						
Depreciation	(38.2)	(42.3)	(4.8)	(3.6)	(0.2)	(89.1)
Return of leased items	18.6	9.6	-	-	-	28.2
Purchase of leased items	1.2	-	-	-	-	1.2
Other	10.8	(3.3)	-	-	-	7.5
FX translation differences	(2.4)	(0.6)	(0.2)	(0.1)	-	(3.3)
30/09/2021	(167.5)	(159.4)	(13.7)	(13.4)	(0.8)	(354.8)
Net value						
1/01/2021	309.7	669.3	20.4	7.9	1.3	1,008.6
30/09/2021	274.0	628.7	34.6	6.5	0.3	944.1

5.3 Investments in entities accounted for under the equity method

Investments in entities accounted for under the equity method

	Carrying amount	
	30/09/2022	31/12/2021
COSCO Shipping Lines (POLAND) Sp. z o.o.	0.9	0.8
Terminale Przeładunkowe Sławków - Medyka Sp. z o.o.	21.8	21.2
Transgaz S.A.	6.7	6.4
PKP CARGO CONNECT GmbH	0.9	0.9
PKP CARGO INTERNATIONAL SK a. s.	2.8	2.8
PKP CARGO INTERNATIONAL SI d.o.o.	2.9	3.4
Centralny Terminal Multimodalny Sp. z o.o.	1.2	1.2
Total	37.2	36.7

Change in investments in entities accounted for under the equity method

	9 months ended 30/09/2022	9 months ended 30/09/2021
As at the beginning of the reporting period	36.7	42.0
Sale of shares	-	(7.0)
Share in the profit / (loss) of entities accounted for under the equity method	4.8	3.0
Movement in equity on account of dividends	(4.3)	(2.9)
As at the end of the reporting period	37.2	35.1

5.4 Inventories

Structure of inventories

	30/09/2022	31/12/2021
Strategic inventories	32.0	31.2
Rolling stock during liquidation	43.9	31.0
Other inventories	123.8	109.4
Impairment losses	(4.5)	(7.0)
Net inventories	195.2	164.6

5.5 Trade receivables

Structure of trade receivables

	30/09/2022	31/12/2021
Trade receivables	906.4	756.1
Impairment loss on receivables	(138.2)	(140.2)
Total	768.2	615.9
Non-current assets	5.7	4.2
Current assets	762.5	611.7
Total	768.2	615.9

5.6 Other assets

Structure of other assets

	30/09/2022	31/12/2021
Financial assets		
Shares in unlisted companies	5.7	5.6
Non-financial assets		
Costs settled over time		
Prepayments for purchase of electricity	35.1	32.3
Insurance	4.6	6.8
IT services	6.2	11.6
Purchase of transportation benefits	3.2	-
Other costs settled over time	5.5	4.1
Prepayments for purchase of non-financial non-current assets	18.7	8.0
Other	2.7	1.2
Other receivables		
VAT settlements	34.1	30.5
Receivables from the sale of shares	4.4	5.3
Other	13.6	12.0
Intangible assets		
Licenses	14.1	19.3
Other intangible assets	0.3	0.3
Intangible assets under development	7.8	6.6
Total	156.0	143.6
Non-current assets	50.8	40.5
Current assets	105.2	103.1
Total	156.0	143.6

5.7 Investment liabilities

Structure of investment liabilities

	30/09/2022	31/12/2021
Investment liabilities related to rolling stock	158.6	298.8
Investment liabilities related to real properties	1.0	19.8
Other	2.0	14.6
Total	161.6	333.2
Long-term liabilities	63.0	111.8
Short-term liabilities	98.6	221.4
Total	161.6	333.2



5.8 Provisions for employee benefits

Movement in provisions for employee benefits

	Retirement and disability severance pays	Company Social Benefits Fund	Transportation benefits	Post-mortem benefits	Jubilee awards	Other employee benefits	Total provisions
1/01/2022	205.2	125.5	24.0	6.7	259.4	35.6	656.4
Current service cost	5.3	1.6	0.4	0.3	8.9	-	16.5
Interest expenses	5.8	3.6	0.7	0.2	7.7	-	18.0
Actuarial (profits) / losses recognized in other comprehensive income	(0.5)	(33.4)	(8.1)	(0.9)	-	-	(42.9)
Actuarial (profits) / losses recognized in the statement of profit or loss	-	-	-	-	(1.2)	-	(1.2)
Recognition of provisions	-	-	-	-	-	24.5	24.5
Reversal of provisions	-	-	-	-	-	(6.5)	(6.5)
Benefits paid out	(15.7)	(4.1)	(0.7)	(0.7)	(38.6)	(3.9)	(63.7)
FX translation differences	0.1	-	-	-	0.3	0.6	1.0
30/09/2022	200.2	93.2	16.3	5.6	236.5	50.3	602.1
Long-term provisions	154.2	87.3	15.3	4.7	186.9	-	448.4
Short-term provisions	46.0	5.9	1.0	0.9	49.6	50.3	153.7
Total	200.2	93.2	16.3	5.6	236.5	50.3	602.1

	Retirement and disability severance pays	Company Social Benefits Fund	Transportation benefits	Post-mortem benefits	Jubilee awards	Other employee benefits	Total provisions
1/01/2021	234.5	179.3	40.3	7.3	310.5	28.7	800.6
Current service cost	6.1	2.7	0.6	0.3	11.3	-	21.0
Interest expenses	2.4	1.9	0.4	0.1	3.3	-	8.1
Actuarial (profits) / losses recognized in other comprehensive income	(9.1)	(19.0)	(8.4)	0.1	-	-	(36.4)
Actuarial (profits) / losses recognized in the statement of profit or loss	-	-	-	-	(12.3)	-	(12.3)
Past service cost	-	-	-	-	1.2	-	1.2
Recognition of provisions	-	-	-	-	-	32.2	32.2
Reversal of provisions	-	-	-	-	-	(7.2)	(7.2)
Benefits paid out	(12.9)	(3.9)	(0.7)	(1.0)	(33.7)	(1.6)	(53.8)
FX translation differences	-	-	-	-	0.2	0.3	0.5
30/09/2021	221.0	161.0	32.2	6.8	280.5	52.4	753.9
Long-term provisions	182.4	155.4	31.3	5.9	234.3	-	609.3
Short-term provisions	38.6	5.6	0.9	0.9	46.2	52.4	144.6
Total	221.0	161.0	32.2	6.8	280.5	52.4	753.9

5.9 Other provisions

Structure of other provisions

	30/09/2022	31/12/2021
Provision for land reclamation	7.9	6.8
Other provisions	25.3	23.5
Total	33.2	30.3
Long-term provisions	0.6	7.0
Short-term provisions	32.6	23.3
Total	33.2	30.3

5.10 Other liabilities

Structure of other liabilities

	30/09/2022	31/12/2021
Financial liabilities		
Cash pool	1.1	1.1
Other liabilities		
Liabilities arising out of collateral (deposits, bid bonds, guarantees)	40.1	34.2
Public law liabilities	113.5	109.3
Settlements with employees	105.0	96.2
Received grants	-	0.6
VAT settlements	26.1	5.1
Current income tax liabilities	2.9	0.8
Other settlements	19.8	6.8
Total	308.5	254.1
Short-term liabilities	308.5	254.1
Total	308.5	254.1

6. Financial instruments

6.1 Financial instruments

Categories and classes of financial instruments

Financial assets by categories and classes	Note	30/09/2022	31/12/2021
Financial assets measured at fair value through other comprehensive income			
Investments in equity instruments	<i>Note 5.6</i>	5.7	5.6
Financial assets measured at amortized cost			
Trade receivables	<i>Note 5.5</i>	768.2	615.9
Receivables from the sale of shares	<i>Note 5.6</i>	4.4	5.3
Cash and cash equivalents	<i>Note 4.3</i>	127.4	254.5
Financial assets excluded from the scope of IFRS 9		9.1	9.1
Total		914.8	890.4

6.1 Financial instruments (cont.)

Financial liabilities by categories and classes	Note	30/09/2022	31/12/2021
Hedging financial instruments			
Bank loans and borrowings	Note 4.1	692.5	732.2
Financial liabilities excluded from the scope of IFRS 9	Note 4.1	26.0	33.5
Financial liabilities measured at amortized cost			
Bank loans and borrowings	Note 4.1	967.4	900.7
Trade liabilities		700.3	641.3
Investment liabilities	Note 5.7	161.6	333.2
Cash pool	Note 5.10	1.1	1.1
Financial liabilities excluded from the scope of IFRS 9	Note 4.1	848.0	897.8
Total		3,396.9	3,539.8

Impairment losses on trade receivables are presented in [Note 1.6](#) to these Quarterly Condensed Consolidated Financial Statements.

Hedge accounting

In the period from 1 January 2022 to 30 September 2022, the Group applied cash flow hedge accounting. The purpose of the hedging activity was to mitigate the impact of the FX risk within the EUR/PLN currency pair on future cash flows. The hedged item is a highly likely cash flow denominated in EUR.

As at 30 September 2022, the Group has established the following hedging instruments:

- investment loans denominated in EUR. The hedged cash flows will be realized until January 2035. As at 30 September 2022, the nominal amount of the hedging instrument was EUR 142.2 million, which is an equivalent of PLN 692.5 million.
- leases denominated in EUR. The hedged cash flows will be realized until August 2027. As at 30 September 2022, the nominal amount of the hedging instrument was EUR 5.3 million, which is an equivalent of PLN 26.0 million.

Fair value hierarchy

As at 30 September 2022 and 31 December 2021, financial instruments measured at fair value were FX forward contracts and investments in equity instruments.

	30/09/2022		31/12/2021	
	Level 2	Level 3	Level 2	Level 3
Assets				
Investments in equity instruments - shares in unlisted companies	-	5.7	-	5.6

Measurement methods for financial instruments carried at fair value

a) FX forward contracts

The fair value of FX forward 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 financial instruments

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

c) Other financial instruments

For the category of financial instruments which are not carried at fair value as at the balance sheet date, the Group does not disclose fair value because as at 30 September 2022 and 31 December 2021 were not materially different from their values presented in the statement of financial position.

In the 9-month period ended 30 September 2022 and 30 September 2021, there were no transfers between level 2 and level 3 of the fair value hierarchy.



6.1 Financial instruments (cont.)

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

9 months ended 30/09/2022	Hedging financial instruments	Financial assets measured at amortized cost	Financial assets excluded from the scope of IFRS 9	Financial liabilities measured at amortized cost	Financial liabilities excluded from the scope of IFRS 9	Total
Interest income / (expense)	(2.9)	3.0	0.3	(63.3)	(28.6)	(91.5)
FX differences	-	4.1	-	-	(1.3)	2.8
Impairment losses / revaluation	-	(0.2)	-	-	-	(0.2)
Transaction costs related to loans	-	-	-	(1.3)	-	(1.3)
Effect of settlement of cash flow hedge accounting	(6.5)	-	-	-	-	(6.5)
Other	-	-	-	0.3	-	0.3
Profit / (loss) before tax	(9.4)	6.9	0.3	(64.3)	(29.9)	(96.4)
Revaluation	(33.2)	-	-	-	-	(33.2)
Other comprehensive income	(33.2)	-	-	-	-	(33.2)

In the period of 9 months ended 30 September 2022, the effect of settling cash flow hedge accounting adjusted the value of revenues from contracts with customers in the amount of PLN (6.5) million.

In the period of 9 months ended 30 September 2022, the change in the measurement of hedging financial instruments recognized in other comprehensive income included a change in the measurement of bank loans in the amount of PLN (32.9) million and lease liabilities in the amount of PLN (0.3) million, recognized as part of the hedge accounting applied by the Group.

9 months ended 30/09/2021	Hedging financial instruments	Financial assets measured at amortized cost	Financial assets excluded from the scope of IFRS 9	Financial liabilities measured at amortized cost	Financial liabilities excluded from the scope of IFRS 9	Total
Interest income / (expense)	(3.2)	2.0	0.4	(11.5)	(21.8)	(34.1)
FX differences	-	(2.9)	-	1.0	0.3	(1.6)
Impairment losses / revaluation	-	3.9	-	-	-	3.9
Transaction costs related to loans	-	-	-	(1.2)	-	(1.2)
Effect of settlement of cash flow hedge accounting	(14.9)	-	-	-	-	(14.9)
Pre-tax profit / (loss)	(18.1)	3.0	0.4	(11.7)	(21.5)	(47.9)
Revaluation	5.3	-	-	-	-	5.3
Other comprehensive income	5.3	-	-	-	-	5.3

In the period of 9 months ended 30 September 2021, the effect of settling cash flow hedge accounting adjusted the value of revenues from contracts with customers in the amount of PLN (14.9) million.

In the period of 9 months ended 30 September 2021, 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 2.6 million, bank loans in the amount of PLN 1.5 million and lease liabilities in the amount of PLN 1.2 million, recognized as part of the hedge accounting applied by the Group.

7. Other notes

7.1 Related party transactions

Transactions with the State Treasury and its other related parties

In the period of 9 months ended 30 September 2022 and 30 September 2021, the State Treasury was a upper level parent entity of the PKP CARGO Group. Accordingly, all companies owned by the State Treasury (directly or indirectly) are the Group's related parties and are presented separately as PKP Group related parties and other State Treasury related parties. In these Quarterly Condensed Consolidated Financial Statements, the Parent Company's Management Board has disclosed transactions with significant related parties identified as such according to the best knowledge of the Management Board.

In the period of 9 months ended 30 September 2022 and 30 September 2021, there were no individual transactions effected between the PKP CARGO Group and the State Treasury or other entities related to the State Treasury which would be significant due to a non-standard scope and amount. In the periods covered by these Quarterly Condensed Consolidated Financial Statements, the Group's most important clients among other parties related to the State Treasury were members of the following groups: PGE, JSW, ENEA and Tauron. In the period of 9 months ended 30 September 2022, the Group's most important suppliers that were other parties related to the State Treasury were Orlen Group entities.

Transactions with PKP Group related parties

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

	9 months ended 30/09/2022		30/09/2022	
	Sales to related parties	Purchases from related parties	Receivables from related parties	Liabilities to related parties
Parent company	0.1	58.1	0.1	564.6
Subsidiaries/co-subsiidiaries – unconsolidated	3.9	14.5	1.0	1.6
Associates	4.2	0.1	1.6	-
Other PKP Group related parties	17.9	425.4	5.8	205.3

	9 months ended 30/09/2021		31/12/2021	
	Sales to related parties	Purchases from related parties	Receivables from related parties	Liabilities to related parties
Parent company	0.3	53.5	1.3	572.2
Subsidiaries/co-subsiidiaries – unconsolidated	4.2	17.1	-	1.7
Associates	1.2	0.1	0.6	-
Other PKP Group related parties	19.0	391.5	3.2	169.3

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

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

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

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

7.1 Related party transactions (cont.)

Remunerations of key management personnel

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

Remunerations of Management Board Members	Parent Company		Subsidiaries	
	9 months ended 30/09/2022	9 months ended 30/09/2021	9 months ended 30/09/2022	9 months ended 30/09/2021
Short-term benefits	1.6	3.1	3.9	4.7
Post-employment benefits	0.7	-	0.3	0.5
Termination benefits	-	-	0.2	0.3
Total	2.3	3.1	4.4	5.5

Remunerations of Supervisory Board Members	Parent Company		Subsidiaries	
	9 months ended 30/09/2022	9 months ended 30/09/2021	9 months ended 30/09/2022	9 months ended 30/09/2021
Short-term benefits	1.0	0.9	1.0	0.2
Total	1.0	0.9	1.0	0.2

Remunerations of other members of key management personnel	Parent Company		Subsidiaries	
	9 months ended 30/09/2022	9 months ended 30/09/2021	9 months ended 30/09/2022	9 months ended 30/09/2021
Short-term benefits	4.8	4.8	14.0	12.5
Post-employment benefits	0.2	-	-	0.4
Termination benefits	0.1	-	-	-
Total	5.1	4.8	14.0	12.9

In the period of 9 months ended 30 September 2022 and 30 September 2021, members of the key management personnel of the Parent Company and the PKP CARGO Group subsidiaries did not enter into any loan or guarantee transactions with the Group.

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

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

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

	30/09/2022	31/12/2021
Contractual liabilities on account of purchase and repairs of rolling stock and other property, plant and equipment	701.9	583.0
Contractual liabilities on account of non-commenced lease contracts	-	0.2
Total	701.9	583.2

On 9 February 2022 the Parent Company's Supervisory Board gave consent to enter into an agreement with the consortium composed of: Siemens Mobility Sp. z o.o. and Siemens Mobility GmbH for the delivery of 5 brand new electric multi-system locomotives together with the provision of maintenance services. The schedule assumes delivery of 5 locomotives in Q1 2023 and the estimated value of the entire agreement will not exceed PLN 139.1 million.

On 29 July 2022, the subsidiary PKP CARGO Terminale sp. z o.o. entered into an agreement with a contractor, ZUE S.A. with its registered office in Kraków, to perform construction work to execute an investment project entitled "Construction of a multimodal terminal in Zduńska Wola-Karsznice", to be completed by 31 October 2023. The estimated value of the contract is PLN 100 million.

On 6 October 2022, PKP CARGO Terminale Sp. z o.o. entered into a conditional agreement to co-finance the project named "Construction of a multimodal terminal in Zduńska Wola-Karsznice" under the Regional Operational Programme of the Łódź Voivodship for 2014-2020 in the amount of PLN 51.7 million. The agreement was concluded with a condition precedent that the European Commission in due procedure issues a notification of the final decision that the public aid to the project based on the agreement is compatible with the internal market.

7.3 Contingent liabilities

Structure of contingent liabilities

	30/09/2022	31/12/2021
Guarantees issued on the Group's order	110.4	113.0
Other contingent liabilities	132.6	129.1
Total	243.0	242.1

Guarantees issued on the Group's order

As at 30 September 2022, the Group included in contingent liabilities guarantees issued by banks and insurance companies at the request of PKP CARGO Group companies. This line item comprises mainly commercial contract performance bonds, customs guarantees and excise tax guarantees.

Other contingent liabilities

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

7.4 Subsequent events

On 11 October 2022, the Supreme Court dismissed a cassation appeal brought forward by the Parent Company against the judgment of the Appellate Court upholding the decision of the President of the Office of Competition and Consumer Protection (hereinafter: "Office") on the abuse by PKP CARGO S.A. of its dominating position on the domestic rail freight market. The Parent Company paid the whole amount due to the Office in January 2021.

Other events that transpired after the balance sheet date are described in [Note 1.6](#) and [Note 7.2](#) to these Quarterly Condensed Consolidated Financial Statements and in [Chapter 3.6](#) of the Additional Information to the Consolidated Quarterly Report of the PKP CARGO Group for Q3 2022.

7.5 Approval of the financial statements

These Quarterly Condensed Consolidated Financial Statements were approved for publication by the Parent Company's Management Board on 23 November 2022.

Parent Company's Management Board

Dariusz Seliga
President of the Management Board

Marek Olkiewicz
Management Board Member

Maciej Jankiewicz
Management Board Member

Jacek Rutkowski
Management Board Member

Zenon Kozendra
Management Board Member

Warsaw, 23 November 2022



Quarterly Financial Information of
PKP CARGO S.A. for the period of 9 months
ended 30 September 2022

QUARTERLY STANDALONE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	9 months ended 30/09/2022	3 months ended 30/09/2022	9 months ended 30/09/2021	3 months ended 30/09/2021
Revenues from contracts with customers	2,814.2	1,004.5	2,291.5	808.6
Consumption of traction electricity and traction fuel	(516.5)	(174.0)	(367.0)	(132.5)
Services of access to infrastructure	(410.3)	(138.2)	(381.3)	(121.5)
Other services	(302.1)	(101.1)	(263.2)	(94.2)
Employee benefits	(926.2)	(316.2)	(918.0)	(304.7)
Other expenses	(157.0)	(49.0)	(124.4)	(48.4)
Other operating revenue and (expenses)	(7.2)	(12.2)	16.7	11.6
Operating profit without depreciation (EBITDA)	494.9	213.8	254.3	118.9
Depreciation, amortization and impairment losses	(455.7)	(154.7)	(424.2)	(144.5)
Profit / (loss) on operating activities (EBIT)	39.2	59.1	(169.9)	(25.6)
Financial revenue and (expenses)	(68.0)	(42.9)	(20.6)	(13.5)
Profit / (loss) before tax	(28.8)	16.2	(190.5)	(39.1)
Income tax	5.3	(4.1)	33.4	4.9
NET PROFIT / (LOSS)	(23.5)	12.1	(157.1)	(34.2)
OTHER COMPREHENSIVE INCOME				
Measurement of hedging instruments	(32.8)	(23.9)	2.5	(14.1)
Income tax	6.3	4.6	(0.5)	2.7
Total other comprehensive income subject to reclassification in the financial result	(26.5)	(19.3)	2.0	(11.4)
Actuarial profits / (losses) on post-employment benefits	40.3	-	34.7	-
Income tax	(7.7)	-	(6.6)	-
Total other comprehensive income not subject to reclassification in the financial result	32.6	-	28.1	-
Total other comprehensive income	6.1	(19.3)	30.1	(11.4)
TOTAL COMPREHENSIVE INCOME	(17.4)	(7.2)	(127.0)	(45.6)
Earnings / (losses) per share (PLN per share)				
Weighted average number of ordinary shares	44,786,917	44,786,917	44,786,917	44,786,917
Basic and diluted earnings / (losses) per share	(0.52)	0.28	(3.51)	(0.77)

QUARTERLY STANDALONE STATEMENT OF FINANCIAL POSITION

	30/09/2022	31/12/2021
ASSETS		
Rolling stock	3,755.0	3,827.5
Other property, plant and equipment	464.5	481.7
Rights-of-use assets	632.5	666.9
Investments in related parties	840.0	840.0
Lease receivables	22.3	23.4
Financial assets	4.9	4.9
Other assets	38.2	28.1
Deferred tax assets	162.9	158.7
Total non-current assets	5,920.3	6,031.2
Inventories	97.6	87.3
Trade receivables	490.6	380.5
Lease receivables	1.4	1.5
Income tax receivables	-	1.7
Other assets	70.9	69.3
Cash and cash equivalents	38.0	141.0
Total current assets	698.5	681.3
Non-current assets classified as held for sale	3.4	14.9
TOTAL ASSETS	6,622.2	6,727.4
EQUITY AND LIABILITIES		
Share capital	2,239.3	2,239.3
Supplementary capital	635.7	744.7
Other items of equity	(56.2)	(62.3)
Retained earnings / (Uncovered losses)	(23.5)	(109.0)
Total equity	2,795.3	2,812.7
Debt liabilities	1,644.9	1,872.2
Investment liabilities	62.2	110.1
Provisions for employee benefits	380.7	459.9
Other provisions	0.6	0.7
Total long-term liabilities	2,088.4	2,442.9
Debt liabilities	617.5	393.9
Trade liabilities	523.3	446.1
Investment liabilities	179.8	297.7
Provisions for employee benefits	123.8	99.9
Other provisions	18.7	17.7
Other financial liabilities	58.0	42.6
Other liabilities	217.4	173.9
Total short-term liabilities	1,738.5	1,471.8
Total liabilities	3,826.9	3,914.7
TOTAL EQUITY AND LIABILITIES	6,622.2	6,727.4

QUARTERLY STANDALONE STATEMENT OF CHANGES IN EQUITY

	Share capital	Supplementary capital	Other items of equity			Retained Earnings / (Uncovered losses)	Total equity
			Profits / (losses) on measurement of equity instruments at fair value	Actuarial profits / (losses) on post-employment benefit	Measurement of hedging instruments		
1/01/2022	2,239.3	744.7	(12.9)	(22.7)	(26.7)	(109.0)	2,812.7
Net result for the period	-	-	-	-	-	(23.5)	(23.5)
Other comprehensive income for the period (net)	-	-	-	32.6	(26.5)	-	6.1
Total comprehensive income	-	-	-	32.6	(26.5)	(23.5)	(17.4)
Other changes for the period	-	(109.0)	-	-	-	109.0	-
30/09/2022	2,239.3	635.7	(12.9)	9.9	(53.2)	(23.5)	2,795.3
1/01/2021	2,239.3	744.7	(12.9)	(92.6)	(34.0)	114.3	2,958.8
Net result for the period	-	-	-	-	-	(157.1)	(157.1)
Other comprehensive income for the period (net)	-	-	-	28.1	2.0	-	30.1
Total comprehensive income	-	-	-	28.1	2.0	(157.1)	(127.0)
30/09/2021	2,239.3	744.7	(12.9)	(64.5)	(32.0)	(42.8)	2,831.8

QUARTERLY STANDALONE STATEMENT OF CASH FLOWS

	9 months ended 30/09/2022	9 months ended 30/09/2021
Cash flow from operating activities		
Profit / (loss) before tax	(28.8)	(190.5)
Adjustments		
Depreciation, amortization and impairment losses	455.7	424.2
(Profits) / losses on the sale and liquidation of non-financial non-current assets	(5.7)	(16.0)
(Profits) / losses on FX differences	6.4	2.9
(Profits) / losses on interest, dividends	51.8	13.0
Received / (paid) interest	0.6	0.4
Received / (paid) income tax	1.4	(0.1)
Movement in working capital	(34.5)	(96.9)
Other adjustments	40.3	37.3
Net cash from operating activities	487.2	174.3
Cash flow from investing activities		
Expenditures on the acquisition of non-financial non-current assets	(620.4)	(535.9)
Proceeds from the sale of non-financial non-current assets	49.6	40.0
Expenditures on the acquisition of related parties	(0.1)	(33.0)
Proceeds from dividends received	25.5	9.2
Other investment expenditures	-	(27.0)
Other inflows from investing activities	2.0	2.8
Net cash from investing activities	(543.4)	(543.9)
Cash flow from financing activities		
Payments on lease liabilities	(56.5)	(56.8)
Proceeds from bank loans and borrowings	211.2	408.3
Repayment of bank loans and borrowings	(224.4)	(206.1)
Interest paid on lease liabilities and bank loans and borrowings	(64.3)	(28.7)
Grants received	76.6	34.7
Inflows / (outflows) as part of cash pool	13.3	69.9
Other outflows from financing activities	(2.7)	(2.5)
Net cash from financing activities	(46.8)	218.8
Net increase / (decrease) in cash and cash equivalents	(103.0)	(150.8)
Cash and cash equivalents as at the beginning of the reporting period	141.0	180.5
Cash and cash equivalents as at the end of the reporting period, including:	38.0	29.7
<i>Restricted cash</i>	<i>28.8</i>	<i>16.8</i>

Management Board

Dariusz Seliga
President of the Management Board

Marek Olkiewicz
Management Board Member

Maciej Jankiewicz
Management Board Member

Jacek Rutkowski
Management Board Member

Zenon Kozendra
Management Board Member

Warsaw, 23 November 2022



Other information to PKP CARGO GROUP'S
Consolidated quarterly report
for Q3 2022

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1. Organization of the PKP CARGO Group

1.1 Highlights on the Company and the PKP CARGO Group

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

The PKP CARGO Group holds licenses for the provision of rail freight services in the following 8 EU countries: Lithuania, Slovakia, Slovenia, Austria, the Czech Republic, Germany, the Netherlands and Poland.

As at 30 September 2022, the PKP CARGO Group consisted of the following entities besides PKP CARGO S.A. (“PKP CARGO”):

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

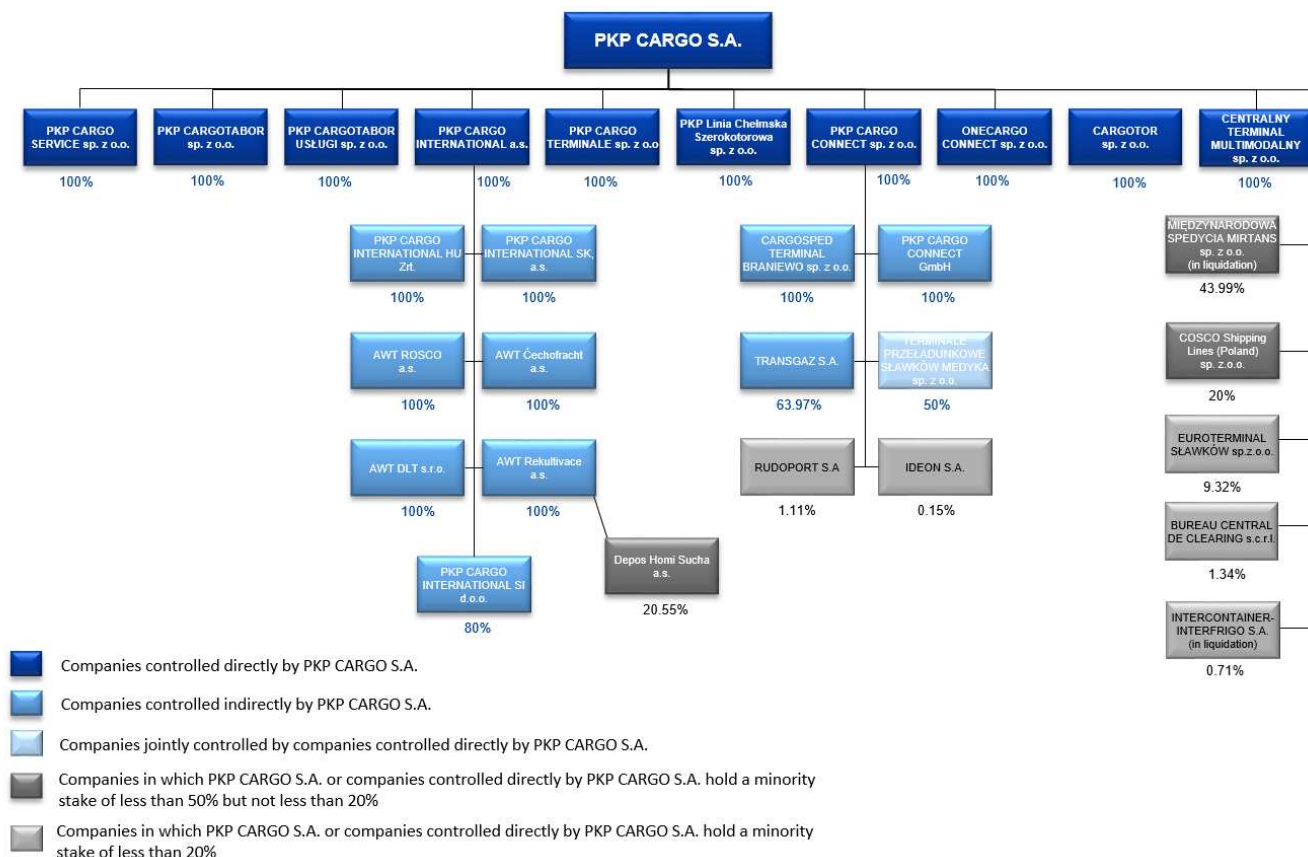
Moreover, as at 30 September 2022, PKP CARGO or PKP CARGO’s (direct or indirect) subsidiaries held shares in 8 companies that were not controlled or jointly controlled by PKP CARGO or PKP CARGO’s subsidiaries, including:

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

The chart below presents the structure of capital links with the companies, in which PKP CARGO S.A. or its subsidiaries hold shares – as at 30 September 2022:

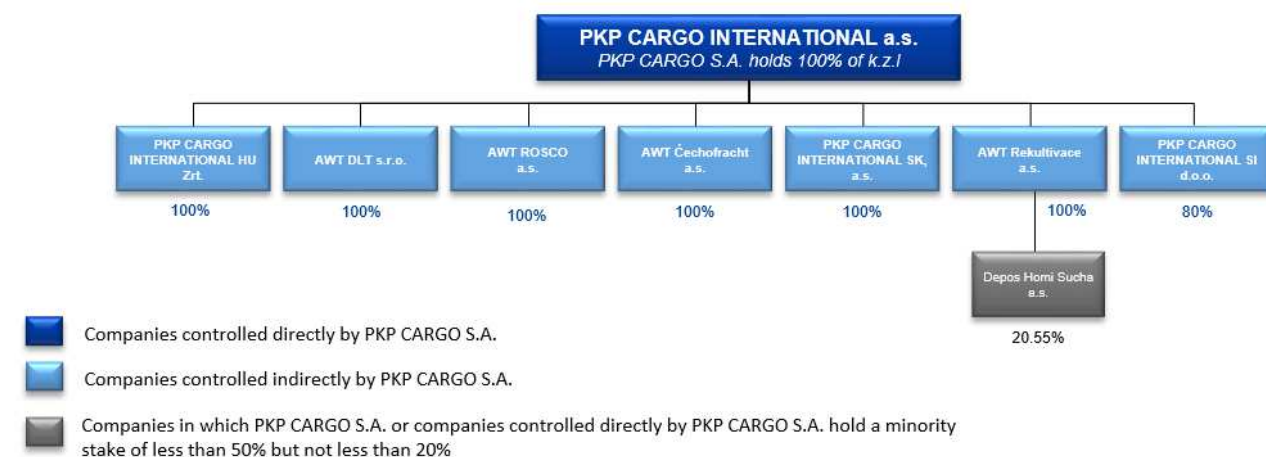


Structure of capital links with the companies in which PKP CARGO S.A. or its subsidiaries hold shares – as at 30 September 2022



Source: Proprietary material

Structure of the PKP CARGO INTERNATIONAL Group as at 30 September 2022



Source: Proprietary material

During the first 9 months of 2022, the following changes were made to the structure of capital ties:

- acquisition by PKP CARGO S.A. of a 0.17% stake in Centralny Terminal Multimodalny Sp. z o.o. with its registered office in Warsaw.

On 11 March 2022, under a Share Purchase Agreement, PKP S.A. sold all 50 shares held by it in Centralny Terminal Multimodalny Sp. z o.o. with its registered office in Warsaw, of the par value of PLN 50.00 each, and of the total par value of PLN 2,500.00, to PKP CARGO S.A. (as a shareholder of Centralny Terminal Multimodalny Sp. z o.o.), for a total price equivalent to the total par value of the shares sold, i.e. PLN 2,500.00. As a result of the execution of the said Agreement, on 11 March 2022 the title was acquired to 50 shares in Centralny Terminal Multimodalny Sp. z o.o. with a total par value of PLN 2,500.00 (accounting for 0.17% of the company's share capital), making PKP CARGO S.A. the sole shareholder of Centralny Terminal Multimodalny Sp. z o.o. (prior to the transaction, PKP CARGO S.A. held a 99.83% stake in CTM);

- liquidation of GDAŃSKI TERMINAL KONTENEROWY S.A. in liquidation with its registered office in Gdańsk, in which a 41.93% stake was held by PKP CARGO CONNECT sp. z o.o., a fully owned subsidiary of PKP CARGO S.A.

On 7 June 2022, the District Court for Gdańsk-North in Gdańsk, 7th Commercial Division of the National Court Register, issued a decision to delete GDAŃSKI TERMINAL KONTENEROWY SPÓŁKA AKCYJNA in liquidation from the National Court Register – upon entry of the date of completion of the company's liquidation proceedings, that is as at 25 June 2020. On 2 July 2022, the entry on the deletion of GDAŃSKI TERMINAL KONTENEROWY S.A. in liquidation made by the District Court for Gdańsk-North in Gdańsk, 7th Commercial Division of the National Court Register, became final non-appealable. As a result, the company's legal existence was terminated when the decision of the court of registration on the deletion from the National Court Register became final non-appealable, that is on 2 July 2022. As a consequence, GDAŃSKI TERMINAL KONTENEROWY S.A. in liquidation ended its existence and ceased to be a related party of PKP CARGO S.A.

1.2 Consolidated entities

The Quarterly Condensed Consolidated Financial Statements of the PKP CARGO Group as at 30 September 2022 encompass PKP CARGO S.A. and 12 subsidiaries consolidated by the full method:

Subsidiaries consolidated by the full method

Company name	Core business
PKP CARGO SERVICE Sp. z o.o. ("PKP CARGO SERVICE")	Comprehensive handling of rail sidings, rail freight transport and maintenance of rail infrastructure.
PKP CARGOTABOR Sp. z o.o. ("PKP CARGOTABOR")	Repair and maintenance of rolling stock and physical liquidation of rail cars and locomotives, repairs of electrical machinery and wheel sets as well as weighing and adjustment of rolling stock.
PKP CARGOTABOR USŁUGI Sp. z o.o. ("PKP CARGOTABOR USŁUGI")	Collection, treatment and disposal of waste and recovery of raw materials. As at the delivery date of this report, the company does not conduct any operating activity.
PKP CARGO TERMINALE Sp. z o.o. ("PKP CARGO TERMINALE") (former CL Medyka-Żurawica and former CL Małaszewicze)	Transshipment, storage, segregation, packaging, crushing and a variety of other border services. The company owns terminals that facilitate the transshipment of bulk and unit cargo, including containers. The company also has the ability to offer rail gauge switching services and as the only company on the country's eastern border has a 6-chamber thaw room.
CARGOSPED TERMINAL BRANIEWO Sp. z o.o. ("CARGOSPED TERMINAL BRANIEWO")	Transshipment of goods and buying and selling of coal. The company is active in wholesale and retail sales in this area.
CARGOTOR Sp. z o.o. ("CARGOTOR")	Managing track and service infrastructure (rail sidings and track systems) along with the requisite plant and buildings, making infrastructure available to rail operators on commercial terms.
PKP CARGO CONNECT Sp. z o.o. ("PKP CARGO CONNECT")	Freight forwarding and logistics services in Poland and abroad. The company provides comprehensive logistics services using rail and vehicle, marine and inland water transportation by organizing transport, transshipment, storage, warehousing, packaging and distribution. Customs clearance services to clients of the Group.

PKP CARGO INTERNATIONAL a.s. (“PKP CARGO INTERNATIONAL”) (formerly Advanced World Transport a.s.)	Comprehensive handling of rail freight transport (the Czech Republic, Slovakia and Poland), rail freight forwarder in the whole Central and Eastern European region, manages an intermodal terminal located in the community of Paskov and it offers comprehensive services to make deliveries and pick-ups by road transport (“last mile”). Rolling stock management in the PKP CARGO INTERNATIONAL Group.
AWT ROSCO a.s. (“AWT Rosco”)	Cleaning of rail and automobile cisterns.
AWT Čechofracht a.s. (“AWT Čechofracht”)	International freight forwarding services.
AWT Rekultivace a.s. (“AWT Rekultivace”)	Construction engineering business, including management and revitalization of post-industrial areas (including mining areas), demolition works, management of waste treatment facilities, elimination of underground mining pits, decontamination of soil, etc.
PKP CARGO INTERNATIONAL HU Zrt. (formerly: AWT Rail HU Zrt) (“PKP CARGO INTERNATIONAL HU”)	Rail transport services and rail siding handling services in Hungary on the basis of its own rail operator’s license.

Additionally, the list of companies accounted for under the equity method is presented in [Note 5.3](#) to the Quarterly Condensed Consolidated Financial Statements of the PKP CARGO Group prepared as at 30 September 2022.

Entities accounted for under the equity method

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

2. Information about the Parent Company

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

MANAGEMENT BOARD

In the period of the first 9 months of 2022, the Management Board of PKP CARGO S.A. with its registered office in Warsaw operated in compliance with the applicable laws, in particular:

1. Act of 15 September 2000 entitled Commercial Company Code (Journal of Laws No. 94, Item 1037, as amended);
2. Act of 8 September 2000 on the Commercialization and Restructuring of the State-Owned Enterprise "Polskie Koleje Państwowe" (Journal of Laws No. 84, Item 948, as amended);
3. Articles of Association of PKP CARGO S.A. (consolidated text adopted by Resolution No. 62/VII/2020 of the PKP CARGO S.A. Supervisory Board of 24 August 2020);
4. Bylaws of the PKP CARGO S.A. Management Board adopted by Resolution No. 47/2018 of the PKP CARGO S.A. Management Board dated 7 February 2018 and approved by Resolution No. 1722/VI/2018 of the PKP CARGO S.A. Supervisory Board dated 26 February 2018;
5. other internal and external regulations.

Management Board's powers

The Management Board manages the Company's day-to-day business, manages its assets and represents the Company in relations with third parties. The responsibilities of the Management Board include any activities that are not reserved for the Shareholder Meeting or the Supervisory Board. Two Management Board Members acting jointly or a Management Board Member acting with a commercial proxy are authorized to make statements of will on behalf of the Company.

Operation of the Management Board

The procedure of the Management Board's operation is described in detail in the Management Board Bylaws. The Bylaws are adopted by the Management Board and approved by the Supervisory Board. According to the Management Board Bylaws, the Management Board makes decisions in the form of resolutions. Management Board resolutions are adopted by an absolute majority of votes, with at least half of the Management Board members attending the meeting; they may only be adopted if all the Management Board Members have been duly notified about the Management Board meeting. According to the Management Board Bylaws, if an equal number of votes is cast "for" and "against" together with abstentions, the President of the Management Board will have the casting vote.

According to the Management Board Bylaws, in the event of conflicting interests of the Company and personal interests of a Management Board member, his/her spouse, relatives and next of kin (up to the second degree) or a potential conflict of interest in this regard, the Management Board member should immediately inform the remaining Management Board members thereof, and the President of the Management Board is also required to inform the Supervisory Board, and to refrain from participating in the discussion and voting on the adoption of a resolution in the matter where the conflict of interests has occurred and may request that this fact be recorded in the minutes of the Management Board meeting.

Composition of the PKP CARGO S.A. Management Board from 1 January 2022 to the delivery date of this report

Name	Position	Period in office	
		from	to
Dariusz Seliga	President of the Management Board	13 April 2022	to date
Marek Olkiewicz	Management Board Member in charge of Operations	3 February 2022	to date
Zenon Kozendra	Management Board Member – Employee Representative	14 July 2016	to date
Maciej Jankiewicz	Management Board Member in charge of Finance	25 April 2022	to date
Jacek Rutkowski	Management Board Member in charge of Commerce	25 April 2022	to date
Władysław Szczepkowski	temporary discharge of the duties of President of the Management Board	18 October 2021	13 January 2022
		13 January 2022	12 April 2022

Source: Proprietary material

SUPERVISORY BOARD

The Supervisory Board consists of 11 to 13 members (including the Supervisory Board Chairperson and Vice-Chairperson) appointed for a joint term of office. The number of Supervisory Board members in a specific term of office is set by PKP S.A. (in the 7th term: 11 members). The term of office of the Supervisory Board is 3 years. The Supervisory Board is appointed and dismissed by the Shareholder Meeting, subject to the provisions of § 19 sections 2 and 3 of the Articles of Association of PKP CARGO S.A.

Powers of the Supervisory Board

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

Operation of the Supervisory Board

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

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

Composition of the PKP CARGO S.A. Supervisory Board from 1 January 2022 to the delivery date of this report

Name	Position	Period in office	
		from	to
Władysław Szczepkowski	Supervisory Board Chairman	12 July 2022	to date
	Supervisory Board Member	20 June 2019	to date
Andrzej Leszczyński	Supervisory Board Vice-Chairman	12 July 2022	to date
	Supervisory Board Member	29 June 2022	to date
Henryk Grymel	Supervisory Board Member	29 June 2022	to date
Tomasz Pietrek	Supervisory Board Member	29 June 2022	to date
Marek Ryszka	Supervisory Board Member	29 June 2022	to date
Paweł Sosnowski	Supervisory Board Member	26 June 2019	to date
Jarosław Stawiarski	Supervisory Board Member	7 July 2022	to date
Jarosław Ślepaczuk	Supervisory Board Member	29 June 2022	to date
Michał Wnorowski	Supervisory Board Member	29 June 2022	to date
Izabela Wojtyczka	Supervisory Board Member	16 July 2020	to date
Grzegorz Dostatni	Supervisory Board Member	28 July 2022	to date
Krzysztof Mamiński	Supervisory Board Chairman	1 July 2019	29 June 2022
	Supervisory Board Member	26 June 2019	29 June 2022

Marcin Kowalczyk	Supervisory Board Vice-Chairman	25 January 2021	29 June 2022
	Supervisory Board Member	14 January 2021	29 June 2022
Krzysztof Czarnota	Supervisory Board Member	26 June 2019	29 June 2022
Zofia Dzik	Supervisory Board Member	26 June 2019	29 June 2022
Dariusz Górski	Supervisory Board Member	26 June 2019	29 June 2022
Jerzy Sońnierz	Supervisory Board Member	26 June 2019	29 June 2022
Tadeusz Stachaczyński	Supervisory Board Member	26 June 2019	29 June 2022
Antoni Duda	Supervisory Board Member	21 August 2020	29 June 2022

Source: Proprietary material

SUPERVISORY BOARD AUDIT COMMITTEE

The Supervisory Board's Audit Committee is appointed by the Supervisory Board. It consists of at least three Supervisory Board members, provided that the majority of the Audit Committee members, including its Chairperson, meet the independence criteria specified in § 20 and § 21 of the Company's Articles of Association and in the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Oversight (Journal of Laws of 2017, Item 1089, as amended). At least one Member of the Audit Committee has qualifications in the area of accounting or audit of financial statements and at least one Member of the Audit Committee has knowledge and skills in the specific industry in which the Company operates. Committee members are appointed for a term corresponding to the Supervisory Board's term of office. The tasks of the Audit Committee include in particular: oversight of the organizational unit responsible for internal audit, monitoring the financial reporting process, monitoring the performance of internal control systems, risk management and internal audit systems, including the area of financial reporting, monitoring financial review activities, monitoring the independence of the statutory auditor and the firm authorized to audit financial statements, also when it provides to the Company other services than financial audit and review, assessing the independence of a statutory auditor and giving consent for it to provide permitted services other than financial audit services, recommending a firm authorized to audit financial statements to the Shareholder Meeting to perform financial audit activities in the Company, in compliance with the policies in force in the Company: "Policy and Procedure for the selection of an audit firm to audit the standalone financial statements of PKP CARGO S.A. and the consolidated financial statements of the PKP CARGO Group and Policy for the provision of additional services by PKP CARGO S.A.'s audit firm, its related parties or members of its network."

Composition of the PKP CARGO S.A. Supervisory Board Audit Committee from 1 January 2022 to the delivery date of this report

Name	Position	Period in office	
		from	to
Michał Wnorowski	Committee Chairman	23 August 2022	to date
	Committee Member	12 July 2022	
Jarosław Ślepaczuk	Committee Member	12 July 2022	to date
Izabela Wojtyczka	Committee Member	12 July 2022	to date
Dariusz Górski	Committee Chairman	1 July 2019	29 June 2022
	Committee Member		
Zofia Dzik	Committee Member	1 July 2019	29 June 2022
Władysław Szczepkowski	Committee Member	24 August 2020	29 June 2022

Source: Proprietary material

NOMINATION COMMITTEE

The Nomination Committee is appointed by the Supervisory Board. It consists of three Supervisory Board members, of whom at least one Supervisory Board member must satisfy the independence criteria and be appointed in the manner provided for in § 20 and 21 of the Company's Articles of Association, to discharge the function of Nomination Committee Chairman. The Nomination Committee members are appointed for a term corresponding to the Supervisory Board's term of office. The Nomination Committee organizes and exercises ongoing oversight over the recruitment procedure for the positions of the

Company's Management Board members and over the process of assessment and appointment of the Company's Management Board members, and supports the attainment of the Company's strategic objectives by presenting opinions and findings to the Supervisory Board pertaining to the employment structure and compensation for the Company's employees, including in particular the Company's Management Board Members and upper level management.

Composition of the PKP CARGO S.A. Supervisory Board Nomination Committee from 1 January 2022 to the delivery date of this report

Name	Position	Period in office	
		from	to
Izabela Wojtyczka	Committee Chairwoman	12 July 2022	to date
	Committee Member	21 September 2020 12 July 2022	29 June 2022 to date
Paweł Sosnowski	Committee Member	18 October 2021	29 June 2022
		12 July 2022	to date
Władysław Szczepkowski	Committee Member	1 July 2019	29 June 2022
		12 July 2022	to date
Zofia Dzik	Committee Chairwoman	1 July 2019	29 June 2022

Source: Proprietary material

STRATEGY COMMITTEE

The Strategy Committee is appointed by the Supervisory Board. It consists of at least three Supervisory Board members, of whom at least one Supervisory Board member must satisfy the independence criteria and be appointed in the manner provided for in § 20 and 21 of the Company's Articles of Association. The Strategy Committee members are appointed for a term corresponding to the Supervisory Board's term of office. The Strategy Committee supports the Supervisory Board in its supervision over the establishment of the strategy as well as the proper pursuit of the strategy and annual and long-term activity plans for the Company and its Group.

Composition of the Strategy Committee of the PKP CARGO S.A. Supervisory Board from 1 January 2022 to the delivery date of this report

Name	Position	Period in office	
		from	to
Władysław Szczepkowski	Committee Chairman	23 September 2020	29 June 2022
		12 July 2022	to date
Henryk Grymel	Committee Member	1 July 2019	29 June 2022
		12 July 2022	to date
Andrzej Leszczyński	Committee Member	12 July 2022	to date
Tomasz Pietrek	Committee Member	12 July 2022	to date
Michał Wnorowski	Committee Member	12 July 2022	to date
Antoni Duda	Committee Member	21 December 2020	29 June 2022
Dariusz Górski	Committee Member	1 July 2019	29 June 2022
Paweł Sosnowski	Committee Member	21 September 2020	29 June 2022

Source: Proprietary material

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

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

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

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

Source: Proprietary material

2.3 Shareholders holding at least 5% of the total votes

Shareholder structure of PKP CARGO S.A. as at 30 September 2022 and as at the delivery date of this report

Shareholder	Number of shares	% of equity	Number of votes	% of the total number of votes at the Shareholder Meeting
PKP S.A. ⁽¹⁾	14,784,194	33.01%	14,784,194	33.01%
Nationale-Nederlanden OFE ⁽²⁾	4,418,443	9.87%	4,418,443	9.87%
Aviva OFE ⁽³⁾	2,338,371	5.22%	2,338,371	5.22%
Other shareholders	23,245,909	51.90%	23,245,909	51.90%
Total	44,786,917	100.00%	44,786,917	100.00%

(1) According to a notice sent by the shareholder on 24 June 2014.

(2) According to a notice sent by the shareholder on 30 June 2022.

(3) According to a notice sent by the shareholder on 13 August 2014.

Source: Proprietary material

2.4 Listing of shares held by management and supervisory board members

The holdings of Company's shares or rights to such shares by members of the Company's Management Board from 26 August 2022, i.e. the delivery date of the H1 2022 report, to the delivery date of this report, were as follows:

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

Name	Number of PKP CARGO S.A. shares held by Management Board members
as at the delivery date of this report	
Dariusz Seliga	0
Marek Olkiewicz	0
Jacek Rutkowski	0
Maciej Jankiewicz	0
Zenon Kozendra	46
as at 26 August 2022	
Dariusz Seliga	0
Marek Olkiewicz	0
Jacek Rutkowski	0
Maciej Jankiewicz	0
Zenon Kozendra	46

Source: Proprietary material

The holdings of the Company's shares or rights to such shares by members of the Company's Supervisory Board from 26 August 2022, i.e. the delivery date of the H1 2022 report, to the delivery date of this report, were as follows:

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

Name	Number of PKP CARGO S.A. shares held by Supervisory Board members
as at the delivery date of this report	
Władysław Szczepkowski	0
Paweł Sosnowski	0
Marek Ryszka	0
Andrzej Leszczyński	0
Izabela Wojtyczka	0
Michał Wnorowski	0
Henryk Grymel	70
Tomasz Pietrek	0
Jarosław Ślepaczuk	0
Jarosław Stawiarski	0
as at 26 August 2022	
Władysław Szczepkowski	0
Paweł Sosnowski	0
Marek Ryszka	0
Andrzej Leszczyński	0
Izabela Wojtyczka	0
Michał Wnorowski	0
Henryk Grymel	70
Tomasz Pietrek	0
Jarosław Ślepaczuk	0
Jarosław Stawiarski	0

Source: Proprietary material

3. Key areas of operation of the PKP CARGO Group

3.1 Macroeconomic environment

Polish industry and economy

Increase in sold industrial output in the first three quarters of 2022 by +12.3% yoy (+15.5% yoy in the corresponding period of 2021).¹

Deceleration of the rate of growth of the Polish industrial sector – despite the sector’s strong resilience to the impact of the COVID-19 pandemic and the war in Ukraine, the processes taking place in the global economy and the increase in the cost of capital effectively slowed down the country’s economy. The rate of growth in industrial output kept decreasing from quarter to quarter, having attained +16.0% yoy in Q1, +11.3% yoy in Q2 and +9.7% yoy in Q3.²

Increase in yoy output (January-September) in 32 (out of 34) industrial branches, including those of key significance for the PKP CARGO Group, such as: extraction of hard coal and lignite (+34.4%), machinery and equipment (+22.8%), metal products (+18.7%), chemicals and chemical products (+15.2%), motor vehicles (+11.4%), wood products (+11.0%), paper and products made of paper (+10.9%), rubber and plastic products (+9.4%), metals (+9.1%), products from other non-metallic raw materials (+9.0%) and furniture (+4.0%).³

GDP growth – in Q2, GDP grew by +5.8% y/y (compared to +8.6% yoy in Q1 2022 and +12.2% yoy in Q2 2021). The economy is slowing down noticeably, and the growth figures are additionally exacerbated by the higher reference base from last year.⁴ In Q3, GDP grew by +3.5% yoy (compared to +6.5% in Q3 of the previous year) – according to the flash estimate published by

¹ Statistics Poland

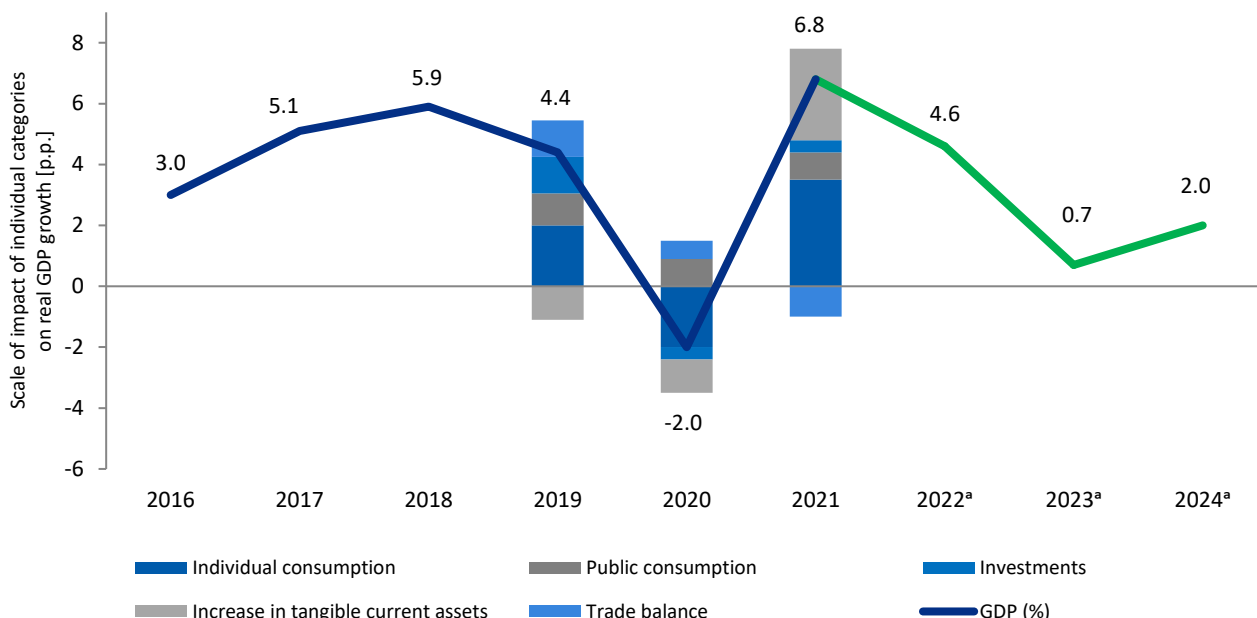
² Statistics Poland

³ Statistics Poland

⁴ Statistics Poland (as at 3 November 2022)

Statistics Poland, the rate of the country’s gross domestic product keeps decreasing. At the same time, it follows from seasonally adjusted data that in real terms the economic growth is stronger: +4.4% yoy and +0.9% qoq.⁵

Real GDP growth rate in Poland in 2016-2018 and 2019-2021, its decomposition and forecasts for 2022-2024 – data not adjusted for seasonality



a – macroeconomic forecasts of the National Bank of Poland for 2022-2024 (November 2022)

Source: Proprietary material based on data published by Statistics Poland (as at 3 November 2022) and the National Bank of Poland

Major increase in inflation in the first three quarters of 2022 by +13.3% yoy (+4.2% yoy in the corresponding period of 2021). In September 2022, the prices of consumer goods and services increased by +17.2% compared to September 2021 (+5.9% yoy in September of last year).⁶ The primary reasons for the rapid increase in inflation include the implications of the war in Ukraine (high prices of energy carriers) and the depreciation of the Polish currency.⁷

Low values of leading economic indicators for industrial processing PMI – in September, the PMI was below the 50.0 point threshold marking the technical border between recovery and recession in the industrial processing sector. Both in the third quarter and during the first 9 months of the year, the index remained below this threshold (42.0 points and 48.1 points, respectively), which points to a strong decrease in the rate of growth of the Polish economy, manifesting itself by a decrease in the inflow of new orders and an unfavorable assessment of the rate of growth in subsequent quarters. A positive sign is that in September the index increased to 43.0 points (from 40.9 points in August) after the 6 preceding decreases.⁸

Deterioration of the business tendency indicator for industrial processing (Statistics Poland) – this indicator, after the Q2 improvement to -11.4 (compared to -13.1 in Q1), declined in Q3 2022 to -16.5. This means that the number of businesses expecting a further deterioration of the economic situation in the coming months grew in relation to the number of businesses expecting the opposite to occur.⁹

The forecasts predict a strong decrease in the growth rate of the global and national economies. The NBP anticipates a strong slowdown in the country’s economic activity in 2022-2025 and GDP growth rates of +4.6% y/y in 2022, +0.7% y/y in 2023, +2.0% y/y in 2024 and +3.1% y/y in 2025, coupled with a significant increase in the general level of consumer prices (with significantly higher medium-term annual CPI levels in subsequent years compared to the previous projection published in July of this year, specifically: +14.5% y/y in 2022, +13.1% y/y in 2023, +5.9% y/y in 2024 and +3.5% in 2025).¹⁰

In the first 3 quarters of 2022, the following significant factors affected the economic situation of selected industries:

⁵ Statistics Poland

⁶ Statistics Poland

⁷ Statistics Poland

⁸ IHS Markit

⁹ Statistics Poland

¹⁰ National Bank of Poland

Mining industry



- The ban on the import and transit of coal (and coke) from the Russian Federation and Belarus that has been in force in Poland since April of this year was imposed as part of the fifth package of European Union sanctions adopted on 8 April 2022 throughout the Community (effective as of 10 August 2022).¹¹
- Stronger demand on the domestic coal market driven by, among other factors: increased purchases of electricity in the Polish economy and growing consumption (relatively rapid economic growth and still increasing industrial output), sharp increase in the prices of natural gas on the international market (major decrease in energy generation by gas-fired power plants and return to power generation in coal-fired power plants) and high prices of coal on international markets.
- Decrease in hard coal output to 39.5 million tons (-3.2% yoy). In Q3 2022, hard coal output stood at 11.6 million tons (down -1.5 million tons yoy or -11.4% yoy), signifying a major decrease in the output of this commodity.¹²
- Decline in the hard coal sale to 40.3 million tons (-2.5 million tons yoy, i.e. -5.8% yoy). This year, hard coal sales turned out to be greater than output by nearly 0.7 million tons, which translated into a further significant reduction in the relatively low inventories. Sales decreased also in Q3, and customers purchased 11.9 million tons coal (compared to 14.6 million tons in Q3 2021, i.e. down 2.6 million tons and -18.1% yoy).¹³
- Very low volume of hard coal inventories in the mines' storage yards: 1.1 million tons (down by -2.7 million tons, or -71.0% yoy) at the end of September 2022.¹⁴
- Increase in hard coal imports in the first 9 months of 2022 (according to Eurostat) by +22.5% to 11.1 million tons yoy. The main source of imports (despite the embargo) was Russia (down -58.1% yoy from 6.1 million tons to 2.5 million tons). Purchases from Russia accounted for 22.9% of the total volume of imported coal. Australia was the second largest exporter of coal to Poland (up +30.6% yoy from 1.5 million tons to 2.0 million tons, which increased the market share to 18.2%). There were also significant increases in imports from Kazakhstan, Colombia, Republic of South Africa, Indonesia, the United States, the Czech Republic, Mozambique, Ukraine and Norway.¹⁵
- The deficit of Polish coal for power plants, cogeneration plants, heating plants and households in Poland during the current heating season is approximately 15-16 million tons (this includes the difference between domestic production and the demand of all entities in Poland). PGE and Węglokoks (which import coal from abroad upon instructions from the Prime Minister of Poland) have assured that most of the deficit will be covered with coal from Colombia, Indonesia, Republic of South Africa and Australia, among others. This coal will replace coal imports from Russia, which were estimated at 8.5 million tons per year (directed mainly to households and small heating plants).¹⁶
- Sharp increases in coal prices and increased international demand for this commodity resulting from, among others, the embargo imposed on Russia by the European Union, rising gas prices on the world markets, limitations to mining operations resulting from numerous natural disasters all over the world, and further increases in demand in major Asian economies. In Q3, the average coal price in the ARA ports was USD 330.98 per ton (compared to USD 145.94 per ton in Q3 2021), up by +126.8% yoy. In the three quarters, the rate of growth was even higher, with prices rising 183.6% yoy, to USD 287.80 per ton (from USD 101.50 per ton in the corresponding period of 2021).¹⁷
- Very strong increase in prices on the Polish coal market in Q3, the average value of the coal index for the commercial power industry, PSCMI1, was PLN 536.42 per ton (+117.8% yoy and +64.8% qoq). PSCMI2 for the heating industry reached PLN 1,034.73 per ton (+246.0% yoy and +133.5% qoq). This increase includes an increase in prices resulting from renegotiation of contracts by the Coal Companies due to very high prices in global markets.¹⁸
- Increase in electricity consumption in Poland by +0.3% yoy to 128.9 TWh.¹⁹
- Increase in electricity output by +3.3% yoy to 130.4 TWh. In parallel, the volume of electricity generated by hard coal-fired commercial power plants decreased by -6.1% yoy (to 63.8 TWh) and, at the same time, increased for lignite-fired power plants by +7.0% yoy (to 35.6 TWh). Generation of energy by gas-fired power plants decreased by -23.4% yoy.²⁰
- Reversal of the favorable (from the perspective of hard coal producers) trend in the national energy mix— decrease in the share of hard coal in total energy output to 48.9% (-4.9 p.p. yoy).²¹

¹¹ WNP, Gov.pl, Polskie Radio 24.pl

¹² Industrial Development Agency (ARP)

¹³ Industrial Development Agency (ARP)

¹⁴ Industrial Development Agency (ARP)

¹⁵ Eurostat

¹⁶ WNP

¹⁷ Industrial Development Agency (ARP), WNP

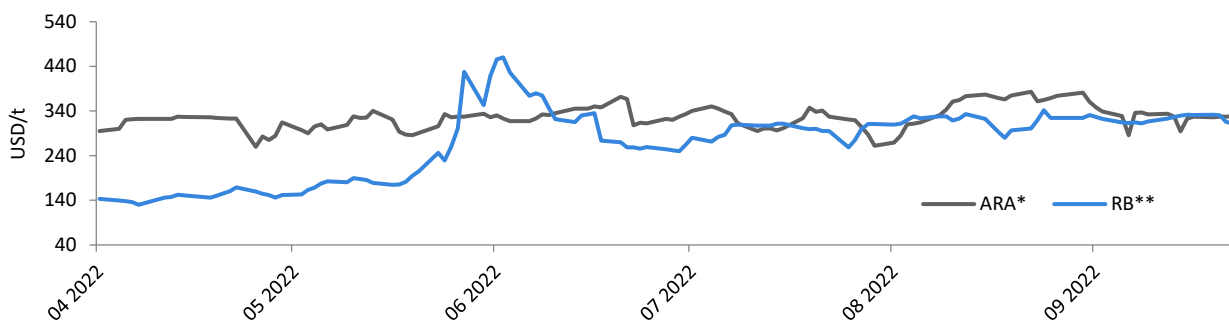
¹⁸ Industrial Development Agency (ARP)

¹⁹ Polskie Sieci Elektroenergetyczne

²⁰ Polskie Sieci Elektroenergetyczne

²¹ Polskie Sieci Elektroenergetyczne

Current and historical values of coal price indices on the European ARA* vs. RB** markets

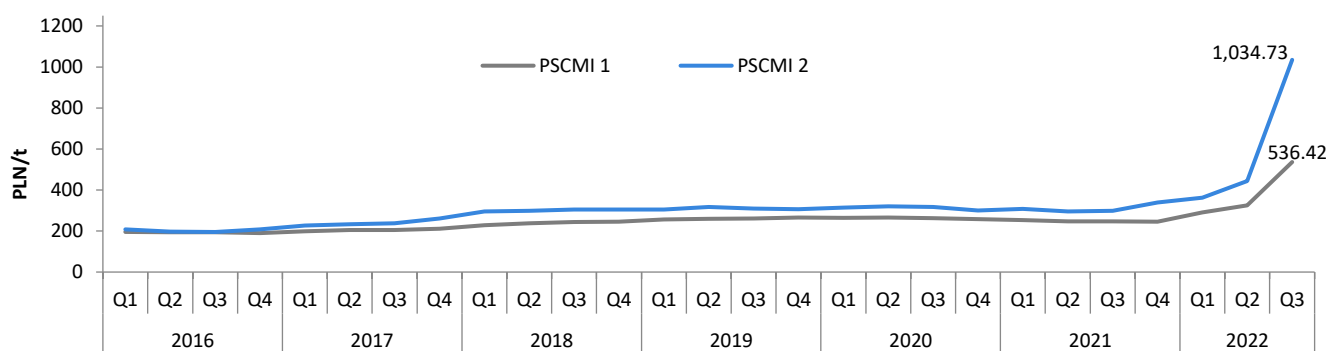


* ARA – Amsterdam, Rotterdam and Antwerp;

** RB – Richards Bay (RSA)

Source: Proprietary material based on Virtual New Industry data

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



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



Construction industry

- Positive growth in construction investment, with apparent symptoms of a progressive slowdown in activity in the construction industry.
- Increase in domestic construction and assembly output by +8.9% yoy (compared to an increase by +12.0% yoy in H1 of this year and an increase by +1.4% yoy in the period from January to September 2021).²² Increased performance was recorded in all sections of construction and assembly output, including by enterprises involved in the construction of buildings (+20.3% yoy), specialist construction works (+4.8% yoy) and construction of civil engineering facilities (+2.9% yoy)²³. Rate of growth of construction and assembly output has visibly declined in recent months, indicating the general direction of a strong slowdown in activities in this area, especially given the lack of a clear recovery in infrastructure construction and the continued poor performance of public investment (related to lack of payments under the RRP). A decline in the construction sector continues which is confirmed by the fact that in Q2 and Q3, output declined by several percent in four of the six months, while in the other two months it increased by just over 1% month-on-month.
- Increase in cement production in Poland by +1.2% yoy to 14.6 million tons and increase in cement clinker production by +6.6% yoy to 10.9 million tons.²⁴
- On 4 June 2022, a ban on cement imports from Belarus resulting from the sanctions imposed by the European Union came into force (in 2016-2021, the volume of cement imported from this country increased exponentially from 119 thousand tons to 538 thousand tons).²⁵
- According to data from the General Directorate for National Roads and Motorways (GDDKIA), 158 investments are underway as part of the National Road Construction Program (NRCP) and the Program for the Construction of 100 Ring Roads (PB100), covering nearly 2442 km of roads. Investments not included in the aforementioned programs such as the Szczecin Western

²² Statistics Poland

²³ Statistics Poland

²⁴ Statistics Poland

²⁵ polskieradio24.pl, money.pl

Ring Road, an additional connection along the S5 expressway from Ostróda to the A1 motorway (Nowe Marzy), the Warsaw Agglomeration Ring Road (WARR) and the S10 from Włocławek to the WARR are in the process of being prepared. In addition, the “Program for Strengthening the National Road Network until 2030” with the projected amount of funding of PLN 58 billion has been introduced.²⁶ Currently, 114 tasks of a total length of 1476.5 kilometers are underway, and 18 tasks of nearly 232 kilometers are subject to procurement procedures.²⁷

- Estimated value of the largest railroad construction investments in Poland in 2022-2027 is PLN 125 billion, with 30% of the total (i.e., PLN 37 billion) attributable to projects already underway, while PLN 88 billion pertains to investments at the procurement or planning stage.²⁸
- The Strategic Investments Program under the Polish Deal Governmental Fund: funding of PLN 58.4 billion has been granted to 99% of local governments in Poland. Largest subsidies were earmarked for road infrastructure (PLN 27.5 billion), water and sewage systems (PLN 10.2 billion), sports infrastructure (PLN 4.4 billion) and education infrastructure (PLN 3.4 billion).²⁹



Steel industry

- Significant slowdown in the steel market: as sharply falling demand with material increases in costs. Rising inflation aggravated by the effects of the war in Ukraine, rapidly increasing prices of energy and its carriers, and a global economy that is losing momentum are having an impact on reducing output in the steel industry (mostly due to its unprofitability). Prices of steel products do not follow the rapid increase in production costs, which leads to cutting out production of those products which currently cannot be offered at competitive prices. This results in reducing production or shutting it down altogether.
- Decrease in global crude steel output: according to Worldsteel 1,405.2 million tons were produced (-4.3% yoy).³⁰
- Decline in steel production in the European Union: production stood at 105.8 million tons (-8.2% yoy).³¹
- Lower steel production in Asia (including Oceania): production totaled 1,037.9 million tons (-2.9% yoy), of which China produced 780.8 million tons of steel (-3.4% yoy), with an approximately 55% share in the global market. India follows with production of 93.3 million tons of steel (+6.4% yoy).³²
- Decrease in steel production in Poland: down by -2.6% yoy to 6.1 million tons.³³
- Decline in crude steel output in Poland: a decrease was recorded in the production of cold-rolled sheets by -18.5% yoy to 1.2 million tons, hot-rolled products by -10.0% yoy to 6.2 million tons, thin sheets by -10.2% yoy to 0.8 million tons, rods and flat bars by -6.0% yoy to 2.6 million tons, and hot-rolled bars and rods by -0.2% yoy to 1.0 million tons.³⁴
- Increase in production of steel pipes in Poland by +10.9% yoy to 0.7 million tons.³⁵
- Decrease in coke production in Poland: down by -4.3% yoy to 6.6 million tons³⁶ in connection with a progressive slowdown of steel production in Europe.

Czech industry and economy

Sold industrial output (adjusted for the calendar effect) in Q3 2022 increased by 5.5% yoy (following a decrease by -0.14% yoy in Q2 2022, and -0.41% yoy in Q1), marking the first increase after four consecutive quarters of yoy declines, the volume of new orders increased by +13.9% yoy (after a +9.3% yoy increase in Q2 and +5.6% yoy in Q1). The highest growth of volume of new orders was reported in the automotive industry (by +21.4% yoy) and in the chemical industry (by +20.1% yoy). At the same time, during the three quarters, sold industrial output increased slightly, i.e. by +1.5% yoy (preceded by an increase by +9.7% yoy in 2021 and a decrease by -11.1% yoy in 2020).³⁷

Economy slowdown: despite the deceleration of the global economy and the significant impact of the war in Ukraine, Czech industry maintains a satisfying rate of growth, driven mainly by good export performance. However, rising prices in the energy commodity and energy markets, as well as declining demand for the products of industries focused on exports, are reducing the momentum of the Czech economy and indicate a high probability of a strong slowdown, as well as possible declines in the coming quarters.

In Q3 2022, the main sectors of the Czech industry (account being taken of PKP CARGO Group’s freight transport) reported increases in hard coal and lignite mining (+21.6% yoy) and the production of automotive industry (+40.1% yoy).³⁸ The key segment of the Czech industry, namely the production of chemicals and chemical products, reported a moderate decrease in

²⁶ General Directorate for National Roads and Motorways

²⁷ General Directorate for National Roads and Motorways

²⁸ polskiprzemysl.com.pl

²⁹ BGK

³⁰ Worldsteel.org

³¹ Worldsteel.org

³² Worldsteel.org

³³ Statistics Poland

³⁴ Statistics Poland

³⁵ Statistics Poland

³⁶ Statistics Poland

³⁷ Czech Statistical Office

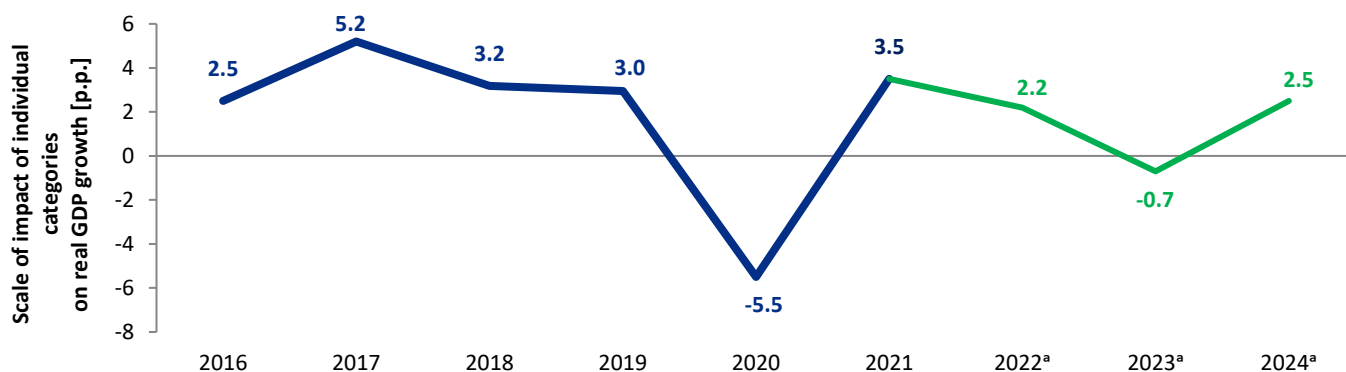
³⁸ mpo.cz/cz/energetika/statistika/tuha-paliva/

output (-6.7% yoy). Also, a slight decrease was reported in the production of metals (-12.4% yoy) and metal products (-4.5% yoy).³⁹ The three quarters of 2022 saw a significant increase in hard coal and lignite mining activity (+16.2% yoy), while motor vehicle production increased moderately (by +7.1% yoy). The production of metals (-6.1% yoy) and metal products (-3.4% yoy) reported a negative rate of growth. The same was observed in case of production of chemicals and chemical products (-0.4% yoy), although to a lower extent.⁴⁰

According to preliminary estimates published by the CZSO, the country's **GDP in Q3 2022** improved by +1.6% yoy (after an increase by +3.7% yoy in Q2, and +4.6% yoy in Q1), but at the same time it fell by -0.4% qoq. The reduction in growth on a quarterly basis was due to declining domestic demand, which in turn was driven by declining household consumption (down for the fourth consecutive quarter). External demand, which achieved favorable positive rate of growth, counteracted the deepening of the negative impact of these factors. Services and construction industries also had a negative impact.⁴¹

GDP projections: The Czech National Bank (CNB) anticipates a decline in GDP in the coming quarters, linked to the deterioration in the condition of households and domestic businesses, problems in supply chains, and the general decline in confidence (which will effectively slow investment and reduce consumption). CNB forecasts a decline in GDP in the fourth quarter of this year and the three quarters of 2023, followed by a return to growth in Q4 next year. While the full-year 2022 growth will slow to +2.2% yoy, there will be a decline in GDP to -0.7% yoy in 2023, and then GDP will grow +2.5% yoy in 2024 (due to strong connections with other European Union economies, the Czech Republic will not avoid a recession). The Bank expects a large positive impact of net exports on GDP growth (which will be the largest driver of growth) in the next two years, while at the same time the strongest adverse impact on Gross Domestic Product will result from changes in inventories, which can be viewed positively due to the likely return to relatively smooth commodity flows and the absence of the necessity to accumulate components (which is particularly important for an economy that is heavily export-oriented).⁴²

Real GDP growth rate in the Czech Republic in 2016-2021 and forecasts for 2022-2024 – data adjusted for seasonality



a - Macroeconomic forecasts of the Czech National Bank – November 2022

Source: Proprietary material based on data from the Czech Statistical Office and the Czech National Bank

Inflation: in Q3 inflation was +17.6% yoy (compared to +18.0% yoy in September), following an increase by +15.8% in Q2 2022 and +11.2% in Q1 this year.⁴³

Inflation projections: the Czech National Bank expects inflation to grow at +18.4% yoy in Q4 2022, and then a progressive decrease will begin so that in the next six quarters it will reach a level close to +2.0%. While inflation this year will be around +15.8% yoy, next year it will gradually decrease to +9.1%, as in the International Monetary Fund's projections, to eventually reach the value close to the target (i.e. +2.4% yoy) in 2024. According to the projection, the strengthening of the Czech koruna against the euro should help suppress inflation.⁴⁴

PMI: in Q3, it averaged 46.1 points for the Czech Republic (51.9 points in Q2 2022 and 56.7 points in Q1 2022), remaining since June below the 50.0 threshold delineating the technical boundary between recovery and recession in the industrial sector. ⁴⁵ Regular monthly decline in the index from 59.0 points in January to 44.7 points in September illustrates the relatively sharp decline in the Czech economy, which is heavily dependent on export prospects for manufactured goods (due to a relatively small domestic market). Increasing pessimism among manufacturers is particularly visible, as PMI reached its lowest value since May 2020 at the end of the third quarter (and the decline is quite sharp). Currently, there is a cumulative impact of a number of factors negatively affecting the present and future orders, including further problems with supply logistics, an

³⁹ Czech Statistical Office
⁴⁰ Czech Statistical Office
⁴¹ Czech Statistical Office
⁴² Czech National Bank
⁴³ Czech Statistical Office
⁴⁴ Czech National Bank
⁴⁵ Markit PMI

increase in production costs (including energy and material prices), which at the same time translate into higher prices for consumers (who also reduce consumption because of a high inflation).⁴⁶

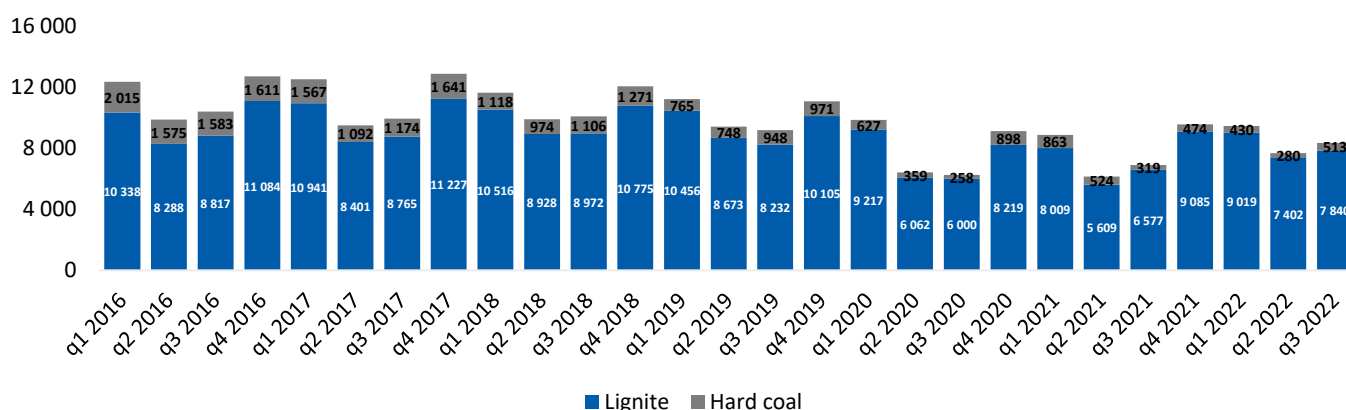
In the first 3 quarters of 2022, the following significant factors affected the situation of selected industries:

Mining industry



- Increase in hard coal mined in Q3 2022: the volume of hard coal mined was 0.51 million tons (+48.3% yoy), including 0.15 million tons of coking coal (-53.0 % yoy) and 0.37 million tons of thermal coal (+ 1,043.8% yoy). However, output was lower as compared to the three quarters of 2021. The decline of -29.4% yoy was due to, among others, the discontinuation of production by the ČSA and Darkov mines at the end of February 2021, as well as the planned coal phase out which curtailed investments designed to maintain high production levels.⁴⁷
- Hard coal output in the Czech Republic exceeded 1.2 million tons (0.7 million tons of coking coal and 0.5 million tons of thermal coal), and at the same time, 3.0 million tons were imported last year (with exports at 0.6 million tons).⁴⁸
- Prolongation of coal mining in CSM in Stonava (the last active hard coal mine in the Czech Republic) because of, among others, the rising prices of coal, the conflict in Ukraine and the EU ban on coal imports from that direction, the mine’s operation was extended until at least the end of 2023. The major purchasers of coal from the Karviná mine include CEZ, Veolia, Trinecke Zelezarny, and the Liberty steel plant.⁴⁹ There are reports of ongoing analyses to bring the closed Darkov and CSA mines back into operation, with the aim of strengthening the country’s energy security (in the Czech Republic, the share of hard coal in electricity production is below 5%). Lignite mining (which is much more carbon-intensive and environmentally damaging, but at the same time easier to mine) is much more important to the Czech economy. Lignite-derived electricity covers 40% of the domestic demand.⁵⁰
- A bill introducing the so-called windfall profits tax for banks and energy industries is in the legislative process and is expected to apply between 2023 and 2025. The tax rate will be 60% and, according to preliminary estimates, will bring in CZK 85 billion next year.⁵¹

Extraction of hard coal and lignite in the Czech Republic in 2016-2022 (thousand tons)



Steel industry

- Decline in coke production: in Q3 2022 coke production in the Czech Republic was 0.56 million (-14.9% yoy), at the same time, imports increased to 0.05 million tons (+24.4% yoy), while exports decreased to 0.11 million tons (-27.8% yoy). Compared to the three quarters of last year, there was a decrease in both production (-7.5% yoy), imports (-6.7% yoy) and, to the greatest extent, coke exports (-20.5% yoy), which was due to the slowdown in global economic growth and the shutdown of a number of blast furnaces in Europe (unprofitable production given, among others, very high prices of energy and energy raw materials).⁵²
- Liberty Steel Group intends to invest ca. CZK 8.6 billion over a period of 8 years in the “LIBERTY Ostrava GREENSTEEL” conversion program, including replacement of 4 tandem furnaces with 2 modern hybrid arc furnaces and construction of a new power line. The new furnaces will allow Liberty Ostrava to operate in a competitive market in the years to come. Aside

⁴⁶ Markit PMI
⁴⁷ Ministry of Industry and Trade of the Czech Republic
⁴⁸ Ministry of Industry and Trade of the Czech Republic
⁴⁹ ct24.ceskatelevize.cz
⁵⁰ WNP
⁵¹ ceskenoviny.cz
⁵² Ministry of Industry and Trade of the Czech Republic

from investments in the steelmaking area, work is also underway to modernize the rolling mill, which is expected to expand the range of products manufactured and improve their quality.⁵³



Automotive industry

- Growth in automotive industry production: in 3 quarters 2022, Czech manufacturers made a total of 0.94 million motor vehicles of diverse types (passenger, trucks, buses and motorcycles), up +8.9% yoy.⁵⁴ At the same time, this growth appears even more remarkable in Q3 of this year alone, when production increased by 0.14 million motor vehicles, up +76.1% as compared to last year. The passenger car production result is outstanding compared to last year results, with more than 111 thousand passenger cars produced in September, an increase of +98.3% yoy. Q3 was the second consecutive quarter with passenger car production above 0.3 million units. In turn, truck production declined (during the first three quarters of 2022, the decline was nearly ¼). While problems in supply chains persist (including the problem of availability of individual components as a result of the war in Ukraine, among others), it is energy prices that are currently the main challenge for automotive manufacturers. This industry is prone to any changes in the economic environment, which is particularly important in view of the upcoming strong economic downturn in the coming quarters, including a possible energy crisis.

3.2 Freight transportation activity

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

3.2.1 Rail transport market in Poland

115 rail operators active on the Polish rail freight market hold an active license issued by the President of the Office of Rail Transport for the conduct of rail freight operations (as at 13 September 2022).⁵⁵ Three members of the PKP CARGO Group, namely PKP CARGO S.A., PKP CARGO SERVICE Sp. z o.o. and PKP CARGO International a.s., render rail freight transport services on the Polish market.⁵⁶

In the three quarters of 2022, rail freight operators transported a total of 187.4 million tons of cargo (+4.3% yoy) and achieved a freight turnover of 46.6 billion tkm (+13.4% yoy).⁵⁷ Compared to the corresponding period of 2021, the industry achieved an increase in the volume of transported cargo by 7.7 million tons and an increase in freight turnover by 5.5 billion tkm. The more rapid improvement in freight turnover compared to that in freight volume was caused by an increase in the average haul which stood at 249 km, up by +20 km compared to the three quarters of 2021.⁵⁸ March was the best month both in terms of the freight volume transported by rail (22.8 million tons, or +7.2% yoy) and freight turnover (which was 5.5 billion tkm, or +13.9% yoy)⁵⁹. Growth in volumes transported by rail decreased from month to month (from +12.2% yoy recorded in January) to +1.0% yoy in July, turning negative from August onwards (-1.4% yoy in August and -2.4% yoy in September). In Q3 2022, rail freight transported 62.3 million tons of freight, down 0.6 million tons, or -0.9% yoy, in terms of volume. Freight turnover was 16.1 billion tkm, up 1.5 billion tkm, i.e. +10.7% yoy. Average haul was 258 km, i.e. 27 km more than in 2021.⁶⁰

The situation in the rail freight market and in the domestic industry was positive, shipments remained relatively stable despite a clear slowdown in growth year-over-year (related to the turmoil in the markets and the ongoing armed conflict in Ukraine). Performance of rail freight in the context of significant global supply chain disruptions confirms the fact that rail transportation is of strategic importance, although railroads have been hit particularly hard by the impediments to carrying out freight on the New Silk Road, which has resulted in a significant reduction in East-West freight. In spite of the ongoing numerous repairs on the PKP PLK network that limit the possibility of carrying out transport, rail carriers have relatively efficiently reorganized their work, adapting their offer and transport to the rapidly changing environment (e.g., the need to intensify transport in the North-South direction, where there are other logistic channels linked to seaports). The present situation offers new opportunities for raising the role of rail transport and its better use for transporting goods necessary for the industry, the building sector or in transports of consumer goods, grain, coal, oil and natural gas.

⁵³ Liberty Ostrava

⁵⁴ AutoSap

⁵⁵ Office of Rail Transport (as at 13 September 2022), the statistics take into account entities providing transport services under a license issued by the President of the Office of Rail Transport. Moreover, there are companies operating on the market under an international license;

⁵⁶ Office of Rail Transport

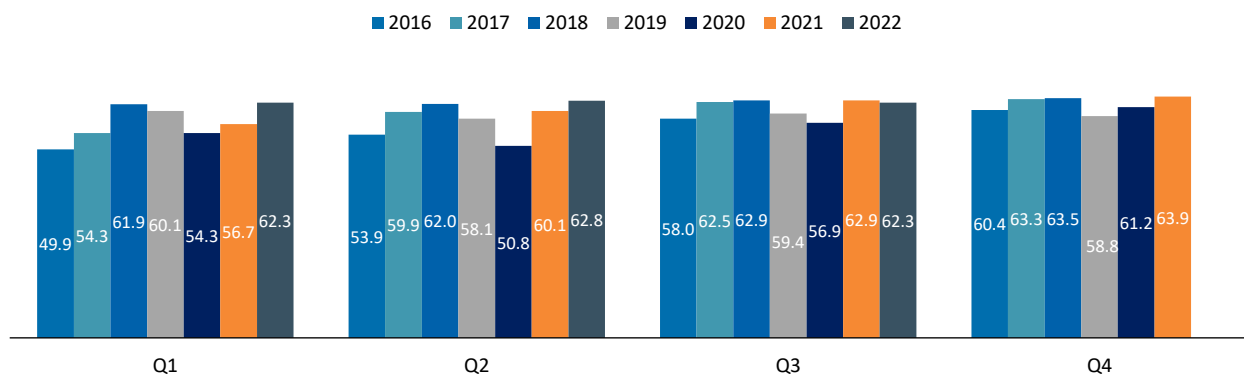
⁵⁷ Office of Rail Transport

⁵⁸ Office of Rail Transport

⁵⁹ Office of Rail Transport

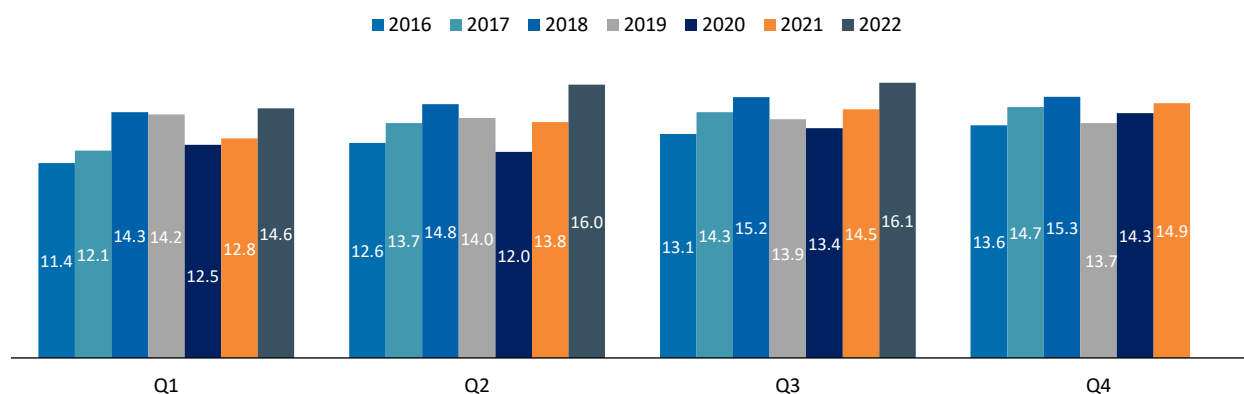
⁶⁰ Office of Rail Transport

Rail freight volumes in Poland broken down by quarter in 2016-2022 (million tons)



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

Rail freight turnover in Poland broken down by quarter in 2016-2022 (billion tkm)



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

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

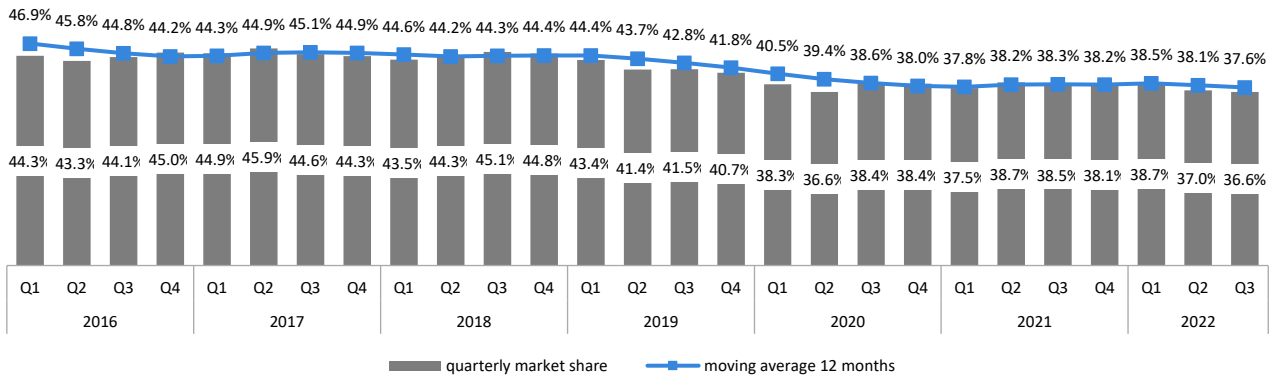
In the three quarters of 2022, the rail freight market improved year-over-year in terms of freight volume and freight turnover compared to the corresponding period of the previous year. The PKP CARGO Group's market share was 37.5% (-0.8 p.p. yoy) in terms of freight volume and 39.9% in terms of freight turnover (-1.6 p.p. yoy).⁶¹ The Group⁶² upheld its position of the undisputed leader in Poland's rail freight market, increasing both rail freight volume and freight turnover on a year-over-year basis. The respective market shares of the PKP CARGO Group's parent company, that is PKP CARGO S.A., were 35.7% (-1.0 p.p. yoy) in terms of freight volume and 39.3% (-1.7 p.p. yoy) in terms of freight turnover.⁶³

⁶¹ PKP CARGO Group and Office of Rail Transport data

⁶² The freight volume of the PKP CARGO Group also takes into account the cargo transported by PKP CARGO International a.s. in Poland.

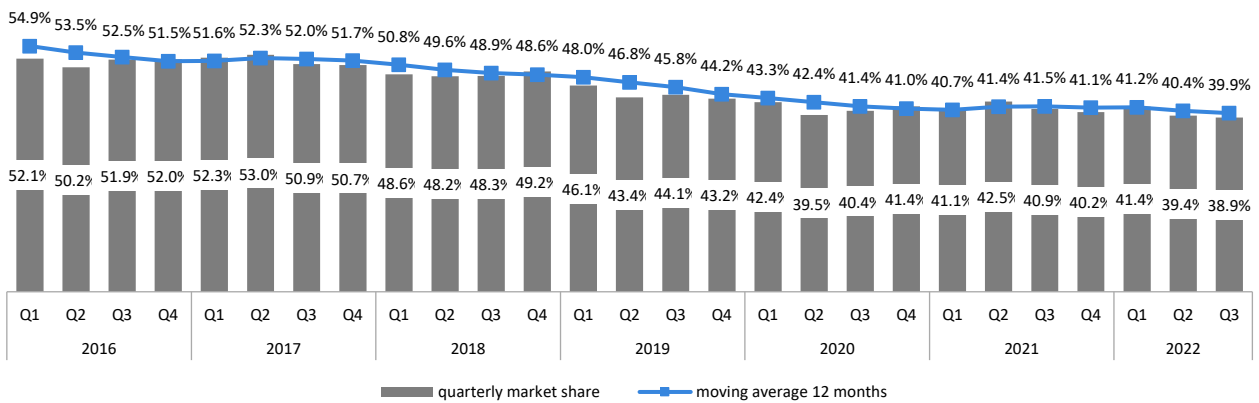
⁶³ Office of Rail Transport

Share of the PKP CARGO Group in total freight volume in Poland in 2016-2022



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

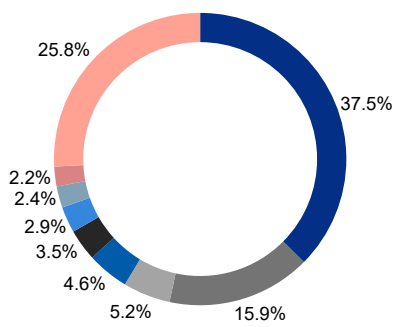
Share of the PKP CARGO Group in total freight turnover in Poland in 2016-2022



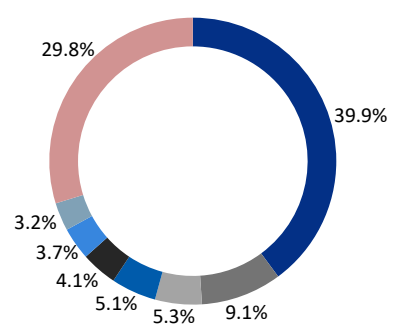
Source: Proprietary material based on the Office of Rail Transport's data

Market shares of the largest rail operators in Poland in the first 3 quarters of 2022

By freight volume



By freight turnover



- PKP CARGO Group
- DB Cargo Polska
- Lotos Kolej
- PKP CARGO Group
- Lotos Kolej
- DB Cargo Polska
- PKP LHS
- PUK KOLPREM
- Orlen KolTrans
- PKP LHS
- Orlen KolTrans
- Freightliner PL
- Freightliner PL
- CTL Logistics
- CTL Logistics
- Others

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

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

In the period in question, the competitors transported a total of 117.2 million tons of freight (+5.6% yoy). In that period, the largest freight volume was transported by DB Cargo Polska companies (29.8 million tons, down -2.8% yoy), Lotos Kolej (9.8 million tons, up +3.8% yoy) and PKP LHS (8.6 million tons, up +24.9% yoy).⁶⁴

At the same time, freight turnover generated by operators competing with the PKP CARGO Group increased by +16.5% yoy, to 28.0 billion tkm. The largest completed freight turnover was achieved by the following competing rail operators: Lotos Kolej (4.3 billion tkm, up +3.4% yoy), DB Cargo Polska (2.5 billion tkm, up +14.5% yoy) and PKP LHS (2.4 billion tkm, up +14.6% yoy).⁶⁵ The average haul of competitive rail operators increased to 239 km (i.e. by +22 km, or +10.3% yoy).⁶⁶

3.2.3 Rail freight transport market in the Czech Republic

In H1 2022, a total of 296.5 million tons of cargo was transported in the Czech Republic (+0.4% yoy) and freight turnover stood at 43.6 billion tkm (+4.2% yoy).⁶⁷ A year-over-year increase was recorded in freight volumes transported by road and by the other means of transport in aggregate,* while there was a drop of those volumes in rail transport. In terms of completed freight turnover, growths were recorded in all branches of the transport market.*

The average haul of cargo increased by +3.8% yoy and reached 147.2 km, with the road transport segment recording an increase in the average haul by +3.2% yoy (to 139.9 km), whereas in rail transport the average haul grew by +7.4% yoy (to 177.7 km).⁶⁸

Freight transport market in the Czech Republic in H1 2022

Item	FREIGHT VOLUME			FREIGHT TURNOVER			AVERAGE HAUL		
	Volume (million tons)	Change yoy	Change % yoy	Volume (billion tkm)	Change yoy	Change % yoy	Distance (km)	Change yoy	Change % yoy
Total transport market	296.5	1.1	0.4%	43.6	1.7	4.2%	147.2	5.4	3.8%
Road transport	243.8	3.5	1.4%	34.1	1.5	4.7%	139.9	4.4	3.2%
Rail transport	46.8	-2.9	-5.9%	8.3	0.1	1.1%	177.7	12.3	7.4%
Other land transport segments	6.0	0.5	10.0%	1.2	0.1	10.7%	206.3	1.2	0.6%

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

In H1 2022, rail transport in the Czech Republic recorded a decrease in freight volume to 46.8 million tons (-5.9% yoy) with a concurrent increase in freight turnover to 8.3 billion tkm (+1.1% yoy).⁶⁹ In the same period, transports of goods by road were up +1.4% in terms of freight volume and up +4.7% in terms of freight turnover. This performance translated into a further increase in the share of road transport at the expense of the share of rail transport in the overall land transport market. In terms of freight volume, rail operators lost -1.0 p.p. of the market share yoy, with a concurrent decrease in the market share in terms of freight turnover by -0.6 p.p. yoy.⁷⁰

Shares of various modes of transport in the transport market in the Czech Republic in H1 2022: freight volume (L) and freight turnover (R)



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

⁶⁴ proprietary material based on Office of Rail Transport data

⁶⁵ proprietary material based on Office of Rail Transport data

⁶⁶ proprietary material based on Office of Rail Transport data

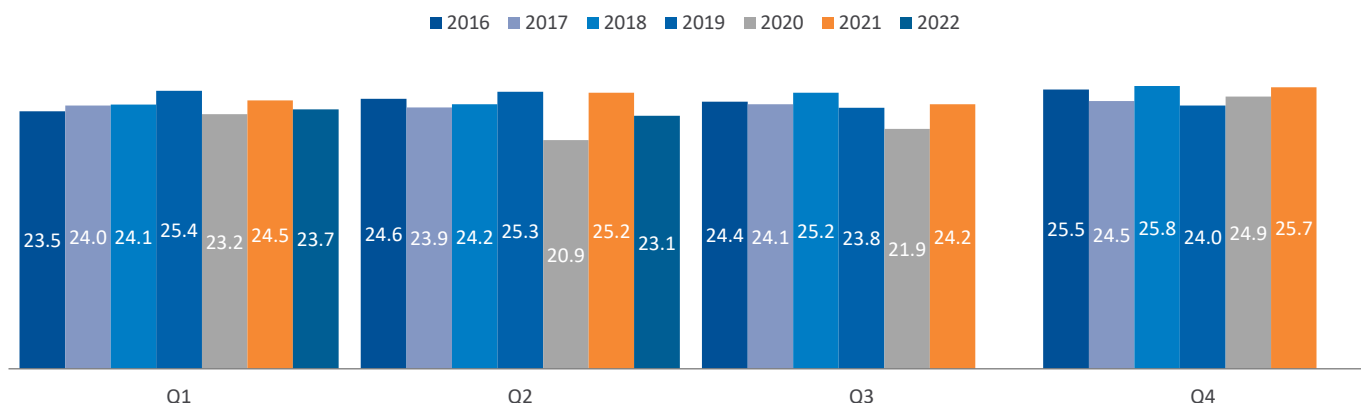
⁶⁷ Ministry of Transport of the Czech Republic, data for Q3 2022 will be available at the turn of Q4 2022 and Q1 2023 (data without air transport)

⁶⁸ Ministry of Transport of the Czech Republic (data without air transport).

⁶⁹ Ministry of Transport of the Czech Republic (data without air transport).

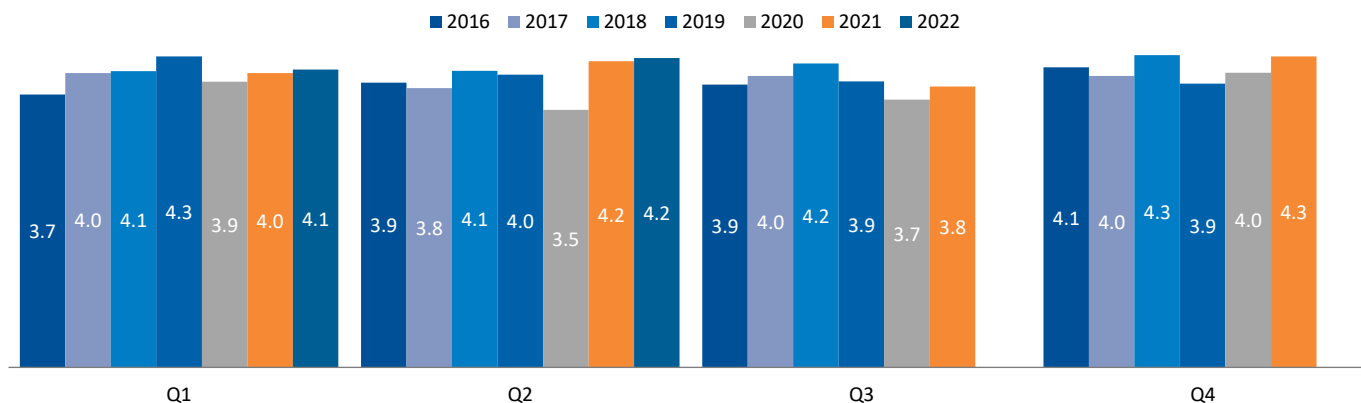
⁷⁰ Ministry of Transport of the Czech Republic (data without air transport).

Quarterly rail freight transport in the Czech Republic by freight volume in 2016-2022 (million tons)



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

Rail freight transport in the Czech Republic by freight turnover broken down by quarter in 2016-2022 (billion tkm)



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

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

According to data published by the Czech rail infrastructure manager (SŽDC), 122 operators are currently licensed to provide rail freight services in this country, including 2 members of the PKP CARGO Group: PKP CARGO S.A. and PKP CARGO International a.s.⁷¹ In the first 3 quarters of 2022, PKP CARGO International a.s. transported 5.1 million tons of freight (-16.0% yoy) and achieved freight turnover of 0.7 billion tkm (-15.8% yoy).⁷² In the same period, the average haul of PKP CARGO International increased to 130.2 km (+0.2% yoy), as a result of a rearranged mix of transported freight.⁷³ Decreases in the volume of transported freight were recorded predominantly in: solid fuels by -15.3% yoy to 2.8 million tons (including hard coal down -28.9% yoy to 1.6 million tons), liquid fuels (-46.5% yoy to 0.4 million tons), other cargo (-45.2% yoy to 0.1 million tons), chemicals (-15.9% yoy to 0.3 million tons) as well as metals and ores (-20.8% yoy to 0.2 million tons). In the period under analysis, intermodal transport continued to demonstrate a positive rate of growth (+4.9% yoy to 1.2 million tons).⁷⁴ The decrease in freight volume in selected cargo categories resulted from activities deliberately taken by the Group, which were intended to change the freight structure to obtain higher-margin goods, at the same time matching the rolling stock owned by the Company and its logistics base. Some changes, however, were caused by the war in Ukraine, which brought about a change of directions for acquiring components by the Czech industry as well as impacted directions for exporting goods), and to a lesser extent by the pandemic (which continued to halt operations of the largest manufacturer in the world, namely China). According to SŽDC data on the shares in the rail transport market in terms of gross freight turnover, PKP CARGO International's market share in the Czech market

⁷¹ SŽDC (as at 4 November 2022)

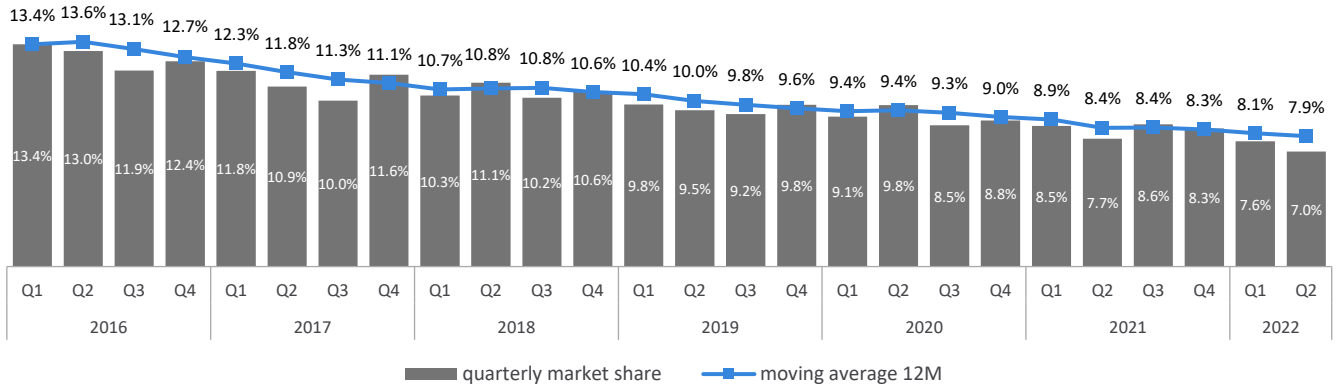
⁷² PKP CARGO International's own statistics

⁷³ PKP CARGO International's own statistics

⁷⁴ PKP CARGO International's own statistics

decreased by -1.3 p.p. yoy to 5.3% in 3 quarters of 2022.⁷⁵ However, the Company invariably continues to hold the position as the third largest rail operator on the Czech market.⁷⁶

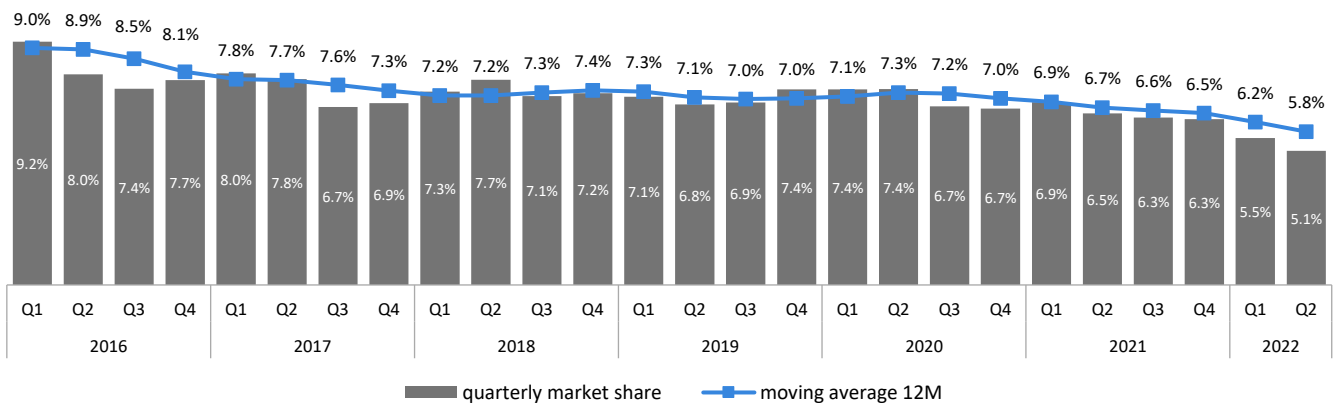
PKP CARGO International a.s.'s quarterly market shares in total freight volume in the Czech Republic in 2016-2022*



* data for Q3 2022 will be available at the turn of Q1 2023

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

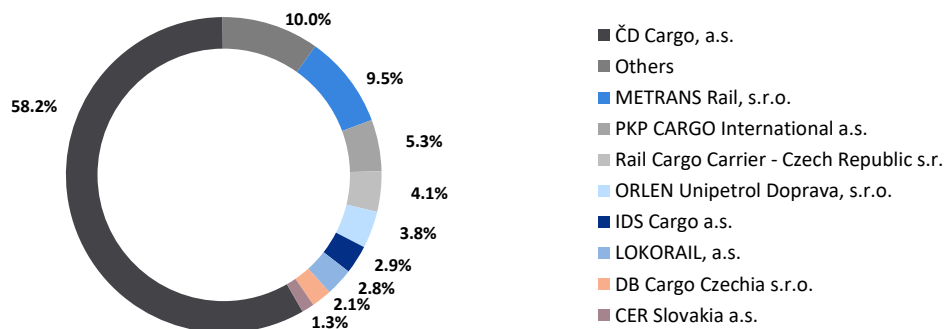
PKP CARGO International a.s.'s quarterly market shares in terms of freight turnover in the Czech Republic in 2016-2022*



* data for Q3 2022 will be available at the turn of Q1 2023

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

Market shares of the biggest rail operators by operational freight turnover in the Czech Republic in 9M 2022 (btkm)



Source: SŽDC (Czech rail infrastructure manager)

⁷⁵ SŽDC

⁷⁶ SŽDC

ČD Cargo a.s. remained the undisputed leader of the Czech rail freight transport market in terms of gross operational turnover, although in the same period its market share was in a rapid upward yoy trend, having increased to 58.2% (+2.3 p.p. yoy).⁷⁷ Year-over-year increases in the market share were also recorded by LOKORAIL a.s. (+0.9 p.p. yoy to 2.8%), by Metrans Rail (+0.3 p.p. yoy to 9.5%), thus having solidified its position as the second largest rail freight carrier in the Czech Republic, IDS Cargo a.s. – an independent logistics operator operating in the territory of the Czech Republic and Slovakia (+0.1 p.p. yoy to 2.9%) and by DB Cargo Czechia s.r.o. (+0.1 p.p. yoy to 2.1%).⁷⁸ The list currently includes again a rail operator that was not included in 2021, namely CER Slovakia a.s. (with a share of 1.3%). On the other hand, in 3 quarters of 2021, lower market shares were held by PKP CARGO International (-1.3 p.p. yoy to 5.3%), ORLEN Unipetrol Doprava (-1.0 p.p. yoy to 3.8%, the operator focuses its business on the fuel transport segment) and Rail Cargo Carrier – Czech Republic (-0.8 p.p. yoy to 4.1%). A decrease in the market share was also experienced by small rail operators. Due to their individual shares falling below the market threshold, they are not specified by name in the statistics (-0.8 p.p. yoy to 10.0%).⁷⁹

The list of the largest rail operators on the Czech market published by SŽDC does not include PKP CARGO S.A. The following transports performed by the Company decreased year-over-year: of hard coal imported from Poland to the Czech Republic and imports via Polish ports to the Czech Republic. Import transports of iron ore from Ukraine were also reduced, which was partly compensated by transports via Polish ports. Transports of paper, rape oil and chemicals were similarly decreased. At the same time, in the period from January to September 2022, compared to the corresponding period of the previous year, increases were recorded in transports of calcium flux imported from Poland.⁸⁰

3.2.5 PKP CARGO Group's rail transport business

The data on the transport activity conducted by the PKP CARGO Group in 9M 2021 and 9M 2022 contain consolidated data of PKP CARGO S.A., PKP CARGO SERVICE Sp. z o.o. and companies from the PKP CARGO International Group. Transport services are rendered by 6 members of the Group, namely PKP CARGO S.A., PKP CARGO SERVICE Sp. z o.o., PKP CARGO International a.s., PKP CARGO International HU Zrt., PKP CARGO International SK a.s. and PKP CARGO INTERNATIONAL SI d.o.o.

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

Freight turnover of the PKP CARGO Group in 9M and Q3 2022 and 2021

Item	9M 2022	9M 2021	Change 9M 2022/ 9M 2021		9M 2022	9M 2021	Q3 2022	Q3 2021	Change Q3 2022/ Q3 2021	
	<i>(million tkm)</i>		%	<i>percentage of total (%)</i>		<i>(million tkm)</i>		%		
Solid fuels ¹	7,943	7,016	927	13.2%	39%	37%	2,703	2,219	484	21.8%
<i>of which hard coal</i>	6,744	5,707	1,037	18.2%	34%	30%	2,340	1,832	508	27.7%
Aggregates and construction materials ²	4,235	3,757	478	12.7%	21%	20%	1,632	1,512	120	7.9%
Metals and ores ³	1,721	1,679	42	2.5%	9%	9%	460	600	-141	-23.4%
Chemicals ⁴	1,526	1,700	-174	-10.2%	8%	9%	429	593	-164	-27.7%
Liquid fuels ⁵	675	466	209	45.0%	3%	2%	258	159	99	62.3%
Timber and agricultural produce ⁶	669	570	99	17.4%	3%	3%	234	160	74	46.0%
Intermodal transport	2,963	3,415	-452	-13.2%	15%	18%	930	1,177	-247	-21.0%
Other ⁷	383	385	-2	-0.5%	2%	2%	135	127	8	6.5%
Total	20,116	18,987	1,129	5.9%	100%	100%	6,782	6,548	233	3.6%

Source: Proprietary material

⁷⁷ SŽDC

⁷⁸ SŽDC

⁷⁹ SŽDC

⁸⁰ PKP CARGO S.A.'s own statistics

Freight volume of the PKP CARGO Group in 9M and Q3 2022 and 2021

Item	9M 2022	9M 2021	Change 9M 2022/ 9M 2021		9M 2022	9M 2021	Q3 2022	Q3 2021	Change Q3 2022/ Q3 2021	
	<i>(million tons)</i>		%	<i>percentage of total (%)</i>		<i>(million tons)</i>		%		
Solid fuels ¹	37.1	38.1	-1.0	-2.7%	49%	51%	11.6	12.9	-1.2	-9.7%
<i>of which hard coal</i>	33.1	33.7	-0.7	-2.0%	44%	45%	10.3	11.6	-1.2	-10.8%
Aggregates and construction materials ²	16.3	14.6	1.7	11.9%	22%	19%	6.3	5.9	0.4	6.5%
Metals and ores ³	5.5	5.6	-0.1	-2.3%	7%	7%	1.6	2.0	-0.4	-20.2%
Chemicals ⁴	4.2	4.9	-0.7	-13.8%	6%	7%	1.2	1.6	-0.5	-28.2%
Liquid fuels ⁵	2.0	1.3	0.7	51.3%	3%	2%	0.8	0.5	0.3	71.6%
Timber and agricultural produce ⁶	2.3	1.7	0.6	37.0%	3%	2%	0.7	0.5	0.2	46.0%
Intermodal transport	6.8	7.4	-0.6	-7.6%	9%	10%	2.0	2.6	-0.5	-20.7%
Other ⁷	1.4	1.4	0.1	3.8%	2%	2%	0.5	0.5	0.1	13.2%
Total	75.7	75.0	0.7	1.0%	100%	100%	24.8	26.4	-1.6	-6.2%

Source: Proprietary material

In 9M 2022, the average haul of freight transported by rail by the PKP CARGO Group was 266 km (an increase in the haul by +12 km yoy).

Average haul of the PKP CARGO Group in 9M and Q3 2022 and 2021

Item	9M 2022	9M 2021	Change 9M 2022/ 9M 2021		Q3 2022	Q3 2021	Change Q3 2022/ Q3 2021	
	<i>(km)</i>		%	<i>(km)</i>		%		
Solid fuels ¹	214	184	30	16.3%	232	172	60	34.9%
<i>of which hard coal</i>	204	169	35	20.5%	227	158	68	43.2%
Aggregates and construction materials ²	260	258	2	0.7%	260	257	4	1.4%
Metals and ores ³	314	300	15	4.9%	292	305	-12	-4.1%
Chemicals ⁴	363	348	14	4.1%	362	360	3	0.7%
Liquid fuels ⁵	331	346	-14	-4.2%	327	346	-19	-5.4%
Timber and agricultural produce ⁶	287	335	-48	-14.3%	316	316	0	0.0%
Intermodal transport	434	462	-28	-6.1%	457	458	-1	-0.3%
Other ⁷	269	281	-12	-4.2%	264	280	-17	-5.9%
Total	266	253	12	4.9%	274	248	26	10.4%

Source: Proprietary material

¹ Includes hard coal, coke and lignite.

² Includes all kinds of stone, sand, bricks and cement.

³ Includes ores and pyrites, as well as metals and metal products.

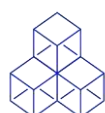
⁴ Includes fertilizers and other chemicals.

⁵ Includes crude oil and petrochemical products.

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

⁷ Includes other freight.

Key factors affecting the volume of transport in various cargo categories in 9 months of 2022:



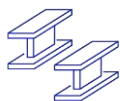
Solid fuels

- replenishment of stock in power plant's storage facilities before the planned introduction of Russian coal embargo;
- increased sales of coal because of demand and volume of produced electricity;
- increased coal transports to Ukraine;
- a ban on the imports to Poland and transit via Poland of coal and coke coming from Russia and Belarus;
- increase in the average haul of hard coal by 35 km (20.5%);
- decrease in the volume of transported coke on domestic and international routes because of lower demand from metallurgical industry;
- decrease in the volume of coal transported from OKD mines.



Aggregates and construction materials

- increased customer demand for construction stone – replenishment of storage facilities;
- intensification of road works and modernization of rail routes and railway stations;
- increase in average haul;
- catching up on transports of crushed stone not performed at the end of 2021;
- in connection with favorable weather conditions in the first months of this year, most construction companies continued construction works despite the so-called winter break.



Metals and ores

- change in the directions of metal ore supplies to steel mills in Poland (imports through sea ports instead of imports from Ukraine);
- decrease in transports of metals resulting from lower production of steel (soaring prices of raw materials – maximum levels from many years were exceeded in March);
- imposing sanctions on the Russian and Belorussian steel and cast-iron production sector;
- increased transport of metal ores in transit to the Czech Republic;
- growth in average haul by 15 km (+4.9%).



Chemicals

- suspension of production of nitrogen fertilizers in Q3 2022 because of high prices of gas;
- decrease in transport services of nitrogen fertilizers domestically, in exports through seaports and in exports to Ukraine;
- growth in average haul by 14 km (+4.1%).



Intermodal

- continued transport of semi-trailers as part of operator connections to Duisburg and from Lithuania to the Netherlands;
- decreased volumes of transport on the New Silk Road;
- lower volumes of exports and imports between seaports and inland terminals;
- due to modernization works currently in progress in the Tri-City area, restraining the capacity of rail routes and extending travel time; priority of coal transports;
- increased transports of metals and agricultural produce in containers from Ukraine;
- loss of transports by PKP CARGO International a.s. from the port of Koper to another rail operator.



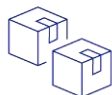
Liquid fuels

- increase in freight volume and change in the supply logistics of the largest client in this segment (increase in the volume of orders due to the stronger demand for fuels);
- increase in the number of commissions for transports of oil and petrochemical products from the refinery in Płock and in Lithuania;
- decreased volume of transport services provided by PKP CARGO INTERNATIONAL from Slovakia to Poland (stoppage in Slovnaft refinery in Bratislava);
- loss of fuel transports (by PKP CARGO International a.s.) from the Czech Republic to Germany;
- decline in average haul by 14 km (-4.2%).



Timber and Agricultural produce

- Increase in the volume of timber transported through seaports, change in the direction of timber supplies to the main buyers (paper manufacturers);
- growth of grain and fodder transports from Ukraine to seaports in import and transit;
- decrease in the average haul by 48 km (-14.3%) caused by the change in the structure of freight routes – increased share of domestic transport and transport from sea ports, lack of timber transports from the Czech Republic to seaports.



Other

- decreased average haul in transport of other cargo in Poland due to a change in the structure of freight routes;
- decreased shipments of arsenic sulfide from Belarus;
- decreased imports of clay and salt from Ukraine;
- decline in the volume of transported cars in exports;
- increase in paper shipments in exports.

3.3 Other services

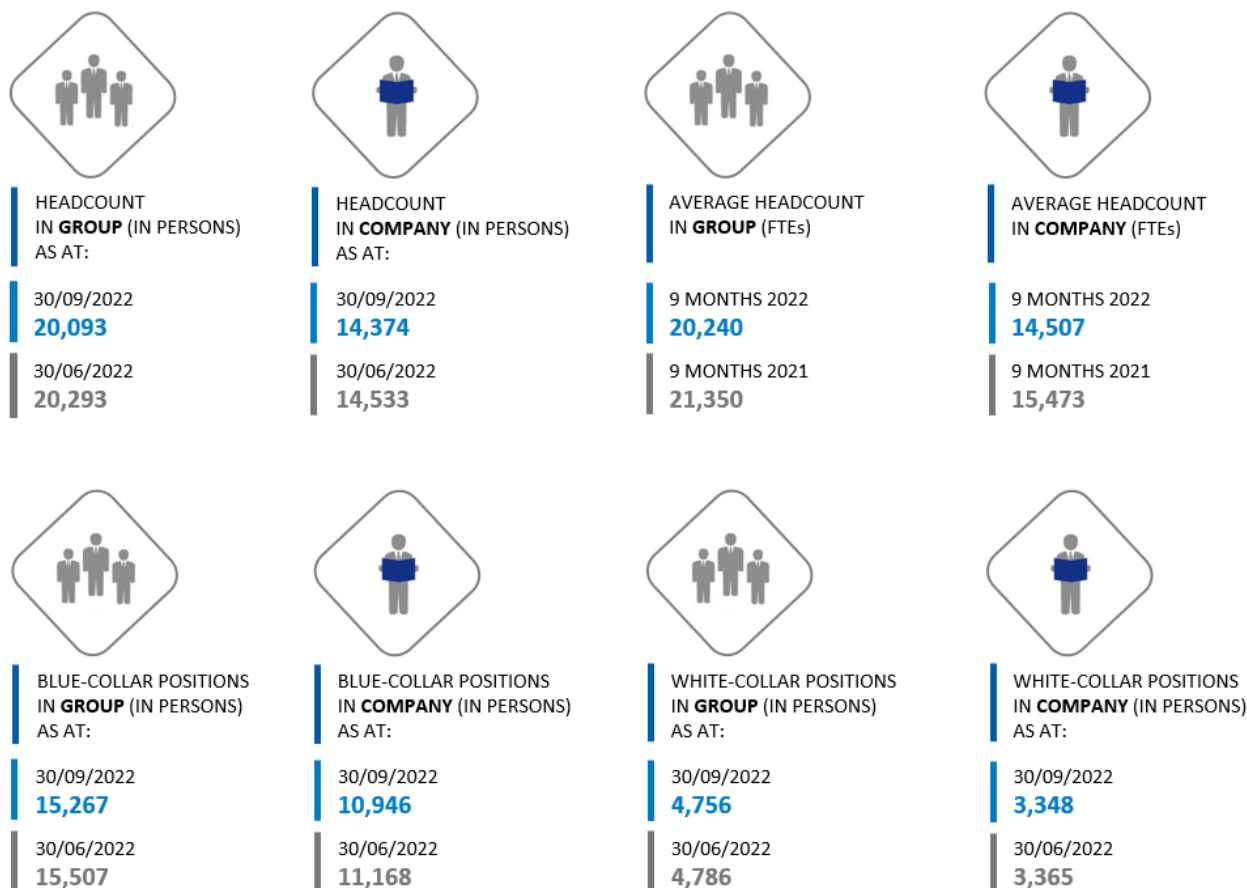
The Group does not distinguish operating segments of its activity, since it has one main product, which incorporates all the material services provided by the Group. The Group conducts its business within one main segment – domestic and international cargo freight and provision of comprehensive logistics services related to rail freight. The Management Board of the Parent Company analyzes financial data in the layout in which they were presented in the Quarterly Condensed Consolidated Financial Statements of the Group. The Group additionally provides services related to rolling stock repairs,

infrastructure maintenance and land reclamation services, but they are not material for the Group's business and therefore are not treated as separate operating segments.

3.4 Headcount

Information concerning movements in headcount in the PKP CARGO Group and PKP CARGO S.A. in 9M 2022 and in the corresponding period of 2021 is provided below.

Headcount in the Company and the PKP CARGO Group in 9M 2022 and 2021



Since the beginning of 2022, the PKP CARGO Group recorded a decrease in headcount by 469 persons, of which PKP CARGO S.A. by 354 persons.

3.5 PKP CARGO Group's investments

In the first 9 months of 2022, the PKP CARGO Group incurred capital expenditures of PLN 519.8 million, down 14.8% compared to the corresponding period of 2021. These expenditures were spent on the acquisition of property, plant and equipment and intangible assets in the form of procurement, modernization and the overhaul component (periodic repairs of P4 and P5 rolling stock and periodic checkups of P3 rolling stock). Moreover, right-of-use assets (mainly related to real estate leases) were recognized.

The majority of capital expenditures in 9M 2022 in the PKP CARGO Group was allocated to the execution of capital expenditure endeavors associated with the rolling stock, mainly to periodic repairs (P4 and P5) and checkups (P3) of rolling stock and modernization of locomotives and purchases of wagons – in total PLN 468.6 million (i.e. 90.2% of capital expenditures). Furthermore, expenditures were incurred on investment construction activity in the amount of PLN 15.3 million, purchases of machinery, equipment, other workshop and office fittings as well as means of transport for PLN 10.0 million, on ICT development, i.e. purchases of computer hardware and intangible assets (software) in the amount of PLN 2.6 million, and on right-of-use assets for PLN 23.3 million, including PLN 16.5 million in real estate leases and PLN 6.8 million in other rights.

A detailed summary of the PKP CARGO Group's capital expenditures in 9M 2022 compared to the corresponding period of last year is presented in the following table.

Capital expenditures on property, plant and equipment, intangible assets and right-of-use assets in the PKP CARGO Group in 9M 2022 as compared to 9M 2021 (millions of PLN)

Item	9M 2022	9M 2021	Change 2022-2021	Change 2022-2021 %
Investment construction activity	15.3	27.6	-12.3	-44.6%
Locomotive upgrades	15.6	98.1	-82.5	-84.1%
Wagon purchases	110.6	125.4	-14.8	-11.8%
Workshop machinery and equipment	8.2	18.8	-10.6	-56.3%
ICT development	2.6	7.6	-5.0	-66.2%
Other	1.8	0.3	1.5	498.6%
Components in overhaul, including:	342.4	290.0	52.4	18.1%
<i>Repairs and periodic inspections of locomotives</i>	73.9	85.7	-11.8	-13.7%
<i>Repairs and periodic inspections of wagons</i>	268.5	204.3	64.2	31.4%
Right-of-use assets*	23.3	42.3	-19.0	-45.0%
Total	519.8	610.1	-90.3	-14.8%

* Expenditures for right-of-use assets for 9M 2022 do not include increases of PLN 14.8 million resulting from leaseback of a locomotive and transshipment equipment, while expenditures for right-of-use assets for 9M 2021 do not include increases of PLN 8.6 million resulting from leaseback of transshipment equipment.

Source: Proprietary material

3.6 Key information and events

JANUARY 2022

- On 13 January 2022, the Supervisory Board of PKP CARGO S.A. adopted Resolution No. 1/VII/2022 on ending the secondment of Mr. Władysław Szczepkowski, a PKP CARGO S.A. Supervisory Board Member, to act temporarily in the capacity of the President of the PKP CARGO S.A. Management Board.
- On 13 January 2022, the Supervisory Board of PKP CARGO S.A. adopted Resolution No. 2/VII/2022 deciding that the composition of the Management Board of PKP CARGO S.A. for the joint 8th term of office shall at any one time be no more than 5 persons.
- As a result of the completed recruitment procedure for the following positions: President of the PKP CARGO S.A. Management Board, PKP CARGO S.A. Management Board Member in charge of Commerce, PKP CARGO S.A. Management Board Member in charge of Finance, and PKP CARGO S.A. Management Board Member in charge of Operations, on 13 January 2022 the Supervisory Board of PKP CARGO S.A. adopted Resolution No. 6/VII/2022 on the appointment of Mr. Marek Olkiewicz to the position of PKP CARGO S.A. Management Board Member in charge of Operations.
- On 13 January 2022, the Supervisory Board of PKP CARGO S.A. adopted Resolution No. 7/VII/2022, seconding Mr. Władysław Szczepkowski, a PKP CARGO S.A. Supervisory Board Member, to act in the capacity of the President of the PKP CARGO S.A. Management Board for a period not longer than 3 (three) months.
- On 13 January 2022, the Supervisory Board of PKP CARGO S.A. adopted Resolution No. 9/VII/2022, on ending without a decision the recruitment procedure for the following positions: President of the PKP CARGO S.A. Management Board, PKP CARGO S.A. Management Board Member in charge of Finance and PKP CARGO S.A. Management Board Member in charge of Commerce, and on starting a new recruitment procedure for the following positions: President of PKP CARGO S.A. Management Board, PKP CARGO S.A. Management Board Member in charge of Finance and PKP CARGO S.A. Management Board Member in charge of Commerce.
- On 19 January 2022, by force of Resolution No. 12/2022, the Management Board of PKP CARGO S.A. temporarily entrusted oversight over organizational units in the Company's Head Office: to Mr. Władysław Szczepkowski – seconded by the Supervisory Board of PKP CARGO S.A. pursuant to Resolution No. 7/VII/2022 of 13 January 2022 to perform the duties of the President of the PKP CARGO S.A. Management Board for a period not longer than 3 months, excluding the organizational units entrusted to Mr. Zenon Kozendra, PKP CARGO S.A. Management Board Member – Employee Representative, falling within the

scope of responsibilities of the following functions: PKP CARGO S.A. Management Board Member in charge of Commerce, PKP CARGO S.A. Management Board Member in charge of Finance, as well as temporary oversight over the affairs and organizational units falling within the scope of responsibilities of PKP CARGO S.A. Management Board Member in charge of Operations until 2 February 2022; to Mr. Zenon Kozendra – PKP CARGO S.A. Management Board Member – Employee Representative, for a period not longer than 3 months, over the following units: Human Resources Management Department of PKP CARGO S.A. Head Office, the Information and Communication (ICT) Department of PKP CARGO S.A. Head Office, and the Procurement Department of PKP CARGO S.A. Head Office.

- On 27 January and 1 February 2022, the Supervisory Board adopted Resolution No. 11/VII/2022 and Resolution No. 12/VII/2022, respectively on amendments to the Bylaws for Electing Candidates for Employee Representatives to PKP CARGO S.A. Management Board and for Employee Representatives to PKP CARGO S.A. Supervisory Board, as well as on the procedure of their dismissal.

FEBRUARY 2022

- On 11 February 2022, PKP CARGO S.A. concluded an agreement with the consortium composed of: Siemens Mobility Sp. z o.o. and Siemens Mobility GmbH for delivery of 5 brand new electric multi-system locomotives, together with the provision of maintenance services. The schedule assumes delivery of 5 locomotives in Q1 2023. The value of the agreement will not exceed the net amount of PLN 139,125,093.48. The agreement will be effective from the date of execution to the end of the maintenance period of the last locomotive to be delivered.

MARCH 2022

- In performance of the Memorandum of Agreement concluded on 27 August 2021 between the parties to the Collective Bargaining Agreement of PKP CARGO S.A. stipulating the commencement by 31 January 2022 of talks regarding the implementation of a system-based salary raise from 1 April 2022, on 1 March 2022 the Company requested the Trade Unions representing employees of PKP CARGO S.A. Units and Head Office (“Trade Unions”) to extend the pending social dialog at least until the evaluation of the Company’s financial performance for 2021 and Q1 2022, and consequently to defer any potential decisions on the system-based salary raise. As the Trade Unions upheld the postulates of implementing the salary raise as of 1 April 2022, the Parties signed a protocol ending the social dialog on 1 March 2022. On 1 March 2022, a collective dispute was launched by Trade Unions.

APRIL 2022

- On 23 March 2022, the Management Board of PKP CARGO S.A. reported that it received from Nationale-Nederlanden Powszechnie Towarzystwo Emerytalne S.A. with its registered office in Warsaw a notice of reduction by 2% in the number of the Company’s shares held by Nationale-Nederlanden Otwarty Fundusz Emerytalny.
- On 12 April 2022, the PKP CARGO S.A. Management Board reported the elapse of the three-month period of secondment of Mr. Władysław Szczepkowski, the Company’s Supervisory Board Member, to act temporarily in the capacity of the President of the PKP CARGO S.A. Management Board.
- On 13 April 2022, the Company’s Supervisory Board, as a result of the conducted executive recruitment procedure, adopted: 1) Resolution No. 33/VII/2022 to appoint Mr. Dariusz Seliga to the PKP CARGO S.A. Management Board entrusting him with the function of President of the Management Board for the joint 7th and 8th term office, as of 13 April 2022; 2) Resolution No. 35/VII/2022 to appoint Mr. Zenon Kozendra to the PKP CARGO S.A. Management Board entrusting him with the function of a PKP CARGO S.A. Management Board Member – Employee Representative for the joint 8th term of office. On 13 April 2022, the PKP CARGO S.A. Supervisory Board adopted Resolution No. 30/VII/2022 to declare the proper and valid election and appointment of candidates for employee representatives to the PKP CARGO S.A. Supervisory Board of the 8th term of office.
- On 22 April 2022, the Company’s Supervisory Board, as a result of the conducted executive recruitment procedure, adopted: 1) Resolution no. 37/VII/2022 to appoint Mr. Jacek Rutkowski to the PKP CARGO S.A. Management Board entrusting him with the function of PKP CARGO S.A. Management Board Member in charge of Commerce for the joint 7th and 8th term office, as of 25 April 2022; 2) Resolution no. 39/VII/2022 to appoint Mr. Maciej Jankiewicz to the PKP CARGO S.A. Management Board entrusting him with the function of PKP CARGO S.A. Management Board Member in charge of Finance for the joint 7th and 8th term office, as of 25 April 2022.
- On 27 April 2022, as a result of the negotiations held as part of the collective dispute with the Trade Union Organizations acting as a party to the Collective Bargaining Agreement for Employees of the PKP CARGO S.A. Units, no agreement was reached, and as a consequence, pursuant to the provisions of Article 9 of the Act of 23 May 1991 on Collective Dispute Resolution (consolidated text: Journal of Laws of 2020, Item 123), a statement of differences of opinion has been drafted, which presents positions of both Parties to the demand raised by the Trade Union Organizations that a salary increase should be implemented as of 1 April 2022. The signing of this statement of differences of opinion terminated the negotiations, whereby the collective dispute moved into the stage of mediation in accordance with the regulations of the Act.

MAY 2022

- On 23 May 2022, the Parent Company executed an annex to an overdraft facility agreement with Bank Polska Kasa Oszczędności S.A. for the maximum amount of up to PLN 100 million, which amends the loan terms in that it extends the loan availability until 24 May 2023.
- On 24 May 2022, during the mediation meeting held as part of the procedure to resolve a collective dispute for the implementation of a system-based salary raise pending between the Parent Company and the Trade Unions that are parties to the Collective Bargaining Agreement for employees of PKP CARGO S.A. Units, a protocol was signed that provides for a salary increase to be granted to Parent Company employees as of 1 June 2022. The signing of the protocol suspends the mediations in the collective dispute until November 2022.
- On 30 May 2022, the Management Board of PKP CARGO S.A. reported that it had received from Nationale-Nederlanden Powszechne Towarzystwo Emerytalne S.A. with its registered office in Warsaw a notice of reduction by 2% in the number of the Company's shares held by Nationale-Nederlanden Otwarty Fundusz Emerytalny.

JUNE 2022

- On 3 June 2022, an announcement was published regarding convocation of the Company's Ordinary Shareholder Meeting for 29 June 2022 together with the wording of draft resolutions and supporting documentation.
- On 17 June 2022, the Parent Company executed an annex to an overdraft facility agreement with Bank Gospodarstwa Krajowego for the maximum amount of up to PLN 100 million extending the loan availability until 20 September 2022.
- On 20 June 2022, the Management Board of PKP CARGO S.A. reported that it had received a proposal from one of the Company's shareholders, namely Aviva Powszechne Towarzystwo Emerytalne Aviva Santander, concerning the candidacy of Mr. Dominik Januszewski to be a PKP CARGO S.A. Supervisory Board Member fulfilling independence criteria.
- On 24 June 2022, the Management Board of PKP CARGO S.A. reported that it had received a motion from the Company's shareholder, Nationale-Nederlanden Otwarty Fundusz Emerytalny represented by Nationale-Nederlanden Powszechne Towarzystwo Emerytalne S.A., concerning the candidacy of Mr. Michał Wnorowski to be a PKP CARGO S.A. Supervisory Board Member fulfilling independence criteria.
- On 29 June 2022, the Management Board of PKP CARGO S.A. reported that it had received a proposal from the Company's shareholder, Otwarty Fundusz Emerytalny PZU "Złota Jesień" represented by Powszechne Towarzystwo Emerytalne PZU SA, concerning the candidacy of Ms. Izabela Wojtyczka for a PKP CARGO S.A. Supervisory Board Member fulfilling independence criteria.
- On 28 June 2022, the Parent Company executed an overdraft facility agreement with Bank Powszechna Kasa Oszczędności Bank Polski S.A. up to the maximum amount of PLN 100 million with the availability term until 27 June 2023.
- On 29 June 2022, the Company's Ordinary Shareholder Meeting, acting pursuant to Article 385 § 1 of the Commercial Company Code and § 19 Section 1 of the Company's Articles of Association, appointed the following members fulfilling the independence criteria to the PKP CARGO Supervisory Board for its 8th term of office: Ms. Izabela Wojtyczka and Mr. Michał Wnorowski.
- The Management Board of PKP CARGO S.A. reported that on 29 June 2022 it received a notice from Nationale-Nederlanden Powszechne Towarzystwo Emerytalne S.A. with its registered office in Warsaw, acting on behalf of Nationale-Nederlanden Otwarty Fundusz Emerytalny (Nationale-Nederlanden Open-End Pension Fund), that as a result of the sale of a stake in the Company's stock, the Fund decreased its share in the total number of votes in the Company below the 10% threshold.

JULY 2022

- On 7 July 2022, Mr. Jarosław Piotr Stawiarski was appointed to the PKP CARGO S.A. Supervisory Board of the 8th term of office.
- On 12 July 2022, the PKP CARGO S.A. Supervisory Board of the 8th term of office was formed, having elected: – Mr. Władysław Szczepkowski to serve as the Supervisory Board Chairman of the 8th term of office; – Mr. Andrzej Leszczyński to serve as the Supervisory Board Vice-Chairman of the 8th term of office. At the same time, the PKP CARGO S.A. Supervisory Board appointed the Audit Committee of the Supervisory Board of the 8th term of office composed of: Ms. Izabela Wojtyczka; Mr. Michał Wnorowski; Mr. Jarosław Ślepaczuk.
- On 28 July 2022, the PKP CARGO S.A. Management Board received a letter from Polskie Koleje Państwowe S.A., a Company shareholder, submitted in connection with § 19 Sections 2 and 6 of the Company's Articles of Association on the appointment of Mr. Grzegorz Dostatni to the Supervisory Board in its 8th term of office. The appointment of Mr. Grzegorz Dostatni to the Supervisory Board pursuant to the statutory right held by PKP S.A. is consistent with the regulation in § 19 Section 2 of the Company's Articles of Association.
- On 29 July 2022, the subsidiary PKP CARGO Terminale sp. z o.o. entered into an agreement with ZUE S.A. with its registered office in Kraków to carry out an investment project entitled Performance of construction work to carry out an investment project entitled "Construction of a multimodal terminal in Zduńska Wola-Karsznice". The estimated value of the contract is PLN 100 million, i.e. gross value of PLN 123 million. Performance deadline: by 31 October 2023. Under the subject of the agreement PKP CARGO Terminale sp. z o.o. will build a cargo transshipment location including tracks and turnouts, the terminal grounds including a parking lot and roads. This contract contemplates the possibility of PKP CARGO Terminale sp. z o.o. paying

contractual damages, where failing to perform the foregoing construction work on schedule may cause the company to reimburse EU funds. The other terms and conditions of the contract do not deviate from the standard terms and conditions for construction contracts of this type.

- On 29 July 2022, PKP CARGO Terminale sp. z o.o. entered into an agreement with ECM GROUP POLSKA S.A. with its registered office in Warsaw to render investor supervision services for the construction work under the investment project entitled "Construction of a multimodal terminal in Zduńska Wola-Karsznice". The net value of the contract is PLN 1,050,000.00 (the gross value is PLN 1,291,500.00). This contract will be performed from the date of its execution until the day when the client signs the final post-guarantee acceptance report of this terminal with the construction work contractor. On 28 July 2022, an agreement was signed with Polskie Koleje Państwowe S.A. to lease land in Zduńska Wola - Karsznice for part of plots no. 1/31 and 1/53 with a total area of 116,786 m² for PKP CARGO Terminale sp. z o.o. to carry out an investment involving the "Construction of a multimodal terminal in Zduńska Wola-Karsznice". The estimated net value of this land lease contract is PLN 10,791,026.40 (the gross value is PLN 13,272,962.47). The contemplated duration of the lease is 10 years with an option to extend for another period.

AUGUST 2022

- On 17 August 2022, PKP CARGO S.A. and other members of the PKP Group signed an agreement for the management of a subsidiary, as referred to in Article 7 of the Commercial Company Code (hereinafter: PKP Group Charter). The PKP Group Charter specifies, without limitation, the basic objective of the PKP Group Charter, which is to ensure the pursuit of the PKP Group's strategic interests through developing the principles and structures, which will define and set out the PKP Group's Goals and Mission and enable reliable monitoring and evaluation of the steps taken by management boards of PKP Group Members. The PKP Group's Interest is the commonality of the Parties' goals and entails balancing the interests of individual Parties and of the PKP Group. By signing the PKP Group Charter, the Company undertook to cooperate with the PKP Group Members in the Cooperation Areas, which include: internal audit and internal control, strategy, economic analyses, corporate governance, procurement, IT and telecommunications, marketing, promotion, PR activities, finance, accounting, HR management, international cooperation, legal and organizational activities, common market, property management, rail geodetic services, security, training and professional improvement and development of rail personnel. The PKP Group Charter appoints the PKP Group bodies, including the PKP Group Management Board as the executive body and the PKP Group Board as the advisory and consultancy body, with the bodies not replacing the statutory bodies of the Group Members and cooperating with the Parties such that the obligations and rights of the statutory bodies of the PKP Group Members are not infringed.

SEPTEMBER 2022

- On 19 September 2022, the Parent Company executed an annex to an overdraft facility agreement with Bank Gospodarstwa Krajowego for the maximum amount of up to PLN 100 million extending the loan availability until 20 October 2023.

OCTOBER 2022

- Judgment of the Supreme Court on the alleged abuse by PKP CARGO S.A. of its dominant position on the domestic rail freight market – the cassation appeal filed by PKP CARGO S.A. against the judgment of the Court of Appeals was dismissed and the Company was ordered to reimburse the President of the Office of Competition and Consumer Protection („UOKiK President”) PLN 540 in legal representation expenses. The dismissal of the cassation ends the proceedings in the case in a final non-appealable manner.
- On 6 October 2022, PKP CARGO Terminale Sp. z o.o. entered into a conditional agreement to co-finance the project named "Construction of a multimodal terminal in Zduńska Wola-Karsznice" in the amount of PLN 51.7 million. The project is implemented as part of the Regional Operational Programme of the Łódź Voivodship for 2014-2020.
- On 10 October 2022, the Parent Company and Pekao Leasing Sp. z o.o. signed a Framework Lease Agreement with a limit of PLN 100 million and an availability period of 12 months from the date of the agreement. With the consent of the Finance Party, other members of the PKP CARGO Group may accede to the agreement.

NOVEMBER 2022

- On 8 November 2022, the Parent Company and PKO Leasing S.A. signed a Framework Lease Agreement with the availability period until 31 December 2023. The subject matter of the Agreement will be the lease of new locomotives to be delivered by a consortium consisting of NEWAG S.A. and Newag Lease sp. z o.o. S.K.A. up to the total value of PLN 200 million.

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

4.1 Economic and financial highlights of the PKP CARGO Group

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

Financial highlights of the PKP CARGO Group

PKP CARGO Group	PLN million		EUR million	
	9M 2022	9M 2021	9M 2022	9M 2021
Operating revenue	3,854.4	3,190.1	822.2	699.8
Operating profit / (loss)	98.3	(138.4)	21.0	(30.4)
Profit / (loss) before tax	1.7	(180.6)	0.4	(39.6)
Net profit / (loss)	(4.7)	(153.5)	(1.0)	(33.7)
Total comprehensive income attributable to the owners of the parent company	50.4	(95.2)	10.8	(20.9)
Weighted average number of shares	44,786,917	44,786,917	44,786,917	44,786,917
Weighted average number of shares taken into account to calculate diluted profit	44,786,917	44,786,917	44,786,917	44,786,917
Earnings / (loss) per share (PLN)	(0.11)	(3.43)	(0.02)	(0.75)
Diluted earnings / (loss) per share (PLN)	(0.11)	(3.43)	(0.02)	(0.75)
Net cash flow from operating activities	572.2	313.9	122.1	68.9
Net cash flow from investing activities	(593.5)	(590.7)	(126.6)	(129.6)
Net cash flow from financing activities	(110.2)	103.5	(23.5)	22.7
Movement in cash and cash equivalents	(131.5)	(173.3)	(28.0)	(38.0)
	30 Sep 2022	31 Dec 2021	30 Sep 2022	31 Dec 2021
Non-current assets	6,331.3	6,458.7	1,300.1	1,404.3
Current assets	1,191.6	1,139.0	244.7	247.6
Non-current assets classified as held for sale	3.5	15.7	0.7	3.4
Share capital	2,239.3	2,239.3	459.8	486.9
Equity attributable to the owners of the parent company	3,091.0	3,040.6	634.7	661.1
Non-current liabilities	2,461.9	2,833.8	505.5	616.1
Current liabilities	1,973.5	1,739.0	405.3	378.1

Source: Quarterly Condensed Consolidated Financial Statements of the PKP CARGO Group for the period of 9 months ended 30 September 2022 prepared according to EU IFRS.

Financial highlights of PKP CARGO S.A.

PKP CARGO S.A.	PLN million		EUR million	
	9M 2022	9M 2021	9M 2022	9M 2021
Operating revenue	2,842.5	2,322.2	606.3	509.4
Operating profit / (loss)	39.2	(169.9)	8.4	(37.3)
Profit / (loss) before tax	(28.8)	(190.5)	(6.1)	(41.8)
Net profit / (loss)	(23.5)	(157.1)	(5.0)	(34.5)
Comprehensive income	(17.4)	(127.0)	(3.7)	(27.9)
Weighted average number of shares	44,786,917	44,786,917	44,786,917	44,786,917
Weighted average number of shares taken into account to calculate diluted profit	44,786,917	44,786,917	44,786,917	44,786,917
Earnings / (loss) per share (PLN)	(0.52)	(3.51)	(0.11)	(0.77)
Diluted earnings / (loss) per share (PLN)	(0.52)	(3.51)	(0.11)	(0.77)
Net cash flow from operating activities	487.2	174.3	103.9	38.2
Net cash flow from investing activities	(543.4)	(543.9)	(115.9)	(119.3)
Net cash flow from financing activities	(46.8)	218.8	(10.0)	48.0
Movement in cash and cash equivalents	(103.0)	(150.8)	(22.0)	(33.1)
	30 Sep 2022	31 Dec 2021	30 Sep 2022	31 Dec 2021
Non-current assets	5,920.3	6,031.2	1,215.7	1,311.3
Current assets	698.5	681.3	143.4	148.1
Non-current assets classified as held for sale	3.4	14.9	0.7	3.2
Share capital	2,239.3	2,239.3	459.8	486.9
Equity	2,795.3	2,812.7	574.0	611.5
Non-current liabilities	2,088.4	2,442.9	428.8	531.1
Current liabilities	1,738.5	1,471.8	357.0	320.0

Source: Quarterly Financial Information of PKP CARGO S.A. for the period of 9 months ended 30 September 2022 prepared according to EU IFRS.

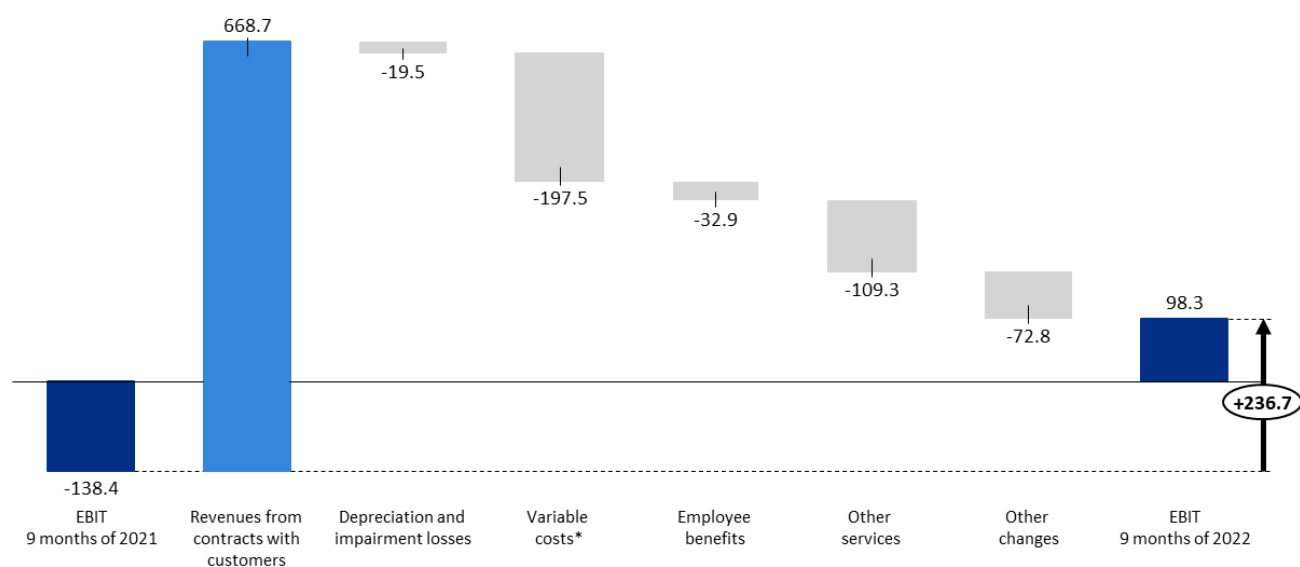
The following average PLN to EUR exchange rates set by the National Bank of Poland have been used to translate selected financial data in the periods covered by the Quarterly Condensed Consolidated Financial Statements of the PKP CARGO Group and the Quarterly Financial Information of PKP CARGO S.A. for the period of 9 months ended 30 September 2022:

- exchange rate in force on the last day of the reporting period: 30 September 2022: EUR 1 = PLN 4.8698; 31 December 2021: EUR 1 = PLN 4.5994,
- the average exchange rate in the period calculated as the arithmetic mean of the exchange rates prevailing on the last day of each month in a given period: 1 January – 30 September 2022: EUR 1 = PLN 4.6880, 1 January – 30 September 2021: EUR 1 = PLN 4.5585.

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

Statement of profit or loss of the PKP CARGO Group

During the first 9 months of 2022, EBIT reached PLN 98.3 million, marking an improvement compared to the corresponding period of 2021 by PLN 236.7 million.

EBIT in 9M 2022 as compared to the corresponding period in 2021 (PLN million)


* Variable costs are the costs of: traction fuel, traction energy and access to infrastructure.

Source: Proprietary material

The following is a description of the most significant deviations affecting EBIT in the first 9 months of 2022 as compared to the first 9 months of 2021:

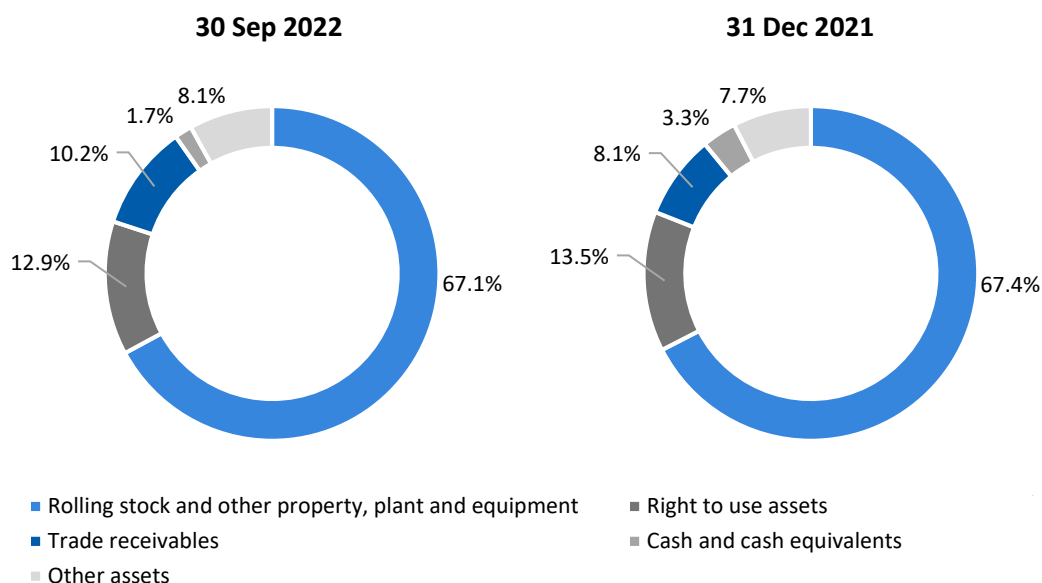
- increase in revenues from contracts with customers as a direct consequence of an increase in unit rates for transport services and an increase in the quantum of transport (freight volume by 1.0% and freight turnover by 5.9%). The details pertaining to the PKP CARGO Group's transport services are described in section 3.2.5 "PKP CARGO Group's rail transport business";
- increase in depreciation and impairment losses resulting chiefly from greater expenditure on repairs and periodic inspections;
- increase in variable costs (consumption of electricity and traction fuel and infrastructure access services) by 24.9% associated with an increase in wholesale energy prices and fuel prices on the global markets coupled with an increase in the quantum of transport services;
- increase in the cost of employee benefits as a consequence of greater payroll expenses resulting from pay rises and other factors. Detailed information on the change in headcount is presented in section 3.4 "Headcount";
- increase in costs under "other services" by PLN 109.3 million, caused by, among other factors, an increase in rents and fees for the use of real properties and rolling stock, an increase in rents and fees for the use of real estate and rolling stock;
- increase in costs under other services by PLN 41.3 million, resulting, among other factors, from an increase in the costs of reclamation services and an increase in rents and fees for the use of real properties and rolling stock;

Statement of financial position of the PKP CARGO Group

ASSETS

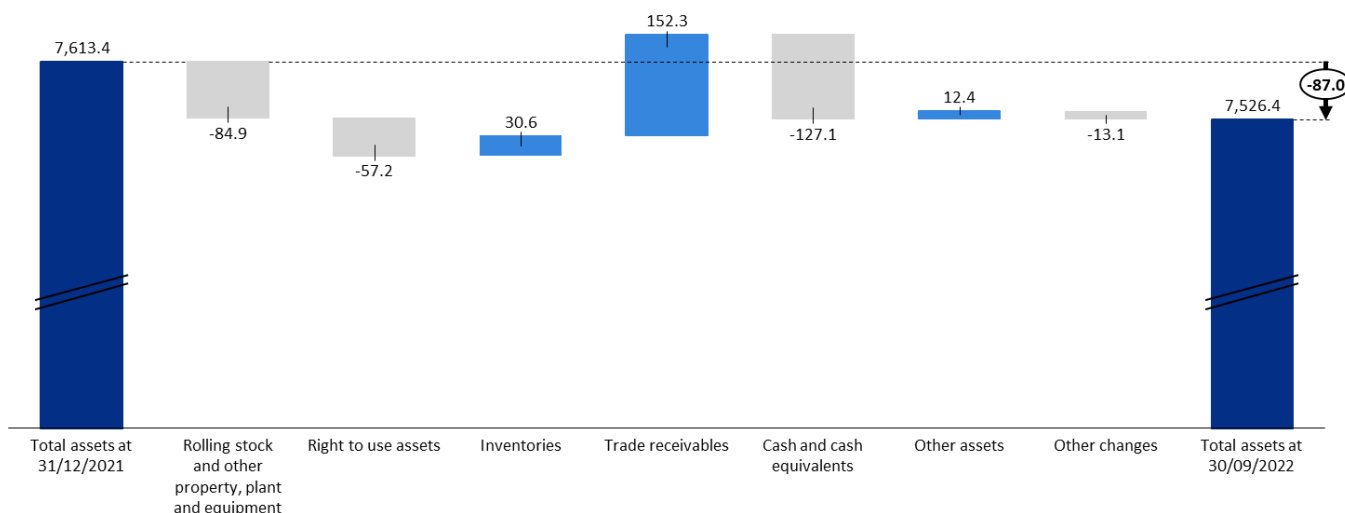
The biggest share in the PKP CARGO Group's asset structure as at 30 September 2022 was held by rolling stock and other property, plant and equipment, which in aggregate accounted for 67.1% of total assets, compared to 67.4% as at 31 December 2021.

1 Structure of assets – as at 30 September 2022 and 31 December 2021



Source: Proprietary material

Movement in the Group's assets in the first 9 months of 2022 (PLN million)



Source: Proprietary material

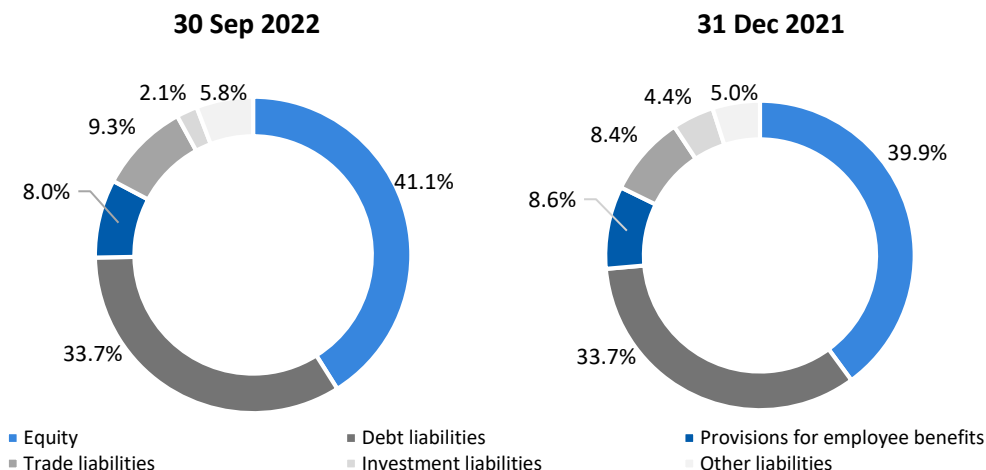
The most significant changes affecting the value of assets as at 30 September 2022 as compared to 31 December 2021 are discussed below:

- decrease in the value of rolling stock and other property, plant and equipment as a consequence of the disposal of unnecessary rolling stock, depreciation and investments made in property, plant and equipment;
- the decrease in the right-of-use assets was mainly caused by the value of depreciation exceeding that of capital expenditures (a small scale of acquisition of new right-of-use assets with a simultaneous progressive depreciation of the assets already in use);
- increase in trade receivables caused largely by an increase in revenues from contracts with customers;
- the decrease in cash by PLN 127.1 million resulted predominantly from expenditures related to the acquisition of non-current assets in the amount of PLN 664.2 million, repayment of bank loans and leases along with interest in the amount of PLN 406.7 million, with simultaneous operating revenues of PLN 572.2 million and new loans of PLN 211.2 million;
- increase in the value of other assets chiefly as a result of an increase in advances paid for the purchase of fixed assets by PLN 10.7 million.

EQUITY AND LIABILITIES

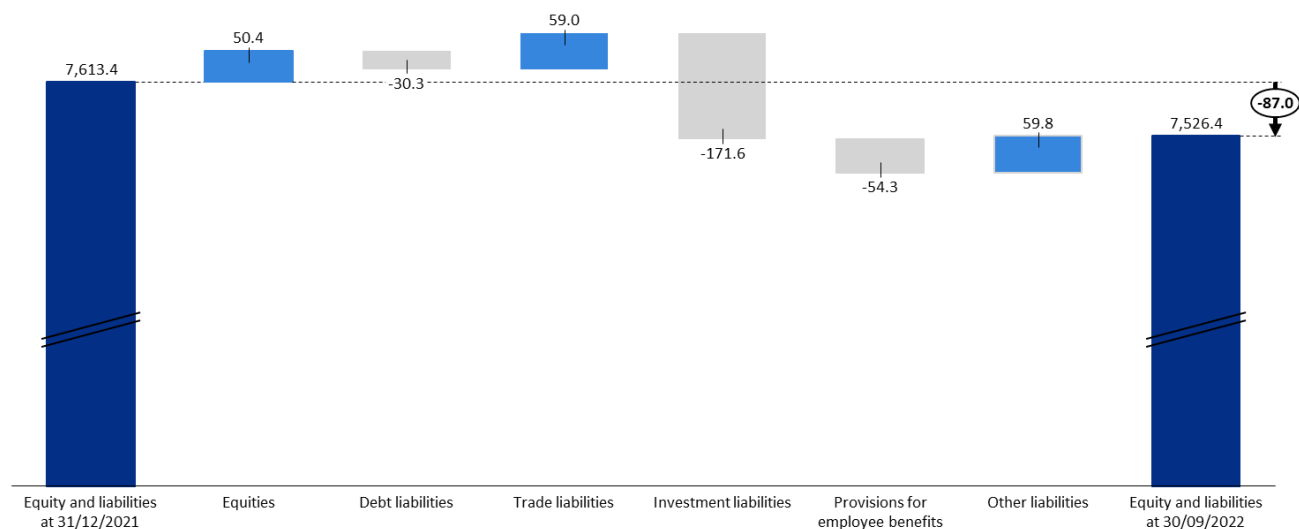
Equity had the largest share in the structure of the PKP CARGO Group's equity and liabilities: as at 30 September 2022, it accounted for 41.1% of total equity and liabilities, compared to 39.9% as at 31 December 2021. Debt liabilities accounted for 33.7% of total equity and liabilities, same as at the end of 2021.

Structure of the Group's equity and liabilities as at 30 September 2022 and 31 December 2021



Source: Proprietary material

Movement in the Group's equity and liabilities in the first 9 months of 2022 (PLN million)



Source: Proprietary material

The most significant changes affecting the value of equity and liabilities as at 30 September 2022 compared to 31 December 2021 are explained below:

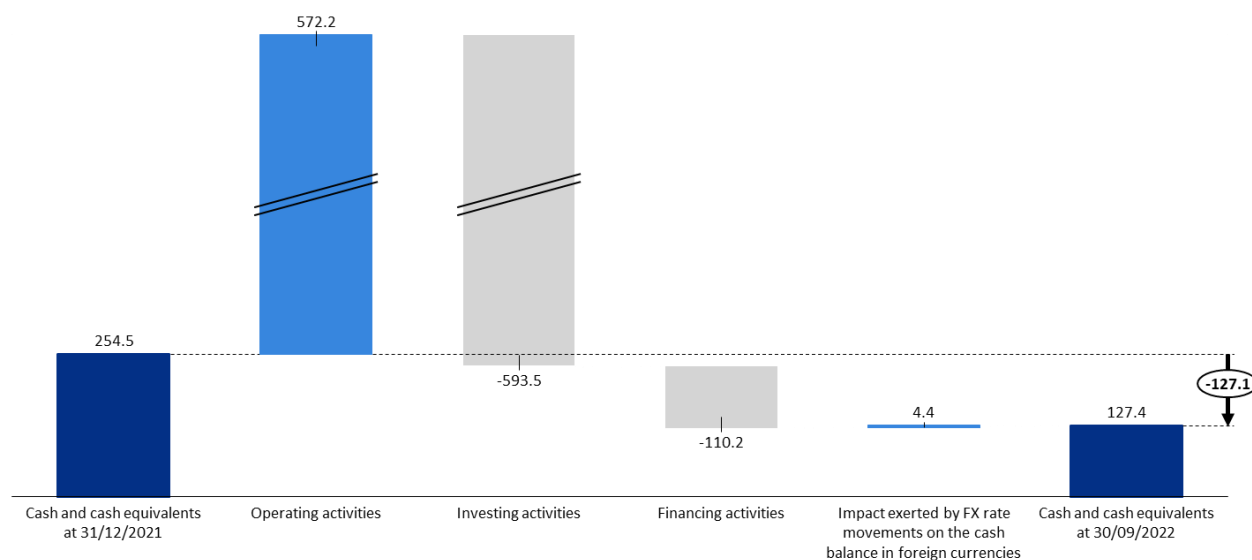
- increase in the value of equity as a consequence of actuarial gains pertaining to employee benefits and foreign exchange gains resulting from the translation of the financial statements of subsidiaries with a negative financial result and recognition of the effect of hedge accounting in other comprehensive income;
- decrease in debt liabilities largely due to the repayment of principal and interest in the amount of PLN 408.6 million, with the simultaneous incurring of new liabilities of PLN 222.9 million, accrual of interest of PLN 81.7 million, foreign exchange losses recognized in the profit and loss account and resulting from the translation of financial statements of foreign companies in the amount of PLN 47.1 million;
- decrease in investment liabilities caused mainly by a decrease in investment liabilities related to rolling stock by PLN 140.2 million and investment liabilities related to real properties by PLN 18.8 million;
- decrease in provisions for employee benefits resulting mainly from the update of actuarial assumptions in the amount of PLN 44.1 million in connection with a change in the discount rate and a change in the base for the calculation of provisions resulting

from the agreements entered into with trade unions regarding pay raises and an increase in the minimum wage coming into force in 2023.

4.1.3 Statement of cash flows of the PKP CARGO Group

The value of cash and cash equivalents as at 30 September 2022 decreased by PLN 127.1 million compared to 31 December 2021.

Cash flows of the PKP CARGO Group in the first 9 months of 2022 (PLN million)



Source: Proprietary material

- cash flows from operating activities generated on depreciation and impairment losses of 550.2 million PLN;
- cash flows from investing activities resulted from capital expenditures on the acquisition of non-financial non-current assets in the amount of PLN 664.2 million (including investments into rolling stock), with simultaneous inflows from the sale of non-financial non-current assets of PLN 64.2 million as a result of a decision to sell assets unnecessary for the efficient conduct of operating activities;
- cash flows from financing activities, chiefly as a result of the repayment of loans and leases with interests in the amount of PLN 406.7 million, offset by inflows of PLN 211.2 million from new loans and PLN 88.1 million from new subsidies.

4.1.4 Selected financial and operating ratios of the PKP CARGO Group

The table below presents the PKP CARGO Group's key financial and operating ratios in the first 9 months of 2022 compared to the corresponding period of the previous year.

Key financial and operating ratios of the PKP CARGO Group in 9M 2022 as compared to the corresponding period of 2021

Item	9M 2022	9M 2021	Change	
			2022 - 2021	Rate of change 2022/2021
EBITDA margin ¹	16.8%	12.3%	4.5	36.8%
Net profit margin ²	-0.1%	-4.8%	4.7	-
ROA ³	-1.0%	-2.7%	1.7	-
ROE ⁴	-2.5%	-6.6%	4.1	-
Average distance covered per locomotive (km per day) ⁵	212.2	209.8	2.4	1.1%
Average gross train tonnage per operating locomotive (tons) ⁶	1,527.0	1,468.0	59.0	4.0%
Average running time of train locomotives (hours per day) ⁷	14.1	14.6	-0.5	-3.4%
Freight turnover per employee (thousands tkm/employee) ⁸	993.9	889.3	104.5	11.8%

Source: Proprietary material

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

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

- in 9M 2022, the EBITDA margin slightly improved, chiefly due to a significant increase in unit prices for revenues from rail transport services. Detailed information on the reasons for movement in EBITDA and the net result is presented in section **4.1. Key economic and financial figures of the PKP CARGO Group**;
- improvement in the ROA and ROE ratios, largely due to the better net result (a consequence of the increase in unit prices of transport services);
- improvement in the average 24-hour mileage of locomotives and a simultaneous increase in the average gross tonnage per locomotive were achieved thanks to the freight process optimization;
- slight decrease in the average running time of train locomotives stems from how the freight turnover process is run, the high number of closures and operating difficulties, and growth in the number of active locomotives which are doing the work with changing freight turnover;
- increase in the freight turnover per employee ratio, reflecting predominantly an increase in freight turnover coupled with a decrease in the average headcount.

4.2 Factors that will affect financial performance in the next quarter

NBP's monetary policy

The continuation of the cycle of interest rate hikes by the Monetary Policy Council in the coming months will result in a further increase in financial expenses to be incurred by the PKP CARGO Group due to the financing of a portion of capital expenditures and operations from external sources that are based on variable interest rates.

Situation related to COVID-19

The impact of the COVID-19 epidemic on the business of the Group companies continues to weaken. The number of infections among employees and the adverse effects of staff falling sick declined. Despite the next wave of the pandemic, transport and logistics services continue to be provided as usual, without any significant logistic disruptions. The growing number of people vaccinated and the milder symptoms of the disease resulted in the loosening of restrictions in other countries, which will exert a favorable impact on international trade and the transport of freight.

Armed conflict in Ukraine

All Central and Eastern European countries have been affected to a greater or lesser degree by the conflict. It has disrupted a number of supply chains. The degree of this impact depends on the type of cargo. The supply chains of fuels such as coal, oil and gas have been affected significantly due to the sanctions imposed on Russia and Belarus. The conflict has also affected intermodal supply chains. In particular, intermodal deliveries from the ports of Gdynia, Gdańsk and on the New Silk Road have shrunk. We have established cooperation with Lithuanian and Ukrainian entities on routes between Ukraine and Lithuania and between Lithuania and Ukraine. Contracts with existing intermodal customers have not been terminated, none of the foreign clients of PKP CARGO S.A. or intermodal clients have been directly subjected to international sanctions.

The impact of the conflict on the automotive sector may result in a shortage of components. Ukraine is one of the largest suppliers of electric wires for car manufacturers. If this product once again disappears from the market, it will result in a reduced transport volume of finished vehicles.

Currently, in the short-term and medium-term horizon, the risk associated with the operating activity of the PKP CARGO Group's companies is not particularly high. Given the current structure of cargo transports and the scope of activities of PKP CARGO Group companies, it is expected that Russia's aggression in Ukraine may cause a loss of a relatively insignificant portion of revenues from services provided, which may be replaced by services provided in other areas. Still, the possible escalation of the conflict and the potential tightening of sanctions may adversely affect the revenues of the subsidiaries of the PKP CARGO

Group, especially those operating terminals on Poland's eastern border and providing freight forwarding services in that area. However, as of today there are no real indications of such a threat.

The PKP CARGO Group keeps monitoring the impact of the conflict in Ukraine and its possible consequences on transport and transport-related activities, taking suitable corrective actions. The Group entities use the opportunities associated with changes in goods flow routes by adapting their offer to the requirements of the market.

Market for commodities and aggregates

It would be difficult to predict how the prices of commodities will develop in subsequent periods due to the volatile geopolitical conditions, including the major impact of the armed conflict in Ukraine, one of the consequences of which has been an increase in the cost of extraction of raw materials.

A possible further extension of economic sanctions to include raw materials and aggregates from Russia and Belarus may affect the costs of production, the availability of goods and the rate of growth in freight volume.

Market for intermodal transport services

The rate of growth in the domestic intermodal transport market clearly slowed down in 2022 compared to earlier periods. The "zero COVID" policy implemented by the Chinese government may translate into a negative impact on the volume of containers transported from China on the New Silk Road. Congestion at the border crossings with Ukraine and terminals where cargo is handled and the related complications prevent the parties involved from increasing the intensity of transport operations in this region. The long handling times mean that transport services are being taken over by the providers of road transport services. The limited capacity of rail infrastructure for container trains to/from the seaports will also exert an impact due to the increased demand for the transport of bulk cargo (mainly grain) from/to the seaports from Ukraine and the imports of heating coal to Poland.

Rail infrastructure access charges

Infrastructure in Poland

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

On the domestic infrastructure, in the timetables for 2021/2022 price lists from the previous timetables were continued as regards access to the PKP PLK S.A. infrastructure. Depending on the market situation, private rail infrastructure operators applied pricing from earlier timetables or higher rates in the 2021/2022 timetable. In connection with the situation beyond Poland's eastern border, the decrease in the freight volume of bulk cargo and intermodal transport, infrastructure managers did not offer any reductions/discounts in their fees.

International infrastructure.

PKP CARGO S.A. is party to and continues to enter into agreements for access to infrastructure with managers of international rail networks for the pertinent timetable periods. In all countries, price lists and settlement rules are public information and are available on the websites of infrastructure managers.

In 2022, the most important activities of foreign managers included the continued operation of the program for co-financing the use of freight train routes administered by the German public infrastructure manager DB Netz. In the first 9 months of 2022, the German government contributed 44.90% to the base rate. Since October of this year, due to the lower freight turnover, the contribution has been increased to 55.37%.

Difficulties in respect of foreign infrastructure included introduction in Germany as from 13 December 2020 of the Act on protection of the environment against noise and ban on the passage of wagons with cast iron blocs. Consequently, in the future the use of rolling stock with cast iron blocs will be fined. In the Czech Republic, the manager of the country's infrastructure temporarily suspended fees for unused routes. In Austria, due to the situation with COVID-19, the reimbursement of infrastructure fees to rail operators for loaded and empty trains was extended until the end of June 2022 (fees for the runs of disengaged locomotives remain unchanged).

Price level of traction fuel and energy

The significant impact of the economic situation on the market resulted in an increase in traction fuel prices by over 60% compared to the same period of last year. Going forward, the price of electricity will be determined by the ongoing energy

crisis. The embargo on the import of coal from Russia, the absence of infrastructure for electricity generation from renewable sources and the turmoil in gas logistics have caused a significant increase in energy prices.

Social dialog

In accordance with the agreement entered into with trade unions, by the end of 2022 the estimated cost of employee compensation increases will total approx. PLN 94 million. The signing of the agreement means that mediation in a collective dispute have been suspended until November 2022.

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

PKP CARGO S.A. S.A. has not published any financial forecasts for 2022.

4.4 Information about production assets

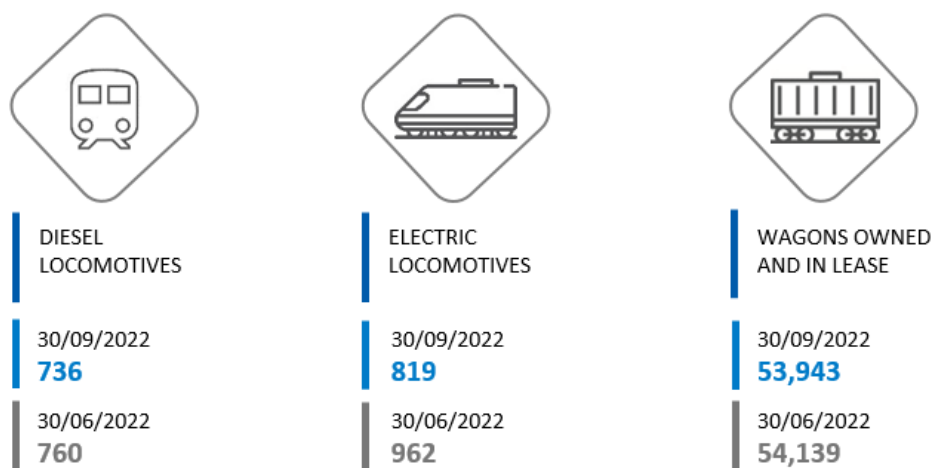
4.4.1 Rolling stock

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

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

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

Structure of rolling stock used by the PKP CARGO Group



4.4.2 Real estate

In the transport process, due to the necessity to guarantee appropriate maintenance and repair support, real estate plays an important role. The majority of real estate held by the Group is used on the basis of long-term lease and rental agreements. The table below presents changes in real estate owned and used by the PKP CARGO Group during the first 9 months of 2022.

Real estate owned and used by PKP CARGO Group as at 30 September 2022 as compared to 31 December 2021

Item	30 Sep 2022	31 Dec 2021	Change 2022-2021
Land – owned, in perpetual usufruct and leased from other entities [ha]	1,417	1,441	-24
Buildings – owned, leased and rented from other entities [m ²]	726,756	728,944	-2,188

Source: Proprietary material

The decrease in the size of the land and buildings used (owned, leased and rented from other entities) results from the ongoing verification of the quantum of assets necessary for the Parent Company and its subsidiaries and adjusting it to the scale and profile of conducted activity. In the period under analysis, the greatest impact was exerted by the termination of the operating activity of PKP CARGO International a.s. at the Hodonin power plant, the demolition of the PKP CARGO International a.s. office building in Karviná-Doly and the sale of a building in Paskov. Other factors included the termination of the lease of buildings by PKP CARGO, PKP CARGO TERMINALE, PKP CARGOSERVICE and PKP CARGO CONNECT.

5. Other relevant information and events

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

PKP CARGO S.A. and its subsidiaries did not participate in any major proceedings pending before courts, arbitration bodies or public administration authorities in cases concerning liabilities or receivables of PKP CARGO S.A. or its subsidiaries, except for those disclosed in the consolidated financial statements, in particular in the notes concerning contingent liabilities.

5.2 Information on transactions with related parties

In the first 9 months of 2022, no entity from the PKP CARGO Group entered into any transactions with related parties on non-market terms.

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

5.3 Information on extended guarantees and sureties for loans or borrowings

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

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

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

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

Parent Company's Management Board

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President of the Management Board

Marek Olkiewicz
Management Board Member

Jacek Rutkowski
Management Board Member

Maciej Jankiewicz
Management Board Member

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Warsaw, 23 November 2022

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