

The Company's answers to questions submitted electronically on 24 November 2022 during the conference devoted to the PKP CARGO Group's performance in Q3 2022

**Q: Does the company intend to disburse a dividend for 2022?**

A: No decision has been made on this matter yet. When it is made though, it will depend on both the Company's financial performance and capital expenditure needs in consideration of the negative financial results generated in previous years.

**What is the Company's assessment of the impact of coal transport operations carried out from seaports on its financial results? Do these extraordinary services compensate for the lost profits from other contracts? How much of the 4.5 million tons of coal was transported and has the Company experienced any problems or delays in this respect?**

The Company's contractual obligations are being fulfilled as planned. We have not experienced any unfavorable consequences of these additional transport services. Any related difficulties are no greater than our day-to-day operational challenges and are predominantly related to the operational capacity of seaports and transport routes on which passenger trains enjoy priority of passage.

**Has the Company secured energy prices for 2023? What increase in costs (in nominal terms) should it expect?**

The Management Board has completed the contract execution process with PKP Energetyka, the Company's electricity supplier. Detailed information on the executed contract was published in Current Report No. 40/2022 of 5 December 2022.

**Does the Company see any areas of possible efficiency improvement and if so, then where?**

In the context of commercial activity, we should improve the quality of customer service and keep looking for new transport while ensuring the continuous development of our offering and the expansion of our terminals. In the operational context, we ought to seek a better alignment of the resources at our disposal with market requirements coupled with the continuous optimization of our transport processes and the work process of our train crews. In the financial area, we are seeking a balance between our capital expenditures and our financial performance, improving our cash flows and disinvesting our non-working assets. Our key assignments for the coming period include the development of a strategy for the PKP CARGO Group and the strengthening of our position in Europe as an international logistics group, while continuously investing in and developing our human capital.

**What increase in freight rates should be expected in 2023? Will it compensate for the increase in costs?**

The Management Board seeks to continuously improve the Company's financial performance. The first effects of these endeavors transpired in the most recent two quarters. Inflation and increasing energy prices must be taken into account when ensuring the proper ratio of revenues and costs, but we make every effort to ensure that the adverse consequences of these phenomena for our clients are as painless as possible.

**How many coal wagons does the Company effectively/operationally have in its rolling stock of 54 thousand wagons?**

Currently, PKP CARGO uses 24 thousand wagons adapted for the transport of coal, including 20 thousand coal wagons.

**According to the published data, in Q3 2022 you had 150 fewer electric locomotives than in Q2 2022. Were they decommissioned or undergoing repairs? How many of these lost locomotives will be substituted? What is the number of locomotives for which tenders have not yet been completed?**

The decrease in the number of locomotives in Q3 2022 compared to Q2 2022 results from the removal from the records, and the physical liquidation, of locomotives that have been out of service for a prolonged time due to their extensive wear and tear, the oldest in age and the most used up across their maintenance cycle.

The physical decommissioning of these locomotives will also enable the provision of spare parts and subassemblies necessary to maintain the remaining locomotives of the same series and their subsequent use in the repair process (periodic and ongoing repairs of locomotives owned by PKP CARGO S.A.).

**What is the outlook for the aggregates market in 2023? Although the Management Board has declared its optimism in this respect, PKP PLK is currently not signing any new contracts due to the absence of financing. Does this not pose a risk of a decline in demand in 2023 from track builders?**

In construction investments, which are key significance for this cargo category, a positive rate of growth has been maintained with apparent symptoms of a progressive slowdown in activity in the construction industry. An increase in output was recorded in all sections of construction and assembly output. 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. After the first 9 months of this year, PKP CARGO recorded a strong double-digit increase in transport volume, yet it would be risky to forecast the behavior of the market in the current volatile macroeconomic environment.

**What increase in energy costs do you expect next year (in percentage terms) and to what extent will this increase be passed on to clients?**

The Management Board has completed the contract execution process with PKP Energetyka, the Company's electricity supplier. Detailed information on the executed contract was published in Current Report No. 40/2022 of 5 December 2022. We are making every effort to ensure that the adverse consequences for our clients are as mild as possible – including through electricity-saving endeavors, such as locomotive upgrades, non-traction electricity saving measures and projects executed under the Green Deal.

**What is the reason for the decrease in rolling stock: diesel locomotives down by 24 compared to Q2 2022, electric locomotives down by 143 compared to Q2 2022? Is it a consequence of limited capital expenditures and the absence of inspections?**

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**Do the increases in freight rates (by an average of 8% in Q3 2022) apply to all cargo categories or are have greater increases in rates been applied to the transport of solid fuels?**

The different cargo categories may not be treated as the Group's distinct operating segments. The pricing policy applicable to each of them is an element of our general strategy applied in accordance with the current features of the market and our competitive environment, but we are not publishing any detailed information in this respect.

**What will be the estimated percentage increase in the unit cost of electricity in the new contract? Are we talking about costs that are 2-3 times higher or even greater?**

The Management Board is finalizing the execution process of a new contract with PKP Energetyka, the Company's electricity supplier. The subject matter of the negotiations was both the price formula and the volume and duration of the contract. More detailed information on this matter will be disclosed soon.

**Could you provide more detailed information on your plans to develop an international logistics group? Will any acquisitions be involved? Please also provide more details on the extension of the timetable (delays?) for the construction of the transshipment terminal in Zduńska Wola-Karsznice. Thank you.**

The PKP CARGO Group is carrying out intense operations and expanding its business in various European markets – naturally, predominantly in the central part of the continent, that is in the territories covered by the Three Seas Initiative, but also in the Balkans. Our presence in Germany also keeps growing due to the freight forwarding activity of our subsidiary PKP Cargo Connect GmbH and the handling of freight from German ports. Currently, we are at the stage of updating our existing strategy to be pursued until 2023. We are laying down our key priorities and strategic objectives in the wake of the coronavirus pandemic and the ongoing war in Ukraine, as these factors have significantly affected PKP CARGO's operations. At the beginning of next year, we will commence work on the development of a new strategy for subsequent years.

Although the construction of the transshipment terminal in Zduńska Wola-Karsznice, which will strengthen our transshipment capacity in the central part of the country and significantly improve the capacity of the North-South corridor, will take slightly longer, its eventual completion is not in jeopardy.