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Management Board's Report of the activities

of PKP CARGO S.A. under restructuring and PKP CARGO S.A. under restructuring CAPITAL GROUP

in 2024

PKPCARGO

Management Board Report on the Activity of PKP CARGO S.A. under restructuring and the PKP CARGO under restructuring Group for 2024

PKP CARGO S.A. under restructuring, with its registered office in Warsaw at ul. Grójecka 17, 02-021 Warsaw, entered in the Register of Commercial Undertakings kept by the District Court for the Capital City of Warsaw in Warsaw, 12th Commercial Division – National Court Register, under KRS number 0000027702, NIP: 954-23-81-960, REGON: 277586360, BDO: 000000758, with the share capital of PLN 2,239,345,850.00, paid up in full.

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1. Letter from the Restructuring Administrator to the Shareholders

Dear Shareholders,

2024 was a year of numerous economic, commercial and geopolitical challenges across the world. The associated instability and rapid changes affected companies in many sectors of the economy and impacted their business environments. For PKP CARGO S.A. under restructuring and the PKP CARGO Group, the past year was a period of profound changes. In 2024, a petition was filed with the court to open remedial proceedings, and optimization and employment restructuring measures were launched.

Last year, the PKP CARGO Group generated a negative financial result. The reasons for this included the recognition of an impairment loss for rolling stock and a decrease in revenues from contracts with customers, which resulted in a lower freight volume. The ramifications of the ongoing war in Ukraine and the energy crisis in Europe are still being experienced, significantly affecting businesses and suppressing freight performance. In 2024, the rail sector transported over 223.5 million tons of cargo, down by 8.1 million tons (-3.5%) compared to 2023. In recent years, a lower volume was recorded only in the pandemic year of 2020. The total value of the sector's freight turnover last year was nearly 58.3 billion ton-kilometers. This was over 3.3 billion (-5.4%) less than in 2023.

PKP CARGO S.A. under restructuring, due to its ongoing restructuring process, is particularly vulnerable to a decline in transport volumes, which translates directly into lower revenues. The Company's focus, at the turn of 2023, on moving coal from seaports to power sector customers, downgraded its ability to compete in the most profitable cargo categories and resulted in the loss of some customers. Moreover, the Company pursued a necessary capital expenditure policy, largely related to its rolling stock, which did not translate into immediate revenues.

All measures taken and planned by the Management Board and the Restructuring Administrator are aimed at optimizing the Company's structure, reducing operating expenses, increasing operational efficiency, improving the quality of services and boosting the Company's competitiveness on the freight transport market. The primary objective is to improve the Company's liquidity situation, generate more revenues and effectively acquire new orders. A detailed Restructuring Plan, which calls for an improvement in the PKP CARGO Group's standing, will be presented by the end of June 2025. The Restructuring Plan will include, without limitation, measures to be taken by the Company in the short and long term to rebuild its position in the rail freight transport market.

It should be noted that the effectiveness of the restructuring measures will also depend on the situation on the rail freight market and the global macroeconomic and political situation. Currently, the situation of European industries and the volume of production exert a direct impact on the demand for freight transport services. An improvement or deterioration in the performance of European economies will directly affect potential freight volumes available for rail transport operations.

PLN 4,460.4 million

REVENUES FROM CONTRACTS WITH CUSTOMERS

PLN -2,412.6 million

NET RESULT

PLN 299.7 million

EBITDA

EBITDA margin of 6.6%

Another uncertainty factor is the economic policy currently pursued by the United States, specifically the intensification of trade and tariff wars, including with Europe. At this point, it is difficult to foresee how strongly the tariffs imposed by the US administration will affect European industries and their production volumes, which will then translate into volumes of cargo available for rail transport.

We expect the rail freight market to keep growing gradually in the coming years. The announced investments in infrastructure, the expected equalization of access to rail and road infrastructure and the promotion of more environmentally friendly forms of transport will reverse the current trend and increase the volume of cargo, which should generate favorable and measurable effects in the coming years.

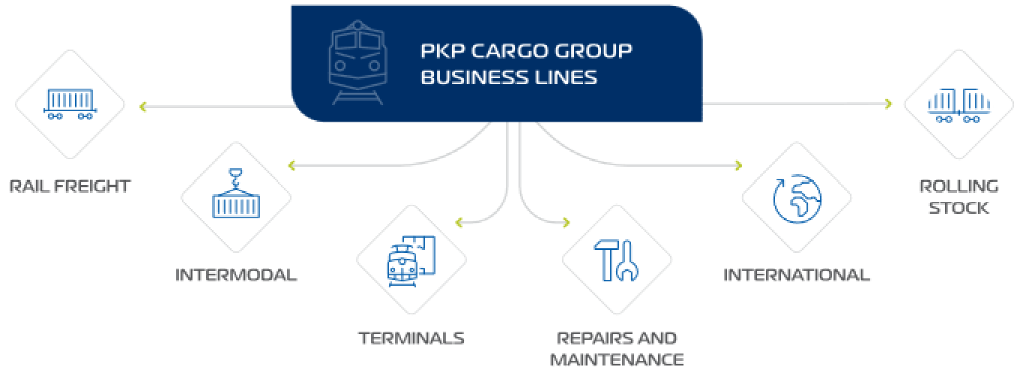
Best regards,

Izabela Powałka-Skonieczna, Restructuring Administrator (certified restructuring consultant)

2. Organization of the PKP CARGO under restructuring Group

2.1. Highlights on the Company and the PKP CARGO Group[1]

The PKP CARGO Group is a rail freight operator offering comprehensive logistics services in Poland and across the European Union. The Group's value chain rests on the provision of comprehensive logistics services, for which rail transport serves as the primary service complemented by a broad d range of freight-related services, including: intermodal services, forwarding (domestic and international), terminal, siding and traction services, repair and maintenance of rolling stock, and land reclamation services. The PKP CARGO Group holds licenses to carry out rail freight operations in the following 9 European Union (EU) countries: Lithuania, Slovakia, Slovenia, Austria, Czechia, Germany, the Netherlands, Hungary and Poland. The second largest freight operator in the PKP CARGO Group is PKP CARGO International a.s., a provider of transport services mainly in the Czech market. Poland and the Czech Republic are significant players in European and global trade as well as a major link in the international supply chain.



By integrating such a broad range of activities, the PKP CARGO Group has full operational capacity to provide its customers with comprehensive rail logistics services on its own. It has its own terminal resources in the form of transshipment terminals (conventional, container and conventional-container). The Group is also capable of repairing and maintaining its rolling stock without the involvement of any third parties. The terminals serving intermodal transport operations alone, with a total area of 130 ha, are capable of handling over 1,000 TEUs at a time. This provides a high degree of independence in terms of transshipment capacity and eliminates the need to rely on external entities specializing in carrying out rolling stock repairs.

The PKP CARGO Group conducts business within one main segment, namely domestic and international cargo freight and provision of comprehensive logistics services related to rail freight. The Group also provides rolling stock repair, infrastructure maintenance and land reclamation services, which are not currently treated as distinct operating segments. With a view to refining the Group's business model, further work is being carried out to segment the existing lines of business in order to improve process efficiency, tap into synergies and reduce operating expenses.

[1] Whenever this Report refers to:
- the Company, the Parent Company, PKP CARGO or PKP CARGO S.A., this should be construed as PKP CARGO S.A. under restructuring,
- the PKP CARGO Group or the Group, this should be construed as PKP CARGO S.A. under restructuring and all its subsidiaries.

2.2. Information on capital ties of PKP CARGO

As at 31 December 2024, the PKP CARGO Group consisted of:

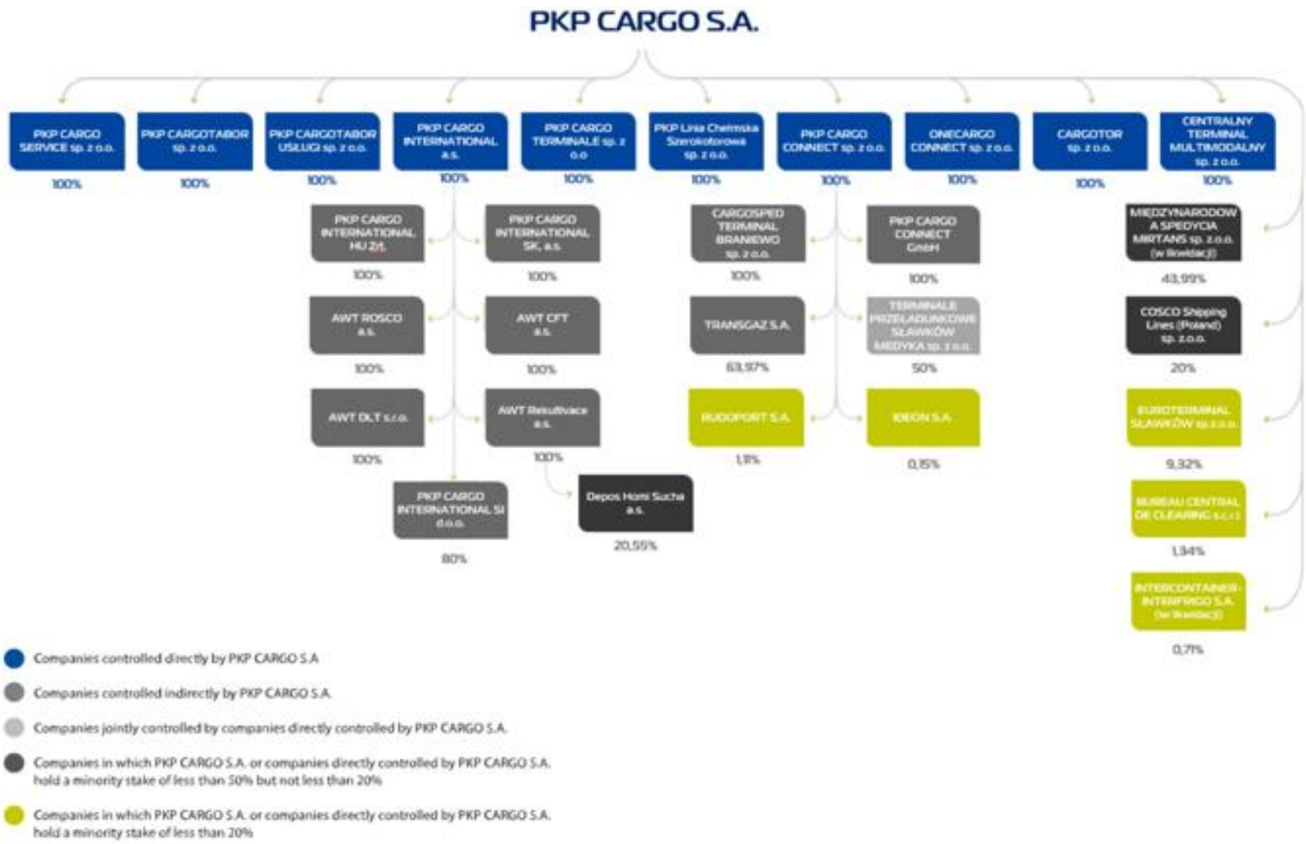
a) 20 subsidiaries of PKP CARGO, controlled directly or indirectly (by entities controlled by PKP CARGO), including:
- 10 subsidiaries controlled directly by PKP CARGO;
- 10 subsidiaries controlled directly by companies directly controlled by PKP CARGO (and indirectly controlled by PKP CARGO), including 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 company: TERMINALE PRZEŁADUNKOWE SŁAWKÓW MEDYKA sp. z o.o., a company jointly controlled by PKP CARGO CONNECT sp. z o.o., with a 50% stake in its share capital (indirectly jointly controlled by PKP CARGO),

Moreover, as at 31 December 2024, PKP CARGO or PKP CARGO's (direct or indirect) subsidiaries held shares in 8 companies that were not controlled or jointly controlled by PKP CARGO or PKP CARGO's subsidiaries, including:
- 5 companies in which PKP CARGO directly holds a minority stake,
- 2 companies in which PKP CARGO CONNECT sp. z o.o., a company directly controlled by PKP CARGO, holds a minority interest in the share capital, in a manner that does not provide for control or joint control,
- 1 company related to the PKP CARGO INTERNATIONAL Group in which a company indirectly controlled by PKP CARGO holds a minority stake in the share capital in a manner that does not make it possible to exercise control or joint control.

The chart below presents the structure of capital links with companies in which PKP CARGO S.A. or its subsidiaries hold an equity stake – as at 31 December 2024:

Figure 1 Structure of capital ties with companies in which PKP CARGO or its subsidiaries hold shares as at 31 December 2024.



Source: Proprietary material

The percentage share of PKP CARGO and its (direct or indirect) subsidiaries in the share capital of the PKP CARGO Group companies specified in the above chart corresponds to the percentage of votes at the General Meeting or Shareholder Meeting of each company.

2.3. Consolidated entities

The Consolidated Financial Statements for the financial year ended 31 December 2024 encompass PKP CARGO as the Parent Company and 12 subsidiaries consolidated by the full method:

Table 1 Subsidiaries consolidated by the full method

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

Moreover, the consolidated financial statements for the financial year ended 31 December 2024 encompass PKP CARGO as the Parent Company and 7 subsidiaries consolidated by the full method:

Table 2 Entities accounted for under the equity method

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

2.4. Organizational structure of PKP CARGO S.A.

PKP CARGO S.A.'s Management Board performs its tasks with the aid of reporting organizational units and their constituent organizational cells, including: Head Office departments, divisions and organizational teams. The following organizational units have been distinguished within the Company's organizational structure:

Company's Head Office

The key tasks of the Company's Head Office include strategic, operational and financial management, handling the Company's affairs vis-à-vis its main customers and business partners, administration and coordination of the freight procedure. Distinct departments of the Company's Head Office operate as organizational cells reporting to the President of the Management Board or individual Management Board members.

During the reporting period, multiple temporary and permanent changes were made to the organizational structure of the Company's Head Office in order to optimize the management of distinct areas of the Company's business at the central unit level.

Company Units

The key tasks of the Units is to manage the Company's resources in the area of their operations, organize and perform cargo deliveries in accordance with executed agreements using the rail freight procedure, including transshipment, storage, traction service of freights performed by the Company, lease of traction vehicles, repair of own rolling stock and provision of repair services, maintenance of technical equipment and workshop facilities and performance of the Company's objectives in terms of marketing and sales services in the respective area.

During the period under review, the following changes were made to the structure of the Company's Units:

- reducing the number of deputy Unit managers from three to one,
- shutting down certain organizational units of the Unit in the commercial and operational areas by transferring their responsibilities to the central level (Operational Resources Department, Logistics and Dispatch Center, Rail Traffic Safety Position, Commercial Department, Sales Support Department),
- reducing certain sales support responsibilities in favor of "transport-related" assignments (replacing the Sales Support Department with the Transport and Transport-Related Services Quality Team),
- limiting maintenance tasks (replacing the Rolling Stock Maintenance Department with the Rolling Stock Maintenance Team),
- strengthening supervision over sections by assigning direct authority to the deputy unit director and central supervision.

In 2024, fundamental changes were made to the Company's organizational structure, at the level of both the Head Office and the Company's Units, with a view to generating savings due to the Company's difficult financial standing and improving management efficiency.

2.5. Changes in key principles of managing the enterprise of PKP CARGO S.A. and its Group

In 2024, major changes were made to the underlying principles of the Company's management in order to adapt the Company to a model of management focused on restructuring and improving management efficiency.

On 25 July 2024, the District Court for the Capital City of Warsaw in Warsaw, 18th Commercial Division, decided to open remedial proceedings and permitted the debtor to exercise management over the whole enterprise to an extent not exceeding the scope of ordinary management, and to appoint an administrator, Ms. Izabela Skonieczna-Powałka (license no. 7720).

On 7 October 2024, amendments were made to the Articles of Association of PKP CARGO S.A. (consolidated text of 25 October 2024: Resolution No. 214/VIII/2024 of the PKP CARGO S.A. under restructuring Supervisory Board of 25 October 2024), which included a change in the maximum number of Management Board members from between 1 and 5 to between 1 and 6.

On 13 November 2024, new Bylaws of the PKP CARGO S.A. under restructuring Management Board were approved (Resolution No. 218/VIII/2014 of the PKP CARGO S.A. under restructuring Supervisory Board of 13 November 2024), whereby a new structure of the Company's Management Board was established:

- President of the Management Board,
- Management Board Member in charge of Finance or Vice-President – Management Board Member in charge of Finance,
- Management Board Member in charge of Commerce or Vice-President – Management Board Member in charge of Commerce,
- Management Board Member in charge of Operations or Vice-President – Management Board Member in charge of Operations,
- Management Board Member in charge of Restructuring or Vice-President – Management Board Member in charge of Restructuring,
- Management Board Member in charge of Human Resources, or Vice-President – Management Board Member in charge of Human Resources.

As of 10 December 2024, as a result of amendments to the Articles of Association of PKP CARGO S.A. and the adoption of new Bylaws of the PKP CARGO S.A. under restricting Management Board, a new organizational structure of the Company's Head Office was established (Resolution No. 431/2024 of the PKP CARGO S.A. under restructuring Management Board of 10 December 2024), supervised in relevant areas by six Management Board members acting in their capacities as:

- President of the Management Board,
- Management Board Member in charge of Finance,
- Management Board Member in charge of Commerce,
- Management Board Member in charge of Operations,
- Management Board Member in charge of Human Resources,
- Management Board Member in charge of Restructuring.

2.6. Description of changes in the Group's organization

In terms of the structure of capital links, the following changes occurred in 2024:

- On 25 April 2024, the Extraordinary Shareholder Meeting of PKP CARGOTABOR USłUGI sp. z o.o. with its registered office in Warsaw was held, at which a resolution of the Extraordinary Shareholder Meeting of PKP CARGOTABOR USłUGI Sp. z o.o. to dissolve the company and appoint its liquidator as of 25 April 2024 was adopted: Since that date, the company's name was supplemented with the words: "w likwidacji" (in liquidation).
- On 25 July 2024, the restructuring proceedings of PKP CARGO S.A. were opened (sec. 2.5 above).
- On 2 September 2024, the District Court for the Capital City of Warsaw, 18th Commercial Division, decided to open remedial proceedings for PKP CARGOTABOR sp. z o.o. and appointed a restructuring administrator for the company. Since that date, the company has been operating as PKP CARGOTABOR sp. z o.o. under restructuring.
- On 20 December 2024, an amendment to the Articles of Association of PKP CARGO SERVICE sp. z o.o. was entered in the National Court Register, specifying the registered office of PKP CARGO SERVICE sp. z o.o., resulting in the transfer of the company's registered office from the capital city of Warsaw to the city of Katowice.

3. Key areas of operation of the Company and PKP CARGO Group

3.1. Macroeconomic environment

According to preliminary estimates by the International Monetary Fund (IMF), global GDP growth in 2024 was +3.2% yoy (compared to +3.3% yoy in 2023). In the developing Asian economies, GDP grew by +5.2% yoy (of which by +6.5% yoy in India and +4.8% yoy in China). In highly developed countries, GDP increased by +1.7% yoy (compared to +1.7% yoy in 2023). In the United States, GDP growth was +2.8% yoy, whereas in the Eurozone, it was only +0.8% yoy (compared to +0.4% yoy in 2023). In Germany, however, GDP declined by -0.2% yoy (compared to -0.3% yoy in 2023). In Poland, GDP in 2024 is expected to have grown by approx. +2.8% yoy (after the low growth rate in 2023 of +0.1% yoy), which is in line with the preliminary estimate published by Statistics Poland (of +2.9% yoy).[2]

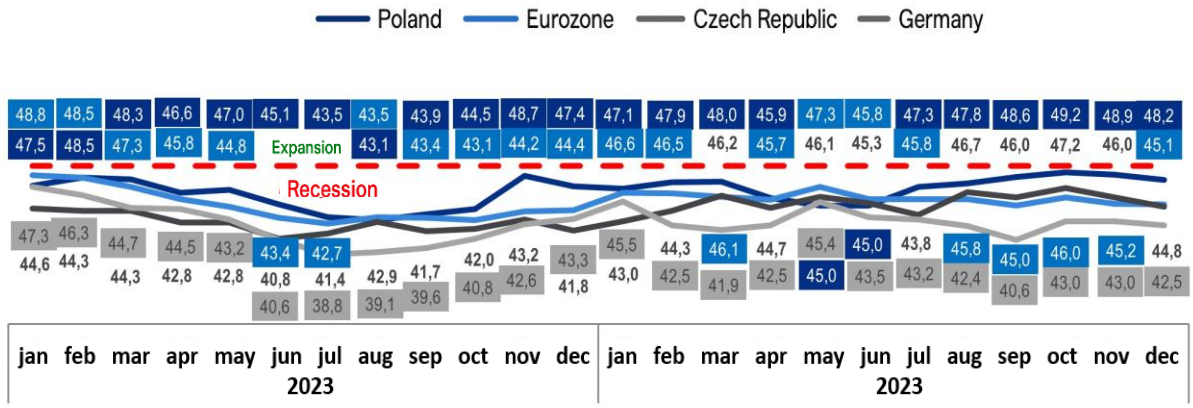
Consumer goods and services prices (HICP) in the European Union in 2024 were +2.6% higher year-on-year (after a +6.4% increase in 2023). Year-on-year price increases were posted by all EU countries, with the highest increase reported by Romania (+5.8% yoy). In Poland, the rate was +3.7% yoy, one of the highest results in the EU. In most countries, with the exception of Belgium, price increases were lower than in 2023. Among the largest economies of the European Union, the highest inflation rates were in Spain (+2.9% yoy) and Germany (+2.5% yoy).[3]

The macroeconomic situation and demand for merchandise from trading partners are key factors driving growth of the rail freight market. The worse-than-expected economic performance of the Eurozone countries, including Germany, which is crucial for the industrial growth of Poland and the Czech Republic (among other EU members), exerted a noticeable impact on the operating performance and revenues generated by PKP CARGO Group companies. An improvement in the economic situation, accompanied by a gradual step-up in the macroeconomic conditions for business, may in 2025 progressively generate an increased volume of merchandise for transport by PKP CARGO Group companies (including, in particular, PKP CARGO S.A. under restructuring in the Polish market and PKP CARGO International a.s. in the Czech market), with intense competition from other market players (due to the lingering low pace of recovery).

Uncertainty about the possibility of ending or freezing the war in Ukraine (coupled with the consequences of various scenarios for the conflict) and risks related to US economic policy (potential customs/trade wars) generate additional tensions in international relations, which may effectively hinder the transport sector's growth. An improvement in the economic situation requires a revival of foreign demand and the continuing maximum openness of other economies. The echoes of the energy crisis in the European Union are being experienced by many European countries as the return to the low energy prices that existed before the crisis generated by the Russian Federation is currently out of the question. Moreover, PMI readings do not suggest a rapid recovery in Eurozone's output volumes due to the low order intake by the manufacturing sector. The HCOB Eurozone Manufacturing PMI, a measure of overall industrial health in the Eurozone in December 2024, reached 45.1 points, indicating a deterioration in the area's manufacturing industry (with the score remaining below the 50-point benchmark for the 30th consecutive month). At the same time, the PMI of the German industrial sector stood at a mere 42.5 points (predicting another tough year for the German economy).[4]

[2] Statistics Poland (ssgk.stat.gov.pl/Sytuacja_spo%C5%82eczno-gospodarcza_kraju_2024.pdf – p. 112 with corrections included in the IMF update – imf.org/en/Publications/WEO/Issues/2025/01/17/world-economic-outlook-update-january-2025?cid=ca-com-compd-pubs_rotator – pp. 8 and 10)
[3] Statistics Poland (ssgk.stat.gov.pl/Sytuacja_spo%C5%82eczno-gospodarcza_kraju_2024.pdf – p. 116)
[4] IHS Markit (www.pmi.spglobal.com/Public/Release/PressReleases – reports for each month)

Figure 2 PMI for the manufacturing sector (Markit IHS)



Source: Proprietary material based on Markit IHS data

During the first 11 months of 2024, revenue from foreign trade (expressed in euros) was lower than the year before in the vast majority of European Union countries, with exports and imports having fallen in 20 and 18 countries, respectively.[5]

In 2024, the tough economic environment contributed to the deterioration of the financial performance of PKP CARGO Group companies as a consequence of the specific nature of the sector, which provides a complementary function to the output of manufacturers and is strongly correlated with the demand for products, which, given the high openness of markets and interconnections between countries, translates into the volume of cargo available for transport. The marked shrinking of the rail freight market, including the decline in the PKP CARGO Group's freight volume, was a consequence of the reduction in new orders and significantly weaker demand from end buyers, with domestic consumption remaining at a decent level.

3.1.1. Polish industry and economy

Slight increase in industrial output sold during in 2024 by +0.3% yoy (compared to a -1.7% yoy decrease in 2023), driven by growth in the last three quarters of 2024 (by +0.8%, +0.5% and +0.5%, respectively), with a decrease in Q1 2024 (by -0.6% yoy).[6] The performance of the industrial processing (which accounts for more than 4/5 of the sector's revenue) improved by only +0.2% yoy. The electricity, gas, steam and hot water generation and supply section and the water supply, sewage and waste management and reclamation section recorded an increase in output (+1.4% yoy and +7.3% yoy, respectively). In turn, mining and quarrying output continued to decline (-4.6% yoy).[7]

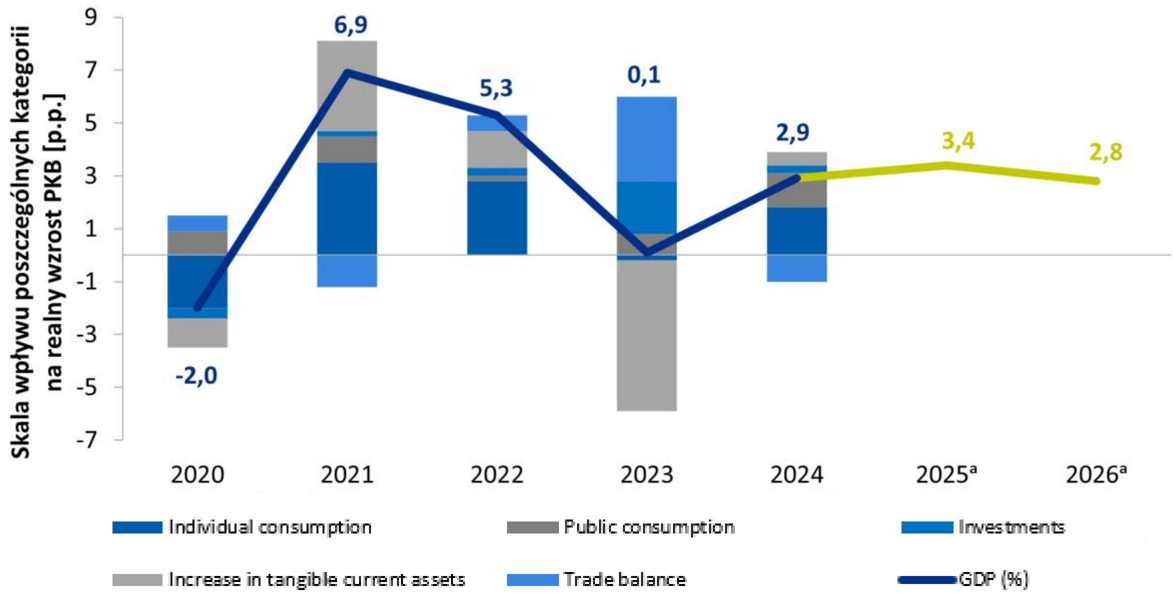
In 2024, increases were recorded in year-on-year output in 20 (out of 34) industrial branches, including: paper and paper products (+6.7%), other non-metallic mineral products (+4.3%), chemicals and chemical products (+3.9%), wood products (+3.3%), furniture (+2.3%), rubber and plastic products (+0.8%). In turn, decreases were recorded in branches of major significance for the PKP CARGO Group's business, including: coal and lignite mining (-13.1%), metal production (-2.9%), machinery and equipment (-2.8%), metal products (-1.8%) and motor vehicles (-0.7%).[8]

According to Statistics Poland's estimate, **GDP growth in 2024 was +2.9% yoy** (compared to a rate of GDP growth of only +0.1% yoy in 2023). The decisive factor for GDP growth in 2024 was domestic demand, which contributed to a total increase of +3.9 p.p., largely due to the contribution of household consumption (contribution to growth of +1.8 p.p.) and public consumption (contribution of +1.3 p.p.), with a low share of accumulation. The foreign trade balance reduced growth by -1.0 p.p. due to the lingering weak demand from our key trading partners.[9]

Maintaining a good rate of GDP growth in year-on-year terms in the following quarters of 2024 – Poland's GDP in Q4 2024 (according to preliminary estimates by Statistics Poland) increased by +3.2% yoy (on a par with the rate of growth recorded in Q2 2024).[10]

[5] Statistics Poland (ssgk.stat.gov.pl/Sytuacja_spo%C5%82eczno-gospodarcza_kraju_2024.pdf – p. 121)
[6] Statistics Poland (in enterprises employing more than 9 staff), ssgk.stat.gov.pl, Industrial output in 2024.
[7] Statistics Poland, ssgk.stat.gov.pl, Industrial output in 2024.
[8] Statistics Poland (ssgk.stat.gov.pl/SYTUACJA%2012-2024.pdf#page=1 - s.69 and stat.gov.pl/obszary-tematyczne/inne-opracowania/informacje-o-sytuacji-spoleczno-gospodarczej/biuletyn-statystyczny-nr-122024,4,157.html – table 46)
[9] Statistics Poland (https://stat.gov.pl/obszary-tematyczne/rachunki-narodowe/kwartalne-rachunki-narodowe/wstepny-szacunek-produktu-krajowego-brutto-w-iv-kwartale-2024-roku,3,90.html)
[10] Statistics Poland (https://stat.gov.pl/obszary-tematyczne/rachunki-narodowe/kwartalne-rachunki-narodowe/wstepny-szacunek-produktu-krajowego-brutto-w-iv-kwartale-2024-roku,3,90.html)

Figure 3 Real GDP growth rate in Poland in 2020-2023, its decomposition and forecasts for 2025-2026 – seasonally unadjusted data.



a – macroeconomic forecasts of the National Bank of Poland for 2025-2026 (November 2024)
Source: Proprietary material based on data published by Statistics Poland and the National Bank of Poland

Price changes in 2024: prices of consumer goods and services increased by +3.6% yoy (compared to a whopping +11.4% yoy in 2023).[11] At the same time, industrial output prices declined by -6.8% yoy (compared to a yoy increase of +2.4% in 2023), with a noticeable hike in construction and assembly prices, by +5.9% yoy (compared to a strong +10.2% yoy increase in 2023).[12]

Noticeable fluctuations in 2024 of lingering low values of the leading indicator for industrial processing, the Purchasing Managers' Index (PMI) – in December 2024, for the 32nd consecutive month, the PMI was below the 50.0-point threshold marking the technical border between recovery and recession in the industrial processing sector. After the uptick of the index in Q3 2024 to an average value of 47.9 points (up from 45.0 points in June to 48.6 points in September), it reached its maximum (of 49.2 points) for the period in October, before gradually declining to 48.2 points in December 2024. Although the average result in the Q4 of last year (48.8 points) shows an improvement compared to other quarters of the year, a slowdown in the upward trend is noticeable. Importantly, the average value of this indicator in 2024 was greater than those reported in 2023 and 2022 (47.4 points, 46.2 points, and 47.0 points, respectively), but in each of these years, the downward trend prevailed, manifested in an economic downturn and a relatively low degree of capacity utilization. However, demand is stabilizing, which gives rise to hope and cautious optimism for 2025, especially in the context of stronger domestic demand and employment growth for the third month in a row (which may suggest an increase in industrial output in the coming months). The weak economic standing of Western European partners (especially Germany) remains a problem, as reflected in a decline in new export orders.[13]

Low values of the manufacturing business tendency indicator (Statistics Poland) – following an upward shift during the first five months of 2024 (from -10.5 to -6.2), the indicator dropped sharply to -10.1 in June. In Q3 2024, it gradually improved in the subsequent months (from -9.8 in July to -8.1 in September). Unfortunately, in Q4, a significant decline occurred, from -10.0 in October to -13.0 in December. The average reading in Q4 2024 (-11.6) was similar to the low value for 2023 (-13.2) and significantly worse than the reading in both Q3 2024 (-8.7) and the whole of 2024 (-9.2). This means a significant decrease at the end of 2024 in the number of commercial undertakings expecting the economic situation to improve in the coming months compared to those expecting a deterioration (owing to, among other factors, continued weak demand in Western Europe, low volumes of new orders and the uncertain geopolitical situation in the region).[14]

Forecasts: according to the National Bank of Poland's last November's current inflation and GDP projection, clear economic growth may be anticipated in 2025-2026. According to the forecast, GDP growth is expected to be +3.4% yoy in 2025 and +2.8% yoy in 2026. This year, the inflation rate is forecast to reach +5.6% yoy, while in 2026 it will decline to +2.7% yoy.[15]

[11] Statistics Poland (ssgk.stat.gov.pl/Ceny_towarow_i_uslug_konsumpcyjnych.html)
[12] Statistics Poland (ssgk.stat.gov.pl/Ceny_produkcji_sprzedanej_przemyslu_oraz_budowlano-montazowej.html)
[13] IHS Markit (www.pmi.spglobal.com/Public/Release/PressReleases – reports for each month)
[14] Statistics Poland, Statistical Bulletin, Table 62 (part 1), column C
[15] National Bank of Poland (nbp.pl/polityka-pieniezna/dokumenty-rpp/raporty-o-inflacji/…, Inflation Report, November 2024 (.pdf), p. 59)

3.1.2. Czech industry and economy

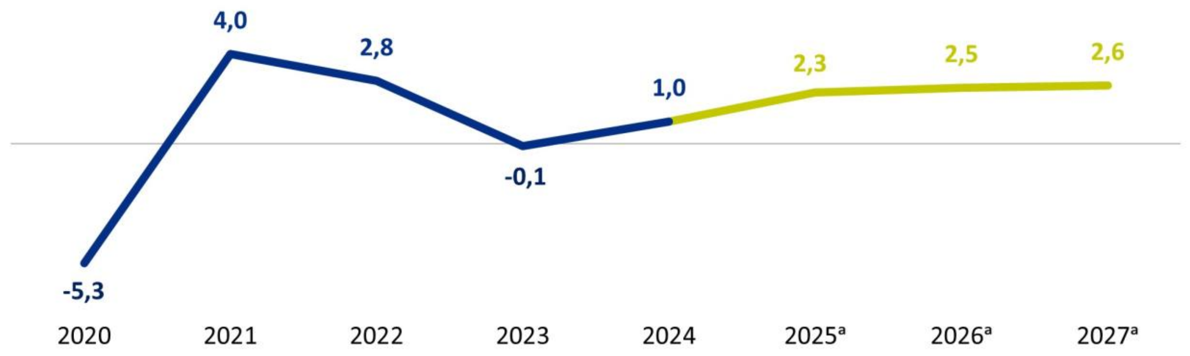
Industrial output in Czechia increased by +1.1% yoy in 2024 (current prices, unadjusted data), following an increase of +3.3% yoy in 2023. In 2024, a decrease in hard coal and lignite mining output was recorded (-24.7% yoy) along with a decline in the output of metals (-12.2% yoy), machinery and equipment (-6.1% yoy) and wood and wood products (-1.5% yoy). At the same time, increases were recorded in the output of metal products (+0.9% yoy), rubber and plastic products (+3.2% yoy), paper and paper products (+3.3% yoy), and motor vehicles, trailers and semi-trailers (+3.5% yoy).[16]

Industrial output declined slightly in Q4 2024 (current prices, unadjusted data), having fallen by -0.1% yoy in Q4, following strong growth of +5.9% yoy in Q3, and an earlier slight decline of -0.2% yoy in Q2 and -0.7% yoy in Q1 2024.[17] In Q4 2024, declines were recorded in hard coal and lignite mining (-12.8% yoy) and in the production of metals (-6.4% yoy), machinery and equipment (-4.8% yoy) and motor vehicles, trailers and semi-trailers (-2.6% yoy). In parallel, increases were recorded in the output of rubber and plastic products (+0.5% yoy), metal products (+3.0% yoy), paper and paper products (+4.6% yoy), and wood and wood products (+8.9% yoy).[18]

In 2024, the value of new orders increased by +3.1% yoy, following a decline of -1.3% yoy in 2023 (current prices, unadjusted data), driven by an increase in the value of both domestic orders (+3.3% yoy) and foreign orders (+3.1% yoy).[19]

According to preliminary estimates published by the Czech Statistical Office, the country's **seasonally adjusted GDP growth in 2024 was +1.0% yoy** (compared to a decline of -0.1% yoy in 2023). GDP growth was propped up by stronger consumer spending by households, the central government and the local government sector. In Q4 2024, GDP grew by +1.6% yoy and +0.5% qoq. The increase in GDP in the last quarter of 2024 was largely driven by household consumption expenditures. Among the drivers of the increase in economic activity was a higher rate of employment both in 2024 as a whole (+0.3% yoy) and in the fourth quarter of the year (+0.4% yoy).[20]

Figure 4 Real GDP growth rate in the Czech Republic in 2020-2024 and forecasts for 2025-2027– seasonally-adjusted data



a – Macroeconomic forecasts of the Ministry of Finance of the Czech Republic (January 2025)
Source: Proprietary material based on data from the Czech Statistical Office and the Czech Ministry of Finance

Inflation in 2024 reached +2.4% yoy (after a +10.7% yoy increase in consumer prices in 2023). In Q4 2024, inflation increased by +2.9% yoy, marking the highest quarterly result in 2024 in year-on-year terms.[21]

Forecasts of the Czech Ministry of Finance: GDP is expected to gradually increase by: +2.3% yoy in 2025, +2.5% yoy in 2026 and +2.6% yoy in 2027. In these years, inflation should remain close to the inflation target (of approx. 2% yoy, with a slight downward trend from +2.3% in 2025 to +2.0% in 2027).[22]

The PMI readings deteriorated at the end of 2024, with a high volatility in monthly results: in 2024, the average PMI value was 45.3 points (compared to 42.7 points in 2023). In parallel, the PMI for the Czech Republic has been below the threshold of 50.0 points for 31 months, marking the technical boundary between recovery and recession in the industrial sector. It is important to note the gradual improvement in the average performance from quarter to quarter in 2024: an increase from 44.5 points in Q1 to 45.4 points in Q2, to 45.5 points in Q3, to 46.0 points in Q4 (marking five consecutive quarters of growth, from a low result of only 42.0 points in Q3 2023). However, after the increase from 46.0 points in September 2024 to 47.2 points in October 2024, it dwindled again in the following months to 44.8 points in December 2024. Export orders deteriorated at a slower pace at the end of the year, but the declines were still significant, especially considering the strong links between

[16] Czech Statistical Office / Sales from industrial activity: unadjusted data
[17] Czech Statistical Office / Sales from industrial activity: unadjusted data
[18] Czech Statistical Office / Sales from industrial activity: unadjusted data
[19] Czech Statistical Office / New industrial orders by selected CZ-NACE divisions: unadjusted data
[20] Czech Statistical Office (csu.gov.cz/rychle-informace/gdp-preliminary-estimate-4-quarter-of-2024)
[21] vdb.czso.cz / Statistics > Prices, Inflation (Consumer price index according to ECOICOP – year-on-year index)
[22] mfcr.cz/en/fiscal-policy/macroeconomic-analysis/macroeconomic-forecast/2025

the Czech (export-oriented) economy and the German market. Despite this, manufacturers' expectations for an improvement in 2025 went up.[23]

3.2. Transport activities of the PKP CARGO Group companies

3.2.1 Rail transport market in Poland

Three members of the PKP CARGO Group, namely PKP CARGO S.A. under restructuring, PKP CARGO SERVICE Sp. z o.o. and PKP CARGO International a.s., render rail freight services on the Polish market. According to data from the Office of Rail Transport, in 2024 as many as 117 freight carriers were actively doing business on the rail network (in 2023, the corresponding number was 104). Of these, 94 reported freight transport (81 in 2023), while 23 reported only operational work (same as in 2023).[24]

2024 was another consecutive year of a contracting rail freight transport market in Poland – operators transported a total of over 223.5 million tons of cargo (compared to 231.6 million tons in 2023) and reported nearly 58.3 billion tkm of freight turnover (compared to 61.6 billion tkm in 2023). The volume of transported cargo in the market decreased by -3.5% yoy (or -8.1 million tons), whereas the completed freight turnover declined by -5.4% yoy (or -3.3 billion tkm). In recent years, a lower freight volume transported by rail was recorded only in 2020 (223.2 million tons), which was the year of pandemic-related restrictions. Also, the average haul in Poland's rail freight market was slightly lower in year-on-year terms in the same period, at 261 km (-5 km or -2.0% yoy). However, the result for 2023 was a record high (266 km), and a long-term trend shows that this parameter is growing strongly as a result of changes in the structure of rail transport (the share of bulk products such as coal keeps declining, but the share of other cargo categories transported over longer distances keeps increasing).

The weakest month for rail transport in 2024 was January, when rail operators carried only 17.7 million tons of cargo and the rate of decline reached -13.3% yoy (-2.7 million tons compared to January 2023). The largest volume was transported by rail in October, which was the only month of the year when the freight volume surpassed 20 million tons (with an annual growth rate of -4.6% yoy). However, there were also months with a positive year-on-year rate of growth in the freight volume (April–July and December), when slight increases ranging from +0.5% to +4.6% yoy were recorded.

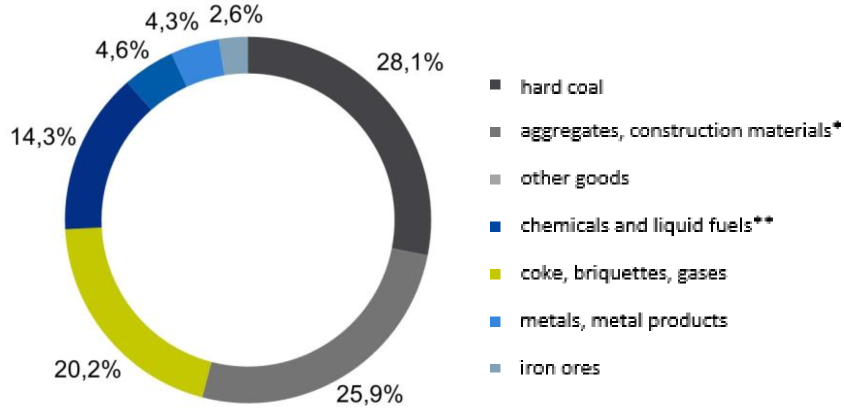
In Q4 2024, the volume of freight on the rail freight market decreased by -1.7 million tons yoy (-2.9% yoy to 57.0 million tons), while freight turnover diminished by -0.9 billion tkm yoy (-6.1% yoy to 14.4 billion tkm). The first quarter of last year proved to be the weakest, with a decline in freight volume of -6.4 million tons yoy (-10.5% to 54.2 million tons), accompanied by a decrease in freight turnover of -2.0 billion tkm yoy (-12.5% to 14.0 billion tkm). The only quarter with a positive yoy rate of growth was Q2 2024, when the market volume increased by +1.7 million tons yoy (+3.2% to 56.5 million tons) and freight turnover by +0.3 billion tkm yoy (+2.1% to 15.1 billion tkm).

Notably, in parallel across 2024, the rail freight market experienced some favorable drivers of the intermodal rail transport segment's performance, with significant increases recorded in all basic parameters characterizing this market segment (freight volume, freight turnover, ITUs and TEUs) during the three quarters of 2024.[25] The volume of intermodal transport increased by +3.1 million tons (+17.3% yoy) and freight turnover by +1.0 billion tkm (+16.5% yoy). However, the uncertainty sweeping the intermodal transport market is significantly affected by the environment in which the sector operates, invariably characterized by a high risk of volatility (challenges posed by the geopolitical situation due to the war in Ukraine).

In general, the performance of the rail sector in 2024 confirmed the lingering unfavorable impact of the weakening of market demand for products in the European Union, directly affecting the scale of rail freight transport services. The war in Ukraine, the economic downturn in Europe and the relatively high energy prices are translating into reduced volumes of freight operations.

[23] Markit PMI (www.pmi.spglobal.com/Public/Release/PressReleases)
[24] Office of Rail Transport, "Summary of 2024 – Passenger and freight transport" p. 17
[25] Office of Rail Transport

Figure 5 Rail freight structure in 2024



** cargo categories: "aggregates, sand, gravel"; "cement, lime, plaster"; "other construction materials"*
*** cargo categories: "refined petroleum products"; "chemicals, chemical products".*
Source: Statistics Poland, NST cargo categories

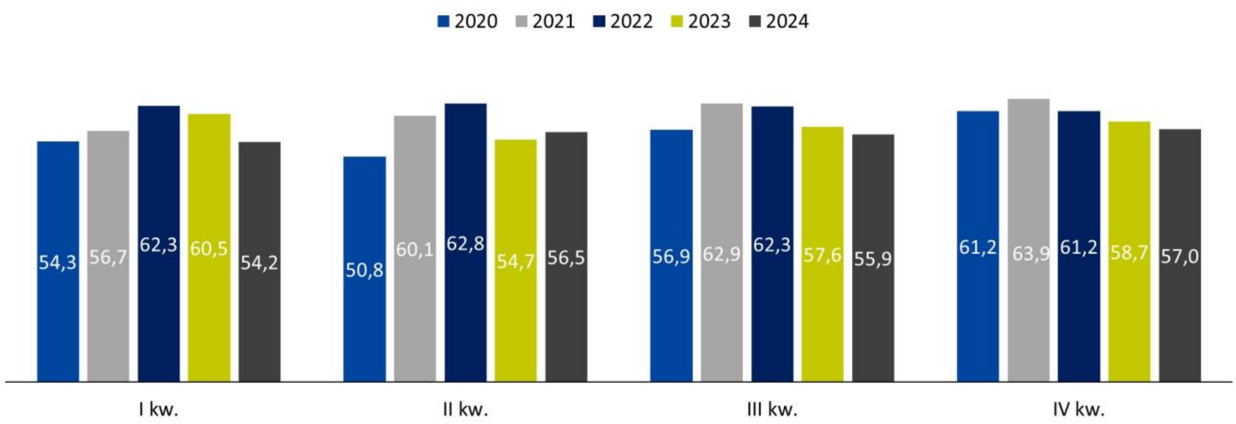
In 2024, the largest cargo category[26] in rail freight transport in Poland was invariably hard coal, the transport of which follows a clear downward path in the structure of freight, yet still accounting for 28.1% of total rail freight traffic. The following changes in rail transport year-on-year performance were recorded over that period in the cargo categories defined by Statistics Poland:[27]

- hard coal (freight volume down by -17.1% yoy to 62.4 million tons),
- aggregates, stone, sand and gravel (freight volume up by +2.1% yoy to 53.0 million tons),
- refined petroleum products (down -2.0% yoy to 21.1 million tons),
- chemicals, chemical products (up +15.7% yoy to 10.8 million tons),
- coke, briquettes, gases (down -5.2% yoy to 10.2 million tons),
- metals and metal products (down -5.6% yoy to 9.6 million tons),
- agricultural products (down -15.1% yoy to 6.0 million tons),
- iron ore (up +15.2% yoy to 5.7 million tons).

A noticeable decrease in the volume of freight transported by rail compared to 2023 was recorded mainly in hard coal (-12.8 million tons). Furthermore, decreases were recorded in the volume of transported: agricultural products (-1.1 million tons), metals and metal products, coke, briquettes, gases (-0.6 million tons each) and petroleum products (-0.4 million tons). In parallel, the market saw year-on-year increases in freight volumes of: other cargo (+2.2 million tons, largely due to a recovery in intermodal freight), chemicals and chemical products (+1.5 million tons), aggregates, sand and gravel (+1.1 million tons), other construction materials and iron ore (+0.8 million tons), cement, lime, gypsum (+0.7 million tons) and secondary raw materials and scrap (+0.6 million tons).[28]

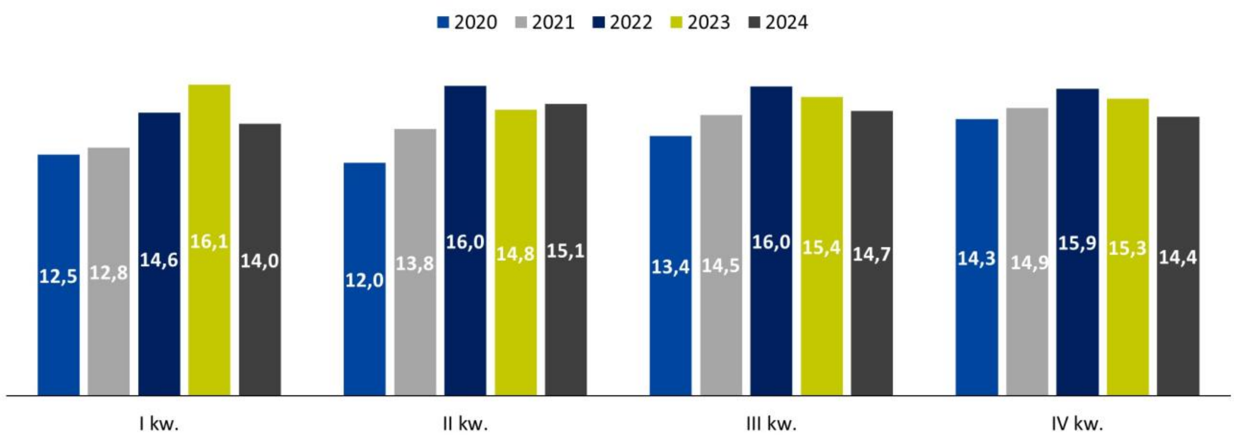
[26] Based on the NST classification
[27] Statistics Poland
[28] Statistics Poland

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



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

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



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

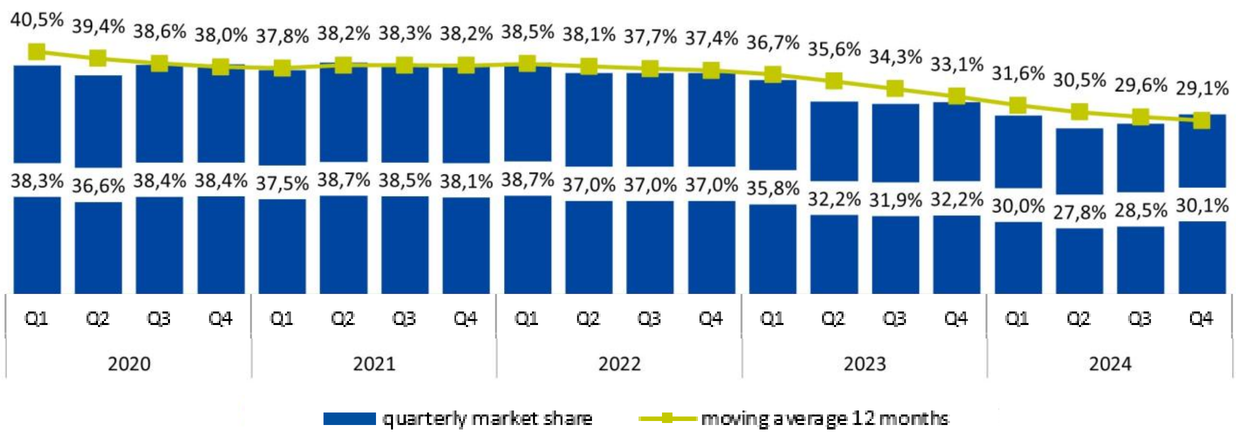
3.2.2 Position of the PKP CARGO Group and the Company in the rail transport market in Poland

According to Office of Rail Transport data, in 2024, 32 rail carriers conducted transport operations whose market share in terms of transported freight volume exceeded the 0.5% threshold (30 and 27 in 2023 and 2022, respectively). These included two members of the PKP CARGO Group: PKP CARGO S.A. under restructuring and PKP CARGO Service Sp. z o.o.[29]

The PKP CARGO Group[30] continues to be the leader in the rail freight market in Poland both in terms of share in the transported freight volume and generated freight turnover. The PKP CARGO Group's market share in 2024 was 29.1% (-4.0 p.p. yoy) in terms of freight volume and 28.0% in terms of freight turnover (-5.8 p.p. yoy).[31] Concurrently, the respective market shares of the PKP CARGO Group's parent company, that is PKP CARGO S.A. under restructuring, were 27.9% (-3.4 p.p. yoy) in terms of freight volume and 27.8% (-5.7 p.p. yoy) in terms of freight turnover.[32]

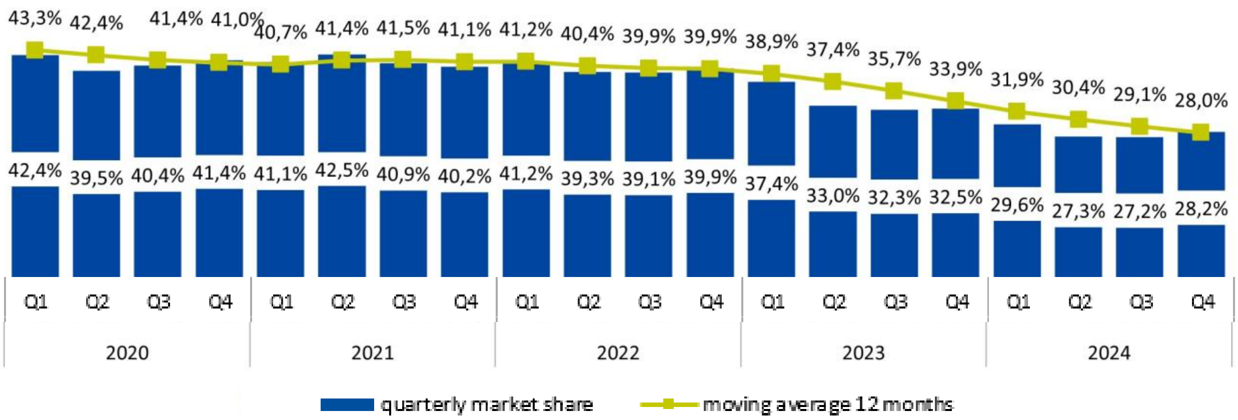
[29] Office of Rail Transport
[30] The PKP CARGO Group's freight volume takes into account the cargo transported by PKP CARGO International a.s. in Poland.
[31] PKP CARGO Group and Office of Rail Transport data
[32] Office of Rail Transport

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



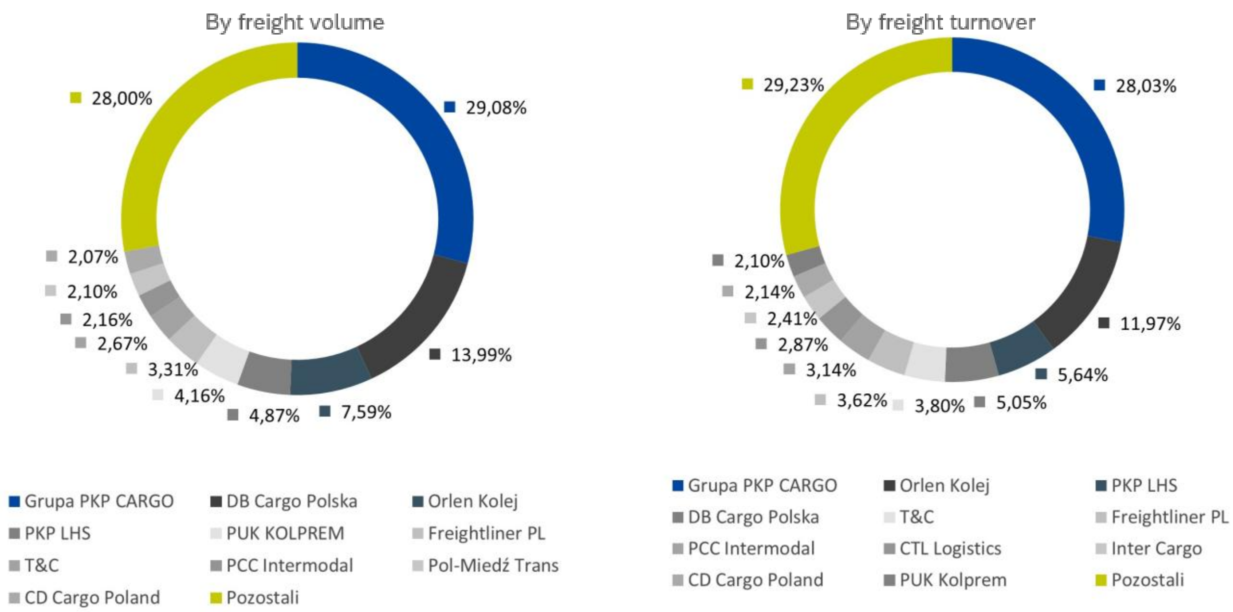
Source: Proprietary material based on the Office of Rail Transport's data.

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



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

Figure 10 Market shares of the largest rail freight transport operators in Poland in 2024



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

In 2024, the following companies were the Group's main competitors on the Polish rail transport market in terms of freight volume: DB Cargo Polska, Orlen Kolej, PKP LHS, PUK Kolprem, Freightliner PL, T&C, PCC Intermodal, Pol-Miedź Trans and CD Cargo Poland.[33]

In 2024, the Group's competitors in the Polish market transported a total of 158.5 million tons of freight (+2.3% yoy). The largest competitor in terms of transported volume was DB Cargo Polska, with a 14.0% market share and a volume of 31.3 million tons in 2024 (-3.4 million tons, or -9.9% compared to the volume transported in 2023). This carrier lost -1.0 p.p. yoy in market share in 2024 (the largest decline in market share among PKP CARGO Group's competitors). The largest increase in market share in 2024 was recorded for T&C and PKP LHS (up 0.6 p.p. yoy) and PUK Kolprem (up 0.5 p.p. yoy). Noteworthy was also the good combined performance of the other smaller market carriers, none of which exceeded the market share threshold of 0.5% (+1.5 p.p.).[34]

At the same time, in the period under review, freight turnover generated by operators competing with the PKP CARGO Group increased by +2.9% yoy, to 41.9 billion tkm. Also in terms of this parameter, the largest year-on-year increases in market shares were reported by T&C (+1.5 p.p. yoy) and PKP LHS (+0.8 p.p. yoy). The other small carriers combined saw market share gains of +0.9 p.p. yoy. Significant declines in market share among the Group's competitors were recorded by Orlen Kolej (Lotos Kolej + Orlen Kol-Trans) and FDM-REW (both -0.6 p.p. yoy).[35]

The largest rail carriers in terms of freight volume, that is the PKP CARGO Group, DB Cargo Polska and Orlen Kolej (Lotos Kolej + Orlen Kol-Trans), continued to be most affected by reduced market demand for rail freight operations and, accordingly, lost the most freight volume year-on-year in 2024.

3.2.3 Rail freight transport market in the Czech Republic

During the first 9 months of 2024, a total of 401.4 million tons of cargo was transported in the Czech Republic (+4.2% yoy) and freight turnover stood at 64.0 billion tkm (+5.8% yoy).[36] A high yoy decline was documented in water transport (approx. -20%) in terms of both freight volume and freight turnover, with a simultaneous noticeable increase in both parameters in road transport and a slight increase in rail transport.

In 9M 2024, the average haul of cargo in the market increased by +1.5% yoy and reached 159.6 km, with the road transport segment recording an increase in the average haul by +1.8% yoy (to 155.0 km) and the rail transport segment showing improvement in the average haul by +1.4% yoy (to 181.2 km).[37]

Table 3 Freight transport market in the Czech Republic in 9M 2024

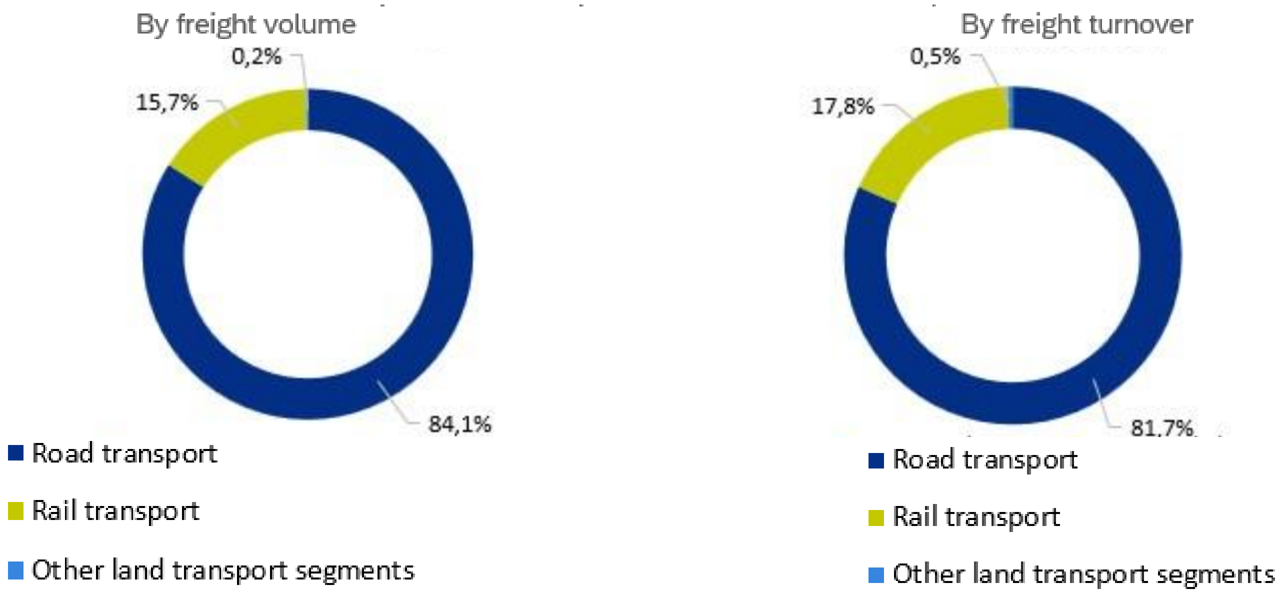
Description	FREIGHT VOLUME			FREIGHT TURNOVER			AVERAGE HAUL		
	Volume (million tons)	Change yoy	Change % yoy	Volume (billion tkm)	Change yoy	Change % yoy	Distance (km)	Change yoy	Change % yoy
Total transport market	401.4	16.2	4.2%	64.0	3.5	5.8%	159.6	2.4	1.5%
Road transport	337.7	16.1	5.0%	52.3	3.4	6.9%	155.0	2.8	1.8%
Rail transport	62.9	0.2	0.3%	11.4	0.2	1.7%	181.2	2.5	1.4%
Waterway transport	0.8	-0.2	-20.1%	0.3	-0.1	-19.2%	397.8	4.1	1.0%

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

In 9M 2024, rail transport in the Czech Republic recorded a slight increase in freight volume to 62.9 million tons (+0.3% yoy) with a concurrent increase in freight turnover to 11.4 billion tkm (+1.7% yoy).[38] In the same period, cargo operations carried out by road increased by +5.0% (to 337.7 million tons) in terms of freight volume and by +6.9% (to 52.3 billion tkm) in terms of freight turnover. These results translated into a decline in the rail sector's share of freight volume (down -0.6 p.p. yoy), with road transport's share increasing (up +0.7 p.p. yoy). At the same time, rail transport recorded a decrease in terms of freight turnover (-0.7 p.p. yoy), with an increase in the share of the road transport (+0.9 p.p. yoy).[39]

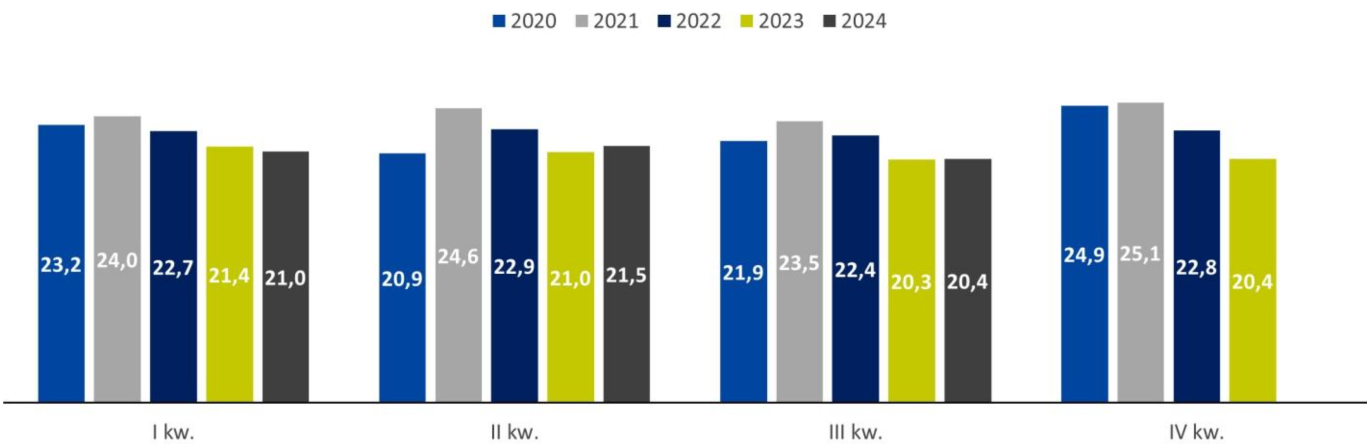
[33] Office of Rail Transport
[34] proprietary material based on Office of Rail Transport data
[35] proprietary material based on Office of Rail Transport data
[36] Ministry of Transport of the Czech Republic, Czech Statistical Office. Data for Q4 2024 will be available at the turn of Q2 2025 (data for rail, road and water transport)
[37] Ministry of Transport of the Czech Republic, Czech Statistical Office (data are for rail, road and water transport)
[38] Ministry of Transport of the Czech Republic, Czech Statistical Office (data are for rail, road and water transport)
[39] Ministry of Transport of the Czech Republic, Czech Statistical Office (data are for rail, road and water transport)

Figure 11 Shares of various modes of transport in the transport market in the Czech Republic in 9M 2024



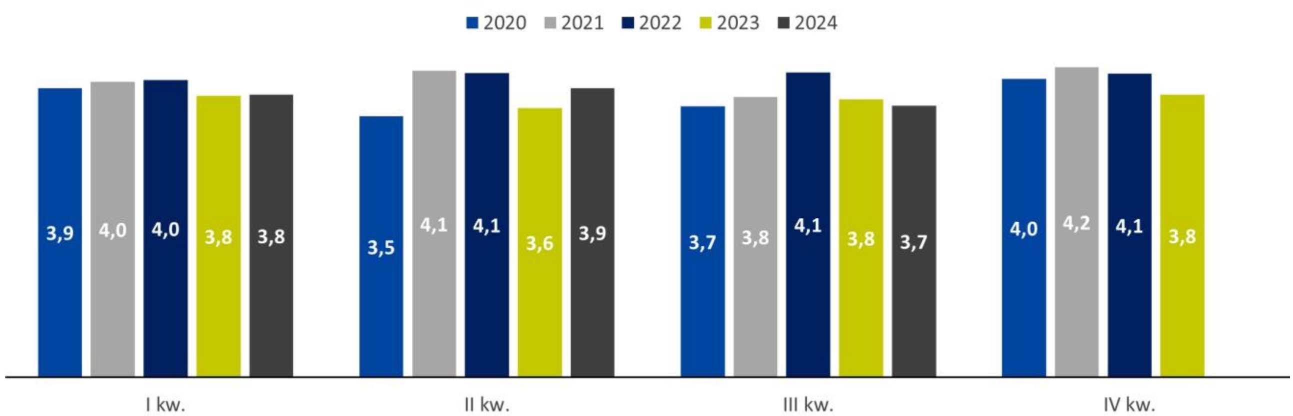
Source: Proprietary material based on data published by the Ministry of Transport of the Czech Republic and the Czech Statistical Office.

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



Source: Proprietary material based on data published by the Ministry of Transport of the Czech Republic and the Czech Statistical Office.

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



Source: Proprietary material based on data published by the Ministry of Transport of the Czech Republic and the Czech Statistical Office.

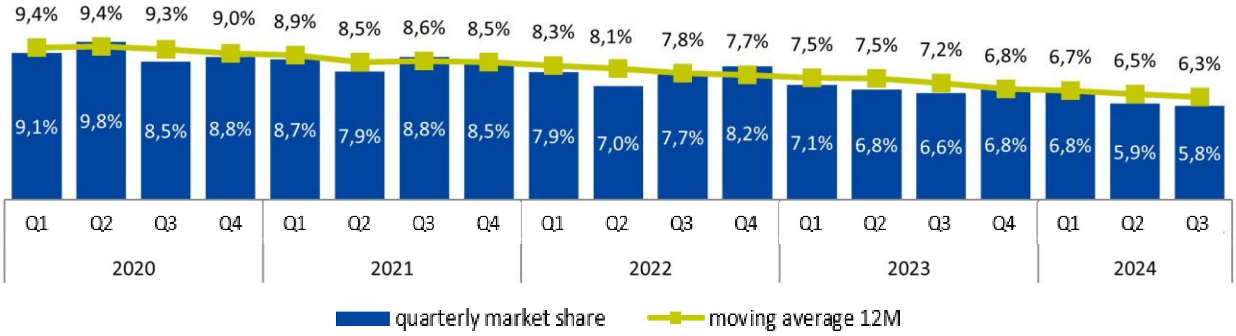
3.2.4 Position of PKP CARGO Group companies in the rail transport market in the Czech Republic

According to data published by the Czech rail infrastructure manager (SŽDC), 111 operators were licensed as at yearend 2024 to provide rail freight services in this country, including 2 members of the PKP CARGO Group: PKP CARGO S.A. under restructuring and PKP CARGO International a.s.[40]

PKP CARGO International a.s. and other operators active in the Czech rail freight market are struggling with prolonged low demand for industrial output (the Czech economy is export-driven), especially due to the weak performance of German industry (which has traditionally been the main partner and customer).

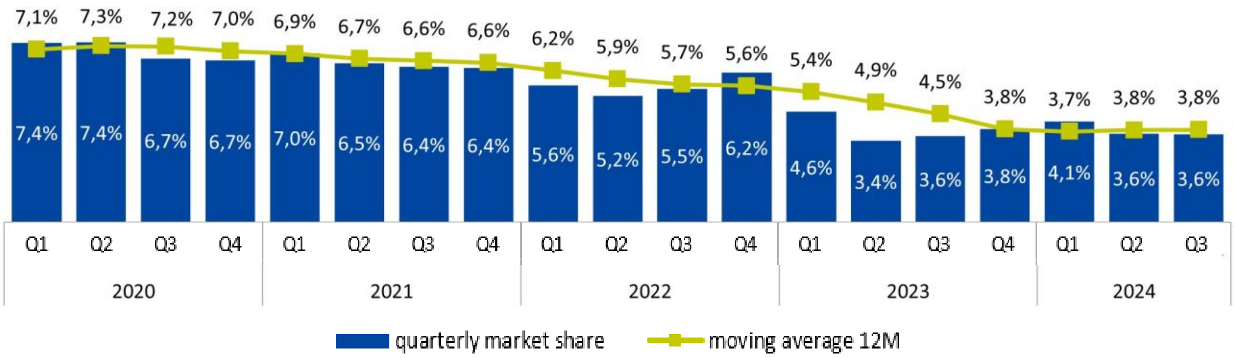
In 2024, PKP CARGO International a.s. transported 5.3 million tons of freight (-6.2% yoy) and achieved freight turnover of 0.6 billion tkm (+0.3% yoy).[41] The average haul of PKP CARGO International increased to 108.8 km (+6.9% yoy).[42] Solid fuels remain the largest cargo category in terms of freight volume, with their share in the company's freight structure down from 67.1% in 2023 to 54.8% in 2024. Intermodal transport remained the second most important, with an increase in its share in total volume to 18.6% in 2024 (from 13.8% in 2023). Decreases in terms of freight volume were posted in the following cargo categories: solid fuels (-23.3% yoy, including hard coal by -20.7% yoy), aggregates and construction materials (-31.5% yoy) and, to a lesser extent, other cargo (-12.4% yoy). Other cargo categories recorded an increase in freight volumes in 2024. The largest increase in volume (with an increase by over 200 thousand tons per year) was recorded in the transport of metals and ores (+335.5% yoy) and intermodal transport (+26.7% yoy). A positive rate of growth was also posted by the liquid fuels (+17.8% yoy) and chemical products (+7.0% yoy) segments. Significant increases were also posted for the transport of wood and agricultural products (+710.9% yoy).[43]

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



** data for Q4 2024 will be available at the end of Q1 and the beginning of Q2 2025.*
Source: Proprietary material based on data from the Czech Ministry of Transport, the Czech Statistical Office and PKP CARGO International.

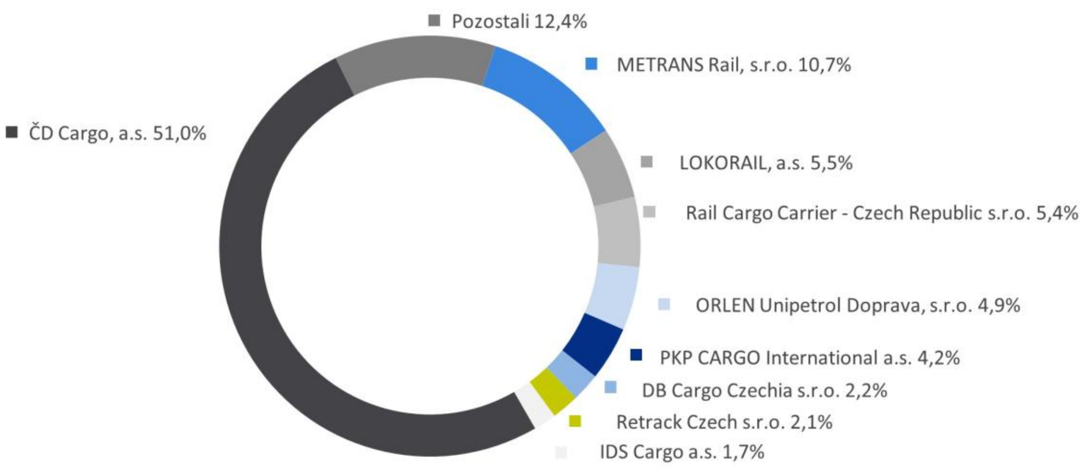
Figure 15 PKP CARGO International's quarterly market shares in terms of freight turnover completed in the Czech Republic in 2020-2024*



** data for Q4 2024 will be available at the end of Q1 and the beginning of Q2 2025.*
Source: Proprietary material based on data from the Czech Ministry of Transport, the Czech Statistical Office and PKP CARGO International.

[40] SŽDC (list of carriers on national and regional tracks, updated as at 18 December 2024)
[41] PKP CARGO International's own statistics
[42] PKP CARGO International's own statistics
[43] PKP CARGO International's own statistics

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



Source: SŽDC (Czech rail infrastructure manager)

According to SŽDC data on the shares in the rail transport market in terms of gross freight turnover in 2024, PKP CARGO International saw a year-on-year increase in market share (+0.2 p.p. yoy to just over 4.2%), having reversed the unfavorable trend of previous years. The company ranks sixth among operators in the Czech market.

Despite a noticeable year-on-year decline in its share to 51.0% (-3.6 p.p.) in 2024, ČD Cargo a.s. remained the undisputed leader of the Czech rail freight transport market in terms of gross operational turnover.[44] Strong year-on-year market share increases in 2024 were posted by Metrans Rail (+1.3 p.p. and an increase in market share to 10.7%, while remaining the second largest player in the market), Rail Cargo Carrier – Czech Republic (+0.9 p.p., an increase in market share to 5.4%, thus securing fourth place) and LOKORAIL a.s. (+0.8 p.p. and an increase in market share to nearly 5.5%, maintaining its third position in the market). Retrack Czech s.r.o. earned itself a market share of approx. 2.1% (up very slightly by +0.01 p.p. yoy). The other smaller operators collectively achieved significant share gains in the period under review (+1.7 p.p. yoy), which translated into a market share result of 12.4%.[45]

In turn, market shares declined for IDS Cargo a.s., a logistics operator carrying freight in the Czech Republic and Slovakia (-1.0 p.p. yoy to 1.7%), ORLEN Unipetrol Doprava, a member of the Orlen Group (-0.2 p.p. yoy to 4.9%), and to a minimal extent DB Cargo Czechia s.r.o. (-0.04 p.p. yoy to 2.2% of the market).[46]

SŽDC's compilation of the largest rail operators in the Czech market for 2024 does not show an isolated performance of PKP CARGO S.A. In 2024, as compared to the previous year, the Company's hard coal shipments from Poland to the Czech Republic and from the Czech Republic to Poland significantly decreased due to weaker demand from the power and metallurgical industries. The situation in the metallurgical industry also affected the suspension of iron ore transport operations from Ukraine to a steel mill in the Czech Republic (which had shut down production and is currently undergoing restructuring) and resulted in the absence of slag shipments from the Czech Republic to Poland. The volume of intermodal transport operations in transit through the Czech Republic also declined, as did the volume of transported sulfuric acid from Poland to Slovakia and methanol from Poland to the Czech Republic. In turn, an increase was recorded in automotive transit transport between Poland and Italy and in the transport of metals.[47]

3.2.5 Consolidated data on transport activity in 2024

The data on the transport activity conducted by the PKP CARGO Group in 12M 2024 and 12M 2023 contain consolidated data of PKP CARGO S.A. under restructuring, 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.

[44] SŽDC
[45] SŽDC
[46] SŽDC
[47] PKP CARGO S.A.'s own statistics

Table 4 PKP CARGO Group's freight turnover in 12 months of 2024 and 2023 and Q4 of 2024 and 2023

Description	2024	2023	Change 2024/2023		2024	2023	Q4 2024	Q4 2023	Change Q4 2024/ Q4 2023	
	(million tkm)			%	percentage of total (%)		(million tkm)			%
Solid fuels[1]	6,258	9,376	-3,118	-33.3%	35%	42%	1,657	2,007	-350	-17.4%
of which hard coal	5,104	7,778	-2,674	-34.4%	28%	35%	1,386	1,685	-298	-17.7%
Aggregates and construction materials[2]	4,315	5,468	-1,153	-21.1%	24%	25%	1,019	1,361	-341	-25.1%
Metals and ores[3]	1,172	1,425	-253	-17.7%	7%	6%	301	289	12	4.2%
Chemicals[4]	1,707	1,651	56	3.4%	9%	7%	399	418	-19	-4.5%
Liquid fuels[5]	643	484	159	32.9%	4%	2%	161	129	32	24.7%
Timber and agricultural produce[6]	787	1,005	-218	-21.7%	4%	5%	197	282	-85	-30.1%
Intermodal transport	2,618	2,380	238	10.0%	15%	11%	612	775	-162	-21.0%
Other[7]	481	493	-13	-2.6%	3%	2%	117	101	15	15.0%
Total	**17,981**	**22,282**	**-4,301**	**-19.3%**	**100%**	**100%**	**4,464**	**5,361**	**-898**	**-16.7%**

Source: Proprietary material.

Table 5 PKP CARGO Group's freight volume in 12 months of 2024 and 2023 and Q4 of 2024 and 2023

Description	2024	2023	Change 2024/2023		2024	2023	Q4 2024	Q4 2023	Change Q4 2024/ Q4 2023	
	(million tons)			%	percentage of total (%)		(million tons)			%
Solid fuels[1]	33.3	41.5	-8.2	-19.8%	47%	50%	9.6	9.8	-0.3	-2.9%
of which hard coal	29.0	36.3	-7.2	-19.9%	41%	44%	8.6	8.7	-0.1	-0.8%
Aggregates and construction materials[2]	16.1	20.0	-3.9	-19.5%	23%	24%	3.8	4.9	-1.1	-22.9%
Metals and ores[3]	4.5	4.6	-0.1	-1.3%	6%	6%	1.1	1.1	0.0	2.5%
Chemicals[4]	5.2	4.9	0.2	4.6%	7%	6%	1.2	1.3	-0.1	-9.3%
Liquid fuels[5]	2.3	1.9	0.3	17.5%	3%	2%	0.6	0.6	0.1	10.1%
Timber and agricultural produce[6]	2.1	2.5	-0.3	-14.0%	3%	3%	0.6	0.6	0.0	-3.5%
Intermodal transport	6.0	5.9	0.1	1.5%	8%	7%	1.5	1.8	-0.3	-18.4%
Other[7]	1.5	1.5	0.0	0.1%	2%	2%	0.4	0.3	0.1	21.4%
Total	**70.8**	**82.7**	**-11.9**	**-14.3%**	**100%**	**100%**	**18.7**	**20.4**	**-1.7**	**-8.4%**

Source: Proprietary material.

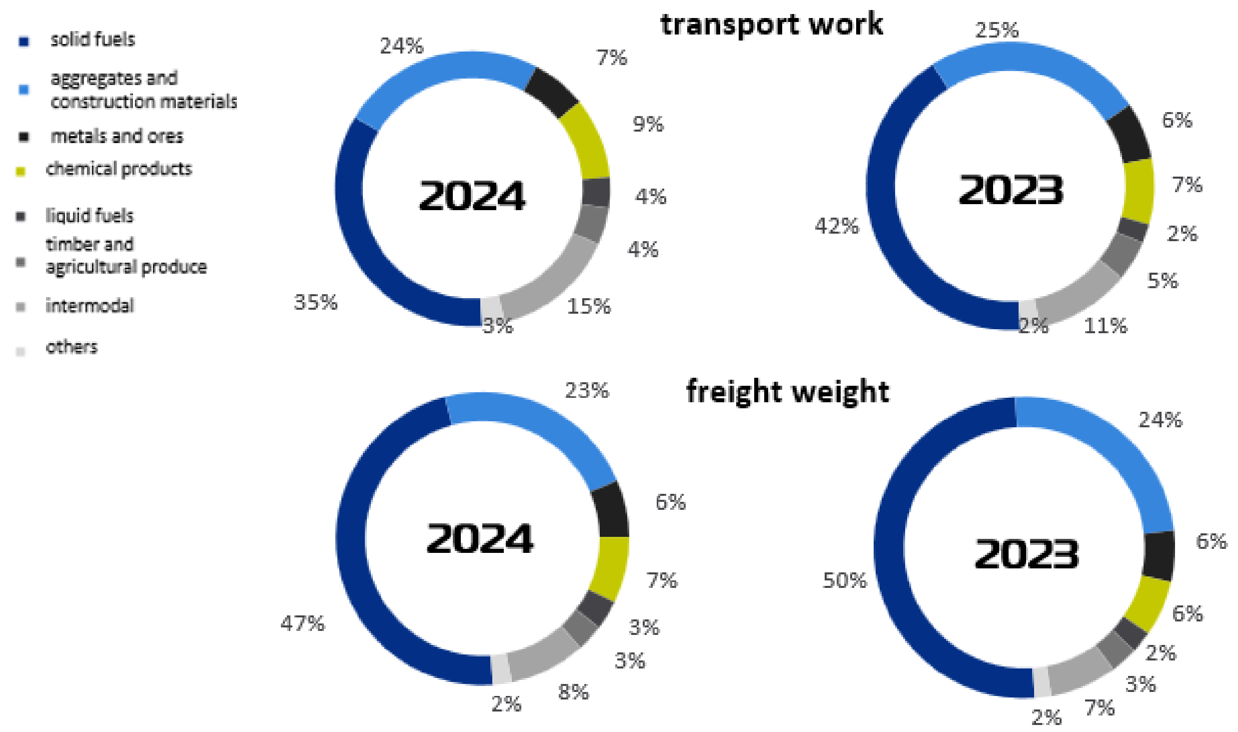
Table 6 PKP CARGO Group's average haul in 12 months of 2024 and 2023 and Q4 of 2024 and 2023

Description	2024	2023	Change 2024/2023		Q4 2024	Q4 2023	Change Q4 2024/ Q4 2023	
	(km)			%	(km)			%
Solid fuels[1]	188	226	-38	-16.8%	173	204	-31	-15.0%
of which hard coal	176	215	-39	-18.0%	161	195	-33	-17.0%
Aggregates and construction materials[2]	269	274	-5	-2.0%	272	280	-8	-2.8%
Metals and ores[3]	261	313	-52	-16.7%	272	268	4	1.6%
Chemicals[4]	331	335	-4	-1.1%	334	317	17	5.4%
Liquid fuels[5]	283	250	33	13.1%	263	232	31	13.2%
Timber and agricultural produce[6]	369	405	-36	-8.9%	339	468	-129	-27.5%
Intermodal transport	437	403	34	8.5%	414	428	-14	-3.2%
Other[7]	325	334	-9	-2.6%	292	309	-16	-5.3%
Total	**254**	**269**	**-16**	**-5.8%**	**239**	**263**	**-24**	**-9.1%**

Source: Proprietary material.

[1] Includes hard coal, coke and lignite.
[2] Includes all kinds of stone, sand, bricks and cement.
[3] Includes ores and pyrites, as well as metals and metal products.
[4] Includes fertilizers and other chemicals.
[5] Includes crude oil and petrochemical products.
[6] Includes grain, potatoes, sugar beets, other produce, wood and wooden products.
[7] Includes other freight.

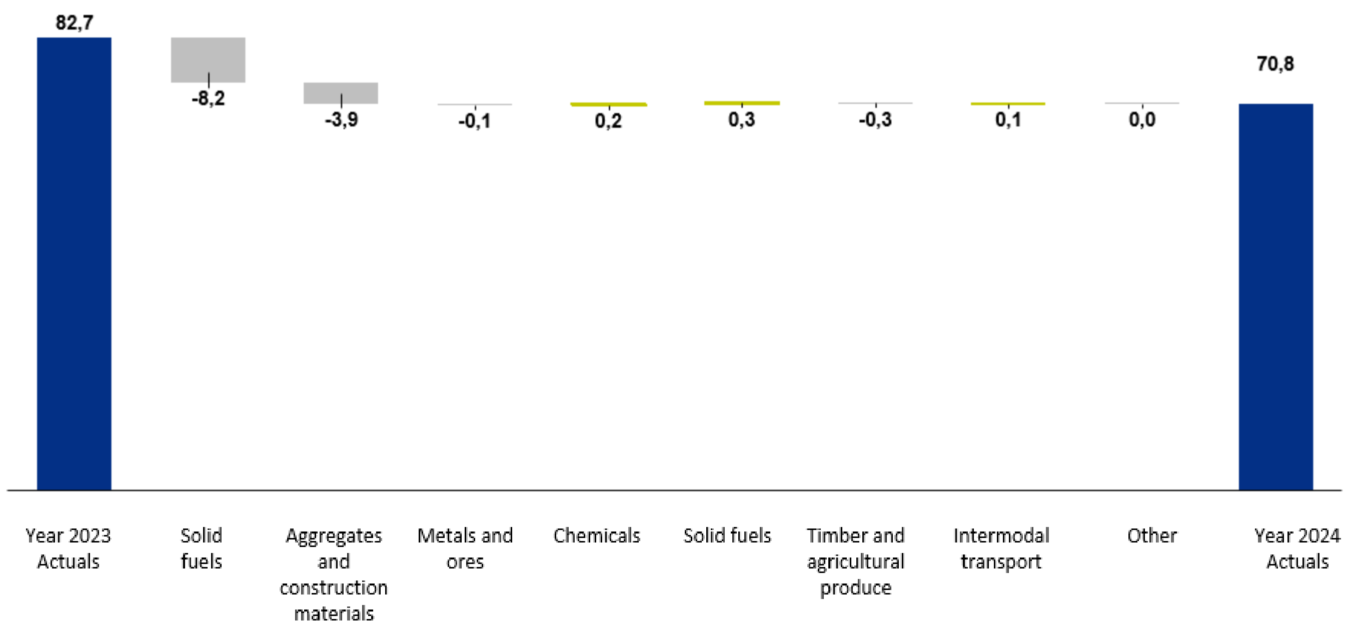
Figure 17 Structure of the PKP CARGO Group's freight turnover and freight volume in 12 months of 2024 and 2023



Source: Proprietary material

In 12 months of 2024, the PKP CARGO Group transported a total of 70.8 million tons of cargo.

Figure 18 Freight volume of the PKP CARGO Group in 2024 compared to the corresponding period in 2023 (million tons)



Source: Proprietary material

Explanation of key factors affecting the volume of transport in various cargo categories in 2024.

paliwa stałe

- Lower demand for imported hard coal compared to the period of the supply crisis in energy commodities in 2022 and early 2023 caused by Russia's invasion of Ukraine,
- gradual decline in the share of hard coal as a fuel due to the adaptation of businesses to the requirements of climate policy,
- growing competitiveness of other fuels, development of electricity generation from renewable energy sources and implementation of transition policies resulting in lower demand for this commodity,
- reduced demand for coal to be used in the production of coke for the metallurgical sector due to the reduced steel output coupled with a decrease in demand from the heating industry due to weather conditions (prevalence of temperatures above the freezing point in winter, accumulation of inventories),
- competition from other rail and road carriers,
- PKP CARGO INTERNATIONAL – smaller volume of freight operations for the power sector due to the lower market price of electricity, as a result of which production became profitable; adverse consequences of the flood in Ostrava,
- decrease in the average haul of hard coal by -39 km (-18.0%) in connection with the changed directions of deliveries – a drop in the share of freight in sea imports and a large volume of freight carried over a shorter haul under a newly acquired contract.

kruszywa i materiały budowlane

- Reduced deliveries of limestone used as input material in flue gas desulfurization plants for the Polish and German power industry due to weather conditions favorable to RES power generation and a general decline in demand for electricity,
- decrease in demand for the output of one of the customers – hydrotechnical stone,
- technological and maintenance breaks at the beginning of the year at several Lower Silesian aggregate mines; reduced output at the Radkowice mine due to the depletion of the deposit, difficulties in the conduct of transport operations related to the September flood in southern Poland,
- competition from rail operators with spare resources due to a decline in demand for the transportation of coal and other cargo, and truck operators benefiting from the greater availability of drivers and means of transport following reduced access to eastern markets,
- PKP CARGO INTERNATIONAL – lower demand for freight – decrease in the volume of production experienced by a customer,
- decrease in the average haul by -5 km (-2.0%) in connection with the changed structure/directions of deliveries for infrastructure projects in various parts of Poland.

metale i rudy

- Weaker demand for steel products in Poland and globally, forcing a reduction in output levels, including at ArcelorMittal Poland plants and other facilities. The reduced steel output also resulted in a decrease in demand for raw materials, specifically metal scrap and iron ore, and a decline in slag output,
- shutdown of a furnace at the Liberty Ostrava steel plant (restructuring process underway) in the Czech Republic,
- decreased volume of transported pig iron from Ukraine through Polish seaports, no shipments of slab from Ukraine to CMC due to lower production levels,
- cessation of ore shipments from Świnoujście for ArcelorMittal Poland (production from accumulated inventories; more favorable price of ore imported from Ukraine via LHS), increase in the share of steel products made from imported semi-finished products (slabs),
- tough situation in the steel industry due to the ongoing technological transition commanded by climate policy – regulations make it more expensive to do business,
- high prices of raw materials (iron ore, coal, coke) and electricity, the cost of which is particularly important due to the high energy intensity of the industry; energy prices are lower in countries outside the EU,
- traffic hindrances in the Zawiercie station area during track repairs,
- decline in average haul by -52 km (-16.7%) – change in the structure of freight routes.

produkty chemiczne

- A gradual recovery was recorded in the fertilizer market after a very weak start to 2023, when the high prices of natural gas – the main raw material for production – significantly reduced the output and sales volumes of domestic producers,
- additional fertilizer freight services to Ukraine,
- increase in the volume of export shipments through seaports,
- decrease in the average haul by 4 km (-1.1%) – a significant share of shipments to Ukraine is short-haul operations near the border.

paliwa płynne

- Additional fuel freight from Plock to Ukraine,
- acquisition of petroleum coke shipments from Polish seaports to Ukraine and to domestic customers,
- increase in the average haul by 33 km (+13.1%).

drewno i płody rolne

- Decrease in grain shipments due to the imposition of an embargo on imports of agricultural products from Ukraine in May 2023,
- problems with the transportation of agricultural products from Ukraine due to congestion at the Dorohusk and Medyka border crossings and farmers' protests; longer waiting times as extensive customs and veterinary procedures at the Ukrainian-Polish border slowed down transit shipments,
- change in the direction of deliveries through Ukraine – resumed operations by the port in Odessa,
- decrease in the average haul by 36 km (-8.9%) as a result of a drop in the share of transit shipments of grain and animal feed, export shipments of timber, and export and import shipments of wood-based panels.

intermodal

- Freight along the New Silk Road intensified due to shipping problems in the Red Sea – as a consequence of the conflict in the Middle East and the actions of the Huti rebels, a significant portion of the merchandise previously transported by sea returned to the northern corridor of the New Silk Road with transshipment in Małaszewicze,
- increase in shipments through Polish ports from/to Ukraine,
- growing freight from/to Italy,
- freight services related to the armed conflict in Ukraine,
- carriage of empty containers at the Małaszewicze station to ports,
- PKP CARGO INTERNATIONAL – new freight services for customers that did not use them in the corresponding period of 2023,
- increase in the average haul by +34 km (+8.5%) due to a change in the structure of transport operations.

pozostałe

- Freight of other goods in 2024 was at a slightly lower level than that transported in 2023,
- no import shipments of clay and feldspar from Ukraine,
- decrease in shipments of paper in sea transit and exports,
- decreased volume of military transport operations,
- decline in the average haul by 9 km (-2.6%).

3.3. Information on selling markets and sources of supply.

3.3.1. Key clients

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.

In 2024, the PKP CARGO Group transported 70.8 million tons of freight, compared to 82.7 million tons in 2023. The PKP CARGO Group renders transport services in all segments of the market. The main sector of PKP CARGO's freight business is solid fuels, with a 47% share in all PKP CARGO's haulage carried out in 2024. In this market sector, transport services were provided for 129 customers, and their major commodity was hard coal. The second segment of transport activity of PKP CARGO is aggregates and construction materials, with the share of 23% in all freight volume carried by PKP CARGO in 2024. In this segment, transport services were provided to 94 customers. Another sector of PKP CARGO's freight business is chemicals, with an 8% share in all PKP CARGO's haulage carried out in 2024. In this market sector, transport services were provided for 91 customers. Intermodal transport is another segment of PKP CARGO's business, with a share of 7% in all transport services provided by PKP CARGO in 2024. In this market sector, transport services were provided for 52 customers. A similar share, that is 7%, in all of PKP CARGO's business in 2024 was attributable to the transport of ores and metals. In this market sector, transport services were provided for 71 customers. Another sector of PKP CARGO's freight business is agricultural crops, timber and wooden products with a 3% share in all PKP CARGO's haulage carried out in 2024. In this market sector, transport services were provided for 52 customers. The last distinguished cargo category for cargo transported by PKP CARGO S.A. in 2024, with a 3% share in all transport operations carried out by PKP CARGO was liquid fuels. In this market sector, transport services were provided for 18 customers. The highest freight volume was provided by customers of large companies and corporate groups.

In the financial year ended 31 December 2024, the Group's revenue from any single Group client did not exceed 10% of the total revenues from contracts with customers. 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.

The Group's revenues obtained from external customers by geographic area are presented in **Note 2.1 to the Consolidated Financial Statements**, while the Company's revenues are presented in **Note 2.1 to the Standalone Financial Statements**.

3.3.2. Key suppliers

As they operate on the freight transport market, both the PKP CARGO Group and the Company are dependent on the largest supplier of access services to rail infrastructure in Poland, namely PKP Polskie Linie Kolejowe S.A. (hereinafter also referred to as "PKP PLK"). This company is a domestic infrastructure administrator providing access to most rail infrastructure in Poland in accordance with the price list approved annually by the President of the Office of Rail Transport. Such infrastructure is made available for a fee on the same terms to all rail operators offering passenger and cargo rail transport. PKP PLK renders services to the PKP CARGO Group that include the provision of access to rail infrastructure, the provision of access to traction network equipment, the directing and carrying of traffic and access to train handling equipment. In the financial year ended 31 December 2024, the value of the agreement with PKP PLK accounted for more than 10% of total revenues from contracts with customers.

Moreover, the Group's main supplier for traction fuel and traction energy is PGE Energetyka Kolejowa S.A. This supplier specializes in selling and supplying electricity, selling liquid fuels and providing electrical energy-related services.

3.4. Headcount

Information concerning movements in headcount in the PKP CARGO Group and PKP CARGO S.A. in 2020-2024 is provided below.

Table 7 Headcount in 2020-2024 in the PKP CARGO Group and PKP CARGO S.A. (active employees only)*

Description	Headcount as at:					Change 2024-2023	% change
	31 Dec 2024	31 Dec 2023	31 Dec 2022	31 Dec 2021	31 Dec 2020		
PKP CARGO Group	**14,734**	**19,933**	**20,038**	**20,562**	**21,766**	**-5,199**	**-26.08**
including: PKP CARGO S.A.	*9,786*	*14,062*	*14,267*	*14,728*	*15,771*	*-4,276*	*-30.41*

Source: Proprietary material.

Table 8 Average headcount in FTEs in 2020-2024 in the PKP CARGO Group and PKP CARGO S.A. (active employees only)*

Description	Average headcount in FTEs					Change 2024-2023
	12 months	12 months	12 months	12 months	12 months	
	2024	2023	2022	2021	2020	
PKP CARGO Group	**17,519**	**19,854**	**20,196**	**21,210**	**22,279**	**-2,335**
including: PKP CARGO S.A.	*12,178*	*14,071*	*14,464*	*15,351*	*16,185*	*-1,893*

Source: Proprietary material.

Table 9 Average headcount in FTEs in 2020-2024 in the PKP CARGO Group and PKP CARGO S.A. (active employees only)*

Description	Average headcount in persons					Change 2024-2023
	12 months	12 months	12 months	12 months	12 months	
	2024	2023	2022	2021	2020	
PKP CARGO Group	**17,767**	**19,910**	**20,242**	**21,254**	**22,818**	**-2,143**
including: PKP CARGO S.A.	*12,200*	*14,095*	*14,478*	*15,360*	*16,616*	*-1,895*

Source: Proprietary material.

Table 10 Headcount structure in 2020-2024 in the PKP CARGO Group and PKP CARGO S.A. (active employees only)*

Description	Headcount as at:					Change 2024-2023	Change %
	31 Dec 2024	31 Dec 2023	31 Dec 2022	31 Dec 2021	31 Dec 2020		
White-collar positions – the Group	**3,737**	**4,825**	**4,767**	**4,808**	**5,079**	**-1,088**	**-22.55**
including: PKP CARGO S.A.	*2,417*	*3,405*	*3,342*	*3,389*	*3,644*	*- 988*	*-29.02*
Blue-collar positions – the Group	**10,997**	**15,108**	**15,271**	**15,754**	**16,687**	**-4,111**	**-27.21**
including: PKP CARGO S.A.	*7,369*	*10,657*	*10,925*	*11,339*	*12,127*	*-3,288*	*-30.85*
Total	**14,734**	**19,933**	**20,038**	**20,562**	**21,766**	**-5,199**	**-26.08**
including: PKP CARGO S.A.	*9,786*	*14,062*	*14,267*	*14,728*	*15,771*	*-4,276*	*-30.41*

Source: Proprietary material.

** Active employees do not include employees on unpaid leave, parental leave, rehabilitation benefits or on furlough.*

A comparison of 2024 with 2023 reveals a significant decline in the PKP CARGO Group's headcount by 5,199 staff (by 4,276 staff in PKP CARGO S.A. alone). Such a significant decrease in headcount as at 31 December 2024 was a consequence of mass layoffs effected at PKP CARGO and PKP CARGOTABOR.

Moreover, in Q2 and Q3 2024, a program was underway in PKP CARGO to put some of the Company's employees on furlough leave in accordance with Article 54 of the Act of 8 September 2000 on Commercialization, Restructuring and Privatization of the State-Owned Enterprise "Polskie Koleje Państwowe".

The process of mass layoffs in the PKP CARGO Group was preceded by an analysis of all positions and the taking into account of various economic considerations, including work efficiency, relevance to key operations and potential for adaptation in new organizational structures. The process was subject to the Mass Layoff Bylaws. The mass layoffs were carried out in compliance with the termination notice period provided for in the Labor Code or with the termination notice period referred to in the Company Collective Bargaining Agreement for PKP CARGO Employees. The documents of termination of employment contracts under this procedure were effectively delivered by the end of September 2024 (at PKP CARGO) by the end of November 2024 (at PKP CARGOTABOR).

Notably, as part of its corporate social responsibility endeavors, PKP CARGO signed letters of intent with other rail companies and businesses operating in other sectors of the economy, owing to which the laid-off employees had the opportunity to first take advantage of the job offers presented, thus gaining the prospect of continuing their employment. Moreover, a comprehensive program was launched to support employees leaving the Company.

Following the completion of mass layoffs at the PKP CARGO Group, the employment structure was aligned with the changing market environment without compromising full operational efficiency.

3.5. The Company's and the PKP CARGO Group's investments

3.5.1 Capital expenditures

PKP CARGO S.A.

In 2024, PKP CARGO S.A. incurred capital expenditures of PLN 493.1 million, down 68.8% compared to the corresponding period of 2023. These expenditures were spent on the acquisition of property, plant and equipment and intangible assets in the form of procurement, modernization and the overhaul component (periodic repairs of P4 and P5 rolling stock and periodic inspections of P3 rolling stock). Capital expenditures also contain right-of-use assets (mainly locomotive leases and property leases) under IFRS16.

The majority of the capital expenditures in the Company in 2024 were allocated for the execution of investment tasks associated with rolling stock, mainly for periodic repairs and periodic check-ups of rolling stock (the number of periodic repairs and periodic inspections performed in 2024 is derived from the cycles specified in the Maintenance System Documentation (DSU) of the rolling stock approved by the Office of Rail Transport and the quantum of rolling stock maintained as fit for operation as required for the provision of transportation services) – for a total amount of PLN 364.9 million (or 74.0% of total capital expenditures). Moreover, the Company incurred capital expenditures in the IT area, in particular PLN 4.2 million to purchase server hardware and intangible assets (software, the purchase of licenses, modifications to IT systems owned and used by the Company), PLN 2.7 million to upgrade buildings and PLN 3.3 million to purchase cars and workshop and office equipment. Also, the Company incurred expenditures related to right-of-use assets in the amount of PLN 118.0 million covering, among others, the lease of 3 six-axle electric locomotives (PLN 50.7 million), the lease of trucks and passenger cars (PLN 7.6 million), and long-term lease agreements for real estate, equipment and repairs of leased locomotives (PLN 59.7 million).

Table 11Capital expenditures in PKP CARGO S.A. in 2020-2024 (PLN million)

Description	2024	2023	2022	2021	2020	Change 2024-2023	Change 2024/2023 in %
Investment construction activity	2.7	1.7	5.6	27.7	9.9	1.0	58.8%
Locomotive purchases	0.0	191.4	0.0	0.4	33.0	-191.4	-
Locomotive upgrades	0.0	0.0	0.3	91.2	123.4	0.0	-
Wagon purchases	0.0	1.1	111.8	184.7	162.8	-1.1	-
Workshop machinery and equipment	0.1	2.7	0.3	4.3	1.5	-2.6	-96.3%
ICT development	4.2	17.8	3.2	11.0	7.4	-13.6	-76.4%
Other	3.2	1.1	0.1	0.0	0.2	2.1	190.9%
Components in overhaul, including:	364.9	1,026.7	494.9	447.7	249.7	-661.8	-64.5%
Repairs and periodic inspections of locomotives	*79.2*	*215.9*	*92.3*	*111.5*	*61.5*	*-136.7*	*-63.3%*
Repairs and periodic inspections of wagons	*285.7*	*810.8*	*402.6*	*336.3*	*188.2*	*-525.1*	*-64.8%*
Right-of-use assets*, including:	118.0	339.0	45.9	29.5	20.8	-221.0	-65.2%
Real properties	*58.5*	*60.9*	*43.2*	*26.6*	*22.1*	*-2.4*	*-3.9%*
Rolling stock	*51.2*	*270.7*	*0.0*	*0.0*	*-2.5*	*-219.5*	*-81.1%*
Other rights	*8.3*	*7.4*	*2.7*	*2.9*	*1.2*	*0.9*	*12.2%*
Total	**493.1**	**1,581.5**	**662.1**	**796.4**	**608.7**	**-1,088.4**	**-68.8%**

** Expenditures for right-of-use assets do not include increases resulting from leaseback of locomotives in the amount of PLN 258.9 million for 2023, PLN 13.6 million for 2022 and PLN 84.8 million for 2021.*
Source: Proprietary material

In 2024, the Company obtained a grant from the EU in the total amount of PLN 18.7 million for projects completed in previous years, related to the installation of new monoblock wheel sets and LL composite inserts in wagons and the replacement of cast iron brake blocks with composite ones.

PKP CARGO Group

In 2024, the PKP CARGO Group incurred capital expenditures of PLN 590.4 million, down 65.7% compared to 2023. These expenditures were spent on the acquisition of property, plant and equipment and intangible assets in the form of procurement, modernization and the overhaul component (P4 and P5 periodic repairs of rolling stock and P3 periodic inspections of rolling stock). Moreover, right-of-use assets were recognized under IFRS 16 (mainly related to locomotive leases and real estate leases).

The majority of the capital expenditures in the Group in 2024 were allocated for the execution of investment tasks associated with rolling stock, mainly for periodic repairs and periodic check-ups of rolling stock (the number of periodic repairs and periodic inspections performed in 2024 is derived from the cycles specified in the Maintenance System Documentation (DSU) of the rolling stock approved by the Office of Rail Transport and the quantum of rolling stock maintained as fit for operation as required for the provision of transportation services) and the upgrade of locomotives – for a total amount of PLN 408.7 million (or 69.2% of total capital expenditures). Moreover, the Group incurred expenditures on computerization, i.e. purchases of computer hardware in the form of computers and ICT equipment as well as intangible assets (software, purchase of licenses and modifications of IT systems owned and used by the Group) in the amount of PLN 5.6 million, for investment construction activity in the amount of PLN 5.9 million, chiefly to modernize auxiliary buildings, office buildings and carry out construction works at container terminals, PLN 10.7 million for purchases of machinery, equipment and tools for container terminals and workshop facilities, PLN 4.7 million to upgrade overhead cranes and purchase vehicles, PLN 154.8 million for right-of-use assets, including mainly long-term property lease agreements (PLN 70.5 million) and the lease of 3 six-axle electric locomotives (PLN 50.7 million), long-term lease of locomotives (PLN 20.6 million) and other leases, related for the most part to the purchase of container terminal equipment and technical facilities, IT hardware and vehicles in the form of leases (PLN 12.3 million) and periodic repairs of leased rolling stock (PLN 0.7 million).

Table 12 Capital expenditures in the PKP CARGO Group in 2020-2024 (PLN million)

Description	2024	2023	2022	2021	2020	Change 2024-2023	Change 2024-2023 %
Investment construction activity	5.9	92.9	44.4	70.5	50.8	-87.0	-93.6%
Purchase of traction vehicles	0.0	191.5	0.3	0.4	33.0	-191.5	-
Locomotive upgrades	12.4	0.0	12.5	99.4	132.0	12.4	-
Wagon purchases	0.0	1.1	111.8	184.7	162.9	-1.1	-
Wagon upgrades	0.0	0.0	0.0	0.0	5.6	0.0	-
Workshop machinery and equipment	10.7	31.6	20.1	32.2	12.0	-20.9	-66.1%
ICT development	5.6	25.5	5.1	12.8	10.8	-19.9	-78.0%
Other	4.7	3.1	3.0	1.5	2.5	1.6	51.6%
Components in overhaul, including:	396.3	982.2	511.7	441.3	276.5	-585.9	-59.7%
Repairs and periodic inspections of locomotives	*100.8*	*212.1*	*113.1*	*115.9*	*73.7*	*-111.3*	*-52.5%*
Repairs and periodic inspections of wagons	*295.5*	*770.1*	*398.6*	*325.3*	*202.8*	*-474.6*	*-61.6%*
Right-of-use assets,* of which related to:	154.8	393.5	67.3	65.5	68.4	-238.7	-60.7%
Real properties	*70.5*	*92.2*	*54.2*	*44.8*	*36.8*	*-21.7*	*-23.5%*
Rolling stock	*72.0*	*274.5*	*0.3*	*5.8*	*24.1*	*-202.5*	*-73.8%*
Other rights	*12.3*	*26.8*	*12.8*	*14.9*	*7.5*	*-14.5*	*-54.1%*
Total	**590.4**	**1,721.4**	**776.2**	**908.3**	**754.5**	**-1,131.0**	**-65.7%**

** Expenditures for right-of-use assets do not include increases resulting from leaseback of rolling stock and technical equipment in the amount of PLN 6.2 million for 2024, PLN 260.4 million for 2023, PLN 16.7 million for 2022, PLN 101.0 million for 2021 and PLN 8.2 million for 2020.*
Source: Proprietary material

3.5.2 Assessment of the capacity to execute investment plans

PKP CARGO Group companies intend to finance capital expenditures using mostly their own funds.

4. Analysis of the financial standing and assets of the Company and the PKP CARGO Group

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

Table 13 Financial highlights of PKP CARGO S.A.

PKP CARGO S.A.	in PLN million[48]					in EUR million				
	2024	2023	2022	2021	2020	2024	2023	2022	2021	2020
Exchange rates (PLN/EUR)						**4.3042**	**4.5284**	**4.6883**	**4.5775**	**4.4742**
Operating revenue	3,428.4	4,257.9	4,044.8	3,127.0	3,062.0	796.5	940.3	862.7	683.1	684.4
Operating profit / loss	-2,582.8	192.2	242.2	-235.7	-214.6	-600.1	42.4	51.7	-51.5	-48.0
Profit / loss before tax	-2,864.2	57.2	126.9	-268.4	-221.5	-665.4	12.6	27.1	-58.6	-49.5
Net profit / loss from continuing operations	-2,412.7	45.2	102.7	-223.3	-173.9	-560.5	10.0	21.9	-48.8	-38.9
Comprehensive income	-2,426.9	14.5	110.6	-146.1	-251.6	-563.8	3.2	23.6	-31.9	-56.2
Weighted average number of shares	44,786,917	44,786,917	44,786,917	44,786,917	44,786,917	44,786,917	44,786,917	44,786,917	44,786,917	44,786,917
Weighted average number of shares used to calculate diluted profit/loss	44,786,917	44,786,917	44,786,917	44,786,917	44,786,917	44,786,917	44,786,917	44,786,917	44,786,917	44,786,917
Earnings / loss per share (PLN/EUR)	-53.87	1.01	2.29	-4.99	-3.88	-12.5	0.22	0.49	-1.09	-0.87
Diluted earnings / loss per share (PLN/EUR)	-53.87	1.01	2.29	-4.99	-3.88	-12.5	0.22	0.49	-1.09	-0.87
Net cash flow from operating activities	921.9	1,047.6	815.5	500.5	417.1	214.2	231.4	174.0	109.4	93.3
Net cash flow from investing activities	-353.2	-866.1	-698.9	-558.9	-559.1	-82.1	-191.3	-149.1	-122.1	-125.0
Net cash flow from financing activities	-267.5	-116.5	-202.4	18.9	-57.5	-62.1	-25.7	-43.2	4.1	-12.9
Movement in cash and cash equivalents	301.2	65.0	-85.8	-39.5	-199.5	70.0	14.4	-18.3	-8.6	-44.6
	31 Dec 2024	**31 Dec 2023**	**31 Dec 2022**	**31 Dec 2021**	**31 Dec 2020**	**31 Dec 2024**	**31 Dec 2023**	**31 Dec 2022**	**31 Dec 2021**	**31 Dec 2020**
Exchange rates (PLN/EUR)						**4.2730**	**4.3480**	**4.6899**	**4.5994**	**4.6148**
Non-current assets	4,716.6	6,768.9	5,948.0	6,031.2	5,948.9	1,103.8	1,556.8	1,268.3	1,311.3	1,289.1
Current assets	995.4	800.0	800.0	681.3	705.4	233.0	184.0	170.6	148.1	152.9
Non-current assets classified as held for sale	0.3	-	0.1	14.9	12.7	0.1	-	-	3.2	2.7
Share capital	2,239.3	2,239.3	2,239.3	2,239.3	2,239.3	524.1	515.0	477.5	486.9	485.2
Equity	510.9	2,937.8	2,923.3	2,812.7	2,958.8	119.6	675.7	623.3	611.5	641.2
Non-current liabilities	2,046.0	2,417.5	1,985.9	2,442.9	2,646.7	478.8	556.0	423.4	531.1	573.5
Current liabilities	3,155.4	2,213.6	1,838.9	1,471.8	1,061.5	738.5	509.1	392.2	320.0	230.0

Source: Proprietary material.

[48] In this Management Board report on the activity of PKP CARGO S.A. w restrukturyzacji and the PKP CARGO Group for the financial year 2024, to facilitate the reading, some figures have been rounded off, which may result in slight deviations in the presented data. In all cases of possible distortions, the data are presented with greater accuracy.

Table 14 Financial highlights of the PKP CARGO Group

PKP CARGO Group	in PLN million					in EUR million				
	2024	2023	2022	2021	2020	2024	2023	2022	2021	2020
Exchange rates (PLN/EUR)						**4.3042**	**4.5284**	**4.6883**	**4.5775**	**4.4742**
Operating revenue	4,519.3	5,552.0	5,448.8	4,326.5	4,235.9	1,050.0	1,226.0	1,162.2	945.2	946.7
Operating profit / loss	-2,691.4	291.4	333.3	-208.8	-186.4	-625.3	64.3	71.1	-45.6	-41.7
Profit / loss before tax	-2,884.5	119.0	191.8	-264.4	-266.9	-670.2	26.3	40.9	-57.8	-59.7
Net profit/loss	-2,412.6	82.1	148.0	-225.3	-224.3	-560.5	18.1	31.6	-49.2	-50.1
Total comprehensive income attributable to the owners of the parent company	-2,456.3	-30.4	192.3	-103.2	-279.5	-570.7	-6.7	41.0	-22.5	-62.5
Weighted average number of shares	44,786,917	44,786,917	44,786,917	44,786,917	44,786,917	44,786,917	44,786,917	44,786,917	44,786,917	44,786,917
Weighted average number of shares used to calculate diluted profit/loss	44,786,917	44,786,917	44,786,917	44,786,917	44,786,917	44,786,917	44,786,917	44,786,917	44,786,917	44,786,917
Earnings / loss per share (PLN/EUR)	-53.87	1.83	3.31	-5.03	-5.01	-12.5	0.40	0.71	-1.10	-1.12
Diluted earnings / loss per share (PLN/EUR)	-53.87	1.83	3.31	-5.03	-5.01	-12.5	0.40	0.71	-1.10	-1.12
Net cash flow from operating activities*	1,031.9	1,211.0	1,018.4	699.8	553.1	239.7	267.4	217.2	152.9	123.6
Net cash flow from investing activities	-420.7	-987.1	-772.9	-645.6	-655.1	-97.7	-217.9	-164.9	-141.0	-146.4
Net cash flow from financing activities	-281.5	-133.4	-319.5	-106.4	-145.9	-65.4	-29.5	-68.1	-23.3	-32.6
Movement in cash and cash equivalents	329.7	90.5	-74.0	-52.2	-247.9	76.6	20.0	-15.8	-11.4	-55.4
	31 Dec 2024	**31 Dec 2023**	**31 Dec 2022**	**31 Dec 2021**	**31 Dec 2020**	**31 Dec 2024**	**31 Dec 2023**	**31 Dec 2022**	**31 Dec 2021**	**31 Dec 2020**
Exchange rates (PLN/EUR)						**4.2730**	**4.3480**	**4.6899**	**4.5994**	**4.6148**
Non-current assets	4,996.3	7,030.6	6,354.1	6,458.7	6,397.4	1,169.2	1,617.0	1,354.8	1,404.3	1,386.3
Current assets	1,443.0	1,289.4	1,305.8	1,139.0	1,149.3	337.7	296.5	278.4	247.6	249.1
Non-current assets classified as held for sale	0.3	-	0.3	15.7	12.7	0.1	-	0.1	3.4	2.7
Share capital	2,239.3	2,239.3	2,239.3	2,239.3	2,239.3	524.1	515.0	477.5	486.9	485.2
Equity attributable to the owners of the parent company	746.2	3,202.5	3,232.9	3,040.6	3,143.8	174.6	736.6	689.3	661.1	681.2
Non-current liabilities	2,378.7	2,784.2	2,344.6	2,833.8	3,029.5	556.7	640.3	499.9	616.1	656.5
Current liabilities	3,314.7	2,333.3	2,082.7	1,739.0	1,386.1	775.7	536.6	444.1	378.1	300.4

Source: Proprietary material.

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 Standalone Financial Statements of PKP CARGO S.A. and the Consolidated Financial Statements of the PKP CARGO Group for the financial year ended 31 December 2024:

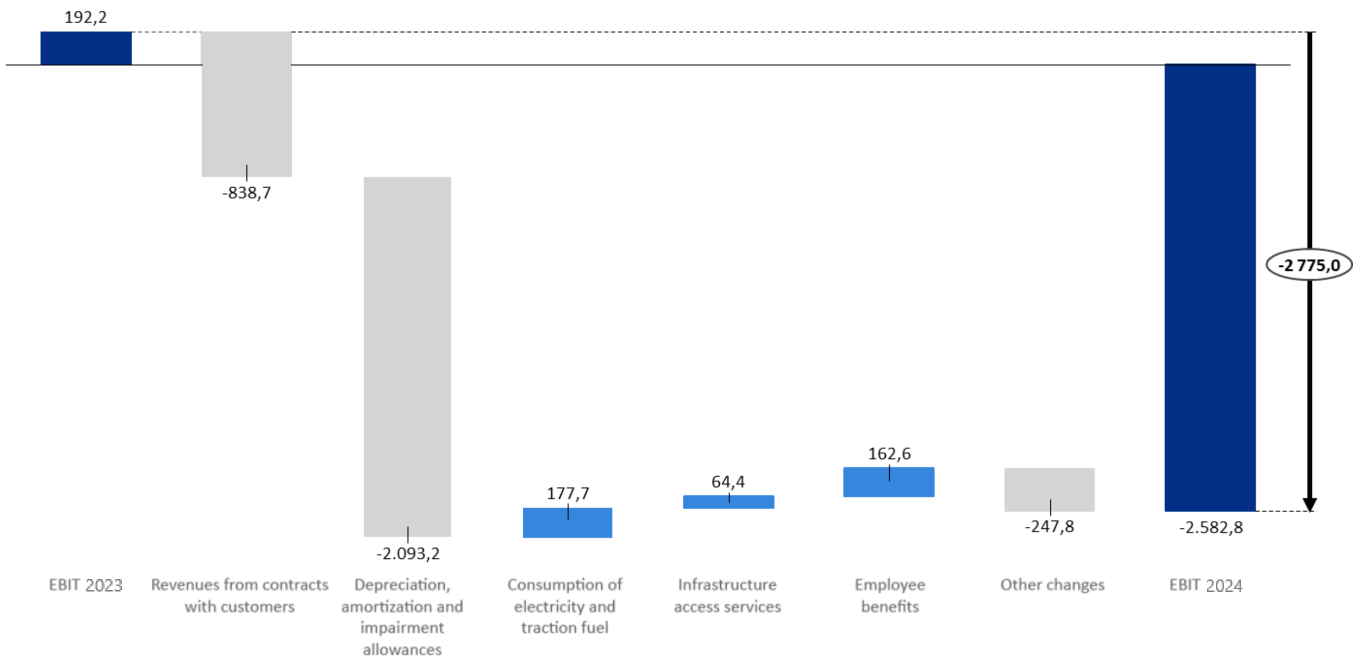
- exchange rate in force on the last day of the reporting period: 31 December 2024: EUR 1 = PLN 4.2730, 31 December 2023: EUR 1 = PLN 4.3480,
- the average exchange rate in the period calculated as the arithmetic mean of the exchange rates prevailing on the last day of each month in a given period: 1 January – 31 December 2024: EUR 1 = PLN 4.3042, 1 January – 31 December 2023: EUR 1 = PLN 4.5284.

4.2. PKP CARGO S.A.'s economic and financial highlights

4.2.1 PKP CARGO S.A.'s statement of comprehensive income

In the period of 12 months of 2024, EBIT was PLN -2,582.8 million, having gone down by PLN 2,775.0 million compared to the corresponding period of the previous year.

Figure 19 EBIT in the 12 months of 2024 as compared to the corresponding period of 2023 (PLN million)



Source: Proprietary material.

The most significant drivers of changes affecting EBIT in the 12 months of 2024, as compared to the 12 months of 2023, are described below:

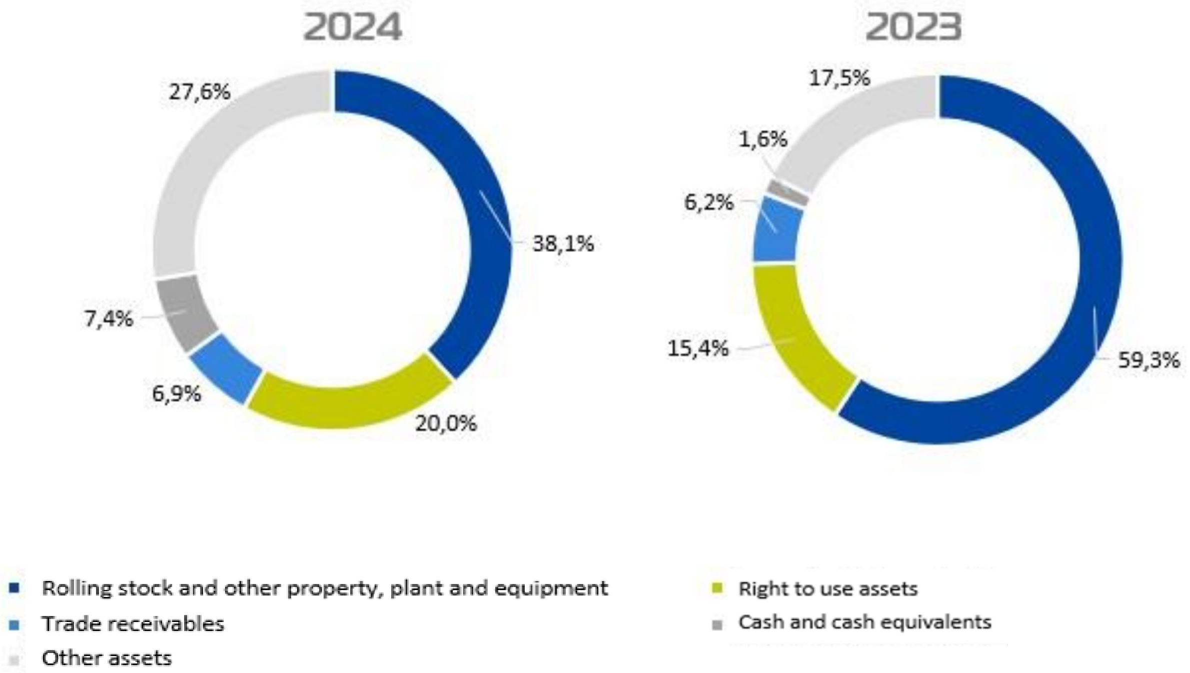
- decrease in revenues from contracts with customers (including predominantly revenues from transport and freight forwarding services) as a direct consequence of decline in freight volume and unit price;
- increase in depreciation costs and impairment losses largely due to the recognition of an impairment loss of PLN 1,975.9 million as a result of an impairment test of the Company's assets carried out as at 31 December 2024;
- decrease in the costs of consumption of electricity and traction fuel and infrastructure access services in connection with the decline in freight turnover;
- decrease in the costs of access services to the infrastructure in connection with the decline in freight turnover;
- decrease in the cost of employee benefits as a result of the reversal of provisions for employee benefits in connection with the mass layoffs, which resulted in a significant reduction in the number of employees covered by individual benefits and the furlough leave program;
- increase in other movements, chiefly as a result of restructuring provisions and impairment losses on VAT settlements, accompanied by a decrease in the costs of repair and maintenance of fixed assets.

4.2.2 Description of the structure of assets and liabilities of PKP CARGO S.A.

ASSETS

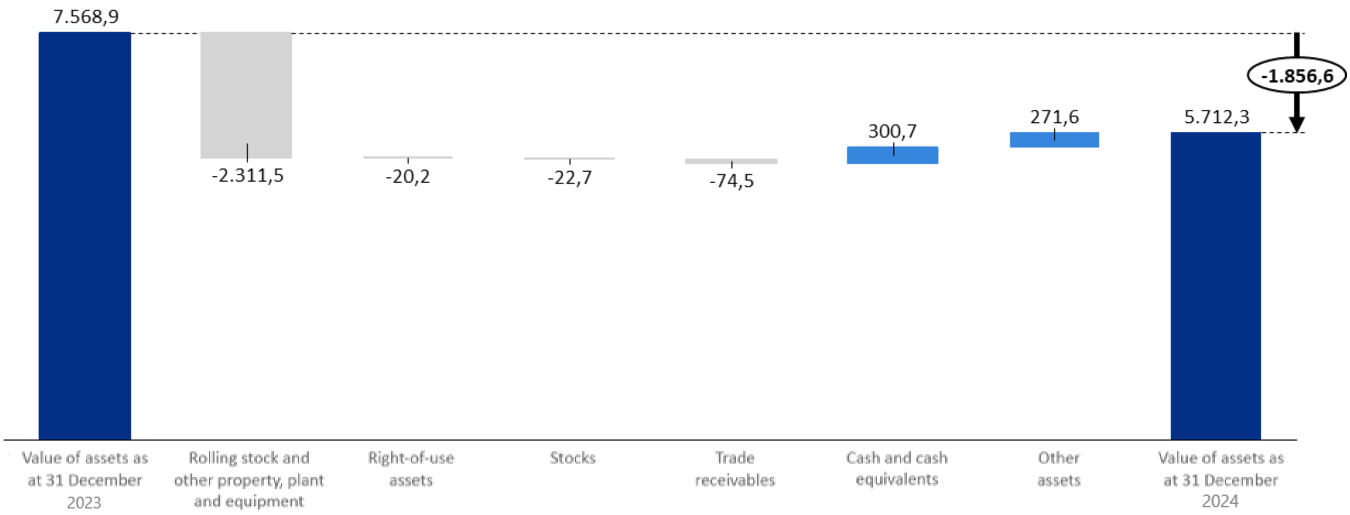
As at 31 December 2024, rolling stock and other property, plant and equipment represented the largest share in the structure of assets, accounting for 38.1% of total assets, compared to 59.3% as at 31 December 2023. The largest share in the structure of current assets as at 31 December 2024 was attributable to cash and cash equivalents, which represented 7.4% of the Company's total assets, compared to 1.6% as at 31 December 2023.

Figure 20 Structure of the Company's assets – as at 31 December 2024 and 31 December 2023



Source: Proprietary material

Figure 21 Movement in the Company's assets in the 12 months of 2024 (PLN million)



Source: Proprietary material.

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

- decrease in the value of rolling stock and other property, plant and equipment, chiefly as a result of impairment losses on non-current assets and impairment tests in 2024;
- decrease in right-of-use assets caused by the depreciation cost exceeding the value of new leases;
- decrease in trade receivables related to the optimization of working capital management;
- increase in cash and cash equivalents as a result of net cash from operating activities of PLN 921.9 million, proceeds from loans taken out of PLN 81.1 million, proceeds from the Guaranteed Employee Benefits Fund of PLN 71.6 million, proceeds from grants of PLN 19.5 million, with simultaneous expenditures on the acquisition of non-financial non-current assets of PLN 414.4 million and expenditures on the repayment of loans and borrowings and leases with interest of PLN 406.6 million;
- increase in the value of other assets, largely as a result of an increase in deferred tax assets, with a simultaneous decrease in the value of investments in related parties.

Table 15 Days in inventory in 2020-2024

Description	2024	2023	2022	2021	2020	Change 2024-2023	Rate of change 2024/2023
Days in inventory*	143.5	67.1	110.2	131.3	184.7	76.5	114.2%

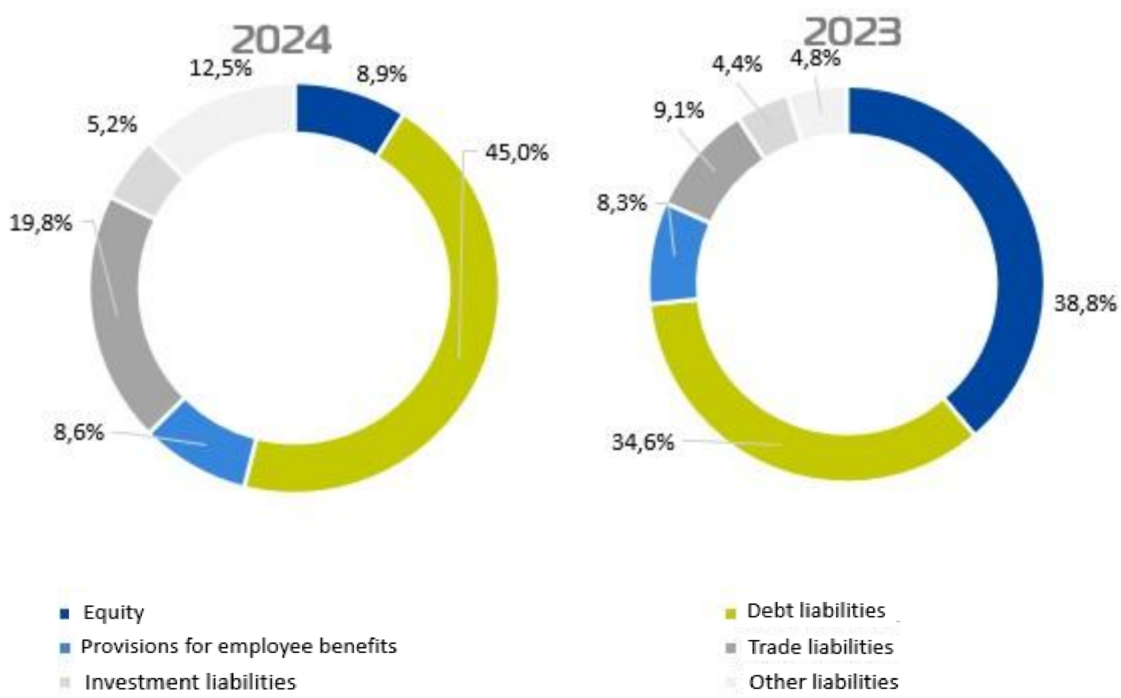
** Days in inventory calculated for 360 days and depletion of materials on a year-to-date basis since the beginning of the reporting year*
Source: Proprietary material.

As at the end of December 2024, the days in inventory indicator was 143.5, up by 76.5 days (or 114.2% yoy) compared to 2023. The noticeable increase in this indicator was largely driven by a 65.8% decrease in total consumption of materials, accompanied by a 24.6% decrease in inventories of materials and a 56.0% decrease in the net value of materials sold. The level of inventories is adapted mainly to the level of the rolling stock maintenance and repair. Detailed information regarding the level of inventories is presented in **Note 5.4 to the Standalone Financial Statements.**

EQUITY AND LIABILITIES

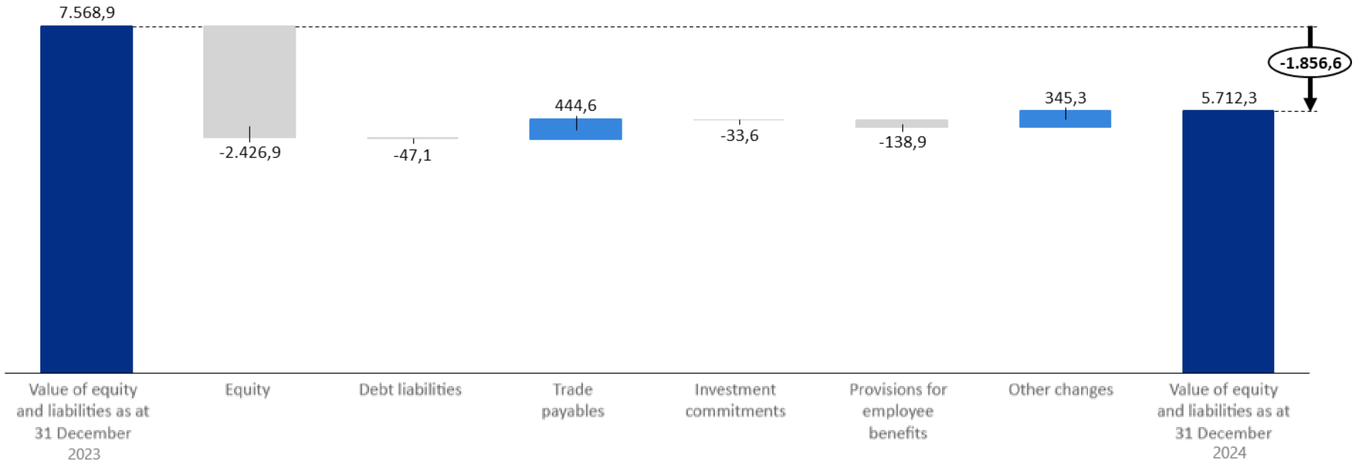
Debt liabilities accounted for the largest share of the Company's equity and liabilities. Specifically, as at 31 December 2024, they represented 45.0% of total equity and liabilities, compared to 34.6% as at 31 December 2023. At the same time, on 31 December 2024, equity accounted for 8.9% of total equity and liabilities, compared to 38.8% as at 31 December 2023.

Figure 22 Structure of the Company's equity and liabilities as at 31 December 2024 and 31 December 2023.



Source: Proprietary material

Figure 23 Movement in the Company's equity and liabilities in the 12 months of 2024 (PLN million)



Source: Proprietary material.

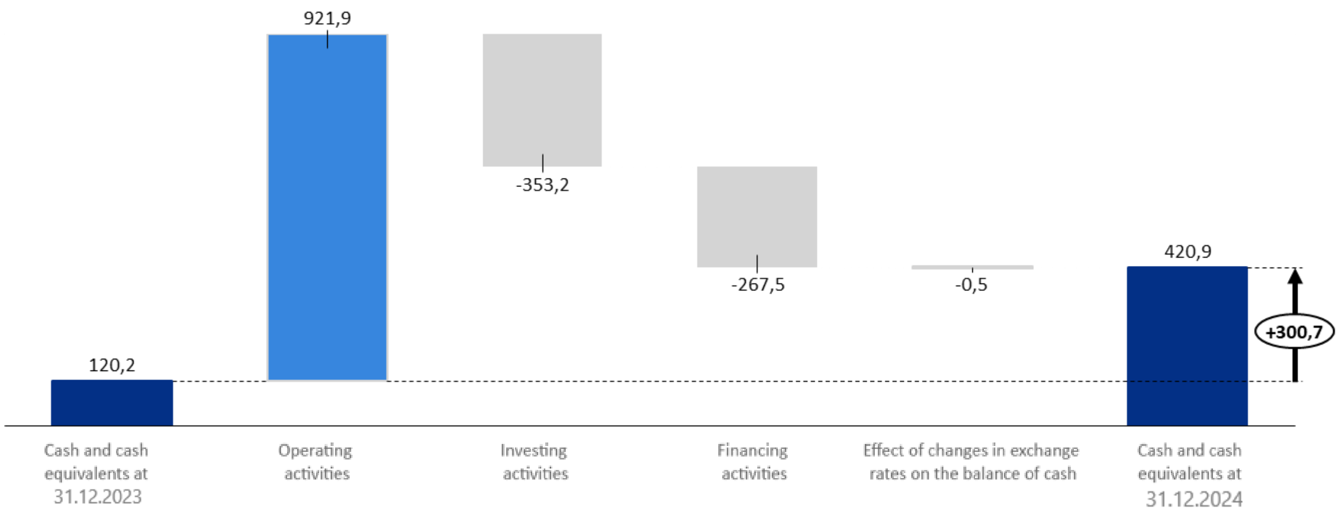
The most significant changes affecting the value of equity and liabilities as at 31 December 2024, as compared to 31 December 2023, are discussed below:

- decrease in the value of equity primarily due to PKP CARGO S.A.'s reported net loss for 12M 2024 (retained earnings/uncovered losses line item);
- decrease in debt liabilities following mainly from the repayment of liabilities in 2024;
- increase in trade payables, mainly due to the emergence of overdue liabilities, included in the list of creditors' claims which will be covered by a composition agreement expected to be entered into as a result of composition proceedings;
- decrease in investment liabilities, resulting mainly from a decrease in investment liabilities for rolling stock and the emergence of overdue investment liabilities, included in the list of creditors' claims which will be covered by a composition agreement;
- decrease in provisions for employee benefits, chiefly as a result of mass layoffs which resulted in a significant reduction in the number of employees covered by such benefits;
- increase in the value of other changes as a result of the establishment of a restructuring provision, an increase in VAT settlements, public law liabilities and settlements with employees.

4.2.3 Cash flow statement of PKP CARGO S.A.

The value of cash and cash equivalents as at 31 December 2024 increased by PLN 300.7 million compared to 31 December 2023.

-Figure 24 Cash flows in the Company in 2024 (PLN million)



Source: Proprietary material.

- positive cash flows from operating activities were achieved concurrently with, among others, loss before tax of PLN 2,864.2 million, depreciation and impairment allowances of PLN 2,769.6 million and positive cash flows from changes in working capital of PLN 795.5 million;
- cash flows from investing activities resulted predominantly from expenses incurred on the purchase of non-financial non-current assets in the amount of PLN 414.4 million, with simultaneous inflows from dividends received from subsidiaries of PLN 48.2 million and simultaneous proceeds from the sale of non-financial non-current assets of PLN 5.9 million (as a result of a decision to sell assets unnecessary for the efficient conduct of operating activities);
- cash flow from financing activities resulted chiefly from the repayment of loans and leases with interests in the amount of PLN 406.6 million, offset by inflows of PLN 81.1 million from new loans, PLN 71.6 million from the Guaranteed Employee Benefits Fund and PLN 19.5 million from grants.

4.2.4 Selected financial and operating ratios of PKP CARGO S.A.

The table below presents PKP CARGO S.A.'s key financial and operating ratios in the period of 2020-2024. To present the Company's financial standing in a comprehensive way, alternative performance measures (APMs) have been applied. The Company presents below selected APMs – basic financial indicators such as: EBITDA margin, net profit margin, ROA, ROE, and the following basic operational indicators: average daily mileage and average daily running time of locomotives, average train weight per locomotive (resulting indirectly from the freight volume and the degree of utilization of traction vehicles), as well as the average freight turnover per employee – because the Company believes that they are the source of additional valuable information (apart from the data presented in financial statements) on financial and operational standing and they also facilitate analysis and assessment of the financial performance achieved by the Company in the years 2020-2024.

The selected ratios presented by the Company constitute standard measures and ratios commonly applied in financial analysis of the Company's business. Their selection was preceded by analysis of their appropriateness with regard to providing investors with useful information on financial standing, cash flows and financial effectiveness and, in the Company's opinion, this allows for optimal assessment of achieved financial performance.

The APMs applied by the Company should be analyzed only as additional information and reviewed in conjunction with the Company's financial statements. The APMs presented by the Company were calculated in accordance with the formulas referred to below.

The table below presents PKP CARGO S.A.'s key financial and operating ratios in the period of 2020-2024.

Table 16 Selected financial and operating ratios of PKP CARGO S.A. in 2020-2024

Description	2024	2023	2022	2021	2020	Change	Rate of change
						2024 - 2023	2024 - 2023
EBITDA margin[1]	5.4%	20.4%	21.0%	11.0%	13.1%	-15.0 p.p.	-73.3%
Net profit margin (ROS)[2]	-70.4%	1.1%	2.5%	-7.1%	-5.7%	-71.5 p.p.	-
ROA[3]	-42.2%	0.6%	1.5%	-3.3%	-2.6%	-42.8 p.p.	-
ROE[4]	-472.2%	1.5%	3.5%	-7.9%	-5.9%	-473.7 p.p.	-
Average distance covered per locomotive (km per day)[5]	206.6	216.1	224.9	223.0	230.2	-9.5	-4.4%
Average gross train tonnage per operating locomotive (tons)[6]	1,466.0	1,562.0	1,571.0	1,501.0	1,462.0	-96.0	-6.1%
Average running time of train locomotives (hours per day)[7]	12.7	13.3	14.6	15.1	14.7	-0.6	-4.5%
Freight turnover per employee (thousands tkm/employee)[8]	1,327.0	1,464.5	1,697.3	1,481.9	1,308.9	-137.5	-9.4%

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 quotient of vehicle-kilometers (i.e. distance covered by PKP CARGO S.A.'s vehicles in the given period) / vehicle-days (i.e. product of the number of active vehicles and number of calendar days in the given 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 given period).*
7. *Calculated as the quotient of vehicle-hours (i.e. number of hours of work of PKP CARGO S.A.'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 quotient of the Company's freight turnover to the average headcount (in FTEs) in PKP CARGO S.A. in the given period.*

The drivers of the key changes to the above ratios for 2024 as compared to 2023 are described below:

- in the period of 12 months of 2024, the key profitability ratios, i.e. EBITDA margin, net result margin, ROA, ROE were significantly worse compared to the corresponding period in 2023, mainly because of a decrease in profitability of operating activity conducted in 2024 and impairment of non-current assets.
- it was found that the average distance covered per locomotive declined as a result of decreasing amount of freight turnover;
- the decline in the average gross train tonnage per locomotive was caused by the fact that the transport process was performed in the period of very numerous closures and operating difficulties on the PKP PLK grid;
- decrease in the average running time of train locomotives per day as a result of the performance of freight turnover coupled with an increase in commercial velocity;
- decrease in the freight turnover per employee ratio caused by a drop in freight turnover by 21.6% yoy coupled with a decrease in the average headcount in FTEs by 13.5% yoy.

4.2.5 Time series of PKP CARGO S.A.'s financial data

The table below presents time series of the statement of profit or loss and other comprehensive income, statement of financial position and statement of cash flows.

Table 17 Time series of the statement of profit or loss and other comprehensive income of PKP CARGO S.A. in 2020-2024

	PLN million				
	2024	2023	2022	2021	2020
Revenues from contracts with customers	3,386.8	4,225.5	4,003.6	3,085.3	2,936.6
Consumption of electricity and traction fuel	-569.2	-746.9	-686.5	-500.1	-446.9
Infrastructure access services	-398.2	-462.6	-550.6	-521.0	-516.2
Other services	-337.5	-373.5	-408.1	-357.9	-289.5
Employee benefits	-1,313.3	-1,475.9	-1,286.3	-1,209.6	-1,239.6
Other expenses	-183.8	-234.9	-214.9	-171.3	-147.7
Other income and operating expenses	-398.0	-63.1	-6.7	19.7	103.8
Operating profit before depreciation and amortization (EBITDA)	**186.8**	**868.6**	**850.5**	**345.1**	**400.5**
Depreciation, amortization and impairment losses	-2,769.6	-676.4	-608.3	-580.8	-615.1
Profit/loss on operating activities (EBIT)	**-2,582.8**	**192.2**	**242.2**	**-235.7**	**-214.6**
Financial income and expenses	-281.4	-135.0	-115.3	-32.7	-6.9
Profit / loss before tax	**-2,864.2**	**57.2**	**126.9**	**-268.4**	**-221.5**
Income tax	451.5	-12.0	-24.2	45.1	47.6
NET PROFIT/LOSS	**-2,412.7**	**45.2**	**102.7**	**-223.3**	**-173.9**
OTHER COMPREHENSIVE INCOME					
Measurement of hedging instruments	7.2	44.0	-6.8	9.0	-49.8
Income tax	-1.4	-8.4	1.3	-1.7	9.6
Other comprehensive income subject to reclassification to profit or loss, total	**5.8**	**35.6**	**-5.5**	**7.3**	**-40.2**
Actuarial gains / (losses) on employee benefits	-24.7	-86.6	16.5	86.3	-45.4
Income tax	4.7	16.5	-3.1	-16.4	8.6
Measurement of equity instruments at fair value	0	3.8	0.0	0.0	-0.7
Other comprehensive income not subject to reclassification to profit or loss, total	**-20.0**	**-66.3**	**13.4**	**69.9**	**-37.5**
Total other comprehensive income	**-14.2**	**-30.7**	**7.9**	**77.2**	**-77.7**
TOTAL COMPREHENSIVE INCOME	**-2,426.9**	**14.5**	**110.6**	**-146.1**	**-251.6**
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	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	44,786,917
Earnings/losses per share	-53.87	1.01	2.29	-4.99	-3.88
Diluted earnings/losses per share	-53.87	1.01	2.29	-4.99	-3.88

Source: Proprietary material.

Table 18 Time series of the statement of balance sheet situation of PKP CARGO S.A. in 2020-2024

	PLN million				
	31 Dec 2024	31 Dec 2023	31 Dec 2022	31 Dec 2021	31 Dec 2020

ASSETS					
Rolling stock	1,785.5	4,078.1	3,778.1	3,827.5	3,809.2
Other property, plant and equipment	392.2	411.1	459.5	481.7	474.7
Right-of-use assets	1,142.2	1,162.4	653.1	666.9	641.5
Investments in related parties	734.7	897.1	858.0	840.0	840.0
Lease receivables	29.0	29.6	22.1	23.4	24.4
Financial assets	18.8	23.4	4.9	4.9	4.9
Other assets	23.4	31.6	36.6	28.1	22.6
Deferred tax assets	590.8	135.6	135.7	158.7	131.6
Total non-current assets	**4,716.6**	**6,768.9**	**5,948.0**	**6,031.2**	**5,948.9**
Inventories	69.6	92.3	97.7	87.3	95.0
Trade receivables	393.5	468.0	532.7	380.5	366.5
Lease receivables	4.9	2.9	1.5	1.5	2.8
Financial assets	10.6	4.6	-	-	2.3
Other assets	95.9	112.0	112.9	71.0	58.3
Cash and cash equivalents	420.9	120.2	55.2	141.0	180.5
Total current assets	**995.4**	**800.0**	**800.0**	**681.3**	**705.4**
Non-current assets classified as held for sale	0.3	-	0.1	14.9	12.7
TOTAL ASSETS	**5,712.3**	**7,568.9**	**6,748.1**	**6,727.4**	**6,667.0**
EQUITY AND LIABILITIES					
Share capital	2,239.30	2,239.3	2,239.3	2,239.3	2,239.3
Supplementary capital	783.6	738.4	635.7	744.7	744.7
Other items of equity	-99.3	-85.1	-54.4	-62.3	-139.5
Retained earnings/(Accumulated losses)	-2,412.70	45.2	102.7	-109.0	114.3
Total equity	**510.9**	**2,937.8**	**2,923.3**	**2,812.7**	**2,958.8**
Debt liabilities	1,627.0	1,908.5	1,519.6	1,872.2	1,897.6
Investment commitments	2.8	15.6	46.1	110.1	143.0
Provisions for employee benefits	404.3	493.0	419.7	459.9	606.1
Other provisions	11.9	0.4	0.5	0.7	-
Total non-current liabilities	**2,046.00**	**2,417.5**	**1,985.9**	**2,442.9**	**2,646.7**
Debt liabilities	943.4	709.0	598.8	393.9	353.7
Trade payables	1,131.7	687.1	598.6	446.1	215.6
Investment commitments	293.8	314.6	197.9	297.7	141.3
Provisions for employee benefits	85.9	136.1	125.5	99.9	93.7
Other provisions	10.5	8.5	7.2	17.7	13.0
Current tax liabilities	-	-	2.3	-	-
Other financial liabilities	112.2	140.5	92.6	42.6	2.7
Other liabilities	577.9	217.8	216.0	173.9	241.5
Total current liabilities	**3,155.4**	**2,213.6**	**1,838.9**	**1,471.8**	**1,061.5**
Total liabilities	**5,201.4**	**4,631.1**	**3,824.8**	**3,914.7**	**3,708.2**
TOTAL EQUITY AND LIABILITIES	**5,712.3**	**7,568.9**	**6,748.1**	**6,727.4**	**6,667.0**

Source: Proprietary material.

Table 19 Time series of the statement of cash flows of PKP CARGO S.A. in 2020-2024

	PLN million				
	2024	2023	2022	2021	2020
Net cash from operating activities	**921.9**	**1,047.6**	**815.5**	**500.5**	**417.1**
Net cash from investing activities	**-353.2**	**-866.1**	**-698.9**	**-558.9**	**-559.1**
Net cash from financing activities	**-267.5**	**-116.5**	**-202.4**	**18.9**	**-57.5**
Net increase/decrease in cash and cash equivalents	301.2	65.0	-85.8	-39.5	-199.5
Cash and cash equivalents at the beginning of the reporting period	120.2	55.2	141.0	180.5	380.0
Impact exerted by FX rate movements on the cash balance in foreign currencies	-0.5	-	-	-	-
Cash and cash equivalents at the end of the reporting period	**420.9**	**120.2**	**55.2**	**141.0**	**180.5**

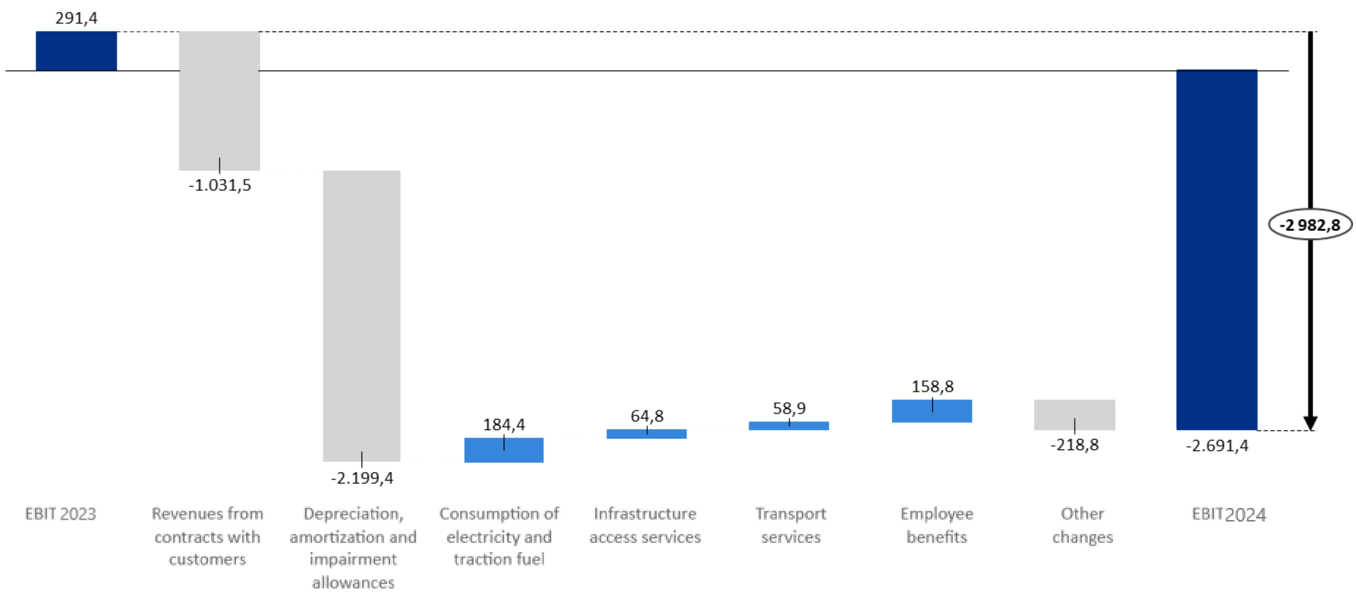
Source: Proprietary material.

4.3. Key economic and financial figures of the PKP CARGO Group

4.3.1 Statement of comprehensive income of the PKP CARGO Group

During the first 12 months of 2024, EBIT was PLN -2,691.4 million, having gone down by PLN 2,982.8 million compared to the corresponding period of 2023.

Figure 25 EBIT in the 12 months of 2024 as compared to the corresponding period in 2023 (PLN million)



Source: Proprietary material.

The following is a description of the most significant deviations affecting EBIT in the 12 months of 2024 as compared to the 12 months of 2023:

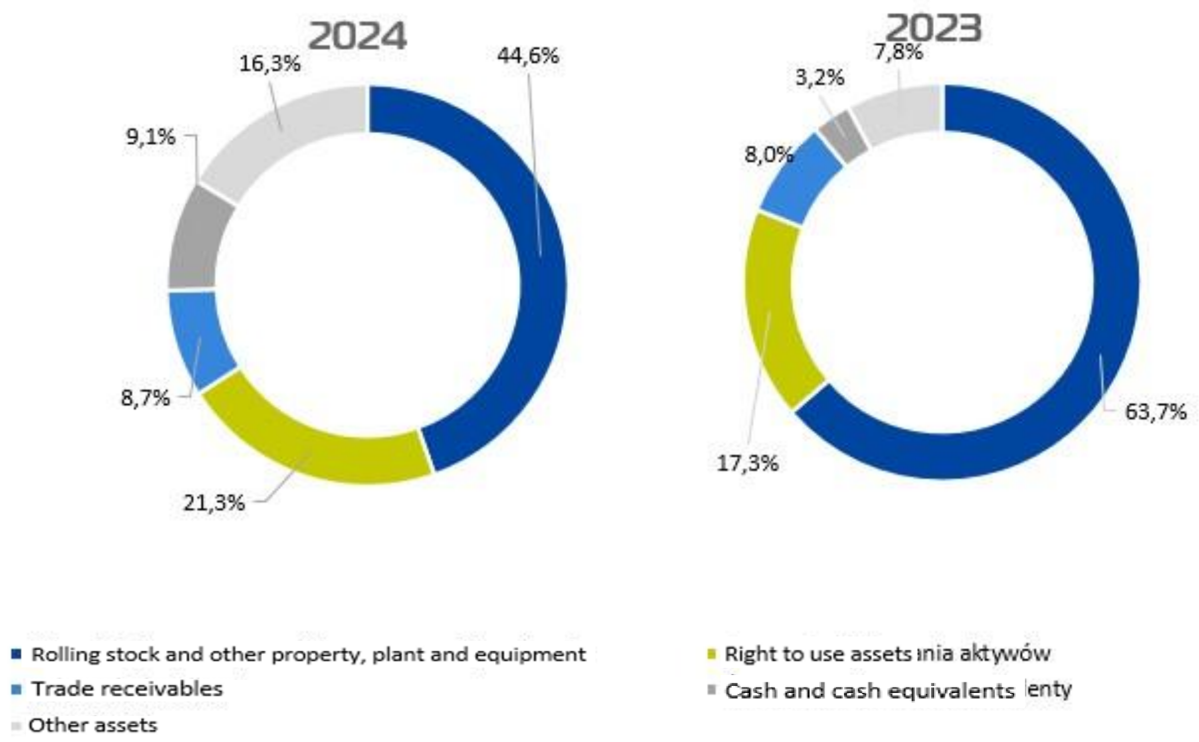
- decrease in revenues from contracts with customers (including predominantly revenues from transport and freight forwarding services) as a direct consequence of a decline in freight volume and unit freight rates. Detailed information on the PKP CARGO Group's transport operations is provided in section **3.2.5 Consolidated data on transport activity in 2024;**
- increase in depreciation costs, mainly due to impairment related to the recognition of impairment losses on rolling stock and other tangible assets;
- decrease in the costs of consumption of electricity and traction fuel correlated with the decline in freight turnover;
- decrease in the costs of access services to the infrastructure in connection with the decline in freight turnover;
- decrease in the costs of transport services (including, in particular, freight forwarding) correlated with the decline in freight turnover;
- decrease in the cost of employee benefits as a result of the reversal of provisions for employee benefits in connection with the mass layoffs, which resulted in a significant reduction in the number of employees covered by individual benefits and the furlough leave program. Detailed information on the changes in headcount is presented in section **3.4 Headcount**;
- increase in costs on the other changes line item was mainly due to the establishment of restructuring provisions and impairment loss allowances on VAT settlements with a simultaneous decrease in the costs of handling services, reclamation services, rents and fees for the use of real properties and rolling stock, consumption of electricity, gas and water, consumption of materials mainly for current repairs of rolling stock and other costs.

4.3.2 Description of the structure of assets and equity and liabilities of the PKP CARGO Group

ASSETS

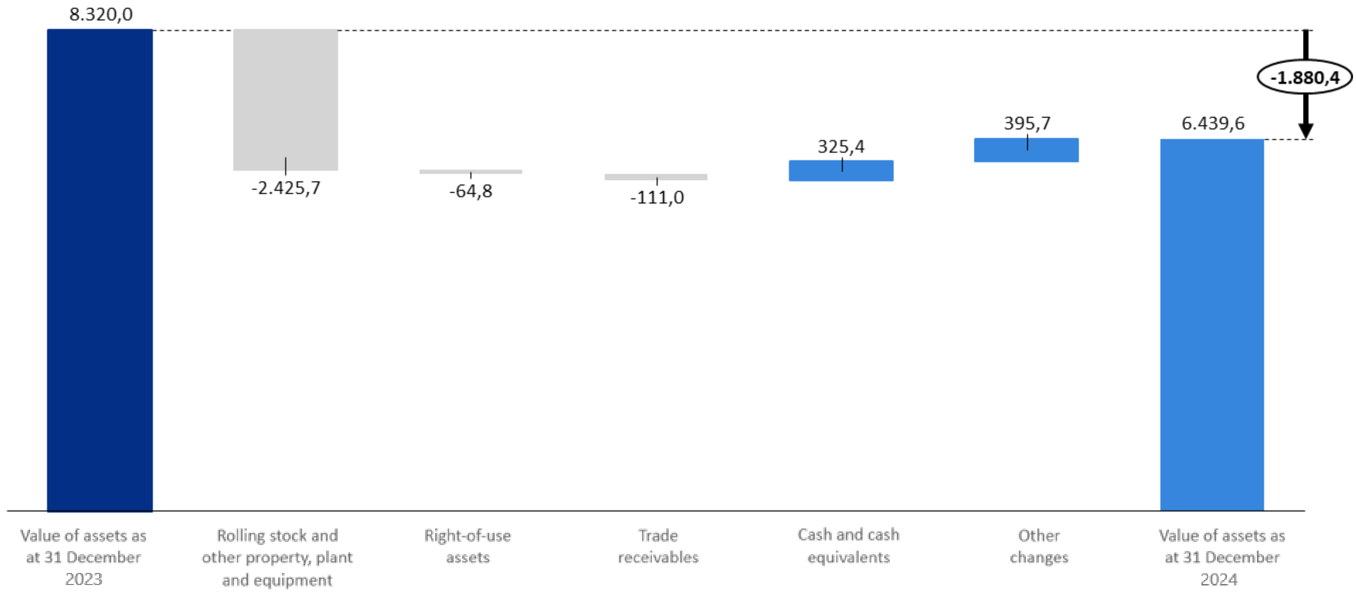
The biggest share in the PKP CARGO Group's asset structure as at 31 December 2024 was held by rolling stock and other property, plant and equipment, which in aggregate accounted for 44.6% of total assets, compared to 63.7% as at 31 December 2023. At the same time, the largest share in the structure of current assets was attributable to cash and cash equivalents the value of which accounted for 9.1% of current assets.

Figure 26 Structure of the Group's assets – as at 31 December 2024 and 31 December 2023



Source: Proprietary material

Figure 27 Movement in the PKP CARGO Group's assets in the 12 months of 2024 (PLN million)



Source: Proprietary material.

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

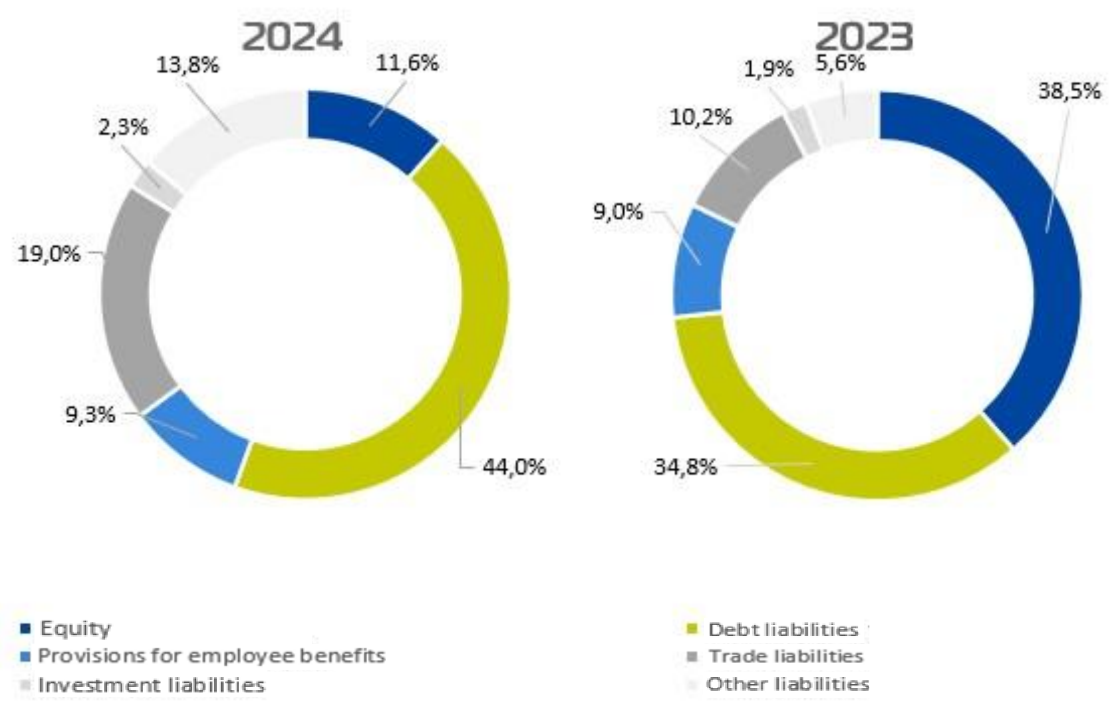
- decrease in the value of rolling stock and other property, plant and equipment, chiefly as a result of impairment losses on fixed assets resulting from asset impairment tests conducted in 2024 and lower investments in 12M 2024;

- decrease in right-of-use assets due to the signing of a lower number of new lease agreements and leasebacks largely related to rolling stock;
- decrease in the value of trade receivables related to the decrease in transport revenue;
- increase in the value of cash by PLN 325.4 million, largely as a result of the cessation of payments on liabilities that will be included in the list of receivables to be covered by the composition agreement expected to be entered into as a result of composition proceedings;
- increase in other changes, primarily due to an increase in deferred income tax assets and VAT receivables.

EQUITY AND LIABILITIES

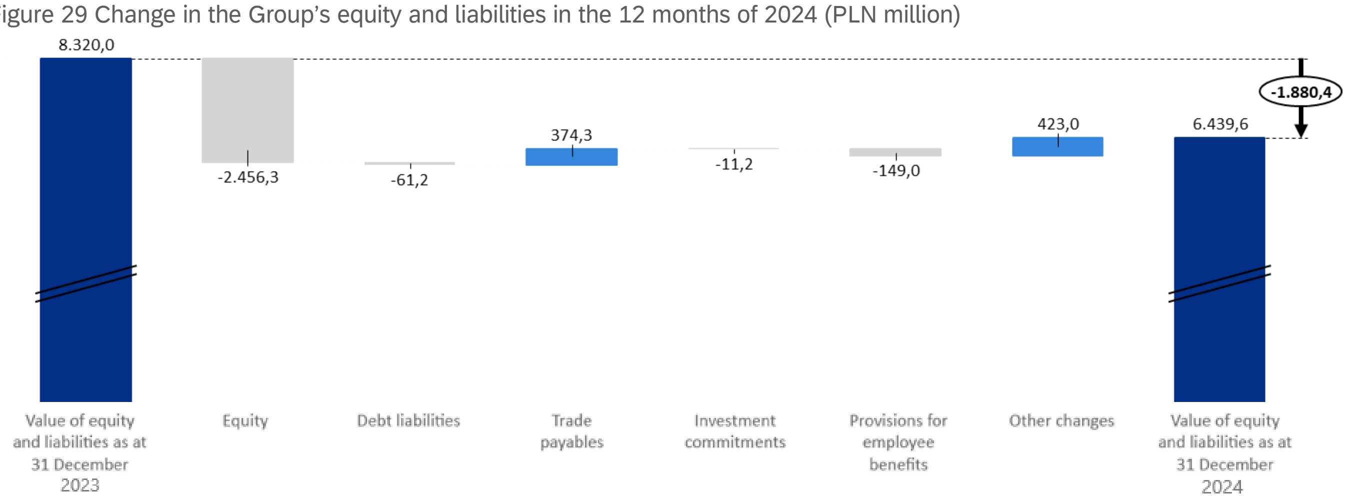
The largest share in the structure of the PKP CARGO Group's equity and liabilities as at 31 December 2024 was attributable to debt liabilities, which accounted for 44.0% of total equity and liabilities, compared to 34.8% as at 31 December 2023. In the same period, equity accounted for 11.6% of total equity and liabilities, compared to 38.5% as at 31 December 2023.

Figure 28 Structure of the Group's equity and liabilities as at 31 December 2024 and 31 December 2023.



Source: Proprietary material.

Figure 29 Change in the Group's equity and liabilities in the 12 months of 2024 (PLN million)



Source: Proprietary material.

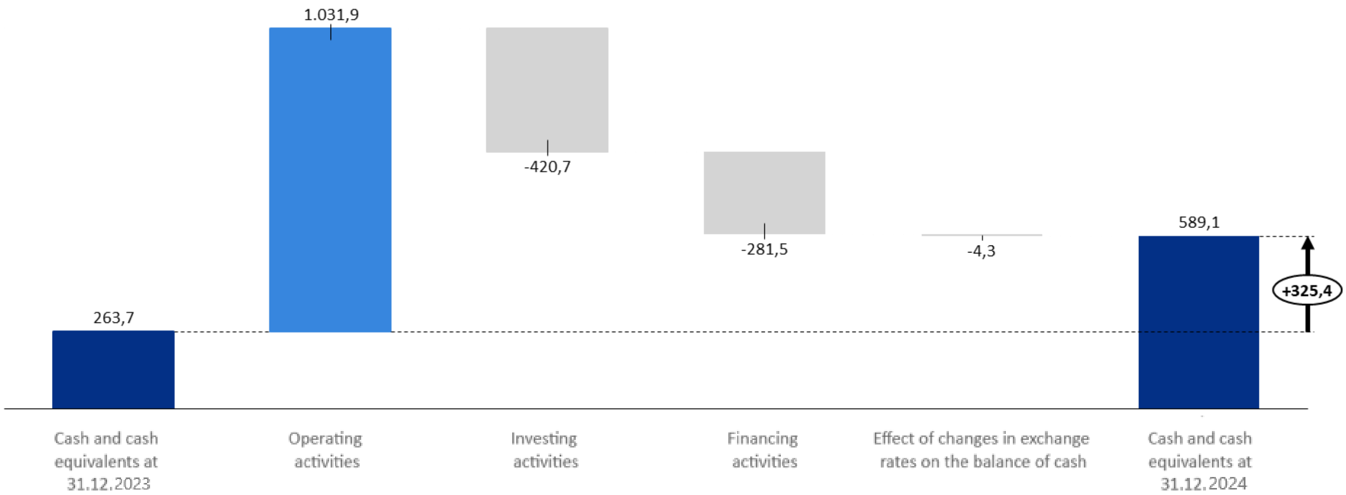
The most significant drivers of changes affecting the value of the PKP CARGO Group's assets as at 31 December 2024 as compared to 31 December 2023 are discussed below:

- decrease in the value of equity primarily due to the PKP CARGO Group's reported net loss for 12M 2024 (retained earnings/uncovered losses line item);
- increase in trade payables, mainly due to the emergence of overdue liabilities, included in the list of creditors' claims which will be covered by a composition agreement;
- increase in the value of other changes as a result of the establishment of a restructuring provision, an increase in VAT settlements, public law liabilities and settlements with employees.

4.3.3 Statement of cash flows of the PKP CARGO Group

The value of cash and cash equivalents as at 31 December 2024 increased by PLN 325.4 million compared to 31 December 2023.

Figure 30 Cash flows in the PKP CARGO Group in 2024 (PLN million)



Source: Proprietary material.

The most significant drivers of changes affecting the value of the PKP CARGO Group's cash and cash equivalents as at 31 December 2024 as compared to 31 December 2023 are discussed below:

- positive cash flows from operating activities were achieved concurrently with, among others, loss before tax of PLN 2,884.5 million, depreciation and impairment allowances of PLN 2,991.1 million and positive cash flows from changes in working capital of PLN 837.3 million;
- negative cash flows from investing activities resulted predominantly from capital expenditures on the acquisition of non-financial non-current assets in the amount of PLN 452.4 million (including mostly investments in rolling stock);
- negative cash flows from financing activities, chiefly as a result of the repayment of loans and leases with interest in the amount of PLN 474.5 million, offset by inflows of PLN 84.0 million from new loans, PLN 71.6 million from the Guaranteed Employee Benefits Fund and PLN 37.3 million from grants.

Description of the structure of assets and liabilities of the consolidated balance sheet, including from the standpoint of the PKP CARGO Group liquidity

As at 31 December 2024, the Group's balance sheet structure deteriorated significantly compared to 31 December 2023. This was due to various factors, including a significant decrease in equity, mainly as a consequence of impairment losses on assets, accompanied by an increase in trade payables. The Group generated positive cash flows from operating activities, which covered cash flows from investing and financing activities. The value of cash and cash equivalents as at 31 December 2024 increased by PLN 325.4 million compared to 31 December 2023.

Taking into consideration the level of equity and the risks arising from the decline in revenues from contracts with customers, the Group is taking steps to minimize the risk of discontinuation of its business.

4.3.4 Selected financial and operating ratios of the PKP CARGO Group

The table below presents the key financial and operating ratios of the PKP CARGO Group in the period of 2020-2024. To present the Group's financial standing in a comprehensive way, alternative performance measures (APMs) have been applied. The

Group presents below selected APMs – basic financial indicators such as: EBITDA margin, net profit margin, ROA, ROE, and the following basic operational indicators: average daily mileage and average daily running time of locomotives, average train weight per locomotive (resulting indirectly from the freight volume and the degree of utilization of traction vehicles), as well as the average freight turnover per employee – because the Group believes that they are the source of additional valuable information (apart from the data presented in financial statements) on financial and operational standing and they also facilitate analysis and assessment of the financial performance achieved by the Company in the years 2020-2024.

The selected ratios presented by the Group constitute standard measures and indicators commonly applied in financial analysis of a business such as that carried out by the Group. Their selection was preceded by analysis of their appropriateness with regard to providing investors with useful information on financial standing, cash flows and financial effectiveness and, in the Group's opinion, this allows for optimal assessment of achieved financial performance.

The APMs applied by the Company should be analyzed only as additional information and reviewed in conjunction with the Group's financial statements.

The APMs presented by the Company were calculated in accordance with the formulas referred to below.

Table 20 Selected financial and operating ratios of the PKP CARGO Group in 2020-2024

Description	2024	2023	2022	2021	2020	Change	Rate of change
						2024 - 2023	2024 - 2023
EBITDA margin[1]	6.6%	19.5%	19.6%	11.9%	13.7%	-12.9 p.p.	-66.0%
Net profit margin (ROS)[2]	-53.4%	1.5%	2.7%	-5.2%	-5.3%	-54.9 p.p.	-
ROA[3]	-37.5%	1.0%	1.9%	-3.0%	-3.0%	-38.5 p.p.	-
ROE[4]	-323.3%	2.6%	4.6%	-7.4%	-7.1%	-325.9 p.p.	-
Average distance covered per locomotive (km per day)[5]	186.2	198.5	212.2	209.8	216.8	-12.3	-6.2%
Average gross train tonnage per operating locomotive (tons)[6]	1,435.0	1,531.0	1,546.0	1,474.0	1,434.0	-96.0	-6.3%
Average running time of train locomotives (hours per day)[7]	11.6	12.6	14.0	14.5	14.2	-1.0	-7.9%
Freight turnover per employee (thousands tkm/employee)[8]	1,026.4	1,122.3	1,337.3	1,206.5	1,061.5	-95.9	-8.5%

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 given 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 (resulting indirectly from the freight volume and the degree of utilization of traction vehicles), and the average freight turnover per employee. The drivers of the key changes to the above ratios for 2024 as compared to 2023 are described below:

- in the period of 12 months of 2024, the key profitability ratios, i.e. EBITDA margin, net result margin, ROA, ROE were significantly worse compared to the corresponding period in 2023, mainly due to impairment allowances on assets and a decline in the profitability of operating activities conducted in 2024. Detailed information on the reasons for movement in EBITDA of the PKP CARGO Group is presented in section **4.3. Key economic and financial figures of the PKP CARGO Group;**
- it was found that the average distance covered per locomotive declined as a result of decreasing amount of freight turnover;
- the decline in the average gross train tonnage per locomotive was caused by the fact that the transport process was performed in the period of very numerous closures and operating difficulties on the PKP PLK grid;
- decrease in the average running time of train locomotives per day as a result of the performance of freight turnover coupled with an increase in commercial velocity;
- decrease in the freight turnover per employee ratio as a consequence of a decline in freight turnover by 19.3% yoy coupled with a decrease in the average headcount in FTEs by 11.8% yoy.

4.3.5 Time series of the PKP CARGO Group's financial data

The table below presents time series of the statement of profit or loss and other comprehensive income, statement of financial position and statement of cash flows.

Table 21 Time series of the statement of profit or loss and other comprehensive income of the PKP CARGO Group in 2020-2024

	PLN million				
	2024	2023	2022	2021	2020
Revenues from contracts with customers	4,460.4	5,491.9	5,390.1	4,266.5	4,075.6
Consumption of electricity and traction fuel	-611.9	-796.3	-762.5	-550.2	-492.7
Infrastructure access services	-409.1	-473.9	-562.5	-530.0	-517.3
Transport services	-227.0	-285.9	-361.3	-350.7	-340.5
Other services	-401.9	-477.0	-537.9	-413.9	-365.8
Employee benefits	-1,799.6	-1,958.4	-1,738.4	-1,622.0	-1,638.1
Other expenses	-308.2	-372.4	-359.5	-309.1	-264.6
Other income and operating expenses	-403.0	-44.9	-1.7	22.6	123.6
Operating profit before depreciation and amortization (EBITDA)	**299.7**	**1,083.1**	**1,066.3**	**513.2**	**580.2**
Depreciation, amortization and impairment losses	-2,991.1	-791.7	-733.0	-722.0	-766.6
Profit/loss on operating activities (EBIT)	**-2,691.4**	**291.4**	**333.3**	**-208.8**	**-184.4**
Financial income and expenses	-176.8	-181.5	-150.6	-60.3	-82.2
Share in the profit / loss of entities accounted for under the equity method	-16.3	9.1	9.1	4.7	1.7
Profit / loss before tax	**-2,884.5**	**119.0**	**191.8**	**-264.4**	**-266.9**
Income tax	**471.9**	-36.9	-43.8	39.1	42.6
NET PROFIT/LOSS	**-2,412.6**	**82.1**	**148.0**	**-225.3**	**-224.3**
OTHER COMPREHENSIVE INCOME					
Measurement of hedging instruments	6.2	41.5	-6.7	13.2	-50.8
Income tax	-1.1	-7.9	1.3	-2.5	9.7
FX differences from translation of financial statements	-23.1	-67.3	34.4	37.7	27.3
Other comprehensive income subject to reclassification to profit or loss, total	**-18.0**	**-33.7**	**29.0**	**48.4**	**-13.8**
Actuarial gains / (losses) on employee benefits	-31.7	-102.0	18.9	91.0	-50.2
Income tax	6.0	19.4	-3.6	-17.3	9.5
Measurement of equity instruments at fair value	-	3.8	-	-	-0.7
Other comprehensive income not subject to reclassification to profit or loss, total	**-25.7**	**-78.8**	**15.3**	**73.7**	**-41.4**
Total other comprehensive income	**-43.7**	**-112.5**	**44.3**	**122.1**	**-55.2**
TOTAL COMPREHENSIVE INCOME	**-2,456.3**	**-30.4**	**192.3**	**-103.2**	**-279.5**
Net profit/loss attributable:					
Net profit/loss attributable to the owners of the parent company	-2,412.6	82.1	148.0	-225.3	-224.3
Total other comprehensive income attributable:					
Total other comprehensive income attributable to shareholders of the parent company	-2,456.3	-30.4	192.3	-103.2	-279.5
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	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	44,786,917
Earnings/losses per share	-53.87	1.83	3.31	-5.03	-5.01
Diluted earnings/losses per share	-53.87	1.83	3.31	-5.03	-5.01

Source: Proprietary material.

Table 22 Time series of the statement of financial position the PKP CARGO Group in 2020-2024

	31 Dec 2024	31 Dec 2023	31 Dec 2022	31 Dec 2021	31 Dec 2020

ASSETS					
Rolling stock	2,138.8	4,440.3	4,208.3	4,241.6	4,245.0
Other property, plant and equipment	733.5	857.7	891.1	893.4	875.6
Right-of-use assets	1,371.3	1,436.1	972.2	1,030.7	1,008.6
Investments in entities accounted for under the equity method	18.5	42.7	41.8	36.7	42.0
Trade receivables	0.2	1.2	7.3	4.2	3.0
Lease receivables	11.3	8.9	8.7	8.5	10.3
Other assets	46.1	52.4	48.6	40.5	35.1
Deferred tax assets	676.6	191.3	176.1	203.1	177.8
Total non-current assets	**4,996.3**	**7,030.6**	**6,354.1**	**6,458.7**	**6,397.4**
Inventories	157.7	200.2	200.8	164.6	165.8
Trade receivables	558.3	668.3	769.4	611.7	585.8
Lease receivables	1.0	0.9	0.6	0.6	0.7
Other assets	136.9	156.3	153.5	107.6	91.0
Cash and cash equivalents	589.1	263.7	181.5	254.5	306.0
Total current assets	**1,443.0**	**1,289.4**	**1,305.8**	**1,139.0**	**1,149.3**
Non-current assets classified as held for sale	0.3	-	**0.3**	**15.7**	**12.7**
TOTAL ASSETS	**6,439.6**	**8,320.0**	**7,660.2**	**7,613.4**	**7,559.4**
EQUITY AND LIABILITIES					
Share capital	2,239.3	2,239.3	2,239.3	2,239.3	2,239.3
Supplementary capital	874.1	797.1	678.0	771.7	782.4
Other items of equity	-131.7	-111.1	-65.9	-75.8	-160.2
Exchange differences resulting from conversion of financial statements of foreign operations	86.5	109.6	176.9	142.5	104.8
Retained earnings / (Accumulated losses)	-2,322.0	167.6	204.6	-37.1	177.5
Total equity	**746.2**	**3,202.5**	**3,232.9**	**3,040.6**	**3,143.8**
Debt liabilities	1,791.5	2,089.7	1,711.5	2,090.3	2,101.8
Trade payables	2.1	3.4	7.9	2.3	1.5
Investment commitments	2.8	15.6	46.7	111.8	145.5
Provisions for employee benefits	485.1	578.9	483.5	529.1	684.3
Other provisions	15.0	3.6	0.5	7.0	5.7
Deferred tax liability	82.0	93.0	94.5	93.3	90.7
Other liabilities	0.2	-	-	-	-
Total non-current liabilities	**2,378.7**	**2,784.2**	**2,344.6**	**2,833.8**	**3,029.5**
Debt liabilities	1,041.1	804.1	660.7	473.9	478.5
Trade payables	1,220.0	844.4	803.8	639.0	347.5
Investment commitments	142.9	141.3	143.0	221.4	133.5
Provisions for employee benefits	115.0	170.2	156.7	127.3	116.3
Other provisions	42.7	17.7	21.4	23.3	24.1
Other liabilities	753.0	355.6	297.1	254.1	286.2
Total current liabilities	**3,314.7**	**2,333.3**	**2,082.7**	**1,739.0**	**1,386.1**
Total liabilities	**5,693.4**	**5,117.5**	**4,427.3**	**4,572.8**	**4,415.6**
TOTAL EQUITY AND LIABILITIES	**6,439.6**	**8,320.0**	**7,660.2**	**7,613.4**	**7,559.4**

Source: Proprietary material.

Table 23 Time series of the statement of cash flows of the PKP CARGO Group in 2020-2024

	PLN million				
	2024	2023	2022	2021	2020
Net cash from operating activities	**1,031.9**	**1,211.0**	**1,018.4**	**699.8**	**553.1**
Net cash from investing activities	**-420.7**	**-987.1**	**-772.9**	**-645.6**	**-655.1**
Net cash from financing activities	**-281.5**	**-133.4**	**-319.5**	**-106.4**	**-145.9**
Net increase/decrease in cash and cash equivalents	329.7	90.5	-74.0	-52.2	-247.9
Cash and cash equivalents at the beginning of the reporting period	263.7	181.5	254.5	306.0	550.4
Impact exerted by FX rate movements on the cash balance in foreign currencies	-4.3	-8.3	1.0	0.7	3.5
Cash and cash equivalents at the end of the reporting period	**589.1**	**263.7**	**181.5**	**254.5**	**306.0**

Source: Proprietary material

4.4. Description and evaluation of factors and unusual events affecting the result recorded by the Company and the PKP CARGO Group

4.4.1. Impact of the war in Ukraine

The war in Ukraine keeps exerting a noticeable impact on the freight transport market in Poland due to the close proximity of the region affected by the conflict, a significant reduction in trade with Russia and Belarus and the strengthening of ties between the EU and Ukraine. The conflict affects both the scale and direction of transport operations as well as the establishment of new and the termination of existing relations with trading partners.

The sanctions imposed by the European Union, the United States and other international actors on the Russian Federation (and, to a lesser extent, on Belarus) are significant and significantly affect the functioning of the aggressor's economy. Numerous restrictions imposed on fuels and oil, ores, metal products and metals, cement and wood (which accounted for a significant part of the cargo transported before the aggression) are putting pressure on Russia with the intention to bring the belligerents closer to finding a political solution. Trade with Russia and Belarus remains significantly reduced, but products from these countries continue reach our market through intermediaries.

Poland's trade with Ukraine has increased significantly in recent years (despite conflicts of interest in many areas of trade), and Poland remains a crucial partner in providing supplies for Ukraine's defense efforts and ensuring the functioning of its economy. Ukraine remains an attractive destination for expansion and development of trade, generating a noticeable flow of cargo (both in exports and imports). The growing role of maritime imports to Poland translates into an increase in the turnover of merchandise necessary for the functioning of the state and the economy compared to the years before 2022, resulting in a heavier use of routes for the transport of cargo to and from Polish seaports (as manifested, for instance, by problems with route capacity and often extended delivery times, affecting rail carriers).

For now, the war in Ukraine has hampered rail transport along the New Silk Road, but in 2024 and currently, due to the turmoil on sea routes, this has effectively ceased to be a significant obstacle. Increased sea freight costs (mostly due to the conflict in the Middle East and the Houthi attacks) have become a driver providing intermodal transport with a stronger momentum, with competitive rail transport rates benefiting rail operators, including the Group's companies.

PKP CARGO Group companies are actively monitoring all organizational and legal changes related to the provision of transport services, the evolution of the ongoing conflict and its repercussions for the transport market. The changes are still most strongly experienced at terminals on Poland's north-eastern border and by entities specializing in transport and forwarding services in these regions, which are gradually reconfiguring their business models (although this process is time-consuming).

PKP CARGO Group companies do not currently identify any material threats related to the ongoing war in Ukraine or any major impact of the macroeconomic environment that might spill particularly extensively into their operating activities. In parallel, due to the significant volatility of the international environment, constant monitoring and quick adaptation measures are necessary in view of emerging new threats and the rapid pace of change in global trade.

4.4.2. Impact of traction fuel and scrap metal price levels

In 2024, the primary factors affecting the price level of fuel, including traction fuel, remained currency fluctuations, the unstable geopolitical situation and the policy pursued by OPEC.

Traction fuel prices followed a downward trend in 2024. In Q1 2024, the average price of fuel purchased by PKP CARGO was PLN 5,005.86 per m³, in Q2: PLN 4,889.32 per m³, in Q3: PLN 4,620.34 per m³, and in Q4: PLN 4,596.62 per m³. The main factor affecting prices was the imposition of EU sanctions, which forced Poland to completely abandon imports of Russian crude oil. Imports of crude oil from Saudi Arabia, Norway and the United States increased significantly.

Prices obtained for selling scrap in 2024 were variable with a prevailing downward trend. Due to reorganization changes at PKP CARGO, the cutting of wagons at PUT Legnica (Lower Silesian Unit) was discontinued and the cutting of wagons at PUT Zduńska Wola Karsznice (Central Unit) was reduced, which resulted in failure to fulfill the scrap sales plan by the Company's Units.

4.4.3. Rail infrastructure access charges

Infrastructure in Poland

Under the Rail Transport Act of 28 March 2023 (consolidated version: Journal of Laws of 2023, Item 602, as amended) and the Regulation of the Minister of Infrastructure and Construction of 7 April 2017 on the Provision of Rail Infrastructure (Journal of Laws of 2017, Item 755, as amended) all infrastructure managers must abide by the pertinent regulations regarding the acquisition of rights to order/refuse timetables, the charging of fees for related line access and the provision of service infrastructure facilities.

In 2024, no significant changes in these fees were recorded. Basically, changes in price lists for subsequent timetables are announced at the beginning of each year, no later than 9 months before the start of the period of validity of the annual train timetable. Network regulations governing the use of rail infrastructure are amended on an ongoing basis throughout the year. Worth pointing out is the fact that a characteristic feature of PKP PLK S.A.'s recently adopted measures is the introduction of penalties in the form of higher rates for extended stops in places with infrastructure bottlenecks (such as ports and border stations).

International infrastructure

One of the most important changes that occurred in 2024 on the foreign infrastructure used by PKP CARGO S.A. was the increase, as of 1 March 2024, by the German public infrastructure manager DB InfraGO AG, in subsidies for infrastructure users from 19.5% to 31.5% due to an increase in funds allocated by the Federal Government for this purpose. In most countries where we provide independent transport services, access prices increased in line with inflation. A larger increase in access prices to rail lines occurred in Germany and Austria.

4.4.4. Investments in rail infrastructure

Infrastructural investments in the area of the PKP Network completed in 2024 related to the modernization of rail infrastructure and maintenance and repair plans, were among the significant factors affecting the freight activity of PKP CARGO S.A. under restructuring. The greatest hindrances to transport operations were caused by the continuation of ongoing modernization of rail infrastructure in the Upper Silesia region, on sections of the access lines in the direction of the border crossing in Zebrzydowice and on sections on the main coal line between Zduńska Wola Karsznice and Tarnowskie Góry, which consequently hampered the handling of priority transport. Moreover, transport hindrances were associated with the continued modernization of the Upper Silesian junctions and stations such as: Czechowice Dziedzice, Bytom, Chorzów Stary, Katowice Szopienice Północne, Pszczyna, Kobiór, and the continued reconstruction of the Warsaw junction and the following station areas: Stargard, Białystok, Korsze, including the occurrence of further capacity constraints on certain sections of railroad lines 3, 93 and 273. Particularly serious transport problems occurred during the floods in Lower Silesia in the Kłodzko area, accompanied by the upgrade work on line no. 276. The continuation of the modernization of the Zebrzydowice border station and the upgrade of the Katowice junction, which began in September 2024 and will last for at least 2 years, exerted a significant impact on transport operations and will continue to exert this impact in the nearest future.

In the coming months, the line capacity limitations and the disruptions related to investment projects and maintenance and repair work are expected to remain roughly at the current level due to the work on subsequent stages of the National Railway Program until 2027.

4.4.5. Flood damage

In 2024, the Company experienced significant difficulties in operating trains due to flooding that affected the southern part of the country. The floods resulted in additional restrictions on access to infrastructure in the border area. The infrastructure manager was forced to carry out investment and repair works on the lines affected by the floods. Interruptions in train traffic through the Chałupki-Bohumin border crossing directly reduced the transport capacity provided independently by PKP CARGO S.A. under restructuring in the Czech Republic and the transfer of trains to foreign carriers. An accumulation of train traffic occurred coupled with additional difficulties related to the strained capacity of rail lines at southern border crossings. As a result of unconfirmed loading orders due to the flood, approximately 1,100 wagons with a total capacity of approximately 62,000 tons were not loaded. Other consequences of the floods included longer wagon turnover times due to longer journey times for trains to border stations, loading restrictions, delays in traffic and the "waste of resources" of train crews and locomotives on trains waiting to enter border stations.

4.4.6. Changes in the legal environment

- Amendments of the Company's Articles of Association:
    - On 18 April 2024, an Extraordinary Shareholder Meeting of PKP CARGO S.A. was held, during which an amendment to the Company's Articles of Association was voted on, regarding a transfer of the right to select or change an audit firm to audit the Company's financial statements and to provide additional services from the PKP CARGO S.A. Shareholder Meeting to the PKP CARGO S.A. Supervisory Board.
    - on 7 October 2024, an Extraordinary Shareholder Meeting of PKP CARGO S.A. was held. 9 resolutions on amendments to the Articles of Association of PKP CARGO S.A. were put to a vote at the Meeting, of which 8 were adopted. The changes concerned, without limitation, the number of Management Board and Supervisory Board members, restrictions on the right of employees to appoint their representatives to the Management Board and the Supervisory Board, entrusting the Supervisory Board with the selection of an audit firm for ESG certification, and designating the Supervisory Board's Audit Committee as the body in charge of ESG reporting.

- Remediation – the opening of remedial proceedings against PKP CARGO S.A. meant that the Company is also subject to the provisions of the Restructuring Law of 15 May 2015.
- ESG implementation – the entry into force of the Act of 6 December 2024 Amending the Accounting Act, the Act on Statutory Auditors, Audit Firms and Public Oversight, and Certain Other Acts, which implements the provisions of Directive 2022/2464, constitutes a further step in the development of corporate non-financial reporting and at the same time means that the companies concerned will have to comply with a number of new (labor- and cost-intensive) obligations.
- Gender Balance on Corporate Boards Directive – ongoing work on a draft amendment to the Act of 19 October 2019 Amending the Act on Public Offerings and the Terms and Conditions for Introducing Financial Instruments to an Organized Trading System and on Public Companies, and Certain Other Acts, and Amending the Act of 3 December 2010 on the Implementation of Certain European Union Regulations on Equal Treatment in Connection with the implementation of Directive (EU) 2022/2381 of the European Parliament and of the Council of 23 November 2022 on improving the gender balance among directors of listed companies and related measures. The subject matter of the directive and the bill is to improve the application of the principle of equal opportunities for women and men in management positions by establishing requirements for the selection process for candidates applying to fill such positions. The provisions of the directive and the bill refer to the under-representation of a gender in corporate boards and therefore apply to both men and women. The bill provides for companies covered by the regulation to achieve a 33% quota for all positions, both on the management board and on the supervisory board.
- NIS2 – Directive 2022/2555 (NIS2), which requires EU Member States to increase their cybersecurity capabilities, while introducing risk management measures and reporting requirements for entities in more sectors and establishing rules for cooperation, information exchange, supervision and enforcement of cybersecurity measures.

4.4.7. Social dialogue

In 2024, social dialogue was conducted with great intensity due to major changes in the employment area – primarily in connection with the Company being placed under restructuring on 25 July 2024 and the conduct of a mass layoff process between 14 August and 30 September 2024, in accordance with the Act of 13 March 2003 on the Detailed Principles of Terminating Employment for Reasons Not Attributable to Employees.

Other significant events in this area included termination, by the acting PKP CARGO S.A. Management Board, of the following internal regulations: the Collective Bargaining Agreement for Employees of PKP CARGO Spółka Akcyjna Units and the Agreement on Mutual Obligations of the Parties to the Collective Bargaining Agreement.

These solutions, aimed at the necessary cutting of employee-related costs, were unusual and non-standard events, and as such exerted a material impact on social moods among employees and on periodic fluctuations in the area of social dialogue and image management in the Company. The decisions were justified by the need to restore stability, secure financial liquidity and enable PKP CARGO S.A. to stay in business. Social dialogue was shaped by key remedial measures that became inevitable due to the Company's perilous business, financial and HR situation. Communication with inter-unit trade unions from 26 April 2024, that is from the day the acting President of the Management Board, Mr. Marcin Wojewódka, the acting Management Board Member in charge of Finance, Ms. Monika Starecka, and the acting Management Board Member in charge of Trade, Mr. Paweł Miłek, took office, was marked by the deployment of inevitable urgent restructuring measures, including a reduction in headcount and an alignment of the organizational structure to the actual level of freight turnover reduced in previous years.

For this reason, dynamic communication with the trade unions – signatories of the PKP CARGO S.A. Collective Bargaining Agreement – was conducted on the following issues:

- inability to implement another systemic pay increase for employees, as this would expose the Company to a loss of financial liquidity and a further deterioration of its market standing and competitive situation;
- termination in May 2024 of the Employee Guarantee Package, terminated after a 3-month notice period, that is on 17 August 2024;
- implementation, on 1 June 2024, due to the Company's extremely difficult financial and market standing, of furlough leave, that is a systemic solution whereby the employee is relieved from the obligation to perform work in accordance with the rules provided for by the Act of 8 September 2000 on Commercialization and Restructuring of the State-Owned Enterprise "Polskie Koleje Państwowe" (Journal of Laws 2024.561, consolidated text); all trade unions that are signatories to the Company Collective Bargaining Agreement were invited to submit their proposals in this area, and most of them were taken into account by the Company's Management Board;
- submission to the trade unions of a proposal to enter into agreements terminating the Company Collective Bargaining Agreement and the Agreement on Mutual Obligations of the Parties to the Collective Bargaining Agreement; due to failure to reach a consensus on this matter, taking into account the costs generated on a monthly basis by the internal employee regulations in force at the Company and the dire financial situation of PKP CARGO S.A., a resolution was adopted to unilaterally terminate both agreements with 24 months' notice; moreover, in 2024, the Company's Management Board unsuccessfully consulted with trade unions proposals to suspend the application of certain provisions of the Company Collective Bargaining Agreement during the notice period;

- carrying out mass layoffs: on 3 July 2024, during a meeting of the parties to the Company Collective Bargaining Agreement, the PKP CARGO S.A. Management Board informed the trade unions of its intention to carry out mass layoffs in the Company. This difficult decision was made in order to align the headcount with the actual freight turnover performed, secure financial stability and save approximately 10,000 much-needed jobs. At the same time, consultations were initiated with the trade unions operating in the Company's Units and Head Office. Finally, on 24 July 2024, the Company's Management Board informed the social party of its decision to carry out mass layoffs. In the absence of an agreement with the trade unions on the adoption of the Mass Layoff Bylaws at PKP CARGO S.A. under restructuring, both at the Company's Head Office and Units, these regulations were issued by the Restructuring Administrator on 14 August 2024. On 30 September 2024, a meeting was held between representatives of the acting PKP CARGO S.A. under restructuring Management Board and representatives of trade unions, which was devoted to summarizing the course of mass layoffs carried out in the Company.

In Q4 2024, during meetings with representatives of trade unions – signatories to the Company Collective Bargaining Agreement – the key issues discussed included the disbursement of deferred employee benefits resulting from the mass layoffs and the next stages of the process of obtaining a loan from the Guaranteed Employee Benefits Fund in accordance with the Act of 13 July 2006 on the Protection of Employee Claims in the Event of Employer Insolvency. As at 31 December 2024, subsequent tranches of aid obtained by the Company from the Guaranteed Employee Benefits Fund, combined with the Company's own funds, enabled the finalization of payments of most of the outstanding amounts due as a consequence of the mass layoffs. In accordance with the statements made by the Company's Management Board, these funds were paid to the Company's former employees at the earliest possible date and were allocated to severance payments, annual leave equivalent payments and compensation for former employees.

In the context of the necessary and difficult dynamics of effecting the corrective measures in 2024, the diagnosed overstaffing level at PKP CARGO S.A. in relation to the reduced volume of freight turnover in previous years and the need to carry out mass layoffs, the relatively high potential impact of social dialogue on the effectiveness of the management and restructuring processes should be emphasized. On the negative side, the Company's performance, including its image, may have been affected at this stage predominantly by information disseminated in the media by representatives of the social party concerning alleged breaches of employee rights during the mass layoffs carried out at PKP CARGO S.A. under restructuring. The Company's Management Board emphasizes that all actions related to the mass layoffs were taken in accordance with the law.

Due to the significant risk of the restructuring measures exerting an impact on human resources, ongoing dialogue with the social party was conducted in 2024, particularly with regard to cost reduction and process efficiency improvement. In the period from May to December 2024, trade unions were regularly informed about the current situation, including through official letters and announcements, and by way of responses to letters and inquiries from the social party, which were provided as promptly as possible.

The intensity of communication in the area of social dialogue in 2024 was very high.

Moreover, both parties to the social dialogue in the Company also actively participated in meetings of the Sejm Subcommittee on Rail Transport, during which the current situation of the rail freight transport sector in Poland was discussed, including, in particular, the difficult situation of PKP CARGO. During the meetings, representatives of both the employer and the trade unions – signatories to the Company Collective Bargaining Agreement – had the opportunity to express their views. It is also worth pointing out that despite the negative mood among trade unions in H2 2024, in order to jointly seek ways to support the Company's stability and save its financial liquidity, in July 2024 a joint appeal was agreed to be issued to the Prime Minister for compensation for PKP CARGO S.A. in connection with the implementation of the so-called Coal Decision of 2022, issued by Prime Minister Mateusz Morawiecki. Along with the PKP CARGO Management Board, it was signed by all inter-unit trade unions. It should be emphasized that despite the very challenging framework for social dialogue, communication with trade unions was conducted in a long-term, continuous and multifaceted manner.

When assessing the prospects for the impact of social dialogue on the Company's situation in the financial year 2025, further risks of social unrest in this area should be taken into consideration. PKP CARGO S.A. under restructuring remains in a period of change and intense restructuring activities. Despite this, the Company assesses the risk of the social dialogue area affecting its financial performance in 2025 as lower than in 2024 due to, without limitation, the pursuit of the toughest corrective measures in the HR area, that is the mass layoffs completed on 31 October 2024. Cooperation with trade unions in relation to the comprehensive restructuring plan currently being developed for the Company may also play an important role in this respect.

4.4.8. Disputes with trade unions

In connection with the collective dispute initiated in December 2023 (due to the upheld demand of eight trade unions that are parties to the Company Collective Bargaining Agreement, namely the Trade Union of Train Drivers in Poland, the Federation of Train Drivers' Trade Unions, the Inter-Company Trade Union of Rolling Stock Inspectors, the Trade Union of Workshop Employees, the Trade Union of PKP Traffic Controllers, the Trade Union of PKP Dispatchers, the Trade Union of PKP

Administration, the Inter-Company Trade Union Committee of the "Kontra" Trade Union, regarding the implementation of salary increases from 1 October 2023), a statement of differences of opinion was drawn up on 10 January 2024 due to the parties' failure to reach a consensus during the negotiations. The signing of the Statement terminated the bargaining stage, whereby the collective dispute, in accordance with the provisions of the law, entered the mediation stage. Four mediation meetings were held in Q1 with the trade unions with the participation of a mediator selected from the list approved by the minister in charge of labor issues on the following dates: 31 January 2024, 6 February 2024, 28 February 2024 and 25 March 2024. The last meeting between the parties ended with the signing of a statement of differences. At this time, the talks have been halted.

Effects of corrective measures in the HR area

Furlough leaves

As part of the implementation of the recovery program aimed at rebuilding the Company's value and position, on 27 May 2024, the Management Board launched a program, starting on 1 June, to put up to 30% of the Company's employees on furlough leave for a period of 12 months in accordance with Article 54 of the Act of 8 September 2000 on Commercialization and Restructuring of the State-Owned Enterprise "Polskie Koleje Państwowe". During the program, all professional groups of employees were covered by furlough leaves, including management of various enterprises and the Company's headquarters, without compromising the ongoing operational efficiency of the respective organizational units.

Employees put on furlough leave had the right to:

- welfare benefit in the amount of 60% of the monthly financial equivalent calculated as remuneration for vacation leave, less the amount of contributions paid to pension, disability and health insurance in the part financed by the insured and income tax;
- engage in activities necessary to maintain the employee's professional qualifications,
- use benefits from the Company Social Benefits Fund.

In connection with numerous suggestions from trade union organizations operating at the Company for the introduction of furlough leave on a rotational basis, the PKP CARGO Management Board S.A. introduced changes in the rules for putting employees on furlough leave. In accordance with the decision made, the Management Board put employees on furlough leave for 3 months with the proviso that the same employee may be put on furlough leave lasting 3 months each up to 4 times. The Management Board may also put an employee on furlough leave for a period of more than 3 months, but not more than 12 months.

Furthermore, it has been decided that in the event that the monthly social benefit calculated in accordance with the provisions of the Act referred to above is equal in the respective month to an amount lower than the employee's monthly wage specified in his/her full-time employment contract, set at the minimum wage determined in accordance with generally applicable regulations, the employer will pay the employee, together with the social benefit for such a month, an amount of compensation calculated as the difference between the minimum wage and the amount of the social benefit for the respective month.

The PKP CARGO Management Board has decided that the Company's furlough leave program will last until 31 December 2025 and that putting employees on furlough leave will be carried out gradually during the indicated period in line with the introduced principles of the rotational nature of the program. Even though over 20% of the PKP CARGO S.A. workforce (almost 2,500 staff) did not actively perform their duties in June/July 2024, neither the volume of transported freight decreased nor other serious disruptions occurred in the operations carried out by the organization. Accordingly, the outcomes of the furlough leave confirmed the legitimacy and feasibility of further restructuring measures in the HR area.

The number of employees on furlough leave as at 31 December 2024 was 26, which accounted for 0.26% of the Company's workforce.

Mass layoffs

Because the Company did not have work for all its employees, the PKP CARGO Management Board decided to carry out a mass layoff procedure.

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

- 3 July 2024 – information on the intention to carry out mass layoffs by PKP CARGO S.A. Units and Head Office. It was announced that mass layoffs will include up to 30% of the Company's workforce, that is a maximum of 4,142 staff in various professional groups, to be completed by 30 September 2024.
- 4-23 July 2024 – consultations with the trade unions operating at the Company's Units and Head Office, and notification of the Trade Union Organizations that are signatories to the Collective Bargaining Agreement during the meetings of the Parties to the Collective Bargaining Agreement.
- 24 July 2024 – decision by the Management Board to conduct mass layoffs by PKP CARGO Units and Head Office in connection with the failure to enter into agreements with the trade unions. In connection with the termination of

employment as part of the mass layoffs, employees were entitled to cash severance payments based on the period of employment.

- 25 July 2024 – The Court for the Capital City of Warsaw decides to open remedial proceedings. On the date of opening of these proceedings, an Administrator was appointed for PKP CARGO S.A. to discharge the duties of the employer for all the Company's Units and Head Office.
- 14 August 2024 – issuance by the Administrator of the Rules and Regulations on Mass Layoffs at the Company's Head Office and Units, which launched the previously announced process of group layoffs. The Rules and Regulations were adopted after consultations with the Company's trade unions, which took place between 4 and 23 July 2024, ended in failure to reach a consensus between the parties and, as a result, failure to enter into an agreement. In connection with the issuance of the Rules and Regulations, formal notices of mass layoffs to the relevant Labor Offices were also submitted with their copies forwarded to the trade unions.

The process of mass layoffs was preceded by an analysis of all positions and the taking into account of various economic considerations, including work efficiency, relevance to key operations and potential for adaptation in new organizational structures. Employees to be covered by the layoffs were selected in accordance with the provisions of the Rules and Regulations on Mass Layoffs, which enumerated the criteria for selecting employees for layoffs (including work demand, workload/team closure, job evaluation). In the decision-making process regarding the final number of employees covered by the program of mass layoffs in the respective organizational unit, various circumstances were taken into account, including the current fluctuation of employees, resulting from natural departures or parting with the employer at the initiative of the employee as well as other considerations. The mass layoffs were carried out in compliance with the termination notice period provided for in the Labor Code or with the termination notice period referred to in the Company Collective Bargaining Agreement for PKP CARGO S.A. Employees. In most cases, the documents of termination of employment contracts under this procedure were effectively delivered by the end of September 2024. In cases where an effective delivery of the notice of termination was impossible for reasons not attributable to the employer, in particular due to the absence of the employee, the notices were delivered promptly after the obstacle ceased to exist. This means that PKP CARGO S.A. under restructuring included a group of 2,515 staff with the mass layoff process. Furthermore, the headcount in the Company decreased by 1,150 employees who stopped being employed for other reasons (e.g. retirement or termination of the employment contract by the employee). Finally, the headcount was reduced by 27%.

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

The reduction in headcount, which is a difficult but unfortunately necessary part of the remedial process at PKP CARGO S.A. under restructuring, brings measurable outcomes in the form of a reduction in fixed costs without compromising the current level of freight turnover.

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

4.4.9. Other major decisions and events within the framework of the ongoing remedial proceedings.

As a result of the court's favorable decision to open remedial proceedings, the Company was able to finance the mass layoff costs from the Guaranteed Employee Benefits Fund, and due to the Company's lingering difficult financial standing, the loan from the Fund significantly accelerated the receipt of money by former employees for severance pay, annual leave equivalents and other amounts due as a result of the mass layoffs. In December 2024, the Company received PLN 71.6 million from the Guaranteed Employee Benefits Fund, which it had applied for on an emergency basis. The tranche of aid obtained, combined with the Company's own funds, enabled the disbursement of most of the amounts due as at 31 October 2024, resulting from the mass layoffs, before Christmas 2024. The servicing of the loan from the Guaranteed Employee Benefits Fund constitutes a burden on the Company's finances.

4.4.10. Cyberattacks

In the reporting period, a number of attempts to scan the Company's IT infrastructure and various types of attacks were recorded. The cybersecurity solutions implemented in the Company and the adopted procedures made it possible to mitigate the attacks with no impact on the continuity of operations. It is estimated that for now, the organizational and technical solutions adopted in the Company meet the expectations held about them satisfactorily. However, given the current geopolitical situation and the related escalation of cybercrime, a high degree of cyberthreats of an unpredictable scope and volume should be expected, potentially exerting a significant negative impact on the Company's cybersecurity.

4.5. Information about production assets

4.5.1 Rolling stock

The PKP CARGO Group's rolling stock is maintained by repair shops operating within the structures of PKP CARGO S.A. Units and in subsidiaries. The PKP CARGO Group's rolling stock repair and maintenance organization has the competences to repair and maintain wagons, electric locomotives at all the maintenance levels from P1 to P5 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.

Wagons and traction rolling stock are the main elements of the PKP CARGO Group's production assets. Changes in the rolling stock levels result directly from such actions as liquidation and sale of rolling stock, leasing, return after lease term or purchase of rolling stock.

In 2024, the downward trend in the number of wagons in the Group continued.

At the same time, in 2024, the PKP CARGO Group purchased new rolling stock (including 3 modern six-axle electric locomotives of the ET43 series) and sold and scrapped some of its oldest rolling stock.

The most modern part of the Group's fleet is 50 multi-system locomotives (ET43 series – 24 locomotives, EU46 series – 25 locomotives and EU45 series – 1 locomotive), powered by DC or AC voltage, which can cross European country borders without stopping to permit a change of the power system (which, among other benefits, results in electricity savings), and 10 modern six-axle electric Dragon locomotives (ET25 series – 3 locomotives) and Dragon 2 locomotives (ET26 series – 7 locomotives) fitted with combustion modules. Of these, 44 are new locomotives purchased within the last 5 years. The Group's fleet of modern wagons includes 4,075 intermodal platforms.

The tables below present the structure of the locomotives and wagons used in 2020-2024.

Table 24 Structure of locomotives used by the Group and PKP CARGO S.A., by traction type

Description	31 Dec 2024	31 Dec 2023	31 Dec 2022	31 Dec 2021	31 Dec 2020	Change 2024-2023
diesel locomotives	683	708	731	850	1,103	-25
of which in PKP CARGO S.A.	*515*	*538*	*555*	*671*	*912*	*-23*
electric locomotives	879	841	816	969	968	38
of which in PKP CARGO S.A.	*861*	*822*	*796*	*946*	*949*	*39*
Total	**1,562**	**1,549**	**1,547**	**1,819**	**2,071**	**13**
of which in PKP CARGO S.A.	*1,376*	*1,360*	*1,351*	*1,617*	*1,861*	*16*

Source: Proprietary material.

Table 25 Structure of wagons used by the PKP CARGO Group and PKP CARGO S.A.

Description	31 Dec 2024	31 Dec 2023	31 Dec 2022	31 Dec 2021	31 Dec 2020	Change 2024-2023
Wagons owned and leased	52,039	52,358	53,459	53,459	56,183	-319
of which in PKP CARGO S.A.	*48,300*	*48,397*	*49,312*	*49,312*	*51,533*	*-97*

Source: Proprietary material.

4.5.2 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 and PKP CARGO S.A. in 2020-2024.

Table 26 Real estate owned and used by the PKP CARGO Group and PKP CARGO S.A. in 2020-2024

Description	31 Dec 2024	31 Dec 2023	31 Dec 2022	31 Dec 2021	31 Dec 2020	Change 2024-2023

Land – owned, in perpetual usufruct and leased from other entities [ha]	1,363	1,367	1,406	1,441	1,415	-4
of which in PKP CARGO S.A.	*520*	*520*	*550*	*550*	*520*	*0*
Buildings – owned, leased and rented from other entities [m^2]	681,514	683,073	722,756	728,944	693,213	-1,559
of which in PKP CARGO S.A.	*521,940*	*523,336*	*570,956*	*571,841*	*535,910*	*- 1,396*

Source: Proprietary material.

The decrease in the area of the land and buildings used (owned, leased and rented from other entities) is a result of the ongoing verification of the quantum of assets required by the Company and its subsidiaries and its adaptation to the scale and profile of their business activities.

On 18 February 2025, an agreement was entered into for the sale of PKP CARGO's real estate in Szczecin (developed plot no. 1/64 with an area of 0.4508 ha). The net sale price was PLN 875,000 (transaction exempt from VAT).

4.6. Key information about the financial standing of the Company and the PKP CARGO Group

4.6.1 Information on loan and borrowing agreements executed and terminated

No agreements concerning loans or borrowings were entered into or terminated in the reporting period.

4.6.2 Information about granted loans

In 2024, neither the Company nor its subsidiaries granted any loans.

4.6.3 Information about granted and received sureties and guarantees

In 2024, neither PKP CARGO nor its subsidiaries granted any loan guarantees or sureties.

4.6.4 Issues, redemptions and repayments of debt securities and equity securities

In the reporting period, PKP CARGO effected no issues, redemptions or repayments of debt securities or equity securities.

4.6.5 Assessment of management of financial resources

Internal financial risk management policy, allowing for optimization of the maturities and types of investment instruments and the liquidity reserve level, is an element supporting the management of the Company's and the Group's finances.

Excess cash generated by the Group was invested in fixed rate bank deposits which were concluded with time horizons depending on the Group's liquidity needs.

Liabilities incurred after the commencement of restructuring proceedings are paid by the Company on an ongoing basis – this applies to non-employee liabilities.

4.6.6 Description of the structure of key equity investments or key investments made within the Company and the PKP CARGO Group

Most financial investments made by the Group in 2024 were bank deposits, which were executed mainly for a period from up to 3 months, depending on the liquidity needs.

The cash held by the Company was mainly in the form of short-term fixed rate bank deposits which were concluded with time horizons depending on the Group's liquidity needs.

In the period under review, neither PKP CARGO nor its subsidiaries made any equity investments.

4.6.7 Current and forecasted financial standing of the Company and the PKP CARGO Group

In connection with the identification of the risk of periodic financial difficulties at PKP CARGO, the Group is taking steps to ensure its current liquidity, including through cost optimization. In the course of managing the liquidity position, the levels of trade receivables and payables are monitored on an ongoing basis.

The opening of the restructuring proceedings has protected the Company from the possibility of terminating major contracts with customers, suppliers and financial institutions, and all liabilities incurred before the opening date of the restructuring proceedings will be covered by the composition. The Company expects these liabilities to be repaid in future periods under a composition agreement with creditors in accordance with the principles of the Restructuring Law.

Liabilities incurred after the commencement of restructuring proceedings are paid by the Company on an ongoing basis – this applies to non-employee liabilities.

An update of the risks accompanying the war in Ukraine and its consequences or an unfavorable situation in the industrial sector may affect the Group's financial position in subsequent reporting periods.

4.7. Information about the financial statements

4.7.1 Description of unusual items in the standalone financial statements of PKP CARGO S.A. and the consolidated financial statements of the PKP CARGO Group

No such items can be found in the Standalone Financial Statements and Consolidated Financial Statements for 2024.

4.7.2 Description of significant off-balance sheet items

Significant off-balance sheet items are described in **Notes 7.2 and 7.3 to the Consolidated Financial Statements of the PKP CARGO Group for the financial year ended 31 December 2024.**

4.7.3 Rules for preparing annual financial statements

The Standalone Financial Statements of PKP CARGO for the financial year ended 31 December 2024 and the Consolidated Financial Statements of the PKP CARGO Group for the financial year ended 31 December 2024 have been prepared in accordance with International Financial Reporting Standards and related interpretations adopted by the European Union ("EU IFRS"), published and in effect in 2024.

The Standalone Financial Statements PKP CARGO for the financial year ended 31 December 2024 and the Consolidated Financial Statements of the PKP CARGO Group for the financial year ended 31 December 2024 have been prepared based on the assumption that both PKP CARGO S.A. and the Group will continue to be a going concern in the foreseeable future, as described in more detail in **Note 1.3 to the Standalone Financial Statements and the Consolidated Financial Statements.**

The Standalone Financial Statements of PKP CARGO for the financial year ended 31 December 2024 and the Consolidated Financial Statements of the PKP CARGO Group for the financial year ended 31 December 2024 have been prepared in accordance with the historic cost principle except for derivative financial instruments and investments in equity instruments carried at fair value.

4.7.4 Information about the agreement entered into with the audit firm

By Resolution No. 2/2020 of the Extraordinary Shareholder Meeting of PKP CARGO of 16 November 2020, amended (in respect to § 1 sec. 1) by Resolution No. 28/2021 of the Ordinary Shareholder Meeting of 28 June 2021, the following audit firms were selected:

- Grant Thornton Frąckowiak spółka z ograniczoną odpowiedzialnością sp.k. (as of 1 December 2022, transformed and operating under the business name of name Grant Thornton Frąckowiak Prosta spółka akcyjna) with its registered office in Poznań at ul. Abpa Antoniego Baraniaka 88E, entered under file no. 3654 as an entity authorized to audit financial statements,
- and Grant Thornton Polska spółka z ograniczoną odpowiedzialnością sp.k. (as of 1 December 2022, transformed and operating under the business name of Grant Thornton Polska Prosta spółka akcyjna) with its registered office in Poznań at ul. abpa Antoniego Baraniaka 88E, registered under file no. 4055 as an entity authorized to audit financial statements (hereinafter referred to as "Grant Thornton").

The agreement with Grant Thornton was signed on 5 July 2021 and covers:

- audit of the standalone financial statements of PKP CARGO S.A. and consolidated financial statements of the PKP CARGO Group for 2021-2025,
- review of the interim standalone financial statements of PKP CARGO S.A. and consolidated financial statements of the PKP CARGO Group for 2021-2025,
- verification of the reporting package prepared for the purposes of consolidation with PKP S.A.,
- conduct of agreed procedures aimed at confirming the correct calculation of the annual ratios defined in the loan agreements.

In accordance with annex 1 to the agreement, the fee charged by the entity authorized to audit financial statements, paid or due for the relevant financial year, was subject to indexation.

By Resolution No. 58/2024 of 7 November 2024, the Extraordinary Shareholder Meeting of PKP CARGO selected the audit firm Grant Thornton Polska Prosta Spółka Akcyjna with its registered office in Poznań at ul. Abpa Antoniego Baraniaka 88 E, 61-131 Poznań, KRS 0001002477, NIP 7822545999, entered in the list of audit firms kept by the Polish Agency for Audit Oversight under file no. 4055, to carry out certification of the Group's sustainability reporting for 2024 and 2025.

Table presenting the fee charged by the audit firm for 2024 and 2023, broken down into:

Table 27 Net fee charged by the audit firm (PLN)

Description	Network fee		including that of the audit firm Grant Thornton Polska P.S.A.	
	2024*	2023**	2024*	2023**
Audit of the Parent Company's annual financial statements including:	149,026.44	148,877.55	149,026.44	148,877.55
Audit of the Parent Company's standalone annual financial statements	*112,934.10*	*112,821.27*	*112,934.10*	*112,821.27*
Audit of the Parent Company's annual consolidated financial statements	*36,092.34*	*36,056.28*	*36,092.34*	*36,056.28*
Audit of the annual financial statements of related parties	438,806.50	396,412.60	97,970.65	84,965.36
Review of the financial statements of the Parent Company and related parties	177,053.73	168,168.52	107,403.83	107,296.52
Assurance of sustainability reporting	223,000.00	0	223,000.00	0
Other assurance services	8,000.00	34,392.36	8,000.00	8,000.00
Related services	39,613.24	9,692.55	9,702.24	9,692.55
Total	**1,035,499.91**	**757,543.59**	**595,103.16**	**358,831.99**

** The fee for services is provided in consideration of the applicable indexation provisions and at the exchange rate published by the National Bank of Poland on 29 December 2024*
*** The fee for services is provided in consideration of the applicable indexation provisions and at the exchange rate published by the National Bank of Poland on 29 December 2023*
Source: Proprietary material.

5. Other material events and information about the activity of the Company and the PKP CARGO Group

5.1. Key information and events

5.1.1. Optimization measures in the PKP CARGO Group's employment area

PKP CARGO S.A. under restructuring

In 2024, the Company's Management Board took steps to optimize the Company's cost area aimed to ensure financial stability and improve its profitability. A detailed description of the Company's Management Board's activities with regard to the above is presented in item 4.4.8 of this report.

The decisions were about reducing costs, including employee and reorganization costs introduced with a view to improving PKP CARGO S.A. under restructuring financial performance. These measures were aimed at ensuring the Company's financial stability, continued growth and regaining its strong market position.

The mass layoffs at PKP CARGO covered 2,515 employees, and costs of the restructuring provision established in 2024 in connection with severance payments and damages for employees laid off amounted to approx. PLN 113.25 million. Furthermore, the headcount in the Company decreased by 1,150 employees who stopped being employed for other reasons (e.g. retirement or termination of the employment contract by the employee). Finally, the headcount was reduced by 27%. The number of employees on furlough leave as at 31 December 2024 was 26, which accounted for 0.26% of the Company's workforce.

PKP CARGOTABOR Sp. z o.o. under restructuring

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

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

On 25 October 2024, also PKP CARGOTABOR Sp. z o.o. under restructuring adopted the "Rules and Regulations on Group Layoffs at PKP CARGOTABOR Sp. z o.o. w restrukturyzacji" and began the process of mass layoffs to be carried out pursuant to the Act of 13 March 2003 on the Detailed Principles of Terminating Employment for Reasons Not Attributable to Employees. Mass layoffs covered 475 of the Company's employees. The costs of carrying out mass layoffs were PLN 10.2 million. The Company assumes the possibility of obtaining funds in order to temporarily finance these costs, from the Guaranteed Employee Benefits Fund.

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

- New organizational rules and regulations were adopted with a view to simplifying the management structure by eliminating the division of Rolling Stock Maintenance Departments at the Company's units and shifting their powers to the Maintenance Sections at the Company's units and to the Rolling Stock and Technical Support Department at the Company's Head Office.
- Launch of a scale-down of selected rolling stock maintenance points (RSMPs). As a result, the total number of rolling stock maintenance points at PKP CARGO and PKP CARGOTABOR is expected to reach 29 (53 before restructuring). The purpose behind the rolling stock maintenance point optimization efforts is to align the number of maintenance facilities with the Company's current needs. As a result, the operating costs of the maintenance area will be reduced, in particular employee costs and fixed costs resulting from the rents that the PKP CARGO Group pays for renting maintenance and workshop space. Owing to the measures taken, it is estimated that on an annual basis, the PKP CARGO Group will incur lower fixed costs by approx. PLN -17 million due to the cessation of rent payments (including PLN 8.3 million by PKP CARGO).
- On 18 October 2024, the Company's Management Board decided to apply for the disbursement of benefits from the Guaranteed Employee Benefits Fund, assuming that the value of the requested benefits will not exceed PLN 100 million. As at the date of approval of this report, the value of the benefits applied for to the Guaranteed Employee Benefits Fund was approximately PLN 71.6 million. These benefits covered approximately 65% of the Company's liabilities to employees for the payment of amounts resulting from termination of employment contracts as part of mass layoffs and employee claims for unpaid annual leave equivalents in the amount of up to PLN 25 million.

5.1.3. Court-supervised restructuring of PKP CARGO

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

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

On 28 February 2025, the Administrator of the Company's remedial estate filed a list of creditors at the District Court for the Capital City of Warsaw in Warsaw, 18th Commercial Division.

On 28 February 2025, the Administrator of the Company's remedial estate obtained the approval of the Commissioner Judge to extend the deadline for submitting the Company's Restructuring Plan to the case file until 30 June 2025.

On 17 April 2025, a notice was published on the National List of Debtors about the date of filing a list of debts and a list of disputed debts.

On 19 April 2025, the Commissioner Judge, pursuant to Article 298(1), (2) and (3) of the Restructuring Law Act, issued a decision to accept the Administrator's request in its entirety by giving consent to the Administrator's rescission of the mutual agreement, i.e. the Agreement on mutual obligations of the Parties to Company Collective Bargaining Agreement for Employees of PKP CARGO S.A. Units, entered into on 14 February 2005 ("Valentine's Day Agreement") with effect as of the date of opening the Company's remedial proceedings, i.e. 27 July 2024.

5.1.4. Court-supervised restructuring of the subsidiary PKP CARGOTABOR

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

On 14 March 2025, PKP CARGOTABOR filed at the District Court for the Capital City of Warsaw in Warsaw, a restructuring plan drawn up for the needs of the remedial proceedings carried out with regard to the Subsidiary, file ref. no. WA1M/GRs/8/2024.

The restructuring plan of PKP CARGOTABOR provides for the implementation of restructuring measures aimed to restore its profitability and the capacity to repay its debts. The indicated measures include both the scenario of continuing operations and a possible sale of assets, with the final path of restructuring depending on the further course of the process, including the results of negotiations with a potential investor.

The going concern strategy of the Subsidiary assumes:

- limitation of the operations to 12 rolling stock repair sections,
- sales of property found to be redundant for the core operating activities,
- diversification of sources of revenues of PKP CARGOTABOR by expanding the scope of provided services and their recipients.

In the plan, two groups of restructuring measures were identified:

1. Strategic measures, which include two potential restructuring scenarios:
    - continuing operations while implementing optimization measures and generating funds to repay liabilities from operating profits over the coming years,
    - acquiring an investor and increasing share capital, or selling the enterprise or an organized part of the enterprise (OPE), if such a solution proves more economically viable and aligned with creditors' interests.
2. Supporting measures, including the restructuring of:
    - repair units and sections (selling off sections and units with low profitability),
    - headcount (job cuts),
    - assets (leasing or selling selected assets),
    - organization (streamlining the management structure),
    - operations (renegotiating contract terms, diversifying revenue sources, and aligning staff competencies with market needs),
    - finances (securing support from the Guaranteed Employee Benefits Fund, obtaining a VAT refund, and concluding a composition agreement with creditors).

5.1.5. Other key information and events

- On 17 January 2024, the Company's Management Board gave consent to the execution of a cooperation agreement with CMC Poland Sp. z o.o. for the Company to provide services for CMC Poland Sp. z o.o. by transporting scrap and metal products in the period between 1 January 2024 and 31 December 2026. The expected estimated total net value of the agreement during its term of validity will be PLN 192,014,521 million (PLN 236,177,860 with VAT).
- On 29 February 2024, PKP CARGO signed an annex to the overdraft facility agreement with Bank Gospodarstwa Krajowego for the maximum amount of up to PLN 100 million extending the loan availability until 28 February 2025.
- On 19 March 2024, PKP CARGO and Bank Powszechna Kasa Oszczędności Bank Polski S.A. signed an annex to the overdraft facility agreement for up to PLN 100 million extending the loan availability period until 30 June 2024, and then, on 25 June 2024, PKP CARGO and Bank Powszechna Kasa Oszczędności Bank Polski S.A. signed an annex to the overdraft facility agreement of 19 December 2019 extending the loan availability period until 30 September 2024.
- On 11 March 2024, the last tranche from the co-financing in the amount of PLN 51.7 million was received, granted to PKP CARGO TERMINALE, a subsidiary, by the Administration of the Łódź Province from the Regional Operational Program. Public aid constituted 49.98% of the eligible costs of execution of the infrastructural project in Zduńska Wola – Karsznice.
- On 23 May 2024, PKP CARGO executed an annex to an overdraft facility agreement with Bank Polska Kasa Opieki S.A. for up to PLN 100 million, extending the loan availability until 23 August 2024,
- On 23 May 2024, PKP CARGO and another member company of the PKP CARGO Group executed an annex to an overdraft facility agreement with Bank Polska Kasa Opieki S.A. for up to PLN 50 million, extending the loan availability until 23 August 2024.
- On 12 June 2024, the Company's Management Board and PKP Polskie Linie Kolejowe S.A. ("PKP PLK") signed a Letter of Intent whereby PKP CARGO and PKP PLK expressed their continued interest in taking steps aimed at the acquisition by PKP PLK from PKP CARGO of a 100% stake in CARGOTOR Sp. z o.o. On 18 December 2024, an annex to the Letter of Intent was signed, introducing the parties' obligation to complete the transaction by 31 July 2025 at the latest, and also setting the validity date for the Letter of Intent until the date of acquiring shares of CARGOTOR by PKP PLK or until the date of making a final decision by any of the parties to withdraw from the transaction but not longer than until 31 July 2025.
- On 20 June 2024, the Company's Management Board filed a notice with the District Prosecutor's Office in Warsaw on suspicion of the commission an offense to the Company's detriment by persons who served as Members of the PKP CARGO S.A. Management Board between 2022 and 2023. During their term in office, irregularities were identified resulting from their failure to fulfill their obligations to exercise due diligence resulting from the professional nature of their activities, which became the basis for filing a notice of suspicion of the commission of an offense to the Company's detriment under Article 304 § 1 of the Code of Criminal Procedure.

- On 25 June 2024, PKP CARGO executed an annex to an overdraft facility agreement with Bank Powszechna Kasa Oszczędności Bank Polski S.A. of 28 June 2022 extending the loan availability period until 30 September 2024.
- On 24 July 2024, the Company's Management Board received official information about the selection of the Company's bid as the most favorable one in the proceeding held by ENEA Trading Sp. z o.o. acting for and on behalf of ENEA Wytwarzanie Sp. z o.o. for transporting thermal coal by rail from Lubelski Węgiel "Bogdanka" S.A. for Enea Wytwarzanie Sp. z o.o. The total value of the Company's bid was PLN 138,397,000. The agreements were signed on 4 September 2024.
- On 4 September 2024, the Company's Management Board filed a notice with the District Prosecutor's Office in Warsaw on suspicion of the commission an offense by Mr. Jacek Sasin, who served as the Minister of State Assets in 2019-2023.
- On 25 September 2024, the Company's Management Board received official information that the Company's bid, submitted together with PKP CARGO Service Sp. z o.o. as a Consortium, had been selected as the most advantageous one in the procedure held by TAURON Ciepło Sp. z o.o. in the form of an open tender entitled: "Provision of coal transportation services by rail for TAURON Ciepło Sp. z o.o.'s generating units". The total gross value of the bids was PLN 14,555,881.50. The agreements were signed on 11 October 2024.
- On 3 October 2024, a trilateral Letter of Intent was signed between PKP CARGO, PKP CARGOTABOR under restructuring and MW Rail S.A. with its registered office in Wrocław (a subsidiary of M.W. Trade S.A.). The subject matter of the Letter of Intent was for the parties to enter into negotiations to lease or rent to MWR real properties located in Olsztyn and currently leased by PKP CARGO companies and equipment owned by PKP CARGOTABOR Sp. z o.o. under restructuring, which belong to the Olsztyn Section of the Northern Rail Rolling Stock Repair Unit, with a potential purchase option. The Letter will be binding for the parties until the end of December 2025.
- On 8 November 2024, the Company's Management Board received official information about the selection of the Company's bid as the most advantageous one in the procedure held by PGE Polska Grupa Energetyczna S.A. for the provision of coal transportation services by rail to the Branches of PGE Energia Ciepła S.A. and ZEW KOGENERACJA S.A. in 2025-2027. In accordance with the bid, PKP CARGO will provide its services for a gross price of PLN 173,946,467.07. The agreement was signed on 11 December 2024.
- On 6 December 2024, PKP CARGO entered into two commercial contracts with PGNiG Termika S.A., for the provision of steam coal rail transport services, including the provision of maintenance services for the EC Pruszków siding. The maximum total net value of the contracts executed for the period from 1 January 2025 to 31 December 2026 will amount to PLN 105.2 million.
- On 10 December 2024, PKP CARGO with PKP S.A. and PKP CARGOTABOR Sp. z o.o. under restructuring entered into a four-party letter of intent with PKP Linia Hutnicza Szerokotorowa Sp. z o.o. (PKP LHS), with its registered office in Zamość, on starting talks aiming to determine possible scenarios for carrying out a transaction of lending for use against payment or purchasing an organized part of the enterprise of PKP CARGOTABOR by PKP LHS.
- On 30 December 2024, PKP CARGO signed a letter of intent with Mostostal S.A., with its registered office in Warsaw, to conduct a due diligence of real properties of PKP CARGO located in Warsaw in the area of ul. Golędzinowska 37A, ul. Jagiellońska, ul. Pożarowa and in Wrocław, Gądów at ul. Na Ostatnim Groszu, to verify their legal statuses and technical conditions as required for purchasing the real properties.

5.2. Information on contracts of significance for the Company and the PKP CARGO Group

Agreement with PGE Energetyka Kolejowa S.A.

On 23 December 2024, the Company entered into an agreement for "Electricity Sales and Distribution Services" with PGE Energetyka Kolejowa S.A. The agreement pertained to the sale of electricity and provision of Traction Energy distribution services for the needs of the transport services rendered using electrical traction with trains owned by PKP CARGO and with trains using the Company's electric locomotives but run by other operators, who are not charged for the electricity under separate agreements. The agreement defines the level of power contracted in the settlement period and the forecast consumption of Traction Energy. The Agreement will bind the Parties for the period from 1 January 2025 to 31 December 2026. The expected total net value during the term of the agreement will be PLN 967,757,713.36 (gross value: 1,190,341,987.43).

Agreements with ArcelorMittal Group companies

On 6 December 2024, the Company executed two agreements with ArcelorMittal Poland S.A. and ArcelorMittal Warszawa Sp. z o.o. Under the agreements, until 30 June 2026, the Company will perform cargo transports of various commodity groups for the above companies from the ArcelorMittal Group for expected total net value of PLN 270 million (gross value: PLN 332 million).

Execution of a contract with PKP PLK S.A.

On 13 December 2024, an agreement was entered into by PKP CARGO with PKP PLK S.A. on the use of throughput capacity for the transportation of goods in the 2024/2025 train timetable. The agreement will be in effect from 15 December 2024 to 13 December 2025. Under the Agreement, PKP PLK provides the Company with access to rail infrastructure to utilize the allocated throughput capacity for the passage of trains, shunting, stoppage of rail vehicles and use of service infrastructure facilities in the 2024/2025 timetable. Additionally, PKP PLK will provide the Company with data concerning the planned and implemented timetable and the operational work performed by its trains. The estimated net value of the agreement during its term of validity will be PLN 387.5 million, which PLN 476.6 million with VAT. This is a regular agreement concluded by the Company on an annual basis.

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

The PKP CARGO S.A. Management Board did not publish any financial forecasts for the Company and the Group for 2024.

6. Company's and PKP CARGO Group's development policy

6.1. Key risk factors and threats

6.1.1 Description of the key threats and risks

Risks arising from macroeconomic conditions, related to the economic and market environment

- deceleration in economic growth and its impact on the economic activity in Poland and the Czech Republic;
- high volatility in the economic environment, combined with limited demand on global markets (manifested, among others, with a general price instability), increased inflation level, a relatively high level and fluctuations of energy prices, a reduced number of new orders in the industry;
- lower exploitation level of production capacities caused by the deceleration of the growth of the global economy;
- uncertainty in commodity markets contributing to a limitation of pro-developmental activities;
- higher inflation in Poland, having an impact on a visibly higher cost of capital than in trade partners;
- further adverse influence of consequences of energy crisis in Europe on the economy;
- increasing costs of energy carriers, fuels and energy coupled with the still highly obsolete energy mix in Poland (due to, among other factors, the high cost of CO_2 emissions and the large share of fossil fuels) will have an adverse impact on local manufacturers and the future growth of output capacity;
- reduced and weakening demand for raw materials of key significance for the PKP CARGO Group's transport services (i.e. bulk freight, including, in particular, transports of hard coal as well as aggregates, coke, ores and metals, chemicals and chemical products, and liquid fuels) in industries of crucial significance to the Polish economy (such as the power sector, construction and metallurgy) clearly influences a lower demand for rail transport services and consequently also the transport and financial performance of PKP CARGO Group companies;
- loosening economic links between China and countries of the West and, as a result, increasingly stronger trend of protectionism for own markets and potential fueling of trade disputes;
- macroeconomic imbalance of Poland – a very high deficit of public finances, increasing debt and a high cost of debt service, increased inflation and interest rates, deteriorating the economic standing, considerable and growing expenditures for defense and social benefits – all of the above may effectively halt the pace of growth of the Polish economy and affect adversely Poland's development in the near future;
- transformations stemming from the economic policy related to climate change, implying high expenses resulting directly from the transition, which will exert an additional pressure on active involvement of the state, which may consequently lead to strongly growing indebtedness and deepening macroeconomic imbalance of the country.

Risks arising from geopolitical conditions

- growing geopolitical tensions and conflicts (including military ones) in further key areas of the earth lead to a decline in the level of international trade and cooperation;
- turbulences in supply chains (including sea, road and air transports) will affect the growth rate of the global economy, which will also bring about reshaping of economic connections and the growth of new economically important states, when the center of the global economy is shifted toward Asia;
- a change in the importance and influence of the United States in global supply chains, which generates conflicts of an economic nature and instability in economic ties;
- the conflict in Ukraine, which has caused a high decrease in the turnover with Russia and Belarus and a significant increase in trade with Ukraine. However, the lack of regulation of specific areas of trade and economic conflicts could lower the potential scale of economic turnover in the future. What remains crucial is transport activity along the "New Silk Road", which may generate even greater volumes of transports in the future, but what is of key importance here is

to end the conflict in the region and maintain good relationships with China (which are preparing an alternative route through, among others, Uzbekistan).

Risk associated with the rail freight sector

- the dynamically developing market and a regular increase in the number of rail operators performing freight transport increases competition. According to data presented by the Office of Rail Transport (UTK), there are currently 132 rail operators active on the Polish rail freight market holding an active license issued by the UTK President for the conduct of rail freight operations (as at 31 December 2024). Among these companies are also three members of the PKP CARGO Group: PKP CARGO S.A., PKP CARGO SERVICE Sp. z o.o. and PKP CARGO International a.s. In the corresponding period of 2023, there were 126 rail operators (despite the noticeable slowdown in the economy and the decline in demand for rail freight transport services) and that the market has been growing steadily, which leads to a growing competition for dispatches that can be transported by rail and margin reductions);
- according to the Office of Rail Transport's data, in 2024, as many as 32 rail carriers conducted transport operations whose market share in terms of transported freight volume exceeded the 0.5% threshold (in 2023, the corresponding figure was 30 rail operators), which shows further strengthening of many players on the markets, with continued pressure on the biggest operators;
- the highly competitive market of rail intermodal transport, during the first 9 months of 2024 (no data for the whole year 2024), despite a number of factors which may adversely affect the performance of the segment (including the deterioration of the economic situation, causing a slump in demand or the ongoing war in Ukraine), the market grew quickly in terms of the number of active market players, with 33 licensed operators carrying out rail intermodal transport operations (in 2023 there were 29 operators and back in 2015 there were as few as 11 operators). However, a potential conflict and trade wars between the United States and China or a possible customs conflict between the European Union and China may effectively halt the growth rate, additionally affecting adversely the level of transport margins;
- reduction in the quantity of rolling stock, resulting from the process of withdrawing and decommissioning the oldest and most inefficient vehicles. The process of acquiring new units of rolling stock is lengthy and expensive due to the small number of manufacturers and limited production capacity, therefore it is necessary to plan purchases and upgrades over a long term, so that the supply of rolling stock meets customer demand for transportation. Increasing and demanding environmental requirements (including noise levels, which translate into the need to install composite blocks, among other things) and those resulting from the competitive environment, as well as the decreasing availability of personnel (with the increasing cost of acquiring employees) and rapid technological advances in the market (forcing the installation of automated couplings and increasingly automated traffic control systems) are strongly affecting the market's growth opportunities. The high cost of financing changes in this area makes it necessary to operate, as much as possible, the rolling stock which is often older than several decades;
- risk of an increase in the prices of electricity and diesel fuel due to the expected economic recovery and possible further turbulences in supply chains (i.e. numerous conflicts in areas significant for the extraction and transportation of crude oil);
- regular expansion of the scale of operations by the companies operating on the market of commodity transports and provision of comprehensive services within corporate groups – the rail competitors offer a wide range of transport and transport-related services (including transports of coal and coke, aggregates and other construction materials, metallurgical products and chemicals, and also effectively adding freight forwarding services), expanding their portfolios all the time with further services, which make their offerings more attractive and comprehensive. At the same time, only some entities perform dispersed transport services and extraordinary transport services (including goods crossing the gauge or requiring railcars with a recessed floor);
- the main competitors of the PKP CARGO Group in the Czech market are ČD CARGO (the national carrier and the leader of the country's transport market), Metrans Rail (an international logistics operator specializing in the intermodal transports in the countries of the Three Seas Initiative), LOKORAIL (a member of the Budamar Group), Rail Cargo Carrier – Czech Republic (a subsidiary of the international carrier Rail Cargo), ORLEN Unipetrol Doprava (operator specialized in fuel transportation, a member of the Orlen Group) and DB Cargo Czechia (a subsidiary of DB Cargo AG in the Czech market). The competitive market allows other operators to provide services within all the railway cargo transport segments including such areas as: solid fuels, construction materials, chemicals or intermodal transports;
- In Poland and in the Czech Republic, a gradual decentralization of the market of railway transports is taking place, which means an increased share of new operators which find specific areas of operation and build competitive advantage there by adjusting their services well to customers' requirements.

Risks associated with operations

Risk associated with the rail infrastructure

From the viewpoint of rail traffic safety, PKP CARGO operates based on Single Safety Certificate no. EU1020240127 issued by the European Railway Agency, valid until 13 June 2029. The certificate covers the Company's operations in the territory of Poland and in such countries as Austria, the Czech Republic, Germany, Lithuania, the Netherlands, Slovakia and Italy.

The SMS covers risks related to the pursued activity and provides for appropriate supervision and control measures in order to reduce them and ensure the appropriate safety level:

- the risk arisen from a direct activity, including occupational risk (related to the performed work) and technical risk (related to the rolling stock and technical resources used),
- the shared risk, which is a risk arisen from an interaction between the entities being part of the railway system (e.g. infrastructure administrators, other rail operators, entities in charge of maintenance, contractors, partners),
- the risk of third parties that are not directly involved in the operation of the railway system (users of rail transports, outsiders).

Moreover, the processes and procedures serving the purpose of monitoring the effectiveness of the measures taken in the area of risk supervision and introducing the necessary changes are applied within the SMS.

The changes concern:

- technology and methods,
- operating procedures, rules and standards,
- organizational structure.

Contracts on using allocated train routes executed with the infrastructure administrators describe the principles of cooperation when monitoring the effectiveness of the existing arrangements and the procedure to be applied in the case of shared risk for the purpose of adopting and introducing the necessary changes, including the tasks and responsibilities of the individual participants in the process. Any and all irregularities related to the infrastructure found by employees are communicated to the infrastructure administrator on an ongoing basis. Moreover, periodic meetings and conferences are organized to discuss and take measures about existing irregularities, aimed to both eliminate them and prevent the occurrence of similar situations in the future.

Additional risks associated with the rail infrastructure include:

- repairs, modernizations and the construction of rail infrastructure reduce significantly the throughput on many key routes, which makes it necessary to carry out transports using longer routes, causing higher costs and, what is worse, a temporary decline in service quality and losses in competitiveness compared to other means of transport. The decline in throughput results in an observable prolongation of carrying out transports and may also generate a visibly higher traffic on alternative diversionary routes, which are not adjusted to the significant increase in the scale of transports as well as a degradation of the routes, to a certain extent;
- in Poland, from time to time, there is an accumulation of work on rail infrastructure (especially at the interface with port infrastructure or other important logistics hubs), which is related, among other things, to the disbursement of EU funds and the absence of planned bridge funds. As a result, the ongoing work is prolonged, which further limits the capacity of rail lines and reduces the competitiveness of the railroads compared to other forms of transport (which, like road transport, are far less exposed to such problems);
- uneven development of the various forms of transport in the rail market, which includes favoring passenger transport, given priority since it involves transporting people according to pre-arranged schedules (with a noticeable steady gradual increase in the scale of transports), leads to limitation of opportunities for development (as well as competitiveness) of freight transport, which may, despite the ongoing decarbonization, gain secondary importance (only auxiliary to other modes of transport);
- the relatively fixed size of Poland's rail lines and the performance of new projects only to a limited extent while both freight and passenger traffic is growing can generate numerous constraints on the timeliness of the transports carried out, as well as their general duration. Long waits for the possibility of continuing transportation, lack of free "slots", excessive prolongation of transportation time (for a variety of reasons) can effectively discourage customers from using freight rail carriers, redirecting the flow of goods to car transport, among others.

Risk associated with road transport, which constitutes increasing competition for the PKP CARGO Group

- road transport is the most flexible mode of transport, which poses a challenge and a real threat to the development of rail transport. It is easy for road carriers to adapt to changing conditions and respond to market needs quickly and these are their main advantages over rail carriers, which have the capacity to carry significant volumes in a single transport (which is a competitive advantage), which does not allow, though, for expanding the scale of their operations significantly (because of limitations of the network, among other things);
- the upward trend, continuing for many years, in the market share of road transport at the expense of declining shares of other modes of transport;

- the unsustainable transport system which results in the maintenance of a fixed scale of rail transports (relatively low level of transports in last 16 years) with a regularly strong development of the road network and car transports in Poland (including the limited number of rail lines separating local and interregional transport, the absence of construction of new lines and upgrades that do not result in a visible increase in line throughput or reduced travel time).

The increase in significance of road transport is a consequence of its numerous competitive advantages compared to rail transport, including:

- low barriers to entry,
- high disparities in the fluctuations of prices of energy sources for rail (electricity) and road (diesel fuel) transport,
- diversification in the level of fees for the use of rail infrastructure (payment for using each section of public network) and public road infrastructure (taxes imposed only on selected sections) recalculated per 1 ton of transported goods,
- developed road network in Poland and the Czech Republic,
- relatively low costs of access to road infrastructure in Poland (the road network where the toll applies is relatively small in relation to the whole road network in Poland),
- high flexibility of road operators when changing transported volumes,
- significantly greater average speed of the transports relative to rail transport coupled with the possibility of providing direct door-to-door transport services,
- risk of low involvement of rail operators in the energy transition.

Risk of a high dependence of the customer base on a limited number of industries and business entities operating therein and their suppliers.

- a large number of agreements signed with customers by the PKP CARGO Group are long-term and renewable agreements. This results from customers' demand for transporting considerable volumes of bulk cargo, including coal, aggregates, metals, ores and chemicals. This generates the need to have and prepare an appropriate level of resources (including, in particular, rolling stock and trained personnel), which allows for the implementation of long-term regular transports and those adapted to the market demand. Any material adjustments regarding contractual provisions, especially in the case of big changes to volumes of transported goods or other key requirements about the manner of service, affect adversely transportation opportunities and the extent to which contracts may be performed;
- growing importance (measured by market shares) of specialized companies (conducting transport operations for their parent companies) and their gradual acquisition of transport orders from outside their target segment effectively reduces the volume of freight transport services available for acquisition on the competitive market;
- due to the specific restrictions of the rail freight market, a significant risk is associated with the possibility of excluding many groups of potential customers who may permanently, going forward, ignore rail freight (despite the increase in the scale of operations) as a mode of transport, which follows from the low flexibility of response with the limited network and still low speeds of transport.

Risk associated with changes in legal regulations

At the Company, systemic measures are taken to minimize the risks and threats resulting from changes to legal regulations, including:

- legal alerts sent by the substantive unit;
- direct monitoring of changes in the law by organizational units of the Company's Head Office competent about substantive issues;
- law monitoring tools (IT tools supporting specific areas);
- the Company's participation in consultations of draft legal acts;
- systemic principles of legislation and legal order securing acceptance and implementation of internal regulations and their compliance with regulations of generally applicable laws.

In 2024, the cell competent for issues covered by legal services issued 12 internal legal alerts informing the relevant organizational cells of the Head Office and the Company's units about amendments to generally applicable regulations (18 legal acts). The alerts concerned various areas from the Company's operations. Furthermore, the department competent for legal services took part in consultations of 70 draft acts of generally applicable laws.

Risk of collective disputes and strike

From 5 to 19 February 2024, the Trade Union Organizations that initiated the collective dispute in December 2023 held a referendum among the Company's employees asking them about their readiness to go on a strike in the event of failure to reach an agreement on the implementation as of 1 October 2023 of a wage increase by PLN 400 for employees paid according to the Company-Level Collective Bargaining Agreement and a pro-rata increase for employees paid according to the wage index. During the referendum, the Trade Union Organizations held a one-time, two-hour warning strike on 7 February 2024, in compliance with provisions of the Act on the Resolution of Collective Disputes.

In addition, the trade union organizations operating at the Company reported to the Employer, in the reporting period, their dissatisfaction and expressed their concern about the solutions in the labor area (furlough leave, termination of the Employee

Guarantee Package, the Company Collective Bargaining Agreement and the Agreement on Mutual Obligations of the Parties to the Company Collective Bargaining Agreement, and the implementation of the procedure of mass layoffs) as carried out by the Supervisory Board Members, seconded as of 26 April 2024 to temporarily perform the duties of PKP CARGO S.A. Management Board Members, as part of the ongoing optimization efforts.

On 17 July 2024, the National Section of Railway Workers of NSZZ "Solidarność" published a position paper on the situation at PKP CARGO S.A., in which it strongly objected to the actions taken by the Company's Management Board at the time. At the same time, the trade union warned the Management Board that, if necessary, powerful measures would be taken involving all railroad companies with a solidarity strike across the PKP network. Accordingly, the Professional Section of NSZZ "Solidarność" of the PKP CARGO Group decided to start protest actions, and their first stage consisted of demonstrations, which were held on 25, 26 and 30 July 2024 in front of the head offices of the following PKP CARGO S.A. Units: Southern in Katowice, Silesian in Tarnowskie Góry, Lower Silesian in Wrocław and Western in Poznań.

It should be noted that because of a high unionization rate in the Company, there has always been a risk of industrial actions taken by trade unions. Therefore, the priority of the PKP CARGO S.A. under restructuring Management Board has been, especially now, "Stable social situation not threatening the statutory activity". To achieve this aim, the following measures have been taken:

- holding talks with the trade unions to find the best solutions for the Company and its employees,
- working out a unanimous position of the Parties and reaching a compromise over reported postulates,
- conducting negotiations in good faith, making it possible to pursue the Company's statutory tasks in a peaceful atmosphere.

It is observed that in spite of the restructuring measures implemented in 2024, resulting, among others, in optimization of the employment area (mass layoffs), the scale of protests was minimal. At present, what is important is to take initiatives and talks with the trade unions representing employees of PKP CARGO S.A. under restructuring, aiming to reduce costs of the Company's operations, directed at the same time at ensuring social peace, making it possible to conduct effective business activity.

Risk of increase of salaries

The existing risk of increase of salaries in connection with the collective dispute started on 1 December 2023 by eight Trade Unions which are Parties to the Company CCBA. In Q1 2024, the Company's Management Board conducted negotiations with the trade unions with the aim of ensuring stability, making it possible to pursue the statutory tasks in a peaceful atmosphere. At present, the talks are no longer continued and in the current financial standing, the Company is unable to finance the presented demands.

The withdrawal from the Employee Guarantee Package, which lost force in August 2024, made the trade unions to be unable to present demands on the basis of the commitments following from § 5(1) of the document, i.e. annual increase of salaries and wages depending on the Company's performance and financial standing.

Risk associated with a shortage of trained personnel and acquisition of appropriate personnel

The risk associated with a shortage of trained personnel at the Company is monitored on an ongoing basis. Actions are taken in 2024 in this area aimed to ensure the appropriate number of employees with required skills necessary to achieve the business objectives and as a result of implemented organizational changes, the employment structure was adjusted to the employer's current and future needs.

In the discussed period, training programs were performed at the Company, including both theoretical and practical training courses. Employees could take advantage of various forms of training, such as e-learning, practical workshops, on-site training, online courses, simulators. In connection with the Company's difficult financial position, priority was given to compulsory training courses.

In 2024, the adaptation program was also carried out in an on-site form or remote (online) form – depending on the needs and expectations of various groups of positions: administrative employees, non-administrative employees working in the Company's facilities and managerial staff. A carefully selected professional training program was aimed at ensuring that new employees are integrated into the organization and familiarized with their duties as soon as possible and to help them adapt to the working environment, which influenced the effectiveness of the performed works and minimized the risk of employee fluctuation. The rail transport industry, and in particular positions associated with rail transport safety, require an ongoing update of knowledge and acquisition of skills. This objective has been achieved through obligatory training courses delivered in the form of e.g. periodic knowledge updates, tutorials and examinations. The effect of the continuous training process was the obtaining of licenses and improvement of qualifications by the personnel. A series of training courses were also continued to acquire skills in the use of MS Office. The training courses were conducted online.

Because of the difficult financial standing, activities supporting acquisition of new employees were no longer continued (cooperation with schools, job fairs, etc.).

In 2024, attraction ongoing recruitment processes were carried out in accordance with the needs reported by the Company's organizational cells. Employees had an opportunity to receive training from scratch in order to prepare themselves for working as a train driver, rolling stock auditor or switchman.

In summary, thanks to the Company's actions taken so far in order to manage this area the risk associated with shortage of trained personnel has been minimized.

Financial risks

Liquidity risk

The Group is exposed to liquidity risk ensuing from the ratio of current assets to net current liabilities (current liabilities less short-term provisions).

Information on credit facilities undrawn as at 31 December 2024 is presented in Note **4.1 to the Consolidated Financial Statements of the PKP CARGO Group for 2024.**

Market risk - FX risk

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

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

In 2024, the Group was exposed to FX risk resulting from the receivables, payables and cash denominated in foreign currencies. The Group's receivables expressed in foreign currencies are short-term receivables with the maturity up to 1 month and payables expressed in foreign currencies are mostly short– and long-term liabilities on account of investment loan agreements with maturities over 5 years.

The balance sheet valuation of receivables and some current and non-current liabilities long-term liabilities expressed in foreign currencies, settlements in foreign currencies both on the side of receivables and liabilities, lead to financial revenues (positive FX differences) and financial expenses (negative FX differences). The level of financial revenues and financial expenses fluctuates during the year, which is caused by changes in the exchange rates.

Cash in foreign currencies deposited on bank accounts follow from timing mismatch of receipts and expenditures and the surplus of receipts over expenditures. In the long run, the valuation risk matches the risk of change of cash flows, therefore it is the cash flows, not balance sheet items, that are subject to hedging transactions.

For the EUR/PLN exchange rate, there is partial natural hedging due to the fact that proceeds in EUR are partly balanced out by expenditures in the same currency. The Company used hedge accounting for all EUR loans. These transactions were effected by the PKP CARGO. Details are presented in Note **6.2. Consolidated financial statements of the PKP CARGO Group for 2024.**

Interest rate risk

The Group is exposed to the risk of volatility of interest rate cash flows following from bank loans, leasing based on variable interest rates. In 2024, interest on lease agreements was accrued according to the reference rates increased by the financing party's margin. The reference rate for lease contracts denominated in PLN was WIBOR 1M. The interest rate risk in lease contracts is executed through revaluation of lease installments in one-month periods.

In 2024, interest on loan agreements were accrued according to the WIBOR O/N, WIBOR 1M, WIBOR 3M and EURIBOR 3M reference rate plus the banks' margin. The interest rate risk in loan agreements was executed through revaluation of loan installments in monthly, quarterly and semi-annual periods.

Credit risk

The Group conducts its commercial activity by selling services to businesses with a deferred payment date. This may lead to the risk that receivables from counterparties for services provided may not be received. In order to minimize credit risk, the Group manages this risk by applying a customer creditworthiness assessment procedure. This assessment is carried out for all customers who use deferred payment dates. As part of its internal policy, the Company makes application of the deferred term of payment conditional on acceptability of the counterparty's condition and positive history of cooperation.

Receivables from business partners are monitored on a regular basis. In the case of overdue receivables, in accordance with prevailing procedures, the delivery of services is suspended and debt collection procedures are triggered.

Concentration of risk associated with trade receivables is limited due to the large number of business partners with commercial credit dispersed among different sectors of economy. In addition, to reduce the risk of problems with recovery of trade receivables, the Company accepts security interests from its customers in the form of, among others: bank/insurance guarantees, assignment of contracts, security deposits and promissory notes.

The credit risk associated with cash and bank deposits is perceived as low. All the entities in which the Group invests free cash operate in the financial sector.

The maximum exposure to credit risk is represented by balance sheet balances of trade and other receivables, cash and other financial assets. This exposure is limited through safeguards established in favor of the Group (in the form of bank/insurance guarantees, guarantee deposits, etc.).

6.1.2 Information on financial instruments with respect to risk, and financial risk management objectives and methods adopted by the Company and the PKP CARGO Group

The principles of market risk management are implemented through the assigned organizational cell under the supervision of the Company's Management Board. Financial risk in the PKP CARGO Group is managed with partial use of derivative instruments which are used only to limit the risk of a change of the carrying amounts and the risk of cash flow changes.

In 2024, the Company applied cash flow hedge accounting using financial instruments, mainly investment loans in EUR. The purpose of the hedging activity is to mitigate the impact of the FX risk within the EUR/PLN currency pair on the future cash flows. The hedged item is a highly likely cash flow denominated in EUR.

6.1.3 Information on financial instruments with respect to the risk: price changes, credit risk, risk of significant cash flow disruptions and risk of loss of financial liquidity that the Company is exposed to

In view of the identification of the risk of periodic financial difficulties for the Company, in terms of ensuring current liquidity, the Group is taking measures aimed at cost optimization, among other things. In the course of managing the liquidity position, the levels of trade receivables and payables are monitored on an ongoing basis.

Liabilities incurred after the commencement of restructuring proceedings are paid by the PKP CARGO on an ongoing basis – this applies to non-employee liabilities.

6.2. Description of external and internal factors of relevance for the development of the Company and the PKP CARGO Group

6.2.1. Armed conflict in Ukraine

The war in Ukraine and its repercussions are one of the elements affecting the level of rail freight in Poland and neighboring countries, which also translates into the performance of PKP CARGO in terms of transport and financial results. Bilateral restrictions by Western countries, as well as Russia and Belarus, are adversely affecting the level of international trade, as reflected in lower exploitation of production capacities. In addition, consequences of the energy crisis in Europe are having a negative impact on the scale of production of many industries that must compete with cheap imports from the East.

Compared to the pre-war period in Ukraine, trading with the Russian Federation and the Republic of Belarus is severely limited, while commercial exchange with Ukraine has clearly increased, although as a result of restrictions on shipments of, among other things, grain (but also other products) this exchange is subdued. A possible end to the conflict as a result of political negotiations will not happen overnight, and could lead to further turbulences and instability in the economic environment.

What is important for increasing commodity trading between Poland and Ukraine is the issue of supplying Ukraine's armed forces, opening EU markets to numerous cargo categories that are exported from Ukraine, as well as supplying goods necessary for the functioning of the economy and life in this country gripped by military operations. PKP CARGO S.A. under restructuring carries out transports of numerous cargo categories, including fuels, metal ores, metal products and transit transports of agricultural produce.

The highly complicated situation in international trade, adversely affects global exchanges and, consequently, the volume of freight and revenues of rail carriers in our region. International trade is still strongly limited and only now we can observe its intensification (especially among European countries), which will allow for a significant increase in transports in the rail sector and translate into an improvement of transport and financial results of PKP CARGO.

The Company currently sees no particularly significant risks to the entity's operations as a result of the war in Ukraine or the impact of the macroeconomic environment. Because of a high volatility of the international situation, it is necessary perform constant monitoring and take regular adaptation measures.

6.2.2. Situation in Poland's key industries in 2024

Mining industry

- A big decrease in hard coal output to 44.0 million tons (-4.4 million tons, or -9.0% yoy).[49]
- Noticeable decline in the hard coal sale to 42.5 million tons (-3.6 million tons yoy, or -7.8% yoy).[50]
- A very high volume of hard coal inventories in mine storage yards: nearly 5.4 million tons as at the end of 2024 (up by +1.2 million tons compared to the end of 2023, or +28.7% yoy), which resulted from low demand for the raw material in Poland and a gradual limitation of production levels (if the original production plans had been carried out by the mines, the volume of inventories would be considerably higher).[51]
- A clear decline in hard coal imports: in 2024 (preliminary data of Eurostat), the imports of this raw material plummeted by -52.0% yoy, to nearly 8.2 million tons (i.e. by -8.8 million tons). Kazakhstan was the main source of hard coal supplies (with a volume decrease of -27.6% yoy, to nearly 3.3 million tons, which translated into a 40.0% market share). The second largest exporter of coal to Poland was Colombia (huge decline by -52.4% yoy to nearly 2.5 million tons and a 30.1% market share). Russia has not been exporting coal to Poland since June 2022 (due to the embargo imposed in April 2022). These two major suppliers accounted for 70.1% of Poland's coal imports (an increase by +13.2 p.p.)[52]
- Price declines on the Polish coal market as a result of limited demand in Poland and stabilization of prices in the world: in Q4 2024, the average value of the coal index for the commercial power industry, PSCMI1, was PLN 464.89 per ton (-29.8% yoy and -3.0% qoq), while PSCMI2 for the heating sector reached PLN 536.45 per ton (-24.3% yoy and -5.5 qoq). In 2024, the coal index for the commercial power industry PSCMI 1 increased to an average level of PLN 484.16 per ton (which means a decrease of -30.8% yoy), while PSCMI 2 index for the heating industry reached a level of PLN 560.20 per ton (i.e. the rates were reduced by -37.5% yoy).[53]

Figure 31 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.

- Stabilization of coal prices at ARA ports, with growing demand in the international market: high demand for the raw material from major Asian economies (which are relying on increasing their own production, but still require a supply of significant amounts of imported coal), as well as the relative stability of prices for other energy commodities allowed for only slight changes in rates during 2024, when the average price of coal quotations in ARA ports fluctuated around approx. USD 112 per ton (the first quotation in 2024 was USD 106.15 per ton, and the last one – USD 112.65 per ton, with extreme values during the year from USD 94 per ton to USD 123 per ton).[54] What contributed to such a state of affairs on the market was a relative stabilization of gas quotations (in spite of problems in the Middle East and on the Red Sea) as well as progressing separation from Russian suppliers in Europe. The International Energy Agency (IEA) predicts that after a record demand for coal at a level of 8.8 billion tons in 2024, the demand will stabilize in the following years and increases will take place on a smaller scale, so that in 2027 the demand will reach around 8.9 billion tons. This will follow from declining demand in the United States and Europe and will be partly compensated with a continued strongly increasing demand in the ASEAN countries, India and China.[55]
- Stabilization of electricity consumption in Poland, i.e. a slight growth by nearly +0.9% yoy to 169.0 TWh.[56]

[49] Industrial Development Agency / polskirynekwegla.pl/raport-dynamiczny/wydobycie-i-sprzedaz-wegla-kamiennego-ogolem
[50] Industrial Development Agency / polskirynekwegla.pl/raport-dynamiczny/wydobycie-i-sprzedaz-wegla-kamiennego-ogolem
[51] Industrial Development Agency / polskirynekwegla.pl/raport-dynamiczny/stan-zapasow-wegla-kamiennego-caly-okres-czasu
[52] Eurostat – data for the first 11 months of 2024 – European Commission / Eurostat / International Trade
[53] Industrial Development Agency (ARP) - releases (polskirynekwegla.pl/krajowe-indeksy-weglowe-notowanie-z-grudnia-2024-r)
[54] WNP (wnp.pl/gornictwo/notowania/ceny_wegla/)
[55] www.iea.org/ Coal 2024 Analysis and forecast to 2027
[56] Polskie Sieci Elektroenergetyczne (https://www.pse.pl/dane-systemowe/funkcjonowanie-kse/raporty-miesieczne-z-funkcjonowania-kse/raporty-miesieczne)

- Increase in electricity output by +2.1% yoy to 167.0 TWh. In hard coal-fired commercial power plants, the production decreased by -9.8% yoy (to 69.1 TWh), while lignite-fired power plants recorded a +3.7% yoy increase in output (to 35.8 TWh). In the same period, electricity generation in gas-fired power plants increased by +22.8% yoy (to 16.8 TWh), in plants powered by other renewable sources increased by +31.2% yoy (to 17.3 TWh) and in plants powered by wind grew by +13.1% yoy (to 24.9 TWh).[57]
- A reduction in the importance of hard coal in the national energy mix: the share of hard coal in total energy output went down to 41.4% (-5.4 p.p. yoy).[58]
- Prolongation of the operation of the capacity market for electricity sources which do not comply with emission standards (i.e. above 550 kg of CO_2 per MWh) in Poland until 2028: entities selected during auctions will remain ready for a fee to deliver electrical power to the system and are obligated to provide actual deliveries in a period of threatened shortages.[59] At the same time, manufacturers of energy in Poland admit that with the absence of co-financing of production (based on the capacity market), production of electricity from coal is permanently non-profitable, as a result of which coal-fired units are being gradually given up.[60]

Construction industry

- Decrease in construction and assembly output: by -7.7% yoy (vs. +4.9% yoy increase in 2023).[61] In this period, each of the construction branches recorded a decline, including civil engineering construction (-6.7% yoy), building construction (-7.3% yoy) and specialized construction work (-9.8% yoy).[62]
- Increase in Poland's cement output by +6.5% yoy to 17.7 million tons, with a simultaneous decrease in cement clinker output by -1.0% yoy to 12.5 million tons.[63] In 2024, imports of cement from Ukraine clearly exceeded the level of 0.5 million tons (compared to 0.3 million tons in 2023). The Association of Cement Producers estimates possibilities of imports from this direction at approx. 1.0 million tons in 2025, which may limit the scale of growth in Poland or even pose a threat for the operation of cement plants. At the same time, it should be observed that initiatives are being undertaken, connected with the limitation of imports of cement from outside of the European Union, which may significantly support local manufacturers. According to a forecast of the Institute of Economic Forecasts and Analyses in 2025, the production in Poland will achieve approx. 18 million tons, with an assumed increase at the level of approx. +4% yoy.[64]

Steel industry

- Increase in raw steel production in Poland by +9.9% yoy to 7.2 million tons.[65]
- Decline in the output of selected steel products in Poland: output of hot-rolled products decreased by -23.1% yoy to 5.7 million tons and hot-rolled bars and rods by -0.8% yoy to 1.0 million tons.[66]
- Increased output of the following steel products, among others: cold-rolled sheets by +16.9% yoy to 1.3 million tons and thin sheets by +2.5% yoy to 1.0 million tons and bars and flat bars by +0.4% yoy to 3.0 million tons[67]
- Decline in coke production in Poland by -4.0% yoy to 7.6 million tons.[68]

Chemical industry

- Increase in the production of fertilizers in Poland, including: nitrogen fertilizers (+17.8% yoy to 1.8 million tons), potassium fertilizers (+13.2% yoy to 0.3 million tons) and phosphate fertilizers (+7.8% yoy to 0.2 million tons).[69]
- Increased output of the following chemical products (among others): nitric acid (+18.8% yoy to 2.4 million tons), ammonia (+16.8% yoy to 2.1 million tons), motor gasoline (+8.0% yoy to 5.5 million tons), diesel fuels (+5.2% yoy to 16.2 million tons) and plastics (+10.4% yoy to 3.1 million tons).[70]

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[57] Polskie Sieci Elektroenergetyczne (https://www.pse.pl/dane-systemowe/funkcjonowanie-kse/raporty-miesieczne-z-funkcjonowania-kse/raporty-miesieczne)
[58] Polskie Sieci Elektroenergetyczne (https://www.pse.pl/dane-systemowe/funkcjonowanie-kse/raporty-miesieczne-z-funkcjonowania-kse/raporty-miesieczne)
[59] WNP (wnp.pl/energia/prezydent-podpisal-nowelizacje-ustawy-o-rynku-mocy,910072.html)
[60] WNP (wnp.pl/energia/produkcja-pradu-z-wegla-bez-wsparcia-jest-trwale-nierentowna,910506.html)
[61] Statistics Poland (ssgk.stat.gov.pl/Sytuacja_społeczno-gospodarcza_kraju_2024.pdf; in enterprises employing more than 9 employees – p. 73)
[62] Statistics Poland (ssgk.stat.gov.pl/Sytuacja_społeczno-gospodarcza_kraju_2024.pdf - p. 75)
[63] Statistics Poland (stat.gov.pl/obszary-tematyczne/przemysl-budownictwo-srodki-trwale/przemysl/produkcja-wazniejszych-wyrobow-przemyslowych-w-grudniu-2024-roku,2,153.html)
[64] www.wnp.pl/budownictwo/wazna-branza-odbila-sie-od-dna-wzrosla-produkcja-a-w-2025-roku-ma-byc-jeszcze-lepiej,903502.html
[65] Statistics Poland (stat.gov.pl/obszary-tematyczne/przemysl-budownictwo-srodki-trwale/przemysl/produkcja-wazniejszych-wyrobow-przemyslowych-w-grudniu-2024-roku,2,153.html)
[66] Statistics Poland (stat.gov.pl/obszary-tematyczne/przemysl-budownictwo-srodki-trwale/przemysl/produkcja-wazniejszych-wyrobow-przemyslowych-w-grudniu-2024-roku,2,153.html)
[67] Statistics Poland (stat.gov.pl/obszary-tematyczne/przemysl-budownictwo-srodki-trwale/przemysl/produkcja-wazniejszych-wyrobow-przemyslowych-w-grudniu-2024-roku,2,153.html)
[68] Statistics Poland (stat.gov.pl/obszary-tematyczne/przemysl-budownictwo-srodki-trwale/przemysl/produkcja-wazniejszych-wyrobow-przemyslowych-w-grudniu-2024-roku,2,153.html)
[69] Statistics Poland (stat.gov.pl/obszary-tematyczne/przemysl-budownictwo-srodki-trwale/przemysl/produkcja-wazniejszych-wyrobow-przemyslowych-w-grudniu-2024-roku,2,153.html)
[70] Statistics Poland (stat.gov.pl/obszary-tematyczne/przemysl-budownictwo-srodki-trwale/przemysl/produkcja-wazniejszych-wyrobow-przemyslowych-w-grudniu-2024-roku,2,153.html)

- Decreased output of sulfuric acid (-3.8% yoy to 1.2 million tons).[71]

Automotive sector

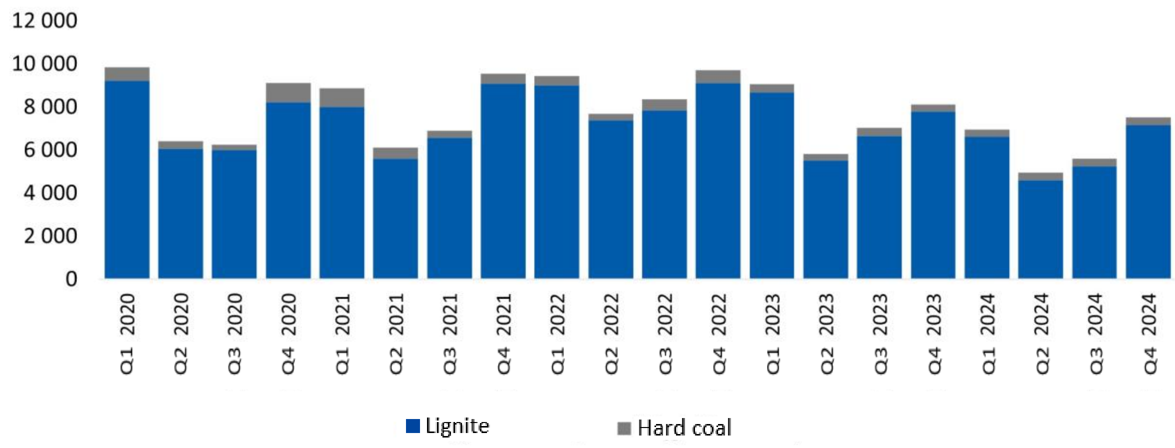
- Decrease in oil imports during the first 11 months of 2024 by -1.0% yoy to 23.0 million tons (by -0.2 million tons).[72]
- A deceleration of automotive production in Poland against a low demand in the European market – 216.2 thousand passenger cars were manufactured in Poland, which is a decrease (compared to 299.3 thousand cars in 2023, or down by -27.8% yoy), and a lower level of the production of car engines down to 2,229.5 thousand yoy (or -6.0%, which followed mainly from record performance in 2023 and therefore an effect of high base). At the same time, an increase was recorded in the number of trucks and tractors produced to 332.0 thousand (from 308.5 thousand in 2023), up +7.6% yoy) and production of vehicles for public transport for 10 and more passengers up to 7.1 thousand vehicles (by +38.6% yoy, i.e. by nearly 2.0 thousand).[73]

6.2.3. Situation in key industrial branches in the Czech Republic in 2024

Czech coal sector

- Hard coal mining in 2024: the total production of coal was 1.35 million tons (-1.3% yoy), including 0.61 million tons of coking coal (+18.1 % yoy) and 0.74 million tons of thermal coal (-13.2% yoy). Imports saw a noticeable decline (-25.9% yoy, to 2.90 million tons), while the country's exports of this commodity significantly increased (+72.5% yoy, to 1.27 million tons). Lignite is still of key importance for the Czech economy (the main source of supply of solid fuel power units) in the period of clear slowdown of industrial production and external demand, the mining of lignite fell down by -17.4% yoy (to 23.68 million tons).[74]
- Prolongation of coal mining at CSM – the strategy of OKD envisages production until the end 2025, with a possible extension of coal mining to the first half of 2026 from the last mines.[75]
- A decrease in mining and use of coal in the Czech Republic is unavoidable and will come sooner than in Poland. In the energy mix of the Czech Republic, 40% of electricity is produced in nuclear plants, 40% from coal (mostly lignite), and 20% of energy is produced from natural gas and renewable sources. Hard coal mining in the Czech Republic will probably end in 2026, and lignite mining will gradually expire in 2030-2035. This will cause a great decrease in coal supplies at a level of several dozen million tons of coal.
- A strong drop in coke output in 2024 by -27.4% yoy (when it was 1.38 million tons). At the same time, an increase was recorded in imports of the raw material (by 0.24 million tons, i.e. +20.1% yoy), with a minimum increase in export (up 0.59 million tons, i.e. by +0.5% yoy).[76]

Figure 32 Quarterly output of hard coal and lignite in the Czech Republic in 2020-2024 (in thousands of tons)



Source: Proprietary material based on data from https://www.mpo.cz/cz/energetika/statistika/tuha-paliva

[71] Statistics Poland (stat.gov.pl/obszary-tematyczne/przemysl-budownictwo-srodki-trwale/przemysl/produkcja-wazniejszych-wyrobow-przemyslowych-w-grudniu-2024-roku,2,153.html)
[72] Statistics Poland – Statistical Bulletin No. 12/2024
[73] Polish Automotive Industry Association (pzpm.org.pl/pl/Rynek-motoryzacyjny/Produkcja-pojazdow-samochodowych-i-silnikow-do-pojazdow-mechanicznych-w-Polsce/GRUDZIEN-2024)
[74] Czech Ministry of Industry and Trade (https://www.mpo.gov.cz/cz/energetika/statistika/tuha-paliva/)
[75] https://www.idnes.cz/ostrava/zpravy/okd-tezba-uhli-developer-dul-csm-karvinsko-konec.A250201_836133_ostrava-zpravy_jog
[76] Czech Ministry of Industry and Trade (https://www.mpo.gov.cz/cz/energetika/statistika/tuha-paliva/)

Czech metallurgical sector

The low steel production in the Czech Republic during the first three quarters of 2024 and data about steel production and trade in the Czech Republic for 9 months 2024 (Ocelářská unie a.s.) show a still difficult position of the industry. In that period, nearly 1.9 million tons of steel was produced (this has been the worst result in history). Compared to a corresponding period of the previous year, raw steel production decreased by about 800 thousand tons (i.e. -30%). What was crucial for the industry's performance was a drop in the production at Liberty Ostrava because of, among others, suspension of the production during 2024 at the manufacturer, which is of key importance for the steel market. In connection these difficulties, what can be clearly observed is a decrease in the output of thin steel products, with the maintenance of results for long products (including rails) and thick sheets and sheet piles. The volume of exported products also gradually declines as a result of the decrease in production. During the first 9 months of 2024, exports of steel and steel products totaled 2.3 million tons (i.e. it fell down by nearly -0.6 million tons yoy). On the other hand, imports to the Czech Republic increased slightly from 4.8 million tons to 5 million tons (+0.2 million tons) in the same period.[77]

On the other hand, steel consumption in the Czech Republic remains at a similar level as in 2023 (it even grew slightly in Q3 2024). The reason is still low demand, although continued high energy prices, high inflation, uncertain economic development in most EU countries and a tense geopolitical situation also exert an adverse influence on the entire steel industry.

Czech automotive sector

Growth of the automotive sector with strong output fluctuations: in 2024, a total of 1,459.8 thousand motor vehicles of various types (passenger cars, trucks, buses and motorcycles) were produced in the Czech Republic, up +3.9% compared to 2023 (with a +11.5% yoy increase in Q1 2024, a slight -1.2% yoy decrease in Q2 2024, a rebound to +15.4% in Q3 2024 and another decrease by -6.5% yoy in Q4 2024). In 2024, nearly 1,452.9 thousand passenger cars were manufactured, up +3.9% yoy (predominantly due to the high positive double-digit growth rate in Q1 and Q3). This has been the highest production result in the history of the Czech Republic and Czechoslovakia. At the same time, there was also a high increase in the production of motorcycles (+20.4% yoy to more than 0.9 thousand) and, on a little lower scale, trucks (+6.3% yoy to over 1.5 thousand) and large over 3.5-ton trailers (+11.9% yoy to over 2.2 thousand). On the other hand, the production of buses declined (by -14.5% yoy to nearly 4.5 thousand) and small trailers up to 3.5 tons (-6.4% yoy to 15.8 thousand). A strong demand for the products of the sector continues, a large part of the output, because of the special nature of the Czech industry, is directed to export. In Q4 2024, however, it was possible to see clear signs of declines in automotive output results, which does not look optimistic.[78]

Czech chemical sector

In H2 2024, there was a deterioration of the activity of the chemical industry in the Czech Republic (calendar-adjusted data, current prices), after sharp decreases in next quarters in H2 2022 and 2023 as a whole, a visible output growth twice by +5.3% yoy in Q1 2024 and by +2.0% yoy in Q2 2024, the two last quarters of 2024 saw again a drop in the performance (by -4.4% yoy in Q3 and minimally by -0.1% yoy in Q4 2024). The major problem of the sector remains the increased level of energy prices compared to competitors from outside of the EU as well as limited demand for products in the region. What is crucial is to limit mass imports of inexpensive products from outside of the Community, which are based on lower production costs outside the EU (i.e. leveling the playing field, e.g., through quality requirements for production or tariff barriers).[79]

Czech construction sector

Construction output increased in Q3 and Q4 2024 after two previous quarters of declines (seasonally and calendar-adjusted data, current prices) – after a -4.7% yoy decline in Q1 2024 and a -4.0% decline yoy in Q2 2024, the production rose by +1.0% yoy in Q3 2024 and by +4.8% yoy in Q4 2024. After four consecutive quarters with negative yoy performance posted by building construction entities (declines of -1.1%, -8.3%, -5.3% and -1.1%), Q4 2024 saw a +4.1% yoy increase. Engineering and construction contractors also recorded a noticeable improvement, i.e. after a decline in Q2 2024 (-1.6% yoy), a marked rebound ensued in Q3 2024 (a +4.6% growth yoy) and another increase in growth rate in Q4 2024 by +5.8% yoy, which is a sign of a positive trend to continue on the market.[80]

6.2.4. Rail infrastructure

Infrastructural investments in the area of the PKP Network completed in 2024 related to the modernization of rail infrastructure and maintenance and repair plans, were among the significant factors affecting the freight activity of PKP CARGO S.A. under restructuring. The greatest hindrances to transport operations were caused by the continuation of ongoing modernization of rail infrastructure in the Upper Silesia region, on sections of the access lines in the direction of the border crossing in Zebrzydowice and on sections on the main coal line between Zduńska Wola Karsznice and Tarnowskie Góry, which consequently hampered the handling of priority transport. Moreover, transport hindrances were associated with the

[77] Ocelarskaunie.cz/statistiky/cr/ Data o výrobě a obchodu s ocelí v ČR, https://www.libertyostrava.cz/news/liberty-ostrava-has-started-implementation-of-its-restructuring-plan/index9ed2.html?lang=en
[78] AutoSap (https://autosap.cz/en/data-and-statistics/manufacture-and-sale-of-vehicles/ - data for December 2024)
[79] Czech Statistical Office / Industrial production index / Manufacture of chemicals and chemical products
[80] Czech Statistical Office / Construction production index

continued modernization of the Upper Silesian junctions and stations such as: Czechowice Dziedzice, Bytom, Chorzów Stary, Katowice Szopienice Północne, Pszczyna, Kobiór, and the continued reconstruction of the Warsaw junction and the following station areas: Stargard, Białystok, Korsze, including the occurrence of further capacity constraints on certain sections of railroad lines 3, 93 and 273. Particularly serious transport problems occurred during the floods in Lower Silesia in the Kłodzko area, accompanied by the upgrade work on line no. 276. The continuation of the modernization of the Zebrzydowice border station and the upgrade of the Katowice junction, which began in September 2024 and will last for at least 2 years, exerted a significant impact on transport operations and will continue to exert this impact in the nearest future.

In the coming months, the line capacity limitations and the disruptions related to investment projects and maintenance and repair work are expected to remain roughly at the current level due to the work on subsequent stages of the National Railway Program until 2027.

6.2.5. Technical regulations related to rolling stock

The rolling stock used in rail transport must meet appropriate technical standards and requirements, which determine the scale of the Group's modernization and repair activity. Investments in this area are directly related to the current technical condition of the rolling stock owned and the resulting mandatory periodic repairs. The number of periodic repairs and periodic overhauls performed in each period results from the cycles defined in Maintenance System Documentation (DSU) of the rolling stock approved by the Office of Rail Transport.

6.3. Description of the growth strategy and prospects and development policy of the Company and the PKP CARGO Group at least in the next financial year

At present, the Company has no formally adopted development strategy because its current activities as well as financial and operating decisions will follow from a prepared action plan – Restructuring Plan.

As at the date of approving the report, in the assessment of the Administrator and the Company's Management Board, the work on the Restructuring Plan is at an advanced stage. Since it was impossible to prepare a document which would take into consideration all the elements required by Article 10 of the Restructuring Law by the originally planned deadline of 28 February 2025, on 27 February 2025, the Restructuring Administrator of PKP CARGO S.A. under restructuring, Izabela Skonieczna-Powałka, filed a request for extending the time limit for preparing a Restructuring Plan, which was accepted by the Judge-Commissioner of the District Court for the Capital City of Warsaw, with setting a new time limit of 30 June 2025.

The continuing detailed economic and financial analyses will allow the Management Board to determine precisely the role of PKP CARGO on the rail freight market and in the Group. Analyses performed within the Restructuring Plan, including those about the Company's business and financial model, will make it possible to optimize costs and operating effectiveness (which includes minimizing financial risks). In addition, a model will be worked out to make it possible to target offerings for customers' needs and monitor the competition, thus influencing the Company's growth in accordance with market and regulatory requirements. The Company's strategy, which will be prepared after approving the Restructuring Plan, will be based on increasing shares in specific market segments, which will allow the Management Board to identify and focus on margin segments, limiting activities in declining or non-margin areas.

PKP CARGO Group's ESG Strategy for 2024-2028

Rail transport is already a means to reducing the carbon footprint of freight operations and cutting down on emissions of dusts and other pollutants. Accordingly, the PKP CARGO Group's core line of business – rail freight – serves as the essence of sustainability.

To meet stakeholder expectations, the PKP CARGO Group developed and announced its first ESG strategy in December 2023. It was assumed to be in place for 5 years and to address the ESG area in a comprehensive manner, covering pertinent environmental, social and corporate governance issues. The PKP CARGO Group has been always aware of the risks and opportunities associated with the progressing climate change and the urgent need to advance the circular economy, as well as the potential of rail transport to help mitigate these challenges. Considering the fact that the Company is preparing a document – Restructuring Plan of PKP CARGO S.A. – which is planned to be published by 30 June 2025, the strategic ESG objective will have to be updated.

7. Other information and events

7.1. Information on PKP CARGO S.A. shares

7.1.1 Investor Relations

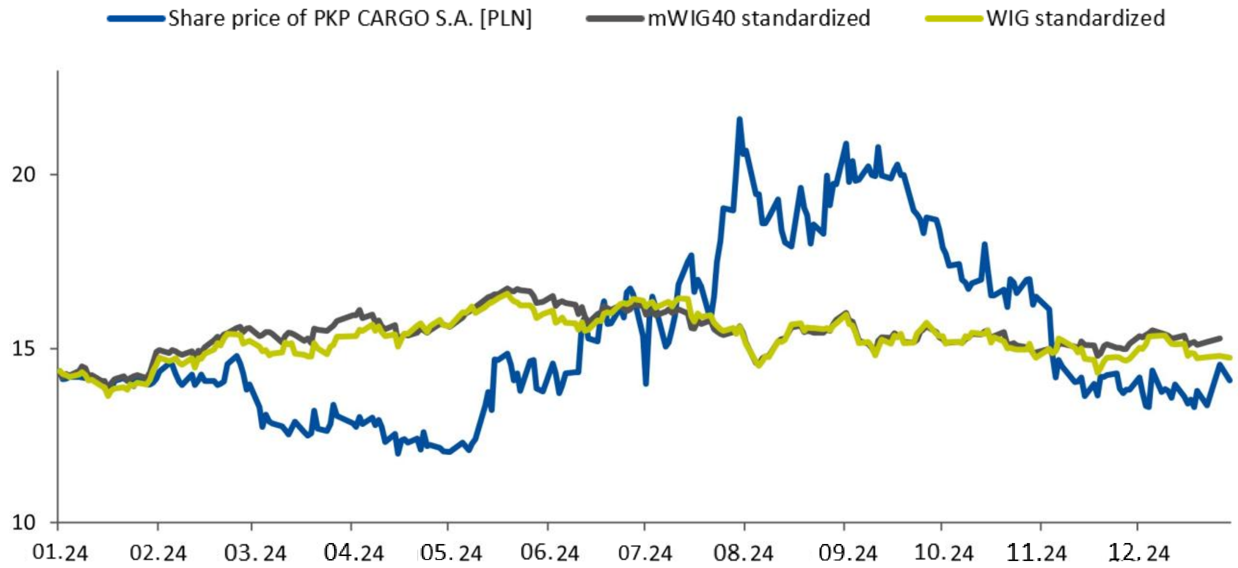
PKP CARGO S.A., as a public company listed on the Warsaw Stock Exchange since 2013, undertakes communication activities aimed at presenting the most reliable image of the Company. The overarching goal of communication activities carried out within the framework of maintaining investor relations is to present the Company's financial situation to investors and to provide equal access to information to all market participants in a way that it is clear and transparent to all.

In 2024, the Company participated in an international conference organized by Raiffeisen Bank International – Annual Investor Conference in Zurs and local meetings with analysts.

To ensure effective communication, the Company develops and provides additional materials, accessible on the Company's website in the section dedicated to investor relations and ESG. These include a fact sheet, investor presentations and basic financial and operational data on each quarter.

As part of the activities of the Investor Relations and ESG team scheduled for 2025, the Company will continue active communication with the market and participation in domestic and international events. Through these activities, the Company aims to maintain active communication with the market and ensure transparency of its actions.

Figure 33 Stock exchange quotes for PKP CARGO S.A. in 2024*



** in connection with Resolutions No. 864/2024 of 3 July 2024 and No. 976/2024 of 29 July 2024 adopted by the Management Board of Warsaw Stock Exchange on specific marking of financial instruments of PKP CARGO S.A. under restructuring listed on the WSE's Main Market, because of the opening of the remedial proceedings, the shares of PKP CARGO were deleted from the register of participants of the indexes: mWIG40, mWIG40TR, WIG140, WIGind, WIG and WIG-Poland*
Source: Proprietary material.

In 2024, between 2 January and 29 December 2024, PKP CARGO's share price fell from PLN 14.36 to PLN 14.10 (-1.81%). The lowest share price was recorded on 16 April 2024 (PLN 11.98), and the highest on 31 July 2024 (PLN 21.60). In 2024, the WIG index and mWIG40 indices increased by 2.7% and 6.4%, respectively. Owing to active measures taken by the Company's Management Board, in the second half of the year, it was possible to notice a significant increase in the prices of the Company's shares.

Polskie Koleje Państwowe S.A., with a holding of 33.01%, remains the main shareholder of PKP CARGO. PKP S.A.'s operations focus on two areas: asset management and supervision of PKP Group companies. In the area of control over companies, special attention is paid to effective supervision to ensure the highest quality of transport and logistics services for passengers and cargo. Polskie Koleje Państwowe S.A. is the parent company of the PKP Group, which has been operating as a holding company since 2022. The State Treasury, represented by the minister responsible for transportation, is the sole shareholder of PKP S.A. In 2023, PKP S.A. as a standalone entity reported a net profit of approx. PLN 72.3 million, down by PLN -4 million from the previous year.

7.1.2 Information about agreements which, in the future, may cause changes to the proportions of shares held by the current shareholders

The Company is unaware of any agreements entered into by its existing shareholders which may result in future changes to the proportions of their shareholdings.

7.1.3 Acquisition of treasury stock

In 2024, PKP CARGO S.A. did not effect any purchase or sale of its treasury stock.

7.1.4 Information on the employee share plan control system

Shares taken up by entitled employees in connection with the right granted under the Employee Guarantee Package were subject to contractual limitation of their disposal. Each eligible employee submitting a subscription for shares was required to sign an agreement providing for restrictions on the transferability of shares for a period of 2 years from the Company's first day of trading on the Warsaw Stock Exchange, i.e. until 30 October 2015. Any submitted subscription without signing the said agreement would have been considered invalid and the eligible employee would have lost his/her right to the privatization bonus, hence also to the shares. A sale of or encumbrance on any shares or rights to shares prior to 30 October 2015 was ineffective against the Company and may have exposed the employee to liability for damages.

On the date of expiration of the above lock-up period, i.e. on 30 October 2015, series C shares were converted into bearer shares.

7.1.5 Shares held by management board and supervisory board members

The holdings of the Company's shares or rights thereto by the Company's management and supervisory personnel as at the date of approving this report was as follows:

Table 28 PKP CARGO S.A. shares held by Management Board members as at the report approval date

Name	Number of PKP CARGO S.A. shares held by Management Board member as at the date of approving the report	Par value of shares as at the date of approving the report [PLN]
Izabela Skonieczna-Powałka	0	0
Agnieszka Wasilewska-Semail	0	0
Paweł Miłek	10,492	524,600
Sebastian Miller	0	0
Artur Warsocki	0	0
Michał Łotoszyński	0	0

Source: Proprietary material.

Table 29 PKP CARGO S.A. shares held by Supervisory Board members as at the report approval date

Name	Number of PKP CARGO S.A. shares held by the Supervisory Board member as at the date of approving the report	Par value of shares as at the date of approving the report [PLN]
Marcin Wojewódka	64,328*	3,216,400
Monika Starecka	10,000**	500,000
Michał Wnorowski	0	0
Marzena Piszczek	0	0
Bogusław Nadolnik	0	0
Robert Stępień	0	0
Piotr Babski	0	0

** including 3,300 shares held through Instytut Emerytalny Sp. z o.o.*
*** all shares held through Equinox Consulting Sp. z o.o.*
Source: Proprietary material.

7.1.6 Dividends paid or declared

On 27 June 2024, the Ordinary Shareholder Meeting of PKP CARGO adopted Resolution No. 10/2024 on the distribution of profit shown in the Standalone Financial Statements of PKP CARGO S.A. for the financial year ended 31 December 2023, drawn up in compliance with the EU IFRS, and decided to allocate the profit earned in full to the supplementary capital.

7.2. Information on transactions executed by the Company or its subsidiaries with related parties on non-market terms

No entity from the PKP CARGO Group entered into any transactions with related parties in 2024 on conditions other than arm's length terms. Detailed information on related party transactions are presented in *Note 7.1 to the Standalone Financial Statements* and in *Note 7.1 to the Consolidated Financial Statements*.

7.3. Proceedings pending before courts, arbitration bodies or public administration authorities

PKP CARGO 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 other provisions **(Note 5.10 to the Consolidated Financial Statements)** and contingent liabilities **(Note 7.3 to the Consolidated Financial Statements)**.

7.4. Major achievements in research and development

In 2024, the PKP CARGO Group was not involved in any research and development activities.

7.5. Key intangible assets

Trademark

The trademark, as an intangible asset, fulfills a key role in PKP CARGO's business model, especially in the context of building the Company's recognizability, reputation and competitive advantage. The trademark is the main intangible element that generates goodwill. The Company's intangible assets such as knowledge, organizational culture, reputation, brands, relationships with the environment, and intellectual property rights are essential to achieving the organization's goals. Both legally protected and unprotected ones (reputation, organizational culture, organizational structure, databases and customers) translate into the Company's value. Registering the logotype in the EU and other countries allows the brand and its values to be protected internationally. The trademark of PKP CARGO has an impact on the Company's value, builds recognizability and reputation of the PKP CARGO Group. It helps the Company stand out in the market, creating a consistent and easily recognizable identity. Customers identify the brand through the name and trademark of PKP CARGO. The Company is consciously shaping the image of the organization and its services. Having a strong trademark such as PKP CARGO means a competitive advantage. The trademark builds recognizability in the market. It presents a unique brand identity, which influences the behavior of customers. Due to the aforementioned recognizability, PKP CARGO's trademark facilitates expansion into foreign markets. PKP CARGO's trademark is a key element of the Company's marketing strategy. A coherent visual identification of the PKP CARGO Group, coherent advertising, presentations participation in industry events contribute to strengthening of the image of the whole Group. The PKP CARGO Group uses coherent visual identification for which the most important guidelines can be found in the CI Book. The Group's visual identity is characterized by consistency and constancy. The brand is built over a long term by consistently conveying only slightly modified messages and slogans. Over the years, the Company has developed certain associations with its brand, such as national rail operator, market leader, quality, reliability, know-how, human potential, rolling stock potential, reach, complementarity of services. All of them contribute to increasing the brand's value.

The PKP CARGO Group offers a range of brands under a single brand of the PKP CARGO Group, responding to a variety of customer needs with their reach and offerings (range of services). It forms an umbrella brand which encompasses the PKP CARGO Group's subsidiaries, positioning itself as a logistics operator integrating an end-to-end logistics service chain.

Summing up, the trademark of PKP CARGO has a major impact on the Company's value creation because it not only protects the Company's identity in the market, but is also an element of its competitive advantage and customer loyalty.

Employee expertise

Intangible resources of employees related to specialized knowledge in key areas include knowledge of the rules of rolling stock operation and maintenance, knowledge of rail infrastructure standards and rules, skills related to diagnosis and repair of rolling stock, knowledge of rail safety regulations, knowledge of quality standards and certifications applicable to the rail industry, knowledge of rail transport management systems, continuous professional development through training and courses, knowledge of the latest trends and innovations in the rail industry and the ability to adapt to new technologies and procedures.

The above resources are essential to ensure the safety, effectiveness and high quality of rail transport services. They are the foundation of the Company's effective and competitive business model. The resources affect operating expenses, service quality, customer satisfaction, ability to adapt to market and technological changes and they directly translate into value creation for the Company.

Licenses for the provision of transport services

A Single Safety Certificate (SSC) is a fundamental document which entitles a railway undertaking to perform transport activity and is required for transport operations on railway networks in the area of the EU. An SSC confirms acceptance of the Safety Management System (SMS) adopted by a rail company, including regulations adopted to meet specific requirements regarding security of transport in a given network, in accordance with Directive 2016/798/EU and pertinent national regulations. The Single Safety Certificate acquired by PKP CARGO S.A. entitles the Company to conduct transport operations on its own, in accordance with the area of operation applied for, in the territories of Poland, Germany, the Netherlands, the Czech Republic, Slovakia, Austria, Lithuania (1435 mm rails) and border stations in Italy. With regard to Hungary and Slovenia, transports are carried out in cooperation with PKP CARGO International (the PKP CARGO Group), holding valid certificates entitling them to provide transport services in the territory of a given state: Hungary – PKP CARGO INTERNATIONAL HU Zrt. (Safety Certificate, part B), Slovenia – PKP CARGO INTERNATIONAL SI (ex Primol-Rail) (Single Safety Certificate).

The Single Safety Certificate held by PKP CARGO S.A. is the first such a document acquired in compliance with the new EU laws (Directive (EU) 2016/798, Commission Delegated Regulation (EU) 2018/762, Commission Implementing Regulation (EU) 2018/763, issued for a maximum period (5 years), and at the same time being a certificate covering the largest area of operation in the history of the ERA (European Union Agency for Railways – a certification body). The Single Safety Certificate is valid until 13 June 2029 and is required for PKP CARGO S.A. to provide its key services.

7.6. Information about compensation system in effect

7.6.1 General information about the compensation system adopted by PKP CARGO

In PKP CARGO, compensation rules are established in accordance with the generally applicable laws and internal regulations in force in the Company. The compensation system is comprised of the following:

- The Company Collective Bargaining Agreement for Employees Hired by the Units of PKP CARGO S.A. (CBA),
- Bonus regulations of individual Units,
- Resolutions of corporate bodies of PKP CARGO S.A. to establish and introduce the rules for compensating key management, staff of the Company's Head Office, as well as employees in managerial and independent positions in the Company's standalone units.

A major portion of the Company's employees, approx. 82%, are remunerated in accordance with the provisions of the Company Collective Bargaining Agreement under which these employees are eligible for compensation components, benefits and other entitlements that are not provided for in the generally applicable regulations or are regulated in a less favorable manner. These employees' compensation consists of fixed and variable components, while their type and level vary depending on the position held, competences of the employee and nature of the tasks performed. In addition, employees remunerated under the Company Collective Bargaining Agreement are eligible for monthly bonus paid according to the Units' bonus payment rules. The bonus fund includes a pool of funds earmarked for payment of bonuses for ongoing performance of tasks and for payment of bonuses for the employee's individual achievements.

Pursuant to the delegation contained in the Company Collective Bargaining Agreement, the employees of the Company's Head Office and the employees in managerial and independent positions in the Company's Units, who in 2023 represented approx. 18% of total number of employees, receive their compensation based on the principles defined in the relevant Resolution adopted by PKP CARGO S.A. Management Board, i.e. based on the individual wage coefficient assigned to a given job position and the average monthly salary in the enterprise sector published by Statistics Poland (GUS).

In addition, the compensation system includes other benefits and perks, including jubilee award, disability or retirement severance pay, coal allowance in the form of cash equivalent, rights to use transport services at reduced rates, a benefit paid on the occasion of the Railway Employee Day, additional holidays awarded to employees in certain positions.

The PKP CARGO S.A.'s HR policy currently in effect includes a set of standards and best practices in human resource management. In addition to activities aimed at applying and improving practices in the area of recruitment, induction, and development of employees' competences, this Policy highlights the significance of an extensive employee compensation system based on stable internal regulations, ensuring additional rights and benefits specific to the rail sector, which has a favorable impact on the employees' sense of belonging in the Company and thus their work motivation.

Taking into account the rapidly changing market environment, actions have been taken to implement legal and organizational solutions related to the employee compensation system.

As part of the non-compensation incentive system for employees, the program of additional fringe benefits in the form of discounts on cultural events, goods or services for all employees of PKP CARGO S.A. (launched in 2018) has been continued. The Company's offer of discounts and rebates on products and services is more attractive than the corresponding offering in the market at large. The Company seeks to ensure that its offer is available to the largest possible number of employees. Employees are informed about the offer through such communication channels as the Intranet, e-mail, and local messages.

Moreover, all Company employees may use a wide range of social benefits offered under the social benefit rules and regulations. The social benefit offer is updated on a yearly basis, in consultation with the Social Partner, in order to meet employees' needs in this respect to the greatest extent possible.

In H1 2024, the Company's employees also had the opportunity to benefit from co-financed medical packages, to take out a cost-attractive group insurance and to join an Employee Capital Scheme (ECS). In connection with the implemented measures contributing to optimization of employee costs, employees may take advantage of the above benefits without co-financing from the employer.

In addition, owing to the positions held or functions discharged in the organization, the employees may be granted, in accordance with the rules in force in the Company, the right to use a company car, a company payment card, tools and technical equipment necessary to discharge the duties.

7.6.2 Value of compensation and fringe benefits of Management Board and Supervisory Board Members

Management Board

In accordance with the "Compensation policy for members of the PKP CARGO S.A. Management Board and Supervisory Board", the Company concludes management services contracts and non-competition agreements for the period of performance of a Management Board function.

The basic terms and conditions of the management contracts and non-competition agreements are as follows:

- the Management Board Members provide management services involving personal management of the entrusted areas of the Company's operations; the contract is concluded for the duration of discharging the function in the Company's Management Board, and terminated at the end of that period;
- the Management Board Members are vested with the right to receive the remuneration consisting of a fixed part, constituting the monthly basic compensation (hereinafter referred to as the "Base Compensation"), and the variable part (hereinafter referred to as the "Bonus"), constituting the supplementary compensation for the financial year in connection with the Manager's achievement of the management objectives of particular importance to the Company and the Group;
- the Management Board Members undertake that during the term of validity of their contract they will not conduct any business competitive to that of the Company or of any member of the PKP CARGO Group;
- the non-compete clause continues to be binding for a period of six months after the termination of the contract and the expiration of the term of office of the Management Board Member. Due to the obligation to adhere to the extended non-compete clause by Management Board Members, the Company will pay them a base compensation for each month of validity of the extended non-compete clause applicable to the pertinent Management Board Member;

The amount of the Base Compensation, in consideration of the applicable laws, is set by the Supervisory Board, following the issue of a recommendation by the Nomination Committee, in an amount equal from eight to twelve times the average monthly wage in the enterprise sector without profit-sharing in the fourth quarter of the previous year, as announced by the President of Statistics Poland and based on an analysis of market rates of compensation for persons holding the position of Management Board Member, including in entities with a similar profile of business and a similar scope and scale of operations, taking into account the needs and capabilities of the Company as well as the individual qualifications and level of experience of the respective Management Board Member, in line with the management tasks assigned to such Management Board Member.

Management Board Members are entitled to a Bonus for the achievement of management objectives specified by the Supervisory Board. Such objectives should be determined no later than by the end of April of the financial year in which they are expected to be achieved.

The directions for the principles governing the disbursement of compensation to the PKP CARGO S.A. Management Board Members and the rules for granting other benefits in a manner that ensures the pursuit of the adopted business strategy of PKP CARGO S.A. are described in the Compensation Policy for Members of the PKP CARGO S.A. Management Board and Supervisory Board adopted under Resolution No. 23/2020 of the Ordinary Shareholder Meeting of PKP CARGO S.A. of 29 June 2020, as amended.

The table below presents total compensation and fringe benefits for PKP CARGO S.A. Management Board members, who discharged their functions in 2024.

Table 30 Compensation and fringe benefits for PKP CARGO S.A. Management Board Members in 2024 (gross amounts, PLN)

Name	Compensation	Bonuses	Severance pays, indemnities, non-competition	Other revenue subject to taxes and social insurance contributions	Subsidiaries	Total
Paweł Miłek	351,166.67	0	0	29,540.94	0	380,707.61
Marcin Wojewódka	392,000.00	0	0	2,710.11	0	394,710.11
Monika Starecka	351,166.67	0	0	770.47	0	351,937.14
Dariusz Seliga	49,600.00	0	288,000.00*	3,410.46	0	341,010.46
Maciej Jankiewicz	164,833.33	0	256,566.67*	7,099.07	0	428,499.07
Marek Olkiewicz	44,433.33	0	258,000.00*	1,136.82	0	303,570.15
Jacek Rutkowski	160,533.33	0	260,866.67*	5,326.64	0	426,726.64
Zenon Kozendra	292,580.97**	0	129,000.00***	6,181.27	0	434,827.24

** including unpaid compensation for non-competition obligations, covered by the remedial estate*
*** The remuneration includes sickness benefit of PLN 23,114.30*
**** Severance pays paid in 2024 and accrued for 2024, with payment dates in 2025.*
Source: Proprietary material.

Supervisory Board

In accordance with the Compensation Policy for Members of the PKP CARGO S.A. Management Board and Supervisory Board are not employed by the Company (except for Supervisory Board Members – representatives of employees who cannot be the Company's employees).

Compensation of Supervisory Board Members is established by the Shareholder Meeting. The amount of the monthly compensation for a Supervisory Board Member shall be equal to the product of the average monthly compensation in the corporate sector without profit-sharing in the fourth quarter of the previous year, as announced by the President of Statistics Poland, and the compensation multiplier (with the reservation that, in calculating the monthly compensation of the respective Supervisory Board Member, the generally applicable laws should be taken into consideration to the extent that they govern in a different manner the basis for the calculation referred to in Article 1(3)(11) of the Act of 9 June 2016 on the Rules for Setting the Compensation of Persons Managing Certain Companies) which is as follows:

- for a member discharging the function of Supervisory Board Chairperson – 2.75,
- for a member not discharging the function of Supervisory Board Chairperson – 2.37.

Compensations of the Supervisory Board Members do not constitute a significant item in the costs of the Company's operations and do not significantly affect its financial performance.

The table below presents total compensation and fringe benefits of the Company's Supervisory Board Members, who discharged their functions in 2024.

Table 31 Compensation and fringe benefits for PKP CARGO Supervisory Board Members in 2024 (gross amounts, PLN)

Name	Position	Compensation for discharging a function in the PKP CARGO S.A. Supervisory Board	Other compensation (PKP CARGO S.A.)	Subsidiaries
Current Supervisory Board Members				
Bogusław Nadolnik	Supervisory Board Chairman	79,320.89	0	0
Marcin Wojewódka	Deputy Chairman of the Supervisory Board	2,435.29	0	0
Monika Starecka	Supervisory Board Member	2,435.29	0	0
Michał Wnorowski	Supervisory Board Member	142,210.01	0	0
Marzena Piszczek	Supervisory Board Member	14,506.86	0	0
Robert Stępień	Supervisory Board Member	79,320.89	0	0
Former Supervisory Board members				
Władysław Szczepkowski	Supervisory Board Chairman	165,011.66	0	0
Andrzej Leszczyński	Deputy Chairman of the Supervisory Board	54,512.31	0	0
Grzegorz Dostatni	Supervisory Board Member	63,501.42	0	0
Henryk Grymel	Supervisory Board Member	127,620.03	320,971.78	0
Tomasz Pietrek	Supervisory Board Member	138,945.96	180,433.12	0

Marek Ryszka	Supervisory Board Member	54,673.49	0	0
Paweł Sosnowski	Supervisory Board Member	63,699.80	0	0
Jarosław Stawiarski	Supervisory Board Member	53,865.51	0	0
Jarosław Ślepaczuk	Supervisory Board Member	139,589.96	185,250.86	0
Paweł Miłek	Supervisory Board Member	2,435.29	0	0
Izabela Wojtyczka	Supervisory Board Member	114,392.68	0	0
Grzegorz Lato	Supervisory Board Member	15,722.77	0	0

Source: Proprietary material.

Information on liabilities resulting from old age pensions and benefits of a similar nature for former persons on managing and supervising functions and on any liabilities incurred in connection with these pensions, with a specification of the total amount for each category of authority

Other than the various forms of compensation specified in this Section, the Company does not grant any individual benefits to Management Board Members or Supervisory Board Members, in particular under early retirement plans, nor shall Management Board Members or Supervisory Board Members receive any shares, options or other rights to acquire shares or any payments based on changes in share prices.

The Company does not grant any individual benefits under old-age or disability pension plans to Management Board Members. Management and Supervisory Board Members may participate on a voluntary basis in the employee capital scheme established by the Company.

Terms of non-financial components of compensation for other key managers

Department Directors and Unit Directors

The Company's key managers may be granted, in accordance with the rules in force in the Company, the right to obtain co-financing of the rent for an apartment, a company car, a company payment card, medical care.

The Company's key managers may be subject to a ban on conducting any business competitive to that of PKP CARGO S.A. after the termination of their employment relationship, in accordance with the terms defined by a Management Board Resolution, and on this account are entitled to receive compensation for observing the ban on conducting any business competitive to that of PKP CARGO S.A. and other members of the PKP CARGO Group.

7.6.3 Indication of material changes introduced in the compensation policy in the last financial year or information on absence of such changes

No material changes in the Company's compensation policies were introduced in 2024.

7.6.4 Evaluation of the practical application of the compensation policy in the context of its goals, in particular the long-term increase of the Company's value for shareholders and stability of its operations

The "Compensation policy for members of the PKP CARGO S.A. Management Board and Supervisory Board" in effect from June 2020 enabled the Company to generate value for its shareholders in the following aspects:

- confirms compliance with applicable laws and the standards for WSE-listed companies,
- ensures the pursuit of the adopted business strategy of PKP CARGO S.A. while guaranteeing the Company's security,
- means that the compensation rules defined therein are not set on an ad hoc basis but are a set of permanent, transparent and independent compensation rules contributing to the stability of the enterprise.

8. Corporate governance statement

8.1. Indication of a set of corporate governance rules applicable to PKP CARGO S.A. and the place where the wording of such rules is publicly available

The Company applies the corporate governance rules described in the document entitled "Best Practice for GPW Listed Companies 2021" (hereinafter referred to as the "Code of Best Practice 2021") adopted by the Board of the Warsaw Stock Exchange on 29 March 2021, which entered into force on 1 July 2021 and replaced the previous set of corporate governance rules. The wording of the "Code of Best Practice 2021" to which the Company has been subject since 1 July 2021 is available on the website of the Warsaw Stock Exchange at https://www.gpw.pl/pub/GPW/files/PDF/dobre_praktyki/DPSN21_BROSZURA.pdf).

The Company makes every effort to ensure that the principles contained in the Code of Best Practice 2021 are implemented. The last update of the Information on the application of principles by the Company was published on 30 April 2024 and is available on the Company's website in the Investor Relations/downloads/Best Practice Principles tab.

8.2. Extent to which PKP CARGO S.A. failed to observe the provisions of the set of corporate governance rules, indication of such provisions and explanation of the reasons for the failure

The Company applies the recommendations and principles contained in the set of "Best Practice for GPW Listed Companies 2021", except for the following principles: 1.3.1., 1.3.2., 1.4.1.,1.5., 2.1., 2.2., 2.11.1., 2.11.5., 2.11.6., 3.10., 6.2., 6.4. With respect to the following sections:

1.3. The Company integrates ESG factors in their business strategy, including in particular:

1.3.1. environmental factors, including measures and risks relating to climate change and sustainable development;

This principle has not been applied.

Explanation: the Company is at the stage of reviewing and verifying the business strategy so that as a result of the process, the strategy is supplemented with missing ESG provisions in order to ensure its full compliance with prevailing sustainability regulations.

1.3.2. social and employee factors, including, among others, actions taken and planned to ensure equal treatment of women and men, decent working conditions, respect for employees' rights, dialog with local communities, customer relations;

This principle has not been applied.

Explanation: the Company is at the stage of reviewing and verifying the business strategy so that as a result of the process, the strategy is supplemented with missing ESG provisions in order to ensure its full compliance with prevailing sustainability regulations.

1.4. To ensure quality communications with stakeholders, as a part of the business strategy, the Company publishes on its website information concerning the framework of the strategy, measurable goals, including in particular long-term goals, planned activities and their status, defined by measures, both financial and non-financial. ESG information concerning the strategy should among others:

This principle has been applied.

1.4.1. explain how the decision-making processes of the company and its group members integrate climate change, including the resulting risks;

This principle has not been applied.

Explanation: at present, the Company has no mechanisms for assessment and audit of the impact of the Company and entities from the PKP CARGO Group S.A. Group on climate change issues and the associated risks. The Company intends to prepare internal procedures making it possible to identify correctly the impact of PKP CARGO S.A. and the Group companies on climate.

1.5. Companies disclose at least on an annual basis the amounts expensed by the company and its group in support of culture, sports, charities, the media, social organizations, trade unions, etc. If the company or its group pay such expenses in the reporting year, the disclosure presents a list of such expenses.

This principle has not been applied.

Explanation: The Company publishes information on its sponsorship and charitable activity in its annual report, but it does not disclose its expenses on this account. Nevertheless, the provisions of the Articles of Association obligate the Management Board to present, at least once a year, an expense report to the Supervisory Board pertaining to its sponsoring, charitable, social communication and public relations activities.

2.1. Companies should have in place a diversity policy applicable to the management board and the supervisory board, approved by the supervisory board and the general meeting, respectively. The diversity policy defines diversity goals and criteria, among others including gender, education, expertise, age, professional experience, and specifies the target dates and the monitoring systems for such goals. With regard to gender diversity of corporate bodies, the participation of the minority group in each body should be at least 30%.

This principle has not been applied.

Explanation: The Company has not adopted a formal diversity policy applicable to the Company's authorities and there are no internal regulations that specify the minimum target participation of minority groups. However, work is in progress in the Company on developing such a policy.

2.2. Decisions to elect members of the management board or the supervisory board of companies should ensure that the composition of those bodies is diverse by appointing persons ensuring diversity, among others in order to achieve the target minimum participation of the minority group of at least 30% according to the goals of the established diversity policy referred to in principle 2.1.

This principle has not been applied.

Explanation: The Company has not developed a formal diversity policy; however, all processes, especially recruitment (also relating to the Company's authorities), take into consideration such diversity aspects as gender, education, age and professional experience. There are no internal regulations that specify the minimum target participation of minority groups.

2.11. In addition to its responsibilities laid down in the legislation, the supervisory board prepares and presents an annual report to the annual general meeting once per year. Such report includes at least the following:

2.11.1. Information about the members of the supervisory board and its committees, including indication of those supervisory board members who fulfill the criteria of being independent referred to in the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Oversight and those supervisory board members who have no actual and material relations with any shareholder who holds at least 5% of the total vote in the company, and information about the members of the supervisory board in the context of diversity;

This principle has not been applied.

Explanation: This principle has, for the most part, been adhered to by the Company, because in its report the Supervisory Board provides information about the members of the supervisory board and its committees, including indication of those supervisory board members who fulfill the criteria of being independent referred to in the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Oversight and those supervisory board members who have no actual and material relations with any shareholder who holds at least 5% of the total vote in the company. However, the report does not contain information about the Supervisory Board members in the context of diversity, because the Company does not have a pertinent policy in place, as indicated in the Company's commentary regarding principle 2.1.

2.11.5. Assessment of the rationality of expenses referred to in principle 1.5;

This principle has not been applied.

Explanation: The Company publishes information on its sponsorship and charitable activity in its annual report, but it does not disclose its expenses on this account. The provisions of the Articles of Association require the Management Board to present, at least once a year, an expense report to the Supervisory Board pertaining to its sponsoring, charitable, social communication and public relations activities.

2.11.6. information regarding the degree of implementation of the diversity policy applicable to the management board and the supervisory board, including the achievement of goals referred to in principle 2.1.

This principle has not been applied.

Explanation: The Company is in the process of developing a diversity policy.

3.10. Companies participating in the WIG20, mWIG40 or sWIG80 index have the internal audit function reviewed at least once every five years by an independent auditor appointed with the participation of the internal audit committee.

This principle has not been applied.

Explanation: In connection with the adopted cost-saving measures, the Company has temporarily abandoned the review of the audit function performed by an independent auditor.

6.2. Incentive schemes should be constructed in a way necessary among others to tie the level of remuneration of members of the company's management board and key managers to the actual long-term standing of the company measured by its financial and non-financial results as well as long-term shareholder value creation, sustainable development and the company's stability.

This principle has not been applied.

Explanation: The Company has in place an incentive system for Management Board Members – the bonus is contingent, among other criteria, on the attainment of the objectives correlated with the Company's annual business plan and the projection of the PKP CARGO Group's financial results; the Company, however, does not have an incentive system for key managers (senior management).

6.4. As the supervisory board performs its responsibilities on a continuous basis, the remuneration of supervisory board members cannot depend on the number of meetings held. The remuneration of members of committees, in particular the audit committee, should take into account additional workload on the committee.

This principle has not been applied.

Explanation: A Supervisory Board Member is entitled to monthly compensation regardless of the number of meetings of the Supervisory Board or committees appointed by the Supervisory Board. The remuneration of Members of Committees does not take into account additional workload on the committee. The Supervisory Board intends to submit a motion to the Shareholder Meeting to increase the compensation of Chairpersons of Supervisory Board Committees.

8.3. Description of the primary attributes of the internal control and risk management systems used in the Company and the PKP CARGO Group in respect of the process of preparing standalone and consolidated financial statements

8.3.1. Uniform accounting policy

PKP CARGO as the parent company has developed and implemented the Accounting Policy designed in accordance with EU IFRS. The document is updated on an ongoing basis as statutory amendments are introduced. The principles contained in the document are applied to the standalone financial statements of PKP CARGO S.A. under restructuring and the consolidated financial statements of the PKP CARGO Group. Companies subject to consolidation are required to apply the Accounting Policy of PKP CARGO S.A. under restructuring in their preparation of reporting consolidation packages which form the basis for preparation of the consolidated financial statements of Grupa PKP CARGO S.A. under restructuring.

8.3.2. Uniform consolidation packages of subsidiaries

For the purposes of preparation of the consolidated financial statements of Grupa PKP CARGO S.A. under restructuring, a uniform pattern of reporting packages based on EU IFRS to be prepared by the subsidiaries has been adopted. The subsidiaries prepare their reporting packages in accordance with EU IFRS taking into account the differences between Polish Accounting Standards (and other local standards in the case of international companies) and EU IFRS.

8.3.3. Bookkeeping

The reliability of financial statements is ensured by using data derived directly from the accounting ledgers. The Parent Company keeps a set of accounting ledgers forming the basis for preparation of financial statements in its computerized financial and accounting system SAP. The Company updates its financial and accounting system on an ongoing basis in line with the changing legislation and reporting requirements, both internal and external. Access to the IT systems is restricted by appropriate permissions granted to authorized employees. The IT and organizational solutions used by the Company secure control of access to the financial and accounting system and ensure appropriate protection and archiving of accounting ledgers.

8.3.4. Procedures for the closing of ledgers and authorization of financial statements

PKP CARGO and the subsidiaries have implemented internal procedures for closing the reporting periods, setting the dates and defining the responsibilities of internal departments for each reporting area; financial statements are subjected to internal procedures aimed at verifying their completeness and compliance; EU IFRS-compliant reporting packages are signed by the Management Boards of the subsidiaries and EU IFRS-compliant consolidated financial statements are properly authorized and signed by the Company's Management Board, and then authorized and signed by the Administrator of the PKP CARGO remedial estate.

8.3.5. Supervision by the Audit Committee

Within the structure of the PKP CARGO S.A. Supervisory Board, the Audit Committee has been established which, in accordance with the applicable regulations, exercises supervision over the process of preparation of consolidated financial statements and the process of financial audit and which analyzes and monitors interim and annual financial data of both the Company and the Group.

8.3.6. Audit and review of financial statements

Annual standalone and consolidated financial statements are audited by a statutory auditor, semi-annual standalone and consolidated financial statements are reviewed by a statutory auditor; reports on the auditor's activities are appended to all approved and published financial statements.

8.4. Shareholders holding directly or indirectly significant blocks of shares

Table 32 Shareholder structure of PKP CARGO S.A. as at 31 December 2024

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

Total	**44,786,917**	**100.00%**	**44,786,917**	**100.00%**

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

On 29 January 2025, the Company received a notice from Nationale-Nederlanden Powszechne Towarzystwo Emerytalne S.A. about increasing the share held by its funds in the total number of votes at the Company's Shareholder Meeting by 2%.

Table 33 Shareholder structure of PKP CARGO S.A. as at the approval date of this Report

Shareholder	Number of shares	% of equity	Number of votes	% of the total number of votes at the Shareholder Meeting
PKP S.A.	14,784,194	33.01%	14,784,194	33.01%
Funds* managed by Nationale-Nederlanden PTE S.A.	5,409,513	12.08%	5,409,513	12.08%
Other shareholders	24,593,210	54.91%	24,593,210	54.91%
Total	**44,786,917**	**100.00%**	**44,786,917**	**100.00%**

** Nationale-Nederlanden Otwarty Fundusz Emerytalny, Nationale-Nederlanden Dobrowolny Fundusz Emerytalny, Nationale-Nederlanden Dobrowolny Fundusz Emerytalny Nasze Jutro 2025, Nationale-Nederlanden Dobrowolny Fundusz Emerytalny Nasze Jutro 2030, Nationale-Nederlanden Dobrowolny Fundusz Emerytalny Nasze Jutro 2035, Nationale-Nederlanden Dobrowolny Fundusz Emerytalny Nasze Jutro2040, Nationale-Nederlanden Dobrowolny Fundusz Emerytalny Nasze Jutro 2045, Nationale-Nederlanden Dobrowolny Fundusz Emerytalny Nasze Jutro 2050, Nationale-Nederlanden Dobrowolny Fundusz Emerytalny Nasze Jutro 2055, Nationale-Nederlanden Dobrowolny Fundusz Emerytalny Nasze Jutro 2060 and Nationale-Nederlanden Dobrowolny Fundusz Emerytalny Nasze Jutro 2065*
Source: Proprietary material.

8.5. Holders of securities giving special controlling rights

No PKP CARGO S.A. securities give any of the shareholders any special control rights.

8.6. Exercise of voting rights from shares at the Shareholder Meeting

Right to participate in the Shareholder Meeting and voting rights

A shareholder exercises the right to participate in the Shareholder Meeting and voting rights at Shareholder Meetings. Pursuant to the Commercial Company Code, the Company's shareholders may participate in the Shareholder Meeting and exercise their voting right in person or by proxy. A shareholder of the Company wishing to participate in a Shareholder Meeting by proxy must grant the proxy powers in writing or in electronic form. The Company provides a form of proxy document in the notice on convening the Shareholder Meeting. Moreover, the Company should be notified about granting proxy powers in electronic form using the means of electronic communication specified in the announcement on convening the Shareholder Meeting. The Company takes proper action to identify the shareholder and his/her/its proxy to verify the validity of the proxy powers granted in electronic form. A detailed description of the manner of verification of the validity of proxy powers granted in electronic form must be included in the contents of the notice on convening the Shareholder Meeting.

A Company shareholder holding shares registered in more than one securities account may appoint separate proxies to exercise the rights attached to shares registered in each of his/her/its accounts.

If a Management Board Member, a Supervisory Board Member, the liquidator, an employee of the Company, or a member of a corporate body or an employee of the Company's subsidiary or cooperative acts as a proxy at a Shareholder Meeting, then the proxy document may authorize such a person to represent the shareholder at a single Shareholder Meeting only. The proxy is obligated to disclose to the Company's shareholder any circumstances indicating the existence or possibility of a conflict of interest. In such a situation, it is not permitted for the proxy to grant the proxy powers to others. The proxy will vote in accordance with the instructions given by the Company's shareholder.

Pursuant to § 11 Section 2 of the Articles of Association, each share entitles its holder to one vote at the Shareholder Meeting. Pursuant to § 13 Section 1 of the Company's Articles of Association, voting rights of the shareholders holding more than 10% of all the votes in the Company are restricted in such a manner that no such shareholder may exercise more than 10% of all the votes in the Company existing on the date of the Shareholder Meeting. This restriction does not apply for the purposes of determining the obligations of buyers of significant blocks of shares, which are prescribed by the Act on Public Offerings. The above restriction of the voting rights does not apply to shareholders who, on the date of adoption of the Shareholder Meeting resolution introducing the restriction, were entitled to exercise voting rights, also as users, attached to shares representing more than 10% of the total number of votes existing in the Company or any other entity that acquires the Company's shares held by the shareholders referred to above in connection with their liquidation.

In accordance with the provisions of the Articles of Association, the limitation of voting rights of shareholders representing more than 10% of the total number of votes in the Company will not cease after a sale of all shares held by PKP S.A. to which the said limitation does not apply.

A Company shareholder may not, either personally or by proxy or while acting in the capacity of a proxy of any other person, vote on resolutions concerning his/her/its liability towards the Company on whatever account, including granting a discharge on the performance of his/her/its duties, being released from any of his/her/its liabilities towards the Company or any dispute between him/her/it and the Company. The above restriction does not apply to voting by a Company shareholder acting in the capacity of a proxy for another shareholder on any of the said resolutions concerning the voting shareholder.

Moreover, pursuant to § 13 Section 3 of the Company's Articles of Association, for the purposes of restricting the voting rights, the votes of the shareholders connected by a parent or subsidiary relationship are added up according to the principles described below.

The shareholders whose votes are accumulated and reduced are jointly referred to as a "Grouping". An accumulation of votes involves adding up the votes held by individual shareholders comprising a Grouping. Reduction of votes involves reduction of the total number of votes in the Company at the Shareholder Meeting vested in the shareholders from a Grouping. Reduction of votes is effected according to the following principles:

- for each shareholder associated with a Grouping, a percentage of votes vested in the shareholder in the cumulative number of votes vested in the entire Grouping is calculated;
- the number of votes corresponding to 10% of all the votes in the Company is calculated on the date of holding the Shareholder Meeting;
- for each shareholder, the product of the percentage mentioned in item 1) and the number of votes mentioned in item 2) is calculated;
- the number of votes vested in each shareholder forming part of the Grouping after the reduction is the number obtained in item 3) rounded up to a full vote;
- the restriction of the voting rights pertains also to shareholders who are not present at the Shareholder Meeting.

Pursuant to § 13 Section 7 of the Company's Articles of Association, in order to determine the basis for vote accumulation and reduction, each Company shareholder, the Management Board, Supervisory Board and individual members of these bodies, as well as the Chairperson of the Shareholder Meeting may demand that a Company shareholder whose votes are reduced provide information as to whether he/she/it is a person having the status of a controlling entity or subsidiary of another shareholder.

8.7. Restrictions on the transfer of ownership title to PKP CARGO S.A. securities

Statutory restrictions on the transferability of shares

The Act on Public Offerings, the Act on Trading in Financial Instruments and the Commercial Company Code provide, among others, for the following restrictions on the unconstrained transferability of shares:

- the obligation to notify the Polish Financial Supervision Authority and the Company applies to anyone who: (i) has reached or exceeded 5%, 10%, 15%, 20%, 25%, 33%, $33^1/_3$%, 50%, 75% or 90% of the total number of votes in a public company; (ii) holds at least 5%, 10%, 15%, 20%, 25%, 33%, $33^1/_3$%, 50%, 75% or 90% of the total number of votes in a company and, as a result of a reduction in this shareholding, reached 5%, 10%, 15%, 20%, 25%, 33%, $33^1/_3$%, 50%, 75% or 90%, respectively, or less of the total number of votes; (iii) has changed his/her/its previously held share greater than 10% of the total number of votes by at least 2% of the total number of votes in a public company whose shares are admitted to trading on an official stock market (as at the Prospectus Date, the market in question is the main market of the Warsaw Stock Exchange); (iv) has changed his/her/its previously held share greater than 33% of the total number of votes in a public company by at least 1% of the total number of votes;
- the obligation to announce a call to subscribe for the sale or conversion of shares in the event of: surpassing the threshold of 50% of the total number of votes at the Shareholder Meeting;
- the prohibition of the acquisition or sale, for one's own account or for a third party, of any financial instruments, based on inside information;
- the obligation to announce a voluntary tender offer in the event of an intention to acquire all remaining shares of the issuer,
- the prohibition of the acquisition or sale of financial instruments during the lock-up period by the persons referred to in the MAR Regulation;
- the parent company, within the meaning of Article 4 Section 1 Item 4 of the Commercial Company Code, is required to inform a subsidiary of the establishment or termination of a relationship of dominance within two weeks of the date of establishment of such a relationship, otherwise its voting rights attached to the shares held by the parent company representing more than 33% of the share capital of the subsidiary will be suspended.

The Act on the Rules for Managing State Property (i.e. Journal of Laws of 2024, Item 125), in Article 13(1)(14), states that shares or rights to shares owned by the State Treasury cannot be disposed of.

8.8. The rules for appointing and dismissing managers and their powers, in particular the right to make decisions on issuing or redeeming shares

The PKP CARGO S.A. Management Board consists of between one and six members, including the President of the Management Board. Management Board members are appointed for a joint three-year term of office. The President and other Members of the Management Board are appointed by the Supervisory Board pursuant to the Company's Articles of Association and the Bylaws for Appointing Management Board Members in PKP CARGO S.A. The Supervisory Board sets the number of Management Board members.

Management Board Members are appointed following the conduct of a recruitment procedure only from among candidates participating in the recruitment procedure who received a favorable opinion from the PKP CARGO S.A. Supervisory Board Nomination Committee (recruitment consultant). The recruitment procedure for a Management Board Member is organized and conducted by the Supervisory Board Nomination Committee. The Supervisory Board may entrust the performance of a recruitment procedure to a professional personnel consulting firm. In the procedure for appointment of Management Board Members, the Supervisory Board Nomination Committee participates, also exercising ongoing supervision over the recruitment procedure (in the event of entrusting a professional personnel consulting firm the recruitment of specialists) of Management Board Members and the process of evaluation and appointment of Management Board Members.

As long as the State Treasury, PKP S.A. or other state legal persons hold less than 100% of the Company's shares, the President of the Management Board and other Management Board members are appointed and dismissed by the Supervisory Board. In the event that PKP S.A.'s share in the Company's share capital is 50% or less, PKP S.A. will have the personal power to select candidates for the President of the Management Board on its own. The personal rights referred to in the preceding sentence are exercised by way of delivering a written statement to the Supervisory Board Chairperson.

Pursuant to § 18 and § 25 Section 3 Item 2 of the Articles of Association, the PKP CARGO S.A. Management Board is authorized, with the consent of the Supervisory Board, in accordance with the rules laid down in the provisions of the Commercial Company Code, to pay shareholders an interim dividend towards the dividend expected at the end of the financial year.

The Company's executives are not authorized to make any decisions on the issue or redemption of shares.

8.9. Rules for amending the Articles of Association of PKP CARGO S.A.

The rules for amending the Company's Articles of Association are based on Article 430 and Article 402 § 2 of the Commercial Company Code. Any amendment to the Articles of Association requires a resolution of the Shareholder Meeting. Moreover, the adoption of a resolution on amendments to § 26 Section 3 or 4 and § 27 Section 7 of the Articles of Association requires a resolution of the Shareholder Meeting adopted by a majority of four-fifths of the votes in the presence of shareholders representing at least 50% of the total number of votes in the Company plus 1 vote.

Any amendments to the Articles of Association are subject to their registration by the appropriate registry court. Pursuant to §25 Section 3 Item 11, the Supervisory Board is entitled, after the court's decision on the registration of amendments to the Company's Articles of Association becomes final non-appealable to adopt the consolidated version of the Company's Articles of Association. An amendment to the Company's Articles of Association which involves a material change in the line of business does not require a buyout of the shares held by the shareholders objecting to such an amendment if the relevant resolution of the Shareholder Meeting in this matter is adopted by a majority of two thirds of the votes in the presence of shareholders representing at least one half of the share capital.

In 2024, the Shareholder Meeting amended the Company's Articles of Association:

- by Resolution No. 3/2024 of the Extraordinary Shareholder Meeting of 18 April 2024,
- by Resolutions Nos. 47/2024, 48/2024, 50/2024, 51/2024, 52/2024, 53/2024, 55/2024 of the Extraordinary Shareholder Meeting of 7 October 2024.

All these amendments to the Articles of Association have been registered by the registry court.

8.10. Manner of operation and key powers of the Shareholder Meeting

The Company's Shareholder Meeting operates pursuant to the provisions of the Commercial Company Code, the Company's Articles of Association (in particular, §10-§13) and the Bylaws of the Shareholder Meeting. Shareholders are entitled to participate in and exercise their voting rights at the Shareholder Meeting in person or by proxy. The Shareholder Meeting is valid irrespective of the number of shares represented thereat.

Resolutions of the Shareholder Meeting are adopted by an absolute majority of votes except for resolutions the adoption of which is subject to more stringent requirements provided for by the Commercial Company Code or the Articles of Association. Moreover, the adoption of a resolution on amendments to § 26 Section 3 or 4 or § 27 Section 7 of the Articles of Association requires a resolution of the Shareholder Meeting adopted by a majority of four-fifths of the votes in the presence of shareholders representing 50% of the total number of votes in the Company plus one vote.

Votes at the Shareholder Meeting are cast in an open ballot. A secret ballot is ordered for elections and motions for the dismissal of members of the Company's corporate bodies or the Company's liquidators, or for holding them accountable, or in other personal matters. Moreover, a secret ballot must be ordered at the request of at least one shareholder attending or represented at the Shareholder Meeting.

The Shareholder Meeting may adopt a resolution on waiving the secrecy of voting in matters concerning the selection of a committee appointed by the Shareholder Meeting.

The Shareholder Meeting is presided over by its Chairperson who oversees its efficient conduct in accordance with the adopted agenda. The Chairperson may make decisions concerning procedural matters. Without the consent of the Shareholder Meeting, the Chairperson may not remove or change the order of business entered in the adopted agenda.

The Shareholder Meeting of PKP CARGO S.A. is opened by the Chairperson of the Shareholder Meeting appointed by the President of the Management Board. If the President of the Management Board fails to appoint the Chairperson of the Shareholder Meeting prior to the designated start time of the meeting, the provisions of Article 409 § 1 of the Commercial Company Code are applied. The Chairperson of the Shareholder Meeting is elected by an absolute majority of votes cast in a secret ballot.

The Extraordinary Shareholder Meeting may be convened by a shareholder whose stake in the total number of votes in the Company is greater than 33%. In such a case, the shareholder convening the Extraordinary Shareholder Meeting appoints the Chairperson of the Shareholder Meeting.

The Shareholder Meeting adopts the Bylaws of the PKP CARGO S.A. Shareholder Meeting laying down a detailed procedure of conduct for its meetings. Draft Bylaws of the Shareholder Meeting are presented by the Company's Management Board. It is permitted to participate in the Shareholder Meeting by means of electronic communication, provided that the notice of convocation of the Shareholder Meeting contains information about such a possibility.

8.11. Description of the functioning of PKP CARGO's management, supervisory bodies and their committees, along with an indication of the composition of such bodies and changes in them during the last financial year

8.11.1. MANAGEMENT BOARD

The PKP CARGO S.A. Management Board operates on the basis of regulations of law, and in particular:

1. Act of 15 September 2000 entitled Commercial Company Code (Journal of Laws of 2020 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. 214/VIII/2024 of the PKP CARGO S.A. Supervisory Board dated 25 October 2025);
4. The Bylaws of the PKP CARGO S.A. Management Board approved by Resolution no. 218/VIII/2024 of the PKP CARGO S.A. Supervisory Board on 13 November 2024;
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.

Division of tasks:

The internal allocation of tasks and functions discharged by Management Board members, resulting from the provisions of the Management Board Bylaws, is as follows:

President of the Management Board – the scope of the President's activity includes directing the activities of the Management Board and the Company's ongoing operations and overseeing the management of specific areas of the Company's business, in particular:

- business strategy,
- legal services,
- internal audit and control,
- investor relations,
- compliance,
- occupational safety and health.

Special powers of the President of the Company's Management Board include performance of the Company's defense tasks resulting from the regulations on general defense obligation.

Management Board Member in charge of Finance – the scope of duties of the Management Board Member in charge of Finance covers responsibility for rational management of the Company's resources and overseeing the management of specific areas of the Company's business, in particular:

- finance management,
- controlling,
- purchase and sale of assets.

Special powers of the Management Board Member in charge of Finance include the performance, on behalf of PKP CARGO S.A., of obligations arising from accounting, tax and insurance regulations.

Management Board Member in charge of Commerce – the scope of duties of the Management Board Member in charge of Commerce covers responsibility for adequate sales levels and customer relations and overseeing the management of specific areas of the Company's business, in particular:

- commercial policy,
- sales of transport and logistics services,
- international cooperation.

Management Board Member in charge of Operations – the scope of activity of the Management Board Member in charge of Operations includes caring for the effective execution of the Company's business and technological processes and overseeing the management of specific areas of the Company's activity, in particular in the following areas:

- logistics and execution of transports,
- maintenance of rolling stock,
- rail traffic safety.

Management Board Member in charge of Restructuring – the scope of activity of the Management Board Member for Restructuring includes overseeing the management of specific areas of the Company's activity, particularly in the following areas:

- restructuring,
- business strategy in relevant areas,
- real estate management and administration,
- information and communication technology.

Management Board Member in charge of Human Resources – the scope of activity of the Management Board Member in charge of Human Resources includes overseeing the management of specific areas of the Company's activity, particularly in the following area:

- management of human resources and relations with social partners.

With Resolution No. 10/2025 adopted by the Management Board of PKP CARGO S.A. under restructuring on 21 January 2025, temporary oversight of the affairs and organizational units falling within the scope of responsibilities of the Management Board Member in charge of Human Resources was entrusted to Mr. Paweł Miłek, Vice-President, Management Board Member in charge of Restructuring. The temporary oversight referred to in the previous sentence will be exercised until the date of appointing Management Board Member in charge of Human Resources of PKP CARGO S.A. under restructuring.

Diversity policy

In the Company, no formal diversity policy has been prepared with regard to the Company's corporate bodies; nevertheless, the policy carried out by PKP CARGO in all the processes, especially recruitment, takes into consideration such diversity aspects as sex, education, age and professional experience, accepting diversity and equal opportunities as significant competitive advantages, which make it possible to win and retain talented employees and benefit from their professional capacity, especially with regard to the Company's corporate bodies. The Company applies transparent rules to elect its Management Board and Supervisory Board Members.

The Company's Articles of Association define the rules of appointing the Management Board and electing one Management Board member by employees. Pursuant to § 14 Section 10 of the Company's Articles of Association, a Management Board member is obligated to satisfy the requirements specified in Article 22 of the Act on the Rules for Managing State Property.

Composition of the Management Board

The table below presents the composition of the Management Board as at the delivery date of this report.

Table 34 Composition of the PKP CARGO S.A. Management Board

Name	Position	Period in office	
		from	to
Agnieszka Wasilewska-Semail	President of the Management Board	20 January 2025	to date
Paweł Miłek	Vice-President of the Management Board Management Board Member in charge of Restructuring	1 January 2025	to date
Sebastian Miller	Management Board Member in charge of Operations	1 January 2025	to date
Artur Warsocki	Management Board Member in charge of Commerce	1 February 2025	to date
Michał Łotoszyński	Management Board Member in charge of Finance	17 February 2025	to date

Source: Proprietary material.

During 2024 and until the date of approving this report, the following changes occurred in the Company's Management Board:

On 1 February 2024, the Supervisory Board suspended from office Mr. Dariusz Seliga, President of the PKP CARGO S.A. Management Board, and Mr. Marek Olkiewicz, PKP CARGO S.A. Management Board Member in charge of Operations. On the same date, the Supervisory Board appointed Mr. Maciej Jankiewicz, Management Board Member in charge of Finance, as acting President of the Company's Management Board.
On 2 February 2024, the PKP CARGO S.A. Management Board entrusted Mr. Maciej Jankiewicz, as of 1 February 2024, with oversight of the affairs and organizational units of the Company's Head Office falling within the scope of responsibilities of PKP CARGO S.A. Management Board Member in charge of Operations.

On 22 April 2024, the Supervisory Board dismissed Mr. Jacek Rutkowski, Management Board Member in charge of Commerce, from the PKP CARGO S.A. Management Board.

On 24 April 2024, the Supervisory Board dismissed from the Company's Management Board:
- Mr. Dariusz Seliga, President of the Management Board,
- Mr. Marek Olkiewicz, Management Board Member in charge of Operations, and

On 25 April 2024, the Supervisory Board dismissed Mr. Maciej Jankiewicz, Management Board Member in charge of Finance, and from the post of acting President of the Management Board.

On 24 April 2024, the Company's Supervisory Board adopted a resolution to delegate, from 26 April 2024 to 25 July 2024:

- Mr. Marcin Wojewódka to act in the capacity of the Company's Management Board Member and entrust him with discharging the duties of President of the Management Board,
- Ms. Monika Starecka to act in the capacity of the Company's Management Board Member and entrust her with discharging the duties of Management Board Member in charge of Finance,
- Mr. Paweł Miłek to act in the capacity of the Company's Management Board Member and entrust him with discharging the duties of Management Board Member in charge of Commerce.

On 15 July 2024, the Company's Supervisory Board adopted resolutions to second Supervisory Board Members again, temporarily, from 26 July 2024 to 25 October 2024. Then, on 15 October 2024, the Company's Supervisory Board adopted resolutions to second Supervisory Board Members to temporarily, i.e. from 26 October 2024 to 25 January 2025, to perform the duties.

On 25 July 2024, the District Court for the Capital City of Warsaw in Warsaw, 18th Commercial Division, appointed Ms. Izabela Skonieczna-Powałka as administrator of the remedial estate.

On 2 September 2024, the Supervisory Board, at the request of some of the trade unions operating in the Company, dismissed Mr. Zenon Kozendra, Management Board Member – Employee Representative, from the Company's Management Board.

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

On 13 November 2024, the Company's Supervisory Board adopted a resolution to additionally entrust Mr. Paweł Miłek with the duties of Management Board Member in charge of Restructuring.

On 20 December 2024, the Supervisory Board adopted resolutions to:

- appoint Ms. Agnieszka Wasilewska-Semail to the Management Board, entrusting her with discharging the function of President of the Management Board as of 1 February 2025
- appoint Mr. Artur Warsocki to the Management Board, entrusting him with discharging the function of Management Board Member in charge of Commerce as of 1 February 2025
- appoint Mr. Sebastian Miller to the Management Board, entrusting him with discharging the function of Management Board Member in charge of Operations as of 1 January 2025
- appoint Mr. Paweł Miłek to the Management Board, entrusting him with discharging the function of Management Board Member in charge of Restructuring as of 1 January 2025, at the same time entrusting Mr. Paweł Miłek with discharging the duties of President of the Management Board in the period from 1 January 2025 to 31 January 2025
- terminate the secondment of Mr. Marcin Wojewódka to act temporarily in the capacity of the President of the Management Board as of 31 December 2024.

On 13 January 2025, the Supervisory Board adopted resolutions to:

- change the date of appointing Ms. Agnieszka Wasilewska-Semail as President of the Company's Management Board to 20 January 2025
- shorten the period for entrusting the duties of President of the Management Board to Mr. Paweł Miłek until 19 January 2025, at the same time entrusting Mr. Paweł Miłek, the Management Board Member in charge of Restructuring, to act in the capacity of Vice-President of the Management Board.

On 14 February 2025, the Company's Supervisory Board adopted a resolution to appoint Mr. Michał Łotoszyński to the Management Board and entrust him to discharge the duties of Management Board Member in charge of Restructuring with effect as of 17 February 2025.

AGNIESZKA WASILEWSKA-SEMAIL	PRESIDENT OF THE MANAGEMENT BOARD

Ms. Agnieszka Wasilewska-Semail, graduate of Master of Laws (LLM), the Catholic University Leuven (Belgium) and the Faculty of Law and Administration at the University of Warsaw. She has been involved in the banking sector for 18 years. She began her professional career in Belgium, at Bank Brussels Lambert (at present: ING Bank Belgium) in 1996 as Area Manager (International Banking Department), and then as the Manager of the European Business Desk cell. Since 2021, she has been Management Board Member in the Eneris Group companies (Eneris Re-Energia, Eneris Siemiatycze, Eneris Ruda Śląska, Eneris Ekopark). In 2014-2020, she was President, Vice-President of Rafako S.A. (now: Rafako S.A. w restrukturyzacji). In 2007-2014, she discharged the function of Managing Director of the following, successively: Transaction Banking Division, Corporate Sales Division, Strategic Customers Division at PKO Bank Polski S.A. In 2006-2007, she was Executive Director at Bank Handlowy w Warszawie S.A. (Citigroup). In 2005-2006, she was Department Director at ING Bank Śląski and, from 2002 to 2005, she worked as the Director of first a Department, then a Division, at Kredyt Bank S.A. (now: Santander Bank Polska S.A.). She also gained her long-term experience as a Supervisory Board Member (in the Rafako and PKO Bank Polski Groups); Management Board Member of the Chamber of Commerce for Power Industry and Environmental Protection; Supervisory Board Member of KIR S.A. and also as a Member of the Bank's Credit Committee, Investment Committee, Operating Risk Committee, Asset and Liabilities Management Committee. She can speak fluently the following languages: English, French, Dutch.

PAWEŁ MIŁEK	VICE-PRESIDENT OF THE MANAGEMENT BOARD, MANAGEMENT BOARD MEMBER IN CHARGE OF RESTRUCTURING

Mr. Paweł Miłek Graduated in law from the University of Wrocław, completed his judge training in 1997 and his legal counsel training in 1999. Since 1997 until now, he has been trustee in bankruptcy proceedings, supervisor and administrator in restructuring proceedings. On 9 February 2022, he obtained the professional title of Qualified Restructuring Advisor. Legal counsel since January 2000. Used to serve as Vice-Chairman of the Regional Disciplinary Court at the Regional Chamber of Legal Counsels in Wroclaw. From 2021 to 2023, President of the Lower Silesian Association of Trustees in Bankruptcy Proceedings.

SEBASTIAN MILLER	MANAGEMENT BOARD MEMBER IN CHARGE OF OPERATIONS

Mr. Sebastian Miler graduated from the Faculty of Mechanical Engineering, Power Engineering and Aviation at Warsaw University of Technology, majoring in Mechanical Engineering and the Construction of Machines, obtaining a diploma of Master of Business Administration in the Gdańsk Manager Training Foundation. He has extensive experience as a manager in the railway industry, and previously in manufacturing. From 2001, for about a dozen years, he performed contracts and managed projects at Polimex-Mostostal S.A. (previously: ZREW S.A.), ERBUD and MONCOBRA. In 2019-2024, he worked on the position of Technical Division Director, managing maintenance and technical activity in Szybka Kolej Miejska w Warszawie (Urban Fast Transit Railway in Warsaw). In 2024, he was appointed Advisor to the President of the Management Board, responsible for supervision and reorganization of the area of operations in the Company.

ARTUR WARSOCKI	MANAGEMENT BOARD MEMBER IN CHARGE OF COMMERCE

Mr. Artur Warsocki is a graduate from the Foreign Trade Department at the University of Gdańsk. In 2007, he was awarded the title of Executive MBA at the Gdańsk Manager Training Foundation and in one of the leading international business education institutions of the RSM Erasmus University. He started his professional career at Rafineria Gdańska S.A. in 1998. Since 2003, he continued work in the LOTOS S.A. Group, where he held successive managerial positions. In 2008-2012, as Sales Management Director, he was responsible for wholesale trading in fuels of the refinery. In 2012-2014, he was responsible for development of aviation fuel business, as a result of which aviation fuels started to be sold by LOTOS at all the key airports in Poland. As the President of the Management Board of LOTOS Tank, he was responsible for restructuring and transformation of the company into a joint venture with the international concern Air BP. In the newly-established company, LOTOS-Air BP, he became President of the Management Board. Since 2015, he is being associated with the logistics industry. In 2015-2017, as the Director for Commerce of the CTL Logistics Group and Management Board Member of CTL Logistics GmbH, he developed the sales area in terms of rail transports in the Polish and German market. Since 2017, he is being associated with the logistics and freight forwarding industries in Polish sea ports.

MICHAŁ ŁOTOSZYŃSKI	MANAGEMENT BOARD MEMBER IN CHARGE OF FINANCE

Mr. Michał Łotoszyński is a graduate from the Management and Marketing Department of the University of Łódź. He completed and passed an MBA (Master of Business Administration) examination at the Gdańsk Foundation for Training Managers and the Rotterdam School of Management, Erasmus University. He holds certificates: PRINCE II, Project Management and CRM, Management 2004 - Harvard Business School Publishing, Canadian International Management Institute and completed a course for supervisory board member candidates in State Treasury-owned companies. He has a 25-year experience in finance and management, including in particular finance management, building new products and development of company strategies, performance of IT projects as well as restructuring, repairs and acquisitions of business entities. Professionally, he has been associated, among other sectors, with banking. He worked in PKO Bank Polski, Towarzystwo Emerytalne (Pension Company) PKO S.A. and BOŚ Investment Mgt. At the Pension Company, he cooperated on developing an IT system for asset valuation in accordance with the Embedded Value model and depreciation of acquisition cost over time. He managed a company renting passenger cars and delivery vans - 99RENT Sp. z o.o., where apart from ensuring its growth, he also built a system for managing short- and medium-term leases. Then, after acquiring a franchise of Enterprise/National/Alamo, he restored the company's position in the Polish market. He was Management Board Member in charge of Finance at PZU Tower (real estate management for the PZU Group), Arcus S.A. and Arcus Systemy Informatyczne. While working for Ciech S.A., he was responsible for restructuring, building the group's strategy, an IPO project and acquisitions of EU companies from the chemical industry. He sat on supervisory boards of the following companies: Zakład Urządzeń Przemysłowych Nysa S.A., Pedmo Tychy S.A., Polcomerce KFT, Biowet Drawel S.A., Przedsiębiorstwo Budownictwa Ogólnego S.A. in Wrocław, Radpol S.A. Człuchów and Arcus S.A.

8.11.2. SUPERVISORY BOARD

The Supervisory Board consists of 7 to 9 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. 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 carries out ongoing 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 laws, include granting consent for the payment of an interim dividend by the Company's 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 require the consent of the Supervisory Board Chairperson. 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 a Supervisory Board meeting.

PKP S.A. shall be entitled to appoint and dismiss members of the PKP CARGO S.A. Supervisory Board in a number equal to half the composition of the Supervisory Board (if such number is not an integer, it shall be rounded down to the nearest integer) plus one.

Employees have the right to appoint and dismiss one Employee Representative to the Supervisory Board, in accordance with the Bylaws for the appointment of an Employee Representative to the PKP CARGO S.A. Supervisory Board and the procedure for their removal, as adopted by the Supervisory Board with Resolution No. 245/VIII/2024 of 20 December 2024 and then by Resolution No. 276/VIII/2025 of 14 February 2025. A failure to elect the Supervisory Board members representing the employees does not prevent the Supervisory Board from being appointed or from adopting effective resolutions.

Independent Supervisory Board members

Independent members of the PKP CARGO S.A. Supervisory Board fulfill the criteria for independence within the meaning of the Act on Statutory Auditors, Audit Firms and Public Oversight of 11 May 2017, the principles of the “Best Practice of WSE Listed Companies 2021” constituting an attachment to Resolution No. 13/1834/2021 of the WSE Supervisory Board of 29 March 2021 and §21 of the Company’s Articles of Association.

The table below presents the composition of the Supervisory Board as at the approval date of this report.

Table 35 Composition of the PKP CARGO S.A. Supervisory Board

Name	Position	Period in office	
		from	to
Władysław Szczepkowski	Supervisory Board Chairman	12 July 2022	31 January 2025
Bogusław Nadolnik	Supervisory Board Member Supervisory Board Chairman	13 May 2024 6 February 2025	to date
Marcin Wojewódka	Supervisory Board Member Supervisory Board Vice-Chairman	19 April 2024 13 January 2025	to date
Monika Starecka	Supervisory Board Member	19 April 2024	to date
Michał Wnorowski	Supervisory Board Member	29 June 2022	to date
Marzena Piszczek	Supervisory Board Member	21 November 2024	to date
Robert Stępień	Supervisory Board Member	13 May 2024	to date
Piotr Babski	Supervisory Board Member	3 February 2025	to date

Source: Proprietary material.

During 2024 and until the date of approving this report, the following changes occurred in the Company’s Supervisory Board:

The Company’s shareholder – PKP S.A., acting pursuant to § 19(2) and (6) of the Company’s Articles of Association:

- dismissed, as of 19 April 2024, Mr. Andrzej Grzegorz Leszczyński, Mr. Jarosław Piotr Stawiarski and Mr. Marek Robert Ryszka from the Supervisory Board, and at the same time appointed Mr. Paweł Miłek, Ms. Monika Starecka and Mr. Marcin Wojewódka to the Supervisory Board,
- dismissed, as of 14 May 2024, Mr. Paweł Tomasz Sosnowski and Mr. Grzegorz Dostatni from the Supervisory Board, and at the same time appointed Mr. Bogusław Edmund Nadolnik and Mr. Robert Wojciech Stępień to the Supervisory Board.

On 7 October 2024, the Company’s Extraordinary Shareholder Meeting dismissed Ms. Izabela Wojtyczka from the Supervisory Board, at the same time appointing Mr. Grzegorz Lato to the Supervisory Board.

On 7 November 2024, Mr. Grzegorz Lato, Supervisory Board Member, tendered his resignation effective as of 21 November 2024.

On 21 November 2024, the Company’s Extraordinary Shareholder Meeting dismissed Mr. Henryk Grymel, Mr. Tomasz Pietrek and Mr. Jarosław Ślepaczuk from the Supervisory Board, at the same time appointing Ms. Marzena Piszczek to the Supervisory Board.

On 13 January 2025, the Supervisory Board entrusted the function of Vice-Chairperson of the Supervisory Board to Mr. Marcin Wojewódka, the Company’s Supervisory Board Member.

On 30 January 2025, Mr. Władysław Szczepkowski, the Supervisory Board Chairperson, resigned from the membership in the Supervisory Board as of 31 January 2025.

On 31 January, PKP S.A., acting pursuant to § 19(2) and (6) of the Company’s Articles of Association, appointed, as of 3 February 2025, Mr. Piotr Tomasz Babski to the Supervisory Board of the 8th term of office.

On 6 February 2025, the Supervisory Board entrusted the function of the Supervisory Board Chairperson to Mr. Bogusław Edmund Nadolnik, the Company’s Supervisory Board Member.

Bogusław Nadolnik – Supervisory Board Chairperson

Mr. Bogusław Nadolnik holds a Master's degree in economics from Warsaw School of Economics (Management and Marketing) and Institute of Organization and Management in Industry "ORGMASZ" (Internal Audit and Control). Scholarship holder of the first ECESP Program funded by the Congress of the United States of America and implemented by Georgetown University, Washington D.C. USA. Graduate of Small Business Management at Kings River Community College - Reedley, California. Mr. Nadolnik took part in numerous national and international courses and trainings. Professional experience: He worked on various management positions in public institutions, supported not only by the development of the rules for managing State Treasury assets, corporate governance in effect in State Treasury companies, but also by working for supervisory boards and cooperation with local government units. From 1993 to 1994, Mr. Nadolnik worked for the Marketing Department of the Horticultural and Beekeeping Cooperative in Tarnów, and then until 1996 he was a specialist and acting Office Director at the Ministry of Agriculture and Food Administration. In 1996, he worked for the Ministry of Ownership Transformation as Deputy Director of the Administration and Budget Department. From 1996 to 2004, he was Deputy Director of the Finance and Budget Department at the Ministry of Finance. Subsequently, he headed the ministry's Public Aid Office until 2006. From 2007 to 2008 he served as Secretary of the Legionowo District. In 2008, he served as Undersecretary of State in the Ministry of Agriculture and Rural Development responsible for overseeing the Agency for Restructuring and Modernization of Agriculture, subsequently becoming Vice President of that Agency. In 2013, he took the position of Advisor at the Ministry of State Treasury and Director of the Department of Post-Privatization Activities. From 2016 to 2018, he worked for the FAPA Foundation - Polish Chamber of Cooperative Banking as Director of the Cooperative Banking Development Team. From 2019 to 2024, he served on the Warsaw City Assets Management Board as the Investment Director. Since April 2024, he has been working for the Ministry of Infrastructure as Deputy Director of the Corporate Governance Department. Experience in the area of corporate governance, gained through his work on the Supervisory Boards of companies such as: Polimex-Cekop Sp. z o.o. in Warsaw, Bank Gospodarki Żywnościowej S.A. in Warsaw, Agencja Rozwoju Przemysłu (Industrial Development Agency) S.A. in Warsaw, Uzdrowisko Krynica Żegiestów S.A. in Krynica, Rolno-Spożywczy Rynek Hurtowy S.A. in Radom, Polskie Górnictwo Naftowe i Gazownictwo S.A. in Warsaw, ENERGA S.A. in Gdańsk, Krajowa Spółka Cukrowa S.A. in Toruń, where he represented the Minister in charge of the State Treasury.

Marcin Wojewódka – Supervisory Board Vice-Chairman

Mr. Marcin Wojewódka is a legal counsel, doctor of economics, founder and managing partner of the Labor Law Firm "Wojewódka i Wspólnicy" (www.wojewodka.pl), President of the Management Board of Instytut Emerytalny (www.instytutemerytalny.pl), academic teacher. Management Board Member at the Social Insurance Institution (ZUS) from 2016 to 2017. Supervisory Board Member at PZU Życie S.A. Graduate of the Faculty of Law and Administration at the University of Warsaw and Postgraduate Studies in Psychology of Human Resources Management. Has more than 25 years of professional experience in labor law and employee benefits. Advises employers in restructuring processes, labor law and employee benefits. Author of numerous publications on labor law, social security and pension system-related topics. Recognized on numerous occasions in international legal rankings: The Chambers and Legal 500 in the category of Labor Law in Poland.

Monika Starecka – Supervisory Board Member

Since 18 April 2024, Director of the Financial Division at PKP S.A. From 2019 to April 2024, Director of the Finance Division at Szybka Kolej Miejska sp. z o.o. with its registered office in Warsaw, overseeing the areas of accounting, controlling and obtaining and accounting for EU funds. Participated in activities aimed at improving the efficiency of the company's operations and development. Appointed to the ENEA S.A. Supervisory Board on 30 January 2024, seconded as a Supervisory Board Member to temporarily perform the duties of President of the ENEA S.A. Management Board since 2 February 2024, and seconded to temporarily perform the duties of ENEA S.A. Management Board Member for Corporate Affairs from 1 March 2024 to 30 April 2024. Since 2019, has been running Equinox Consulting, a consulting firm providing financial and operational advisory services, soft skills training, coaching and mentoring sessions for entrepreneurs and members of corporate governing bodies. From 2014 to 2018, Management Board Member and Chief Operating Officer of EY Poland (formerly: Ernst & Young). She was responsible for all business support areas: finance, marketing, human resources management, IT, legal, procurement, asset management and administration. Also participated in projects aimed at improving operational efficiency, boosting inclusiveness, supporting the development of women, increasing employee satisfaction and improving internal customer service. From 2010 to 2014, Management Board Member and Chief Financial Officer of the SMYK Group. She oversaw 15 companies based in 10 countries. Used to be responsible for the areas of finance, legal and internal control at all SMYK companies located in Poland, Germany, Russia, Turkey, Ukraine, Romania, the Czech Republic, Switzerland, etc. Participated in acquisition projects across Europe. From 2008 to 2010, CFO of Telepizza Poland where she was responsible for the areas of finance, human resources management, IT, investments and occupational safety and health at Telepizza's own and franchised restaurants and factories. From 2002 to 2008, Director of the Finance Department of Vattenfall Heat Poland (formerly: Elektrociepłownie Warszawskie). Also a member of a project team dealing with restructuring of the areas of procurement, sales, strategic planning, non-productive asset management, finance and cash management. In 2001-2002, Chief Financial Officer of RTC Poland, a niche advertising agency. From 1996 to 2000, Experienced Consultant and Project Manager at Arthur Andersen in the Audit and Business Advisory Departments. Most of her clients were companies in the power and fuel sectors.

Certified auditor since 2003. Certified as an International Coach by the International Coaching Community (ICC). Graduated from the Faculty of Management at the University of Warsaw, completed postgraduate studies in Human Resource Management at Jagiellonian University and Advanced Leadership and Management at Oxford University.

Michał Wnorowski – Supervisory Board Member – independent

Mr. Michał Wnorowski is an expert in corporate governance. Member of the Association of Independent Non-Executive Directors. At present, an independent member of supervisory boards and a member of audit committees of the following companies listed on the stock exchange: Polski Holding Nieruchomości, Medicalgorithmics, PolTreg, EMC Instytut Medyczny. Previously, he sat among others on supervisory boards and audit committees of: Alumetal, Polwax, Tower Investments, Arteria, Voxel, Develia, Robyg, Enter Air, EMC Instytut Medyczny, Braster, Travelplanet.pl, Elektrobudowa, Armatura Kraków, ARM Property. He has been associated with the financial market since 1995. In 2012-2016, he was Investment Director Managing the Long-Term Equity Portfolio of the PZU Group, where he was responsible for the largest equity investment projects and for coordinating investments in this asset class across the PZU Group. Previously, he was Director of the Analysis and Corporate Governance Team at the PZU Group, responsible among others for the analysis and selection of companies for investment portfolios and for subsequent oversight over portfolio companies. He has experience in investment project management, market analysis, business analysis and valuation, securities portfolio management, and supervision over merger and acquisition processes. He is a graduate of the Warsaw School of Economics and the Kraków University of Economics.

Marzena Piszczek – Supervisory Board Member – independent

Ms. Marzena Piszczek, PhD in Economics, works at the Kraków University of Economics in the Chair of Public Finances. She specializes in the areas: corporate governance, corporate finance, public finances. Major projects: implementation of modern budgeting methods; consolidation and restructuring of the Polish chemical sector, banking sector; implementation of economic standards for the nuclear sector in Poland, supervision of a dozen of companies as the Director of a Regional Office of the State Treasury Minister. She discharged a number of functions: President and Vice-President of the Management Board; Supervisory Board Chairperson of significant public companies in Poland, such as PZU S.A., PKO BP S.A., Azoty S.A. Group. She cooperated with ICMA, USAID, Open Society Institute. She served as an expert for the Polish Prime Minister's Office and for the Office of the Senate of the Republic of Poland.

Robert Stępień – Supervisory Board Member

Mr. Robert Stępień is a graduate of the Faculty of History at the University of Warsaw and the Faculty of Political Science at the Aleksander Gieysztor Academy of Humanities. He completed a post-graduate management studies at the University of Gdańsk and obtained an MBA degree. He started his professional career as an advisor at the Office of the Council of Ministers. He was also Chief Media Cooperation Specialist at the Österreich Werbung - Austrian Tourist Information Center, President of the Warsaw Development Foundation, Vice-President of the Voivodship Fund for Environmental Protection and Water Management in Warsaw, Management Board Member and later President of MPR "Sarmatia" Sp. z o.o. For many years, he has been a member of the supervisory boards of the Palace of Culture and Science in Warsaw and the Mazowiecki Szpital Bródnowski Hospital, among others. Mr. Stępień has been associated with the railway sector since 2012 when he became the Head of the Sales Office of Koleje Mazowieckie. President of Koleje Mazowieckie since June 2017.

Piotr Babski – Supervisory Board Member

Mr. Piotr Babski holds a Master's Degree in Law and for 10 years has actively worked as Legal Counsel. Since January 2019 until now, he has been a member of the group of managing partners of one of the biggest law firms in Łódzkie Voivodship according to the annual ranking of the Office of *Rzeczpospolita* Daily. His professional practice covers in particular the areas of business and commercial law as well as legal service of mergers and acquisitions of enterprises. Piotr Babski has discharged functions of Chairperson, Vice-Chairperson and Member of supervisory boards of several private and public companies. In addition, Piotr Babski is a member of the Commission for the Image of the Profession and Information at the Regional Chamber of Legal Counsels in Łódź.

8.11.3. SUPERVISORY BOARD AUDIT COMMITTEE

The Supervisory Board Audit Committee is appointed by the Supervisory Board. It consists of at least three Supervisory Board members and the majority of the Audit Committee members, including its Chairperson, must fulfill the independence criteria set forth in § 20 and 21 of the Company's Articles of Association. 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. The Committee Members are appointed for a period corresponding to the length of 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 and non-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 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 conduct an audit, review of or provide assurance for the financial statements and sustainability report of PKP CARGO S.A. and the PKP CARGO Group and Policy for the provision of additional services by the audit firm.

Table 36 Composition of the Audit Committee of the PKP CARGO S.A. Supervisory Board

Name	Position	Period in office	
		from	to
Michał Wnorowski	Committee Chairman	23 August 2022	to date
Marzena Piszczek	Committee Member	27 November 2024	to date
Monika Starecka	Committee Member	30 January 2025	to date

Source: Proprietary material.

In 2024 and until the date of this report, the following changes occurred in the Supervisory Board Audit Committee:
- on 15 October 2024, the Company's Supervisory Board appointed Mr. Grzegorz Lato to its Audit Committee;
- on 7 November 2024, Mr. Grzegorz Lato, Supervisory Board Member, tendered his resignation effective as of 21 November 2024;
- on 21 November 2024, the Company's Extraordinary Shareholder Meeting dismissed Mr. Jarosław Ślepaczuk from the Supervisory Board;
- on 27 November 2024, the Company's Supervisory Board appointed Ms. Marzena Piszczek and Mr. Władysław Szczepkowski to its Audit Committee;
- on 30 January 2025, Mr. Władysław Szczepkowski, Supervisory Board Chairperson, tendered his resignation from the Supervisory Board as of 31 January 2025;
- on 30 January 2025, the Company's Supervisory Board appointed Ms. Monika Starecka to its Audit Committee.

In 2024, the Audit Committee held 14 meetings and took 2 votes using means of direct remote communication. In 2024, the Audit Committee adopted 18 resolutions.

The Audit Committee members who satisfy the statutory criteria of independence are Michał Wnorowski and Marzena Piszczek.

As required by the provisions of the Act on Statutory Auditors, Audit Firms and Public Oversight of 11 May 2017 (Journal of Laws of 2019, Item 1421, as amended), the independent members of the Audit Committee submitted statements confirming their fulfillment of the criteria listed in Article 129(3) of the said Act.

The following members of the Supervisory Board Audit Committee have the knowledge and skills in the area of accounting or auditing of financial statements:
- Michał Wnorowski: graduate of the Warsaw School of Economics and the Kraków University of Economics with more than 20 years of professional experience in the management of investment projects, market and financial analysis, business analysis and valuation and management of investment portfolios in large financial institutions;
- Marzena Piszczek: PhD in Economics at the Kraków University of Economics; she has experience in the areas: corporate governance, corporate finance, public finances, implementation of modern budgeting methods.

The Supervisory Board Audit Committee members who have the knowledge and skills in the specific industry in which PKP CARGO S.A. operates are:
- Michał Wnorowski: knowledge and skills acquired in his role as a PKP CARGO S.A. Supervisory Board Member since 29 June 2022.
- Monika Starecka: experience gained in companies from the railway sector.

In accordance with the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Oversight (consolidated version: Journal of Laws of 2024, Item 1035, as amended), The Supervisory Board Audit Committee, by Resolution No. 4/2025 of 24 March 2025, established the Policy and procedure for the selection of an audit firm to conduct an audit, review of or provide assurance for financial statements and sustainability report of PKP CARGO S.A. and the PKP CARGO Group as well as the Policy for providing additional services by the audit firm.

The Policy for the selection of an audit firm to conduct an audit, review of or provide assurance for financial statements and sustainability report of PKP CARGO S.A. and the PKP CARGO Group assumes that:

1. The Audit Committee, in establishing this Policy, was primarily concerned with the high quality of financial information disclosed to PKP CARGO S.A.'s stakeholders.
2. The Policy for the selection of an audit firm defines the principles and rules of conduct during the process aimed at selecting an audit firm authorized to conduct a statutory audit, review of or provide assurance for financial statements. The independence and possession of proper authorizations by both the auditor and the audit firm is a key element of the Policy. With that, the criteria for the selection and rotation of the entity authorized to conduct and audit and the rules for the provision of non-audit services by the auditor are intended to ensure that the auditor has the proper knowledge and skills to perform the engagement and is independent.
3. In accordance with the Articles of Association of PKP CARGO S.A., the audit firm is selected by the Supervisory Board from among entities participating in the Procedure for the selection of an audit firm to conduct an audit, a review of or provide assurance for the statements. The selection is made in consideration of the principles of impartiality and independence of the audit firm and an analysis of the work carried out by the audit firm in the Company and beyond the scope of the audit in order to avoid any conflict of interest (by maintaining impartiality and independence) after reviewing the transparency reports prepared pursuant to Article 13 of the Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 and published by the audit firms, based on the recommendation provided by the Audit Committee.
4. When issuing a recommendation and when selecting an audit firm, the Audit Committee and the Supervisory Board, respectively, are required to pay special attention to:
   - the need to maintain the independence and objectivity of the audit firm and the auditor – the scope of services provided during the most recent financial years by the audit company itself as well as by its related parties and network members to the Company or its parent company or entities controlled by PKP CARGO S.A. is a matter of detailed analysis;
   - experience in auditing standalone and consolidated financial statements of public interest entities of a similar size to that of the Company and the PKP CARGO Group and listed on the Warsaw Stock Exchange;
   - experience in auditing companies with a similar business profile to that of the Company;
   - professional qualifications and experience of persons directly involved in the conduct of the audit/review of the Company and selected subsidiaries of PKP CARGO S.A.;
   - the ability to provide the required range of services within the specified period, including the ability to ensure the stability of the team;
   - the availability of qualified specialists in of specific issues related to financial statements, such as tax analysis, hedge accounting, measurement of derivatives, IT systems and in non-financial statements;
   - costs of an audit, review or assurance service.
5. The selection of an audit firm must be made sufficiently in advance to enable the execution of a contract for an audit, review or assurance for financial statement or sustainability report early enough to enable the audit firm to prepare for the interim review.
6. The Audit Committee's recommendation on the selection of the audit firm is forwarded to those PKP CARGO Group companies that are immediate subsidiaries of PKP CARGO S.A.
7. A contract with the audit firm for an audit, review or assurance will be entered into for the selected term. The agreement with the audit firm must include provisions requiring the audit firm to provide the Company at least twice per calendar year – by the end of January and by the end of July – with information on the outcomes of inspections and the initiation of proceedings conducted at the audit firm by the Polish Agency for Audit Oversight. Moreover, the contract should stipulate that upon receipt of the relevant information, the audit firm will notify the Company of the issuance by the Polish Agency for Audit Oversight of a first-instance or second-instance administrative decision to impose a penalty on the audit firm as specified in Article 183(1) of the Act.
8. The independence of the auditor and the audit firm is controlled and monitored at each stage of the procedure for the selection of an audit firm to conduct an audit, review of or provide assurance for financial statements and sustainability report of PKP CARGO S.A. and the PKP CARGO Group.
9. The audit firm is selected based on the principle of rotation of audit firms and key statutory auditors.
10. The first contract for a statutory audit is entered into with an audit firm for a period not shorter than two years with an option to extend the contract by subsequent periods of at least two years, in consideration of the rules of rotation of audit firms and key statutory auditors in compliance with the applicable laws.
11. The process of the selection of an audit firm takes place in accordance with the Policy and the procedure for selecting an audit firm to conduct an audit, review of or provide assurance for financial statements and sustainability report of PKP CARGO S.A. and the PKP CARGO Group

The procedure for the selection of an audit firm to conduct an audit, review of or provide assurance for financial statements and sustainability report of PKP CARGO S.A. and the PKP CARGO Group assumes that:

1. The selection procedure is initiated by the Supervisory Board Audit Committee, which lays down detailed guidelines regarding the requirements to be satisfied by the audit firm and the selection criteria.
2. The request for proposals is sent out to audit firms in accordance with Article 130(3)(2)(a) of the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Oversight (consolidated version: Journal of Laws of 2024, Item 1035, as amended), and requires prior approval by the Audit Committee.
3. The Audit Committee prepares a recommendation for the Shareholder Meeting in accordance with the provisions of the Policy, taking into consideration the findings of the annual report of the Audit Oversight Commission, referred to in Article 90(5) of the above Act, an analysis of proposals submitted by audit firms, documentation of the procurement procedure and a report.

The Audit Committee has adopted the following rules governing the provision of additional services by audit firms:

1. Besides the audit/review of the financial statements, the audit firm may provide the following services to: (i) the Company, or (ii) entities controlled by PKP CARGO S.A. (hereinafter: controlled entities), or (iii) the parent company of PKP CARGO S.A. (hereinafter: the parent company):
   - conducting due diligence procedures regarding the economic and financial standing and preparation of comfort letters in connection with the issue prospectus, carried out in accordance with the national standard of related services (agreed procedures);
   - assurance services regarding pro forma financial information, result forecasts or estimates given in the issue prospectus;
   - audit of historical financial information for the prospectus referred to in Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC;
   - verification of consolidation packages;
   - confirmation of the fulfillment of the terms of loan agreements based on an analysis of the financial information provided in the financial statements;
   - assurance services regarding corporate governance, risk management and corporate social responsibility reporting;
   - auditor's opinion on financial statements or other financial information addressed to supervisory authorities, the supervisory board or another supervisory body of the Company or the shareholders, not covered by the scope of the statutory audit, and intended to support those bodies in the performance of their statutory duties;
   - other non-audit financial revision services.
2. Provision of the services referred to in point 1 is possible only within a scope not related to the tax policy of the Company, its parent entity or subsidiaries, after the Audit Committee of the Supervisory Board has assessed the threats and warranties regarding the independence of the audit firm.
3. The execution of an agreement for the provision of additional services by the audit firm requires in each case the consent of the Audit Committee at the request of the pertinent company's Management Board. The consent of the Audit Committee referred to in the preceding sentence is required for the audit firm to execute an agreement with the Company, with each controlled entity and with the parent company.
4. The Company presents to the Audit Committee of the Supervisory Board, at least annually, a list of all additional services provided by the audit firm to PKP CARGO S.A., its parent entity and the entities controlled by the Company.

In 2024, the Supervisory Board's Audit Committee did not adopt any resolutions to give consent for the following audit firms to execute a contract for the provision of services other than audit services:

- Grant Thornton Frąckowiak P.S.A. (formerly: Grant Thornton Frąckowiak spółka z ograniczoną odpowiedzialnością sp.k.) with its registered office in Poznań, entered in the list of audit firms kept by the National Council of Auditors under file no. 3654, NIP: 778-14-76-013 (hereinafter: "Grant Thornton Frąckowiak"), and
- Grant Thornton Polska P.S.A. (Grant Thornton Polska spółka z ograniczoną odpowiedzialnością sp.k.) with its registered office in Poznań at ul. abpa Antoniego Baraniaka 88E, 61-131 Poznań, KRS 0000407558, NIP 7822545999, entered in the list of audit firms kept by the Polish Agency for Audit Oversight under file no. 4055

8.11.4. 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 Chairperson. Members of the Nomination Committee 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.

Table 37 Composition of the Nomination Committee of the PKP CARGO S.A. Supervisory Board

Name	Position	Period in office	
		from	to
Marzena Piszczek	Committee Chairperson	27 November 2024	to date
Robert Stępień	Committee Member	16 May 2024	to date
Monika Starecka	Committee Member	6 February 2025	to date

Source: Proprietary material.

In 2024 and until the date of this report, the following changes occurred in the Nomination Committee:

- on 14 May 2024, Mr. Paweł Sosnowski was dismissed from the Supervisory Board,
- on 16 May 2024, the Supervisory Board appointed Mr. Robert Stępień to the Committee.
- on 15 October 2024, the Company's Supervisory Board appointed Mr. Grzegorz Lato to its Nomination Committee to serve as Chairman of the Committee.
- on 7 November 2024, Mr. Grzegorz Lato, Supervisory Board Member, tendered his resignation effective as of 21 November 2024.
- on 27 November 2024, the Company's Supervisory Board appointed Ms. Marzena Piszczek to its Nomination Committee to serve as Chairwoman of the Committee.
- on 30 January 2025, Mr. Władysław Szczepkowski, Supervisory Board Chairperson, tendered his resignation from the Supervisory Board as of 31 January 2025.
- On 6 February 2025, the Supervisory Board appointed Ms. Monika Starecka to the Nomination Committee.

8.11.5. STRATEGY, RESTRUCTURING AND SUSTAINABILITY COMMITTEE

On 27 February 2025, the Supervisory Board adopted Resolution No. 279/VIII/2025 on the adoption of "Bylaws of the PKP CARGO S.A. Supervisory Board", whereby it changed the name of the Strategy and Sustainability Committee of the PKP CARGO S.A. Supervisory Board to the Strategy, Restructuring and Sustainability Committee of the PKP CARGO S.A. Supervisory Board. The Strategy, Restructuring and Sustainability Committee is appointed by the PKP CARGO S.A. Supervisory Board. The Strategy, Restructuring and Sustainability Committee 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 Committee Members are appointed for a period corresponding to the length of the Supervisory Board's term of office. The Strategy, Restructuring and Sustainability 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.

Table 38 The composition of the Strategy, Restructuring and Sustainability Committee of the PKP CARGO S.A. Supervisory Board

Name	Position	Period in office	
		from	to
Michał Wnorowski	Committee Member	12 July 2022	to date
Bogusław Nadolnik	Committee Member	16 May 2024	to date
Marcin Wojewódka	Committee Member	6 February 2025	to date

Source: Proprietary material.

In 2024 and until the date of this report, the following changes occurred in the Strategy, Restructuring and Sustainability Committee:

- on 19 April 2024, Mr. Andrzej Leszczyński was dismissed from the Supervisory Board,
- on 16 May 2024, the Supervisory Board appointed Mr. Bogusław Nadolnik to the Committee.
- on 21 November 2024, the Company's Extraordinary Shareholder Meeting dismissed Mr. Henryk Grymel and Mr. Tomasz Pietrek from the Supervisory Board.
- on 30 January 2025, Mr. Władysław Szczepkowski, Supervisory Board Chairperson, tendered his resignation from the Supervisory Board as of 31 January 2025.
- On 6 February 2025, the Supervisory Board appointed Mr. Marcin Wojewódka to the Strategy and Sustainability Committee.

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

8.12. Description of the Company's and the PKP CARGO Group's sponsoring, charitable or other similar activities

PKP CARGO S.A. and members of the PKP CARGO Group focus on pro-social activities consistent with the mission and values represented by PKP CARGO. The conduct of long-term social programs is a priority activity undertaken by these entities.

Based on an analysis of initiatives and programs executed to date and a diagnosis of the needs of the PKP CARGO Group's business and social environment, the following sponsorship activities were devised:

- Initiatives for the development of the logistics sector,
- Science and education, including cooperation with institutions of higher education and scientific centers,
- Culture and arts
- Safety and security.

This support builds the image of the Company, whose activities are targeted not only at business, but also at social issues, and is important in particular in the pursuit of the postulates of sustainability and ESG policy.

In 2024, because of the Company's financial standing, sponsorship and donation activities were limited.

In H1, before opening the remedial proceedings, the PKP CARGO Group focused on supporting only a few organizations which conduct activities aiding the development of culture and education by developing new technologies (Academy of Robotics Foundation) or events organized by the trade unions, which are one of the stakeholders of PKP CARGO.

9. 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 Company and its subsidiaries to pay their debts.

10. Sustainability Report of the PKP CARGO Group for 2024

10.1. General information – ESRS 2

BP-1 – General basis for preparation of sustainability statements

This sustainability statement of the PKP CARGO Group (hereinafter: "PKP CARGO Group", "Group" or "organization") has been prepared in accordance with the applicable provisions of Article 49b(9) and Article 55(2c) and (2d) of the Accounting Act of 29 September 1994, and Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, along with Commission Delegated Regulations (EU) 2021/2139 of 4 June 2021, 2021/2178 of 6 July 2021 and 2022/1214 of 9 March 2022, taking into account Commission Delegated Regulation (EU) 2023/2772 of 31 July 2023, supplementing Directive 2013/34/EU of the European Parliament and of the Council with regard to sustainability reporting standards, which will enter into force on 1 January 2024.

The document has been prepared in a consolidated form, with the same scope of data consolidation as that for the financial statements, meaning that it includes, in addition to the parent company PKP CARGO S.A. under restructuring (hereinafter: "PKP CARGO", "Company"), seven subsidiaries consolidated using the full consolidation method:

- PKP CARGO SERVICE Sp. z o.o.

Company specializing in the operation of rail sidings, rail freight and traction services. Domestic and international freight services are provided using the company's own or entrusted rolling stock. PKP CARGO SERVICE employs technically skilled personnel specializing in track infrastructure maintenance. It offers technical checks, diagnostics, on-site inspections and maintenance, repairs and track renovations. The company cooperates with enterprises from the coal, mineral and power sectors.

- PKP CARGOTABOR sp. z o.o. under restructuring

The company's key line of business is rolling stock maintenance and adaptation to customer needs and specific freight requirements. The services are provided in six units specializing in the production and refurbishment of components for wagons and locomotives.

- PKP CARGO TERMINALE sp. z o.o.

The company handles trade between the European Union and the Far East and runs its business in the following three locations:

- in the Przemyśl region on the Polish-Ukrainian border, in the Third European Transport Corridor (Berlin – Wrocław – Kraków – Przemyśl – Lviv – Kyiv),
- at the Medyka-Mościska crossing and in the Terespol region in the Second Pan-European Transport Corridor (Berlin – Poznań – Warsaw – Brest – Moscow – Nizhny Novgorod),
- in Karsznice in central Poland on the S8 route, at the intersection of the main east-west and north-south routes, connecting the New Silk Road with the Three Seas Initiative region and others.

Polish and international customers have been using the company's services for years.

- CARGOSPED TERMINAL BRANIEWO sp. z o.o.

The company offers transshipment, customs clearance and freight forwarding services and trades in imported coal. It makes use of its own resources to carry out transshipment, storage, sorting, bagging and customs clearance services. Its customers are importers and exporters of bulk cargo.

- CARGOTOR Sp. z o.o.

The company provides rail carriers with logistics and service infrastructure on commercial terms. It manages the Małaszewicze Transshipment Zone, which covers approximately 180 km of tracks with stations and 24 forwarding points with a total length of 14.7 km of tracks. The company is in charge of maintaining the infrastructure to ensure safe rail transport operations.

- PKP CARGO CONNECT sp. z o.o.

It offers comprehensive transport, transshipment, warehousing and customs services. It specializes in domestic and international transport of containers, swap bodies and semi-trailers, both by dedicated trains and operator trains in the intermodal service network. It offers intermodal solutions using sea, road and rail transport in Poland, EU countries, Kazakhstan, Turkey and the United Kingdom. It provides freight forwarding services for rail transport – wagon and full train loads. It also provides FTL, LTL, refrigerated (with temperature monitoring) and ADR road transport services. It offers door-to-door, just-in-time and place-on-time deliveries.

- PKP CARGO INTERNATIONAL a.s.

The PKP CARGO INTERNATIONAL Group, along with PKP CARGO INTERNATIONAL HU Zrt., SK a.s., SI d.o.o. and AWT ROSCO a.s., specializes in the transport of heavy cargo, such as coal, steel, construction materials and output of the automotive, food and chemical industries. It operates in Europe, offering long-distance freight services, intermodal transport, freight forwarding, siding services, rail construction, track services, rental, repair and cleaning of wagons, and locomotive maintenance. Through AWT Rekultivace a.s., it also provides land reclamation, earthwork and waste management services. The group owns the Paskov transshipment terminal, which serves 60 sidings and manages approx. 400 km of traction. Its head office is located in Ostrava, Czech Republic.

The data presented in the statement cover the period from 1 January 2024 to 31 December 2024, which is the period covered by the Consolidated Financial Statements for the financial year ended 31 December 2024.

The full structure of the PKP CARGO Group, in accordance with the Consolidated Financial Statements and the Management Board Activity Report, comprises twenty subsidiaries, seven of which are subject to consolidation. Among the companies covered by consolidation, none are exempt from sustainability reporting.

The Group's sustainability information presented in this statement is based on a double materiality analysis carried out from November 2024 to February 2025, which took into account the value chain identified in the process at the lower and higher levels.

The PKP CARGO Group does not exercise the option to omit from the statement any information on intellectual property, know-how and innovation results or ongoing events and negotiations.

BP-2 – Disclosures in relation to specific circumstances

The Group has made use of the exemptions described in Appendix C to ESRS 1 List of phased-in Disclosure Requirements. These are:

- SBM-3 point 48(e) (anticipated financial effects) in the first year of preparing the sustainability statement,
- E1-9 Anticipated financial effects from material physical and transition risks and potential climate-related opportunities,
- E2-6 Anticipated financial effects from pollution-related impacts, risks and opportunities,
- E3-5 Anticipated financial effects from water and marine resources-related impacts, risks and opportunities,
- E5-6 Anticipated financial effects from resource use and circular economy-related risks and opportunities,
- S1-7 Characteristics of non-employees in the undertaking's own workforce,
- S1-13 Training and skills development metrics,
- S1-14 Health and safety metrics.

The PKP CARGO Group has adopted the following time horizons in accordance with the ESRS standard:

- short-term – corresponding to the reporting period (1 year),
- medium-term – between one and five years,
- long-term – more than five years.

This sustainability report has been prepared in full compliance with the requirements of European Sustainability Reporting Standards (ESRS) and presents all audited data required therein. The report for 2023 was prepared by the Group in accordance with ESRS, but has not been subjected to external verification, which is why it is impossible to compare the current report's data with previous periods or refer to reporting errors from previous years.

The statement has been prepared solely on the basis of the ESRS requirements. The information contained herein does not refer to any other legal provisions imposing an obligation to disclose sustainability information or to any generally accepted interpretations or frameworks for reporting in this area. The statement discloses data resulting from Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment.

Cross-cutting disclosures that have been identified as material as a result of the double materiality analysis and included in this statement are presented along with the corresponding cross-cutting disclosure requirements contained in ESRS 2.

GOV-1 – Role of administrative, management and supervisory bodies

The PKP CARGO Group is managed and supervised by the corporate bodies of its parent company, PKP CARGO. As at yearend 2024, the Company was managed by a three-member Management Board. The Supervisory Board consisted of eight members, three of whom were seconded to perform functions on the Management Board. At the end of the reporting period, no employee representatives sat on the Group's Management Board or Supervisory Board.

Table 39 Composition of administrative, management and supervisory bodies in the Parent Company at the end of 2024

Number of persons on the Management Board	3
Number of persons on the Supervisory Board	8
Percentage of women on the Management Board	33%
Percentage of women on the Supervisory Board	12.5%
Number of independent members of the Supervisory Board	2
Number of non-executive members of the Supervisory Board	5

The Management Board consisted of:

- Marcin Wojewódka – Acting President of the Management Board Legal counsel, Ph.D. in economics, founder and managing partner at Kancelaria Prawa Pracy Wojewódka i Wspólnicy. President of the Board of the Pension Institute and academic lecturer. Management Board Member at the Social Insurance Institution (ZUS) from 2016 to 2017. Member of the PZU Życie S.A. Supervisory Board. Marcin Wojewódka has over 25 years of professional experience in labor law and employee benefits. Advises employers in restructuring processes, labor law and employee benefits. Author of numerous publications on labor law, social security and pension system-related topics.
- Monika Starecka – acting Management Board Member in charge of Finance. In April 2024, she was appointed Director of the Finance Division at PKP S.A. In previous years, Monika Starecka held senior management positions at EY Polska, Grupa SMYK, Telepizza Poland, Vattenfall Heat Poland, Szybka Kolej Miejska, RTC Poland and other companies. Since January 2024, she has also served as a member of the ENEA Supervisory Board. Since 2019, Monika Starecka has been running Equinox Consulting, a consulting firm providing financial and operational advisory services, soft skills training, coaching and mentoring sessions for entrepreneurs and members of corporate governing bodies. She has been a certified auditor since 2003. Also certified as an International Coach by the International Coaching Community (ICC).
- Paweł Miłek – acting Management Board Member in charge of Commerce, acting Management Board Member in charge of Restructuring. Since 1997, he has served a trustee in bankruptcy proceedings and a supervisor and administrator in restructuring proceedings. He has worked as a legal counsel since January 2000. In 2022, he obtained the title of Qualified Restructuring Advisor. Served as Vice-Chairman of the Regional Disciplinary Court at the Regional Chamber of Legal Counsels in Wrocław. In 2021-2023, he served as President of the Lower Silesian Association of Trustees in Bankruptcy Proceedings.

At the end of 2024, the following persons were Members on the Supervisory Board in addition to those seconded to perform functions on the Management Board:

- Władysław Szczepkowski,
- Robert Stępień,
- Michał Wnorowski,
- Bogusław Nadolnik,
- Marzena Piszczek.

In the Group's parent company of the Group, oversight of sustainability issues in 2024 was exercised by the Strategy and Sustainability Committee.[81] The Committee's responsibilities are defined in the Supervisory Board Bylaws and include supporting the Supervisory Board in defining and pursuing strategies, including ESG strategies, monitoring the pursuit of strategies by the Management Board, and issuing opinions on strategic documents, including those related to ESG, submitted to the Supervisory Board by the Management Board. The Committee consists of three Supervisory Board Members – in 2024, their knowledge and experience were of a business nature and were not directly related to sustainability issues. The organization's plans for the coming years include improving the degree of ESG competence across the organization, including among members of its management and supervisory bodies.

In 2024, the proceeds, risks and opportunities presented in this statement were not yet included in the risk management system adopted by the PKP CARGO Group. At the management level, issues related to sustainability are addressed on a case by case basis by the relevant departments specializing in specific areas. Environmental issues are handled by dedicated units

[81] Due to the restructuring measures taken, the Committee's activities were suspended from 27 November 2024 to 31 January 2025. Moreover, on 27 February 2025, the name of the Committee was changed to the Strategy, Restructuring and Sustainability Committee.

in charge of environmental protection. Human resources are jointly managed by the Human Resources Management Department, the Compliance Section and the Occupational Health and Safety Team. Issues related to the impact of our operations on local communities, including the noise generated by our trains, are the responsibility of the Rolling Stock and Technical Support Department. Relations with suppliers are coordinated by the Purchasing Department, which collaborates with the Finance Department in the area of payments. Whistleblower protection is the responsibility of the Compliance Section.

All these activities are coordinated at the project level, with particularly intensity during the preparation of sustainability reports and the development of ESG strategies.

Sustainability reporting is carried out on a regular basis. Coordinators of relevant areas (Health and Safety, Compliance, Environment) prepare reports which are then submitted to the Management Board by the directors of specific units. Subsequently, these reports are discussed at Management Board meetings.

Quality and sustainability objectives are included in the Group's Integrated Management System Policy adopted by a resolution of the Management Board. As these objectives are not measurable, progress towards their achievement is not monitored. The objectives are not updated on a regular basis, but on an as-needed basis.

In 2024, the Group conducted its first double materiality analysis in accordance with ESRS requirements, the results of which were approved by the Management Board. Following the completion of the restructuring proceedings, the Group intends to use the outcomes of this analysis to review its objectives and establish appropriate indicators, of both a quantitative and qualitative nature. The restructuring plan will aim to pursue the strategy by repairing the enterprise's financial standing and reorganizing it, but its effective deployment will depend on multiple factors.

GOV-2 – Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies

The PKP CARGO Group did not have a formal ESG risk management system in place during the reporting period. The organization carried out a double materiality analysis in 2024 – because of the ongoing restructuring process, only in 2025 will the Group make decisions on how to manage the identified material sustainability-related opportunities and risks.

GOV-3 – Integration of sustainability-related performance in incentive schemes

The remuneration policy for PKP CARGO Management Board and Supervisory Board members does not take into account the interconnection between the remuneration of the organization's management and supervisory bodies and the achievement of sustainability goals, including those related to climate.

GOV-4 – Statement on due diligence

Detailed information on the Group's application of the main aspects and stages of the due diligence process, along with references to the relevant sections of the sustainability statement, is provided in the table below.

Table 40 Key elements of the due diligence process in the report

Key elements of the due diligence process	Sections in the sustainability statement
Inclusion of due diligence in corporate governance, strategy and business model	GOV-1, GOV-2, SBM-3
Engaging with affected stakeholders in all key steps of the due diligence	IRO-1, SBM-2, S1-2, S2-2, S3-2
Identification and assessment of adverse impacts	SBM-3, IRO-1
Taking action to mitigate identified adverse impacts	E1-2, E3-2, S1-4, S3-4
Tracking the effectiveness of these efforts and communicating	IRO-1

GOV-5 – Risk management and internal controls over sustainability reporting

In 2024, the PKP CARGO Group did not have in place a developed and formalized internal control system related to sustainability reporting. During the preparation of this statement, two key risk areas were identified:

- limited comparability of data between organizational units – resulting primarily from the absence of uniform sustainability reporting standards, varying degrees of maturity of the processes used and insufficient resources responsible for collecting and processing such data;
- low degree of data availability from external entities, particularly in the supply chain – due to the large number of partners and suppliers cooperating with the Group.

The Group does not have in place a formally developed strategy for managing these risks, but ultimately intends to implement solutions including simplified control mechanisms, transparent data verification procedures and uniform guidelines that will improve reporting among subsidiaries, business partners and suppliers.

SBM-1 – Strategy, business model and value chain

The PKP CARGO Group is a rail freight operator offering comprehensive logistics services in Poland and across the European Union. It also provides freight forwarding (domestic and international), terminal, siding and traction services as well as repair and maintenance of rolling stock and land reclamation services. The organization's major customer groups include large enterprises – utility companies, heating plants, power plants, construction companies, chemical companies and the intermodal sector. The primary categories of transported cargo are hard coal and other fossil fuels as well as stone and aggregates. At the end of 2024, the Group had 14,734 staff, of whom 9,786 worked at PKP CARGO S.A. During the reporting period, the Group did not offer any services or products prohibited in certain markets.

The Group's total revenue in 2024 was PLN 4,460.4 million – the revenue generated by the companies is included in the Group's Consolidated Financial Statements for the year ended 31 December 2024.

The PKP CARGO Group operates in the fossil fuel sector. The Group does not collect data that would permit a presentation of revenue broken down into proceeds from the transport of coal, crude oil and gas. It is not involved in the manufacture of chemicals or the cultivation and production of tobacco, nor is it active in the area of controversial weapons.

The strategic sustainability-related objectives related to material services provided are defined in the PKP CARGO Group ESG Strategy for 2024-2028. The organization intends to offer sustainable rail transport services based on intermodal options – this segment is being gradually developed within the organization. The strategy defines eight operational objectives related to sustainability issues:

- integrate the ESG criteria into the rolling stock modernization and procurement process, taking into account the need for decarbonization in the Group's key business areas,
- reduce resource consumption and implement the circular economy principle,
- strengthen human capital by attracting the best talent and creating a safe, comfortable and diverse workplace,
- make efforts to change the energy consumption model towards increasing the share of renewable energy, taking into account the unique requirements of the rail transport market,
- raise awareness of the benefits of sustainable transition both within the organization and in its environment, including in the value chain,
- build a sustainable service offering based on ESG activities,
- deepen the dialogue with stakeholders to better address their needs and build partnerships,
- optimize business and transport processes for ESG by using digital tools.

The Parent Company does not currently have in place a formally adopted development strategy, because its current activities as well as financial and operating decisions will follow from a prepared action plan – Restructuring Plan.

As at the date of approval of the report, in the opinion of the Company's Administrator and Management Board, work on the Restructuring Plan is currently at an advanced stage, but the Plan has not yet been approved. Since it was impossible to prepare a document which would take into consideration all the elements required by Article 10 of the Restructuring Law by the originally planned deadline of 28 February 2025, on 27 February 2025, the Restructuring Administrator of PKP CARGO S.A. under restructuring, Izabela Skonieczna-Powałka, filed a request for extending the time limit for preparing a Restructuring Plan, which was accepted by the Judge-Commissioner of the District Court for the Capital City of Warsaw, with setting a new time limit of 30 June 2025.

The continuing detailed economic and financial analyses will allow the Management Board to determine precisely the role of PKP CARGO on the rail freight market and in the Group. Analyses performed within the Restructuring Plan, including those about the Company's business and financial model, will make it possible to optimize costs and operating effectiveness (which includes minimizing financial risks). In addition, a model will be worked out to make it possible to target offerings for customers' needs and monitor the competition, thus influencing the Company's growth in accordance with market and regulatory requirements. The Company's strategy, which will be prepared after approving the Restructuring Plan, will be based on increasing shares in specific market segments, which will allow the Management Board to identify and focus on margin segments, limiting activities in declining or non-margin areas. The effective pursuit of the restructuring plan will depend on numerous factors and will be accompanied by a risk of failure.

The PKP CARGO Group's value chain forms a comprehensive system of logistics and transport services. At the higher level of the value chain, key natural and material resources and finished materials for the provision of services and the manufacture of products have been identified. Natural resources include energy, fossil fuels, water and sand. Material resources include materials necessary for the maintenance and repair of rail infrastructure, such as rails, rail sleepers and professional chemicals. Key finished resources include diesel locomotives, wagons, trucks, containers and handling equipment, including overhead cranes, hoists and forklifts.

The Group's own operations consist predominantly of rail transport services, which constitute the core of its operating activities. The PKP CARGO Group provides comprehensive transport services in Poland and internationally, including route planning, cargo management and documentation. Its offering is supplemented by freight forwarding, transshipment and intermodal services, that is solutions enabling the combination of different means of transport and streamlining the flow of cargo. Moreover, the Group's companies provide terminal and infrastructure services supporting both their own operations and those of other carriers. These include:

- container storage and handling, transshipment and documentation services,
- customs and freight forwarding services focusing on the formal handling of cross-border transport, including customs clearance and verification of the conformity of transport documents,
- siding and traction services involving the management of sidings and the provision of locomotives and traction services at loading/unloading points.

The Group also provides technical and specialist services to support the reliability of rolling stock and non-standard services, often requiring special permits or qualifications. These include repairs and maintenance of rolling stock as well as special and military transport operations.

Support activities include rolling stock maintenance, occupational health and safety (OHS) management, sales of services and customer service.

Down the stream are the organization's customers: heating plants, power plants, cogeneration plants, enterprises and local governments.

Table 41 Value chain of the PKP CARGO Group

Upstream value chain		
Finished materials for the provision of services and the manufacture of products	**Natural resources**	**Material resources**
Diesel locomotives Rail wagons Cargo trucks Containers Overhead cranes, hoists, forklifts	Energy Fossil fuels Water Sand	Materials for maintenance and repairs of infrastructure, including rolling stock Rails, rail sleepers Professional chemicals
Own operations		
Rail freight forwarding services (domestic and international) Other freight forwarding services Transshipment services Intermodal transport services Terminal services Customs and freight forwarding services	Siding and traction services Provision of logistics and service infrastructure to rail carriers	Repairs and periodic inspections of rolling stock Land reclamation services Special and military transport operations
Support activities		
Rolling stock maintenance Occupational health and safety management Sales of services Customer service		
Downstream value chain		
Customers Heating plants, power plants, Cogeneration plants,	Local governments Enterprises	Waste generation and sorting

SBM-2 – Interests and views of stakeholders

The purpose of stakeholder engagement in the PKP CARGO Group is to build lasting, trust-based relationships, understand needs and align the organization's activities with the changing market and social environment.

With regard to investors, customers and business partners, the primary objective is to better understand their viewpoints, needs and expectations. This permits the Group to effectively adjust its offering to market realities and respond to rapidly altering economic, regulatory and technological conditions.

Employee engagement focuses on creating a consistent organizational culture based on the organization's values, such as respect, reliability, cooperation, transparency and responsibility.

In its relations with trade unions, the PKP CARGO Group strives to maintain a constructive dialogue that fosters the joint shaping of good working conditions and enables employees to have a real say on how their workplace functions.

The organization conducts communication activities through channels tailored to the specific characteristics and needs of various stakeholder groups, in accordance with the law and best practices applicable to public companies.

Table 42 Key stakeholders of the PKP CARGO Group and their engagement channels

Stakeholders	Engagement channels
Shareholders, investors and market analysts	▪ Current reports (126 reports in 2024), periodic reports (four per year), ESG reports (one per year) ▪ Online chats with retail investors (three in 2024 and one recorded earnings call) ▪ Ordinary shareholder meeting (1 in 2024), extraordinary shareholder meeting (3 in 2024) ▪ Dedicated subpage on the corporate website, updated on an ongoing basis
B2B customers	▪ Meetings with customers in face-to-face and online formats ▪ Daily telephone contact with a group of customers ▪ Hotline, proposal form/enquiry form ▪ Conferences, trade fairs and industry meetings ▪ Market research ▪ Corporate websites, ESG reports
Suppliers, including counterparties and subcontractors	▪ Ongoing telephone contact ▪ Meetings, subject-specific conferences ▪ Dedicated subpages on the corporate website ▪ Reporting irregularities to the Compliance Section
Employees and associates	▪ Intranet ▪ Newsletter/internal communication ▪ Internship programs ▪ Training ▪ ESG reports, participation in double materiality analysis ▪ Processes for reporting breaches to the Compliance Section and the Ethics Committee ▪ Social programs and projects involving employees
Trade unions	▪ Internal channels, such as the intranet site, mailings ▪ Formal correspondence with trade unions and employees ▪ Dedicated e-mail address for cooperation with trade unions
Experts and media	▪ Active press office: corporate website ▪ Telephone and e-mail contact via dedicated addresses ▪ Regular press releases, mostly about the Group's business (60 press releases in 2024) ▪ Media publications, including interviews, articles, expert statements (over 500) ▪ Campaigns, reports and communication platforms of external organizations, ESG reports
Non-governmental organizations	▪ Ongoing cooperation ▪ Subject-specific meetings ▪ Operational contact
Local government units, local communities in the vicinity of units	▪ One-on-one and group meetings ▪ Dedicated subpages on Group companies' websites
Environment and climate	▪ Reporting of environmental indicators ▪ Participation in environmental meetings, training sessions and conferences ▪ Environmental social projects involving also external stakeholders

The PKP CARGO Group involved stakeholders in the process of identifying significant impacts, risks and opportunities – surveys were prepared and in-depth interviews were conducted. This process is described in detail in this statement in section IRO-1 *Description of the processes to identify and assess material impacts, risks and opportunities.* Moreover, the Group cooperates continuously and directly with trade unions that represent employees. The scope of this cooperation is regulated by law and internal regulations and includes:

- monitoring the functioning of the Company Collective Bargaining Agreement and determining the directions for its changes,
- agreeing the labor, incentive and company social benefits fund bylaws, as well as and participation in the distribution of benefits from that fund,
- participating in distribution of funds earmarked for salaries,
- consulting changes in organizational structures,
- influencing the development of occupational health and safety conditions through participation in OHS commissions and oversight of Social Labor Inspectors,
- supervision of provident and loan associations.

The issues identified during the dialogue carried out as part of the double materiality process in 2024 did not result in a change in the Group's strategy or business model. Some of the identified impacts, related to occupational health and safety, the environment and pollution, are managed as part of ongoing operational activities. The organization actively and on an ongoing basis takes steps to prevent the negative impact of restructuring on employees – these issues are described in section S1 – *Policies related to own workforce.*

At the same time, some of the Group's material impacts were identified in the context of sustainability for the first time – among them, employee safety in the value chain. The organization will gradually incorporate them into the management process by updating internal regulations, rolling out monitoring processes and engaging in broader dialogue with stakeholders.

The Group did not put in place any formal procedures for informing governing bodies about sustainability-related opinions and interests of stakeholders affected by the entity.

SBM-3 - Material impacts, risks and opportunities and their interaction with strategy and business model

Material impacts, risks and opportunities in the PKP CARGO Group were identified during the double materiality analysis. Material impacts are exerted by the organization through its operations in the value chain on its own workforce, workforce in the value chain, suppliers and business partners, customers and local communities.

Table 43 Material impacts, risks and opportunities identified by the PKP CARGO Group in the double materiality analysis process

Sustainability issues			Impacts	Type of impact	Place in the value chain	Timeframe	Risks and opportunities	Place in the value chain	Timeframe
Subject	Sub-topic	Smaller sub-topic units							
E1 Climate change	Climate change adaptation		Impact on climate change due to the business model being based on coal transport	Actual negative	Own operations	Short and medium	Risk of lower Group revenues due to declining demand for coal and reduced coal transport volumes	Upstream	All timeframes
E1 Climate change	Climate change adaptation		No material impact	-	-	-	Risk of failed investments in low-carbon or environmental technologies	Own operations	Short
E1 Climate change	Climate change adaptation		No material impact	-	-	-	Risks of disruptions in the value chain as a result of extreme weather phenomena	Whole value chain	Long
E1 Climate change	Climate change adaptation		No material impact	-	-	-	Risk of the absence of financing from the banking sector for investments or current operations in the event of failure to adapt to a low-carbon economy	Upstream	Medium and long
E1 Climate change	Climate change adaptation		No material impact				Risk of incurring costs related to the need to implement low-carbon solutions and technologies in own operations related to energy acquisition and use, including the replacement of fossil fuels	Own operations	All timeframes
E1 Climate change	Climate change adaptation		No material impact	-	-	-	Risk of incurring costs related to the replacement of services or products with low-carbon alternatives in the value chain as a result of newly adopted regulations	Whole value chain	All timeframes

Sustainability issues			Impacts	Type of impact	Place in the value chain	Timeframe	Risks and opportunities	Place in the value chain	Timeframe
Subject	Sub-topic	Smaller sub-topic units							
E1 Climate change	Climate change adaptation		No material impact	-	-	-	Risk of incurring increased costs related to environmental reporting obligations, outsourcing them, conducting internal training or calculating Scope 3 carbon footprint	Own operations	All timeframes
E1 Climate change	Climate change adaptation		No material impact	-	-	-	Risk of damage to infrastructure caused by extreme weather phenomena	Whole value chain	All timeframes
E1 Climate change	Climate change adaptation		No material impact	-	-	-	Risk of losing a business partner (e.g. a customer) in the value chain in the event of failure to transition to a low-carbon model by the entity	Downstream	Medium and long
E1 Climate change	Climate change adaptation		No material impact	-	-	-	Risk of threats caused by long-term climate change processes that may affect, without limitation, a decline in asset value or damage to facilities as a result of extreme weather phenomena	Whole value chain	All timeframes
E1 Climate change	Climate change adaptation		No material impact	-	-	-	Risk of a decline in share value due to increased investor concerns about adapting to a low-carbon model and stigmatization of the sector	Downstream	Medium and long
E1 Climate change	Climate change adaptation		No material impact	-	-	-	Opportunity to increase the competitiveness of rail transport by including road transport in the greenhouse gas emission charging system	Own operations	Medium and long
E1 Climate change	Mitigation of climate change		Impact on climate change through greenhouse gas emissions.	Actual negative	Own operations	All timeframes	No material risks or opportunities	-	-
E1 Climate change	Mitigation of climate change		Impact on climate change mitigation through the shift of freight transport from road to rail	Actual positive	Own operations	All timeframes	No material risks or opportunities	-	-

Sustainability issues			Impacts	Type of impact	Place in the value chain	Timeframe	Risks and opportunities	Place in the value chain	Timeframe
Subject	Sub-topic	Smaller sub-topic units							
E1 Climate change	Energy		Impact on natural resource use through energy consumption (electricity, heat, natural gas and liquid fuels) for utility and transportation purposes.	Actual negative	Own operations	All timeframes	Risk of greater energy costs	Own operations	All three timeframes
ESRS E2 Pollution	Air pollution		Impact on air pollution through emissions from fuel combustion in locomotives, cars and other equipment	Actual negative	Own operations	All timeframes	No material risks or opportunities	-	-
ESRS E2 Pollution	Water pollution		Impact on water quality through direct discharge of pollutants into rivers	Actual negative	Own operations	All timeframes	Risk of financial penalties and greater fees related to environmental irregularities	Own operations	All timeframes
ESRS E2 Pollution	Soil pollution		Impact on soil pollution through potential breakdowns and accidents during the handling and transport of raw materials	Potential negative	Own operations	All timeframes	Risk of financial penalties and greater fees related to environmental irregularities	Own operations	All timeframes
ESRS E2 Pollution	Potentially hazardous substances		Impact on the natural environment and surroundings through the use in operational processes of substances and mixtures classified as potentially hazardous, which, even when handled with special care and used as intended, present multiple hazards.	Actual negative	Own operations	All timeframes	No material risks or opportunities	-	-
ESRS E2 Pollution	Microplastics		Impact on generation of pollution in the form of microplastics	Actual negative	Own operations	All timeframes	No material risks or opportunities	-	-
ESRS E3 Water and marine resources	Water	Water discharges	Impact on overall water status through wastewater discharges.	Potentially negative	Own operations	All timeframes	Risk of financial penalties and greater fees related to environmental irregularities	Own operations	All timeframes
ESRS E4 Biodiversity and ecosystems	Impact on the condition of species		Impact on populations and overall condition of species caused by movement through their habitats	Potentially negative	Own operations	All timeframes	No material risks or opportunities	-	-

Sustainability issues			Impacts	Type of impact	Place in the value chain	Timeframe	Risks and opportunities	Place in the value chain	Timeframe
Subject	Sub-topic	Smaller sub-topic units							
ESRS E5 circular economy	Waste materials		Impact on the total amount of waste in the environment caused by the entity's operations, including used consumables, oils, rubber parts and industrial waste	Actual negative	Own operations	All timeframes	Risk of financial penalties and greater fees related to environmental irregularities	Own operations	All timeframes
ESRS S1 Own workforce	Working conditions	Security of employment	Impact on employees' sense of job security related to remedial measures and the process of mass layoffs	Actual negative	Own operations	Short	Risk of litigation and potential claims as a result of mass layoffs	Own operations	Short and medium
ESRS S1 Own workforce	Working conditions	Adequate wages	Impact on employees through non-payment of benefits due to departing employees in connection with the mass layoff process	Actual negative	Own operations	Short	Risk associated with servicing the loan from the Guaranteed Employee Benefits Fund for the disbursement of outstanding amounts payable to employees resulting from the mass layoff process Risk of payment orders and penalties imposed by the State Labor Inspection Service in connection with outstanding amounts payable to laid-off employees	Own operations Own operations	All three timeframes Short and medium
ESRS S1 Own workforce	Working conditions	Collective bargaining, including the percentage of employees covered by collective bargaining agreements	Impact on employees' working conditions through termination of the Company Collective Bargaining Agreement	Actual negative	Own operations	Medium and long	No material risks or opportunities	-	-
ESRS S1 Own workforce	Working conditions	Social dialogue	Impact on employees' ability to participate in making decisions about their working environment and conditions due to a high degree of unionization	Actual positive	Own operations	All timeframes	No material risks or opportunities	-	-

Sustainability issues			Impacts	Type of impact	Place in the value chain	Timeframe	Risks and opportunities	Place in the value chain	Timeframe
Subject	Sub-topic	Smaller sub-topic units							
ESRS S1 Own workforce	Working conditions	Freedom of association, existence of works councils and employees' rights to information, consultation and participation	Impact on employees through discrimination against individuals on the grounds of non-membership or willingness to change trade union membership	Potential negative	Own operations	All timeframes	No material risks or opportunities	-	-
ESRS S1 Own workforce	Working conditions	Occupational safety and health	Impact on the health and life of employees through work that is particularly likely to result in accidents	Potential negative	Own operations	All timeframes	No material risks or opportunities	-	-
ESRS S1 Own workforce	Working conditions	Occupational safety and health	Impact on the stress and mental health of train drivers through exposure to witnessing drastic accidents	Potential negative	Own operations	All timeframes	No material risks or opportunities	-	-
ESRS S1 Own workforce	Working conditions	Occupational safety and health	Impact on the health and life of employees through breaches of occupational health and safety rules, including failure to provide adequate health protection measures for blue-collar employees	Potential negative	Own operations	All timeframes	No material risks or opportunities	-	-
ESRS S1 Own workforce	Working conditions	Occupational safety and health	Impact on employee health and life through work or jobs exposing them to occupational diseases	Potential negative	Own operations	All timeframes	No material risks or opportunities	-	-
ESRS S1 Own workforce	Working conditions	Equal treatment and opportunities for all	No material impact	-	-	-	Risk of losing staff due to inadequate employee compensation and training policies resulting in increased recruitment and induction costs for new workers	Own operations	Short and medium
ESRS S1 Own workforce	Equal treatment and opportunities for all	Measures to prevent violence and harassment in the workplace	Impact on employees due to limited implementation and awareness of the Anti-Mobbing and Anti-Discrimination Policy within the Group	Potential negative	Own operations	All timeframes	No material risks or opportunities	-	-

Sustainability issues			Impacts	Type of impact	Place in the value chain	Timeframe	Risks and opportunities	Place in the value chain	Timeframe
Subject	Sub-topic	Smaller sub-topic units							
ESRS S1 Own workforce	Equal treatment and opportunities for all	Diversity	No material impact	-	-	-	Risk associated with the generational gap and loss of skilled staff reaching retirement age, resulting in the need to recruit and train new workers	Own operations	All timeframes
ESRS S2 Workers in the value chain	Working conditions	Occupational safety and health	Impact on the health and life of workers in the value chain through the impact of job type and working conditions on the likelihood of an accident	Potential negative	Upstream, downstream	All timeframes	No material risks or opportunities	-	-
ESRS S3 Affected communities	Economic, social and cultural rights of communities	Adequate housing conditions	Impact on the quality of life of local communities through noise generation	Actual negative	Own operations	All timeframes	Risk of restrictions on movement on rails and penalties for exceeding noise standards in connection with TSI Noise regulations	Own operations	Long
ESRS S3 Affected communities	Economic, social and cultural rights of communities	Impact on security	Impact on national security, including energy security, through the provision of what the state considers to be strategic transport services	Actual positive	Own operations	All timeframes	No material risks or opportunities	-	-
ESRS S3 Affected communities	Economic, social and cultural rights of communities		Impact on local labor markets in Poland through the creation of over 14,000 jobs across the Group	Actual positive	Own operations	All timeframes	No material risks or opportunities	-	-
ESRS G1 Business conduct	Management of relationships with suppliers, including payment practices		Impact through late payments	Actual negative	Own operations	All timeframes	Risk of litigation, enforcement proceedings and loss of business partners due to late payments	Upstream, downstream	All timeframes
ESRS G1 Business conduct	Management of relationships with suppliers, including payment practices		No material impact				Opportunity to establish stable long-term relationships with specific suppliers and subcontractors who pursue similar ESG objectives.	Whole value chain	Long term

Sustainability issues			Impacts	Type of impact	Place in the value chain	Timeframe	Risks and opportunities	Place in the value chain	Timeframe
Subject	Sub-topic	Smaller sub-topic units							
ESRS G1 Business conduct	Whistleblower protection		Impact on the effectiveness of whistleblowing regulations related to stakeholders' limited awareness of how to unethical or illegal activities may be reported	Potential negative	Own operations	All timeframes	No material risks or opportunities	-	-
ESRS G1 Business conduct	Political involvement and lobbying		No material impact				Opportunity to boost involvement in the consultation of legislation and lobbying activities aimed at increasing investment in the development of the rail sector (especially freight rail transport) as an environmentally friendly means of transport	Whole value chain	All timeframes

The Group is not in possession of analysis outcomes that would enable it to report the following in this statement:

- current and anticipated effects of material impacts, risks and opportunities on the business model, value chain, strategy and decision-making process,
- current financial effects of material risks and opportunities on the financial position,
- anticipated financial effects of material risks and opportunities on the financial position.

In the double materiality analysis, the PKP CARGO Group considered material impacts under timeframes consistent with ESRS: short term (up to one year), medium term (one to five years) and long term (over five years).

The PKP CARGO Group's material impacts, risks and opportunities result from the organization's strategy and business model related to rail transport and transshipment of cargo, predominantly coal. Social, environmental and corporate governance impacts, risks and opportunities are identified to the extent and in the manner described in sub-section SBM-1 *Strategy, business model and value chain.* The identified material topics pertain to the cargo transported, the resources used to power and maintain the rolling stock and the sources of emissions into the environment. Moreover, as a major employer in a period of transition, PKP CARGO exerts a strong impact on its workers, manifesting itself in specific material topics, particularly in the social area.

At the same time, the organization is aware of its role in ensuring national security by providing strategic transport services and, owing to a high level of unionization, enables its workers to shape their working environment.

This statement for 2024 is the first one based on a full double materiality analysis in accordance with ESRS – accordingly, it is impossible to disclose changes vis-à-vis the previous reporting period. The Group does not report any additional disclosures of its own that extend beyond the topics covered in ESRS 1 AR 16.

The Group does not currently have any quantified decarbonization targets. As part of the analysis of the strategy and business model's resilience to climate change, a scenario analysis was carried out, as described in IRO-1 *Description of the processes to identify and assess material impacts, risks and opportunities.* The analysis covered the region of Central and Eastern Europe (primarily Poland), which is the area where activities are carried out as part of own operations and downstream the value chain (key sales markets). As part of upstream activities, risks projected for the whole of Europe were considered. The analysis adopted three timeframes: up to one year (short), one to five years (medium) and over five years (long).

It was assessed that sudden weather phenomena, such as storms, flooding or landslides, might lead to the destruction or damage of transport infrastructure necessary for the provision of services, but also important for the operation of the value chain – the extraction of transported cargo necessary for energy production or supporting services. The consequences of the phenomena described above may include disruptions to ongoing operations, leading to a decline in revenues or share value. When adapting to climate change based on a zero-emission scenario, the Group recognizes the risks associated with the effectiveness of aligning its services with a low-emission model, including upgrades of infrastructure and rolling stock throughout the value chain. In parallel, the Group identifies opportunities related to the inclusion of road transport in the ETS, which may increase the competitiveness of rail transport.

In accordance with its business strategy, the Group is taking action to diversify the cargo it transports as broadly as possible in order to follow the global trend away from coal. The Group is capable of adaptation to emergency situations to a certain extent by aligning its transport services with current needs.

No areas of activity or assets were identified for which the transition to a climate-neutral economy had not been taken into consideration. No critical climate assumptions were made in the financial statements.

The PKP CARGO Group operates in and near areas that are sensitive to biodiversity. Moreover, rail traffic arranged by the Group's companies across the country may disrupt the lives of many animal species, but the Group has no information that its activities caused excessive deterioration of ecosystems in any location.

The process by which negative impacts on biodiversity and ecosystems were identified is associated with the provision of transport services through areas with varying degrees of protection and ecosystem status. This may result in collisions with animals, noise-induced stress or general deterioration caused by pollution.

No specific species were identified as unambiguously negatively impacted by the Group. The Group exerts no material impact on land degradation, desertification or soil sealing.

IRO-1 – Description of the process to identify and assess material impacts, risks and opportunities

Within the framework of the double materiality analysis process, the PKP CARGO Group assessed all sustainability-related issues in accordance with the requirements set forth in ESRS 1 AR 16. Corporate documents pertaining to the topics covered in the sustainability statement were also reviewed.

The process began with a detailed examination of the value chain. External ESG experts carried out an upstream and downstream analysis, taking into consideration core and supporting activities. The identified elements – resources, activities and relationships – were approved by the Group in an internal consultation process.

The impact materiality assessment was based on several key criteria:

- intensity of impact (strength of influence on sustainability aspects),
- scale of impact (territorial or organizational scope of influence),
- likelihood of potential impacts occurring,
- possibility of reversing their effects (whether the impact is permanent or its effects may be counteracted).

In terms of financial materiality, an assessment was carried out of how ESG issues affect the organization's operations, financial standing and growth prospects. Key topics, their subtopics and more detailed aspects were analyzed, taking into account their interconnections with the business model and the whole value chain.

Risks and opportunities were assessed based on the following two parameters:

- potential negative impact on the Group's financial performance and operating activities,
- probability of the respective risk materializing or the opportunity arising.

All these aspects were evaluated on a five-point scale based on quantitative and qualitative values, taking into consideration recognized sources of scientific knowledge and market data or data obtained directly from the organization. Moreover, issues that were on the borderline of materiality were considered on a case-by-case basis, taking into account their potential inclusion in the list of topics considered material.

The process to identify negative impacts began with a dialogue with stakeholders, in particular with workers and key external partners. This activity was an integral part of the due diligence process. To this end, the Group developed and distributed questionnaires to both its own workers and external stakeholders. The set of questions, in both closed-ended and open-ended form, covered a broad range of sustainability issues. The questionnaires were designed in accordance with the UN Guiding Principles on Business and Human Rights and the recommendations contained in the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct.

A total of 696 responses were received from the Group's own workers and 136 responses from customers, suppliers and business partners. The Group intends to further expand this dialogue, also by stepping up the involvement of respondents among stakeholders and including local communities and non-governmental organizations in the process. Four face-to-face interviews were also conducted with stakeholder representatives, including workers (and trade union representatives), customers and suppliers.

In the analysis of collected data, particular attention was paid to the issue of human rights compliance in accordance with the provisions of the International Bill of Human Rights (including the Universal Declaration of Human Rights, the International Covenant on Civil and Political Rights and the International Covenant on Economic, Social and Cultural Rights), and the principles arising from the fundamental conventions referred to in the International Labor Organization's Declaration on Fundamental Principles and Rights at Work.

The conclusions of the survey were taken into consideration both at the identification stage and in the assessment of the impacts, opportunities and risks associated with the Group's business. The publication of this statement is intended to ensure full transparency and to inform all stakeholders about the organization's sustainability-related activities.

Based on the outcomes obtained from the surveys and interviews, the Group identified both positive and negative impacts of its activities as well as associated risks and opportunities. The assessment of these aspects took into account such criteria as the scale and scope of the impact, its irreversible nature and likelihood of its occurrence, relating them to the specific human rights with which they are associated.

The process to identify and assess key impacts, risks and opportunities was carried out with the participation of representatives of all strategic areas of the PKP CARGO Group's operations. The working group included representatives of the investor relations division in charge of ESG issues and representatives of human resources management, compliance, legal services and occupational health and safety divisions. Additional support in evaluating materiality was provided by external specialists in environmental protection, social aspects of business and non-financial reporting. Within this framework, a series of workshops was held, the focus areas of which included analysis of identified impacts, scenario analysis and issues related to the due diligence process. The final list of the most material impacts, potential risks and possible opportunities was approved by the Management Board.

The double materiality analysis process lasted from November 2024 to February 2025. The PKP CARGO Group intends to update it regularly, taking into consideration emerging data and changing market conditions. Each stage of the process was carefully documented, thereby enabling certification of the auditor and assessment of the effectiveness of the approach used.

E1.IRO-1 Description of the processes to identify and assess climate-related material impacts, risks and opportunities

The process to identify material impacts, risks and opportunities is described in this statement in section IRO-1 *Description of the process to identify and assess material impacts, risks and opportunities.*

Within the framework of the double materiality analysis and identification of key risks and opportunities, the PKP CARGO Group also evaluated the resilience of its strategy and business model to climate change risks. The first stage of this exercise was to define the scope of the Group's business across the value chain. It was established that the Group's core line of business is predominantly concentrated in Poland. Relationships downstream the value chain have a similar scope, whereas no dominant geographical region was identified upstream the value chain. The analysis considered the characteristics of the impact of each relationship and its placement within value chain structure.

The assessment took into account three timeframes: short term (up to one year), medium term (one to five years) and long term (over five years). The specific nature of the Group's assets was also taken into account – due to the adopted operating model, they are largely considered fixed.

Among the sources used in the analysis were the following:

- Net Zero Emissions scenario for 2050 prepared by the International Energy Agency,
- TCFD guidelines on scenario analysis for non-financial undertakings,
- IPCC Climate Change 2021 – The Physical Science Basis report.

Climate change risks – both acute and long-term ones – were identified based on the high-emission IPCC SSP5-8.5 scenario. This scenario is one of five socio-economic development paths described by the IPCC and assumes rapid economic growth based on intense use of fossil fuels, with low levels of decarbonization. As a result, global warming is projected to reach 4°C by the end of the 21st century. Greater social and economic inequalities and the absence of effective climate risk management mechanisms on a global scale are also expected.

The following physical risks were identified:

- acute risks, involving sudden phenomena, such as floods, cyclones or avalanches,
- chronic risks, including long-term phenomena, such as temperature changes, disruptions in air circulation and soil degradation.

Taking into consideration the specific locations of the Group's business activity, an analysis of the effects of potential phenomena resulting from various climate scenarios was carried out.

The Net Zero Scenario for 2050, without assuming emissions reductions outside the power sector, presents a possible path to achieving net zero CO_2 emissions in this market segment, thus supporting the Paris Agreement targets. The adaptability of the Group's business model to these scenarios was analyzed within the framework of the assessment of the Group's strategy resilience to a low-carbon scenario.

In this context, the following transition risks were identified:

- changes in market expectations from customers (market risks),
- regulatory requirements for products and services (legal risks),
- emergence of new technologies or replacement of existing solutions (technological risks),
- reputational risk resulting from the public perception of the sector.

It was suggested as part of the analysis that extreme weather phenomena, such as intense storms, heavy rainfall, fires and avalanches, may damage infrastructure that is critical to the value chain (including rails, traction networks, rolling stock) and thus hinder the conduct of core transport activities.

In the context of adaptation to climate change resulting from the zero-emission scenario, threats related to the need to adapt services to the realities of a low-carbon economy were identified, particularly in the context of the declining share of coal, which is currently the Group's main cargo category. At the same time, potential opportunities were also identified, for example in connection with the inclusion of road transport in the EU ETS, which may prop up the competitiveness of rail transport.

A detailed list of material risks, along with the assignment of appropriate timeframes, is provided in section SBM-3 *Material impacts, risks and opportunities and their interaction with strategy and business model.*

E2.IRO-1 Description of the processes to identify and assess material impacts, risks and opportunities related to pollution

Within the framework of the double materiality analysis process, the PKP CARGO Group, with a view to determining its impacts, risks and opportunities related to pollution, conducted a review of its own locations, processes, resources and assets in accordance with ESRS requirements. This included an analysis of a variety of issues, including:

- processes carried out in this area, including location,
- documentation regarding permits for the release of pollutants into the environment,
- regular testing of wastewater discharged into water and soil,
- consumption of fuels and materials within the organization,
- additional information provided by environmental specialists working in the companies.

The only consultations were carried out as part of the due diligence process described in section IRO-1 *Description of the process to identify and assess material impacts, risks and opportunities.* At the time, the Group identified four material actual negative impacts related to pollution and one material potential negative impact on environmental pollution, as described in section SBM-3 Material impacts, risks and opportunities and their interaction with strategy and business model. The organization also identified locations where pollution is a material issue and the types of activities related to these environmental impacts:

- air pollution resulting predominantly from fuel combustion in locomotive traffic, machinery and repair processes,
- soil and water pollution resulting from emissions, including rainwater and treated wastewater, to rivers and drainage ditches,
- use of potentially hazardous substances in track infrastructure repair processes and in rolling stock maintenance processes.

E3.IRO-1 Description of processes to identify and assess material impacts, risks and opportunities related to water and marine resources

In identifying its impacts, the PKP CARGO Group reviewed its own locations and activities in accordance with ESRS. The organization's resources, assets and activities were also analyzed to identify actual and potential sources of water withdrawal and consumption. The Aqueduct reference tool was used. The Group does not use any water for production purposes, but only for the ongoing maintenance of rolling stock and infrastructure and for workforce amenity needs. Water used for feeding steam locomotives was considered part of water consumption. The Group does not depend on or make special use of any specific water intake; water is consumed relatively evenly across the country. Part of the water consumed, currently in an amount that was not determined, came from areas of high water stress.

The only consultations were conducted within the framework of the due diligence process described in section IRO-1 *Description of the process to identify and assess material impacts, risks and opportunities.*

E4.IRO-1 Description of the processes to identify and assess material impacts, risks, dependencies and opportunities related to biodiversity and ecosystems

The process to identify material impacts, risks and opportunities related to biodiversity and ecosystems is described in this statement in section IRO-1 *Description of the process to identify and assess material impacts, risks and opportunities.* The Group reviewed the CICES ecosystem services list and did not identify any specific services that would be disrupted.

Risks and opportunities related to physical changes and transitions associated with biodiversity and ecosystems were identified by analyzing the impact of the Group's business model and key activities on biodiversity loss. The organization took into consideration the locations and areas of its business activities as well as its place in the value chain. The likelihood of occurrence and the financial scale were assessed. In parallel, the Group did not take into consideration any systemic risks, because it is only marginally dependent on natural resources.

In the process to identify biodiversity-related impacts, risks and opportunities, the Group did not consult with any affected communities on the assessment of the sustainability of shared biological resources and ecosystems. Communities were also not involved in the materiality assessment.

During the analysis, the Group's business model was not verified using biodiversity or ecosystem scenarios.

The PKP CARGO Group operates in areas sensitive to biodiversity and in their vicinity. Furthermore, rail traffic arranged by the Group's companies throughout the country may disrupt the lives of many animal species, but the organization does not have information that its activities have caused excessive deterioration of ecosystems in any location.

The Group has not identified any need to implement mitigation measures to protect biodiversity.

E5.IRO-1 Description of processes to identify and assess material impacts, risks and opportunities related to resource use and circular economy

The Group scrutinized its own resources, assets and activities to identify the main resources introduced into its infrastructure. Key processes and areas of business where waste is generated were identified and key materials forming waste streams were characterized. The analysis made use of reference databases such as EncoreNature, statistical databases published by Statistics Poland (GUS) and industry publications. It was assumed that the Group's business is linear in relation to the reference data.

The only consultations were carried out within the framework of the due diligence process described in section IRO-1 *Description of the process to identify and assess material impacts, risks and opportunities.*

G1.IRO-1 Description of processes to identify and assess material impacts, risks and opportunities

In identifying material impacts, risks and opportunities, the PKP CARGO Group took into consideration contextual factors, including the sector and the specific nature and location of its operations. When analyzing its location, the legal and economic environment was taken into consideration, in particular in the context of compliance with ESG regulations in various jurisdictions and potential exposure to risks in the area of corporate governance in foreign companies.

The nature and scale of the Group's business and the specific nature of the rail transport industry required an analysis of the following key areas:

- procedures and scope of implementation of whistleblower protection regulations, including measures taken to familiarize workers with the procedure,
- regulations and procedures adopted by the Group, including in the areas of ethical standards, anti-corruption and reporting of irregularities and abuses (within the framework of a survey as part of which, as a result of the double materiality analysis, key external stakeholders and workers were evaluated in terms of their knowledge of internal regulations and procedures – such knowledge among workers is a prerequisite for ensuring the effectiveness of these regulations and procedures),
- supplier relationship management, in particular payment practices – due to the parent company's remedial proceedings and the dispersed nature of the Group's operations, the timely repayment of liabilities exerts a potentially material impact on the situation of undertakings in the organization's value chain.

The history of penalties imposed by regulatory authorities, including incidents of corruption, was verified – the PKP CARGO Group did not record any such cases.

IRO-2 – Disclosure requirements in ESRS covered by the undertaking's sustainability statement concerning material impacts, risks and opportunities

The process to identify material impacts, risks and opportunities that need to be disclosed in this statement was based on a double materiality analysis. Within the framework of this analysis, distinct impacts, risks and opportunities were assigned to specific 26 thematic areas identified in ESRS and then assessed for materiality using established thresholds.

The list of fulfilled requirements confirms that this statement complies with sustainability reporting standards.

Table 44 Disclosure requirements in ESRS covered by the undertaking's sustainability statement

Disclosure no.	Disclosure name	Page number in the report
BP-1	Overall basis for preparing sustainability statements	105
BP-2	Disclosures in relation to specific circumstances	106
GOV-1	Role of administrative, management and supervisory bodies	107
GOV-2	Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies	108
GOV-3	Integration of sustainability performance into incentive systems	108
GOV-4	Due diligence statement	108

Disclosure no.	Disclosure name	Page number in the report
GOV-5	Risk management and internal controls over sustainability reporting	109
SBM-1	Strategy, business model and value chain	109
SBM-2	Stakeholder interests and opinions	111
SBM-3	Material impacts, risks and opportunities and their interactions with strategy and business model	112
IRO-1	Description of processes to identify and assess material impacts, material risks and material opportunities	122
IRO-2	Disclosure requirements in ESRS covered by the undertaking's sustainability statement	125
E1 GOV-3	Consideration of sustainability performance in incentive systems	108
E1-1	Transition plan for climate change mitigation	144
E1 SBM-3	Material impacts, risks and opportunities and their interactions with strategy and business model	112
E1 IRO-1	Description of processes to identify and assess climate-related material impacts, risks and opportunities	123
E1-2	Policies related to climate change mitigation and adaptation	144
E1-3	Climate policy actions and resources	144
E1-4	Targets related to climate change mitigation and adaptation	144
E1-5	Energy consumption and energy mix	144
E1-6	Gross Scopes 1, 2, 3 and Total GHG emissions	145
E1-7	GHG removals and mitigation projects financed through carbon credits	149
E1-8	Internal carbon pricing	149
E1-9	Expected financial impacts of material physical risks and transition risks and potential climate-related opportunities	phase-in
E2 IRO-1	Description of processes to identify and assess material impacts, risks and opportunities related to pollution	124
E2-1	Policies related to pollution	149
E2-2	Measures and resources related to pollution	150
E2-3	Pollution-related targets	151
E2-4	Air, water and soil pollution	153
E2-5	Potentially hazardous substances and substances of very high concern	154
E2-6	Expected financial impacts resulting from pollution-related risks and opportunities	phase-in
E3 IRO-1	Material impacts, risks and opportunities and their interactions with strategy and business model	124
E3-1	Water and marine resource policies	154
E3-2	Activities and resources related to water and marine resources	155
E3-3	Targets related to water and marine resources	155
E3-4	Water consumption	155
E3-5	Anticipated financial impacts FROM water and marine resource-related impacts, risks and opportunities	phase-in
E4 SBM-3	Material impacts, risks and opportunities and their interactions with strategy and business model	112

Disclosure no.	Disclosure name	Page number in the report
E4 IRO-1	Description of processes to identify and assess material impacts, risks, dependencies and opportunities related to biodiversity and ecosystems	124
E4-1	Biodiversity and ecosystem transition plan and integration of biodiversity and ecosystems into the strategy and business model	156
E4-2	Policies related to biodiversity and ecosystems	156
E4-3	Activities and resources related to biodiversity and ecosystems	156
E4-4	Targets related to biodiversity and ecosystems	156
E4-5	Impact measures related to changes in biodiversity and ecosystems	156
E4-6	Anticipated financial impacts of biodiversity and ecosystem-related impacts, risks and opportunities	phase-in
E5 IRO-1	Description of processes to identify and assess material impacts, risks and opportunities related to resource use and circular economy	125
E5-1	Policies related to resource use and circular economy	157
E5-2	Activities and resources related to resource use and circular economy	157
E5-3	Targets related to resource use and circular economy	157
E5-4	Input resources	not significant
E5-5	Resource outflows	157
E5-6	Expected financial effects of impacts, risks and opportunities related to resource use and circular economy	phase-in
S1 SBM-2	Stakeholder interests and opinions	111
S1 SBM-3	Material impacts, risks and opportunities and their interactions with strategy and business model	158
S1-1	Policies related to own workforce resources	158
S1-2	Processes for engaging with own workforce and workers' representatives about impacts	160
S1-3	Processes to remediate negative impacts and channels for own workers to raise concerns	161
S1-4	Taking action on material impacts on own human resources and applying approaches to manage material risks and opportunities related to own human resources and the effectiveness of those actions	162
S1-5	Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	164
S1-6	Characteristics of the undertaking's employees	164
S1-7	Characteristics of non-employees in the undertaking's own workforce	phase-in
S1-8	Collective bargaining coverage and social dialogue	166
S1-9	Diversity metrics	166
S1-10	Adequate wages	167
S1-11	Social protection	not significant
S1-12	Persons with disabilities	not significant
S1-13	Training and skills development metrics	phase-in
S1-14	Health and safety metrics	167
S1-15	Work-life balance metrics	not significant
S1-16	Employee compensation metrics (pay gap and total employee compensation)	not significant

Disclosure no.	Disclosure name	Page number in the report
S1-17	Incidents, complaints and severe human rights impacts	167
S2 SBM-2	Stakeholder interests and opinions	111
S2 SBM-3	Material impacts, risks and opportunities and their interactions with strategy and business model	168
S2-1	Value chain workers policies	168
S2-2	Processes for engaging with value chain workers about impacts	168
S2-3	Processes to remediate negative impacts and channels for value chain workers to raise concerns	168
S2-4	Taking action on material impacts on value chain workers, and approaches to managing material risks and pursuing material opportunities related to value chain workers, and effectiveness of those actions	169
S2-5	Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	169
S3 SBM-2	Stakeholder interests and opinions	111
S3 SBM-3	Material impacts, risks and opportunities and their interactions with strategy and business model	169
S3-1	Policies related to affected communities	170
S3-2	Processes for engaging with affected communities about impacts	170
S3-3	Processes to remediate negative impacts and channels for affected communities to raise concerns	170
S3-4	Taking action on material impacts on affected communities and applying approaches to manage material risks and opportunities related to these communities and the effectiveness of such actions	170
S3-5	Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	170
G1 GOV-1	Role of administrative, management and supervisory bodies	107
G1 IRO-1	Description of processes to identify and assess material impacts, risks and opportunities	125
G1-1	Business conduct policies and corporate culture	171
G1-2	Management of relationships with suppliers	172
G1-3	Prevention and detection of corruption and bribery	not significant
G1-4	Incidents of corruption or bribery	not significant
G1-5	Political influence and lobbying	173
G1-6	Payment practices	173

Table 45 List of data points included in cross-cutting standards and thematic standards that result from other EU regulations

Disclosure no. (ESRS, DR)	Data points	Data point name	Reference to the SFDR	Reference to the third pillar	Reference to the Benchmarks Regulation	Reference to European climate law	Page in the report
ESRS 2 GOV-1	21 d	Gender diversity of board members	x		x		107

Disclosure no. (ESRS, DR)	Data points	Data point name	Reference to the SFDR	Reference to the third pillar	Reference to the Benchmarks Regulation	Reference to European climate law	Page in the report
ESRS 2 GOV-1	21 e	Percentage of independent members of governing bodies			x		107
ESRS 2 GOV-4	30	Due diligence statement	x				108
ESRS 2 SBM-1	40 d (i)	Participation in activities related to fossil fuel activities	x	x	x		109
ESRS 2 SBM-1	40 d (ii)	Participation in activities related to the production of chemicals	x		x		not applicable
ESRS 2 SBM-1	40 d (iii)	Participation in activities related to controversial weapons	x		x		not applicable
ESRS 2 SBM-1	40 d (iv)	Participation in activities related to the cultivation and production of tobacco			x		not applicable
ESRS E1-1	14	Transition plan to achieve climate neutrality by 2050				x	144
ESRS E1-1	16 g	Undertakings excluded from the scope of the Paris Agreement-aligned benchmarks		x	x		not applicable
ESRS E1-4	34	GHG emission reduction targets	x	x	x		144
ESRS E1-5	38	Energy consumption from fossil sources disaggregated by source (only for sectors with material climate impact)	x				not applicable
ESRS E1-5	37	Energy consumption and energy mix	x				144
ESRS E1-5	40–43	Energy intensity linked to activities in sectors with material climate impact	x				not applicable
ESRS E1-6	44	Gross scopes 1, 2 and 3 and total GHG emissions	x	x	x		145
ESRS E1-6	53–55	Gross GHG emissions intensity	x	x	x		145
ESRS E1-7	56	GHG removal and carbon dioxide emission units				x	149
ESRS E1-9	66	Exposure of the reference portfolio to			x		phase-in

Disclosure no. (ESRS, DR)	Data points	Data point name	Reference to the SFDR	Reference to the third pillar	Reference to the Benchmarks Regulation	Reference to European climate law	Page in the report
		climate-related physical risks					
ESRS E1-9	66 a	Disaggregation of monetary amounts according to sudden and prolonged physical risks		x			phase-in
ESRS E1-9	66 c	Location of material assets exposed to material physical risks		x			phase-in
ESRS E1-9	67 c	Breakdown of the book value of real estate by energy efficiency class		x			phase-in
ESRS E1-9	69	Degree of portfolio exposure to climate-related opportunities			x		phase-in
ESRS E2-4	28	Quantity of each pollutant listed in Annex II to the E-PRTR Regulation emitted to air, water and soil	x				153
ESRS E3-1	9	Water and marine resources	x				154
ESRS E3-1	13	Special policy	x				not applicable
ESRS E3-1	14	Sustainable oceans and seas practices	x				not significant
ESRS E3-4	28 c	Total amount of water recycled and reused	x				155
ESRS E3-4	29	Total water consumption in m³ per net revenue from own operations	x				155
ESRS 2 SBM 3-E4	16 a (i)	Biodiversity-sensitive areas	x				112
ESRS 2 SBM 3-E4	16 b	Impact on terrestrial ecosystems	x				112
ESRS 2 SBM 3-E4	16 c	Endangered species	x				112
ESRS E4-2	24 b	Sustainable land/agriculture practices or policies	x				156
ESRS E4-2	24 c	Sustainable oceans/seas practices or policies	x				156

Disclosure no. (ESRS, DR)	Data points	Data point name	Reference to the SFDR	Reference to the third pillar	Reference to the Benchmarks Regulation	Reference to European climate law	Page in the report
ESRS E4-2	24 d	Policies to counteract deforestation	x				156
ESRS E5-5	37 d	Non-recycled waste	x				157
ESRS E5-5	39	Hazardous and radioactive waste	x				157
ESRS 2 SBM-3-S1	14 f	Risk of forced labor	x				112
ESRS 2 SBM-3-S1	14 g	Risk of child labor	x				158
ESRS S1-1	20	Commitments to human rights policy	x				158
ESRS S1-1	21	Due diligence strategies for issues covered by core International Labor Organization conventions			x		158
ESRS S1-1	22	Procedures and measures to prevent human trafficking	x				158
ESRS S1-1	23	Policy or management system to prevent occupational accidents	x				158
ESRS S1-3	32 c	Complaint handling mechanisms	x				161
ESRS S1-14	88 b and c	Number of work-related deaths and number and rate of work-related accidents	x		x		167
ESRS S1-14	88 e	Number of days lost due to injuries, accidents, fatalities or illnesses	x				phase-in
ESRS S1-16	97 a	Unadjusted gender pay gap	x		x		not significant
ESRS S1-16	97 b	Excessive CEO remuneration	x				not significant
ESRS S1-17	103 a	Cases of discrimination	x				167
ESRS S1-17	104 a	Non-compliance with the UN Guiding Principles on Business and Human Rights and the OECD Guidelines	x		x		not significant

Disclosure no. (ESRS, DR)	Data points	Data point name	Reference to the SFDR	Reference to the third pillar	Reference to the Benchmarks Regulation	Reference to European climate law	Page in the report
ESRS 2 SBM-3-S2	11 b	Material risk of incidents of child labor or forced labor in the value chain	x				168
ESRS S2-1	17	Commitments to human rights policy	x				168
ESRS S2-1	18	Value chain workers policies	x				168
ESRS S2-1	19	Non-compliance with the UN Guiding Principles on Business and Human Rights and the OECD Guidelines	x		x		168
ESRS S2-1	19	Due diligence strategies for issues covered by the International Labor Organization's core convention nos. 1–8			x		168
ESRS S2-4	36	Issues and incidents related to human rights upstream and downstream the value chain	x				169
ESRS S3-1	16	Commitments to human rights policy	x				not significant
ESRS S3-1	17	Non-compliance with the UN Guiding Principles on Business and Human Rights, ILO principles or OECD guidelines	x		x		170
ESRS S3-4	36	Issues and incidents related to respect for human rights	x				not significant
ESRS S4-1	16	Consumers and end users policy	x				not applicable
ESRS S4-1	17	Non-compliance with the UN Guiding Principles on Business and Human Rights and the OECD Guidelines	x		x		not applicable
ESRS S4-4	35	Issues and incidents related to respect for human rights	x				not applicable
ESRS G1-1	10 b	United Nations Convention against Corruption	x				171
ESRS G1-1	10 d	Protection of whistleblowers	x				171

Disclosure no. (ESRS, DR)	Data points	Data point name	Reference to the SFDR	Reference to the third pillar	Reference to the Benchmarks Regulation	Reference to European climate law	Page in the report
ESRS G1-4	24 a	Fines for breaches of anti-corruption and anti-bribery regulations	x		x		not significant
ESRS G1-4	24 b	Standards for combating corruption and bribery	x				not significant

10.2. Environmental information

EU Taxonomy

Environmental information – Disclosures pursuant to Article 8 of Regulation (EU) 2020/852 (Taxonomy Regulation)

In accordance with the EU Taxonomy Regulation (Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on establishing a framework to facilitate sustainable investment, OJ L 198 of 22.6.2020, pp. 13–43), the PKP CARGO Group is required to disclose the following information in its annual report:

- percentage of turnover derived from products or services related to activities classified as environmentally sustainable,
- percentage of capital expenditure (CapEx) allocated to assets or processes related to environmentally sustainable activities,
  percentage of operating expenses (OpEx) related to assets or processes that are part of environmentally sustainable activities.

In order for an activity to be classified as environmentally sustainable, it must be assessed for compliance with the requirements set forth in the EU Taxonomy. According to these regulations, an activity may be considered Taxonomy-aligned if it:

- contributes materially to the achievement of at least one of the six environmental objectives set forth in the EU Taxonomy,
- does no significant harm to any of the other environmental objectives of the EU Taxonomy,
- is carried out in accordance with minimum safeguards (assessed at the group level),
- fulfills the Technical Screening Criteria set forth in Commission Delegated Regulation (EU) 2023/2486 of 27 June 2023 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to the sustainable use and protection of water and marine resources, to the transition to a circular economy, to pollution prevention and control, or to the protection and restoration of biodiversity and ecosystems and for determining whether that economic activity does no significant harm to any of the other environmental objectives, OJ L 2023/2486, 21.11.2023, and Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives, OJ L 442, 9.12.2021, pp. 1–349. Collectively, these documents are referred to as technical screening criteria (TSCs).

The EU Taxonomy identifies six main environmental objectives that form the basis for assessing the sustainability of economic activities. These are:

- mitigation of climate change,
- adaptation to climate change,
- sustainable use and protection of water and marine resources,
- transition to a circular economy,
- prevention and control of pollution,
- protection and restoration of biodiversity and ecosystems.

Within the framework of Taxonomy reporting, a comprehensive reporting process was implemented, broken down into the following four key stages:

1. assessment of compliance with minimum safeguards,
2. assessment of eligibility for the Taxonomy classification in terms of activities carried out,
3. assessment of compliance with Technical Screening Criteria and collection of supporting documentation,
4. assignment of financial data to determine Taxonomy-eligible and Taxonomy-aligned turnover, CapEx and OpEx.

EU Taxonomy reporting process

Organization of the reporting process within the PKP CARGO Group

The Financial Controlling Section in the Controlling Department, in cooperation with the Investor Relations and Non-Financial Reporting Section, was responsible for coordinating the Taxonomy reporting process in the PKP CARGO Group. As a rule, the organizational units responsible for accounting were responsible for the implementation of tasks within the subsidiaries.

In order to ensure a uniform approach to the process within all companies of the PKP CARGO Group, work was carried out within a working group and information for reporting purposes was collected using standardized documents. The Financial Controlling Section of PKP CARGO S.A. under restructuring ensured a uniform approach across all subsidiaries and that the same rules for determining reported KPIs were applied as in financial reporting.

Assessment of compliance with minimum safeguards

In order for an economic activity to be considered Taxonomy-aligned, it must be carried out in accordance with the minimum safeguards set forth in Article 18 of the EU Taxonomy. This means that the activity should:

- comply with the OECD Guidelines for Multinational Enterprises,
- be consistent with the UN Guiding Principles on Business and Human Rights,
- and take into consideration the “do no significant harm” principle referred to in Article 2(17) of Regulation (EU) 2019/2088.

Within the framework of its assessment of activities in 2024, the PKP CARGO Group confirmed its compliance with the minimum safeguards.

Assessment of eligibility for classification under the Taxonomy in terms of conducted activities

Within the framework of the reporting process, the activities of the PKP CARGO Group were analyzed in terms of their eligibility for classification under the EU Taxonomy. The identification of Taxonomy-eligible activities was carried out on the basis of the descriptions contained in the annexes to the delegated regulations specifying the Technical Screening Criteria.

The following activities were identified in the PKP CARGO Group under the first environmental objective – Climate Change Mitigation (CCM):

- CCM 3.3 – Manufacture of low carbon technologies for transport
- CCM 6.2 – Freight rail transport,
- CCM 6.5 – Transport by motorcycles, passenger cars and light commercial vehicles,
- CCM 6.6 – Freight transport services by road,
- CCM 6.14 – Infrastructure for rail transport

No eligible activities were identified for the other environmental objectives.

Assessment of the compliance of activities with the Technical Screening Criteria and collection of supporting documentation

The PKP CARGO Group, in assessing the compliance of its activities with the EU Taxonomy criteria, conducted an analysis of the criteria for material contribution and no significant harm based on the TSCs. As a result of the verification of these criteria, we concluded that the following areas of the PKP CARGO Group’s activities are compliant with the requirements of the EU Taxonomy:

- CCM 3.3 – Manufacture of low carbon technologies for transport
- CCM 6.2 – Freight rail transport.

Allocation of financial data to determine Taxonomy-eligible and Taxonomy-aligned turnover, CapEx and OpEx

Under this stage, turnover, capital expenditure (CapEx) and operating expenditure (OpEx) were allocated to the distinct activities identified in the previous analysis. Turnover and CapEx were determined in a manner consistent with the principles applied in the financial reporting of the PKP CARGO Group. For OpEx, the definition of operating expenses resulting from the provisions of the EU Taxonomy was adopted.

Based on the data collected during the analysis of the Taxonomy-eligibility and Taxonomy-alignment, the PKP CARGO Group developed the required tables and prepared descriptions in accordance with the applicable regulatory requirements.

Accounting principles

The basis for calculating turnover ratios, capital expenditure (CapEx) and operating expenditure (OpEx) were the definitions contained in Annex I to Commission Delegated Regulation (EU) 2021/2178.

Distinct types of activity were assigned to only one activity qualifying for the Taxonomy. No portion of the Group's turnover, CapEx or OpEx was double-counted. In cases where revenue (turnover) generated from the respective activity was considered eligible for the Taxonomy, also the CapEx and OpEx related to this activity were assigned to it in full and excluded from other activities. The remaining CapEx and OpEx values (not related to the eligible turnover-generating activities) were evaluated in terms of their possible inclusion in other categories of eligible activities. Distinct CapEx and OpEx items were ascribed to only one activity. In situations where it seemed reasonable to ascribe them to more than one activity, the most suitable one was selected.

The calculation of the share of turnover eligible for the Taxonomy was based on the following principles:

- for the turnover ratio, adopted as the basis for the calculation (the ratio denominator) was the consolidated revenue from contracts with customers,
- in turn, plugged into the numerator was the consolidated revenue generated from activities eligible for Taxonomy.

Turnover was calculated based on consolidated revenues from contracts with customers included in the "Consolidated Financial Statements of the PKP CARGO Group for the financial year ended 31 December 2024, in accordance with EU IFRS."

The calculation of the CapEx ratio eligible for the Taxonomy was based on the following principles:

- the calculation (ratio denominator) was based on the PKP CARGO Group's consolidated capital expenditures, which included: property, plant and equipment, intangible assets and right-of-use assets.
- capital expenditures related to activities eligible for the Taxonomy were plugged into the numerator.

Consolidated capital expenditure was used to calculate CapEx, as presented in section 3.5 *The Company's and the PKP CARGO Group's investments* in the "Management Board Report on the activities of PKP CARGO S.A. under restructuring and the PKP CARGO Group for 2024."

The calculation of the OpEx ratio eligible for the Taxonomy was based on the following principles.

- the denominator was the cost categories specified in the Taxonomy definition of OpEx, including all direct costs incurred to maintain the PKP CARGO Group's assets in working condition. These included costs such as: maintenance and repair of wagons and locomotives, track infrastructure and container terminals, costs of repairs and renovations of other real estate, costs related to repairs and renovations of machinery and equipment and motor vehicles, costs of cleaning, building security, IT infrastructure maintenance, costs of equipment legalization, short-term lease of fixed assets.
- OpEx related to activities eligible for the Taxonomy were plugged into the numerator.

Other information

No economic activity was identified that would meet the Technical Screening Criteria for two or more environmental objectives at the same time.

The Group does not conduct, finance or have exposure to activities specified in sections 4.26–4.31 of Annexes I and II to Commission Delegated Regulation (EU) 2021/2139, that is those related to energy generation from nuclear processes or energy generation from fossil gas fuels.

Table 46 Information on activities related to nuclear energy and natural gas

Row	Activities related to nuclear energy	
1.	The undertaking conducts research, development, demonstration and deployment of innovative electricity generation installations that generate energy from nuclear processes with minimal waste from the fuel cycle, finances these activities or is exposed to them.	NO
2.	The undertaking constructs and safely operates new nuclear facilities for the production of electricity or process heat, including for district heating or industrial processes such as hydrogen production and modernizes them for safety purposes using the best available technologies, or finances or is exposed to such activities.	NO
3.	The undertaking safely operates existing nuclear facilities that generate electricity or process heat, including for district heating or industrial processes, such as hydrogen production from nuclear energy, and modernizes them for safety purposes, finances this activity or is exposed to it.	NO
	Fossil gas-related activities	
4.	The undertaking constructs or operates installations for the production of electricity from fossil gas fuels, finances this activity or is exposed to it.	NO
5.	The undertaking constructs, modernizes and operates installations for the combined production of heat/cooling and electricity using fossil gas fuels, finances this activity or is exposed to it.	NO
6.	The undertaking constructs, modernizes and operates installations for the production of heat generating heat/cooling using fossil gas fuels, finances this activity or is exposed to it.	NO

Results

Turnover

Within the framework of the analysis of Taxonomy-alignment, the turnover of the PKP CARGO Group in 2024 was analyzed.

The following activities were classified as Taxonomy-eligible and Taxonomy-aligned in the context of turnover:

- 6.2. freight rail transport – that is the rental and operation of means of freight transport on mainline rail networks as well as short line freight railroads. Revenue generated from the carriage of goods, excluding fossil fuels, using locomotives and wagons with zero direct emissions of CO_2 in exhaust gases when operated on tracks with the necessary infrastructure and using locomotives fitted with conventional engines where such infrastructure is unavailable (electric-and-combustion);

The alignment assessment also confirmed compliance with the DNSH principle for activities.

The following activities were classified as Taxonomy-eligible but non-Taxonomy-aligned in the context of turnover:

- 3.3. manufacture of low carbon technologies for transport – that is the repair, maintenance, modernization, reassignment and retrofitting of low-emission transport vehicles and rolling stock. All revenues from the repair and maintenance of locomotives and freight wagons were classified as environmentally unsustainable;
- 6.2. freight rail transport – that is the rental and operation of means of freight transport on mainline rail networks as well as short line freight railroads. Assigned to this category was revenue from the carriage of goods by locomotives using conventional combustion engines and revenue from the carriage of fossil fuels;
- 6.6. freight transport services by road – that is the purchase, financing, lease, rental and operation of vehicles for the provision of freight transport services by road. Assigned to this category were all activities considered environmentally unsustainable;
- 6.14. infrastructure for rail transport – that is the construction, modernization, operation and maintenance of surface and underground railroads, bridges, tunnels, stations, terminals and rail service infrastructure facilities, and safety and traffic management systems, including the provision of architectural and engineering services, design services, construction oversight services, and surveying and mapping services, etc., conducting physical, chemical and other analytical tests on all types of materials and products. All revenues from the maintenance and operation of track-side infrastructure and from the provision of infrastructure and installations (terminals and supporting structures) for the transshipment of cargo were classified as environmentally unsustainable.

All Taxonomy-aligned turnover consisted of revenue from contracts with customers. The value of Taxonomy-aligned turnover which was generated for own consumption (consolidation exclusions) within distinct activities was as follows:

- 6.2 Freight rail transport: PLN 250.6 million.

Turnover is at a similar level to the previous reporting period. The slight increase in the value is due to a decrease in the share of fossil fuel transport in total transport.

Table 47 Percentage of turnover from products or services related to Taxonomy-aligned activities – based on disclosures for 2024

	2024			Criteria for significant contribution						Criteria for the DNSH principle ("do not do serious damage")									
Business activity (1)	Code or codes (2)	Trunover (3)	Part of turnover, year 2024 (4)	Mitigating climate change (5)	Adaptation to climate change (6)	Water and marine resources (7)	Pollution (8)	Closed loop economy (9)	Biodiversity and ecosystems (10)	Mitigating climate change (11)	Adaptation to climate change (12)	Water and marine resources (13)	Closed loop economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum guarantees (17)	Share of activities in line with systematics (A.1.) or eligible for systematic (A.2.) turnover, year 2023 (18)	Suppor-ting activities category (19)	Category Transition activities (20)
		mln PLN	%	T; N; N/EL	T; N; N/EL	T; N; N/EL	T; N; N/EL	T; N; N/EL	T; N; N/EL	T/N	T/N	T/N	T/N	T/N	T/N	T/N	%	E	T
A. ACVITIVIES ELIGIBLE FOR SYSTEMATICS																			
A.1. Envitonmentally sustainable activities (according to the systematic)																			
Freight transport by rail	CCM 6.2	1 641,6	36,8%	T	N/EL	N/EL	N/EL	N/EL	N/EL		T		T	T		T	35,7%		
Turnover from environmentally sustainable activities (according to the systematic) (A.1)		**1 641,6**	**36,8%**	**36,8%**	**0,0%**	**0,0%**	**0,0%**	**0,0%**	**0,0%**	**T**	**T**	**T**	**T**	**T**	**T**	**T**	**35,7%**		
Including supporting		0,0	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	T	T	T	T	T	T	T	0,0%	E	
Including for the sake of transition		0,0	0,0%	0,0%						T	T	T	T	T	T	T	0,0%		T
A.2 Activities that qualify for systematics but are environmentally unsistainable (activities not in line with systematics)																			
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL										
Production of low-carbon technologies for transport	CCM 3.3	9,6	0,2%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0,1%		
Freight rail transport	CCM 6.2	1 622,4	36,4%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								38,9%		
Road freight transport services	CCM 6.6	47,9	1,1%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								1,1%		
Infrastructure for railway transport	CCM 6.14	416,8	9,3%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								8,1%		
Trunover from activities eligible for the systematics, but not environmentally sustainable (non-systematic activities) (A.2)		**2 096,7**	**47,0%**	**47,0%**	**0,0%**	**0,0%**	**0,0%**	**0,0%**	**0,0%**								**48,2%**		
A. Turnover from activities eligible for the systematic approach		**3 738,3**	**83,8%**	**83,8%**	**0,0%**	**0,0%**	**0,0%**	**0,0%**	**0,0%**								**83,9%**		
B. INELIGIBLE ACITIVITIES																			
Trunover from non-systematically eligible activities (B)		**722,1**	**16,2%**																
TOTAL (A+B)		**4 460,4**	**100,0%**																

T – Yes, activity eligible for systematics and in line with systematics for the relevant environmental objective
N – No, activity eligible for systematics but not compatible with systematics for the relevant environmental objective
EL – activities eligible for systematisation for the respective purpose
N/EL – activities that do not qualify for systematisation for the relevant purpouse

	Part of turover / Total turover	
	Compatilibity with the systematics at the level of objectives	Eligibility for systematisation by purpose
CCM – Mitigating climate change	36,8%	83,8%
CCA – Climate change adaptation	0,0%	0,0%
WTR – Water management and marine resources	0,0%	0,0%
CE – Closed loop economy	0,0%	0,0%
PPC – Pollution prevention and control	0,0%	0,0%
BIO – Biodiversity and ecosystems	0,0%	0,0%

CapEx

As part of the Taxonomy-alignment assessment, capital expenditures incurred in 2024 were analyzed.

The following activities were classified as Taxonomy-eligible and recognized as Taxonomy-aligned in the context of capital expenditures:

- 3.3. manufacture of low carbon technologies for transport – that is the repair, maintenance, modernization, reassignment and retrofitting of low-emission transport vehicles and rolling stock. Assigned to this category were capital expenditures on electric locomotives and freight wagons not intended for the carriage of fossil fuels;
- 6.2. freight rail transport – that is the rental and operation of means of freight transport on mainline rail networks as well as short line freight railroads. Assigned to this category was the purchase of electric locomotives and freight wagons not intended for the carriage of fossil fuels.

The Taxonomy-alignment assessment also confirmed compliance with the DNSH principle for the activities in question.

The following activities were classified as Taxonomy-eligible but non-Taxonomy-aligned in the context of capital expenditures:

- 3.3. manufacture of low carbon technologies for transport – that is the repair, maintenance, modernization, reassignment and retrofitting of low-emission transport vehicles and rolling stock. Capital expenditures on diesel locomotives and freight wagons intended primarily for the transport of fossil fuels was classified.
- 6.5. Transport by motorcycles, passenger cars and light commercial vehicles. The purchase of motor vehicles was classified.
- 6.14. infrastructure for rail transport – that is the construction, modernization, operation and maintenance of surface and underground railroads, bridges, tunnels, stations, terminals and rail service infrastructure facilities, and safety and traffic management systems, including the provision of architectural and engineering services, design services, construction oversight services, and surveying and mapping services, etc., conducting physical, chemical and other analytical tests on all types of materials and products. Assigned to this category were all activities considered environmentally unsustainable.

All Taxonomy-aligned capital expenditures constituted increases in property, plant and equipment. The value of Taxonomy-aligned CapEx, broken down by activity, was as follows:

- 3.3 Manufacture of low-emission technologies for transport: PLN 125.0 million,
- 6.2 Freight rail transport: PLN 50.7 million.

The increases presented were unrelated to acquisitions resulting from business combinations.

The value of Taxonomy-aligned CapEx is at a similar level to that of the previous reporting period. The slight increase in the value results from an increase in the share of repairs of electric locomotives and freight wagons not intended for the transport of fossil fuels in total capital expenditures.

Table 48 Percentage of capital expenditures on products or services related to Taxonomy-aligned activities – based on disclosures for 2024

	2024			Criteria for significant contribution						Criteria for the DNSH principle ("do not do serious damage")									
Business activity (1)	Code or codes (2)	Investment expenditure (3)	Percentage of capital expenditure, year 2024	Mitigating climate change (5)	Adaptation to climate change (6)	Water and marine resources (7)	Pollution (8)	Closed loop economy (9)	Biodiversity and ecosystems (10)	Mitigating climate change (5)	Adaptation to climate change (6)	Water and marine resources (7)	Closed loop economy (9)	Pollution (8)	Biodiversity and ecosystems (10)	Minimum guarantees (17)	Share of activities in line with systematics (A.1.) or eligible for systematic (A.2.) Capital expenditure, year 2023 (18)	Supporting activities category (19)	Category Transition activities (20)
		mln PLN	%	T; N; N/EL	T; N; N/EL	T; N; N/EL	T; N; N/EL	T; N; N/EL	T; N; N/EL	T/N	T/N	T/N	T/N	T/N	T/N	T/N	%	E	T
A. ACVITIVIES ELIGIBLE FOR SYSTEMATICS																			
A.1. Types of environmentally sustainable activities (consistent with the systematics)																			
Production of low-carbon technologies for transport	CCM 3.3	125,0	21,2%	T	N/EL	N/EL	N/EL	N/EL	N/EL		T		T	T		T	15,6%		
Freight transport by rail	CCM 6.2	50,7	8,6%	T	N/EL	N/EL	N/EL	N/EL	N/EL		T		T	T		T	11,1%		
Investment expenditures for environmentally sustainable activities (consistent with the system) (A.1)		**175,7**	**29,8%**	**29,8%**	**0,0%**	**0,0%**	**0,0%**	**0,0%**	**0,0%**	**T**	**T**	**T**	**T**	**T**	**T**	**T**	**26,7%**		
Including supporting		0,0	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	T	T	T	T	T	T	T	0,0%	E	
Including for the sake of transition		0,0	0,0%	0,0%						T	T	T	T	T	T	T	0,0%		T
A.2 Activities that qualify for systematics but are environmentally unsistainable (activities not in line with systematics)																			
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL										
Production of low-carbon technologies for transport	CCM 3.3	305,0	51,7%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								47,1%		
Transport by motobikes, passenger cars and light commercial vehicles	CCM 6.5	11,0	1,9%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0,0%		
Infrastructure for railway transport	CCM 6.14	3,5	0,6%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0,6%		
Capital expenditures from systematic eligible activities but environmentally unsustainable (non-systematic activities) (A.2)		**319,4**	**54,1%**	**54,1%**	**0,0%**	**0,0%**	**0,0%**	**0,0%**	**0,0%**								**47,7%**		
Capital expenditures for activities eligible for systematics (A.1+A.2)		**495,1**	**83,9%**	**83,9%**	**0,0%**	**0,0%**	**0,0%**	**0,0%**	**0,0%**								**74,4%**		
B. INELIGIBLE ACITIVITIES																			
Capital expenditures for activities not eligible for systematics (B)		**95,2**	**16,1%**																
TOTAL (A+B)		**590,4**	**100,0%**																

T – Yes, activity eligible for systematics and in line with systematics for the relevant environmental objective
N – No, activity eligible for systematics but not compatible with systematics for the relevant environmental objective
EL – activities eligible for systematisation for the respective purpose
N/EL – activities that do not qualify for systematisation for the relevant purpouse

	Part of investment expenditure / Total investment expenditure	
	Compatilibity with the systematics at the level of objectives	Eligibility for systematisation by purpose
CCM – Mitigating climate change	29,8%	83,9%
CCA – Climate change adaptation	0,0%	0,0%
WTR – Water management and marine resources	0,0%	0,0%
CE – Closed loop economy	0,0%	0,0%
PPC – Pollution prevention and control	0,0%	0,0%
BIO – Biodiversity and ecosystems	0,0%	0,0%

OpEx

As part of the Taxonomy-alignment assessment, operating expenses incurred in 2024 were analyzed.

The following activities were classified as Taxonomy-eligible and Taxonomy-aligned in the context of operating expenses:

- •3.3. manufacture of low carbon technologies for transport – that is the repair, maintenance, modernization, reassignment and retrofitting of low-emission transport vehicles and rolling stock. In particular, expenses related to the repair and maintenance of electric locomotives and freight wagons with zero direct emissions of CO_2 in exhaust gases when operated on tracks with the necessary infrastructure and using locomotives fitted with conventional engines where such infrastructure is unavailable (electric-and-combustion).

The Taxonomy-alignment assessment also confirmed compliance with the DNSH principle for the activities in question.

The following activities were classified as Taxonomy-eligible but non-Taxonomy-aligned in the context of operating expenses:

- 3.3. manufacture of low carbon technologies for transport – that is the repair, maintenance, modernization, reassignment and retrofitting of low-emission transport vehicles and rolling stock. Assigned to this category were expenses related to the repair and maintenance of diesel locomotives and those freight wagons that are predominantly intended for the carriage of fossil fuels;
- 6.2. freight rail transport – that is the rental and operation of means of freight transport on mainline rail networks as well as short line freight railroads. Assigned to this category was the short-term lease of diesel locomotives and those freight wagons that are predominantly intended for the carriage of fossil fuels;
- 6.5. Transport by motorcycles, passenger cars and light commercial vehicles. Assigned to this category were all activities considered environmentally unsustainable;
- 6.6. freight transport services by road – that is the purchase, financing, lease, rental and operation of vehicles for the provision of freight transport services by road. Assigned to this category were all activities considered environmentally unsustainable;
- 6.14. infrastructure for rail transport – that is the construction, modernization, operation and maintenance of surface and underground railroads, bridges, tunnels, stations, terminals and rail service infrastructure facilities, and safety and traffic management systems, including the provision of architectural and engineering services, design services, construction oversight services, and surveying and mapping services, etc., conducting physical, chemical and other analytical tests on all types of materials and products. Assigned to this category were all activities considered environmentally unsustainable.

The value of Taxonomy-aligned operating expenditure components, within distinct activities, was as follows:

- 3.3 Manufacture of low-emission technologies for transport: PLN 74.8 million – costs of ongoing repairs of electric locomotives (PLN 65.2 million) and wagons not intended for the transport of fossil fuels (PLN 9.6 million).

The value of Taxonomy-aligned operating expenses was lower than in the previous reporting period. This was predominantly due to lower costs of ongoing repairs of rolling stock caused by a decrease in transport volumes.

Other expenses related to the ongoing maintenance of property, plant and equipment, but non-Taxonomy-aligned or non-Taxonomy-eligible were the following: maintenance and repair of diesel locomotives and wagons intended for the transport of fossil fuels, maintenance and repair of track infrastructure and terminals intended for the transshipment of cargo, costs of repairs and renovations of other real estate, costs related to repairs and renovations of machinery and equipment and motor vehicles, costs of cleaning and security of buildings, IT infrastructure maintenance costs, equipment legalization costs, non-Taxonomy-aligned short-term lease of fixed assets.

Table 49 Percentage share of operating expenses on products or services related to Taxonomy-aligned activities – based on disclosures for 2024

	2024			Criteria for significant contribution						Criteria for the DNSH principle ("do not do serious damage")									
Business activity (1)	Code or codes (2)	Operating expenditure (3)	Percentage of capital expenditure , year 2024	Mitigating climate change (5)	Adaptation to climate change (6)	Water and marine resources (7)	Pollution (8)	Closed loop economy (9)	Biodiversity and ecosystems (10)	Mitigating climate change (5)	Adaptation to climate change (6)	Water and marine resources (7)	Closed loop economy (9)	Pollution (8)	Biodiversity and ecosystems (10)	Minimum guarantees (17)	Share of activities complying with systematics (A.1) or qualifying to systematics (A.2) Operating expenditure, year 2023 (18)	Suppor-ting activities category (19)	Category Transition activities (20)
		mln PLN	%	T; N; N/EL	T; N; N/EL	T; N; N/EL	T; N; N/EL	T; N; N/EL	T; N; N/EL	T/N	T/N	T/N	T/N	T/N	T/N	T/N	%	E	T
A. ACVITIVIES ELIGIBLE FOR SYSTEMATICS																			
A.1. Types of environmentally sustainable activities (consistent with the systematics)																			
Production of low-carbon technologies for transport	CCM 3.3	74,8	22,2%	T	N/EL	N/EL	N/EL	N/EL	N/EL		T		T	T		T	30,5%		
Operating expenditure for environmentally sustainable activities (consistent with the system) (A.1)		**74,8**	**22,2%**	**22,2%**	**0,0%**	**0,0%**	**0,0%**	**0,0%**	**0,0%**	**T**	**T**	**T**	**T**	**T**	**T**	**T**	**30,5%**		
Including supporting		0,0	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	T	T	T	T	T	T	T	0,0%	E	
Including for the sake of transition		0,0	0,0%	0,0%						T	T	T	T	T	T	T	0,0%		T
A.2 Activities that qualify for systematics but are environmentally unsustainable (activities not in line with systematics)																			
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL										
Production of low-carbon technologies for transport	CCM 3.3	143,7	42,6%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								31,7%		
Freight tranposrt by rail	CCM 6.2	8,1	2,4%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								4,2%		
Transport by motobikes, passenger cars and light commercial vehicles	CCM 6.5	2,8	0,8%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0,0%		
Toad freight tranposrt services	CCM 6.6	2,8	0,8%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0,4%		
Infrastructure for railway transport	CCM 6.14	17,0	5,0%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								22,7%		
Operating expenditure for activities that qualify for systematics but are environmentally unsustainable (non-systematic activities) (A.2)		**174,5**	**51,8%**	**51,8%**	**0,0%**	**0,0%**	**0,0%**	**0,0%**	**0,0%**								**59,0%**		
A. Operating expenditure in qualifying activities for systematics (A.1+A.2)		**249,3**	**74,0%**	**74,0%**	**0,0%**	**0,0%**	**0,0%**	**0,0%**	**0,0%**								**89,5%**		
B. INELIGIBLE ACITIVITIES																			
Operating expenditure on non-eligible activities for systematics (B)		**87,7**	**26,0%**																
TOTAL (A+B)		**337,0**	**100,0%**																

T – Yes, activity eligible for systematics and in line with systematics for the relevant environmental objective
N – No, activity eligible for systematics but not compatible with systematics for the relevant environmental objective
EL – activities eligible for systematisation for the respective purpose
N/EL – activities that do not qualify for systematisation for the relevant purpouse

	Part of operating expenditure / Total operating expenditure	
	Compatilibity with the systematics at the level of objectives	Eligibility for systematisation by purpose
CCM – Mitigating climate change	22,2%	74,0%
CCA – Climate change adaptation	0,0%	0,0%
WTR – Water management and marine resources	0,0%	0,0%
CE – Closed loop economy	0,0%	0,0%
PPC – Pollution prevention and control	0,0%	0,0%
BIO – Biodiversity and ecosystems	0,0%	0,0%

10.2.1. Environmental information – ESRS E1 Climate change

ESRS 2 SBM-3 – Material impacts, risks and opportunities and their interaction with strategy and business model

A description of the strategy and business model is provided in this statement under ESRS 2 *General information.*

ESRS 2 IRO-1 – Description of the processes to identify and assess climate-related material impacts, risks and opportunities

The impacts, risks and opportunities of the PKP CARGO Group were identified in the double materiality analysis. A detailed description of the analysis is provided in this statement in under ESRS 2 *General information.*

E1-1 – Transition plan for climate change mitigation

In 2024, the Group did not have a transition plan in place for climate change mitigation. As at the date of this report, the Group is not in a position to clearly state whether or when it will prepare such a transition plan. This depends on the provisions of the restructuring plan, which is currently being developed and is expected to be approved in mid-2025. Further action on climate issues, both within the Company and the Group, will depend on the provisions of the plan and the strategy to be adopted.

E1-2 – Policies related to climate change mitigation and adaptation

In 2024, the PKP CARGO Group did not have any policies in place related to climate change mitigation. As at the date of this report, PKP CARGO S.A. under restructuring is not in a position to clearly state whether or when it will prepare a climate policy. This depends on the provisions of the restructuring plan, which is currently being developed and is expected to be approved in mid-2025. Further action on climate issues, both within the Company and the Group, will depend on the provisions of the plan and the strategy to be adopted.

E1-3 – Actions and resources in relation to climate change policies

In 2024, the Group did not take any measures related to climate change adaptation or mitigation. As at the date of this report, PKP CARGO S.A. under restructuring is not in a position to clearly determine whether or when it will prepare a climate change adaptation action plan. This depends on the provisions of the restructuring plan, which is currently being developed and is expected to be approved in mid-2025. Further action on climate-related matters both within the Company and the Group will depend on the provisions of the plan and the strategy to be adopted.

E1-4 – Targets related to climate change mitigation and adaptation

In 2024, the PKP CARGO Group did not have any climate change mitigation targets. Due to the ongoing restructuring of the parent company, the Group does not currently plan to set any targets or general levels of ambition.

E1-5 – Energy consumption and energy mix

The Group measured the severity of its environmental impact by monitoring its energy mix. The table below presents the Group's total energy consumption in 2024, broken down by main sources. The data are expressed in megawatt hours (MWh) and as a percentage of total consumption for each source. The largest share of energy consumption is accounted for by fuels derived from crude oil and petroleum products as well as electricity, heat, steam and cooling purchased or obtained from the grid from fossil fuel sources.

Table 50 Total energy consumption of the PKP CARGO Group in 2024 broken down by main sources

	Unit	Quantity
1) Fuel consumption from coal and coal products	MWh	16,913
2) Fuel consumption from crude oil and petroleum products	MWh	536,975
3) Fuel consumption from natural gas	MWh	97,666
4) Fuel consumption from other fossil sources	MWh	161
5) Consumption of purchased or obtained electricity, heat, steam and cooling from fossil fuel sources	MWh	514,471
6) Total energy consumption from fossil fuels (calculated as the sum of lines 1–5)	MWh	1,166,186
Share of fossil sources in total energy consumption	%	99.90
7) Energy consumption from nuclear sources	MWh	0
Share of consumption from nuclear sources in total energy consumption	%	0.00

	Unit	Quantity
8) Fuel consumption for renewable sources, including biomass (also including industrial and municipal waste of biological origin, biogas, renewable hydrogen, etc.)	MWh	275
9) Consumption of purchased or acquired electricity, heat, steam, and cooling from renewable sources	MWh	868
10) Renewable energy consumption generated independently without the use of fuel	MWh	37
11) Total renewable and low-carbon energy consumption (calculated as the sum of lines 8–10)	MWh	1,180
Share of renewable sources in total energy consumption	%	0.10
Total energy consumption (calculated as the sum of lines 6, 7 and 11)	MWh	1,167,366

E1-6 – Gross Scopes 1, 2, 3 and Total GHG emissions

The results of the carbon footprint calculation broken down into Scope 1, Scope 2 and Scope 3 for each category are presented below. Table 12 contains the final data and the final summary. The other tables are for reference purposes only. A detailed description of the methodology used is provided later in this section.

Table 51 Greenhouse gas (GHG) emissions of the PKP CARGO Group in 2024

	Unit	Base year 2024
GHG emissions in Scope 1		
Gross GHG emissions in Scope 1	Mg CO_2e	126,608
Gross biogenic emissions in Scope 1	Mg CO_2e	6,247
Percentage of GHG emissions in Scope 1 from a regulated emissions trading system	%	0
GHG emissions in Scope 2		
Gross GHG emissions in Scope 2 according to the location-based method	Mg CO_2e	249,434
Gross GHG emissions in Scope 2 according to the market-based method	Mg CO_2e	350,134
GHG emissions in Scope 3		
Total indirect gross GHG emissions in Scope 3	Mg CO_2e	1,763,997
1 Purchased freight and services	Mg CO_2e	200,551
2 Capital goods	Mg CO_2e	11,505
3 Fuel and energy activities not included in Scope 1 or 2	Mg CO_2e	184,753
4 Upstream transportation and distribution	Mg CO_2e	65,280
5 Waste generated from operations	Mg CO_2e	2,343
6 Business commuting	Mg CO_2e	279
7 Employee commuting	Mg CO_2e	4,948
8 Upstream leased assets	Mg CO_2e	5,494
9 Downstream transportation	Mg CO_2e	1,223,931
11 Use of sold products	Mg CO_2e	64,374
13 Downstream leased assets	Mg CO_2e	536
Total GHG emissions		
Total GHG emissions in Scopes 1+2 (location-based) +3	**Mg CO_2e**	**2,140,035**
Total GHG emissions in Scopes 1+2 (market-based) +3	**Mg CO_2e**	**2,240,735**

The table below presents GHG emission intensity in relation to the PKP CARGO Group's net revenue (for details, see the Group's Consolidated Financial Statements of the Group, Note 2.1 *Revenues from contracts with customers*). This indicator was calculated by dividing total net revenue by the total amount of GHG emissions determined using the location-based and market-based methods.

Table 52 GHG emission intensity

Net revenue [PLN million]	PLN 4,460.4 million
Emission intensity (location-based) [Mg CO_2e per PLN million]	479.79
Emission intensity (market-based) [Mg CO_2e per PLN million]	502.36

Description of the methodology used

The calculation methodology covers Scope 1, Scope 2 and Scope 3 emissions. All calculations were performed in accordance with the GHG Protocol guidelines, ensuring their compliance with international GHG emission reporting standards.

Three emission scopes were taken into account in the calculations:

- **Scope 1** – direct emissions related to the Group's assets (units, offices, fleet, machinery).
- **Scope 2** – indirect emissions resulting from the purchase of electricity, heat, cooling or process steam.
- **Scope 3** – other indirect emissions, including the purchase of capital goods and services, emissions related to fuels and energy, waste, transport, employee commuting, business commuting and the use of sold products.

The analysis covers the calculation period from 1 January 2024 to 31 December 2024. The base year for the calculations is 2024. The scope of the calculation covers the whole Group.

The methodology for calculating the carbon footprint in Scope 3 for 2024 is based on the use of a basic equation for determining emissions c_f, which takes into account emission sources and their emission factors.

$$c\_f = \Sigma f\_i,j \; a\_i \; g\_j$$

where:

- f_i,j is the emission factor for a specific activity (a_i) and greenhouse gas (g_i)
- a_i is the activity carried out (such as combustion of fossil fuels, consumption of raw materials)
- g_j is the global warming potential of the greenhouse gas in question

Because in Scope 3 the vast majority of factors are expressed in kilograms or tons of carbon dioxide equivalent ($kgCO_2e$ or tCO_2e), the above equation is simplified to:

$$c\_f = \Sigma f\_i \; a\_i$$

The latest global warming potential (GWP) values published by the IPCC based on a 100-year time horizon were used to calculate CO_2eq emissions. These factors are used for Scope 1 and Scope 2 emissions as well as for most of the indicators used in Scope 3. The exception is monetary indicators, for which values from IPCC AR5 were used.

[E1-6_14] Organizational boundaries and emission scopes

The Group's emissions were calculated in accordance with the following assumptions. The report includes the following companies based on actual and financial data:

- PKP CARGO S.A. under restructuring,
- PKP CARGO SERVICE sp. z o.o.,
- PKP CARGOTABOR sp. z o.o. w restrukturyzacji,
- PKP CARGO TERMINALE sp. z o.o.,
- CARGOSPED TERMINAL BRANIEWO sp. z o.o.,
- CARGOTOR sp. z o.o.,
- PKP CARGO CONNECT sp. z o.o.,
- PKP CARGO INTERNATIONAL a.s.

Due to the absence of operating activities, the following companies were excluded:

- PKP CARGOTABOR USŁUGI sp. z o.o. w likwidacji (100%),
- ONECARGO CONNECT sp. z o.o. (100%),
- PKP Linia Chełmska Szerokotorowa sp. z o.o. (100%),
- CENTRALNY TERMINAL MULTIMODALNY sp. z o.o. (100%),
- MIĘDZYNARODOWA SPEDYCJA MIRTRANS sp. z o.o. (w likwidacji) (43.99%),
- INTERCONTAINER INTERFRIGO SA (in liquidation) (0.71%).

Due to their immateriality, the following companies in which the parent company held a stake of less than or equal to 20% were excluded:

- COSCO SHIPPING Lines (Poland) Sp. z o.o. (20%) – company excluded due to the nature of its business (office activities) – in 2023, the costs incurred for materials and energy were PLN 269 thousand, which means that the emissions included in Category 15 of Scope 3 will be below 0.01% of the Group's total emissions.
- EUROTERMINAL SŁAWKÓW sp. z o.o. (9.32%) – company excluded due to estimated emissions – according to the report for 2024, the company spent PLN 6,121,501.57 on materials and energy (in this case, emissions resulting from a maximum of approx. PLN 600 thousand spent on energy should be included). Assuming, for simplicity, the purchase of electricity related to transshipment infrastructure at a final price of PLN 1 per kWh, the estimated emissions were 310 tCO_2e, representing less than 0.01% of the Group's total emissions.
- BUREAU CENTRAL DE CLEARING S.O.R.I. (1.34%) – this is an office company that does not generate material emissions, which fact, combined with its marginal share, warrants its exclusion.
- RUDOPORT S.A. (1.11%) – based on information from the 2023 financial statements, it was determined that, as the company does not employ any workforce, it is a technical undertaking that does not generate any emissions.
- IDEON S.A. (0.15%) – the company published its last report for 2017, generating cash flows of PLN 14 million at the time. With a share of 0.15%, it is an immaterial source of emissions below 0.01%.

The Group took into account all 15 Scope 3 emission categories, although in accordance with the ESRS methodology, some categories were deemed immaterial. They are recalculated at least once every 3 years.

Based on the assessment of activities, all categories were analyzed and those applicable to the Group's activities were identified:

- Category 1: Purchased goods and services,
- Category 2: Capital goods,
- Category 3: Fuel and energy-related activities (not included in Scopes 1 and 2),
- Category 4: Upstream transportation and distribution,
- Category 5: Waste generated in operations,
- Category 6: Business commuting,
- Category 7: Employee commuting,
- Category 8: Upstream leased assets,
- Category 9: Downstream transport and distribution,
- Category 11: Use of sold products,
- Category 13: Downstream leased assets.

Other categories (10, 12, 14) are not subject to reporting as they are unrelated to the Group's activities (they do not generate emissions during use). Only in the case of category 15 was it decided to exclude companies in which the Group holds an equity stake due to immaterial emissions.

Sources of data and emission indicators

The data used to calculate GHG emissions were obtained from various sources, depending on the scope of emissions. The primary input data consisted of actual information such as purchase invoices, accounting data, company data management systems, operational data and surveys in the case of employee commuting data.

The table below provides an overview of the data sources used for Scope 1, 2 and 3. The table contains abbreviated database names:

- KOBIZE – Emission factors for electricity for 2023, December 2024,
- DEFRA – Greenhouse gas reporting: conversion factors, July 2024,
- AIB – European Residual Mixes, Results of the calculation of Residual Mixes for the calendar year 2023, May 2024,
- URE (Energy Regulatory Office) – Heat energy in figures 2023, URE, January 2025,
- EPA – EPA 2025 GHG Emission Factors Hub, January 2025,
- Ecoinvent 3.11,
- Exiobase 3.8.

The data and indicators were adjusted to Polish economic and energy conditions, taking into account exchange rate differences and inflation.

Table 53 Sources of data and indicators used to calculate the carbon footprint

Scope/Category	Data sources	Databases
Scope 1	Extracts from the undertaking's internal systems covering the consumption of distinct liquid, solid and gaseous fuels. Refrigerant leaks. Expenditure on the purchase of natural gas	DEFRA 2024
Scope 2	Extracts from the undertaking's internal systems covering electricity, heat and cooling consumption (physical and financial data)	Location-based method: KOBIZE (December 2024), market-based method: AIB (May 2024) and supplier indicators
Category 1: Purchased goods and services	Extracts from internal company systems covering the weight of raw materials purchased. Extract from the accounting system covering distinct services and other non-raw material expenses	**Goods:** Ecoinvent 3.11 (physical factors), Exiobase 3.8 (monetary factors). **Services:** Exiobase 3.8 (monetary factors for distinct services), Climatiq
Category 2: Capital goods	Summary of expenditure for specific investments and fixed assets	Exiobase 3.8 (physical factors), Climatiq (monetary factors)
Category 3: Fuel and energy-related activities	Data for Scope 1 and 2, including energy distributed to other undertakings	DEFRA (July 2024), AIB (May 2024), KOBIZE (December 2024), ERO
Category 4: Upstream transport and distribution	List of raw materials purchased, transport distances and means of transport	Ecoinvent 3.11, DEFRA (July 2024)
Category 5: Waste generated in operations	Data on the amount of waste generated	DEFRA (July 2024), Ecoinvent 3.11
Category 6: Business commuting	Extract from the business travel system	DEFRA (July 2024)
Category 7: Employee commuting	Workforce survey	DEFRA (July 2024)
Category 8: Upstream leased assets	Expenditures	Climatiq
Category 9: Downstream transport and distribution	Summary of transport distances for specific raw materials	Ecoinvent 3.11.
Category 11: Use of sold products	Data on electricity, heat and natural gas consumption by own and partner facilities	DEFRA (July 2024), KOBIZE (December 2024)
Category 13: Downstream leased assets	Estimated energy consumption based on own-use facilities	KOBIZE

Biogenic emissions from fuel combustion in vehicles were determined based on the DEFRA database.

Approach to reporting and extrapolating data

The measurement of Scope 3 emissions is based on data from specific segments of the value chain, upstream (before the service is created) and downstream (in the later stages of the service's life).

Primary data obtained from suppliers and partners in the value chain accounted for 0% of emissions.

Recalculation policy

A policy of recalculating emissions in the base year was adopted, whereby recalculations were made when projected changes in emissions exceeded 5%. Material changes in emissions that require recalculation may result from:

- changes in organizational structure, such as the purchase or sale of an equity stake or a demerger of the organization,
- outsourcing or insourcing of activities resulting in emissions,

- changes in the carbon footprint calculation methodology, improvements in the accuracy of emission factors or more accurate data on activities,
- improvements in the accuracy of emission factors, particularly in the context of the carbon footprint of energy in calculations based on market data,
- identification of material errors in calculations.

Limitations resulting from the methodology adopted

Despite a clearly defined methodological framework, there are certain calculation limitations that may arise from data availability, scientific uncertainty (including the properties of the factors used) and estimates. For selected Scope 3 categories, monetary factors were used instead of physical factors, especially for services and capital goods.

Emissions and intensity data were not independently verified by an external body.

E1-7 GHG removals and mitigation projects financed through carbon credits

The Group does not currently carry out or plan to implement any GHG removals or storage projects within the framework of its own operations or those in which it participates on an upstream or downstream basis.

E1-8 Internal carbon pricing

The Group does not use any internal carbon pricing systems.

E1-9 Anticipated financial effects from material physical and transition risks and potential climate-related opportunities

The Group makes use of the option to omit disclosure of the anticipated financial impacts of material physical risks and transition risks and potential opportunities related to climate change in accordance with Appendix C to Commission Delegated Regulation (EU) 2023/2772 of 31 July 2023.

10.2.2. Environmental information – ESRS E2 *Pollution*

ESRS 2 IRO-1 – Description of the processes to identify and assess climate-related material impacts, risks and opportunities

The impacts, risks and opportunities of the PKP CARGO Group were identified in the double materiality analysis. A detailed description of the analysis is provided in this statement in under ESRS 2 *General information.*

E2-1 – Policies related to pollution

The Group does not have a uniform pollution policy in place – this area is managed through policies and procedures adopted by some companies. In the Group's parent company, PKP CARGO S.A., pollution prevention is part of the Integrated Management System Policy. In the Policy, the Company declares that it strives, without limitation, to:

- protect the natural environment by taking responsible actions to prevent its pollution, including by promoting and deploying rail transport as an environmentally friendly form of freight carriage,
- reasonably use raw materials, other materials and energy and water in accordance with the legal requirements of environmental protection and sustainable development,
- invest in a modern rolling stock,
- improve the qualifications of employees in the spirit of responsibility for the quality of services offered and the natural environment.

The provisions of the Policy emphasize that environmental management in the Company, including pollution, is carried out in accordance with the PN-EN ISO 14001:2015-9 standard. The Policy is available on the PKP CARGO S.A. website. The document has been adopted by the Company's Management Board, and the Integrated Management System Officer is responsible for taking the necessary steps to ensure the proper functioning of the IMS. This regulation was adopted in consideration of the interests of the so-called silent stakeholder, that is the natural environment.

The Integrated Management System Manual, adopted by a decision of the President of the Management Board, includes an indication of the basic objectives in the environmental management area. The Integrated Management System Process and Procedure Manual, which is a document complementary to the IMS Manual, describes the following environmental processes related to pollution:

- 3.1.1 Managing water and sewage,
- 3.1.2.1 Managing emissions into air from technology processes and combustion of fuel in installations and equipment,
- 3.1.2.2 Managing equipment containing substances that deplete the ozone layer and fluorinated greenhouse gases,

- 3.1.5 Managing noise emissions to the environment,
- 3.1.7 Managing threats of damage to the environment.

The Integrated Management System Policy does not contain any provisions on mitigating the adverse effects of pollution. The issue of operating installations and equipment that cause emissions to the environment in a manner that minimizes their impact on the environment and monitoring those impacts, actions in the event of emergencies, handling hazardous substances and environmental requirements for suppliers and service providers at PKP CARGO is governed by the requirements of the Instructions for Compliance with Environmental and Climate Protection Rules. In accordance with the Instructions, units responsible for the repair of rail tracks and the replacement of wooden rail sleepers impregnated with creosote or other hazardous substances are required to consider the possibility of replacing such sleepers with components that do not contain any hazardous substances, if this is justified and technologically feasible. The use, storage and transport of hazardous chemicals and mixtures thereof are permitted if that rules and measures are in place to ensure the protection of workers' health and life, fire protection of buildings, structures and the site, and protection of the environment. The basic protection of the environment against leaks of hazardous substances is the storage of containers with liquid hazardous substances on a sealed substrate, resistant to such substances, with the use of drip trays to catch leaks and the use of sorption mats and sorbents. For solid substances, appropriate insulation from the ground and protection against weather phenomena must be provided. If the hazardous substances or asbestos products stored or transported are waste, specific regulations on their handling must also be observed.

With regard to the prevention of incidents and emergencies, the Environmental and Climate Protection Guidelines describe, among other aspects, the prevention and repair of environmental damage, the procedure to be followed in the event of damage or the risk of a serious accident and the procedure to be followed in the event of historical soil contamination. Moreover, the processes for dealing with emergency situations are included in the Collection of Processes and Procedures of the Integrated Management System, a document complementary to the Integrated Management System Manual, which describes the process for dealing with environmental hazards. In the event of an incident threatening environmental pollution, the Company supervises the site of the accident and notifies the relevant services responsible for restraining the negative impact on the environment.

The pollution policies implemented at PKP CARGO support the EU Action Plan for Zero Pollution of Air, Water and Soil in the following areas:

- improving air quality in connection with rail transport, which is environmentally friendly and prevents an increase in pollution levels in the land transport sector,
- reducing exposure to traffic noise by replacing cast iron brake blocks with composite ones.

None of the PKP CARGO Group subsidiaries have policies in place related to pollution. The applicable regulations outline the general direction of environmental protection within the scope of the activities pursued. The companies do not intend to implement any specific provisions in this area until the completion of the restructuring proceedings.

E2-2 – Actions and resources related to pollution

Steps related to pollution are taken within the PKP CARGO Group by each company within the organization. Those pursued by the Group's parent company in 2024 focused on:

- continuing the process of replacing coal-fired boilers in line with anti-smog requirements (a total of 15 boilers were decommissioned at the Central, Southern, Western, Silesian and Eastern Units),
- remediation of historical pollution; for the Żurawica site in the Southern Unit – continuation of on-site remediation, that is the cleaning of soil and groundwater at the site of contamination (application of a biopreparation, monitoring of free petroleum product in technological wells, scraping of the free phase of the petroleum product, laboratory tests),
- remediation of historical contamination; for the Szczecin location in the Western Unit – continuation of bioremediation works, consisting of spraying green areas with a ready-made biopreparation and injection into application holes,
- replacement of cast iron brake blocks with composite inserts in 414 wagons,
- reducing the amount of asbestos in locomotives by 1,520 kg,
- monitoring the consequences of incidents in transport,
- obtaining water permits:
    - for the Legnica site in the Lower Silesian Unit – permit to discharge rainwater from the locomotive refueling point into a drainage ditch,
    - for the Bydgoszcz location in the Northern Unit – permit to discharge industrial wastewater containing substances particularly harmful to the aquatic environment (petroleum substances) into a third-party sewage system,
    - for the Tarnów location at the Southern Unit – permit to discharge rainwater from the facilities and premises of the Rolling Stock Maintenance Point into the Wątok stream.

- updating the Environmental and Climate Protection Policy – a new version of the Policy was adopted, supplemented with definitions related to carbon footprint and sustainability and rules for monitoring the Company's impact on the climate.

Some of the measures will be continued in the short to medium term.

In 2024, no need was identified to take remedial action with respect to persons affected by actual adverse effects of pollution.

The taking of the measures described above did not require any material financial expenditures in the reporting period. Also, no such expenditures are currently planned.

In the mitigation hierarchy, the measures taken by PKP CARGO are assigned to the following classes:

- pollution reduction (decommissioning of coal-fired boilers, asbestos removal, replacement of brake blocks in wagons),
- restoring, regenerating and transforming ecosystems where pollution has occurred (remediation of historical pollution at two units).

AWT Rekultivace, a member of the PKP CARGO INTERNATIONAL Group, has its business model based on providing comprehensive services related to reclamation, earthworks, construction, demolition and design activities. These activities primarily involve the establishment and operation of waste heaps, dumps and stabilization ponds for liquid waste, earthworks using machinery and explosives, demolition, construction of landfills and disposal of industrial waste, including its transport, decontamination of soil and restoration of the landscape affected by mining activities. The company is ISO 14001-certified and intends to renew this certification in the short and medium term. Its activities, classified as "restoring, regenerating and transforming ecosystems," did not require any material financial expenditures.

PKP CARGOTABOR's business model is based on the repair, maintenance and upgrade of rolling stock, the performance of routine and periodic repairs of freight cars and locomotives, inspection and periodic checks, regeneration and production of assemblies and subassemblies for traction and rolling stock. These activities, translating into the operation of rolling stock in optimal condition with limited consumption of raw materials and other materials, contribute to reduced pollution levels. The company's activities, classified as "pollution reduction," did not require any material financial expenditures.

No other PKP CARGO Group subsidiaries pursued any activities in 2024 that exerted a material impact on pollution. Due to the ongoing restructuring proceedings, the Group is unable to determine as at the date of this report whether or when it will develop an action plan in this area. This depends on the provisions of the restructuring plan, which is currently being developed and is expected to be approved in mid-2025. Further action both within the Company and within the Group will depend on the provisions of the plan and the strategy to be adopted.

In 2024, the Group did not take any measures related to pollution in the value chain.

E2-3 – Targets related to pollution

In the PKP CARGO Group, environmental management targets, including pollution, were adopted by the parent company, as specified in the Integrated Management System Manual. The adopted objectives indirectly pertain to the prevention of soil, air and water pollution. The objectives were updated for 2025 and subsequent years. They stem from the Group's efforts to minimize its impact on the environment and are based on applicable legal requirements:

1. Carrying out tasks related to the transport of cargo, taking into consideration the principles of environmental protection, in particular:
    - striving to increase the share of rail transport in the transport of cargo, which will contribute to reducing the negative impact of land freight transport on the climate and the environment,
    - making efforts to change the traction electricity consumption model towards increasing the share of renewable energy, taking into account the unique requirements of the rail transport market,
    - ensuring the safe transport of hazardous materials.
2. Aiming to satisfy all requirements following from Polish and European Union laws about using technical infrastructure and background facilities to protect climate and reduce emissions to the environment.
3. Taking into consideration environmental and climate protection aspects in the selection of new investments, solutions, purchases and technologies.
4. Reasonable use of environmental resources by:
    - improving the environmental quality of the rolling stock,
    - preventing the occurrence of waste and minimizing the occurrence of waste that may not be prevented.
    - reducing water and heat losses in transmission systems through thermal modernization of maintenance and repair facilities striving to increase the share of renewable energy sources in the energy used.
5. Implementing, maintaining, improving and standardizing internal rules for handling operated installations and equipment as well as waste generated within the organization.

6. Educating and improving the environmental awareness of workers.

The objectives are relative in nature, apply to PKP CARGO S.A. and do not require the definition of baseline values. The Company does not specify a timeframe for the adopted objectives or milestones, assuming that these are ongoing activities.

The objectives related to pollution pertain to the prevention of pollution and the achievement of full legal compliance with environmental protection regulations. No conclusive scientific evidence was used to set these objectives, but the process was based on legal compliance assessments carried out by PKP CARGO Units. During the year, on a quarterly basis, the Units collect information on whether the release of pollutants into the environment is within the permissible standards and complies with the provisions of environmental decisions and permits issued, assess whether all permits and licenses for environmental use were obtained in accordance with the applicable legal requirements and analyze the outcomes of external and internal inspections and audits, complaints submitted by external parties, penalties imposed on the Company and any other irregularities and failures in environmental protection. This process is also used by the Company to monitor and evaluate the effectiveness of the process to pursue the objectives. Moreover, at the end of each reporting year, each Unit prepares an Environmental and Climate Management Review. A permanent element of the Review is the presentation of environmental objectives and tasks to be achieved in the coming years.

The objectives were not consulted with stakeholders.

Achievement of the objectives set for 2024 at PKP CARGO S.A. under restructuring

1. The objective related to the performance of tasks in the field of freight transport, taking into consideration the principles of environmental protection, may be considered achieved. In 2024, no damage related to the transport of dangerous cargo was reported. In almost all cases, the intervention of the State Fire Service promptly prevented damage to the environment and, accordingly, no further preventive or remedial measures were required. Only one incident required additional measures involving the reloading of cargo from two derailed wagons. The rail commission's work on this incident is ongoing – the entity responsible for the incident is being identified and measures are being taken to investigate the state of the environment and determine further action.
2. The objective of complying with all requirements under national and European Union laws concerning the use of technical infrastructure and facilities to protect the climate and reduce emissions to the environment was partially achieved – new water permits were obtained (as described in E2-3 *Targets related to pollution*). However, these are not all the permits required to achieve full legal compliance. Currently, due to the ongoing restructuring process at PKP CARGO S.A., the final requirements for obtaining water permits will be determined after the selection of the locations to remain within the Company's structure and the determination of the manner of their use.
3. The objective related to the reasonable use of environmental resources by improving the environmental quality of the rolling stock was achieved by replacing brake blocks (as described in E2-3 *Targets related to pollution*), which is a measure aimed at protecting the environment against noise pollution.
4. The objective related to the implementation, maintenance, improvement and standardization of internal rules for handling installations, equipment and waste within the organization was achieved through the adoption in 2024 of their new, updated version (as described in E2-3 *Targets related to pollution*).

The overall strategic direction of AWT Rekultivace and PKP CARGOTABOR is to continue activities leading to the restoration of ecosystems (AWT Rekultivace) or the reduction of waste generation. Accordingly, it is impossible to specify the nature of the objective, the year or the baseline values – these are ongoing activities. The adopted business model directly refers to the prevention of soil, air and water pollution.

No other companies in the PKP CARGO Group set or currently intend to set any pollution-related targets. Due to the ongoing restructuring proceedings, the Group is unable to determine as at the date of this report whether or when it will set any targets in this area. This depends on the provisions of the restructuring plan, which is currently being developed and is expected to be approved in mid-2025. Further action by both the Company and the Group will depend on the provisions of the plan and the strategy to be adopted.

E2-4 – Pollution of air, water, and soil

The Group does not exceed the emission parameters specified in Annex II to Regulation 166/2006 in any company, location or process. At the same time, in several locations, it emits pollutants directly into rivers or drainage ditches in the quantities presented below. The Group does not use any microplastics in its own operations, but emissions occur during the braking of trains fitted with composite brake pads. The Group is not in possession of any accurate figures to calculate or estimate the weight of microplastics generated in this process.

Table 54 Emissions of the PKP CARGO Group into rivers or soil, data for 2023-2024

Substance	Emissions into rivers or soil in 2023 (kg)	Emissions into rivers or soil in 2024 (kg)
BOD5 (kg)	226.7	499.8
COD (kg)	1,191.9	5,199.0
Suspended solids (kg)	492.6	687.9
Total chlorides and sulfates (kg)	6,009.6	91,820.9
Nitrates (kg)	617.7	801.5
Phosphates (kg)	8.3	7.5
Nickel and its compounds (kg)	0.2	7.0
Copper (kg)	0.5	3.9
Lead (kg)	0.2	0.2
Zinc (kg)	0.4	0.6
Dissolved substances	no data	110,018.0
N – NH4	no data	107.0
P total	no data	20.0
C10-C40	no data	48.0
Mn	no data	3.0

For the parent company, the volume of distinct emissions into the air was calculated on the basis of the amounts of fuel and materials consumed, available theoretical literature indicators and specific indicators from the safety data sheets of the substances used. The quality of wastewater discharged is tested by certified laboratories at the frequency required by water permits and national water-law regulations. Information on the measurements taken is sent to local environmental protection authorities in accordance with the applicable laws. PKP CARGO uses specialized software to collect data on direct air pollution. Each of the Company's Units collects information on the use of the environment at its locations and related emissions in the system. Data on emissions of pollutants into water and soil (drainage ditches) are obtained by environmental protection staff at the Units, and relevant statements are submitted to the State Water Management Authority.

The largest direct emissions into the air at PKP CARGO are unorganized emissions and emissions from installations that are not subject to emission measurement requirements. An installation subject to air emission measurement requirements is the paint shop at the Northern Unit. These measurements concern instantaneous emissions and the use of the results obtained to calculate annual emissions would not fully reflect emissions due to the use of various paints and varnishes. Accordingly, emission calculations are based on actual fuel and preparation consumption and available theoretical indicators.

Other companies have different approaches to collecting pollution data. PKP CARGO CONNECT bases its indicators on KOBIZE data related to fuel combustion installations (e.g., light fuel oil, liquefied gas) and installations for the storage or transshipment of crude oil and its derivatives, LPG or CNG. At PKP CARGO INTERNATIONAL, data are collected by an employee working as an environmental officer responsible for the timely submission of the required reports. PKP CARGO TERMINALE determines the volume of emissions based on fuel consumption, while CARGOSPED TERMINAL BRANIEWO obtains data on the amount of air pollutants from the Emission Summary and the quantitative summary of fuel consumption, also based on the KOBIZE database.

E2-5 – Potentially hazardous substances and substances of very high concern

The PKP CARGO Group does not use or produce any SVHC substances in any of its processes. They also do not leave the Group's infrastructure in any form.

The organization does not have the technical capability to specify the quantities of potentially hazardous substances used in its operations, classifying them according to their main hazard class. It was assumed that 100% of the substances purchased in 2024 were used and 100% leave the infrastructure in the form of emissions.

Table 55 Weights of potentially hazardous substances used in the PKP CARGO Group in 2024

Class	Weight (tons)
Aldehydes	0.16
Alcohols	28.18
Gasoline, kerosene	3.00
Aromatic hydrocarbons	37.86
Aromatic hydrocarbons	32.91
Other compounds	12.30
Esters	0.56
Metals and metal oxides	0.62
Other inorganic compounds	2.08
Phosphates	0.37
Ketones	4.08
Ethers	0.56

E2-6 Anticipated financial effects from pollution-related impacts, risks and opportunities

The PKP CARGO Group has opted not to disclose this information in accordance with Appendix C to Commission Delegated Regulation (EU) 2023/2772 of 31 July 2023, as this is the first time the entity has prepared a report in accordance with the ESRS requirements.

10.2.3. Environmental information – ESRS E3 Water and marine resources

ESRS 2 IRO-1 – Description of the processes to identify and assess climate-related material impacts, risks and opportunities

The impacts, risks and opportunities of the PKP CARGO Group were identified in the double materiality analysis. A detailed description of the analysis is provided in this statement in under ESRS 2 *General information.*

E3-1 – Water and marine resource policies

2024 was the first year in which a double materiality analysis fully compliant with ESRS was performed in the PKP CARGO Group. In previous years, water and marine resources were not analyzed by the Group. For this reason, none of the companies had a separate and detailed policy in this area in 2024. In parallel, PKP CARGO S.A. under restructuring included in its Integrated Management System Policy a general commitment to strive for reasonable water use in accordance with legal requirements, environmental protection principles and the rules of sustainability. Because the Policy also applies to other environmental areas described herein, issues related to the availability of regulations, responsibility for their implementation, consideration of the interests of stakeholders in their establishment and additional information related to the Integrated Management System Policy are described in section E2 *Pollution*.

The Group does not have a single consistent policy in place on water and marine resource management. Due to the ongoing restructuring process, it is not in a position to determine, as at the date of this report, whether or when it will develop a Group policy in this area. This depends on the provisions of the restructuring plan, which is currently being developed and is expected to be approved in mid-2025. Further action both within the Company and within the Group will depend on the provisions of the plan and the strategy to be adopted.

E3-2 – Activities and resources related to water and marine resources

PKP CARGO's key activities related to water resources in 2024 included supervision of the process of achieving full legal compliance. The Company worked on obtaining the missing water permits for the discharge of wastewater into open waters, as described in section E2 *Pollution*. Due to the restructuring program, no investments were made and work was limited to administrative tasks that did not require any material capital expenditures. As a result, the legal status of the absorption well in Bydgoszcz, which supports local water retention, was regulated. The start date and scope of other potential capital expenditure work depend on the outcome of the restructuring proceedings, which will also determine whether they would involve any material capital expenditures.

Due to the ongoing restructuring proceedings, the Group is unable to determine, as at the date of this report, whether or when it will take measures related to water and marine resources. This depends on the provisions of the restructuring plan, which is currently being developed and is expected to be approved in mid-2025. Further action both within the Company and within the Group will depend on the provisions of the plan and the strategy to be adopted.

E3-3 – Targets related to water and marine resources

In the PKP CARGO Group, the water-related target was set for the parent company, PKP CARGO S.A., as striving to meet all water-related requirements arising from legal regulations, in particular obtaining the required water permits, as described in section E2 *Pollution*. No targets are planned for the other companies due to the ongoing restructuring process.

E3-4 – Water consumption

Table 56 Water consumption balance in the PKP CARGO Group in 2024

	PKP CARGO Group	Unit
Total water consumption	209,876	m^3
Total water discharge	209,876	m^3
Total amount recycled	510	m^3

The Group does not store any water. The total amount of water recycled (510 m^3) refers to water used in the rolling stock wash operations, which is returned and reused. No consumption is reported, as all water is used in processes in which it is discharged to the environment or to a third party. The assumption was made that the amount of wastewater is equal to the amount of water consumed. The calculations were based on data from meters or invoices. Because water is drawn from numerous sources (resulting from its dispersed business model), the organization is unable to provide or estimate the value of water withdrawal from water risk areas, including areas subject to high water stress.

The water intensity ratio of the PKP CARGO Group was 201.06 m^3 per EUR million (exchange rate as at the last day of the reporting period, 31 December 2024: EUR 1 = PLN 4.2730).

E3-5 – Anticipated financial impacts FROM water and marine resource-related impacts, risks and opportunities

The PKP CARGO Group has opted not to disclose this information in accordance with Appendix C to Commission Delegated Regulation (EU) 2023/2772 of 31 July 2023, as this is the first time the entity has prepared a report in accordance with the ESRS requirements.

10.2.4. Environmental information – ESRS E4 Biodiversity and ecosystems

ESRS 2 SBM-3 – Material impacts, risks and opportunities and their interaction with strategy and business model

A description of the strategy and business model is provided in this statement in section ESRS 2 *General information*.

ESRS 2 IRO-1 – Description of the processes to identify and assess climate-related material impacts, risks and opportunities

The Group's impacts, risks and opportunities were identified through a double materiality analysis. A detailed description of the analysis is provided in this statement in section ESRS 2 *General information*.

E4-1 – Biodiversity and ecosystem transition plan and integration of biodiversity and ecosystems into the strategy and business model

In 2024, an analysis was conducted to assess the potential impact on biodiversity and ecosystems. The PKP CARGO Group and its member companies did not adopt a transition plan for biodiversity or ecosystems. The Group plans to continue analyzing its impacts on and dependencies from biodiversity and ecosystems, but does not currently intend to adopt a transition plan due to the absence of a realistic option to transfer rail traffic outside existing routes.

The Group's area of activity was taken into consideration in the double materiality analysis. It was assumed that rail traffic has an impact on ecosystems, but the Group does not depend directly on the exploitation of natural resources in its own operations. The analysis was conducted in three timeframes: short (1 year), medium (1 to 5 years) and long (over 5 years). Information obtained through stakeholder dialogue conducted under the double materiality analysis was taken into consideration.

The analysis proved that the Group's transport-based business model is resilient – there are no material risks.

ESRS 2 IRO-1 – Description of processes to identify and assess material impacts, risks, dependencies and opportunities related to biodiversity and ecosystems

Material impacts, risks and opportunities related to biodiversity were identified by the PKP CARGO Group in the double materiality analysis described in this statement in section ESRS 2 *General information*.

E4-2 – Policies related to biodiversity and ecosystems

In 2024, the Group's member companies did not have any policies in on biodiversity or ecosystems. The organization does not currently intend to adopt any policies in this area. The reason for the absence of such documents is the lack of maintenance and repair activities directly in protected areas or areas of high biodiversity value. At the same time, the protection of biodiversity in the areas used by the Company for rail transport remains the responsibility of the rail line owner.

E4-3 – Activities and resources related to biodiversity and ecosystems

In 2024, the PKP CARGO Group member companies did not take any activities explicitly aimed at protecting ecosystems and related to biodiversity. The Group does not intend to develop a separate action plan in this area.

E4-4 – Targets related to biodiversity and ecosystems

The PKP CARGO Group has not set any separate biodiversity targets and currently has no plans to do so. The Group has not set any ambition levels in this area.

PKP CARGO S.A. under restructuring took into consideration areas located within 10 km of the location where maintenance and repair activities are carried out and checked whether there are any areas of natural value. The inventory showed the existence of over 70 areas with varying degrees of formal nature protection (predominantly reserves, landscape parks, protected landscape areas and Natura 2000 sites) within this distance. The closest is the Lower Silesian Forest Natura 2000 site, located 100 meters from the boundary of the site occupied by one of the Lower Silesian Unit's locations. The scale and intensity of activities carried out at this location did not give rise to any complaints from the municipality or forest district, so it may be assumed that they are not particularly burdensome for the nearby protected nature area.

Moreover, CARGOSPED Terminal Braniewo is located in the immediate vicinity of areas of particular value for biodiversity, namely the Pasłęka River Valley, the Warmia Refuge and the Vistula Lagoon.

The Group is not in possession of any precise data on the condition of the ecosystems most affected by its activities; according to data from the Ecoregions reference database, most of its operations (in Poland) are located in areas where more than 20% but less than 50% of habitats are covered by systemic protection.

The Group does not have more detailed knowledge of the parameters of the areas it may impact, such as their structure, coverage or number of species inhabiting them, with particular emphasis on data on endangered species.

10.2.5. Environmental information – ESRS E5 Resource use and circular economy

ESRS 2 IRO-1 – Description of the processes to identify and assess material impacts, risks and opportunities related to resource use and circular economy

The impacts, risks and opportunities of the PKP CARGO Group were identified in the double materiality analysis. A detailed description of the analysis is provided in this statement in under ESRS 2 *General information.*

E5-1 – Policies related to resource use and circular economy

The PKP CARGO Group does not have a uniform policy in place on resource use or circular economy. However, regulations on waste are adopted at the level of each undertaking within the organization. Apart from those indicated below, the adopted documents focus on compliance with legal regulations and do not take into account any third-party initiatives. Their implementation takes into consideration the interests of stakeholders, which should be construed as a reduction of waste in the local environment.

- PKP CARGO – the company implemented an Environmental Protection Policy containing general provisions on waste prevention and describing how to handle waste.
- PKP CARGO CONNECT – in its Environmental Policy, the company committed itself to environmentally friendly waste management in accordance with environmental protection law.
- PKP CARGO INTERNATIONAL – the company's integrated ISO and sustainability policy includes a commitment to prevent and reduce waste.
- PKP CARGO TERMINALE – implemented a waste management procedure.
- PKP CARGO TABOR – implemented a waste management procedure.

The highest level in each company responsible for implementing the policy is the management board.

The policies are not disclosed to third parties.

E5-2 – Activities and resources related to resource use and circular economy

In 2024, activities related to resource use and circular economy among PKP CARGO Group companies did not extend beyond compliance with legal requirements. Within the framework of activities focused on strengthening waste management control and management processes, regulations in some companies have been based on ISO standards. There are plans to renew certification in the short and medium term.

The activities do not require any material financial expenditures. No need for corrective measures was identified. No action plans were in place in previous years.

E5-3 – Targets related to resource use and circular economy

In 2024, the PKP CARGO Group did not have any targets related to resource use or circular economy. Due to the ongoing restructuring process, the Group is unable to determine, as at the date of this report, whether or when it will set targets in this area. This depends on the provisions of the restructuring plan, which is currently being developed and is expected to be approved in mid-2025. Further action both within the Company and within the Group will depend on the provisions of the plan and the strategy to be adopted.

E5-5 – Resource outflows

Table 57 Balance of waste generated by the PKP CARGO Group, data for 2024

Waste category	Total weight (tons)	Hazardous waste (tons)	Non-hazardous waste (tons)
a) Total amount of waste generated	31,534	2,257	29,276
b) Total amount of waste for which disposal was avoided:	5,663	1,410	4,252
– Preparation for reuse	1,653	1,278	375
– Recycling	4,010	132	3,877
– Other recovery processes	0	0	0
c) Amount of waste sent for disposal:	637	175	462
– Incineration	160	160	0
– Landfilling	326	4	323
– Other disposal processes	151	11	139

In the PKP CARGO Group, the most material waste groups were waste from the repair and maintenance of rolling stock and the maintenance of related infrastructure. The main materials forming these streams are iron and its alloys as well as hazardous waste such as oils, lubricants, packaging for hazardous products and sorbents.

The weight of waste generated is determined using Waste Transfer Sheets and waste records in the BDO system. It was only possible to establish precise data on waste management for 20% of the data. Due to differences in the business models of the companies, no attempt was made to estimate the data. For this reason, the amount of non-recycled waste is not specified.

10.3. Information about social issues

10.3.1. Information on social issues – ESRS S1 Own workforce

SBM-3 – Material impacts, risks and opportunities and their interactions with strategy and business model

The scope of this statement covers all persons working in the PKP CARGO Group. Within the scope of own human resources, two categories of workers are distinguished:

- persons employed under an employment contract – employees,
- persons who are not employees, but who perform specific work or tasks for the Group companies on the basis of other forms of employment.

During the double materiality analysis, the Group identified nine material negative impacts on its own workforce.

All actual negative impacts pertain to workers of PKP CARGO S.A. and are related to the Company's difficult financial situation and the restructuring proceedings commenced in 2024. The analysis demonstrated a negative impact on the sense of job security as a result of the mass layoffs and the related negative impact of failure to pay outstanding amounts due to departing workers. Moreover, the negative impact on working conditions in connection with the termination of the Company Collective Bargaining Agreement was considered material in the medium and long term. These impacts generate material risks to the Company's finances, potentially related to court proceedings, penalties imposed by the State Labor Inspectorate and the risk of servicing a loan from the Guaranteed Benefits Fund for the payment of these amounts due to the workforce.

The potential negative impact on the Group's workers in the area of occupational health and safety related to the impact on the health and life of workers, which results directly from the nature of rail jobs, was also considered material. Moreover, due to the limited scope of implementation and awareness of the Anti-Mobbing and Anti-Discrimination Policy in the Group, one potential negative impact was identified in the area of prevention of violence in the workplace.

The double materiality analysis identified one positive impact of the Group related to the high level of unionization and the opportunities for workers to have a say in their working conditions. However, the double materiality dialogue with stakeholders revealed a potential negative impact related to the possibility of discrimination based on non-membership or willingness to change trade union membership, which was considered material.

In addition to these risks, the PKP CARGO Group is also exposed to the risk of losing workers due to the generation gap and inadequate employee compensation and training policies, which may translate into increased costs of recruitment and induction of new workers in all three timeframes. The identified risks do not pertain to any specific groups of people.

A list of all identified impacts, risks and opportunities for the Group's own human resources is provided in section ESRS 2 *General information*, in part SBM-3 – Material impacts, risks and opportunities and their interaction with strategy and business model.

In 2024, the Group did not identify any material impacts on workers resulting from transition plans aimed at reducing the negative impact on the natural environment and increasing the environmental and climate-neutral nature of its operations. The Group also does not operate in areas with an increased risk of child labor or forced or compulsory labor.

S1-1 – Policies related to own workforce

In the PKP CARGO Group, identified impacts on own workforce are managed on the basis of adopted internal regulations – these are adopted either at the level of the whole Group or at the level of distinct companies within the organization. The Management Board of the Parent Company is responsible for the implementation of Group regulations. As regards documents adopted in companies, responsibility for their implementation lies with the management boards of those companies.

Workforce-related issues are addressed in all Group companies by the Code of Ethics. In the section entitled *Relations between us,* the document emphasizes the Group's commitment to respecting fundamental human rights in accordance with international conventions, prohibiting any form of forced labor, modern slavery or child labor. It is prohibited to employ persons under the age of 15 or to engage youths (under the age of 18) in hazardous work, overtime or night shifts.

Internal relations within the company are based on honesty, openness, mutual respect and trust. The Group declares equal access to employment, promotion and opportunities for professional and personal development, and all conflicts are resolved through objective dialogue. The Code prohibits any form of discrimination or harassment. Nepotism, construed as the use of one's professional position to favor family members at the expense of the powers of others, is particularly frowned upon. Workers are required to take care of the company's property, use it exclusively for business purposes, protect confidential information and comply with occupational health and safety regulations. In external contacts, professionalism, providing accurate information and responding to any breach of company ethics are required. More information about the Code, including details of external standards, scope, stakeholder engagement and how the regulations are disclosed, may be found in this statement in section G1-1 – Business conduct policies and corporate culture.

At PKP CARGO, workforce relations are also governed by the HR Policy. Although some of the provisions of the document do not take into consideration temporary changes resulting from the restructuring proceedings, in accordance with the provisions of the Policy, the Company, without limitation:

- ensures the professional development of its workers through training programs, professional adaptation, internships and scholarships,
- takes a comprehensive approach to occupational health and safety issues by promoting a culture of safety, conducting regular training and examinations and offering health and social benefits for workers and their families; the Company maintains low employee turnover owing to attractive employment conditions, constant opportunities for development and professional promotion through internal recruitment processes,
- conducts a partnership-based social dialogue through regular communication with employee representatives,
- takes into consideration fair market practices and environmental protection in its daily operations and promotes equal treatment and diversity among its workers and in its business environment.

Moreover, the PKP CARGO Group's parent company has adopted an Anti-Mobbing and Anti-Discrimination Policy. It sets out rules for counteracting mobbing and discrimination, including harassment, also sexual harassment, in the workplace. In accordance with its provisions, the Company does not tolerate any psychological, physical or sexual harassment of workers, or any other form of violence in the workplace. Workers may not be discriminated against on any grounds, either directly or indirectly. Every employee is required to treat other workers equally. The Policy also commits the Company to take the following actions:

- preventive measures, aimed at preventing bullying and discrimination, in particular by conducting an information policy and ongoing monitoring of social relations among employees,
- intervention measures to immediately eliminate instances of harassment and discrimination, to eliminate their effects, to prevent the occurrence of such phenomena in the future, and to apply appropriate sanctions to those responsible.

In 2024, the document was disseminated among workers both in paper form and via the Company's intranet.

Issues related to occupational safety are described in PKP CARGO's Integrated Management System Policy. The document requires the organization to create, in consultation with workers, safe and ergonomic working conditions, prevent accidents at work and occupational diseases in accordance with legal requirements by establishing and respecting procedures to protect the life and health of workers.

The Company's Management Board is responsible for the implementation of the Integrated Management System Policy. The document is based on the requirements of PN-EN ISO 9001:2015-10, PN-EN ISO 14001:2015-9, PN-EN/IEC 27001:2017-06 and PN-ISO 45001:2018-06. The Company publishes the Policy on its website, while the Integrated Management System Manual implementing the provisions of the Policy is available to workers on the intranet.

Moreover, PKP CARGO's Social Responsibility Policy also has links to identified occupational health and safety impacts. On this basis, the Company runs the "Direction: Safety at Work" campaign, which strengthens the culture of a safe workplace and shapes attitudes conducive to the safe performance of duties, and the Post-Accident Psychological Support program. It provides expert psychological support to workers involved in rail accidents and those in difficult personal situations affecting their mental condition and level of concentration.

Issues related to respect for human rights in the PKP CARGO Group are governed in the Code of Ethics and other internal regulations. These issues are described in detail in section G1-1 – Business conduct policies and corporate culture. The regulations adopted by the Group ensure:

- respect for the dignity of workers and their rights,
- prohibition of harassment and discrimination,
- equal treatment in employment,
- right to safe and healthy working conditions,
- right to rest,
- satisfaction of workers' social and cultural needs.

In some of the Group's subsidiaries, in addition to the documents applicable across the organization, detailed regulations related to the area of human resources have also been adopted. All companies have implemented occupational health and safety regulations, while other policies concerning the impact on workers have been adopted, among others, by PKP CARGO (HR Policy), PKP CARGO TERMINALE (Work Rules and Regulations) and PKP CARGO SERVICE (Anti-Mobbing and Anti-Discrimination Procedure).

Any human rights breaches concerning the company's own workers are dealt with in accordance with the *Regulations for reporting irregularities and abuses in the PKP CARGO Group.*

At PKP CARGO, cooperation with workers takes place primarily through their authorized representatives from trade unions – the Company respects ILO Conventions, the Labor Code and national legislation in this area. Internal regulations concerning employee rights and obligations are consulted with trade unions. Despite the restructuring process, the Company's management supports dialogue based on the principle of equality between the parties, which it considers a natural evolution of social dialogue in a market economy, globalization and increased competition, and as a factor conducive to business development and job preservation.

In 2024, there were no regulations in force in the Group concerning the inclusion of or activities for groups particularly vulnerable to marginalization among its own workforce.

S1-2 – Processes for engaging with own workforce and workers' representatives about impacts

The PKP CARGO Group consults its decisions related to material impacts on workers. The only representatives of workers in their relations with the employer are trade unions – their importance and role in the parent company is emphasized by the high level of unionization among workers and their participation in the management of the Company through the secondment of representatives to corporate bodies. Cooperation with employee representatives concerns in particular the modification of regulations in force at the Company in line with the expectations of the staff and the current needs and capabilities of the employer. The consultations include:

- agreeing on work regulations, bonus schemes and the company social benefits fund, and participation in the allocation of benefits from this fund.
- participating in distribution of funds earmarked for salaries,

- consulting changes to organizational structures and framework organizational rules and regulations,
- influencing the development of occupational health and safety conditions through participation in OHS commissions and oversight over SIP,
- consulting the intent to terminate, dissolve or amend the content of the employment contract; agreeing upon the changes to employment contracts of persons subject to special protection,
- participation in the procedure of imposing penalties for breach of order.

Moreover, in consultation with employee representatives, the Company pursues initiatives and measures aimed at improving and increasing work efficiency, taking into consideration current market trends.

Because of the structure of PKP CARGO, social dialogue takes place at two levels:

- at the company unit level – between the director of the Company's unit and the company and inter-company trade union organizations,
- at the PKP CARGO level – between the President of the Management Board and inter-company trade unions and company-level organizations.

Cooperation with trade unions is a continuous process and talks are held on an as-needed basis and in response to requests from workers. In 2024, the PKP CARGO Management Board conducted intense dialogue with trade unions regarding the restructuring measures in progress. Proposals for changes aimed at maintaining the operations of the parent company and the necessary jobs were presented to employee representatives. The President of the Management Board is responsible for ensuring cooperation with the trade unions at PKP CARGO. The Company did not enter into any global or local agreements with employee representatives on respect for human rights. No general process of cooperation with its own human resources was implemented to gain insight into the opinions of people who may be particularly vulnerable or marginalized. However, the Anti-Mobbing and Anti-Discrimination Policy and the institution of Trusted Representatives operating at PKP CARGO enable the Company to identify the types of breaches reported by workers.

The effectiveness of cooperation with workers at PKP CARGO is assessed on the basis of jointly developed positions. Negotiations, both at the company and inter-company level, result in agreements and arrangements concerning workforce regulations.

Cooperation with own workers also takes place in other subsidiaries of the PKP CARGO Group:

- PKP CARGOTABOR cooperates with its own workers predominantly through consultations with trade unions, especially at the stage of developing internal regulations concerning workers. Their opinions are taken into consideration when making decisions affecting them and the effectiveness of this cooperation is evaluated through the quality of dialogue with trade unions. The company has a Collective Labor Agreement in place, but it does not take any measures to seek the opinions of groups particularly vulnerable to marginalization.
- CARGOTOR does not have a detailed policy in place for cooperation with its own human resources, but has only standard rules in place resulting from the Labor Code and internal standards, such as the Collective Bargaining Agreement, the Anti-Mobbing Policy and the Code of Ethics. Management operations are based on general legal regulations. Issues concerning particularly vulnerable groups of workers are governed by basic documents. The company declares that its Personnel Policy complies with international standards on conflicts of interest and respect for human rights and has a procedure in place for responding to accidents at work, but has not implemented a comprehensive occupational safety management system, basing its activities on general labor laws and management instructions and decisions.
- At PKP CARGO CONNECT, cooperation with workers takes place through two trade unions, which are consulted on internal regulations concerning workforce matters, including the Social Benefits Fund and procedures for handling breaches of the law. This process is carried out in accordance with the Labor Code and the Trade Unions Act on the basis of a 2016 agreement through the Human Resources Department. The company does not have any global agreements in place on human rights, does not conduct a separate assessment of the effectiveness of cooperation with workers and does not identify any specific groups of workers vulnerable to marginalization, relying solely on general legal regulations in this respect.
- PKP CARGO INTERNATIONAL enables workers to communicate directly with management through standard channels (e-mail, intranet, personal contact) and trade unions and this communication takes place on an ongoing basis. Operational responsibility for supervising this cooperation lies with the HR Director and the Legal Director. The company assesses the effectiveness of cooperation during regular meetings with workers and trade union representatives, acting in accordance with the applicable collective agreement and internal rules.
- PKP CARGO TERMINALE takes into consideration the opinions of its workers, particularly in the area of improving transshipment processes, consulting with them on solutions to ensure a faster and safer completion of tasks. The company is of a favorable opinion on its cooperation with workers, appreciating their commitment and timely performance of tasks, but does not have any formal guidelines for cooperation in place. Communication with workers takes place predominantly during daily pre-shift briefings.

- CARGOSPED TERMINAL BRANIEWO cooperates with its workers through trade unions. The company's management board is the highest body responsible for ensuring that such cooperation is carried out.
- PKP CARGO SERVICE maintains regular dialogue with its workers and trade unions. Communication takes place through weekly briefings with workers and quarterly meetings with trade unions. Senior management, including president of the company's management board, participates directly in these meetings, discussing current issues and taking workforce opinions into consideration when developing HR and employee compensation policies.

S1-3 – Processes to remediate negative impacts and channels for own workers to raise concerns

Remedial measures related to material negative impacts on workers in the PKP CARGO Group are implemented at the level of distinct companies, which, when a negative impact is identified, develop remedial measures tailored to the nature and circumstances of the situation.

In the parent company, an Anti-Mobbing and Anti-Discrimination Policy applies to negative impacts on workers related to discrimination and harassment. It introduces procedures and remedial measures to deal with irregularities – any breach of the Policy should be reported to the Trusted Representative, who initially investigates it and may propose a solution to the problem. If the proposal is accepted by all interested parties, the Trusted Representative prepares a report on the matter for the Anti-Mobbing Committee. If no agreement is reached, the case is dealt with by the Committee. After the proceedings are completed, the Committee prepares a report describing the findings, conclusions and actions taken. The report includes information on the possibility of referring the case to court. Then, it is delivered to all interested parties and the employer.

If the situation requires diagnostic and therapeutic consultation, the employee is entitled to receive the assistance of a psychologist or psychiatrist at the employer's expense.

The Group has also established special channels through which workers may report their concerns or needs. This issue is governed by the *Rules for reporting irregularities and abuses in the PKP CARGO Group.* A description of the regulations and information on the handling of complaints is provided in section G1-1 – Business conduct policies and corporate culture. The regulations are disseminated among workers on the intranet of the Group's member companies.

The PKP CARGO Compliance Section is responsible for tracking and monitoring reports. Once a year, it reports to the Management Board of the parent company and the Audit Committee of the Supervisory Board on the activities of the Code of Ethics, summarizing reported breaches of the Code and corrective measures taken. The Group companies have not implemented any processes to assess employee confidence in the channels for reporting irregularities.

The Parent Company of the PKP CARGO Group has additionally introduced a Whistleblower Protection Procedure. Under this procedure, every whistleblower is entitled to full protection against retaliation, and the company undertakes not to take any retaliatory measures. All subsidiaries in the Group have implemented their own whistleblower protection regulations.

S1-4 – Taking action on material impacts on own human resources and applying approaches to manage material risks and opportunities related to own human resources and the effectiveness of those actions

PKP CARGO Group companies took their own measures related to the identified impacts on the organization's workers.

In the parent company, with regard to the negative impact on the sense of job security related to restructuring measures and the process of mass layoffs and the risk of court proceedings and possible claims, activities in the reporting period focused on intensive social dialogue initiated in May 2024. The company regularly informed trade unions about the current situation by way of official letters and announcements. Responses to their questions were also provided immediately.

PKP CARGO developed and presented to the trade unions proposals for changes aimed at improving the situation in the company and preserving the necessary jobs – all these actions and decisions of the Management Board were taken in compliance with the applicable laws. The Company also conducted an in-depth analysis of the processes taking place within the organization, concluding that it did not have work for all of its workers. The analysis made it possible to specify the demand for specific jobs and adjust the employment structure in specific professional groups. The mass layoffs affected the whole workforce and did not target any specific age group or trade union membership.

The Company also prepared a comprehensive support program for workers affected by the mass layoffs, which they may also benefit from after the notice period. The forms of support offered to the dismissed workers included:

- signing letters of intent with companies from the TFL sector potentially interested in including the departing workers in their own recruitment processes and, as a result, hiring them; moreover, the Company organized open meetings between workers and these companies, enabling them to obtain detailed information about the offers. Such job fairs were organized at the head office of each of the Company's units and additionally in sections in small towns where such a need was reported,
- possibility of psychological support over the phone,
- support in preparing application documents and preparation for job interviews (mock interviews),

- training in the use of office software,
- development and distribution to departing workers of a guide containing tips on self-presentation during the recruitment process and information on job search methods,
- launching a dedicated e-mail address to which workers may send questions about mass layoffs,
- consultations with Social Insurance Institution (ZUS) representatives, an agent from the Labor Office and a dedicated job agent – presentation of the situation on the local labor market, current programs and opportunities to improve or supplement existing qualifications.

In 2024, PKP CARGO also took measures to mitigate the negative impact on workers resulting from the non-disbursement of benefits owed to workers made redundant in mass layoffs and the risks – servicing the costs of a loan from the Guaranteed Employee Benefits Fund to pay outstanding amounts due from the layoff process and wage orders and penalties imposed by the State Labor Inspectorate in connection with outstanding amounts. The court decision to open restructuring proceedings enabled the Company to finance the costs of mass layoffs from the Guaranteed Employee Benefits Fund, and the loan from the Fund materially accelerated the receipt of money by former workers for bonuses, severance pay, annual leave equivalent payments and other receivables arising from the layoffs. The tranche of aid obtained, combined with the Company's own funds, enabled the disbursement of most of the receivables outstanding at the end of October 2024 as a consequence of the mass layoffs.

In 2024, PKP CARGO's financial problems also forced a decision to suspend the payment of certain current benefits, including jubilee awards and retirement severance pay. These issues were audited by the State Labor Inspectorate, which issued payment orders but did not impose a fine on the Company.

In June 2024, the Company also terminated the Collective Bargaining Agreement, which was considered to exert a negative impact on the working conditions of staff in the double materiality analysis. In parallel, the provisions of the Collective Bargaining Agreement will cease to apply in June 2026 – in 2024, the working conditions specified therein remained in force. Negotiations with the social partners on the provisions of a new Collective Bargaining Agreement will be possible after the submission of the Restructuring Plan to the court.

The double materiality analysis also demonstrated a positive impact of the PKP CARGO Group related to the possibility for workers to have a say in their working environment and conditions through a high level of unionization and a potential negative impact related to discrimination against persons due to their non-membership or desire to change their membership in a trade union. In the reporting period, PKP CARGO's activities related to these impacts focused on regular talks and negotiations with the trade unions, aimed at ensuring social peace and stability of the Company's situation and enabling effective business operations. At the same time, in accordance with the provisions of the Trade Unions Act, trade unions are independent in their statutory activities from employers. Accordingly, PKP CARGO has no right to interfere in relations between the organization and its members.

In 2024, PKP CARGO also took measures related to potential negative impacts on occupational health and safety. The causes of accidents at work are analyzed on an ongoing basis and the results are reported quarterly to the Management Board. A detailed health and safety report is prepared for the Company every six months. Moreover, monthly reports on accidents at work are submitted to the directors of each Unit. The occupational health and safety services systematically carry out inspections and reviews of workstations and monitor the condition of the rail infrastructure at the Company's work sites, reporting any detected irregularities to managers. Ongoing supervision is also effected of the implementation of plans to improve working conditions and regular occupational health and safety training is organized. Since 2018, the "Direction: Safety at Work" program has been implemented, aiming to promote safe working practices among PKP CARGO workers.

With regard to the potential negative impact on workers resulting from the limited implementation and awareness of the Anti-Mobbing and Anti-Discrimination Policy, PKP CARGO informed its workers about the introduction of the regulations and the Policy was made available in paper form to workers in blue collar jobs and in electronic form on the company's intranet.

In 2024, PKP CARGO also took the following measures related to the risk of a generation gap and the loss of qualified workers reaching retirement age:

- Ongoing recruitment – in the first half of 2024, recruitment processes were conducted in line with the current needs of the organization, enabling the filling of positions requiring specific professional skills, such as train driver, inspector and shunter.
- Basic training – new workers had the opportunity to undergo appropriate vocational training aimed at ensuring proper preparation and implementation of key functions in the Company.
- Reorganization of the employment structure – as a result of analyses carried out in 2024, which showed that there was excess employment in relation to actual transport needs, the employment structure was reorganized in order to adjust the number of workers in specific professional groups to the actual needs of the Company and to simplify processes.

- Suspension of employment support activities – due to its tough financial situation, the Company discontinued activities such as cooperation with schools and participation in job fairs, which limited the possibility of recruiting new workers at an earlier stage of their professional education.
- Employee compensation policy – the existing employee compensation regulations remained unchanged, but the termination of the 2004 Collective Bargaining Agreement created an opportunity to develop more modern solutions that might reduce the risk of employee turnover caused by an inappropriate employee compensation policy.

These measures were taken with a view to maintaining an adequate level of workforce competence, minimizing the risks associated with the generation gap and the costs of recruiting and training new workers as well as to align employment with the Company's actual business needs. In parallel, in order to minimize the risk of a generation gap, recruitment activities in the coming years will focus on attracting younger workers, which should enable knowledge transfer within the organization. The entity has also scheduled work on updating the salary grid and creating new regulations enabling the hiring of workers with high professional potential.

PKP CARGO and its other subsidiaries have not implemented any formal processes for tracking or evaluating the effectiveness of actions and initiatives in the area of identified impacts or the identification of necessary actions.

The PKP CARGO Group's sustainability statement for 2024 is the first document of its kind based on complete data in accordance with ESRS – accordingly, it is impossible to disclose quantitative and qualitative information on the progress of actions or action plans disclosed in previous periods. The Group is also not in possession of any data enabling it to report on current and future financial resources related to activities associated with identified impacts on its own workforce resources.

S1-5 – Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities

The PKP CARGO Group has not set any targets applicable to all companies in relation to all material impacts on workers.

The Company has set targets related to impacts on occupational health and safety. These are included in the Integrated Management System Policy and cover, in particular:

- continuous measures to reduce the number of accidents at work, occupational diseases and near misses,
- reduction in the number of people working in conditions of exposure to harmful, dangerous and arduous factors, along with proposals to eliminate or reduce hazards,
- appropriate selection of collective or individual protective equipment to prevent threats to the life and health of workers,
- improvement in working conditions,
- promotion of an appropriate safety culture at work,
- improvement in workforce qualifications in the field of occupational health and safety,
- implementation of new occupational health and safety standards at workstations,
- promoting physical activity among employees (sports activities, sports cards).

The objectives related to workforce health and safety are relative in nature and do not have target levels or baseline values. They are implemented in the Company on an ongoing basis and the objectives were set based on the knowledge and experience of the entity's occupational health and safety teams and external and internal health and safety standards. No interested parties were involved in the process of setting the objectives. The objectives did not change during the reporting period and no intermediate or temporary objectives were set.

S1-6 – Characteristics of the undertaking's employees

The characteristics of the Group's workers refer to the eight companies covered by this sustainability statement. At the end of 2024, the PKP CARGO Group had 14,734 employees working under employment contracts, of which 11,291 men (77%) and 3,443 women (23%).

The table below presents the number of people employed as at 31 December 2024. The number of staff is provided in terms of the number of workers rather than full-time equivalents. The number of workers includes full-time, active workers.

Table 58 Number of workers of the PKP CARGO Group in 2024 by gender

Gender	PKP CARGO S.A. under restructuring	PKP CARGO Group
Women	7,269	11,291
Men	2,517	3,443
Others	0	0
Not disclosed	0	0
Total workers	**9,786**	**14,734**

In 2024, there were no workers in the Group who declared a gender other than male/female or who did not disclose their gender.

The number of workers as at 31 December 2024 is consistent with the number of workers reported in section 3.4 *Headcount* in the Management Board Report on the Activities of PKP CARGO and the PKP CARGO Group.

In 2024, 90% of the Group's workers were employed in Poland. The remaining 10% were workers of PKP CARGO INTERNATIONAL, the only entity within the PKP CARGO Group employing staff outside Poland. PKP CARGO International workers perform their duties in the Czech Republic, Slovakia and Hungary.

Table 59 Number of PKP CARGO Group workers in 2024 by country

Country	PKP CARGO Group
Poland	13,322
Other: Czech Republic, Slovenia, Hungary	1,412
Total workers	**14,734**

Table 60 Number of PKP CARGO Group workers in 2024 by type of contract and gender

	Women	Men	Total workers
PKP CARGO S.A. under restructuring			
Total number of employees	2,517	7,269	9,786
Number of workers employed for an indefinite term	2,419	7,065	9,484
Number of workers employed for a fixed term	98	204	302
Number of full-time workers	2,508	7,235	9,744
Number of part-time workers	8	34	42
PKP CARGO Group			
Total number of employees	3,387	11,347	14,734
Number of workers employed for an indefinite term	3,224	10,743	13,967
Number of workers employed for a fixed term	170	597	767
Number of full-time workers	3,314	10,608	13,922
Number of part-time workers	73	739	812

Turnover rates

During the year, the Group recorded the departure of 5,752 workers and the turnover rate was 31.08%, calculated as the ratio of the number of workers who left during the year to the average number of workers.[82]

Table 6162 Number of workers who left the Group in 2024 and employee turnover rate

	2024
PKP CARGO S.A. under restructuring	
Number of workers who left the organization in the reporting period	4,723
Turnover rate in 2024	36.62%
PKP CARGO Group	
Number of workers who left the organization in the reporting period	5,752
Turnover rate in 2024	31.08%

The high turnover rate in 2024 results from the mass layoffs at PKP CARGO S.A. under restructuring and other natural employee departures (e.g., retirement, termination of employment by the employee).

The data have been obtained from internal HR reporting systems and internal data collection processes of the Group. The metrics have not been validated by an additional independent external entity. This information applies to all metrics included in section S1 *Own workforce*.

[82] The calculations of the average number of workers include active workers and workers on furlough leave.

S1-8 – Collective bargaining coverage and social dialogue

Freedom of association is one of the fundamental rights of PKP CARGO Group workers. The management boards of each Group member company are required to cooperate with trade unions in the performance of Collective Bargaining Agreements and other regulations governing working and pay conditions as well as other benefits granted to workers, regardless of their trade union membership.

Table 63 Percentage of PKP CARGO Group workers covered by a collective bargaining agreement and percentage of workers represented by employee representatives, by countries with a significant number of workers (in the EEA), data for 2024

Countries	Percentage of workers covered by collective bargaining agreements	Percentage of workers represented by employee representatives
Poland	83%	100%
Other: Czech Republic, Slovenia, Hungary	90%	100%
All countries	83%	100%

Table 64 65Percentage of PKP CARGO Group workers represented by employee representatives by country for countries with a significant number of workers (in the EEA), data for 2024

PKP CARGO Group		
Coverage	Scope of collective bargaining	Social dialogue
	Workers – EEA (for countries where the entity has >50 workers representing >10% of the total number of workers	Representation at the workplace (EEA only) (for countries where the entity has >50 workers representing >10% of the total number of workers)
0-19%		
20-39%		
40-59%		
60-79%		
80-100%	Poland	Poland

The PKP CARGO Group is not a party to any agreements with workers on representation by the European Works Council (EWC), the Works Council of the European Societas Europaea (SE) or the Works Council of the Societas Cooperativa Europaea (SCE).

S1-9 – Diversity metrics

Within the framework of its diversity metrics reporting, the Group presents data on the age structure of its workers broken down into three age groups. Under the double materiality analysis, the Group identified a material risk related to the generation gap and the loss of skilled workers reaching retirement age, which translates into the need to recruit and train new workers.

Table 6667 Age structure of PKP CARGO Group workers in 2024

Total number of workers by age group	Data for 2024	
	number	percentage
PKP CARGO S.A. under restructuring		
below 30 years	784	8%
30 to 50 years	3,939	40.3%
over 50 years	5,063	51.7%
PKP CARGO Group		
below 30 years	1,294	8.8%
30 to 50 years	6,204	42.1%
over 50 years	7,236	49.1%

Currently, workers over 50 years of age account for almost half of all Group workers. In order to minimize the risk of a generation gap, the parent company monitors the level of employment and turnover among workers who will become eligible for retirement in the next 5 years (an average of approximately 400 workers per year). In response to business needs, recruitment activities in the coming years will focus on attracting younger workers and ensuring knowledge transfer within the organization. After the restructuring process is complete, training funds will be allocated primarily to the acquisition of new qualifications necessary to perform tasks resulting from the strategy and current business objectives. These activities will depend on the Company's financial standing.

S1-10 – Adequate wages

People employed by the Group receive employee compensation in accordance with the applicable reference indicators, which means that they receive employee compensation at least equal to (or higher than) the national minimum wage.

S1-14 – Health and safety metrics

The PKP CARGO Group has not put in place a uniform Health and Safety Management System – the organization of this area varies and is determined at the level of distinct companies. In parallel, all Group workers are covered by an occupational health and safety management system based on legal requirements or recognized standards and guidelines.

In 2024, the Group recorded one fatal accident resulting from work-related injuries and illnesses.

A total of 125 accidents occurred in the companies, of which the largest number, 63, occurred in the parent company. The accident rate in 2024 was 3.13.

Table 68 Key occupational health and safety management metrics in the PKP CARGO Group, data for 2024

Category	Data for 2024	
Percentage of employees covered by the occupational health and safety management system based on legal requirements and/or recognized standards or guidelines	100%	percentage
Number of fatalities due to work-related injuries and ill health related to work	1	number
Number and rate of recordable work-related injuries among workers:		
Number	125	number
Ratio	3.13	Average number per million hours worked

All Group companies report health and safety issues in accordance with the applicable regulations. In the parent company, the outcomes of accident cause analysis are reported quarterly to the Management Board. A detailed health and safety report is prepared every six months. Moreover, monthly reports on accidents at work are submitted to the directors of distinct Units.

S1-17 Incidents, complaints and severe human rights impacts

In 2024, five complaints were received through the channels for reporting concerns – three to PKP CARGO and one each to PKP CARGOTABOR and PKP CARGO SERVICE. No complaints were reported to the national contact points for the OECD Guidelines for Multinational Enterprises and no fines or penalties related to discrimination and harassment were imposed on any of the companies in the organization.

The Group recorded one case of discrimination, which took place at PKP CARGO SERVICE. The case concerned a report of unequal treatment in employment submitted by an employee. The Commission appointed did not find any clear actions that might confirm the report, but taking into consideration the organizational conditions and information obtained during the proceedings, additional measures were proposed that might improve the clarity of the provisions on social benefits to which workers are entitled, as set forth in the Rules and Regulations of the Company Social Benefits Fund.

No serious human rights incidents involving workers were reported in the PKP CARGO Group during the reporting period.

10.3.2. Information on social issues – ESRS S2 Workers in the value chain

SBM-3 – Material impacts, risks and opportunities and their interactions with strategy and business model

In this statement, the PKP CARGO Group covers all workers in the value chain. The organization's material impacts include the workers of the Group's suppliers (e.g., services, materials) located upstream the value chain and the workers of customers (e.g., those using freight transport) located downstream the value chain, whose work involves unloading, reloading of cargo, etc. The Group does not operate in areas associated with the risk of child labor or forced or compulsory labor among workers in the value chain.

The double materiality analysis identified one potential negative impact of the PKP CARGO Group on workers in the value chain. It relates to their life and health – the manual nature of their jobs and their working conditions may increase the likelihood of accidents. The Group has not identified any material positive impacts, risks or opportunities related to workers in the value chain.

In 2024, the Group did not conduct an analysis of the exposure to a higher risk of harm to workers in the value chain with specific characteristics, persons working in specific contexts or persons pursuing specific activities.

S2-1 – Policies related to workers in the value chain

The issue of workforce health and safety in the value chain, which was identified as a material impact of the organization, is addressed in the corporate documents of the PKP CARGO Group. In particular, the Group describes this issue in the Code of Conduct for Business Partners of the PKP CARGO Group, which is binding across the organization. In the section on human and employee rights, the Group clearly commits all business partners, including suppliers of goods and services, to take measures to prevent accidents and ensure a safe workplace for workers. The organization expects its business partners to provide their workers with occupational health and safety standards that are at least in line with applicable laws and industry standards. The Group requires that workers in the value chain complete appropriate job training that includes the necessary information on occupational health and safety conditions and requirements. The Code also explicitly prohibits business partners from using child labor, forced labor and involvement in any form of modern slavery, including human trafficking.

Issues related to responsibility for the deployment of supported third-party standards, stakeholder interests and methods of making the Code of Conduct for Business Partners of the PKP CARGO Group available are described in this statement in section ESRS 2 *General information*.

PKP CARGO Group companies have not implemented any processes or mechanisms for monitoring human rights issues (for workers in the value chain) in accordance with international standards – nor does the Code of Conduct for Business Partners contain references to any such regulations. The Group has not involved any workers in the value chain in the process to identify material negative impacts, risks and opportunities, nor has it implemented procedures to address the effects of human rights breaches in its value chain.

In 2024, the Group did not record any cases of non-compliance with the UN Guiding Principles on Business and Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work or the OECD Guidelines for Multinational Enterprises in relation to workers in the value chain.

S2-2 – Processes for engaging with value chain workers about impacts

In 2024, the PKP CARGO Group did not have in place any general process for engaging workers in the value chain.

S2-3 – Processes to remediate negative impacts and channels for value chain workers to raise concerns

If the PKP CARGO Group contributes to an adverse impact on workers in the value chain, it determines and implements remedial measures on a case-by-case basis, depending on the nature and circumstances of the incident. In parallel, the Group enables all workers in the value chain to directly report concerns, information about irregularities or needs, providing the same channels for this purpose as for its own workers. These are described in this statement in section G1-1 – Business conduct policies and corporate culture. Moreover, the Group provides information on channels for reporting irregularities in the Code of Conduct for Business Partners of the PKP CARGO Group, which is publicly available on its website. In accordance with its provisions, information concerning the Group's companies may be reported by telephone, e-mail, an online platform or traditional mail.

Information provided by workers in the value chain is monitored by the Head of the Compliance Section at PKP CARGO, who obtains it from the Compliance Coordinators of the subsidiaries. Based on this information, the Compliance Section prepares an annual report on the functioning of the PKP CARGO Group's Code of Ethics, which is submitted to the Management Board and the Audit Committee of the Supervisory Board. The Group also protects whistleblowers – in accordance with the standards adopted in all companies, every whistleblower is entitled to full protection against retaliation, and the companies undertake not to pursue any retaliatory measures. More information on whistleblower regulations is provided in this statement in section G1-1 – Business conduct policies and corporate culture.

The Group has not implemented any procedures to determine the knowledge or trust of workers in the value chain regarding the channels made available by the organization for reporting concerns.

S2-4 – Taking action on material impacts on value chain workers, and approaches to managing material risks and pursuing material opportunities related to value chain workers

In 2024, the PKP CARGO Group did not take any actions related to the identified impact on workers in the value chain – the Group also did not define its plans in this area and did not allocate resources to manage the impact. 2024 was the first year in which a double materiality analysis was performed in full compliance with ESRS. In previous years, the area of identified impact was not subject to analysis by the organization. For this reason, no actions were taken in this respect.

The Code of Conduct for Business Partners of the PKP CARGO Group adopted by the Group includes provisions requiring business partners to respect human rights, including the right to health and safety of workers, also through appropriate job training and ensuring a safe workplace. The Group has not implemented any mechanisms to monitor the effectiveness of the Code or any processes to support the identification of necessary actions in this area.

In 2024, no serious human rights issues or incidents upstream or downstream the value chain were reported.

S2-5 – Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities

The Group has not adopted any targets for managing material impacts on workers in the value chain. It also did not monitor the effectiveness of the Code of Conduct for Business Partners in relation to any identified material impacts.

10.3.3. Information on social issues – ESRS S3 Affected communities

ESRS 2 SBM-3 – Material impacts, risks and opportunities and their interaction with strategy and business model

The scope of disclosure in accordance with ESRS S3 in this statement covers all affected communities on which the PKP CARGO Group may exert an impact. These are:

- communities living in the vicinity of tracks, transshipment terminals or transport operations, which is associated with noise,
- communities operating in the value chain affected by the activities carried out at contractors' establishments, including communities using the services of power plants, heating plants and cogeneration plants,
- communities living in the vicinity of the Group's operating locations, including units and terminals, in particular in places where the PKP CARGO Group is a material employer.

The organization determined its impact on the affected communities during the double materiality analysis process. The identified material negative impact is related to the noise generated by the transport of cargo, which is a key element of the Group's business. Positive impacts pertain to Poland's security, in particular energy security through the provision of strategic transport services and the labor market, where the Group creates over 14 thousand jobs.

The Group has also identified risks related to its impact on local communities. The risks of restrictions on the movement of rail vehicles on tracks and penalties for exceeding noise standards were considered material. The risk is related to the Noise TSI Regulation, which introduces changes to the Technical Specifications for Interoperability (TSI) and provides for the selection of special sections of rail lines (known as "quiet sections:) on which freight trains with cast iron brake blocks will not be allowed to run after 8 December 2024. However, some types of wagons, including wagons with tyred wheels, will be subject to a longer transition period lasting until the end of 2036. The Group considers the risk to be material in the long term.

The double materiality analysis did not identify any material opportunities for the affected communities. Nor did the organization identify any groups within the affected communities that are particularly vulnerable to the identified material impacts or their effects, and no identified risks pertain to any specific community groups.

S3-1 – Policies related to affected communities

The PKP CARGO Group has not adopted any policies regarding cooperation with affected communities in relation to the identified impacts. In the Parent Company, issues related to the level of noise generated by trains and the Company's compliance with the Noise TSI regulations are managed by the Rolling Stock and Technical Support Department. The Company cooperates with local communities through its Units, where direct interventions by residents or their representatives are reported. If the issue at hand requires intervention at the Company level, it is forwarded to the Company's head office.

The absence of regulations adopted in the Group results from the lack of analyses of the impact on communities whose activities may be affected. This issue was identified as material during the double materiality analysis conducted in 2024.

S3-2 – Processes for engaging with affected communities about impacts

The Group has not adopted a general process for engaging with affected communities.

S3-3 – Processes to remediate negative impacts and channels for affected communities to raise concerns

Remedial measures related to material negative impacts on affected communities are reviewed on a case-by-case basis in the PKP CARGO Group and depend on the specific situation and related circumstances. The organization assesses the needs and seeks solutions to ensure the effectiveness of the remedial measures taken.

The Group enables local residents and their representatives to report their concerns or irregularities. The communication channels provided are the same as those available to the Group's own workers and workers in the value chain – they are described in the relevant sections of this statement.

S3-4 – Taking action on material impacts on affected communities and applying approaches to manage material risks and opportunities related to these communities and the effectiveness of such actions

The actions taken by PKP CARGO Group companies in connection with the identified impact on affected communities focus on adapting the organization's rolling stock.

The Company is gradually modernizing the acoustics of its rolling stock. As at the end of 2024, 60% of its wagon fleet, or approximately 17 thousand wagons, had their cast iron brake blocks replaced with composite ones and met the requirements of the Noise TSI Regulation. During the reporting period, another 414 wagons were adapted. In parallel, in 2024, the Group did not incur any material financial expenditures in this area.

The noise reduction measures taken by the organization are the only possible remedial measures available to it. For this reason, the Group companies have not implemented a formalized process to identify any necessary measures or monitor and evaluate their effectiveness and outcomes for the affected communities. Incidents related to noise in specific locations reported in 2024 were dismissed.

The PKP CARGO Group did not pursue any additional initiatives or processes with a key objective to ensure a positive impact on the affected communities – the positive impacts identified during the double materiality analysis result directly from the nature of the Group companies' activities and do not require any additional measures. The double materiality analysis did not identify any material opportunities in relation to the affected communities.

S3-5 – Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities

The PKP CARGO Group has not set any objectives in the area of managing material impacts on affected communities.

10.4. Information related to corporate governance – ESRS G1 Business conduct

G1-1 – Business conduct policies and corporate culture

The PKP CARGO Group's policies related to material impacts, risks and opportunities associated with business conduct and corporate culture identified during the double materiality analysis are as follows:

- in terms of impacts related to supplier relationship management, including payment practices:
    - Code of Conduct for Business Partners of the PKP CARGO Group,
    - Code of Ethics of the PKP CARGO Group,
- in the area of whistleblower protection, the Group has not adopted any consistent regulations applicable across the organization; the Parent Company has implemented the *Procedure for reporting breaches and protecting whistleblowers at PKP CARGO S.A. under restructuring,*
- in the area of reporting irregularities, the *Rules for reporting irregularities and abuses,* adopted by the PKP CARGO Group.

The Code of Conduct for Business Partners of the PKP CARGO Group defines the foundations of the relationship between the Group and its business partners, which includes standards related to business ethics, employee rights, human rights and respect for the natural environment. The Group's business partners include suppliers, counterparties, subcontractors and customers who cooperate with the organization to achieve mutual economic benefits. The Code imposes numerous obligations on suppliers, such as: prevent conflicts of interest, introduce a zero-tolerance policy for corruption, respect human and employee rights, prevent discrimination and workplace harassment, and guarantee fair working conditions for their staff. Moreover, the provisions of these regulations require business partners to respect human rights as set forth in the Universal Declaration of Human Rights, the International Bill of Human Rights and the International Labor Organization's Declaration on Fundamental Principles and Rights at Work. Starting in 2024, in newly executed or amended contracts or agreements, the Group companies will require their business partners to comply with the Code of Conduct for Business Partners.

The Code of Ethics of the PKP CARGO Group is a declaration of the Group's commitment to building relationships with suppliers based on mutual trust, professionalism, mutual respect and responsibility for actions. The Code is a manifestation of the Group's commitment to the reliable preparation of procurement procedures and to ensuring that all applicants for cooperation have equal access to information. In the document, the Group emphasizes its due diligence in signing contracts with suppliers and its commitment to the proper course of cooperation, in accordance with the time schedule. The provisions of the Code of Ethics are based on the human rights set forth in the Universal Declaration of Human Rights, and incorporate the rights contained in the International Bill of Human Rights and the 1998 International Labor Organization's Declaration on Fundamental Principles and Rights at Work. In the Parent Company, training on the Code of Ethics is conducted by the Compliance Section, which reports the number of workers trained each quarter to the President of the Management Board and the Chair of the Supervisory Board Audit Committee.

The PKP CARGO Management Board is responsible for the implementation of the provisions of the codes. The documents are public and available on the organization's website. Moreover, the content of agreements with the Group's suppliers refers to the provisions of the Code of Conduct for Partners and includes a link to the document on the Internet. The Code of Ethics of the PKP CARGO Group was consulted by the Parent Company with its subsidiaries during its development. The Group did not carry out any consultations with stakeholders when developing the Code of Conduct for Business Partners.

The Group companies enable stakeholders to report irregularities on the basis of either the regulations in force across the organization or the policies adopted in distinct companies. The Code of Conduct for Business Partners of the PKP CARGO Group comprehensively describes the methods of reporting breaches of its provisions, the protection of whistleblowers and the manner of handling reports. In accordance with the provisions of the Code, a person wishing to report a breach in the respective area may submit a report of the breach of the Code anonymously, through an external entity or by name, to the PKP CARGO Ethics Officer or the Compliance Coordinator of the subsidiary to which the report relates. Contact details for reporting are available on each company's website. By choosing an anonymous reporting channel, the whistleblower is guaranteed complete anonymity, as this channel is operated by an external entity and the dialogue is conducted using a PIN code.

When considering a report, the Ethics Officer or the Compliance Coordinator has the right to access the company's information and documents necessary to clarify the matter. He or she is also authorized to enter the premises of the company concerned and his or her actions are always carried out in accordance with the rules of access to legally protected information.

No retaliatory measures are taken against any whistleblowers reporting reasonable suspicions of irregularities in good faith.

Breaches of the Code of Ethics of the PKP CARGO Group are be reported in accordance with the *Regulations for reporting irregularities and abuses in the PKP CARGO Group.* The Regulations describe the methods available to workers and other stakeholders for reporting information, which are identical to the solutions presented in the Code of Conduct for Business Partners. Additional instruments for reporting notifications of violations of the Code of Ethics are a dedicated telephone line, an e-mail address and special report form, which are accessible in the manner described on the Group's website. Upon receiving a report of a breach, the Ethics Officer or the Compliance Coordinator promptly enters it in the Register of Reports of Breaches of the Code of Ethics. He or she then conducts a preliminary analysis of the report; after assessing the credibility of the allegations, a decision may be made to launch an investigation. When considering the report, he or she has the right to access information and documents of the company in which he or she is employed as well as its real estate (buildings) necessary to clarify the matter, subject to the rules of access to legally protected information. The investigation should be completed as soon as possible after receiving information about the breach of the Code of Ethics, but no later than 3 months after confirming receipt of the report. In special cases, this period may be extended to six months.

The PKP CARGO Group's Parent Company has additionally introduced a Whistleblower Protection Procedure. In accordance with its provisions, every whistleblower is entitled to full protection against retaliation and the Company undertakes not to take any such action. All subsidiaries in the Group have implemented their own regulations related to the protection of whistleblowers, with the exception of CARGOTABOR sp. z o.o., which did so in March 2025.

In 2024, the PKP CARGO Group worked on an anti-corruption policy and procedure for the whole organization in accordance with the United Nations Convention against Corruption. During the reporting period, the Anti-Corruption and Gift Policy in force at PKP CARGO S.A. did not refer to the Convention.

The organization has no policy on political involvement and lobbying – in 2024, the Group was not engaged in any lobbying activities. There are currently no plans to implement such a policy.

G1-2 – Management of relationships with suppliers

In 2024, the PKP CARGO Group did not have any policies in place to prevent late payments. The Group's Parent Company has an Accounting Document Circulation Instruction and a Liquidity Management Policy in place, which describe procedures aimed at ensuring the proper circulation and forwarding of documents for payment within a time limit enabling their settlement on the agreed payment date. During the reporting period, the Company entered into a restructuring procedure, which imposes a number of restrictions on the settlement of liabilities. For instance, the Company is unable to settle liabilities that arose before the opening of the restructuring procedure and, in parallel, it must settle post-restructuring liabilities as one of the conditions for conducting the restructuring procedure, in accordance with restructuring law.

Among the subsidiaries, PKP CARGO INTERNATIONAL adopted a regulation according to which payments in the company are to be settled within 30 days – the provisions of the document do not distinguish between counterparties in terms of size.

PKP CARGO S.A. minimizes risks in the supply chain through implemented and updated purchasing plans and monitoring of the performance of purchase contracts. The Company's procurement procedures take into account social, environmental and economic effects if they may be achieved in the context of the subject matter of the contract. The environmental effect is achieved through the selection of the subject matter of the contract, which limits the amount of energy consumed and is adapted to European standards for pollutant and noise emissions. The criteria for evaluating proposals are always aimed at the objective selection of contractors and maximum competitiveness of the process. Each time, the Company also examines possible grounds for excluding a contractor for failure to meet the conditions for participation in the procedure.

The Company monitors compliance of the contract performance with the conditions specified in the procedure and maintains ongoing communication with counterparties to enable it to respond to any deviations. The performance of the contract is always completed with the preparation of a contractor evaluation sheet. The outcome of the evaluation is communicated to the contractor.

The approach of the Group companies to relations with suppliers and the impact of the supply chain on sustainability issues is based on the Code of Conduct for Business Partners of the PKP CARGO Group. The document is presented in section G1-1 – Business conduct policies and corporate culture. The Code also describes the organization's approach to social and environmental criteria, referring in detail to the requirements for suppliers related to:

- human rights,
- health and safety of employees,
- prevention of harassment and discrimination,
- fair working conditions and employee compensation,
- prohibition of child labor and forced labor,
- freedom of association,
- appropriate waste management and reduction of GHG emissions,
- identification of environmental risks and development of preventive measures.

In procurement procedures involving the collection of waste, PKP CARGO S.A. requires that the counterparty hold the appropriate environmental permits for its collection, processing and transport. The Company takes similar measures in procedures for the sale of waste, e.g., scrap metal, used oil and rolling stock wrecks. Bidders who fail to document their permits are excluded from the proceedings. In all proceedings, the Company also verifies that suppliers are not subject to sanctions, economic, financial, commercial or administrative restrictions resulting from generally applicable laws in connection with the war in Ukraine.

G1-5 – Political influence and lobbying

During the reporting period, the PKP CARGO Group and its subsidiaries did not engage in any lobbying activities. The Group did not provide any funding for political purposes.

G1-6 – Payment practices

The average time taken by the Group companies to settle an invoice from the start of the contractual or statutory payment period varies between its member companies.

Table 69 70 Average time taken by PKP CARGO Group companies to settle invoices in 2024

Company	Average time for settling invoices in 2024 (days)
PKP CARGO S.A. under restructuring	60
PKP CARGOTABOR sp. z o.o. w restrukturyzacji	52
CARGOTOR Sp. z o.o.	10.4
PKP CARGO CONNECT sp. z o.o.	27
PKP CARGO INTERNATIONAL a.s.	30
PKP CARGO Terminale sp. z o.o.	60
CARGOSPED Terminal Braniewo sp. z o.o.	30
PKP CARGO SERVICE Sp. z o.o.	29

Group companies apply different standard payment terms. With regard to payment practices towards PKP CARGO's counterparties, the Company takes measures to balance the turnover of liabilities and receivables to the greatest degree possible. Different payment terms are applied depending on individually negotiated conditions. The maximum payment term used in contracts is 60 days.

In 2024, some Group companies were involved in litigation pending in the reporting period in connection with late payments – this situation concerned, among others, PKP CARGO INTERNATIONAL (2 lawsuits).

Administrator of PKP CARGO S.A. under restructuring

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

Warsaw, 28 April 2025