

Auditor's opinion on the audit of annual consolidated financial statements

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For the Shareholders of PKP Cargo Spółka Akcyjna under restructuring

Audit report on the annual consolidated financial statements

Grounds for the opinion

We have been engaged to audit the annual consolidated financial statements of the Group the parent company of which is PKP CARGO Spółka Akcyjna under restructuring (Parent Company) with its registered office in Warsaw at ul. Grójecka 17, which comprise the consolidated statement of financial position prepared as at 31 December 2024, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the financial year ended on that date, and notes to the consolidated financial statements containing information on significant accounting policies and other explanatory information.

We are not expressing an opinion on the accompanying annual consolidated financial statements. Due to the significance of the matters described in the "Grounds for the refusal to issue an opinion" section, we have been unable to obtain sufficient and appropriate audit evidence to provide a basis for an audit opinion on the annual consolidated financial statements in question.

Our refusal to issue an opinion is consistent with the additional report for the Audit Committee issued on the date of this audit report.

Grounds for the refusal to issue an opinion

In note 1.3 "Going concern assumption, restructuring measures," the Parent Company's management (i.e. the Restructuring Administrator) presented selected information explaining the following circumstances and the resulting significant uncertainty regarding:

- recording of negative financial results, chiefly due to a decrease in revenues from contracts with customers (as a result of a lower freight volume),
- consequences of the ongoing war in Ukraine and the energy crisis in Europe (along with higher energy prices), exerting a significant impact on businesses and resulting in relatively low freight volumes,
- activities of the Parent Company in 2022-2023 focused on moving coal from seaports to energy industry customers, which limited its ability to compete in the most profitable freight categories and resulted in the loss of some customers,
- high inflation that persisted in 2023, which caused an increase in prices for purchased commodities, materials and services, while putting strong upward pressure on raising employee wages,

- pursuit of an expansionary investment policy resulting from large capital expenditures, predominantly in the rolling stock area,
- significant decline in demand for the services provided by the Group, which exerted into a negative impact on its financial and liquidity standing and its ability to settle its current liabilities, including in the form of failure to meet the conditions specified in the loan agreements entered into by the Parent Company as at 31 December 2024.

At the same time, on 27 June 2024, the Parent Company filed a petition for the opening of remedial proceedings, following which, on 25 July 2024, it received a decision on the opening of restructuring proceedings. As at the date of preparation of the consolidated financial statements, the Parent Company is in the process of preparing a Restructuring Plan. On 28 February 2025, the Restructuring Administrator obtained approval from the Judge-Commissioner to extend the deadline for submitting the Restructuring Plan until 30 June 2025.

During the conduct of our audit procedures, we failed to obtain sufficient and appropriate evidence to provide a basis for stating whether the going concern assumption adopted by the Group when preparing the consolidated financial statements is valid and whether the accounting estimates regarding, among others, liabilities and impairment losses are correct. Most importantly:

- We have not received sufficient and appropriate audit evidence to confirm the stance adopted by the Parent Company's management that the remedial proceedings will be accepted by the court and the Parent Company's creditors.
- We were unable to obtain what we would consider sufficient and appropriate audit evidence in relation to the information presented in the financial statements that current cash flow projections indicate that the Group will have sufficient funds generated from current operations to cover the its current liabilities maturing within the upcoming 12 months. As at the date of the audit report, we have not received a restructuring plan or, in particular, long-term financial forecasts from the Parent Company, because according to the statement by the Parent Company's management, work on these documents is in progress. The deadline for submitting the aforementioned document to the court had already been postponed in the past. The lack of documentation related to these areas prevents us from assessing the likelihood that the restructuring plan will be completed within the next two months and that liquidity will be maintained. The liquidity models that have been presented contain assumptions for which we have not obtained sufficient and appropriate audit evidence. This situation also prevents us from assessing whether the assumptions and plans envisaged by the Parent Company will be implemented in accordance with its expectations.

In connection with these matters, which exert a material and extensive impact on the consolidated financial statements, we have been unable to verify the going concern assumption adopted by the Parent Company's management and whether any adjustments might be considered necessary in relation to recognized and unrecognized liabilities, provisions and impairment losses as well as other components of the consolidated statement of profit or loss and comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows.

Key audit matters

Other than the matters described in the "Grounds for the refusal to issue an opinion" section, there are no other key audit matters, including the most significant assessed risks of material misstatement, that are required to be reported in our audit report.

Responsibility of the Parent Company's management and Supervisory Board for the annual consolidated financial statements

The Parent Company's management is responsible for the preparation of the annual consolidated financial statements which gives a true and fair view, in all material respects, of the Group's financial standing, financial performance and cash flows in compliance with International Accounting Standards, International Financial Reporting Standards and related interpretations published in the form of European Commission regulations, adopted accounting principles (policies) and applicable laws as well as the Articles of Association. The Parent Company's management is responsible for internal control as it determines is necessary to enable the preparation of the annual consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual consolidated financial statements, the Parent Company's management is responsible for assessing the Group's ability to continue as a going concern, disclosing, where applicable, matters related to going concern and for adopting the going concern basis of accounting, except where the Parent Company's management either intends to liquidate or discontinue operations, or there is no realistic alternative to the liquidation or discontinuation of operations.

Pursuant to the Accounting Act of 29 September 1994 (Accounting Act), the Parent Company's management and Members of the Parent Company's Supervisory Board are required to ensure that the annual consolidated financial statements comply with the requirements of the Accounting Act. Members of the Parent Company's Supervisory Board are responsible for overseeing the Group's financial reporting process.

Auditor's responsibility for the audit of the consolidated annual financial statements

We are responsible for auditing the annual consolidated financial statements in accordance with:

- Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Oversight (Act on Statutory Auditors),
- National Auditing Standards as adopted by resolutions of the National Council of Auditors and the Polish Agency for Audit Oversight (NAS), and
- Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC (Regulation 537/2014).

However, due to the matters described in the "Grounds for the refusal to issue an opinion" section of our report, we have been unable to express an opinion on the annual consolidated financial statements in question.

The scope of our audit has not included an assurance on the Group's future viability or the efficiency or effectiveness of the management of the Parent Company's affairs now or in the future.

We are independent of the Group companies within the meaning of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code), adopted by resolution of the National Council of Auditors as the professional ethics rules for certified auditors and with other ethical requirements applicable to the audit of financial statements in Poland. In particular, during the audit, the key auditor and the audit firm remained independent of the Group companies in compliance with the independence requirements set out in the Act on Statutory Auditors and Regulation 537/2014. Moreover, we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Report on other requirements of the law and regulations

Activity report, corporate governance statement

Responsibility of the Parent Company's management and Supervisory Board

The Parent Company's management is responsible for preparing the activity report and the corporate governance statement, which is a separate part of the report, in compliance with the Accounting Act and other applicable laws. Moreover, the Company's management and Members of the Parent Company's Supervisory Board are required to ensure that the activity report fulfills the requirements of the Accounting Act.

Responsibilities of the auditor

We are not expressing any form of assurance under National Auditing Standards regarding the activity report or the corporate governance statement, which is a separate part thereof. Our responsibility in accordance with the requirements of the Act on Statutory Auditors is to express an opinion on whether the activity report, to the extent unrelated to sustainability reporting, has been prepared in accordance with the regulations and whether it is consistent with the information contained in the annual consolidated financial statements, and to make a statement as to whether, in the light of our knowledge of the Group and its environment obtained during our audit, we have identified any material misstatements in the activity report with an indication of the nature of each such material misstatement. Moreover, we are required to express an opinion on whether the Group has included the required information in its corporate governance statement.

Opinion on the activity report

In our opinion, the activity report has been prepared in compliance with the applicable regulations, specifically in compliance with the provisions of Article 55(2a) of the Accounting Act and §71 of the Regulation of the Minister of Finance of 29 March 2018 on the Current and Periodic Information Transmitted by Securities Issuers and the Conditions for Recognizing the Information Required by the Regulations of a Non-Member State as Equivalent (Regulation on Current and Periodic Information) and is consistent with the information contained in the attached annual consolidated financial statements. Furthermore, we declare that, based on our knowledge of the Group and its environment obtained during our audit of the annual consolidated financial statements, we have not identified any material misstatements in the activity report, except for the possible consequences of the issues described in the "Grounds for the refusal to issue an opinion" section.

Opinion on the corporate governance statement

In our opinion, the Group's corporate governance statement contains the information specified in §70(6)(5) of the Regulation on Current and Periodic Information. The information specified in §70(6)(5)(c)–(f), (h) and (i) of the Regulation on Current and Periodic Information contained in the corporate governance statement is consistent with the applicable regulations and the information contained in the annual financial statements.

Information on sustainability reporting and its assurance

The Group's sustainability reporting, presented as a separate part of the Group's activity report and presented in section 10 of this report, is subject to a separate assurance engagement carried out by our audit firm and a different key auditor than the one who has audited the financial statements.

Opinion on the compliance of the consolidated financial statements prepared in a single electronic reporting format with the requirements of the regulation on regulatory technical standards on the specification of a single electronic reporting format

In connection with the audit of the annual consolidated financial statements, we have been engaged to perform an assurance service whereby reasonable assurance would be provided with respect to an opinion on whether the Group's annual consolidated financial statements as at and for the year ended 31 December 2024, prepared in a single electronic reporting format contained in the file named *esef_pkpcargosa-2024-12-31-0-pl.zip* (consolidated financial statements in ESEF format) have been marked up in accordance with the requirements set out in Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (ESEF Regulation).

Identification of the criteria and description of the engagement

The consolidated financial statements in ESEF format have been prepared by the Parent Company's management in order to comply with the marking up requirements and technical requirements for the specifications of the single electronic reporting format set out in the ESEF Regulation. The subject matter of our assurance service is verification of the compliance of the marking up of the consolidated financial statements in ESEF format with the requirements of the ESEF Regulation, because the requirements set out in these regulations constitute, in our opinion, the appropriate criteria for us to express our opinion.

Responsibility of the Entity's management and Supervisory Board

The Parent Company's management is responsible for preparing the consolidated financial statements in ESEF format in compliance with the marking up requirements and technical requirements for the specifications of the single electronic reporting format set out in the ESEF Regulation. This responsibility includes the selection and application of proper XBRL markups using the taxonomy specified in the said regulations.

The responsibility of the Parent Company's management also includes designing, implementing and maintaining an internal control system to ensure that the consolidated financial statements in ESEF format are prepared without material misstatements in compliance with the requirements of the ESEF Regulation.

Members of the Parent Company's Supervisory Board are responsible for supervising the financial reporting process, including the preparation of financial statements in accordance with the format required by the applicable laws.

Responsibilities of the auditor

Our objective has been to express an opinion, based on the assurance service provided, while providing reasonable assurance that the consolidated financial statements in ESEF format have been marked up in accordance with the requirements of the ESEF Regulation.

We have carried out the service in accordance with National Standard for Assurance Services Other than Audits and Reviews 3001PL *Audit of Financial Statements Prepared in a Single Electronic Reporting Format*, which was adopted by a resolution of the National Council of Auditors (KSUA 3001PL) and, where applicable, in accordance with National Standard for Assurance Services Other than Audits and Reviews 3000 (Z) in the wording adopted in International Standard on Assurance Services 3000 (revised) *Assurance Engagements other than Audits or Reviews of Historical Financial Information*, as adopted by a resolution of the National Council of Auditors (KSUA 3000 (Z)).

The standard requires the certified auditor to plan and perform procedures in a manner enabling them to obtain reasonable assurance that the consolidated financial statements in ESEF format have been prepared in accordance with the specified criteria. Reasonable assurance is a high level of assurance, but does not guarantee that a service

performed in accordance with KSUA 3001PL and, where applicable, in accordance with KSUA 3000 (Z), will always detect a material misstatement.

The procedures are selected based on the auditor's judgment, including his/her assessment of the risks of material misstatement due to fraud or error. When making a judgment on such risk, the auditor takes into account internal control associated with the preparation of consolidated financial statements in ESEF format in order to plan the relevant procedures, which should provide the auditor with evidence that is sufficient and suitable in the existing circumstances. No assessment of the operation of the internal control system has been carried out with a view to expressing an opinion on the effectiveness of such operation.

Summary of the work performed

Our intended and performed procedures have included, without limitation:

- obtaining an understanding of the process of preparing consolidated financial statements in ESEF format, including the process of selecting and applying XBRL markups by the Parent Company's management and ensuring compliance with the ESEF Regulation, including an understanding of the internal control mechanisms related to this process,
- reconciling the marked-up information in the consolidated financial statements in ESEF format on a selected sample with the audited annual consolidated financial statements,
- assessing compliance with technical standards for the specification of a single electronic reporting format, including the use of XHTML format, using specialized IT tools,
- assessing the completeness of the marking up of information in the consolidated financial statements in ESEF format with XBRL markups,
- assessing whether the XBRL markups from the taxonomy specified in the ESEF Regulation have been used correctly and whether taxonomy extensions have been used in situations where no relevant elements have been identified in the basic taxonomy specified in the ESEF Regulation,
- assessing whether the anchoring of the taxonomy extensions used in the basic taxonomy specified in the ESEF Regulation has been applied properly.

We believe that the evidence we have obtained provides sufficient and appropriate grounds for us to express our opinion on the compliance of the marking up with the requirements of the ESEF Regulation.

Ethical requirements, including independence

In performing the service, the certified auditor and the audit firm have complied with the independence and other ethical requirements set out in the IESBA Code. The IESBA Code is based on the basic principles of Integrity, Objectivity, Professional Competence and Due Care, Confidentiality and Professional Behavior. We also observed other independence and ethics requirements, which are applicable to this assurance service in Poland

Quality management requirements

The audit firm applies national quality control standards as adopted by a resolution of the Board of the Polish Agency for Audit Oversight, which require the audit firm to design, implement and apply a quality management system that includes policies or procedures pertaining to compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Opinion on compliance with the requirements of the ESEF Regulation

The certified auditor's opinion is based on the matters described above and should be read in conjunction with those matters.

In our opinion, the consolidated financial statements in ESEF format have been marked up in all material respects in compliance with the requirements of the ESEF Regulation.

Statement on non-audit services

To the best of our knowledge and belief, we declare that we have not provided any non-audit services that are prohibited by Article 136 of the Act on Statutory Auditors and Article 5(1) of Regulation 537/2014.

Fee charged by the audit firm and its network companies

The fee charged by the audit firm and Grant Thornton network companies paid and due from the Parent Company and its subsidiaries for the financial year under review was:

Type of services	Network fee*	including that of the audit firm Grant Thornton Polska P.S.A.*
Audit of the Parent Company's annual financial statements	149,026.44	149,026.44
<i>including:</i>		
<i>Audit of the Parent Company's annual standalone financial statements</i>	112,934.10	112,934.10
<i>Audit of the Parent Company's annual consolidated financial statements</i>	36,092.34	36,092.34
Audit of the annual financial statements of related parties	349,677.22	85,050.33
Review of the financial statements of the Parent Company and its related parties	176,091.82	107,296.52
Other assurance services	300,649.90	231,000.00
Related services	9,702.24	9,702.24
Total	985,147.62	582,075.53

* 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 31 December 2024

Selection of an audit firm

We were selected to audit the Group's annual consolidated financial statements for 2021–2025 by the 28 June 2021 Resolution of the Parent Company's Ordinary Shareholder Meeting. We have been auditing the consolidated financial statements of the Group continuously since the financial year ended 31 December 2021, that is for 4 consecutive financial years.

Marcin Diakonowicz

Statutory Auditor No. 10524
Key auditor conducting the audit on behalf of
Grant Thornton Polska Prosta Spółka Akcyjna,
Poznań, ul. Abpa Antoniego Baraniaka 88 E, audit firm no. 4055

Warsaw, 28 April 2025