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Consolidated Annual Report

of PKP CARGO S.A. under restructuring Capital Group

for 2024

PKPCARGO

Table of contents

according to EU IFRS (in millions of PLN)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	2024	2023	
Revenues from contracts with customers	4,460.4	5,491.9	*Note 2.1*
Consumption of electricity and traction fuel	(611.9)	(796.3)	*Note 2.2*
Infrastructure access services	(409.1)	(473.9)	
Transport services	(227.0)	(285.9)	
Other services	(401.9)	(477.0)	*Note 2.2*
Employee benefits	(1,799.6)	(1,958.4)	*Note 2.2*
Other expenses	(308.2)	(372.4)	*Note 2.2*
Other operating revenue (and expenses)	(403.0)	(44.9)	*Note 2.3*
Operating profit before depreciation and amortization (EBITDA)	**299.7**	**1,083.1**	
Depreciation, amortization and impairment losses	(2,991.1)	(791.7)	*Note 2.2*
Profit / (loss) on operating activities (EBIT)	**(2,691.4)**	**291.4**	
Financial revenue (and expenses)	(176.8)	(181.5)	*Note 2.4*
Share in the profit / (loss) of entities accounted for under the equity method	(16.3)	9.1	*Note 5.3*
Profit / (loss) before tax	**(2,884.5)**	**119.0**	
Income tax	471.9	(36.9)	*Note 3.1*
NET PROFIT / (LOSS)	**(2,412.6)**	**82.1**	
OTHER COMPREHENSIVE INCOME			
Measurement of hedging instruments	6.2	41.5	*Note 6.1*
Income tax	(1.1)	(7.9)	*Note 3.1*
Exchange differences resulting from conversion of financial statements of foreign operations	(23.1)	(67.3)	
Other comprehensive income subject to reclassification to profit or loss, total	**(18.0)**	**(33.7)**	
Actuarial gains / (losses) on employee benefits	(31.7)	(102.0)	*Note 5.9*
Income tax	6.0	19.4	*Note 3.1*
Measurement of equity instruments at fair value	-	3.8	*Note 6.1*
Other comprehensive income not subject to reclassification to profit or loss, total	**(25.7)**	**(78.8)**	
Total other comprehensive income	**(43.7)**	**(112.5)**	
TOTAL COMPREHENSIVE INCOME	**(2,456.3)**	**(30.4)**	
Net profit / (loss) attributable:			
Net profit / (loss) attributable to the owners of the parent company	(2,412.6)	82.1	
Total other comprehensive income attributable:			
Total other comprehensive income attributable to shareholders of the parent company	(2,456.3)	(30.4)	
Earnings / (losses) per share (PLN per share)			
Weighted average number of common shares	44,786,917	44,786,917	
Earnings / (losses) per share	**(53.87)**	**1.83**	
Diluted earnings / (losses) per share	**(53.87)**	**1.83**	

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

according to EU IFRS (in millions of PLN)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	31 December 2024	31 December 2023	
ASSETS			
Rolling stock	2,138.8	4,440.3	*Note 5.1*
Other property, plant and equipment	733.5	857.7	*Note 5.1*
Right-of-use assets	1,371.3	1,436.1	*Note 5.2*
Investments in entities accounted for under the equity method	18.5	42.7	*Note 5.3*
Trade receivables	0.2	1.2	*Note 5.5*
Lease receivables	11.3	8.9	
Other assets	46.1	52.4	*Note 5.6*
Deferred tax assets	676.6	191.3	*Note 3.1*
Total non-current assets	**4,996.3**	**7,030.6**	
Inventories	157.7	200.2	*Note 5.4*
Trade receivables	558.3	668.3	*Note 5.5*
Lease receivables	1.0	0.9	
Other assets	136.9	156.3	*Note 5.6*
Cash and cash equivalents	589.1	263.7	*Note 4.3*
Total current assets	**1,443.0**	**1,289.4**	
Non-current assets classified as held for sale	0.3	-	
TOTAL ASSETS	**6,439.6**	**8,320.0**	
EQUITY AND LIABILITIES			
Share capital	2,239.3	2,239.3	*Note 4.2*
Supplementary capital	874.1	797.1	
Other items of equity	(131.7)	(111.1)	
Exchange differences resulting from conversion of financial statements of foreign operations	86.5	109.6	
Retained earnings / (Accumulated losses)	(2,322.0)	167.6	
Total equity	**746.2**	**3,202.5**	
Debt liabilities	1,791.5	2,089.7	*Note 4.1*
Trade payables	2.1	3.4	*Note 5.7*
Investment commitments	2.8	15.6	*Note 5.8*
Provisions for employee benefits	485.1	578.9	*Note 5.9*
Other provisions	15.0	3.6	*Note 5.10*
Deferred tax liability	82.0	93.0	*Note 3.1*
Other liabilities	0.2	-	*Note 5.11*
Total non-current liabilities	**2,378.7**	**2,784.2**	
Debt liabilities	1,041.1	804.1	*Note 4.1*
Trade payables	1,220.0	844.4	*Note 5.7*
Investment commitments	142.9	141.3	*Note 5.8*
Provisions for employee benefits	115.0	170.2	*Note 5.9*
Other provisions	42.7	17.7	*Note 5.10*
Other liabilities	753.0	355.6	*Note 5.11*
Total current liabilities	**3,314.7**	**2,333.3**	
Total liabilities	**5,693.4**	**5,117.5**	
TOTAL EQUITY AND LIABILITIES	**6,439.6**	**8,320.0**	

according to EU IFRS (in millions of PLN)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Supplementary capital	Other items of equity			FX differences resulting from translation of financial statements of foreign operations	Retained earnings / (Accumulated losses)	Total equity	
			Gains / (losses) on measurement of equity instruments at fair value	Actuarial gains / (losses) on employee benefits	Measurement of hedging instruments				
1 January 2024	**2,239.3**	**797.1**	**(9.1)**	**(109.3)**	**7.3**	**109.6**	**167.6**	**3,202.5**	
Net result for the financial year	-	-	-	-	-	-	(2,412.6)	**(2,412.6)**	
Other comprehensive income for the financial year (net)	-	-	-	(25.7)	5.1	(23.1)	-	**(43.7)**	
Total comprehensive income	-	-	-	(25.7)	5.1	(23.1)	(2,412.6)	**(2,456.3)**	
Other changes for the financial year	-	77.0	-	-	-	-	(77.0)	-	*Note 4.2*
31 December 2024	**2,239.3**	**874.1**	**(9.1)**	**(135.0)**	**12.4**	**86.5**	**(2,322.0)**	**746.2**	
1 January 2023	**2,239.3**	**678.0**	**(12.9)**	**(26.7)**	**(26.3)**	**176.9**	**204.6**	**3,232.9**	
Net result for the financial year	-	-	-	-	-	-	82.1	**82.1**	
Other comprehensive income for the financial year (net)	-	-	3.8	(82.6)	33.6	(67.3)	-	**(112.5)**	
Total comprehensive income	-	-	3.8	(82.6)	33.6	(67.3)	82.1	**(30.4)**	
Other changes for the financial year	-	119.1	-	-	-	-	(119.1)	**-**	
31 December 2023	**2,239.3**	**797.1**	**(9.1)**	**(109.3)**	**7.3**	**109.6**	**167.6**	**3,202.5**	

according to EU IFRS (in millions of PLN)

CONSOLIDATED CASH FLOW STATEMENT

	2024	2023	
Cash flows from operating activities			
Profit / (loss) before tax	**(2,884.5)**	**119.0**	
Adjustments			
Depreciation, amortization and impairment losses	2,991.1	791.7	*Note 2.2*
(Profit) / loss on the sale and liquidation of non-financial non-current assets	(10.7)	(15.6)	
Foreign exchange (gains)/losses	(0.9)	1.9	
(Profits) / losses on interest, dividends	142.3	140.7	
Interest received / (paid)	2.0	0.7	
Income tax received / (paid)	(23.1)	(30.0)	
Movement in working capital	837.3	313.0	*Note 4.4*
Other adjustments	(21.6)	(110.4)	*Note 4.4*
Net cash from operating activities	**1,031.9**	**1,211.0**	
Cash flows from investing activities			
Expenditures on the acquisition of non-financial non-current assets	(452.4)	(1,359.0)	
Proceeds from the sale of non-financial non-current assets	14.7	357.0	
Proceeds from dividends received	7.6	7.7	
Other proceeds from investing activities	9.4	7.2	
Net cash from investing activities	**(420.7)**	**(987.1)**	
Cash flows from financing activities			
Expenditures on leases	(161.1)	(166.5)	*Note 4.1*
Proceeds from drawn down loans / credit facilities	84.0	392.2	*Note 4.1*
Receipt of funds from the Guaranteed Employee Benefits Fund	71.6	-	*Note 4.1*
Repayment of loans/ credit facilities	(201.0)	(360.0)	*Note 4.1*
Interest paid on leases and loans/borrowings	(112.4)	(149.4)	*Note 4.1*
Subsidies received	37.3	139.0	
Inflow / (outflow) as part of cash pool	-	13.0	
Other expenditures concerning financing activities	0.1	(1.7)	
Net cash from financing activities	**(281.5)**	**(133.4)**	
Net increase / (decrease) in cash and cash equivalents	329.7	90.5	
Cash and cash equivalents at the beginning of the reporting period	263.7	181.5	*Note 4.3*
Impact exerted by FX rate movements on the cash balance in foreign currencies	(4.3)	(8.3)	
Cash and cash equivalents at the end of the reporting period, including:	**589.1**	**263.7**	*Note 4.3*
restricted cash	*29.4*	*37.5*	*Note 4.3*

according to EU IFRS (in millions of PLN)

1.1 Key information about the Group's business

Information about the Parent Company

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

Key information about the Parent Company	
Name	PKP CARGO S.A. under restructuring
Registered office	Poland
Address of the Parent Company's registered office	ul. Grójecka 17, 02-021 Warsaw
KRS	0000027702 – District Court for the capital city of Warsaw, 12th Commercial Division of the National Court Register, Poland
REGON	277586360
NIP	954-23-81-960

On 25 July 2024 the District Court for the capital city of Warsaw in Warsaw, 18th Commercial Division issued a decision to open remedial proceedings towards PKP CARGO S.A. Pursuant to Article 66 sec. 2 of the Restructuring Law Act, after a court has issued a decision to open restructuring proceedings, a trader operates on the market under its previous business name with the addition of the words "w restrukturyzacji" (in restructuring). Therefore, as of 25 July 2024, the full name of the company is: PKP CARGO S.A. under restructruring.

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

The composition of the Parent Company's management and supervisory bodies and the Parent Company's shareholding structure as at 31 December 2024 were presented in the Management Board Report on the Activity of the PKP CARGO under restructuring Group for the financial year 2024 in **Sections 8.11** and **8.4**, respectively.

Information about the Group

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

- intermodal services,
- freight forwarding (domestic and international),
- terminal services,
- siding and traction services,
- repairs and periodic inspections of rolling stock,
- land reclamation services.

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

The term of the activities of the individual Group companies is not limited, with the exception of PKP CARGOTABOR USŁUGI Sp. z o.o. w likwidacji, which went into liquidation as of 25 April 2024. PKP CARGOTABOR USŁUGI Sp. z o.o. w likwidacji does not carry out any significant business activities.

As of 2 September 2024, by decision of the District Court for the City of Warsaw in Warsaw, 18th Commercial Division, remedial proceedings of the principal nature were opened towards PKP CARGOTABOR Sp. z o.o.

according to EU IFRS (in millions of PLN)

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

Detailed information about members of the Group as at 31 December 2024 and 31 December 2023 is as follows:

Name	Type	Registered office	% of shares held	
			31 December 2024	31 December 2023
Centralny Terminal Multimodalny Sp. z o.o.	other subsidiary	Warsaw	100%	100%
PKP CARGO SERVICE Sp. z o.o.	subsidiary – consolidated by the full method	Katowice	100%	100%
PKP CARGO TERMINALE Sp. z o.o.	subsidiary – consolidated by the full method	Żurawica	100%	100%
PKP CARGOTABOR Sp. z o.o. w restrukturyzacji	subsidiary – consolidated by the full method	Warsaw	100%	100%
CARGOTOR Sp. z o.o.	subsidiary – consolidated by the full method	Warsaw	100%	100%
PKP CARGOTABOR USŁUGI Sp. z o.o. w likwidacji	subsidiary – consolidated by the full method	Warsaw	100%	100%
PKP Linia Chełmska Szerokotorowa Sp. z o.o.	other subsidiary	Warsaw	100%	100%
ONECARGO CONNECT Sp. z o.o.	other subsidiary	Warsaw	100%	100%
COSCO Shipping Lines (POLAND) Sp. z o.o.	associate	Gdynia	20%	20%
PKP CARGO CONNECT Sp. z o.o.	subsidiary – consolidated by the full method	Warsaw	100%	100%
Transgaz S.A.	other subsidiary	Zalesie near Małaszewicze	64%	64%
Cargosped Terminal Braniewo Sp. z o.o.	subsidiary – consolidated by the full method	Braniewo	100%	100%
PKP CARGO CONNECT GmbH	other subsidiary	Hamburg	100%	100%
Terminale Przeładunkowe Sławków Medyka Sp. z o.o.	interests in joint ventures	Sławków	50%	50%
PKP CARGO INTERNATIONAL a.s.	subsidiary – consolidated by the full method	Ostrava	100%	100%
PKP CARGO INTERNATIONAL HU Zrt.	subsidiary – consolidated by the full method	Budapest	100%	100%
AWT ROSCO a.s.	subsidiary – consolidated by the full method	Ostrava	100%	100%
AWT CFT a.s.	subsidiary – consolidated by the full method	Ostrava	100%	100%
AWT Rekultivace a.s.	subsidiary – consolidated by the full method	Petřvald	100%	100%
DEPOS Horni Sucha a.s.	associate	Horní Suchá	20.6%	20.6%
PKP CARGO INTERNATIONAL SK a.s.	other subsidiary	Bratislava	100%	100%
AWT DLT s.r.o.	other subsidiary	Kladno	100%	100%
PKP CARGO INTERNATIONAL SI d.o.o.	other subsidiary	Grčarevec	80%	80%

Other subsidiaries are not consolidated by the full method due to the materiality criterion adopted by the Group. The companies are valued using the equity method, which is presented in **Note 5.3** to these Consolidated Financial Statements or presented as other assets.

1.2 Basis for drawing up the Consolidated Financial Statements

These Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards and related interpretations adopted by the European Union ("EU IFRS"), published and in effect in 2024.

These Consolidated Financial Statements have been prepared based on the assumption of the Company's being a going concern in the foreseeable future, which is described in greater detail in **Note 1.3** to these Consolidated Financial Statements.

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

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

These Consolidated Financial Statements have not been audited by a statutory auditor.

Group's accounting principles described in individual notes were applied in a continuous manner to all presented periods. The material estimates and judgments for the key items of the consolidated financial statements were presented in individual notes to these Consolidated Financial Statements.

Note	Title	Amount captured in the Consolidated Financial Statements		Accounting Policy	Material estimates and judgments
		2024	2023		
2.1	Revenues from contracts with customers	4,460.4	5,491.9	X	X
2.2	Operating expenses	(6,748.8)	(5,155.6)		
2.3	Other operating revenue (and expenses)	(403.0)	(44.9)		
2.4	Financial revenue (and expenses)	(176.8)	(181.5)		
3.1	Income tax	471.9	(36.9)	X	X
5.1	Rolling stock	2,138.8	4,440.3	X	X
5.1	Other property, plant and equipment	733.5	857.7	X	X
5.2	Right-of-use assets	1,371.3	1,436.1	X	X
5.3	Investments in entities accounted for under the equity method	18.5	42.7	X	
3.1	Deferred tax assets	676.6	191.3	X	X
5.4	Inventories	157.7	200.2	X	
5.5	Trade receivables	558.5	669.5	X	X
	Lease receivables	12.3	9.8		
5.6	Other assets	183.0	208.7	X	X
4.3	Cash and cash equivalents	589.1	263.7	X	
	Non-current assets classified as held for sale	0.3	-		
4.2	Equity	746.2	3,202.5	X	
4.1	Debt liabilities	2,832.6	2,893.8	X	X
5.7	Trade payables	1,222.1	847.8	X	X
5.8	Investment commitments	145.7	156.9	X	X
5.9	Provisions for employee benefits	600.1	749.1	X	X
5.10	Other provisions	57.7	21.3		X
5.11	Other liabilities	753.2	355.6	X	
3.1	Deferred tax liability	82.0	93.0	X	X
7.3	Contingent liabilities	286.5	251.7	X	X

according to EU IFRS (in millions of PLN)

1.2 Basis for drawing up the Consolidated Financial Statements (cont'd)

Consolidation rules

The Consolidated Financial Statements comprise the standalone financial statements of the Parent Company and its controlled entities (subsidiaries) for the financial year ended on 31 December 2024 and 31 December 2023. The financial statements of the subsidiaries, after taking into consideration adjustments introduced to make them compliant with EU IFRS, are prepared for the same reporting period as the statements of the Parent Company, based on uniform accounting principles applied for transactions and similar economic events.

Revenues and costs of subsidiaries are taken into account in the consolidated statement of profit or loss and other comprehensive income as of the actual date of acquisition of the given entity to the date of its effective disposal. All transactions effected within the Group, negative balances and revenues and costs of operations effected between the Group companies have been fully eliminated from the consolidation. Some of the companies are not consolidated on the basis of materiality.

Transactions in foreign currencies are translated to the functional currency at the exchange rate from the date of the transaction or measurement when the items are restated. As at the balance sheet date, cash assets and liabilities denominated in foreign currencies are restated according to the average NBP exchange rate binding on that date. Foreign exchange gains and losses obtained as a result of settlements of those transactions and balance sheet valuation of assets and liabilities denominated in foreign currencies are recorded in the result, provided they are not deferred in other comprehensive income when they are eligible for recognition as security for cash flows. Non-cash items carried at historical cost expressed in a foreign currency are translated using the exchange rate from the transaction date.

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

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

FX differences from the above translations are presented in the equity as FX differences from translation of financial statements of foreign operations.

As at 31 December 2024 and 31 December 2023, for the needs of valuation of financial statements of foreign operations subject to consolidation, the Group adopted the following exchange rates:

Currency	Items of the statement of financial position		Items of the statement of comprehensive income and the cash flow statement	
	31 December 2024	31 December 2023	2024	2023
EUR	4.2730	4.3480	4.3042	4.5284
CZK	0.1699	0.1759	0.1712	0.1889

These Consolidated Financial Statements were approved for publication by the Administrator of PKP CARGO S.A. under restructruring on 28 April 2025.

1.3 Going concern assumption, restructuring measures

The financial position of the PKP CARGO w restrukturyzacji Group is closely linked to that of the Parent Company.

Going concern risk of the Parent Company

These Consolidated Financial Statements for 2024 have been prepared based on the going concern assumption and accordingly do not include adjustments for differences in the measurement and classification of assets and liabilities that would be required if the Company's going concern assumption proved to be invalid.

Reasons for identifying risks to the ability to continue as a going concern

1) Decrease in transports and difficult position of the Parent Company

In 2024, the Group posted negative financial results. The main reason for the negative results within the freight transport business was the decrease in revenues from contracts with customers, which was due to lower freight volume. They were affected by the ongoing war in Ukraine and the energy crisis in Europe (including increased energy prices), which has a significant impact on businesses and results in relatively low freight volumes. Despite the continued decline in demand in the rail freight market, the number of rail operators obtaining freight licenses continues to increase in Poland. As the leader of the rail freight market in Poland, PKP CARGO S.A. under restructuring is particularly exposed to the decline in transports, which is reflected in lower revenues. In 2022-2023, the Parent Company's focus on moving coal from seaports to energy industry customers limited its ability to compete in the most profitable freight categories and resulted in the loss of some customers. At the same time, the high inflation that persisted in 2023 caused an increase in prices for purchased commodities, materials and services, while putting strong upward pressure on raising employee wages. Also, the Parent Company pursued an expansionary investment policy, with high capital expenditures mainly for rolling stock.

1.3 Going concern assumption, restructuring measures (cont'd)

2) External financing agreements, defaults on financing agreements

The above factors resulted in a significant decrease in demand for the Parent Company's services, which adversely affected financial position and liquidity of PKP CARGO w restrukturyzacji Group and its ability to pay its current liabilities. Due to the deterioration of the financial standing and liquidity, the covenants set forth in loan agreements concluded by the Parent Company were not satisfied as at 31 December 2024, which is described in **Note 4.1** to these Consolidated Financial Statements.

Measures taken by the Parent Company's Management Board to improve its financial and liquidity position and to manage its business during the restructuring process

As the Parent Company's Management Board identified and analyzed the above risks, on 27 June 2024 it decided to file a petition with the court to open the remedial proceedings. On 25 July 2024, the Parent Company received from the District Court for the City of Warsaw in Warsaw a "Notice of Decision to Open Restructuring Proceedings". In the opinion of the Parent Company's Management Board, the purpose of opening the restructuring proceedings is to improve the Group's financial and liquidity position. The decision to file the foregoing petition was made by the Management Board after considering the best interests of the Parent Company and its shareholders. The Management Board believes that the restructuring process under court supervision will allow the Parent Company to continue its operations and achieve the best possible outcomes for its creditors, employees and shareholders, restore the Parent Company's ability to satisfy its financial obligations and to conclude a composition with its creditors.

The preliminary restructuring plan provides for the implementation of the following restructuring measures:
- workforce reduction through mass layoffs,
- termination of some of the leases for assets that are not essential to the business activity,
- sale of some of the assets that are not intended for further use,
- reduction of capital expenditures and alignment with transportation needs,
- reorganization of the organizational structure of the Parent Company and the Group,
- withdrawing from contracts that generate unnecessary costs.

According to the Parent Company's Management Board, all of the above activities are aimed at optimizing the cost structure, increasing operational efficiency, improving the quality of services and increasing competitiveness on the market, which will allow the Company to obtain new orders, increase revenues and improve the liquidity position of the Parent Company.

According to the Management Board of the Parent Company, it pursues an active liquidity management policy and monitors its liquidity on an ongoing basis to ensure that it is able to meet its obligations during the implementation period of the restructuring plan. The opening of the restructuring proceedings has protected the Parent 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 and, based on its terms and conditions, they will be repaid at a later date.

The purpose of restructuring proceedings is to allow the Parent Company to restructure by entering into a composition with its creditors, and in the case of remedial proceedings also by carrying out remedial (restructuring) measures, while securing the equitable rights of creditors. Therefore, the composition proposals are prepared in such a way that the claims covered by the composition agreement are satisfied to the maximum extent possible. The court appointed an Administrator for PKP CARGO S.A. under restructuring, with Ms. Izabela Skonieczna-Powałka serving in this role, while allowing the Management Board to exercise management over the entire undertaking falling within the scope of ordinary course of business.

On 7 November 2024, the creditor board was established in the Parent Company's remedial proceedings. On 28 February 2025, the Parent Company's Administrator presented a list of creditors to the District Court for the City of Warsaw.

As at the date of preparation of these Consolidated Financial Statements, the Parent Company is in the process of preparing a Restructuring Plan. 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 Restructuring Plan until 30 June 2025.

The Parent Company conducts a cyclical ongoing analysis and review in terms of execution and forecasting of monthly cash flows for a 12-month period. Scenario analysis takes into account the cash flows from the Parent Company's operating activities, as well as the cash flows from the divestment of fixed assets that can be sold without an adverse effect on the Parent Company's operations.

Analyses and projections of the Parent Company's cash flows are prepared and updated both in view of the ongoing financial reporting process and in view of the parallel process of preparing a restructuring plan, which should be prepared and submitted by 30 June 2025 as part of the ongoing Remedial Proceedings against the Company. As part of the above cash flow projections, the Parent Company utilizes both its own resources and the services of an external financial advisor employed in connection with the pending Remedial Proceedings and the preparation of the restructuring plan and composition proposals. The projections are updated on an ongoing basis in specified intervals using a liquidity model built and approved by an external financial advisor.

1.3 Going concern assumption, restructuring measures (cont'd)

At the same time, the Parent Company is taking a number of steps related to the divestment of fixed assets, including the identification of assets that could be sold within the next 12 months. At this stage, the Parent Company's Management Board has made a number of decisions to designate certain fixed assets for divestment, however the full list of such divestments (and the related decisions of the Parent Company's corporate bodies) will be confirmed only at the stage of completion of work on the Parent Company's ultimate restructuring plan.

The opening of restructuring proceedings and the resulting prohibition of the Parent Company to satisfy liabilities that existed on the date the Remedial Proceedings were commenced pursuant to Article 252 sec. 1 in conjunction with Article 297 of the Restructuring Law, while continuing to generate proceeds from operations, has allowed the Parent Company to increase the balance of its cash as at 31 December 2024.

Current cash flow projections indicate that the Parent Company will have sufficient funds generated from current operations to cover current liabilities (without the liabilities included in the composition) maturing in the next 12 months without the need for additional external liquidity financing sources (due to the pending Remedial Proceedings, the Parent Company's capacity to raise such external financing is limited). At the same time, if actual cash flows fall short of current projections, the steps the Parent Company has taken to prepare for the fixed asset divestment process should give it the capacity to cover the resulting financial shortfall.

The above cash flow projections are based on the assumption that the Remedial Proceedings currently pending against the Parent Company will not be legally concluded within 12 months after the end of the relevant reporting period. The Parent Company believes this assumption reasonable, based on publicly available data on the typical duration of restructuring proceedings from the date of initiation to final legal completion.

At the same time, the Parent Company assumes that if the Remedial Proceedings are legally concluded, this will result from the adoption of a composition agreement with the Parent Company's creditors on terms aligned with its currently assumed and projected financial capacity. However, the Parent Company emphasizes that it is extremely difficult to assess the likelihood of this assumption at the current stage. This is because it depends not only on the final form of the restructuring plan currently being prepared, but also on the intentions and willingness of the Parent Company's creditors (both at the creditors' meeting and within the creditors' board in the Remedial Proceedings) to accept the proposed restructuring plan and composition proposals. In the Parent Company's opinion, based on an assessment of its current financial and asset position, creditor satisfaction under the Remedial Proceedings (on the terms of the accepted composition) should be greater than in a bankruptcy scenario. Therefore, the Parent Company believes that the assumption that the composition will be adopted on terms consistent with the Parent Company's current financial projections is reasonable – however it cannot be deemed probable to a greater extent at this early stage of the ongoing Remedial Proceedings.

The Parent Company emphasizes that, under either of the above scenarios, it assumes that its liabilities subject to the Remedial Proceedings will not be repaid in full – or in substantial part – within the next 12 months.

The Parent Company believes that deferring the repayment of liabilities incurred before the commencement of the restructuring proceedings, combined with the actions it has taken, will allow it to maintain liquidity at a level sufficient to pay its current liabilities for at least the next 12 months from the balance sheet date, thereby minimizing the risk to its going concern status.

The Management Board of the Parent Company believes that deferring the repayment of liabilities incurred before the commencement of the restructuring proceedings, combined with their subsequent reduction through an agreement with creditors, and the implementation of restructuring measures, will allow it to pay its current liabilities for at least the next 12 months from the balance sheet date and will minimize the risk to its going concern status.

As of 31 December 2024, the Parent Company's statement of financial position shows a loss in excess of the sum of supplementary capital and capital reserves and one third of the share capital. Pursuant to Article 397 of the Commercial Company Code Act of 15 September 2000, this requires the Parent Company's Management Board to immediately convene a Shareholder Meeting to adopt a resolution on the continuation of the Parent Company.

Going concern risk of the subsidiary PKP CARGOTABOR Sp. z o.o. w restrukturyzacji

The deterioration of the financial and liquidity position of the Parent Company has had a significant impact on the operations of its subsidiary, PKP CARGOTABOR Sp. z o.o. (hereinafter referred to as "PKP CARGOTABOR"). Due to the strong business ties between the Parent Company and PKP CARGOTABOR, the significant reduction in capital expenditures by the Parent Company since Q2 2024 surpassed PKP CARGOTABOR's ability to adapt the scale of its operations to the Parent Company's current needs, which caused a deterioration of PKP CARGOTABOR's liquidity position. On 26 July 2024, the Management Board of PKP CARGOTABOR filed a petition with the court to open remedial proceedings and a petition to open bankruptcy proceedings.

In a letter to the court dated 28 August 2024, the Management Board upheld its petition to open remedial proceedings. On 2 September 2024, the subsidiary received a "Notice of Decision to Open Restructuring Proceedings" from the District Court for the City of Warsaw in Warsaw.

1.3 Going concern assumption, restructuring measures (cont'd)

The planned restructuring activities are aimed at adapting the scope of the subsidiary's operations to the Parent Company's needs planned for 2025 and beyond, and focus mainly on:

- workforce reduction through mass layoffs,
- reducing the number of locations, in which operations are carried out,
- activating external sales.

On 6 December 2024, the Administrator of PKP CARGOTABOR presented the list of assets and the list of creditors' claims to the District Court for the City of Warsaw. On 14 March 2025, the subsidiary PKP CARGOTABOR Sp. z o.o. w restrukturyzacji filed a restructuring plan with the District Court for the City of Warsaw.

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 ongoing concern strategy of PKP CARGOTABOR assumes as follows:

a) limiting operations to 12 rolling stock repair sections,
b) selling property not essential to core operations,
c) diversifying revenue sources of PKP CARGOTABOR by expanding the range of services offered and increasing the customer base.

The plan identifies two main groups of restructuring measures:

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

The creditors' meeting to vote on the composition agreement is expected to take place in Q1 2026.

In the opinion of the Parent Company's Management Board, all restructuring activities are aimed at reducing existing risks and improving the earnings and liquidity position of the Parent Company and the subsidiary, as well as ensuring the operational continuity of both companies.

Restructuring provisions

The remedial proceedings meet the definition of restructuring in IAS 37. Accordingly, during the period of 12 months 2024, the Group recognized a provision for restructuring costs in the total amount of PLN 149.2 million. The cost of employee severance pays was the main component of the restructuring provision, in connection with the termination of employment as part of mass layoffs.

On 3 July 2024, the Parent Company Management Board made a decision regarding the intention to carry out mass layoffs and consequently commenced consultations of the intention to carry out mass layoffs with the trade unions operating in the Units and Head Office of PKP CARGO S.A. On 24 July 2024, the Parent Company Management Board adopted a resolution for the Units and the Head Office of PKP CARGO S.A. under restructruring to carry out mass layoffs pursuant to the Act of 13 March 2003 on the detailed principles of terminating employment for reasons not attributable to employees. The mass layoffs affected employees in various professional groups and, as their employment relationship was terminated as part of the mass layoffs, the employees are entitled to cash severance payments and compensation for reduced notice periods. Mass layoffs ultimately affected 2,515 employees.

The remaining elements of the restructuring provision include costs related to the handling and organization of the entire reorganization process.

Pursuant to the Management Board resolution of 18 October 2024, the Parent Company filed a motion to pay benefits from the Guaranteed Employee Benefits Fund ("FGŚP"). The total amount of benefits received in 2024 from the Guaranteed Employee Benefits Fund amounted to PLN 71.6 million. The obtained funds were used to pay out a part of the severance pays and other amounts due to employees PKP CARGO S.A. under restructuring affected by the layoffs.

In the case of the subsidiary, on 21 August 2024, the PKP CARGOTABOR Management Board announced that it launched the process of consulting mass layoffs and it provided the trade union organizations operating in the subsidiary with a notice of intention to carry out mass layoffs in PKP CARGOTABOR. On 25 October 2024, the subsidiary adopted the "Mass Layoff Regulations at PKP CARGOTABOR Sp. z o.o. w restrukturyzacji". Mass layoffs ultimately affected 481 employees.

1.3 Going concern assumption, restructuring measures (cont'd)

The subsidiary followed the Parent Company in submitting applications for benefit payments from the Guaranteed Employee Benefits Fund in December 2024 and January 2025 in order to finance these costs. These funds were paid out from January to March 2025 and the total value of benefits received was PLN 10.2 million.

As a result of the utilization and update of the provision, the value of the Group's restructuring provision remaining as at 31 December 2024 is PLN 23.5 million and includes primarily costs related to the service and organization of the whole restructuring process.

Provisions for employee benefits

As at 31 December 2024, the Parent Company and PKP CARGOTABOR performed an actuarial valuation of its provisions for employee benefits in connection with the mass layoffs carried out as part of the restructuring process. The implementation of mass layoffs has resulted in a significant reduction in the number of employees covered by the relevant benefits. The revaluation of actuarial provisions related to the mass layoffs carried out caused a reduction in provisions for employee benefits and employee benefit expenses in the amount of PLN 104.0 million. Additionally, as at 31 December 2024, the assumptions changed in respect to the discount rate and other assumptions for measuring the provision for employee benefits. Detailed information on this matter is presented in **Note 5.9** to these Consolidated Financial Statements.

Impairment of non-current assets

As at 31 December 2024, the Group performed impairment tests with respect to cash-generating units defined at the level of assets of the Parent Company and subsidiaries. As a result of the tests, as at 31 December 2024, the Group recognized an impairment loss for property, plant and equipment and right-of-use assets, which was presented in **Note 5.1** and **Note 5.2**, respectively of these Consolidated Financial Statements.

Impairment losses for VAT receivables

The Management Board of the Parent Company has decided to recognize an impairment loss for VAT receivables in the amount of PLN 203.1 million; the loss is related to input VAT on invoices not paid as at the date preceding the date of opening the remedial proceedings, in connection with the application of the so-called "VAT bad debt relief" regulation.

Given the need to adjust input VAT on these liabilities, VAT liabilities also increased, which is presented in **Note 5.11** to these Consolidated Financial Statements.

according to EU IFRS (in millions of PLN)

1.4 Liquidity position of the Group and liquidity risk management

Liquidity position of the Group

In 2024, the age structure of liabilities has deteriorated significantly compared to 31 December 2023, with all liquidity ratios at levels well below those considered safe. Given the deterioration of the financial and liquidity position, the Management Board of the Parent Company decided to file a petition with the court to open the restructuring proceedings on 27 June 2024. The opening of the restructuring proceedings has protected the Parent 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 on the terms and conditions set forth in the restructuring law, will be covered by the composition. The Parent 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 start of the restructuring proceedings are paid by the Parent Company on an ongoing basis, with the exception of a portion of amounts due to employees and liabilities that the Parent Company considers to be in dispute. Due to the difficult financial situation of PKP CARGO S.A. under restructuring, the Management Board of the Company has decided not to pay part of employee benefits, such as retirement severance pays and jubilee awards, together with salaries for July - December 2024 The difficult financial situation also compelled the Management Board of the Parent Company to take the decision to temporarily suspend the payments provided for in Article 8 of the Act of 13 March 2003 on special principles for terminating employment relationships for reasons not attributable to employees, i.e. the cash severance payment for terminating the employment relationship, the compensation for reducing the notice period to one month, and the equivalent for unused holiday leave. The reasons why it was decided to suspend payment of these amounts due to employees was to ensure that the Parent Company is able to carry out its day-to-day operations, to carry out the transport process effectively and consequently, to fulfill rail freight contracts without interruption, which will allow the Parent Company to continue to operate in the market.

The Parent Company and PKP CARGOTABOR have applied for a loan from the Guaranteed Employee Benefits Fund in order to finance part of the unpaid employee benefits in accordance with the provisions of the Act of 13 July 2006 on the protection of employees' claims in the event of the employer's insolvency. The total amount of funds obtained by the Parent Company from the Guaranteed Employee Benefits Fund was PLN 71.6 million, while the subsidiary obtained PLN 10.2 million (in Q1 2025). The acquired funds allowed the Company to partially pay out past due retirement severance pays and other receivables to former employees of the Parent Company and PKP CARGOTABOR.

Below we present the liabilities of the Parent Company and PKP CARGOTABOR that arose before the opening dates of the relevant restructuring proceedings under the lists of creditors' claims of both companies presented to the Court, also including the creditors' claims against the companies covered by these Consolidated Financial Statements.

Creditors' claims against the Parent Company and PKP CARGOTABOR included in the composition

2024	Parent Company	PKP CARGOTABOR	Total before consolidation adjustments	Consolidation adjustments	Total after consolidation adjustments
Debt liabilities	1,344.7	42.9	**1,387.6**	-	**1,387.6**
Trade payables and investment commitments	1,141.6	102.3	**1,243.9**	(197.5)	**1,046.4**
Other financial liabilities	111.0	-	**111.0**	(96.7)	**14.3**
Other liabilities	304.6	47.6	**352.2**	(0.2)	**352.0**
Bank guarantees and sureties	24.2	50.0	**74.2**	(50.0)	**24.2**
Total	**2,926.1**	**242.8**	**3,168.9**	**(344.4)**	**2,824.5**

The maturities of the Group's financial liabilities are presented below. The data as at 31 December 2024 do not include liabilities incurred before the commencement of the restructuring proceedings, as these are subject to the composition and cannot be repaid until the court approves the composition with creditors pursuant to Article 252 of the Restructuring Law.

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

31 December 2024	Contractual maturities from the end of the reporting period				Total (no discount)
	Below 3 months	From 3 to 12 months	From 1 year to 5 years	Over 5 years	
Debt liabilities	99.3	220.6	960.2	465.0	**1,745.1**
Trade payables	261.6	1.3	1.9	0.2	**265.0**
Investment commitments	16.9	-	-	-	**16.9**
Total	**377.8**	**221.9**	**962.1**	**465.2**	**2,027.0**

according to EU IFRS (in millions of PLN)

1.4 Liquidity position of the Group and liquidity risk management (cont'd)

31 December 2023	Contractual maturities from the end of the reporting period				Total (no discount)	Carrying amount
	Below 3 months	From 3 to 12 months	From 1 year to 5 years	Over 5 years		
Debt liabilities	404.5	486.4	1,640.3	874.1	**3,405.3**	**2,893.8**
Trade payables	841.5	2.9	3.4	-	**847.8**	**847.8**
Investment commitments	122.7	18.8	15.7	-	**157.2**	**156.9**
Cash pool	14.2	-	-	-	**14.2**	**14.2**
Derivatives – swap contract	0.1	-	-	-	**0.1**	**0.1**
Total	**1,383.0**	**508.1**	**1,659.4**	**874.1**	**4,424.6**	**3,912.8**

The table below presents the age structure of trade payables and investment commitments as at 31 December 2024 and 31 December 2023. The data presented as at 31 December 2024 do not include liabilities incurred before the commencement of the restructuring proceedings of the Parent Company and PKP CARGOTABOR.

Age structure of trade payables and investment commitments

	31 December 2024			31 December 2023		
	Trade payables	Investment commitments	Total	Trade payables	Investment commitments	Total
Not past due	250.7	16.8	267.5	589.7	149.7	739.4
Past due						
up to 30 days	6.3	0.1	6.4	156.2	7.2	163.4
31 - 90 days	2.8	-	2.8	92.3	-	92.3
91 - 180 days	2.7	-	2.7	3.1	-	3.1
181 - 365 days	1.8	-	1.8	3.0	-	3.0
over 365 days	0.7	-	0.7	3.5	-	3.5
Total	**265.0**	**16.9**	**281.9**	**847.8**	**156.9**	**1,004.7**

Age analysis of trade receivables

	31 December 2024			31 December 2023		
	Gross	Expected credit losses	Net	Gross	Expected credit losses	Net
Not past due	492.0	(1.0)	491.0	585.3	(0.5)	584.8
Past due						
up to 30 days	34.5	(1.3)	33.2	47.3	(0.3)	47.0
31 - 90 days	17.0	(3.4)	13.6	17.6	(1.2)	16.4
91 - 180 days	13.9	(2.5)	11.4	2.9	(1.0)	1.9
181 - 365 days	4.8	(2.1)	2.7	11.3	(6.8)	4.5
over 365 days	137.6	(131.0)	6.6	135.8	(120.9)	14.9
Total	**699.8**	**(141.3)**	**558.5**	**800.2**	**(130.7)**	**669.5**

according to EU IFRS (in millions of PLN)

1.5 Applied International Financial Reporting Standards platform

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

Approving the Consolidated Financial Statements the Group applied the following amendments of the standards and interpretations issued by the International Accounting Standards Board for application by the EU:

Standard / Interpretation	Effective date
Amendments to IFRS 16 "Leases" – Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to IAS 1 "Presentation of financial statements" – Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants	1 January 2024
Amendments to IAS 7 "Statement of Cash Flows" and IFRS 7 "Financial Instruments: Disclosures – Supplier Finance Arrangements"	1 January 2024

The Parent Company's Management Board believes that the above standards and interpretations had no material influence on the Group's financial statements.

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

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

Standard / Interpretation	Effective date
Amendment to IAS 21 "The Effects of Changes in Foreign Exchange Rates" – Lack of Exchangeability	1 January 2025

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

IFRS as approved by the EU do not currently differ materially from the regulations adopted by the International Accounting Standards Board (IASB), with the exception of the following standards, their amendments and interpretations, which have not yet been approved by the EU and have not entered into effect. The Management Board of the Parent Company believes that the approval of the standards mentioned below by the EU will not result in any major changes to the Group's financial statements in the successive reporting periods, except for the changes arising from IFRS 18 "Presentation and Disclosure in Financial Statements". As at the date of approval of these Consolidated Financial Statements, the Group was still analyzing the changes arising from IFRS 18 and therefore the impact of this standard on the financial statements cannot be assessed.

Standard / Interpretation	Effective date
Amendments to IFRS 9 "Financial Instruments" and IFRS 7 "Financial Instruments: Disclosures" - Amendments to the Classification and Measurement of Financial Instruments	1 January 2026
Amendments to IFRS 9 "Financial Instruments" and IFRS 7 "Financial Instruments: Disclosures" - Contracts Referencing Nature-dependent Electricity	1 January 2026
Annual Improvements to IFRSs – vol. 11	1 January 2026
IFRS 18 "Presentation and Disclosure in Financial Statements"	1 January 2027
IFRS 19 "Subsidiaries without Public Accountability": Disclosure	1 January 2027

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

2.1 Revenues from contracts with customers

Accounting policy applied

The Group recognizes revenue from contracts with customers in such a manner as to reflect the transfer of promised goods or services to the customer in the amount corresponding to the remuneration expected to be payable to the Group in return. Revenues from contracts with customers is disclosed at fair value of the payment received or due less VAT, refunds, rebates and discounts.

Revenues are recognized upon (or during) fulfillment of the obligation to make the performance through the provision of the promised good or service (i.e. asset) to the customer.

Revenue from sales of services is recognized in the statement of profit or loss and other comprehensive income over time, because the customer receives and at the same time benefits from the performance provided by the Group as it is being provided. The Group is of the opinion that this condition is fulfilled, because the work performed by it to date would not have to be substantially re-performed by another entity if it were to complete the remaining portion of the obligation toward the customer.

Revenue from sales of materials, goods and finished products is recognized in the statement of profit or loss and other comprehensive income when the customer obtains control over the asset in question. The moment of the transfer of control is the same as the moment when the significant risk and benefits resulting from their ownership were transferred.

For most commercial contracts, the Group does not use payment terms beyond 12 months. For a small number of contracts, the Group applies longer terms of payment, however these contracts contain no significant financing component.

Variable remuneration

Commercial contracts contain a variable remuneration element resulting from the following:

- the possibility of imposing penalties on the client in connection with its failure to meet the contractual provisions pertaining to transportation of a specified freight volume,
- the possibility of imposing fines on the Group by the client in the event of failure to transport the ordered freight volume.

The Group estimates the value of variable remuneration resulting from penalties based on the degree of performance of a given contract in the agreed settlement period. Facts and circumstances determining the probability of the occurrence of each scenario are reviewed at least at the end of each reporting period.

Assets from contracts with customers

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

MATERIAL VALUES BASED ON PROFESSIONAL JUDGMENT AND ESTIMATES

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

- from the degree of progress of transport services, which are measured based on the estimated level of freight volume the transportation of which has not been completed as at the balance sheet date and the average obtainable price,
- from the freight volume that has already been delivered to the destination but has not yet been collected by the customer. The measurement takes into account the actual freight volume and the average obtainable price,
- from rents for wagons owned by the Group which are used by foreign rail transport companies in the course of transport services rendered outside Poland. This item is measured based on the quantity of wagons outside Poland (data obtained from IT systems) and prices resulting from agreements and contracts with foreign rail freight companies,
- from reclamation and construction works that are currently in the process of acceptance by the client or, in accordance with the contract, the stage of works that would enable invoicing has not yet been achieved. The Group measures revenue based on the scope of work performed as at the balance sheet date and the rates resulting from contracts/orders.

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

according to EU IFRS (in millions of PLN)

2.1 Revenues from contracts with customers (cont'd)

Structure of revenues from contracts with customers

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

The Parent Company's Management Board does not evaluate the Group's performance and does not make decisions concerning allocation of resources to groups of services provided account being taken of the structure of revenues from contracts with customers, as presented below. Therefore, the specific service groups may not be treated as the Group's operating segments.

2024	PKP Group related parties	State Treasury related parties	Others	Total
Revenue from rail transportation and freight forwarding services	4.4	1,127.0	2,475.5	**3,606.9**
Revenue from other transportation activity	-	-	104.6	**104.6**
Revenue from siding and traction services	13.9	176.5	165.5	**355.9**
Revenue from transshipment services	-	7.5	119.4	**126.9**
Revenue from reclamation services	4.7	-	46.8	**51.5**
Revenue from sales of goods and materials	-	-	57.6	**57.6**
Other revenues	20.2	12.7	124.1	**157.0**
Total	**43.2**	**1,323.7**	**3,093.5**	**4,460.4**
Revenue recognition date				
At a specific time	1.5	-	59.4	**60.9**
Over a period	41.7	1,323.7	3,034.1	**4,399.5**
Total	**43.2**	**1,323.7**	**3,093.5**	**4,460.4**

2023	PKP Group related parties	State Treasury related parties	Others	Total
Revenue from rail transportation and freight forwarding services	10.0	1,500.5	2,975.2	**4,485.7**
Revenue from other transportation activity	-	0.5	124.0	**124.5**
Revenue from siding and traction services	14.6	170.7	172.3	**357.6**
Revenue from transshipment services	0.6	24.1	161.5	**186.2**
Revenue from reclamation services	2.3	-	71.5	**73.8**
Revenue from sales of goods and materials	-	-	83.9	**83.9**
Other revenues	25.0	11.4	143.8	**180.2**
Total	**52.5**	**1,707.2**	**3,732.2**	**5,491.9**
Revenue recognition date				
At a specific time	1.6	-	84.3	**85.9**
Over a period	50.9	1,707.2	3,647.9	**5,406.0**
Total	**52.5**	**1,707.2**	**3,732.2**	**5,491.9**

Geography

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

	2024	2023
Poland	3,244.3	4,159.0
Czech Republic	464.1	589.8
Germany	317.3	245.8
Italy	69.5	77.2
Ukraine	57.9	65.6
Slovakia	54.4	66.6
Other countries	252.9	287.9
Total	**4,460.4**	**5,491.9**

according to EU IFRS (in millions of PLN)

2.1 Revenues from contracts with customers (cont'd)

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

	2024	2023
Poland	3,704.0	6,173.6
Czech Republic	583.5	634.7
Other countries	11.2	11.4
Total	**4,298.7**	**6,819.7**

Information on key customers

In the financial year ended 31 December 2024 and 31 December 2023, the Group's revenue from any single client did not exceed 10% of the total revenues from contracts with customers.

Assets from contracts with customers

	2024	2023
As at the beginning of the reporting period	**35.7**	**49.8**
Recognition of revenue before the sales document is issued	19.3	35.7
Reclassification to receivables	(34.8)	(49.7)
FX translation differences	(1.0)	(0.1)
As at the end of the reporting period	**19.2**	**35.7**

2.2 Operating expenses

Consumption of electricity and traction fuel

	2024	2023
Consumption of traction fuel	(110.1)	(137.3)
Consumption of traction energy	(501.8)	(659.0)
Total	**(611.9)**	**(796.3)**

Other services

	2024	2023
Renovation and maintenance services for non-current assets	(92.2)	(109.0)
Rent and fees for the use of property and rolling stock	(85.3)	(106.3)
Telecommunications services	(6.4)	(6.3)
Legal, consulting and similar services	(12.6)	(11.7)
IT services	(59.8)	(53.6)
Transshipment services	(32.0)	(57.7)
Land reclamation services	(28.4)	(47.4)
Shunting, traction and inspection services	(44.4)	(41.3)
Other services	(40.8)	(43.7)
Total	**(401.9)**	**(477.0)**

Employee benefits

	2024	2023
Remuneration	(1,452.0)	(1,483.0)
Social security costs	(307.6)	(312.2)
Expenses for contributions to the Company Social Benefits Fund	(40.3)	(32.9)
Other employee benefits during employment	(82.7)	(53.4)
Post-employment benefits	(7.8)	(8.5)
Movement in provisions for employee benefits	90.8	(68.4)
Total	**(1,799.6)**	**(1,958.4)**

according to EU IFRS (in millions of PLN)

2.2 Operating expenses (cont'd)

Other expenses

	2024	2023
Consumption of non-traction fuel	(24.8)	(28.7)
Consumption of electricity, gas and water	(57.7)	(70.7)
Consumption of materials	(82.4)	(103.8)
Taxes and charges	(43.2)	(49.4)
Cost of goods and materials sold	(37.6)	(51.2)
Business trips	(32.2)	(36.8)
Other	(30.3)	(31.8)
Total	**(308.2)**	**(372.4)**

Depreciation, amortization and impairment losses

	2024	2023
Depreciation of rolling stock	(650.9)	(607.0)
Depreciation of other property, plant and equipment	(59.9)	(63.9)
Depreciation of right-of-use assets	(137.2)	(122.7)
Amortization of intangible assets	(8.7)	(6.9)
(Recognized) / reversed impairment losses:		
Rolling stock [1)]	(2,016.7)	9.0
Other property, plant and equipment [1)]	(105.8)	(0.2)
Right-of-use assets [1)]	(11.1)	-
Intangible assets	(0.8)	-
Total	**(2,991.1)**	**(791.7)**

[1)] The items are described in **Note 5.1** and **Note 5.2** to these Consolidated Financial Statements.

2.3 Other operating revenue (and expenses)

Other operating revenue (and expenses)

	2024	2023
Profit on sales of non-financial non-current assets	7.7	15.6
Reversed impairment losses for trade receivables	2.0	2.5
Reversed impairment losses for VAT settlements	4.1	-
Penalties and compensations	9.3	20.2
Interest on trade and other receivables	4.5	4.5
Reversal of other provisions	12.4	2.9
Net result on foreign exchange differences on trade receivables and trade payables	0.6	-
Subsidies	6.7	8.6
Other	11.6	5.8
Total other operating revenue	**58.9**	**60.1**
Recognized impairment losses for trade receivables	(17.0)	(10.8)
Recognized impairment losses for VAT settlements	(203.1)	-
Penalties and compensations	(9.4)	(13.0)
Interest on trade and other payables	(67.3)	(54.0)
Restructuring provision recognized [1)]	(149.2)	-
Other provisions established	(6.7)	(9.1)
Costs of liquidation of non-current and current assets	(4.4)	(7.1)
Net result on foreign exchange differences on trade receivables and trade payables	-	(3.8)
Other	(4.8)	(7.2)
Total other operating expenses	**(461.9)**	**(105.0)**
Other operating revenue (and expenses)	**(403.0)**	**(44.9)**

[1)] This item is described in **Note 1.3** to these Consolidated Financial Statements.

according to EU IFRS (in millions of PLN)

2.4 Financial revenue (and expenses)

Financial revenue (and expenses)

	2024	2023
Interest income	10.9	6.2
Dividend income	0.1	-
Other	0.1	0.2
Total financial revenue	**11.1**	**6.4**
Interest expenses	(153.0)	(149.2)
Settlement of the discount on provisions for employee benefits	(33.5)	(35.2)
Net result on foreign exchange differences	(0.5)	(2.6)
Other	(0.9)	(0.9)
Total financial expenses	**(187.9)**	**(187.9)**
Financial revenue (and expenses)	**(176.8)**	**(181.5)**

3. Notes on taxation

3.1 Income tax

Accounting policy applied

The income tax of the reporting period includes current and deferred income tax. The current tax burden is calculated on the basis of the tax result for the given reporting period. The tax result differs from the accounting pre-tax result due to exclusion of revenue which temporarily is not subject to taxation and expenses which are temporarily not tax deductible, as well as the expenses and revenues that will never be subject to taxation. Tax burden is calculated based on the tax rates applicable in the given financial year.

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

Deferred tax assets and liabilities are subject to offsetting if there is an enforceable legal title to set off current income tax assets and liabilities and if the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority if there is an intention to settle the accounts in net amounts.

MATERIAL VALUES BASED ON PROFESSIONAL JUDGMENT AND ESTIMATES

The Group recognizes a deferred tax asset based on the assumption that taxable income would be recorded in the future, allowing the Group to use the asset.

As at 31 December 2024, the Parent Company has reviewed the value of the deferred tax asset in terms of the prospects for future taxable profits, which are required to settle it. Current financial projections of the Parent Company indicate that, in the coming years, PKP CARGO S.A. under restructuring will not generate taxable profit at the level sufficient to utilize the remaining tax losses carried forward from 2020-2021, for which the right to deduct expires at the end of 2025 and 2026, respectively. Nor is it expected to reach the threshold of borrowing costs that would allow for the recognition of a portion of the borrowing costs currently excluded from tax deductibility.

Because it is not probable that the deferred tax asset will be fully realized as at 31 December 2024, the Parent Company reduced the carrying amount of the deferred tax asset as at 31 December 2024 by a total amount of PLN 24 million. Additionally, as at 31 December 2024, the subsidiary PKP CARGO TERMINALE Sp. z o.o. recognized an reduction in the amount of deferred tax assets, in the amount of PLN 2.2 million.

according to EU IFRS (in millions of PLN)

3.1 Income tax (cont'd)

Income tax recognized in profit / loss

	2024	2023
Current income tax		
Current tax liability	(15.5)	(33.0)
Adjustments posted in the current year relating to tax from previous years	(0.8)	0.1
Deferred tax		
Deferred income tax of the reporting period	488.2	(4.0)
Income tax recognized in profit / loss	**471.9**	**(36.9)**

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

Deferred income tax captured in other comprehensive income

	2024	2023
Deferred tax on the measurement of hedging instruments	(1.1)	(7.9)
Deferred tax on actuarial gains / (losses) on employee benefits	6.0	19.4
FX differences from translation of deferred tax balance recognized in other comprehensive income [1)]	3.2	9.2
Deferred income tax captured in other comprehensive income	**8.1**	**20.7**

[1)] This item is presented in equity as FX differences from translation of financial statements of foreign operations.

Reconciliation of the effective tax rate

	2024	2023
Profit / (loss) before tax	**(2,884.5)**	**119.0**
Income tax expense at 19%	548.1	(22.6)
Tax effect of revenue which does not constitute revenue within the meaning of tax regulations, including:		
Reversal of non-tax provisions and impairment loss allowances	1.2	-
Valuation under the equity method	(0.1)	1.7
Other	1.6	2.1
Tax effect of non-deductible expenses arising from tax regulations, including:		
PFRON disability fund	(5.3)	(5.4)
Recognition of impairment loss allowances for investments accounted for under the equity method	(3.1)	-
Permanent differences in expenses related with property, plant and equipment	(0.5)	(0.5)
Representation expenses	(0.3)	(0.5)
Penalties and compensations	(1.2)	(1.7)
Value added tax and other public law liabilities	(39.1)	(1.0)
Other	(4.6)	-
Effect of tax losses used in a period in which deferred tax was not recognized	**-**	**(0.5)**
Effect of the establishment/(reversal) of a deferred tax asset charge on tax losses	**(26.2)**	**-**
Effect of application of various tax rates	**2.0**	**(8.4)**
Adjustments posted in the current year relating to tax from previous years	**(0.6)**	**(0.1)**
Income tax recognized in profit / loss	**471.9**	**(36.9)**
Effective tax rate	**16.4%**	**31.0%**

The corporate income tax rates in effect in the PKP CARGO w restrukturyzacji Group in the years 2023-2024 were: 19% in Poland, 21% in the Czech Republic in 2024 (19% in 2023) and 9% in Hungary.

according to EU IFRS (in millions of PLN)

3.1 Income tax (cont'd)

Balance of deferred tax assets and liabilities

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

	31 December 2024	31 December 2023
Deferred tax assets	676.6	191.3
Deferred tax liabilities	(82.0)	(93.0)
Total	**594.6**	**98.3**

Table of movements in deferred tax before the set-off

2024	1 January 2024	Recognized in profit or loss	Recognized in other comprehensive income	FX differences from translation of deferred tax balance	31 December 2024
Temporary differences relating to deferred tax (liabilities) / assets:					
Non-financial non-current assets	**(89.7)**	415.6	-	3.3	**329.2**
Right-of-use assets and lease liabilities	**(2.0)**	(3.1)	-	-	**(5.1)**
Other provisions and liabilities	**25.0**	41.7	-	-	**66.7**
Inventories	**(7.5)**	2.3	-	-	**(5.2)**
Lease receivables	**(1.9)**	(0.4)	-	-	**(2.3)**
Trade receivables	**(1.1)**	4.2	-	-	**3.1**
Provisions for employee benefits	**142.6**	(34.3)	6.0	(0.1)	**114.2**
Other	**8.4**	22.9	(1.1)	-	**30.2**
Unused tax losses	**24.5**	39.3	-	-	**63.8**
Total	**98.3**	**488.2**	**4.9**	**3.2**	**594.6**

2023	1 January 2023	Recognized in profit or loss	Recognized in other comprehensive income	FX differences from translation of deferred tax balance	31 December 2023
Temporary differences relating to deferred tax (liabilities) / assets:					
Non-financial non-current assets	**(83.7)**	(14.8)	-	8.8	**(89.7)**
Right-of-use assets and lease liabilities	**(16.3)**	13.6	-	0.7	**(2.0)**
Other provisions and liabilities	**23.3**	1.8	-	(0.1)	**25.0**
Inventories	**(9.3)**	1.8	-	-	**(7.5)**
Lease receivables	**(1.7)**	(0.2)	-	-	**(1.9)**
Trade receivables	**(4.1)**	3.0	-	-	**(1.1)**
Provisions for employee benefits	**121.7**	1.7	19.4	(0.2)	**142.6**
Other	**9.0**	7.3	(7.9)	-	**8.4**
Unused tax losses	**42.7**	(18.2)	-	-	**24.5**
Total	**81.6**	**(4.0)**	**11.5**	**9.2**	**98.3**

Maturity analysis of deferred tax assets from tax losses

Expiration dates of the tax losses to which deferred tax assets were applied as at 31 December 2024

Year	2027	2028	2029	Total
Unused tax losses	5.7	167.8	162.1	**335.6**

Expiration dates of the tax losses to which deferred tax assets were applied as at 31 December 2023

Year	2024	2025	2026	2027	2028	Total
Unused tax losses	1.2	69.3	46.3	5.7	6.1	**128.6**

according to EU IFRS (in millions of PLN)

3.1 Income tax (cont'd)

Tax loss not captured in calculation of deferred tax assets

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

	31 December 2024	31 December 2023
PKP CARGO S.A. under restructuring	115.5	-
PKP CARGO TERMINALE Sp. z o.o.	11.3	-
AWT CFT a.s.	3.7	8.2
PKP CARGOTABOR USŁUGI Sp. z o.o. w likwidacji	3.6	3.1
PKP CARGO INTERNATIONAL HU Zrt.	0.1	8.0
Total	**134.2**	**19.3**

Expiration dates of the tax losses to which deferred tax assets were not applied as at 31 December 2024

Year	2025	2026	2027	2028	2029	Total
Unused tax losses	72.7	46.5	1.6	7.5	5.9	**134.2**
Borrowing costs	-	10.5	-	-	-	**10.5**

Expiration dates of the tax losses to which deferred tax assets were not applied as at 31 December 2023

Year	2024	2025	2026	2027	2028	Total
Unused tax losses	4.4	11.5	0.2	1.6	1.6	**19.3**

4. Notes on debt and equity management

4.1 Reconciliation of debt liabilities

Accounting policy applied

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

A lease liability is measured at the present value of the lease payments that are not paid on such date, which include:

- fixed lease payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date,
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option;
- cash penalties for lease termination if the lessee is reasonably certain not to exercise the early termination option.

The current value of future lease payments is calculated using the interest rate applicable to the lease. If the interest rate applicable to a lease cannot be determined easily, the Group applies the lessee's incremental borrowing rate for the lease in question.

After the initial recognition, the Group measures the lease liability by:

- increasing the carrying amount to reflect interest on the lease liability;
- reducing the carrying amount to reflect the lease payments made; and
- remeasuring the carrying amount to reflect any reassessment or lease modifications.

The Group takes advantage of an exemption and does not apply the requirements for measurement of lease liabilities and right-of-use assets in respect of:

- short-term leases, i.e. leases where the term of the agreement is no longer than 12 months and which do not include a purchase option;
- leases for which the underlying asset is of low value. The Group defines assets of low value as those whose value, when new, does not exceed PLN 25 thousand.

In cases where the exemptions referred to above are applied, the Group recognizes lease payments as an expense falling under the straight-line method over the lease term or under another method that provides a better reflection of the benefits obtained by the Group.

according to EU IFRS (in millions of PLN)

4.1 Reconciliation of debt liabilities (cont'd)

MATERIAL VALUES BASED ON PROFESSIONAL JUDGMENT AND ESTIMATES

Material estimates in respect to lease liabilities concern the model for determining:

a) the discount rate

The Group discounts lease payments using the interest rate implicit in the lease, if that rate can be readily determined; otherwise it uses the incremental borrowing rate. The incremental borrowing rate is calculated on the basis of the following two components:

- a reference rate appropriate for the currency in question; and
- credit risk premium, which is based on the banks' credit margins and takes into account the contract term and the financial situation of each company in which leases have been identified.

b) lease term

As regards lease periods, including in particular for leases entered into for an indefinite term, the Group takes into account all relevant facts and circumstances that create an economic incentive for the lessee to exercise the option to extend the lease or not to exercise the option to terminate the lease, such as:

- the importance of the asset to the Group's operations, considering whether the asset is a specialized asset, the location of the asset and the availability of suitable alternatives,
- material leasehold improvements undertaken (or expected to be undertaken) over the term of the contract,
- contractual terms and conditions for the optional periods compared with market rates,
- circumstances related to the exercise of the option to extend the contract.

For contracts executed for a specific term without an extension option, the Group uses the term of the contract as the lease period.

The Group's debt liabilities consist of the following two main categories: bank loans and leases. Loan agreements were signed mainly to finance current activity, finance and refinance the investment plan and acquisitions. Liabilities contracted under the signed loan agreements are repaid in PLN and EUR. The collateral established to secure the repayment of liabilities is described in **Note 7.4** of these Consolidated Financial Statements.
Lease agreements are signed in PLN, CZK and EUR and pertain mainly to property and rolling stock.

As at 31 December 2024, the Group presented as debt liabilities the funds received by the Parent Company from the Guaranteed Employee Benefits Fund designated for the payment of severance pays and other benefits for employees affected by mass layoffs.

As at 31 December 2024, the Parent Company had a registered pledge on wagons securing the repayment of liabilities under a bank loan with an outstanding principal of PLN 81.7 million as at 31 December 2024. Liabilities under this loan are repaid on a regular basis. Liabilities under the remaining bank loans concluded by the Parent Company and PKP CARGOTABOR are not secured on assets and cannot be currently repaid by the Company, as they are included in the composition.

Items in foreign currencies

31 December 2024	In the functional currency – PLN	In foreign currency			Total
		EUR	CZK	HUF	
Bank loans and borrowings	934.6	446.0	-	-	**1,380.6**
Liabilities under funds received from FGŚP	71.8	-	-	-	**71.8**
Leases	1,319.2	38.2	22.5	0.3	**1,380.2**
Total	**2,325.6**	**484.2**	**22.5**	**0.3**	**2,832.6**

31 December 2023	In the functional currency – PLN	In foreign currency		Total
		EUR	CZK	
Bank loans and borrowings	980.1	500.2	-	**1,480.3**
Leases	1,361.9	26.5	25.1	**1,413.5**
Total	**2,342.0**	**526.7**	**25.1**	**2,893.8**

according to EU IFRS (in millions of PLN)

4.1 Reconciliation of debt liabilities (cont'd)

Reconciliation of debt liabilities

2024	Bank loans and borrowings	Liabilities under funds received from FGŚP	Leases	Total
1 January 2024	**1,480.3**	**-**	**1,413.5**	**2,893.8**
New liabilities contracted	84.0	71.6	87.5	**243.1**
Modifications of existing agreements	-	-	66.7	**66.7**
Sale and leaseback	-	-	6.2	**6.2**
Transaction costs	0.5	-	-	**0.5**
Accrual of interest	71.0	0.2	81.3	**152.5**
Payments under debt, including:				
Repayments of the principal	(201.0)	-	(161.1)	**(362.1)**
Interest paid	(46.6)	-	(65.8)	**(112.4)**
Transaction costs	(0.5)	-	-	**(0.5)**
Other	1.0	-	(46.5)	**(45.5)**
FX differences recognized in profit or loss and other comprehensive income	(7.8)	-	0.3	**(7.5)**
FX translation differences	(0.3)	-	(1.9)	**(2.2)**
31 December 2024	**1,380.6**	**71.8**	**1,380.2**	**2,832.6**
Non-current	678.7	-	1,112.8	**1,791.5**
Current	701.9	71.8	267.4	**1,041.1**
Total	**1,380.6**	**71.8**	**1,380.2**	**2,832.6**

2023	Bank loans and borrowings	Leases	Total
1 January 2023	**1,494.3**	**877.9**	**2,372.2**
New liabilities contracted	392.2	310.0	**702.2**
Modifications of existing agreements	-	81.2	**81.2**
Sale and leaseback	-	346.2	**346.2**
Transaction costs	0.5	-	**0.5**
Accrual of interest	86.3	61.6	**147.9**
Payments under debt, including:			
Repayments of the principal	(360.0)	(166.5)	**(526.5)**
Interest paid	(90.0)	(59.4)	**(149.4)**
Transaction costs	(0.5)	-	**(0.5)**
Set off	-	(35.0)	**(35.0)**
Other	-	(0.1)	**(0.1)**
FX differences recognized in profit or loss and other comprehensive income	(40.6)	(0.6)	**(41.2)**
FX translation differences	(1.9)	(1.8)	**(3.7)**
31 December 2023	**1,480.3**	**1,413.5**	**2,893.8**
Non-current	879.0	1,210.7	**2,089.7**
Current	601.3	202.8	**804.1**
Total	**1,480.3**	**1,413.5**	**2,893.8**

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

	Presentation in the statement of profit or loss and other comprehensive income	2024	2023
Revenues from operating leases	Revenues from contracts with customers	57.1	59.3
Costs of short-term leases	Other services	(39.2)	(58.8)

according to EU IFRS (in millions of PLN)

4.1 Reconciliation of debt liabilities (cont'd)

Terms and conditions of loan agreements

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

The above ratios are calculated on the basis of data contained in both the Consolidated Financial Statements of the PKP CARGO w restrukturyzacji Group and the PKP CARGO INTERNATIONAL Group.

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

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

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

As at 31 December 2024, the covenants in the Parent Company's loan agreements were not satisfied. As a result of the opening of remedial proceedings against PKP CARGO S.A. under restructuring on 25 July 2024, the failure to meet these financial covenants does not result in the termination of the relevant loan agreements.

Unused credit and lease facilities

Type of loan	Bank Name	Period of availability	Currency of the contract	31 December 2024	31 December 2023
Overdraft	Bank Gospodarstwa Krajowego [1)]	28 February 2025	PLN	-	100.0
Overdraft	Powszechna Kasa Oszczędności Bank Polski S.A. [2)]	30 September 2024	PLN	-	2.8
Overdraft	Bank Polska Kasa Opieki S.A.	23 August 2024	PLN	-	100.0
Overdraft	Bank Polska Kasa Opieki S.A.	9 July 2024	PLN	-	1.6
Overdraft	Powszechna Kasa Oszczędności Bank Polski S.A.	27 July 2024	PLN	-	0.5
Overdraft	ING Bank N.V.	22 November 2028	EUR	12.8	13.1
Leasing facility	ING Lease (Polska) sp. z o.o.	13 June 2024	PLN	-	18.0
Leasing facility	PKO Leasing S.A.	26 October 2024	PLN	-	51.8
Total				**12.8**	**287.8**

[1)] On 29 February 2024, the Parent Company executed an annex extending the availability period of the facility until 28 February 2025. According to the wording of the annex, the limit was reduced to PLN 70.0 million as of 1 July 2024.

[2)] On 25 June 2024, the Parent Company executed an annex extending the availability period of the facility until 30 September 2024.

4.2 Equity and equity management

Accounting policy applied

Share capital in the consolidated financial statements is carried in the amount stated in the Articles of Association of the Parent Company.

Supplementary capital includes a share premium account (agio), profit of previous years transferred to supplementary capital and the reserve capital created from the retirement of shares.

Other items of equity include actuarial gains / (losses) on employee benefits, the effect of measurement of equity instruments at fair value and the effective portion of gains and losses on hedging instruments in hedge accounting applied by the Group.

Retained earnings / (Accumulated losses) include the financial result of the current year undistributed earnings and uncovered losses from previous years, as well as the differences attributable to transition to EU IFRS.

Exchange differences resulting from conversion of financial statements of foreign operations arise as a result of translation of financial data of such operations to the Polish currency based on the following principles:

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

according to EU IFRS (in millions of PLN)

4.2 Equity and equity management (cont'd)

Share capital

	31 December 2024	31 December 2023
The share capital consists of:		
Ordinary shares – fully paid up and registered	2,239.3	2,239.3

As at 31 December 2024 and 31 December 2023, the share capital consisted of common shares with a par value of PLN 50 each. Fully paid up ordinary shares with a par value of PLN 50 are equivalent to one vote at the shareholder meeting and carry the right to a dividend.

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

In the financial year ended 31 December 2024 and 31 December 2023, there were no movements in the share capital of the Parent Company.

Movement in supplementary capital and retained earnings

On 27 June 2024, the Ordinary Shareholder Meeting of the Parent Company adopted a resolution on the distribution of the net profit earned in 2023 in the amount of PLN 45.2 million, and decided to allocate it in full to the supplementary capital.

In 2024, changes in the Group's supplementary capital resulted also from the resolution of 25 June 2024 adopted by the Ordinary Shareholder Meeting of PKP CARGO SERVICE Sp. z o.o. to allocate part of the 2023 net profit to supplementary capital in the amount of PLN 12.9 million, the resolution of 25 June 2024 adopted by the Ordinary Shareholder Meeting of PKP CARGOTABOR Sp. z o.o. w restrukturyzacji to allocate part of the 2023 net profit to supplementary capital in the amount of PLN 29.0 million, and the resolution of 26 June 2024 adopted by the Ordinary Shareholder Meeting of CARGOTOR Sp. z o.o. to cover the loss in curred in 2023 with supplementary capital in the amount of PLN 10.1 million.

Equity management

The main objective of equity management in the Parent Company after the opening of restructuring proceedings is to maintain its ability to continue and develop operations in order to create value for shareholders and benefits for other stakeholders.

4.3 Cash and cash equivalents

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

Structure of cash and cash equivalents

	31 December 2024	31 December 2023
Cash on hand and on bank accounts	151.9	171.5
Bank deposits up to 3 months	433.7	91.4
Other cash	3.5	0.8
Total	**589.1**	**263.7**
including restricted cash	*29.4*	*37.5*

Restricted cash included mostly cash accumulated on VAT accounts and bank accounts kept for tender deposits and guarantees.

according to EU IFRS (in millions of PLN)

4.4 Notes to the statement of cash flows

Movement in working capital

2024	Change in the balance from the statement of financial position	Net cash flow from investing activities	Other	Net cash flow from operating activities (movement in working capital)
Inventories	42.5	(0.4)	-	42.1
Trade receivables	111.0	(0.7)	0.2	110.5
Lease receivables	(2.5)	2.7	-	0.2
Other assets	25.4	(18.5)	-	6.9
Provisions	(112.6)	-	-	(112.6)
Trade payables	374.2	-	-	374.2
Investment commitments	(11.2)	17.7	-	6.5
Other liabilities	397.6	0.7	11.2	409.5
Total working capital	**824.4**	**1.5**	**11.4**	**837.3**

2023	Change in the balance from the statement of financial position	Net cash flow from investing activities	Net cash flow from financing activities	Other	Net cash flow from operating activities (movement in working capital)
Inventories	0.6	8.8	-	-	9.4
Trade receivables	107.2	(1.4)	-	1.2	107.0
Lease receivables	(0.5)	0.5	-	-	-
Other assets	1.9	7.7	-	-	9.6
Provisions	108.3	-	-	-	108.3
Trade payables	36.1	0.2	-	-	36.3
Investment commitments	(32.8)	41.5	-	-	8.7
Other liabilities	58.5	(0.7)	(13.1)	(11.0)	33.7
Total working capital	**279.3**	**56.6**	**(13.1)**	**(9.8)**	**313.0**

Other adjustments

	2024	2023
Actuarial gains / (losses) on employee benefits recognized in other comprehensive income	(31.7)	(102.0)
Measurement of equity instruments at fair value	-	3.8
Exchange differences resulting from conversion of financial statements of foreign operations	(1.7)	(1.6)
Other	11.8	(10.6)
Other adjustments in the cash flow statement	**(21.6)**	**(110.4)**

Non-financial transactions

In the financial years ended 31 December 2024 and 31 December 2023, major non-financial transactions concerning investing and financial activity which were not reflected in the cash flow statement were as follows:

- Setting off mutual settlements

In 2024, the Group set off trade receivables with liabilities arising from the purchase of non-financial non-current assets. The total amount of set offs in 2024 amounted to PLN 0.7 million, whereas in 2023 it was PLN 1.4 million. Additionally, in 2023, the Group set off receivables from sales of fixed assets and other receivables against lease liabilities in the total amount of PLN 35.0 million.

- Change in the classification of rolling stock

When a decision is made to derecognize a rolling stock asset, its residual value is recognized in inventories. In 2024, the Company changed the classification of rolling stock assets in the total amount of PLN 0.4 million, while in 2023 the residual value of rolling stock recognized as inventories amounted to PLN 8.8 million.

5. Notes to the statement of financial position

5.1 Rolling stock and other property, plant and equipment

Accounting policy applied

Rolling stock and other property, plant and equipment (hereinafter referred to as: property, plant and equipment) are measured at purchase price or production cost reduced by depreciation and impairment loss allowances. The initial value of a property, plant and equipment item consists of its acquisition cost or cost of production, along with any import duties, non-refundable purchase taxes included in the price. It is also reduced by any rebates, discounts and subsidies and increased by any costs directly attributable to preparation of the asset for its intended use and, if applicable, external borrowing costs. Government grants are recognized as reduction of the assets' value at the moment when it is reasonably certain that they will be obtained and that all the necessary conditions will be met.
The Group presents perpetual usufruct rights that are exempted from payments as property, plant and equipment.
Fixed assets under construction are presented in the statement of financial position at the production cost reduced by recognized impairment allowances.

An item of property, plant and equipment is removed from the statement of financial position at the moment of sale or when no economic benefits are expected from its use. When it is decided to derecognize an item of property, plant and equipment, its carrying amount is recognized in the profit or loss of the period in which the decision was taken. Items of rolling stock are an exception – their residual value is recognized in the inventory item when the decision is made to liquidate them.
Within rolling stock items, the Group identifies and separates all the material elements, or components, making up the given asset with different economic useful lives. The material components of freight cars and commercial locomotives distinguished by the Group comprise the main part of the rolling stock item and the repair/periodic inspection part. In addition, the residual value (scrap value) is established for the rolling stock items.

Residual value of rolling stock

The residual value of rolling stock is measured based on prices of scrap of specific classes, less cost to sell. The residual value of rolling stock is not depreciated but is subject to periodic verification at the end of each financial year. The Group changes the residual value if it has a material impact on the Group's financial statements.

Repairs and periodic inspections of rolling stock

Rolling stock undergoes planned maintenance operations at five levels, the extent of which is based on the rules set forth in the Regulation of the Minister of Infrastructure dated 12 October 2005 on general technical conditions for the operation of railroad vehicles (Journal of Laws of 2016, Item 226, as amended). Detailed requirements for these operations are given in the Maintenance System Documentation (DSU), which is mandatory for each of the operated railroad vehicles. Rolling stock is subject to planned maintenance operations according to repair cycles defined in the Maintenance System Documentation (DSU), depending on the permissible time and/or course of the vehicle's operation.
Upon completion of a level 4 and 5 modernization or repair, reinstatements to operation are issued indicating the period of possible operation of the rolling stock component until the next P4 or P5 level repair indicated in the repair cycle specified in the Maintenance System Documentation (DSU). An asset may be operated over the entire period provided also that a P3 inspection is carried out halfway through the cycle. If no repair / inspection at levels P3, P4 and P5 is carried out, the rolling stock asset loses its operational capacity and cannot be used in rail transport. The Group considers repairs and periodic inspections at levels P3, P4 and P5 as the condition for continuous use of rolling stock asset item and at the moment of performing such a repair, if the criteria for its recognition are satisfied, the costs of the repair is recognized in the carrying amount of the rolling stock asset and are depreciated in the period specified in the reinstatement.
Other costs of ongoing maintenance and repairs for property, plant and equipment and costs of ongoing overhauls (which are not costs of level P3, P4 or P5 periodic inspections and repairs) are treated on general terms as costs of the period in which they were carried out.

according to EU IFRS (in millions of PLN)

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

Accounting policy applied

Depreciation of property, plant and equipment

The Group applies straight-line depreciation. The value of property, plant and equipment subject to depreciation is distributed equally over the useful life. The initial value of an asset subject to depreciation is determined after deducting its residual value. Freehold land and rights of perpetual usufruct of land exempt from fees are not depreciated.
The estimated useful lives, residual values and depreciation methods are verified at the end of each reporting period, including prospective application of any changes to estimates.
To calculate depreciation, the Group applies the following economic useful lives for particular groups of non-current assets:

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

Impairment of property, plant and equipment

At each balance sheet date, the Group performs an analysis of carrying amounts of owned non-current assets to determine if there are any indications of their impairment. If such indications of impairment are identified, the recoverable amount of the cash-generating units or individual assets is estimated to determine a potential related allowance.
Recoverable amount is determined as the higher of: fair value less cost to sell, or value in use. The value in use is defined as the present value of estimated future cash flows discounted using a discount rate before tax. If the recoverable amount of a cash-generating unit or individual asset is lower than its carrying amount, the latter is reduced to the recoverable amount. An impairment allowance is recognized in the line item "depreciation, amortization and impairment allowances".
Where an impairment allowance is reversed, the net value of the asset is increased to the revised estimate of the recoverable amount, which, however, does not exceed the carrying amount of the asset that would have been determined had an impairment allowance not been recognized in previous years. The reversal of an impairment allowance is recognized in the line item "depreciation, amortization and impairment allowances".

MATERIAL VALUES BASED ON PROFESSIONAL JUDGMENT AND ESTIMATES

Economic useful lives of fixed assets

The Group estimates the economic useful lives and consequently the depreciation rates for individual property, plant and equipment items. The estimates are based on the expected economic useful lives of the assets. Depreciation rates may change in the event of circumstances causing a change in the expected useful life, which in turn affects the value of the depreciation charges and the net carrying amount of specific items of property, plant and equipment in future periods. The verification of the useful lives of property, plant and equipment conducted as at 31 December 2024 and 31 December 2023 did not reveal the need to correct the previously applied depreciation rates.

Residual value of the rolling stock

As at 31 December 2024, the Parent Company verified the residual value of its rolling stock. In connection with the decline in scrap metal prices compared to prices in the previous year, the Parent Company decided to reduce the residual value of rolling stock as at 31 December 2024.

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

MATERIAL VALUES BASED ON PROFESSIONAL JUDGMENT AND ESTIMATES

Impairment of non-current assets

Property, plant and equipment is the Group's most significant asset item. Due to the changing macroeconomic and regulatory environment, the PKP CARGO w restrukturyzacji Group periodically reviews indications that the recoverable amount of its assets may be impaired. The Group uses its own analytical tools to assess the market situation. In the current reporting period, the Group analyzed the indications and identified the factors that could have materially contributed to a change in the value of its non-current assets. In accordance with IAS 36, the Group assesses at the end of each reporting period whether there is any objective evidence of impairment of non-current assets. If such grounds exist then the Group is required to determine the recoverable amount of the assets showing signs of impairment.

As at 31 December 2024, the Group carried out impairment tests for cash-generating units defined at the level of assets of the Parent Company, PKP CARGOTABOR Sp. z o.o. w restrukturyzacji, CARGOTOR Sp. z o.o., PKP CARGO TERMINALE Sp. z o.o. and the PKP CARGO INTERNATIONAL Group, PKP CARGO CONNECT Sp. z o.o., PKP CARGO SERVICE Sp. z o.o. and CARGOSPED Terminal Braniewo Sp. z o.o..

The main indications suggesting the possible impairment of assets of the Parent Company, PKP CARGOTABOR and PKP CARGO TERMINALE Sp. z o.o. were the lower than expected financial performance in 2024. In the case of the Parent Company and PKP CARGOTABOR Sp. z o.o., this has led to a significant deterioration in its financial and liquidity position, which has prompted the Management Boards of both companies to file court petitions to launch remedial proceedings. Given the deteriorating financial and liquidity position of the Parent Company and the launch of its restructuring process, impairment tests were conducted for the assets owned by the remaining subsidiaries covered by the Group's Consolidated Financial Statements.

The impairment tests were carried out by an independent financial advisor.

Weighted average cost of capital:
For the purpose of the impairment testing, the PKP CARGO w restrukturyzacji Group has applied the WACC path that takes into account current market parameters and characteristics (including higher market interest rates), based on the full business cycle and fundamental economic relationships.
While the test was underway, the Restructuring Plan of PKP CARGO S.A. under restructuring was still incomplete, significantly increasing the risk associated with implementing the plans, which constituted the basis of valuation. The risks were taken into account in the estimations of recoverable amounts, among others in the calculation of the WACC discount rate, through the assumed values of specific risk.
For PKP CARGO S.A. and PKP CARGOTABOR Sp. z o.o., which are under restructuring, nominal WACC discount rates of 16.4% and 19.1%, respectively, were set to reflect the increased specific risks. For the companies that are not being restructured, i.e. PKP CARGO Terminale Sp. z o.o., the WACC discount rate was set at 13.5% in nominal terms, for CARGOTOR Sp. z o.o. at 14.9%, for PKP CARGO CONNECT Sp. z o.o. at 13.8%, for PKP CARGO SERVICE Sp. z o.o. at 11.4%, for PKP CARGO International a.s. at 9.3%, and for CARGOSPED Terminal Braniewo Sp. z o.o. at 22.4%.

Climate issues:
The future of the Polish market for the transportation of materials such as coal is determined by the EU climate policy and will be influenced by the European Green Deal ("EGD"), which aims to achieve climate neutrality in the EU by 2050.
The environment in which the Group operates is volatile and dependent on macroeconomic, market and regulatory conditions, and any change in this area can have a material impact on the financial standing and performance of the PKP CARGO w restrukturyzacji Group. Therefore, the above assumptions and other assumptions used to estimate the value in use of assets are subject to periodic analysis and review.

PKP CARGO S.A. under restructuring
Presented below are the key assumptions affecting the estimate of the value in use of the tested cash-generating units:

a) discounted cash flows were developed on the basis of detailed financial projections for the period from 1 January 2025 to 31 December 2030; the adoption of financial projections with a time horizon longer than five years is justified to ensure that the impairment test model better reflects the consequences of the remedial proceedings against the Parent Company,
b) in the detailed projection period of 2025-2030, the compound annual growth rate (CAGR) of operating revenue will be at 4.7% in nominal terms,
c) in the whole period covered by the detailed projection, CAPEX will reach the level of 15.1% of annual operating revenue in nominal terms,
d) after the detailed projection period, the growth of future cash flows was assumed at 2.5% in nominal terms.

according to EU IFRS (in millions of PLN)

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

As a result of the test carried out as at 31 December 2024, the Group recognized an impairment loss for assets owned by the Parent Company in the amount of PLN 1,796.6 million, thus increasing the total value of impairment loss allowances recognized during 2024 resulting from the completed tests up to PLN 1,975.9 million.
Below we present the impact of changes in key assumptions, with "all other things being equal", on the impairment loss of assets as at 31 December 2024:

Parameter	Effect on impairment losses (PLN million)	
	-0.3 p.p.	+0.3 p.p.
Change in WACC	(54.9)	52.5
Change in unit price	73.9	(73.6)

Additionally, in 2024, the Company recognized impairment losses for the rolling stock items not used in operating activities and investments in leased facilities planned to be returned to the owner in the total amount of PLN 46.7 million.

PKP CARGOTABOR Sp. z o.o. w restrukturyzacji
Presented below are the key assumptions affecting the estimate of the value in use of the tested cash-generating units:
a) discounted cash flows were developed on the basis of detailed financial projections for the period from 1 January 2025 to 31 December 2030, the adoption of financial projections with a time horizon longer than five years is justified to ensure that the impairment test model better reflects the consequences of the remedial proceedings against the Parent Company,
b) over the detailed projection period of 2025-2030, the negative compound annual growth rate (CAGR) of operating revenue will be at 12.3% in nominal terms,
c) in the whole period covered by the detailed projection, CAPEX will reach the level of 2.5% of annual net revenue in nominal terms,
d) in 2025, the company returned to the 100% standard working time (vs. 80% last year), which is reflected in an increase in remuneration expenses. When the impairment tests were being prepared, the Company did not assume any increase in the number of employees in subsequent years,
e) after the detailed projection period, the growth of future cash flows was assumed at 2.5% in nominal terms.

As a result of the test carried out as at 31 December 2024, the Group recognized an additional impairment loss allowance for assets owned by PKP CARGOTABOR Sp. z o.o. w restrukturyzacji in the amount of PLN 13.7 million (of which PLN 11.1 million was recognized in the Right-of-use assets item), thus increasing the total value of impairment loss allowances recognized during 2024 resulting from the completed tests up to PLN 87.6 million.

Below we present the impact of changes in key assumptions, with "all other things being equal", on the impairment loss of assets as at 31 December 2024:

Parameter	Effect on impairment losses (PLN million)	
	-0.3 p.p.	+0.3 p.p.
Change in WACC	**(1.0)**	**1.0**
Change in unit price	**9.6**	**(9.6)**

PKP CARGO INTERNATIONAL GROUP
Presented below are the key assumptions affecting the estimate of the value in use of the tested cash-generating units:
a) the cash-generating unit was considered to be all owned by the PKP CARGO INTERNATIONAL Group, used mainly to service customers on the Czech rail market,
b) discounted cash flows were developed on the basis of detailed financial projections for the period from 1 January 2025 to 2034; in the opinion of the subsidiary's Management Board, it is reasonable to adopt financial projections for more than five years because the property, plant and equipment used by PKP CARGO INTERNATIONAL a.s. have a considerably longer period of economic life.
c) in the detailed projection period of 2025-2034, the compound annual growth rate (CAGR) of net revenue will be at 4.2% in nominal terms,
d) in the whole period covered by the detailed projection, CAPEX will reach the level of 5.8% of annual operating revenue in nominal terms,
e) after the detailed projection period, the growth of future cash flows was assumed at 2.0% in nominal terms.

Because the recoverable amount determined as a result of the test exceeded the carrying amount of the tested assets owned by the PKP CARGO INTERNATIONAL Group, the Group did not revalue the impairment allowance for the assets as at 31 December 2024.

according to EU IFRS (in millions of PLN)

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

Below we present the impact of changes in key assumptions, with "all other things being equal", on the impairment loss of assets as at 31 December 2024:

Parameter	Effect on impairment losses (PLN million)	
	-0.3 p.p.	+0.3 p.p.
Change in WACC	No impairment losses	22.3
Change in unit price	24.4	No impairment losses

PKP CARGO CONNECT Sp. z o.o.

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

a) discounted cash flows were developed on the basis of detailed financial projections for the period from 1 January 2025 to 31 December 2030; the adoption of financial projections with a time horizon longer than five years is justified to ensure that the impairment test model better reflects the consequences of the remedial proceedings against the Parent Company,
b) in the detailed projection period of 2025-2030, the compound annual growth rate (CAGR) of net revenue will be at 3.5% in nominal terms,
c) in the whole period covered by the detailed projection, CAPEX will reach the level of 3.5% of annual net revenue in nominal terms.

As a result of the test carried out as at 31 December 2024, the determined recoverable amount exceeded the carrying amount of the tested assets owned by PKP CARGO CONNECT Sp. z o.o., the Group did not recognize an impairment loss allowance for assets owned by PKP CARGO CONNECT Sp. z o.o. as at 31 December 2024.

Below we present the impact of changes in key assumptions, with "all other things being equal", on the impairment loss of assets as at 31 December 2024:

Parameter	Effect on impairment losses (PLN million)	
	-0.3 p.p.	+0.3 p.p.
Change in WACC	No impairment losses	1.2
Change in unit price	11.9	No impairment losses

PKP CARGO SERVICE Sp. z o.o.

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

a) discounted cash flows were developed on the basis of detailed financial projections for the period from 1 January 2025 to 31 December 2030; the adoption of financial projections with a time horizon longer than five years is justified to ensure that the impairment test model better reflects the consequences of the remedial proceedings against the Parent Company,
b) in the detailed projection period of 2025-2030, the compound annual growth rate (CAGR) of net revenue will be negative at (0.5)% in nominal terms, The key drivers of the steeper downward trend of revenues in 2025-2026 include: the gradual reduction of work on sidings in coal mines, and the expected decrease in coal transports between coal mines and power plants and cogeneration plants.
c) in the whole period covered by the detailed projection, CAPEX will reach the level of 10.8% of annual net revenue in nominal terms.

Since the recoverable amount determined as a result of the test exceeded the carrying amount of the tested assets owned by PKP CARGO SERVICE Sp. z o.o., as at 31 December 2024 the Group recognized no impairment charge for assets owned by PKP CARGO SERVICE Sp. z o.o.

The sensitivity analysis was conducted for key assumptions of the impairment test model such as WACC and unit price. A WACC change by +/- 0.3 p.p. and a unit price change by +/- 0.3 p.p. does not cause the need to recognize an impairment loss allowance for assets owned by PKP CARGO SERVICE Sp. z o.o.

PKP CARGO TERMINALE Sp. z o.o.

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

a) discounted cash flows were developed on the basis of detailed financial projections for the period from 1 January 2025 to 31 December 2030; the adoption of financial projections with a time horizon longer than five years is justified to ensure that the impairment test model better reflects the consequences of the remedial proceedings against the Parent Company,
b) in the detailed projection period of 2025-2030, the compound annual growth rate (CAGR) of net revenue will be at 15.32% in nominal terms,
c) in the whole period covered by the detailed projection, CAPEX will reach the level of 7.9% of annual operating revenue in nominal terms,
d) after the detailed projection period, the growth of future cash flows was assumed at 2.5% in nominal terms.

according to EU IFRS (in millions of PLN)

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

As at 31 December 2024, as a result of the impairment test, the Group recognized an impairment loss in the amount of PLN 14.2 million.

Below we present the impact of changes in key assumptions, with "all other things being equal", on the impairment loss of assets as at 31 December 2024:

Parameter	Effect on impairment losses (PLN million)	
	-0.3 p.p.	+0.3 p.p.
Change in WACC	(3.3)	3.1
Change in unit price	2.1	(2.1)

Cargosped Terminal Braniewo Sp. z o.o.
Presented below are the key assumptions affecting the estimate of the value in use of the tested cash-generating units:

a) discounted cash flows were developed on the basis of detailed financial projections for the period from 1 January 2025 to 31 December 2030, the adoption of financial projections with a time horizon longer than five years is justified to ensure that the impairment test model better reflects the consequences of the remedial proceedings against the Parent Company,
b) in the detailed projection period of 2025-2030, the compound annual growth rate (CAGR) of operating revenue will be at 9% in nominal terms,
c) in the whole period covered by the detailed projection, CAPEX will reach the level of 0.2% of annual operating revenue in nominal terms,
d) after the detailed projection period, the growth of future cash flows was assumed at 2.5% in nominal terms.

As at 31 December 2024, as a result of the impairment test, the Group recognized an impairment loss in the amount of PLN 7.7 million.

Below we present the impact of changes in key assumptions, with "all other things being equal", on the impairment loss of assets as at 31 December 2024:

Parameter	Effect on impairment losses (PLN million)	
	-0.3 p.p.	+0.3 p.p.
Change in WACC	(0.1)	0.1
Change in unit price	0.5	(0.5)

CARGOTOR Sp. z o.o.
Presented below are the key assumptions affecting the estimate of the value in use of the tested cash-generating units:

a) discounted cash flows were developed on the basis of detailed financial projections for the period from 1 January 2025 to 31 December 2030; the adoption of financial projections with a time horizon longer than five years is justified to ensure that the impairment test model better reflects the consequences of the remedial proceedings against the Parent Company,
b) The Company assumes a significant increase in revenues in 2025 and 2026 (35.4% and 16.9% y/y, respectively). The key driver of the projected improvement in results is the assumption made by the Company that the armed conflict in Ukraine will end,
c) in the detailed projection period of 2025-2030, the compound annual growth rate (CAGR) of net revenue will be at 10.7% in nominal terms,
d) in the whole period covered by the detailed projection, CAPEX will reach the level of 6.9% of annual net revenue in nominal terms.

Since the recoverable amount determined as a result of the test exceeded the carrying amount of the tested assets owned by CARGOTOR Sp. z o.o., as at 31 December 2024 the Group recognized no impairment charge for assets owned by PKP CARGOTOR Sp. z o.o.
The sensitivity analysis was conducted for key assumptions of the impairment test model such as WACC and unit price. A WACC change by +/- 0.3 p.p. and a unit price change by +/- 0.3 p.p. does not cause the need to recognize an impairment loss allowance for assets owned by PKP CARGOTOR Sp. z o.o.

according to EU IFRS (in millions of PLN)

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

Movement in rolling stock and other property, plant and equipment

2024	Rolling stock	Other property, plant and equipment					
		Property	Technical machinery and equipment	Means of transport	Other fixed assets	Fixed assets under construction	Total
Gross value							
1 January 2024	**7,777.0**	**1,056.8**	**504.4**	**105.8**	**49.0**	**66.1**	**1,782.1**
Increases / (decreases):							
Periodic repairs of rolling stock	-	-	-	-	-	396.3	**396.3**
Other acquisitions	-	-	-	-	-	36.2	**36.2**
Purchase of leased items	50.2	-	2.9	10.6	-	-	**13.5**
Settlement of fixed assets under construction	374.5	6.5	16.3	9.6	1.1	(408.0)	**(374.5)**
Subsidy for non-current assets	(18.7)	-	-		-	(8.1)	**(8.1)**
Sales (including finance lease)	(15.0)	(0.1)	(12.1)	(1.7)	(0.2)	-	**(14.1)**
Liquidation	(196.8)	(1.0)	(10.4)	(0.3)	(2.8)	(0.1)	**(14.6)**
Reclassified to assets held for sale	(21.7)	(0.4)	-	-	-	-	**(0.4)**
FX translation differences	(28.4)	(6.2)	(1.8)	(1.6)	-	(0.4)	**(10.0)**
Other	7.9	(11.5)	-	-	-	10.0	**(1.5)**
31 December 2024	**7,929.0**	**1,044.1**	**499.3**	**122.4**	**47.1**	**92.0**	**1,804.9**
Accumulated depreciation							
1 January 2024	**(3,169.6)**	**(390.0)**	**(399.3)**	**(88.3)**	**(42.7)**	**-**	**(920.3)**
Increases / (decreases):							
Depreciation expenses	(650.9)	(32.1)	(21.4)	(4.7)	(1.7)	-	**(59.9)**
Purchase of leased items	(19.8)	-	(1.9)	(10.0)	-	-	**(11.9)**
Sales (including finance lease)	12.1	0.1	4.8	1.7	0.1	-	**6.7**
Liquidation	191.7	0.8	10.3	0.3	2.8	-	**14.2**
Reclassified to assets held for sale	18.8	-	-	-	-	-	**-**
FX translation differences	11.7	2.1	1.2	1.2	0.1	-	**4.6**
Other	(2.1)	6.6	(1.0)	(0.3)	(0.4)	-	**4.9**
31 December 2024	**(3,608.1)**	**(412.5)**	**(407.3)**	**(100.1)**	**(41.8)**	**-**	**(961.7)**
Accumulated impairment							
1 January 2024	**(167.1)**	**(0.8)**	**(1.7)**	**-**	**-**	**(1.6)**	**(4.1)**
Increases / (decreases):							
Impairment loss allowance recognized	(2,016.7)	(57.7)	(40.2)	(3.7)	(3.6)	(0.8)	**(106.0)**
Impairment loss allowance reversed	-	-	0.2	-	-	-	**0.2**
Impairment loss allowance utilized	-	-	0.1	-	-	-	**0.1**
Liquidation	-	-	-	-	-	0.1	**0.1**
FX translation differences	2.2	-	-	-	-	-	**-**
Other	(0.5)	-	-	-	-	-	**-**
31 December 2024	**(2,182.1)**	**(58.5)**	**(41.6)**	**(3.7)**	**(3.6)**	**(2.3)**	**(109.7)**
Net value							
1 January 2024	**4,440.3**	**666.0**	**103.4**	**17.5**	**6.3**	**64.5**	**857.7**
31 December 2024	**2,138.8**	**573.1**	**50.4**	**18.6**	**1.7**	**89.7**	**733.5**

according to EU IFRS (in millions of PLN)

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

2023	Rolling stock	Other property, plant and equipment					
		Property	Technical machinery and equipment	Means of transport	Other fixed assets	Fixed assets under construction	Total
Gross value							
1 January 2023	**7,343.7**	**1,033.2**	**483.6**	**104.5**	**46.0**	**103.1**	**1,770.4**
Increases / (decreases):							
Periodic repairs of rolling stock	-	-	-	-	-	982.2	**982.2**
Other acquisitions	-	-	-	-	-	324.2	**324.2**
Purchase of leased items	93.2	-	4.8	2.4	-	-	**7.2**
Settlement of fixed assets under construction	1,183.9	113.2	28.8	7.9	4.1	(1,337.9)	**(1,183.9)**
Subsidy for non-current assets	(96.3)	(49.3)	(1.0)	-	-	-	**(50.3)**
Sales (including finance lease)	(309.3)	(20.6)	(2.1)	(4.0)	(0.2)	-	**(26.9)**
Liquidation	(358.0)	(1.0)	(4.3)	(0.3)	(0.6)	(0.3)	**(6.5)**
FX translation differences	(80.6)	(19.0)	(5.3)	(4.7)	(0.3)	(1.3)	**(30.6)**
Other	0.4	0.3	(0.1)	-	-	(3.9)	**(3.7)**
31 December 2023	**7,777.0**	**1,056.8**	**504.4**	**105.8**	**49.0**	**66.1**	**1,782.1**
Accumulated depreciation							
1 January 2023	**(2,950.2)**	**(363.3)**	**(381.8)**	**(88.3)**	**(41.6)**	**-**	**(875.0)**
Increases / (decreases):							
Depreciation expenses	(607.0)	(34.6)	(22.7)	(4.7)	(1.9)	-	**(63.9)**
Purchase of leased items	(39.2)	-	(3.0)	(1.9)	-	-	**(4.9)**
Sales (including finance lease)	49.7	1.3	1.4	2.5	0.1	-	**5.3**
Liquidation	348.4	0.8	4.3	0.3	0.6	-	**6.0**
FX translation differences	28.9	6.1	3.4	3.9	0.2	-	**13.6**
Other	(0.2)	(0.3)	(0.9)	(0.1)	(0.1)	-	**(1.4)**
31 December 2023	**(3,169.6)**	**(390.0)**	**(399.3)**	**(88.3)**	**(42.7)**	-	**(920.3)**
Accumulated impairment							
1 January 2023	**(185.2)**	**(0.9)**	**(1.8)**	**-**	**-**	**(1.6)**	**(4.3)**
Increases / (decreases):							
Impairment loss allowance recognized	-	-	-	-	-	(0.3)	**(0.3)**
Reversal of allowances, including:	9.0	0.1	-	-	-	-	**0.1**
effect of fair value measurement	8.9	-	-	-	-	-	**-**
Utilization of allowances	0.3	-	-	-	-	0.2	**0.2**
FX translation differences	8.8	-	0.1	-	-	0.1	**0.2**
31 December 2023	**(167.1)**	**(0.8)**	**(1.7)**	**-**	**-**	**(1.6)**	**(4.1)**
Net value							
1 January 2023	**4,208.3**	**669.0**	**100.0**	**16.2**	**4.4**	**101.5**	**891.1**
31 December 2023	**4,440.3**	**666.0**	**103.4**	**17.5**	**6.3**	**64.5**	**857.7**

according to EU IFRS (in millions of PLN)

5.2 Right-of-use assets

Accounting policy applied

Right-of-use assets are initially measured at cost, which includes the lease liability in the current value of lease payments outstanding at such date, all lease payments paid up until the start date, minus all lease incentives received, all initial direct costs incurred by the Group as the lessee and estimated costs to be incurred in connection with the disassembly and removal of the underlying asset and the renovation of the place in which it was located.
The right-of-use asset item is also used by the Group to present the perpetual usufruct right to land, used by the Group in return for valuable consideration. Perpetual usufruct rights to land for which the Group does not pay any fees due to the exemption applicable to it by operation of law do not fulfill the definition of a lease and thus are presented as part of other property, plant and equipment.
After initial recognition, the Group measures a right-of-use asset at cost less any accumulated depreciation charges and total impairment allowances, adjusted for any remeasurement of the lease liability.
In the case of expenditures on repairs and periodic inspections of right-of-use assets, the Group applies IAS 16, i.e. presents assets related to repairs and their periodic inspections in the same item of the statement of financial position, i.e. in the right-of-use assets item.

Useful lives of right-of-use assets

The Group applies straight-line depreciation. The value of a right-of-use asset is distributed systematically over its useful life. The useful lives of right-of-use assets were as follows:

Rolling stock	2 to 32 years
Property	2 to 17 years
Machinery and equipment	2 to 15 years
Other	2 to 15 years

The useful life of perpetual usufruct rights to land is defined by the Group as the period remaining until the date until which these rights have been granted unless the circumstances require the adoption of a longer or shorter period.

MATERIAL VALUES BASED ON PROFESSIONAL JUDGMENT AND ESTIMATES

Useful lives of right-of-use assets
The Group estimates the economic useful lives and consequently the depreciation rates for individual right-of-use assets. If the lease transfers ownership of the underlying asset to the Group before the end of the lease term or if the Group expects to exercise its purchase option, the Group will depreciate the right-of-use asset from the commencement date to the end of the useful life of the asset. Otherwise, the Group depreciates the right-of-use asset until the earlier of: the end of the useful life of the asset or the end of the lease term. Depreciation rates may change in the event of circumstances causing a change in the expected useful life, which in turn affects the value of the depreciation charges and the carrying amount of specific items of right-of-use assets. The verification of the useful lives of right-of-use assets conducted as at 31 December 2024 and 31 December 2023 did not reveal the need to correct the previously applied depreciation rates.

Impairment of non-current assets

As at 31 December 2024, as a result of the impairment test, the Group recognized an impairment loss for assets owned by PKP CARGOTABOR in the amount of PLN 11.1 million, which is described in detail in **Note 5.1**.

according to EU IFRS (in millions of PLN)

5.2 Right-of-use assets (cont'd)

Movement in right-of-use assets

2024	Rolling stock	Property	Technical machinery and equipment	Means of transport	Other fixed assets	Total
Gross value						
1 January 2024	**847.0**	**926.4**	**72.2**	**31.3**	**2.0**	**1,878.9**
Increases / (decreases):						
New leases	71.3	5.8	1.8	8.6	-	**87.5**
Modifications of agreements	0.1	64.7	1.1	0.4	0.4	**66.7**
Sale and leaseback	-	-	6.2	-	-	**6.2**
Periodic repairs of rolling stock	0.6	-	-	-	-	**0.6**
Return of leased items	(9.1)	(68.4)	-	(2.4)	(0.1)	**(80.0)**
Purchase of leased items	(50.2)	-	(2.9)	(10.6)	-	**(63.7)**
Other	0.2	(0.5)	-	(0.2)	-	**(0.5)**
FX translation differences	(45.6)	(18.7)	(10.5)	(3.0)	-	**(77.8)**
31 December 2024	**814.3**	**909.3**	**67.9**	**24.1**	**2.3**	**1,817.9**
Accumulated depreciation						
1 January 2024	**(112.9)**	**(284.8)**	**(22.6)**	**(20.9)**	**(1.6)**	**(442.8)**
(Increases) / decreases:						
Depreciation expenses	(44.7)	(79.1)	(9.5)	(3.5)	(0.4)	**(137.2)**
Return of leased items	9.1	26.5	-	2.4	0.1	**38.1**
Purchase of leased items	19.8	-	1.9	10.0	-	**31.7**
Other	0.1	(0.1)	-	(0.2)	-	**(0.2)**
FX translation differences	44.1	18.0	10.1	2.7	-	**74.9**
31 December 2024	**(84.5)**	**(319.5)**	**(20.1)**	**(9.5)**	**(1.9)**	**(435.5)**
Accumulated impairment						
1 January 2024	**-**	**-**	**-**	**-**	**-**	**-**
(Increases) / decreases:						
Impairment loss allowance recognized	-	(11.1)	-	-	-	**(11.1)**
31 December 2024	**-**	**(11.1)**	**-**	**-**	**-**	**(11.1)**
Net value						
1 January 2024	**734.1**	**641.6**	**49.6**	**10.4**	**0.4**	**1,436.1**
31 December 2024	**729.8**	**578.7**	**47.8**	**14.6**	**0.4**	**1,371.3**

according to EU IFRS (in millions of PLN)

5.2 Right-of-use assets (cont'd)

2023	Rolling stock	Property	Technical machinery and equipment	Means of transport	Other fixed assets	Total
Gross value						
1 January 2023	**486.9**	**844.4**	**61.4**	**25.5**	**1.4**	**1,419.6**
Increases / (decreases):						
New leases	271.8	14.8	18.3	5.0	-	**309.9**
Modifications of agreements	0.3	77.4	0.2	2.7	0.6	**81.2**
Sale and leaseback	258.9	-	-	1.5	-	**260.4**
Periodic repairs of rolling stock	2.4	-	-	-	-	**2.4**
Return of leased items	(68.6)	(3.7)	-	(0.1)	-	**(72.4)**
Purchase of leased items	(93.2)	-	(4.8)	(2.4)	-	**(100.4)**
Other	(0.2)	(1.9)	(0.4)	-	-	**(2.5)**
FX translation differences	(11.3)	(4.6)	(2.5)	(0.9)	-	**(19.3)**
31 December 2023	**847.0**	**926.4**	**72.2**	**31.3**	**2.0**	**1,878.9**
Accumulated depreciation						
1 January 2023	**(186.4)**	**(220.9)**	**(20.5)**	**(18.4)**	**(1.2)**	**(447.4)**
(Increases) / decreases:						
Depreciation expenses	(41.4)	(69.6)	(6.4)	(4.9)	(0.4)	**(122.7)**
Return of leased items	68.6	3.1	-	0.1	-	**71.8**
Purchase of leased items	39.2	-	3.0	1.9	-	**44.1**
Other	-	(0.1)	-	-	-	**(0.1)**
FX translation differences	7.1	2.7	1.3	0.4	-	**11.5**
31 December 2023	**(112.9)**	**(284.8)**	**(22.6)**	**(20.9)**	**(1.6)**	**(442.8)**
Net value						
1 January 2023	**300.5**	**623.5**	**40.9**	**7.1**	**0.2**	**972.2**
31 December 2023	**734.1**	**641.6**	**49.6**	**10.4**	**0.4**	**1,436.1**

5.3 Investments in entities accounted for under the equity method

Detailed information on the entities accounted for under the equity method

	Carrying amount	
	31 December 2024	31 December 2023
COSCO Shipping Lines (POLAND) Sp. z o.o.	0.5	0.2
Terminale Przeładunkowe Sławków - Medyka Sp. z o.o.	-	22.7
Transgaz S.A.	7.4	8.2
PKP CARGO CONNECT GmbH	3.0	3.6
PKP CARGO INTERNATIONAL SK a. s.	2.3	2.5
PKP CARGO INTERNATIONAL SI d.o.o.	4.8	4.2
Centralny Terminal Multimodalny Sp. z o.o.	0.5	1.3
Total	**18.5**	**42.7**

Investments in entities accounted for under the equity method

	2024	2023
As at the beginning of the reporting period	**42.7**	**41.8**
Share in the profit / (loss) of entities accounted for under the equity method	(0.9)	9.1
Movement in equity on account of dividends	(8.1)	(7.8)
Impairment loss allowance for investments in entities accounted for under the equity method [1)]	(15.4)	-
Exchange differences resulting from conversion of financial statements of foreign operations	0.2	(0.4)
As at the end of the reporting period	**18.5**	**42.7**

[1)] As at 31 December 2024, the Group recognized an impairment loss for the investment in Terminale Przeładunkowe Sławków - Medyka Sp. z o.o. in the full amount.

according to EU IFRS (in millions of PLN)

5.3 Investments in entities accounted for under the equity method (cont'd)

Summary of financial data of entities accounted for under the equity method

	31 December 2024	31 December 2023
Non-current assets	28.2	29.5
Current assets	47.5	67.9
Total assets	**75.7**	**97.4**
Non-current liabilities	0.9	2.6
Current liabilities	19.3	24.3
Total liabilities	**20.2**	**26.9**
Net assets	**55.5**	**70.5**
Group's shares in the net assets of the entities accounted for under the equity method	32.9	41.5
Total revenues	95.8	98.4
Net result for the financial year	(3.6)	13.2
Group's shares in the result of the entities accounted for under the equity method	(0.8)	9.1
Group's shares in the comprehensive income of the entities accounted for under the equity method	(0.6)	8.7

Net assets are calculated as the sum of all net assets of all entities accounted for under the equity method.

5.4 Inventories

Accounting policy applied

Inventories are carried at their cost or net realizable value, whichever is lower. Inventories releases are made using the FIFO method. The realizable value is the estimated sale price of inventories less any costs necessary to effect the sale. The Group recognizes impairment loss allowances for inventories if useless or damaged inventories exist or when the net sales price of such inventories is lower than their carrying amount. The amount of the impairment loss allowance for inventories is determined on the basis of usefulness analysis carried out at least at the end of each financial year. Based on this analysis, impairment loss allowances for inventories are recognized for those inventories that are not useful from the Group's point of view.

Structure of inventories

	31 December 2024	31 December 2023
Strategic inventories	34.6	36.8
Rolling stock designated for spare parts	8.0	23.2
Other inventories	119.0	143.5
Impairment losses	(3.9)	(3.3)
Net inventories	**157.7**	**200.2**

List of changes in impairment loss allowances for inventories

	2024	2023
As at the beginning of the reporting period	**(3.3)**	**(3.8)**
Recognition	(4.4)	(3.1)
Reversal	0.1	-
Utilization	3.7	3.5
FX differences from translation of financial statements of foreign operations	-	0.1
As at the end of the reporting period	**(3.9)**	**(3.3)**

according to EU IFRS (in millions of PLN)

5.5 Trade receivables

Accounting policy applied

Trade receivables are treated as financial instruments and measured at amortized cost in accordance with the business model applied by the Group, the purpose of which is to obtain contractual cash flows constituting the sole repayment of the nominal value and interest on specific dates.
The Group applies a simplified approach, as permitted by IFRS 9, and measures its impairment loss allowances in the amount equal to credit losses expected throughout the lifetime of trade receivables.
The probability of incurred credit losses was estimated on the basis of the historical analysis of recoverability of the balances of trade receivables in specific aging ranges. For this purpose, the indicators of default by counterparties for each aging range were estimated, in accordance with the table breaking down the aging structure of trade receivables.
Impairment allowances are calculated by taking into account the rates of default and the amount of unpaid receivables as at the balance sheet date for each interval in the aging structure.
Moreover, the Group recognizes impairment loss allowances for an individual basis in cases where an objective proof exists that the Group will be unable to recover the amounts due.

MATERIAL VALUES BASED ON PROFESSIONAL JUDGMENT AND ESTIMATES

The calculation and measurement of impairment loss allowances for trade receivables and assets arising from contracts with customers is an area that requires estimation. Expected credit losses are calculated on the basis of an individual assessment of the recoverability of a given receivable and taking into account the model applied by the Group to estimate its counterparty default ratio. Impairment loss allowances determined on a case by case basis require judgment of whether the receivable in question will be repaid by the counterparty, taking into account the established security and settlements made, if any. Such judgments are made by debt collection units in Group companies. The model of estimation of the counterparty default ratio applied by the Group is based on a simplified impairment loss allowance matrix for each aging range based on the expected credit losses throughout the lifetime of the receivables. The estimation of the expected credit losses is based on a method that makes use of expected counterparty default ratios calculated on the basis of historical data for the years 2021-2024 obtained from financial and accounting systems. The reconciliation of impairment loss allowances for receivables is presented in the tables below.

Structure of trade receivables

	31 December 2024	31 December 2023
Trade receivables	699.8	800.2
Impairment losses for receivables	(141.3)	(130.7)
Total	**558.5**	**669.5**
Non-current assets	0.2	1.2
Current assets	558.3	668.3
Total	**558.5**	**669.5**

Reconciliation of impairment loss allowances for trade receivables

	Expected credit losses					
	2024			2023		
	without impairment	with impairment	Total	without impairment	with impairment	Total
As at the beginning of the reporting period	**(1.4)**	**(129.3)**	**(130.7)**	**(1.5)**	**(133.5)**	**(135.0)**
Recognition	(3.4)	(13.6)	**(17.0)**	-	(10.8)	**(10.8)**
Reversal	-	2.0	**2.0**	0.1	2.4	**2.5**
Utilization	-	1.8	**1.8**	-	3.9	**3.9**
Balance sheet measurement	-	(0.2)	**(0.2)**	-	0.2	**0.2**
Exchange differences resulting from conversion of financial statements of foreign operations	-	2.8	**2.8**	-	8.5	**8.5**
As at the end of the reporting period	**(4.8)**	**(136.5)**	**(141.3)**	**(1.4)**	**(129.3)**	**(130.7)**

according to EU IFRS (in millions of PLN)

5.5 Trade receivables (cont'd)

Movement in the carrying amount of gross trade receivables

	2024			2023		
	without impairment	with impairment	Total	without impairment	with impairment	Total
As at the beginning of the reporting period	**669.1**	**131.1**	**800.2**	**776.4**	**135.3**	**911.7**
Added	4,811.0	0.1	**4,811.1**	5,907.1	0.8	**5,907.9**
Interest accrued	4.1	0.2	**4.3**	4.4	0.3	**4.7**
Written off	-	(1.9)	**(1.9)**	-	(3.9)	**(3.9)**
Repaid	(4,904.5)	(2.1)	**(4,906.6)**	(5,995.3)	(2.5)	**(5,997.8)**
Transferred	(20.1)	20.1	-	(9.9)	9.9	-
Balance sheet measurement	(0.6)	0.2	**(0.4)**	(0.4)	(0.2)	**(0.6)**
Exchange differences resulting from conversion of financial statements of foreign operations	(4.1)	(2.8)	**(6.9)**	(13.2)	(8.6)	**(21.8)**
As at the end of the reporting period	**554.9**	**144.9**	**699.8**	**669.1**	**131.1**	**800.2**

5.6 Other assets

Accounting policy applied

The accounting policy pertaining to financial instruments is described in **Note 6** to these Consolidated Financial Statements.
As other assets, the Group recognizes predominantly prepaid expenses which are captured in the amount of incurred expenses that relate to future periods and will generate future economic benefits for the Group. Prepaid expenses are written off in line with the passage of time.
Other receivables include predominantly public law receivables measured at the amount due.
Intangible assets are presented at purchase price or production cost less amortization and the total amount of impairment allowances for intangible assets. The Group applies straight-line depreciation.
The period of useful life and the amortization method are verified at the end of each reporting period, and the results of estimate changes are settled prospectively.

MATERIAL VALUES BASED ON PROFESSIONAL JUDGMENT AND ESTIMATES

As at the opening date of the remedial proceedings, the Company had outstanding liabilities for which the 90-day period from the due date stated in the invoice/contract or agreed between the parties had elapsed or would elapse. Pursuant to the Restructuring Law, a debtor may not settle liabilities existing on the day preceding the opening date of the remedial proceedings until a composition agreement with creditors is approved by the court. Due to the inability to pay liabilities existing on the day preceding the opening date of the remedial proceedings, the provisions of the VAT Act apply, according to which, if a liability arising from an invoice documenting the supply of goods or provision of services within the territory of Poland is not settled within 90 days after its due date, the debtor is required to adjust the amount of input VAT deducted on that invoice in the settlement for the period in which the 90th day following the due date has elapsed. Based on these provisions, the Parent Company adjusted the amount of input VAT deducted on invoices that remained unpaid as at the day preceding the opening date of the remedial proceedings. Given the high likelihood that the input VAT will not be eligible for deduction again (due to the ongoing remedial proceedings), an impairment loss allowance was recognized for the input VAT receivables arising from unpaid invoices on the day preceding the opening date of the remedial proceedings, in the amount of PLN 203.1 million.

according to EU IFRS (in millions of PLN)

5.6 Other assets (cont'd)

Structure of other assets

	31 December 2024	31 December 2023
Financial assets		
Shares in unlisted companies	9.5	9.5
Non-financial assets		
Costs settled over time		
Prepayments for purchase of electricity	23.0	36.7
Insurance	8.8	9.0
IT services	7.7	7.9
Other costs settled over time	7.9	5.5
Investment property	5.0	0.9
Prepayments for purchase of non-financial non-current assets	0.6	3.4
Other	4.8	3.1
Other receivables		
VAT settlements	59.2	63.7
Income tax receivables	5.7	10.1
Receivables from the sale of shares	1.4	2.7
Dividend receivables	0.7	0.4
Other	21.5	22.1
Intangible assets		
Licenses	17.4	24.3
Other intangible assets	0.7	0.8
Intangible assets during adjustment	9.1	8.6
Total	**183.0**	**208.7**
Non-current assets	46.1	52.4
Current assets	136.9	156.3
Total	**183.0**	**208.7**

5.7 Trade payables

Accounting policy applied

Trade payables are initially measured at fair value adjusted for transaction costs and subsequently at amortized cost. Liabilities with a maturity of up to 1 year are measured in the amount payable, because they do not contain a significant financing component.

MATERIAL VALUES BASED ON PROFESSIONAL JUDGMENT AND ESTIMATES

At each balance sheet date, the Group measures the amount of interest due from its counterparty related to late payment of its liabilities. In such cases, the Group assesses the probability of cash outflows and decides to recognize these liabilities on this basis.

Structure of trade payables

	31 December 2024	31 December 2023
Trade payables	1,099.5	742.9
Interest payable	91.0	49.5
Prepayments and accruals	31.6	55.4
Total	**1,222.1**	**847.8**
Non-current liabilities	2.1	3.4
Current liabilities	1,220.0	844.4
Total	**1,222.1**	**847.8**

The increase in trade payables is driven mainly by the increase in past due liabilities, which were covered by the composition agreement as part of the pending restructuring proceedings of the Parent Company and PKP CARGOTABOR.

according to EU IFRS (in millions of PLN)

5.8 Investment commitments

Accounting policy applied

Investment commitments include obligations related to the purchase of non-financial non-current assets. Initially, they are carried at fair value adjusted for transaction costs and subsequently at amortized cost. This applies to liabilities with a maturity of over 1 year for which the liability value corresponds to the amount that would be paid in a single cash transaction. The difference between this amount and the total payments is recognized as interest expense over the period of commercial credit. Liabilities with a maturity of up to 1 year are measured in the amount payable, because they do not contain a significant financing component.

MATERIAL VALUES BASED ON PROFESSIONAL JUDGMENT AND ESTIMATES

At each balance sheet date, the Group measures the amount of interest due from its counterparty related to late payment of its liabilities. In such cases, the Group assesses the probability of cash outflows and decides to recognize these liabilities on this basis.

Structure of investment commitments

	31 December 2024	31 December 2023
Investment commitments related to rolling stock	113.4	131.5
Investment commitments related to property	1.4	3.6
Other	11.6	21.8
Interest payable	19.3	-
Total	**145.7**	**156.9**
Non-current liabilities	2.8	15.6
Current liabilities	142.9	141.3
Total	**145.7**	**156.9**

5.9 Provisions for employee benefits

Accounting policy applied

The Group provides its employees with long-term benefits during their employment (jubilee awards) as well as post-employment benefits (retirement and disability severance pays, transportation benefits and benefits from the Company Social Benefits Fund (ZFŚS) for old age and disability pensioners, post-mortem benefits). Jubilee awards are paid out to the employees after working for specified number of years. Retirement and disability severance pays are paid out as lump sum when the employee retires or begins to collect disability benefits. The amount of retirement and disability severance pays and jubilee awards depends on the number of years of service and the employee's average remuneration. Post-mortem benefits are paid out after the employee's death. The Group is establishing provisions for future liabilities arising out of the foregoing virtues to assign the costs to the respective periods. The employees are also vested with the right to receive post-employment benefits in the form of social benefits from the Company Social Benefits Fund and train fare discounts. In its statement of financial position, the Group captures the foregoing benefits at the current value of the liability as at the date ending the reporting period.
The amount of long-term benefits during the employment period and post-employment benefits is calculated by an independent actuarial firm using the projected individual benefits method. The current value of liability on that account is determined through discounting the estimated future cash expenditures – using the interest rates based on market interest rates for government bonds. Current employment cost reflects the increase in the defined benefit obligation resulting from employee service in the current period and is captured in profit and loss as employee benefits, except when it is recognized as the cost of manufacturing an asset. The costs of past employment are captured directly in profit or loss. Net interest cost is calculated by applying a discount rate to the net value of the defined benefit obligation and presented in financial expenses.
Actuarial gains and losses resulting from adjustments of actuarial assumptions ex post and changes to actuarial assumptions are referred to equity through other comprehensive income in the period in which they arose. In case of jubilee awards, they are referred to the costs of the period.

according to EU IFRS (in millions of PLN)

5.9 Provisions for employee benefits (cont'd)

MATERIAL VALUES BASED ON PROFESSIONAL JUDGMENT AND ESTIMATES

As at 31 December 2024 and 31 December 2023, the actuarial valuation of provisions for employee benefits for the Parent Company was based on the following main assumptions:

	Valuation as at [%]	
	31 December 2024	31 December 2023
Discount rate	5.8	5.3
Assumed average annual growth of the base for calculation of provisions for retirement and disability severance pays and jubilee awards:		
2024	-	9.6 - 12.7
2025	-	3.6
2026	2.7	3.2
2027	2.8	2.7
2028	2.9	2.1
2029	3.0	2.5
2030	3.0	2.5
from 2031	2.5	2.5
Assumed growth of the price of transportation benefits		
2024	-	11.6
2025	1.3	3.6
from 2026	2.5-3.0	2.1 - 3.2
Assumed average annual growth of the base for calculation of provisions on account of charge for the Company Social Benefits Fund	7.0	6.3
Weighted average employee mobility ratio	up to 4.3	up to 3.1

The Parent Company's share in the value of the Group's provisions for employee benefits, as measured using actuarial methods, was approx. 83%.

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

Sensitivity analysis of provisions for employee benefits

	31 December 2024	Discount rate		Salary growth ratio		Employee mobility ratio	
		+0.30 pp.	-0.30 pp.	+0.25 pp.	-0.25 pp.	+0.25 pp.	-0.25 pp.
Jubilee awards	193.2	(2.7)	2.8	2.4	(2.3)	(2.2)	2.2
Retirement and disability severance pays	158.5	(2.1)	2.2	1.8	(1.8)	(1.3)	1.3
Post-mortem benefits	4.5	(0.1)	0.1	0.1	(0.1)	(0.1)	0.1
Company Social Benefits Fund	178.7	(6.6)	7.0	5.7	(5.4)	(0.5)	0.6
Transportation benefits	23.2	(0.7)	0.7	0.6	(0.6)	(0.1)	0.1
Total	**558.1**	**(12.2)**	**12.8**	**10.6**	**(10.2)**	**(4.2)**	**4.3**

	31 December 2023	Discount rate		Salary growth ratio		Employee mobility ratio	
		+0.30 pp.	-0.30 pp.	+0.25 pp.	-0.25 pp.	+0.25 pp.	-0.25 pp.
Jubilee awards	271.3	(3.9)	4.0	3.5	(3.4)	(3.0)	3.1
Retirement and disability severance pays	245.3	(3.1)	3.2	2.9	(2.8)	(1.8)	1.9
Post-mortem benefits	6.8	(0.1)	0.1	0.1	(0.1)	(0.1)	0.1
Company Social Benefits Fund	150.6	(5.7)	6.1	4.9	(4.7)	(0.6)	0.6
Transportation benefits	26.6	(0.9)	0.9	0.8	(0.7)	(0.1)	0.1
Total	**700.6**	**(13.7)**	**14.3**	**12.2**	**(11.7)**	**(5.6)**	**5.8**

according to EU IFRS (in millions of PLN)

5.9 Provisions for employee benefits (cont'd)

Movement in provisions for employee benefits

	Retirement and disability severance pays	Charges to ZFŚS for old-age and disability pensioners	Transportation benefits	Post-mortem benefits	Jubilee awards	Other employee benefits	Total provisions
1 January 2024	**245.3**	**150.6**	**26.6**	**6.8**	**271.3**	**48.5**	**749.1**
Current employment cost	7.5	3.2	0.4	0.4	12.3	-	**23.8**
Interest expense	10.2	8.8	1.3	0.3	12.9	-	**33.5**
Actuarial (gains) and losses recognized in comprehensive income	(3.8)	38.4	(1.5)	(1.4)	-	-	**31.7**
Actuarial (gains) and losses recognized in profit or loss	-	-	-	-	(5.6)	-	**(5.6)**
Cost of past employment	(46.3)	(14.1)	(2.3)	(0.8)	(40.5)	-	**(104.0)**
Provisions created	-	-	-	-	-	10.9	**10.9**
Provisions reversed	-	-	-	-	-	(15.9)	**(15.9)**
Benefits paid out or due	(54.4)	(8.2)	(1.3)	(0.8)	(57.1)	(1.3)	**(123.1)**
FX translation differences	-	-	-	-	(0.1)	(0.2)	**(0.3)**
31 December 2024	**158.5**	**178.7**	**23.2**	**4.5**	**193.2**	**42.0**	**600.1**
Long-term provisions	129.0	170.2	21.8	3.8	160.3	-	**485.1**
Short-term provisions	29.5	8.5	1.4	0.7	32.9	42.0	**115.0**
Total	**158.5**	**178.7**	**23.2**	**4.5**	**193.2**	**42.0**	**600.1**

	Retirement and disability severance pays	Charges to ZFŚS for old-age and disability pensioners	Transportation benefits	Post-mortem benefits	Jubilee awards	Other employee benefits	Total provisions
1 January 2023	**217.5**	**91.7**	**20.5**	**7.1**	**252.6**	**50.8**	**640.2**
Current employment cost	7.0	1.8	0.4	0.4	11.2	-	**20.8**
Interest expense	11.8	6.6	1.4	0.4	15.0	-	**35.2**
Actuarial (gains) and losses recognized in comprehensive income	40.3	56.4	5.4	(0.1)	-	-	**102.0**
Actuarial (gains) and losses recognized in profit or loss	-	-	-	-	48.1	-	**48.1**
Provisions created	-	-	-	-	-	14.0	**14.0**
Provisions reversed	-	-	-	-	-	(14.5)	**(14.5)**
Benefits paid out	(31.2)	(5.9)	(1.1)	(1.0)	(55.2)	(1.3)	**(95.7)**
FX translation differences	(0.1)	-	-	-	(0.4)	(0.5)	**(1.0)**
31 December 2023	**245.3**	**150.6**	**26.6**	**6.8**	**271.3**	**48.5**	**749.1**
Long-term provisions	184.0	144.0	25.2	5.7	220.0	-	**578.9**
Short-term provisions	61.3	6.6	1.4	1.1	51.3	48.5	**170.2**
Total	**245.3**	**150.6**	**26.6**	**6.8**	**271.3**	**48.5**	**749.1**

Items captured in the result in reference to employee benefits programs

	31 December 2024	31 December 2023
Employee benefits	90.8	(68.4)
Financial expenses	(33.5)	(35.2)
Total captured in the result before tax	**57.3**	**(103.6)**

according to EU IFRS (in millions of PLN)

5.9 Provisions for employee benefits (cont'd)

Actuarial (gains) / losses

2024	Change of demographic assumptions	Change of financial assumptions	Other changes	Total
Actuarial losses / (gains) – post-employment benefits				
Retirement and disability severance pays	(5.6)	(11.7)	13.5	**(3.8)**
Charges to ZFŚS for old-age and disability pensioners	7.5	(1.5)	32.4	**38.4**
Transportation benefits	0.7	(1.9)	(0.3)	**(1.5)**
Post-mortem benefits	(0.8)	(0.5)	(0.1)	**(1.4)**
Actuarial losses / (gains) – other long-term benefits				
Jubilee awards	(10.0)	(13.5)	17.9	**(5.6)**
Total	**(8.2)**	**(29.1)**	**63.4**	**26.1**

2023	Change of demographic assumptions	Change of financial assumptions	Other changes	Total
Actuarial losses / (gains) – post-employment benefits				
Retirement and disability severance pays	1.1	17.3	21.9	**40.3**
Charges to ZFŚS for old-age and disability pensioners	10.5	43.3	2.6	**56.4**
Transportation benefits	1.9	0.6	2.9	**5.4**
Post-mortem benefits	(1.0)	0.6	0.3	**(0.1)**
Actuarial losses / (gains) – other long-term benefits				
Jubilee awards	0.4	21.9	25.8	**48.1**
Total	**12.9**	**83.7**	**53.5**	**150.1**

Analysis of maturities of paid out employee benefits

31 December 2024	Retirement and disability severance pays	Charges to ZFŚS for old-age and disability pensioners	Transportation benefits	Post-mortem benefits	Jubilee awards	Other employee benefits	Total
up to 1 year	29.5	8.5	1.4	0.7	32.9	42.0	**115.0**
1 to 5 years	72.1	33.8	5.5	1.9	93.1	-	**206.4**
over 5 years	56.9	136.4	16.3	1.9	67.2	-	**278.7**
Total	**158.5**	**178.7**	**23.2**	**4.5**	**193.2**	**42.0**	**600.1**

31 December 2023	Retirement and disability severance pays	Charges to ZFŚS for old-age and disability pensioners	Transportation benefits	Post-mortem benefits	Jubilee awards	Other employee benefits	Total
up to 1 year	61.3	6.6	1.4	1.1	51.3	48.5	**170.2**
1 to 5 years	103.7	27.3	5.8	2.8	125.2	-	**264.8**
over 5 years	80.3	116.7	19.4	2.9	94.8	-	**314.1**
Total	**245.3**	**150.6**	**26.6**	**6.8**	**271.3**	**48.5**	**749.1**

according to EU IFRS (in millions of PLN)

5.10 Other provisions

MATERIAL VALUES BASED ON PROFESSIONAL JUDGMENT AND ESTIMATES

If it is impossible to unequivocally determine whether the present liability exists, for example in the event of a court case, the Group creates provisions for such events if it concludes that after taking into account all the available evidence, such liability is more likely to exist as at the balance sheet date than it is not. If the present liability is more likely not to exist that it is to exist as at the balance sheet date, the Group shall disclose the information on the contingent liability unless it is unlikely that there will be the outflow of the means entailing economic benefits. The decision on whether or not a claim should be recognized in the form of a provision or a contingent liability depends on an assessment of the probability of loss in the litigation carried out by internal legal services or external law firms. Assessment of the estimates may change in subsequent periods as a result of future events.

Structure of other provisions

2024	Provision for land reclamation	Restructuring provision	Other provisions	Total
1 January 2024	**3.5**	**-**	**17.8**	**21.3**
Recognition	-	149.2	19.1	**168.3**
Reversal	(0.1)	(10.3)	(2.1)	**(12.5)**
Utilization	-	(115.4)	(3.8)	**(119.2)**
FX translation differences	(0.1)	-	(0.1)	**(0.2)**
31 December 2024	**3.3**	**23.5**	**30.9**	**57.7**
Long-term provisions	3.1	11.6	0.3	**15.0**
Short-term provisions	0.2	11.9	30.6	**42.7**
Total	**3.3**	**23.5**	**30.9**	**57.7**

2023	Provision for land reclamation	Other provisions	Total
1 January 2023	**7.9**	**14.0**	**21.9**
Recognition	-	9.0	**9.0**
Reversal	(0.1)	(2.7)	**(2.8)**
Utilization	(3.9)	(2.3)	**(6.2)**
FX translation differences	(0.4)	(0.2)	**(0.6)**
31 December 2023	**3.5**	**17.8**	**21.3**
Long-term provisions	3.2	0.4	**3.6**
Short-term provisions	0.3	17.4	**17.7**
Total	**3.5**	**17.8**	**21.3**

Provision for land reclamation

The provision has been established to cover future expenses associated with the duty to reclaim the land. The estimated amount of the provision corresponds to the current value of expected future expenses.

Restructuring provision

The restructuring provision is described in **Note 1.3** to these Consolidated Financial Statements.

Other provisions

This line item mostly includes the provisions established for disputed claims, litigation and contractual penalties, which are more likely than not to result in an outflow of cash in order to satisfy the claim.

According to the Parent Company's Management Board, the amount of other provisions as at 31 December 2024, and as at 31 December 2023, constitutes the best estimate of the amount that will likely have to be paid. The estimate is based on the management's best knowledge, the experience to date and other factors which are considered to be the most reasonable in the given situation. As a result of the occurrence of future events, the Group's estimates may be changed in subsequent reporting periods.

according to EU IFRS (in millions of PLN)

5.11 Other liabilities

Accounting policy applied

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

Structure of other liabilities

	31 December 2024	31 December 2023
Financial liabilities		
Cash pool	14.3	14.2
Derivatives – swap contract	-	0.1
Other liabilities		
Liabilities arising out of collateral (security deposits, bid deposits, guarantees)	38.3	45.1
Public law liabilities	224.8	134.9
Settlements with employees	167.1	113.9
VAT settlements	236.2	8.8
Current tax liabilities	6.4	17.7
Received subsidies	0.2	-
Other settlements	65.9	20.9
Total	**753.2**	**355.6**
Non-current liabilities	0.2	-
Current liabilities	753.0	355.6
Total	**753.2**	**355.6**

6. Financial instruments and principles of financial risk management

Accounting policy applied

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

After initial recognition, financial assets of a debt nature are classified as measured:
a) at amortized cost,
b) fair value through other comprehensive income,
c) at fair value through profit or loss.

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

Financial assets carried at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met:
a) the financial asset is held within a business model whose objective is achieved by holding financial assets in order to collect contractual cash flows;
b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

In this category, the Group classifies mainly:
a) trade receivables,
b) cash and cash equivalents.

As at 31 December 2024 and 31 December 2023, the Group did not have any financial assets of a debt nature measured at fair value through other comprehensive income or measured at fair value through profit or loss.

according to EU IFRS (in millions of PLN)

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

Accounting policy applied

Investments in equity instruments

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

Financial liabilities

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

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

All financial liabilities held by the Group are classified as measured at amortized cost. The Group derecognizes a financial asset when, and only when, the contractual rights to the cash flows generated from the financial asset expire or when it transfers the financial asset and all related risks and rewards of ownership of the financial asset to another entity.

6.1 Financial instruments

Categories and classes of financial instruments

Financial assets by categories and classes	Note	31 December 2024	31 December 2023
Financial assets at fair value through other comprehensive income			
Investments in equity instruments	*Note 5.6*	9.5	9.5
Financial assets carried at amortized cost			
Trade receivables	*Note 5.5*	558.5	669.5
Receivables from the sale of shares	*Note 5.6*	1.4	2.7
Cash and cash equivalents	*Note 4.3*	589.1	263.7
Financial assets excluded from the scope of IFRS 9		12.3	9.8
Total		**1,170.8**	**955.2**

Financial liabilities by categories and classes	Note	31 December 2024	31 December 2023
Financial liabilities at fair value through profit or loss			
Derivatives – swap contract	*Note 5.11*	-	0.1
Hedging financial instruments			
Bank loans and borrowings	*Note 4.1*	434.6	495.2
Financial liabilities excluded from the scope of IFRS 9	*Note 4.1*	-	3.9
Financial liabilities carried at amortized cost			
Bank loans and borrowings	*Note 4.1*	946.0	985.1
Liabilities under funds received from FGŚP	*Note 4.1*	71.8	-
Trade payables	*Note 5.7*	1,222.1	847.8
Investment commitments	*Note 5.8*	145.7	156.9
Cash pool	*Note 5.11*	14.3	14.2
Financial liabilities excluded from the scope of IFRS 9	*Note 4.1*	1,380.2	1,409.6
Total		**4,214.7**	**3,912.8**

Impairment losses on trade receivables are presented in **Note 1.4** and in **Note 5.5** to these Consolidated Financial Statements.

according to EU IFRS (in millions of PLN)

6.1 Financial instruments (cont'd)

Hedge accounting

In the period from 1 January 2024 to 31 December 2024, the Group applied hedge accounting to its cash flows. The purpose of the hedging activity was to mitigate the impact of the FX risk within the EUR/PLN currency pair on future cash flows. The hedged item is a highly likely cash flow denominated in EUR.

As at 31 December 2024, the Group has established the following hedging instruments:

- investment loans denominated in EUR. The hedged cash flows will be realized until January 2035. As at 31 December 2024, the nominal amount of the hedging instrument was EUR 101.7 million, which is an equivalent of PLN 434.6 million.

Fair value hierarchy

As at 31 December 2024 and 31 December 2023, financial instruments measured at fair value included a swap contract and investments in equity instruments.

	31 December 2024		31 December 2023	
	Level 2	Level 3	Level 2	Level 3
Assets				
Investments in equity instruments - shares in unlisted companies	-	9.5	-	9.5
Liabilities				
Derivatives – swap contract	-	-	0.1	-

Measurement methods for financial instruments carried at fair value

a) Derivatives – swap contract
Fair value of the swap contract was determined on the basis of a difference between the price from the contract date and the market price as at the balance sheet date. The forward price is calculated based on the market price of diesel fuel.

b) Investments in equity instruments
This line item includes predominantly an equity stake in Euroterminal Sławków Sp. z o.o. worth PLN 8.7 million, the value of which was measured by an independent adviser using the modified Swiss method. The Swiss method is a mixed measurement method as it combines the asset value aspect with the ability to generate future cash flows. According to the Swiss method, the value of the enterprise is calculated as the weighted average of the values determined by the asset-based approach and the income-based approach. This method attaches a greater weight (twice as large) to the value determined by the income-based approach. The adoption of the Swiss method is justified on the grounds that Euroterminal Sławków Sp. z o.o. has a moderate ability to generate profits in the future but owns material assets in the form of land plots and property.

c) Other financial instruments
For the category of financial instruments that are not carried at fair value as at the balance sheet date, the Group does not disclose fair value because as at 31 December 2024 and 31 December 2023 fair value was not materially different from the value presented in the statement of financial position.

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

	2024	2023
As at the beginning of the reporting period	**9.5**	**5.8**
Profit for the period recognized in other comprehensive income	-	3.8
Exchange differences resulting from conversion of financial statements of foreign operations	-	(0.1)
As at the end of the reporting period	**9.5**	**9.5**

In the financial year ended 31 December 2024 and 31 December 2023, there were no transfers between levels 2 and 3 of the fair value hierarchy.

according to EU IFRS (in millions of PLN)

6.1 Financial instruments (cont'd)

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

2024	Hedging financial instruments	Investments in equity instruments	Financial assets carried at amortized cost	Financial assets excluded from the scope of IFRS 9	Financial liabilities carried at amortized cost	Financial liabilities excluded from the scope of IFRS 9	Total
Dividends and profit-sharing	-	0.1	-	-	-	-	**0.1**
Interest income / (expense)	(17.0)	-	14.3	0.6	(109.0)	(81.3)	**(192.4)**
FX differences	-	-	(0.3)	-	0.9	(0.5)	**0.1**
Impairment losses / remeasurement	-	-	(15.0)	-	-	-	**(15.0)**
Transaction costs related to loans	-	-	-	-	(0.5)	-	**(0.5)**
Pre-tax profit / (loss)	**(17.0)**	**0.1**	**(1.0)**	**0.6**	**(108.6)**	**(81.8)**	**(207.7)**
Revaluation	6.2	-	-	-	-	-	**6.2**
Other comprehensive income	**6.2**	**-**	**-**	**-**	**-**	**-**	**6.2**

In the financial year ended 31 December 2024, the change in the measurement of hedging financial instruments recognized in other comprehensive income included a change in the measurement of bank loans in the amount of PLN 6.5 million and lease liabilities in the amount of PLN (0.3) million, which are recognized under the hedge accounting applied by the Group.

2023	Hedging financial instruments	Investments in equity instruments	Financial assets carried at amortized cost	Financial assets excluded from the scope of IFRS 9	Financial liabilities carried at amortized cost	Financial liabilities excluded from the scope of IFRS 9	Total
Interest income / (expense)	(18.5)	-	10.0	0.4	(122.9)	(61.2)	**(192.2)**
FX differences	-	-	(7.8)	(0.6)	0.7	1.3	**(6.4)**
Impairment losses / remeasurement	-	-	(8.3)	-	-	-	**(8.3)**
Transaction costs related to loans	-	-	-	-	(0.5)	-	**(0.5)**
Effect of settlement of cash flow hedge accounting	(5.3)	-	-	-	-	-	**(5.3)**
Pre-tax profit / (loss)	**(23.8)**	**-**	**(6.1)**	**(0.2)**	**(122.7)**	**(59.9)**	**(212.7)**
Revaluation	41.5	3.8	-	-	-	-	**45.3**
Other comprehensive income	**41.5**	**3.8**	**-**	**-**	**-**	**-**	**45.3**

In the financial year ended 31 December 2023, the effect of settling cash flow hedge accounting adjusted the value of revenues from contracts with customers in the amount of PLN (5.3) million.
In the financial year ended 31 December 2023, the change in the measurement of hedging financial instruments recognized in other comprehensive income included a change in the measurement of bank loans in the amount of PLN 42.7 million and lease liabilities in the amount of PLN (1.2) million, which are recognized under the hedge accounting applied by the Group.

6.1 Financial instruments (cont'd)

Offsetting financial assets

The Group does not hold any material financial instruments eligible for set-off under the criteria of IAS 32.42, nor any material financial instruments covered by legally binding netting agreements.

6.2 Principles of financial risk management

Objectives and principles of financial risk management

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

- market risk, including:
  a) FX risk
  b) interest rate risk
- credit risk
- liquidity risk (described in **Note 1.4** to these Consolidated Financial Statements).

Market risk

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

The principles of market risk management are implemented through assigned organizational units under the supervision of the 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. Transactions are entered into only with reliable partners, admitted to participation as a result of application of internal procedures.

In 2024, the Group did not use forward transactions for the EUR/PLN currency pair.

Foreign exchange risk management

As at 31 December 2024, the Group was exposed to foreign exchange risk concerning for the most part trade receivables and debt liabilities denominated in foreign currencies.

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

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

For the EUR/PLN exchange rate, there is partial natural hedging due to the fact that revenues from contracts with customers in EUR are partly balanced out by costs in the same currency. The FX risk management transactions used by the Group are aimed at hedging the net free position exposed to change of the value in PLN. For this purpose, the Group established hedging relationships between cash flows arising from bank loans and lease liabilities denominated in EUR and future highly probable cash flows from operating activities denominated in EUR.

according to EU IFRS (in millions of PLN)

6.2 Objectives and principles of financial risk management (cont'd)

Items in foreign currencies

31 December 2024	Total value of items in PLN	EUR/PLN		CZK/PLN	
		in a foreign currency	in PLN	in a foreign currency	in PLN
ASSETS					
Non-current assets					
Trade receivables	0.2	-	-	1.1	0.2
Other assets	3.1	-	-	18.4	3.1
Current assets					
Trade receivables	172.8	21.6	92.4	473.3	80.4
Other assets	8.4	0.8	3.6	28.4	4.8
Cash and cash equivalents	188.7	28.9	123.3	384.7	65.4
Total	**373.2**	**51.3**	**219.3**	**905.9**	**153.9**
EQUITY AND LIABILITIES					
Non-current liabilities					
Debt liabilities	337.6	75.2	321.1	97.4	16.5
Trade payables	0.5	-	-	2.7	0.5
Other liabilities	0.1	-	-	0.3	0.1
Current liabilities					
Debt liabilities	169.0	38.2	163.0	35.1	6.0
Trade payables	68.5	7.0	29.7	228.5	38.8
Investment commitments	11.0	0.9	4.1	40.8	6.9
Other liabilities	22.7	0.5	2.1	121.4	20.6
Total	**609.4**	**121.8**	**520.0**	**526.2**	**89.4**
Net currency item	**(236.2)**	**(70.5)**	**(300.7)**	**379.7**	**64.5**

31 December 2023	Total value of items in PLN	EUR/PLN		CZK/PLN	
		in a foreign currency	in PLN	in a foreign currency	in PLN
ASSETS					
Non-current assets					
Trade receivables	1.2	-	-	6.8	1.2
Other assets	2.4	-	0.2	12.6	2.2
Current assets					
Trade receivables	175.1	25.3	110.1	369.6	65.0
Other assets	12.2	1.3	5.8	36.5	6.4
Cash and cash equivalents	134.3	16.4	71.3	358.3	63.0
Total	**325.2**	**43.0**	**187.4**	**783.8**	**137.8**
EQUITY AND LIABILITIES					
Non-current liabilities					
Debt liabilities	438.5	96.4	419.2	109.6	19.3
Trade payables	0.3	-	-	1.9	0.3
Current liabilities					
Debt liabilities	113.3	24.7	107.5	33.0	5.8
Trade payables	73.5	6.8	29.5	249.9	44.0
Investment commitments	12.2	-	0.2	68.0	12.0
Other liabilities	0.4	0.1	0.4	-	-
Total	**638.2**	**128.0**	**556.8**	**462.4**	**81.4**
Net currency item	**(313.0)**	**(85.0)**	**(369.4)**	**321.4**	**56.4**

according to EU IFRS (in millions of PLN)

6.2 Objectives and principles of financial risk management (cont'd)

Sensitivity to FX risk

The Group is exposed mainly to the foreign exchange risk associated with the EUR/PLN and CZK/PLN currency pairs in connection with its operating and financing activities. Deviations in exchange rates were calculated on the basis of the average daily volatility of each currency exchange rate in the period under analysis. The sensitivity of financial instruments to foreign exchange risk has been calculated as the difference between the original carrying amount of the financial instruments and their potential value while assuming changes in foreign exchange rates. The tables below present the Group's exposure to the foreign exchange risk in 2024 and 2023.

31 December 2024	Value of the item in PLN	Foreign exchange risk							
		EUR/PLN						CZK/PLN	
		impact on the result		impact on other comprehensive income		impact on equity		impact on other comprehensive income and equity	
		+3%	-3%	+3%	-3%	+3%	-3%	+4%	-4%
ASSETS									
Non-current assets									
Trade receivables	0.2	-	-	-	-	-	-	-	-
Other assets	3.1	-	-	-	-	-	-	0.1	(0.1)
Current assets									
Trade receivables	172.8	2.5	(2.5)	-	-	2.5	(2.5)	3.2	(3.2)
Other assets	8.4	0.1	(0.1)	-	-	0.1	(0.1)	0.2	(0.2)
Cash and cash equivalents	188.7	3.6	(3.6)	-	-	3.6	(3.6)	2.6	(2.6)
EQUITY AND LIABILITIES									
Non-current liabilities									
Debt liabilities	337.6	(0.3)	0.3	(9.3)	9.3	(9.6)	9.6	(0.7)	0.7
Trade payables	0.5	-	-	-	-	-	-	-	-
Other liabilities	0.1	-	-	-	-	-	-	-	-
Current liabilities									
Debt liabilities	169.0	(0.1)	0.1	(4.8)	4.8	(4.9)	4.9	(0.2)	0.2
Trade payables	68.5	(0.9)	0.9	-	-	(0.9)	0.9	(1.4)	1.4
Investment commitments	11.0	(0.1)	0.1	-	-	(0.1)	0.1	(0.3)	0.3
Other liabilities	22.7	(0.1)	0.1	-	-	(0.1)	0.1	(0.8)	0.8
Total gross effect		**4.7**	**(4.7)**	**(14.1)**	**14.1**	**(9.4)**	**9.4**	**2.7**	**(2.7)**

according to EU IFRS (in millions of PLN)

6.2 Objectives and principles of financial risk management (cont'd)

31 December 2023	Value of the item in PLN	Foreign exchange risk							
		EUR/PLN						CZK/PLN	
		impact on the result		impact on other comprehensive income		impact on equity		impact on other comprehensive income and equity	
		+3%	-3%	+3%	-3%	+3%	-3%	+4%	-4%
ASSETS									
Non-current assets									
Trade receivables	1.2	-	-	-	-	-	-	-	-
Other assets	2.4	-	-	-	-	-	-	0.1	(0.1)
Current assets									
Trade receivables	175.1	3.3	(3.3)	-	-	3.3	(3.3)	2.6	(2.6)
Other assets	12.2	0.2	(0.2)	-	-	0.2	(0.2)	0.3	(0.3)
Cash and cash equivalents	134.3	2.2	(2.2)	-	-	2.2	(2.2)	2.5	(2.5)
EQUITY AND LIABILITIES									
Non-current liabilities									
Debt liabilities	438.5	(0.3)	0.3	(12.2)	12.2	(12.5)	12.5	(0.8)	0.8
Trade payables	0.3	-	-	-	-	-	-	-	-
Current liabilities									
Debt liabilities	113.3	-	-	(3.2)	3.2	(3.2)	3.2	(0.2)	0.2
Trade payables	73.5	(0.9)	0.9	-	-	(0.9)	0.9	(1.8)	1.8
Investment commitments	12.2	-	-	-	-	-	-	(0.5)	0.5
Other liabilities	0.4	-	-	-	-	-	-	-	-
Total gross effect		**4.5**	**(4.5)**	**(15.4)**	**15.4**	**(10.9)**	**10.9**	**2.2**	**(2.2)**

according to EU IFRS (in millions of PLN)

6.2 Objectives and principles of financial risk management (cont'd)

Interest rate risk management

As at 31 December 2024, the Group was exposed to the risk of volatility of interest rate cash flows following from bank loans and lease agreements based on variable interest rates. Interest on lease agreements was accrued according to the reference rates increased by the financing party's margin. The reference rate for lease contracts denominated in PLN was WIBOR 1M.

As part of its fixed-rate lease liabilities, the Group recognizes, for the most part, liabilities arising from lease and tenancy contracts containing price indexation provisions based on the rate of inflation. Under IFRS 16, changes in future lease payments due to price indexation do not result in a change in the discount rate used to measure such liabilities.

Interest on loan agreements was accrued at the WIBOR 1M and 3M as well as EURIBOR 3M reference rates plus the banks' margins. Interest rate risk in loan and leasing agreements is executed through revaluation of installments in monthly and quarterly periods, depending on the agreement.

The cash held by the Group as at 31 December 2024 was mainly in the form of fixed rate bank deposits which were concluded with time horizons depending on the Group's liquidity needs. In future periods, as a result of changes in the deposit interest rates, the cash position may be exposed to interest rate risk.

In 2023-2024, the Group did not use derivative instruments to hedge the interest rate risk.

Financial instruments by interest rate type

Financial assets	31 December 2024			31 December 2023		
	Interest rate			Interest rate		
	fixed interest rate	variable interest rate	Total	fixed interest rate	variable interest rate	Total
Lease receivables	12.3	-	**12.3**	9.8	-	**9.8**
Receivables from the sale of shares	1.4	-	**1.4**	2.7	-	**2.7**
Cash and cash equivalents	589.1	-	**589.1**	263.7	-	**263.7**
Total	**602.8**	**-**	**602.8**	**276.2**	**-**	**276.2**

Financial liabilities	31 December 2024			31 December 2023		
	Interest rate			Interest rate		
	fixed interest rate	variable interest rate	Total	fixed interest rate	variable interest rate	Total
Debt liabilities	937.4	1,895.2	**2,832.6**	949.2	1,944.6	**2,893.8**
Investment commitments	34.0	-	**34.0**	52.4	-	**52.4**
Cash pool	14.3	-	**14.3**	14.2	-	**14.2**
Total	**985.7**	**1,895.2**	**2,880.9**	**1,015.8**	**1,944.6**	**2,960.4**

Interest rate fluctuation sensitivity

The sensitivity analyses presented below are based on the level of exposure of financial instruments to interest rate risk as at the balance sheet date. In the case of liabilities with variable interest rates, for the needs of the analysis it is assumed that the amount of outstanding liabilities as at the balance sheet date will be unpaid for the whole year. In 2024 and 2023, the Group identified the exposure to interest rate risk mainly for WIBOR and EURIBOR. Interest rate deviations are calculated on the basis of observations of average interest rate fluctuations. The sensitivity analysis presented below does not comprise the interest accrued as at the balance sheet date. The analysis results are presented in gross terms (before tax).

according to EU IFRS (in millions of PLN)

6.2 Objectives and principles of financial risk management (cont'd)

31 December 2024	Value of the item in PLN	Interest rate risk			
		WIBOR		EURIBOR	
		impact on the result and equity		impact on the result and equity	
		+ 450 bps	- 450 bps	+ 250 bps	- 250 bps
EQUITY AND LIABILITIES					
Non-current liabilities					
Debt liabilities	1,066.2	(36.3)	36.3	(6.5)	6.5
Current liabilities					
Debt liabilities	797.6	(29.4)	29.4	(2.7)	2.7
Total gross effect		**(65.7)**	**65.7**	**(9.2)**	**(9.2)**

31 December 2023	Value of the item in PLN	Interest rate risk			
		WIBOR		EURIBOR	
		impact on the result and equity		impact on the result and equity	
		+ 450 bps	- 450 bps	+ 250 bps	- 250 bps
EQUITY AND LIABILITIES					
Non-current liabilities					
Debt liabilities	1,273.7	(42.1)	42.1	(8.4)	8.4
Current liabilities					
Debt liabilities	659.9	(15.5)	15.5	(1.8)	1.8
Total gross effect		**(57.6)**	**57.6**	**(10.2)**	**10.2**

Credit risk management

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

	31 December 2024	31 December 2023
Trade receivables	558.5	669.5
Lease receivables	12.3	9.8
Cash and cash equivalents	589.1	263.7
Receivables from the sale of shares	1.4	2.7
Total	**1,161.3**	**945.7**

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 client creditworthiness assessment procedure. This assessment is carried out for all clients who use deferred payment dates. Based on its internal policies, the Group grants deferred payment terms only to counterparties with acceptable standing and a positive history of cooperation. Concentration of risk associated with trade receivables is limited due to the large number of business partners with commercial credit dispersed among different sectors of economy.

Structure of trade receivables in terms of entity types

	31 December 2024	31 December 2023
PKP Group related parties	1.0%	0.9%
State Treasury related parties	32.0%	31.8%
Other entities	67.0%	67.3%
Total	**100.0%**	**100.0%**

Additionally, in order to reduce the risk of problems with recovery of trade receivables, the Group accepts from its customers security in the form of, among others: receivables insurance, bank / insurance guarantees, assignment of contracts, and promissory notes. As at 31 December 2024, 16.0% of trade receivables were secured.

according to EU IFRS (in millions of PLN)

6.2 Objectives and principles of financial risk management (cont'd)

The credit risk associated with cash and bank deposits is perceived as low. All entities in which the Group invests free cash operate in the financial sector. These include domestic banks, foreign banks and branches of foreign banks with a high creditworthiness.

The concentration of risk involving cash held is presented in the table below.

Bank	Credit rating agency	Rating	31 December 2024
Bank A	Standard & Poor's	BBB	72.8%
Bank B	Moody's Investor Service Ltd	A1	17.7%
Bank C	Moody's Investor Service Ltd	A2	3.5%
Bank D	Moody's Investor Service Ltd	A3	1.8%
Bank E	Moody's Investor Service Ltd	A2	1.7%
Bank F	Moody's Investor Service Ltd	A1	1.4%
Other			1.1%
Total			**100.0%**

7. Other notes

7.1 Related party transactions

Transactions with the State Treasury and other parties related to the State Treasury

In the financial year ended 31 December 2024 and 31 December 2023, the State Treasury was for the PKP CARGO w restrukturyzacji Group an upper level parent company. Accordingly, all companies owned by the State Treasury (directly or indirectly) are the Group's related parties and are presented separately as PKP Group related parties and other State Treasury related parties. In these Consolidated Financial Statements, the Management Board of the Parent Company has disclosed transactions with significant related parties identified as such according to the best knowledge of the Management Board.

During the financial year ended 31 December 2023, the Group signed an agreement for the sale of a property in Gniewczyna Łańcucka with an entity subordinated to the Ministry of National Defence. Other than the above transaction, in 2024 and 2023, there were no transactions effected between the PKP CARGO w restrukturyzacji Group and the State Treasury or other entities related to the State Treasury which would be significant due to a non-standard scope and amount. In the periods covered by these Consolidated Financial Statements, the Group's most important clients among other parties related to the State Treasury were members of the following groups: PGE, PKN Orlen, JSW and ENEA. In the financial year ended 31 December 2024, the Group's most important suppliers related to the State Treasury were PGE Group entities.

Transactions with PKP Group related parties

In the periods covered by this Consolidated Financial Statements the Group entered into the following commercial transactions with PKP Group related parties:

	2024		31 December 2024	
	Sales to related parties	Purchases from related parties	Receivables from related parties	Liabilities to related parties
Parent Company	0.5	95.3	1.4	600.5
Subsidiaries/co-subsidiaries – unconsolidated	4.6	22.7	0.3	1.4
Associates	6.9	3.6	2.0	-
Other PKP Group related parties	31.2	428.2	2.8	429.9

	2023		31 December 2023	
	Sales to related parties	Purchases from related parties	Receivables from related parties	Liabilities to related parties
Parent Company	0.4	85.7	1.1	587.4
Subsidiaries/co-subsidiaries – unconsolidated	8.9	29.5	0.7	2.2
Associates	6.6	2.2	0.8	0.1
Other PKP Group related parties	36.6	513.0	3.0	168.4

according to EU IFRS (in millions of PLN)

7.1 Related party transactions (cont'd)

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

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

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

In addition to commercial transactions, the Group had cash pooling settlements disclosed in **Note 5.11** of these Consolidated Financial Statements.

Compensation of key management personnel

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

Compensation of Management Board Members	Parent Company		Subsidiaries	
	2024	2023	2024	2023
Short-term benefits	1.8	3.7	6.3	7.3
Post-employment benefits	0.4	-	0.7	0.1
Termination benefits	0.5	-	0.6	-
Total	**2.7**	**3.7**	**7.6**	**7.4**

Compensation of Supervisory Board Members	Parent Company		Subsidiaries	
	2024	2023	2024	2023
Short-term benefits	1.3	1.4	1.2	1.3
Total	**1.3**	**1.4**	**1.2**	**1.3**

Compensation of other members of key management personnel	Parent Company		Subsidiaries	
	2024	2023	2024	2023
Short-term benefits	7.3	6.7	20.7	21.7
Post-employment benefits	-	-	0.1	-
Termination benefits	0.4	0.3	0.2	-
Total	**7.7**	**7.0**	**21.0**	**21.7**

In the financial year ended 31 December 2024 and 31 December 2023, the members of the key management personnel of the Parent Company and the PKP CARGO w restrukturyzacji Group subsidiaries did not enter into any loan and guarantee transactions with the Group.

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

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

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

	31 December 2024	31 December 2023
Contractual liabilities on account of purchase and repairs of rolling stock and other property, plant and equipment	104.8	337.4
Contractual liabilities on account of non-commenced lease contracts	-	7.8
Total	**104.8**	**345.2**

The values of contractual liabilities presented represent the maximum levels possible under these agreements.

according to EU IFRS (in millions of PLN)

7.3 Contingent liabilities

Accounting policy applied

In compliance with the Group's accounting policy, a contingent liability is:

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

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

MATERIAL VALUES BASED ON PROFESSIONAL JUDGMENT AND ESTIMATES

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

Structure of contingent liabilities

	31 December 2024	31 December 2023
Guarantees issued on the Group's order	114.6	142.7
Other contingent liabilities	171.9	109.0
Total	**286.5**	**251.7**

Guarantees issued on the Group's order

As at 31 December 2024, the Group included in contingent liabilities guarantees issued by banks and insurance companies at the request of PKP CARGO w restrukturyzacji Group companies. This line item comprises mainly commercial contract performance bonds, customs guarantees and excise tax guarantees.

Other contingent liabilities

This line item includes claims made against the Group in legal proceedings and other claims for which the probability of an outflow of cash is considered remote and for which the Group is unable to make a reliable estimate of the future cash outflow. The amounts presented in this note correspond to the value of the full claims reported by external entities. Assessment of the estimates may change in subsequent periods as a result of future events.

As at 31 December 2024, the Group recognized, under other contingent liabilities, the amount of interest accrued on liabilities covered by the composition, for the period from the opening date of the remedial proceedings to 31 December 2024. The Parent Company believes that, in connection with the opening of the restructuring proceedings, the likelihood of a cash outflow due to the need to pay these interest amounts is lower than the likelihood that no payment will be required.

7.4 Collateral for repayment of liabilities

Assets constituting collateral for repayment of liabilities

As at 31 December 2024 and 31 December 2023 the Group had assets which constituted collateral for repayment of liabilities. The assets secure mainly correct performance of facility agreements.

Carrying amount of assets securing repayment of liabilities

	31 December 2024	31 December 2023
Rolling stock and other property, plant and equipment	211.6	262.0
Trade receivables	41.0	38.1
Cash	1.8	2.9
Total	**254.4**	**303.0**

7.5 Impact of climate change on the Group's activities

Protection of the natural environment is one of the three pillars of sustainable development. The guidance in this respect is to protect it, take care of the resources, reduce consumption of natural resources and generation of waste. The Group is aware of both the risks and opportunities associated with climate change, the urgent need to advance the circular economy, and the potential of rail transport to help mitigate these challenges. Low carbon intensity of rail transport makes it an excellent solution for reducing emissions across the transportation sector.

One of the key initiatives of the European Commission is a modal shift to rail transport so that it can gradually serve a growing flow of people and goods. As a leading rail freight operator in Poland and the European Union, the PKP CARGO w restrukturyzacji Group has the opportunity to be part of this solution.

The actions taken by the Group, i.e. the purchase of new rolling stock or the modernization of its existing rolling stock are aimed, among other things, at reducing electricity consumption in the freight transport process, as well as reducing the noise level of freight wagons by replacing cast iron brake blocks with composite ones.

The Group is exposed to the risk of climate change primarily due to the potential impact of climatic factors on the geographic and economic environment in which the Group operates.

As at 31 December 2024, climate risk has not had a material direct impact on the various areas in which estimations are carried out, including the impairment testing of selected assets, or on the Group's going concern issues for the period of 12 months after the date of approval of these financial statements.

7.6 Events after the balance sheet date

On 20 December 2024, the Supervisory Board of the Parent Company adopted resolutions appointing the following persons to the Management Board of the 9th term of office:

- Ms. Agnieszka Wasilewska-Semail, entrusting her the function of the President of the Management Board effective as of 1 February 2025,
- Mr. Artur Warsocki, entrusting him the function of being the Management Board Member in charge of Commerce, effective as of 1 February 2025,
- Mr. Sebastian Miller, entrusting him the function of being the Management Board Member in charge of Operations, effective as of 1 January 2025,
- Mr. Paweł Miłek, entrusting him the function of being the Management Board Member in charge of Restructuring, effective as of 1 February 2025.

At the same time, the Parent Company's Supervisory Board adopted a resolution to entrust the position of President of the Management Board of PKP CARGO S.A. under restructuring to Mr. Paweł Miłek in the period from 1 January to 31 January 2025 and, by way of a resolution, ended the secondment of Mr. Marcin Wojewódka to periodically act as President of the Company's Management Board effective on 31 December 2024.

On 13 January 2025, the Parent Company's Supervisory Board adopted:

- a resolution amending the date of appointing Ms. Agnieszka Wasilewska-Semail as President of the Management Board of PKP CARGO to 20 January 2025,
- a resolution reducing the period of entrusting the position of President of the Management Board to Mr. Paweł Miłek to 19 January 2025, and a resolution to entrust the position of Vice-President of the Management Board to Mr. Paweł Miłek – the Management Board Member in charge of Restructuring.

On 14 February 2025, following a recruitment procedure, the Parent Company's Supervisory Board adopted a resolution to appoint Mr. Michał Łotoszyński to the PKP CARGO S.A. Management Board as Management Board Member in charge of Finance, effective from 17 February 2025, for the 9th joint term of office.

On 14 March 2025, the subsidiary PKP CARGOTABOR Sp. z o.o. w restrukturyzacji filed a restructuring plan drawn up for the needs of the pending remedial proceedings with the District Court for the City of Warsaw, which is described in **Note 1.3** of these Consolidated Financial Statements.

Other events occurring after the balance sheet date are described in **Note 1.3** to these Consolidated Financial Statements.

On 19 April 2025, the Commissioner Judge issued a Decision pursuant to Article 298 sec. 1, 2 and 3 of the Restructuring Law Act, accepting fully the Administrator's petition and granting consent for the Administrator to withdraw from 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. under restructuring Units of 14 February 2005 (the "Valentine's Day Agreement"), with subsequent annexes to the Agreement. In accordance with the above Decision, the Commissioner Judge granted his consent for the Administrator to withdraw from the Valentine's Day Agreement effective from the opening date of the Company's remedial proceedings, i.e. from 27 July 2024. The Decision is not legally binding.

7.7 Approval of the financial statements

These Consolidated Financial Statements were approved for publication by the Parent Company's Administrator on 28 April 2025.

The Administrator of PKP CARGO S.A. under restructuring

Izabela Skonieczna-Powałka
The Administrator of PKP CARGO S.A. under restructuring
(license no. 772)

Warsaw, 28 April 2025