

POSITION OF THE ADMINISTRATOR OF THE SANATION MASS

PKP CARGO S.A. UNDER RESTRUCTURING

ON THE REFUSAL OF THE AUDIT FIRM TO EXPRESS AND OPINION ON THE STANDALONE FINANCIAL STATEMENTS AND CONSOLIDATED ANNUAL REPORT FOR 2024

POSITION OF THE ADMINISTRATOR OF THE SANATION MASS

The report of the auditing firm, i.e. Grant Thornton Polska P.S.A. with its registered office in Poznań, which audits the non-consolidated and consolidated annual financial statements of PKP CARGO S.A. under restructuring, with its registered office in Warsaw (the 'Company') for 2024, contains a refusal to express an opinion due to the auditor's failure to obtain – in the auditor's opinion – adequate and sufficient evidence to ascertain whether the going concern assumption adopted by the Company in the preparation of the non-consolidated and consolidated financial statements is reasonable and whether the accounting estimates relating to, inter alia, liabilities and impairment losses are correct. In particular, the auditor noted that in his opinion:

- 1) It has not received sufficient and adequate audit evidence to support its position of probability that the quoted 'sanation proceeding' will be accepted by the court and the Company's creditors;
- 2) Has not been able to obtain, sufficient and appropriate audit evidence with regard to the information presented in the financial statements, that the current cash flow projections indicate that the Company and the Company capital group will have sufficient funds generated from current operations to cover current liabilities maturing within the next 12 months. As of the date of the audit report, the Company had not received the restructuring plan, and, in particular, the long-term financial projections, because, according to the declaration of the Company's Administrator, work on these documents is in progress. The deadline for submitting the said document to the court has already been postponed in the past. In the opinion of the auditor, the lack of documentation related to these areas makes it impossible to assess the probability of whether the work on the restructuring plan and the maintenance of liquidity can be completed within the next two months. The liquidity models presented contain assumptions for which, as the auditor stated, he did not obtain sufficient and appropriate audit evidence. This state of affairs also makes it impossible, in his opinion, to assess whether the assumptions and plans envisaged by the Company will be realized in accordance with its expectations.

Accordingly, in the auditor's opinion, the auditor was not in a position to verify the going concern assumption and whether any adjustments could be considered necessary in respect

of recognized and unrecognized liabilities, provision and allowances, as well as other elements comprising the separate and consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statement of cash flows.

The administrator of the Company's sanation mass, taking into consideration the auditor's opinion and the position of the Company's Management Board as set out in Resolutions of the Management Board No. 95/2025 and No. 96/2025 of 28 April 2025, states that in its opinion and the opinion of the Management Board the continuation of the Company's (and the Company's capital group) operations is not at risk in the 12-month horizon, due to the fact that restructuring proceedings have been opened against the Company (on 25 July 2024 the Company received a decision on the opening of the sanation proceedings) and that the Administrator of the Company's sanation mass has obtained the consent of the Judge-Commissioner to extend the deadline for the submission of the Company's restructuring plan to the competent Court until 30 June 2025, on which the Company and the Administrator are conducting very advanced work on its preparation and, therefore, the deadline for its submission is not at risk. The Company and the Manager are being assisted in this work by a reputable financial advisor with proven experience in similar restructuring processes.

The Company has prepared the Company's standalone and consolidated annual financial statements for 2024 in the best of its knowledge, assuming that the Company will continue as a going concern on the basis of the implemented and intended rehabilitation measures aimed at improving Company's market position.

According to the estimates presented by the Board of Directors, the Company (and the Company's capital group) will be able to cover its current liabilities maturing over the next 12 months without the need to obtain additional external sources of the liquidity financing.

At the same time, in the event of negative deviations from current cash flow projections, the initiatives taken by the Company in preparing the process of divestment of fixed assets should ensure that the financial gap resulting from such deviations can be covered. The actions taken by the Company in relation to the process of divestment of non-operational assets, include, inter alia, the identification of assets that may be subject to sale in the next 12 months, such as redundant real estate. In addition, I note that the key issue underlying the Auditor's Report, i.e. the absence of a restructuring plan to authenticate the and plausibility of the going concern principle, has been disclosed in the Company's accounts. This disclosure was made by including additional specific risk in the calculation of the WACC, i.e. the weighted average cost of capital, used in determining the value in use of the Company's assets (in the impairment test carried out), which materialized in an additional impairment charge at the balance sheet date.

At this stage, the Company and the Administrator have taken a number of decisions to earmark certain of the Company's fixed assets for divestment (with a value in excess of the hypothetical gap that may result from the materialization of all negative deviations from current cash flow projections), but the full list of such divestments (and the accompanying decision of the

Company's corporate bodies) will only be confirmed at the stage of completion of the restructuring plan.

It should be noted, in accordance with the content of the Audit Firm Report obtained, that, apart from the matters described in the Basis for Opinion section, there are no other key audit matters, including the most significant assessed risk of material misstatement, that require presentation in the Audit Firm Report, which, in the opinion of the Company's Administrator, demonstrates that the market is fully and fairly informed as to the status and activities of the Company, in particular those carried out in the context of the resolution proceedings.

In view of the above, the Administrator of the sanation mass, together with Company's Management Board, conclude that, in their opinion, there is no material risk to the Company's continuation as a going concern.

Administrator of the Company's sanation mass

Original signed by
Izabela Skonieczna-Powalka

28 April, 2025, 6:50 pm

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