
CORPORATE GOVERNANCE STATEMENT FOR THE YEAR 2014

1. Identification of the set of corporate governance rules to which PKP CARGO S.A. is subject and the locations where the text of these rules is available publicly

Acting in compliance with the § 91 (5) (4) of the Regulation of the Minister of Finance dated 19 February 2009 on current and periodic information published by issuers of securities and on conditions of recognition of the information required by the laws of a non-member state (Journal of Laws from 2014, item 133), the Management Board of the Company presents the Statement of compliance with the corporate governance rules in 2014.

During the period from the admission of the Company's shares to public trading, i.e. from 28 October 2013, the Company has been subject to the corporate governance rules described in Code of Best Practice for WSE Listed Companies ("Best Practice"), forming Appendix to Resolution of the WSE Supervisory Board No 12/1170/2007 of 4 July 2007, as amended by the following resolutions of the WSE Supervisory Board: No 17/1249/2010 of 19 May 2010 (entered into force on 1 July 2010), No 15/1282/2011 of 31 August 2011 (entered into force on 1 January 2012), No 20/1287/2011 of 19 October 2011 (entered into force on 1 January 2012) and No 19/1307/2012 of 21 November 2012, which entered into force on 1 January 2013.

The text of the Best Practice to which governing the Company is subject is available on the GPW website at (<http://www.corp-gov.gpw.pl>).

2. The extent to which PKP CARGO S.A. deviated from the provisions of the corporate governance rules, identification of those provisions and explanation of the reasons for such deviation

In 2014 the Company complied with all the corporate governance rules expressed in the Code of Best Practice for WSE Listed Companies with the exception of the rules contained in:

Chapter I Recommendation 5 of the Best Practice concerning remuneration policy and the rules for its determination

Failure to comply with the above rule by PKP CARGO S.A., lies in the fact that the policy of remuneration of the Company's management and supervisory bodies does not contain all the elements listed in the European Commission Recommendation of 14 December 2004 on fostering an appropriate regime for the remuneration of directors of listed companies (2004/913/EC), supplemented by the European Commission Recommendation of 30 April 2009 (2009/385/EC). The Company has not disclosed a remuneration policy statement on the corporate website. The decision on full compliance with the above rule of Best Practice in the future will belong to the Supervisory Board and the General Shareholders Meeting.

In accordance with § 91. (6) (17) of the Regulation of the Minister of Finance dated 19 February 2009 on current and periodic information published by issuers of securities and conditions of recognition of the information required by the laws of a non-member state (Journal of Laws from 2014, item 133), the Company publishes in the annual report information on the salaries, bonuses and benefits annually for each of the management and supervisory personnel of the Company.

According to § 12 (2) (3) of the Articles of Association of the Company, as long as the share of PKP S.A. is more than 50% of the share capital of the Company and as long as required by mandatory provisions of law, remuneration of the Members of the Management Board is set by the General Shareholders Meeting. If the share of PKP S.A. in the share capital of the Company is 50% or less, the remuneration of Members of the Management Board is determined by resolution of the Supervisory Board. For participation in the work of the Supervisory Board its members shall receive remuneration in accordance with the remuneration policy set by the General Shareholders Meeting.

Chapter I Recommendation 9 of the Best Practice concerning the balanced share of women in performing management and supervisory functions

The Company does not ensure the balanced share of women and men in the Management Board and the Supervisory Board. The Company supports the above recommendation, but a decision on the composition of the Supervisory Board is taken by the General Shareholders Meeting, while the Members of Management Board are appointed in compliance with the rules set forth in

the Articles of Association. The Company pursues a policy according to which the Company employs competent, creative persons with relevant professional experience and education without applying the criterion of gender.

Chapter II of Recommendation 1. 9a) of the Best Practice concerning the disclosing by the Company a record of a general shareholders meeting in audio or video format on its corporate website

According to the Management Board, non-application of the principle concerning the disclosing by the Company a record of a general shareholders meeting in audio or video format on its corporate website does not affect the reliability of the Company's information policy or the completeness of significant information furnished to the Shareholder by the Company.

Chapter IV Recommendation 10 of the Best Practice concerning the providing by the Company to the shareholders possibility to participate in general shareholders meeting by means of electronic communication.

The decision of not applying the rule which provides that the Company should ensure, among other things, "real-time bilateral communication where shareholders may take the floor during a general meeting from a location other than the general meeting", was taken because of risks of a legal and organizational/technical nature which may affect the correct progress of the general meeting while shareholders are provided with such a communication channel.

According to the Management Board,, the rules for participation in general meetings enable the shareholders to effectively exercise all rights attaching to shares and secure the interests of all shareholders.

3. Description of the main features of the PKP CARGO S.A.'s internal control and risk management in relations to the process of preparation of Financial Statements and Consolidated Financial Statements

Uniform IFRS accounting principles

The Parent Company, PKP CARGO S.A. has developed and implemented the accounting policy prepared in accordance with the accounting principles as endorsed by the European Union. This document is updated in the event of changes in legislation. The rules contained in this document apply to the Separate Financial Statements of PKP CARGO S.A. and Consolidated Financial Statements of the PKP CARGO Group. Companies subject to consolidation are required to apply accounting policies of PKP CARGO S.A. in the preparation of consolidation reporting packages, which are the basis for preparation of the Consolidated Financial Statements of the PKP CARGO Group.

Uniform consolidation packages for subsidiaries

A uniform model of IFRS reporting packages that are prepared by subsidiaries for the purposes of the Consolidated Financial Statements of the PKP CARGO Group has been adopted. Subsidiaries prepare IFRS reporting packages taking into account differences between the Polish Accounting Principles and the IFRS.

Bookkeeping

The reliability of the financial statements is ensured by the information resulting directly from the books. The Parent Company keeps its accounting records underlying the preparation of financial statements in the computer accounting system SAP. PKP CARGO S.A. updates the accounting system according to changes in regulations and reporting requirements, both internal and external. Access to information systems is limited by the appropriate permissions to authorized employees. In the Company there are IT and organizational solutions that ensure the control of access to the accounting system and that ensure adequate protection and backup of accounting records.

Book closing and financial statement authorisation procedures

Internal procedures have been implemented in the Parent Company and its subsidiaries for the closing of periods, defining the timeline and responsibilities of internal departments for the different record-keeping areas; financial statements are subjected to internal check procedures for completeness and integrity; IFRS reporting packages are signed by the management boards of the subsidiaries, while the IFRS Consolidated Financial Statements are properly authorized and signed by the Management Board of the Company.

Audit Committee Supervision

Within the Supervisory Board of PKP CARGO S.A., the Audit Committee has been established. The Audit Committee, in accordance with the applicable laws and regulations, supervises the preparation of the Consolidated Financial Statements, the financial audit process and also analyses and monitors interim and year-end financial data of the Company and the Group.

Audit and review of the financial statements

Annual Consolidated Financial Statements are audited by the certified auditor, interim Consolidated Financial Statements are reviewed by the certified auditor; opinions and reports on those documents are attached to approved and published financial statements

4. Shareholders holding directly or indirectly substantial shareholdings

As at the date of this report, total number of shares was 44 786 917. In accordance with the notifications received by the Company, the tables below show the shareholders holding directly or indirectly substantial shareholdings in the Company.

Table 2 Shareholders' structure of PKP CARGO S.A. as at 31 December 2013

Shareholder	Number of shares	Percentage share in share capital	Number of votes	Percentage share in the total number of votes at GM
PKP S.A.(1)	22 411 844	51.71%	22 411 844	51.71%
ING OFE (2)	2 860 827	6.60%	2 860 827	6.60%
EBRD (3)	2 286 008	5.27%	2 286 008	5.27%
AMPLICO OFE (4)	2 195 842	5.07%	2 195 842	5.07%
Other shareholders	13 583 494	31.34%	13 583 494	31.34%
Total	43 338 015	100.00%	43 338 015	100.00%

(1) In accordance with the notice sent by shareholder dated 31 October 2013

(2) In accordance with the notice sent by shareholder dated 08 November 2013

(3) In accordance with the notice sent by shareholder dated 05 November 2013

(4) In accordance with the notice sent by shareholder dated 02 January 2014

Source: Own study

Table 3 Shareholders' structure of PKP CARGO S.A. as at 13 November 2014 and as at 31 December 2014

Shareholder	Number of shares	Percentage share in share capital	Number of votes	Percentage share in the total number of votes at GM
PKP S.A. (1)	14 784 194	33.01%	14 784 194	33.01%
ING OFE (2)	4 738 369	10.58%	4 738 369	10.58%
Morgan Stanley (3)	2 380 008	5.31%	2 380 008	5.31%
AVIVA OFE (4)	2 338 371	5.22%	2 338 371	5.22%
EBRD (5)	2 286 008	5.10%	2 286 008	5.10%
Other shareholders	18 259 967	40.78%	18 259 967	40.78%
Total	44 786 917	100.00%	44 786 917	100.00%

(1) In accordance with the notice sent by shareholder dated 24 June 2014

(2) In accordance with the notice sent by shareholder dated 30 June 2014

(3) In accordance with the notice sent by shareholder dated 18 June 2014

(4) In accordance with the notice sent by shareholder dated 13 August 2014

(5) In accordance with the notice sent by shareholder dated 05 November 2013

Source: Own study

On 17 February 2015, the Management Board of the Company received a notification sent by the European Bank for Reconstruction and Development informing that due to the sale of shares in a block transaction concluded on the Warsaw Stock

Exchange on 11 February 2015, settled on 13 February 2015, EBRD reduced its share to less than 5% of the total number of votes at the General Meeting of Shareholders. After the transaction, the EBRD does not hold any shares in the Company.

Table 1 The company's shareholder's structure at the date of this report

Shareholder	Number of shares	Percentage share in share capital	Number of votes	Percentage share in the total number of votes at GM
PKP S.A.(1)	14 784 194	33.01%	14 784 194	33.01%
ING OFE (2)	4 738 369	10.58%	4 738 369	10.58%
Morgan Stanley (3)	2 380 008	5.31%	2 380 008	5.31%
Aviva OFE (4)	2 338 371	5.22%	2 338 371	5.22%
Other shareholders	20 545 975	45.88%	20 545 975	45.88%
Total	44 786 917	100.00%	44 786 917	100.00%

(1) In accordance with the notice sent by shareholder dated 24 June 2014

(2) In accordance with the notice sent by shareholder dated 30 June 2014

(3) In accordance with the notice sent by shareholder dated 18 June 2014

(4) In accordance with the notice sent by shareholder dated 13 August 2014

Source: Own study

5. Holders of securities that confer special control rights and description of such rights

The securities of PKP CARGO S.A. do not confer any special control rights on any shareholder.

6. Restrictions in the exercise of voting rights

The right to participate in the General Meeting and the voting right

The shareholder exercises the voting right at General Meetings. According to the Commercial Companies Code, the Company's shareholders may participate in the General Meeting and exercise their voting rights in person or by proxy. A shareholder of the Company intending to participate in the General Meeting by proxy must grant a power of proxy in writing or in electronic form. A form containing the model power of proxy is included by the Company in the notice to convene the General Meeting. In addition, the granting of the power of proxy in electronic form must be notified to the Company with the use of the means of electronic communication stated in the notice to convene the General Meeting. The Company takes appropriate measures to identify the shareholder of the Company and the proxy in order to authenticate the power of proxy granted in electronic form. A detailed description of the authentication of the power of proxy granted in electronic form contains the text of the notice to convene the General Meeting.

The Company's shareholder holding Shares recorded in more than one securities account may establish separate proxies to exercise rights attaching to Shares recorded in each account.

If the proxy representing the shareholder at the General Meeting is a member of the Management Board, member of the Supervisory Board, liquidator, employee of the Company or member of its governing bodies or employee of the Company's subsidiary company or cooperative, the power of proxy must provide for representation at one General Meeting only. The proxy is obliged to disclose to a shareholder of the Company any circumstances indicative of the existence or the possibility of arising of a conflict of interest. In such a case, the granting of a sub-proxy is unacceptable. The proxy referred to above votes in accordance with the instructions given by the shareholder of the Company.

According to § 11 (2) of the Articles of Association each Share carries on one vote at the General Meeting. The Articles of Association restricts the voting rights of shareholders (acting individually or jointly as shareholders being dominant or subsidiary entities) holding more than 10% of the total voting rights at the General Meeting and prohibits the exercise by such shareholders more than 10% of the total voting rights at the General Meeting, with the proviso that the above restriction does not apply to the shareholders who, on the day the General Meeting passes a resolution imposing such restrictions, are authorized to exercise voting rights (also as user) attaching to shares representing more than 10% of the total number of voting rights existing in the Company as well as any other entity that would acquire shares in the Company granted to the shareholders, referred to above, in connection with their liquidation.

According to the provisions of the Article of Association, the restriction of voting rights of shareholders representing more than 10% of total shares in the Company does not expire after the disposal of all shares by PKP S.A., which is not subject to the above restriction. Consequently the restriction of a voting right potentially makes it difficult for a single investor to gain control over the Company even if the share of PKP S.A. in the Company's share capital decreases to nil.

A shareholder of the Company may not, in person or by proxy, or as a proxy of another person, vote on resolutions concerning his liability to the Company on any account, including the granting of discharge or relieving of any obligation to the Company or a dispute between the shareholder and the Company. The above restriction does not apply to voting by a shareholder of the Company as proxy of another shareholder in adopting resolutions concerning himself, referred to above.

7. Restrictions on the transfer of ownership of securities of PKP CARGO S.A.

Statutory restrictions of the marketability of shares

The Public Offering Act, the Act on Trading in Financial Instruments and the Commercial Companies Code provide, among other things, for the following restrictions on the marketability of shares:

- the obligation to notify KNF and the Company rests on anyone who : (i) has reached or exceeded 5%, 10%, 15%, 20%, 25%, 33%, 33¹/₃%, 50%, 75% or 90% of the total number of voting rights in a public company; (ii) held at least 5%, 10%, 15%, 20%, 25%, 33%, 33¹/₃%, 50%, 75% or 90% of the total number of voting rights in that company, and, as a result of the reduction of such share , has reached 5%, 10%, 15%, 20%, 25%, 33%, 33¹/₃%, 50%, 75% or 90%, respectively, or less of the total number of voting rights; (iii) has changed the existing holding above 10% of the total number of voting rights by at least 2% of the total voting rights in a public company whose share are admitted to trading on the official stock market (as at the date of the Prospectus, the primary WSE market is such a market); (iv) has changed the share held so far of more than 33% of the total number of voting rights in a public company by at least 1% of total voting rights;
- the obligation to publish a call for subscription for the sale or exchange of share in the case of: (i) acquisition of shares carrying more than 10% or 5% of the total voting rights at the General Meeting, (ii) exceeding the threshold of 33% of total voting rights at the General Meeting, (iii) exceeding the threshold of 66% of total voting rights at the General Meeting;
- a ban on the acquisition or disposal, for one's own or third-party's account, of financial instruments based on confidential information;
- a ban on the acquisition or disposal of financial instruments during the continuance of a closed period by the persons specified in the Act on Trading in Financial Instruments;
- the dominant company, within the meaning of Article 4 (1) (4) of the Commercial Companies Code, has the obligation to notify a subsidiary company about the arising or cessation of dominance relationship within two weeks of the arising of such relationship, failing which the exercise of voting rights attaching to shares of a dominant company representing more than 33% of the share capital of the subsidiary will be terminated.

Apart from the above, there are no other statutory restrictions on the marketability of the Company's shares.

Contractual restrictions of the marketability of shares

Contractual restriction of the marketability of shares concerns shares taken by eligible employees in connection with the right granted to them under EGP. Each eligible employee subscribing for shares was required to sign an agreement restricting the marketability of shares for a period of 2 years from the IPO of the Company on the WSE, i.e. until 30 October 2015. A subscription submitted without signing the above agreement would be null and void, and the eligible employee would lose his entitlement to the privatisation bonus, and consequently also shares. The disposal or charging of shares or any rights attaching to shares before 30 October 2015 will be ineffective to the Company and may render the employee liable for damages.

As per the conditional agreement on guaranteeing subscription of Institutional Investors following the principles of investment underwriting in public offering of PKP CARGO S.A. shares ("Underwriting Agreement") concluded on 8 October 2013 between PKP S.A. and PKP CARGO S.A. and the following entities:

1. Goldman Sachs International,
2. Morgan Stanley & Co. International plc,
3. Powszechna Kasa Oszczędności Bank Polski S.A. (also acting through its branch: Powszechna Kasa Oszczędności Bank Polski S.A. Oddział – Dom Maklerski PKO Banku Polskiego w Warszawie),
4. Dom Inwestycyjny Investors S.A.,
5. IPOPEMA Securities S.A.,
6. Mercurius Dom Maklerski Sp. z o.o.,
7. Raiffeisen Centrobank AG,
8. UniCredit Bank AG, London Branch,

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9. UniCredit Bank Austria AG,
 10. UniCredit CAIB Poland S.A.,

hereinafter jointly referred to as "Offering Managers", the Company and PKP S.A. were subject to a contractual limit on the transferability of shares and issue of shares, namely:

1. PKP S.A. committed itself towards the Offering Managers that from the closing date of the Underwriting Agreement until the end of the 180 day period since the day of first quotation of the Company's shares on WSE, it will not execute any other transactions that may lead to issuance, offer for sale or issuance, sale or disposing of Company's securities similar to the securities being the Object of the Offering without the written consent of the Global Coordinators (which will not be unreasonably withheld or delayed). The aforementioned restriction does not apply to selling shares by PKP S.A. in response to exchange and tender offers of Company shares to a strategic investor for a price not lower than the one in the Offering.
2. PKP S.A. committed itself towards the Offering Managers that from the closing date of the Underwriting Agreement until the end of the 180 day period since the day of first quotation of the Company's shares on WSE, it will not execute any other transactions that may lead to issuance, offer for sale or issuance, sale or disposing of Company's securities similar to the securities being the Object of the Offering without the written consent of the Global Coordinators (which will not be unreasonably withheld or delayed).

8. Rules concerning the appointment and dismissal of managers and their rights

Appointment of Members of the Management Board

The Management Board consists of one to five members, including the President of the Management Board. Members of the Management Board are appointed for a joint three-year term of office. The President of the Management Board and other Members of the Management Board are appointed on the terms set forth in the Articles of Association and in the Rules on the appointment of Members of the Management Board.

The appointment of Members of the Management Board takes place following a qualification procedure solely from among candidates taking part in the qualification procedure who have obtained a positive opinion of the recruitment adviser. The qualification procedure for a Member of the Management Board is prepared and organized by a professional HR consulting firm appointed by resolution of the Supervisory Board of PKP CARGO S.A. Participating in the procedure for the appointment of Management Board Members is the Nomination Committee which exercises ongoing supervision over the qualification procedure for the position of Member of the Management Board, and over the evaluation and appointment of Members of the Management Board.

The Supervisory Board also selects one Member of the Management from among candidates proposed by employees of the Company. This power is vested in connection with Article 4 (4) of the Act of 8 September 2000 on the commercialization, restructuring and privatization of PKP and the provisions of EGP. The candidate should have higher education, at least 5 years' work experience with the PKP Group, and have a clean criminal record. The Rules for the election of candidates for Employees representative in the Management Board are adopted by the Supervisory Board. Failure to appoint a representative of employees to the Management Board is without prejudice to the appointment of the Management Board and effective adoption of resolution by the Board.

In case when the PKP S.A. has 50% or less in the share capital of the Company, PKP S.A. is entitled to exclusively nominate candidates for President of the Management Board. Personal privilege shall be exercised by delivery of a written statement to the Chairman of the Supervisory Board.

Mandates of the President of the Management Board and of other Members of the Management Board expire at the date of the General Meeting approving the financial statements and the Management Board's report on the activities of the Company for the last full financial year of the term of office. The President of the Management Board and other Members of the Management Board may file a written resignation of the position held, submitting it to the Company with a copy for the Supervisory Board for information.

According to § 18 and § 25 (3) (2) of the Articles of Association, the Management Board of PKP CARGO S.A. is authorized, with the consent of the Supervisory Board, on the terms laid down in the Commercial Companies Code, to pay the shareholders advances on account of dividend planned for the end of the financial year.

Managers do not have any rights to make decisions on the issue or redemption of shares.

9. Rules for the amendment of the Articles of Association of PKP CARGO S.A.

An amendment of the Articles of Association requires a resolution of the General Meeting passed by absolute majority of votes. Moreover, the passing of a resolution on the amendment of § 14 (6), § 26 (3) or (4) and § 27 (7) of the Articles of Association requires a Resolution of the General Meeting passed by the majority of four-fifths of votes in the presence of shareholders representing three-fourths of the Company's share capital.

Amendments to the Articles of Association are effected subject to their approval by the General Meeting and their registration by the competent court. The Supervisory Board is authorized under §25 (3) (11) to agree consolidated wording of the Articles of Association after the court decision on registration becomes final.

Amendments made to the Articles of Association in 2014:

On 30 July 2014 the Extraordinary General Meeting of PKP CARGO S.A. adopted Resolution No. 6/2014 on the amendment of the Company's Articles of Association. The amendments contained in the resolution concerned the addition of the object of business of the Company and changes in the competence of the Supervisory Board. The amendments made were registered by the District Court for the Capital City of Warsaw. Pursuant to § 25 (3) (11) of the Articles of Association of PKP CARGO S.A., the Supervisory Board of PKP CARGO S.A. passed Resolution No. 1354/V/2014 of the Supervisory Board of PKP CARGO S.A. dated 28 August 2014 concerning consolidated wording of the Articles of Association of PKP CARGO S.A.

10. Procedures of the General Meeting and its essential powers, and description of shareholder's rights and the method of their exercise

The General Meeting of the Company operates under the Commercial Companies Code, the Articles of Association (in particular, §10-§13) and the Rules of Procedure of the General Meeting. Shareholders have the right to participate and exercise voting rights at the General Meeting in person or by proxy.

The General Meeting is valid irrespective of the number of shares represented.

Resolutions of the General Meeting are passed by ordinary majority, except resolutions for the adoption of which the provisions of the Commercial Companies Code or the Articles of Association provide for more stringent requirements for a resolution to be passed, with the proviso that the passing of a resolution to amend § 14 (6), §26 (3) or (4) and § 27 (7) of the Articles of Association requires a Resolution of the General Meeting passed by the majority of four-fifths of votes in the presence of shareholders representing three-fourths of the share capital of the Company.

Voting at the General Meeting is open. Voting by ballot is held in elections and on motions for dismissal of members of the Company's governing bodies or the Company's liquidators, or on calling them to account, as well as in other personnel-related matters. Besides, voting by ballot must be held if requested by at least one of the shareholders present or represented at the General Meeting.

According to the Rules of Procedure of the General Meeting, both open voting and voting by ballot can be performed with the use of electronic devices, subject to consent of the General Meeting. The General Meeting may pass a resolution to waive voting by ballot in matters related to the selection of a committee appointed by the General Meeting.

Deliberations of the General Meeting are conducted by the Chair who takes care of its efficient progress in accordance with the agenda of the meeting adopted. The Chair resolves rules-of-the-house matters. Without the General Meeting's consent it is not allowed to remove or change the sequence of items on the agenda.

The General Meeting of PKP CARGO S.A. is opened by the Chair of the General Meeting appointed by the Management Board. If the President of the Management Board does not designate the Chair of the General Meeting before the appointed meeting commencement time, the provisions of Article 409 §1 of the Commercial Companies Code will apply, after which the Chair of the meeting will be selected from among the persons authorized to participate in the meeting. The Chair of the General Meeting will be elected by absolute majority of votes cast in voting by ballot.

The Extraordinary General Meeting may be convened by a shareholder whose share in total votes in the Company exceeds 33%. In such a case the shareholder convening the Extraordinary General Meeting designates the Chair of the General Meeting.

The General Meeting adopts the Rules of Procedure of the General Meeting, defining in detail the manner in which the debate will be held. The draft Rules of Procedure of the General Meeting is proposed by the Management Board. Participation in the

General Meeting is allowed with the use of electronic communication channels provided that the notice to convene a given General Meeting provides information of such option.

11. Composition and changes in composition during the last financial year and description of the activities of management, supervisory or administration bodies of PKP CARGO S.A. and their committees

MANAGEMENT BOARD

The Management Board of PKP CARGO S.A. with its registered office in Warsaw operates under the applicable laws and regulations, in particular:

- 1) The Act of 15 September 2000 - Commercial Companies Code (Journal of Laws No. 94, item 1037, as amended);
- 2) The Act of 8 September 2000 on the commercialization, restructuring and privatization of the state-owned enterprise "Polskie Koleje Państwowe" (Journal of Laws No 84, item 948, as amended);
- 3) The Articles of Association of PKP CARGO S.A. adopted by Resolution No 1354/V/2014 of the Supervisory Board of PKP CARGO S.A. dated 28 August 2014;
- 4) The Rules of Procedure of the Management Board of PKP CARGO S.A. adopted by Resolution No 428/2014 of the Management Board of PKP CARGO S.A. dated 20 November 2014;
- 5) Other internal regulations.

Powers of the Management Board

The Management Board manages the affairs and assets of the Company and represents it in relations with third parties. The remit of the Management Board includes all activities which are not reserved for the General Meeting and the Supervisory Board of the Company. Resolutions of the Management Board are passed by absolute majority of votes of those present at the meeting, with at least a half of the number of Members of the Management Board attending. Declarations of intent may be made by the President of the Management Board acting solely or two Members of the Management Board acting jointly or a Member of the Management Board acting jointly with a commercial attorney.

Procedures of the Management Board

Detailed procedures of the Management Board are described in the Rules of Procedure of the Management Board. The Rules of Procedure are adopted by the Management Board and approved by the Supervisory Board. According to the provisions of the Rules of Procedure of the Management Board, the Management Board takes decisions in the form of resolutions. Resolutions of the Management Board are passed by absolute majority of those present, with at least half of the Members of the Management Board attending, and can be passed only if all Members of the Management Board have been duly informed about the Management Board meeting. According to the Rules of Procedure, in case of an equal number of votes "for" and "against", including any abstentions, the President of the Management Board has the casting vote. Meetings of the Management Board are held at least once a week. In cases when it is particularly justified, the meetings of the Management Board can be held at a later date, but not later than during 14 days from the date of previous meeting.

According to the Rules of Procedure of the Management Board, in the event of conflict of interests between the Company and a member of the Management Board, spouse, relative by consanguinity or affinity (up to the second degree) or other person to whom the Management Board member is personally related, the member of the Management Board should immediately inform the other Members of the Management Board of such conflict, and in the case of the President of the Management Board also the Supervisory Board, and refrain from participating in the discussion and from voting on a resolution on a matter involving a conflict of interests, and may demand that this be recorded in the minutes of the meeting of the Management Board.

Table 4 Composition of the Management Board of PKP CARGO S.A. for the period from 1 January 2014 to the date of this report

Surname and first name	Role served	Period of service in the role	
		from	to
Adam Purwin	Member of the Management Board, responsible for Finance	25.02.2013	5.02.2014
	Acting as a President of the Management Board	18.11.2013	5.02.2014
	President of the Management Board	6.02.2014	to date
Sylwester Sigiel	Member of the Management Board, responsible for Trade	13.03.2013	23.04.2014 (resignation)
Wojciech Derda	Member of the Management Board, responsible for Operations	24.04.2014	to date
Jacek Neska	Member of the Management Board, responsible for Trade	24.04.2014	to date
Dariusz Browarek	Member of the Management Board, employees representative in the Management Board	24.04.2014	to date
Łukasz Hadyś	Member of the Management Board, responsible for Finance	12.05.2014	to date

Source: Own study



Adam Purwin – President of the Management Board

He graduated with a degree in law from the University of Białystok. He gained professional experience working for over 15 years in major financial institutions in Poland, managing projects in corporate banking, financing of leading Polish and CEE companies, as well as in M&A transactions. He started his professional career with BRE Bank and Bank Pekao S.A., to continue with PKO BP – Poland's largest bank, where he dealt with development projects and corporate group oversight. At Bank Gospodarstwa Krajowego, he developed competence in structured finance and Polish exports promotion. He also managed investment banking projects for international institutions.

In 2012, he was appointed Managing Director at PKP S.A., with responsibilities in the area of privatisation and corporate governance of a few dozen of companies from PKP Group. He also supervised the implementation of corporate governance and modern management methods for subsidiaries, establishing strategies and objectives for their respective management boards. He was an author the privatisation strategy for PKP CARGO S.A. and prepared the privatisation process of Polskie Koleje Linowe. In February 2013, he assumed the duties of the Member of the Management Board of PKP CARGO S.A., responsible for Finance and, as the IPO team head, went on to prepare the Company for the public offering 9 months later. The effort culminated in the stock exchange debut in October 2013. This was one of the largest recent IPOs, totaling PLN 1.4 bn. Since November, he was President of the Management Board of PKP CARGO S.A. and, on 6 February, following a competitive process, he was appointed by the Supervisory Board as President of the Management Board of PKP CARGO S.A.



Jacek Neska – Member of the Management Board, responsible for Trade

Experienced manager, specialised in the management of large organisations. Working for Polish and international businesses for 20 years, he has been involved in projects to develop effective organisational structures, as well as to design and implement commercial strategies. He gained professional experience as a manager of Arthur Andersen, the international consulting company, where he coordinated a number of projects in the transport, telecommunications and power sectors. One of the key projects he was involved in was PKP's transition from a state-owned company into a joint-stock company, and the establishment of the PKP Group. He also worked for private equity funds, such as Innova Capital and Enterprise Investors, where he sat on management boards of their portfolio

companies.

In 2006-2012, he served as President of the Management Board of Lotos Oil S.A., the largest Polish manufacturer of oils and lubricants. At the same time, in 2008-2009, he served as the General Director's Representative for Commerce at Lotos Group, supervising all areas of commercial and logistics operations of the Group, and building efficient sales structures. Jacek Neska joined PKP CARGO S.A. in December 2013, and since then has been responsible for the sales process optimisation and client base extension. On 24 April 2014, he was appointed by the Supervisory Board, following a competitive process, as Member of the Board, responsible for Trade of PKP CARGO S.A.



Wojciech Derda – Member of the Management Board, responsible for Operations

A dynamic and competent manager, he gained experience with Ernst & Young and in the PKP Group. Since the start of his professional career, he has been involved with broadly understood optimisation processes, closely linked with the financial aspects of business operations. He prepared and implemented optimisation processes for the largest Polish and international enterprises for over 10 years. He was responsible for the development of management information systems, financial models supporting decision-making processes and design of new organisational structures.

In 2012, he joined PKP S.A. as the Managing Director responsible for Operation and Controlling. He successfully managed organisational structure change projects, the development of the PKP Purchasing Group, he subsequently directed, as well as centralisation of controlling, finance and accounting, staffing and debt recovery processes. From December 2013, he worked for PKP CARGO S.A. as Managing Director responsible for Operations. On 24 April 2014, he was appointed by the Supervisory Board, following a competitive process, as Member of the Board responsible for Operations at PKP CARGO S.A.



Łukasz Hadyś – Member of the Management Board, responsible for Finance

Certified auditor, graduate of the Cracow University of Economics, with a degree in IT and econometrics as well as accounting, also Advanced Management Program on Koźmiński University. He began his professional career with the audit department of Ernst & Young in 2001, where he audited financial statements and provided advisory services to major Polish and multinational groups.

In 2012-2014, he worked for PGNiG Group, initially as Member of the Management Board of Karpacka Spółka Gazownictwa Sp. z o.o. and subsequently, since March 2013, as a Member of the Management Board responsible for Finance at Polska Spółka Gazownictwa Sp. z o.o. His responsibilities in PGNiG Group companies included management and oversight of purchasing, controlling, accounting, tariffs, debt recovery, finance and assets. He also participated in the consolidation of distribution operations, preparation of the company's strategy and implementation of the management information model. In 2008-2012, Łukasz Hadyś served as Director of the Finance and Accounting Department at Tauron Dystrybucja S.A., managing accounting, finance and controlling areas, as well as developing efficiency improvement projects for the company and the group.



Dariusz Browarek – Member of the Management Board, Employees representative in the Management Board

In 2004, he graduated from the Faculty of Law and Administration at the University of Warmia and Mazury in Olsztyn and completed a post-graduate course in human resources management at the Gdańsk University of Technology. Before his academic education, he graduated from the Secondary Technical School of Railway Engineering in Olsztyn.

He has been involved in staff-related matters in the railway industry for over 30 years as an active trade union and community activist. He has been working for PKP CARGO S.A. since the company's formation. He worked at the Main Locomotive Depot in his home town of Olsztyn, then for the Rolling Stock Depot

CARGO in Olsztyn and, following the restructuring process, for the Northern Division of PKP CARGO S.A. in Gdynia, employed as inspector for defense and proprietary information protection. For a number of years, he presided over his company's trade union organisation belonging to the railway trade union under the name Związek Zawodowy Kolejarzy RP in Gdańsk. He served two terms as the deputy president of the Federation of PKP Trade Unions (Federacja Związków Zawodowych Pracowników PKP), with his tenure having expired in April 2014. He was also responsible for the operations of the company Centrum Szkolenia Federacji ZZP PKP (the Federation's training center). Until April 2014, he also represented PKP staff interests sitting on the Council of Investors of the PKP Staff Property Fund. He was actively involved in negotiations with employers, regarding the Social Safety Net Accords for the employees of PNI, and the Social Safety Net Accord for PKP CARGO. For many years now, he has been providing opinions on amendments to laws relating to railway transport as attendee of the Parliamentary Infrastructure Committee meetings. On 24 April 2014, following a competitive process, he was appointed by the Supervisory Board of PKP CARGO as Member of the Management Board, Employee Representative. He supports the Management Board of PKP CARGO S.A. in building an effective dialogue with social partners.

On 6 February 2014, the Supervisory Board of the Company, having conducted a qualification process, appointed Mr. Adam Purwin to the position of President of the Management Board of PKP CARGO S.A.

On 17 February 2014, Mr. Sylwester Sigiel resigned from the position of a Member of the Management Board responsible for Trade, effective from the day of a resolution of the Supervisory Board of the Company on appointment of the new Member of the Management Board responsible for Trade.

On 26 February 2014, the Supervisory Board of PKP CARGO S.A. passed a resolution to initiate the qualification procedure for the following positions:

- Member of the Management Board, responsible for Finance,
- Member of the Management Board, responsible for Operations,
- Member of the Management Board, responsible for Trade,
- Employees representative in the Management Board of PKP CARGO S.A.

The qualification procedure was conducted under the Rules of Procedure for the appointment of Members of the Management Board of PKP CARGO S.A. and the Rules of Procedure for the election of candidates for Employees representative in the Management Board of PKP CARGO S.A. and the appointment of employees representatives in the Supervisory Board of PKP CARGO S.A. and the procedure for their dismissal.

The recruitment procedure was completed in April 2014, appointing the following Members of the Management Board on 24 April 2014:

- Mr. Jacek Neska – as a Member of the Management Board, responsible for Trade – the period of service in the role from 24 April 2014,
- Mr. Wojciech Derda – as a Member of the Management Board, responsible for Operations – the period of service in the role from 24 April 2014,
- Mr. Łukasz Hadyś – as a Member of the Management Board, responsible for Finance – the period of the service in the role from 12 May 2014,
- Mr. Dariusz Browarek – as a Member of the Management Board – Employees representative in the Management Board – the period of service in the role from 24 April 2014.

The internal allocation of responsibilities and the roles served by the Management Board members in 2014 were as follows:

- 1) President of the Management Board – the responsibilities of the President of the Management Board include the management of the work of the Management Board and the current activities of the Company and, in particular, matters related to:
 - business strategy,
 - business security and internal audit.

The special powers of the President of the Management Board include the performance of defense-related responsibilities in the Company resulting from regulations on the general defense obligation.

- 2) Member of the Management Board, responsible for Finance – the responsibilities of the Member of the Management Board responsible for Finance include taking care of the rational management of the Company and the supervision of the management of particular areas of the Company's operations, particularly in the area:

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- financial management,
 - purchases and sales of assets.

The special powers of the Member of the Management Board responsible for Finance include fulfillment of obligations under the regulations on accounting, taxes and insurance in the name of PKP CARGO S.A.

- 3) Member of the Management Board, responsible for Trade – the responsibilities of the Member of the Board responsible for Trade include taking care of the appropriate level of sales and client relations management and supervision of certain areas of the Company's operations, particularly in the field of:
 - sales policy,
 - selling freight services.
- 4) Member of the Management Board, responsible for Operations – the responsibilities of the Member of the Board responsible for Operations include supervision over the management of certain areas of the Company, in accordance with the powers set out in a separate resolution of the Board:
 - carriage directing,
 - transport organizations.

Commercial powers of attorney granted and revoked

In 2013, joint commercial powers of attorney were in effect for:

- Mr. Ireneusz Wasilewski – Resolution of the Management Board No. 324/2012 passed by the Management Board of PKP CARGO S.A. on 17.07.2012,
- Mr. Witold Bawor – Resolution of the Management Board No. 325/2012 passed by the Management Board of PKP CARGO S.A. on 17.07.2012,
- Mr. Grzegorz Kiczmachowski – Resolution of the Management Board No. 585/2013 passed by the Management Board of PKP CARGO S.A. on 05.12.2013,
- Mr. Wojciech Derda – Resolution of the Management Board No. 586/2013 passed by the Management Board of PKP CARGO S.A. on 05.12.2013.

and in 2014 joint commercial power of attorney was granted to:

- Mr. Grzegorz Kiczmachowski – Resolution of the Management Board No. 2/2014 adopted by the Management Board of PKP CARGO S.A. on 07.01.2014,
- Mr. Arkadiusz Pokropski – Resolution of the Management Board No. 170/2014 adopted by the Management Board of PKP CARGO S.A. on 06.05.2014.

On 28 April 2014 in accordance with Article 371 §(5) of the Commercial Companies Code, Mr. Dariusz Browarek – Member of the Management Board canceled the power of attorney granted to Mr. Jacek Neska and Mr. Wojciech Derda.

On 12 February 2015, in accordance with Article 371(5) of the Commercial Companies Code, Mr. Jacek Neska – Member of the Management Board canceled the power of attorney granted to Mr. Witold Bawor.

On 6 March 2015, in accordance with Article 371 §(5) of the Commercial Companies Code, Mr Łukasz Hadyś – Member of the Management Board canceled the power of attorney granted to Mr. Grzegorz Kiczmachowski.

SUPERVISORY BOARD

According to the Articles of Association of PKP CARGO S.A. (Resolution No 6/2014 of the Extraordinary General Meeting of PKP CARGO S.A. with its registered office in Warsaw of 30 July 2014), the Supervisory Board consists of 11 to 13 members (including the Chairman and Vice Chairman of the Supervisory Board) appointed for a joint term of office. The Supervisory Board is appointed and dismissed by the General Shareholders Meeting, subject to the provisions of § 19 (2) and (3) of the Articles of Association of PKP CARGO S.A.

Resolutions of the Supervisory Board can be passed only if all Members of the Supervisory Board have been duly informed including the Chairman of the Supervisory Board about the Supervisory Board meeting and at least a half of the number of Members of the Supervisory Board attending. Resolutions of the Supervisory Board of passed by absolute majority. In the case of an equal number of votes "for" and "against", including any abstentions, the Chairman of the Supervisory Board has the casting vote.

Table 5 Composition of the Supervisory Board of PKP CARGO S.A. from the period from 1 January 2014 to the date of this report

No.	Surname and first name	Role served	Period of service in the role	
			from	to
1	Jakub Karnowski	Chairman of the Supervisory Board	24.05.2012	to date
2	Michał Karczyński	Vice Chairman of the Supervisory Board	01.02.2010; 28.07.2011 (appointed as Vice Chairman); 24.05.2012 – for 5th term; 24.10.2012 (appointed as Vice Chairman)	25.04.2014
3	Milena Pacia	Member of the Supervisory Board	25.02.2013; 26.05.2014 (appointed as Vice Chairman)	27.06.2014
4	Artur Kawaler	Member of the Supervisory Board	16.08.2007; 24.05.2012 - for 5th term	29.07.2014
5	Danuta Tyszkiewicz	Member of the Supervisory Board	21.07.2011 ; 24.05.2012 - for 5th term	25.04.2014
6	Krzysztof Czarnota	Member of the Supervisory Board	06.07.2006; 24.05.2012 - for 5th term	to date
7	Marek Podskalny	Member of the Supervisory Board	06.07.2006; 24.05.2012 - for 5th term	to date
8	Kazimierz Jamrozik	Member of the Supervisory Board	24.05.2012	to date
9	Konrad Anuszkiewicz	Member of the Supervisory Board	13.12.2013	to date
10	Stanisław Knaflewski	Member of the Supervisory Board	17.12.2013	to date
11	Paweł Ruka	Member of the Supervisory Board	17.12.2013	to date
12	Jarosław Pawłowski	Member of the Supervisory Board	26.04.2014	18.02.2015
13	Łukasz Górnicki	Member of the Supervisory Board	26.04.2014	24.10.2014
14	Piotr Ciżkowicz	Member of the Supervisory Board Vice Chairman of the Supervisory Board	29.07.2014 (appointed as Vice Chairman 31.07.2014)	to date
15	Jacek Leonkiewicz	Member of the Supervisory Board	29.07.2014	to date
16	Sławomir Baniak	Member of the Supervisory Board	24.11.2014	to date
17	Zbigniew Klepacki	Member of the Supervisory Board	19.02.2015	to date

Source: Own study

AUDIT COMMITTEE OF THE SUPERVISORY BOARD

The Audit Committee of PKP CARGO S.A. is appointed by the Supervisory Board of PKP CARGO S.A. It is composed of three members of the Supervisory Board, including at least two members of the Supervisory Board meeting the criteria of independence and appointed in the manner described in § 20 and 21 of the Articles of Association. Members of the Committee are appointed for a period corresponding to the duration of the term of office of the Supervisory Board. The responsibilities of the Audit Committee include, in particular: supervision of the organizational unit dealing with internal audit, monitoring the financial reporting process, monitoring financial audit activities, monitoring the independence of the certified auditor and the entity authorized to audit financial statements, recommending to the Supervisory Board the entity authorized to audit financial statements for the purposes of auditing the Company's accounts, etc.

Table 6 Composition of the Audit Committee of the Supervisory Board of PKP CARGO S.A. for the reporting period from 1 January 2014 to the date of this report

No.	Surname and first name	Role served	Period of service in the role	
			from	to
1	Artur Kawaler	Chairman of the Committee	21.09.2012	06.02.2014
2	Milena Pacia	Member of the Committee	26.02.2013	06.02.2014
3	Paweł Ruka	Chairman of the Committee	06.02.2014	to date
4	Stanisław Knaflewski	Member of the Committee	06.02.2014	to date
5	Konrad Anuszkiewicz	Member of the Committee	06.02.2014	to date

Source: Own study

NOMINATION COMMITTEE

The Nomination Committee is appointed by the Supervisory Board of PKP CARGO S.A. It is composed of three members of the Supervisory Board, including at least one member of the Supervisory Board meeting the criteria of independence and appointed in the manner described in § 20 and 21 of the Articles of Association. Members of the Committee are appointed for a period corresponding to the duration of the term of office of the Supervisory Board. The Nomination Committee organises and exercises ongoing supervision over the qualification procedures for Management Board positions and over the process of assessment and appointment of Members of the Management Board.

Table 7 Composition of the Nomination Committee of the Supervisory Board of PKP CARGO S.A for the reporting period from 1 January 2014 to the date of this report

No.	Surname and first name	Role served	Period of service in the role	
			from	to
1	Stanisław Knaflewski	Chairman of the Committee	17.12.2013	to date
2	Jakub Karnowski	Member of the Committee	17.12.2013	to date
3	Milena Pacia	Member of the Committee	17.12.2013	27.06.2014
4	Jacek Leonkiewicz	Member of the Committee	31.07.2014	to date

Source: Own study