

Memorandum of Agreement executed by parties to the Company Collective Bargaining Agreement for Employees Hired by PKP CARGO S.A. Units

Current Report No. 21/2017 of 15 June 2018

Legal basis (selected in ESPI):

Article 17 Sec. 1 of MAR - confidential information

The Management Board of PKP CARGO S.A. ("Company", "PKP CARGO") hereby reports that on 15 June 2018 a memorandum of agreement was executed between the Parties to the Company Collective Bargaining Agreement for Employees Hired by PKP CARGO S.A. Units ("Memorandum of Agreement"), ("Parties").

In the Memorandum of Agreement the Parties decided that a salary increase will be implemented as of 1 September 2018. The Company estimates that the cost of the raise till the end of 2018 with a one-time bonus will amount to approximately PLN 33.9 million.

At the same time, the Company's Management Board assumes that the unit cost per tonne-kilometer will not increase in 2018 due to the growing efficiency of transport operations.

The main point of the Memorandum of Agreement was to introduce a principle that an increase in salaries will be linked to efficiency. Therefore, the Management Board of PKP CARGO will work on developing an incentive system. The common goal is for the system to come into force in 2019.

Specific legal basis:

Article 17 Sec. 1 of MAR - confidential information