

REPORT FROM THE RECRUITMENT PROCESS PKP CARGO S.A.

**MANAGEMENT BOARD MEMBER RESPONSIBLE FOR FINANCE
MANAGEMENT BOARD MEMBER RESPONSIBLE FOR TRADE
MANAGEMENT BOARD MEMBER RESPONSIBLE FOR OPERATIONS**

Warsaw, 14 April 2016

This report has been prepared in performance of the Agreement entered into between PKP CARGO S.A. and the Recruitment Consultant – HAYS Poland Sp. z o.o.

Pursuant to Resolution No. 1514/V/2016 adopted by the PKP CARGO S.A. Supervisory Board of on 8 February 2016 on initiating the recruitment procedure, on 11 February 2016, an announcement initiating the recruitment procedure for the following positions was published in a national newspaper and on PKP CARGO S.A.'s website:

- PKP CARGO S.A. Management Board Member responsible for Finance,
- PKP CARGO S.A. Management Board Member responsible for Trade,
- PKP CARGO S.A. Management Board Member responsible for Operations.

The draft resolution has been prepared by HAYS Poland Sp. z o.o. The purpose of this recruitment process was to select the Management Board Members for the next term of office.

This report has been prepared in accordance with § 15 Section 1 of the Bylaws for Appointing Management Board Members in PKP CARGO S.A.

Until 14 March 2016, 10.00 am, the deadline for submission of applications, HAYS Poland Sp. z o.o. accepted the Candidates' applications in its seat.

On 14 March 2016 at 12:00 noon, in the seat of HAYS Poland Sp. z o.o., the recruitment consultant, the applications were opened and assessed from formal perspective. The documents submitted by the Candidates, pursuant to the PKP CARGO S.A. Supervisory Board Resolution, were handed over, in one counterpart, to Mirosław Pawłowski – Chairman of the PKP CARGO S.A. Supervisory Board and Stanisław Knaflewski – Chairman of the Nomination Committee each. The third copy of each application remained in the seat of the recruitment consultant.

The recruitment consultant received in total 25 applications; 5 persons applying for the position of Management Board Member responsible for Operations, 7 persons for the position of Management Board Member responsible for Finance and 13 persons for the position of Management Board Member responsible for Trade.

The representatives of HAYS Poland Sp. z o.o.:

- Agnieszka Czarnecka and
- Piotr Chojnacki

analyzed the applications from the standpoint of satisfaction of the formal requirements by the Candidates:

In the case of the Management Board Member responsible for Finance

- university education;
- documented minimum 10 years in service, including at least 3 years of professional experience on a managerial position in the financial area in the railway industry;
- experience in the transport industry;
- enjoyment of full public rights;
- holding of full legal capacity;
- not being subject to any legally prescribed restrictions or bans from holding the position of management board member in commercial companies.

In the case of the Management Board Member responsible for Trade

- university education;
- documented minimum 10 years in service, including at least 5 years of professional experience on a managerial position in the trade area in rail transport;
- experience in the transport industry;
- enjoyment of full public rights;
- holding of full legal capacity;
- not being subject to any legally prescribed restrictions or bans from holding the position of management board member in commercial companies.

In the case of the Management Board Member responsible for Operations

- university education;
- documented minimum 10 years in service, including at least 5 years of experience on a managerial position in the operations area in rail transport;
- enjoyment of full public rights;
- holding of full legal capacity;
- not being subject to any legally prescribed restrictions or bans from holding the position of management board member in commercial companies.

In accordance with the aforementioned criteria, 15 persons satisfied the formal criteria and 10 Candidates failed to satisfy the formal criteria and were not qualified for the next stage of recruitment.

In accordance with § 15 Section 2 of the “Bylaws for Appointing Management Board Members in PKP CARGO S.A.” prevailing as at the date of commencement of the recruitment procedure for the positions of Management Board Member responsible for Finance, Management Board Member responsible for Trade and Management Board Member responsible for Operations, twelve (12) Candidates satisfying the formal conditions took advantage of the possibility of asking the HAYS Poland Sp. z o.o. representatives to remove their personal data from the published report from the recruitment procedure. Consequently this report does not contain such information.

Following a formal analysis, on 15 March 2016 at 4.30 pm, at the Nomination Committee meeting attended by all Nomination Committee Members and Ms. Agnieszka Czarnecka – representative of HAYS Poland Sp. z o.o., the recruitment consultant informed the Chairman of the Nomination Committee of the status of the recruitment process and the results of the analysis of the submitted applications. Then the Nomination Committee had a discussion and adopted Resolution no. 8/2016, qualifying 15 (fifteen) Candidates to the next stage of the recruitment procedure, in accordance with the assessment presented by the Recruitment Consultant.

At the meeting the Committee agreed that the interviews of the PKP CARGO S.A. Supervisory Board, in the presence of representatives of HAYS Poland Sp. z o.o., will be held on 21 March 2016 at 3-7 pm and on 22 March 2016 at 12.00-7.30 pm in the seat of PKP CARGO S.A. at ul. Grójecka 17 in Warsaw.

On 15 March 2016, the representatives of HAYS Poland Sp. z o.o. informed the 15 (fifteen) Candidates satisfying the formal criteria by telephone about the date and place of the interview with the PKP CARGO S.A. Supervisory Board, held in the presence of the representatives of HAYS Poland Sp. z o.o.

On 18 March 2016, the representatives of HAYS Poland Sp. z o.o. presented the input material for the interviews with the Candidates. In this report the HAYS Poland Sp. z o.o. team presented the profiles of the 15 (fifteen) Candidates satisfying the formal criteria, prepared on the basis of an analysis of the CVs and motivation letters submitted by the Candidates.

On 21 March 2016, the interviews of the PKP CARGO S.A. Supervisory Board with four Candidates applying for the position of Management Board Member responsible for Finance, held in the presence of the Recruitment Consultant, HAYS Poland Sp. z o.o., started at 3 pm and ended at 7 pm.

During the interview the Candidates had the possibility of presenting their experience and knowledge of the industry and processes in place in the Company, providing answers to the basic and supplementary questions asked by the Nomination Committee.

The Candidates for the position of Management Board Member responsible for Finance were asked the following questions:

1. What in your professional experience and expertise makes you believe that you are the right Candidate for this position?
2. Possible areas of restructuring of fixed costs and optimization of variable costs.
3. Optimization of the purchase support function and non-operating assets.
4. Balance sheet structure and level of debt appropriate for PKP CARGO S.A. Average annual level of investments and their funding.
5. Corporate governance over PKP CARGO Group companies
6. Key principles and organization of investor relations.

On the part of the PKP CARGO S.A. Supervisory Board, the following Supervisory Board Members took part in the interviews:

- Mr. Mirosław Pawłowski – Chairman of the Supervisory Board
- Mr. Stanisław Knaflewski – Chairman of the Nomination Committee
- Mr. Andrzej Wach
- Mr. Czesław Warszewicz
- Mr. Kazimierz Jamrozik
- Ms. Małgorzata Kryszkiewicz

On the part of the recruitment consultant, HAYS Poland Sp. z o.o., Ms. Agnieszka Czarnecka took part in the interviews.

On the part of the Company the following persons took part in the interviews:

- Mr. Jakub Płażyński – attorney-at-law
- Ms. Joanna Ziemak – Manager of the Management Board Office

On 22 March 2016, the interviews of the PKP CARGO S.A. Supervisory Board with three Candidates applying for the position of Management Board Member responsible for Operations and eight Candidates applying for the position of Management Board Member responsible for Trade, in the presence of Mr. Piotr Chojnacki and Agnieszka Czarnecka - representative of the Recruitment Consultant HAYS Poland Sp. z o.o., started at 12.00 noon and ended at 7.30 pm.

During the interview the Candidates had the possibility of presenting their experience and knowledge of the industry and processes in place in the Company, providing answers to the basic and supplementary questions asked by the Nomination Committee.

The Candidates for the position of Management Board Member responsible for Operations were asked the following questions:

1. Knowing the scale of the challenges in PKP CARGO S.A., taking into account your existing professional experience, how will you justify that you will perform the function of a Management Board Member responsible for Operations well?
2. Please describe, in key parameters, the transport potential of PKP CARGO S.A. and against this background, how can you see the main assumptions of the rolling stock modernization policy in the company?
3. Please describe the market of rolling stock repair service providers in Poland and against this background, in the context of the Company's requirements for periodic rolling stock inspections and repairs, what role can you see for PKP CARGO Group entities?
4. How would you address the key challenge for the carrier, i.e. delivery of the cargo "on time" and how can you see the possibility of implementation of a cargo tracking solution expected by the sender?
5. How would you perceive your place in the Management Board and the Company if you take on the position? What role should be assigned to the Management Board Member responsible for Operations as regards optimization of the transport process to rationalize the costs and which aspects of this optimization would you classify as priorities?

The Candidates for the position of Management Board Member responsible for Trade were asked the following questions:

1. What in your professional experience and expertise makes you believe that you are the right Candidate for this position?
2. What priorities would you define for yourself if you take on the position of Management Board Member responsible for Trade?
3. What key tools for boosting revenues can you see? Which cargo categories are the most promising?
4. Organizational structure of the PKP CARGO S.A. Trade Division.

On the part of the PKP CARGO S.A. Supervisory Board, the following Supervisory Board Members took part in the interviews:

- Mr. Mirosław Pawłowski – Chairman of the Supervisory Board
- Mr. Stanisław Knaflewski – Chairman of the Nomination Committee
- Mr. Andrzej Wach
- Mr. Czesław Warsewicz
- Mr. Kazimierz Jamrozik
- Mr. Jerzy Kleniewski – participation in the interviews with the Candidates for the Management Board Member responsible for Trade
- Ms. Małgorzata Kryszkiewicz – participation in the interviews with the Candidates for the Management Board Member responsible for Operations

On the part of the recruitment consultant, HAYS Poland Sp. z o.o., Mr. Piotr Chojnacki took part (in the interviews with the Candidates for the Management Board Member responsible for Operations) and Ms. Agnieszka Czarnecka (in the interviews with the Candidates for the Management Board Member responsible for Trade).

On the part of the Company the following persons took part in the interviews:

- Mr. Jakub Płażyński – attorney-at-law
- Ms. Joanna Ziemak – Manager of the Management Board Office

Following the interviews with the Candidates for the position of Management Board Member responsible for Trade, the Chairman of the Nomination Committee ordered a discussion and secret ballot to select the short list of the Candidates who should be invited to a supplementary interview. As a result of the ballot and the discussion, the Nomination Committee made a decision to invite one Candidate to the aforementioned interview. The PKP CARGO S.A. Supervisory Board set the date of the additional interview for 30 March 2016 at 3.00 pm, in the seat of PKP CARGO S.A. at ul. Grójecka 17 in Warsaw. The Candidate and the other persons who have not been qualified to the next stages of the procedure, were informed immediately about the decision of the PKP CARGO S.A. Supervisory Board by the consultant by telephone.

Following the interviews and on the basis of the documents delivered by the Candidates and the Supervisory Board, the Recruitment Consultant prepared a written opinion about the Candidates. The opinion comprised recommendations for the Candidates for the position of the PKP CARGO S.A. Management Board regarding the aforementioned procedure.

Pursuant to § 13 Sec. 4 of the Bylaws for Appointing Management Board Members in PKP CARGO S.A., the opinion of the Recruitment Consultant was handed over to the Chairman of the Nomination Committee and the other PKP CARGO S.A. Supervisory Board Members.

On 30 March 2016, from 3 to 4 pm, in the presence of a representative of HAYS Poland Sp. z o.o., an additional interview of the PKP CARGO S.A. Supervisory Board with one Candidate applying for the position of Management Board Member responsible for Trade was held. The following questions were asked to the Candidate:

1. How do you perceive the strengths and weaknesses of PKP CARGO S.A.?
2. How do you understand the term “dominant position” with regard to the Company and what actions should be taken as a result?
3. What modifications of the trade division do you plan to make under your management?
4. How do you assess the trade results for last year and how do they impact the Company’s financial results?

On the part of the PKP CARGO S.A. Supervisory Board, the following Supervisory Board Members took part in the interviews:

- Mr. Mirosław Pawłowski – Chairman of the Supervisory Board
- Mr. Stanisław Knaflewski – Chairman of the Nomination Committee
- Mr. Andrzej Wach
- Mr. Raimondo Eggink
- Mr. Czesław Warsewicz
- Mr. Kazimierz Jamrozik
- Mr. Jerzy Kleniewski
- Ms. Małgorzata Kryszkiewicz

On the part of the recruitment consultant, HAYS Poland Sp. z o.o., Mr. Piotr Chojnacki took part in the interviews.

On the part of the Company the following persons took part in the interviews:

- Mr. Jakub Płażyński – attorney-at-law
- Ms. Joanna Ziemak – Manager of the Management Board Office

On 31 March 2016, at the PKP CARGO S.A. Supervisory Board meeting, the Supervisory Board Chairman ordered a discussion and secret ballot on the resolutions to select the Candidates for the positions of Management Board Member responsible for Finance, Management Board Member responsible for Operations and Management Board Member responsible for Trade. To this end, Resolutions No. 1562/V/2016; 1563/V/2016; and 1564/V/2016 dated 31 March 2016 were adopted.

The PKP CARGO S.A. Supervisory Board pointed to Mr. Arkadiusz Olewnik as the Candidate for the position of Management Board Member responsible for Finance. In the vote, 8 valid votes were cast, including 7 votes in favor of the resolution, 0 votes against and 1 abstention.

The PKP CARGO S.A. Supervisory Board pointed to Mr. Grzegorz Fingas as the Candidate for the position of Management Board Member responsible for Trade. In the vote, 8 valid votes were cast, including 8 votes in favor of the resolution, 0 votes against and 0 abstentions.

The PKP CARGO S.A. Supervisory Board pointed to Mr. Jarosław Klasa as the Candidate for the position of Management Board Member responsible for Operations. In the vote, 8 valid votes were cast, including 8 votes in favor of the resolution, 0 votes against and 0 abstentions.

On 31 March 2016, the PKP CARGO S.A. Supervisory Board meeting was adjourned. During the break, representatives of HAYS Poland Sp. z o.o. pursuant to § 14 Sec. 2 of the Bylaws for Appointing Management Board Members in PKP CARGO S.A., handed over the following written documents:

- to Mr. Arkadiusz Olewnik, the decision of the PKP CARGO S.A. Supervisory Board on selecting him as the Candidate for the position of the PKP CARGO S.A. Management Board Member responsible for Finance,
- to Mr. Grzegorz Fingas, the decision of the PKP CARGO S.A. Supervisory Board on selecting him as the Candidate for the position of the PKP CARGO S.A. Management Board Member responsible for Trade,
- to Mr. Jarosław Klasa, the decision of the PKP CARGO S.A. Supervisory Board on selecting him as the Candidate for the position of the PKP CARGO S.A. Management Board Member responsible for Operations.

On the same day all three Candidates accepted their appointment to the positions.

After the break, the PKP CARGO S.A. Supervisory Board adopted the following Resolutions by secret ballot:

- Resolution No. 1570/V/2016 adopted by the PKP CARGO S.A. Supervisory Board on 31 March 2016 on appointing Mr. Arkadiusz Olewnik to the position of Management Board Management Board Member responsible for Finance for the term of office within the meaning of § 27 Sec. 5 of the PKP CARGO S.A. Articles of Association. In the vote, 8 valid votes were cast, including 7 votes in favor of the resolution, 0 votes against and 1 abstention.
- Resolution No. 1571/V/2016 adopted by the PKP CARGO S.A. Supervisory Board on 31 March 2016 on appointing Mr. Arkadiusz Olewnik to the position of Management Board Management Board Member responsible for Finance for the next term of office. In the vote, 8 valid votes were cast, including 7 votes in favor of the resolution, 0 votes against and 1 abstention.
- Resolution No. 1572/V/2016 adopted by the PKP CARGO S.A. Supervisory Board on 31 March 2016 on appointing Mr. Jarosław Klasa to the position of Management Board Management Board Member responsible for Operations for the term of office within the meaning of § 27 Sec. 5 of the PKP CARGO S.A. Articles of Association. In the vote, 8 valid votes were cast, including 8 votes in favor of the resolution, 0 votes against and 0 abstentions.
- Resolution No. 1573/V/2016 adopted by the PKP CARGO S.A. Supervisory Board on 31 March 2016 on appointing Mr. Jarosław Klasa to the position of Management Board Management Board Member responsible for Operations for the next term of office. In the vote, 8 valid votes were cast, including 8 votes in favor of the resolution, 0 votes against and 0 abstentions.
- Resolution No. 1574/V/2016 adopted by the PKP CARGO S.A. Supervisory Board on 31 March 2016 on appointing Mr. Grzegorz Fingas to the position of Management Board Management Board Member responsible for Trade for the term of office within the meaning of § 27 Sec. 5 of the PKP CARGO S.A. Articles of Association. In the vote, 8 valid votes were cast, including 8 votes in favor of the resolution, 0 votes against and 0 abstentions.

- Resolution No. 1575/V/2016 adopted by the PKP CARGO S.A. Supervisory Board on 31 March 2016 on appointing Mr. Grzegorz Fingas to the position of Management Board Management Board Member responsible for Trade for the next term of office. In the vote, 8 valid votes were cast, including 8 votes in favor of the resolution, 0 votes against and 0 abstentions.

The documents of the Candidates who have not been selected in the recruitment procedure for the positions of Management Board Member responsible for Finance, Management Board Member responsible for Operations and Management Board Member responsible for Trade, and the Candidates whose applications have not been reviewed due to failure to meet formal criteria, will be returned to the Candidates by the representatives of HAYS Poland Sp. z o.o. by registered mail, together with information about closing the recruitment procedure.

On behalf of the Recruitment Consultant

HAYS Poland:

Agnieszka Czarnecka – Manager HR Consultancy

Piotr Chojnacki – HR Consultant, Employee Testing and Training Leader

On behalf of the Nomination Committee:

Mr. Stanisław Knaflewski – Chairman of the Nomination Committee

Mr. Mirosław Pawłowski - Member of the Nomination Committee

Mr. Andrzej Wach - Member of the Nomination Committee

It is hereby represented that the recruitment procedure for the positions of Management Board Member responsible for Finance, Management Board Member responsible for Operations and Management Board Member responsible for Trade has been conducted in accordance with the Management Board Member appointment procedure, i.e. in accordance with the PKP CARGO S.A. Articles of Association and the Bylaws for Appointing Management Board Members in PKP CARGO S.A.

On behalf of the Nomination Committee:

Mr. Stanisław Knaflewski – Chairman of the Nomination Committee

Mr. Mirosław Pawłowski – Member of the Nomination Committee

Mr. Andrzej Wach – Member of the Nomination Committee