

Warsaw, 21 September 2020

Recommendation for the Shareholder Meeting of PKP CARGO S.A. on the selection of an audit firm to audit the annual standalone financial statements of PKP CARGO S.A. and the consolidated financial statements of the PKP CARGO Group for 2021-2025 and to review the condensed interim financial statements of PKP CARGO S.A. and the condensed interim consolidated financial statements of the PKP CARGO Group in 2021-2025

Acting pursuant to Article 130(1)(8) of the Act on Statutory Auditors, Audit Firms and Public Oversight and section 2 of the "Policy for the selection of an audit firm to audit the standalone financial statements of PKP CARGO S.A. and the consolidated financial statements of the PKP CARGO Group" in conjunction with §12(2)(5) of the Articles of Association of PKP CARGO S.A. and item 1 of the "Policy for the selection of an audit firm to audit standalone financial statements of PKP CARGO S.A. and consolidated financial statements of the PKP CARGO Group", the Audit Committee of the PKP CARGO S.A. Supervisory Board hereby presents the following.

1. Having completed the procurement procedure in compliance with the applicable "Procedure for the selection of an audit firm to audit the standalone financial statements of PKP CARGO S.A. and the consolidated financial statements of the PKP CARGO Group" adopted by Resolution No. 9/2019 of the Audit Committee of the PKP CARGO S.A. Supervisory Board on 15 April 2019 (hereinafter: "Procedure"), the Audit Committee resolves to present to the Shareholder Meeting of PKP CARGO S.A. the following entities:
 - 1) Grant Thornton Frąckowiak spółka z ograniczoną odpowiedzialnością sp.k. with its registered office in Poznań, entered in the list of audit firms kept by the National Board of Statutory Auditors under file no. 3654, NIP: 778-14-76-013 (hereinafter: "Grant Thornton Frąckowiak");
 - 2) PKF Consult spółka z ograniczoną odpowiedzialnością sp.k. with its registered office in Warsaw, entered in the list of audit firms kept by the National Board of Statutory Auditors under file no. 477, NIP: 521-052-77-10 (hereinafter: "PKF Consult");

as candidates for an audit firm for PKP CARGO S.A. to audit:

- 1) audit:
 - a) standalone financial statements of PKP CARGO S.A. for 2021-2025;
 - b) consolidated financial statements of the PKP CARGO Group for 2021-2025;
 - 2) review interim condensed:
 - a) standalone financial statements of PKP CARGO S.A. in 2021-2025;
 - b) consolidated financial statements of the PKP CARGO Group in 2021-2025.
2. It is recommended that one of the following entities be selected as the audit firm for PKP CARGO S.A.:
- a) Grant Thornton Frąckowiak; or
 - b) PKF Consult;

at the same time, the Audit Committee of the PKP CARGO S.A. Supervisory Board specifies the audit firm Grant Thornton Frąckowiak as its preferred candidate for the auditor, as its proposal was evaluated the highest during the procurement procedure.

3. The Audit Committee hereby declares that the above recommendation is free from any third party influence and that PKP CARGO S.A. has not entered into any agreements containing clauses that would confine the Shareholder Meeting's selection of an audit firm to certain categories or lists of audit firms.

Justification

The procurement procedure was carried out within the PKP S.A. procurement group led by PKP S.A. in accordance with sec. 3 of the Procedure in conjunction with sec. 1 of the "Policy for the selection of an audit firm to audit the standalone financial statements of PKP CARGO S.A. and the consolidated financial statements of the PKP CARGO Group" and Resolution No. 15/2019 of the Audit Committee of the PKP CARGO S.A. Supervisory Board of 9 September 2019.

The tender commission, appointed by PKP S.A. to conduct the procurement procedure (hereinafter: "Tender Commission"), included the following representatives of the Audit Committee of the of PKP CARGO S.A. Supervisory Board:

- Mr. Dariusz Górski,
- Ms. Małgorzata Kryszkiewicz until 24 July 2020.

The whole process of selection of audit firms for recommendation to the Shareholder Meeting of PKP CARGO S.A., including the "Request for Proposals" developed during the procurement procedure (hereinafter: „RFP”) complied with the requirements of: (i) the Act on Statutory Auditors, Audit Firms and Public Oversight of 11 May 2017 (consolidated text of 15 July 2020: Journal of Laws of 2020 item 1415, as amended), (ii) the Procedure, and (iii) Resolution No. 1/2020 of the Audit Committee of the PKP CARGO SA Supervisory Board of 30 January 2020.

The RFP included, without limitation:

- description of the business of PKP CARGO S.A. and the PKP CARGO Group,
- detailed scope of work to be performed by the statutory auditor,
- selection criteria (60% for the price of the service, 10% for the number of working hours of statutory auditors, 30% for the experience of the audit firm),
- quality requirements for the audit firm – experience in auditing financial statements of rail sector companies, standalone and consolidated financial statements of stock exchange-listed companies, consolidated financial statements of corporate groups with foreign subsidiaries, minimum number of employed auditors in Poland, the Czech Republic and Hungary, minimum number of persons with ACCA qualifications,
- requirement to be entered in the list of audit firms,
- requirement to be covered by third party liability insurance,
- requirements regarding the composition of the team dedicated to reviewing and auditing financial statements.

On 3 February 2020, the RFP was sent to more than a dozen of the largest audit firms in Poland. The time limit for the audit firms to submit their proposals was 14 February 2020. The Tender Commission examined the bids for completeness and compliance with the formal requirements contained in the „Request for Proposals”. As a result of the verification, no bidders were excluded from the tender. As a consequence of the procedure and the ensuing price negotiations, the Tender Committee recommended the selection of the best bid submitted by Grant Thornton Frąckowiak.

In accordance with the Procedure in place at PKP CARGO S.A., prior to recommending the selection of Grant Thornton Frąckowiak and PKF Consult, the Audit Committee of the PKP CARGO S.A. Supervisory Board took into account, without limitation, the specific needs of the PKP CARGO Group as a public interest entity, including the international nature of its business, and the result of the group procurement procedure.

Audit Committee of the PKP CARGO S.A. Supervisory Board:

1. Dariusz Górski – Chairman of the Supervisory Board's Audit Committee
2. Zofia Dzik – Member of the Supervisory Board's Audit Committee
3. Władysław Szczepkowski – Member of the Supervisory Board's Audit Committee