

**Resolution no. 1327/V/2014
of the Supervisory Board of PKP CARGO S.A.
of 24 April 2014**

on:

accepting the report of the Supervisory Board of PKP CARGO S.A. on the assessment of the PKP CARGO S.A. Financial Statements for the business year of 2013, report of the Management Board on the PKP CARGO S.A. operations in 2013, Consolidated Financial Statements of the PKP CARGO Capital Group for the business year of 2013, report of the Management Board on the operations of the PKP CARGO Capital Group in 2013, proposal of the Management Board to divide the net profit generated by PKP CARGO S.A. in the business year of 2013 and assessment of the situation of PKP CARGO S.A., taking into account the assessment of the internal control system and risk management system crucial for the Company.

The Supervisory Board of PKP CARGO S.A., acting under Art. 382 § 3 of the Code of Commercial Companies and Partnerships and § 19(2)(1) of the Regulations of the Supervisory Board of PKP CARGO S.A., resolves the following:

§ 1

1. Approves the report of the Supervisory Board of PKP CARGO S.A. on the assessment of the PKP CARGO S.A. Financial Statements for the business year of 2013, report of the Management Board on the PKP CARGO S.A. operations in 2013, Consolidated Financial Statements of the PKP CARGO Capital Group for the business year of 2013, report of the Management Board on the operations of the PKP CARGO Capital Group in 2013, proposal of the Management Board to divide the net profit generated by PKP CARGO S.A. in the business year of 2013 and assessment of the situation of PKP CARGO S.A., taking into account the assessment of the internal control system and risk management system crucial for the Company.
2. The report of the Supervisory Board in sec. 1 is an attachment hereto.

§ 2

This resolution shall become effective upon adoption.

The voting was an open vote.

List of the members of the Supervisory Board of PKP CARGO S.A. participating in the vote: 10

Votes in favour: 10

Votes against: 0

Votes abstained: 0

Chairman of the Supervisory Board
Jakub Karnowski

Report of the Supervisory Board of PKP CARGO S.A. on the assessment of the PKP CARGO S.A. Financial Statements for the business year of 2013, report of the Management Board on the PKP CARGO S.A. operations in 2013, Consolidated Financial Statements of the PKP CARGO Capital Group for the business year of 2013, report of the Management Board on the operations of the PKP CARGO Capital Group in 2013, proposal of the Management Board to divide the net profit generated by PKP CARGO S.A. in the business year of 2013 and assessment of the situation of PKP CARGO S.A., taking into account the assessment of the internal control system and risk management system crucial for the Company

Under Art. 382 § 3 of the Code of Commercial Companies and Partnerships, the Supervisory Board of PKP CARGO S.A., having considered:

- 1) Financial Statements of PKP CARGO S.A. ("**Company**") for the business year of 2013 ("**Financial Statements**") comprising:
 - Total Income Statement for the period from 1 January 2013 to 31 December 2013,
 - Statement of Financial Position as at 31 December 2013,
 - Statement of Changes in Equity from 1 January 2013 to 31 December 2013,
 - Cash Flow Statement for the period from 1 January 2013 to 31 December 2013,
 - Explanatory notes;
- 2) Report of the Management Board on the Company's operations in 2013,
- 3) Consolidated financial statements of the PKP CARGO Capital Group ("**PKP CARGO Group**") for the business year of 2013 ("**Consolidated Financial Statements**"), comprising:
 - Consolidated Total Income Statement for the period from 1 January 2013 to 31 December 2013,
 - Consolidated Statement of Financial Position as at 31 December 2013,
 - Consolidated Statement of Changes in Equity from 1 January 2013 to 31 December 2013,
 - Consolidated Cash Flow Statement for the period from 1 January 2013 to 31 December 2013,
 - Explanatory notes;
- 4) Report of the Management Board on the PKP CARGO Group's operations in 2013,

ascertains the following:

1. By way of Resolution no. 1272/V/2013 of the Supervisory Board of PKP CARGO S.A. of 17 December 2013, an auditing company KPMG Audyt Sp. z o.o. Sp. k. with its registered office in Warsaw, entered into the list (maintained by the National Council of Statutory Auditors – Krajowa Rada Biegłych Rewidentów) of entities authorised to audit financial statements under no. 3546, was appointed as a statutory auditor to audit the Financial Statements and Consolidated Financial Statements.

On behalf of the authorised entity the financial statements were audited under supervision of a key statutory auditor – Monika Bartoszewicz (reg. no. 10268).

2. The Financial Statements and Consolidated Financial Statements were developed according to the International Standards of Accounting and Reporting as approved by the European Union.

3. Having analysed the Financial Statements, the Supervisory Board found that the listed components of the Financial Statements are compliant with the International Standards of Accounting and Reporting (as approved by the European Union), laws in force and the Company's Articles of Association. The Company also made relevant modifications of the Financial Statements as required by "The Guidelines for developing financial statements for 2013 for the companies of the PKP Group and the companies in which PKP S.A. holds majority of votes at the Meeting of Shareholders/AGM ("**Guidelines**")" adopted by the Management Board of PKP S.A. for the purpose of developing consolidated financial statements of the PKP Group, by adopting a consolidation package and handing it over to the shareholder PKP S.A.

The Company's financial situation is reflected in the data in the Financial Statements documents:

- Total Income Statement for the period from 1 January 2013 to 31 December 2013 disclosing a net profit of PLN 94,083,000 and total revenue of PLN 107,521,000,
- Statement of Financial Position as at 31 December 2013, disclosing total assets and liabilities amounting to PLN 5,394,671,000,
- Statement of Changes in Equity from 1 January 2013 to 31 December 2013, disclosing an increase in equity of PLN 324,467,000,
- Cash Flow Statement for the period from 1 January 2013 to 31 December 2013, disclosing an increase in cash of PLN 134,388,000.

The opinion of the statutory auditor states that the Financial Statements in all their relevant aspects:

- present the Company's financial and economic position as at 31 December 2013, as well as its financial result and cash flows for the business year ending on that day, in a reliable and transparent manner,
- were developed, in all relevant aspects, in compliance with the Standards

- of Accounting and Reporting as approved by the European Union,
- are compliant with the rules of law and stipulations of the Company's Articles of Association that affect the contents of the Financial Statements,
- were based on properly maintained accounting books in all relevant aspects.

In the opinion of the statutory auditor, the report of the Management Board on the Company's operations in 2013 ("**Report on the Company's Operations**") takes into account in all relevant aspects the information referred to in Art. 49 of the Act of 29 September 1994 on accounting (i.e. Dz. U. – Journal of Laws of 2009, No. 152 item 1223 as amended) and in the Regulation of the Minister of Finance of 19 February 2009 on current and periodic information provided by issuers of securities and on conditions under which information required by legal regulations of a third country may be recognised as equivalent (Dz. U. – Journal of Laws of 2009, No. 33 item 259 as amended) and is compliant with the information in the Financial Statements.

The Supervisory Boards ascertains that the Financial Statements are compliant with the accounting books and documents as well as facts.

4. With respect to the Consolidated Financial Statements the Supervisory Board represents that the listed components of the Consolidated Financial Statements were developed according to the International Standards of Accounting and Reporting as approved by the European Union, regulations of law and the Company's Articles of Association.

The PKP CARGO Group's financial situation is reflected in the data in the Consolidated Financial Statements documents, including:

- Consolidated Total Income Statement for the period from 1 January 2013 to 31 December 2013 disclosing a net profit of PLN 65,387,000 and total revenue of PLN 78,387,000,
- Consolidated Statement of Financial Position as at 31 December 2013, disclosing total assets and liabilities amounting to PLN 5,743,616,000,
- Consolidated Statement of Changes in Equity from 1 January 2013 to 31 December 2013, disclosing an increase in equity of PLN 294,222,000,
- Consolidated Cash Flow Statement for the period from 1 January 2013 to 31 December 2013, disclosing an increase in cash of PLN 75,692,000.

An opinion of the statutory auditor states that the Consolidated Financial Statements in all their relevant aspects:

- present the Company's financial and economic position as at 31 December 2013, as well as its financial result and cash flows for the business year ending on that day, in a reliable and transparent manner,
- were developed in all relevant aspects in compliance with the Standards of Accounting and Reporting as approved by the European Union,

- are compliant with the regulations of law and stipulations of the Company's Articles of Association that affect the contents of the Financial Statements,

In the opinion of the statutory auditor, the report of the Management Board on the operations of the PKP CARGO Group in 2013 ("**Report on the Group's Operations**") takes into account in all relevant aspects the information referred to in Art. 49 of the Act of 29 September 1994 on accounting (i.e. Dz. U. – Journal of Laws of 2009, No. 152 item 1223 as amended) and in the Regulation of the Minister of Finance of 19 February 2009 on current and periodic information provided by issuers of securities and on conditions under which information required by legal regulations of a third country may be recognised as equivalent (Dz. U. – Journal of Laws of 2009, No. 33 item 259 as amended) and is compliant with the information in the Consolidated Financial Statements.

The Supervisory Boards ascertain that the Consolidated Financial Statements are compliant with the accounting books and documents as well as facts.

5. When compared with the business year of 2012, in 2013 a decrease of PLN 329,900 was recorded (i.e. by 7.14%) in the operating revenue along with a decrease in operating expenses of PLN 113,507,000 (i.e. by 2.64%). The disproportion between the drop in the revenue and the drop in the costs is primarily a consequence of the increase in the costs of employment benefits brought about by, among others, the conclusion of Employees' Guarantee Package for the purpose of privatization.

In 2013, the Company recorded an operating profit of PLN 107,451,000 – lower by 66.82% than the operating profit in 2012, namely PLN 216,394,000.

In 2013 a decrease in long-term liabilities is noticeable – by PLN 212,186,000 (17.04%) as well as an increase in short-term liabilities by PLN 111,101,000 (12.51%).

An increase in the current assets by PLN 190,748,000 (20.53%) was recorded primarily due to an increase in cash and its equivalents by PLN 134,388,000 (141.69%).

In 2013, the Company's liquidity improved. The 3rd degree liquidity ratio (current) was 1.5 against 1.4 in 2012.

6. The Report on the Company's Operations was developed in a reliable way and is compliant with the regulations in force.

The data on the Company's operation results for the business year of 2013 disclosed in the Report on the Company's Operations are compliant with the data in the Financial Statements.

When comparing transport performed by the Company in 2013 with transport in 2012 the following observations were made:

- A 3.2 million tonne drop in total transport, i.e. by 3%, to the level of 113.4 million tonnes;
- A 332 million ntkm increase in transport performance, i.e. by 1%, to the level of 29,892,000 ntkm.

In 2013, employment at the Company decreased by 1,190 people.

7. The Report on the Group's Operations was developed in a reliable way and is compliant with the regulations in force.

The data on the Group's operation results for the business year of 2013 disclosed in the Report on the Group's Operations are compliant with the data in the Consolidated Financial Statements.

When comparing transport performed by the Capital Group in 2013 with transport in 2012 the following observations were made:

- A 2.3 million tonne drop in total transport, i.e. by 2%, to the level of 114.4 million tonnes;
- A 518 million ntkm increase in transport performance, i.e. by 2%, to the level of 30,085,000 ntkm.

In 2013, employment at the Capital Group decreased by 1,182 people.

8. The Management Board of PKP CARGO S.A. made a proposal to divide the net profit of PLN 94,083,000 disclosed in the Total Income Statement for the period from 1 January 2013 to 31 December 2013 in the following way:

- in compliance with the Policy on dividend payment, to earmark 50% of the net profit disclosed in the Consolidated Statement of Total Income for the period from 1 January 2013 to 31 December 2013, namely the amount of PLN 32,693,000, for dividend payment,
- to earmark the amount of PLN 61,390,000 for supplementary capital.

The proposed profit distribution is compliant with the Guidelines.

The Supervisory Board gives a positive opinion on the profit distribution method proposed by the Management Board of the Company.

9. Report on the assessment of the Company situation taking into account the assessment of the internal control system and risk management system crucial for the Company

The Supervisory Board, having analysed the Report on the Company's Operations and the Report on the Group's Operations, positively evaluates the restructuring process continued in 2013 in the Company and the PKP CARGO Group as well as the process of rebuilding their market position, despite the fact that the financial results are worse than in the preceding year. In the opinion of the Supervisory Board, the current situation of the Company and the PKP CARGO Group provides a solid basis for obtaining positive results in 2014 and subsequent years. Nevertheless, considering the increasingly fiercer competition, the commenced processes need to be continued. In the opinion of the Supervisory Board, it is necessary to carry on the actions aiming at maintaining the market position of the Company and PKP CARGO Group, acquiring new transport services and recovering the lost transport services, as well as adhering to the directions that have been selected in the implementation of thorough changes in the functioning of the Company and PKP CARGO Group to lower their operating costs and improve their competitive edge on the market.

The internal control system at the Company in 2013 was based on the Office of Safety and Audit. In the course of 2013, the Audit Department was established within the Office. As part of reinforcing the function of internal audit, the Management Board adopted "The Regulations of audits in PKP CARGO S.A." along with an attachment entitled "The Auditor's Ethics Code". Internal audits at the Company follow the annual audit plan prepared on the basis of a risk analysis. At the level of the Supervisory Board the functioning of audit and internal control was supervised by the Audit Committee of the Supervisory Board. As a result of changes in the Articles of Association following the Company's floatation, the Audit Committee comprised three members of the Supervisory Board, including two who met the independence criteria. The tasks of the Audit Committee in 2013 included: (1) overseeing the organisational unit involved in internal audits; (2) monitoring the process of financial reporting; (3) monitoring of effectiveness of the internal control, internal audit and risk management systems; (4) monitoring the performance of financial review; (5) monitoring the independence of a statutory auditor and an entity authorised to audit financial statements, including rendering services to the Company other than financial review; (6) recommending to the Supervisory Board an entity authorised to audit financial statements to perform the Company's financial review. The Audit Committee, after each meeting, communicated to the Supervisory Board information about the issues tackled along with minutes from the Committee meeting. Another competence of the Supervisory Board with respect to overseeing the area of audit and internal control is adopting an annual budget of the internal audit unit (the budget was adopted for the first time for 2014). Bearing in mind the information communicated by the Audit Committee and the Management Board of the Company, the Supervisory Board gives a positive opinion on the direction of changes introduced in the area of audit and internal control in compliance with the International Standards for the Professional Practicing of Internal Auditing.

In 2013, the Supervisory Board monitored in a continuous manner the risk factors relevant to the Company's business along with the risk management system. In the Report on the Company's Operations the Supervisory Board presented the following risk factors: (1) risk factors related to the macro-economic conditions, including correlating the Company's condition with economic growth and the macro-economic situation; (2) risk factors related to the Polish sector of railway freight transport, including railway infrastructure access charges, condition of railway infrastructure, large degree of market liberalisation and technical requirements for rolling stock; (3) risk factors related to the Company's business activity, including dependence on key clients, limited possibility for development through takeovers, dominant market position of the Company, wage pressure, generation changes, obsolete rolling stock and a risk of increase in energy and fuel prices; (4) risk related to legal disputes to which the Company is a party; (5) financial risks, including liquidity risk, market risk (currency, interest rate), and credit risk. To create a basis for proper functioning of the risk management system the Management Board adopted "The Risk Management Policy at PKP CARGO S.A.". In the opinion of the Supervisory Board, the Management Board correctly identifies the risks crucial for the Company's business and manages them effectively.

10. The Supervisory Board gives a positive opinion on:

- 1) Financial Statements,
- 2) Consolidated Financial Statements,
- 3) Report on the Company's Operations,
- 4) Report on the Capital Group's Operations,
- 5) proposal of the Management Board to divide the net profit generated by the Company in the business year of 2013,
- 6) the Company's situation, including the internal control system and risk management system crucial for the Company