

Resolution No. 1763/VI/2018
adopted by the PKP CARGO S.A. Supervisory Board
on 2 May 2018

on: **issuing an opinion on the PKP CARGO S.A. Management Board Report on representation expenditures, and expenditures on legal services, marketing services, public relations and social communication services and management consulting services in 2017.**

Pursuant to Article 25 Section 3 Item 22 in connection with § 17 Section 2 of the Company's Articles of Association and § 19 Section 2 Item 2 of the PKP CARGO S.A. Supervisory Board Bylaws, the PKP CARGO S.A. Supervisory Board hereby resolves as follows:

§ 1

1. The PKP CARGO S.A. Supervisory Board hereby issues a positive opinion on the PKP CARGO S.A. Management Board Report on representation expenditures, and expenditures on legal services, marketing services, public relations and social communication services and management consulting services in 2017.
2. The activity report of the PKP CARGO S.A. Management Board referred to in Section 1 forms an attachment to this Resolution.

§ 2

This Resolution shall come into force on the day of its adoption.

The vote was taken by open ballot.

Number of the PKP CARGO S.A. Supervisory Board members who participated in the voting: 8

Number of votes in favor: 8

Number of votes against: 0

Number of votes abstaining: 0


PRZEWODNICZĄCY
Rady Nadzorczej PKP CARGO S.A.
Krzysztof Mamiński

The PKP CARGO S.A. Management Board Report on representation expenditures, and expenditures on legal services, marketing services, public relations and social communication services and management consulting services in 2017

1. Introduction

The Report has been prepared on the basis of § 17 Section 2 of the PKP CARGO S.A. ("Company") Articles of Association.

In addition, pursuant to § 25 Section 3 Item 19a) of the PKP CARGO S.A. Articles of Association, the Supervisory Board hereby gives consent to enter into an agreement on legal services, marketing services, public relations and social communication services and management consulting services, if the total fee for the services exceeds PLN 500.00 thousand per annum.

This Report has been prepared in Polish zloty ("PLN") and all values are specified in PLN thousands.

2. Expenditures on legal services

	Year ended 31 December 2017 (PLN 000s)	Year ended 31 December 2016 (PLN 000s)	Share in 2017 revenues
Expenditures on legal services	6,170.27	6,303.69	0.17%

PKP CARGO S.A.'s expenditures on legal services were associated with provision of legal assistance and legal advisory services comprising in particular:

- current legal service,
- preparation of information, analyses, expert studies and legal opinions and clarifications regarding application of law,
- analyses and monitoring of changes in the laws,
- representation in administrative proceedings, in particular those conducted by the President of Office of Protection of Competition and Consumers, President of Office of Rail Transport, President of the Public Procurement Office and the Patent Office,
- representation in arbitration and court proceedings and proceedings before adjudicating bodies,
- representation of the interests in enforcement of receivables,
- preparation of investment projects executed in the Company and in the PKP CARGO Group.

3. Expenditures on management consulting services

	Year ended 31 December 2017 (PLN 000s)	Year ended 31 December 2016 (PLN 000s)	Share in 2017 revenues
Expenditures on management consulting services	5,217.56	3,016.67	0.15%

Expenditures on management consulting services comprised consulting for the Company, including consulting services pertaining to business, financial and similar analyses, business consulting, accounting and taxes, organization of the recruitment procedure for the positions of PKP CARGO S.A. Management Board members and consulting on strategic projects executed in the PKP CARGO Group.

4. Expenditures on marketing services, public relations and social communication services

	Year ended 31 December 2017 (PLN 000s)	Year ended 31 December 2016 (PLN 000s)	Share in 2017 revenues
Expenditures on marketing services, public relations and social communication services	4,020.183	3,928.44	0.11%

In 2017, PKP CARGO S.A. focused on pro-social activities consistent with the Company's mission and growth strategy and the values represented by the PKP CARGO S.A. brand. The priority in the activities undertaken by PKP CARGO S.A. was given to execution of long-term social programs aimed at strengthening the Company's position as a responsible partner, taking into account the stakeholders' expectations.

PKP CARGO S.A. undertook sponsoring activities consistent with the Brand Strategy to transfer the positive values associated with the sponsored entity to the image of the PKP CARGO S.A. brand and reaching a broad range of recipients through a cost-efficient communication channel. The criteria of effectiveness of the pro-social activities, including in particular sponsoring, executed by different legal entities, applied when making the decisions on getting involved in the given project included such factors as: brand awareness and image benefits, associating the company with projects having positive influence on the business and social environment, and upholding the positive relations with its stakeholders.

In PKP CARGO S.A., expenditures associated with execution of individual sponsoring projects and pro-social and charitable activities are supervised by the Supervisory Board which assesses the rationality of the Company's policy in this respect.

5. Representation expenditures

	Year ended 31 December 2017 (PLN 000s)	Year ended 31 December 2016 (PLN 000s)	Share in 2017 revenues
Representation expenditures	1,508.31	1255.28	0.04%

The expenditures in this category were aimed at building positive relations with the company's environment.

6. Summary

The table below contains a statement of the expenditures presented in the report:

	Year ended 31 December 2017 (PLN 000s)	Year ended 31 December 2016 (PLN 000s)	Share in 2017 revenues
Expenditures on legal services	6170.27	6,303.69	0.17%
Expenditures on management consulting services	5,217.56	3,016.67	0.15%
Expenditures on marketing services, public relations and social communication services	4,020.18	3,928.44	0.11%
Representation expenditures	1,508.31	1,255.28	0.04%
	16,916.31	14,504.09	0.47%