

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 2019-2020 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 2019-2020

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)(8) of the Articles of Association of PKP CARGO S.A., the Audit Committee of the Supervisory Board of PKP CARGO S.A. with its registered office in Warsaw 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 hereby presents to the Shareholder Meeting a candidate for an audit firm for PKP CARGO S.A. to perform the following activities:
 - 1) audit:
 - a) standalone financial statements of PKP CARGO S.A. for 2019-2020;
 - b) consolidated financial statements of the PKP CARGO Group for 2019-2020;
 - 2) review interim condensed:
 - a) standalone financial statements of PKP CARGO S.A. in 2019-2020;
 - b) consolidated financial statements of the PKP CARGO Group in 2019-2020; the said candidate being:
 - 1) BDO spółka z ograniczoną odpowiedzialnością sp.k.
2. The Audit Committee recommends that the agreement be extended with BDO spółka z ograniczoną odpowiedzialnością sp.k. with its registered office in Warsaw, entered by the National Board of Statutory Auditors in the list of audit firms under file no. 3355, taxpayer identification no. NIP: 108-000-42-12 (hereinafter: "BDO"), to perform the following activities:
 - 1) audit:
 - a) standalone financial statements of PKP CARGO S.A. for 2019-2020;
 - b) consolidated financial statements of the PKP CARGO Group for 2019-2020;
 - 2) review interim condensed:
 - a) standalone financial statements of PKP CARGO S.A. in 2019-2020;
 - b) consolidated financial statements of the PKP CARGO Group in 2019-2020.
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 compliance with section 3 of the Procedure. The Tender Commission included the following representatives of the Audit Committee of the of PKP CARGO S.A. Supervisory Board:

- Mr. Raimondo Eggink,
- Ms. Małgorzata Kryszkiewicz.

The “Request for Proposals” developed during the procurement procedure (hereinafter: „RFP”) complied with the requirements of the Act on Statutory Auditors, Audit Firms and Public Oversight of 11 May 2017 (Journal of Laws of 2017 Item 1089, as amended) and the Procedures, and included, without limitation, the following elements:

- 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 14 May 2019, the RFP was sent to 11 audit firms from the 2017 top 10 list of audit firms published by the “Rzeczpospolita” daily. The audit firms were requested to submit their bids by 20 May 2019. The Tender Commission examined the bids for completeness and compliance with the formal requirements contained in the „Request for Proposals”. As a result of this verification, it was found that the formal criteria were satisfied in compliance with the said conditions. As a result of the procedure and the ensuing price negotiations, the Tender Committee recommended the selection of the best bid submitted by BDO spółka z ograniczoną odpowiedzialnością sp.k.

In recommending the selection of BDO spółka z ograniczoną odpowiedzialnością sp.k., 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, the result of the group procurement procedure and previous cooperation with the bidder.

Moreover, 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.

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

1. Raimondo Eggink – Chairman of the Supervisory Board’s Audit Committee *[signed]*
2. Zofia Dzik – Member of the Supervisory Board’s Audit Committee *[signed]*
3. Małgorzata Kryszkiewicz – Member of the Supervisory Board’s Audit Committee *[signed]*