

**ARTICLES OF ASSOCIATION (STATUT)
OF PKP CARGO SPÓŁKA AKCYJNA (a joint-stock company)**

I. GENERAL PROVISIONS

§ 1

1. The founder of the Company is Polskie Koleje Państwowe S.A. (hereinafter: "PKP S.A.").
2. The Company has been established for an unspecified duration.
3. The Company shall operate under the name of: PKP CARGO Spółka Akcyjna and may use the abbreviated form of its name: PKP CARGO S.A.
4. The Company may use its distinctive logo.
5. The Company's registered office shall be in Warsaw.

§ 2

The Company operates based on the Commercial Companies Code, the Act on PKP's Commercialisation, Restructuring and Privatisation, these Articles of Association, and other relevant provision of law.

§ 3

1. The Company shall operate within the territory of the Republic of Poland and abroad.
2. Within the scope of its business the Company may create branches, affiliate offices, representative offices, establishments, enterprises, other business units, it may participate in other business entities in the Republic of Poland and abroad, it may establish other Polish and foreign companies, and it may join other companies.

§ 4

The Company may issue bonds, including those convertible into shares and bonds with preemptive rights.

II. SCOPE OF ACTIVITIES

§ 5

1. The scope of the Company's activities shall comprise:
 - 1) Activities related to transportation and warehousing, including:
 - a) Passenger rail transport, interurban (PKD – 49.10.Z);
 - b) Freight rail transport (PKD – 49.20.Z);
 - c) Warehousing and storage of fuels gases (PKD – 52.10.A);
 - d) Warehousing and storage of other goods (PKD – 52.10.B);
 - e) Service activities incidental to land transportation (PKD – 52.21.Z);
 - f) Cargo handling at other handling terminals (PKD – 52.24.C);

- g) Activities of other transportation agencies (PKD – 52.29.C).
- 2) Wholesale and retail trade and repair of motor vehicles, excluding motorcycles, including:
 - a) Maintenance and repair of motor vehicles, excluding motorcycles (PKD – 45.20.Z);
 - b) Wholesale trade of motor vehicle parts and accessories, excluding motorcycles (PKD – 45.31.Z);
 - c) Retail trade of motor vehicle parts and accessories, excluding motorcycles (PKD – 45.32.Z);
 - d) Wholesale of other machinery and equipment (PKD – 46.69.Z);
 - e) Wholesale of fuels and related products (PKD – 46.71.Z);
 - f) Wholesale of waste and scrap (PKD – 46.77.Z);
 - g) Non-specialised wholesale trade (PKD – 46.90.Z);
 - h) Retail sale of automotive fuel at fuel stations (PKD – 47.30.Z);
 - i) Retail sale of carpets, rugs, wall and floor coverings in specialised stores (PKD – 47.53.Z);
 - j) Retail sale of books in specialised stores (PKD – 47.61.Z);
 - k) Retail sale of newspapers and stationery in specialised stores (PKD – 47.62.Z);
 - l) Retail sale of flowers, plants, seeds, fertilisers, pet animals and pet food in specialised stores (PKD – 47.76.Z);
 - m) Other retail sale of new goods in specialised stores (PKD – 47.78.Z);
 - n) Retail sale of second-hand goods in stores (PKD – 47.79.Z);
 - o) Retail sale via mail order houses or via Internet (PKD – 47.91.Z);
 - p) Other retail sale not in stores, stalls or markets (PKD – 47.99.Z).
- 3) Professional, scientific and technical activities, including:
 - a) Testing and analyses connected with food quality (PKD – 71.20.A);
 - b) Other technical testing and analysis (PKD – 71.20.B);
 - c) Research and experimental development on biotechnology (PKD – 72.11.Z);
 - d) Other research and experimental development with regard to natural sciences and engineering (PKD – 72.19.Z);
 - e) Advertising agency work (PKD – 73.11.Z);
 - f) Intermediation in the sale of time and space for advertising purposes in radio and television (PKD – 73.12.A);
 - g) Intermediation in the sale of space for advertising purposes in printed media (PKD – 73.12.B);
 - h) Intermediation in the sale of time and space for advertising purposes in electronic media (the Internet) (PKD – 73.12.C);

- i) Intermediation in the sale of time and place for advertising purposes in other media (PKD – 73.12.D);
 - j) Other professional, scientific and technical activities n.e.c. (PKD – 74.90.Z).
- 4) Activities related to construction, including:
- a) Development of building projects related to the construction of buildings (PKD – 41.10.Z);
 - b) Construction of roads and motorways (PKD – 42.11.Z);
 - c) Construction of railways and underground railways (PKD – 42.12.Z);
 - d) Construction of bridges and tunnels (PKD – 42.13.Z);
 - e) Construction of pipeline transmission and distribution networks (PKD – 42.21.Z);
 - f) Construction of telecommunications and electricity lines (PKD – 42.22.Z);
 - g) Construction of water projects (PKD – 42.91.Z);
 - h) Construction of other civil engineering projects n.e.c. (PKD – 42.99.Z).
- 5) Activities connected with real estate markets, including:
- a) Buying and selling of own real estate (PKD – 68.10.Z);
 - b) Renting and operating of own or leased real estate (PKD – 68.20.Z);
 - c) Management of real estate on a fee or contract basis (PKD – 68.32.Z).
- 6) Administration services and ancillary activities, including:
- a) Renting and leasing of other motor vehicles, excluding motorcycles (PKD – 77.12.Z);
 - b) Renting and leasing of other machinery, equipment and tangible goods n.e.c. (PKD – 77.39.Z);
 - c) Ancillary activities connected with maintaining order in buildings (PKD – 81.10.Z).
- 7) Activities connected with accommodation and food services, including:
- a) Hotels and similar accommodation (PKD – 55.10.Z);
 - b) Holiday and other short-stay accommodation (PKD – 55.20.Z);
 - c) Other accommodation (PKD – 55.90.Z);
 - d) Restaurants and permanent food service establishments (PKD – 56.10.A).
- 8) Activities connected with culture, entertainment and recreation, including:
- a) Museum activities (PKD – 91.02.Z);
 - b) Operation of historical sites and buildings and similar visitor attractions (PKD – 91.03.Z).
- 9) Other activities, including:

- a) Repair and maintenance of other transport equipment (PKD – 33.17.Z);
- b) Production and supply of steam, hot water and air to air conditioning (PKD – 35.30.Z);
- c) Other monetary intermediation (PKD – 64.19.Z);
- d) Other education n.e.c. (PKD – 85.59.B).

All activities related to the activities listed above.

- 2. An amendment to these Articles of Association consisting of a material change to the scope of the Company's activities (Art. 416 § 1 of the Commercial Companies Code) shall not require a buyout of the shares held by the shareholders that do not consent to such change if a resolution of the General Meeting in respect of such matter has been adopted by a two-thirds majority of votes in the presence of individuals representing at least half of the share capital.
- 3. Should the applicable laws require that a special permit or licence have to be obtained from the appropriate public or self-government administrative authorities for the Company to conduct a specific activity within the Company's enterprise, the Company shall not commence such activity prior to obtaining such permit or licence.
- 4. The Company performs tasks related to the universal defence obligation and civil defence (the Act on Universal Obligation to Defend the Republic of Poland dated 21 November 1967 – Journal of Laws of 2012, item 461, as amended). The co-ordination of tasks carried out by the Company with respect to the universal defence obligation is under the direction of the President of the Management Board of PKP S.A. The performance and financing by the Company of the tasks related to the universal defence obligation shall be subject to the terms and conditions set out in separate provisions.

III.SHARE CAPITAL

§ 6

Share capital

- 1. The Company's share capital amounts to PLN 2,166,900,750 (two billion, one hundred and sixty-six million, nine hundred thousand, seven hundred and fifty zloty) and is divided into:
 - 1) 43,338,000 (forty-three million, three hundred and thirty-eight thousand) ordinary bearer series A shares with a nominal value of PLN 50 (fifty) each; and
 - 2) 15 (fifteen) ordinary registered series B shares with a nominal value of PLN 50 (fifty) each.
- 2. The share capital was fully paid up prior to the registration of the Company.
- 3. The shares in the Company are ordinary shares.
- 4. Bearer shares may not be converted into registered shares.
- 5. The ordinary registered series B shares referred to in section 1.2 above will be converted into ordinary bearer shares on the day of their dematerialisation within the meaning of the Act on Trading in Financial Instruments.

§ 7
Reserve capitals

The Company may create reserve capitals pursuant to a resolution of the Management Board.

§ 8
Redemption of shares

1. Shares in the Company may be redeemed pursuant to a resolution of the General Meeting and with the consent of the shareholder whose shares are to be redeemed (voluntary redemption).
2. A shareholder whose shares have been redeemed is entitled to compensation. Upon the consent of the given shareholder, shares may be redeemed without compensation therefor.
3. Redemption of shares will require a decrease of the share capital.

IV. COMPANY AUTHORITIES

§ 9

The corporate authorities of the Company are:

- 1) the General Meeting;
- 2) the Management Board; and
- 3) the Supervisory Board.

V. GENERAL MEETING

§ 10

1. The chairperson of the General Meeting is nominated in writing by the President of the Management Board. The so-nominated Chairperson of the General Meeting shall open the General Meeting. If the President of the Management Board does not nominate the Chairperson of the General Meeting before the time when the session is scheduled to begin, the provisions of Art. 409 §1 of the Commercial Companies Code shall apply.
2. The Extraordinary General Meeting may be convened by a shareholder whose share in the total number of votes in the Company exceeds 33%. In such case, the shareholder who convenes the Extraordinary General Meeting shall nominate the Chairperson of the General Meeting. The provisions of this section shall be without prejudice to Art. 400 §1 of the Commercial Companies Code.
3. General Meetings may be held at the Company's registered office in Warsaw.
4. The General Meeting shall be valid regardless of the number of shares represented thereat.
5. If the General Meeting convocation notice contains information that shareholders can participate in the General Meeting with the use of means of electronic communication, the Company shall be required to provide shareholders with the possibility of participating in the General Meeting via electronic communication.
6. Detailed rules governing the holding of General Meetings with the use of means of electronic communication shall be specified by the Management Board subject to the

provisions of the General Meeting by-laws. The Management Board shall announce these rules on the Company's website. The rules should provide for:

- 1) real-time broadcasting of the General Meeting;
 - 2) real-time bilateral communication where shareholders may take the floor during a General Meeting from a location other than that where the General Meeting is being held;
 - 3) that the shareholders may exercise their rights to vote during a General Meeting either in person or through a proxy from a location other than that where the General Meeting is being held.
7. General Meetings shall be attended by such number of Supervisory Board members and Management Board members so as to enable them to provide specific answers to any questions asked during the General Meeting.

§ 11

1. Resolutions of the General Meeting shall be adopted by an absolute majority of votes, unless applicable law or the terms of these articles of association provide more stringent requirements for the adoption of a relevant resolution.
2. Each share entitles its holder to one vote at the General Meeting.

§ 12

1. Resolutions of the General Meeting are required in matters specified in the Commercial Companies Code, other laws and the provisions of these Articles of Association.
2. Competencies of the General Meeting, apart from other matters reserved as such in the provisions of the Commercial Companies Code or other laws, include:
 - 1) appointing and dismissing the President of the Management Board and other members of the Management Board in the case referred to in § 14 section 2;
 - 2) appointing and dismissing Supervisory Board members, subject to the personal rights of PKP S.A. set out in § 19 section 2, section 9 sentence 1 and the rights enjoyed by the Company's employees set out in § 19 section 3 ;
 - 3) determining the remuneration due to members of the Management Board, as long as the share of PKP S.A. exceeds 50% of the share capital of the Company, and as long as mandatory rules of law so require; and
 - 4) adopting the by-laws of the General Meeting.
3. The acquisition and sale of real estate, the right of perpetual usufruct or a share in real estate shall not require a resolution of the General Meeting.

§ 13

1. Voting rights of shareholders who have in excess of 10% of the total number of votes in the Company shall be limited in that no such shareholder may exercise at the General Meeting more than 10% of the total number of the votes in the Company existing on the date of the General Meeting. The above limitation shall not apply for the purposes of determining the obligations of purchasers of significant blocks of shares as set forth in the Act on Public Offering.

2. The limitation on voting rights referred to in section 1 shall not apply to those shareholders who on the date on which the General Meeting resolution introducing the limitation referred to in section 1 are already entitled to exercise voting rights, including also as a usufructuary, attached to shares representing more than 10% of the total number of the votes existing in the Company, or to any other entity that will acquire the shares in the Company held by the shareholders referred to above in connection with the liquidation thereof.
3. For the purposes of the limitation on voting rights set out in section 1, votes of shareholders connected by a dominance or subsidiary relationship shall be added in accordance with the rules described below.
4. A shareholder within the meaning of section 1 is any person, and its dominant entity or a subsidiary, who is entitled, directly or indirectly, to exercise voting rights at the General Meeting based on any legal title whatsoever; this also applies to any person who does not own shares in the Company, in particular a usufructuary, a pledgee, the holder of a depositary receipt within the meaning of the Act on Trading in Financial Instruments, as well as a person entitled to participate in the General Meeting despite having disposed of their shares after the record date (the date on which the right to participate in the General Meeting is determined).
5. A dominant entity and a subsidiary, for the purposes of this paragraph, shall be understood as, respectively:
 - 1) one who meets the conditions set out in Art. 4 § 1 point 4) of the Commercial Companies Code; or
 - 2) one who has the status of a dominant undertaking, dependent undertaking or at the same time the status of a dominant undertaking or dependent undertaking within the meaning of the provisions of the Act on the Protection of Competition and Consumers; or
 - 3) having the status of a controlling entity, a higher-level controlling entity, a subsidiary entity, a lower-level subsidiary entity, a co-subsidiary entity or one at the same time having the status of controlling entity (including a higher-level controlling entity) and a subsidiary entity (including a lower-level subsidiary entity and a co-subsidiary entity) within the meaning of the provisions of the Accounting Act; or
 - 4) one which exerts (as a dominant entity) or on which (a subsidiary) a decisive influence is exerted within the meaning of the provisions of the Act on the Transparency of Financial Relationships; or
 - 5) one whose votes attached to the shares held, directly or indirectly, in the Company, are subject to accumulation with the votes of another person or other persons on the terms specified in the Act on Public Offering in connection with the holding, disposal or acquisition of significant blocks of shares in the Company.
6. Shareholders whose votes are subject to accumulation and reduction in accordance with the provisions of sections 3 to 7 shall collectively be referred to as a “Grouping”. An accumulation of votes involves the summing up of the votes held by the individual shareholders who are members of a Grouping. A reduction of votes involves a decrease of the total number of the votes in the Company held at the General Meeting

by shareholders who are members of a Grouping. Reduction of votes is effected as follows:

- 1) for each shareholder who is a member of a Grouping a percentage share is calculated for his shares in the accumulated number of votes held by the entire Grouping;
 - 2) the number of votes is calculated corresponding to 10% of the total number of the votes existing in the Company on the date of the General Meeting;
 - 3) for each shareholder the product of his percentage share referred to in point 1) and the amount of shares referred to in point 2) is calculated;
 - 4) the number of votes held by each of the shareholders who are members of the Grouping after the reduction is the result of the calculation from point 3) after being rounded up to an integral number of votes;
 - 5) the limitation on the exercise of voting rights also applies to shareholders who are absent from the General Meeting.
7. In order to determine the basis for the accumulation and reduction of votes, each shareholder of the Company, the Management Board, the Supervisory Board and the individual members of these bodies, as well as the Chairperson of the General Meeting, may demand that a shareholder of the Company who is subject to the voting rights limitation provides information as to whether he is, with respect to any other shareholder of the Company, a dominant entity or a subsidiary within the meaning of section 5.
8. In case of any doubt, the interpretation of the provisions on voting rights limitations shall be governed by Art. 65 § 2 of the Civil Code.

VI. THE MANAGEMENT BOARD

§ 14

1. The Management Board shall be composed of between one and five members, including the President of the Management Board, appointed for a joint three-year term of office.
2. As long as PKP S.A. has all the votes at the General Meeting, and as long as the mandatory rules of law so require, the President of the Management Board and the other members of the Management Board shall be appointed and dismissed by the General Meeting.
3. Subject to point 2) above, as long as the State Treasury, PKP S.A. or other state-owned legal entities hold less than 100% of the shares in the Company, the President of the Management Board and the other members of the Management Board shall be appointed and dismissed by the Supervisory Board on the terms and conditions specified in sections from 4 to 6 below.
4. In the case where the share of PKP S.A. is 50% or less of the share capital of the Company, PKP S.A. shall be authorized to exclusively nominate candidates for the position of the President of the Management Board. The personal right referred to in the preceding sentence shall be exercised by serving on the Chairperson of the Supervisory Board a written representation.

5. The Supervisory Board shall appoint one member of the Management Board from among the candidates presented by the Company's employees. Such a candidate must have an academic degree, at least five years' employment experience in the capital group of PKP and have no criminal record. The rules governing the elections of candidates for an employee representative in the Management Board shall be adopted by the Supervisory Board. The failure to elect an employee's representative to the Management Board shall not be an obstacle to the appointment of the Management Board or the adoption of binding resolutions thereby.
6. The members of the Management Board (including the President of the Management Board and the member of the Management Board referred to as section 5 above) shall be appointed after holding a qualification procedure, the terms and conditions of which shall be determined in the rules adopted by the Supervisory Board (the "**Rules for Appointing Management Board Members**") . The adoption of the Rules for Appointing Management Board Members and any amendments thereto require the consent of two members of the Supervisory Board meeting the independence criteria and appointed pursuant to the rules set forth in § 20 and § 21 below. The process of qualification, candidate assessment and appointment of members of the Management Board shall be organised and supervised by the nomination committee with the involvement of a professional executive search firm on the terms and conditions specified in the Rules for Appointing Management Board Members. The costs of holding the qualification procedure, including a fee payable to the executive search firm, shall be borne by the Company.
7. If any shareholder or any Grouping, within the meaning of § 13 section 6, reaches or exceeds a 33% share in the share capital of the Company, the Supervisory Board's resolution on dismissing or suspending the Management Board or a member of the Management Board shall require majority of 75% of the votes. The same 75% majority of the votes shall also be required for the General Meeting to adopt a resolution on dismissing or suspending the Management Board or a member of the Management Board.
8. The provisions of section 7 above shall not apply to a situation where the shareholder which has reached or exceeded the 33% share in the share capital of the Company is PKP S.A. or a Grouping of which PKP S.A. is a member.
9. The number of members of the Management Board shall be determined by the Supervisory Board.
10. The right referred to in section 5 above has been granted to the Company's employees pursuant to Art. 4 section 4 of the Act on PKP's Commercialisation, Restructuring and Privatisation and the Employee Guarantees Pact.

§ 15

If the Management Board consists of one member, the Company shall be represented by the President of the Management Board. If the Management Board consists of more than one member, the Company shall be represented by the President of the Management Board individually or by any two members of the Management Board acting jointly or by one member of the Management Board acting jointly with a registered proxy.

§ 16

1. The Management Board manages the affairs of the Company and represents it with regard to third parties.

2. The Management Board is entitled to manage all affairs of the Company which are not reserved for the General Meeting or for the Supervisory Board.
3. Affairs which fall within the ordinary course of business of the Company shall not require a resolution of the Management Board; however, the following matters shall require a Management Board resolution:
 - 1) the incurring of credits and loans;
 - 2) the establishment of mortgages and pledges and other security interests;
 - 3) the granting of guarantees or sureties by the Company;
 - 4) the issuance, guaranteeing or endorsing bills of exchange;
 - 5) the approval of the Company's employee remuneration system;
 - 6) the creation and liquidation of a representative office of the Company abroad;
 - 7) the approval of the organisational by-laws of the Company and an organisational chart of the Company;
 - 8) the appointment of registered proxies;
 - 9) payment of an interim dividend with respect to the dividend anticipated to be paid at the end of the financial year;
 - 10) the creation of reserve capitals;
 - 11) matters which the Management Board refers to the General Meeting or to the Supervisory Board.
4. Resolutions of the Management Board shall be adopted with an absolute majority of votes. If the number of votes cast in favour of a resolution is equal to the number of votes cast against combined with abstaining votes, the President of the Management Board shall have the casting vote.
5. Members of the Management Board may participate in the adoption of Management Board resolutions by casting their vote in writing through another member of the Management Board. Votes cannot be cast in writing with respect to matters introduced to the agenda during the meeting of the Management Board.
6. Resolutions of the Management Board may be adopted in writing or with the use of means of direct communication over distance.
7. The Management Board operates based on by-laws which are approved by the Supervisory Board at the request of the President of the Management Board.
8. The President of the Management Board directs the activities of the Management Board. Special rights in that respect vested in the President of the Management Board are specified in the by-laws of the Management Board.
9. The President of the Management Board convenes meetings of the Management Board and chairs such meetings. The President of the Management Board may authorise other members of the Management Board to convene and chair meetings of the Management Board.
10. Special competencies of the President of the Management Board include the performance of defence tasks by the Company resulting from the provisions on universal defence obligation.

§ 17

The Management Board is required to submit to the Supervisory Board, at least on a quarterly basis, reports concerning significant events in the course of the Company's activities. Each such report will also include a report on the revenues, costs and the Company's financial results.

§ 18

With the consent of the Supervisory Board, the Management Board may pay an interim dividend with respect to the dividend anticipated to be paid at the end of the financial year.

VII. THE SUPERVISORY BOARD

§ 19

1. Subject to sections 8 and 10 below and § 22, the Supervisory Board shall consist of between eleven and thirteen members, including the Chairperson and Deputy Chairperson of the Supervisory Board, appointed for a joint term of office. Subject to sections 2 and 3 below, the members of the Supervisory Board shall be appointed and dismissed by the General Meeting.
2. PKP S.A. shall be entitled to appoint and dismiss members of the Supervisory Board in a number equal to half of the composition of the Supervisory Board determined in accordance with section 8 (in the event that this number is not an integer, it shall be rounded down to the nearest integer) increased by one. At least one member of the Supervisory Board appointed by PKP S.A. in accordance with this section must meet the independence criteria within the meaning of Article 86 section 5 of the Act on Statutory Auditors and have competence in accounting and/or auditing.
3. The Company's employees have the right to appoint and dismiss three representatives in the Supervisory Board. The rules governing the elections of candidates to be an employee representative in the Supervisory Board shall be adopted by the Supervisory Board. The failure to elect employee representatives to the Supervisory Board shall not be an obstacle to the appointment of the Supervisory Board or the adoption of binding resolutions thereby.
4. Subject to section 5 below, the Supervisory Board shall elect out of its members the Chairperson and the Deputy Chairperson of the Supervisory Board.
5. PKP S.A. shall have the personal right to elect the Chairperson of the Supervisory Board from among the Supervisory Board members elected by voting in separate groups in accordance with the procedure specified in Art. 385 § 3 to 7 of the Commercial Companies Code. If the Chairperson of the Supervisory Board is not indicated by PKP S.A. within 30 (thirty) days from the election of the Supervisory Board in accordance with the procedure referred to in the preceding sentence, the Supervisory Board shall elect the Chairperson of the Supervisory Board from among its members.
6. The personal rights referred to above in sections 2 and 5 shall be exercised by serving on the Company a written representation on appointing or dismissing the given member of the Supervisory Board or on indicating the Chairperson of the Supervisory Board.
7. The term of office of Supervisory Board members shall be three years.

8. The number of Supervisory Board Members shall be determined by PKP S.A., and this shall also apply to the situation when the Supervisory Board is elected by voting in separate groups pursuant to Art. 385 of the Commercial Companies Code (in such case the Supervisory Board may be composed of five up to thirteen members). The personal rights referred to in the preceding sentence shall be exercised by serving on the Company a written representation.
9. If the event of an expiry of the term of office of any Supervisory Board member elected by way of voting in separate groups pursuant to Art. 385 § 3 to 7 of the Commercial Companies Code, PKP S.A. shall have the personal right to appoint one new member of the Supervisory Board in the place of such member whose term of office has expired. The remaining Supervisory Board members shall be appointed by the General Meeting.
10. If, during the term of office, a Supervisory Board member appointed from among the members elected by the employees is dismissed, until the required number of Supervisory Board members elected by employees is supplemented, resolutions of the Supervisory Board shall be valid as long as the Supervisory Board has at least five members.
11. The right referred to in section 3 above has been granted to the Company's employees pursuant to Art. 4 section 4 of the Act on PKP's Commercialisation, Restructuring and Privatisation and the Employee Guarantees Pact.
12. To qualify for being elected as an employee representative in the Supervisory Board an individual must have passed the state examination for candidates for members of supervisory boards of companies in which the State Treasury is the sole shareholder or be exempt from the obligation to take such examination and hold the equivalent qualifications.
13. A member of the Supervisory Board appointed pursuant to section 3 above may also be dismissed by the General Meeting for important reasons.

§ 20

1. At least two Supervisory Board members elected by the General Meeting with due regard for § 21 below must meet: (i) the criteria of independence from the Company and from any entities which have significant relationships with the Company provided for in § 21 and in Annex II to the European Commission Recommendation, as well as (ii) independence criteria within the meaning of Art. 86 section 5 of the Act on Statutory Auditors.
2. If the Management Board receives a written representation from a Supervisory Board member who has thus far met the criteria set out in section 1 above stating that such member ceased to meet such criteria, or becomes aware of that fact from another source, the Management Board shall, within two weeks of receiving such representation or becoming aware of such fact, convene the General Meeting in order to appoint a Supervisory Board member who meets the criteria set out in section 1.
3. The persons entitled to nominate candidates for members of the Supervisory Board, referred to in section 2 above, shall be exclusively those shareholders of the Company who hold at the General Meeting the voting rights attached to the shares in the Company representing less than 10% of the total number of votes in the Company.

§ 21

1. A Supervisory Board member elected pursuant to § 20 above must meet the following independence criteria:
 - 1) he cannot be a related party of the Company (except for the fact of serving as its Supervisory Board member), a related party of the Company's dominant entity or subsidiary or a related party of a subsidiary of the Company's dominant entity or a related party of an entity in which the Company holds a share of more than 10% in the share capital;
 - 2) he cannot be a relative or next-of-kin up to the second degree of a person referred to in point 1) above;
 - 3) he cannot be a relative or next-of-kin up to the second degree of a shareholder of the Company who holds more than 5% of the total number of votes in the Company and he himself cannot be such shareholder;
 - 4) he cannot be a related party of any shareholder of the Company who holds more than 5% of the total number of votes in the Company, or a related party of such shareholder's dominant entity or subsidiary, or a related party of a subsidiary of such shareholder's dominant entity;
 - 5) he cannot be a relative or next-of-kin up to the second degree of a person referred to in point 4) above.
2. For the purposes of this clause 21, the term "related party" shall mean a person who:
 - 1) is a member of the statutory bodies of a legal entity, or, in the case of a partnership, also of a partner or a general partner;
 - 2) is employed under a contract of employment or a mandate contract by, or otherwise has a similar legal relationship with, the entity with respect to which the existence of a relationship is determined. The above applies to persons who, within the last three years prior to their appointment to the Supervisory Board, were is employed under a contract of employment or a mandate contract by, or otherwise had a similar legal relationship with the Company.
3. For the purposes of this clause 21, a dominant entity and a subsidiary shall be understood as, respectively, a person who meets the criteria specified in Art. 4 § 1 point 4) of the Commercial Companies Code.

§ 22

If the Supervisory Board has fewer members than the number determined in § 19 section 8 above as a result of the expiry of the terms of office of certain Supervisory Board Members (from reasons other than their dismissal); however, if at least five members remain in the Supervisory Board, the Supervisory Board shall be able to adopt valid resolutions.

§ 23

1. For resolutions of the Supervisory Board to be valid, all of its members need to have been invited to the given meeting and at least one half of Supervisory Board members need to be present at such meeting, including the Chairperson of the Supervisory Board.
2. Resolutions of the Supervisory Board shall be adopted with an absolute majority of the votes. If the number of votes cast in favour of a resolution is equal to the number of votes cast against combined with abstaining votes, the Chairperson of the Supervisory Board shall have the casting vote.

3. Supervisory Board resolutions concerning the suspension of members of the Management Board or of the Management Board shall require the consent of the Chairperson the Supervisory Board.

§ 24

1. The Supervisory Board shall hold meetings at least once every two months.
2. Supervisory Board members may participate in the adoption of Supervisory Board resolutions by casting their vote in writing through another member of the Supervisory Board. Votes cannot be cast in writing with respect to matters introduced to the agenda during the meeting of the Supervisory Board.
3. Resolutions of the Supervisory Board may be adopted in writing or with the use of means of direct communication over distance.
4. The possibility to adopt resolutions in the manner specified in sections 2 and 3 above shall not apply to the election of the Chairperson and Deputy Chairperson of the Supervisory Board, the appointment of a member of the Management Board or the dismissal or suspension of such persons.

§ 25

1. The Supervisory Board exercises continuous supervision over the activities of the Company in all areas of its operations.
2. The Supervisory Board operates based on by-laws that may be adopted by it.
3. Apart from the matters reserved for the Supervisory Board under the provisions of the Commercial Companies Code or other laws, the competencies of the Supervisory Board include:
 - 1) electing or changing the entity authorised to audit the financial statements of the Company and to conduct a financial audit of the Company;
 - 2) consenting to the payment of an interim dividend by the Management Board with respect to the dividend anticipated to be paid at the end of the financial year;
 - 3) appointing and dismissing the President of the Management Board and other members of the Management Board in the case referred to in § 14 section 3;
 - 4) appointing and dismissing the President of the Management Board on the terms and conditions specified in § 14 section 4 and section 6 and a member of the Management Board from among the candidate presented by the employees on the terms and conditions specified in § 14 section 5 and section 6;
 - 5) determining the number of members of the Management Board;
 - 6) approving the by-laws of the Management Board at the request of the President of the Management Board;
 - 7) electing and dismissing the Chairperson and Deputy Chairperson of the Supervisory Board, subject to the personal right of PKP S.A. referred to in § 19 section 5;
 - 8) adopting and amending the by-laws of the Supervisory Board;
 - 9) adopting and amending the rules governing the election of employee representatives to the Supervisory Board;

- 10) adopting and amending the Rules for Appointing Management Board Members;
- 11) adopting the amended and restated text of the articles of association of the Company;
- 12) consenting to the creation and liquidation of a branch of the Company;
- 13) granting consent for the Company to:
 - a) purchase or sell, or establish a limited right in rem on, real estate, the right of perpetual usufruct or a share in real estate or the right of perpetual usufruct,
 - b) subscribe for, purchase or sell shares in a different company,
 - c) purchase or sell a licence or copyright,
 - d) incur obligations and dispose of rights,
 - e) purchase or sell fixed assets,
 - each with a market value equal or exceeding PLN 20,000,000 (twenty million), provided that in the case of agreements for an unspecified term the above threshold will be exceeded if the performances agreed or expected to be provided by the Company thereunder in the course of five consecutive years exceed PLN 20,000,000 (twenty million), except for the execution of carriage contracts;
- 14) consenting to the creation and release of special-purpose funds;
- 15) the approval of business plans, annual plans and long-term operational plans of the Company;
- 16) consenting to the Company's accession to business organisations;
- 17) approving the visual identification system of the Company;
- 18) consenting to the conclusion by the Company of an agreement with its related party within the meaning of the regulation of the Minister of Finance issued under Art. 60 section 2 of the Act on Public Offering with a value exceeding PLN 1,000,000 (one million), other than a standard agreement concluded on arm's-length terms in the course of operational activity concluded by the Company with a subsidiary in which the Company holds a majority equity stake, provided that a resolution on granting such consent shall be valid only if it is approved by at least one of the Supervisory Board members who meet the criteria of independence from the Company and from the entities which have significant relationships with the Company elected pursuant to § 20 above and with due regard for § 21 above;
- 19) consenting to the conclusion by the Company of an agreement intending to grant a donation or a release from debt and any other agreement not connected with the scope of business activity of the Company as described in these Articles of Association with a value exceeding the PLN equivalent of EUR 5,000, converted based on the exchange rate announced by the National Bank of Poland on the agreement execution date, as long as the State Treasury, PKP S.A. or other state-owned legal entities own more than 50% of the shares in the Company;

- 20) permitting the President or any member of the Management Board to commence activity competitive to that of the Company, including in particular being involved in competitive business or participating in competing companies as a partner in a civil law partnership or any other partnership or as a member of a governing body of a company, or participating in another competitive legal entity as a member of its body; and
- 21) opining the motions and requests submitted by the Management Board to the General Meeting.

§ 26

1. The Supervisory Board appoints an audit committee composed of three of its members, including two members of the Supervisory Board meeting the independence criteria and appointed pursuant to the rules set forth in § 20 and § 21 above. At least one of member of the audit committee must have competence in accounting and/or auditing.
2. The tasks of the audit committee shall include, in particular:
 - 1) supervising the organisational unit responsible for internal audits;
 - 2) monitoring financial reporting procedures;
 - 3) monitoring the efficiency of internal control, internal audit and risk management systems;
 - 4) monitoring the performance of the financial audit function;
 - 5) monitoring the independence of the statutory auditor and the entity authorised to audit financial statements, including any services rendered to the Company other than financial audit; and
 - 6) recommending to the Supervisory Board an entity authorised to audit financial statements to perform such financial audit of the Company.
3. The Supervisory Board appoints a nomination committee composed of three of its members, including at least one member of the Supervisory Board meeting the independence criteria and appointed pursuant to the rules set forth in § 20 and § 21 above, being the chairman of the nomination committee.
4. The nomination committee organises and performs on-going supervision over the qualification procedure for the position of members of the Management Board and over the process of assessment and appointment of members of the Management Board.
5. The Supervisory Board may also appoint other committees. The detailed duties and rules of appointment and operation of such committees are stated in the by-laws of the Supervisory Board, if such were adopted.

VIII. FINAL AND TRANSITION REGULATIONS

§ 27

1. The personal rights granted to PKP S.A., as referred to in §14 section 4 and §19, shall be exercisable at all times when PKP S.A. holds shares representing at least 25% of the share capital of the Company.
2. If PKP S.A. is liquidated ad on condition that the State Treasury holds the shares representing at least 25% of the share capital of the Company, the State Treasury shall have the following personal rights:
 - 1) the right to select candidates for the position of the President of the Management Board in the scope specified in §14 section 4;
 - 2) the right to appoint and dismiss members of the Supervisory Board in the scope specified in §19 sections 2 and 9;
 - 3) the right to elect Chairman of the Supervisory Board in the scope specified in §19 section 5; and
 - 4) the right to determine the number of members of the Supervisory Board in the scope specified in §19 section 8.
3. If the personal rights expire or are waived, the regulations of the Articles of Association regarding the expired personal rights will be replaced with the relevant regulations of the Commercial Companies Code.
4. Subject to the provisions of this section 4, elections of members of authorities in compliance with the procedures provided for in § 14, § 19 and § 20 will first occur in connection with the expiry of the terms of office of members of the Management Board and the Supervisory Board who serve in that capacity on the Registration Date, whereas from the Registration Date of members of the Supervisory Board who serve in that capacity on that date, other than the Company's employee representatives shall be deemed appointed by PKP S.A. in accordance with the procedure set forth in § 19 section 2. Within six months from the Registration Date, however no later than within two months from the first day of listing of the shares in the Company on the main market of the Warsaw Stock Exchange, the composition of the Supervisory Board must be supplemented in such manner that the requirements regarding the number of members of the Supervisory Board specified in § 19 section 1 sentence 1 and § 20 section 1 are complied with. The Management Board shall convene the General Meeting therefor.
5. The term of office of the members of the Management Board who serve in that capacity on the Registration Date shall become aligned with the Registration Date and shall lapse on the third anniversary of the Registration Date. The term of office of the members of the Supervisory Board Members who serve in that capacity on the Registration Date shall be extended and shall lapse on the third anniversary of the Registration Date.
6. Paragraph 14, section 5 shall come into force on the date of the first listing of the shares in the Company on the main market of the Warsaw Stock Exchange.

§ 28

1. The financial year of the Company shall start on 1 January and end on 31 December.

2. Except for the announcements on the convocation of the General Meeting and other announcements connected with the General Meeting, the Company shall place its announcements in the Court and Business Gazette (*Monitor Sądowy i Gospodarczy*). Each announcement of the Company shall also be displayed at the offices of the Company in a place accessible for employees.

§ 29 Definition

For the purposes of these Articles of Association:

1. **“Registration Date”** means the date on which the amendments to these Articles of Association introduced under Resolution No. [●]/2013 of the General Meeting dated [●] 2013 are registered.
2. **“Civil Code”** means the Civil Code Act dated 23 April 1964 (Journal of Laws No. 16, item 93, as amended).
3. **“Commercial Companies Code”** means the Commercial Companies Code dated 15 September 2000 (Journal of Laws No. 94, item 1037, as amended).
4. **“Employee Guarantees Pact”** means the pact of employee guarantees – the Agreement concerning the Employee and Social Guarantees for the employees employed by Zakłady PKP CARGO S.A. and for the employees employed by the PKP CARGO Group Companies dated 2 September 2013.
5. **“Act on PKP’s Commercialisation, Restructuring and Privatisation Act”** means the Act on Commercialisation, Restructuring and Privatisation of Polskie Koleje Państwowe state-owned company dated 8 September 2000 (Journal of Laws of 2000, No. 84, item 948, as amended).
6. **“Act on Public Offering”** means the Act on Public Offering and on the Terms of Introducing Financial Instruments into an Organised Trading System and on Public Companies dated 29 July 2005 (Journal of Laws of 2009, No. 185, item 1439, as amended).
7. **“Act on Trading in Financial Instruments”** means the Act on Trading in Financial Instruments dated 29 July 2005 (Journal of Laws of 2010, No. 211, item 1384, as amended).
8. **“Act on the Protection of Competition and Consumers”** means the Act on the Protection of Competition and Consumers dated 16 February 2007 (Journal of Laws No. 50, item 331, as amended).
9. **“Accounting Act”** means the Accounting Act dated 29 September 1994 (Journal of Laws of 2009, No. 152, item 1223, as amended).
10. **“Act on the Transparency of Financial Relationships”** means the Act on the Transparency of Financial Relationships Between Public Authorities and Public Business Entities, and on the Financial Transparency of Certain Business Entities dated 22 September 2006 (Journal of Laws No. 191, item 1411, as amended).
11. **“Act on Statutory Auditors”** means the Act on Statutory Auditors and their Self-regulating Authority, the Entities Authorised to Audit Financial Statements, and Public Supervision dated 7 May 2009 (Journal of Laws No. 77, item 649, as amended).

12. **“European Commission Recommendation”** means the European Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board (OJ EU L.2005.52.51).