

The conclusion of a preliminary agreement on the subscription by PKP CARGO S.A. of 49% shares in Pol - Miedź Trans sp. z o.o. with its registered seat in Lubin

Current report No. 7/2015 dated 02 February 2015

Legal basis (selected from the ESPI):

Art. 56 section 1.1 of the Act on Public Offerings – inside information

The management board of PKP CARGO S.A. (the “**Company**”) hereby announces that on 2 February 2015 the Company concluded a preliminary non-binding agreement (the “**Agreement**”) with KGHM Polska Miedź S.A., with its registered seat in Lubin (“**KGHM**”), and Pol - Miedź Trans sp. z o.o. with its registered seat in Lubin (“**PMT**”), on the potential subscription by the Company for shares in PMT (the “**Transaction**”).

In the course of the Transaction, the Company will subscribe for new shares in PMT representing 49% of PMT’s share capital and carrying 49% of the votes of PMT’s shareholders’ meeting, in exchange for an in-kind contribution consisting of engines and a monetary contribution. Before the Transaction is consummated, KGHM and PMT will complete a spin-off of those parts of PMT’s business that are not involved in railway freight transport.

The Agreement entitles the Company to conduct a due diligence of PMT and to make an appropriate filing to the Office for the Protection of Competition and Consumers

It is the parties’ intention to conduct the Transaction in the second quarter of 2015.

PMT is a wholly-owned subsidiary of KGHM. According to data for the first 11 months of 2014, its share in the Polish railway market (by transported cargo weight) was 2.36% (2.13% by tonne-kilometres). In 2013, PMT generated more than PLN 500 million in revenue and PLN 11 million in profit. Its rolling stock comprises 61 engines and 1493 cars (as at the end of December 2014). Currently, the process of spinning off those parts of PMT’s business that are not involved in railway freight transport is under way.

Legal basis:

Art. 56 section 1.1 of the Act on Public Offerings and the Terms of Introducing Financial Instruments to Organized Trading, and on Public Companies, dated 29 July 2005 (Polish Journal of Laws of 2013, item 1382).