

## Information on the impact of the COVID-19 epidemic on the activity of the PKP CARGO Group

Current report no. 8/2020 of 8 May 2020

*Legal basis (selected in ESPI):*

*Article 17 Section 1 of MAR – confidential information.*

The Management Board of PKP CARGO S.A. (“Company”) hereby reports on the current assessment of the impact of the COVID-19 epidemic on the operations and performance of the PKP CARGO Group (“Group”) as of 8 May 2020.

According to the assessment of the Company’s Management Board, the effects of the spread of the COVID-19 epidemic and related restrictions have adversely affected the Group’s activity as follows.

The recent drop in electricity consumption in the Polish economy by 10-12% drove down the demand of power plants for coal from Polska Grupa Górnicza, which directly contributed to the decline in energy fuel transports. The business tendency indicator in the construction sector fell to -1.9 in March from +0.1 in February. It is very likely that COVID-19 will increase delays in the currently implemented capital expenditure projects, postpone new public and private investments and consequently change demand for transportation of aggregate. The current level of transport services was also influenced by the decision of a key account, ArcelorMittal Poland, to postpone the restart of the blast furnace in Krakow, motivated mainly by the COVID-19 epidemic. The raw material part of the steelworks in Krakow was brought to a stop temporarily in late November 2019. Additionally, many production companies suspended their activity due to the epidemic, which reduced imports of components and exports of finished products. The closing of commercial networks resulted halted the supply of products from China by sea and land; manufacturing in the automotive sector was also suspended. Because of those factors, in Q1 2020 only the PKP CARGO Group recorded a decline in freight volume by about 20% yoy and the preliminary data for April 2020 indicate that the decline grew even more to over 25% yoy. According to the Management Board, this negative trend may continue in the coming months.

In order to ensure safety for its employees and comply with the provisions of law and recommendations of the relevant public authorities, the Group has taken the steps necessary in the labor area to combat the epidemic. It has implemented solutions, involving in particular remote working of employees, increasing flexibility of the working time and limiting direct meetings and business trip to the necessary minimum. The implemented solutions had a significant effect on changes in the organization of work and its efficiency and generated additional costs.

In connection with the expected impact of the COVID-19 epidemics, i.e. the decline in transports and the resulting decrease in revenues and rise in unit costs, the Company’s Management Board intends to apply for a benefit from the Guaranteed Employee Benefits Fund to co-finance remuneration of employees affected by the working time reduction due to the epidemic. On 7 May 2020, the Company signed a framework agreement between PKP CARGO and trade unions operating in the Company. The Parties agreed to reduce the working time of PKP CARGO employees by 10% but no less than 0.5 of the FTE. At the same time, the employees affected by the reduced working time will receive salary reduced *pro rata*

to the reduction of working time, however the salary cannot be lower than the minimum salary calculated based on the law on minimum wages.

Legal basis: Article 17(1) of Regulation (EU) No. 596/2014 of the European Parliament and of the Council on Market Abuse.