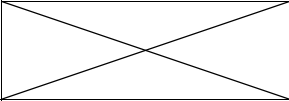
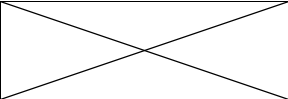


REPORT
ON THE ACTIVITIES OF THE SUPERVISORY BOARD OF
TRAKCJA PRKił S.A. (THE "COMPANY") FOR 2019,

I. The membership of the Supervisory Board in the reporting period from 1 January 2019 to 31 December 2019 was as follows:

Forename and surname	Function	Date of appointment / dismissal / resignation
Dominik RADZIWIŁŁ	Member of the Supervisory Board	5.10.2015 – appointed as Member of the Supervisory Board (19.06.2019 – reappointment)
	Chairman of the Supervisory Board	since 26.11.2015
Jorge Miarnau MONTSERRAT	Member of the Supervisory Board	4.07.2012 – appointed as Member of the Supervisory Board (19.06.2019 – reappointment)
	Deputy Chairman of the Supervisory Board	since 25.07.2013
Miquel LLEVAT VALLESPINOSA	Member of the Supervisory Board	4.07.2012 – appointed as Member of the Supervisory Board (19.06.2019 – reappointment)
Wojciech NAPIÓRKOWSKI	Member of the Supervisory Board	29.06.2012 – appointed as Member of the Supervisory Board (19.06.2019 – reappointment)
		resigned effectively as of 04.12.2019
Fernando PEREA SAMARRA	Member of the Supervisory Board	12.06.2013 – appointed as Member of the Supervisory Board (19.06.2019 – reappointment)
Michał HULBÓJ	Member of the Supervisory Board	25.06.2015 – appointed as Member of the Supervisory Board (19.06.2019 – reappointment)
	Deputy Chairman of the Supervisory Board	08.09.2016 – appointed as Deputy Chairman of the Supervisory Board
Łukasz ROZDEICZER-KRYSZKOWSKI	Member of the Supervisory Board	16.06.2016 – appointed as Member of the Supervisory Board (19.06.2019 – reappointment)

		resigned effectively as of 20.12.2019
Klaudia BUDZISZ	Member of the Supervisory Board	04.12.2019 – appointed as Member of the Supervisory Board
Krzysztof TENEROWICZ	Member of the Supervisory Board	20.12.2019 – appointed as Member of the Supervisory Board

Mr. Dominik Radziwiłł is the Chairman of the Supervisory Board as at the date of preparation of the report. The following members of the Supervisory Board fulfil independency criteria: Michał Hulbój and Krzysztof Tenerowicz.

In 2019 the Audit Committee worked in the following composition:

- Wojciech Napiórkowski – Chairman
- Fernando Perea Samarra
- Łukasz Rozdeicz-Kryszkowski

On the day of approval of this report members of the Audit Committee are:

- Krzysztof Tenerowicz – Chairman
- Michał Hulbój
- Fernando Perea Samarra

The Supervisory Board declares that in the Company the rules regarding the appointment, composition and functioning of the Audit Committee are respected, including the fulfilment by its members of independence criteria and requirements regarding knowledge and skills in the industry in which Company operates, and in the field of accounting or audit statements. Appointed Audit Committee in Company performed the tasks delegated to it for in the applicable regulations.

In 2019 the Remuneration Committee of the Supervisory Board worked in the following composition:

- Dominik Radziwiłł – Chairman
- Michał Hulbój
- Miquel Llevat Vallespinosa

On the day of approval of this report members of the Remuneration Committee are:

- Michel Llevat Vallespinosa – Chairman
- Klaudia Budzisz
- Krzysztof Tenerowicz

II. Organisation of the Supervisory Board's work

The Supervisory Board held 4 meetings in the reporting period and also adopted resolutions by casting votes through means of direct remote communication.

Between meetings, the members of the Supervisory Board kept in touch with the Management Board, familiarising themselves with the Company's situation and supporting the Management Board in the solution of strategic problems.

III. Main issues of the Supervisory Board meetings and self-evaluation

During 2019, the Supervisory Board discussed, inter alia, the following issues:

- analysis of the Company's economic and financial situation and the maintenance of its financial liquidity;
- analysis of the order portfolio;
- analysis of the Company's presence in foreign markets;
- consulting the Management Board's motions;
- adoption of resolutions on matters which are on the agenda of the Company's or the Company's subsidiaries General Meetings of Shareholders;
- approval of draft resolutions of the Company's General Meeting of Shareholders;
- evaluation of annual financial report of the Company and consolidated annual report of the Trakcja Group for a financial year 2018;
- expression opinion as to the motion of the Management Board on cover of the loss for a financial year 2018;
- approval of draft resolutions of the General Meetings of Shareholders and Meetings of Shareholders of the Company's subsidiaries;
- approval of changes in the composition of subsidiary companies' bodies;
- approval of Trakcja Group's budget and Capex;
- appointment of certified auditor for audit of financial statements for years 2019 and 2020;
- selection and appointment of the Vice-president of the Management Board – Technical Director;
- approval of agreements, contracts and terms of remuneration for members of the Management Board;
- approval of the Recovery Plan optimising Company's and Group's operations;
- approval for actions regarding capital increase and restructuring of Company's financial debt, that is: share capital increase by issuance of series B ordinary bearer and series C ordinary registered shares; conclusion of agreements on long-term financing;
- approval to begin a process of increasing Company's share capital by issuance of F and G series bonds convertible into D series shares and to conditionally increase the share capital of the Company by issuing D series shares;
- approval for granting loans between Company and subsidiary companies;
- issues of current marketing position of Company and of Trakcja Group;
- granting consent for conclusion and for changing the terms and conditions of financial agreements executed by the Company;
- adoption of resolutions on personal matters, including resolutions on remuneration and bonuses of the Company's Management Board members;

While fulfilling its supervisory functions, the Supervisory Board analysed the Company's economic and financial situation and assessed the Management Board's activities in such areas as:

- the maintenance of financial liquidity;
- the correct management of the Company's receivables and expenses;
- the receipt of new orders.

The Supervisory Board applied the principle that the Management Board presented at the meeting a description of the current economic, financial and asset situation, important actions and planned business activities.

The Supervisory Board's cooperation with the current Management Board is very good.

The Supervisory Board steadily supervised Company's activities fulfilling the obligations stipulated in Code of Commercial Companies, Articles of Association and Rules of Supervisory Board relying on longstanding experience of its members, their education, qualifications and awareness of the market. The Supervisory Board always effectively responded to the Company's dynamics and evaluated all issues presented by the Management Board.

The Supervisory Board positively rates its work in the period from 1 January 2019 to 31 December 2019 and applies to the Annual General Meeting to receive a vote of approval.

IV. Assessment of the Supervisory Board of Trakcja PRKil S.A. concerning the report of the management board on the activities of Trakcja PRKil S.A. and of Trakcja Gorup in 2019, the annual standalone financial statement of Trakcja PRKil S.A. for the period from 1 January 2019 to 31 December 2019 and the annual consolidated financial statement of Trakcja Group for the period from 1 January 2019 to 31 December 2019

SUBJECT MATTER OF THE ASSESSMENT

The subject matter of this assessment includes:

1. The Report of the Management Board on the activities of Trakcja Group and Trakcja PRKil S.A. in 2019.
2. Annual standalone financial statement of Trakcja PRKil S.A. for the period from 1 January 2019 to 31 December 2019 prepared in accordance with International Financial Reporting Standards approved by the European Union and applicable as at 31 December 2019.
3. Annual consolidated financial statement of Trakcja Group for the period from 1 January 2019 to 31 December 2019 prepared in accordance with International Financial Reporting Standards approved by the European Union and applicable as at 31 December 2019.

ASSESSMENT OF THE MANAGEMENT BOARD'S REPORT AND FINANCIAL STATEMENTS

1. Assessment of the Report of the Management Board on the activities of Trakcja Group and Trakcja PRKil S.A. in 2019:

The Supervisory Board of Trakcja PRKil S.A. assessed the Report of the Management Board on the activities of Trakcja Group and Trakcja PRKil S.A. in 2019 and reviewed the results of the audit presented by an auditor of Trakcja PRKil S.A. (BDO spółka z ograniczoną odpowiedzialnością Sp. k.), the auditor report and based on information and materials received from the Auditor, the Management Board and representatives of the Company, concluded that the report:

- has been prepared in accordance with Article 49 of the Act of 29 September 1994 on Accounting (Journal of Laws of 2019, item 351) and § 70 and § 71 of the Regulation of the Minister of Finance of 29 March 2018 on current and periodical information provided by issuers of securities and on conditions under which information required by legal regulations of a third country may be recognized as equivalent;
- is consistent with the information contained in the annual standalone financial statement of Trakcja PRKil S.A. for the period from 1 January 2019 to 1 December 2019 and annual consolidated financial statement of Trakcja Group for the period from 1 January 2019 to 31 December 2019.

The Supervisory Board of Trakcja PRKil S.A. on the basis of information and materials received from the Auditor, the Management Board and the Company's representatives concludes that the Report of the Management Board on the activities of Trakcja Group and Trakcja PRKil S.A. in 2019 is consistent with the information contained in the annual standalone and annual consolidated financial statements and with all knowledge about Trakcja Group and Trakcja PRKil S.A. and their surroundings obtained during an audit of annual standalone and consolidated financial statements, contains a description of all material events that may have an influence on financial position of Trakcja Group and Trakcja PRKil S.A. and performance over the upcoming quarters as well as a description of all material risks.

Further to the foregoing, the Supervisory Board of Trakcja PRKil S.A. expresses a positive assessment of the Report of the Management Board on the activities of Trakcja Group and Trakcja PRKil S.A. in 2019.

2. Assessment of the annual standalone financial statement of Trakcja PRKil S.A. for the period from 1 January 2019 to 31 December 2019

The Supervisory Board of Trakcja PRKil S.A. assessed the annual standalone financial statement of Trakcja PRKil S.A. for the period from 1 January 2019 to 31 December 2019 comprised of:

- a) standalone income statement for the period from 1 January 2019 to 31 December 2019 showing a net loss of PLN 249 678 thousand,
- b) standalone statement of comprehensive income for the period from 1 January 2019 to 31 December 2019 showing a negative value of comprehensive income of PLN 248 401 thousand,
- c) standalone balance sheet as at 31 December 2019 showing assets and liabilities in the total amount of PLN 1 228 461 thousand,
- d) standalone statement of cash flows for the period from 1 January 2019 to 31 December 2019 showing decrease in net cash by PLN 13 937 thousand,
- e) standalone statement of changes in equity for the period from 1 January 2019 to 31 December 2019 showing decrease in equity by PLN 189 780 thousand,
- f) additional information and explanations,

and reviewed the results of audit presented by an auditor of Trakcja PRKil S.A. (BDO Spółka z ograniczoną odpowiedzialnością sp. k.).

The Supervisory Board of Trakcja PRKil S.A. on the basis of information and materials received from the Auditor, the Management Board and the Company's representatives concludes that the annual standalone financial statement of Trakcja PRKil S.A. for the period from 1 January 2019 to

31 December 2019 presents the financial position of Trakcja PRKil S.A. as at 31 December 2019 and financial result and cash flows of Trakcja PRKil S.A. for the period from 1 January 2019 to 31 December 2019 fairly and clearly and was prepared in accordance with International Financial Reporting Standards approved by the European Union and applicable as at 31 December 2019 and is consistent with books and records as well as facts.

Further to the foregoing, the Supervisory Board of Trakcja PRKil S.A. subjected to note 10 of additional informational to Financial Statements [Risk of continuing (business) activity and taken and planned actions of the Management] assessed an annual standalone financial statement of Trakcja PRKil S.A. for the period from 1 January 2019 to 31 December 2019.

3. Assessment of the annual consolidated financial statement of Trakcja Group for the period from 1 January 2019 to 31 December 2019

The Supervisory Board of Trakcja PRKil S.A. assessed the annual consolidated financial statement of Trakcja Group for the period from 1 January 2019 to 31 December 2019 comprised of:

- a) consolidated income statement for the period from 1 January 2019 to 31 December 2019 showing a net loss of PLN 285 048 thousand,
- b) consolidated statement of comprehensive income for the period from 1 January 2019 to 31 December 2019 showing a negative value of comprehensive income of PLN 287 028 thousand,
- c) consolidated balance sheet as at 31 December 2019 showing assets and liabilities in the total amount of PLN 1 484 320 thousand,
- d) consolidated statement of cash flows for the period from 1 January 2019 to 31 December 2019 showing decrease in net cash by PLN 9 214 thousand,
- e) consolidated statement of changes in equity for the period from 1 January 2019 to 31 December 2019 showing decrease in equity by PLN 228 896 thousand,
- f) additional information and explanations,

and reviewed the results of audit presented by an auditor of Trakcja Group (BDO Spółka z ograniczoną odpowiedzialnością sp. k.).

The Supervisory Board of Trakcja PRKil S.A. on the basis of information and materials received from the Auditor, the Management Board and the Company's representatives concludes that the annual consolidated financial statement of Trakcja Group for the period from 1 January 2019 to 31 December 2019 presents the financial position of Trakcja Group as at 31 December 2019 and financial result and cash flows of Trakcja Group for the period from 1 January 2019 to 31 December 2019 fairly and clearly and was prepared in accordance with International Financial Reporting Standards approved by the European Union and applicable as at 31 December 2019 and is consistent with books and records as well as facts.

Further to the foregoing, the Supervisory Board of Trakcja PRKil S.A. subjected to note 62 of additional informational to Financial Statements [Risk of continuing (business) activity and taken and planned actions of the Management] assessed of an annual consolidated financial statement of Trakcja Group for the period from 1 January 2019 to 31 December 2019.

Pursuant to Article 382 § 3 of the Code Commercial Companies, the Supervisory Board subjected to notes 10 and 62 of additional informational to Financial Statements [Risk of continuing (business) activity and taken and planned actions of the Management] assessed the report on the activities of the Trakcja Capital Group for 2019, the report on the activities of the Company for 2019, the annual standalone financial statement of the Company for 2019 and the annual consolidated financial statement of the Trakcja Capital Group for 2019 and requests the Annual General Meeting of Shareholders to approve these reports.

V. An assessment of adherence to the principles of corporate governance

Since January 1, 2016 came in force new compilation of principles of corporate governance "Dobre Praktyki Spółek Notowanych na GPW 2016" adopted by the Board of GPW on October 13, 2015. The Company published on March 10, 2016 EBI report on non-compliance of selected principles from "Dobre Praktyki Spółek Notowanych na GPW 2016".

In previous year the Company published via EBI system information about non adherence to the selected principles of corporate governance, but also EBI reports updating the list of non-complied principles. The Company annually informs in the Management Board's report on Companies activities about adherence to the principles and recommendations.

The Company presents on its website in section *Investor relations* → *Corporate governance* list of complied and non-complied principles and recommendations along with the wording of "Dobre Praktyki Spółek Notowanych na GPW 2016".

In the opinion of the Supervisory Board the Company fulfills its duties regarding the principles of corporate governance.

VI. An assessment of the Company's standing including an assessment of the internal control, risk management and compliance systems and the internal audit function

The Supervisory Board declares that:

1. The entity authorized to conduct audit of the annual standalone financial statement of Trakcja PRKił S.A. for the period from January 1, 2019 to December 31, 2019 and the annual consolidated financial statement of Trakcja Group for the period from January 1, 2019 to December 31, 2019, ie. BDO spółka z ograniczoną odpowiedzialnością sp. k., was selected in compliance with the law, in particular regarding the auditor selection procedure.
2. The audit firm and the members of the audit team met the conditions for drawing up an impartial and independent audit report on the annual standalone financial statement of Trakcja PRKił S.A. for the period from January 1, 2019 to December 31, 2019 and the annual consolidated financial statement of Trakcja Group for the period from January 1, 2019 to December 31, 2019 in accordance with applicable regulations, professional standards and professional ethics.
3. The applicable regulations related to the rotation of the audit firm and the key statutory auditor as well as obligatory grace periods are observed in Trakcja PRKił S.A.
4. Trakcja PRKił S.A. has a policy regarding the selection of an audit firm and a policy regarding the provision of additional non-audit services by an audit firm, an entity related to an audit firm or a member of its network, including conditionally exempted services by an audit firm.

After a comprehensive and detailed analysis of the Company's annual financial statements and of the Trakcja Group's annual consolidated financial statements as well as of the Company's Management Report on the Activities of Trakcja PRKil S.A. and of the Report on the Activities of Trakcja Group, the Supervisory Board confirms that:

- the annual financial statements of Trakcja PRKil S.A. as well as the annual consolidated financial statements of Trakcja Group reliably and clearly present all information that is important for evaluation of the profitability, the financial results and the assets for 2019;
- activities of Trakcja PRKil S.A. were conducted correctly in accordance with the Code of Commercial Companies, the Company's Articles of Association and the Management Board's Regulations, in the Company's best interests, additionally acting on the basis of resolutions adopted by the Company's General Meeting of Shareholders, Supervisory Board and Management Board.
- activities of Trakcja Group were conducted correctly in accordance with the Code of Commercial Companies and the Accounting Act of 29 September 1994 and in the Trakcja Group's best interests.

The Supervisory Board assesses that financial and economic situation of Trakcja PRKil S.A. as well as of Trakcja Group in 2019 was complex, especially in the context of financing operations. Despite this difficult situation, the bridge financing process was finalized, and then long-term financing was started. The Supervisory Board, subject to the continuation of the long-term financing process and the implementation of the actions outlined in the financial model (referred to in notes 10 and 62 of the additional information to the financial statements), sees the prospect of improving the financial and economic situation of the Company and the Trakcja Group.

On 4 December 2019, a Member of the Management Board responsible for internal audit (and corporate risk management) was appointed and the Risk Management and Internal Audit Departments were established on 9 December 2019.

In the period from 9 to 31 December 2019: positions in the above mentioned departments were filled, and:

1. in the area of activity of the Risk Management Department:

- tasks were assigned for the next quarter,
- the budget for the period up to the end of 2019 and for 2020 was defined,
- a detailed action plan has been developed, including the implementation of risk management in the Company. In addition, work on new procedures for the risk management process has begun.

2. in the area of activity of the Internal Audit Department: works on new procedures for the functioning of the department and carrying out audit tasks were started.

In 2019, the Company fulfilled its reporting obligations towards the Warsaw Stock Exchange as well as in terms of security requirements and health and environmental protection. Moreover the Company has introduced internal regulations such as the Code of Ethics and the Anti-Corruption Procedure, which constitute a coherent set of guidelines and information to help apply ethics in everyday work and set standards of behaviour, including minimising the risk of actions which could be considered corruption. A policy has also been put in place to counter undesirable behaviour in the work environment, such as mobbing, harassment or discrimination.

VII. An assessment of Company's charity and sponsorship activities

Supervisory Board does not adopt a report on Company's politics stated in recommendation I.R.2 (charity and sponsorship activities) as the Company does not conduct such activities.

Dominik Radziwiłł

Jorge Miarnau Montserrat

Michał Hulbój

Fernando Perea Samarra

Miquel Llevat Vallespinosa

Klaudia Budzisz

Krzysztof Tenerowicz