

Warsaw, 29 May 2017

**Dear Mr. Marcin Żółtek
President of the Management Board**

**Dear Ms. Jolanta Worobiej
Proxy**

**PTE PZU S.A. in Warsaw
Ul. Jana Pawła II 24,
00-120 Warsaw**

Your ref. no.: BI/1374/2017

Dear Sir/Madam,

In response to your letter of 16 May 2017 including questions regarding control exercised by Trakcja PRKiI S.A. (hereinafter referred to as the: "Trakcja") over AB Kauno Tiltai Group (hereinafter referred to as the: "Kauno Tiltai"), please be kindly informed that Trakcja, as the majority shareholder of Kauno Tiltai, has direct impact on the financial and operational policy of entities from AB Kauno Tiltai Group, supervises strategic and financial plans as well as annual budgets prepared by the entities, and verifies the same in the correspondence against actually obtained results. Trakcja also influences the entire investment policy of Kauno Tiltai.

The entities from AB Kauno Tiltai Group report on a monthly basis financial and operational data, which constitute grounds for preparing consolidated financial statements of Trakcja Group. Additionally, the meetings of the Management Boards of Trakcja and Kauno Tiltai are held regularly to discuss both current results as well as short- and long-term issues related to the business activities.

Acting as the shareholder with 98.08% of shares in the share capital of Kauno Tiltai, Trakcja - in compliance with the provisions of the Articles of Association of Kauno Tiltai - shall amend the said Articles of Association, at its sole discretion. Pursuant to Article 11 of the Articles of Association, the shareholder with more than ½ of votes at the Shareholders Meeting shall be also entitled to get access to internal documents of the company and other information. Furthermore, the Shareholders Meeting of Kauno Tiltai, where Trakcja holds 98.08% of votes shall appoint all members of the Supervisory Board of the company.

Such body makes strategic decisions on directions of business activity of the company, investment and



acquisition issues as well as composition of the Management Board, its objectives and principles of remuneration of its members. Currently, four members are in the Supervisory Board of Kauno Tiltai:

- Jarosław Tomaszewski - President of the Management Board of Trakcja;
- Miquel Llevat Vallespinosa - Member of the Supervisory Board of Trakcja and Development Manager at Comsa Corporación;
- Maciej Radziwiłł - former President of the Management Board of Trakcja and former Chairman of the Supervisory Board of Trakcja;
- Nerijus Eidukevičius - former President of the Management Board of Kauno Tiltai and former Lithuanian Vice-Minister of Economy.

Decisions of the Supervisory Board are made by the majority of votes cast during the meeting of the Supervisory Board, and in case of equal number of votes "for" and "against", the Chairman shall have the casting vote. The meetings of the Supervisory Boards are usually held four times a year.

In response to your question about the limitations of control exercised over the subsidiary - Kauno Tiltai, which prevent free use of its net assets, please be advised that in connection with the credit contracts signed with Kauno Tiltai, as at the date of drafting this letter, payment of the dividend from Kauno Tiltai may not exceed 50% of profit for the last fiscal year, decreased by the amounts paid under management agreements executed by and between Trakcja and Kauno Tiltai.

Furthermore, please note that current principles of remuneration for members of the Kauno Tiltai bodies and Trakcja are regulated in a different manner due to different history and market conditions. Trakcja, together with the Supervisory Board of Kauno Tiltai, is working on the implementation of cohesive remuneration policy, including local conditions and experiences, in particular with respect to incentive schemes.

Yours faithfully,