

Supervisory Board of
TRAKCJA S.A.
 in Warsaw

REPORT
ON THE ACTIVITIES OF THE SUPERVISORY BOARD OF
TRAKCJA S.A. (THE "COMPANY") FOR 2020,

I. The membership of the Supervisory Board in the reporting period from 1 January 2020 to 31 December 2020 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)
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
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 2020 the Audit Committee worked in the following composition:

- 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 2020 the Remuneration Committee of the Supervisory Board worked in the following composition:

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

II. Organisation of the Supervisory Board's work

The Supervisory Board held 7 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 2020, the Supervisory Board discussed, inter alia, the following issues:

- analysis of the Company's economic and financial situation and analysis of 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 presented to the Supervisory Board;
- 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 2019;
- expression opinion as to the motion of the Management Board on cover of the loss for a financial year 2019;
- approval of draft resolutions of the general 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;
- approval of agreements, contracts and terms of remuneration for members of the Management Board;
- adoption of resolutions on personal matters, including resolutions on remuneration and bonuses of the Company's Management Board members;
- setting individual managerial goals for Management Board members;
- expressing opinion on the Remuneration Policy for members of Management Board and Supervisory Board;
- expressing opinion on organizational changes regarding the Company's functioning;
- 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;
- issues of current marketing position of Company and of Trakcja Group;
- determination of the composition of committees operating within the Supervisory Board;
- adoption of new bylaws for the Audit Committee and the Remuneration Committee;
- approval of the Internal Audit Plan for 2020;
- adoption of the consolidated text of the Company's articles of association.

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 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 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 2020 to 31 December 2020 and applies to the Annual General Meeting to receive a vote of approval.

IV. Assessment of the Supervisory Board of Trakcja S.A. concerning the report of the management board on the activities of Trakcja S.A. and of Trakcja Group in 2020, the annual standalone financial statement of Trakcja S.A. for the period from 1 January 2020 to 31 December 2020 and the annual consolidated financial statement of Trakcja Group for the period from 1 January 2020 to 31 December 2020

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 S.A. in 2020.
2. Annual standalone financial statement of Trakcja S.A. for the period from 1 January 2020 to 31 December 2020 prepared in accordance with International Financial Reporting Standards approved by the European Union and applicable as at 31 December 2020.
3. Annual consolidated financial statement of Trakcja Group for the period from 1 January 2020 to 31 December 2020 prepared in accordance with International Financial Reporting Standards approved by the European Union and applicable as at 31 December 2020.

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 S.A. in 2020:

The Supervisory Board of Trakcja S.A. assessed the Report of the Management Board on the activities of Trakcja Group and Trakcja S.A. in 2020 and reviewed the results of the audit presented by an auditor of Trakcja 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 S.A. for the period from 1 January 2020 to 1 December 2020 and annual consolidated financial statement of Trakcja Group for the period from 1 January 2020 to 31 December 2020.

The Supervisory Board of Trakcja 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 S.A. in 2020 is consistent with the information contained in the annual standalone and annual consolidated financial

statements and with all knowledge about Trakcja Group and Trakcja 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 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 S.A. expresses a positive assessment of the Report of the Management Board on the activities of Trakcja Group and Trakcja S.A. in 2020.

2. Assessment of the annual standalone financial statement of Trakcja S.A. for the period from 1 January 2020 to 31 December 2020

The Supervisory Board of Trakcja S.A. assessed the annual standalone financial statement of Trakcja S.A. for the period from 1 January 2020 to 31 December 2020 comprised of:

- a) standalone income statement for the period from 1 January 2020 to 31 December 2020 showing a net loss of PLN 70 481 thousand,
- b) standalone statement of comprehensive income for the period from 1 January 2020 to 31 December 2020 showing a negative value of comprehensive income of PLN 70 457 thousand,
- c) standalone balance sheet as at 31 December 2020 showing assets and liabilities in the total amount of PLN 1 134 587 thousand,
- d) standalone statement of cash flows for the period from 1 January 2020 to 31 December 2020 showing decrease in net cash by PLN 40 821 thousand,
- e) standalone statement of changes in equity for the period from 1 January 2020 to 31 December 2020 showing decrease in equity by PLN 70 280 thousand,
- f) additional information and explanations,

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

The Supervisory Board of Trakcja 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 S.A. for the period from 1 January 2020 to 31 December 2020 presents the financial position of Trakcja S.A. as at 31 December 2020 and financial result and cash flows of Trakcja S.A. for the period from 1 January 2020 to 31 December 2020 fairly and clearly and was prepared in accordance with International Financial Reporting Standards approved by the European Union and applicable as at 31 December 2020 and is consistent with books and records as well as facts.

Further to the foregoing, the Supervisory Board of Trakcja 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 S.A. for the period from 1 January 2020 to 31 December 2020.

3. Assessment of the annual consolidated financial statement of Trakcja Group for the period from 1 January 2020 to 31 December 2020

The Supervisory Board of Trakcja S.A. assessed the annual consolidated financial statement of Trakcja Group for the period from 1 January 2020 to 31 December 2020 comprised of:

- a) consolidated income statement for the period from 1 January 2020 to 31 December 2020 showing a net loss of PLN 109 986 thousand,
- b) consolidated statement of comprehensive income for the period from 1 January 2020 to 31 December 2020 showing a negative value of comprehensive income of PLN 86 965 thousand,
- c) consolidated balance sheet as at 31 December 2020 showing assets and liabilities in the total amount of PLN 1 477 756 thousand,
- d) consolidated statement of cash flows for the period from 1 January 2020 to 31 December 2020 showing increase in net cash by PLN 28 445 thousand,
- e) consolidated statement of changes in equity for the period from 1 January 2020 to 31 December 2020 showing decrease in equity by PLN 88 368 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 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 2020 to 31 December 2020 presents the financial position of Trakcja Group as at 31 December 2020 and financial result and cash flows of Trakcja Group for the period from 1 January 2020 to 31 December 2020 fairly and clearly and was prepared in accordance with International Financial Reporting Standards approved by the European Union and applicable as at 31 December 2020 and is consistent with books and records as well as facts.

Further to the foregoing, the Supervisory Board of Trakcja S.A. subjected to note 11 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 2020 to 31 December 2020.

Pursuant to Article 382 § 3 of the Code Commercial Companies, the Supervisory Board subjected to notes 10 and 11 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 2020, the report on the activities of the Company for 2020, the annual standalone financial statement of the Company for 2020 and the annual consolidated financial statement of the Trakcja Capital Group for 2020 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 S.A. for the period from January 1, 2020 to December 31, 2020 and the annual consolidated financial statement of Trakcja Group for the period from January 1, 2020 to December 31, 2020, 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 S.A. for the period from January 1, 2020 to December 31, 2020 and the annual consolidated financial statement of Trakcja Group for the period from January 1, 2020 to December 31, 2020 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 S.A.
4. Trakcja 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 S.A. and of the Report on the Activities of Trakcja Group, the Supervisory Board confirms that:

- the annual financial statements of Trakcja 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 2020;
- activities of Trakcja 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 the financial and economic situation of both the Company and Trakcja Group in 2020 was complex, especially in the context of financing the Parent Company's activities. In the first half of 2020, the launch of financial instruments (bonds, guarantees) within the first round of financing was finalized. In 2021, the payment for the sale of the property at Lotnicza Street in Wrocław in the amount of PLN 53 million was finalized (the sale agreement was concluded in December 2018), which reduced the debt of Trakcja and Trakcja Group. The Supervisory Board, provided that the process of the second round of long-term financing is carried out and the actions presented in the financial model (referred to in notes 10 and 11 of the additional information to the financial statements) are implemented, sees the prospect of improvement in the financial and economic situation of the Company as well as Trakcja Group.

In 2020, the Company operated a Risk Management Department (which was appointed in late 2019) reporting organizationally to the Management Board Member in charge of Internal Audit. The Risk Management Department conducted periodic risk management assessments and these assessments included project and corporate risks. In 2020, a Risk Management System was introduced in the Company, which covers both corporate, financial, bidding or ongoing construction contract processes, allowing for the ongoing identification and analysis of risks and the implementation of control mechanisms to mitigate existing and potential risks.

In addition, in 2020 internal audit tasks were performed by the Internal Audit Department reporting organizationally to the Member of the Management Board in charge of internal audit. Audit tasks were conducted based on the internal audit plan for 2020 approved by the Company's Supervisory Board. In addition, new detailed internal audit regulations such as the Internal Audit Regulations and the Internal Audit Manual were introduced in the Company. Internal audit activities were performed through audit tasks included in the annual internal audit plan as well as through ad hoc tasks. As part of the planned activities included in the annual audit plan, the degree of effectiveness of implementation of recommendations from previously conducted audit tasks was also verified.

In 2020 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 internal regulations such as the Code of Ethics and the Anti-Corruption Procedure, Politics to Counter undesirable Behaviour in Work Environment, 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.

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