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Warsaw, _____ 2011.

Supervisory Board
TRAKCJA POLSKA S.A.
in Warsaw

REPORT
ON THE ACTIVITIES OF THE SUPERVISORY BOARD OF
TRAKCJA POLSKA S.A. FOR 2010
ASSESSMENT OF THE COMPANY'S FINANCIAL STATEMENTS FOR 2010
ASSESSMENT OF THE FINANCIAL STATEMENTS
OF THE TRAKCJA POLSKA S.A. GROUP FOR 2010
ASSESSMENT OF TRAKCJA POLSKA S.A.'S SITUATION
AND
ASSESSMENT OF THE TRAKCJA POLSKA S.A. GROUP'S SITUATION

I. **The membership of the Supervisory Board** in the reporting period from 01 January 2010 to 31 December 2010 was as follows:

Forename and surname	Function	Date of appointment
Jorge Miarnau MONTSERRAT	Chairperson of the Supervisory Board	08/01/2007, date of reappointment 20/07/2010
Miquel Llevat VALLESPINOSA	Deputy Chairperson of the Supervisory Board	08/01/2007, date of reappointment 20/07/2010
Paweł Maciej ZIÓŁEK	Member	22/11/2007, date of reappointment 20/07/2010
Rodrigo POMAR-LOPEZ	Member	21/01/2008, date of reappointment 20/07/2010
Tomasz SZYSZKO	Member	21/01/2008, date of reappointment 20/07/2010

Jorge Miarnau Montserrat is the Chairperson of the Supervisory Board as at the date of preparation of the report.

II. Organisation of the Supervisory Board's work

The Supervisory Board held 8 meetings in the reporting period.

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

The main issues which the Supervisory Board discussed include:

- analysis of the Company's economic and financial situation and the maintenance of its financial liquidity;
- consultation of Management Board motions;
- adoption of resolutions on the award bonuses to the Members of the Management Board;
- adoption of resolutions on matters which are on the agenda of the Company's Annual General Meeting of Shareholders;
- adoption of resolutions on matters which are on the agenda of Annual General Meetings of subsidiaries;
- adoption of resolutions on the matters related to the award of consent to the acquisition of shares in other companies;
- adoption of resolutions on the expression of consent for conducting the activities specified in article 16 of the Company's articles of association (in the wording of the articles of association of 21 January 2008), i.e. the expression of consent to the proposed wording of drafts of resolutions presented by the respective management boards to the general meetings of the respective subsidiary, the award of consent to the Company drawing financial liabilities (together with drawing loans), the level of which exceeds the limits set by the Supervisory Board;
 - selection of a statutory auditor to whom the audit of the Company's annual financial statements has been contracted;
 - adoption of resolution on the expression of consent for acquisition of Tiltra Group companies.

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 a description of the current economic, financial and asset situation, important actions and planned business activities at the meeting.

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

IV. Assessment of the Company's financial statements for 2010.

The Company's financial statements for the year ended 31 December 2010 include:

1. the Company's balance sheet prepared as at 31 December 2010 with total assets and total equity and liabilities of PLN **586,807,530.63** (five hundred and eighty six million, eight hundred and seven thousand, five hundred and thirty and 63/100 zlotys);
2. the Company's income statement for the financial year ended 31 December 2010, showing a net profit of PLN **36,361,800.69** (thirty-six million, three hundred and sixty-one thousand, eight hundred and 69/100 zlotys);
3. the Company's statement of changes in equity from 1 January 2010 to 31 December 2010 disclosing an increase in equity of PLN **34,837,976.05** (thirty four million, eight hundred thirty-seven thousand nine hundred seventy six and 05/100 zlotys);
4. the statement of comprehensive income for the period from 1 January 2010 to 31 December 2010 disclosing a total income of PLN **36,082,800.69** (thirty-six million, eighty-two thousand, eight hundred 69/100 zlotys);

5. the Company's cash flow statement for the year ended 31 December 2010 disclosing a net increase in cash over the year from 1 January 2010 to 31 December 2010 of PLN 52 034 728,04 (fifty two million, thirty-four thousand, seven hundred and twenty eight and 04/100 zlotys); and
6. the Company's additional information and explanations for the Company's financial year ended 31 December 2010.

The audit was conducted in accordance with the provisions of:

- a) the International Financial Reporting Standards;
- b) the Accounting Act of 29 September 1994 (Journal of Laws for 2002, No. 76, item 694 as amended);
- c) the auditing standards issued by the National Council of Statutory Auditors in Poland;

The audit included the examination of evidence supporting the amounts and disclosures in the financial statements, largely on a test basis, the assessment of the correctness of the enterprise's application of the accounting principles used and the estimates made, as well as the evaluation of the overall presentation of the financial statements.

The Supervisory Board analysed the financial statements presented by the Management Board, familiarised itself with the auditor's opinion and report and did not file any reservations regarding the reliability of the audited documents.

Based on the audit of the Company's financial statements conducted by the auditor in accordance with the applicable regulations, the Supervisory Board confirms that the Company's financial statements reliably and clearly present all information which is of importance to the assessment of the profitability, the financial results and the assets for 2010.

The Supervisory Board positively assesses the auditor's opinion and report on the audit of the financial statements for 2010 and recommends that the AGM approves the above documents.

The Supervisory Board positively assesses the financial statements for 2010 and positively assesses the financial reports presented by the Management Board, which were prepared in accordance with the records and sales ledgers and reflect the actual status of business activities.

V. Assessment of the Company's Management Report for 2010.

After a comprehensive and exhaustive analysis of the Company's Management Report for 2010, the Supervisory Board accepts the document presented by the Management Board and confirms that the Management Board's activities were conducted in accordance with the Code of Commercial Companies, the Company's articles of association, the Management Board's Regulations and the Company's Organisational 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.

In accordance with Article 382 of the Code of Commercial Companies, the Supervisory Board positively assesses the Management Report and files a motion to the AGM to award the Company's Management Board a vote of approval on its activities in the period from 1 January 2010 to 31 December 2010.

In view of the above, in the opinion of the Supervisory Board, there should be no threats to the continuation of activities in 2011.

VI. Assessment of the consolidated financial statements of the Trakcja Polska S.A. Group for 2010

The Trakcja Polska SA Group's consolidated financial statements for the year ended 31 December 2010 include:

- 1 the consolidated balance sheet prepared as at 31/12/2010 with total assets and total equity and liabilities of PLN **754,365,000.00** (seven hundred and fifty four million, three hundred and sixty-five thousand zlotys);
- 2 the consolidated income statement for the period from 01/01/2010 to 31/12/2010 disclosing a net profit of PLN **32,604,000.00** (thirty two million, six hundred and four thousand zlotys);

- 3 the consolidated statement of comprehensive income for the period from 01/01/2010 to 31/12/2010 disclosing a total comprehensive income of PLN **32,324,000.00** (thirty-two million, three hundred and twenty four thousand zlotys);
- 4 the consolidated statement of changes in equity from 01/01/2010 to 31/12/2010 disclosing an increase in equity of PLN **27,294,000.00** (twenty seven million, two hundred and ninety-four thousand zlotys);
- 5 the consolidated cash flow statement disclosing a net increase in the level of cash for the period from 01/01/2010 to 31/12/2010 of PLN **20,730,000.00** (twenty million, seven hundred and thirty thousand zlotys);
- 6 additional information and explanations;

The Supervisory Board analysed the Group's consolidated financial statements presented by the Management Board, familiarised itself with the auditor's opinion and report and did not file any reservations regarding the reliability of the audited documents.

Based on the audit of the Company's consolidated financial statements conducted by the auditor in accordance with the applicable regulations, the Supervisory Board confirms that these financial statements reliably and clearly present all information which is of importance to the assessment of the profitability, the financial results and the assets for 2010.

The net profit generated ensures the correct development of the Trakcja Polska S.A. Group, as a result of which, there should be no threats to the continuation of the Group's activities.

VII. Assessment of the report on the activities of the Trakcja Polska SA Group for 2010

After extensively and exhaustively analysing the report on the Group's activities for 2010, the Supervisory Board accepts the document presented by the Management Board and confirms that the Group's activities were conducted correctly in accordance with the Code of Commercial Companies and the Accounting Act of 29/09/1994 and in the Group's best interests.

In accordance with Article 382 of the Code of Commercial Companies, the Supervisory Board positively assesses the report on the Group's activities and files a motion to the AGM to accept the above report.

VIII. Assessment of Trakcja Polska S.A.'s and the Group's situation

The Supervisory Board positively assesses Trakcja Polska S.A.'s and the Group's situation. The results achieved by Trakcja Polska S.A. and the Group suggest that both the Company and the Group are in an advantageous financial situation. The net profit achieved by the Company give an optimistic outlook for the Company's further development. In the opinion of the Supervisory Board, a significant factor leading to an increase in profitability was the further strengthening of the Company's and the Group's position, as well as the increased level of utilisation of its own efforts and efficiency of operation of the Group. A step in the right direction was also the acquisition of Tiltra Group companies. This is resulting in the diversification of risk and is opening up new opportunities for the Trakcja Polska S.A. Group on the new markets.

Jorge Miarnau **MONTSEERRAT**

Miquel Llevat **VALLESPINOSA**

Paweł Maciej **ZIÓŁEK**

Tomasz **SZYSZKO**

Rodrigo Pomar **LÓPEZ**