

## **Annual report with evaluation of Supervisory Board activity**

This Report was made for General Meeting of Shareholders of PCC Intermodal S.A., in concert with following regulations:

- Art. 382 § 3 Code of Commercial Partnerships and Companies.
- Section III ust. 1 pkt. 1) and 2) "Corporate Governance" and appendix to resolution nr 12/1170/2007 - Exchange Council from 04.07.2009.
- § 16 ust. 2 pkt. a), b), c) and l) (i), (ii) Statutes of PCC Intermodal S.A

### **1.Evaluation of Supervisory Board in 2008.**

#### Supervisory Board : Members and changes in 2008

From 1 January 2009 to 11 March 2008 members of the Supervisory Board were:

- Mieczysław Olender,
- Alfred Pelzer,
- Janusz Kwaśny.

On General Meeting of the Company in 11 March 2008, decision was made to add two more members:

- Andrzej Montwiłł,
- Wojciech Paprocki.

According with rule nr. III.2 "Corporate Governance" all members of Supervisory Board gave announcements about all kind of relationship with shareholders that represents at least 5% of all votes on General Meeting of the Company. On this grounds Mr. Andrzej Montwiłł and Mr. Andrzej Paprocki were found as independent members of Supervisory Board, what is realization of rule nr III.6, in concert with no less than two members of Supervisory Board should satisfy the criteria of independence from company or other significant affiliation.

Members of the Supervisory Board represents possibly widest multiplicity starting from their achievements, knowledge and experience. Among them we can find science or business representative. All members of the Supervisory board posses proper qualifications, experience and they are still broadening their horizons.

### **Report with evaluation of work Supervisory Board**

Supervisory Board acting under the regulation of the Code of Commercial Partnerships and Companies and provisions contained in the Statue of PCC Intermodal the Supervisory Bard was entitled, in particular:

- Assess the financial statements and reports of the Management Board concerning the Company operations for the 2007 financial year taking into account its conformity with the books, documentation and the factual state
- Assess motions placed by the Management Board concerning distribution of profits or coverage of losses
- Acknowledge the annual budgets and strategic plans of the Company

- Acknowledge to draw 3.000.000 PLN credit for six months year term of repayment not forecasted in the acknowledged budget
- Acknowledge buying property in Kutno for building new terminal
- Choosing expert auditors authorized to check financial statements for year 2008
- Acknowledge the Statutes of PCC Intermodal and regulations of the Board of Directors and Supervisory Board
- Acknowledge all strategic agreements for the company: general agreement concerning transporting containers and also consulting agreement concerning enlisting UE funds

In 2008 there were twenty five resolutions enacted ( two in routing procedure ) on four meetings of Supervisory Board. At that time all members were performing there obligations by presence on all sessions and staying in touch with Management Board.

Only occasionally there was an absence of only one member, however quorum was always kept. All enacted resolutions and decisions was made unanimously.

Supervisory Board consist of only five members that is why standing committee did not come to existence. According to European Commission recommendation from 15 February 2005 all committee obligations were executing by Supervisory Board.

In conclusion Supervisory Board appropriately executed their obligations by supervising the company on behalf of shareholders. In fact every member was suitably selected what allowed its effective and professional work.

Supervisory Board in the line of its duties proceeded in accord with generally binding law in particular with Code of Commercial Partnerships and Companies, Statue of the PCC Intermodal and Regulations of the Supervisory Board.

## **2. Evaluation of : financial statement, report about company activitie in 2008 and Managing Board proposal to cover financial loss in 2008**

Supervisory Board analyzed financial statement of the company from 1 January 2008 to 31 December 2008 which includes :

1. Balance made on day 31-12-2008 that consists assets and liabilities on total sum 66.228.540,13 PLN
2. Profit and loss statement from 01 January 2008 to 31 December 2008, that shows loss on total sum 5.370.126,37 PLN net.
3. Statement of capital changes from 01 January 2008 to 31 December 2008 that shows loss of equality on total sum 5.370.126,37 PLN.
4. Cash flow statement from 01 January 2008 to 31 December 2008 that shows increment flow funds on total sum 414.437,82 PLN net.

Supervisory Board made evaluation of financial statement for year 2008 based on companies accounting book and report of financial statement investigation with opinion from 30 March 2009 made by BDO Numerica International Auditors & Consultans Sp. z o.o - expert auditors Krystyna Olczak and Member of the Board Expert Auditor Krystyna Sakson.

Supervisory Board verified that companies financial statement for fiscal year 2008 is complete, consistent with actual state, documents, books and presents reliable all information's significant for evaluation of companies financial situation summary on 31 December 2008, as well as financial result for accounting year from 1 January 2008 to 31 December 2008.

Supervisory Board analyzed and verified Management Board report for fiscal year 2008 regarding companies activity. They stated that the report is complete, consistent with actual state, documents and books. Supervisory Board also claimed that information's included in report are consistent with information's included in financial report for year 2008.

Supervisory Board gives a positive opinion of Management Board motion to cover the loss for year 2008 amount 5.370.126,37 PLN net. from future accounting period.

### **3. General Condition of the Company**

#### Economical Situation

In 2008 Company continued dynamical development, extending scale of conducted businesses and increases intermodal transport. Volume of transported containers was growing systematically the whole year, except for two last months of 2008 when world crisis showed. However, number of transported containers rose from 15,3 thousands (22,4 thousands TEU) in 2007 year to 47,6 thousands units (81,2 thousands TEU) in 2008, what consist 212% and 263% increase. Altogether in 2008 company dispatched 1 470 trains, this means 149 % increase in proportion to year 2007. Most of transported containers was on relation Gliwice – Gdansk and Sławków – Gdansk/Gdynia: appropriately 15,9 i 15,4 thousands containers. Also significant was transported volume form Brzeg Dolny - Gdansk/Gdynia (6,3 thousands) and also lunched in the second part of the year relation Krzewie - Rotterdam (5,7 thousands). In 2008 net income from sale contracts of products amount to 63.994.000 PLN, what means 139% increment. However, costs of the company from the sales amount 67.541.000 PLN. It means that the Company brought loss amount 5.370.000 PLN (it is better result comparing year 2007 amount 953.000 PLN). Negative result is caused by huge extension of company activity and costs related with launching new rail connections.

#### Internal Control and Risk Management System

##### a) Internal Control

Management Board is responsible for proper functioning internal control system along with detection and prevention all irregularity. Supervisory Board during the companies assessment of situation from the period to 31 December 2008 took to the consideration all internal control procedures significant for evaluation companies condition. Substantive supervision under the preparing process of financial statement execute companies financial director. All companies expenditure documents are verified at least two times and after the acceptance payments are qualified to settlement. Applied system enables to control and monitor all companies obligations. After closing the books of accounting for a given month all members of Management Board receive reports including essential information's for the company condition. Financial data that are basis of the financial statements or interim

report come from financial and accounting system in which documents are registered according with companies accounting policy, based on polish accounting act (Dz. U. 2002 nr 76. p. 694 with changes) Management Board office currently follow all changes in regulations to meet the requirements for stock reporting and is preparing company to bring them in. Supervisory Board claim that in PCC Intermodal S.A properly works internal control system.

#### b) Risk Management System

The most important risks were defined in companies prospectus approved by Polish Financial Supervision Authority. For effective management of them responsible is Management Board of PCC Intermodal S.A .

Upon the performance of analyses of achieved results, general financial condition of the company and taking financial plan to consideration, Supervisory Board of the PCC Intermodal took the view that PCC Intermodal S.A is managed professionally. Situation of the company is stable and there are no risks connected with its future activity. All decisions made by the company are guarantee for future development.

#### **4. Supervisory Board opinion concerning passing the resolution on granting a vote of acceptance to a members of the Managing Board**

Upon the determination that in year 2008 there was negative profitability, Supervision Board states that Management Board led financial policy properly, in spite of loss that was caused by huge extension of company activity and costs related with launching new rail connections. Moreover comparing previous accounting year, it is observable an increase of profit margin, and what's important in the presence of extension of companies activity. Therefore presented results allow to recommend President of the Managing Board – Mr. Dariusz Stefański and Vice President of the Managing Board – Mr. Adam Adamek to grant vote of acceptance for fiscal year 2008 on General Meeting of PCC Intermodal.

#### **5. Motions and Opinions for General Meeting**

1. Supervisory Board express positive opinion of financial statement and annual report of companies activity for year 2008 conforming it with the books, documentation and the factual state. Therefore Supervisory Board request to General Meeting of PCC Intermodal to approve enumerated above motions.

2. Supervisory Board express positive opinion of Managing Board motion to cover financial loss amount 5.370.126,37 PLN (net) for fiscal year 2008 from future accounting period.

3. Supervisory Board express positive opinion of Management Board report of companies activity for accounting year 2008. In reporting period company was managed professionally, all strategic and investments plans were realized, besides company was controlled properly. Supervisory Board also recommend President of the Managing Board – Mr. Dariusz Stefański and Vice President of the Managing Board – Mr. Adam Adamek to grant vote of acceptance for fiscal year 2008 on General Meeting of PCC Intermodal.