



PKP POLSKIE LINIE KOLEJOWE S.A.

Zarządca narodowej sieci linii kolejowych



2014
ANNUAL REPORT

Table of contents

Members of the Management Board and the Supervisory Board	4
Financial result	5
Company assets.....	5
Source of assets financing.....	7
Equity.....	7
Borrowed capital.....	8
Economic - financial results.....	10
Train path sales	13
Exploitation systems.....	15
Infrastructure	17
Automatics and telecommunication.....	17
Electrical power devices.....	24
Traction network.....	26
Winter protection of railway lines.....	28
Railway technical emergency services and fire protection.....	29
Track Machinery Plant.....	30
Diagnostics.....	31
Rail roads.....	35
Development prospects	39
General strategic framework.....	39
International cooperation.....	43
National cooperation.....	44
Interoperability.....	45
Strategic planning.....	46
Information Technology.....	48
Geoinformation.....	54

Environmental protection.....	55
Safety	58
Railway events statistics.....	58
The Railways Guards.....	67
Social campaign Safe Level Crossings – “Stop and live!”	68
Investments	71
Source of funding.....	76
Cohesion Fund.....	76
Structural Funds.....	76
TEN-T Fund.....	76
ISPA/CS and C projects.....	76
TEN-T.....	77
Financial perspective for 2007-2013.....	78
A list of projects realized within the framework of the RPO in 2014	78
Operational Program Infrastructure and Environment for 2007-2013.....	80
New financial perspective for 2014-2020.....	80
Investment Forum.....	86
Human Resorces	89
Employment analysis.....	90
Staff development.....	92
Contact details	98
Map of railway lines	99

Members of the Management Board and the Supervisory Board

Management Board:

1. **Andrzej Filip Wojciechowski**
President of the Management Board
2. **Andrzej Pawłowski**
Vice President of the Management Board – Operations Director
3. **Tomasz Kruk**
Member of the Management Board – Quality and Operational Risk Director
4. **Piotr Wyborski**
Member of the Management Board – Infrastructure Maintenance Director
5. **Karol Depczyński**
Member of the Management Board – Financial and Economic Director
6. **Marcin Mochocki**
Member of the Management Board – Investment Implementation Director

Supervisory Board:

1. **Arkadiusz Krężel** - Chairman of the Supervisory Board
2. **Gabriela Popowicz** - Secretary of the Supervisory Board
3. **Piotr Gebel** - Member of the Supervisory Board
4. **Piotr Góralewski** - Member of the Supervisory Board
5. **Magdalena Jaworska** - Member of the Supervisory Board
6. **Artur Kawaler** - Member of the Supervisory Board
7. **Wiesław Pełka** - Member of the Supervisory Board
8. **Ireneusz Piecuch** - Member of the Supervisory Board
9. **Jan Piechel** - Member of the Supervisory Board

(as at August 31, 2015)

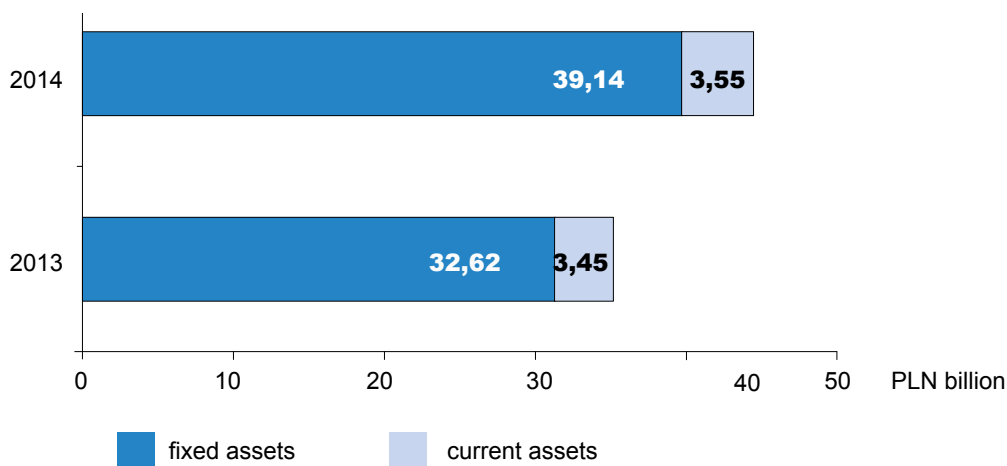
Financial result

The Company's economic and financial situation was assessed based on financial reports representing the status as at 31 December 2014.

Company assets

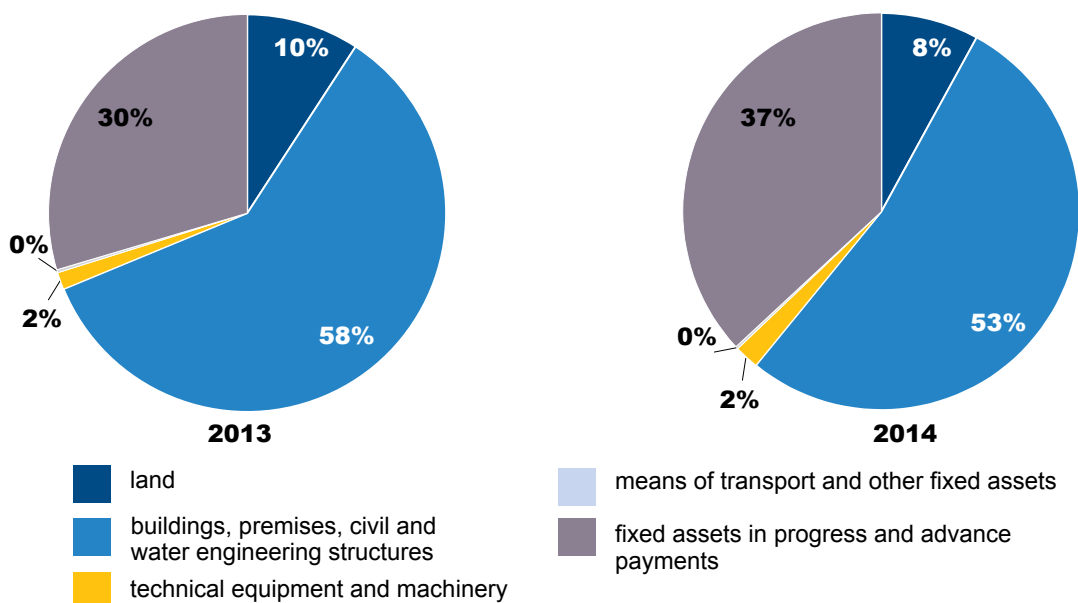
As of December 31, 2014, the book value of the assets held by PKP Polskie Linie Kolejowe S.A. was 42,690.6 mln PLN, and it was higher than the value from 2013 by 18.4%.

The assets of PKP Polskie Linie Kolejowe S.A. in 2013-2014



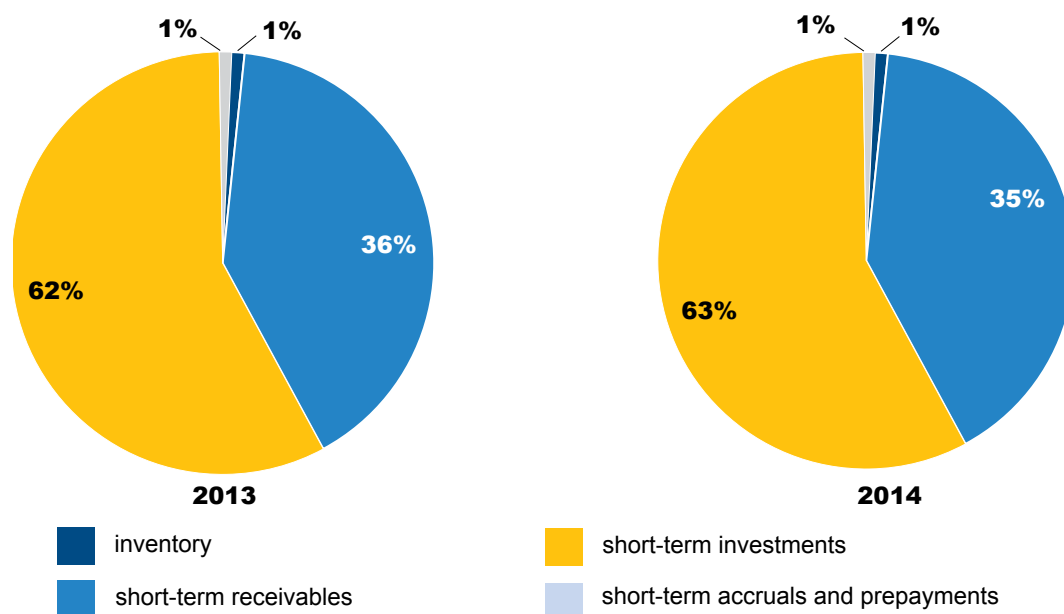
The Company's assets' structure remains typical as for railway infrastructure managers, mainly comprising of buildings, premises and civil and water engineering structures. In 2014, the fixed assets composed more than 91% of the total Company's assets. The fixed assets increased by 20% during the fiscal year, first of all as a result of investments on railway lines that were completed and admitted for exploitations, as well as of expanded modernization works.

The structure of tangible assets in 2013-2014



The current assets of PKP Polskie Linie Kolejowe S.A. accounted for 8% of the total company's assets in 2014. In comparison to 2013, their book value grew by around 3%. This increase resulted mainly from the balance of cash having been increased first of all with the EU funds for investment projects, among others for realization of the Operational Program Infrastructure and Environment, and the Trans-European Transport Network (TEN-T).

The structure of current assets in 2013-2014



In 2014, PKP Polskie Linie Kolejowe S.A. held shares reported as long-term investments in the following subsidiaries:

1. Przedsiębiorstwo Napraw i Utrzymania Infrastruktury Kolejowej w Krakowie Sp. z o.o. (100% of shares in share capital);
2. Dolnośląskie Przedsiębiorstwo Napraw Infrastruktury Komunikacyjnej DOLKOM Sp. z o.o. we Wrocławiu (100% of shares in share capital);
3. Zakład Robót Komunikacyjnych – DOM w Poznaniu Sp. z o.o. (100% of shares in share capital);
4. Pomorskie Przedsiębiorstwo Mechaniczno-Torowe Sp. z o.o. z siedzibą w Gdańsku (100% of shares in share capital).

Balance value of the assets mentioned above, as at December 31, 2014, accounted for 118 mln PLN.

The maintenance and repair companies are the PKP Polskie Linie Kolejowe S.A. company's indispensable potential to:

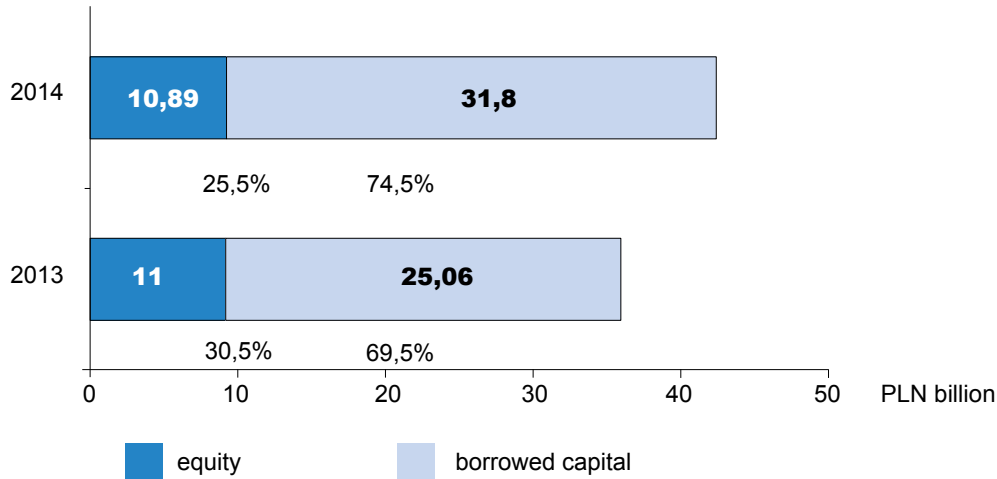
1. maintain the required technical condition of tracks;
2. perform modernisation and replacement investments on railway stations and railway routes;
3. respond rapidly to the need to carry out construction work in emergency situations.

During the fiscal year, PKP Polskie Linie Kolejowe S.A. carried out a sales transaction of all shares held in the KOW media&marketing Sp. z o.o. subsidiary.

Moreover, in 2014, pursuant to the agreement on shares usage, concluded with PKP S.A., PKP Polskie Linie Kolejowe S.A. become a user of 100% of shares of a newly-established limited liability company, i.e. PKP Utrzymanie sp. z o.o., created as a result of dividing the TK Telekom Sp. z o.o. company. At the same time, PKP S.A. granted the PKP Polskie Koleje Państwowe S.A. with a power of attorney to use and exercise all corporate rights resulting from usage of shares.

Source of assets financing

The source of financing assets of PKP Polskie Linie Kolejowe S.A. in 2013-2014

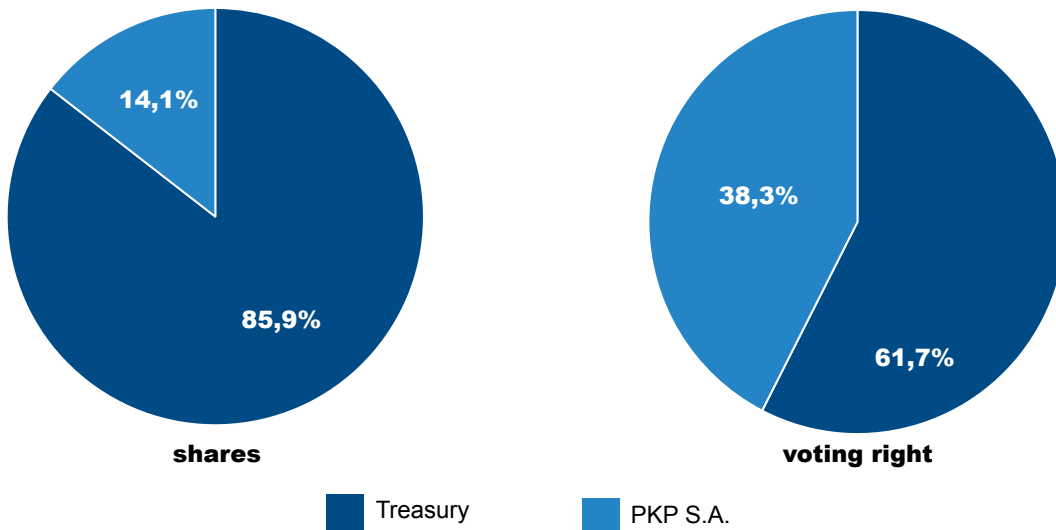


Equity

In 2014, the Company's equity accounted for about 26% of the Company's assets, and when compared to 2013, it decreased by 1%.

In 2014, the share capital was raised to 15,869.3 mln PLN, by expenses of the state budget, handed in 2012 and 2013 for financing of railway lines of national significance, as well as in-kind contribution of PKP S.A., which was composed of the right to perpetual usufruct of lands and the title to the buildings and structures constructed thereon.

Shareholder structure sa of December 31, 2014 (shares vs votes)



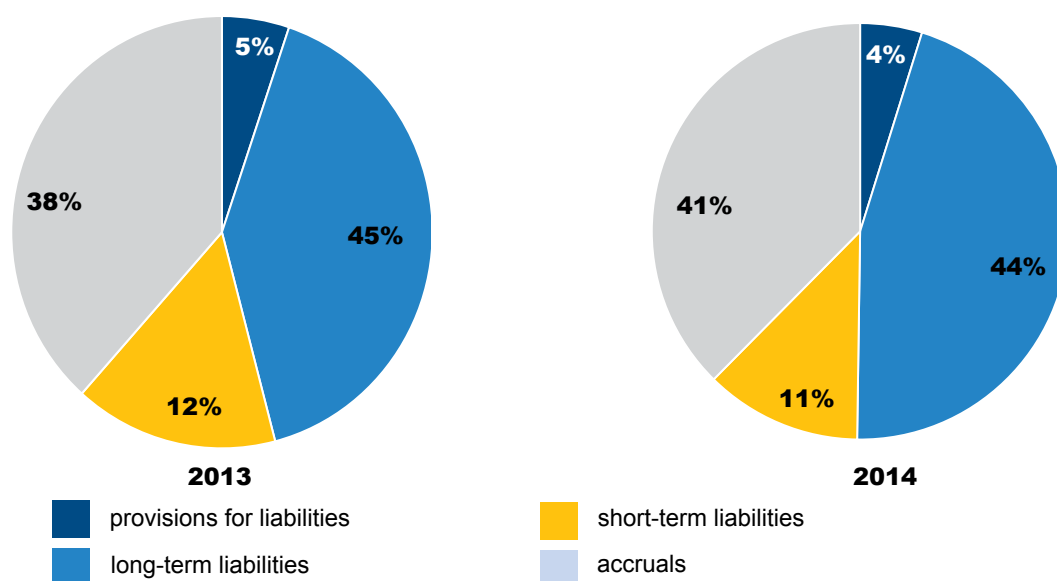
External capital

In 2014, the main source of financing of the PKP Polskie Linie Kolejowe S.A., similarly to previous years, was external capital.

In 2014, share of the external capital in Company's assets financing was increased when compared to 2013 by 5 percentage points, as a result of greater long-term accrual, arising from funds granted by the European Union, Railway Fund and donations for financing construction of fixed assets.

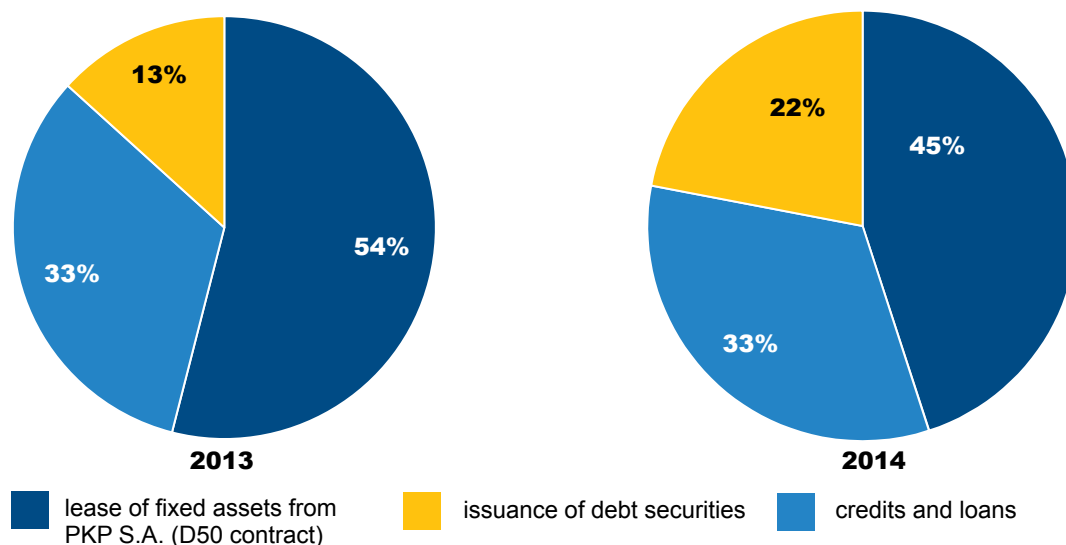
What is more, a significant increase in long-term liabilities was recorded, in relation to loans taken in the European Investment Bank (EIB), for co- and pre-financing of the railway lines modernization.

The structure of external capital in 2013-2014



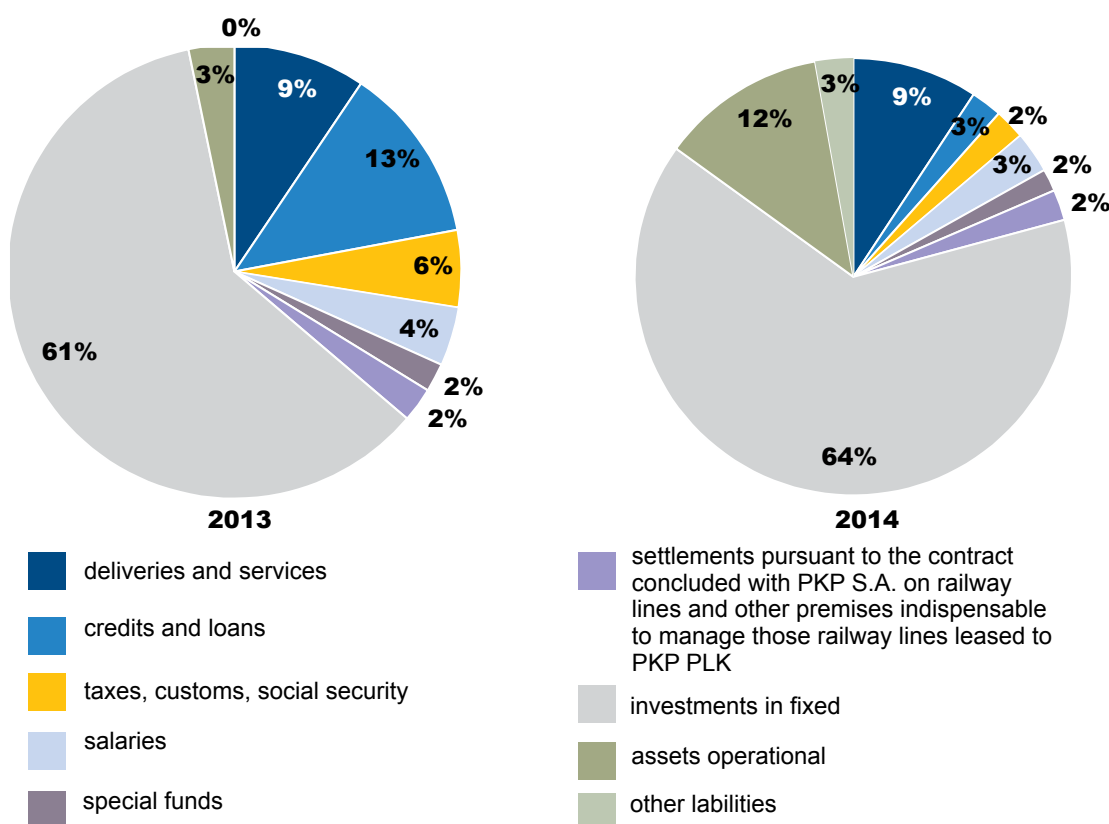
As of December 31, 2014, the long-term liabilities accounted for 13,891.7 mln PLN. About 45% of the liabilities included those from the contract concluded with PKP S.A. in 2001, for the lease of railway lines and other premises necessary to manage these railway lines (contract D50-KN-1L/01). EIB loans for co- and pre-financing of the railway lines modernization accounted for 33% of all liabilities, while the obligations issued in 2014 for investment purposes posed 22% of the liabilities.

The structure of long-term liabilities in 2013-2014



At the end of 2014, the short-term liabilities accounted for 3,677.7 mln PLN, and there were higher by around 21% when compared to the previous year. The recorded increases in the amount of short-term liabilities resulted mainly from issuance of obligations to the amount of 450 mln PLN, devoted for improvement of liquidity in the scope of the Company's operational activity, as well as from investment purchases related to the railway infrastructure modernization, which are covered primarily by EU funds, national budget and tranches of credit taken in the European Investment Bank.

The structure of short-term liabilities in 2013-2014



Economic - financial results

Financial results of the economic activity of PKP Polskie Linie Kolejowe S.A., in mln PLN.

No.	Items	2013	2014	Difference	
				Value	%
1.	Revenues from sales and equivalent	4 371.2	4 897.2	526.0	12
2.	Operating costs	4 911.1	5 144	232.9	4.7
3.	Result of sales	-539.9	-246.8	293.1	54.3
4.	Remaining operating revenue	420.6	516.7	96.1	22.8
5.	Remaining operating costs	326.2	349.3	23.1	7.1
6.	Result of the remaining operating activity	94.4	167.4	73	77.3
7.	Result of the operating activity	-445.5	-79.4	366.1	82.2
8.	Financial revenue	55.4	69.7	14.3	25.8
9.	Financial costs	55.9	137.8	81.9	146.5
10.	Result of financial operations	-0.5	-68.1	-67.6	-13,520
11.	Gross/net result	-446	-147.5	298.5	66.9
12.	Result excluding depreciation	407.4	848	440.6	108.1

The financial result achieved in 2014 was more advantageous than the one achieved in 2013 298.5 mln PLN, i.e. by 66.9%.

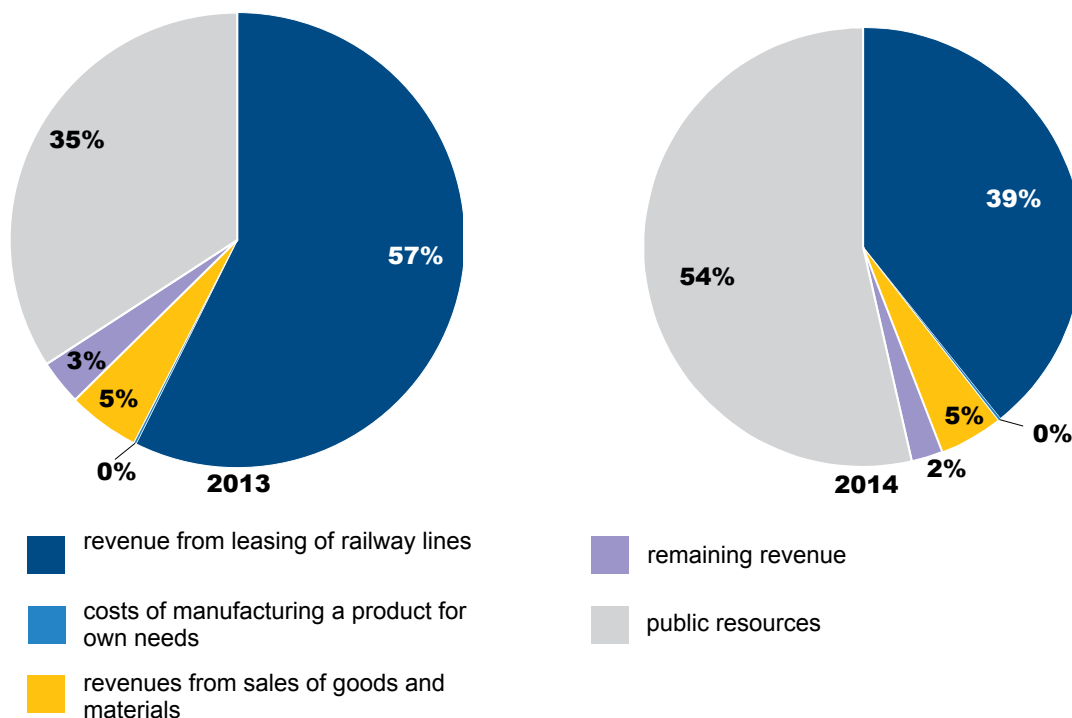
Considering a high value of the fixed assets, and the interconnected depreciation costs, the financial result from economic activity, having deducted this costs, would remain positive, accounting for 848 mln PLN, i.e. more than 108% better than in 2013.

In 2014, the Company's income from economic activity accounted for 5,483.6 mln PLN, and it covered the expenses in 97%. The highest position in total income was occupied by sales revenue and equivalent, including the acquired state public funds and income from rendering access to railway lines to license passengers and goods carriers.

The received public funds constituted 170% of revenue in 2013, and they were devoted to cover management costs, including realization of maintenance and repair actions, contributing among others to improvement of operation and traffic management, increase in the trains speed, perseverance of smooth flow on the lines and enhancement of their aesthetics.

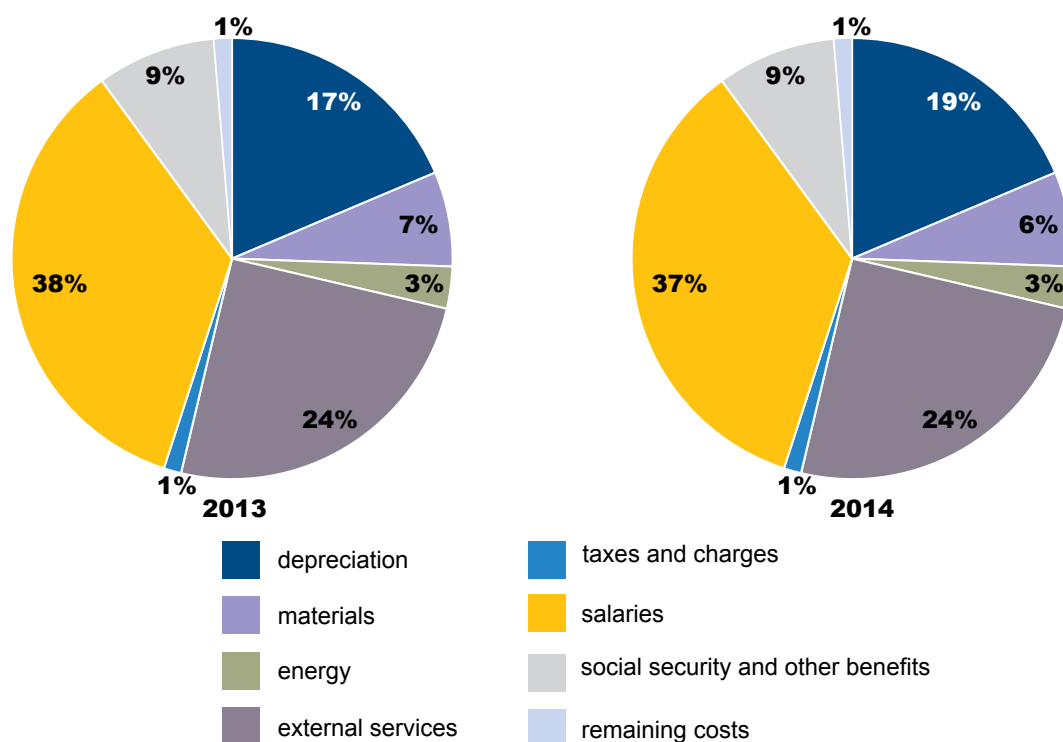
Revenue from leasing the railway lines amounted to 1,922.6 mln PLN, and when compared to 2013, it decreased by more than 22%. The recorded decrease resulted from less extended exploitation works - by 2.2% in relation to the plan - and from the change in rates for access to railway infrastructure. The decrease of rates for passenger (by 13% on average) and freight (by 23.5%) trains in 2014 was forced by a necessity to implement decisions included in the sentence on the Tribunal of Justice of the European Union from 2013, related to violence of a member state's obligation, arising from Directive of the European Parliament 2001/14/EC, on, among others, calculation of fees for minimal access to railway infrastructure. As a consequence, PKP Polskie Linie Kolejowe S.A. developed a new list of unit prices considering decisions of the Tribunal. The prices list was approved by the President of the Railway Transport Office on November 8, 2013, and it became mandatory in December 15, 2013.

Sales revenue and equivalent in 2013-2014



In 2014, as a result of operated economic activity, the Company incurred costs to the amount of 5,631.1 mln PLN, i.e. more than 6% higher than in the previous year. About 42% of those expenses were related to labor costs.

Structure of costs by type in 2013-2014



An increase in operational activity costs in 2014, in relation to 2013, could be observed in the following positions:

1. depreciation - a recorded increase results from higher deductions from expenses on fixed assets settled in 2014;
2. labor costs - an increase resulting from raised remunerations;
3. external services - greater budgetary funds, savings accumulated within the tender process, as a result of centralization of purchases, as well as savings from purchase of energy within the framework of a restructuring program, leading among others to lower unit prices, allowed to spend greater funds to improve railway infrastructure, realize a larger material scope of maintenance and repair works, and liquidate the results of a flood, which took place in May 2014.

On the basis of an index analysis, it was found out that in 2014 the Company fulfilled its commercial obligations, settled its current liabilities resulting from remunerations as well as public-legal duties in a timely manner. → Effectiveness of work increased as well - one person employed in the Company accounted for 128.8k PLN revenue on sales (considering a 70% increase in public resources), i.e. by 15.4k more than in 2013. The collection for deliveries and services cycle was shortened by 5 days. Furthermore, effectiveness in the scope of management improved. Thanks to the fact that the level of net loss was three times lower than in 2013, the profitability indexes improved.

Train path sales

PKP Polskie Linie Kolejowe S.A. is the manager of the national railway infrastructure to which it renders access pursuant to agreements concluded with licensed railway operators, according to equal rules. The access is granted subject to the principles established in the Act on Railway Transport as well as in the regulation of the Minister of Infrastructure on the conditions of access to and use of railway infrastructure.

The basic product of PKP Polskie Linie Kolejowe S.A. is the timetable, which is sold as a train route arranged upon the order of a railway operator. In 2014, there were 2,327,702 train rides organized in total, including those on the basis of:

1. Annual Timetable prepared on the basis of applications made by operators, updated during its validity period on prearranged dates – 1,544,851 train rides;
2. Individual Timetables developed by PKP Polskie Linie Kolejowe S.A. when throughput is available upon request made by individual operators for a train route allocation – 782,849 train rides;
3. PLK Catalogue in line with the parameters adopted by the railway infrastructure manager – 2 train rides.

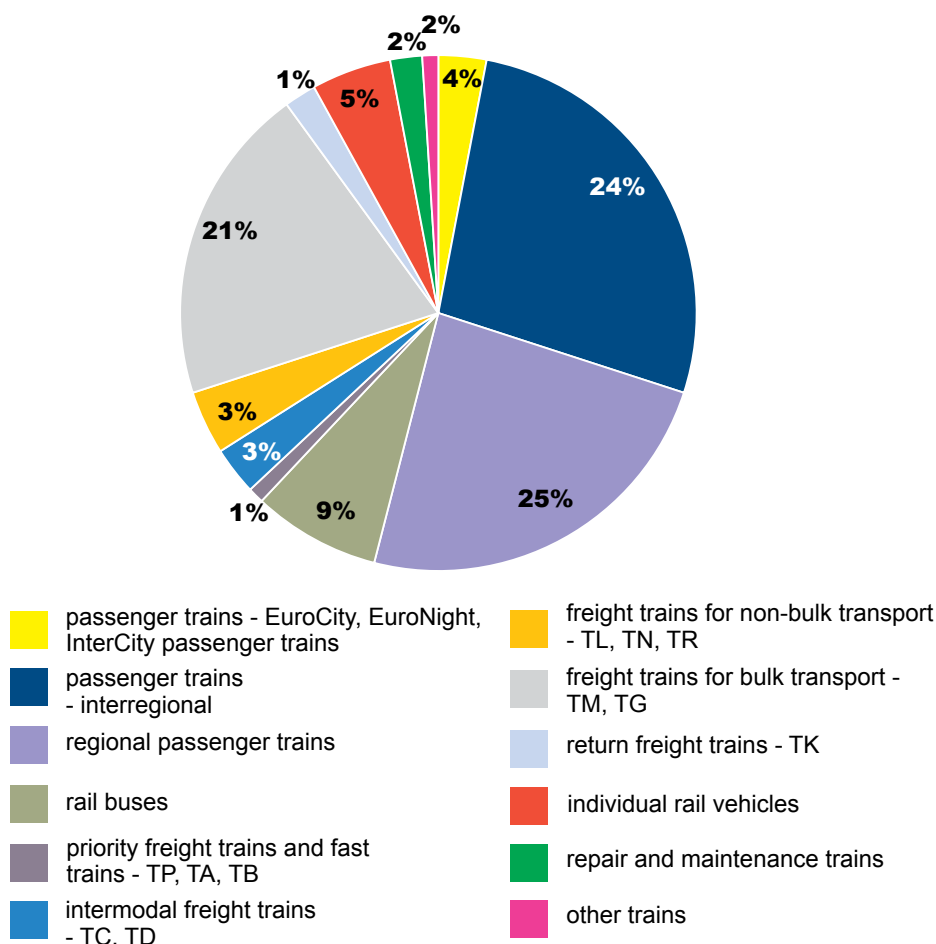
In 2014, the company provided 83 carriers with access to its railway lines, including 15 lines for passenger services, 63 for freight transport and 5 in both modes. 10 new clients launched their business activity on the PKP Polskie Linie Kolejowe S.A. company's network.

A basic reference value in terms of measuring access to railway lines is operation performance expressed in train-kilometers [train-km]. In 2014, 202.96 mln train-km were achieved, including: 131.59 mln train-km in passenger services and 71.37 mln train-km in freight services.

In 2014, the company recorded:

1. a decrease by 2.23% in total operation of its clients performance, when compared to 2013 (in freight transport the decrease reached 0.21%, and in passenger services 3.29%);
2. a stable increasing trend in transport services rendered by freight operators from the outside the PKP Group, whose share in the entire freight transport segment grew from 35.55% in 2013 to 37.21% in 2014.

Structure of operation performance by operators in 2014



As part of the Individual Timetables (IRJ) 34,063 rides of international trains were organized (of which across the Czech border – 16,525, German border – 13,350, Belarus border – 1675, Slovak border – 1365, Russian border – 991, Ukrainian border – 237), which is 20% more than in 2013 (28,264). Within 24 hours, PKP Polskie Linie Kolejowe S.A. receive and realize 92 orders for international trains in the Individual Timetables on average. The greatest number of rides take place between Poland and Germany, as well as between Poland and Czech Republic (around 88% in total).

International transport services in cross-border traffic in 2014 were performed by 41 operators, who in most cases used the following border crossings: Rzepin - Oderbrucke (Poland - Germany), Zebrydowice - Petrovice U Karvine (Poland - Czech Republic), Chałupki - Bohumin Vrbice (Poland - Czech Republic), Gubin - Guben (Poland - Germany), Szczecin Gumieńce - Tantow (Poland - Germany) and Międzyzylesie - Lichkov (Poland - Czech Republic).

To make it easier for the operators to use international train routes, the One Stop Shop (OSS) unit at PKP Polskie Linie Kolejowe S.A., which is a part of the international OSS network within the association of European railway infrastructure managers RailNetEurope (RNE), offers comprehensive information about the conditions that need to be met to obtain access to the RNE member's infrastructure as well as to the services and products they have on offer. A client who is interested in an international train ride may turn to one of the OSS, which will then take over the process of allocation along the entire train route.

PKP Polskie Linie Kolejowe S.A. cooperate with neighboring managers of the railway infrastructure both within the scope of annual and individual timetable in passenger and freight traffic. Cooperation with RZD, LG, BC and UZ railways is based on bilateral agreements, while with DB Netz, SŽDC and ŽSR – on bilateral agreements and regulations of international organizations.

Train rides within the scope of the Individual Timetable are organized in a separate manner:

1. between PKP Polskie Linie Kolejowe S.A. and DB Netz AG, SŽDC and ŽSR – based on a commonly developed procedure (24h/day, through agencies of the Railway Traffic Management Center, coordinated in Warsaw);
2. for the remaining infrastructure managers – through the One Stop-Shop unit at the Railway Traffic Management Center in Warsaw.

Exploitation systems

Within the process of rendering the railways - managed by PKP Polskie Linie Kolejowe S.A. - available to other operators, there are exploitation systems applied that enable registration, supervision and current management of the trains traffic.

These are the following systems:

1. Operation Performance Registration System (SEPE) - the main users of the system are Railway Traffic Management Branches, included in the structure of the Railway Traffic Management Center, where the process of planning, registering, analyzing and preparing data for traffic performance takes place, constituting contribution to settlements with carriers, arising from providing access to railway lines and quality of the provided services.
2. Train Dispatchers Support System (SWDR) - provides the train dispatcher with data on current timetable, its realizations, as well as additional information related to separate trains (timetable management, conditions for transport of extraordinary parcels, details on the transported high-risk goods, data on connections and passes of cars). The users register data on actual ride of the train in the system;
3. Crisis Management Center Map (CZK) - is an interface that illustrates data registered in the Operation Performance Registration System (SEPE), regarding current position of trains, time of delay, incidents in the railway lines network managed by PKP Polskie Linie Kolejowe S.A. Moreover, it presents permanent data on dislocation of equipment of railway rescue services, location of, among others, police units, State Fire Service, Rail Guards.

Train Information System (TIS) - PKP Polskie Linie Kolejowe S.A. joined the TIS project in 2012, within the scope of its membership in the RNE. The main task of the TIS system is to support international trains management procedures through provision of real-time data on their movement, related to both freight and passenger trains. The TIS system is becoming a necessary tool for carriers, who manage train traffic in international communication. From June 1, 2014, upon implementation of the production version, which communicated messages regarding the arranged timetable and its realization, PKP Polskie Linie Kolejowe S.A. launched a module sending information with codes of delays, according to UIC standards, what enabled monitoring of train quality, among others in freight passages. Currently, there is the Traffic Control Center Communication Module (TCCCOM) under development within the TIS system, which will serve for communication between European Railway

Management Centers. The communicator will be an integral part of the Train Information System. The tool will generate a proper communicate in a national language, which will be sent afterwards to selected foreign partners, and received in languages proper for a particular country.

Infrastructure

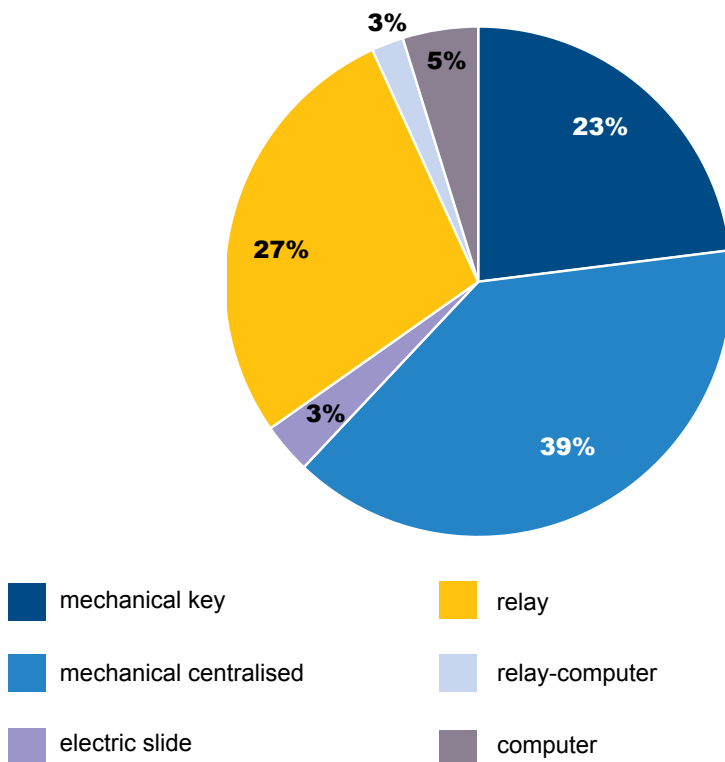
Automatics and telecommunication

The systems of devices for railway traffic control may be divided into three main functional groups:

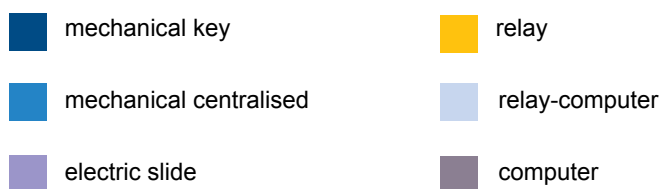
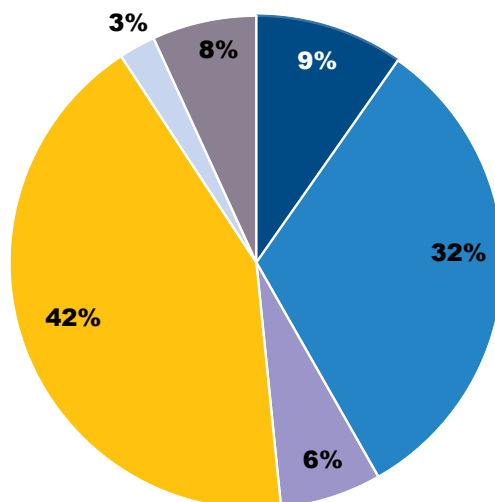
1. station devices, mounted on traffic posts;
2. lineside devices controlling train traffic on railway routes;
3. traffic safety devices at road and railway crossings.

Devices produced in a relay and mechanical technology still remain in majority in the system mentioned above. However, dynamic development of computer technologies and their vast applications in the systems of automatic control and management made it possible to use new railway traffic control systems and devices based on an advanced micro-chip technology. The latest generation of these devices encompasses computer systems and relay-computer (hybrid) systems which combine cutting-edge features, reliability and extended functionality, and they ensure a high level of traffic safety. Computer systems of railway traffic control were installed in 166 signal box control areas, and they control 3,720 switches and 4,308 light signals. Remote control devices cover 951 km of railway lines and 95 railway stations, on which safe train rides are monitored by 27 local control centers.

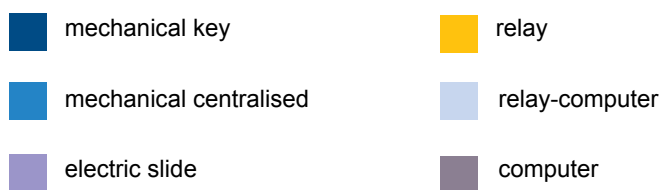
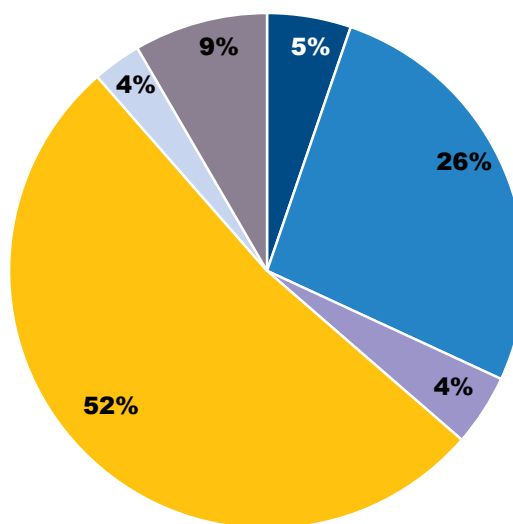
The signal box control areas in various types of station traffic control devices



Switches in various types of station traffic control devices



Light signals in various types of station traffic control devices



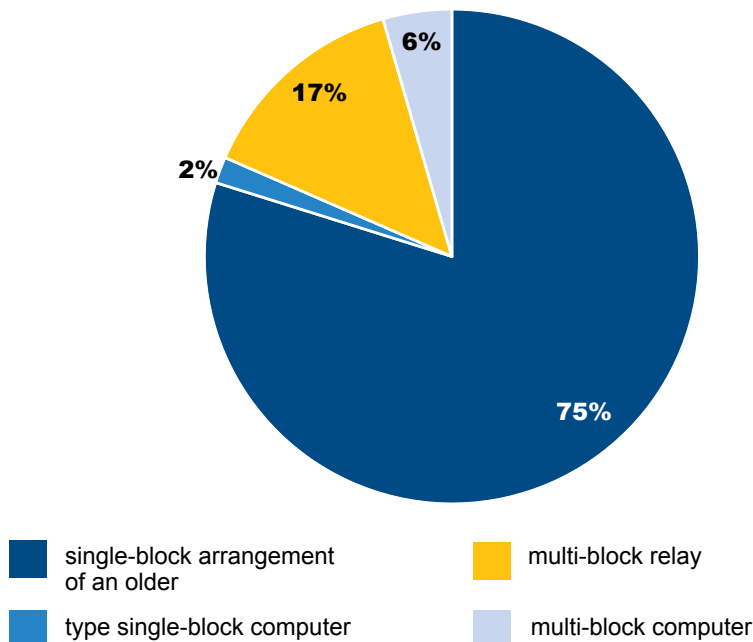
Groups of railway traffic control devices in numbers

		As of December 31, 2014		
No.	Station devices	Control Area	Switch	Signaling device
1.	Mechanical key	682	4,508	2,306
2.	Mechanical centralized	1,168	14,926	12,032
3.	Electric slide	93	2,954	1,986
4.	Relay	831	19,937	23,983
5.	Relay computer	78	1,308	1,731
6.	Computer	166	3,720	4,308
7.	Total	3,018	47,353	46,346

The safety of train rides between stations is ensured by block signaling systems – single block and multi block – which have been mounted on 15,619 km of railway lines.

Single-block systems are predominant as they are installed on 12,700 km of railway lines, while 259 km are systems with computer-controlled technologies. Multi-block systems were installed on 2,918 km of railway lines, of which 953 km are computer-based blocks, featuring independent automatic diagnosis systems, controlling and recording technical and operational parameters of the system.

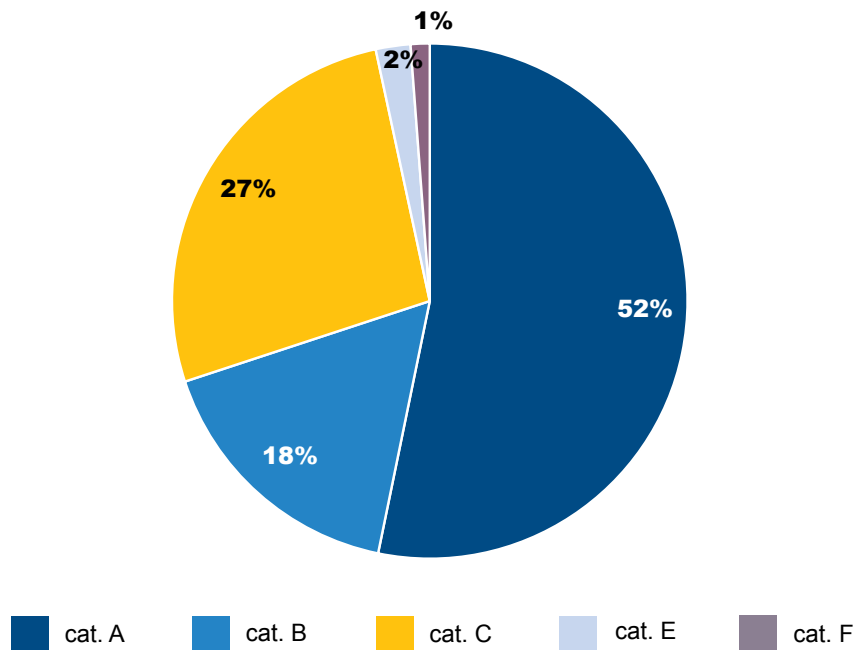
Types of signaling block systems



Computer technology is also applied in traffic safety devices installed on road-railway crossings. The generation of crossing devices is controlled with micro-processor systems, equipped with technology of self-diagnosis, registration of all exploitation incident and full control over the whole system.

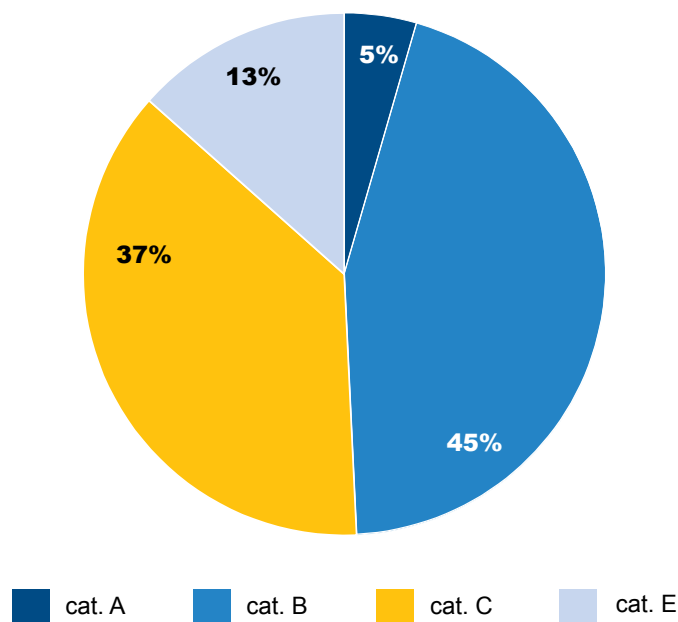
The crossings of public roads and railways, administered by PKP Polskie Linie Kolejowe S.A., have been equipped with 1,452 sets of such modern technological solutions installed on crossings cat. A, B, C and passages cat. E cat.

Division of level crossing with traffic protection devices into categories



PKP Polskie Linie Kolejowe S.A. is committed to improving the technical condition of railway traffic control devices. In 2013, 37 signal boxes were upgraded, including 470 centralized switches. What is more, 134.5 km of railway lines were modernized, which now feature automatic block signaling and crossing devices. As a result of modernization of level crossings, 67 systems ensuring safety on level crossings were implemented, out of which 3 pcs. - on crossings of A cat., 30 pcs. - on B cat., 25 pcs. - on C cat., 9 pcs. - on E cat.

Percentage share of modernized crossing devices, according to categories



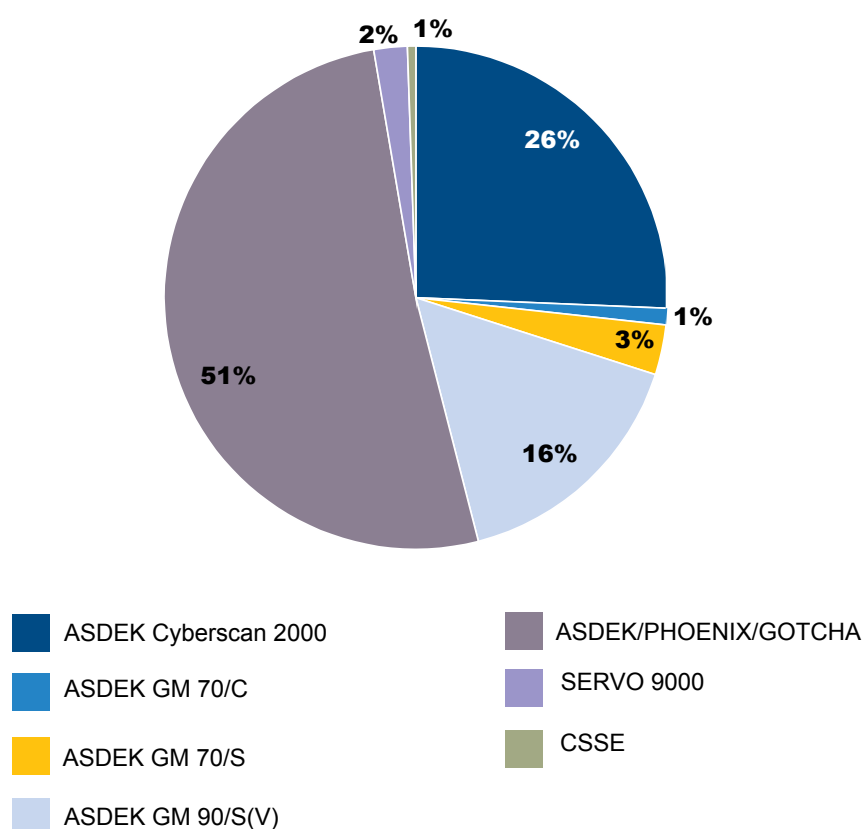
To ensure a high level of train traffic safety, the modernized railway lines were equipped with systems of rolling stock emergency status detection (dSAT). The devices, regarding their diagnostic configuration, are able to detect the following incidents in the moving train:

1. failures of axle bearings (GM function);
2. failures of block and disc brakes (GH function);
3. deformations of wheel rims (PM function);
4. dynamic overloads (PD function);
5. excessive axle and line loads (OK function).

In 2014, there was a central agreement concluded on provision of services in the scope of maintenance of the rolling stock emergency status detection equipment (dSAT) owned by the Company, including:

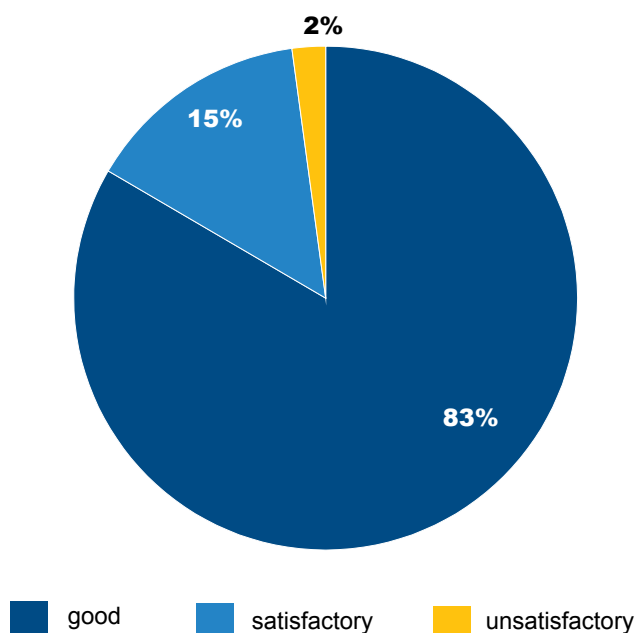
1. inspections and maintenance of dSAT equipment;
2. removal of faults and damages, including delivery of spare parts within the contract's scope;
3. disassembly and assembly of equipment, arising from exploitation needs;
4. provision of exploitation materials;
5. constant monitoring of equipment operation, together with technical support.

Percentage division of exploited types of dSAT equipment



In 2014, the company carried on improving the technical condition of the dSAT devices, within which new dSAT devices were installed in 6 new locations, and the current equipment was modernized in 10 existing locations.

Technical condition of the exploited dSAT devices



In 2014, the Company continued its actions for technical development of railway traffic control devices and systems, through implementation of modern techniques and technologies, including those, which have not been applied in the railway infrastructure yet. PKP Polskie Linie Kolejowe S.A. developed and implemented „Regulations on permission to use elements of railway signaling, manufactured in the LED technology, on railway lines managed by PKP Polskie Linie Kolejowe S.A.”. On the basis of the conditions mentioned above, the Company permitted display indicators - type W 24 - which were produced with non-incandescent sources of light, i.e. LED.

What is more, PKP Polskie Linie Kolejowe S.A. developed and implemented „Regulations on permission to use warning systems for workers performing track works, on railway lines managed by PKP Polskie Linie Kolejowe S.A.” Pursuant to these regulations, there were the automatic warning system for workers, type MINIMEL 95, and the automatic warning system for workers, type MINIMEL Lynx permitted for use for a specified time.

„Technical requirements for indicators and signaling tables le-102” were updated in the scope of indicators applied in the ERTMS/ETCS (European Train Control System), as well as signals produced in non-incandescent technology, such as: W19, W20, W21, W24, W26a and W26b.

There were field tests organized, which allowed to specify (during braking) the influence of magnetic track brakes in Pendolino ED-250 trains, on wheels’ sensors for track non-occupancy control systems, applied and permitted for use on the networks managed by PKP Polskie Linie Kolejowe S.A.

The Company developed and implemented the „Technical guidelines for construction of railway traffic control devices le-4 (WTB-E10)”, and introduced the „Manual for computer railway traffic control devices le-20”. There were three new manuals of the le series implemented, from the scope of automatic re-marshalling.

In 2014, within the scope of realization of the contract concluded beforehand, there were 150 pcs of modern units for announcement of trains (dispatcher’s units), equipped with digital recorders of conversations, which apart from the talks performed through the central units, also record the talks performed through radio-communication devices.

In a piloting program, there was an installation of more than 70 radiotelephones started, equipped with a function Radio - Stop, mounted on selected level crossings of A cat.

Purpose of the solution mentioned above is to improve traffic security on those crossings, through providing crossing keepers with a possibility to emit a signal Radio - Stop in a hard traffic situation, and therefore to stop the trains before the crossing.

In a piloting program, there was an installation of more than 70 radiotelephones started, equipped with a function Radio - Stop, mounted on selected level crossings of A cat. Purpose of the solution mentioned above is to improve traffic security on those crossings, through providing crossing keepers with a possibility to emit a signal Radio - Stop in a hard traffic situation, and therefore to stop the trains before the crossing.

There has been a security objective determined in the Program of Railway Traffic Security Improvement (PPBRK) for 2014 - „Preparation of technical infrastructure in the scope of simulators of devices operated by train dispatchers”, together with an initiative entitled „Purchase of simulators for trainings of train dispatchers”.

Preparation for profession of employees responsible for operation and management of railway traffic in PKP Polskie Linie Kolejowe S.A., is one of significant factors that decide about security. In order to guarantee a high level of training, it is indispensable to apply the latests techniques, technologies and training equipment. Therefore, the Company has developed requirements for computer simulators of railway control devices, which will be implemented in the training programs for train dispatchers.

In order to realize the assumptions mentioned above, in October 14, 2014, PKP Polskie Linie Kolejowe S.A. concluded an agreement with Scheidt & Bachmann System Technik GmbH, on „Delivery and maintenance of the simulator of devices for railway traffic control and communication (SRKiŁ)”.

PKP Polskie Linie Kolejowe S.A., as an entity responsible for the implementation of ERTMS (European Rail Traffic Management System) in Poland, continues the process of implementation of projects related to the deployment of ETCS (European Train Control System) and GSM-R (Global System for Mobile Communications –

Railways), co-financed by the European Union under the Operational Program Infrastructure and Environment and the European Transport Network (TEN-T) program.

As part of continued efforts related to the implementation of ERTMS system on railway lines managed by PKP Polskie Linie Kolejowe S.A., in 2014 the ETCS Level 1 system was handed for commercial exploitation on the section of railway line E65 (CMK): Grodzisk Mazowiecki - Zawiercie, which enabled reaching a train speed of 200 km/h.

There were tests of the ETCS Level 2 system performed on the piloting section of railway line Okmiany - Bolesławiec - Zebrzydowa, within the scope of realization of the task entitled „Modernization of a railway line E30, Stage II. The pilot implementation of ERTMS/ETCS and ERTMS/GSM-R in Poland, on the railway section Legnica - Węglińiec - Bielawa Dolna”.

The Company commenced construction-installation works on the section Czerwonak - Wągrowiec, within the task entitled „Project and development of the ETCL Level 1 system Limited Supervision, on the railway line N. 356, section Poznań Wschód - Wągrowiec”.

PKP Polskie Linie Kolejowe S.A. implemented actions in order to standardize the interface, enabling exchange of information between railway traffic control devices of the basic layer and the devices of the ERTMS/ETCS Level 2 system.

The Company continued works related to maintenance of the GSM-R system, constructed within the scope of the project entitled „Delivery, construction and implementation of the GSM-R system, within the scope of the project Modernization of the railway line E30, stage II.” Upon completion of the third stage of the project, PKP Polskie Linie Kolejowe S.A. took full responsibility for maintenance of the GSM-R network from the Contractor (the Kapsch CarrierCom company).

Electrical power devices

Economic situation

Electrical power devices managed by PKP Polskie Linie Kolejowe S.A. in 2014.

No.	Specification	Unit	Years	
			2013	2014
1.	Traction network devices:			
	Length of electrified railway lines	km	11,706	11,744
	Length of traction network	tkm	24,835	24,858
	Traction network disconnectors:	items	19,876	20,013
	incl. controlled	items	13,525	13,205
2.	Direct current devices 3 kV (leased by PKP Energetyka S.A.):			
	Traction substations/sectional cabins	items	11	11
	Modernized traction substations/sectional cabins	items	26	26
3.	Electrical heating of turnouts (eor):			
	Single turnouts incl. locks	items	30,070	30,230
4.	Lighting devices of railroads and electrical installations in infrastructure-related structures:			
	Points of external lightning	items	190,276	200,050
	Installation points and internal lightning	items	193,525	193,740
5.	SINI distribution lines:			
	Non-traction facilities lines	km	387	511
6.	Electrical energy points:			
	Number of points	items	15,355	16,118
	Contractual capacity	kW	305,726	329,726

Assessment of technical condition of electrical power devices

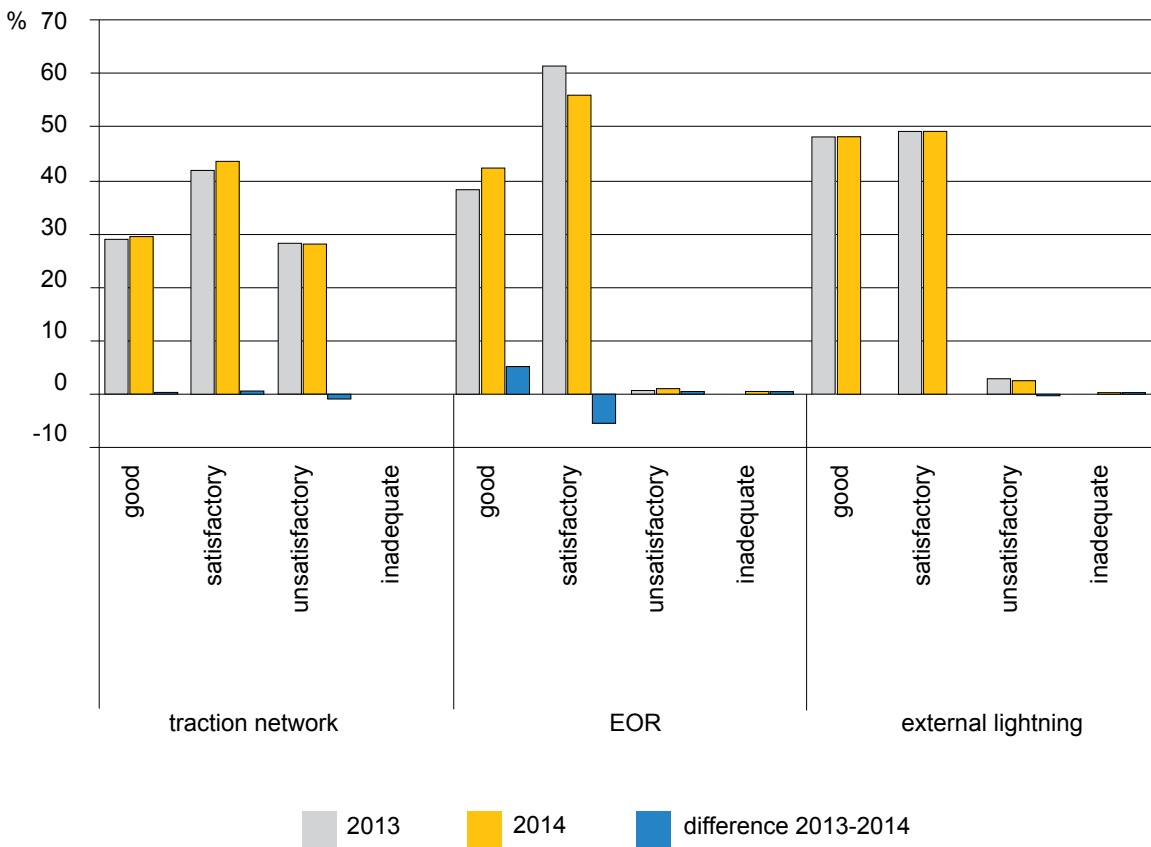
In order to manage power devices used by PKP Polskie Linie Kolejowe S.A. better and more effectively, a set of assessment criteria has been introduced to evaluate their condition according to the four grade scale, based on how long the devices have been in service (the 30-year-long operation period of power devices was adopted as the basic value):

1. good condition – this grade is given to devices meeting the following criteria:
 - less than 50% of the anticipated operation period;
 - devices have the technical and operational parameters that are compliant with the standards and requirements established for such devices;
 - devices do not require renovation with the exception of those resulting from normal operational wear and tear (e.g. of the contact wire).
2. satisfactory condition – this grade is given to devices meeting the following criteria:
 - exceeded 50% of the anticipated operation period;

- devices have the technical and operational parameters that are compliant with the standards and requirements established for such devices;
 - devices require replacement of worn elements as part of scheduled repair/renovation work (e.g. of the contact wire, catenary, isolators).
3. unsatisfactory condition – this grade is given to devices meeting the following criteria:
- exceeded anticipated operation period;
 - technical condition of the devices permits their safe operation provided that more frequent periodic inspections are performed;
 - devices require comprehensive modernization or renovation work.
4. inadequate condition – this grade is given to devices meeting the following criteria:
- given the degree of wear, the devices fail to meet the required technical and operational parameters;
 - due to the risk of breakdown and safety risk the devices should be put out of service.

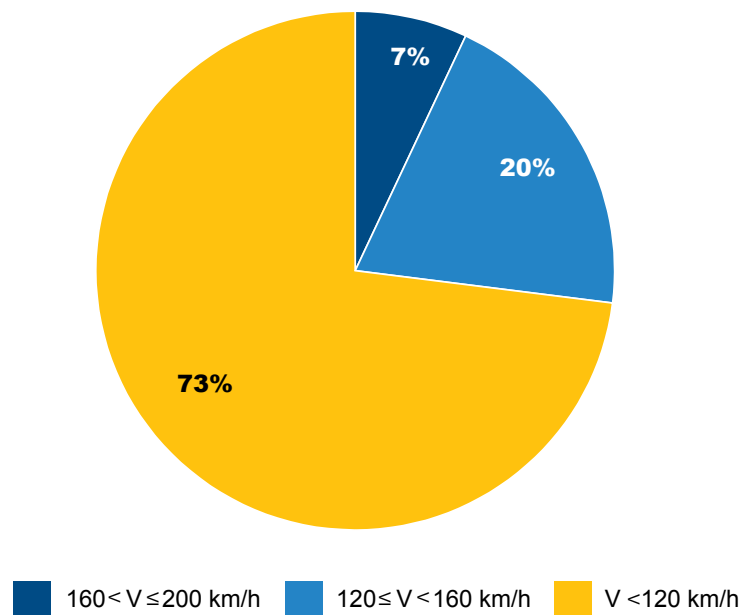
The percentage increase of the traction network devices that received a satisfactory grade results from the exploitation period (ageing of the devices), and the percentage increase of the number of devices in a good condition arises from the performed renovation actions and from the new devices handed for exploitations, and constructed in investment processes.

Technical condition of the power devices



Traction network

Division of traction network regarding speed



Of the total number of 24,858 track-km (tkm) of the traction network, approx. 7,333 tkm has been in operation for less than 15 years, 10,739 tkm – for 16-30 years, and 6786 tkm – longer than 30 years.

Non-traction electrical power devices

More and more of turnout electrical heating devices are being equipped with weather stations, which streamline their utilisation. This results in significant reduction of electric energy consumption. Currently 59% of turnout electrical heating devices controlled automatically, while the remaining part is operated manually.

Actions undertaken in the scope of improving the technical condition of the energetic infrastructure and security

In 2014, the Company carried on with the program launched in previous years, comprising replacement of fixtures and poles of external lighting infrastructure. There were 714 fixtures replaces into energy-efficient devices, and 367 lightning poles. These actions guarantee proper lightning of railway areas, and they provide a chance to decrease annual electric energy consumption by around 300 MWh.

In order to improve cooperation between the traction network and pantographs during winter season, in 2014 the Company protected the contact wires of the traction network with an anti-freezing preparation, applied on main routes, especially on paths of the EIC Premium train.

There were composite lightning poles with extended durability installed during renovations of lightning devices in 2014, meeting the strictest criteria related to passive safety norms for road structures. The composite structures applied on railway areas reduce the external lightning maintenance costs, and improve safety of road users on railway crossings, decreasing the effects of car accidents caused by potential hits, and through applying the 2nd protection class, they also reduce the risk of electrical shock to third persons.

Power consumption and costs

Within its basic scope of operation, PKP Linie Kolejowe S.A. purchase electric energy within the whole country's territory. Purchase of energy for premises and devices takes place through 16,118 pieces of power connection stations, for which more than 329,725.8 kW of electric power is ordered, and average annual power consumption in 2002-2014 amounted to around 263 GWh.

The Company is characterized with a great dynamics of changes in the scope of the number of managed electrical power collection points. In 2014, 209 pieces of this equipment were liquidated, while 972 new devices were installed, which increased the contractual power by more than 24,000 kW. → The increase in the number of electric power collection points results from the modernized railway infrastructure handed for operation.

PKP Polskie Linie Kolejowe S.A. undertake a series of actions, which are to improve energetic effectiveness. The main directions of actions realized in the Company:

1. in 2014, the program entitled „Purchasing electric energy on a free market basis” (TPA) was introduced. Realization of purchase on the basis of the TPA principle caused a decrease in the unit price of energy from 270 PLN/MWh (average from 2013) to 207 and 215/MWh in 2014, and reduction of the costs of purchase of electric energy by around 14,5 mln PLN annually;
2. the Company developed and implemented the „Program for energetic effectiveness improvement”, with a purpose to reduce energy consumption, and therefore the costs of the Company operation;
3. optimization of purchase costs of electricity distribution services, consisting in:
 - compensation of passive power;
 - reduction of contractual power on turnout electrical heating connectors in the summer season;
 - optimization of contractual power;
 - change of tariff groups.
4. optimization of electric energy consumption, consisting in:
 - introduction of energy-efficient receiving devices into exploitation;
 - application of automatic systems for controlling external lightning and turnout electrical heating devices;
 - inclusion of non-traction electric power devices into the monitoring system (SMUE);
 - carrying out actions informing workers on rational usage of electrical energy.

In 2014, within the scope of development of the energetic industry, PKP Polskie Linie Kolejowe S.A. performed the following actions:

1. the Company commenced supervised utilization of turnout electrical heating devices, with a purpose to confirm a possibility to achieve physical unification of the equipment and full IT compatibility of these devices, offered by various manufacturers;
2. research and development works were commenced: „Principles of realization of protection against electrical shocks from a traction network, lightning protection, and protection against overvoltage, to railway technical devices and interconnected infrastructure, in the field of eliminating danger for life and damages of objects”;
3. completion of the 1st stage of the research and development work, entitled: „Analysis of parameters of power system and the traction network in terms of compatibility with TSI

ENER CR requirements, on lines managed by PKP Polskie Linie Kolejowe S.A.” - 2nd stage;

4. development of „Instructions for organization of safe work with and nearby low-voltage electric power devices” let-7;
5. development of „Instructions for exploitation of electrical receiving installations, in buildings and construction objects, as well as mobile and stationary electrical receiving devices” let-8;
6. development of a new methodology of evaluation of a technical condition of a traction network, in order to commence its complementation from 2015;
7. development and implementation of regulating actions within the scope of connection works performed with disconnectors of overhead networks by train dispatchers, signalmen and switch tenders. Connecting actions „on the ground” have been totally excluded from the scope of duties of persons working in traffic posts.

In 2014, the Company carried out a pilot program concerning exploitation of a photovoltaic installation as a source of auxiliary electrical energy in a object for operation and management of railway traffic (signal box), in order to apply it potentially in case of railway objects. Moreover, a group replacement of light sources was performed in order to evaluate energetic effectiveness of such actions. → Implementation of the initiative is planned to take place on a broader scale.

Winter protection of railway lines

Intensive snowfall, low temperatures as well as strong winds may disrupt operation of trains on railway lines due to difficult process of ensuring passability of tracks being covered with snow. What is more, railway infrastructure devices require more efficient repairs under such circumstances (track superstructure, traffic control devices and traction network).

PKP Polskie Linie Kolejowe S.A. takes significant measures to mitigate the consequences of weather conditions. The railway lines of special economic and social significance are protected in winter especially carefully.

The railway lines have been divided into three groups of winter maintenance:

1. first priority - 16.3k km of tracks;
2. second priority - 6.3k km of tracks;
3. further priority - 4.5k km of tracks;

The traffic of commuter trains transporting members of local communities to workplaces and schools as well as transport of coal, other fuels and of food products is treated with special preference. PKP Polskie Linie Kolejowe S.A. delegates 15.4k persons (employees and external workers) to perform works in winter. → A basic element of technical protection of a railway line is heavy winter service machinery. The Company owns 196 units of such snow ploughing machinery, including:

1. 15 units of winter service machines that collect snow directly onto hopper freight cars;
2. 81 units of snow ploughs;
3. 100 units of snowblowers;

Stationing locations and routes of the machinery have been decided. Whenever necessary, the machines are transported to endangered areas. Moreover, PKP Polskie Linie Kolejowe S.A. owns construction machines, road vehicles, motorized draisines and other railway

vehicles used in winter service – in total 1,095 units. Rapid removals of breakdowns of track superstructure and traffic control devices are handled by 172 separate mobile service units. Defects of traction network are removed by 85 centenary service trains, 66 of which are equipped in impact devices removing ice from overhead lines, while 28 trains with devices removing hoarfrost.

Adequate operation of turnouts in winter conditions is possible thanks to almost 16,3k fixed power heating devices having been installed. All turnouts are greased with a product containing substances protecting movable parts of turnouts against freezing. The places exposed to snow (in total 1,164 km of tracks) are protected with snow shields – fixed or movable.

Moreover, PKP Polskie Linie Kolejowe S.A. performs snow removal in all locations where passenger services are provided, such as platforms, footbridges and pedestrian crossings. The total number of object accounted for 6,300 units, with total surface area of almost 5 mln sq. m. These tasks are outsourced.

In the winter protection period, i.e. from 15 Nov. to 30 March, depending on the impact of weather conditions on train traffic, the winter protection coordinator may declare one of the three phases of winter service operation (the so-called “winter alert”). Specific phases call for a specific number of staff, machinery and snow clearing equipment to be put into service.

Railway technical rescue services and fire protection

Safety is the absolute priority in the scope of railway traffic operation and management. All actions undertaken by PKP Polskie Linie Kolejowe S.A. in order to ensure a high technical standard of the railway line network it manages, take into consideration an effective system of railway technical emergency services as well as fire prevention solutions. In total, the company owns 20 units of emergency service, including 10 special-purpose trains available 24/7, as well as 10 special-purpose trains deployed whenever necessary. These trains are professionally equipped with:

1. train cranes, type: EDK 750, EDK 1000, EDK 2000;
2. technical protection vehicles (crawler tractors), type: WZT-2 and WZT-1, transported on platform freight cars;
3. road-rail vehicles;
4. self-propelled rescue technical service vehicles, type: WM-15A/PRT;
5. hydraulic devices for re-railing of rolling stock.

Operational abilities of the railway technical rescue services were improved through purchasing 50 pieces of intermediate railway coupling, 20 low re-railing bridges as well as hydraulic equipment and auxiliary towing carriages.

The specialist equipment combined with highly competent technical staff guarantee interoperability and efficiency of restoring the passability of railway lines. Furthermore, these two elements enhance safety and provide protection against the outcomes of breakdowns as well as technical and environmental disasters.

The railway technical rescue teams are the only units in the country equipped with properly trained staff and technical possibilities in the scope of removing results of incidents that took place on the railway tracks.

In 2014, the technical rescue service units took part in 185 operations embracing removal of railway incidents' consequences.

Apart from their basic operation, without detriment to their full availability for rescue services, the units offered support in re-railing, hauling, removing and rotating of all types of rolling stock, taking part in 135 such actions in 2014. Moreover, they participated in various simulated rescue tests in railway areas in cooperation with the State Fire Service units and other intervention entities managed by the local authorities.

For PKP Polskie Linie Kolejowe S.A., as the manager of the national network of railway lines, the crucial matter is to provide the highest level of safety while transporting hazardous goods, which is realized on the basis of International regulations for transport of hazardous goods (RID), as well as specific internal regulations (Ir-16).

The Facilities of the Railway Lines updated and verified effectiveness of the implemented „Plans for provision of safety of hazardous and high risk goods railway transport”, and safety consultants in all Facilities managed to carry out or supervise the course of trainings in the scope of security in dangerous goods transportation. Moreover, our actions are also focused on identification of fire threats, removal of any inaccuracies, and minimization of risk in this scope, within the managed territory.

Track Machinery Plant

Operation of high-power track machinery, welding of rails and machine repairs

Track Machinery Plant in Kraków is a specialized organizational unit of PKP Polskie Linie Kolejowe S.A. which carries out tasks comprising ongoing repairs, maintenance of railway lines and engineering structures as well as investments.

The plant is equipped with specialist machinery and devices as well as process lines for welding rails to up to 210 m long sections. Maintenance of railway lines and engineering structures along with investment tasks are realized using high-power specialist machinery for track and subgrade work. A significant advantage of the groups of machinery is that repairs are carried out in a single working pass, without the necessity to disassemble the railway track, what reduces the repair time considerably and helps to maintain uniformly high railway track parameters. It is of special significance in the context of environmental protection and impact on the railway lines surroundings, as there is no need to disturb the structure of the areas adjacent to the section under repair, to destroy access roads or to establish haul roads for transporting materials and spoil.

Rails are welded in specialist units – welding machines in Skarżysko-Kamienna, Kędzierzyn-Koźle and Bydgoszcz.

The workshop of the Track Machinery Plant in Kraków has been participating in repairing rail grinding trains for the Swiss Company SPENO for several years, and it has performed repairs of its own heavy duty track machines.

Track and welding machines are operated by a highly experienced and qualified team of workers, which ensures quality of the performed works, meeting the highest expectations of clients. Quality of the procedures implemented in the Facility is confirmed by the EN ISO 9001:2008 certificate.

Work of track machines of the Track Machinery Plant in Kraków
- a comparison of production performance in 2013-2014

No.	Machines	2013	2014
1.	AHM 800 R	21,390	14,318
2.	P-93 and P-95	319,234	268,545
3.	OT-800 and RM 80	149,768	172,328
4.	CSM 09	278,310	296,853
5.	ZTU 300	241,250	326,643
6.	DGS 62 N	238,887	340,113
7.	UNIMAT [unit]	1,192	1,152
8.	UNIMAT [running meter]	48,722	59,850

Work of the welding machine [running meter]
- comparison of short rails welding on the section of 210 m, in 2013-2014

No.		2013	2014
1.	IMZ1 Skarżysko-Kamienna	365,730	62,370
2.	IMZ2 Kędzierzyn-Koźle	421,590	142,552
3.	IMZ3 Bydgoszcz	209,865	86,482

Diagnosics

Diagnostic measurements and tests are the basis for assessing the technical condition of railway infrastructure and planning the maintenance and repair processes.

During these procedures, current technical parameters of infrastructure elements are determined, in order to analyze their compliance with prescriptive parameters and established safety tolerances.

Diagnosics and evaluation of the railway infrastructure's technical condition is carried out by:

1. diagnostic teams employed at Railway Line Plants that – while using portable tools and devices – make measurements and tests of subgrade, track superstructure, engineering structures, railway buildings and structures as well as power and railway traffic control devices and networks;
2. Diagnostics Center in Warsaw – a specialist unit carrying out measurements and diagnostic tests employing specialized equipment on bogies, rail vehicles and rail-road vehicles.

The Diagnostics Center in Warsaw ensures railway traffic safety of the network of PKP Polskie Linie Kolejowe S.A. by making measurements and analyzing the technical condition of railway infrastructure in five areas:

1. diagnostic measurements of track superstructure (track geometry) and railway infrastructure elements (clearance outline), measurements of longitudinal and vertical rail profiles (the so-called waviness) and other specialist measurements, e.g. coarseness or rigidity;
2. flaw detection in steel elements of superstructure (looking for and revealing surface and internal flaws and defects in rails, elements of turnouts and in rail joints);

3. functional diagnostics of automatic control devices DSAT (detection of the rolling stock emergency conditions) by simulating emergency conditions with special devices installed on the measurement car;
4. welding of rails and turnouts – supervision, control and assessment of performed rail joints as well as field and lab tests of joints quality;
5. commissioning of railway superstructure elements of required quality to be used in railway infrastructure.

In 2014, there were 165 employees of the Diagnostics Center, who performed the following tasks within their basic operation:

No.	Task	Number	Unit
1.	Measurement of track geometry in plan and profile, using two measuring draisines EM 120	39,733	km of track
2.	Inspection of rail internal structure in a track using a flaw detection wagon	12,131	km of track
3.	Inspection of rail internal structure in a track using a flaw detection bogie	37,268	km of track
4.	Flaw detection test of railway superstructure elements	Welds	4,315 items
		Padding welds	23 items
		Turnouts	782 items
	Specialist test of railway superstructure elements	Turnout profiles	444 items
		Rails profiles	496 items
			6,454 meters
Test of rail roughness		40 items	
Stiffness of rails and frogs	986 items		
5.	Test of rail waviness	61	km of rails
6.	Control of operation of axle welding sensors by DSAT wagon which simulates an axle-box breakdown	139	devices
7.	Participation in bridge structure inspections using a specialist Volvo - SRS Svabo vehicle, for the purpose of inspectors from Railway Lines Plants	143	objects
8.	Lab and field tests of railway superstructure elements	26	items
		300	items samples
9.	Trainings and courses in rail welding and welding supervisions	132	persons
		17	courses
10.	Periodic and certifying exams in rails welding	226	persons
11.	Instructions and issuing competence certificates, identification cards for welding	108	items
12.	Trackmeter calibration	831	items
13.	Technical acceptance of railway superstructure elements	Turnouts	1,158 sets
		Various elements for turnout manufacture	1,531 items
14.	Technical acceptance of railway superstructure elements in field (e.g. with a digital rod)	1,508	items

Acquisition of information about railway infrastructure parameters is the basic activity of the Diagnostics Center, the tasks of which are planned on an annual basis in compliance with obligatory regulations and demand from the maintenance units.

The year of 2014 was a special year for the Diagnostics Center - a year of changes and development. Pursuant to the Resolution of the Management Board of PKP Polskie Linie Kolejowe S.A., regarding centralization of the technical operation of relays (OTP), traffic control devices, in August the Diagnostics Center walked into a new sphere of diagnostics-control operation in the sphere of railway automation.

In relation to centralization of the technical operation of relays, expansions of diagnostics systems and an increase in demand for laboratory and research works in the scope of measurement instruments, welding products and materials of railway superstructure, significant changes were implemented in the Diagnostics Center:

1. two organizational departments were developed in the Facility's structure: the diagnostic department and the research-laboratory, welding and technical operation of relays department;
2. the points technical operation of relays (OTP) were taken over from the Railway Lines Facilities, together with equipment and employees (more than 70 persons);
3. additionally 25 new workers were employed, in order to complement the diagnostics teams and to provide proper functioning of the Center's new structures;
4. the laboratory of material research and facilities of measurement instruments were increased to the rank of organizational units.

The year of 2014 was also the year of numerous undertakings and initiatives related to development of the Diagnostics Center and constant concentration on technical advancement in the scope of railway diagnostics and infrastructure, in order to provide technical security for passenger and freight transport:

1. there were consultations and monitoring actions over the agreement concluded with a Polish-Italian consortium, on construction and implementation of a multi-functional, self-propelled vehicle for measurement of track, rails and traction network geometry, as well as inspection of railway superstructure and track-side equipment. The planned commencement of the vehicle's operation in 2016 will broaden the scope of diagnostic research over the infrastructure with measurements from the branch of railway energetic and automation;
2. the Company prepared documentation and participated in selection of a tenderer for construction, delivery and implementation of the self-propelled rail diagnostic vehicle, for flaw detection on rails;
3. the measurement vehicle EM-120 was prepared and modernized for installation of additional diagnostic systems (a scanning-photogrammetric platform) for measurement of loading outline and codification of railway lines;
4. EM-120 measurement vehicles were made available for testing the European Train Control System (ETCS);
5. The Diagnostics Centre, as every year, promoted modern methods and technologies by organizing a number of presentations of measurement equipment addressed to the representatives of Railway Lines Plants and maintenance companies.

The year of 2014 was the time for searching for a new location for construction of a new technical base, regarding new challenges of the diagnostics Center and commercial attractiveness of the previous location. The land occupied currently will be devoted to other development.

The year of 2015 will be also a highly intensive period for the management and staff of the Diagnostics Center, in relation to acquisition and implementation of new technologies, devices, vehicles and measurement systems, completing and training new personnel, measurement teams and diagnostic devices' operators.

The technical and technological development of railway diagnostics, supported by the team of experts (industry diagnosticians), will help the Company plan modernization, refurbishment and maintenance needs of railway infrastructure in a more rational manner both at the level of organizational units and of the entire Company. It will also significantly increase the level of railway traffic technical safety.

Rail roads

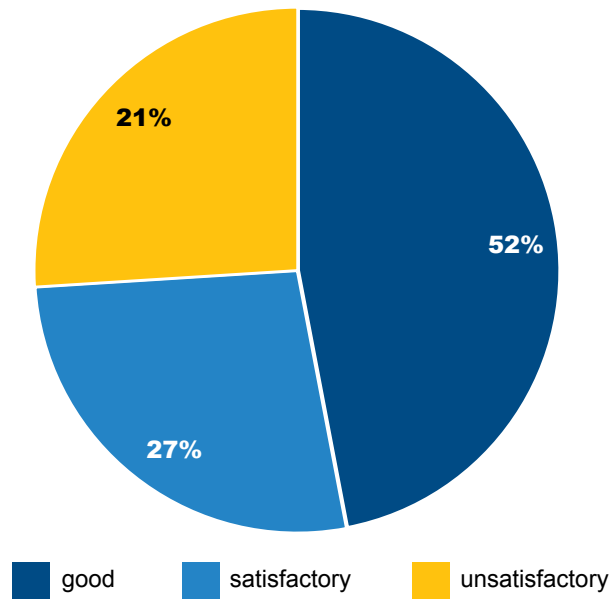
In 2014, the length of railway lines in use changed. The modification was a result of the need to adapt the infrastructure to the changing transport needs.

A list of railway infrastructure in use, managed by PKP Polskie Linie Kolejowe S.A. (as at December 31, 2014):

1. 18,516 km of railway lines - which gives 36,105 km of tracks, including:
 - 27,015 km of route tracks and main principal tracks at stations;
 - 9,090 km of station tracks.
2. 40,343 turnouts, including:
 - 18,143 turnouts in route tracks and main principal tracks;
 - 22,200 turnouts of station tracks.
3. 15,408 level crossings, incl. those on active railway lines: a total of 12,900, including level crossings of cat.:
 - A – 2,516 items;
 - B – 856 items;
 - C – 1,283 items;
 - D – 7,158 items;
 - F – 593 items;
 - pedestrian crossings of E cat. - 494 items.
4. 25,493 pieces of engineering objects, including 6,447 of bridges and viaducts;
5. 6,204 buildings;
6. 12,896 structures.

Road infrastructure technical condition

As a result of the maintenance and repair works as well as investment tasks performed in 2014, the length of railway line tracks graded as good in terms of technical condition (as at December 31, 2014) amounted to 52% of the total track length, which is a 5% increase in comparison to the status of December 31, 2013, when 47% of tracks were graded as good.

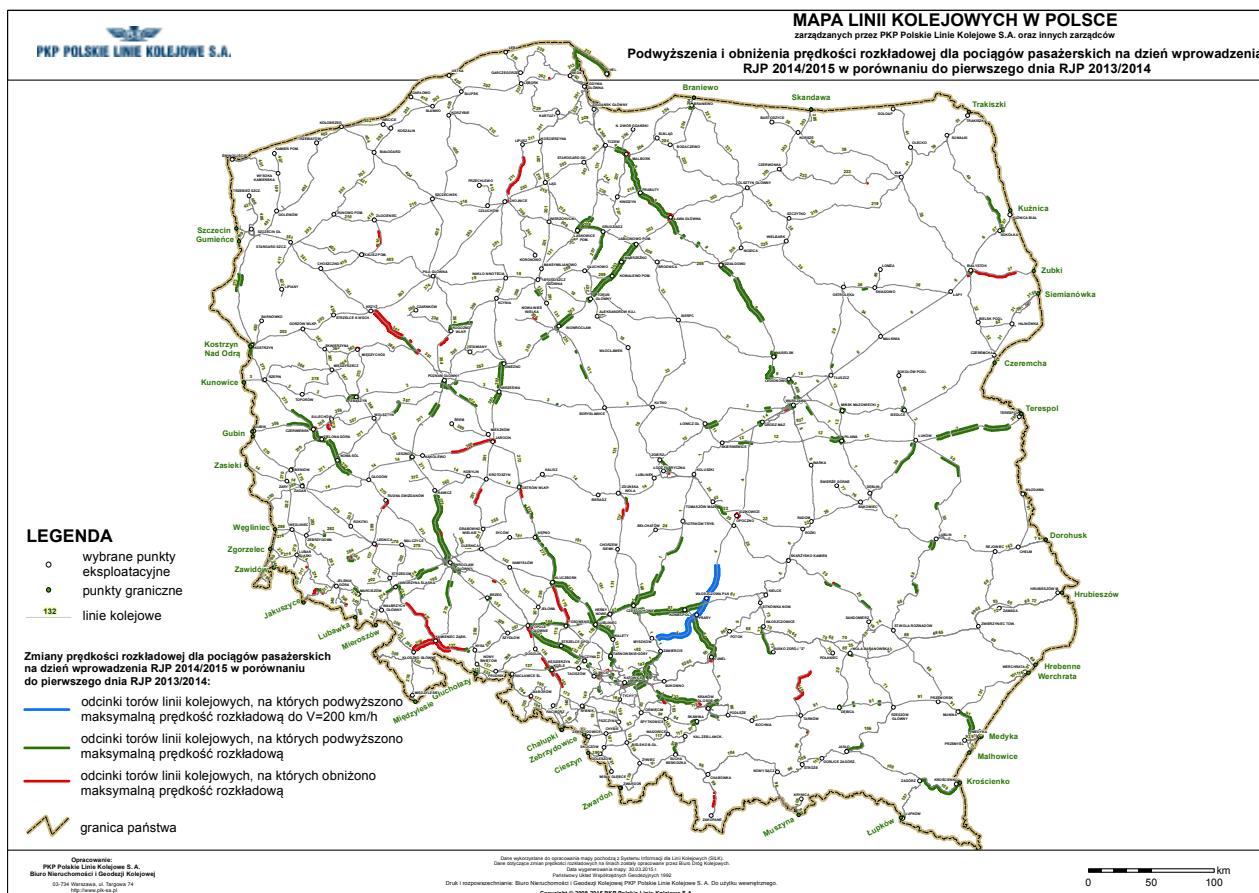
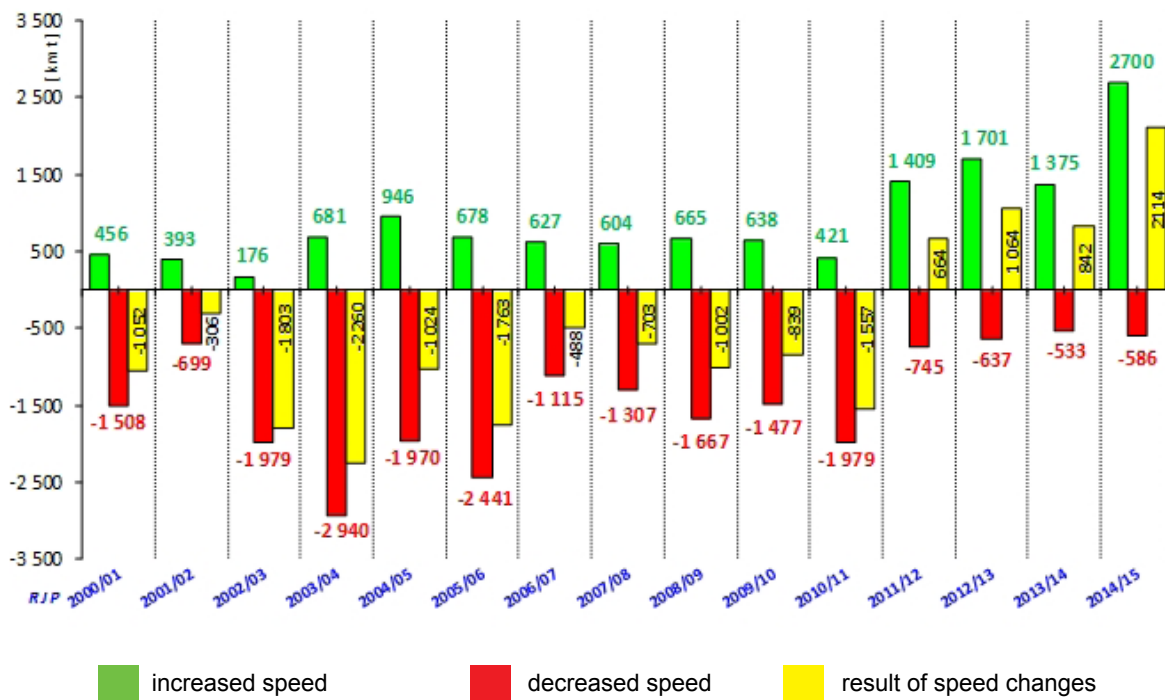


The diagram presented above was developed according to the following criteria:

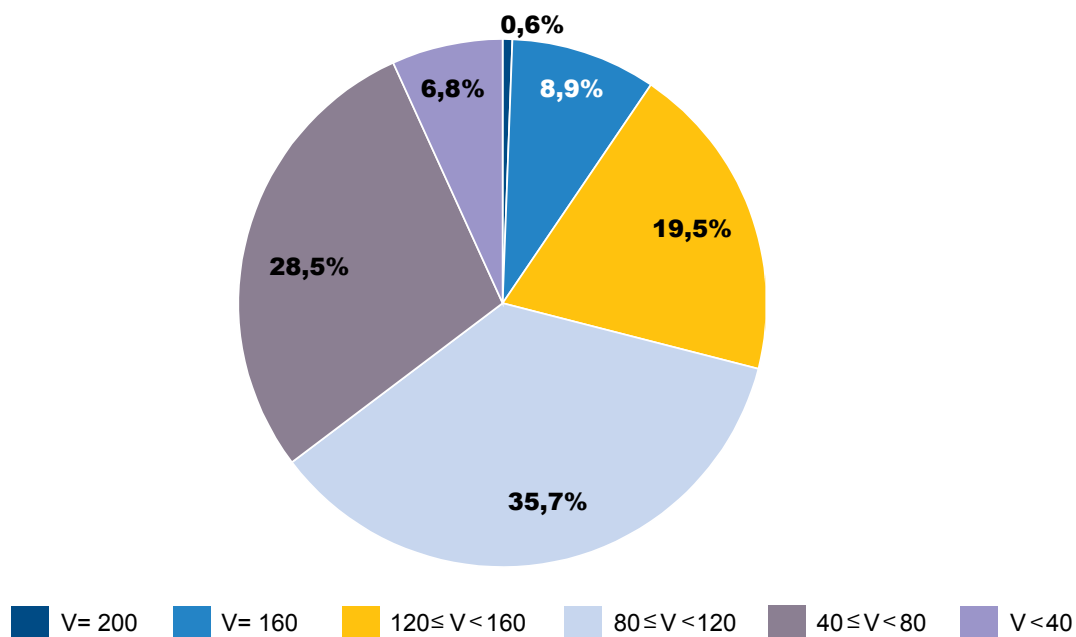
1. good - railway lines operated in line with the assumed parameters, only maintenance work is required;
2. satisfactory - railway lines with lower operation parameters (reduced top timetable speed, local speed limits); to restore the maximum operational parameters, in addition to maintenance work, ongoing repairs are required embracing replacement of faulty track elements;
3. unsatisfactory - railway lines of significantly lower operation parameters (low timetable speeds, large number of local speed limits, lower permissible loads), which qualify railway tracks for comprehensive replacement.

The effect of improved technical condition of tracks was the higher top timetable speed in the Annual Timetable 2014/2015 for passenger trains on the track sections with a length of 2,700 km, and decreased speed on 586 km of tracks.

The length of operated railway line tracks managed by PKP Polskie Linie Kolejowe S.A., where top timetable speeds were changed (as of the date of implementing the Trains Timetable)



Percentage structure of maximum timetable speeds 2014/2015



The Company's successes include a constant increase in tracks length with maximum timetable speed of $V \geq 160$ km/h, which have been advancing for several years. At the end of 2014, the length of such tracks reached 2,568 km, while at the end of 2013 it amounted to 2,022 km. From December 2014, in accordance with the trains timetable 2014/2015, on the railway line No. 4 Grodzisk Mazowiecki - Zawiercie (CMK), on the section of tracks reaching 174 km, regular passenger transport with a timetable speed reaching $V = 200$ km/h was started for the first time in Poland.

Development prospects

General strategic framework

Strategic framework for the PKP Polskie Linie Kolejowe S.A. Company's actions is determined by governmental strategic documents regarding transport, as well as corresponding EU regulations.

A key document that determines the Company's strategy on the national level is the Transport Development Strategy (TDS) until 2020 (with a perspective to 2030) and the Implementation Document to the TDS¹, as well as national, supraregional and regional operational programs, enabling exploitation of support from European structural and investment funds, for investments in railway transport.

Strategy adopted by PKP Polskie Linie Kolejowe S.A is focused on realization of the following detailed objectives, stressed in the TDS, and related to the railway transport:

1. actions for creation of a modern and cohesive railway network;
2. improvement of the organization and management manner;
3. improvement of traffic safety and security of the transported goods;
4. limiting a negative impact of transport on the environment;
5. developing a rational financing model for infrastructural investments.

The primary objective of the Company² is to provide railway traffic security, and its constant improvement in the performed exploitation, maintenance and investment processes. The Company's strategic objectives are specified for a period compliant with time assumed to governmental documents. The objectives are as follows:

1. provision of security, quality and reliability of infrastructure services;
2. optimization of network and effective and timely realization of investments;
3. provision of a proper level of railway network maintenance;
4. minimization of influence exerted by construction and exploitation of railway lines on the environment;
5. adaptation of the working potential to business needs;
6. improvement of organization and management, reduction of costs, stabilization of access rates;
7. adjustment of the offer to the clients' needs (carrier and applicants);
8. realization of priorities pointed in the governmental documentation.

The Company's objectives are realized in accordance with the sustainable development principles, upon fulfillment of environmental protection, effective resources management, climate changes, biological diversity and resistance to natural disasters requirements.

¹ a document passed with a resolution of the Council of Ministers of September 24, 2014, amended with the resolution No. 201/2014 of the Council of Ministers of October 13, 2014.

² in accordance with the Security Policy of PKP Polskie Linie Kolejowe S.A, chapter 5 of the Safety Management System Book (SMS).

Strategic documents

The major actions in the scope of strategic documents in 2014, comprised of:

1. coordination of works related to development of a new Company's internal document, specifying the strategy of actions until 2020, together with directions for further years, including preparation of an initial version of the document;
2. participation in works related to a new owner supervision model, over subsidiaries of PKP Polskie Linie Kolejowe S.A., development of elements of common strategies of the companies operation;
3. works over a model of budget and funds for the railway infrastructure, and afterwards - together with the Ministry of Infrastructure and Development - preparation of documentation necessary to provide contractual solution pertaining to infrastructure management financing, including its maintenance and repairs, pursuant to the directive 2012/34/EU;
4. participation in creation and consultation of subsequent versions of the amendment to the „Master Plan for railway transport in Poland until 2030” (MP), preparation of the Company's position to the MP's project, based on detailed notes, and development of the NPW ERTMS proposal as an attachment to the „Master Plan”;
5. participation in social consultation over a document of a strategic character, including: environmental assessment of the document entitled European Strategy 2020, the Implementation Document, and the TDS, and participation in answering comments reported within the course of consultations, WPIK-CEF;
6. expressing opinions on and preparation of program documentation, such as: „National urban policy”, „Development strategy for railway industry and transport, based on scientific research in Poland, until 2030”.

EU legislation

In 2014, actions pertaining to EU legislation were highly significant, i.e.:

1. realization of tasks directed at achievement of as advantageous provisions as possible, comprised within legislation proposals that correspond to legal acts within the 4th Railway Package, from the perspective of PKP Polskie Linie Kolejowe S.A.;
2. realization of actions related to executive acts for the Directive 2012/34/EU, on establishing a single European railway area.

In relation to the above, PKP Polskie Linie Kolejowe S.A. cooperated with PKP S.A., Relevant ministry responsible for transport, Platform of Rail Infrastructure Managers in Europe (PRIME), Railway and Infrastructure Companies (CER) and European Rail Infrastructure Managers (EIM). It ought to be stressed that until June 15, 2015, it is necessary to implement the Directive of the European Parliament and of the Council (EU) 2012/34/EU, of Nov. 21, 2012, on establishing a single European railway area, into the Polish legal system. In relation to the above, in 2014, the Company provided the Ministry of Infrastructure and Development with a proposal of amendment to the Act on Railway Transport.

Freight corridors and corridors of the base network TEN-T

Within the scope of works related to the freight corridors specified in the Resolution No. 913/2010, and corridors of the base network TEN-T, specified in the Resolution No. 1316/2013 in 2014, representatives of PKP Polskie Linie Kolejowe S.A. took active part in works by management structures of the corridors.

Pursuant to the Resolution No. 1316/2013, names of freight corridors were implemented, decided with the Resolution No. 913/2010: The Freight Corridor No. 8 was replaced with the North Sea - Baltic Sea Corridor, while the Freight Corridor No. 5 with the Baltic Sea - Adriatic Sea corridor. The following changes in their courses were implemented:

1. elongation of the North Sea - Baltic Sea Corridor to Wilhelmshaven, Amsterdam, Hamburg and Bremerhaven - until 2018;
2. extension of the North Sea - Baltic Sea Corridor to Riga and Tallin - until 2020;
3. elongation of the Baltic Sea - Adriatic Sea Corridor to Świnoujście/Szczecin - until 2018.

The Ministries reliable for transport agreed on and signed an Intention letter on elongation of the freight corridor North Sea - Baltic Sea, including the route to the Czech Republic, selected ports of the North Sea and within the territory of Poland - to Silesia and Medyka in 2014. Elongation of the corridor to Katowice, Czech Republic and to ports of the North Sea, would be opened on Nov. 2015, while elongation to Medyka - until Nov. 2020, after an additional analysis of the transport market for this option. The Intention letter was handed to the European Committee, where it is being processed.

The Management Board of the North Sea - Baltic Sea freight corridor made a series of specific decisions, related to the corridor's future. It was decided that the target legal form of the Board, the European Economic Interest Grouping (EUIG) will be established on the ground of Polish law, in Warsaw. The Management Board decided to prolong operation of the Corridor's Office in Warsaw for another two years. All working groups of the corridor continued their works while supervised by the Office and the Management Board, and met regularly. It allowed to developed the Implementation Plan for the corridor, which is now being finalized.

A significant stage was completion of works over analysis of the corridor's transport market, posing a part of the project co-financed from the TEN-T funds „Studies and preparatory actions regarding the organizational structure of the railway freight corridor No. 8 Bremerhaven - Rotterdam - Antwerp - Aache - Berlin - Warsaw - Terespol (Polish-Belarus border)/Kowno” - 2011-EU-95090-S. The analysis will pose a basis for determination of demand for traffic capacity for international freight trains in the corridor.

In case of elongations of the Baltic Sea - North Sea freight corridor, the Management Board decided that the extension to Szczecin/Świnoujście will be opened together with the whole corridor, i.e. in 2015.

What is more, the Management Board of the Baltic Sea - Adriatic Sea made a decision on a target legal form, i.e. the European Economic Interest Grouping (EUIG). As a result of negotiations, the EUIG will be established in Warsaw. Currently, there are works being performed on the EUIG's statute and its internal terms and regulations. Moreover, according to the decision made by the Management Board in Poland, the Corridor's Office will be functioning in the headquarters of PKP Polskie Linie Kolejowe S.A. Furthermore, it was agreed on that there will be a point of comprehensive operation of applications on traffic capacity (corridor one-stop shop) functioning in the PKP Polskie Linie Kolejowe S.A. Company's headquarters.

In 2014, work over analysis of the transport market (Transport Market Study - TMS) were commenced within the project co-financed from the TEN-T network funds, „Study works and preparation tasks related to the organizational structure of the railway freight corridor No. 5” - 2012-EU-94126-S.

Within the scope of cooperation regarding the TEN-T base network corridors, representatives of the Company took active part in the Forum on the Baltic Sea - Adriatic Sea corridor, and the Forum on the North Sea - Baltic sea corridor. The primary purpose of the forum

was to prepare corridor Studies until December 2014, which became a part of the work plan for each corridor.

Actions regarding research and development

In 2014, within the scope of actions regarding research and technical development, PKP Polskie Linie Kolejowe S.A. took part in a series of initiatives, both on the national and international level.

In relation to the international undertakings, we performed actions connected with the HORIZON 2020 Program, and Shift2Rail initiative.

HORIZON 2020 is the eight Framework Program for EU research and innovations, for 2014-2020. Participation in the program brings no financial liabilities, just the experts' work. Research projects, anticipated for realization within the Program, are selected in competitions. Within the scope of the Program mentioned above, the company report interest in participation in several projects, among which the first stage of the competition was completed only by the INSPIRE Project. The main purpose of the project is to fulfill growing expectations of clients, within the scope of functionality of stations, buildings and other railway objects, significant from the perspective of quality of customer service. In 2014, according to expectation of the project's coordinator (UIC), a set of documents required by the European Committee was prepared and submitted, including the Intention letter signed by the Company.

Shift2Rail (S2R) is an initiative assuming cooperation between the public sector, represented by the European Committee, and the private sector, represented by entrepreneurs or consortia of representatives from the world of industry and science, whose basis is formed by the Resolution of the council (UE) No. 642/2014, of June 16, 2014, on establishing a common undertaking Shift2Rail. A result of this cooperation would be innovative technologies or solutions, which will be put into practice in the future.

The model of participation in the mentioned initiative, adopted by PKP Polskie Linie Kolejowe S.A., assumes participation, through PKP S.A., in the EUROCC consortium, coordinated by UIC. The Company assumes that the EUROCC consortium will be awarded with a status of an associated member of Shift2Rail. PKP S.A. will be a direct member of the consortium mentioned above, while PKP Polskie Linie Kolejowe S.A. will participate in works as a subcontractor of PKP S.A. Regarding information provided above, the works performed in 2014 were first of all focused on contacts of PKP S.A. in scope of developing a cooperation model and identification of areas, which the Company is interested in within the S2R initiative. There were also some actions undertaken, aiming at drawing attention of other entities to the subject initiative, such as PKP Cargo S.A. or the Railway Institute.

On the national level, the Company was involved in works over the „Strategic Research Program of the Rail Transport”, coordinated by the Polish Technological Platform for Rail Transport (PPTTSz). In 2014, the material was developed and handed by the PPTTSz to the following Ministries: Ministry of Science, Ministry of Economy and the Ministry of Infrastructure and Development. The purpose of this action was to attract interest with commencement of a research sectoral program for rail transport. What is more, PKP Polskie Linie Kolejowe S.A. carried out some actions related to establishment of cooperation with the National Center for Research and Development (NBiR). Within this scope, the Company defined potential spheres that should be covered with such cooperation, and established working contacts in order to develop an optimal model of cooperation and funding the projects.

All the described initiatives will be continued in 2015, and their effect would be activation of exploitation of modern technologies in railway transport, and pointing directions

of innovative solutions for the industrial sector, meeting the expectations of railway infrastructure managers, with a possibility of their adaptation into the operation of PKP Polskie Linie Kolejowe S.A.

International cooperation

Within the scope of international cooperation, representatives of the Company took part in the works carried out by the following international organizations: UIC, OSŽD, RNE, CER, EIM, EKG ONZ and Colpofer, as well as PRIME. PKP Polskie Linie Kolejowe S.A. are represented in management bodies of UIC (the Management Board of the Railway Systems Forum), RNE (Management Board and the General Meeting), EIM (the General Meeting) and Colpofer (Managing Board and the Coordinating Group). The Company's experts take part in works of the working groups in technical, operational and political fields, presenting the position corresponding with the Company's interest and strategy.

In 2014, within the scope of bilateral cooperation, the meetings of the highest rank managers of the Company were organized with the following entities:

1. Chief Executive Officer of Belarus Railway;
2. Chief Executive Officer of the Czech railway infrastructure manager SŽDC;
3. President of DB Netz Ag;
4. President of ADIF.

The meetings focused on evaluation of previous cooperation and determination of directions for future cooperation.

The company was also involved in works carried out by the Ministry of Infrastructure and Development, on:

1. the project of Agreement by the Republic of Poland's government and the Council of Ministers of Ukraine, on railway communication through the national boarder;
2. the project of an agreement between governments, on construction and maintenance of railway bridges on the Polish-Belarusian border;
3. assumptions to the international agreement for the line No. 346 Hradec at Nisou - Zittau.

What is more, PKP Polskie Linie Kolejowe S.A. carried out the following actions within the scope of international cooperation:

1. a technical visit for the delegation of the Ukrainian Ministry of Infrastructure and Ukrainian Railway within the EU twinning was organized;
2. there was a meeting of a Mixed Commission of PKP Polskie Linie Kolejowe S.A. and ADIF, held in Madrid. During the meeting, the Commission agreed on the cooperation plan with the Spanish railway infrastructure manager, for 2015-2016;
3. There was a framework cooperation agreement signed with the Romanian infrastructure manager CFR S.A., regarding commencement of close bilateral cooperation;
4. Cooperation with ProRail, ÖBB, NetworkRail AG and Trafikverket was carried on.

Representation of PKP Polskie Linie Kolejowe S.A. in Belarus

In September 2014, PKP Polskie Linie Kolejowe registered its Representation in Belarus, with office in Belarusian Minsk, covering also Russia, Lithuania and Ukraine with its scope. The Representation's task is to represent the Company in the states, where the Representation operates, before: authorities, offices, legal and natural persons, international organizations operating in the railway transport sector.

The basic scope of the Representation's tasks includes, among others:

1. participation in current exploitation operation, in the scope of a technical condition of the near-boarder railway infrastructure;
2. responding to difficulties in railway traffic, at boarder sections, in cooperation with the Railway Traffic Operation and Management Center of PKP Polskie Linie Kolejowe S.A.;
3. interventions in case of disturbances related to services provided by the Company;
4. coordination of cooperation at conclusion of contracts and multi-lateral agreements with railways.

The representation carries out its tasks in cooperation with organizational units of the Company, in its adequate scope.

National cooperation

In 2014, within the scope of national cooperation, PKP Polskie Linie Kolejowe S.A. continued strict cooperation with Marshall Offices of all 16 voivodeships, in order to develop investment programs with a purpose to revitalize and modernize railway line from outside the network, of national and international significance, i.e. regional and local railway infrastructure. Within the scope of the policy initiated by the Company, conducted in order to include the territorial government bodies into the process of co-financing of infrastructural projects from the local governments' and EU funds, available within the Regional Operational Programs (RPO) for 2014-2020, it was managed to develop the lists of infrastructural railway undertakings, strategic for development of particular voivodeships, and to arrange them with the Marshals. According to the final versions of the Programs, which were directed for approval by the European Committee in Brussels in December 2014, the amount of EU support for all 16 Regional Operational Programs reached 3 bln PLN, devoted to the railway projects, which the Company would be the beneficiary of.

Results of this cooperation are also documented by Territorial Contracts, approved by the Council of Ministers, and concluded in the 4th quarter of 2014, with all voivodeships. There are 58 projects listed for funding from the European Fund for Regional Development, within the scope of Regional Operational Programs. All projects are of regional significance, realized beyond the TEN-T network. The result of their realization will be enhancement of regional and local communication connections of voivodeships with node centers, and their implementation into the national and European railway network. Total value of these projects, considering the national contribution, is estimated on about 3.5 bln PLN.

Within the scope of supraregional policy of the state, realized to improve the internal transport coherence and improvement of external availability of the Eastern Poland, a concept for development of a part of funds available from the Operational Program Eastern Poland 2014-2020 (PO PW), with designation to create the so called Eastern Line, on the basis of the existing railway connections, hich would join capital cities of voivodeships of this macro-region. The idea mentioned above was confirmed in the Operational Program for Eastern Poland document, which was approved by the European Committee on December 18, 2014. It will be realized by 12 projects, recommended by the Company upon agreement with local governments of 5 voivodeships located in Eastern Poland. The projects have been considered on the list of railway projects of macro-regional significance in the Implementation Document to the Transport Development Strategy until 2020 (with a perspective to 2030), approved by the Council of Ministers on September 24, 2014. The list includes 12 railway projects, with total value of 2.2 bln PLN. The projects' character complements with undertakings, which will be realized within the scope of national and regional operational programs.

An action of considerable importance for the Company encompassed opinions expressed within social consultations, Plans of sustainable development of public mass transport (Transport Plans - TP), especially determining the communication network, including the railway one, where it is planned to carry out transport of public utility until 2020. The opinions should result in preservation of cohesion of objectives and priorities for the transport development strategy, set by the Marshalls of particular voivodeships, with an investment strategy for the railway infrastructure manager, as well as goals and priorities specified in national, supraregional and regional operational programs.

According to the Transport Development Strategy until 2020 (with a perspective until 2030) - TDS, a challenge that needs to be faced by Polish sea ports is to adjust the railway structure in terms of its access to the port from land, and liquidation of bottlenecks that limit the sea ports development in Gdańsk, Gdynia Szczecin and Świnoujście. In 2014, to realize this strategic goal, PKP Polskie Linie Kolejowe S.A. undertook preparatory actions for future investments. These actions have been concentrated mainly on tender procedures for development of pre-project documentation, and afterwards for its analysis including Feasibility Studies. The documentation, co-financed from the EU within the scope of the Operational Program for Infrastructure and Environment 2007-2013, will be completed in the 4th quarter of 2015. It will serve in the process of applying for EU support for future railway modernizations undertakings, from the Cohesion Funds, within the scope of the Connecting Europe Facility (CEF) financial instrument. The undertakings are awarded with a status of base projects on the list of sea projects in the Implementation Document to the TDS.

Interoperability

A basic document on interoperability is the Directive of the European Parliament and of the Council No. 2008/57/EC, of June 17, 2008 (as amended), on the interoperability of the rail system within the Community³, which was transposed to national legislation, basically to the Act on Railway Transport⁴.

Wording of the directive mentioned above obliges member states to implement interoperability requirements on the Trans-European Railway Network (TEN-T), however leaving a possibility to expand the requirements into the remaining railway lines. The Republic of Poland exercised this possibility, implementing the interoperability into the whole railway network, in accordance with the chapter 4a on railway transport. However, it needs to be borne in mind that striving for full implementation of the interoperability requirements into the railway network needs to consider financial possibilities of the infrastructure manager.

Therefore, PKP Polskie Linie Kolejowe S.A., as the national railway network manager, developed certain assumptions to the implementation plan of interoperability requirements on the managed railway network.

On December 9, 2014, the Management Board of PKP Polskie Linie Kolejowe S.A. accepted the Assumptions to the Strategy for implementation of interoperability of the railway network managed by the Company, together with a proposal for further actions. Eventually, the Strategy for interoperability implementation will pose a tool supporting the process of investment planning. Its realization will depend on availability of funds and current legislation.

³ Directive of the European Parliament and of the Council 2008/57/EC of June 17, 2008, on the interoperability of the rail system within the Community (Official Journal L 191, of 7/18/2008, p.1)

⁴ The Act of March 28, 2003, on Railway Transport (Official Journal Dz. U. 2003 No. 86, item 789, as amended)

What is more, the Company coordinated the works related to arrangement of the final version of the documentation describing scopes of works that are qualified as renovation or modernization investments (requiring or non-requiring a permission). The material developed in cooperation with the Railway transport Office, will allow proper realization of the required legal and administrative actions, within the scope of the infrastructure manager, mandatory and specified in the Railway Transport Act.

Implementation of the resources management system - Asset Management

In 2014, within the scope of works heading towards implementation of the resources management system - Asset Management - the Company undertook actions with a purpose to transform the internal processes of assets management. In June, there was a cycle of workshops organized in the Company's headquarters, devoted to the matters mentioned above, with representatives of:

1. the Dutch railway infrastructure manager - ProRail;
2. experts acting within the EIM group;
3. an experts of the Austrian railway infrastructure manager - ÖBB - Infrastruktur AG.

In the second half of 2014, there was a technical dialog organized, with a purpose to identify possibilities and the scope of development of assumptions, methods and the plan for constructing and implementing a complex system of railway infrastructure management. In 2015, PKP Polskie Linie Kolejowe S.A. plan further actions in the scope of realization of implementation of the Asset Management system, including analysis of current processes and infrastructure management systems, as well as development of the target map (a strategic road map).

Strategic planning

In 2014, the scope of actions undertaken by PKP Polskie Linie Kolejowe S.A. comprised of - to a great extent - programming of the Company's investment operation in the EU financial perspective for 2014-2020.

While cooperating with the Ministry of Infrastructure and Development, the Company carried out works related to development of the base strategic documents in the scope of planning investment for realization in the EU perspective for 2014-2020, i.e. the Implementation Document to the Transport Development Strategy until 2020 (with a perspective until 2030) - hereinafter referred to as ID. The ID project was subjected to the social consultations procedure and the strategic assessment of environmental impact. On November 13, 2014, it was passed by the Council of Ministers, with the Resolution No. 201/2014.

The Company was cooperating simultaneously with the Ministry of Infrastructure and Development on preparation of final versions of the following documents: Operational Program for Infrastructure and Development 2014-2020 and the Operational Program for Eastern Poland. Within the course of negotiations over the final shape of the documents mentioned above, with the European Committee, carried out by the Ministry of Infrastructure and Development, PKP Polskie Linie Kolejowe S.A. provided explanations and complementation to those documents on current basis.

Operational Programs were accepted by the European Committee on December 2014.

The Operational Program for Infrastructure and Development, as an instrument of financial support for infrastructural projects, will be the largest source of funds for Poland, devoted

among others to investments into the railway transport infrastructure in the EU financial perspective 2014-2020, while the Operational Program for Eastern Poland will serve as an additional financial support instrument for 5 voivodeships located in the Eastern Poland, i.e. Lubusz, Podlaskie, Subcarpathia, Świętokrzyskie and Warmian-Masurian. It will complement and strengthen the actions carried out within the scope of regional and national operational programs of the European Cohesion Policy.

Along with the works over the ID and operational programs, PKP Polskie Linie Kolejowe S.A., cooperated with the Ministry of Infrastructure and Development in relation to development of the National Railway Program 2014-2023 (NRP), determining financial framework and conditions for realization of the state's plans regarding railway investments anticipated for realization in 2014-2023. The program mentioned above specifies objectives and investment priorities, it presents the level of planned expenses in relation to separate sources from the annual perspective, and a list of tasks (base and reserve projects).

The program assumed division of investment undertakings into five basic categories, encompassing the following projects: CEF, Operational Program for Infrastructure and Environments, Operational Program for Eastern Poland and national programs:

1. Connecting Europe Facility (CEF) - an instrument established with the Resolution of the European Parliament and of the Council (EU) No 1316/2013 of December 11, 2013; the instrument is crucial for funding the TEN-T base network development;
2. The Operational Program for Infrastructure and Environment 2014-2020 - the document approved by the European Committee on December 16, 2014;
3. The Operational Program for Eastern Poland - the document approved by the European Committee on December 16, 2014.

What is more, in 2014, the Company carried out certain actions related to development of the Multi-annual Program of Railway Investments for those submitted in the CEF competition in 2014 (CEFik). CEFik was approved on July 29, 2014, by the Council of Ministers, as the Attachment No. 2 to the Resolution of the Council of Ministers adopting the Multi-annual Program of Railway Investments until 2015. The final version of the document encompasses 6 projects planned to be submitted by PKP Polskie Linie Kolejowe S.A. to the first CEF competition in 2014, of joint value reaching 10,220 mln PLN:

1. works on the railway line E59, section Poznań Główny - Szczecin Dąbie - value of the project 2,200 mln PLN;
2. works on the railway line E59, section Wrocław - Poznań, stage 4, section - boundary of the Lower-Silesian voivodeship - Czempin - project value 1,570 mln PLN;
3. works on the railway line E75, section Sadowne - Białystok together with the remaining works on the section Warszawa Rembertów - Sadowne - project value 3,000 mln PLN;
4. works on the district line in Warsaw (section Warszawa Gołębki/Warszawa Zachodnia - Warszawa Gdańska) - project value 500 mln PLN;
5. works on the railway line E20, section Warszawa - Poznań - remaining works, section Sochaczew - Swarzędz - project value 2,600 mln PLN;
6. works on the railway line Warszawa Włochy - Grodzisk Mazowiecki (line No. 447) - project value 350 mln PLN.

Additionally, as the seventh project, apart from those assumed in the projects, the task entitled „Improvement of security on the Central Railway Line through liquidation of crossings on the level of rails, on 127th and 147th kilometers, and construction of two-level crossings)” was submitted for the competition.

In 2014, within the scope of works related to programming of investment operation in the EU financial perspective for 2014-2020, PKP Polskie Linie Kolejowe S.A. continued arrangements with Marshall Offices of all voivodeships, with a purpose to prepare a list of projects, which regarding their regional character could be realized from funds contributed to by the Regional Operational Programs. Value of the initial list of proposals for realization of the undertakings within the Regional Operational Programs 2014-2020 is estimated to reach 3.5 bln PLN. However, their realization depends on the awarded level of EU allocation.

In 2014, in order to specify and inspect realization of the investment and its justification on the initial stage, PKP Polskie Linie Kolejow S.A. commenced works over construction of the so called Exploitation Model of the railway network. The Exploitation Model created currently through the IT tool, will allow to reflect the network of railways within the area of Warsaw and a part of the Masovia regions (a so called network model), with a precision to particular tracks, location of semaphores and the applied type of turnouts. The assumed railway traffic will be applied on the developed model. As a result, the model will allow to:

1. verify the level of current adjustment of the railway infrastructure to the demanded railway traffic;
2. verification, before commencement of a given investment, whether its scope corresponds with the traffic assumptions for a particular areas.

In 2014, PKP Polskie Linie Kolejowe S.A. announced a tender, and on the breakthrough of 2015/2016 it is expected that the model is available and possible to be implemented. Therefore, a certain railway computer lab will be created, allowing to simulate railway traffic on the constructed virtual network with a great level of accuracy.

In the scope of the investment planning process improvement, the Company also undertook actions related to construction of the so called multi-branch traffic model. The model is being developed internally in PKP Polskie Linie Kolejowe S.A. The obtained instrument will allow to:

1. more effective definition of the scope of investments in the railway infrastructure;
2. determination of actions for achievement of competitiveness of the railway transport;
3. improvement of the application with EU funds;
4. preparation of transport forecasts and verification of forecasts prepared within the scope of pre-project documentation for investment projects of the EU 2014-2020 perspective;
5. better adjustment of the investment scope to real needs, thanks to current updates.

Information Technology

In 2014, in the sphere of systems supporting operational activity of PKP Polskie Linie Kolejowe S.A, the following actions were undertaken:

1. In the field of computer stations, the Company commenced realization (for subsequent 3 years) of replacement and modernization of work stations - delivery and migration of 3,500 computers together with accessories, among others interlockings, dispatchers and office stations;
2. within the scope of print costs optimization and development of the service availability, and the central system of printouts together with print personalization was implemented;
3. for improvement of IT resources and processes management procedure within the whole Company, implementation of the ITService Manager „Emilka” was commenced for the following spheres:

- services catalog;
 - changes;
 - incident;
 - central knowledge database, and on the CMDB configuration resources.
4. in order to improve availability of services of direct support for final users through a telephone channel, the Company implemented and started the Contact Center system, simultaneously moving to the VoIP technology;
 5. in order to perform further consolidation of the basic IT services, the Company commenced cooperation with its subsidiaries in the IT area - exchange of experiences and unification of the IT strategies of the Companies;
 6. the Electronic Invoices Circulation (EIC) system was implemented, comprising:
 - scanning and OCR, 760 of invoices scanned per day on average (maximum amount is 2,300 invoices per day);
 - confirmation of invoices - from 4 to 7 steps;
 - around 1,200 verifiers (describing the invoices);
 - around 400 of approving employees;
 - invoice processing by a team encompassing about 140 persons in whole Poland;
 - an electronic archive - storage of invoices scans, protocols of approval, attachments added manually.

Thanks to the EIC system implementation, the following benefits were acquired:

- one place of storing the invoices - minimization of the risk that an invoice will be lost or received lately;
 - full knowledge on the invoices status (date of receipt, date of handing the invoice to Workflow, approving employees and the date of processing the invoice);
 - control of correctness of the invoices description - lists of general account values G/L, cost centers, No. of orders, etc. Validation with the SAP ERP system;
 - control over correctness of accepting invoices - based on the reporting structure SAP HCM;
 - full documentation of the procedures (Workflow) for the audit needs;
 - constant access to previously processed invoices, for Verifiers and Accepting employees;
 - minimization of paper documentation within the process.
7. Within the scope of electronic information protection on mobile devices, such as cell phones or tablets, the Company introduced a central system of information security management - AirWatch.

The AirWatch system supports:

- safe access to the corporate mail services;
 - safe access to SharePoint and OneDrive;
 - safe electronic authorization of invoices circulation in the EIC system;
 - safe access to the Cleanliness Control System.
8. Within the scope of Active Directory, the Company implemented complex services

of cryptography of data storage devices and notebooks, as well as security policies for PCs.

The service supports:

- security of electronic information in phones, tablets, etc.;
- security of information on notebooks through encryption of hard drives;
- protection of information on mobile storage devices (USB sticks, portable hard drives) against unauthorized access after losing such a drive;
- central storage system for keys for restoring encrypted mobile storage devices and notebooks;
- full protection of information recording in an electronic form on portable storage devices, not owned by the Company.

Infrastructure Division

1. within the scope of infrastructure, the Company modernized the servers environment for the server room in Sosnowiec and in Warsaw, obtaining the following advantages:
 - a modern virtual environment was developed, a so called private cloud based on the VMWare solution, providing flexibility in allocation of computational power to the operating systems;
 - provision of a high availability level for the crucial IT systems operated in the Company;
 - provision of the system environment resistant to physical failures of servers;
 - start of a modern matrix solution, providing scalability for the constantly increasing requirements of applications;
 - provision of network services, dynamically adjusting to the new system environment through application of virtual switches;
 - start of hardware traffic balancing services for cluster applications „Passengers portal”, and for the corporate e-mail;
 - the SAP ERP and BW systems were moved into the infrastructure of PKP Polskie Linie Kolejowe S.A.;
 - architecture of the whole network, server and matrix solution in the server rooms, allows easy expansion according to future Company’s needs.
2. creation of a central management system for working stations and servers, in order to standardize configuration and automation of the processes of software installation and update of security improvements;
3. start of a central file server, improving the level of accessibility to the stored files. The system provides access for all employees, from each place, both in and outside the workplace;
4. start of a corporate communicator with a function of audio and video chats, in order to enhance quality and to offer new standards in communication. The computer system of chats and conferences reduces the costs related to employees, e.g. a lower number of delegations, interactive trainings through the IP network.

Software (developer) Division

1. within the scope of the „Passengers PLK Portal”, new solutions were developed and implemented:

- posters on platforms and on the new website, with a refreshed graphic design, from the timetable 2014/2015. Designed and implemented in accordance with the best IT practices, as an answer for suggestions and experience of travelers/Internet users (UX), and expectations of the Railway Transport Office and EU;
 - The Passengers Portal/external browser as an iframe for application on any homepage, e.g. of the carrier;
 - fulfillment of requirements and recommendations of the Railway Transport Office, i.e. adjustment and presentation of a single number of a train, for an international and national train - a national number. Only in special cases of international trains, operating with national and international numbers within the sales systems for tickets;
 - transfer of the process of acquiring information on commercial data and platforms' edges to their source, etc. to the place and at the time of submitting an application on providing a train with a route, by the carrier;
 - optimization of the Passengers PLK Portal;
 - within the scope of development of a mobile app „Train Timetable” [„Rozkład Kolejowy”], for Windows Phone, Android and iOS, the following changes were introduced:
 - operation of lines was added for the carriers: „Łódzka Kolej Aglomeracyjna” sp. z o.o. and „Koleje Małopolskie” sp. z o.o.;
 - download of the timetable for a selected station in the Timetable tab was accelerated.
2. within the „Central System of Dynamic Passenger Information” (CSDPI), the following actions were realized:
- analysis of the project and development of documentation: Business specification, specification for requirements, CSDPI system model;
 - designing software and IT infrastructure architecture together with an implementation model;
 - preparation of a developer environment, and commencement of the software production process;
 - completion of the first stage that encompasses programming of basic functionalities of the CSDPI;
 - performance of the Technical dialog, regarding delivery of a speech engine Text to Speech, for the needs of the Central System of Dynamic Passenger Information.
3. POS and e-POS application (Running Network Specification):
- the e-POS module for tracks recording was implemented;
 - the module for records of tracks in the central database of POS, developed in 2013, was implemented;
 - the e-POS system module for preservation of data necessary for the RINF register was developed and implemented. The module enables preparation and update of data on the railway infrastructure of the Company for the national infrastructure register;
 - mechanisms of revisioning and generating attachments to the Terms and Conditions for train routes allocation. Within the exploited e-POS Terms and Conditions for train routes allocation, mechanisms enabling revisioning and comparison of data to attachments of the Terms and Conditions for train routes allocation were developed. Templates of the attachments were modified. Operation of the following attachments

was implemented: A list of distances to railway terminals, fuel supply points, stabling tracks and maintenance points for rail vehicles, A list of generally accessible tracks for loading actions, with an adjacent square or a ramp, managed by PKP Polskie Linie Kolejowe S.A., A list of railway lines, where limitations of use were implemented, A list of limitations arising from not preserving the outlines of railway line buildings;

- the POS database was migrated from the IT infrastructure PKP Informatyka Sp. z o.o. to the IT infrastructure of PKP Polskie Linie Kolejowe S.A. The database server of the POS was migrated from the infrastructure of PKP Informatyka Sp. z o.o. to the infrastructure of PKP Polskie Linie Kolejowe S.A. what allowed to reduce the costs related to exploitation of the POS system, and improved the efficiency parameters of the environment.
4. within shift management in the SEPE system (Operation Performance Registration System) the following modules were developed for the needs of the Railway Traffic Management Center and the Railway Line Facilities:
- „Registration of rescue trains”, including registration and generation of statistics in the scope of:
 - emergency teams;
 - Railway Technical Rescue;
 - snow removal equipment;
 - network trains;
 - protective trains.
 - „Report on delay codes” related to adjustment of statistics in the scope of train delays, in accordance with the Directive of the European Parliament and of the Council 2012/34/EU, of November 21, 2012, on establishing a single European railway area.
5. within the field of the System for Timetables Construction:
- the communication model was developed and implemented (consideration of communications during construction of Timetables);
 - the module for switching train compositions was developed and implemented (consideration of switching during construction of Timetables);
 - commercial data for the needs of passenger information were acquired;
 - the „Platforms and tracks” module was developed and implemented (export of data on platforms and tracks to the Passengers PLK Portal);
 - communications and switching of the train compositions were considered in the browser for PKP Polskie Linie Kolejowe S.A. lines;
 - commercial data were exported to the Passengers PLK Portal;
 - the cost module was developed;
 - the module for generation of attachments with timetables to agreements was developed;
 - the system was adjusted to the speed of 200 km/h;
 - a part of the train route was resigned from (partial resignation);
 - automatic route selection according to parameters change (without a constructor) was developed;
 - a report to the analysis of train reserves on the following sections was developed;

- algorithm of the train traffic diagram were optimized.
6. within the scope of the Internet System for Train Route Ordering, the following actions were carried out:
- the communications module was developed and implemented;
 - the train compositions switching module was developed and implemented;
 - the commercial data module was developed and implemented;
 - a part of the train route was resigned from (partial resignation);
 - functionality of the Internet System for Train Route Ordering was adapted to expectations of the carriers (reports, comparisons, etc.).
7. within the scope of the SKRJ WS (WebServices SKRJ):
- version 1.0 was developed and implemented, which standardized the communication manner between the carriers and the SKRJ system (SOAP, WebService);
 - version 1.1 was developed and implemented, where implementation of structures indispensable for integration with RNE PCS was started;
 - programming of version 1.2 was completed, where methods and classes responsible for returning and receiving information on commercial data for compositions and separate cars were added (implementation of the commercial data module for the Internet System for Train Route Ordering), further integration with RNE PCS was developed, and the resignation methods were enriched with partial resignation.
8. within the scope of the SKRJ - PCS INTERFACE:
- works over the first version of the integration module with RNE PCS v4 (import of data) were completed;
 - the first phase of RJ sending to RNE PCS was completed.
9. Within the field of Geoinformation Systems (GIS), another developmental projects of the Railway Lines Information System (SILK) was completed. Therefore:
- the structure of the database was expanded with information on track axle regulation signs;
 - the Documentation Module was implemented in the Railway Lines Facilities, in the scope of supplying the repository of data;
 - the Access Rights Module was implemented;
 - the Real Estates module was expanded in accordance with the content of the Order Subject Description;
 - geometrical data for location of main primary tracks and route tracks for Poland in the Spatial structure were introduced - improvement of accuracy of the available data, from the level of railway lines to the level of tracks;
 - Integration with the Incidents and Accidents system was carried out;
 - The Agreement Module was expanded with d50, n48, d49, d67 modules;
 - a series of improvements were implemented in the system of the Interactive Railway Line Map (MILK), publishing network spatial data.
10. within the Crossing Keeper Support System project:
- an application for the Crossing Keeper Support System was developed;
 - piloting programs were carried out in 23 level crossing gatehouses.

11. within the Crossing Keeper Support System project:

- significant changes were introduced, among others, information of trains communications was added, as well as on switching trains, platforms and track, on which the train stopped;
- it was made possible to register train readiness to depart;
- a possibility for quick confirmation of the train passing with a single click was added, and information on Timetable publishing was implemented;
- a dozen or so other, smaller changes increasing functionality of the application were introduced.

12. Within the project of the Crisis Management Center:

- a series of information making it possible to trace punctuality of EIC Premium trains;
- a series of improvements related to monitoring of forecasts for trains departures;
- several dozens of other minor changes were introduced.

Geoinformation

Geoinformation in PKP Polskie Linie Kolejowe S.A. is based on the Information System for Railway Lines (SILK), which was designed and is developed in order to gather, analyze and provide access do data related to railway lines. The SILK system is a standard for data presentation for all spheres of the Company's operation, within the field of spatial visualization.

2014 is the period of development or the Information System for Railway Lines. The most significant tasks of the realized Projects were:

1. improvement of geographical localization accuracy pertaining to data collected in the system, what was reflected in reliability of the analyzed data;
2. improvement of intuitiveness and ergonomics of the service: Interactive Map of Railway Lines (MILK), and expansion of the informative scope of MILK, among others through visualization of projects of the Multi-annual Railway Investments program;
3. provision of spatial visualization of data coming from the Incidents and Accidents system;
4. provision of data on geographical coordinates, within the scope of supplying the Infrastructure Register database (RINF);
5. inclusion of the Railway Lines' employees into the process of update of data processed in the System.

Project's products are gradually implemented in the Company.

Simultaneously with development of SILK, another stage of the project entitled „Development of innovative methodology of the IT Management System for codification of the railway line” was realized. The measuring system for the railway line building's outline developed in the project is based on integration of the laser scanning and georeference GNSS/INS module. The goal is to render the system possible of measuring the building's outline with a speed up to 100 km/h, and afterwards of processing the measured data and determining the outline's 2D cross-sections for specification of codes of railway lines sections. In 2015, it is planned to implement the project and integrate it with the SILK system.

Environmental protection

PKP Polskie Linie Kolejowe S.A., as the manager of the national network of railway lines bear multiple responsibilities related to provision of proper methods of environmental protection, adjusted to the regional and local conditions. Therefore, environmental protection at the Company is a crucial element of its business, both in the course of investment implementation and during operation.

PKP Polskie Linie Kolejowe S.A. are an entity bearing liability in terms of environmental protection, resulting from:

1. use of the environment with respect to the operation of railway lines, including monitoring of environmental impact;
2. planning and taking actions aimed at limiting environmental impact.
3. implementation of planned undertakings in a way that is compliant with the regulations on environmental protection and with the requirements put forth by financial institutions.

Environmental protection reporting

PKP Polskie Linie Kolejowe S.A. prepares periodic summaries and reports on environmental protection, which are then submitted to the authorities and institutions. They include, e.g.:

1. lists containing information and data on the use of the environment and the amount of fees due;
2. annual reports on generated waste and ways of their handling;
3. annual reports sent to the Domestic base on emission of greenhouse gases and other substances by the users of the environment;
4. statistical reports.

Monitoring of the environment

In 2014, within the environmental monitoring actions, PKP Polskie Linie Kolejowe S.A. carried out the following tasks:

1. submitted an application for approval of the Acoustic Laboratory to the Polish Accreditation Center;
2. carried out 30 cases related to complaints lodged by population residing near train area, related to acoustic impact. Within the performed investigations, numerous field inspections, together with acoustic measurements were carried out;
3. there were 15 noise measurements at railway lines performed in total. The carried out measurements related to:
 - investigations conducted in accordance with noise complaints;
 - studies with a purpose to determine influence of EIC Premium trains exploitation influence on the acoustic climate;
 - studies on the effectiveness of application of a lubricating agent into the rail track, regarding minimization of the acoustic influence, the so called squeal noise, being generated by trains driven around a curve;
 - investigations carried out by Regional Environmental Protection Directors, in the scope of ecological inspections performed by the Company.

4. developed the „Instructions for waste management of PKP Polskie Linie Kolejowe S.A. Is-1”, related to the principles of conduct with waste produced as a result of Company operation;
5. participated in the process of expressing opinions on voivodeship plans of spatial development, local plans of spatial development, and studies of conditions and directions of spatial development of communes, in order to limit introduction of acoustically protected structures in close vicinity of railway lines;
6. participated in the works over development of protective tasks plans for the Nature 2000 areas, located in close vicinity of railway lines;
7. completed realization of tasks encompassing studies of quality of precipitation water and meltwater discharged from the railway lines areas, and analysis of soil and ground quality in selected locations, in order to determine the types of devices serving ground-water environment protection, as well as studies over contamination of the surface. Within the scope of the tasks mentioned above, there were 280 samples of precipitation water and meltwater as well as ground examined.

Environmental protection vs investments

In 2014, the Company revised the Standard Requirements for Environmental Protection adopted with the resolution No 836/2013 by the Management Board of the PKP Polskie Linie Kolejowe S.A., from October 3, 2013. The changes were adopted with the Decision No. 35/2014, made by the Member of the Board - Infrastructure Director, of December 22, 2014, and they included among others:

1. implementation of requirements related to performance of studies and analysis of precipitation water quality;
2. assessment of influence of the Surface Water Bodies;
3. specification of provisions on acoustic measurements and calculations;
4. specification of requirements of the Undertaking Information Card, and other attachments to the application for a decision on environmental conditions.

What is more, PKP Polskie Linie Kolejowe S.A.:

1. consulted environmental impact reports, environmental analyses and information charts for 38 applications for decisions on environmental conditions, including 11 applications on change of the decision mentioned above;
2. obtained 26 decisions on environmental conditions, including 11 decisions amending the decisions on environmental conditions, and 3 decisions on dismissal of investigations, as well as 38 decisions of regional directorates for environmental protection, agreeing on investments realization condition on the stage of re-evaluation of environmental impact;
3. commenced realization of the project entitled „Preparation of environmental documentation for selected infrastructural projects from the financial perspective 2014-2020”, consisting in collection of data on the resources, assets and natural environment condition on areas located in direct vicinity of railway lines. The project is being realized in two stages:
 - stage 1 - commencement of realization of the project No. Operational Program for Infrastructure and Environment 7.1 - 102, including collection of data within territories located in direct vicinity (about 1,200 m) of railway lines;
 - stage 2 - preparations for realization of the project including collection of data within territories located in direct vicinity (about 1,070 km) of railway lines.

Participation in legislative works

In 2014, the Company participated in the legislative process related to 44 drafts of legal acts on environmental protection. The most crucial, exerting direct influence on the Company's operation:

1. the draft bill on amendment to the Act on Commune Government and on amending some other acts (the draft from December 23, 2013) within the scope of legislation amending the Act of April 16, 2004, on Environmental Protection;
2. draft of the resolution of the Minister of Environment on the waste catalog;
3. draft of the resolution of the Minister of Environment on conditions that need to be met while discharging sewage to water or to the ground, as well as on the substances that are particularly harmful to the aquatic environment;
4. draft of resolutions of the Minister of Environment:
 - on protected species of plants;
 - on protected species of mushrooms.
5. the draft bill on amendment of the Act on accessibility of information concerning the environment and its protection, and assessment of impact on the environment and some other acts.

Safety

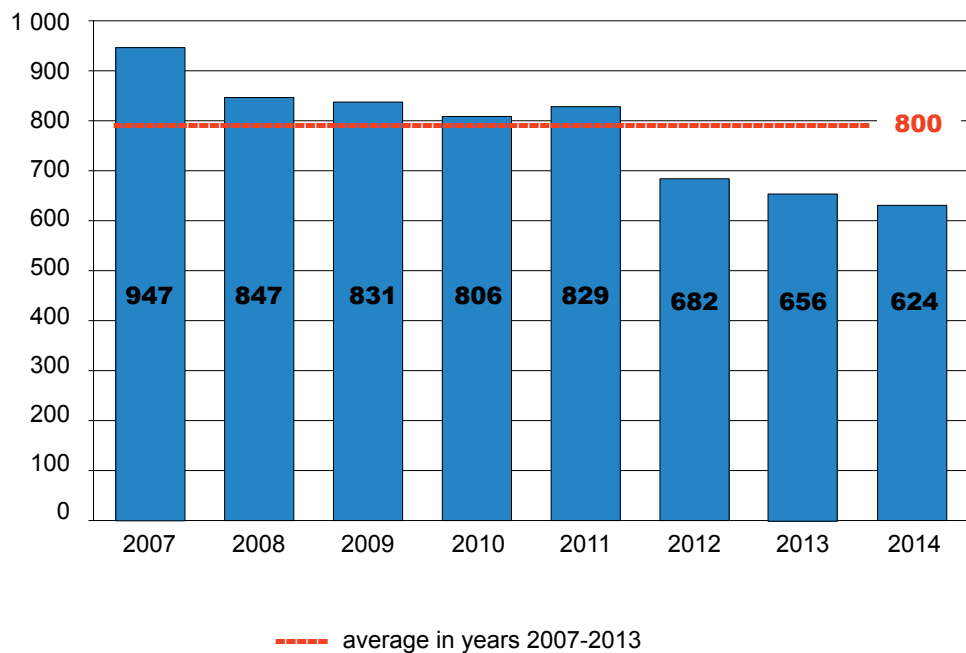
Railway events statistics

Railway events by categories

Between 1 January – 31 December 2014, on the railway line network managed by PKP Polskie Linie Kolejowe S.A., 624 events took place (excluding suicides).

When compared to 2013, the number of events was reduced by 32.

Comparison of the number of events, which took place on the railway lines managed by PKP Polskie Linie Kolejowe S.A., in 2007-2014

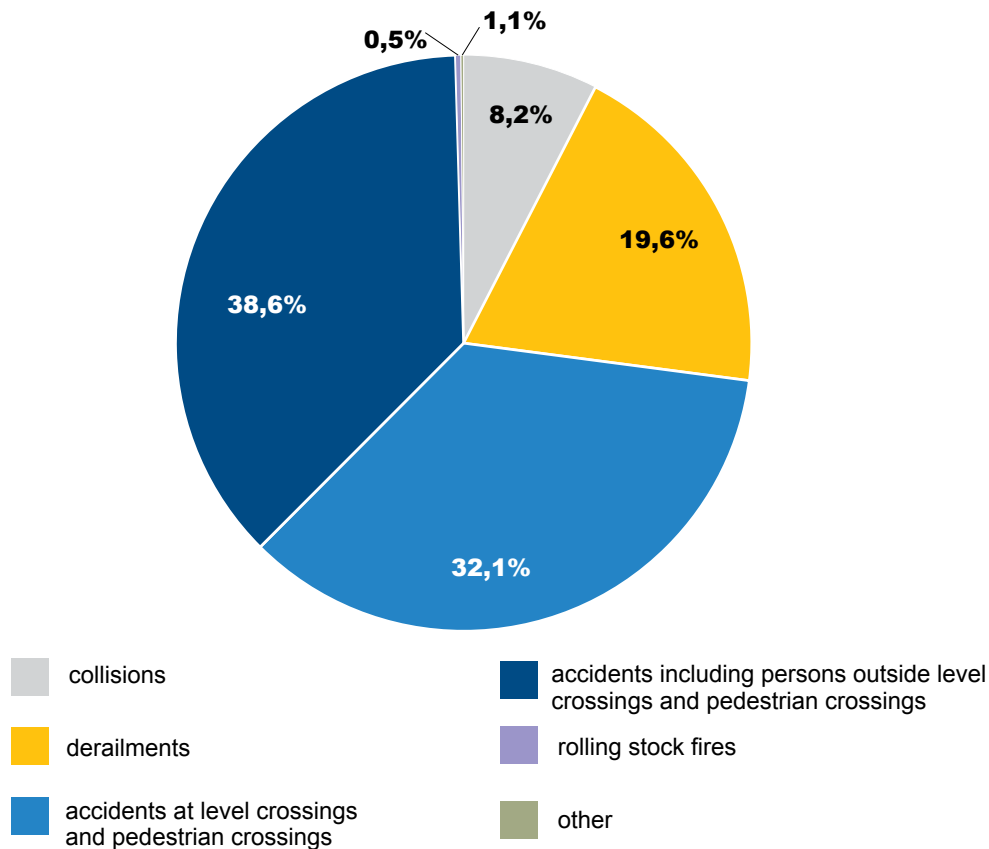


Accidents and serious accidents by type

The railway accidents classification method applied by PKP Polskie Linie Kolejowe S.A., compliant with the requirements of the Office of Rail Transportation and the European Railway Agency, covers:

1. collisions;
2. derailments;
3. accidents at level crossings and pedestrian crossings;
4. accidents including persons outside level crossings and pedestrian crossings (excluding suicides);
5. rolling stock fires;
6. other accidents.

Quantitative structure of accidents on the network managed by PKP Polskie Linie Kolejowe S.A. in 2013, by type



The diagram above shows that the undoubtedly most numerous group of accidents that took place on the network managed by PKP Polskie Linie Kolejowe S.A. were the ones that involved persons outside level crossings and pedestrian crossings (persons who were on railway premises and were hit by trains, or who attempted to jump on/off trains) as well as accidents on level crossings and pedestrian crossings. Collisions and derailments amounted to 27.7% of all railway accidents in 2014. They are the events that usually result from the errors in the entire railway system, namely of technical devices, procedures and/or human factor (on the side of the railway operator or infrastructure manager). The possibility to reduce the two types of accidents depends directly on the measures taken by railway market participants (infrastructure managers and railway operators), but also designers, producers, suppliers and contractors of construction and maintenance services.

Casualties of railway accidents

The number of casualties of accidents that occurred on the railway network managed by PKP Polskie Linie Kolejowe S.A. in 2014 was 286, with 197 fatalities and 89 severely injured. In comparison to 2013, the number of fatalities dropped by 25 and of severely injured by 9. The largest group of fatalities in accidents in 2014 comprised persons with no authorization to remain on railway premises (153 fatalities, i.e. fewer by 9 than in 2013) as well as the users of level crossings and pedestrian crossings (38 people killed – fewer by 13 than in 2013). Also among the severely injured in railway accidents the largest group (53 people – the same as in 2013) were those with no authorization to remain on railway premises, while the second largest group were the users of level crossings and pedestrian crossings (23 people – fewer by 11 than in 2013).

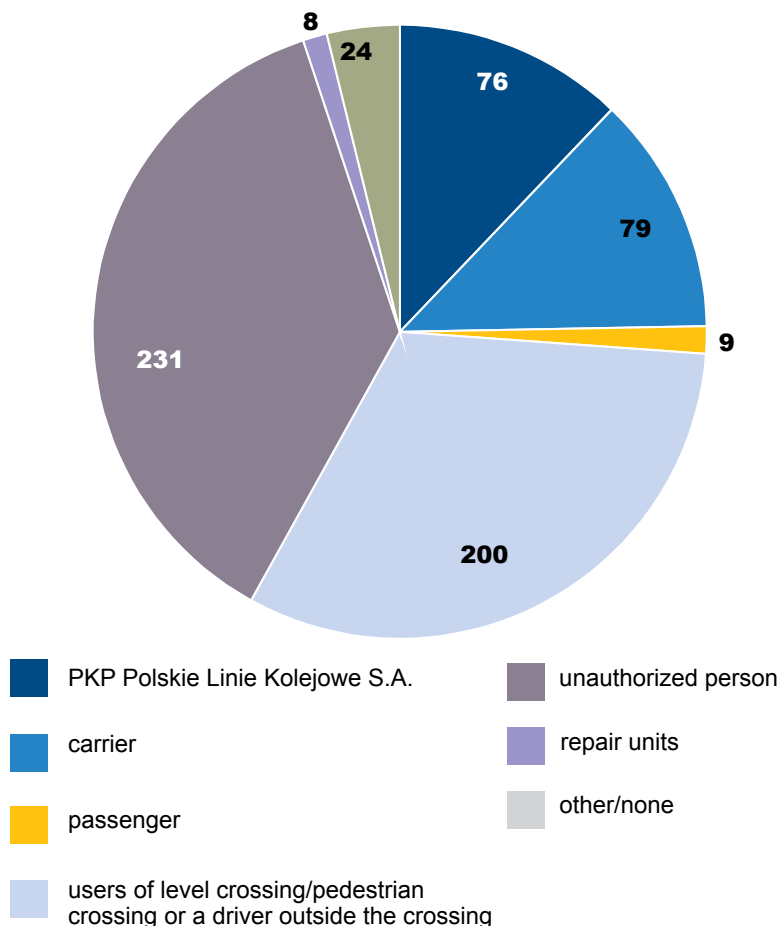
The accidents that caused injuries in the group of passengers (1 casualty) and railway employees (1 casualty) resulted from being hit by trains while they were crossing the tracks in

prohibited places or jumping on/off the train or falling from it. This means that in the entire 2014 each passenger that obeyed the regulations reached safely his/her destination.

Incidents and accidents by fault attribution

In most cases, the parties that were responsible for accidents in railway traffic were the users of level crossings and pedestrian crossings, which is evident in the much higher number of accidents at railway crossings and collisions with pedestrians outside level crossings and pedestrian crossings in the general statistical results related to accidents.

Entities responsible for accidents in 2014



In 2014, 80 accidents took place that were attributable to PKP Polskie Linie Kolejowe S.A. (34 less than in 2013), including: 4 collisions, 69 derailments, 3 accidents on level crossings and pedestrian crossings, 3 accidents which involved people outside level crossings and pedestrian crossings, and 1 accidents in the „other category”. The most frequent cause of events attributable to the Company was damaged track superstructure or its inadequate condition as well as poor condition of engineering structures.

Measures taken to improve the safety of railway traffic

Initiatives aimed at improving the technical condition of the infrastructure and devices

PKP Polskie Linie Kolejowe S.A. realize a broad program for modernization and revitalization of railway lines. The scope of particular investment projects usually encompasses complex replacement of railway superstructure, railway traffic control devices and power equipment (traction and non-traction), as well as modernization of level crossings on a single level, as well as their liquidation and construction of two-level crossings. Replacement of old, worn-out and degraded railway infrastructure elements and technical devices on new elements and equipment, produced with application of the latest technologies, allows signi-

ficant improvement of exploitation parameters of railway lines (mainly the maximum permissible speeds), while at least preserving, and often even increasing the level of traffic safety.

Thanks to modernization or revitalization of railway lines, the risk of accident of exploitation problems caused by poor technical condition and/or faults of the infrastructure is reduced. Similarly, frequency of accidents on level crossings is decreased, thanks to equipping them with additional safety and warning devices (awarding them with a higher level of qualification).

In 2014, investment works worth 7,145.5 mln PLN were carried out on the railway network managed by PKP Polskie Linie Kolejowe S.A. 1,393 km of tracks, 1,474 turnouts and 545 level crossings were modernized, and 98 two-level crossings were constructed.

Within the scope of modernization and revitalization works, which encompassed the superstructure of rail roads, also the crucial elements in terms of derailment risks were replaced, i.e. the turnouts. In 2014, 1,474 turnouts were constructed (replaced into new ones) on the network of PKP Polskie Linie Kolejowe S.A. Replacement of the selected railway turnouts poses a subject of a separate investment program: OPI&E 7.1 - 71 „Improving safety through installation of new railway turnouts of a higher construction standard”. The project assumes replacement of 697 turnouts for a maximal amount of 469 mln PLN.

The progress (as of December 31, 2014):

1. realization of 4 construction works agreements and 3 services provision agreements - development of the feasibility study, supervision and promotion;
2. 338 turnouts were constructed within the project in 2014.

Within the framework of current railway lines modernization and revitalization projects, PKP Polskie Linie Kolejowe S.A. modernize road-rail crossings and pedestrian crossings, equipping them with additional protection/warning solutions; moreover, eliminating level and pedestrian crossings, and replacing them with viaducts, footbridges and tunnels.

In 2014, on the network of PKP Polskie Linie Kolejowe S.A., 545 crossings were modernized and automatic crossing signaling devices were installed along with broadcast television. Furthermore, 163 viaducts, both rail and road, were modernized. Modernization of selected level crossings remains a subject of two separate investment projects:

1. OPI&E 7.1-59 “Improving safety and elimination of operational risks at railway crossings - stage 1” - the project assumes modernization of 119 crossings, for a maximum amount of 123 mln PLN;
2. OPI&E 7.1-80 “Improving safety and elimination of operational risks at railway crossings - stage 2” - the project assumes modernization of 186 crossings, for a maximum amount of 189 mln PLN.

As part of the current and planned investments, additional detection systems of rolling stock emergency states devices are being installed on the railway network managed by PKP Polskie Linie Kolejowe S.A. Until 2017, 200 of them are to be mounted. In 2014, the Company installed 3 additional devices in new locations. Moreover, installation of more railway devices was consulted as part of investment documentation development.

Improvement of safety procedures applied during investment implementation and other track works

Realization of investments and other track works requires closures of track sections. Proper planning and implementation of those is highly significant from the perspective of railway traffic. Track closures result in the necessity to introduce traffic restrictions, while in the case of long-term closures – also changes in train timetables. Under some disadvantage-

ous conditions this may be an additional risk factor. In 2014, on the network managed by PKP Polskie Linie Kolejowe S.A. there were in total 37,798 track closures (13% more than in 2013), including 3,894 closures that lasted for the whole day (26% more than in 2013).

Performance of intensive investment works and the remaining track operations in vicinity of active tracks, where the railway traffic is operated, requires application of highly restrictive measures of safety. In recent years the Company undertook a series of actions aimed at improving the safety level at realization of investment works and other tasks, both in the scope of security of railway traffic operated in the vicinity of the realized works, as well as security of persons working in the vicinity of active tracks. Actions realized in this scope in 2014 encompassed, among others

1. increasing the number of workers present in signal boxes during investments on the station/route;
2. publication of recommendations on securing the closed tracks, where there is a need to disassemble the track during the performance of works;
3. implementation of the thematic SMS audits in the scope railway traffic security, during performance of investment works (in 2014 there were 10 audits realized);
4. security controls over railway traffic operation in places of investment works (in 2014, the inspectors conducted 37 such controls);
5. introduction of fines for contractors for violations and inaccuracies in the scope of OHS;
6. risk evaluation for hazards present during the realized investment works.

Purchase and replacement of voice recorders in signal boxes

In order to strengthen work discipline and create safety-oriented attitude among the staff directly involved in traffic management and ensuring traffic safety, the Company has been installing voice recorders and train announcement units with a voice recording function at active signal boxes. The program assuming purchase and installation of 600 such devices until the end of 2015 is in progress. The progress of program realization at the end of 2014 accounted to 70% - 130 recorders and 170 train announcement units were delivered and installed, and 150 delivered train announcement units were installed permanently in accordance with the plan for 2014. The action mentioned above will be carried on in subsequent year - until complete fulfillment of the identified Company's needs in this scope, until 2018 at the latest. The new voice recording units are installed in Local Operation Centers and at signaling boxes covered by modernization within the traffic control systems, realized by PKP Polskie Linie Kolejowe S.A.

Equipping gatehouses with devices enabling access to the application of the Crossing Keeper Support System

Within the scope of investment tasks related to improvement of railway traffic security, assumed for 2014, there were preparatory works commenced, for realization of the projects, which aims at equipping level crossing gatehouses (around 480) with devices enabling access to the application of the Crossing Keeper Support System. The application will enable a crossing keeper, working outside the station, to access information on current railway traffic on the level crossing that they manage. The project assumes organization (purchase) of computers, which selected level crossing gatehouses will be equipped with, as well as development of a special application (Crossing Keeper Support System), which will provide the crossing keeper with all information necessary for safe railway traffic management. Implementation of the application on level crossings will take place in 2015.

Purchase and installation of base radiotelephones, with the Radio-Stop system on the crossing gatehouses

In order to improve the security level on the level crossings, PKP Polskie Linie Kolejowe S.A. undertook certain actions striving at equipping selected crossing gatehouses with base radiotelephones with the Radio-Stop system. Keepers of the A cat. crossings, equipped with the radiotelephones are able to respond to dangerous situations, which may take place on the crossings, through emitting the Radio-Stop signal and avoiding a potential collision of the railway vehicle with a road vehicle. Previously, a crossing keeper was unable to emit the Radio-Stop signal, e.g. in case a railway vehicle got stuck on the tracks, between toll houses. Therefore, this investment allowed reduction of risk of accidents on railway crossings, which belong to one of the most present in the network managed by the Company. In 2014, there were 78 locations selected, and within the scope of the project continuation in 2015, there will be another radiotelephones installed in gatehouses chosen on the basis of risk analyses. At the same time, this projects constitutes realization of recommendations issued by the State Commission for Railway Accidents Investigation.

Purchase of base radiotelephones with the Radio-Stop system for training purposes

Within the scope of constant improvement of railway traffic safety within the scope of human factor, PKP Polskie Linie Kolejowe S.A. carried out a project embracing purchase of training base radiotelephones with the Radio-Stop system. Purchase of the radiotelephones enabled trainings of the personnel responsible for railway traffic management and safety, within the scope of proper operation of the Radio-Stop system. More extensible training of the Company's employees (and - within the scope of outsourcing - workers of the railway carriers), will allow reduction of risk of incidents, therefore improving the level of railway traffic safety on the network managed by PKP Polskie Linie Kolejowe S.A. The project assumes purchase of 46 radiotelephones - each Railway Lines Facility will get a pair of devices (a transmitter and a receiver of signal). The first batch of devices (38 units) was handed to the Railway Lines Facilities. The remaining 8 pieces will be purchased in 2015.

Initiatives of PKP Polskie Linie Kolejowe S.A. aimed at improving staff competence and building safety-oriented culture

PKP Polskie Linie Kolejowe S.A. are implementing a major program. the goal of which is to promote safety-oriented culture among its employees, contractors and other people related to the railway system. It should be borne in mind that the formation of the required safety-oriented culture is a challenging process as it requires changes in the mentality and awareness of the staff. Therefore it is an evolutionary and thus a long-term process. For this reason the Company is involved in continued activities, including:

1. increase in employment on basic positions (in total 1,048 vacancies, in the following departments: traffic engineering - 606 vacancies, road - 270 vacancies, automation - 157 vacancies, energetics - 15 vacancies);
2. modification of the Instructions on professional preparation and improvement of employees (Ia-5);
3. conclusion of a contract on construction of a simulator of the railway traffic control devices and communication equipment (realization date: October 2015);
4. extraordinary ad hoc information for train dispatchers, signalmen and switch tenders (14,857 were trained);
5. extraordinary information for the Automation Department employees (within the scope of technical operation of EEA-4 and EEA-5 points machines);

6. extraordinary ad hoc information for all level crossing keepers (realization period: October 2014 - June 2015);
7. development and communication of information bulletins on existing railway events (59 bulletins published in 2014) to the employees responsible for railway traffic safety;
8. providing all Company's employees with half-year and annual information on safety of the managed railway network;
9. organization of a knowledge competition, entitled: „Safety first“;
10. provision of first psychological aid for employees, who took part in railway accidents and in removal of their effects;
11. continuation of the social campaign entitled Safe crossing - „Stop and live!“.

Improvement of the Safety Management System

Implementation of the Maintenance Management System and integration with the Safety Management System

PKP Polskie Linie Kolejowe S.A. bear responsibility for maintenance of railway vehicles. The Company undergoes certification carried out by the Railway Traffic Office, in the scope of freight cars maintenance. The obligation to undergo certification in the scope of freight cars arises from the Commission Regulation (EU) No. 445/2011 of May 10, 2011, on a system of certification of entities in charge of maintenance. The entity in charge of maintenance certificate is issued on the basis of approval of the Maintenance Management System (MMS). This system assures that the railway vehicles are maintained in accordance with the corresponding maintenance system and current legal regulations, including maintenance plans and TSI provisions.

In PKP Polskie Linie Kolejowe S.A. the Maintenance Management System covers all railway vehicles commissioned for exploitation, while the scope of certification embraces those railway vehicles, which fulfill the definition of a freight wagon provided by the Commission Regulation (EU) No. 445/2011. In order to fulfill the requirements of the Commission Regulation (EU) No 445/2011, the Management Board of PKP Polskie Linie Kolejowe S.A. adopted the resolutions on the following cases, on January 27, 2015:

1. adoption of the regulation introducing the „Railway Vehicles Maintenance Management System (MMS)“ with consideration of the requirements put forward in the Commission Regulation (EU) No. 445/2011;
2. granting the power of attorney to supervise the Maintenance Management System on behalf of PKP Polskie Linie Kolejowe S.A.

There are 30 procedures functioning within the Maintenance Management Systems, including 15 procedures integrated with the Safety Management System.

Monitoring of the Safety Management System

PKP Polskie Linie Kolejowe S.A., apply a monitoring process for their Safety Management System, specified in the SMS-PD-04 procedure „Monitoring and Constant Improvement of the Safety Management System“, in order to meet the requirements established in the Commission Regulation (EU) No. 1078/2012 of November 16, 2012 on a common safety assessment method for monitoring, which is to be applied by the infrastructure managers upon receipt of safety authorizations.

Moreover, in compliance with the provisions of this Regulation, the Company realizes a monitoring strategy establishing, among others, the principles of selecting tools and methods of SMS monitoring for problem areas as well as qualitative and quantitative ratios used in

SMS monitoring. The main areas that undergo the monitoring procedure, are as follows:

1. the safety level of railway traffic on the railway network managed by PKP Polskie Linie Kolejowe S.A.;
2. correctness and effectiveness of application of the Safety Management System in the Company;
3. introduction of technical, exploitation and organizational modifications, recognized as significant within the process of modifications management (SMS-PR-03 procedure);
4. cooperation with suppliers and contractors, whose product/services exert direct or indirect influence on the railway traffic safety;
5. effectiveness in implementation of preventive and corrective measures, including:
 - realization of recommendations issued by the State Commission for Rail Accident Investigation;
 - realization of recommendations included in the Final Findings Report;
 - realization of post-inspection conclusions, coming from inspections carried out by the Railway Transport office or other bodies of public administration;
 - realization of conclusions and recommendations from the SMS audits, SMS controls and SMS revisions;
 - realization of recommendations issued by teams that perform risk analyses;
 - realization of conclusions drawn from previous application of the monitoring process;
 - realization of tasks embraced in the Safety improvement program;
 - realization of periodical trainings and instructions.
6. Effectiveness of the implemented risk control measures and actions carried out within the SMS constant improvement.

The group of basic methods and tools for SMS monitoring in the company, includes:

1. keeping the Incidents and Accidents database and statistical analysis of the collected data;
2. running the SEPE application, and performing statistical analyses of the collected data;
3. analysis of values of the common safety indicators and their trends for transformations in time;
4. evaluation of compliance of common safety targets (CST);
5. SMS audits;
6. SMS inspections with consideration of all internal regulations regarding performance of controls within the Company, including decisions of Railway Lines Facilities Directors on the inspections;
7. SMS revisions.

According to the provisions of the SMS-PD-04 procedure, apart from the annual report from realization of the Program for the railway traffic safety improvement”, managers of the organizational unit provide the Company’s Headquarters with written information on actions related to the SMS monitoring, undertaken in previous year.

Risk management measures

In 2014, the Company carried out 271 assessments of changes (when compared to 134 assessments in 2013), while four changes were identified as significant - as understood in accordance with the Commission Regulation (EC) No. 352/2009, of April 24, 2009.

What is more, railway traffic safety risks were evaluated, as an element of the Safety Management System operated in the Company, in order to specify additional risk management measures in justified cases, and minimization of the risk level (improvement of safety) in the Company operation.

Realization of the Program for railway traffic safety improvement

The basic objective of development and realization of the Program for railway traffic safety improvement in 2014 was to prevent risks on an unacceptable level, as well as to limit frequency of dangerous situations and their effects - through adaptation of adequate risk management measures. The actions comprised in the Program were focused on realization of the main safety objectives for 2014, specified in the Resolution No. 969/2013 of the Company's Management Board, of November 12, 2013.

For the first time in the Company's history the Program was enriched with indicator enabling current monitoring of the goals' realization status. The indicators are prepared in such a manner that it is possible to compare them in cumulative periods, with the status at the base year's end. Each indicator was also provided with specific and warning and emergency values, in relation to all periods.

Task of the Company's organizational units and entities is to submit quarterly reports from realization of the Program for railway traffic safety improvement for 2014. These reports comprised quantitative (in percentage) and qualitative information regarding realization of tasks included in particular initiatives, as well as values of indicators for the main safety objectives within the scope of their operation, all of those provided by the entities participating in realization of the Program. On the basis of verification and analysis of the provided information, PKP Polskie Linie Kolejowe S.A. developed a quarterly report from realization of the Program for railway traffic safety improvement for 2014, which would be subjected to acceptance by the Vice President of the Board, Operations Director, and handed to another Members of the Company's Management Board.

Furthermore, in 2014, the Company undertook a series of additional actions for improvement of the railway traffic safety in all spheres of its operation. The Company monitored the implementation of its programs by developing the "Schedule of the actions of PKP PLK S.A. aimed at safety improvement in 2012 and beyond". The total number of actions covered by the schedule and taken in 2014 was 206, including 33 technical actions, 131 organizational-maintenance actions and 47 employee/related ones.

Rail Protection Guard

The basic function of Railway Guards (SOK) is to improve safety and ensure public order in railway areas. Just as important is ensuring safety of railway traffic and protecting cargo transported by rail.

An integral part of realization of these assumptions is a greater sense of passenger's safety on trains, railway stations and in buildings, Railway Guards are responsible for. An indicator of the safety status is how safe people actually feel and that is the primary objective of all the tasks being handled.

In 2013, the Railway Guards Headquarters was responsible for a number of tasks related to protection of passengers' life and health, property protection and enforcement of regula-

tions in railway areas, on trains and other rolling stock. Railway Guards provides protection over:

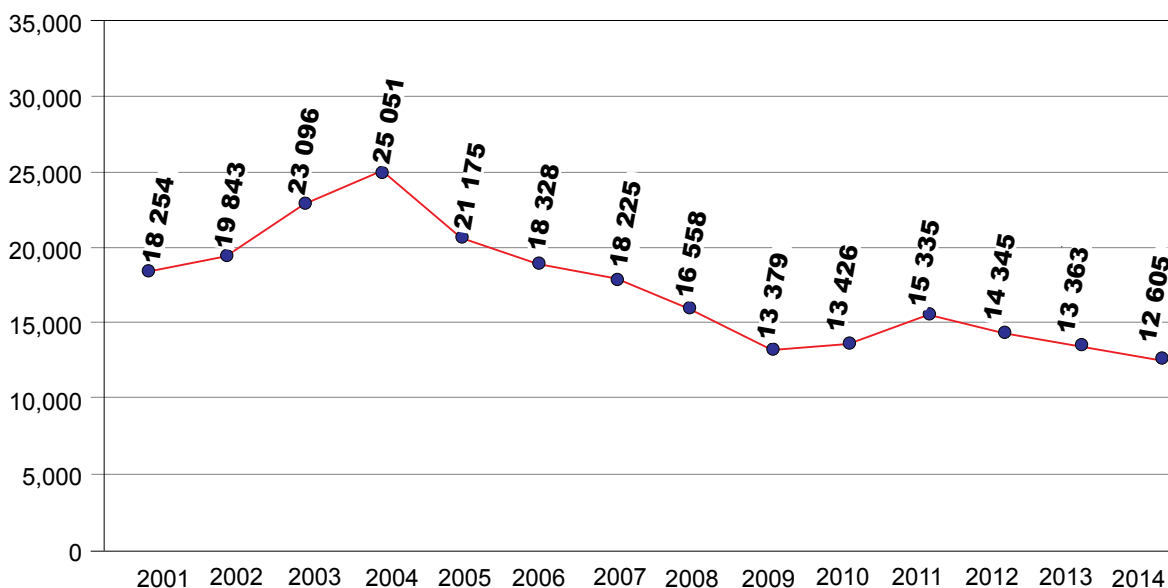
1. 18,516 km km of railway lines, comprising tracks of a total length of approx. 36,105 km km and over 15,408 railway crossings;
2. about 1,000 railway stations;
3. about 5,500 passenger and freight trains launched on average during a day.

The tasks of Railway Guards in 2014 were carried out by the staff of 3,074 officers and employees on average.

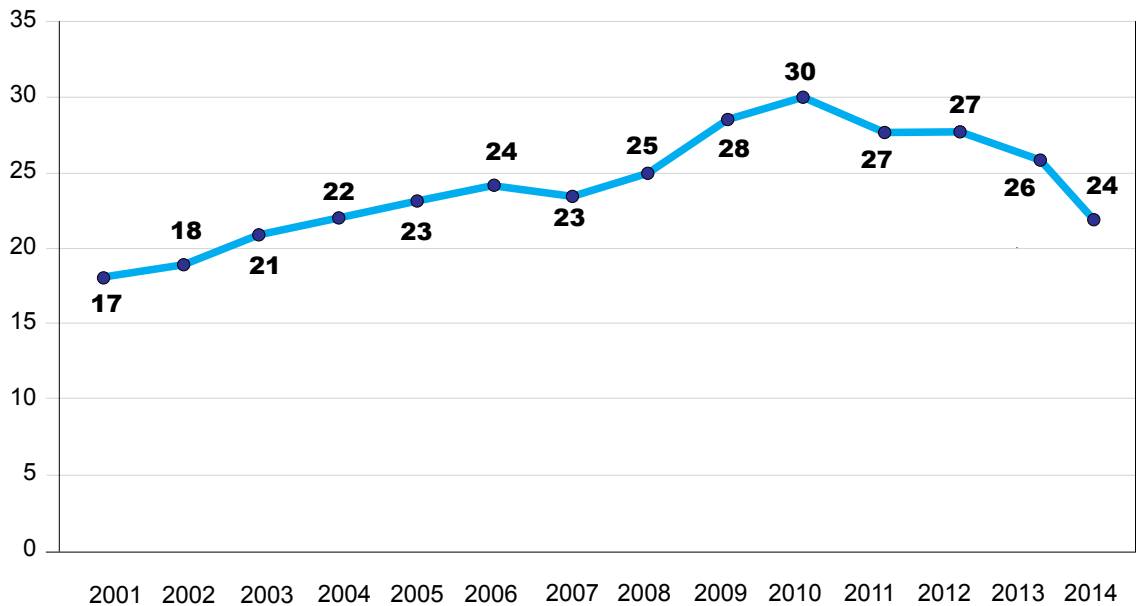
No.	Type of event	Year		Decrease in %
		2013	2014	
1.	Throwing stones or other objects at trains	388	291	25
2.	Freight car cargo (thefts, unauthorized interference with rolling stock without stealing cargo)	2,061	1,751	15.04
3.	Thefts and devastation of railway infrastructure (in total)	4,752	4,404	7.32
4.	Thefts and devastation of traffic safety devices on active railway lines	3,651	3,224	11.7
5.	Assaults	88	57	35.23
6.	Crimes related to banditry, terrorism, murders, etc.	27	24	11.11
7.	Hooliganism (in total)	4,627	4,522	2.27
8.	Thefts (in total)	7,804	7,319	6.21
9.	Incidents within the railway area (travelers, pedestrians on appointed crossings, pedestrians on non-appointed, suicides)	699	644	7.87

These statistics clearly show that the work of Railway Guards contributes to improved crime and theft prevention, while instruction offered to students of education centers has a significant impact on enhanced safety in railway areas.

Events recorded by Railway Guards in 2001-2014



Crimes and offenses detection (in %) by Railway Guards in 2001-2014



Social campaign Safe crossing - „Stop and live!”

Each year 200-250 collisions and accidents occur at railway crossings, resulting in dozens of casualties. Approximately 300 accidents happen in the places of restricted access, with the result being death of over 200 persons.

Safety at railway crossings and in the areas where crossing tracks is forbidden is a problem of all the parties that can do something about it: the railway, police, administration, local governments, road managers, social organizations and all people of good will.

The primary goal is to shape people's behavior, strengthen correct social attitudes, increase the awareness of threats resulting from insufficient alertness during one's presence at railway crossings and areas. Therefore, it is our objective to reduce the number of accidents. Our actions primarily target all road users: drivers, cyclists and pedestrians – both children and adults.

The social campaign Safe crossing – “Stop and Live!” has been realized since 2005. The first four editions were organized only in summer months. Since 2009, the initiative covers the entire year. In October 2012, the project was expanded to include the accidents related to crossing tracks in restricted areas.

Some of the actions taken by the staff of Polskie Linie Kolejowe S.A. in 2014 as a part of the social campaign in question include:

1. 492 lectures on improving railway safety;
2. 23 simulations of a train-car accident;
3. 4 demonstrations of technical emergency services;
4. 53 open-air events;
5. 12 informative actions on the level crossings;
6. 6 exhibitions corresponding to the social campaign Safe crossing - „Stop and Live!”;
7. 4 international conferences with participation of the Company;
8. 2 TV spots related to the matter of passing the crossings and illegal crossings.

Within the project entitled „October - a month of education”:

1. 305 lectures on improving railway safety;
2. 24,260 educated children
3. 135 visited cities, towns and villages;
4. 13,725 minutes devoted to education (which results in almost 10 days of continuous education on railway safety).

Within the project entitled „Safe Friday”:

1. more than 200 inspected crossings;
2. around 200 inspected „wild crossings”;
3. around 14,000 inspected road users;
4. around 3,100 instructions;
5. 1,380 drivers controlled in terms of sobriety;
6. 185 fines imposed.

Within the „Educational Happening Competition”:

1. 33 happenings around Poland;
2. 5,648 people engaged in preparation of the happenings;
3. 3,312 taking active part in the happenings;
4. 13,603 of direct receivers of actions;
5. 483 produced posters and banners;
6. 9,148 pieces of promotional material;
7. 2,915 handed leaflets;
8. 160 persons worked at creation of the campaign slogan „Stop and Live!”.

Investments

The investment activity of PKP Polskie Linie Kolejowe S.A., the manager of the national railway line network, is aimed at improving the efficiency and performance of Poland's transport system through an extremely comprehensive modernization program of railway lines.

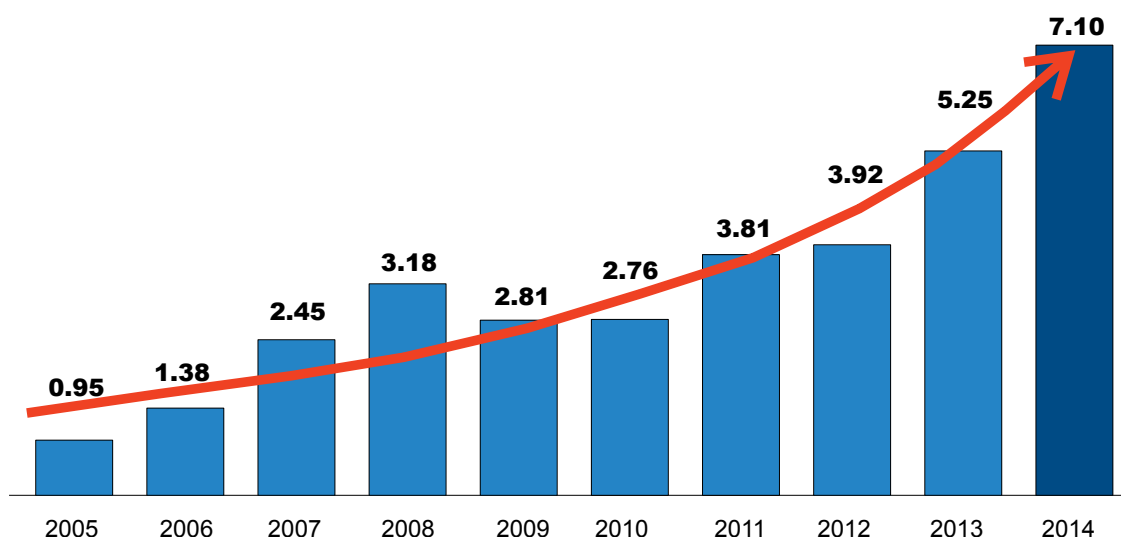
The basis of the Company's investment activity in 2014 was a relevant plan which assumed implementation of projects financed with state budget resources, Cohesion Fund, TEN-T, Railway Fund and the Company's own resources. The plan covered the outlays on projects realized under the Regional Operational Programs and the Operational Program Infrastructure and Environment 2007-2013, as well as the Work and Expenditure Program of Railway Fund support utilization – part A Investments, and finally – money from the state budget.

The group of priority investments realized on the railway networks included, among others: projects from the so called Pendolino Program (EIC Premium). Within the scope of the investment projects, related to the Pendolino Program, with total value of 8 bln PLN (realization in 2011-2014) railway infrastructure was modernized, including: 1,209 km of tracks, 1,138 km of traction network, 958 turnouts were replaced, 784 engineering objects and 153 level crossings were modernized.

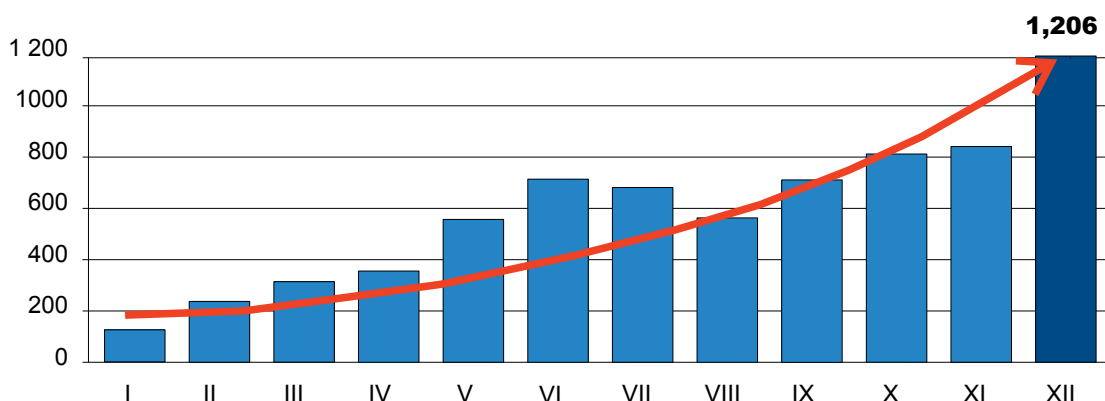
Investment outlays and sources of their financing

The year of 2014 was, historically, record-breaking for PKP Polskie Linie Kolejowe S.A. with respect to both the assumed Investment Plan and its realization. The completion of the 2014 Investment Plan amounted to 7,103 mln PLN (with works in progress, 7,286 mln PLN), i.e. 96.5%.

Total investment outlays in 2005-2014 (excluding works in progress) [bln PLN]



Investment outlays in 2014 - per month
(excluding works in progress) [mln PLN]



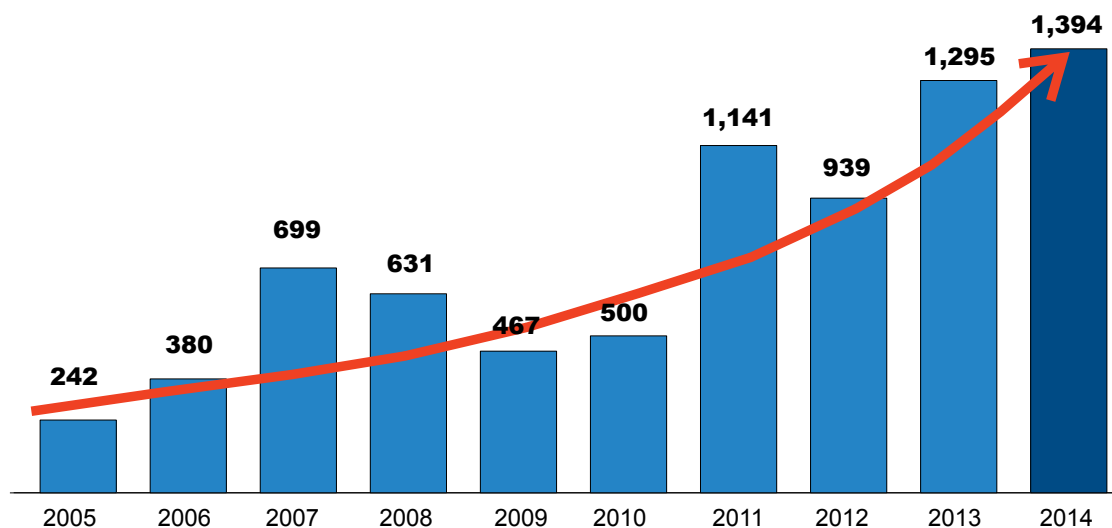
Completion of the investment outlay plan as per specific programs [mln PLN]

No.	Programs	Performed in 2014
1.	OPI&E	5,755.7
2.	ROP	201.7
3.	State budget	1,030.7
4.	TEN-T	2.3
5.	Railway Fund (own funds)	288.7
6.	Other	7.2
7.	Total	7,286.5

Investment outlays - work

In 2014, the completion of the work plan for the main indicator - track modernization - was the highest ever in the Company's history. In 2014, 1,394 km of tracks were modernized.

Tracks modernized in 2005-2014 [km of tracks]



Completion of the work plan in 2014

No.	Specification	Measurement unit	Performance 2014
1.	Track modernization (incl.:repairs of track superstructure, subgrades, OC rails)	km of track	1,394.09
2.	Turnouts development	items	1,472
3.	Engineering objects, including:	items	875
	- bridges	items	133
	- viaducts	items	169
	- culverts	items	520
	- tunnels	items	1
	Pedestrian bridges	items	4
	Pedestrian crossings under tracks	items	48
4.	Platforms	items	222
5.	Traction network	km of track	861.96
6.	Noise barriers	items	19.74
7.	Level crossings	items	545

Major changes in investments in 2014

In 2014, the Company took some intensive actions aimed at better utilization of the funds for modernization of railway lines as well as acceleration and timely completion of the investments in progress. To make the investment planning process more efficient in the forthcoming years, to effectively monitor the work already in progress and to successfully implement the already planned investments, a number of investment optimization and acceleration measures were taken:

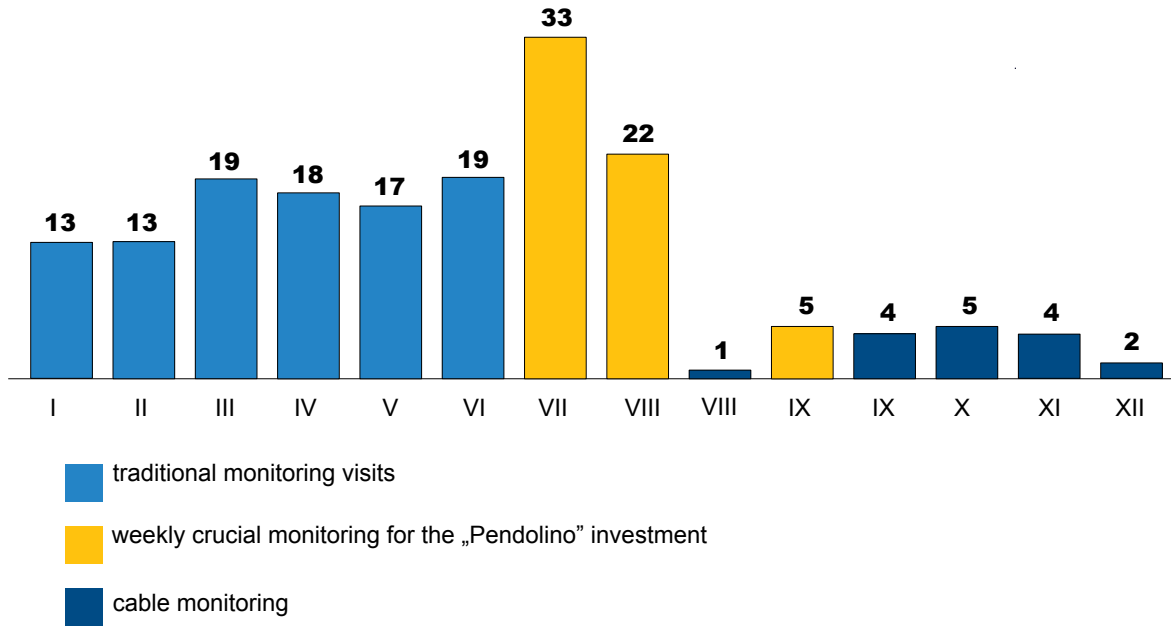
1. extraordinary measures related to the EIC Premium passing - establishment of the State Operational Staff for the EIR Premium program, connected with the Steering Committee operation, additional representatives in the field and a dedicated monitoring - reporting system. The undertaken actions, mentioned above, allowed to:
 - eliminate 637 speed limits on the EIC Premium network;
 - provide timely access to the infrastructure and communication system, i.e. commencement of EIC Premium transportation, according to the plan, until December 14, 2014;
 - achievement of travel times for EIC Premium on 4 routes.

Planned vs realized achievement of travel times for EIC Premium on 4 routes

Route	Planned / Realized travel times EIC Premium on 12/14/2014 (Timetable 2014/2015)
Warszawa Centralna – Kraków Główny	2h 28 min/2h 25 min
Warszawa Centralna – Katowice	2h 34 min/2h 29 min
Warszawa Centralna – Gdynia Główna	3h 25 min/3h 22min
Warszawa Centralna – Wrocław Główny	3h 42 min/3h 41 min

2. implementation of the New Investment Area Organization - optimization of the operating structure of the Investment Implementation Office. Six independent Investment Regions and support in the Company's Headquarters have been operating since June 1, 2014, within the scope of the Investment Implementation Office. The actions mentioned above will improve decisiveness in the region, allow clear allocation of tasks and responsibilities, and increase in the effectiveness of tasks;
3. implementation of the Project Management methodology (Project Management Institute - PMI). The Project Management handbook was developed on the basis of this methodology. It was adjusted to specificity of investment projects realized by PKP Polskie Linie Kolejowe S.A. → The handbook supports realization of the investment projects, and presents instructions for teams realizing the projects, in the scope of proper development of the project schedule, its budget, as well as monitoring of realization and risks through modern IT tools;
4. implementation of the Project Management supporting system - in 2014, the Company implemented the EPM2013 system, which poses the main source of information about investment projects, wallets and programs. There are almost 200 active projects in the system, which was equipped with more than 100 functions and provided with more than 80 reports. Implementation of the system was followed by proper trainings of the employees.
 - project schedules (EPM) - separate project schedules were integrated into one schedule based on the template developed by PKP Polskie Linie Kolejowe S.A., which takes into account all the required schedule elements. As a result, detailed, uniform implementation schedules were created in the EPM system; this, in turn, made it possible to quickly retrieve data necessary to monitor all work in a given project, whereas the future target is – in connection with the new EPM – to make the process of progress reporting more automatic and to generate outlays schedules from the system.
5. establishment of the Steering Committee for crucial projects and the Investment Committee as a body supporting the decisions made by the Company's Management Board and Project Teams;
6. risk monitoring and management - since 2013, when the policy of investment risk management was introduced and the Project Management Office (PMO) was established, the Company carries out regular monitoring over the investment project risks. → Action plans that minimize project risks are monitored in a week cycle. Each investment project is also subjected to registers of risks and regular risk audits. Project schedules are updated on current basis, based on the identified risk, assessment of their probability, influence on realization of the projects and prepared action plans that minimize the risks;
7. regular field monitoring of the implemented projects – in 2014, the inspection team carried out a total of 175 field inspections covering construction sites of crucial projects. The above constitutes an increase in intensification of actions when compared to 70 visits performed in 2013. In addition to verifying the compliance of work with the schedules and securing investments, the tasks of field inspectors include: verification of the project implementation methodology, analysis of previously confirmed risks and identification of new risks, functioning of the project team and accuracy of declared work completion dates. There is a report prepared from each inspection, including information on project realization evaluation, progress of contractor's works, risks and further recommended actions. The reports from such visits are sent to the Investment Implementation Office and to the Management Board of PKP Polskie Linie Kolejowe S.A.

Number of field inspections in 2014



8. arrangement of investment-related process in the investment support area - update of existing and preparation of new base documents; supervision over realization and implementation of geological instructions; implementation of process changes (register of investment valuations, posing a basis for establishment of a prize database, electronic submission of materials for the Management Board and Investment Committee); implementation of standard processes (increase in decisiveness of the Regions, SLA);
9. improvement of quality control over the implemented investments - cooperation in the scope of inspections carried out by the General Directorate for National Roads and Motorways (GDDKiA). In 2014, 14 new contracts were concluded with the General Directorate for National Roads and Motorways divisions;
10. implementation of the electronic platform for analyzing and processing of investment applications - selection of the best investments/projects, system of grades, acceleration of the processing, and ensuring effective management of savings;
11. integrated investment reporting and monitoring system as well as key management analyses at operational and strategic level, with application of modern IT tools. Together with implementation of the EPM2013 system, electronic reports from investment realization, projects website and wallets were introduced, allowing to accelerate the access to current information. At the same time, the SAP Business Intelligence IT system reports were prepared and adjusted to the investments monitoring needs of PKP Polskie Linie Kolejowe S.A.

In 2014, the Company carried out some works over update of the Multi-annual Railway Investments Program, and performance of social consultations of the documents (consultations completed on December 30, 2014). The Multi-annual Program for Railway Investments is a stable financial foundation for investments of PKP Polskie Linie Kolejowe S.A. in the key period of completing the projects under the current EU budget perspective.

Sources of funding

PKP Polskie Linie Kolejowe S.A. makes use of financial resources from the following EU funds:

1. Cohesion Fund;
2. Structural Funds;
3. TEN-T Fund

Cohesion Fund

It is an instrument of the EU structural policy of a national scale. Its overall objective is to strengthen economic and social cohesion of the European Union by financing major projects including the development of transport infrastructure and environmental protection. The Cohesion Fund co-finances projects of supra-regional importance in the area of environmental protection and transport infrastructure with a value in excess of EUR 10 million. With the participation of the Cohesion Fund it is possible to implement such investment projects as modernization, modification and expansion of the trans-European transport network (TEN-T).

Structural Funds

Structural Funds are instruments of the EU structural policy. Their task is to support restructuring and modernization of the Member States' economies through interventions in key sectors and regions. In this way, they contribute to better economic and social cohesion of the EU. The primary source of financing investment activity of PKP Polskie Linie Kolejowe S.A. in 2014 as part of the structural funds was the European Regional Development Fund (ERDF).

The purpose of this fund is to help counteract the main regional imbalances in the European Union through participation in the development and structural adjustment of underdeveloped regions and conversion of declining industrial regions. In 2014, PKP Polskie Linie Kolejowe S.A. continued its efforts comprising railway lines modernization co-funded from the ERDF within the Regional Operational Programs, which are the most important instruments of regional development policies.

TEN-T Fund

TEN-T Fund is a program of the European Union assistance in the field of transport addressed to all Member States. Funds from the TEN-T budget are earmarked for the projects of common interest, which:

1. contribute to sustainable development of the transport network throughout the European Community;
2. ensure consistency and interoperability of the trans-European transport network and access to it by integrating all modes of transport;
3. help to protect the environment and increase safety standards.

ISPA/CS and CS projects

Use of funds as of December 31, 2014, for all ISPA/CS and CS projects.

The current status of use of co-funding from CF resources for ISPA/CF and CF projects implemented as part of the 2000-2006 perspective:

1. amount of the EU grant awarded by the European Commission for all ISPA/CF and CF projects – 1,126,288.4 k EUR;
2. grant amount used by PKP Polskie Linie Kolejowe S.A. excluding system and individual adjustment – 1,092,787.4 k EUR;
3. grant amount used, including system adjustment and individual adjustment – 980,306.6 k EUR.

The utilization degree of the grant awarded by the European Commission, including the system adjustment and individual adjustment, amounted to 87%

Financial flows of the EU grant under ISPA/CF and CF as of December 31, 2014 were as follows:

1. received indirect payments - 923,883.3 k EUR;
2. received final payments - 51,597.5 k EUR;
3. final payment claims submitted to the European Commission (funds from CF so far not transferred to PKP Polskie Linie Kolejowe S.A.) – 4,825.8 k EUR (including the system adjustment and individual adjustment).

TEN-T

A list of projects realized within the framework of the TEN-T in 2014

1. studies and preparatory actions with respect to organizational structure of railway transport corridor no. 5 - TEN-T 2012-EU-94126-S
2. modernization of railway line Warszawa Włochy - Grodzisk Mazowiecki – preparatory work TEN-T 2011-PL-93141-S;
3. studies and preparatory actions with respect to organizational structure of railway transport corridor no. 8 - TEN-T 2011-EU-95090-S.

Current status of use of TENT-T funds as of December 31, 2014:

1. amount of the awarded co-funding from the TEN-T budget as part of the signed decisions of the European Commission – 26,391 k EUR;
2. amount of co-funding from the TEN-T budget to be used by PKP Polskie Linie Kolejowe S.A., including the signed and planned agreements with contractors – 14,636.7 k EUR;
3. received payments - 12,824.4 k EUR;
4. final payment claims submitted to the European Commission (funds from TEN-T so far not transferred to PKP Polskie Linie Kolejowe S.A.) - 1,812.3 k EUR.

The degree of use of co-funding granted by the European Commission from the TEN-T budget in relation to the amount of co-funding to be used by PKP Polskie Linie Kolejowe S.A., including contracts with contractors, was 55%.

Financial perspective for 2007-2013

Regional Operational Program for 2007-2013

List of projects realized under the Regional Operational Programs in 2014

Podkarpackie Province:

1. improving accessibility of the railway line by modifying some elements of infrastructure on the sections of railway line no. 106 Rzeszów - Jasło under the Regional Operational Program for Sub-Carpathian voivodeship for 2007-2013 (2008- 2014);
2. revitalization of the Przybówka - Jasło section and modification of the bridge at km 19,837 of railway line no. 106 Rzeszów - Jasło for 2007-2014.

Lubelskie Province:

1. modification of the transport system along with modernization of the railway viaduct and subway within Lublin Railway Station (2010-2014);
2. modernisation of railway line no. 30 Łuków - Lublin Północny on the Lubartów - Lublin Północny section (2010-2015);
3. modification of the transport system along with modernization of the railway viaduct and subway within Lublin Railway Station;
4. construction of the access track from the Świdnik station to the Terminal Portu Lotniczego Lublin S.A. (Airport Terminal) together with the accompanying infrastructure (Central).

Wielkopolskie Province:

1. modernization of railway line no. 356 Poznań Wschodni - Bydgoszcz in Greater Poland voivodeship, which plays an important role in handling services from small towns to the Poznań conurbation, on the Poznań Wschodni - Gołańcz section, stage 1 (2010-2014);
2. modernization of railway line no. 357 Sulechów - Luboń in Greater Poland voivodeship, which plays an important role in handling services from small towns to the Poznań conurbation, on the Wolsztyn - Luboń section (2010-2014);
3. modernization of railway line no. 357 Sulechów - Luboń in Greater Poland voivodeship, which plays an important role in handling services from small towns to the Poznań conurbation, on the Wolsztyn - Luboń section - stage 2 (2012-2015).

Lubuskie Province:

- modernisation of railway line no. 358 on the Zbąszynek - Czerwieńsk section including the construction of the Pomorsko - Przylep rail link, bypassing Czerwieńsk station in Lubusz voivodeship - stage 1 (2010-2014).

Pomorskie Province:

1. revitalization and modernization of the so-called „Kościerzyna railway corridor” - the Kościerzyna - Gdynia section of railway line no. 201 - stage 1 (2007-2015);
2. revitalization and modernization of the so-called „Hel railway corridor” - railway line No. 213 Reda - Hel (2007-2015).
3. preparatory documentation for the 2nd stage of revitalization and modernization of the „Kościerzyna railway corridor” together with modernization of railway traffic control devices and electrification of the railway line sections No. 201, 214, 229 and PMR line;

4. Development of the Feasibility Study and the pre-feasibility documentation for the task entitled „Revitalization and modernization of a railway line No. 207 Toruń Wschodni - Malbork, on the Grudziądz - Malbork section”;
5. Feasibility Study for realization of the task entitled „Revitalization of the regional railway line No. 405, on the Szczecinek - Słupsk - Ustka sections, together with modernization of tracks layout on the Słupsk and Ustka stations”.

Kujawsko-pomorskie Province:

1. revitalization of the railway line No. 207 Toruń Wschodni - Malbork, on the Toruń Wschodni - Grudziądz section - stage 1, covering the Chełmża - Grudziądz section (2008-2017);
2. development of the Feasibility Study and the pre-feasibility documentation for the task entitled „Revitalization and modernization of a railway line No. 207 Toruń Wschodni - Malbork, on the Grudziądz - Malbork section”.

Warmińsko-mazurskie Province:

1. revitalization and modernization of the railway line Olsztyn - Szczytno - Szymany (Olsztyn - Szczytno section, railway line No. 219 and Szymany - Szczytno section, railway line No. 35), as railway connection between the modernized airport in Szymany and Olsztyn - stage 1 (2007-2015);
2. revitalization and modernization of the railway line Olsztyn - Szczytno - Szymany (Olsztyn - Szczytno section, railway line No. 219 and Szymany - Szczytno section, railway line No. 35), as another railway connection between the modernized airport in Szymany and Olsztyn - stage 2 (2013-2015).

Zachodniopomorskie Province:

1. modernization of regional railway line No. 402 Goleniów - Kołobrzeg, including the construction of a rail link to Szczecin Goleniów Airport (2010-2013).
2. Feasibility Study for realization of the task entitled „Revitalization of the regional railway line No. 405, on the Szczecinek - Słupsk - Ustka section, together with modernization of tracks layout on the Słupsk and Ustka stations”;
3. Feasibility Study for realization of the task entitled „Modernization of the tracks layout, together with railway traffic control devices development, on the Tuczno Krajeńskie station, on the line No. 403, Wałcz - Kalisz Pomorski section”;
4. Feasibility Study for realization of the task entitled „Modernization of the regional railway line No. 210, on the Szczecinek - Runowo Pomorskie section”.

Łódzkie Province:

1. construction and modification of railway halts along the routes of the Łódź Conurbation Railway – improvement of transport accessibility by establishing intermodal halts with the Łódź Conurbation Railways - stage 1. (2011-2013);
2. revitalization of railway line no. 16 on the Łódź Widzew - Zgierz section (2011 2014).

Dolnośląskie Province:

1. modernization of regional railway line no. 309 Kłodzko Nowe - Kudowa Zdrój on the Duszniki Zdrój - Kudowa Zdrój section (2010-2014);
2. modernization of regional railway line no. 311 Jelenia Góra - Szklarska Poręba section (2010-2014).

Operational Program for Infrastructure and Environment (OPI&E) for 2007-2013

Information about refunded amounts and eligible costs borne in 2013 under the Operational Program for Infrastructure & Environment

In total:

1. refund - 2,804,987,673.2 PLN;
2. eligible costs - 4,105,705,221.5 PLN.

OPI&E projects with the highest refunds in 2014:

1. modernization of the railway line E 30/C-E 30 on the Kraków - Rzeszów section, stage 3 OPI&E 7.1-30 - 422,870,712.8 PLN;
2. Modernisation of the railway line E65/C-E65 on the Warszawa - Gdynia section - LCC Iława, LCC Malbork area OPI&E 7.1-1.3 - 323,114,821.5 PLN;
3. modernization of the railway line Warszawa - Łódź, stage 2, Lot A - Warszawa Zachownia - Miedniewice (Skierniewice) section, OPI&E 7.1-24.1 - 278,732,482.5 PLN;
4. Modernization of railway line E59 on the Wrocław - Poznań section, stage 2, Wrocław - border of Dolnośląskie Province section OPI&E 7.14 - 239,691,510.4 PLN;
5. modernization of the railway line E-65/CE-65 on the Warszawa - Gdynia section, in the scope of the LCC superior layer, ERTMS/ETCS/GSM-R, D-SAT and power supply to the traction system, OPI&E 7.1-1.4 - 195,611,566.7 PLN.

OPI&E projects with the highest eligible costs borne in 2014:

1. modernization of the railway line E 30/C-E 30 on the Kraków - Rzeszów section, stage 3 OPI&E 7.1-30 - 588,747,527.6 PLN;
2. modernization of the railway line Warsaw - Łódź, stage 2, Lot B - Łódź Widze - Łódź Fabryczna section with Łódź Fabryczna and construction of the underground part of the Łódź Fabryczna railway stations, devoted for trains departures and arrivals, as well as travelers service, OPI&E 7.1-24.2 - 518,910,070.9 PLN;
3. modernization of the railway line Warszawa - Łódź, stage 2, Lot A - Warszawa Zachownia - Miedniewice (Skierniewice) section, OPI&E 7.1-24.1 - 409,586,076.9 PLN;
4. Modernization of the railway line E65/C-E65 on the Warszawa - Gdynia section - LCC Iława, LCC Malbork area OPI&E 7.1-1.3 - 357,129,931.9 PLN;
5. improvement of transportation services quality through enhancement of technical condition of the railway line No. 1 on the Koluszki - Częstochowa sections, OPI&E 7.1-66 - 299,325,940.5 PLN.

New financial perspective for 2014-2020

Investment priorities in relation to improvement of technical condition and current parameters of railway infrastructure, and objectives in the scope of railway infrastructure development, as well as financial framework of future investments are specified by the National Railway Program for 2014-2023.

Basis for realization of the perspectives comprised in the National Railway Program and the ID (implementation Document for the Transport Development Strategy until 2020 - with

a perspective until 2030) is reliable preparation of feasibility studies and preparatory documentation for future railway investments.

In order to prepare the feasibility studies and pre-feasibility documentation for projects of the new perspective 2014-2020 in a professional manner, in 2014 PKP Polskie Linie Kolejowe S.A. introduced a possibility to undertake optimization actions, enabling improvement of quality of realization and acceptance of the pre-feasibility documentation (non-prize criteria, monitoring activities, a balanced system of contractors mobilization), potential acceptance risks, as well as variance of the environmental report preparation and of obtaining the environmental decision.

Within the scope of another financial perspective 2014-2020, PKP Polskie Linie Kolejowe S.A. will be utilizing the following financing sources:

Connecting Europe Facility

CEF was founded by the Regulation of the European Parliament and of Council (EU) no. 1316/2013 of 11 December 2013 on establishing the „Connecting Europe Facility”. It is a new instrument that defines the conditions, methods and procedures for granting EU financial aid to Trans-European networks (Trans-European Networks - Transport - TEN-T) to support projects that involve the development, construction or modernization of existing infrastructure, of common interest in the transport, telecommunications and energy sectors, and in order to utilize the potential synergies between these sectors (in the transport sector, priority is given to the missing links).

Rules for granting additional funds under the CEF are similar to the rules of the TEN-T Fund. It will be managed directly by the European Commission. Applications of potential beneficiaries are submitted at the Innovation and Networks Executive Agency (INEA). They will be subject to the assessment by internal experts and Directorate General for Mobility and Transport of the European Commission (DG MOVE), as well as by external experts, acting on behalf of these institutions.

Each year, one call for proposals for the CEF will take place in a competition mode. In the first three competitions, i.e. in the years 2014, 2015 and 2016, the so-called national envelopes will be in use. Projects from a given country will not compete for co-funding against projects from another country – to receive funds it will be sufficient to meet 4 criteria:

1. maturity;
2. quality of the prepared project;
3. matching the strategic development directions of the TEN-T (Relevance), i.e. only the projects in the TEN-T base network may be eligible to receive funding under the CEF;
4. impact on its development.

Within the scope of the national envelopes, Poland was granted 4.4 bln EUR, out of which PKP Polskie Linie Kolejowe S.A. as a beneficiary of the funds, got 3.5 bln EUR. Starting from 2017, the national envelopes will be eliminated, and in order to obtain the co-funding it will not only be necessary to meet the above criteria, but also one will have to obtain a score high enough to be included in the group of projects (from all EU Member States to which the CEF is addressed) falling in a specific pool of funds for the contest. Therefore, it is crucial to obtain acceptance for the projects submitted by PKP Polskie Linie Kolejowe S.A. in 2014-2016, within the scope of the national envelopes.

In 2014, PKP Polskie Linie Kolejowe S.A. commenced the preparatory work with regard to the project financing instrument – CEF. The aim of these works was to prepare applications for the projects listed below and to submit them under the first call for proposals, which was opened in September 2014, and completed on March 2, 2015.

Within the scope of the CEF 2014 competition, PKP Polskie Linie Kolejowe S.A. provided the European Commission with seven applications for co-funding of the following projects:

Works on the railway line E75, section Sadowne - Białystok together with the remaining works on the section Warszawa Rembertów - Sadowne

Project value is 644.4 mln EUR, including 491 mln EUR, which is the assumed grant from the CEF.

Works on the railway line E20, section Warszawa - Poznań - remaining works, section Sochaczew - Swarzędz

Project value is 614.3 mln EUR, including 461.8 mln EUR, which is the assumed grant from the CEF.

Works on the railway line E59, section Poznań Główny - Szczecin Dąbie

Project value is 531.6 mln EUR, including 437.4 mln EUR, which is the assumed grant from the CEF.

Works on the railway line E59, section Wrocław - Poznań, stage 4, section - boundary of the Lower-Silesian voivodeship - Czempień

Project value is 370.9 mln EUR, including 284.8 mln EUR, which is the assumed grant from the CEF.

Works on the district line in Warsaw (section Warszawa Gołębki/Warszawa Zachodnia – Warszawa Gdańska)

Project value is 92.7 mln EUR, including 78.8 mln EUR, which is the assumed grant from the CEF.

Work on the railway line Warszawa Włochy - Grodzisk Mazowiecki (line No. 447)

Project value is 82.7 mln EUR, including 61.6 mln EUR, which is the assumed grant from the CEF.

Safety improvement on the Central Railway Main Line through elimination of rail level crossings on the 127th and 147th km, and construction of two-level crossings

Project value is 4.1 mln EUR, including 3.5 mln EUR, which is the assumed grant from the CEF.

The total value of these projects submitted by PKP Polskie Linie Kolejowe S.A within the CEF 2014 competition is 2,340.7 mln PLN EUR (9,906.8 mln PLN), including:

1. applied share of the CEF fund: 7,698.3 mln PLN;
2. state budget: 1,358.5 mln PLN;
3. EBI loan: 850.0 mln PLN.

Within the CEF competition for projects realized jointly by partners from six European countries, PKP Polskie Linie Kolejowe S.A. submitted two applications for co-funding of studies for corridor projects (freight corridors No. 5 and 8) entitled „*Establishment of Rail Freight Corridor North Sea and its further development aiming at improving conditions for international rail freight transport*” and “*Studies and activities regarding enhancement of Baltic – Adriatic Rail Freight Corridor 5 offer*”, with a joint value of 11.2 mln EUR.

What is more, within the scope of the CEF instrument, in 2014 the Company developed 5 Descriptions of the Subjects of the Contract, announced 5 tenders and concluded 1 agreement on preparation of the pre-feasibility documentation:

1. development of pre-feasibility documentation for the project entitled „Works on the railway line C-E20, on the Łowicz Główny - Skierniewice - Pilawa - Łuków section”;
2. preparation of pre-feasibility documentation for the project entitled „Works on the railway line C-E30, on the Opole Groszowice - Jelcz - Wrocław Brochów section”;
3. preparation of pre-feasibility documentation for the project entitled „Works on the railway line E30, on the Kędzierzyn Koźle - Opole Zachodnie section”;
4. pre-feasibility documentation for the works on the railway line C-E65 on the Chorzów Batory - Tczew section - update of the Feasibility Study;
5. Feasibility Study for realization of the task entitled „Works on the railway line E-75, on the Białystok - Suwałki - Trakiszki (national border) section”.

Sea CEF

In 2014, the Company developed three Descriptions of the Subject of the Agreements, on the basis of which 3 tenders were announced and 3 contracts for preparation of pre-feasibility documentation were concluded:

1. improvement of railway access to sea ports in Szczecin and Świnoujście - preparatory works;
2. improvement of railway access to sea ports in Gdynia - preparatory works;
3. improvement of railway access infrastructure to the Gdańsk port - preparatory works.

Operational Program for Eastern Poland (OPEP) for 2014-2020

OPEP 2014-2020 is an additional support instrument for economic and social development of 5 voivodeships located in Eastern Poland. Actions undertaken within the program's scope will contribute to permanent acceleration of the macro-region's developmental processes, improvement of its competitiveness and attractiveness, and as a consequence to enhancement of its residents' wealthiness and their live quality. Major objectives of the program comprise of growth in competitiveness and innovation of companies operating in Eastern Poland, development of road connections between capital cities of the voivodeships with the surrounding regions, as well as improved utilization of urban transport and availability of the macro-region in the scope of railway infrastructure.

OPEP 2014-2020 is composed of four priorities:

1. resourceful Eastern Poland - its purpose is to improve resourcefulness of small and middle sized enterprises;
2. modern Transport Infrastructure - support the transformation into a low-emission economy in all sectors;
3. supraregional Railway Infrastructure - promotion of sustainable transport and removal of deficiencies in capacity of the most significant network infrastructure;
4. Technical Support.

The projects will be selected upon evaluation of particular undertakings, based on criteria approved by the Monitoring Committee. The applied evaluation criteria will be of a non-discriminating, clear, and they will be considering general principles pursuant to Art. 7 and 8 of the general resolutions, i.e. in the scope of women and men equal rights and non-discriminations, as well as sustainable development. What is more, undertakings grasped in Territorial Contracts will be preferred.

The projects will be evaluated in the following scope: location in relation to the Eastern Main Railway Line, what was stressed in the Implementation Document to the Transport Development Strategy, improvement of railway traffic safety, limitation of transport

influence exerted on the environment, reduction of overcrowding and limitation of the transport infrastructure's capacity, integration of the transport system with simultaneous achievement of economic activity. Detailed criteria in the scope of environmental protection and climate changes will be applied on the project level. Categories of the selection criteria are pointed out in the Program, in the point 11.1 Sustainable development.

PKP Polskie Linie Kolejowe S.A. assume that 12 projects will be co-funded (out of which 8 are placed on the base list, while 4 on the reserve list).

Base list of the projects:

1. works on the railway lines No. 68, 565, on the Lublin - Stalowa Wola Rozwadów section, together with electrification;
2. works on the railway lines No. 25, 74, 708, on the Stalowa Wola - Tarnobrzeg/Sandomierz - Ocice/Padew section;
3. works on the railway line No. 25, on the Skarżysko Kamienna - Sandomierz section;
4. works on the railway line No. 32, on the Białystok - Bielsk Podlaski (Lewki) section;
5. works on the railway line No. 31, on the voivodeship gr. section Czeremcha - Hajnówka;
6. works on the railway line No. 52, Lewki - Hajnówka;
7. works on the railway line No. 216, on the Działdowo - Olsztyn section;
8. works on the railway line No. 219, on the Ełk - Szczytno section.

Reserve list of the projects:

1. works on the railway line No. 68, on the Stalowa Wola Rozwadów - Przeworsk section;
2. works on the railway line No. 25, on the Padew - Mielec - Dębica section;
3. works on the railway line No. 30, on the Parczew - Łuków section;
4. works on the railway line No. 25, on the Końskie - Skarżysko section.

Within the Scope of the Operational Program for Eastern Poland, in 2014 there were 6 Descriptions of the Subjects of the Contract developed, and 4 tenders for pre-design documentation preparation announced:

1. pre-design documentation for the project entitled, „Works on the railway lines No. 68, 565, on the Lublin - Stalowa Wola Rozwadów section, together with electrification”;
2. pre-design documentation for the project entitled, „Works on the railway lines No. 25, 74, 78, on the Stalowa Wola - Tarnobrzeg/Sandomierz - Ocice/Padew section”;
3. pre-design documentation for the project entitled, „Works on the railway line No. 25, on the Skarżysko Kamienna - Sandomierz section”;
4. pre-design documentation for the project entitled, „Works on the railway line No. 216, on the Działdowo - Olsztyn section”;
5. pre-design documentation for the project entitled, „Works on the railway line No. 219, on the Szczytno - Ełk section”;
6. pre-design documentation for works on the railway lines No. 31, 32 and 52 within the area of the Podlaskie voivodeship.

Operational Program for Infrastructure and Environment (OPI&E) for 2014-2020

There were 21 Descriptions of the Subject of the Contract prepared within the OPI&E 2014-2020, 19 tenders announced and 18 contracts concluded with Contractors, on preparation of the pre-design documentation:

1. pre-design documentation for the project entitled, „Works on the railway line No. 8, on the Skarżysko Kamienna - Kielce - Kozłów section”;
2. pre-design documentation for the project entitled, „Works on the railway line No. 94, on the Kraków Płaszów - Skawina - Oświęcim section”;
3. pre-design documentation for the project entitled, „Works on the railway lines No. 97, 98 and 99, on the Sucha Beskidzka - Chabówka - Zakopane section”;
4. pre-design documentation for the project entitled, „Improvement of capacity of the railway line No. E 20, on the Warszawa - Kutno section, stage 1: works on the railway line No. 3, on the Warszawa - LCC Łowicz border” and „Improvement of capacity of the railway line No. E 20, on the Warszawa Rembertów - Mińsk Mazowiecki section, stage 1: Works carried out on the signal boxes”;
5. complementation of the Feasibility Study, together with the tender documentation for the variant 14 of the cross-town tunnel, realized within construction of a railway line in the tunnel, from the Łódź Fabryczna station, to the line No. 15;
6. development of the pre-design documentation for the project entitled, „Works on the railway line No. 146, on the Wyczerpy - Chorzew Siemkowice section”;
7. development of pre-design documentation for the project entitled, „Works on the railway line No. 1, on the Częstochowa - Zawiercie section”;
8. Feasibility Study for preparation of the Poznań Railway Node for high-speed trains, and provision of its intermodality with other means of transport;
9. Feasibility Study for preparation of the Wrocław Railway Node for high-speed trains, and provision of its intermodality with other means of transport;
10. Initial Feasibility Study for elongation of the high-speed railway lines Warszawa - Łódź - Poznań/Wrocław, to the border with Germany, in the Berlin direction, and to the border with the Czech Republic, towards Prague;
11. Feasibility Study for preparation of the Łódź Railway Node for high-speed trains, and provision of its intermodality with other means of transport;
12. development of pre-design documentation for the project entitled, „Works on the railway line No. 18, on the Kutno - Toruń Główny section, on the 3.101 - 107.790 km”;
13. pre-design documentation for the project entitled, „Works on the railway lines No. 14 and 811, on the Łódź Kaliska - Zduńska Wola - Ostrów Wielkopolski section”;
14. development of the pre-design documentation for the project entitled „Creation of the Railway Traffic Safety Center”;
15. pre-design documentation for the project entitled, „Works on the railway lines No. 153, 199, 681, 682 and 872, on the Toszek Północ - Rudziniec Gliwicki - Stare Koźle section”;
16. development of the pre-design documentation for the project entitled, „Works on the railway line No. 289, on the Legnica - Rudna Gwizdanów section”;
17. development of the pre-design documentation for the project entitled, „Works on the railway line No. 143, on the Kluczbork - Oleśnica - Wrocław Mikołajów section”;

18. Feasibility Study for realization of the project entitled „Works on the railway line No. C-E59, on the Wrocław Brochów/Grabiszyn - Głogów - Zielona Góra - Rzepin - Szczecin Podjuchy section”;
19. pre-design documentation for modernization of the railway line No. 202, on the Gdynia Chylonia - Słupsk section;
20. development of pre-design documentation for the project entitled, „Works on the railway line No. 38, on the Elk - Korsze section, together with electrification”;
21. Feasibility Study for the task entitled, „Works on the railway line No. 6, on the Białystok - Sokółka - Kuźnica Białostocka (state border) section)”.

Sea OPI&E

In 2014, 1 Description of the Subject of the Contract for the tender procedure was prepared: „Preparation of the pre-design documentation for the project entitled „Works on the alternative transport route Bydgoszcz - Trójmiasto, covering lines No. 201 and 203”.

Regional Operational Program (ROP) to be realized in the perspective 2014-2020

In 2014, within the scope of the ROP 2014 - 2020, there were 8 Descriptions of the Subject of the Contract developed, 7 tenders announced and 3 contracts concluded with Contractors, on preparation of the pre-design documentation:

1. Feasibility Study for realization of the task entitled, „Revitalization of the regional railway line No. 405, on the Szczecinek - Słupsk - Ustka section, together with modernization of tracks layout on the Słupsk and Ustka stations”;
2. preparation of the Pre-Design Documentation for realization of the task entitled, „Modernization of the tracks layout, together with railway traffic control devices development, on the Tuczno Krajeńskie station, on the line No. 403, Wałcz - Kalisz Pomorski section”;
3. Pre-Design documentation for realization of the task entitled „Modernization of the regional railway line No. 2010, on the Szczecinek - Runowow Pomorskie section”;
4. preparatory documentation for the 2nd stage of revitalization and modernization of the „Kościerzyna railway corridor” together with modernization of railway traffic control devices and electrification of the railway line sections No. 201, 214, 229 and PMR line;
5. preparation of the Feasibility Study for the task entitled, „Revitalization of the railway line No. 57, on the Kuźnica Białostocka - Gieniusze (S) section, Revitalization of the railway line No. 923, on the Bufałowo Wschód - Bufałowo (S) section”;
6. preparation of the Feasibility Study for the task entitled, „Revitalization of the railway line No. 36, on the Łapy - Śniadowo - voivodeship gr. section, Revitalization of the railway line No. 49, on the Śniadowo - Łomża section”;
7. preparation of the Feasibility Study for the task entitled, „Revitalization of the railway line No. 59, on the state border - Chryzanów (S) section”;
8. development of pre-design documentation for the project entitled, „Revitalization and reconstruction of the partially closed railway line No. 182 Tarnowskie Góry - Zawiercie”;

Investment Forum

The Investment Forum operated by PKP Polskie Linie Kolejowe S.A. is a communication platform, which has been functioning since 2012. During its functioning, the Forum has won numerous supporters and has become a place for exchanging experiences from the scope of investments. It is worth stressing the broad presence and especially high involvement

of representatives of the entities from the investment railway market. Thanks to their active participation in the forum's works, there have been plenty of valuable conclusions and recommendations collected, with a purpose to streamline the process of preparing and realizing the investments.

Within the scope of the Investment Forum's works there were certain postulates put forward, which exerted direct influence on acceleration of the railway investments. Representatives of PKP Polskie Linie Kolejowe S.A. analyzed around 60 postulates with justification. A part of them was reflected with the approved base documents, and the other ones are still being analyzed.

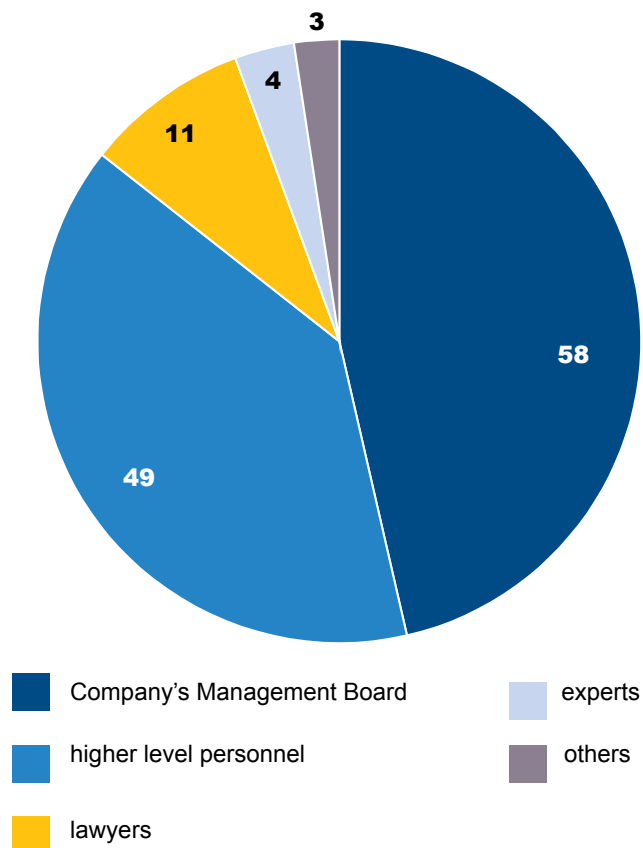
Data from implementation of the postulates, while divided into Working Groups, present in the following manner as for the end of 2014:

1. Working Group „Designer” - 60%
2. Working Group „Engineer” - 28.6%
3. Working Group „Selection Criteria” - 70%
4. Working Group „Contractual Provisions” - 64.3%
5. Working Group „Technical” - 22.2%

The general image provides 52.7% of the implemented postulate, with an assumption that we do not consider those which require changes in legislation.

It was succeeded to include the following institutional entities into the Investment Forum's works: Public Procurement Office, Center of EU Transport Projects, Ministry of Infrastructure and Development, General Directorate for National Roads and Motorways, Notified Bodies and contractors, providing a possibility to exchange experiences, resulting from application of current legal-formal solutions.

Structure of participants of the Investment Forum (%)



1. crucial problems exerting negative influence on railway investments were identified, and particular solutions were proposed. Among the necessary and most urgent changes, the Contractors listed:

- contractual provisions, where risks for both sides of the contract will be included;
- acceptance of standards for quality and fast decision-making on each stage of the investment process;
- realization of investments with the author's supervision;
- systemic solution regarding realization of investments with a supervision engineer in a proper role (not as currently, when the engineer's role is brought down to the postman's function) - there are decisions necessary considering the engineer, whose contract has expired or will expire in the nearest future;
- tracing routes, good practices and arguments - an organization needs to learn - what applied to additional and complementary works, as well as standardization of new contracts;
- improvement and enhancement of precision of planning the track closures;
- propagation of knowledge within regions;
- implementation of standards in providing answers to questions that appear within the tender procedures;
- standardization of the preparation process of tender material, acceptance of design documentation;
- standardization of geological studies.

2. active cooperation of experts from the railway industry was undertaken.

Within the year, the Company organized 11 meetings of working groups, and a plenary meeting, which were participated by around 150 persons.

Themes of the meetings included:

- new criteria of offers evaluation, with no regard to the price;
- contract and material advance payments;
- discussion of the basic provisions included in the base documents, including those related to contractual penalties;
- discussion of the changes implemented to the section 2b of the Act on Railway Transport, which regarded location, environmental protection and construction permissions;
- discussion over necessary legislative changes in the current legal provisions, in the following scope:
 - changes of the section 2b of the Act on the Railway Transport, and some other Acts, in the scope related to implementation of investments regarding railway lines;
 - implementation of changes to the Surveying and Cartographic law;
 - development of provisions imposing a requirement of common responsibility borne by entities that provide access to their potentials;
 - release of the safety guarantee for the proper performance of the agreements, upon completion of a given realization stage;
 - superiority of a construction design over an executive design.

- presentation of standards introduced by the Company, including:
 - implementation of projects management methodology, together with the wallet instrument, i.e. EPM;
 - trainings, improvement of competences and qualifications of the projects management staff (planning, scheduling, recording and managing risks).
- challenges that the Company needs to face in the future financial perspective;
- investment plans in the EU perspective 2014-2020;
- plans for development of modern technologies for the nearest years, related to expansion of the ERTMS, ETCS, GSM-R systems;
- monitoring and organization of legal support for investment tasks carried out in the Company.

It was decided that any investment tasks should be developed as a result of a dialog between all interested parties, carried out in a reliable and timely manner, with preservation of the highest quality, what is the necessary condition to achieve the assumed objectives.

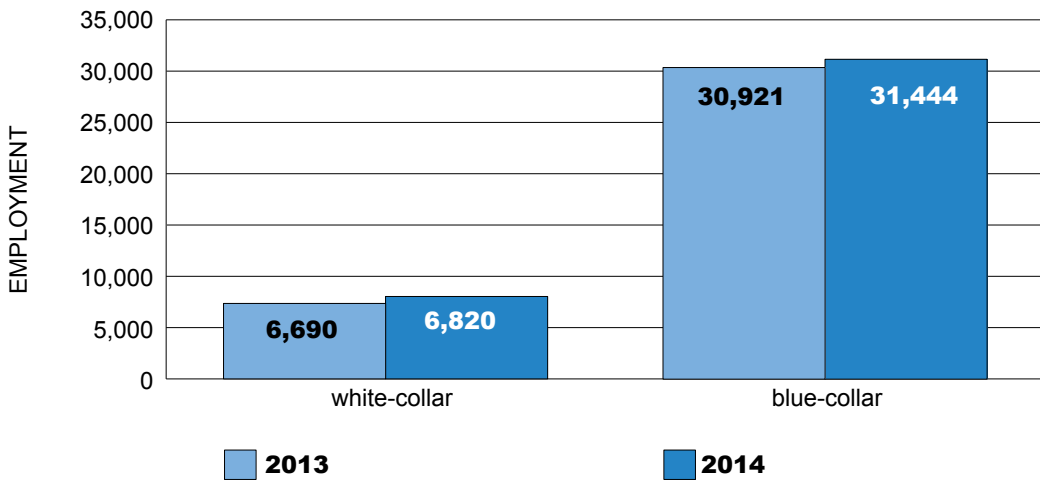
Performance of such an analysis will allow to use the UE funds for realization of railway investments in the future in a more effective and efficient manner.

Human Resources

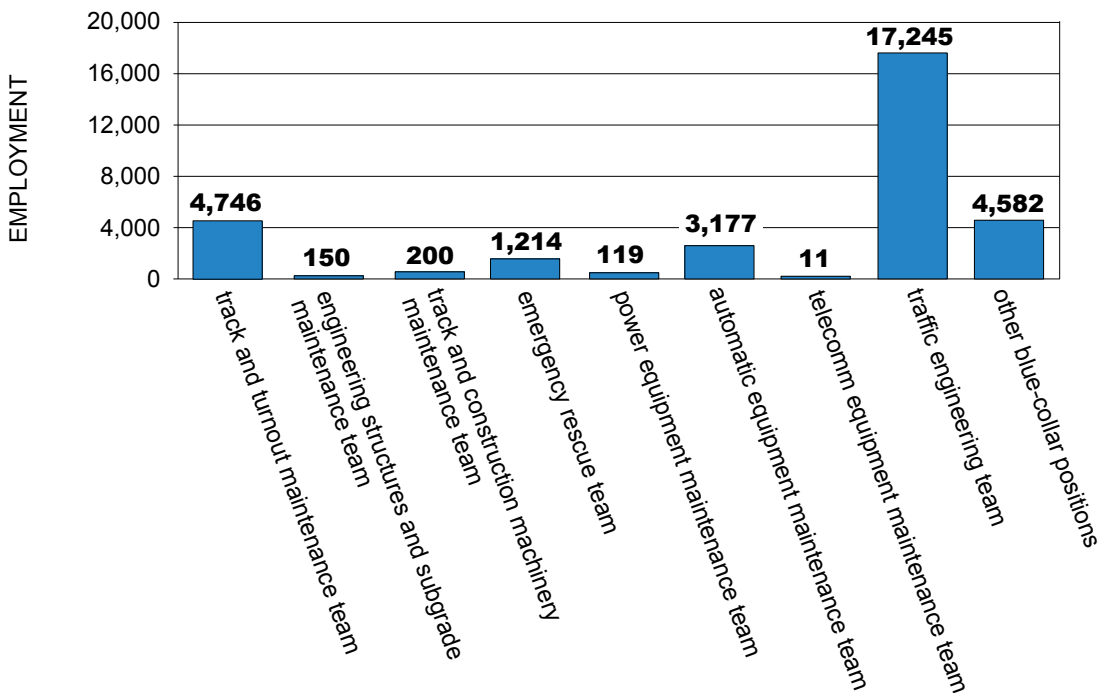
Employment analysis

The year of 2014 was another year of employment rationalization in the Company. In comparison to 2013, the employment level increased by 653 people and amounted to 38,264 employees. As regards the blue-collar positions, the employment level was brought up from 30,921 employees (as of December 31, 2013) to 31,444 employees (as of December 31, 2014), i.e. the level of employment increased by 523 persons (1.69%). As regards the white-collar positions (incl. administrative functions) the employment level increased from 6,690 to 6,820 employees (as of December 31, 2014) i.e. the employment level grew by 130 persons (1.94%).

Employment level in occupation groups as at December 31, 2014 - in persons

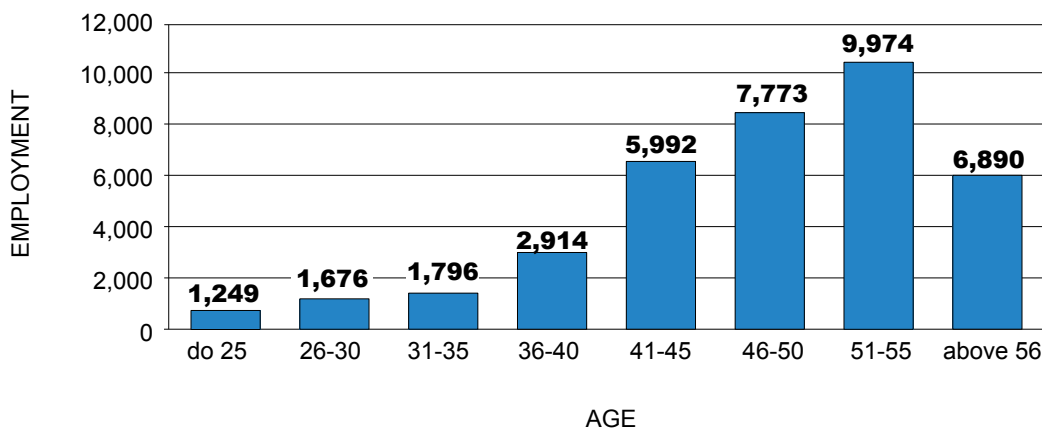


Employment level in blue-collar positions, as at December 31, 2014 - in persons



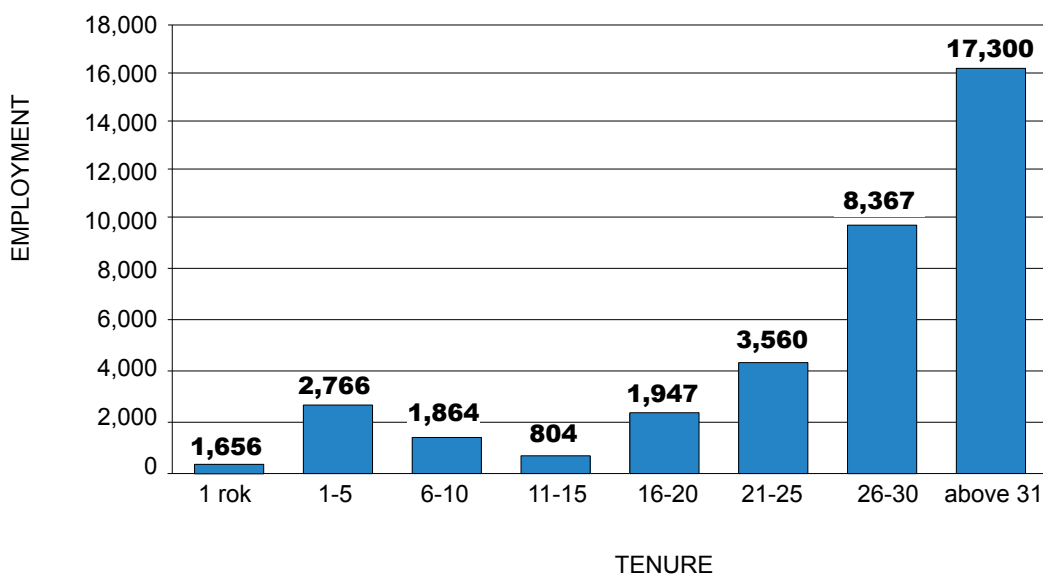
Aside from changes in numbers, the year 2014 saw changes in the age structure of the Company's personnel. The employees aged 25 and less comprised 3.27% of the whole workforce (1,249 employees) – in this category the number of employees increased by 497 persons, i.e. 66.09%. The employees aged 26-50 are the largest group in the Company (who are people in the period of their most intensive professional activity). They comprise 52.66% of all the members of the staff (20,151 employees). In this category, there was a decrease of the employment level by 539 employees, i.e. 2.61%. The third category are persons aged 51 and more. In 2014, they comprised 44.07% of the whole staff (16,864). In this group, the employment level grew by 695 employees, i.e. by 4.3%.

Employment structure by age, as at December 31, 2014 - in persons

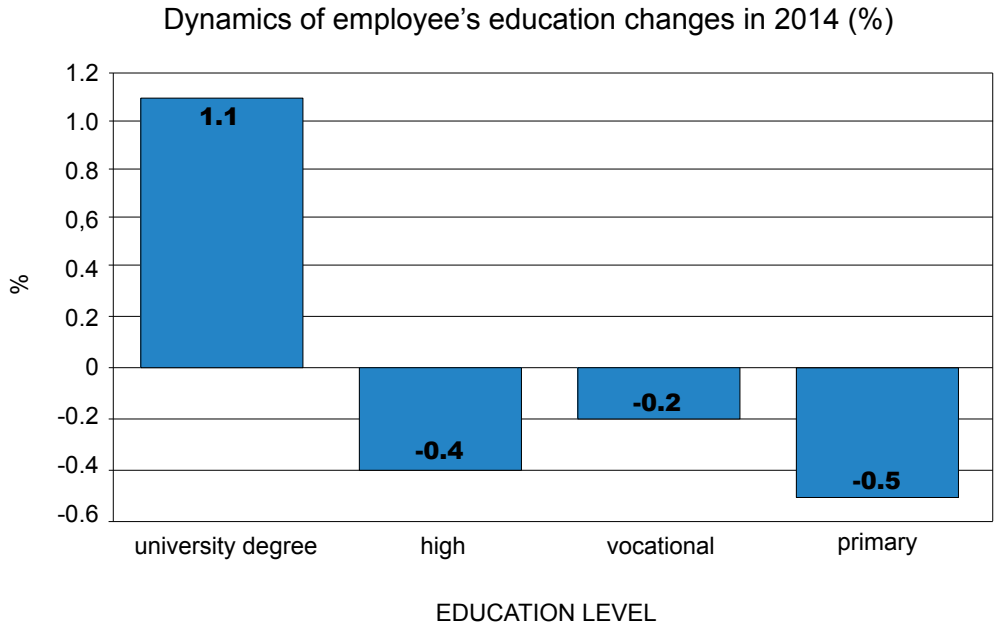


Employees with a job history at the Company of up to 10 years comprised 16.43% of the staff (6,286 employees) – in this group an increase by 1,448 employees was recorded, i.e. by about 29.93% when compared to December 31, 2013. Employees with a tenure of 11 to 20 years comprised 7.19% of the personnel (2,751 persons), which is a decrease by 194 employees, i.e. by about 6.59%, when compared to December 31, 2013. The most numerous group in the Company is composed of persons with a tenure exceeding 21 years, who comprise 76.38% of the total number of employees (29,227 employees). In comparison to December 31, 2013, this group recorded a decrease by 601 employees, i.e. by 2.01%.

As at December 31, 2014, the employment structure broken down into the length of tenure – in persons



In 2014, we observed further positive developments in terms of the education-related structure of the Company's personnel. The most important factor in this case was the increase in the number of employees with an academic degree with the simultaneous decrease in the number of people with secondary, basic vocational, or primary education. This results from the Company's policy which aims at recruiting highly-qualified employees and implementing continuous education programs for the staff.

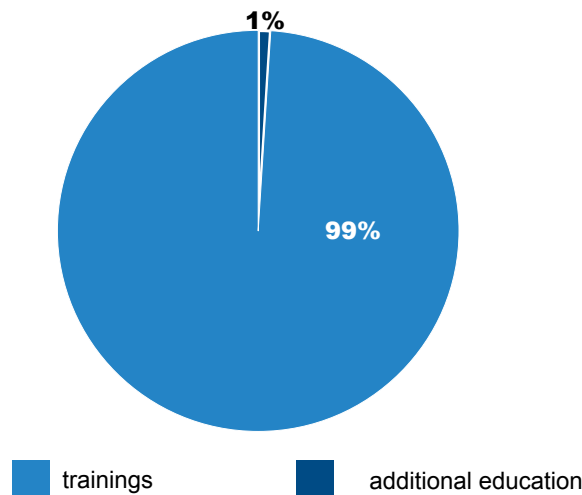


Staff development

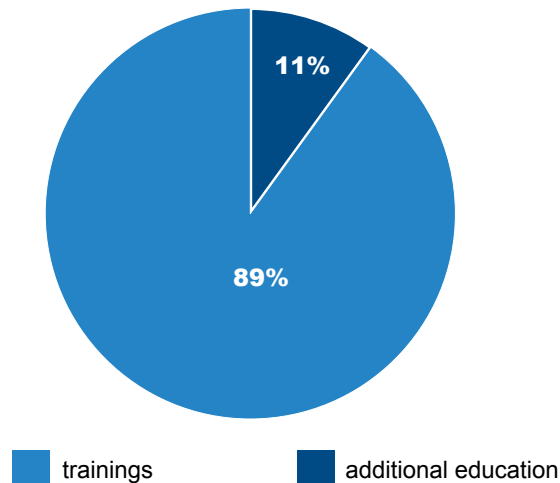
PKP Polskie Linii Kolejowe S.A. invest in development of professional competences of its employees every year, bearing in mind that it allows the Company to grow continuously. Well-educated employees, who keep improving their qualifications, are a great potential and a guarantee of the Company's dynamic development.

Each year, PKP Polskie Linie Kolejowe S.A. earmark significant resources for staff trainings, participation in seminars and conferences, improving the level of education and foreign language competences. In 2014, a total of 104,939 employees took part in personnel development programs, of whom 104,308 participated in trainings, while 644 improved their level of education (including 13 persons who took part in language courses).

Share of particular forms of development



Share of costs for particular forms of development



For PKP Polskie Linie Kolejowe S.A. the development of its personnel is of particular importance due to the necessity to ensure safety of railway traffic, operation, maintenance and modernization of railway lines as well as performance of other key tasks. Therefore, in 2014, the Company organized numerous trainings and adjusted their programs to the duties realized by certain employees.

Leaders of Changes Academy

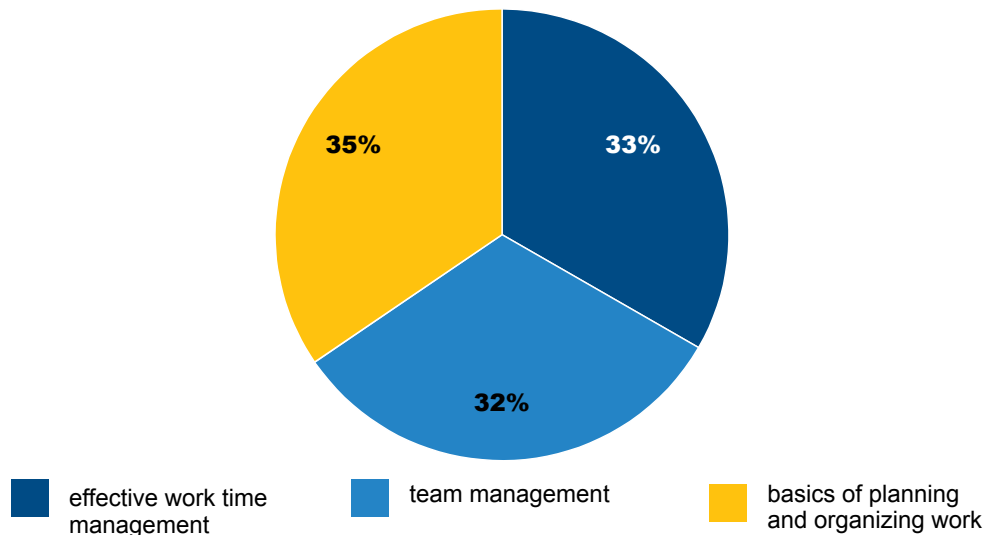
In 2014, in order to improve effectiveness of the tasks realized within the Company, a cycle of trainings in the scope of manager competences was implemented for the first time. 4 external coaches were hired, who while using the Assessment Center (AC) results obtained by the management staff, as well as detailed examination over the training needs, prepared training programs adjusted to the Company's needs, from the following scope:

1. effective time management;
2. team management;
3. basics of planning and organizing work.

Within the period from June to December 2014, the trainings were participated by 2,131 managers in 169 trainings groups. Directors of Railway Lines Facilities, Technical Vice Directors, Sections Supervisors, Vice Sections Supervisors, Station Managers, Superstructure and Substructure Foremen, Structures and Buildings Foremen, Automation Foremen and Energetic Foremen.

Aim of the project was to develop, together with its participants, certain tools for tasks planning in the Company, as well as to improve the managers' competences in the scope of: planning, monitoring, settling tasks and managing the subject team.

Percentage share of training groups realized in 2014



The project included:

1. 33 training groups per month on average;
2. 8 groups per week;
3. 2 or 3 groups per coach in a week (two-day and one-day trainings);
4. 23 workers of the Railway Lines Facilities involved in organization of the logistic operation in 23 Polish cities.

The project will be continued in 2015.

Instructor Academy

Within the „Mentor-Instructor” program, with a purpose to improve quality of the realized instructions for the employees of PKP Polskie Linie Kolejowe S.A., directly related to management and operation of the railway traffic, a cycle of trainings entitled Instructor Academy was realized. The Instructor Academy’s program, which was based on results of the Development Center process, where significant competence gaps of the group of Instructors were identified. During 5 two-day trainings, the work performed focused first of all on improvement of coaching skills of the 103 Instructors from the Company. 17 Instructors were selected from this group, who will be prepared to lead personal competences trainings. The project will be continued in 2015.

Investment trainings

Within the scope of continuation of projects commenced in 2013, trainings in the following fields were carried out for the Company’s employees hired in the Investment Department of the Headquarters and the Investment Implementation Center:

1. investment trainings - 139 participants in 12 groups;
2. surveying trainings - 79 participants in 7 groups;
3. trainings from personal and managing skills - 176 participants in 13 groups;
4. trainings from management by objectives - 336 participants in 36 groups.

Within the scope of organization of closed trainings, the Company selected the winning tender in relation to computer training in the following fields:

1. MS Excel 2010, on three levels of advancement: basic (e-learning), intermediate and advanced;
2. MS PowerPoint 2010;
3. Norma PRO software;
4. AutoCad.

In 2014, 352 employees divided into 35 groups took part in the computer trainings. The following number of employees were trained, when divided into the training themes:

1. MS Excel 2010, intermediate - 240 participants in 24 training groups;
2. MS Excel 2010, advanced - 21 participants in 2 training groups;
3. MS PowerPoint 2010 - 44 participants in 4 training groups;
4. Norma PRO software - 26 participants in 3 training groups;
5. AutoCad - 21 participants in 2 training groups.

The project of the trainings mentioned above will be continued in 2015.

Talents Development Identification Program

In 2014, PKP Polskie Linie Kolejowe S.A., within its pilot project, selected a group of 71 Talents, i.e. employees distinguished with a high level of involvement in realization of their duties, and characterized with special developmental potential. The first edition of the Talents Development Identification Program took place under a slogan „involvement”, and promoted proper behaviors of the employees. More than 200 employees submitted or were submitted by supervisors to the project. The identification process comprised of several stages, and examined such competences as: professional knowledge, flexibility of thinking, development of effective organization, projects management and leadership. In December 2014, an inauguration meeting of the selected group of Talents took place, when proposals for key Company's values were determined. Another actions within the project will encompass: creation of the Talents developmental program, preparation of programs and realization of internal trainings supporting the key competences. The group of Talents from the crucial branches was recommended to take part in projects realized by the Company's Headquarters.

Staff evaluation

In 2014, PKP Polskie Linie Kolejowe S.A. undertook certain actions preparing to complex implementation of the staff evaluation program in the Company. The main objective of the staff evaluation is improvement of the Company's staff effectiveness through cyclical monitoring and development of competences that are crucial on a given position. The Company developed assumptions of the staff competences evaluation, chose the developer of the IT system for the process management, and performed pilot evaluation, preceded with the management staff trainings on the internal principles of evaluation and performance of a evaluation interview with a worker. The pilot program was realized in December 2014, and it covered two offices of the Company's Headquarters. Implementation of the staff evaluation in the Company is planned to take place in two phases - in 2015 for the Company's Headquarters and the Investment Implementation Center (around 2,000 process participants); and in 2016 for all organizational entities (about 6,000 process participants).

Additional education

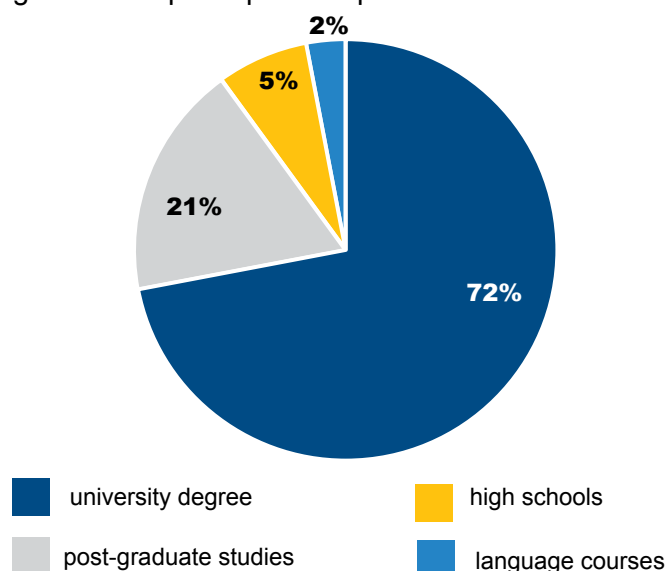
PKP Polskie Linie Kolejowe S.A. offers additional funds to support education of its staff members at high schools, degree-level schools, and postgraduate schools as well as to support learning of foreign languages. In 2014, 644 staff members participated in the process of gaining additional education (including 13 taking part in language courses).

In 2014, within the cooperation framework with the Gdańsk Foundation for Management Development, the Association of Railway Employers and the Training and Consultancy Office (CS Szkolenie i Doradztwo), post-graduate studies were organized in the following fields:

1. Project Management according to the Prince 2 methodology;
2. Project Management according to the PMI methodology;
3. Finances for Managers;
4. Personal Manager Academy.

The studies mentioned above were participated by 130 students.

Percentage share of participants in particular forms of additional education

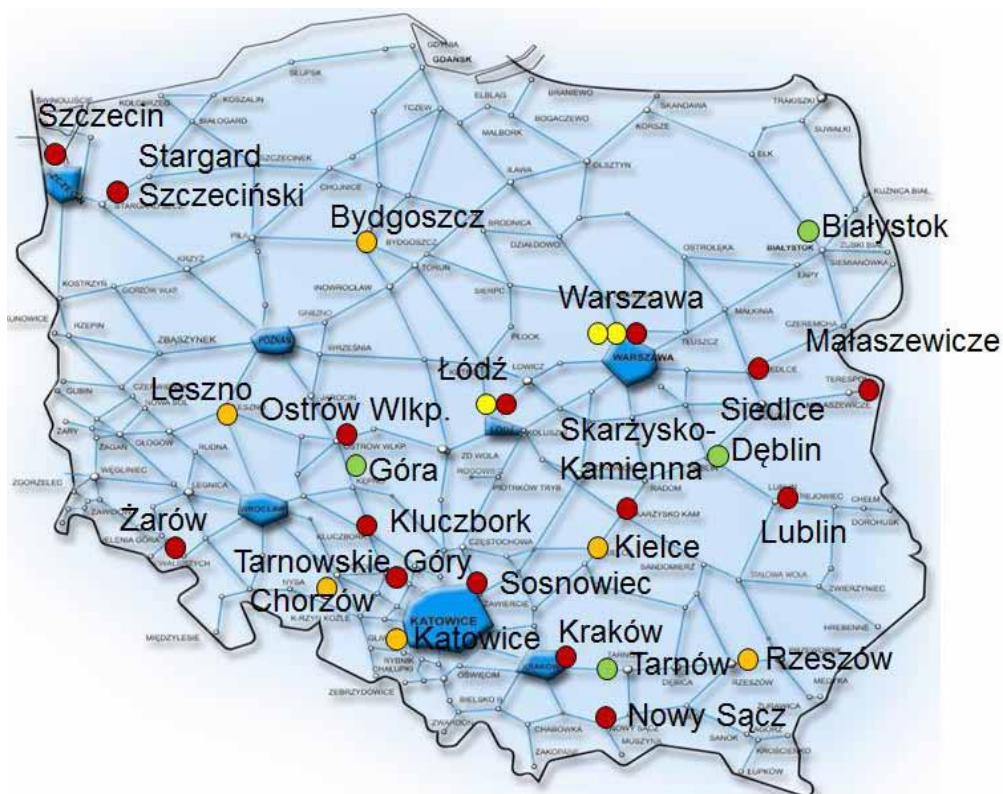


Cooperation with high schools

As part of cooperation with schools, the Company supports school managements in their efforts to establish railway specializations and develop curricula including vocational subjects; moreover, it takes part in developing programs of vocational trainings and their organization. In addition to that, the representatives of the Company participate in, among others, education fairs and “open days” organized at schools. The Company takes part in the process of recruiting candidates for schools with railway-related majors by printing leaflets to promote such majors, or by launching Facebook campaigns.

PKP Polskie Linie Kolejowe S.A. cooperates with high schools within the scope of education within railway subjects, in order to provide the necessary staff for the positions of basic operation. Schools that the Company cooperates with offer education in the following subjects:

1. railway transport technician;
2. railway roads and bridges technician;
3. automation technician of railway traffic operation;
4. rail transport energy technician.



- high schools - concluded agreement - 15
- high schools - signed intention letter - 6
- high schools - planned intention letter - 4
- universities - signed intention letters- 3

In 2014, within the scope of the developed scholarship program, 141 scholarship agreements were concluded with students from the schools in the following cities: Siedlce, Małaszewicze, Łódź, Szczecin, Stargard-Szczeciński, Sosnowiec, Lublin, Skarżysko-Kamienna, Nowy Sącz, Ostrów Wielkopolski, Żary, Tarnowskie Góry and Kraków. After graduation, the Company provides the students with employment, and the students need to undertake to start the job and continue it for at least the period, for which they were collecting the scholarship.

The process of acquiring skills and qualifications through education in vocational schools allows better preparation of the graduates for the work on a particular position in the Company thanks to the gathered knowledge. It also allows to reduce the cost of initial training and adaptation significantly. These actions are especially significant in the context of a generation gap, which the company will need to face since 2015.

Contact details

Company Headquarters

ul. Targowa 74
03-734 Warszawa
www.plk-sa.pl
www.plk-inwestycje.pl
www.bezpieczny-przejazd.pl
www.kgsok.pl

Management and Control Board Department

tel. (22) 473 33 40
fax (22) 473 25 67
e-mail: ibz@plk-sa.pl

Central Order Processing Department

tel. (22) 473 23 95
fax (22) 473 23 99
e-mail: icz@plk-sa.pl

Sales Department

tel. (22) 473-20-30
fax (22) 473-28-04
e-mail: ius@plk-sa.pl

Investment Implementation Department

tel. (22) 473 21 53
fax (22) 473 21 54
e-mail: ir@plk-sa.pl or centrum.ir@plk-sa.pl

Communication and Promotion Department

tel. (22) 473-23-38
fax (22) 473-23-34
e-mail: iip@plk-sa.pl

Spokesperson

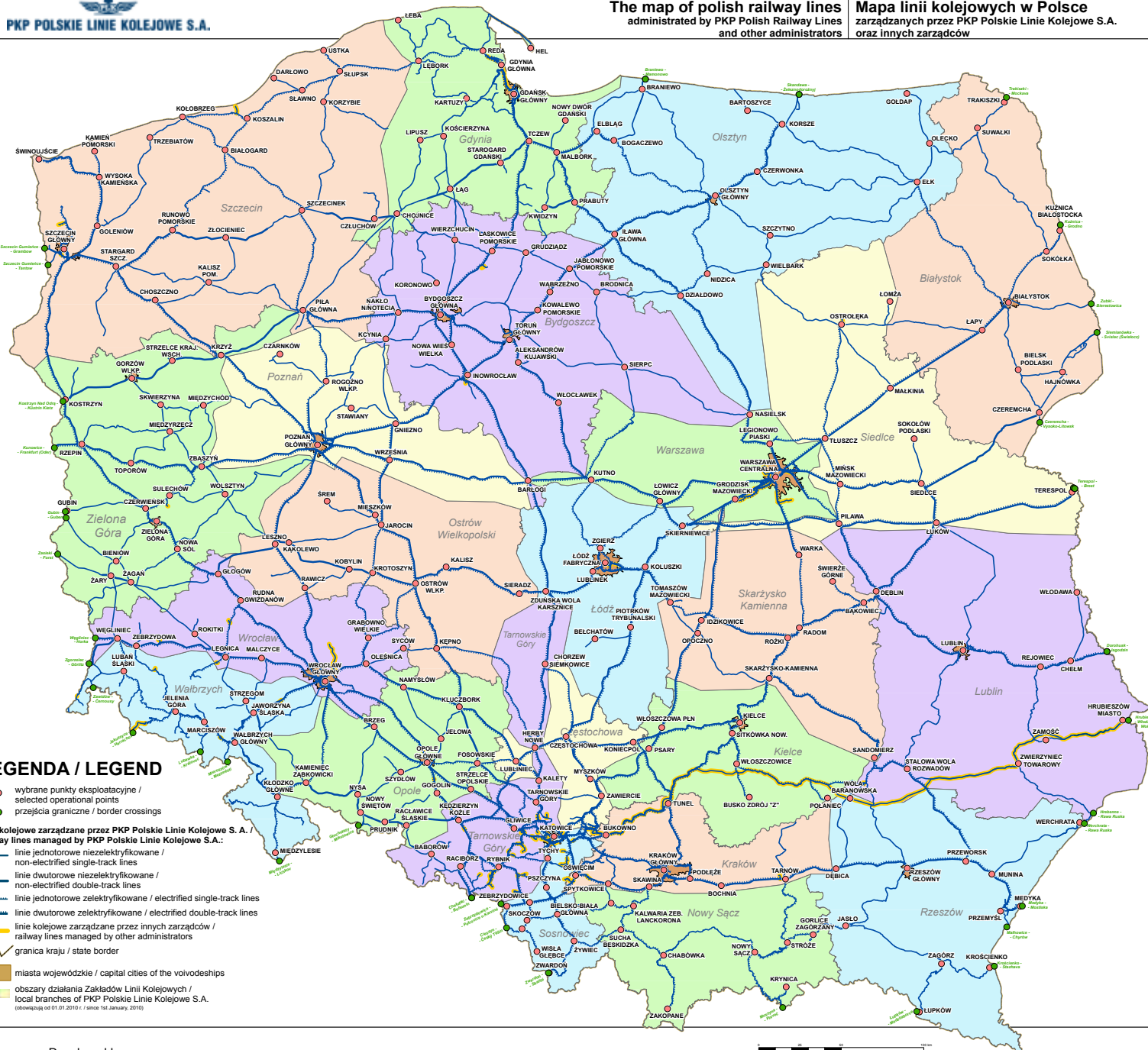
tel: (22) 473 30 02
tel: (+48) 662 114 900
e mail: rzecznik@plk-sa.pl

Map of railway lines

PKP POLSKIE LINIE KOLEJOWE S.A.

The map of polish railway lines
administered by PKP Polish Railway Lines
and other administrators

Mapa linii kolejowych w Polsce
zarządzanych przez PKP Polskie Linie Kolejowe S.A.
oraz innych zarządców



Developed by:
PKP Polskie Linie Kolejowe S.A.
03-734 Warszawa,
ul. Targowa 74
<http://www.plk-sa.pl>

The data used in the development of the map come from the SILK system
[Railway line information system].
Map generation date: 20.06.2015, State System of Geodetic Coordinates 1992
and distributed by: Office of Real Estate Management and Railway Land Surveying
of PKP Polskie Linie Kolejowe S.A. For internal use only.
Copyright © 2015 PKP Polskie Linie Kolejowe S.A.