

Future – Regulatory assumptions

Technical specifications for interoperability Noise (NOI TSI)

In 2018, works were performed to amend the Technical Specifications for Interoperability relating to the subsystem 'Rolling stock - Noise' ('Noise TSI').

The deadline for adopting the amendments determining, among others, the period for decommissioning freight cars equipped with cast iron brake blocks, specifying access to some routes for modernized or non-modernized freight cars was set for the beginning of 2019.

On 31 January 2019, the EU Member States adopted amendments to Noise TSI at a meeting of the Railway Interoperability and Safety Committee. In the course of the works, Poland managed to negotiate the so-called special case providing for further operation of freight cars with tyred wheels, which constitute a considerable number of PKP CARGO S.A.'s freight cars. Such vehicles may be used in domestic transport regardless of the line status until the end of 2036. They may also enter the Czech Republic and Slovakia without limitations until the end of 2026. This will prevent considerable costs involved in adapting to the new requirements.

Service Infrastructure Facilities

The Act of 16 November 2016 Amending the Act on Rail Transport and Certain Other Acts entered into force on 30 December 2016. The purpose of the Act is to adjust the national legal order in the field of rail transport to the changes resulting from Directive 2012/34/EU of the European Parliament and of the Council of EU. The Act specifies, among others, a new group of facilities, the so-called service facilities, designated for the provision of services necessary to perform the transport process.

In connection with the amendment, in 2017 the Company introduced a number of organizational changes in order to appoint the service facility operators.

Another legal act regulating the operations of the service facilities in detail, i.e. Commission Implementing Regulation (EU) 2017/2177 of 22 November 2017 on access to service facilities and rail-related services which entered into effect on 13 December 2017. In 2016 and 2017, the Company participated in the works of the legal group of CER (Community of European Railway and Rail Infrastructure Authorities) which presented to the European Commission a number of the Company's postulates. They are to some extent taken into account in the Regulation. Since the Regulation will enter into force on 1 May 2019, the Company is performing works on adapting the Bylaws for access to PKP CARGO S.A.'s Service Infrastructure Facilities to the provisions of the Regulation.

The intended amendments are for specification rather than principal purposes. Their entry into force might involve the necessity to perform some additional duties by PKP CARGO S.A. employees handling Service Infrastructure Facilities, yet the planned amendments are not expected to have a significant influence on the Company's financial performance.

EU Emissions Trading Scheme (EU ETS)

One should consider the planned changes in the EU Emissions Trading Scheme (EU ETS) – the related uncertainty was the reason why the Company's client, ArcelorMittal Poland (AMP), suspended its decision to overhaul the blast furnace no. 2 in Dąbrowa Górnicza. Finally, AMP decided to carry out the overhaul in the period July-August 2018. The modernization lengthened the furnace useful life by three to five years. This will make it possible to assess the financial impact on AMT of the amendments to the EU ETS to become effective in 2021. Only then will it be known whether a general overhaul of the blast furnace is economically viable. The phasing out of the blast furnace at the end of July and at the beginning of August 2018 did not have a major impact on the quantum of transport services provided by PKP CARGO S.A. to AMP.