

The background of the entire page is a photograph of a train, likely a passenger train, moving from left to right. The train is white with blue and orange accents. On the side of the train, there is a large white shield with a blue trident, which is the national emblem of Ukraine. The train is set against a blurred background of a landscape with trees and a utility pole, suggesting it is in motion. The sky is a mix of blue and orange, indicating a sunset or sunrise.

УКРЗАЛІЗНИЦЯ

ANNUAL REPORT

JSC UKRZALIZNYTSIA

INTEGRATED REPORT

2019

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CHAIRMAN ADDRESS**

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SUPERVISORY BOARD CHAIRMAN ADDRESS

DEAR COLLEAGUES, PARTNERS AND FRIENDS!

2019 was a year of new achievements and accomplishments for Ukrzaliznytsia. The Company remains a strong leader in the transport and logistics market, providing reliable and competitive services.

The main priority for the Supervisory Board is to support the development of a sustainable and prospering business that contributes to the economy and well-being of Ukraine and our employees by providing quality, safe, reliable, efficient, competitive and customer-oriented rail transportation services.

The Cabinet of Ministers of Ukraine, the shareholder of the Company, decided during the reporting period to resubordinate Ukrzaliznytsia back to the Ministry of Infrastructure. Hopefully, this will support the development of the railway industry, consolidate the actions taken by the transport market players and, most importantly, accelerate the reforms of Ukrzaliznytsia.

A number of fundamental policy action documents setting the institutional framework for our development was adopted in 2019: Basic Principles of the State Ownership and Governance concerning Ukrzaliznytsia, the Company's Strategy 2019-2023, the Code of Ethics and its Action Plan and the Regulations on Management Board of the Company. We introduced the Corruption Prevention and Counteraction Policy and a mechanism to implement the Management Board decisions. All these documents are reflecting the global best corporate governance practices, including the OECD guidelines.

We strive to our common goal of developing the Company as a transparent, powerful, efficient and sustainable business. We work to fulfil our approved Strategy that shapes our policy for the development of Ukrzaliznytsia in all the areas, from transportation, investment in modernisation of our rolling stock, and reorganisation to the social issues.

We made a range of important changes in our organisation in the reporting period to sharpen our focus and raise the performance and efficiency of our business. In particular, we have made a series of key changes to strengthen our Management Board by appointing new leaders for the Finance, Passenger and Technical verticals and created a new position for Government Relations. At the year end, we parted ways with our Chairman of the Management Board and are in the process of selecting a new one to lead Ukrzaliznytsia towards the new challenges posed by the changing competitive landscape and regulatory environment. The newly elected political leadership and the Verkhovna Rada aim to adopt a new law on railway transportation, which would accelerate the unbundling of the rail transportation services as a means to increase efficiency and private sector competition. The Company had already incorporated these orientations in its long-term strategic plan and is supporting the development and advancement of the related regulatory and legislative changes in close collaboration with the Ministry of Infrastructure and the Verkhovna Rada. Furthermore, Ukrzaliznytsia is proceeding with the necessary internal realignments

and organisational change plans to prepare for the unbundling once the relevant legislation is passed.

To strengthen internal controls and as part of corruption fighting efforts, the Company established the Anti-Corruption Office and created positions of Procurement Director, Chief Compliance Officer, and Director of Risk Management Office. A particularly important step was to form an independent internal audit and control function that reports to the Supervisory Board. We confirmed the appointment of its head, adopted the Regulations on the Internal Audit Service and an Action Plan. We also appointed the Business Development Director to better understand and meet our clients' needs in a real spirit of partnership. Transparency and openness continue to be the key values guiding our operations. In 2019, Ukrzaliznytsia significantly increased its transparency. We now publish information on our transactions and operational data of the rail car and locomotive fleets on the Government Open Data Portal. All financial, investment and audit reports are now available online.

We embraced a zero tolerance to corruption agenda. In 2019, the Company signed a Memorandum of Partnership with UNIC, Ukrainian Network of Integrity and Compliance, to promote ethical and responsible business practices, enhance transparency, the fight against corruption and abuse. An internal anonymous whistleblower hotline was launched for the staff to report corruption. Today we are working to create an external anonymous hotline for the public. In January 2020, we went further and created a Supervisory Board Committee on Compliance and Anticorruption Issues.

In September 2019, an independent consultant, Deloitte & Touche LLC, prepared a Monitoring Report on Ukrzaliznytsia Corporate Governance Action Plan. We are pleased that Deloitte experts appreciated our efforts and concluded that the corporate governance reform of the Company was being implemented intensively, dynamically and in accordance with the schedule. In 2019, the finances of Ukrzaliznytsia improved significantly, as did the financial reporting. Our accounts are audited by the international auditing company EY. The sale of Eurobonds of \$500 million at a favorable rate greatly improved the liquidity of the Company. Ukrzaliznytsia also started selling off its large stocks of scrap metal through competitive bidding on ProZorro. Finally, the railcar market has become well supplied thanks to a large expansion of private railcars on our rails and Ukrzaliznytsia providing its railcars through auctions. Most passenger tickets are being sold online.

Among our key priorities for the future is to unbundle the cargo, passenger and infrastructure components of the rail transportation to boost performance, efficiency, quality and competitive pricing for our customers, both passengers and shippers. Similarly, improving the quality of our rail infrastructure, the locomotive and wagon fleets and their turnover rate and increasing the labor efficiency continue to be our top priorities. Our biggest project for the future is to purchase new electrical locomotives, which will take place through a competitive international tender. We are and will continue taking important and radical steps toward these objectives. I am confident that the Company

will become a role model of successful transformation of a large state-owned company in Ukraine.

Unfortunately, the outbreak of the COVID-19 pandemic in the beginning of 2020 is posing a very serious threat to the economies and the way of life across the entire globe, and Ukraine is not spared from its ravages. Consequently, we are and will be facing very challenging future and tasks. This will require solidarity, collective effort, hard work, and sacrifice to prevent and counteract the pandemic's devastating effects on personal and social life and economy that are already being observed in many well developed countries. Ukrzaliznytsia's leadership, in close collaboration and coordination with the Ministry of Infrastructure

and other government authorities, is and will continue taking all the necessary decisions to safeguard first and foremost the health and safety of our employees and customers, as well as to preserve our financial strength and operational capabilities. We are reducing non-essential investments and operational spending, adjusting the work mode of our labor force and bolstering our lines of credit from our trusted financial partners to further solidify our cash liquidity. All these measures, building on our strong financial position and operating performance in 2019, put us in a good position to minimise the impact of this pandemic on our Company and allow us to continue supporting the economic development of Ukraine.

Sevki Acuner
Chairman of the
Supervisory Board



MANAGEMENT BOARD CHAIRMAN ADDRESS

Ukrzaliznytsia is one of the largest domestic companies; its successful development is a driving factor of the economy, helping replenish the national and local budgets, support regional development, improve the welfare of hundreds of thousands of Ukrainian railway workers' families, and much more.

Today we are facing important tasks: to transform Ukrzaliznytsia

into a profitable company and introduce successful business models. This requires difficult decisions, titanic work, commitment, and undeniable responsibility.

I am sure that together we have enough strength and energy to deliver on our plans and together we will make this journey successful.



Volodymyr Zhmak
Management Board
Chairman Ukrzaliznytsia



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UKRZALIZNYTSIA TODAY



TRANSPORT MARKET OVERVIEW



Transport is an important component of the country's economy, one of its core industries. Stable and efficient operations of the transport system lie at the heart of the domestic, export, import and transit carriage of goods and passengers and create the necessary conditions for the national defence capabilities and security. Ukraine's transport sector is an extensive system that includes a network of railways, roads, sea and river water routes, air routes, as well as a network of pipelines, most of which transit through the territory of our country. There are 13 seaports operating in the Black Sea and the Azov Sea, as well as in the Danube delta, with a total cargo handling capacity of approximately 230 million tonnes per year. The territory of Ukraine

has 1,562,600 km of navigable waterways. There is a developed network of ferry services and sea shipping container lines connecting Ukraine with partner countries in the Black Sea region. Ukraine has an extensive network of public roads of 169,643 km. In 2019, the cargo turnover by road was 48,831.5 million tkm (114.7% year on year). The passenger turnover remained almost unchanged reaching 34,564 million pkm in 2019 (34,611 million pkm in 2018). The cargo transportation by air decreased compared with 2018. In 2018, the freight traffic by air reached 339.7 million tkm, while in 2019 it was only 294 million tkm (86.6% against 2018). At the same time, the passenger traffic increased from 25,432.6 million pkm in 2018 to 30,058.6 million pkm in 2019 (116.1 % of 2018).

As before, rail remained an undisputed leader in the transport and logistics market of Ukraine in 2019. The total length of Ukrainian railway tracks is about 19,790 km (without the temporarily occupied territories where the network is not currently operated). The Ukrainian railways directly border and interact with the railways of Belarus, Moldova, Poland, Russia, Romania, Slovakia, Hungary, contribute to operation of 40 international railway crossings and serve Ukrainian seaports. Four Pan-European transport corridors also run across Ukraine:

- No. 3 Brussels – Aachen – Cologne – Dresden/Berlin – Wrocław – Katowice – Krakow – Lviv – Kyiv;
- No. 5 Venice – Trieste/Koper – Ljubljana – Maribor – Budapest – Uzhgorod – Lviv – Kyiv;
- No. 7 the Danube River (water): Austria, Hungary, former Yugoslavia, Bulgaria, Romania, Moldova, and Ukraine;
- No. 9 Helsinki – St. Petersburg – Kyiv – Chisinau – Bucharest – Dimitrovgrad – Alexandroupolis (has four extensions, with two relating to Ukraine: Odessa – Rozdilna – Kyiv and Kyiv – Moscow).

Two EU rail freight corridors (RFCs) reach Ukrainian borders (Chop station): No. 6 (Mediterranean Corridor) ends at Zahony station and No. 9 (Rhine-Danube Corridor) ends at the Cierna nad Tisou and Matiovtse stations. Seven out of 13 corridors of the Organisation for Cooperation between Railways cross Ukraine: No. 3, 4, 5, 7, 8, 10 (TRACECA) and 12.

In 2019, the cargo transportation by rail accounted for 77.6% of the total freight traffic in Ukraine (excluding pipelines), and passenger transportation made 30.7% of total passenger traffic (excluding urban electric transport).

In 2019, the cargo transportation by rail made 181,845 million tkm (97.6% of the 2018 level). The passenger turnover remained almost at the level of 2018: 28,413.5 million pkm (28,614.91 million pkm in 2018).

CARGO TRANSPORTATION

According to the State Statistics Service of Ukraine, in 2019 the freight turnover of transport enterprises amounted to 338.9 billion tkm or 102.1% year on year. The increase was in road (14.7%), pipeline (5.3%) and water (0.7%) transportation. The key market for Ukrzaliznytsia is the carriage of such cargoes as iron ore, manganese ore, coal, mineral building materials, grain, ferrous metals, oil, and petroleum products. For more information about the cargo transportation, please see the Our Business section, Cargo Transportation subsection.

Rail freight
turnover made
181,845
million tkm
in 2019

CARGO TURNOVER BY MODE OF TRANSPORT, 2017-2019¹

Mode of transport	Cargo turnover, million tkm			2019 against 2018, %	Share of transport mode in total cargo turnover, %		
	2017	2018	2019		2017	2018	2019
All transport modes, including:	343,057.1	331,856.2	338,962.5	102.1	100.0	100.0	100.0
Rail	191,914.1	186,344.0	181,844.0	97.6	55.9	56.2	53.7
Road	41,178.8	42,569.5	48,906.3	114.7	12.0	12.8	14.4
Water	4,257.1	3,363.0	3,387.8	100.7	1.2	1.0	1.0
Pipeline	105,434.4	99,239.9	104,528.1	105.3	30.7	29.9	30.8
Air	272.7	339.7	295.6	87.0	0.1	0.1	0.1
Note: share of rail transport without pipeline					80.8	80.1	77.6

PASSENGER TRANSPORTATION

According to the State Statistics Service of Ukraine, in 2019 the passenger turnover reached 107.9 billion pkm or 103.3% year on year. The increase was in air transport (16.1%). In total, 4,262.4 million passengers or 95% compared with 2018 used passenger transportation services.

For more information about the passenger transportation by rail, please see the Our Business section, the Long-Distance Passenger Transportation and Suburban Passenger Transportation subsections.

PASSENGER TURNOVER BY MODE OF TRANSPORT, 2017-2019²

Mode of transport	Passenger turnover, million pkm			2019 against 2018, %	Share of transport mode in to- tal passenger turnover, %		
	2017	2018	2019		2017	2018	2019
All transport types	99,277.7	103,969.7	107,175.0	102.6	100.0	100.0	100.0
Rail ³	28,043.3	28,614.9	28,413.5	99.1	28.3	27.5	26.5
Road	35,412.4	34,611.0	33,879.9	98.0	35.7	33.4	32.0
Water	30.3	27.6	25.8	93.5	0.0	0.0	0.0
Air	20,345.7	25,432.6	30,241.8	116.8	20.5	24.5	27.9
Tram	3,922.6	3,925.4	3,729.2	95.0	4.0	3.8	3.5
Trolleybus	6,016.0	5,804.8	5,407.0	93.1	6.1	5.6	5.0
Underground	5,507.3	5,553.4	5,477.8	98.6	5.5	5.4	5.1

The passenger
turnover
made
28,413.5
million pkm
in 2019



OBJECTIVES AND CHALLENGES

The main challenges inherent in the transport sector in general include:

- Underfunding of the transport industry development
- Insufficient maintenance of infrastructure and transport
- Change in demand for transport services
- Interference of political and other interests.

The main challenges inherent particularly in the rail industry include:

- Significant change in cargo traffic flows
- Lack of available financial resources for investments
- Ukrzaliznytsia's traditional geographical structure and imperfect management practices
- General resistance to change.



MILESTONES 2019



Ukrzaliznytsia received the first tranche of locomotives manufactured and supplied by GE. As established by the contract, 30 TE33AC locomotives arrived to Ukraine.

Ukrzaliznytsia repaid \$150 million in Eurobonds, the first part of the issue, and made regular coupon payments.

A new transit container train was launched between Belarus, Ukraine and Romania.

Ukrzaliznytsia launched a pilot project to introduce regulated scheduled routes for grain transportation.

With the improved operational efficiency, the Company repaid UAH 500 million, the first part of a bridge loan extended by Oschadbank, in full and ahead of schedule.

For the first time in its history, Ukrzaliznytsia started the production of grain hoppers and obtained an interstate operation license for them.

The Cabinet of Ministers of Ukraine approved Ukrzaliznytsia Strategy 2019-2023.

Przemysl met the millionth passenger of Intercity+ trains between Kyiv and Przemysl.

Ukrzaliznytsia started renting out its real properties through ProZorro.Sales e-system.

The Company adopted the Code of Ethics based on the world's practices, compliance policies, and laws.

Ukrzaliznytsia joined the Top 10 largest taxpayers in Ukraine.



February



March

A special art train left for GOGOLFEST.

May



April

June

July

A new Containerships Train connected Ukraine and Lithuania.

Ukrzaliznytsia's Eurobond spread was the lowest among state-owned railway companies in the CIS.

After a six-year hiatus, Ukrzaliznytsia raised \$595 million from the international capital markets at 8.25% pa with the maturity in 2024.

August

Ukrzaliznytsia introduced a system of distance learning for employees, a knowledge management portal.

S&P upgraded Ukrzaliznytsia's credit rating to B-.

The Company resumed suburban trains at the Mariupol – South Donbas section after almost five years of break.

September

Fitch Ratings upgraded Ukrzaliznytsia's credit rating to B.
A special car reservation option for people with disabilities was made available online.

Ukrzaliznytsia repaid \$150 million, the next part of Eurobonds, and made a regular coupon payment in due time and in full. The debut issue took place in 2013.

Ukrzaliznytsia took part in J.P. Morgan Emerging Markets Credit Conference for the first time.

October

The Cabinet of Ministers of Ukraine returned Ukrzaliznytsia under the umbrella of the Ministry of Infrastructure.

Ukrzaliznytsia, the Ministry of Infrastructure and the EBRD signed a memorandum of cooperation to prepare Ukrzaliznytsia for IPO.

The Company completed a UAH 460 million reconstruction of the Volnovakha – Komyshe-Zoria section.

Ukrzaliznytsia opened waiting rooms for soldiers in Kyiv, Dnipro, Lviv, Odessa, and Kharkiv.

Ukrzaliznytsia and the State Fiscal Service introduced electronic exchange of information during interstate carriage of goods.

November

Ukrzaliznytsia opened waiting rooms for the military in Kherson, Mariupol, Vinnytsia, and Mykolaiv.

Kyiv Pasazhyrsky station hosted Ukraine-WOW interactive exhibition.

January

Ukrzaliznytsia relaunched a contact centre to process passengers' requests and inquiries in real time.

The Company introduced an online ticket sale option for people with disabilities.

December

Ukrzaliznytsia's Eurobonds won the CEEMEA Corporate Bond of the Year nomination.

The Company completed the construction of Kalanchak and Chonhar checkpoints.

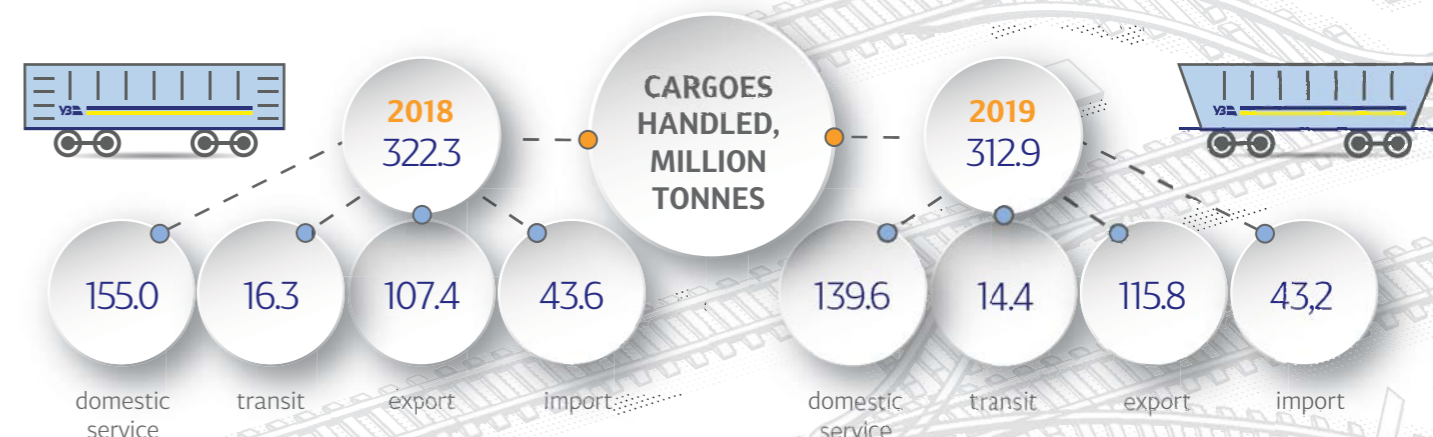
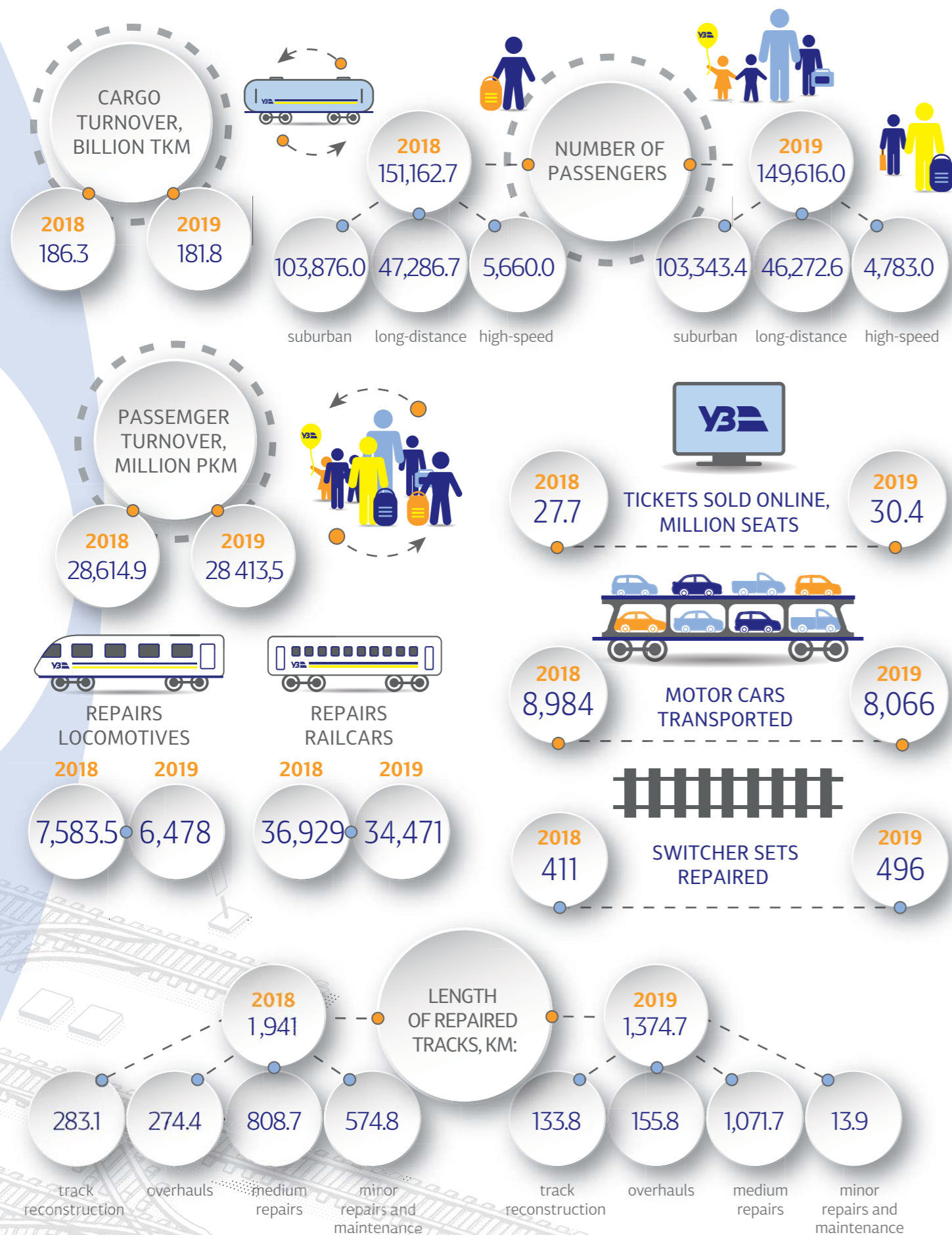
Ukrzaliznytsia first announced the purchase of diesel fuel under a framework agreement.

The Company opened a waiting room for the military in Uzhgorod.

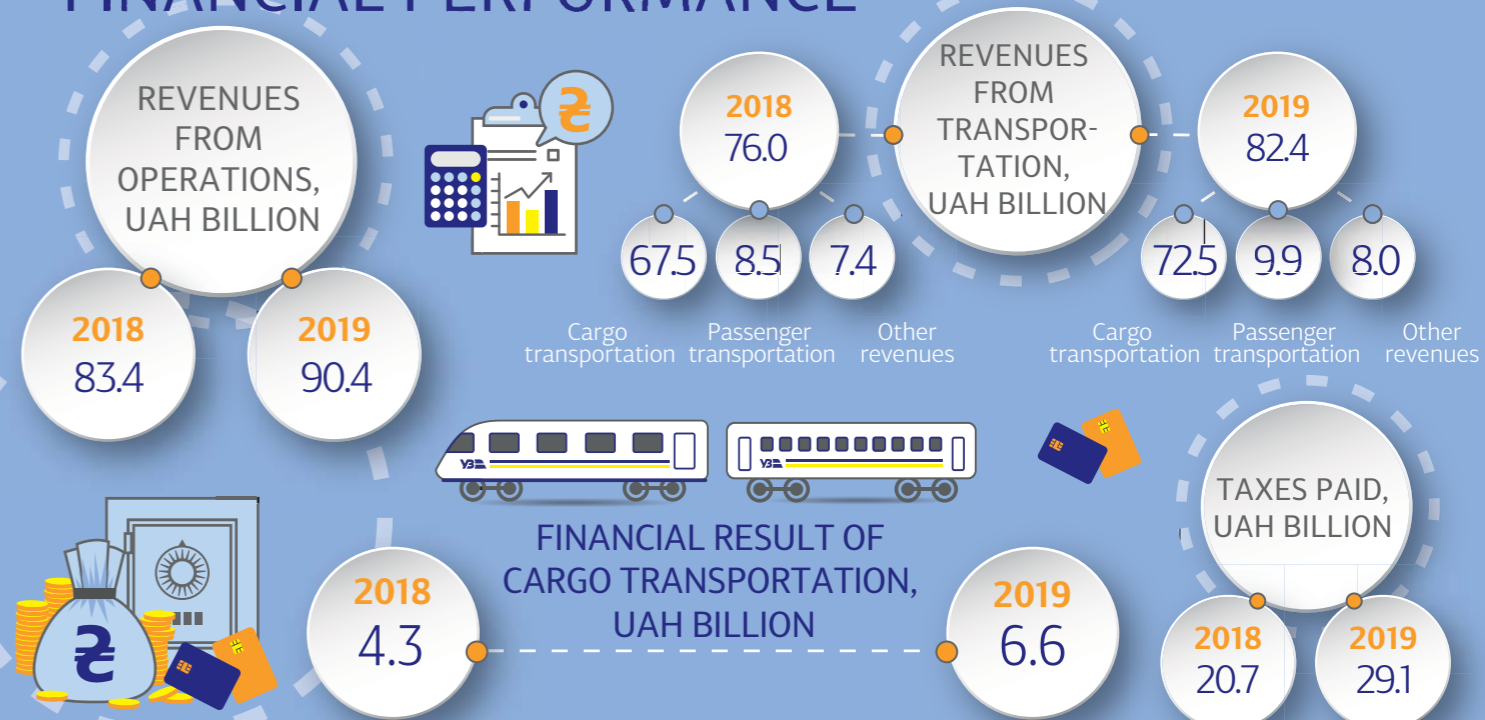
Ukrzaliznytsia met the millionth passenger of Kyiv Boryspil Express and started running a new modern Ukrainian-made train on the route.

The Company resumed the suburban service at the Fenolna – Skotuvata section in Donetsk Oblast.

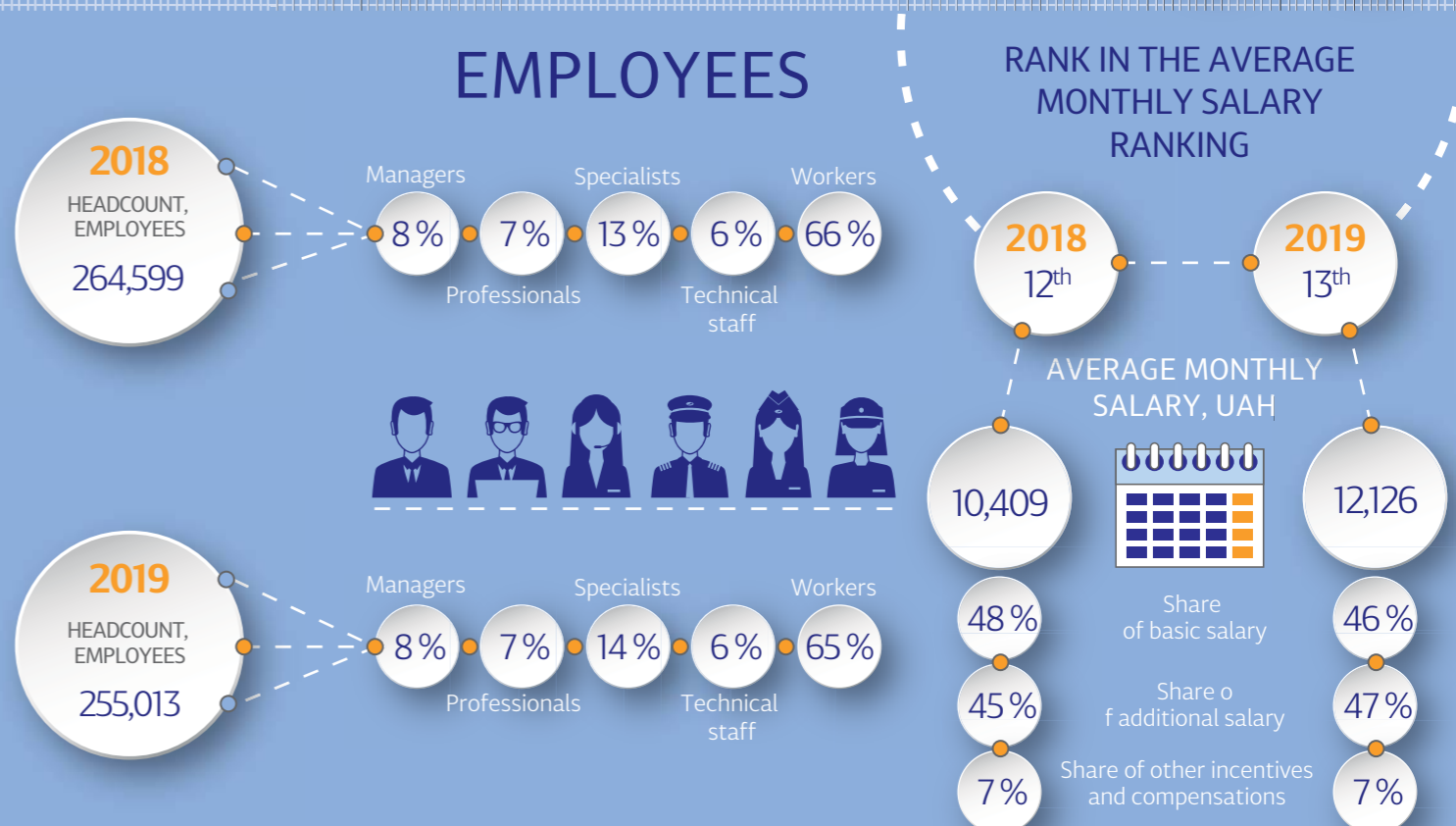
KEY PERFORMANCE INDICATORS 2018-2019



FINANCIAL PERFORMANCE



EMPLOYEES



2

OUR BUSINESS



BUSINESS DEVELOPMENT AND REFORMS AT UKRZALIZNYTSIA



Ukrzaliznytsia is a railway infrastructure operator and national freight and passenger rail carrier. The Company contributes immensely to the economic development and security of the country. In 2019, rail accounted for 77.6% of the total cargo transportation by all modes except pipelines and for 30.7% of the total passenger traffic by all modes except urban electric transport. To ensure the effective management of the railway infrastructure, offer more services and improve their quality, the Company has developed Ukrzaliznytsia Strategy 2019-2023. The document sets

out the Ukrainian Railways' strategic goals, priorities, and areas, as well as a five-year vision to deliver the goals. In the Strategy, we take a balanced and give-and-take approach to our goals, focussing on the interests of the Company and its key stakeholders: the Government, customers, investors, and employees. Ukrzaliznytsia Strategy 2019-2023 was approved by Resolution 591-r of the Cabinet of Ministers of Ukraine dd. 12 June 2019 "On Approval of Ukrzaliznytsia Strategy 2019-2023" and by the Company's Supervisory Board.



UKRZALIZNYTSIA'S STRATEGIC GOALS TILL 2023

- Meet the country's transportation needs
- Improve the financial and economic stability of Ukrzaliznytsia and the industry
- Invest in the fleet upgrade
- Improve the rail safety and compliance with health and safety standards in line with the best practices
- Raise Ukrzaliznytsia's profile as an employer and cover its needs in skilled employees
- Improve the operational management and transparency and get prepared to compete in the passenger and freight transportation markets in the context of European integration



KEY STRATEGIC INITIATIVES OF THE COMPANY

- Set reasonable rates: 2019-2022
- Reorganise the Company from a regional structure into business segments: 2020-2022
- Develop and implement a long-term investment programme: 2020
- Streamline the Company's network and production units: 2021
- Improve a client-oriented approach and expand the services in the focus areas of operations: 2019
- Reorganise and sell non-core assets: 2022
- Introduce a new transportation management system (TMS): 2021
- Introduce a safety and security management system (SMS): 2022
- Implement public-private partnership projects and programmes (PPP) financed by the national budget: 2022
- Combat corruption by increasing transparency: 2020

Following of the Strategy's approval, Ukrzaliznytsia developed the Strategy Implementation Plan 2019-2023 approved by the Supervisory Board in October 2019.

CORRELATION BETWEEN STRATEGIC INITIATIVES AND GOALS

Key strategic initiatives	Strategic goals					
	Meeting demand	Financial stability	Modernisation and investment	Safety and security	Staff	Reforms
Tariffs		+	+			+
Reorganisation	+				+	+
Investment			+	+	+	
Streamlining		+	+			
Client orientation	+	+			+	+
Non-core assets		+	+			
TMS	+		+			
SMS				+		
PPP and national budget	+	+	+			
Compliance	+	+	+	+	+	+

For more information about Ukrzaliznytsia Strategy 2019-2023, please visit us at <https://uz.gov.ua/files/file/Стратегія-4-Типографія.pdf>

REORGANISATION

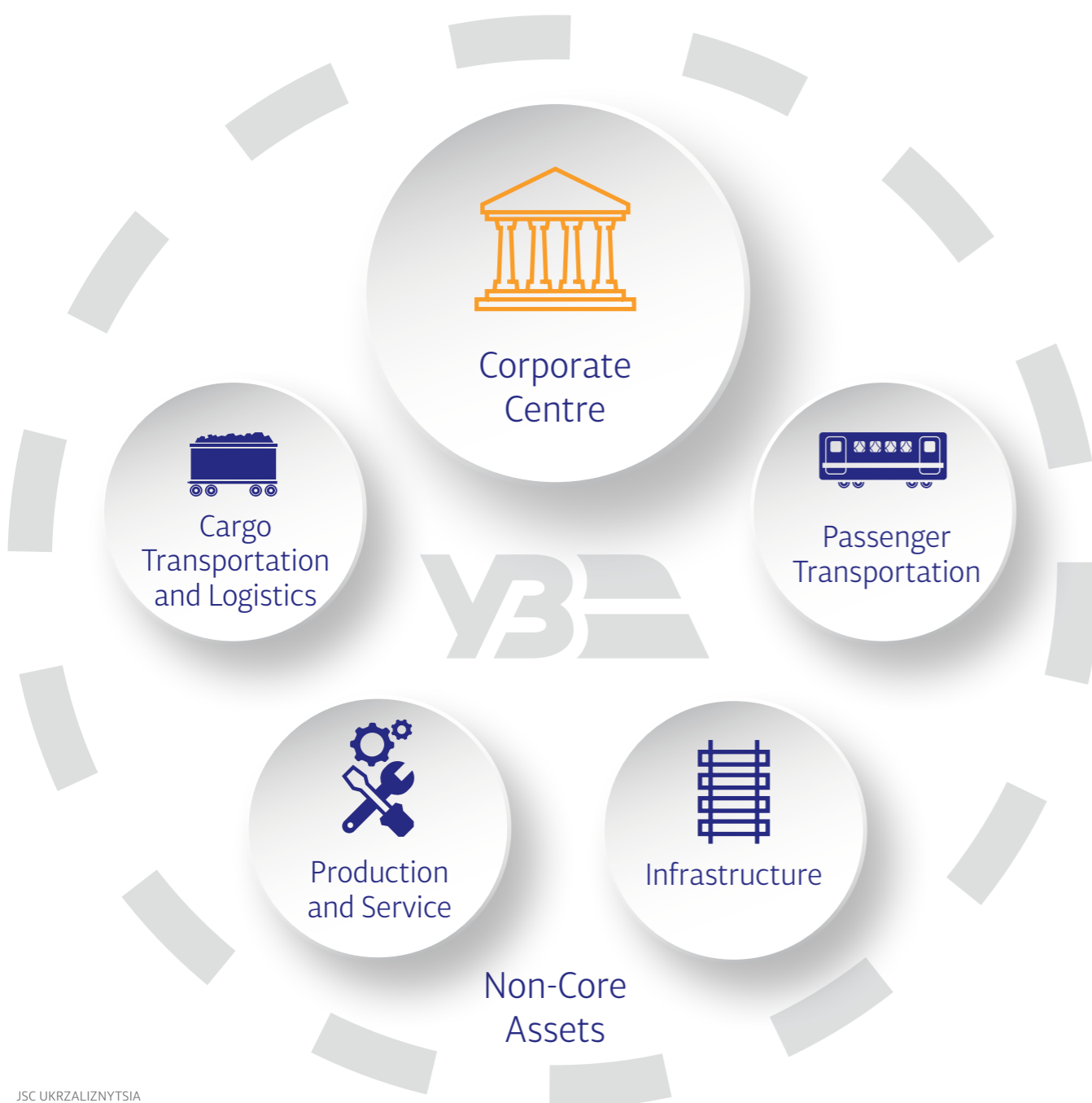
In 2019, the Company made an important step towards a large-scale reorganisation from a regional structure into business segments. The key areas of the reorganisation are enshrined in Ukrzaliznytsia Strategy 2019-2023. In addition, the Cabinet of Ministers of Ukraine approved the Railway Transport Reform Action Plan in December 2019 that underlies Ukrzaliznytsia's further development and reforms.

A target structure of the Company is based on a vertically integrated management system that will include:

- A corporate centre, which will shape policies for the verticals, supervise their implementation, and provide corporate services;
- A cargo transportation and logistics vertical, which will sell

the relevant services;

- A passenger transportation vertical, which will sell the passenger transportation services by concluding relevant agreements with the central executive authorities for socially important long-distance transportation and with the local authorities for public transportation in the suburbs;
- An infrastructure vertical, which will maintain the railway infrastructure and sell the services for access to the public railway infrastructure;
- A production and service vertical, which will cover the Company's needs for the renewal of fixed assets;
- A structure for non-core asset management, which will provide social services to the Company's employees and manage its non-core assets.



MEDIUM-TERM PLANS

- Ensure reasonable rate setting
- Reorganise the Company from the regional structure into business segments
- Develop and implement a long-term investment programme
- Streamline the Company's network and production units
- Focus more on customers and expand services in core operations
- Reorganise and sell non-core assets
- Introduce a new transportation management system
- Introduce a security management system
- Introduce public private partnership projects financed by the national budget
- Combat corruption through improved transparency.

UKRZALIZNYTSIA CREDIT POLICY

In 2019,
Ukrzaliznytsia raised
about **\$595 million** in the
international debt
capital market.



Ukrzaliznytsia is a responsible company that uses various instruments to raise financial resources both in the domestic and international capital markets. The Company closely cooperates with international financial organisations to finance infrastructure projects and with Ukrainian state-owned banks to refinance its existing portfolio.

In March and September, the Company made the regular payments on its 2013 Eurobonds to the amount of **\$300 million**. In 2019, the Company paid **60%** of the principal amount according to the agreed schedule.



CREDIT POLICY STRATEGIC GOALS:

- Ensure a balanced loan portfolio (based on a volume to cost ratio) to implement strategic initiatives of the Company's verticals;
- Enhance the financial sustainability of Ukrzaliznytsia by changing the maturity period of its financial obligations and focusing on long-term financing;
- Reduce expenses on servicing the existing loan portfolio;
- Ensure that the Company's credit rating is upgraded as close as possible to sovereign.

In 2019, the focus of the Company's credit policy was to streamline the structure of the loan portfolio and borrowing terms and conditions and settle overdue financial debts. In future, this can help reduce the existing currency risks, cut financial expenses, avoid default on loans, and provide the necessary funding. Ukrzaliznytsia is in an ongoing dialogue with both the existing creditors and potential investors, as it strives to maintain its reputation of a responsible borrower and follow the world's best practices. There is a special section, Investor Relations, on the Company's official website, which is updated with necessary information on an ongoing basis. In addition, Ukrzaliznytsia

The leading international credit agencies confirmed improvements of the Company's liquidity and financial stability. Fitch Ratings upgraded Ukrzaliznytsia's credit rating to "B-" with positive outlook and S&P Global Ratings changed it to "B" with stable outlook.

participates regularly in conference calls and meetings with international creditors to discuss its key performance indicators and the prospects for further cooperation.

Ukrzaliznytsia carries out audits in compliance with the international financial reporting standards on a regular basis, which, among other things, confirm its covenants specified in the international credit agreements. In addition, the leading rating agencies, Fitch Rating and Standard & Poor's, monitor and update the Company's credit rating.

To raise financial resources, Ukrzaliznytsia used mostly long-term loans from international financial institutions and resident banks, as well as funds raised in Eurobonds placements.

UKRZALIZNYTSIA LOAN PORTFOLIO INDICATORS

Description	As of 31.12.2018	As of 31.12.2019
Ukrzaliznytsia loan portfolio in UAH equivalent ⁴	UAH 33.4 billion	UAH 35 billion

LOAN PORTFOLIO BY FINANCIAL INSTRUMENT

Description	As of 31.12.2018	As of 31.12.2019
Interest bank loans	UAH 17.2 billion	UAH 12.6 billion
Eurobonds	UAH 14.3 billion	UAH 19.5 billion
Other borrowing	UAH 0.5 billion	UAH 0.5 billion
Financial leasing	UAH 1.4 billion	UAH 2.4 billion

LOAN PORTFOLIO BY CURRENCY

Description	As of 31.12.2018	As of 31.12.2019
USD	87%	87%
EUR	5%	4%
UAH	8%	9%

KEY CHALLENGES OF THE CREDIT POLICY:

- Lack of available financial resources to make the necessary investments and limited resources in the internal financial market. The challenge was successfully addressed in 2019: the Company managed to overcome a shortage of financial resources by entering the international capital markets, where it raised a loan worth approximately \$595 million;
- In 2019, Ukrainian financial and credit institutions were unable to meet the Company's credit needs due to insufficient

UKRZALIZNYTSIA ISSUES EUROBONDS WORTH \$500 MILLION

In July and September 2019, the Company raised an external loan of \$ 500 million. And \$ 94,902,000 resulting from the placement of Rail Capital Markets Eurobonds on the Irish Stock Exchange in July and September 2019 as of July 2024. J.P. Morgan Securities plc and Dragon Capital (Cyprus) Limited acted as joint lead managers.

The principal Eurobond issue offered the interest rate of 8.25% per annum, down by more than 1.5% than the current coupon issue that took place in 2013. The Company managed to issue new Eurobonds without any government guarantees, which means that Ukrzaliznytsia's debt will not affect Ukraine's total national debt.

A record-breaking performance in 2018, favourable market conditions, and effective reforms enabled the Company to enter the international capital markets successfully. Its Eurobonds were oversubscribed more than five times, reaching \$2.5 billion. The bond coupon rate was the lowest since 2011 among Ukrainian quasi-sovereign borrowers.

The new issue won the CEEMEA Corporate Bond of the Year nomination (GlobalCapital Bond Awards), which proves that the Company's reputation among investors has really grown.

liquidity and the National Bank of Ukraine's regulations on the maximum counterparty credit risk (H7). This factor limited the Company's ability to raise the required UAH-denominated sums in the Ukrainian debt capital market to reduce its currency risk.

- A significant foreign currency component of 91% of the loan portfolio creates significant financial risks associated with the possible depreciation of hryvnia (the risk was mitigated due to the appreciation of the national currency).
- Cancellation of the moratorium on mandatory collection of debts of Donetsk Railways (moratorium has not been lifted, and the legal position of Ukrzaliznytsia is robust and unquestionable).
- Non-compliance of acts and statements of Donetsk Railways with the financial obligations to be acquired by the Company after Ukraine gains control over the temporarily occupied territories.

CORPORATE GOVERNANCE

Deloitte concluded that the corporate governance reform at Ukrzaliznytsia was being implemented intensively and dynamically, the documents developed and approved by the Company were in line with the best corporate governance practices and corporate governance principles of the Organization for Economic Co-operation and Development (OECD) and did not contradict the recommendations of Deloitte consultants.



Ukrzaliznytsia works on an ongoing basis to improve its corporate governance system, seeking to boost its efficiency and compliance with the world's best practices, which is an absolute priority for the Company. The corporate governance at Ukrzaliznytsia relies on the compliance with the rules and requirements of business ethics.

In 2019, the Company was actively implementing its corporate governance reforms. In principle, the implementation was in accordance with the schedule set by the Corporate Governance Action Plan (hereinafter referred to CGAP). The majority of the CGAP measures was implemented, and some were in the pipeline. Below are the most significant CGAP actions taken in 2019:

- Approval of Procedures for Selection of the Management Board Chairman and Members and Regulations on the Management Board; appointment of a new Management Board
- Approval of the Basic Principles of the State Ownership and Governance concerning the Company
- Approval of Ukrzaliznytsia Strategy 2019-2023
- Approval of the Company's Code of Ethics and its Action Plan

- Approval of a mechanism to implement decisions of the Management Board
- Adoption of the Corruption Prevention and Counteraction Policy
- Adoption of HR Management Strategy
- Approval of new KPIs for the Chairman and members of the Management Board.

Moreover, it is worth noting that Ukrzaliznytsia introduced an independent internal audit and control function reporting to the Supervisory Board of the Company, appointed the head of the function, and approved Regulations on the Internal Audit Service and a work plan. We plan to start building full operational compliance and risk management functions in 2020.

In 2019, our independent consultant, Deloitte & Touche LLC (Deloitte), prepared a Monitoring Report on Ukrzaliznytsia Corporate Governance Action Plan. Deloitte experts appreciated the Company's efforts to improve its corporate governance practices and regulatory framework.

GOVERNING BODIES

GENERAL MEETINGS

General Meetings are the highest governing body of the Company. The Cabinet of Ministers of Ukraine is solely responsible for performing the functions of the General Meetings as established by Ukrzaliznytsia's Charter and laws of Ukraine.

SUPERVISORY BOARD

The Supervisory Board is a collegial body that protects the rights and interests of the Company's shareholders. Acting within its mandate established by the laws and Ukrzaliznytsia's Charter, the Supervisory Board manages the Company, as well as controls and regulates the activities of the Management Board. The work of the Supervisory Board is regulated by the laws, the Company's Charter, and the Regulations on the Supervisory Board. The Supervisory Board shall consist of at least five and at most eleven members appointed and dismissed in accordance with the procedures established by law and the Charter. Its members shall be individuals

The Company was Ukraine's first state-owned company to appoint Supervisory Board members under a new selection procedure for independent members.

who have full civil capacity and meet the requirements stipulated by the Charter and laws. The General Meeting shall approve the members of the Supervisory Board.

The Supervisory Board shall consist of independent members (independent directors) who account for the majority of the membership and members who represent the Government. Independent member candidates shall be appointed following a competitive selection in accordance with the procedures established by the laws of Ukraine.

In 2019, Ukrzaliznytsia's Supervisory Board saw changes to its membership.

SUPERVISORY BOARD MEMBERS



SEVKI ACUNER
SUPERVISORY BOARD
CHAIRMAN

EDUCATIONAL BACKGROUND:

University of Concordia, Montreal, Canada, MBA (1980-1982); Stockholm University, Sweden, postgraduate studies (1976-1977); Bogazici University, Istanbul, Turkey, Bachelor of Management (1971-1976).

PROFESSIONAL COMPETENCES:

Business strategy and business development, international relations, operational efficiency, finance and audit, corporate governance, compliance, and risk management.

EMPLOYMENT HISTORY:

Sevki Acuner has an extensive experience in senior executive roles at the international level, specialising in finance and banking sector.

Central Bank of the Republic of Turkey — finance and economy analyst (1979-1980).

Bank of Montreal — customer relationship manager (1983-1985).

Concordia University — lecturer, department of commerce (1985-1986).

Royal Bank of Canada (1985-1996):

- customer relationship manager, commercial banking, Montreal, Canada (1985-1987);
- manager for special loans, Toronto, Canada (1987-1990);
- managing director, Amsterdam, the Netherlands (1990-1992);
- senior banking and regional manager in Italy, the Netherlands, and Greece (1992-1996).

European Bank for Reconstruction and Development (1996-2018):

- senior manager, Transaction Approval, lending manager (1996-2000);
- deputy director and asset manager, London, UK (2000-2009);
- deputy director and asset manager, Istanbul, Turkey (2009-2013);
- Director of EBRD Ukraine (2013-2018).

Ukrzaliznytsia — a member of the Supervisory Board (20 June 2018 – 16 July 2018).

Ukrzaliznytsia — the Chairman of the Supervisory Board (17 July 2018 – present).



OLEG ZHURAVLEV
SUPERVISORY BOARD MEMBER

EDUCATIONAL BACKGROUND:

MBA Programme at the University of New Brunswick, Canada (2011-2014). Institute of World Economy and International Relations of the National Academy of Sciences of Ukraine, Ph.D. in Economics (1999-2004). Kyiv State University of Trade and Economics, Banking Department, Economics in FEA Management, honours degree (1993-1998).

PROFESSIONAL COMPETENCES:

Corporate governance, M&A, corporate law, compliance, and IR.

EMPLOYMENT HISTORY:

Oleg Zhuravlev has over 20 years of general working experience, including 15 years in the corporate governance in large Ukrainian corporations.

Ukrinbank — economist, senior economist, chief economist, monetary markets department, treasury (1998-2001).

Ukrsotsbank — chief economist, environmental analysis unit, strategic marketing department (2001-2002).

Kyivenergo (2002-2005):

- advisor to board chairman;
- deputy general director of the Centre for Corporate Solutions;
- Supervisory Board member, Lad insurance company.

DCH Group (2005-2010):

- Development Construction Holding – deputy director for corporate governance;
- Centre City – deputy director of legal department;

Kreditprombank – director of the Supervisory Board coordinating department, corporate secretary (2010-2013).

Donetskstal Group (2013-2017):

- Donetskstal steelmaking plant – deputy director for property management;
- Yasynivsky Coke Plant – Supervisory Board member;
- INCOSTEEL GROUP – director for property and equity rights management.

Deloitte (2017-2018):

- Corporate Governance Improvement at Ukrzaliznytsia project (December 2017 – December 2018);
- Energoatom Sustainable Corporate Development project – international team consultant (December 2017 – December 2018).

Professional Corporate Governance Association – member of the association; advisor to the Board Chairman (2017 – present).

Ministry of Infrastructure of Ukraine – pro bono adviser to the minister of infrastructure of Ukraine (2019 – present).

KRONA insurance company – Supervisory Board chairman (2018 – present).

Ukrzaliznytsia – Supervisory Board member (18 December 2019 – present).



SERGII LESHCHENKO
SUPERVISORY BOARD MEMBER

EDUCATIONAL BACKGROUND:

Institute of Journalism, Taras Shevchenko National University of Kyiv, Master's Degree in Journalism (2003).

Internships:

- National Endowment for Democracy, Washington, D.C. – Reagan-Fascell Democracy Fellows Program (2013-2014);
- Draper Hills Fellows Program, Stanford University, United States (2013);
- John Smith Fellowship, London, the UK (2012).

EMPLOYMENT HISTORY:

Ukrayinska Pravda – deputy editor-in-chief known for his anti-corruption investigations (2002-2014).

Ukrainska Pravda civil society organisation – founder (2003 – present). **Sole Proprietor (2004-2014).**

The Verkhovna Rada of Ukraine, 8th Convocation – MP, Chairman of the Subcommittee on International Cooperation and Implementation of Anti-Corruption Laws of the Verkhovna Rada Committee on Corruption Prevention and Combating (2014-2019).

Ukrzaliznytsia — Supervisory Board member (18 December 2019 – present).



ANDERS ASLUND
SUPERVISORY BOARD MEMBER

EDUCATIONAL BACKGROUND:

Oxford University, Modern History of Economics, PhD (1978-1982); Stockholm School of Economics, Master of Economics (1976); Stockholm University, Russian and Polish Political Science, Bachelor's degree (1976).

PROFESSIONAL COMPETENCES:

Business strategy and business development, international relations, finance and credit, corporate governance, compliance, and risk management.

EMPLOYMENT HISTORY:

Anders Aslund has an extensive experience in independent boards of directors in Ukraine, where he dealt with a transport policy, including railway policy.

Ministry of Finance of the Russian Federation — co-director of the department of macroeconomics and finance (1991-1994).

Russian Government — economic adviser (1991-1994).

Russian Privatization Center — a founding member of the Board of Directors (1992-1999).

Ukrainian Government — economic adviser (1994-1997).

Carnegie Endowment for International Peace, Washington, D.C. — senior associate (1994-2005).

President Askar Akaev of Kyrgyzstan — economic advisor (1998-2004).

Independent Commission of International Experts on Economic Reform for the Ukrainian Government – co-chairman (2009-2010).

Ergo Hestia, Gdynia, Poland — member of the International Advisory Council (2011-2013).

Ministry of Finance of Ukraine — adviser to the Minister of Economy (2014-2016).

East Capital — a member of the advisory committee (2002 – present).

Edmund A. Walsh School of Foreign Service — professor (2002 – present).

Bank of Finland Institute for Economies in Transition — Chairman of the Board (2009 – present).

Atlantic Council, Washington, D.C. — resident senior fellow (2015 – present).

Ukrzaliznytsia — Supervisory Board member (20 June 2018 – present).

SUPERVISORY BOARD MEMBERS



CHRISTIAN KUHN
SUPERVISORY BOARD MEMBER

EDUCATIONAL BACKGROUND:

Gottfried Wilhelm Leibniz University Hannover, Germany, Engineering, PhD (1996); Technical University of Darmstadt, Germany, Master of Engineering (1984-1992).

PROFESSIONAL COMPETENCES:

Business strategy and business development, railway transport, international relations, operational efficiency, finance and audit, corporate governance, compliance, and risk management.

EMPLOYMENT HISTORY:

Over 20 years of experience in the railway and logistics business, areas: sales, production, operations, technical support, and infrastructure.

Connex (Veolia group) (1996-2005):

- Deutsche Eisenbahn Gesellschaft mbH (DEG) – project manager (1996-1998), head of the freight department (1998-1999);
- Industriebahn-Gesellschaft Berlin mbH – managing director (1998-2005);
- Niederbarnimer Eisenbahn AG – member of the board of directors (1998-2005);
- Connex Cargo Logistics (November 2000 – December 2005) – managing director.

Deutsche Bahn AG (2005-2009):

- Martrade Holding (2009-2015) – managing director (April 2009 – December 2009), non-executive director (2009-2015);
- Deutsche Bahn AG – member of the board of directors (2010-2011);
- RheinCargo GmbH & Co KG – managing director (2015-2016);
- Neuss-Düsseldorfer Häfen GmbH & Co KG – deputy managing director (2016-2017).

Consulting and Interim Management, independent consultant (2011 – present).

Kazakhstan Railways (KTZ) – member of the board of directors (2014 – present).

Lithuanian Railways (LG) – Supervisory Board member (2018 – present).

Ukrzaliznytsia – Supervisory Board member (20 June 2018 – present).



ANDREAS MATJE
SUPERVISORY BOARD MEMBER

EDUCATIONAL BACKGROUND:

Vienna University of Economics and Business, Vienna, Austria, PhD in Law (2006-2010); University of Toronto, Rotman School of Management, MBA (2001-2002); Austrian Business School LIMAK, General Management Programme (2000-2001).

PROFESSIONAL COMPETENCES:

Business strategy and business development, operational efficiency, finance and audit, corporate governance, compliance, and risk management.

EMPLOYMENT HISTORY:

Andreas Matje is an executive director with extensive international experience in finance.

Vienna University of Economics and Business – associate professor, Institute of Industrial Management (April 1990 – November 1990).

OTOB Clearingbank AG, Vienna – coach (1990-1991).

Vienna University of Economics and Business (1990-2006) – associate professor, Institute of Industrial Management (1991-1995), lecturer (1990-2006).

OMV AG, Vienna – corporate governance (1995-1999).

Polyfelt GmbH (1999-2005):

- vice president for finance and administration (1999-2003);
- CFO (2003-2005).

TenCate Geosynthetics Austria GmbH – chief executive officer (2006-2008).

OMV AG, Vienna, Austria (2009-2017):

- senior vice president of accounting (2009-2010);
- senior vice president of control (2010-2012);
- OMV Petrom SA, Bucharest – CFO (2013-2017);
- senior advisor (July 2017 – December 2017).

Consulting services, Austria (2017 – present).

Ukrzaliznytsia – Supervisory Board member (20 June 2018 – present).



ADOMAS AZUOLAS AUDICKAS
SUPERVISORY BOARD MEMBER

EDUCATIONAL BACKGROUND:

INSEAD, MBA (2014); Reading University, UK, BSc in International Securities, Investment and Banking (2008); Vilnius University, Bachelor in Mathematics (2005).

EMPLOYMENT HISTORY:

AB Sampo Bank – junior project manager (2005-2006).

UAB Gild Bankers, Lithuania, Latvia, Estonia – senior financial analyst (2008-2010).

Ministry of Economy of Lithuania – Vice Minister (2012); advisor to the Minister (2010-2012).

AB Giraites ginkluotes gamykla, Lithuania – member of the Supervisory Board (2011-2012).

UAB VAE, Lithuania – chairman of the Supervisory Board (2012-2013).

State Property Fund of Lithuania – member of the Supervisory Board (2012-2013).

AB Ukio Bankas, Lithuania – interim administrator with the authority of the Supervisory Board and CEO (2013).

UAB Civitta, Lithuania, Latvia, Estonia, Belarus, and Ukraine – partner (2013 – 2015).

SOE Reload, Ukraine – founder and managing director; senior advisor to the Minister of Economy of Ukraine (2015 – 2016).

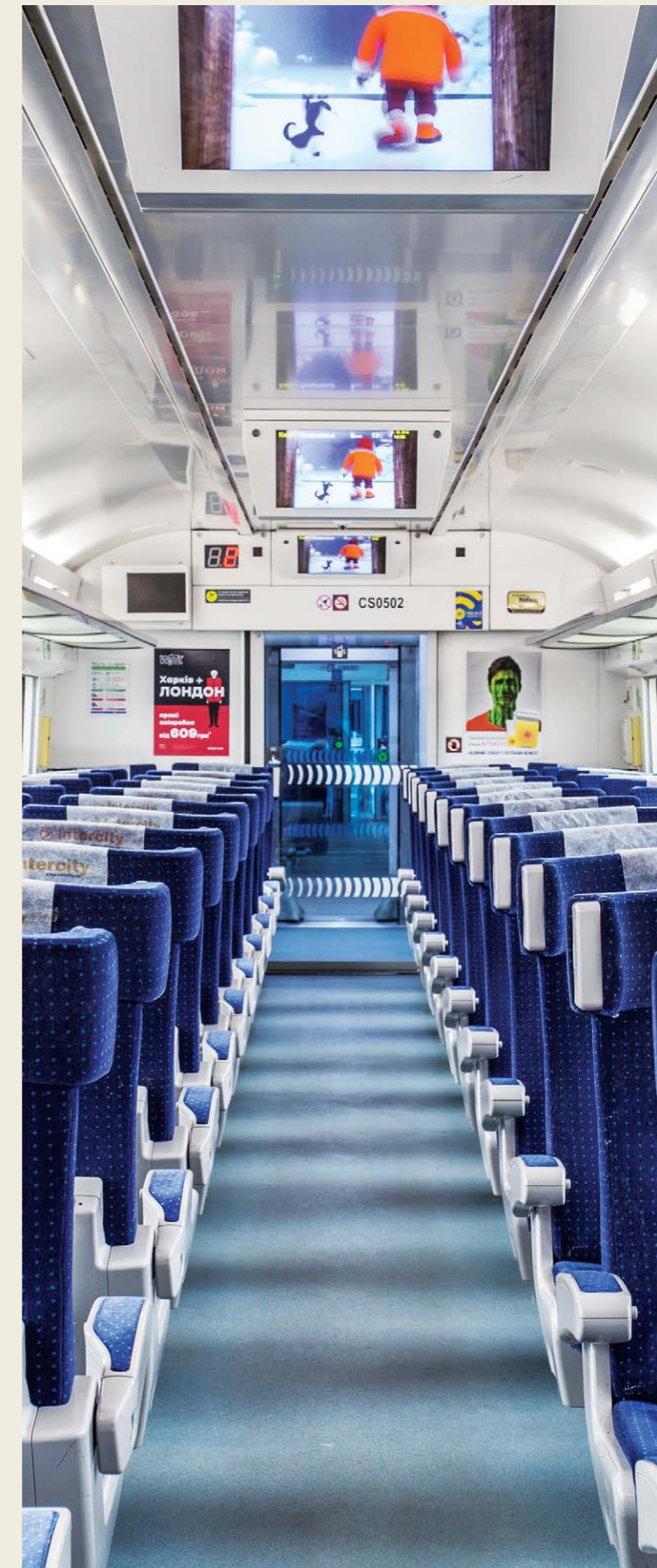
Ukrainian Academy of Corporate Governance, Ukraine – President, consultations in corporate governance, training programmes, and recommendations (2017 – present).

Cabinet of Ministers of Ukraine – advisor to the Prime Minister of Ukraine for corporate governance, communications, and energy policy (2017 – present).

Miratech Group, Ukraine – member of the Supervisory Board (2018 – present).

Mahistralni Gazoprovody Ukrainy, Ukraine (gas pipeline operator) – member of the Supervisory Board (2018 – present).

Ukrzaliznytsia – member of the Supervisory Board (20 June 2018 – present).



UKRZALIZNYTSIA MANAGEMENT BOARD

The Management Board is a collegial executive body, which manages the day-to-day operations of the Company. The Board reports to the General Meeting (the Cabinet of Ministers of Ukraine) and the Supervisory Board and ensures the implementation of their decisions. The Management Board's work and procedures are governed by the principles of cost effectiveness and profit orientation.

The number and members of the Board are approved by the General Meeting (Cabinet of Ministers of Ukraine) upon proposals (nomination) made by the Supervisory Board of the Company. The chairman of the Management Board is appointed and dismissed by the General Meeting (Cabinet of Ministers of Ukraine) upon proposals (nomination) made by the Supervisory Board of the Company.

MEMBERS OF THE MANAGEMENT BOARD IN 2019:

- Yevhen Kravtsov, Chairman of the Board, appointed by the Cabinet of Ministers of Ukraine, Resolution No. 6-r dd. 10 January 2019; Dismissed by the Cabinet of Ministers of Ukraine, Resolution No. 58-r dd. 29 January 2020;
- Remigiusz Paszkiewicz, Management Board member, appointed by the Cabinet of Ministers of Ukraine, Resolution No. 349 dd. 1 June 2016; Dismissed by the Cabinet of Ministers of Ukraine, Resolution No. 597-r dd. 15 July 2020;
- Zeljko Marcek, Management Board member, appointed by the Cabinet of Ministers of Ukraine, Resolution No. 349 dd. 1 June 2016; Dismissed by the Cabinet of Ministers of Ukraine, Resolution No. 280-r dd. 15 April 2020;
- Ireneusz Wasilewski, Management Board member, appointed by the Cabinet of Ministers of Ukraine, Resolution No. 494 dd. 27 July 2016, and dismissed by the Cabinet of Ministers of Ukraine, Resolution No. 488 dd. 5 June 2019;
- Marek Robert Zalesny, Management Board member, appointed by the Cabinet of Ministers of Ukraine, Resolution No. 349 dd. 1 June 2016, and dismissed by the Cabinet of Ministers of Ukraine, Resolution No. 488 dd. 5 June 2019;
- Oleksandr Buzhor, Management Board member, appointed by the Cabinet of Ministers of Ukraine, Resolution No. 349 dd. 1 June 2016, and dismissed by the Cabinet of Ministers of Ukraine, Resolution No. 456 dd. 17 April 2019;
- Serhij Mykhalchuk, Management Board member, appointed by the Cabinet of Ministers of Ukraine, Resolution No. 815 dd. 7 October 2015, and dismissed by the Cabinet of Ministers of Ukraine, Resolution No. 456 dd. 17 April 2019;
- Frantisek Bures, Management Board member, appointed by the Cabinet of Ministers of Ukraine, Resolution No. 488 dd. 5 June 2019;
- Serhii Kushnir, Management Board member, appointed by the Cabinet of Ministers of Ukraine, Resolution No. 488 dd. 5 June 2019; Dismissed by the Cabinet of Ministers of Ukraine, Resolution No. 556-r dd. 1 July 2020;
- Marcin Celejewski, Management Board member, appointed by the Cabinet of Ministers of Ukraine, Resolution No. 488 dd. 5 June 2019; Dismissed by the Cabinet of Ministers of Ukraine, Resolution No. 596-r dd. 15 July 2020;
- Ivan Yuryk, Management Board member, appointed by the Cabinet of Ministers of Ukraine, Resolution No. 488 dd. 5 June 2019.



YEVHEN KRAVTSOV
CHAIRMAN OF THE BOARD

EDUCATIONAL BACKGROUND

Kyiv Taras Shevchenko National University, Master of Law (with honours); European University, Master of Foreign Economic Activity Management (with honours); Center for International Trade Development, Certificate in Trade Policy and Commercial Diplomacy; Fulbright International, International Business Law Course.

EMPLOYMENT HISTORY:

2006-2007 – consultant in the International Chamber of Commerce (National Committee in Ukraine).
2008 -2014 – lawyer, Asters law firm, Kyiv, Ukraine.
2014-2015 – partner, Asters law firm, Kyiv, Ukraine.
January 2015 – March 2015 – advisor to Ukrzaliznytsia CEO.
March 2015 – May 2015 – Head of Ukrzaliznytsia Reform and Corporate Development Department.
May 2015 – November 2015 – Director for Reforms, Property and Legal Policy, Ukrzaliznytsia.
October 2015 – May 2016 – member of Ukrzaliznytsia Management Board.
March 2016 – May 2016 – acting chairman of Ukrzaliznytsia Management Board.
May 2016 – August 2017 – first deputy minister of infrastructure of Ukraine.
August 2016 – August 2017 – Supervisory Board chairman, Ukrzaliznytsia.
9 August 2017 – acting chairman of Ukrzaliznytsia Management Board.
10 January 2019 – 29 January 2020 – chairman of Ukrzaliznytsia Management Board.



FRANTISEK BURES
MEMBER OF THE MANAGEMENT BOARD

EDUCATIONAL BACKGROUND:

Masaryk University in Brno (Law School), Escem Ecole Supérieure De Commerce Et De Management, New York University, an MBA from a business school in Prague, the University of West Bohemia in Pilsen, and SPSE Brno (school of electric engineering).

EMPLOYMENT HISTORY:

1992-2001 – managing director of CBI Intercom, Czech Republic.
2002-2004 – director of supply and regional manager of NKT Cables in CEE.
2004-2007 – He held senior positions in Skoda Holding Group (Czech Republic), Skoda Electric (Czech Republic), and Sibelektroprivod (Novosibirsk, Russia).
2007-2011 – supply director and regional manager at ALSTOM in Czech Republic and Slovakia.
2011-2015 – CEO and chairman of the Board of DPOV Czech Railways Group.
2014-2016 – COO and member of the Board, Czech Railways.
2016-2019 – CEO and chairman of the Board, VELIM R&D Centre of Czech Railways, Prague, Czech Republic.
14 June 2019 – present – member of Ukrzaliznytsia Management Board.



MARCIN CELEJEWSKI
MEMBER OF THE MANAGEMENT BOARD

EDUCATIONAL BACKGROUND:

Warsaw School of Economics.

EMPLOYMENT HISTORY:

1999-2008 – various senior positions in LOT Polish Airlines.
2008-2010 – head of sales and marketing department, Qatar Airways (Qatar Executive), Poland.
2011-2012 – head of sales and marketing department, Fiege Poland.
2012-2015 – CEO and executive member of the Management Board, PKP Intercity.
2015-2016 – CEO and executive member of the Management Board for Commercial Affairs, LOT Polish Airlines.
2016 – independent business consultant at DSVC – Strategic Advisory, Poland.
14 June 2019 – 15 July 2020 – member of Ukrzaliznytsia Management Board.

**SERHII KUSHNIR**

MEMBER OF THE MANAGEMENT BOARD

EDUCATIONAL BACKGROUND:

Odessa Regional Institute of the Public Administration and Odessa State Academy of Construction and Architecture.

EMPLOYMENT HISTORY:

2015-2016 – staffer in the Verkhovna Rada of Ukraine;

2016-2018 – chief of staff for the vice prime minister of Ukraine, deputy minister, and deputy state secretary of the Cabinet of Ministers of Ukraine.

2018-2019 – member of the Supervisory Board, vice chairman of the Supervisory Board, Ukrenergo national power company.

2019 – director for rolling stock repair, Ukrzaliznytsia.

14 June 2019 – 1 July 2020 – member of Ukrzaliznytsia Management Board.

**IVAN YURYK**

MEMBER OF THE MANAGEMENT BOARD

EDUCATIONAL BACKGROUND:

Public Finance Management training course, John F. Kennedy School of Government at Harvard University (2008);

Master's Programme in Economics, Economic Studies and Research Consortium at Kyiv-Mohyla Academy (2004);

Bachelor's degree with honours from Taras Shevchenko National University, Department of Mechanics and Mathematics (2002).

EMPLOYMENT HISTORY:

2007 – a research assistant in Peterson Institute for International Economics, Washington D.C.

2010-2014 – Chairman of Blackstone Office in Ukraine (corporate M&As, debt restructuring, and capital raising; development, structuring, and implementation of corporate transactions).

2014-2016 – chief of staff, Ministry of Finance of Ukraine.

2017 – present – deputy director, UkraineInvest Investment Support Office.

20 June 2018 – 5 June 2019 – member of the Supervisory Board, Ukrzaliznytsia.

14 June 2019 – 15 April 2020 – member of Ukrzaliznytsia Management Board.

16 April 2020 – 26 August 2020 – acting Chairman of Ukrzaliznytsia Management Board.

27 August 2020 – present – member of Ukrzaliznytsia Management Board.

**REMIGIUSZ PASZKIEWICZ**

MEMBER OF THE MANAGEMENT BOARD

EDUCATIONAL BACKGROUND:

Warsaw University of Technology (environment engineering, Master of Engineering), National School of the Public Administration, and Warsaw High School of Economics.

Employment history:

2009-2012 – chairman of ANWIL industrial corporation, various positions in PKN Orlen, Polish National Bank, and the Ministry of Finance of Poland; member of supervisory boards of the biggest Polish companies.

2012-2015 – CEO of PKP PLK, Polish operator of railway infrastructure. Under his leadership, Poland implemented the largest railway modernisation and infrastructure investment programme. Competencies: governance and financial management.

5 June 2016 – 15 July 2020 – member of Ukrzaliznytsia Management Board.

**ZELJKO MARCEK**

MEMBER OF THE MANAGEMENT BOARD

EDUCATIONAL BACKGROUND:

DOBA Faculty of Applied Business and Social Studies, certified economist (VS), Slovenia, Maribor.

Ukrainian Russian Economic Hall, master's degree in "Organizing the process of transportation", Kharkov, Ukraine

EMPLOYMENT HISTORY:

He has more than 15 years of experience in the human resources management. Mr Marcek held senior positions in McDonald's corporation in Ukraine, Romania and former Yugoslavia for almost 13 years. He took part in HR reforms at Nova Poshta, Ukraine.

2007-2013 – HR director, Dniprospeksstal steelmaking company.

2013-2014 – HR director, StarLightMedia Group.

2014-2015 – independent member of the Supervisory Board, Ukrrosmetal.

24 June 2016 – 15 April 2020 – member of Ukrzaliznytsia Management Board⁵.

MANAGEMENT BOARD MEETINGS IN 2019

In accordance with Article 107 of Ukrzaliznytsia's Charter, meetings are the main form of proceedings of the Management Board. The meetings may be held with technical means of communication (in particular, by means of a telephone conference or videoconference). It is also possible for the Board to make decisions in absentia or by other acceptable means in accordance with the law.

Attendance by Ukrzaliznytsia's Board Chairman and members:
Yevhen Kravtsov attended 115 board meetings.
Zeljko Marcek attended 115 board meetings and was absent from one meeting held in absentia.
Remigiusz Paszkiewicz attended 107 board meetings and was

absent from nine meetings, including six meetings held in absentia.
Serhii Kushnir attended 55 board meetings.
Ivan Yuryk attended 55 board meetings.
Marcin Celejewski attended 52 board meetings and was absent from three meetings.
Frantisek Bures attended 47 board meetings and was absent from two meetings.
Ireneusz Wasilewski attended 61 board meetings.
Marek Robert Zalesny attended 56 board meetings and was absent from five meetings held in absentia.
Serhiy Mykhalchuk attended 33 board meetings.
Oleksandr Buzhor attended 32 board meetings and was absent from one meeting held in absentia.

In 2019,
the Company's
Management Board
held **116** meetings,
including **84** meetings
in absentia.

In 2019,
the Management Board
considered **731** issues
put on agenda and
made decisions on
633 issues.

Issues considered by the Management Board in 2019:

1. Addressing issues of business operations, financing, accounting, and reporting.
2. Developing projects in key areas and plans, in particular annual financial plans.
3. Approving targets for centralised fixed asset procurements (rolling stock, machinery, equipment, etc.), equipment for capital construction, overhauls and modernisation of locomotives, multiple units, and passenger cars for 2019 and targets for capital investment absorption at Ukrzaliznytsia and affiliated PrJSCs for 2019.
4. Addressing issues related to cash and property management (write-off or transfer (internal movement) between production units).
5. Addressing issues related to the activities of the Company's tender committees.
6. Addressing issues related to the activities of the Company's Rates and Tariffs Commission.
7. Approving the rules, procedures, regulations, and other documents of the Company, other than those to be approved by the General Meeting or the Supervisory Board

as established by the Charter.

8. Approving regulations on affiliates, representative offices, other separate subdivisions of the Company, and their organisational structures and addressing issues related to the management practices of these entities.
9. Entering into transactions and contracts and amending thereof by making side agreements, etc.
10. Addressing issues related to the management of legal entities of which the Company is a shareholder (founder, member), as well as affiliates, representative offices, and other separate subdivisions.

INTERNAL AUDIT COMMISSION

The Internal Audit Commission is responsible for the audit (control) of the financial and business operations of the Company. The Commission acts on the basis of Regulations on the Internal Audit Commission. Members of the Commission shall be appointed by the General Meetings. The Internal Audit Commission shall consist of five (5) members and have a three-year tenure.
In 2019, the Internal Audit Commission did not meet.



PLANS FOR 2020 AND A MEDIUM TERM

To continue reforming the corporate governance system in 2020, the Company is set to take the following measures:

- Build fully operational compliance function and risk management function;
- Introduce the Code of Corporate Governance;
- Implement the strategy in accordance with the Company's KPIs and risk management policies;
- Introduce a succession plan;
- Assess the progress in implementation of the strategy by the Management Board in the day-to-day operations;
- Evaluate KPIs of functional verticals and ensure regular reporting on implementation to the Management Board and Supervisory Board;
- Implement and evaluate the Corruption Prevention and Counteraction Policy;
- Implement a comprehensive and consolidated work plan;
- Assess the progress in implementation of the Strategy by the Supervisory Board and the Management Board;
- Ensure the disclosure by the Company of all types of information;
- Review the responsibility assignment between governing bodies on the basis of results of the current responsibility assignment;
- Assess and update the reporting system to meet expectations of stakeholders;
- Introduce mechanisms for communications between the HR vertical and the Supervisory Board.

In a medium term, we plan to determine a target system of corporate governance for affiliates, subsidiaries, and associated companies of Ukrzaliznytsia.



UKRZALIZNYTSIA'S ORGANISATIONAL STRUCTURE

CHANGES IN THE COMPANY'S STRUCTURE

In 2019, Ukrzaliznytsia had the following organisational and structural changes:

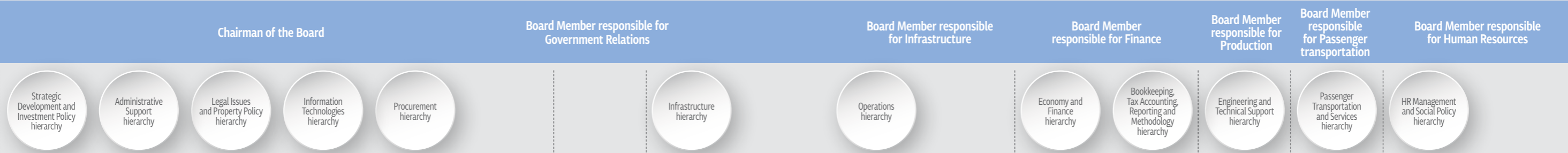
1. The Reform and Corporate Development Department and the Marketing and Advertising Department were eliminated, and their functions were reassigned to subdivisions in the Company's Head Office.
2. Reorganisation of structural subdivisions:
 - the Department of Corporate Governance was reorganised into the Department of Equity Rights Management and Management Board Support;
 - the Security Department was reorganised into the Department of Economic and Information Security.

3. We set up the Supervisory Board Support Office to organise the work of the Supervisory Board and its committees and coordinate the development and control of the implementation of decisions of the highest body.
4. Ukrzaliznytsia established the Anti-Corruption Office responsible for corruption prevention, detection, and counteraction in the Company.
5. We set up the following separate subdivisions:
 - the Centre for Construction and Repair of Engineering Facilities responsible for the efficient use of special construction machinery and equipment, the repair and maintenance of heavy special construction machinery and engineering structures;
 - the Centre for Track Construction and Repair responsible for the implementation of an effective system to manage and utilise available track repair capacities.

UKRZALIZNYTSIA'S FUNCTIONAL STRUCTURE

THE HIGHEST GOVERNING BODY

SUPERVISORY BOARD



SEPARATE SUBDIVISIONS OF UKRZALIZNYTSIA



BUSINESS ENTITIES WHOLLY OR PARTLY OWNED BY UKRZALIZNYTSIA



RISK MANAGEMENT

Ukrzaliznytsia is set to build a fully operational risk management function in 2020. Currently, the risks are managed at all levels of management in the Company. The risk management is hardwired into the overall policy of the Company and is an integral part of its management practices. The risk management at Ukrzaliznytsia aims at expanding the opportunities or minimising the negative effects of identified risks in such areas as production efficiency, security, respect for human rights, employment relations, health and safety, environmental protection, fight against corruption, etc. The main responsibility for risk management lies with the top management of Ukrzaliznytsia.

For more information about the risk management in the Company, please see our Integrated Report 2017 (Our Business section, Corporate Governance subsection).

ANTI-CORRUPTION POLICY

Improving the anti-corruption system in accordance with the laws, international standards and the world's best practices is among Ukrzaliznytsia's priorities and strategic objectives.

The Company has sets requirements of the legality, transparency and integrity of business conduct for all its business partners. Our every employee should adhere to the principle of zero tolerance to any forms of corruption and observe the laws, Ukrzaliznytsia's Code of Ethics, Anti-Corruption Programme, and Corruption Prevention and Counteraction Policy to prevent, detect and counteract corruption and corruption-related acts. For more information about the ethical and anti-corruption standards of the Company, please visit Ukrzaliznytsia's official site.

Since the beginning of 2019, the Company has implemented a number of measures to improve its anti-corruption system in accordance with the laws and the leading global and national practices, namely:

- Ukrzaliznytsia set up an authorised unit for corruption prevention, counteraction and detection, Anti-Corruption Office, responsible for implementation of the Company's Anti-Corruption Programme;
- We approved and introduced Ukrzaliznytsia Corruption Prevention and Counteraction Policy, as well as a policy implementation plan and other measures, standards and procedures outlined in the Anti-Corruption Programme;
- The Company followed its Code of Ethics, in particular the ethical standards and the principle of zero tolerance to corruption;
- Ukrzaliznytsia set up a Corruption Risk Assessment Commission and conducted an internal corruption risk assessment covering the Company's operations in 2019;
- We started keeping registers provided for in the Anti-Corruption Programme;
- Ukrzaliznytsia signed a Memorandum of Partnership with UNIC (Ukrainian Network of Integrity and Compliance) in a move to build cooperation, champion an idea of ethical and responsible business conduct, enhance transparency, and combat corruption and abuses;
- The Company conducted internal audits and investigations, with the findings sent to special anti-corruption agencies;
- We introduced a system of reporting and transparent communications on anti-corruption efforts⁶.

In 2019, the Company's Supervisory Board approved the Corruption Prevention and Counteraction Policy. This is the first of the necessary documents to be developed and implemented under the Corporate Governance Action Plan approved by the Government in December 2018. The Policy seeks to establish and enforce the principles and standards for the corruption prevention and counteraction in the Company's operations.

The Corruption Prevention and Counteraction Policy applies to:

- officials of the Company's governing bodies (Supervisory Board and Management Board)
- employees
- other officers of the Company
- persons acting for and on behalf of the Company.

The Corruption Prevention and Counteraction Policy applies to all areas of the Company's operations, including the government relations

Together with the Policy, Ukrzaliznytsia developed and approved a plan for implementation of the Corruption Prevention and Counteraction Policy and other measures featuring a large number of specific measures (the Anti-Corruption Plan).

For more information about the Corruption Prevention and Counteraction Policy and Plan⁷.

ANTI-CORRUPTION TRAINING AT UKRZALIZNYTSIA

To raise awareness of corruption prevention and counteraction, the Company has introduced mandatory and regular training for all employees whose roles are or may be exposed to corruption risks. Such training covers anti-corruption laws, the principles and standards set out in the Policy, and other internal rules and procedures.

In 2019, the anti-corruption training sessions were dedicated to Ukrzaliznytsia's Corruption Prevention and Counteraction Policy and its Implementation Plan. The Policy and Plan were introduced to all functional directors and heads of structural units of regional branches and affiliates who confirmed their acknowledgment with signature. As of 31 December 2019, 75% of the Company's employees had read the documents and 14.5% of employees were on the way to do this. Ukrzaliznytsia has also developed a distance-training course on the Corruption Prevention and Counteraction

Policy. Now the course is implemented and will be placed on the Company's knowledge management portal.

In 2020, the Company is set to train its employee, representatives, and business partners on corruption prevention and counteraction that will include fundamental and in-depth anti-corruption training sessions for employees, and a special online video course will be posted on the website for the Company's business partners, representatives, and intermediaries to learn more about its integrity and anti-corruption principles.

AUDITS AND INSPECTIONS

In 2019, the Company had 812 inspections, including 42 internal audits. The findings of 139 inspections were referred to law enforcement agencies that initiated 76 criminal proceedings as a result. Ukrzaliznytsia's authorised units processed 481 inquiries from law enforcement agencies. In total, law enforcement agencies initiated 106 criminal proceedings involving railway workers. Of the total number of proceedings, 67 were fact-based proceedings and 39 involved specific railway workers.

Following the inspections and audits conducted by the Company in 2019, **571** offenders were brought to justice (**93** persons were dismissed, **293** were reprimanded, **29** were transferred to another position, and **29** were warned or deprived of bonuses). The total amount of prevented losses made over UAH **596** million.

Criminal proceedings resulted in notices of suspicion served to 17 persons and three convictions. In addition, four employees were held administratively liable for committing corruption-related offenses.



STOP CORRUPTION CONTACT CENTRE

Stop Corruption contact centre is one of the Company's key tools of corruption detection. In 2019, the centre received 245 whistleblower's reports, of which 183 were processed, including 91 reports of corruption-related offenses. As a result, 37 offenders were brought to disciplinary liability.

INTERNAL ASSESSMENT OF CORRUPTION RISKS

In 2019, the Company established a Corruption Risk Assessment Commission consisting of Ukrzaliznytsia's representatives, public activists, anti-corruption and rail transport experts. In

accordance with the Regulations on Corruption Risk Assessment in the Operations of Ukrzaliznytsia, the Commission conducted an internal assessment of such risks in 2019 to identify, prevent and eliminate corruption risks in the Company's operations.

As a result, we identified and assessed 112 corruption risks, including:

- low corruption risks – 15% (17 risks)
- medium corruption risk – 50% (56 risks)
- high corruption risks – 35% (39 risks).

The biggest share of corruption risks were identified in procurements (28), asset management (19), and other areas (general risks) (15).



PLANS FOR 2020 AND A MEDIUM TERM

1. Update the Company's Anti-Corruption Programme.
2. Develop and approve a plan of measures for elimination of corruption risks in the Company's operations.
3. Introduce the anti-corruption clause to agreements with the Company's business partners.
4. Implement the conflict of interest management procedures in the Company, develop and implement the Regulations on the Prevention and Resolution of Conflicts of Interests in the Company.
5. Implement gifts compliance procedures.
6. Implement a single system of reporting corruption offences and violations of the Anti-Corruption Programme, other anti-corruption and ethical standards of the Company.
7. Implement procedures for the anti-corruption checks of the Company's business partners and candidates for positions vulnerable to corruption risks.
8. Improve procedures of internal anti-corruption investigations and inspections, mechanisms of disciplinary sanctions for violations of anti-corruption laws and standards of the Company.
9. Introduce the external evaluation of corruption risks in the operations of the Company.
10. Conduct anti-corruption training sessions and outreach efforts for the Company's employees and business partners.

PROJECT OFFICE

In 2019, Ukrzaliznytsia's Project Office continued its operations, focusing on procurement reforms.

Last year, the Company set up a standalone procurement vertical headed by the Procurement Director. Under his leadership, we are building a centralised supply management structure across the Company. This is a vital step towards our transition to a new efficient procurement model, as procurement is an important function in the quality service supply chain.

In the reporting period, Project Office continued its efforts to prepare the Company for successful certification of its supply management system in line with standards of the UK-based Chartered Institute of Procurement and Supply (CIPS). The organisations that meet the objective requirements of these standards receive a certificate, which, in fact, assesses and confirms the compliance with standards in the following five areas: leadership and organisation, strategy and policies, people, processes and systems, and performance management.

The Project Office took efforts in all these areas, focusing considerable attention on the automation of logistics management in the Company.

Following a scheduled meeting, the Institute praised the significant achievements of the Company on the way to primary certification.

The meeting participants developed Primary Award Project Plan setting an indicative deadline for submission of the documents for the Company's certification.

The certification will confirm that the Company has adopted and fully complies with the global standards of procurement policies and procedures, which in turn will have a positive impact on business reputation and will give customers the products and services of the best quality at the best price in the best way.

BUSINESS ANALYSIS TEAM IN PROJECT OFFICE

The Business Analysis Team is responsible for building an effective business analysis platform to consolidate and analyse data on Ukrzaliznytsia's business operations and thus inform the management decision making. As Ukrzaliznytsia's business is much diversified, the team develops a standalone analytical application in each area. This approach provides objective and comprehensive data analysis.

The team has developed a number of analytical applications for the Company's departments:

- Daily Report supports operational control over the implementation of the car utilisation plans with data on a number of cars (tonnes, types of cargo) and implementation of cumulative plans and indicators based on customer requests,



using data on a number of cars and counterparty from the beginning of a month to a chosen date.

- Labour Indicators provides automation of transfer, processing and accumulation of data in the field of human resources management at different structural levels and in the context of management verticals (headcount, payroll, balance of working time).
- HR Policy provides an opportunity to analyse data related to the HR policy and benchmark the data year on year.
- OLAP Car Operation provides the opportunity to generate flexible dynamic reports, analyse information on the operation of cars and wagons, and develop dynamic schedules and charts.
- IT Asset Records Analysis enables to receive a detailed

information about the used hardware. These data help inform objective decisions on ordering new IT assets or redistributing available elements of IT infrastructure.

- ACS Reporting Forms enables the operational analysis of the accumulated data (data registers) and creation of analytical reports using predefined templates.
- OLAP Passenger Transportation Reporting gives the opportunity to generate flexible dynamic reports and analyse data on the number of passengers carried.

In 2020, Ukrzaliznytsia is set to develop and deploy the following analytical applications: Charges and Earnings from Cargo Transportation, Social Policy, Key Performance Indicators (broken down by facility), etc.



CORPORATE ETHICS AND COMPLIANCE

Mandatory standards and expectations that Ukrzaliznytsia imposes on the daily conduct of employees and persons acting for and on behalf of the Company are enshrined in Ukrzaliznytsia Code of Ethics approved in 2019.

A code of ethics is a today's imperative of the European and global business and a key component of the international standards of integral, transparent and ethical business conduct.

Ukrzaliznytsia Code of Ethics sets the basic ethical norms and standards of doing business that should daily guide the Company's employees.

The Code seeks to develop and improve corporate culture, effective interaction of employees with one another other, as well as with central and local government authorities, business partners, and other persons.

Key objectives of the Code:

- Strengthen the Company's business reputation
- Secure transparency, integrity, and ethical conduct in business
- Foster the corporate culture among employees
- Ensure a balance of interests of the Company, its owner, employees, and customers
- Prevent unacceptable behaviour and abuse
- Supervise compliance with the integrity principles.

Ukrzaliznytsia intensively promotes the Code of Ethics and provides information and training to its employees, using the following tools:

- an online course available at the Company's Knowledge Management Portal
- in-person briefing and training
- posters and leaflets
- FAQ.

For more information about the Code of Ethics⁸.

COMPLIANCE FUNCTION

A key measure under the CGAP is a compliance function to be set up at Ukrzaliznytsia. To this end, the Company needs to appoint a Compliance Officer and approve the Compliance Function Regulations and Work Plan in the first place. In 2020, the Company plans to set up a fully operational compliance function, conduct the risk assessment related to non-compliance, develop and approve internal documents on compliance.

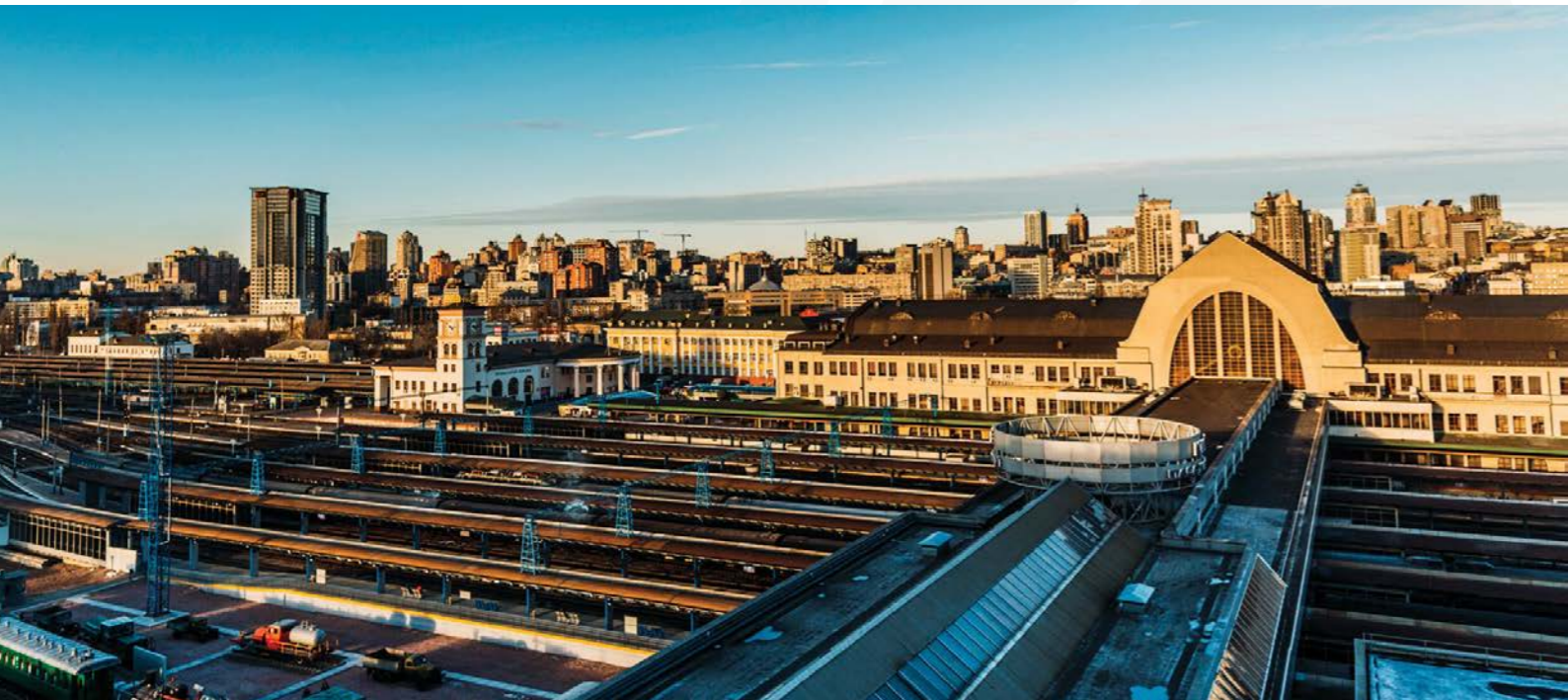
HUMAN RIGHTS

Doing business responsibly and protecting fundamental human rights are among the key principles at Ukrzaliznytsia. The Company guarantees the equal rights to all its employees. The respect for human lies at the heart of all our operations. The Company shows zero tolerance to the slavery, forced or child labour. In its recruitment practices, Ukrzaliznytsia follows only the merit-based approach and has no discrimination on the basis of gender, race, religion, political beliefs, social origin or nationality. The Company requires that its contractors should respect human rights as well.

In 2019, the Company had no violations of the rights of persons belonging to national, ethnic, religious or linguistic minorities, no violations based on age or gender, and no forced labour.

The principles of respect for human rights is enshrined in the internal documents of Ukrzaliznytsia. In its operations, the Company adheres to the Constitution of Ukraine, the Labour Code of Ukraine, as well as other laws and regulations to guarantee and protect the rights and freedoms of its employees, including the Universal Declaration of Human Rights of the United Nations and the Conventions of the International Labor Organization ratified by Ukraine.

KEY OPERATING RESULTS



LONG-DISTANCE PASSENGER TRANSPORTATION

Passenger transportation is a very important area of our operations. This is due to its high importance for the society, as it meets the people's needs in mobility and contributes to the unity

of the economic environment in the country. The long-distance passenger transportation industry addresses the needs of the government, legal entities, and individuals in safe and high-quality domestic and international rail transportation.

KEY PERFORMANCE INDICATORS OF PASSENGER TRANSPORTATION, 2017-2019

Indicator	2017	2018	2019	2019 against 2018, %
Passenger turnover, million pkm				
Long-distance, including:	22,557.8	23,628.5	23,343.1	98.8
High-speed service	2,417	2,652	2,145	80.9
Passengers served:				
Long-distance, including:	45,585,400	47,286,700	46,272,600	97.9
High-speed service	5,185,000	5,660,000	4,783,000	84.5

In 2019, 53.37 million tickets were sold, including 30.4 million seats via the Internet (in 2018, the ticket sales were 55.41 million tickets, with 27.7 million online). The luggage handled in the reporting period amounted to 19,500 tonnes, generating the proceeds of UAH 17,023,000. Special autoracks transported 8,066 cars, earning UAH 12,242,300.

The Company attends to the needs of people with disabilities. In 2019, 2,637 wheel-chair passengers travelled long distances by rail. To offer comfortable conditions to low-mobility persons, we added 2,364 specially equipped cars to trains.

DOMESTIC AND INTERNATIONAL PASSENGER TRAFFIC

The 2018/2019 long-distance schedule envisaged 181 pairs of passenger trains (excluding regional trains using multiple units) and included 133 year-round pairs, 19 seasonal pairs, and 29 one-time pairs. Ukrzaliznytsia operated 158 pairs, while 11 pairs were marshalled in the CIS countries and 12 pairs, in other countries.

In 2019, 141 train pairs ran domestically. The most popular destinations were: Kyiv – Kharkiv, Kyiv – Lviv, Kyiv – Dnipro, Kyiv – Vinnytsia, and Kyiv – Odessa. The most popular domestic trains by the number of passengers were:

- No. 45/46 Uzhhorod – Lysychansk (581,200/591,100 passengers)
- No. 137/138 Khmelnytsky – Lysychansk (537,600/500,000 passengers)
- No. 69/70 Mariupol – Lviv (417,200/390,500 passengers)
- No. 121/122 Mykolaiv – Rivne (384,500 / 431,900 passengers)
- No. 141/142 Lviv – Bakhmut (396,700/380,800 passengers).

In 2019, we also launched additional trains:

- No. 193/194 Ivano-Frankivsk – Lviv (using the idle time of train No. 243/244 Ivano-Frankivsk – Dnipro) in case of higher passenger traffic;
- No. 202/201 Lviv – Uzhgorod (using the idle time of train No. 601/602 Lviv – Solotvyno) in case of higher passenger traffic;
- No. 233/234 Kyiv – Vinnytsia (using the idle time of train No. 139/140 Kyiv – Kamianets-Podilskyi) in case of higher passenger traffic;
- No. 225/226 Kyiv – Lviv in case of higher passenger traffic;
- No. 253/254 Kyiv – Khmelnytsky (using the idle time of train No. 63/64 Kyiv – Kharkiv) in case of higher passenger traffic.

Internationally, we served 3,514,900 passengers in 2019, down by 9.2% or 354,600 passengers year on year. In total, we had 40 pairs of passenger trains running: 20 pairs on CIS routes and 20 pairs on Western routes. On the Ukraine-EU-Ukraine route, we served 942,100 passengers. A year-on-year increase was 122,000 passengers, in particular:

- 552,700 passengers travelled from Ukraine to EU in 2019 (up by 53,400 against 2018)
- 389,400 passengers travelled by rail from EU to Ukraine in 2019 (up by 68,600 against 2018).

The most popular international trains by the number of passengers travelling to the EU countries were:

- No. 715/716 Kyiv – Przemyśl (134,200/113,900 passengers)
- No. 705/706 Kyiv – Przemyśl (143,600/89,900 passengers)
- No. 67/68 Kyiv – Warsaw (39,000/21,900 passengers)
- No. 35/36 Odessa – Przemyśl (37,000/21,900 passengers)
- No. 31/32 Kyiv – Riga (13,200/10,700 passengers).

REPAIRS

In 2019, Passenger Company and Ukrainian Railway High Speed Company absorbed UAH 1,708,868,000 in capital investments in the passenger transportation. Ukrzaliznytsia repaired the fixed assets of the passenger transportation facilities at UAH 1,213,415,000, of which rolling stock repairs accounted for UAH 1,033,752,000.

In 2019, Ukrzaliznytsia purchased **18** new passenger cars and overhauled **29** cars with extension of their service life and replacement of equipment. The total passenger car fleet had **4,032** cars, including **2,873** operational cars.

LONG-DISTANCE PASSENGER TRANSPORTATION HIGHLIGHTS

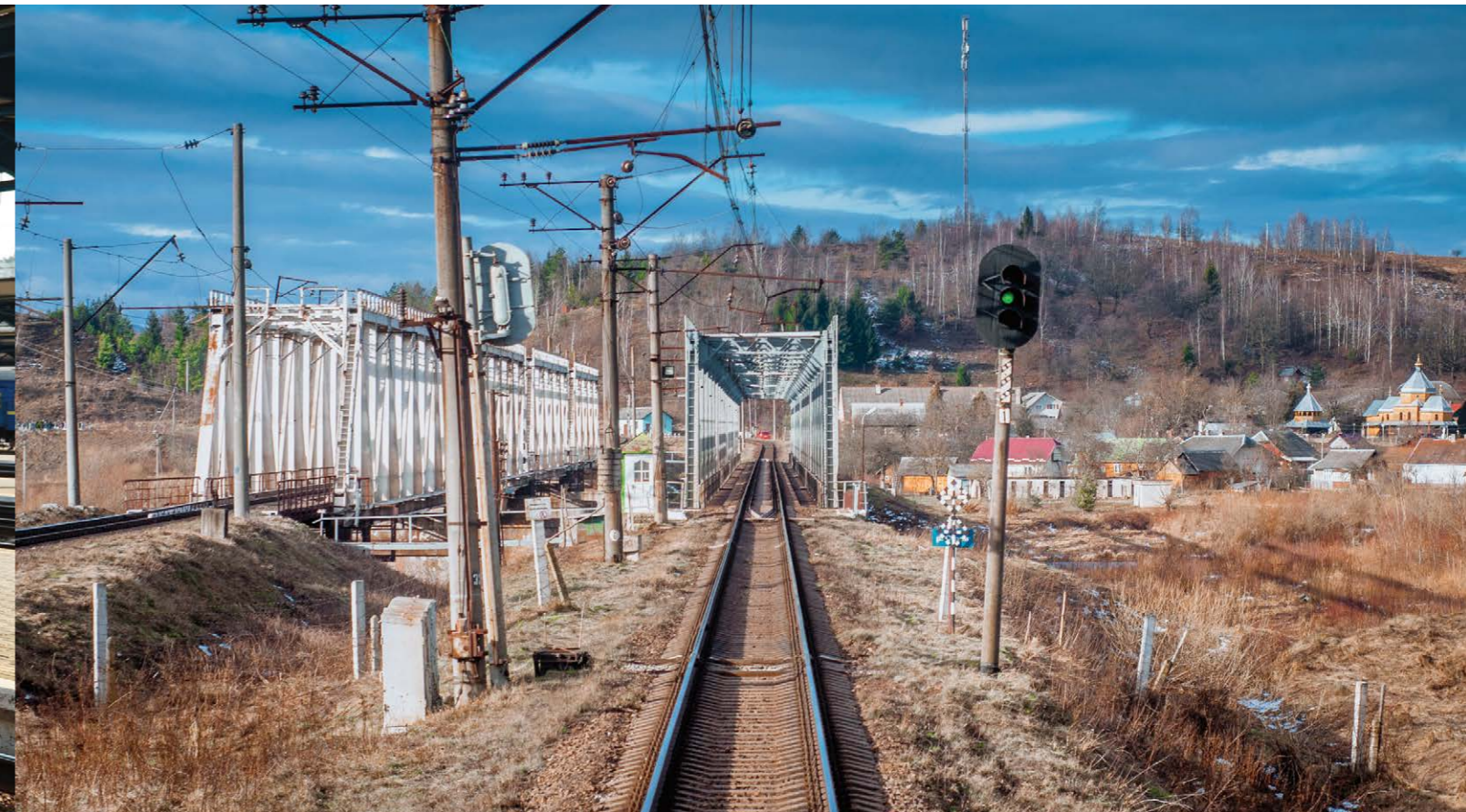
Since 30 January 2019, train No. 31/32 Kyiv – Minsk – Vilnius – Riga has been running every four days (instead of once a week). Additional runs of the train were scheduled from Kyiv on 22 and 26 December 2019 and from Riga on 23 and 27 December 2019.

In 2019, the international long-distance trains began running on the 1435 mm track between Ukraine and Slovakia.

On 09 June 2019, new daily trains No. 960/961 Kosice – Mukachevo and No. 962/963 Kosice – Mukachevo started running using the rolling stock of ZSSK (Slovak Railways).

RETAINING CURRENT AND ATTRACTING NEW PASSENGERS

1. To develop the promising transportation service between the recreation areas in the Carpathian and Transcarpathian regions and Belarus, we joined efforts with Belarus Railways to consider an opportunity to schedule an Uzhgorod – Minsk train marshalled by Ukrzaliznytsia cars to run via Kovel and Brest.



2. We have identified promising routes where we can offer the carriage service after the upgrade of our rolling stock:

- overnight express Uzhhorod – Kherson through Mykolaiv and Kryvy Rih
- overnight express Zaporizhia – Ivano-Frankivsk via Dnipro
- overnight express Zaporizhia – Chernivtsi
- overnight express Kyiv – Kovel
- overnight express Kyiv – Zaporizhia via Kryvy Rih.

To schedule a daily passenger train to these destinations, 2 trains with 40 cars in total need to be used for each route.

MAIN CHALLENGES:

- Insufficient number of passenger cars.
- Need to ensure the maximum utilisation of passenger cars

To meet these challenges, Ukrzaliznytsia extended train routes in the reporting period.

SUBURBAN PASSENGER TRANSPORTATION

Suburban passenger transportation contributes to the mobility of people living in suburbs and often has no alternative. An average of 1,380 commuter trains run daily to meet the needs of commuters. About 290,000 passengers, or 52.1% of the total number of rail passengers, use commuter trains over a day in Ukraine.

The number of suburban passengers carried in 2019 was 104.9 million (down by 0.7% against 2018), making 101.1% of the target. The decrease in the number of passengers carried by suburban trains was due to the decrease in the number of Form 4 passengers by 1.5 million persons (by 14.9%) and in the number of fare-paying passengers by 0.9 million persons (by 1.5 %). The passenger turnover at Ukrzaliznytsia's regional branches in the area of suburban passenger transportation was 5 billion pkm, or 103.7% of the target and 100.5% of the 2018 level.

KEY SUBURBAN PASSENGER TRANSPORTATION INDICATORS, 2017-2019

Indicator	2017	2018	2019	2019 against 2018, %
Suburban passenger turnover, million pkm	5, 443.5	4, 986.4	5, 013.0	100.5
Suburban passengers, million people	112.5	103.9	103.3	99.5

As of 1 January 2020, the suburban passenger service operated 1,297 sections or 281 electric trains, including 656 AC sections (135 trains) and 641 DC sections (146 trains), 119 diesel trains, and 3 rail buses (two 620M rail buses and one 630M rail bus). In 2019, Ukrzaliznytsia operated:

- 952 sections making 253 electric trains, including 478 AC sections (121 trains) and 474 DC sections (132 trains);
- 76 diesel trains;
- 3 rail buses.

In the Company, 993 sections (76.56%) of electric trains (including 533 AC sections (107 trains) and 460 DC sections (97 trains)) and 222 sections making 113 diesel trains were fully depreciated. Obsolete multiple units remain a pressing issue for the Company. Depreciation is 89.47% for electrical trains, 97.32% for diesel trains, and 28.13% for rail buses. The following trains are in operation beyond the extended service life:

- 48 sections, or 24 diesel trains (20.9%) – for over 40 years;
- 265 sections, or 54 DC trains (41.3%), and 28 sections, or 7 AC trains (4.3%) – for over 50 years.

To upgrade the rolling stock, we should primarily purchase 37 diesel trains and 77 electric trains (54 DC trains, and 23 AC trains are to be purchased.

INVESTMENT IN SUBURBAN PASSENGER TRANSPORTATION

In 2019, the suburban passenger transportation service absorbed UAH 714,826,000, excl. VAT (target: UAH 809,443,000, excl. VAT) in

In 2019, Ukrzaliznytsia bought **one** modern DPKr-3 diesel train consisting of three cars from Kriukiv Rail Car Building Works.

investments, including the following categories:

- Capital construction – UAH 27,010,000 (45.9% of the target)
- Rolling stock – UAH 150,691,000 (102.1% of the target)
- Modernisation of fixed assets – UAH 382,259,000 (75.2% of the target)
- Machines, mechanisms and equipment – UAH 27,375,000 (66.4% of the target)
- Non-current tangible assets – UAH 9,631,000 (78.0% of the target)
- Intangible assets – UAH 2,000 (1.3% of the target)
- Overhaul – UAH 117,858,000 (285.7% of the target).

REPAIRS

In 2019, Kyiv Electric Car Repair Plant overhauled, upgraded the rolling stock interior and exterior, and performed other works that significantly enhanced the performance of multiple units, and improved passenger transportation conditions in eight electric trains (37 sections).

CARRYING BENEFIT-ENTITLED PASSENGERS

Suburban passenger transportation performs an important social function, carrying benefit-entitled categories.

In accordance with applicable laws, suburban trains carry 17 benefit-entitled categories of citizens (about a third of suburban passengers falls under these categories). In 2019, Ukrzaliznytsia carried 32,888,001 senior citizens on preferential terms.

Under-compensation of losses for the transportation of benefit-entitled passengers remains an issue. In accordance with Article 91.3(e) of the Budget Code of Ukraine, local budget expenditures, which may be paid from any local budget, include expenditures on compensation for the carriage of benefit-entitled passengers. Thus, local authorities and self-governing bodies may determine the scope of services at their discretion and make relevant earmarks. In 2019, 435 out of 496 planned contracts were concluded by the regional branches of Ukrzaliznytsia.

In 2019, Ukrzaliznytsia's regional branches carried 35.9 million benefit-entitled citizens by suburban trains. Losses from transportation of these categories must be compensated by local executive authorities (+2.2 million people vs. 2018). The services provided in 2019 amounted to UAH 515.7 million, up by 126.4 million year on year. However, the compensation for the carriage of benefit-entitled passengers amounted to UAH 112.3 million, up by 23.7 million compared with 2018, making 21.8 % in 2019 vs. 22.8% in 2018.

Unprofitability of suburban passenger transportation significantly impedes its development.

NUMBER OF BENEFIT-ENTITLED PERSONS IN SUBURBAN TRAINS, 2019

Category of benefit-entitled persons	Number of transported benefit-entitled passengers
World War II disabled veterans of Group I and II; Great Patriotic War disabled veterans of Group III, and equal-status persons; attendants for Great Patriotic War disabled veterans of Group I	3,775
Participants of the Great Patriotic War and defence operations of the former Soviet Union from among military personnel who served in military units, headquarters, and establishments that were part of the active army and former partisans, former members of the anti-fascist resistance movement	9,366
Parents of servicemen who were killed, died or went missing during military service	1,650
Persons with war-caused disabilities (Group I, II, III) and persons with equal status; attendants accompanying disabled persons of Group I (not more than one attendant); attendants for war disabled veterans of Group II and III from among combatants during the Great Patriotic War of 1941-1945 who are 85 years old or older (not more than one accompanying person)	7,426
Combatants	349,223
Persons with disabilities, children with disabilities and attendants of persons with disabilities of Group I or children with disabilities (no more than one attendant accompanying a person with disabilities or child with disabilities)	2,091,958
Nazi victims	140
Persons affected by the Chernobyl disaster, other nuclear accidents and tests, and military exercises using Category 1 nuclear weapons; Chernobyl disaster liquidators of Category 2. Minor children who are victims of the Chornobyl disaster and whose disability is officially linked to the Chornobyl disaster	107,572
Old-age pensioners	32,888,001
Veterans of military service, veterans of law enforcement agencies, veterans of the tax police, veterans of the State Fire Protection Service, veterans of the State Penitentiary Service of Ukraine, veterans of the Civil Protection Service, veterans of the State Special Communications and Information Protection Service of Ukraine	112,923
Children from large families	264,455
Orphaned children and children deprived of parental care who are brought up or study in orphanage schools or care facilities	24,241
Total according to local state administrations	35,860,730
Students of higher education institutions of I-IV levels of accreditation and students of vocational schools regardless of ownership type	5,798,041
Children aged 6-14	1,604,130



COMPENSATION FOR THE CARRIAGE OF BENEFIT-ENTITLED PASSENGERS, 2017-2019, UAH MILLION, WITH VAT

Year	Cost of services	Compensation received	Arrears
2017	409.8	72.0	337.8
2018	389.4	88.6	300.8
2019	515.7	112.3	403.4

TOTAL RIDES BY CATEGORY, 2019, MILLION RIDES

Paid		Children		Students		Transit pass		Free pass		Form 4*	
tickets	rides	tickets	rides	tickets	rides	tickets	rides	tickets	rides	tickets	rides
56.0	60.1	1.4	1.6	5.3	5.8	0.6	-	19.0	35.9	-	8.4

*Form 4 users are railway workers and their children.

RETAINING CURRENT AND ATTRACTING NEW PASSENGERS

1. Starting from 18 January 2019, regional train No. 811/812 Lviv – Kivertsy – Lviv was categorised as suburban high-speed train No. 7003/7004 Lviv – Kivertsy – Lviv and started running on the 5th, 6th, and 7th day of the week.
2. Starting from 31 March 2019, high-speed suburban train No. 7043 Fastiv – Zhytomyr ran 7 days a week instead of train No. 7651.
3. Between 30 April 2019 and 24 September 2019, suburban train No. 6702/01/03-6704/02/01 ran daily on route Dnipro-Holovny – Tavriysk – Henichesk – Tavriysk – Dnipro-Holovny (instead of the 5th, 6th, 7th, and, 1st day a week).
4. Starting from 28 May 2019, the schedule of train No. 6515 was changed to ensure transfer at the Zaporizhia-1 station from train No. 6548 Dnipro-Holovny – Zaporizhia-2 to train No. 6515 Zaporizhia-2 – Tashchenak.
5. From 4 August 2019, the route of suburban trains No. 6162/6105 and No. 6108/6181 Mariupol – Volnovakha was extended to the South Donbas station.
6. On 12 November 2019, the schedule of suburban train No. 6528 Tashchenak – Zaporizhia-1 was changed to carry passengers for their working shifts in Zaporizhia city.
7. On 27 November 2019, suburban train No. 6011 Dnipro-Holovny – Kryvy Rih started to make a stop at the Voskobiynia station.
8. Starting from 16 December 2019, the route of suburban train No. 7023 Kharkiv – Lozova was extended to the Blyzniuky station.
9. The route of suburban train No. 6243/6244 Sloviansk – Fenolna was extended starting from 30 December 2019, and suburban train No. 6021/6072 Sloviansk – Fenolna was extended to the station of Skotuvata starting from 31 December 2019.
10. 262 video recorders were purchased to service suburban trains, increase profitability, and oversee the roving cashiers and passenger car attendants in multiple-unit trains.

11. Regional branches of Ukrzaliznytsia bought 319 mobile and stationary POS terminals to sell tickets in suburban trains.
12. Regional branches held a Clean Train Month campaign to improve passenger service.
13. We opened a passenger waiting area at the suburban terminal of Kyiv Pasazhyrsky Station.

CHALLENGES

- Significant depreciation of the current rolling stock and insufficient financial resources for its maintenance;
- Lack of funds for the purchase of new rolling stock
- Insufficient government support in resolving issues of suburban railway transportation, particularly the compensation to the railways for the losses incurred in connection with the suburban transportation, including transportation of benefit-entitled passengers;
- Lack of modern approaches to the suburban transportation financing (contracts for the operation and maintenance of multiple units);
- Low household incomes and passengers' habit of evading commuter fares;
- No mechanism to compensate for a difference between the actual cost of transportation and revenues from transportation based on approved rates; negative attitude of regional state administrations towards the proposals of Ukrzaliznytsia's regional branches regarding the increase in suburban passenger transportation rates.

The best option for Ukrzaliznytsia would be targeted payments to be introduced by the government to benefit-entitled categories. This would enable the Company to get the full fare, regardless of the social status of passengers.



PLANS FOR 2020 AND A MEDIUM TERM

To improve the passenger transportation services, Ukrzaliznytsia's financial plan envisages:

- Overhauls and upgrades of 46 sections of electric trains (about 10 trains) to a total of UAH 481 million (VAT excluded)
- 5,700 current repairs of rolling stock in depots to prevent operational malfunctions
- Measures to keep the rolling stock functional and in proper sanitary condition.

In 2020, we will install additional repair and testing equipment in an electric shop and a wheel shop of Fastiv-1 Multiple Unit Depot operating under umbrella of South-Western Railways.

CARGO TRANSPORTATION

Ukrzaliznytsia's Commercial (Freight) Facility is responsible for arrangement of cargo transportation using gondola cars, covered cars, tanks, containers, platforms, and other rail cars. The key objectives of this vertical are interaction with customers in the cargo transportation planning and management, monitoring of railway cargo transportation, as well as developing and implementing marketing measures in the area of cargo transportation.

In 2019, Ukrzaliznytsia transported 312.9 million tonnes of cargo (down by 9.4 million tonnes or 2.9% against 2018). Domestic transportation decreased by 15.4 million tonnes (-9.9%), transit dropped by 2 million tonnes (-12%), and imports decreased by 0.5 million tonnes (-1%). At the same time, exports rose by 8.4 million tonnes (+7.8%). The cargo turnover made 181.8 billion tkm in the reporting period.

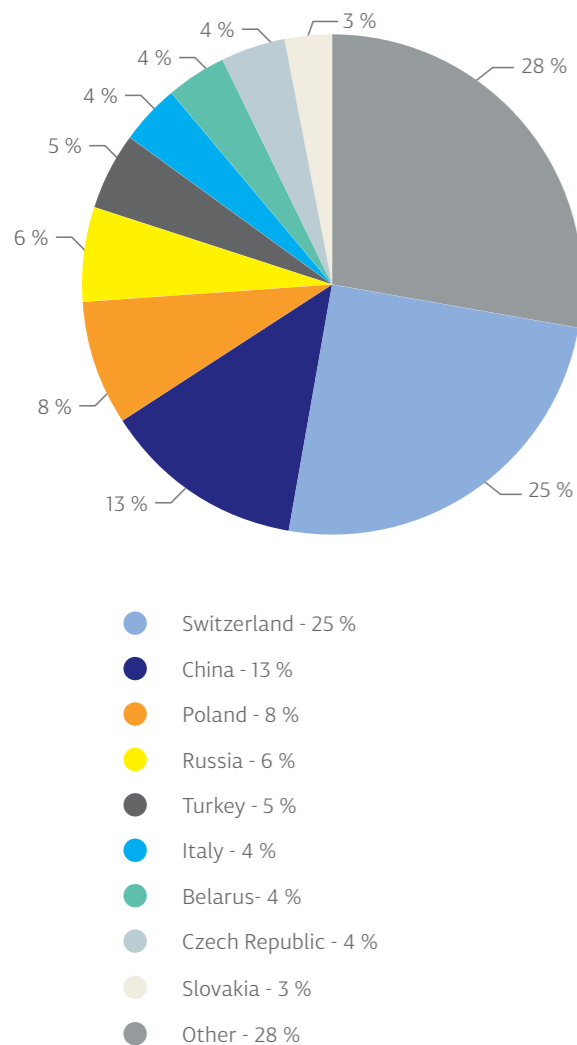


KEY CARGO TRANSPORTATION INDICATORS, 2017-2019

Indicator	2017	2018	2019	2019 against 2018, %
Cargo transported, million tonnes, including:	339.6	322.3	312.9	97.1
Transit	19.6	16.4	14.4	88.0
Import	43.9	43.6	43.2	99.0
Export	116.1	107.4	115.8	107.8
Domestic	160.0	155.0	139.6	90.1
Cargo turnover, million tkm, including:	191,914.1	186,344.1	181,844.7	97.6
Transit	20,272.6	17,452.8	15,216.2	87.2
Import	22,873.7	23,846.0	23,673.5	99.3
Export	79,817.3	76,664.9	80,855.8	105.5
Domestic	68,950.5	68,380.4	62,099.2	90.8

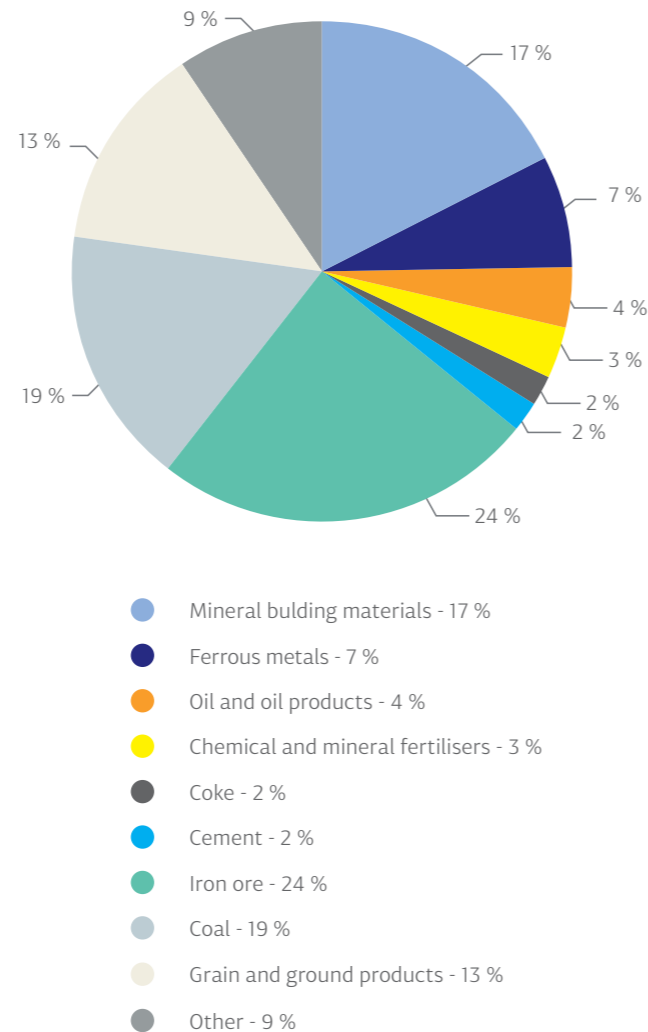
According to consignment notes, primary consumers of Ukrainian exports by rail were in 2019: Switzerland with 29.5 million tonnes (25% of total exports); China with 14.6 million tonnes (13%); Poland with 9.1 million tonnes (8%); Russia with 7 million tonnes (6%), and Turkey with 5.7 million tonnes (5%).

RAIL EXPORTS BY DESTINATION COUNTRY



2019 saw higher transportation volumes against 2018 in the following categories: grain and ground products (+6,783,000 tonnes), iron and manganese ore (+3,616,000 tonnes), and chemicals (+36,000 tonnes). Meanwhile, the most significant decrease was in the transportation of coal (-6,127,000 tonnes), mineral building materials (-5,716,000 tonnes), timber (-1,318,000 tonnes), ferrous metals (-942,000 tonnes), ferrous scrap (-543,000 tonnes), chemical and mineral fertilisers (-391,000 tonnes), and non-ferrous ore (-219,000 tonnes).

CARGO TRANSPORTATION BY COMMODITY



CARGO TRANSPORTATION BY COMMODITY FOR ALL TYPES OF SERVICES, 2018-2019, '000 TONNES

Commodity	Cargo transported			
	2018 ³ , '000 tonnes	2019, '000 tonnes	2019 against 2018, +/-	2019 against 2018, %
Coal	64,887.0	58,759.7	- 6,127.3	90.6 %
Oil and oil products	12,223.7	12,124.0	- 99.7	99.2 %
Iron ore and manganese ore	70,912.8	74,529.0	3,616.2	105.1 %
Non-ferrous ore and raw sulphur	4,617.8	4,398.6	- 219.2	95.3 %
Ferrous metals	22,357.5	21,415.5	- 942.0	95.8 %
Non-ferrous metals and products	34.6	32.7	- 1.9	94.7 %
Timber	2,810.3	1,492.3	- 1,318.0	53.1 %
Chemical and mineral fertilisers	9,221.9	8,831.0	- 390.9	95.8 %
Chemicals	3,737.9	3,773.7	35.9	101.0 %
Vehicles	66.9	36.7	- 30.2	54.9 %
Machines and machinery	101.9	114.7	12.8	112.6 %
Grain and ground products	33,757.6	40,540.4	6,782.8	120.1 %
Coke	5,589.0	5,114.7	- 474.3	91.5 %
Ferrous scrap	3,036.4	2,493.6	- 542.8	82.1 %
Mineral building materials	57,448.1	51,731.7	- 5,716.4	90.0 %
Cement	6,222.2	6,081.1	- 141.1	97.7 %
Salt	2,147.0	2,075.8	- 71.1	96.7 %
Other	23,169.7	19,393.5	- 3,776.2	83.7 %
Total	322,342.0	312,938.9	- 9,403.1	97.1 %

PRIMARY REASONS FOR THE DECREASE IN CARGO TRANSPORTATION:

- Decrease in demand and prices for ferrous metals in key Ukrainian markets (EU, MENA, and Turkey).
- Protectionism in foreign markets, trade wars (EU tariff quotas, protective duty on billet exports to Egypt, anti-dumping duties on exports of galvanised steel to countries in the Eurasian Economic Union (EAEU), tariff quotas on imports of hot-rolled flat steel to EAEU countries).
- Hryvnia appreciation (from January to November 2019, the hryvnia strengthened by 13.4% against the U.S. dollar; Ukrainian industrial companies experienced a rise dollar-denominated expenses due to appreciation).
- On 1 July 2019, a new Ukrainian electricity market started operating, bringing uncertainty to iron and steel companies.
- Higher environmental tax rate: it increased almost 25 times from UAH 0.41/tonne to UAH 10/tonne in 2019.
- Companies partially substituted rail with road (mainly, for

mineral building materials) due to traffic speed, especially for short distances (up to 300 km), possibility to deliver cargo to several customers in one vehicle, and delayed payments after transportation.

- Failure to deliver cargo by rail due to the lack of rolling stock.
- Crisis in Ukrainian coal industry.
- Anti-dumping measures on imports from Russia.
- Restriction of coal imports from Russia to Ukraine. Since 1 June 2019, Russian exports of coal to Ukraine has been possible only on condition of special permits to be obtained from the Ministry of Economic Development of the Russian Federation. After restrictions were introduced, Russian coal exports declined immediately by 60%.
- The Verkhovna Rada of Ukraine adopted the Law On Amendments to Certain Legislative Acts of Ukraine on Conservation of Ukrainian Forests and Prevention of Illegal Removal of Untreated Timber, which tightened the criminal

liability for illegal logging and illegal export of raw timber.

- Adoption of a law raising export duties on scrap metal up to €58 per tonne.

EXPANDING LOCOMOTIVE AND WAGON FLEET

In 2019, Ukrzaliznytsia completed the following measures to increase its traction and rolling stock fleet:

- Scheduled repairs of 18,961 freight cars, including the extension of the service life of 7,551 wagons, and manufacture of 21 cars;
- Receipt of 15 TE33AC locomotives under the framework agreement with the General Electric Company;
- 77 overhauls of the traction rolling stock, including 69 overhauls with the extension of locomotive service life.

REDUCING CAR DETENTION TIME

In 2019, the average time spent by the Company's cars on approaching lines and sidings of shippers increased by 3.25 hours (or 11%) and amounted to 32.68 hours vs. 29.43 hours in 2018.

Primary reasons for longer car usage (detention):

- Discrepancy between the declared cargo quality and actual quality upon loading
- Waiting until ports approve electronic applications
- Failures of loading mechanisms
- Disrupted arrival of cars
- Unavailable freight fronts
- Long procedures to obtain permits from authorities, especially for grain and timber transportation

- Follow-up delivery of cargoes by road.

In a move to improve the situation in the reporting period, the Company held meetings with shippers that unduly detained cars. Following these meetings, the participants developed joint measures, both organisational and technical, to reduce the car usage on the approaching lines. The Company introduced daily control to establish actual loading/unloading of cars and applied additional mechanisms to speed up loading/unloading.

Ukrzaliznytsia sent warning letters to companies that violated regularly the rules of car usage. It also maintained communications with government authorities at different levels, as well as with regional and municipal administrations, requesting them to exert stricter control and impose greater liability on company executives for the rail car detention.

ROUTING

The Company develops routes to streamline the rolling stock usage, reduce operating costs, and cut car turnaround (by excluding technical operations in marshalling yards).

In 2019, Ukrzaliznytsia's operational fleet had 7,983 gondola cars used for the transportation of iron ore and coal exclusively on organised routes under logistic control. Since the beginning of the year, the Company authorised 197 stations to develop shipment routes for grain hoppers. It also developed a procedure for grain transportation on special terms in accordance with coordinated schedules of single-destination trains. By setting clear departure and arrival dates, as well as estimating transportation time, the Company managed to reduce grain hopper turnaround by half.



ROUTING AT UKRZALIZNYTSIA, 2018-2019

Regional branch	Total usage, cars		Routed cars		Target	Routing rate, %	
	2018	2019	2018	2019		2018	2019
Donetsk Railways	725,209	680,945	236,427	289,979	34.0	32.6	43.0
Prydniprovyie Railways	1,448,260	1,429,015	1,008,480	1,034,747	70.0	69.6	72.5
Southern Railways	449,539	476,210	233,359	282,772	53.0	51.9	59.4
South-Western Railways	612,806	550,348	216,083	241,713	37.0	34.8	43.9
Odessa Railways	527,772	509,317	163,695	218,848	35.0	31.2	43.2
Lviv Railways	440,387	444,645	69,972	89,858	27.0	15.9	20.4
Total	4,203,973	4,090,480	1,928,016	2,157,917	42.7	45.8	53.0

LEASING UKRZALIZNYTSIA CARS IN PROZORRO

In 2019, Ukrzaliznytsia held 5,206 auctions in the ProZorro public e-procurement system to rent out 124,852 freight cars. Of these, 2,202 auctions were successful, with 46,858 cars in lots; 2,124 auctions were completed, meaning that the Company made use of the cars and received additional income of UAH 87,618,000.

ADJUSTING RAIL FREIGHT RATES

On 30 March 2019, rail freight rates were adjusted by 14.2% within Ukraine in accordance with Order of the Ministry of Infrastructure No. 205 of 22 March 2019.

CONTAINER TRANSPORTATION

In 2019, the Company transported 384,018 TEUs (twenty-foot equivalent units) through the territory of Ukraine, 1.77% of the total cargo transportation by rail. Of these, 160,826 TEUs were bound for export, up by 19% against 2018, 128,641 TEUs for import (+16%), 21,829 TEUs for transit (-27%), and 72,722 TEUs for domestic service (+23%).

To boost the freight traffic, expedite delivery, and store cargoes in containers, Ukrzaliznytsia designated 41 container trains, including 32 regular trains, in 2019. Besides, the Company designated 26 trains on new routes, of which four were international. For example,

In 2019, inland
container
transportation rose
14.6%
against 2018.

in March 2019, two trains ran on international routes, Belarus – Ukraine – Romania and Ukraine – Poland. In May, the Company launched a transit train on the Russia – Poland route. On 9 July, a new Containerships Train started running from Draugyste on the bidirectional route of Lithuania – Ukraine. Regular container trains also run effectively domestically. Their routes connect Black Sea ports with the terminals located in cargo transportation hubs.

CONTAINER TRANSPORTATION

	Year	Containers, TEUs	Including (in physical units)				2019 against 2018, %
			20'		40'		
			Loaded	Empty	Loaded	Empty	
Container trains	2019	163,309	60,500	37,101	23,021	9,833	71%
	2018	95,700	26,036	16,310	16,608	10,069	
Viking	2019	9,107	5,580	289	1,022	597	-12%
	2018	10,387	5,339	660	1,514	680	
ZUBR	2019	2,210	1,098	1,112	0	0	-5%
	2018	2,320	1,251	1,069	0	0	
Romania – Togliatti – Romania	2019	712	0	0	177	179	-88%
	2018	6,054	0	0	1,698	1,329	
Slovakia (Kosice) – Russia (Perspektivnaya)	2019	0	0	0	0	0	-
	2018	3,208	0	0	1,604	0	
Land Bridge (China – Slovakia/Hungary)	2019	0	0	0	0	0	-
	2018	506	0	0	253	0	
China – Slovakia/Hungary (through Mongolia)	2019	0	0	0	0	0	-
	2018	4,554	0	0	1,739	538	
China – Slovakia (through Kazakhstan since February 2018)	2019	748	0	0	335	39	-89%
	2018	6,906	16	0	1,373	2,072	
Belarus – Romania (since March 2019)	2019	8,184	4,092	4,092	0	0	-
	2018	0	0	0	0	0	
Cherepovets II – Izov (export) (since May 2019)	2019	6,358	3,230	3,128	0	0	-
	2018	0	0	0	0	0	
Nyzhniodniprovsk Junction – Izov (export) (since March 2019)	2019	2,457	2,337	120	0	0	-
	2018	0	0	0	0	0	
Containerships Train Draugiste (export) – Brovary (since July 2019)	2019	589	259	0	124	41	-
	2018	0	0	0	0	0	
Nika (Nikopol – Chornomorsk/Poromna)	2019	25,430	12,715	12,715	0	0	18%
	2018	21,506	10,753	10,753	0	0	
Nyzhniodniprovsk- Prystan – Chornomorska (export for TransInvestService)	2019	15,537	1,288	199	6,081	944	61%
	2018	9,644	2,172	286	2,773	820	

CONTAINER TRANSPORTATION

	Year	Containers, TEUs	Including (in physical units)				2019 against 2018, %
			20'		40'		
			Loaded	Empty	Loaded	Empty	
Kharkiv-Liski – Chornomorska (export for TransInvestService) (since January 2018)	2019	12,076	3,140	138	3,412	987	14%
	2018	10,559	1,621	302	2,434	1,884	
Rozhniativ – Odessa-Port/ Chornomorska (export for TransInvestService) (since May 2018)	2019	13,402	190	402	3,564	2,841	70%
	2018	7,897	126	161	1,914	1,891	
Rozhniativ – Zhovtneva	2019	604	302	302	0	0	-
	2018	0	0	0	0	0	
Kharkiv-Liski – Chornomorska (export for TransInvestService) (since May 2018)	2019	8,136	3,159	445	2,079	187	3.9 times
	2018	2,100	313	583	276	326	
Dnipro-Liski – Chornomorska (export for TransInvestService) (since December 2018)	2019	2,082	1,785	155	31	40	-
	2018	165	153	0	6	0	
Ternopil – Chornomorska (export for TransInvestService) (since August 2018)	2019	14,638	5,890	3,704	1,958	564	2.7 times
	2018	5,449	2,376	1,777	489	159	
Khreschatyk (Kyiv- Liski – Odessa-Port) (since October 2018)	2019	2,448	1,256	582	268	37	4.8 times
	2018	510	247	191	32	4	
Dniprovets (Dnipro-Liski – Odessa-Port) (since July 2018)	2019	7,366	3,758	1,574	590	427	3 times
	2018	2,487	964	191	361	305	
Odessa-Port – Kharkiv- Liski (since August 2018)	2019	6,091	3,624	1,221	379	244	4.2 times
	2018	1,448	705	337	142	61	
Verkhnodniprovsk – Odessa- Port (export) (since July 2019)	2019	3,720	376	368	796	692	-
	2018	0	0	0	0	0	
Verkhnodniprovsk – Chornomorska (export for TransInvestService) (since May 2019)	2019	2,220	0	0	613	497	-
	2018	0	0	0	0	0	
Vinnytsia – Odessa-Port (since September 2019)	2019	5,729	1,161	790	980	909	-
	2018	0	0	0	0	0	
Hnivan – Chornomorsk-Port (since September 2019)	2019	412	116	296	0	0	-
	2018	0	0	0	0	0	
Starokostiantyniv II – Chornomorsk-Port (since September 2019)	2019	2,599	1,246	1,353	0	0	-
	2018	0	0	0	0	0	

CONTAINER TRANSPORTATION							
	Year	Containers, TEUs	Including (in physical units)				2019 against 2018, %
			20'		40'		
			Loaded	Empty	Loaded	Empty	
Balyn – Chornomorsk-Port (since September 2019)	2019	6,044	3,025	3,019	0	0	-
	2018	0	0	0	0	0	
Osnova – Chornomorska (export for TransInvestService) (since September 2019)	2019	196	2	0	61	36	-
	2018	0	0	0	0	0	
Dnipro-Liski – Kharkiv-Liski (since September 2019)	2019	180	0	138	0	21	-
	2018	0	0	0	0	0	
Chornomorska (export for TransInvestService) – Chernihiv- Pivnichnyi (since September 2019)	2019	686	313	373	0	0	-
	2018	0	0	0	0	0	
Chornomorska (export for TransInvestService) – Skibnevo (since October 2019)	2019	660	320	340	0	0	-
	2018	0	0	0	0	0	
Osnova – Odessa-Port (since October 2019)	2019	1,284	0	0	321	321	-
	2018	0	0	0	0	0	
Prydonetska – Odessa-Port (since November 2019)	2019	320	0	0	80	80	-
	2018	0	0	0	0	0	
Zhovtneva – Prydonetska (since December 2019)	2019	360	176	184	0	0	-
	2018	0	0	0	0	0	
Odessa-Port – Kropyvnytskyi (since December 2019)	2019	724	62	62	150	150	-
	2018	0	0	0	0	0	

CARGO TERMINALS IN PUBLIC ACCESS AREAS

Production units of Ukrzaliznytsia's regional branches (hereinafter referred to as terminals) are in charge of loading/unloading operations in public access areas. They are responsible for the provision of bundled services, including loading and unloading, forwarding operations, maintenance of weighing tools, diagnostics

of technical means, consultations, and marketing. In 2019, the terminals operated 547 units of lifting equipment, including 215 electric gantry cranes with the lifting capacity of 5 to 50 tonnes, 5 railway cranes, 35 truck cranes, 177 loaders, and 76 trucks.

CARGO HANDLING AT UKRZALIZNYTSIA TERMINALS, 2018-2019, TONNES							
Year	Lyman	Lviv	Odesa	Poltava	Zhmerynka	Zaporizhia	Total
2018	122,300	1,789,500	668,200	491,500	1,479,900	386,500	4,937,900
2019	86,700	1,500,900	602,300	412,500	954,300	258,000	3,814,700

RETAINING AND INCREASING FREIGHT TRAFFIC

1. In September 2019, Ukrzaliznytsia, the Center for Transport Strategies (CTS), the European Business Association (EBA), and KPMG Ukraine conducted an independent survey of freight forwarders' satisfaction with rail services. About 70 major shippers took part in the survey, covering over 60% of the freight market. The Company will take into account the survey results in its further operations. For more information, please see the Our Sustainable Development section.
2. The Company launches container trains on routes with high cargo flow concentration.

3. Ukrzaliznytsia controls the time of movement of container trains within Ukraine to improve the railway services.
4. The Company opened cargo stations for handling high-capacity containers, including operations on approaching lines, to encourage shippers to shift from other modes of transportation, including road, to rail.
5. The Company is developing new logistic plans for cargo transportation.



PLANS FOR 2020 AND A MEDIUM TERM

1. Cooperate with government agencies to simplify cargo cross-border transportation.
2. Improve interaction with other modes of transport, in particular through multimodal transport and door-to-door cargo delivery.
3. Increase the container transportation, including container trains and combined transport trains, and expand their operating domains.
4. Increase the cargo transportation by single-destination trains, on shippers' and iterative routes.
5. Develop electronic document management.
6. Provide information support to international cargo transportation.

INFRASTRUCTURE

The safety and quality of passenger and cargo transportation depend on the railway infrastructure. The infrastructure development and modernisation are among the most important objectives of the Company's infrastructure vertical.

The infrastructure vertical includes:

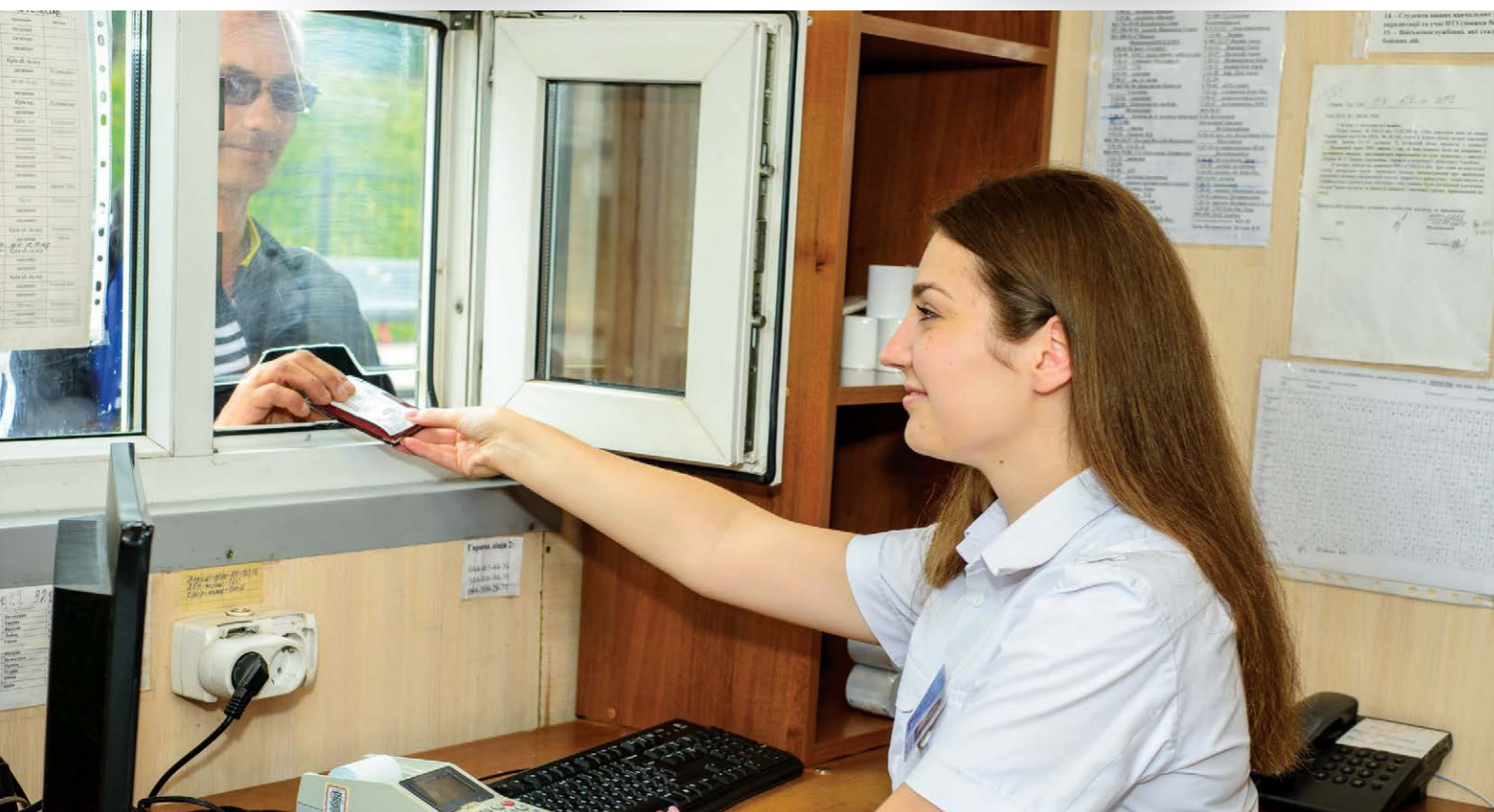
- Track Facility
- Signalling, Interlocking and Communications Facility
- Transportation Unit
- Traffic Safety Unit.

To ensure the uninterrupted operation of the railways, Ukrzaliznytsia completed the following track works in 2019:

- Track reconstruction – 133.8 km
- Track overhaul – 115.9 km
- Medium track repairs – 1,071.7 km
- Retrofit – 87 switch sets
- Medium repairs – 867 switch sets
- Overhaul – 115.3 switch sets.

As of 1 January 2020, the total length of the Company's tracks was **27,070.4** km. The total operational length of electrified tracks was **9,319** km, including **5,390.1** km of **27.5** kV AC lines.

In 2019, Ukrzaliznytsia absorbed **UAH 2,193,435,000** in track-related capital investments from all financing sources.



For the reliable operation of the power grids, the Company completed the following works in 2019:

Catenary:

- Current repairs of the catenary of the main tracks at stations and sections (total length: 11,210 km);
- Replacement of 71.1 km of worn-out contact wire, 75.4 km of corroded carrying wire, and 28.7 km of steel wire ropes in load compensators;
- Replacement of 1,426 defective and obsolete catenary masts;
- Replacement of 9,848 obsolete catenary insulators with polymer insulators;
- Replacement of 120 section insulators;
- Upgrade of 291 aerial frogs.

Traction substations:

- Replacement of 5 large 110 kV oil pressure switches;
- Replacement of 4 high-voltage oil-impregnated-paper transformer bushings;
- Replacement of 9 rechargeable batteries;
- Installation of 75 improved surge arresters;
- Overhaul of 12 transformers at traction substations;
- Replacement of 184 current and voltage transformers;
- Replacement of 8 obsolete switches in 35 kV switchgears and 21 switches in 10 kV switchgears;
- Replacement of 2 sets of short-circuit breakers with advanced SF6 circuit breakers.

Electricity:

- Replacement of 124.7 km of steel wire;
- Replacement of 1,597 masts;
- Replacement of 120,601 insulators of overhead power lines energising the signalling and interlocking devices, longitudinal power supply devices, and two-wire-rail lines;
- Installation of 1,369 improved surge arresters;
- Repairs of 409 floodlights;
- Relocation of 13.7 km of overhead lines from the forest areas to catenary masts.

MODERNISATION AND REPAIR OF AUTOMATIC CONTROL AND TELECOMMUNICATIONS EQUIPMENT

In 2019, Ukrzaliznytsia reconstructed automatic railway control equipment for bidirectional locking at the 11 km long Radyvyliv – Zdobuniv section of Lviv Railways (odd track of the Kamianytsia-Volynska – Verba section).

To improve the train safety, the Company deployed an automated system establishing the track availability (occupancy) through the calculation of rolling stock axles with semi-automatic locking at the Zolotnyshyne – 7 km Crossing section. It also replaced semi-automatic locking (14 km) with automatic locking at the Peresichna – Zolochiv section of the Southern Railways.

IMPROVEMENT OF THE TRAFFIC CONTROL VERTICAL

- Ukrzaliznytsia implemented new operational and technological communication devices and centralised traffic control devices as part of the first stage of operation of the Central Traffic Management Centre in Kyiv.
- The Company also replaced worn-out remote track control devices at the Kamianka substation of South-Western Railways.

- We began the construction of new field devices for signalling and interlocking in area 1 around Koziatyn station of South-Western Railways (44 switches).
- Ukrzaliznytsia built a fibre-optic line at the Siversk – Dekonska – Bakhmut section (42.8 km) of Donetsk Railways and partially replaced an overhead line with a fibre optics at the Kamianytsia – Sianky section of Lviv Railways (17.9 km out of 49.5 km).
- The Company also completed the construction of a fibre-optic communication line at the Zaporizhia – Komyshe-Zoria section (156 km) of Prydniprovyie Railways that started in 2018.
- Ukrzaliznytsia built the second line at the Zachativska – 393 km Crossing – Khlivodarivka subsection of the Komyshe-Zoria – Volnovakha section of Donetsk Railways to increase the traffic capacity. The lines were equipped with two-track unidirectional semi-automatic locking devices and five additional switches.

In 2019, Ukrzaliznytsia absorbed **UAH 238,366,000** of capital investments in automation, signalling, interlocking and telecommunications, **70.2%** of the target.

In 2019, the Centre for Rail Infrastructure Diagnostics:

- Assessed the technical condition of the railway infrastructure (981,976 km) using mobile diagnostics methods;
- Monitored the technical condition of 545,597 km of tracks with track recording cars, found 4,998 km in an unsatisfactory condition, and imposed 3,509 prohibitions;
- Monitored the technical condition of 298,553 km of tracks with detector cars and found 385 big defects;
- Monitored vehicular wayside devices at 89,590 km of tracks and detected 2,783 violations;
- Inspected the electrified sections (56,671 km) with track testing cars and detected 1,530 high-risk cases of mishandled catenary suspension;
- Investigated the work of 94 stations and developed scaled schemes and longitudinal profiles; reviewed longitudinal profiles of slopes, marshalling and turnout tracks at 34 stations;

- Inspected 2,425 artificial structures;
- Carried out repairs, adjustment and calibration of the Regina diagnostic facility at 37 traction substations; completed the thermal imaging diagnostics of the electrical power equipment at 66 traction substations and 75 transformer substations.

COMPLETED PROJECTS AND PROGRAMMES

Throughout 2019, we developed technical requirements for Ukrzaliznytsia's Energy Billing System¹¹, an automated system of payments to counterparties in the course of power distribution. The Company held a tender for the acquisition of the software and signed a contract with the winner.

It also worked to implement technical solutions for the Ukrzaliznytsia operations control system, improve the power control system, and retrofit control stations:

- Completion of the third stage of the new microprocessor-based telemechanics system implemented at the Teteriv-Myronivsky sub-section of Kyiv power supply section (South-Western Railways);
- Installation of a new microprocessor-based telemechanics system and automated operator workstation at the Kupiansk power supply section of Southern Railways;
- Implementation of a new telemechanics system at the Zaporizhia power supply section (Southern section) of Prydniprovye Railways;
- Installation of a visualization system (shared display board) at the traffic control station and an automated operator workstation for power distribution at Odessa Railways.

Ukrzaliznytsia established and started operating its Automated Electricity Fiscal Metering System and put into operation a visualisation system and an automated workstation at Energozbut branch. The purpose of these measures was to meet the licencing conditions of the Distribution System Operator as required by the new electricity market in Ukraine.

The Company met the licencing requirements to sign the Regulations on Interaction between the Transmission System Operator (Ukrenergo) and the Distribution System Operator (Ukrzaliznytsia) in the dispatch control.

Ukrzaliznytsia takes measures to switch gradually its power control stations to new dispatch control systems. It also installs new control systems in traffic control stations that can access information online at Ukrzaliznytsia's central control station.

In accordance with the Distribution System Code, Ukrzaliznytsia created its Geodetic IT System of Electric Power Facilities and published the data on its official website. The system displays fractional information about transformer substations with the primary voltage level of 150-110-35-10 kV.

In 2019, the power supply facilities of regional branches completed the retrofitting and reconstruction of the catenary of traction and transformer substations.

Donetsk Railways:

- Retrofit of the Karan, Havrylivka, and Mezheva traction substations and replacement of rechargeable batteries.

Lviv Railways:

- Retrofit of the Batiovo and Sianky traction substations, replacement of switching equipment, current transformers,

and protective relay devices;

- Reconstruction of 10 kV power lines at the Kovel – Volodymyr-Volynskyi and Ovadno – Ludyn – National Border sections, replacement of wooden masts, supporting structures, insulators, and wires.

Odessa Railways:

- Retrofit of the catenary along even and odd tracks on the Fundukliivka – Tsybuleve section, replacement of catenary masts and supporting structures;
- Retrofit of the 10 kV power line at the Izmail – Tashbunar section, replacement of wooden masts, supporting structures, insulators, and wires.

Southern Railways:

- Reconstruction of the catenary at the Nova Bavaria – Liubotyn section, replacement of catenary masts, supporting structures, and catenary wires;
- Reconstruction and retrofit of transformer and traction substations of Merefa, Bezpalivka, Zmiiv, TS-7 and TS Vovchansk, replacement of switching equipment, current and voltage transformers, meters, and protective relay devices.

South-Western Railways:

- Catenary reconstruction at the Zhmerynka – Koziatyn section (Hnivan and Rokytne stations), replacement of catenary masts, supporting structures, and portal structures;
- Reconstruction and retrofit of transformer and traction substations of Boyarka, Hrechany, Holovky, TS-509 and TS-594, replacement of switching equipment and rechargeable batteries.

Prydniprovye Railways:

- Catenary reconstruction at the Piatykhvatky – Dnipro – Chaplyne section, replacement of the catenary masts, supporting structures, and portal structures;
- Retrofit of the 110 kV outdoor switchgear and 10 kV indoor switchgear at the 5 km Crossing traction substation; retrofit of 150 kV and 35 kV outdoor switchgears and a 10 kV indoor switchgear at the Fedorivka traction substation.

The Company
absorbed
UAH 558,886,000
in capital investments
in the power supply
facilities of regional
branches.





PLANS FOR 2020 AND A MEDIUM TERM

- Track maintenance:
 - Track reconstruction – 458.6 km;
 - Overhaul – 92.4 km;
 - Retrofit – 437 switch sets;
 - Overhaul – 59 switch sets.
 - Develop Ukrzaliznytsia Electricity Network Modernisation Programme 2021-2025. It will estimate the required financing for the repairs, upgrade, and modernisation of power supply equipment and will prevent the progressing obsolescence in the future;
 - Continue measures of automation and control for the Company's electricity networks; the Company's power control stations to transmit data on the condition of external power supply facilities to Ukrenergo's central control station. The Company will establish automated power distribution operator workstations of different levels. These workstations will have a set of functions to provide automated support to all measures and technological processes of power distribution control;
 - Electrify, reconstruct and retrofit electric power devices in line with absorption targets for capital investments in the power supply of regional branches.
- Donetsk Railways:**
- Reconstruction of the catenary at the Sartana station and retrofit of a 110 kV outdoor switchgear and a 10 kV indoor switchgear at the Kurdiumivka traction substation.
- Lviv Railways:**
- Reconstruction of the catenary at the Khodoriv and Riasne 2 stations;
 - Reconstruction of traction substations of Dubno, Lavochne, Svaliava, and Beskyd.
- Odessa Railways:**
- Electrification of the Dolynska – Mykolaiv section (operational length of 148 km);
 - Retrofit of the catenary at the Znamianka – Pantaivka (odd track) and Fundukliivka – Tsybuleve sections.
- Southern Railways:**
- Reconstruction of the catenary at the Nova Bavaria – Liubotyn section (even and odd tracks); acceleration of the power supply at the Kharkiv – Liubotyn – Sovnarkomivska section.
- South-Western Railways:**
- Reconstruction of the catenary at the Motovyliivka – Sorochoyi Brid and Kozhanka – Popilnia sections, as well as Teteriv and Rokytno stations.
- Prydniprovye Railways:**
- Retrofit of the catenary at the Sukhachivka – Horiainove section;
 - Retrofit of a 150 kV outdoor switchgear at the Partizany, Synelnikove, and Utishna traction substations
- Complete the replacement of the overhead lines with fibre optics at the Kamianytsia – Sianky section of Lviv Railways;
 - Complete the implementation measures for the microprocessor-based signalling and interlocking of switches at Koziatyn station of South-Western Railways (44 switches);
 - Perform works under investment projects financed by the EBRD, namely:
 - DMR-powered communications for express passenger train routes (about 2,100 km);
 - Advanced operator control systems for train movement (about 1,100 km);
 - Microprocessor-based signalling and interlocking of switches at area 3, Koziatyn station of South-Western Railways (83 switches).

LOCOMOTIVE FACILITY

The primary objectives of Ukrzaliznytsia's Locomotive Facility are to ensure safe and stable passenger and cargo transportation, upgrade the locomotive fleet, and make timely repairs. In 2019, the Company continued maintaining rolling stock in accordance with technical requirements.

Key operational indicators of the Locomotive Facility in 2019:

- Inventory (total) fleet of rail traction vehicles: 3,588.5 locomotives (3,611.5 in 2018)
- Operational locomotive fleet: 1,456.5 locomotives (1,857.5 in 2018), including:
 - 736.5 freight locomotives (816 in 2018)
 - 165 passenger locomotives (365.5 in 2018)
 - 555 shunting locomotives (676 in 2018)
- Ukrzaliznytsia had 683.5 locomotives in reserve (310.5 in 2018), including:
 - 273.5 freight locomotives (87.5 in 2018)
 - 162 passenger locomotives (83 in 2018)
 - 248 shunting locomotives (140 in 2018)
- 15 locomotives were purchased (15 in 2018)
- 6,401 locomotives underwent current repairs (4,815.5 electric locomotives and 1,588.5 diesel locomotives), including 315.5 locomotives that underwent current repairs of Level 3. In 2018, 7,468.5 locomotives underwent current repairs (5,762 electric locomotives and 1,696.5 diesel locomotives), including 373 locomotives that had the level 3 repairs
- 77 locomotives had overhauls at plants to a total of UAH 888,962,500 excl. VAT (115 locomotives for UAH 914,424,600 excl. VAT in 2018)
- 3,470 wheelsets were repaired (2,481 in depots, 891 at plants, and 98 by other enterprises). In 2018, 3,925 wheelsets were repaired (2,658 in depots, 1,123 at plants, and 144 by other enterprises).

In 2019, the total capital investments by the Company's regional branches amounted to

UAH 2,929,865,000 (VAT excluded). Ukrzaliznytsia spent UAH 16,465,000 (VAT excluded), or 68.8% of its target, on capital construction, UAH 32,986,000 (VAT excluded), or 72.3% of its target, on mechanisms and equipment, and UAH 22,786,000 (VAT excluded), or 112.2% of its target, on other non-current tangible assets.

ROUNDHOUSE SERVICING

In 2019, the Locomotive Facility spent UAH 1,557.9 million, or 66.6% of its target, on repairs of fixed assets in depots. Here is the cost breakdown by type of work:

- Overhaul of railway cranes: one crane was repaired for UAH 0.85 million (target: overhaul of three cranes for UAH 4.5 million);
- Current repairs of rolling stock: UAH 1,437.1 million (68.4% of the target), including:
 - 4,937 electric locomotives (97.5% of the target), with 73% of allocated funds utilised and the average actual cost of the current repairs reduced by 25.2% against the target
 - 1,588.5 diesel locomotives (101.5% of the target), with 61.4% of allocated funds utilised and the average actual cost of the current repairs reduced by 39.6% against the target.

Repairs of other rolling stock in 2019:

- 10 rail buses (47.6% of the target), budget variance: UAH 9.78 million
- 12 railway cranes (46.2% of the target)
- 4 locomotives (100% of the target), with UAH 0.11 million left
- 1 diesel train was repaired for UAH 0.33 million (target: repair of three trains for UAH 0.31 million)
- 1 unit of other rolling stock was repaired for UAH 0.15 million (target: repairs of four units for UAH 0.55 million).

Ukrzaliznytsia spent UAH 26.3 million (29.1% of its target) on equipment repairs and UAH 93.7 million (65.9% of its target) on other repairs (buildings, structures, etc.).

In 2019, 68 locomotives had overhauls, service life extension and partial modernisation of line equipment at locomotive repair plants to a total amount of UAH 820 million (VAT excluded).

In Q1 2019, Ukrzaliznytsia received 15 TE33AC diesel locomotives under a financial leasing agreement with Ukreximbank and thus spent UAH 1,833.5 million (VAT excluded). The operation of American locomotives has shown that they are significantly more effective than the locomotives the Company currently uses. In particular, the average daily mileage has increased by 23%, average daily productivity has soared by 50%, and the technical availability of locomotives has gone up by 25%. At the same time, maintenance and repair costs, as well as fuel consumption have significantly reduced (by 80% and 22.3%, respectively).

In 2019, Ukrzaliznytsia developed, approved and implemented quarterly Locomotive Fleet Rehabilitation Programmes to ensure the use of fully operational rolling stock. As part of these Programmes, the Company restored **137.5 locomotives** that had been idle for a long time due to the holdup of spare parts and line equipment.



PLANS FOR 2020 AND A MEDIUM TERM:

1. Purchase maintenance equipment for TE33AC mainline locomotives.
2. Overhaul 114 locomotives, including overhauls, service life extension and partial modernisation of line equipment on 28 electric locomotives and 64 diesel locomotives.
3. Make 5,196 current repairs in depots: 3,751 repairs of electric locomotives and 1,445 repairs of diesel locomotives.
4. Develop a train e-routing system based on satellite navigation, fuel consumption control, digital electricity meters, and automatic identification of locomotive crews (through RFID cards).
5. Upgrade locomotive control cabs.
6. Upgrade locomotives by installing CCTV systems.
7. Introduce energy-saving technologies and equipment (equip electric locomotives with digital electricity meters, regenerative braking systems, install modern rectifiers, and adjust LED lighting; equip diesel locomotives with coolant heaters, electronic diesel fuel supply systems, and fuel management systems).
8. Deploy traffic safety technologies.
9. Complete the reconstruction of the central heating system at Hrebinka locomotive depot.
10. Reconstruct standalone gas heating at Znamianka locomotive depot (Stage 3 and Stage 4, heating of workshops).
11. Purchase a CNC underfloor wheel lathe for reconditioning wheelsets without dismantlement at Mukachevo locomotive depot.
12. Purchase rail drop tables, machine tool equipment, welding equipment, compressor and testing equipment for locomotive depots; purchase and/or manufacture stands, devices, and other technological equipment.
13. Purchase equipment for chemical laboratories in depots.

RAIL CAR FACILITY

The Rail Car Facility plays an important role in the railway transportation by keeping the car fleet in order and ensuring the traffic safety. Ukrzaliznytsia's Rail Car Facility makes roundhouse servicing, repairs, overhauls, and en-route maintenance of freight cars and prepares the cars for loading.

REPAIR AND RESTORATION OF THE FREIGHT CAR FLEET

In a move to renew the car fleet on an ongoing basis, Ukrzaliznytsia built 21 freight cars (20 gondola cars and 1 grain hopper) at its production facilities at its own expense in 2019.

FREIGHT CARS BUILT IN 2019

Car type	Quantity	Car repairing facility
Gondola cars	7	Paniutyn Car Repair Plant
	1	Darnytskyi Car Repair Plant
	12	Stryi Car-Repair Plant
Grain hoppers	1	Paniutyn Car Repair Plant
Total	21	Ukrzaliznytsia branches

In 2018, Paniutyn Car Repair Plant developed and started manufacturing 12-9911-01 solid-bottom gondola cars. It produced 714 gondola cars of this model (707 in 2018 and 7 in 2019). Throughout 2019, the Company channelled as much funds as possible into scheduled repairs of 34,471 freight cars in depots and plants of the Rail Car Facility, in particular:

- 18,961 Ukrzaliznytsia cars (against the target of 18,263);
- 15,510 cars of other industrial enterprises (including 5,834 overhauls and 9,676 roundhouse repairs).

Car repair plants purchased and put into operation more than 480 types of mechanisms and technological equipment to a total of UAH 52,668,000.

In 2019, the Rail Car Facility completed the development, prototype building, testing, production, and certification of a 19-6938 grain hopper. It built one prototype, added the model to the electronic directory, assigned it an eight-digit network number, and sent it running throughout the CIS countries. Currently, the production site is being equipped for the serial construction of 19-6938 cars.

Ukrzaliznytsia built **21** freight cars at its production facilities at its own expense in 2019.

In 2019, Ukrzaliznytsia channelled **UAH 28,575,000** (VAT excluded) into the manufacture of freight cars and **UAH 1,438,761,000** (VAT excluded) into the modernisation and overhaul of 8,273 freight cars. In total, the Rail Car Facility spent **UAH 1,323,911,000** of the capital investments.

ENGINEERING AND TECHNICAL SUPPORT

Engineering and technical support directly contributes to the increase of Ukrzaliznytsia's efficiency. The purpose of the Engineering Facility is to implement advanced technological solutions and develop technologies, standards and regulations that meet the imperatives of our time. Furthermore, improving the reliability of railway tracks and structures to ensure safe and uninterrupted train movement is another important objective of the Company's Engineering Facility.

Over the course of 2019, the Company carried out works in line with its Corporate Standard 05-001:2019 "Railway transport infrastructure. Procedures for development of specifications, approval of design documentation, and establishment of construction readiness".

In 2019, Ukrzaliznytsia established a permanent commission that considered the following issues:

- Reconstruction and retrofit of access tracks or construction (adjacency) of customer's new access tracks to Ukrzaliznytsia's tracks or to the access tracks of another owner;
- new construction by the customers of railway crossings, temporary crossings, overpasses, tunnels, second tracks, stations, and crossing loops.

In the reporting period, the Company's commission held ten meetings to consider 68 requests and make respective decisions. In the end, it issued:

- 15 permits to regional branches for the initial inspection of infrastructure sites to provide specifications for the connection or reconstruction of approaching lines;
- 10 permits for the inspection of the operational readiness of construction (reconstruction) projects;
- 12 specifications to clients;
- 1 certificate confirming the operational readiness of an infrastructure project in compliance with the design documentation, standards, norms, operation and maintenance rules of Ukrainian railways and the capacity to operate railway rolling stock."

In the reporting period, works were underway at **142 sites** according to the technical specifications, resulting in the issue of **99 commissioning certificates**.

In 2019, Ukrzaliznytsia's regional branches set up 567 commissions:

- 460 commissions issued technical specifications:
 - 116 commissions for the construction (reconstruction) of the approaching lines and track infrastructure at the stations;
 - 142 commissions for the installation (modernisation) of

railway scales and the construction (reconstruction) of other equipment of the Commercial Facility;

- 169 commissions for localisation of intersections between railways and non-transport communications;
- 33 other commissions.
- 107 commissions verified the compliance of newly constructed and reconstructed facilities with specifications, design documentation, standards, norms, rules, as well as with the operation and maintenance rules of Ukrainian railways.

INCREASING THE THROUGHPUT

In 2019, the Company continued increasing the capacity of the Zaporizhia - Polohy - Komysh-Zoria - Volnovakha - Mariupol route. Primary activities included the reconstruction of sections, construction and reconstruction of platforms and duty rooms at crossings and checkpoints, construction of new tracks, repairs of tracks, installation of signalling, interlocking and communication devices, installation of external lighting and energy supply devices, replacement of overhead communication lines with fibre optic cables, and the laying of fibre protection tubes.

Ukrzaliznytsia invested **UAH 158 million, incl. VAT**, in its efforts to boost the capacity of the Zaporizhia - Polohy - Komysh-Zoria - Volnovakha - Mariupol route.

The results delivered in 2019:

- Complete reconstruction of the Komysh-Zoria - Volnovakha section: the traffic was supported by the second line constructed at the section between Zachativska and Khlivodarivka stations through the 393 km Crossing;
- Reconstruction and installation of five switches at stations and a crossing;
- Replacement of panels at two crossing;
- Construction of two platforms at a halt station and a crossing;
- Retrofit of signalling, interlocking, and communication systems and installation of unidirectional double-track semi-automatic locking at the Zachativska - 393 km Crossing - Khlivodarivka section;
- Connection of switchers at the Khlivodarivka and Zachativska stations to the key interlocking system;
- Reconstruction of signalling and interlocking equipment at crossings;
- Reconstruction of a duty room serving the 400 km Crossing and the adjacent territory.

ENSURING ACCESSIBILITY FOR PEOPLE WITH DISABILITIES

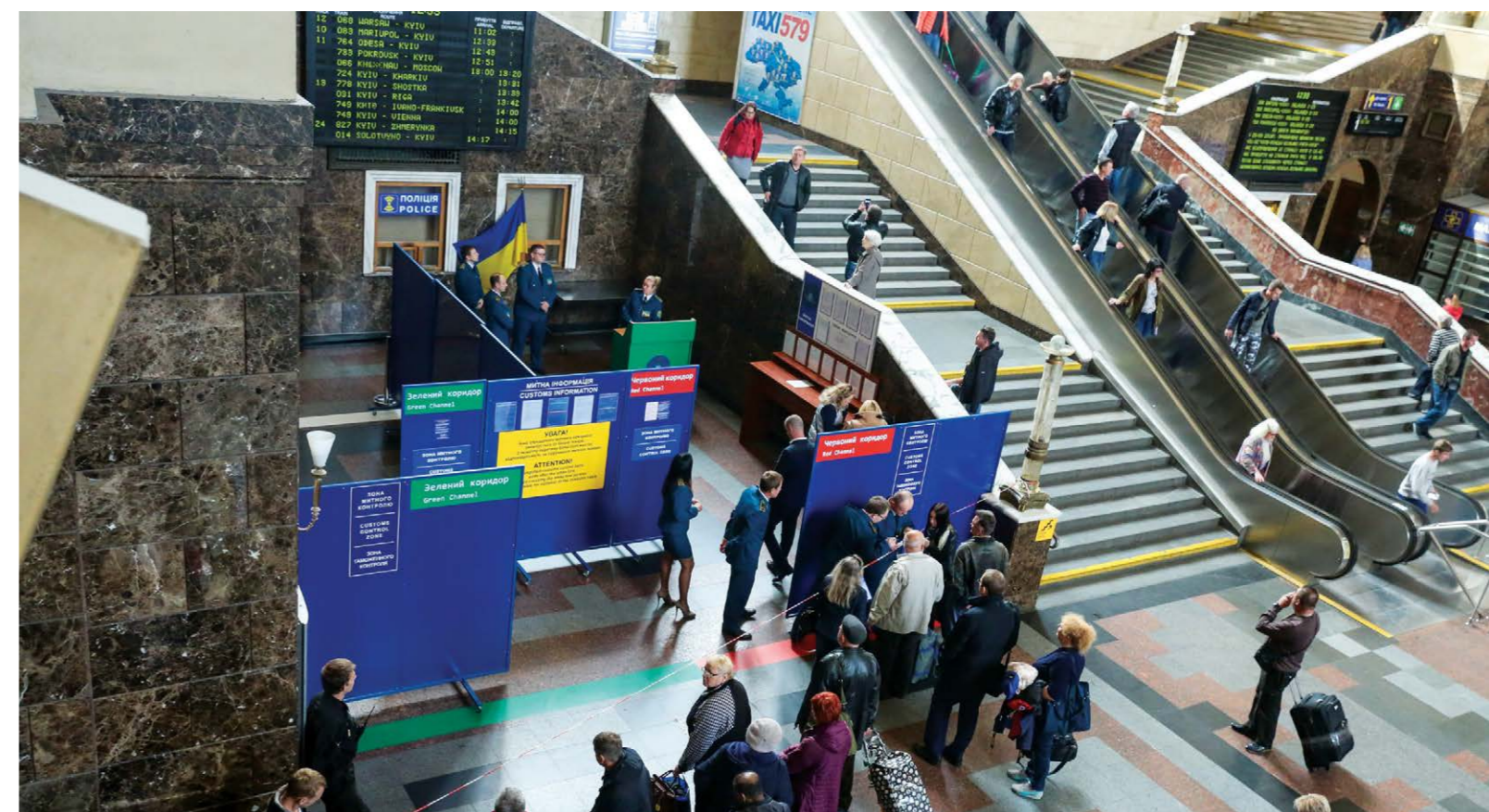
In the reporting period, Ukrzaliznytsia undertook measures to ensure the accessibility of its railway transport and infrastructure for people with disabilities.

In total, Ukrzaliznytsia completed 100 measures worth UAH 25.8 million in 2019, including:

- Installation of 26 ramps at passenger platforms, train station entrances and office buildings – UAH 1,312,240;
- Installation of 3 ramps at passenger buildings – UAH 30,500;
- Arrangement of 3 accessible lavatories – UAH 120,840;
- Arrangement of accessible leisure areas – UAH 159,160;
- Arrangement of tactile paving at 7 passenger platforms – UAH 851,500;
- Installation of handrails in lavatories, on the stairs, and a ramp at 7 stations – UAH 51,270;
- Installation and marking of 8 staff call buttons at 6 stations and 6 administrative buildings – UAH 8,210;
- Renovation and installation of icons, location maps, navigation signs, information stands, and Braille signs (15 in total) for visually impaired people at 28 stations and 4 administrative buildings – UAH 58,220;
- Installation of 3 audible signage devices to assist visually impaired persons at the entrances to train stations – UAH 7,500;
- Arrangement of 3 accessible kerb ramps to access platform – UAH 48,020;

Working towards its Plan to Ensure Accessibility of Ukrzaliznytsia's Railway Transport and Infrastructure for People with Disabilities in 2019-2023, the Company completed 90 measures worth **UAH 24.9 million**. Five measures are in the pipeline.

- Restoration of yellow warning lines on the edges of platforms and the contrasting marking stripes on stairs for visually impaired persons at 28 stations – UAH 182,530;
- Equipment of stairs with anti-slip tape in 2 administrative buildings – UAH 3,300;
- Repair of technological crossings and decorative paving at Kyiv Pasazhyrsky Station, arrangement of tactile stripes at the first platform of the station – UAH 713,000.



ROLLING STOCK UPGRADE

In 2019, Ukrzaliznytsia upgraded 19,160 rolling stock units to the total amount of UAH 6,059.09 million.

In the reporting period, the Company:

- Received 15 TE33AC mainline locomotives under a financial leasing agreement Ukreximbank and disbursed UAH 1,833.54 million;
- Modernised, overhauled, and extended the service life of 69 locomotives for UAH 833 million and completed overhauls of 9 locomotives at UAH 74.7 million;
- Purchased 18 passenger cars worth UAH 421.64 million;

- Overhauled 29 passenger cars at UAH 304.94 million;
- Manufactured 21 freight cars worth UAH 30.53 million at car repair plants;
- Reoaired 18,961 freight cars to a total of UAH 2,036.23, including overhauls and roundhouse servicing of 8,312 freight cars (UAH 1,467.27 million);
- Purchased a DTKr-3 diesel train produced by Kriukiv Rail Car Building Works at UAH 150.7 million;
- Overhauled, upgraded and extended the service life of 37 electric trains at UAH 373.81 million



PLANS FOR 2020 AND A MEDIUM TERM

- Continue working in line with Corporate Standard 05-001:2019;
- Meet the schedule to equip Ukrzaliznytsia's railway stations and halt platforms with elevator decks for the boarding/d disembarking of wheelchairs passengers and other low-mobility population groups, as well as with tactile, visual, and other accessibility aids including audible signage in 2020-2023 following the plan's approval by Ukrzaliznytsia's administrative order.



INFORMATION TECHNOLOGIES

Information technologies at Ukrzaliznytsia ensure continuous information support to the transportation processes, management decision making, and customer service



IT RESOURCES OF UKRZALIZNYTSIA IN 2019:

- 22 hardware and software systems of Ukrzaliznytsia and regional branches
- 1,600+ functional servers
- 50,000+ workstations (PC)
- 10,000+ data transmission and LAN devices (routers, switches, etc.)
- About 150 centralised automated systems
- 22,000 users of EKIP UZ corporate web portal
- 32,500 corporate email subscribers (31,500 in 2018)
- Ukrzaliznytsia's key certification centre was accredited.



HIGHLIGHTS 2019:

1. We sold 53,355,715 tickets for long-distance passenger trains, including 30,625,157 sold through electronic service channels (booking.uz.gov.ua and a network of agents), up from 27,998,033 in 2018.
2. We issued 1,061,500 electronic transport documents for cargo transportation in all directions, including 501,074 e-transport documents in the domestic service. There are 21,301 customers registered in the electronic directory.
3. IS systems detected and localised over 3.5 million information and cyber security incidents (2.5 million in 2018), including 5,200 critical ones.
4. The Key Certification Centre created 32,687 personal digital signature keys.



IMPLEMENTED PROJECTS AND PROGRAMMES

General-purpose IT systems, resource management and decision-making systems

1. The system of distance learning was put into operation.
2. We developed a concept of Ukrzaliznytsia's corporate website.
3. The infrastructure solutions were developed to ensure regular B2B sales in the passenger transportation.
4. Works were underway to implement the geoinformation system.
5. The technical specifications for the automation of HR management processes were developed to implement the HR Management Strategy.
6. Kadry HR management automated system was fine-tuned.
7. The first stage of the concept for centralisation of bookkeeping and tax accounting at Ukrzaliznytsia was implemented:
 - bookkeeping was centralised for the locomotive facility of Southern Railways and the rail transportation directorates at South-Western Railways.
 - pilot operation of the centralised bookkeeping for the locomotive facility of South-Western Railways and procurement departments of all regional branches.
8. Experimental operation of the Reputation automated system was completed, with the system deployed to production environment.
9. In-house electronic tax accounting system, EPO, was piloted.
10. We began developing centralised directories: a classifier of elements of organizational structure and a directory of contractors.
11. A draft concept was developed to ensure continuity of IT services.
12. We adjusted settlement accounts in our automated systems in line with the IBAN standard as prescribed by the National Bank of Ukraine (Resolution No. 162 dated 28 December 2018).
13. An automated management system of inventory and supply management was developed, namely:
 - The software for accounting of centralised procurement of inventories and supplies and automated management of payments for the supply of inventories, works and services was finalised following its pilot operation in the inventory and supply departments of six regional branches.
 - We developed a web service, Supply Stock, for prompt receipt of information on the balance of supplies at a date of download.
 - A separate module for technical audit, pre-control and monitoring of supplies based on the information from the Supply Stock software was developed and put into operation.
14. We started developing an automated system for Ukrzaliznytsia's budget planning, execution, and control:
 - development of the system architecture;
 - preparation of regulatory documents and reference information for the management accounting system;
 - development of software for the system configuration modules.
15. The software and hardware of the Qualified Electronic Signature Key Certification Centre was modernised.

AUTOMATION OF CARGO TRANSPORTATION

1. A software was developed and implemented for conclusion of cargo transportation contracts by customers in the electronic format.
2. A software for organisation, accounting and analysis in the Unified Automated Cargo Transportation Management System was developed to ensure the movement of freight trains according to the agreed timetable.
3. An electronic calendar was developed enabling the customers to order grain routes three months in advance through auctions according to the agreed freight train timetable.
4. A software was developed and implemented for providing the

customers with electronic certificates for services and electronic statements of payment reconciliation.

5. A software was developed and introduced to implement the requirements of the Internal Economic Relations Procedure for the transportation of goods and related services for the operational needs of Ukrzaliznytsia and create initial accounting forms in this area.
6. A software was developed and implemented to calculate and collect penalties from customers with receivables.
7. A software was developed and implemented to make reporting and operational control of the available locomotive fleet.
8. A software was developed and piloted to generate automated

reports on average time of cargo wagon stay at railway stations. This can be done by the Directorate of Cargo Transportation, a regional branch, and Ukrzaliznytsia.

9. A temporary technology was reviewed and approved for automated formation of localised train events in the database of the Unified Automated System of Management of Cargo Transportation at Ukrzaliznytsia on the basis of satellite navigation data. A combined display of information was introduced for the train traffic based on the satellite data, microprocessor systems of dispatch centralisation and control, and manual input.

10. A technology was developed and approved to generate automatically entry/exit operations to/from depots (passing through control posts) using the satellite data. A software for accounting of these operations was developed and implemented in the VP UZ-E automated system. The consistent approaches to the automated accounting of the use of locomotives, the work of locomotive crews and the automated locomotive facility reporting were adopted by all regional branches of Ukrzaliznytsia. The Company introduced a software for calculations in the VP UZ-E control system, refusing from integrated processing of locomotive driver route (IOMM).

11. Technical requirements for satellite navigation equipment for locomotives were developed and approved.

12. A software was introduced to shift the end of the reporting day from 5 pm to 8 pm.

AUTOMATION OF PASSENGER TRANSPORTATION

1. The Company secured the uninterrupted operation of the automated passenger transportation management system, software and hardware for registration of electronic travel and transportation documents, in particular during peak periods for the system (pre-holiday and holiday dates, summer, introduction of a new train schedule). To minimise the load on the central computing complex and increase the speed of response:

- Intel architecture for inquiries from the Z/OS info subsystem migrated to the info subsystem on separate servers
- Creation of certain time-intensive technological certificates was transferred to a web portal.
- An additional web server for booking.uz.gov.ua was put into operation.

2. The technology of registration of electronic special-rate tickets was introduced through the official site of Ukrzaliznytsia with online validation of documents entitling to reduced-fares during the inter-system interaction with the Central Disability Databank of the Ministry of Social Policy.

3. A technology was introduced for online orders of specially equipped cars for wheel-chair passengers.

4. The software and hardware for registration of electronic travel and carriage documents were upgraded in relation to:

- registration of electronic travel documents for all Ukrzaliznytsia's Ukraine-Poland trains
- sales of travel documents 60 days before departure
- automated recalculation of the travel document cost upon return of one of the two reduced-fare tickets
- orders of the lunch service
- records of "without air conditioning" attributes kept using automated workplaces "Trains" and "Seats"

• update and preparation of financial reports on sold/returned electronic travel documents or travel/transit documents in a virtual ticket office of Donetsk Railways.

• introduction of a new attribute (reduced fare) for the carriage of persons in custody.

• software was updated to make changes to the Rules for the Carriage of Passengers, Luggage, Cargo, and Mail by Rail in Ukraine.

PHYSICAL IT INFRASTRUCTURE

1. We made a centralised purchase of computer equipment for the needs of the structural subdivisions of Ukrzaliznytsia. In total, we bought 2,733 units, in particular 1,168 for the affiliates, 239 for Prydniprovye Railways, 201 for Southern Railways, 200 for Odessa Railways, 168 for Donetsk Railways, 33 for Lviv Railways, and 424 for South-Western Railways.

2. We purchased server equipment to launch info-analytical systems, HR management system and expand passenger transportation system functionality at the platform of the Main Informational Computing Centre. We also bought server equipment components for the modernisation of servers and disk storage facilities located at the Centre's sites.

3. A test platform was unfolded at the computing facilities of the Main Informational Computing Centre to study possible migration of Ukrzaliznytsia's Unified Automated Freight Transportation Management System from the IBM platform to another software and hardware platform.

4. As part of the scheduled upgrade of the Ukrzaliznytsia Unified Data Network and in a move to introduce modern information and communication technologies that require an increase in the speed of information exchange, we bought main data transmission network units to modernise and replace active equipment, in particular: 249 fixed assets and 1,354 low-cost non-current assets.

5. We bought software and hardware and started implementing a centralised monitoring system for the data transmission network based on the Solarwinds Orion.

INFORMATION SECURITY

1. 670 licenses of Symantec Endpoint Protection antivirus software were purchased and activated.

2. 32,500 licenses of Eset Endpoint Protection Advanced antivirus software were purchased and activated.





PLANS FOR 2020 AND A MEDIUM TERM

1. Develop and implement IT Development Strategy:
 - Develop and approve the IT Development Strategy
 - Develop unified IT standards and policies
 - Start introducing the project management and IT project management approaches
 - Optimise the number of IT staff members by eliminating duplicate IT functions.
2. General-purpose IT systems, resource management and decision-making systems
 - Continue introducing the centralised book-keeping and tax accounting at the department level of the regional branches
 - Develop and pilot Ukrzaliznytsia's automated budget planning, execution and control system:
 - budgeting personnel costs;
 - budgeting revenues;
 - making the energy budget;
 - making the repair and maintenance budget;
 - budgeting other fixed costs;
 - budgeting revenues and expenditures.
 - Put into operation centralised directories for the organisational structure, contractors, revenues and expenses, liabilities
 - Develop and implement websites in the areas of Ukrzaliznytsia operations: passenger and cargo transportation, electricity distribution system operator
 - Develop and implement personal accounts for website users
 - Introduce the first stage of the geoinformation system
 - Make procurements and start introducing a treasury management system
 - Start introducing a centralised Service Desk for customer support
3. Automation of cargo transportation:
 - Continue the further development of Ukrzaliznytsia's Unified Automated Cargo Transportation Management System and digital transformation of the Cargo Transportation and Logistics business vertical, in particular:
 - create a system managing e-contracts for the operation of access tracks, for the supply/ removal of cars, and written agreements;
 - develop the software for cargo transportation involving private locomotives to run on separate public lines;
 - develop the software for the implementation of the cargo transportation technologies where cargo is carried under agreed terms and in agreed volumes;
 - create an automated subsystem for information exchange with other carriers, ports, customs, and other administrative authorities.
 - Begin implementation of electronic routes for the locomotive drivers
 - Create an automated subsystem for complaint handling and claim settlement in relation to unsafeguarded carriages, delays in international delivery of goods under the agreement on international railway freight service, as well as claims related to the transportation under the agreement of the first International Convention for the International Carriage of Goods by Rail (CMR) and against waybills;
 - Develop Ukrzaliznytsia unified automated cargo transportation management system;
 - Expand automated accounting of cargo wagon components, in particular the braking parts (the main and primary parts of the air distributor, automatic mode, auto regulators, solebars and freight truck bolsters).
 - Develop and implement a database of acceptable products (axles and wheels of solid cargo cars at the first stage).
 - Implement automatic control of train delays in the VP UZ-E control system with the entry of information about delay causes and equipment failures.
 - Begin the automated compilation of a standard train timetable.
4. Automation of passenger transportation:
 - Ensure further development of the software for the automated passenger transportation management system and the software and hardware for the design of electronic travel and transportation documents, including:
 - automate the technology of passenger transportation account settlements with foreign railways in accordance with current international regulations
 - start developing a Waiting List, a system of electronic queue management
 - develop mobile apps for selling e-tickets and travel documents,
 - develop and launch messenger bots for passengers,
 - develop the Android-powered software for validation of e-tickets and travel documents.
5. IT infrastructure and IT services:
 - Start creating a fault-tolerant service platform based on the Private Cloud infrastructure model using the central server of the Main Informational Computing Centre
 - Centralise procurements of computer equipment for job automation and replace outdated computer equipment.



INVENTORY AND SUPPLY MANAGEMENT

The supply management is key to the timeliness, rhythm, quality, and efficiency of the transportation. Sufficient resources are among factors improving the efficiency of railway transport. The smooth operation of railways requires the effective and efficient operation of a supply vertical, which meets the Company's goals and objectives.

In 2019, Ukrzaliznytsia developed and approved its Procurement Strategy 2019-2021. According to the document, the Company implements a number of strategic initiatives and is coordinating a new organisational structure for the supply and procurement vertical.

Tenders for the procurement of goods, works and services for Ukrzaliznytsia in 2019:

- 7,245 tenders took place;
- 6,017 tenders did not take place;
- 1,220 tenders were cancelled;
- 151 tenders were stopped by challenge.

In the reporting period, the Company successfully followed the procurement procedures to buy bedding sets totalling UAH 10.3 million under a framework agreement.

With our well-considered policy, we made significant savings of fuels and lubricants: UAH 33 million on lubricants and UAH 130 million on diesel. Generally, we have a portfolio of fuel and lubricant supply contracts that enables us to make necessary stock.

In 2019, the Company also developed and agreed with the market players a new draft framework agreement for 2020 to purchase diesel fuel at formula prices. This agreement published on the ProZorro e-procurement platform is intended to improve competition and increase cost savings significantly.

ANALYSIS OF UKRZALIZNYTSIA'S SUPPLY MANAGEMENT PLAN COMPLETION, 2017-2019, UAH MILLION, INCL. VAT

Inventory	2017			2018			2019		
	Target	Fact	%	Target	Fact	%	Target	Fact	%
Total:	24,282	20,023	83	23,224	22,483	97	24,698	16,564	67
MATERIALS, including:	15,106	11,652	77	13,002	11,419	88	12,539	6,646	53
Spare parts	3,708	3,028	82	3,150	2,600	83	3,231	1,791	55
Materials	4,503	3,377	75	3,860	3,310	86	3,144	1,595	51
Food	174	75	43	110	74	67	219	128	59
Equipment	1,210	1,049	87	1,218	1,034	85	1,227	699	57
Track structure materials	5,019	3,615	72	4,233	3,857	91	4,099	1,909	47
Oils and lubricants	492	508	103	431	544	126	619	524	85
FUEL	9,176	8,371	91	10,222	11,064	108	12,159	9,918	82

The table below shows a breakdown of cost estimates and actual expenses incurred over the last three years by structural subdivisions.

COMPLETION OF PLANS FOR OTHER SERVICE PROCUREMENTS AT UKRZALIZNYTSIA, 2017-2019, UAH ('000), INCL. VAT

Ukrzaliznytsia's structural subdivision	2017		2018		2019	
	target	fact	target	fact	target	fact
Donetsk Railways	122,850	31,572	60,085	33,449	139,830	34,997
Lviv Railways	266,389	63,822	139,915	54,206	126,897	48,555
Odessa Railways	412,875	76,951	232,819	116,890 ¹²	258,493	81,969
Southern Railways	271,275	80,101	237,528	90,326	127,525	71,405
South-Western Railways	289,608	128,214	230,613	77,192	260,407	73,350
Prydniprovye Railways	262,670	93,269	159,018	90,563 ¹³	215,102	82,031
Other affiliates	1,697,923	813,707	1,510,684	1,107,722	2,086,356	1,067,385



PLANS FOR 2020 AND A MEDIUM TERM

1. Conclude long-term contracts for critical supplies: brake pads, rails, tires, and cast wheels. This will help streamline the supply and pricing of the critical supplies for a long term.
2. Continue the automation of procurements of materials and services (without repairs) purchased from the third parties under the Other Procurements category.
3. Purchase diesel fuel under a framework agreement.

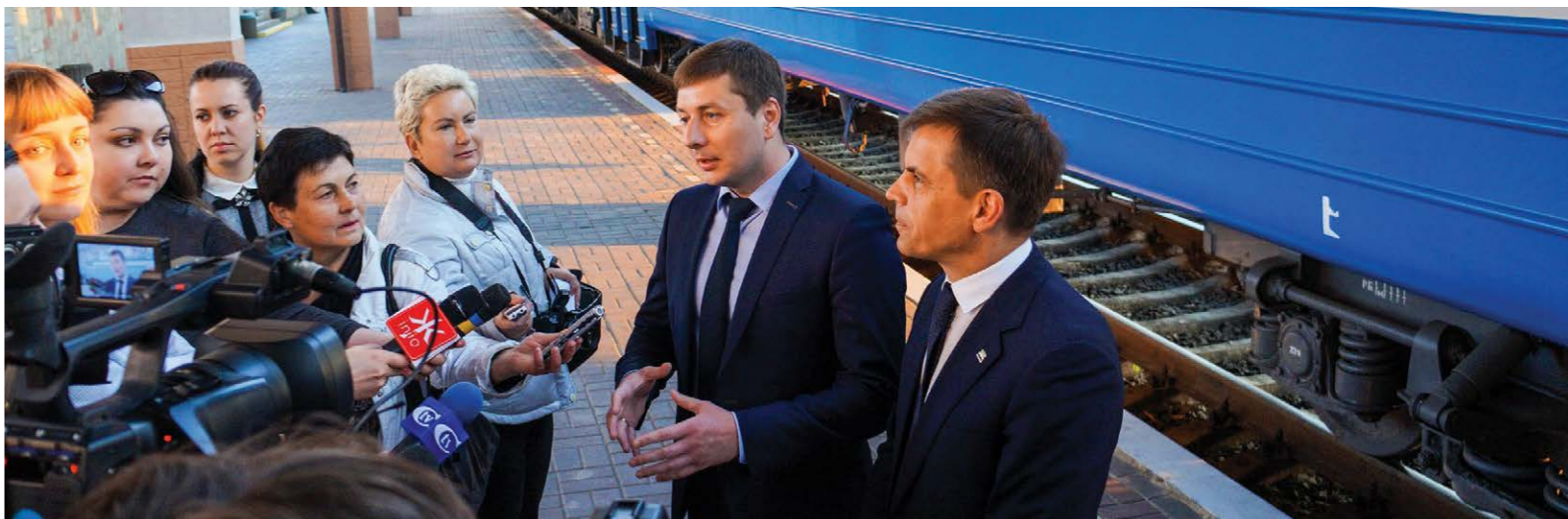


INVESTMENT ACTIVITIES



Investing is an important area of the Company's operations. Ukrzaliznytsia uses its own resources and funds raised from other sources, including international financial institutions, to replenish fixed assets and implement infrastructure projects. The key financial partners of the Company include the European Bank for Reconstruction and Development, the European Investment Bank, and the World Bank. For instance, on 10 September 2019, Rail Capital Markets PLC, Ukrzaliznytsia, and EBRD signed a framework agreement to raise loans of up to \$100 million (through loan participation notes (LPN)) for the infrastructure upgrade. The funds will be used to restore priority rail lines, mainly the Trans-European Transport Network corridors (TEN-T) within Ukraine. Specifically, the Company will spend \$70 million on supplies for the track overhaul and \$30 million on automation and telecommunications technologies.

CAPITAL INVESTMENTS BY KEY AREA, 2017-2019						
Area of capital investment	2017 fact	2017 fact ¹²	2019			2019 against 2018, %
			target	fact	Implementation against target	
	UAH million				%	
Capital construction, including	2,405.3	4,282.7	6,521.1	1,912.8	29.3	44.7
track reconstruction	844.0	2,006.4	2,065.0	1,024.0	49.6	51.0
Acquisition of fixed assets, including	3,891.0	6,302.0	4,418.4	3,016.2	68.3	47.9
rolling stock	3,357.9	5,571.5	3,912.4	2,447.0	62.5	43.9
other fixed assets	533.1	730.5	506.0	569.2	112.5	77.9
Acquisition of non-current tangible assets	262.0	330.3	329.3	366.2	111.2	110.9
Acquisition of intangible assets	69.7	164.1	148.8	60.0	40.3	36.6
Modernisation of fixed assets, including	2,461.5	3,390.6	4,881.1	3,297.0	67.6	97.2
modernisation of rolling stock	2,171.4	2,887.6	4,425.1	2,902.2	65.6	100.5
modernisation of other fixed assets	290.1	503.0	456.0	394.8	86.6	78.5
Overhaul, including	1,814.6	2,443.1	1,951.4	2,044.9	104.8	83.7
overhaul of rolling stock	651.5	962.6	546.6	1,116.5	204.3	116.0
overhaul of buildings and structures	1,079.3	1,400.0	1,082.3	845.5	78.1	60.4
overhaul of other fixed assets	83.8	80.5	322.5	82.9	25.7	103.0
Total	10,904.1	16,912.8	18,250.1	10,697.1	58.6	63.3



ROLLING STOCK UPGRADE IN 2019

Type of rolling stock	Purchased/manufactured		Modernisation		Overhaul	
	quantity	UAH million	quantity	UAH million	quantity	UAH million
Freight cars, including	21	28.6	7,058	1,151.5	1,215	287.3
purchased	–	–	–	–	–	–
manufactured	21	28.6	–	–	–	–
Passenger cars	18	434.2	29	405.0	587	433.8
Traction vehicles	15	1,833.5	68	910.1	10	149.2
Multiple-unit rolling stock (diesel trains)	1	150.7	33	379.6	58	116.0
Track machines and other rolling stock	–	–	17	56.0	94	130.2
Total		2,447.0		2,902.2		1,116.5

PRIORITY INVESTMENT AREAS IN 2019:

- Upgrade of the rolling stock fleet
- Capital construction.

UPGRADE OF THE ROLLING STOCK FLEET

In 2019, the Company worked intensively to upgrade the rolling stock, having spent UAH 2,447 million on the purchase and manufacture of the rolling stock, UAH 2,902.2 million on the modernisation, and UAH 1,116.5 million on overhauls.

UPGRADE OF THE TRACTION FLEET

Ukrzaliznytsia's traction vehicles (electric and diesel locomotives) require substantial renovation. Throughout 2019, the Company widely cooperated with potential electric locomotive suppliers. Global companies, Alstom Transport SA (France), CRRC Datong CO., LTD (China), Bombardier Transportation GmbH (Germany/Canada), and Siemens AG (Germany), will participate in a tender of potential suppliers. The project will help add modern and powerful electric locomotives to Ukrzaliznytsia's fleet. DB Consulting & Engineering GmbH will ensure transparent and non-discriminatory selection. In 2019, Ukrzaliznytsia received 15 more new TE33AC locomotives manufactured by General Electric Company. Now, our fleet includes 30 locomotives of this type. Single-section TE33AC diesel locomotives account for almost a third of the freight transportation by diesel trains.

UPGRADE OF THE PASSENGER CAR FLEET

In 2019, the Company invested in the purchases and overhauls of passenger cars to replace obsolete facilities, reduce the maintenance and repair costs, and improve the comfort and safety of passengers.

CAPITAL CONSTRUCTION

In 2019, Ukrzaliznytsia completed capital construction works to a total of UAH 1,912.8 million. The funds were used for:

- the reconstruction of rail tracks, switchers, artificial structures, and trackbed: UAH 1,198.8 million;
- the construction of temporary checkpoints and service areas for motor vehicles in Kalanchak and Chonhar on the administrative border between Kherson Oblast and the temporarily occupied territory of the Autonomous Republic of Crimea: UAH 93.1 million;
- the reconstruction of a railway section from Vilcha station to Yaniv station in an exclusion zone of Ivankiv Raion in Kyiv Oblast: UAH 39.1 million;
- the reconstruction of the signalling and interlocking system at Koziatyn station: UAH 14.1 million.



KEY AND PRIORITY INVESTMENT PROJECTS

UPGRADE OF THE LOCOMOTIVE FLEET

IMPLEMENTATION PERIOD: 2018-2019.

INVESTMENT: about \$140 million as of the end of 2019.

PROJECT OBJECTIVES: Purchase of new locomotives for the upgrade of Ukrzaliznytsia's fleet.

2019 RESULTS: 15 new TE33AC locomotives.

PILOT REFORMS OF SUBURBAN TRANSPORTATION IN ZAPORIZHIA AND DNIPROPETROVSK OBLASTS

IMPLEMENTATION PERIOD: 2018-2023.

INVESTMENT: about €150 million.

2019 RESULTS: The first stage of the project was complete. We made a feasibility study that resulted in a list of technical solutions and a financial and economic model. The second stage, including the development of organisational and legal documents, started in December 2019.

2020 GOALS: We plan to start implementation in 2020-2021. This stage will take one to three years, depending on the results of the feasibility study and the proposed organisational and legal model.



UPGRADE OF THE ELECTRIC LOCOMOTIVE FLEET

IMPLEMENTATION PERIOD: In 2020, the Company plans to select a producer of electric locomotives and expects the first delivery by 2022.

INVESTMENT: €1 billion.

PROJECT OBJECTIVES: Upgrade of Ukrzaliznytsia's locomotive fleet through the purchase of 250 new electric locomotives.

EXPECTED OUTCOME: Higher volumes of rail transportation, efficient and environmentally friendliness.

UPGRADE OF THE DIESEL LOCOMOTIVE FLEET

IMPLEMENTATION PERIOD: 2020-2021.

INVESTMENT: up to \$200 million.

PROJECT OBJECTIVES: Purchase of 40 new diesel locomotives.



ELECTRIFICATION OF THE KOVEL – IZOV – NATIONAL BORDER SECTION

IMPLEMENTATION PERIOD: 2020-2024.

INVESTMENT: \$55.09 million.

PROJECT OBJECTIVES: Electrification of the 94 km long line crossing the EU border.

EXPECTED OUTCOME: Higher freight traffic, non-stop passenger transportation between Ukraine and the European Union, cheaper fuels for freight, passenger and suburban transportation, subsequent fuel and energy savings, and operating cost reduction.

RAIL LINE RECONSTRUCTION AT THE KOVEL – YAHODYN – POLISH ORDER SECTION

IMPLEMENTATION PERIOD: 2021-2024.

INVESTMENT: \$48.1 million.

PROJECT OBJECTIVES: Reconstruction of the 1435-mm line at the section and subsequent electrification.

EXPECTED OUTCOME: Higher train speed at the section, diesel fuel saving, improved environmental situation, and reduced emissions.

ELECTRIFICATION OF THE DOLYNSKA – MYKOLAIV – KOLOSIVKA SECTION

IMPLEMENTATION PERIOD: In 2020, the Company plans to select a contractor and start works under the project. The procurements under the project are in line with the EIB and EBRD rules

INVESTMENT: The total project cost is about €367 million.

PROJECT OBJECTIVES: Under the joint project with the EBRD and the EIB, the electrification of the Dolynska – Mykolaiv – Kolosivka rail section (253 km) requires the construction of a second track, as well as the electrification and modernisation of the signalling, interlocking and communication systems at the section.

EXPECTED OUTCOME: The project will boost the capacity of the Dolynska – Mykolaiv – Kolosivka section, facilitate the transportation of goods to Mykolaiv and Odessa ports, increase the train speed by 20-25%, and significantly reduce the operational costs through better train traffic management and energy saving.



IMPROVING THE RAILWAY STATION MANAGEMENT

Ukrzaliznytsia has taken the first steps to initiate a railway station concession project in cooperation with the Ministry of Infrastructure of Ukraine, the Ministry of Development of Economy, Trade and Agriculture of Ukraine, and international financial institutions, including the International Finance Corporation. Jointly with the Ministry of Infrastructure of Ukraine, the Company made a preliminary list of seven railway stations which could be pilot sites for modernisation (reconstruction) through the public-private partnership (PPP) mechanisms, including concessions. These are terminals in Kyiv, Kharkiv, Dnipro, Vinnytsia, Khmelnytsky, Mykolaiv, and Chop.

To assess the feasibility of the project for these stations, the Company is conducting a Project Readiness Assessment, taking advantage of the free technical assistance provided by the Global Infrastructure Facility (GIF). The final list of the stations will take into account the findings and recommendations of the Project Readiness Assessment.

Ukrzaliznytsia plans to hold tenders to select private partners for these PPP projects and enter into agreements with the winners in 2020-2022.

The project will transform the stations into modern transportation hubs, which will bolster the business development and improve the passenger service quality.

INTERNATIONAL COOPERATION

To unleash the full transit potential and improve passenger and freight traffic on the international routes, Ukrzaliznytsia widely cooperates with international rail organisations.

We are a member of the following international organisations, associations and unions:

1. Council for Rail Transport of the Commonwealth Member States (CRT CIS)
2. Organisation for Collaboration between Railways (OSJD)
3. International Rail Transport Committee (CIT)
4. International Union of Railways (UIC)
5. Forum Train Europe (FTE)
6. Community of European Railway and Infrastructure Companies (CER)
7. International Coordinating Council on Trans-Eurasian Transportation (CCTT)
8. South-West Route Coordination Committee
9. Trans-Caspian International Transport Route International Association (TITR Association).

Moreover, Ukrzaliznytsia representatives take part in delegations of the Ministry of Infrastructure of Ukraine working with the Intergovernmental Organisation for International Carriage by Rail (OTIF) and the Inland Transport Committee of United Nations Economic Commission for Europe (UNECE). Following the accession of OSJD member states to the EU, we continued cooperation with the European Union Agency for Railways (ERA) to ensure interaction between 1435 mm and 1520 mm gauge railways.

In 2019, representatives of the Company participated in about 150 meetings of the expert and working groups, governing bodies and operational units of the above organisations to update and agree on 200+ regulatory documents shaping the operational environment, technical and operational conditions, and the legal framework of international rail transportation.

In 2019, the International Union of Railways conducted the first international audit of Ukrzaliznytsia to check the Company's processes for the sale of international train tickets, accounting procedures, settlements with foreign railways, protection and preservation of ticket forms, fraud prevention, IT security and e-data protection.

In 2019, the Department of International Cooperation supported over **300** meetings with foreign delegations held at Ukrzaliznytsia. Nine CEO-level bilateral meetings were held in Ukraine and abroad.

UKRZALIZNYTSIA'S REPRESENTATION ABOARD

Ukrzaliznytsia has representative offices in Poland, the Russian Federation, and Belarus, as well as the Permanent Representative in Moldova and Romania to increase its volumes of cargo and passenger transportation, ensure effective operational communications and negotiations with foreign representatives on attracting additional cargo, inform the leading cargo owners about the cargo transportation opportunities, establish and develop business contacts with all transport market players, and promote the Company's interests.

PARTICIPATION IN BORDER RAIL COMMISSIONS AND MEETINGS

Ukrzaliznytsia takes an active part in the meetings of the Border Rail Commissions to coordinate indicative volumes and conditions of export, import and transit cargo carriage. These meetings are hosted once a year by the participating railway companies on a rotation bases. The meetings agree on the volumes and conditions of transportation, discuss cargo and passenger transportation

issues, and look for ways out. The participants inform one another of any changes in their railways and laws relating to the international carriage of goods by rail. As a result, the meetings sign protocols and agree annual volumes and conditions of transportation. The Border Rail Commissions met five times in 2019. In addition, four meetings took place to agree the approximate volumes and conditions of export, import and transit cargo carriage:

- with the railway companies in Ukraine, the Russian Federation, Serbia, and Hungary;
- with the railway companies in Ukraine, Slovakia, and the Russian Federation;
- with the railway companies in Ukraine, the Republic of Belarus, the Republic of Lithuania, the Russian Federation, Germany, and Poland;
- with the railway companies in Ukraine, the Russian Federation, Moldova, and Romania.

INTERACTION WITH INTERNATIONAL RAILWAY COMPANIES

In 2019, Ukrzaliznytsia worked with Rail Cargo Hungaria Zrt, Hungarian railway company, to develop a new draft agreement on cooperation in international cargo transportation across the Hungarian-Ukrainian National Border. The Company held negotiations with the Belarusian Railways to draft an agreement on the operation of locomotives, multiple units and locomotive brigades and make settlements. Ukrzaliznytsia and CFM, Moldovan railway operator, updated each other on the services provided to passenger and freight trains by locomotives and locomotive crews of Ukrzaliznytsia and CFM at adjacent sections of the Company and Moldovan railways and on the methods of settlements between the companies for the operation of locomotives and locomotive crews as a supplement to the agreement signed between the companies for traction services and settlements for operation of locomotives and locomotive crews at the border crossings of the Moldovan, Odessa, South-Western and Lviv Railways. CFM and Ukrzaliznytsia developed and signed operating procedures for ukrzaliznytsia and Moldovan railways at the border crossings. The document will facilitate operations of the Company's branches at the border with Moldova.

In 2019, Ukrzaliznytsia signed:

- A side agreement on technical improvements of the rolling stock operation for the passenger service between Ukrzaliznytsia and Belarusian Railways.
- Three side agreements to the memorandum of understanding between Ukrzaliznytsia and French Alstom on cooperation to upgrade and maintain Ukrzaliznytsia's electric locomotives fleet.
- A memorandum of understanding between the Ministry of Infrastructure of Ukraine, Ukrzaliznytsia, and Transportation Ukraine LLC on cooperation in 2020.

PROJECT FOR THE CONSTRUCTION OF 1520 MM TRACK ON THE KOSICE – BRATISLAVA – VIENNA ROUTE

PROJECT GOAL: Develop and improve the efficiency of transport and economic relations between Central European and Asian countries. The project envisages the construction of a new northern Silk Road railway route with international cargo terminals (mainly container terminals) in Vienna and Kosice to make a Eurasian freight transport corridor from China to Europe. An important component of the initiative is the construction of a 400 km track of 1520 mm from a border station in Chop via Kosice and Bratislava to Vienna.

KEY OBJECTIVES: Reduce the costs of cargo transportation by eliminating transshipment operations at border stations, dispensing with more expensive wagons with variable gauge wheelsets, and improving cargo logistics between European and Asian countries by using the lines of the member states.

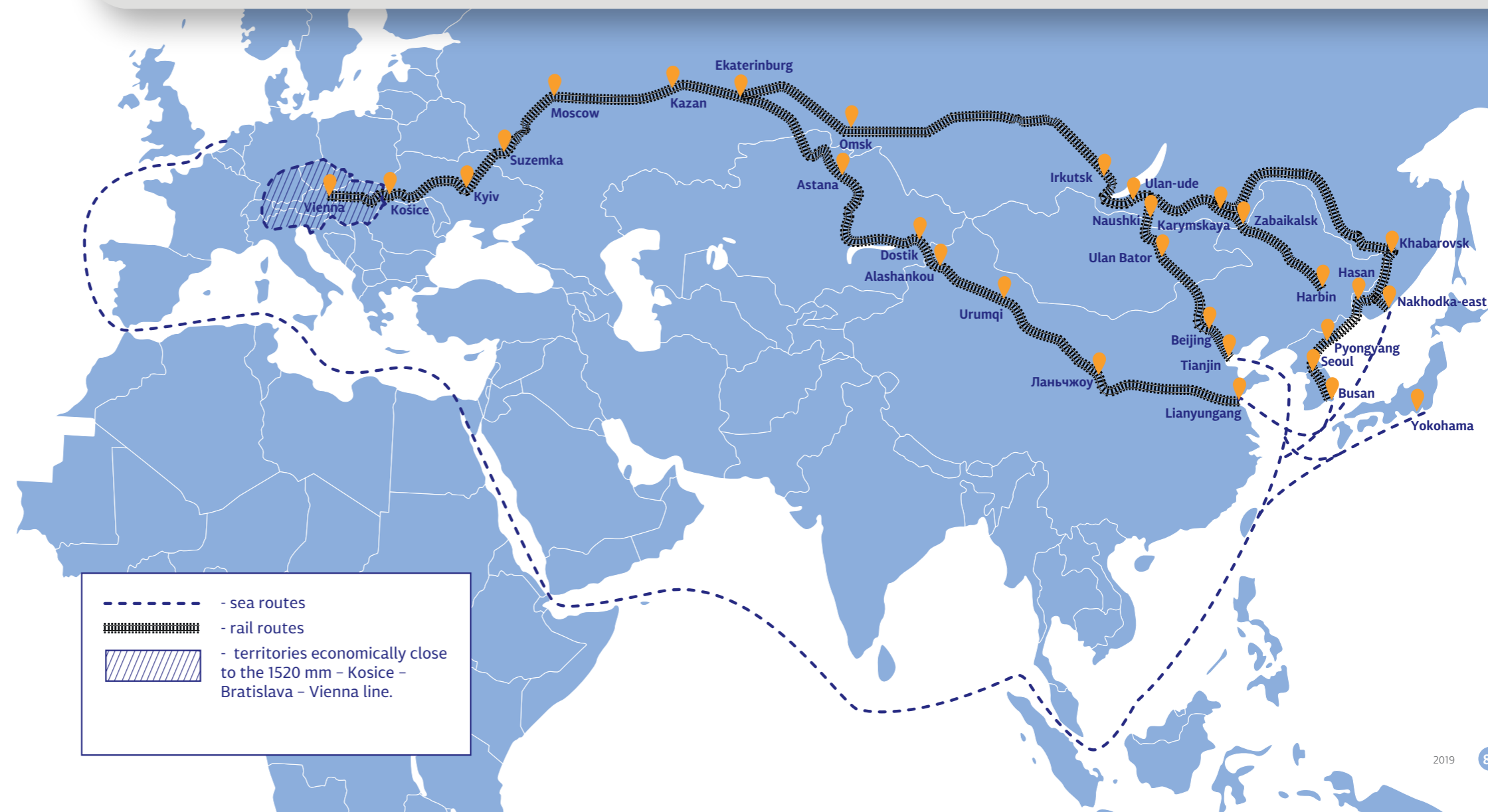
EXPECTED RESULTS: The project should become a competitor for the container carriage by sea between China and Europe, in particular for the ports and logistics hubs in Rotterdam and Hamburg. It will reduce the average container delivery time between China and Europe from 35 days by sea to 12-15 days by rail. The economic impact of the project for the participating countries is the annual increase in GDP and job creation (17,500 new jobs in the construction phase and 3,500 permanent jobs at the main distribution terminal).

The new jobs related to the construction of the project are expected to generate an added value of €28.6 billion in the four participating countries. The tax revenue is estimated at EUR 9.6 billion. The freight traffic is expected to reach 18.2 million tonnes in 2030 and may rise to 22.9 million tonnes by 2050.

START: 2007. The railway companies of four countries (Ukraine, Slovakia, Austria, and Russia) initiated a direct railway connection from Western Europe through the CIS countries to China, using a 1520 mm gauge line along the Chop – Kosice – Bratislava – Vienna route. The share of each project participant is 25% or €3,025,000.00.

CURRENT STATE: The countries where the new 1520 mm track will run (Austria and Slovakia) are conducting a feasibility study (technical and environmental sections) of the Eurasian Railway Project. The environmental impact assessment is underway.

The project will help harmonise the laws, technical regulations, and standards of Ukraine and the European Union, thus giving impetus to further cooperation with European countries. In addition, Ukrainian industrial enterprises and construction companies will also be able to participate in tenders to build the broad gauge tracks in EU countries.



3

OUR EMPLOYEES AND OUR COUNTRY



SOCIAL POLICY

In 2019, social
payments at our
Company amounted to
UAH 11.5 billion.



Ukrzaliznytsia continues to maintain high standards of social protection of the personnel. The Company seeks to attract highly skilled employees, ensures compliance with the social guarantees provided by law, and offers additional social benefits and programmes that improve the quality of life of our employees and their families.

The Company has created a favourable social climate and comfortable working conditions, providing staff with great opportunities for professional development. The social infrastructure facilities of Ukrzaliznytsia provide health and recreation services to employees and their families. In addition, the Company has programmes in place to improve the living conditions of the staff members.

COLLECTIVE BARGAINING AGREEMENT

Ukrzaliznytsia has concluded the Sectoral Agreement and collective bargaining agreements of the Company's structural subdivisions. The agreements regulate industrial, labour, social and economic relations and match the interests of employees and the management. Collective bargaining agreements apply to all the employees of Ukrzaliznytsia. The minimum notice period related to significant changes in the Company's operations is two months.

On 14 November 2019, the Management Board of Ukrzaliznytsia negotiated with the railway trade unions on payment of a bonus (the so-called 13th salary) based on the Company's performance in 2018. By the end of the year, the Company's employees had received an additional payment of 50 percent of their December 2018 salary. The bonuses in form of the "13th salary" amounted to UAH 676,833,000.

SOCIAL INFRASTRUCTURE

The Company has developed a wide network of social infrastructure facilities providing treatment, healthcare, and recreation services to the Company's employees and their family members. As of the end of 2019, Ukrzaliznytsia operated 123 social infrastructure facilities. Their total maintenance costs amounted to UAH 457,945,000 in the reporting period:

- Revenues (with government subsidies): UAH 250,414,000
- Revenues (without government subsidies): UAH 213,132,000
- Losses: UAH 207,531,000.

In 2019, we piloted a procedure to form and fulfil a corporate contract for health resort treatment, medical rehabilitation and recreation of the Company's employees and their families. It involved six children's health facilities, two health resorts, three retreat centres, and a recreation centre. The project ensured equal and transparent access for all the Company's staff to health resort services provided under the uniform selection principles. In addition, priority in the health improvement and recreation was given to employees directly responsible for the traffic safety.

In total,
11,112 children of the
Company's employees, who
started primary school in
2019, received a gift stationery
set, **132,301 children** of our
employees received candy
gifts from the Company for
Christmas.

BREAKDOWN OF EXPENSES TO PERFORM THE SECTORAL AGREEMENT, 2019

Expense	Spent, UAH	Percentage
Monthly long-ser-vice bonus	3,516,200,000	106.5%
Additional payments and increments	2,181,100,000	106.2%
Allocations for health improvement	1,346,500,000	155.9%
Annual bonus	676,800,000	113.6%
Financing health and safety measures	675,800,000	110.2%
Additional vaca-tions under the Sec-toral Agreement	607,600,000	116.6%
Maintenance of healthcare, sports, and cultural facilities	298,900,000	144.5%
Reduction in prices for rest and recreation vacation packages for railwaymen and their family members	87,800,000	94.5%
One-off retire-ment benefit	383,300,000	87.4%
Itinerant work-er allowance	447,600,000	133.0%
Mandatory health check-ups financed by the Company	263,100,000	105.7%
Other	1,038,500,000	122.0%
Total	11,523,200,000	

HOUSING PROGRAMME

In 2019, to improve the system of social support for employees, the Company continued to reimburse the cost of accommodation for highly skilled specialists facing hard living conditions. In total, 178 employees of Ukrzaliznytsia received rent compensation. Under the Housing Construction and Refurbishment Programme operating six facilities, one residential building was

commissioned and two more are planned to be commissioned in the near future.

In the reporting period, 7,321 families of railway workers and pensioners were on the housing waiting lists of the railway enterprises subordinated to Ukrzaliznytsia. In particular, 1,689 families needed better housing on special terms: 398 as a first priority and 1,291 as a priority.



HR MANAGEMENT

HUMAN RESOURCES POLICY

The HR policy is an integral part of the Company's overall policy. Its purpose is to ensure an optimal balance between the need to freshen up and the need to retain the Company's skilled personnel in response to the Company's development needs, requirements of the applicable laws, the labour market situation, and Ukrzaliznytsia Strategy.

In 2019, the Company developed Ukrzaliznytsia HR Management Strategy 2019-2023 to introduce modern approaches to the personnel management, improve employee performance, and create an enabling environment for attracting and retaining promising young talent in the railway transport business. Strategic goals of the HR management at Ukrzaliznytsia in 2019-2023:

- Ensure that sufficient skilled personnel is available to meet the country's freight and passenger rail transportation needs
- Boost staff productivity to improve the financial and economic stability of Ukrzaliznytsia
- Increase the attractiveness of Ukrzaliznytsia as an employer
- Improve the quality of management at Ukrzaliznytsia.

The goals of the new HR Management Strategy are fully aligned with Ukrzaliznytsia Strategy 2019-2023 and its key performance indicators.

All Ukrzaliznytsia's managers are responsible for implementation of the HR policy. The policy efficiency and effectiveness are ensured by the heads of units in the HR vertical. The Company extensively cultivates the corporate culture and promotes the development of human resources through the introduction of HR training and motivation programmes. Ukrzaliznytsia's top management is responsible for the match of the HR policy principles and areas with the Company's development goals and Ukrzaliznytsia Strategy.

YOUTH POLICY

To accomplish the important tasks set to Ukrzaliznytsia, we need highly skilled and responsible professionals who are open to the new knowledge and continuous self-development and can work to international standards. More than 29% of our employees are aged 18-35. Therefore, the Company has called this category a strategic asset and developed its Youth Policy in 2019.

The Youth Policy focuses on making young talent more competitive, meeting their needs for professional development and enabling the young people to influence the decision-making in the Company.

Projects and initiatives under the Youth Policy will give Ukrzaliznytsia competitive advantages: an active team of young



professionals who share the corporate values and are ready to contribute to the Company's development. The Youth Policy should have a positive impact on the quality of human capital management and improve the image of Ukrzaliznytsia as an employer of choice that will increase our capitalisation.

HEADCOUNT AND STRUCTURE

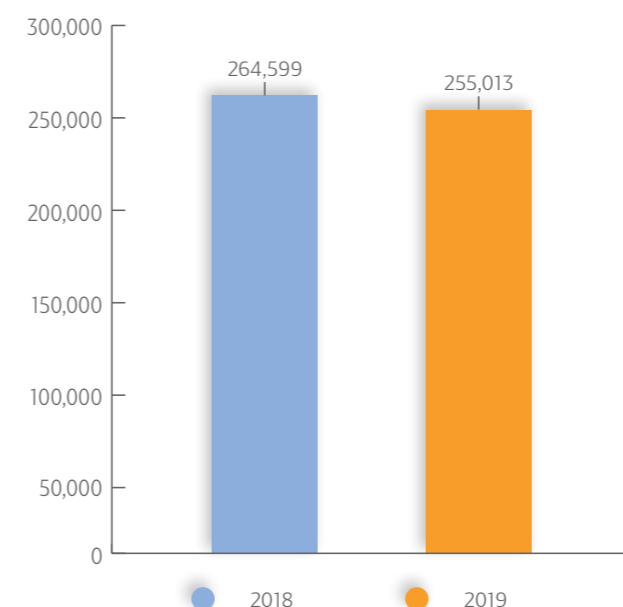
The Company's headcount in 2019 was 261,444 people. The average headcount of the Company was 255,013 people, in particular: 184,302 employees of regional branches, 65,250 employees of affiliates, 5,445 employees of affiliated private joint-stock companies, and 16 employees of limited liability companies.

UKRZALIZNYTSIA'S AVERAGE HEADCOUNT IN 2019

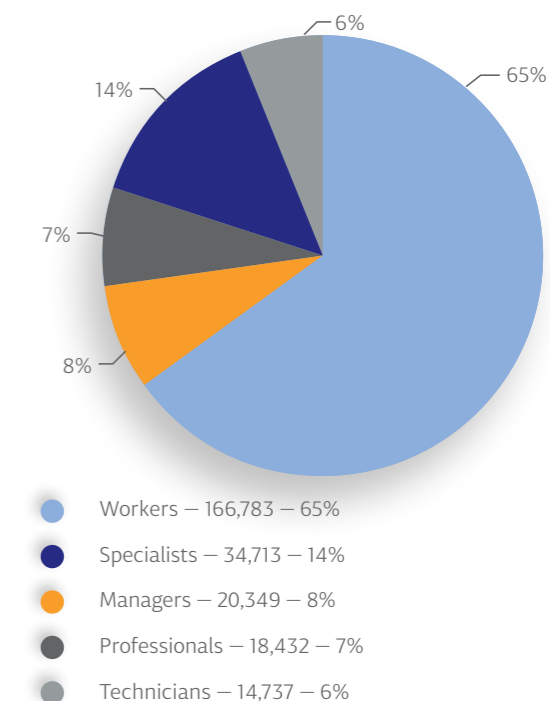
Structural unit	Number of employees	%
Regional branches	184,302	72
Affiliates	65,250	26
PrJSCs and LLCs	5,461	2

Compared with 2018, the number of employees decreased by 9,586 people, or 3.6%, year on year. This was due to the natural personnel turnover, automation-caused reorganisation of the Company's structural units, and alignment of the number of employees with the scope of work.

UKRZALIZNYTSIA'S AVERAGE HEADCOUNT IN 2018-2019, PERSONS



BREAKDOWN OF UKRZALIZNYTSIA EMPLOYEES BY CATEGORY, 2019





STAFF RECRUITMENT AND ADAPTATION

Ukrzaliznytsia pays considerable attention to building a transparent and open system of staff recruitment. In 2019, a pilot project was implemented to automate the work of recruiters and ensure the transparency and manageability of the recruitment. The project showed bottlenecks of the process, created a database of external candidates and gave search analytics. In the future, the recruitment automation will be cascaded down across all subdivisions of the Company.

In addition, to improve the headhunting process in 2019, we created a Welcome to Work section on the official sites of regional branches. The vacancies are published in a breakdown by production unit and staff category. The official site of Ukrzaliznytsia has links to current vacancies across the Company. Particular attention was paid to staffing the main railway professions, which led to the establishment of a recruitment planning system in all of the Company's subdivisions.

NUMBER OF EMPLOYEES HIRED BY UKRZALIZNYTSIA BRANCHES AND AFFILIATES, PERSONS

Regional branch- es and affiliates	2017	2018	2019
South-Western Railways	3,942	4,104	2,504
Southern Railways	2,499	2,485	1,955
Lviv Railways	2,734	3,602	2,908
Prydniprovyie Railways	3,790	2,991	2,900
Donetsk Railways	2,338	1,168	1,672
Odessa Railways	3,803	5,326	5,405
Other affiliates	50,700	8,924	14,261

Ukrzaliznytsia continues to use the recruitment planning system in regional branches. We also have a vacancy placement programme with effective HR tools. For more information about the training and education, please see our Integrated Report 2017 (the Social and Environmental Responsibility section, Social Policy subsection).

PERSONNEL ADAPTATION

The Company continues with a phased development of the newly recruited staff adaptation system. In accordance with the draft Regulations on the Adaptation of Newly Hired Workers, a pilot project on the newcomer onboarding was implemented in some units of the regional branches. To build an effective job start process, we developed and adopted staff adaptation tools, chatbots and a Newcomer Memo, used today by our regional branches and affiliates.

In addition, last year we continued to keep records of those dismissed in the first three months of employment to assess the situation with adaptation.

EMPLOYEE REMUNERATION AND APPRAISAL

Ukrzaliznytsia adheres to the competitive salary approach. Every railway employee is entitled to overtime pay, benefits, and paid holidays in accordance with applicable laws and the Sectoral Agreement.

Ukrzaliznytsia's
total payroll
amounted to
UAH 37,107,547,200
in 2019.

The Company's payroll consists of the basic and additional salary funds, other incentives, and compensations. In 2019, the basic salary (depending on wage rates and positions) made 46%. The additional salary including monthly bonus, additional payments, and increments made 47%. Other incentives and compensatory payments constituted 7%.

Since July 2019, employee wage rates and base salaries have been increased by 10%. In November and December 2019, a bonus of

SALARY PAID TO EMPLOYEES IN 2019

Salary size	Number of employees	Percentage
From 1 minimum wage to 4,500	2,175	1%
Up to 1 minimum wage of UAH 4,173	2,068	1%
From 4,500.01 to 7,000	29,388	12%
From 7,000.01 to 10,000	61,213	26%
From 10,000.01 to 15,000	95,278	40%
From 15,000.01 to 20,000	31,097	13%
Over 20,000	16,937	7%

The average monthly
salary at Ukrzaliznytsia
was **UAH 12,126** in 2019, 16%
higher than the national
average.

50% of the December 2018 base salary (monthly wage rate) was paid for the performance in 2018. The total amount of bonus was UAH 676,833,000.

More than 70% of all workers receive a salary, which is two to five times more than the minimum wage set by law. The level of salaries in the Company does not depend on the gender.

In 2018, the rail industry ranked 13th in terms of average salary in economic sectors (12th in 2018).

AVERAGE MONTHLY SALARY IN 2019

	UAH	2019 against 2018, %
Ukrzaliznytsia	12,126	16
Industry	11,788	22
Ukraine in general	10,497	18

EMPLOYEE PERFORMANCE APPRAISAL

The HR Management Strategy 2019-2023 provides for an employee performance appraisal system and a KPI-based bonus payment system to be implemented to ensure the staff productivity growth. According to the 2019 Plan, the Department of Personnel Remuneration and Motivation developed and got approval of the following documents in relation to the key performance indicators:

- Regulations on performance evaluation were developed and implemented by Resolution of Ukrzaliznytsia's Board (Minutes No. C-46/102 dd. 11 November 2019;
- A list of corporate KPIs for senior management of Ukrzaliznytsia's Head Office, regional branches, and affiliates (Order No. 564 dd. 2 September 2019)
- Ukrzaliznytsia KPI library with a schedule for the performance appraisal system introduction for of employees of Ukrzaliznytsia's Head Office, heads of regional branches and branches working under the employment contract (Order No. 063 dd. 10. February 2020).

Ukrzaliznytsia is developing and piloting an automated system for KPI management.

The KPI-based performance evaluation and bonus system will be deployed within the timelines outlined in Ukrzaliznytsia's HR Management Strategy.

COMPETENCY MODEL

In 2019, the Company completed the development of a competency model setting standards of employee behaviours necessary for the implementation of the Strategy and key business objectives of Ukrzaliznytsia.

As part of the competency model development process, the HR Development Department conducted a research to identify important qualities and behaviours that predict the employee's job success. The study covered 360 executives at different levels of Ukrzaliznytsia. Its results lay at the heart of Ukrzaliznytsia's competence model. In 2020, it will be organically integrated with a competency evaluation system as part of the overall employee performance appraisal policy.

TALENT POOL

At Ukrzaliznytsia, we understand the importance of building a talent tool to ensure the best ability to fill vacancies with skilled employees. In August 2019, the Management Board approved and implemented Regulations on Ukrzaliznytsia Talent Pool, an important step to update the process of recruitment and development of potential candidates.

EMPLOYEES TRAINING AND DEVELOPMENT

COOPERATION WITH UNIVERSITIES AND VOCATIONAL SCHOOLS

The Company is committed to the long-term cooperation with the country's best sectoral universities and vocational schools training railway specialists and conducting researches. To improve the quality of training of railway transport specialists, Ukrzaliznytsia combines theoretical and practical training.

USING DUAL EDUCATION ELEMENTS

In 2019, the Company fully and successfully adopted the practice of using dual education elements introduced in 2018. It is related to the training of skilled workers at vocational schools and training of specialists in universities and vocational schools with the rail transport focus to match the knowledge and skills of graduates with the requirements of the Company.

In the 2018-2019, we introduced dual education in six vocational schools and four regional branches. Tripartite agreements were concluded with 208 students. In total, 90 people received diplomas of a skilled worker, with 67 (74%) employed. Another 118 students will continue their dual education in 2020.

In the 2019-2020, dual education was introduced in 16 vocational schools, 6 regional branches, and 2 affiliates, with tripartite agreements concluded with 298 students.

Ukrzaliznytsia held five meetings in 2019 to share and learn the dual education practices from other countries. An international conference that brought together representatives Ukrainian enterprises and industries was held with the participation of Günther Trepte, a representative of NORDMETAL, the German employers organisation, and coordinator of the Ukrainian-German Employers Partnership project. He spoke about the introduction of dual education in higher education institutions, the conditions for cooperation with employers, and the regulatory support for the implementation process in Germany.

In June 2019, the Company organised an internship at the Odessa Centre for Professional Development of Personnel for 28 vocational school educators teaching assistant locomotive drivers. We also developed methodology guidelines for the internships of educators in the production units of regional branches and affiliates.

INTERNSHIP

Internship is an integral part of the process of specialist training in universities and vocational schools. During the internships, students acquire deep professional knowledge, better abilities and skills for their future professional activity.

In 2019, **3,267 students** took internships at Ukrzaliznytsia, with **345** employed: **38** graduates of universities and **307** graduates of vocational schools.

INTERNSHIPS TAKEN BY STUDENTS OF UNIVERSITIES AND VOCATIONAL SCHOOLS IN 2019

	Intern students	Graduates 2019	Paid internship
South-Western Railways	355	168	23
Donetsk railways	315	305	0
Lviv Railways	522	413	204
Odessa Railways	730	455	144
Southern Railways	508	290	0
Prydniprovye Railways	313	290	0
Ukrainian Railway High Speed Company	5	0	0
Passenger Company	445	198	24
Darnytskyi Car Repair Plant	74	6	4



OCCUPATIONAL STANDARDS

In 2019, the Company continued to develop occupational standards for blue-collar professions on a modular competency basis for the following purposes:

- Ensure training, retraining and upskilling of employees
- Determine requirements for knowledge, skills and qualifications that ensure quality performance of basic job functions
- Create the enabling environment for the professional development of workers and improvement of the quality of work.

In 2019, Ukrzaliznytsia's working groups developed eight occupational standards approved by the Ministry of Social Policy of Ukraine: occupational standards of shunters, track servicemen, level-crossing attendants, signalling and interlocking maintenance electricians, passenger wagon conductors, passenger train masters, overhead system electricians, and communications maintenance electricians.

In the reporting year, Lviv hosted a seminar for personnel training specialists, titled "Professional Development of Personnel: Current Status and Trends of Vocational Training". One of the priorities of the seminar was to instruct regional branches to set up working groups and develop occupational standards for the blue-collar professions. Thus, six occupational standards developed by the Company's regional branches were examined by the Research Institute of Labour and Employment and approved by the Ministry of Social Policy in 2019. The standards apply to car inspectors, electric train drivers, foremen for current maintenance and repairs of tracks and engineering structures, signal operators, detector car operators, and traction substation electricians. Now, 19 more occupations standards are in the pipeline.

As of 31 December 2019, 16 occupational standards had been approved. Specialists of the Company continue contributing to the work of commissions and groups for the development of educational standards together with representatives of the Ministry of Education and Science of Ukraine.

In 2019, over **37,300** employees of Ukrzaliznytsia took professional training courses, which was **123%** of the annual target.

PROFESSIONAL TRAINING OF OUR EMPLOYEES

The Company places the development of the potential of skilled workers in the limelight. They account for about 70% of the total number of employees.

In 2019, over 1,820 workers (87% of the 2019 target) were trained in regional branches and affiliates, about 4,900 people (103% of the 2019 target) were retrained, and more than 30,600 upgraded their skills (132% of the 2019 target). The training took place in the centres for professional development of personnel, at the production facilities and in other educational establishments.

In addition, 2,288 workers had targeted first-aid training and 9,760 employees took hazardous cargo transportation training courses in the centres for professional development and training of personnel, up by 126% against 2018.

The Company's employees, who start working in traffic safety and personal safety positions for the first time in autumn or winter ("winter newbies"), take special-purpose courses on winter job specifics. In total, the number of trained "winter newbies" was 8,194 in 2019. In addition, we updated a memo on working with "winter newbies" for the regional branches and affiliates to assist the employees involved in organisation of such training sessions.

In addition, regular technical training sessions were held that included studies of occupational safety, fire safety and train traffic safety. In 2019, the sessions enrolled about 190,000 employees (12,910 managers, 45,480 specialists, and 130,600 workers).

Under an agreement concluded between Ukrzaliznytsia and General Electric Transportation, special-purpose courses were conducted as part of commissioning and further maintenance of TE33AC locomotives at Odessa Centre for Professional Development of Personnel under umbrella of Odessa Railways. They covered the following professions: instructor drivers of the locomotive crew, engine drivers, and assistant freight engine drivers. In total, 361 people took the training under the agreement: 281 in 2019 and 80 in 2018.



SIMULATOR FOR LOCOMOTIVE CREW TRAINING

In 2019, the first simulator for training crews of TE33AC mainline freight locomotives manufactured by General Electric Company was installed at Volnovakha Locomotive Depot.

The modern software fully imitates the control panel, a workplace of the driver. It shows the actual location of signals, stations, crossings, signs and other elements of the infrastructure, as well as the track superstructure at the sites where such locomotives run. In addition, the trainees can drill non-standard situations, which can occur while driving.

During the year, 26 railway men improved their professional skills.

INSTRUCTOR TRAINING

The Company pays attention to the advanced training of mentors who provide on-the-job training to workers yet have no teaching background. To master the basic skills of adult education, the School of Excellence was launched in Kharkiv in 2019 with focus on psychological and educational skills required for on-the-job training instructors. The School was attended by the instructors and heads of departments of staff training and upskilling in six regional branches of Ukrzaliznytsia. In 2020, five more schools are planned to be held at Ukrzaliznytsia's regional branches.

ADVANCED TRAINING OF MANAGERS AND SPECIALISTS

The upskilling of managers and professionals of our regional branches and affiliates plays an important part in improving Ukrzaliznytsia's personnel quality. In 2019, Southern Railways bought training and retraining services to the amount of UAH 18,259,000 (VAT included) through ProZorro system. As a result, we signed 23 contracts with ten educational institutions:

- Ukrainian State University of Railway Transport
- Dnipro National University of Railway Transport
- State University of Infrastructure and Technology
- Kharkiv College of Transportation Technologies
- Kyiv Electromechanical College
- Kyiv College of Transport Infrastructure
- Odessa College of Transport Technologies
- Vinnytsia College of Transport Technologies
- Chernivtsi Transport College
- Odessa State Academy for Technical Regulation and Quality.

In H2 2019, 5,703 top managers and railway specialists of six regional branches and ten affiliates completed training on 76 professional off-the-job programmes. The training courses had both full-time and distance-learning formats: 42 professional programmes were conducted in-person, and 34 programmes were a combination of in-person and distance learning education. The heads and specialists of structural subdivisions of regional branches and affiliates were engaged into the curriculum design process to discuss the industry-related component and provide expert feedback.

Upskilling quality control was in place throughout the training period. In particular, the following aspects were monitored:

- Content of the professional programme
- Methodological support of the educational process
- Attendance control
- Final assessment of student knowledge
- Sanitary and hygienic conditions.

WORK PLACEMENT

Work placement helps expand and practise professional knowledge, skills and abilities learnt in the theoretical studies. It helps raise professional skills, learn the operational specifics of particular units, and examine the proficiency of candidates applying for a particular position.

In 2019, 808 work placements were arranged and taken by employees at Ukrzaliznytsia units, including 45 in the Head Office, 695 in regional branches, and 68 in affiliates. As a result, 184 employees were added to the talent pool and 181 were transferred to other positions. In addition, 196 employees took new roles following the work placement. In 2019, 202 employees gained new knowledge and developed skills as part of the Talent Pool Programme.

PROFESSIONAL SKILLS CONTESTS

Professional skills contests are organised to improve the quality of staff training for work in the railway transport industry, implement universal approaches to the vocational guidance of young people, as well as reinforce knowledge, skills and competences acquired by students in the learning process.

The Company has a programme of social partnership with six technical and vocational schools. In 2019, vocational schools hosted four professional skills contests in the following professions: passenger car conductor, rolling stock repairman, assistant electric locomotive driver, and assistant diesel locomotive driver. The contests brought together 38 participants, with 11 graduates employed subsequently in production units of regional branches and affiliates of Ukrzaliznytsia in 2019.

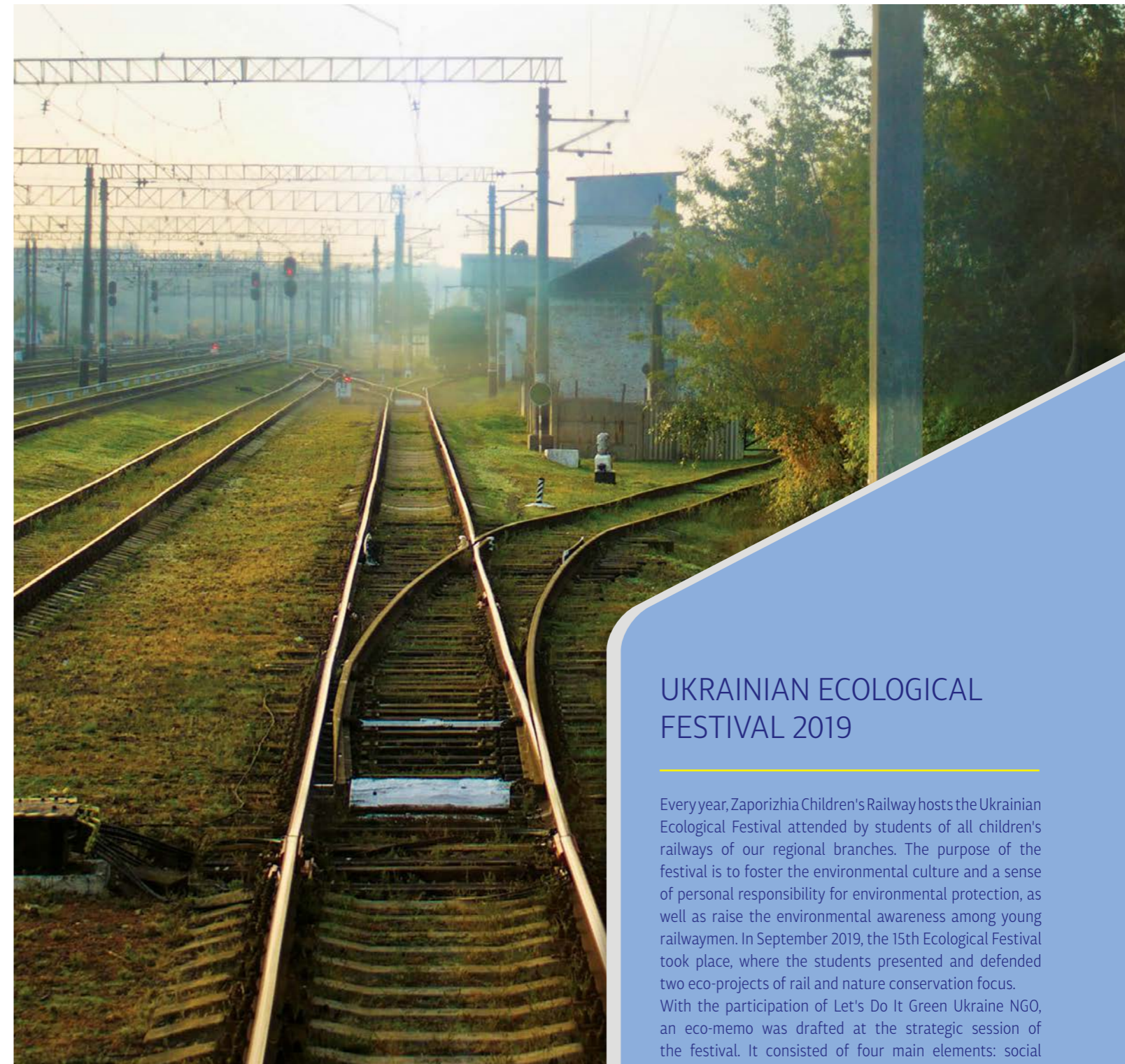
CAREER GUIDANCE AT CHILDREN'S RAILWAYS

Children engaged in the operation of our children's railways are a source for staff replenishment in our regional branches and affiliates. Currently, there are eight children's railways operating in regional branches. In 2018-2019, 5,795 first to third graders were trained. The students learnt in 386 hobby teams to acquire the knowledge and skills to work in the major railway professions. Ukrzaliznytsia's regional branches are committed to the technical development of the educational facilities of children's railways, which consists of 14 stations, 4 locomotive depots, 15 locomotives, and 40 wagons.

In April 2019, Southern Railways held a career guidance workshop for school-age children and young railway workers. It was attended by delegates from the children's railways of Ukrzaliznytsia, specialised educational institutions, and the Ministry of Education and Science of Ukraine. The event resulted in a draft concept for the development of our children's railways.

On 31 May 2019, the young railwaymen took part in a career quest, a Brain Ring professional game, and a Steel Mainline festival, where they showed their knowledge, skills, and competencies acquired at children's railways.

On the International Children's Day (1 June), young railwaymen, senior managers of Ukrzaliznytsia and South-Western Railways opened a new building, Kyiv Pasazhyrsky Children's Railway Station, dispatched the first train with passengers after the reconstruction of Kyiv Children's Railway and took part in a thematic televised session that linked up the participants with children's railways across Ukraine. In addition, the children and stewards served passengers in Kyiv-Kharkiv high-speed train No. 724K, where they practically applied their knowledge and honed the train attendant skills.



UKRAINIAN ECOLOGICAL FESTIVAL 2019

Every year, Zaporizhia Children's Railway hosts the Ukrainian Ecological Festival attended by students of all children's railways of our regional branches. The purpose of the festival is to foster the environmental culture and a sense of personal responsibility for environmental protection, as well as raise the environmental awareness among young railwaymen. In September 2019, the 15th Ecological Festival took place, where the students presented and defended two eco-projects of rail and nature conservation focus.

With the participation of Let's Do It Green Ukraine NGO, an eco-memo was drafted at the strategic session of the festival. It consisted of four main elements: social responsibility, ecology and culture, sports and healthy lifestyle, and "we are Ukrainians". At the end of the event, kids made a layout of eco journey along children's railways of the future, where each of the children's railways placed and presented their models of the future eco-friendly railways. In addition, the participants conducted an experiment of the impact of pollutants on the environment with the assistance of the Department of Chemistry and Engineering Ecology of Dnipro National University of Railway Transport.

In December 2019, South-Western Railways launched a train service on Kyiv Children's Railway in winter, for the first time in its history. Delegations from all of our eight children's railways participated in the event. The main task of the young railwaymen was to work together with the heads of the children's railways and the trainers to formulate a typical plan for the 2019/2020 career guidance, and this task was successfully accomplished.

CORPORATE TRAINING AND DEVELOPMENT

HR development is key to success of the Company. This is especially true at the current stage, where digitalisation is rapidly changing the requirements for professional knowledge, skills, competencies, and abilities. Professional growth and development of competencies is a strategically important task for Ukrzaliznytsia, as the key goals of the Company's development can only be achieved with a team of professionals.

In 2019, the Company's Head Office worked to develop its employees by engaging both external service providers and in-house experts. For example, 50 training events (3 internal and 47 external upskilling programmes) were organised and conducted for 541 employees, 492 executives, 22 experts, and 27 professionals.

In the reporting period, Ukrzaliznytsia implemented the following strategic staff development initiatives:

- We developed a Succession Plan Concept for our senior executives.
- Five meetings of the Science and Technology Council were dedicated to the personnel management, social policy and motivation.
- A workshop attended by 35 employees of Ukrzaliznytsia on lean production was held, accompanied with a trip to Interpipe steel company.
- We developed a Concept and Policy of Ukrzaliznytsia Key Employee Relations Management.

TRAIN CONDUCTOR SCHOOL

In June 2019, a Train Conductor School pilot project was launched to improve the passenger services.

The project offers a modular training programme with nine modules. A pilot team of conductors consisting of 25 Passenger Company's employees aged 18-25 with work experience of up to three years completed the studies in November 2019, with 20 conductors receiving relevant certificates.

The training was conducted in the following modules: traffic safety; the work of passenger car conductors and the passenger carriage in the domestic service; the work of passenger car conductors and the passenger carriage in the international long-distance service; attendance, ethics of communications and transportation of passengers with disabilities; first aid basics; professional communications fundamentals; professional ethics; and English language. After the successful completion by the first pilot group, we adopted a new approach to the formation of the second group to enrol the full crew of Kyiv-Zaporizhia train No. 738. In 2020, we are set to continue training of 12 groups of passenger car conductors in six cities: Kyiv, Kharkiv, Odessa, Lviv, Dnipro, and Mariupol.



SCHOOL OF INTERNAL COACHES

The project seeks to share, preserve, and unify the expertise and experience within the Company. The purpose is to organise mass training of staff within the Company, form groups of motivated and loyal employees, and raise the general level of personnel competencies. In 2019, around 80 candidates for in-house instructor positions joined the project.

HR SCHOOLS

From September 2018 to July 2019, the Company had successfully implemented a system-wide modular HR School programme for 25 heads of HR and social policy departments in six regional branches. Participants took training in nine modules and defended four diploma projects that are now implemented in the regional branches: "Development and introduction of the staff adaptation system", "Career guidance for youth", "Train conductor school", and "Building a talent pool".

In 2019, 34 training courses were opened as part of the HR School modular programme, attended by 148 employees of local regional branches. Training under the programme will ensure the implementation of the HR Management Strategy by fostering the agents of change among employees who are capable of implementing new processes and managing quality change.

A modular program, HR School 2.0. Effective Manager, was launched in August 2019 for further continuous development of heads of HR and social policy departments of the Company's regional branches. Five modules trained 23 participants, with speakers being both internal and external HR experts.

To promote uniform standards and create a common information landscape for the entire HR vertical, we approved the HR School for Affiliates programmes in 2019 to contribute to the development of the heads of HR departments in our affiliates. The programmes would cover 35 HR department employees from 28 Ukrzaliznytsia affiliates.

LEARNING ENGLISH

Ukrzaliznytsia helps its employees improve knowledge of business English. In 2019, we launched an internal training programme for 120 employees of the Company's Head Office who use English often in their jobs. The training was conducted at five levels of the language proficiency, from Beginner to Upper-Intermediate. An in-house English teacher conducted 534 sessions a year. In addition, online language courses were developed for all those wishing to gain access to the Knowledge Management Portal. In addition, two English Speaking Club meetings were held in August and October 2019. Attended by 56 people, they sought to improve spoken English and attract as many employees as possible to the studies.

HR WAY CLUB

The Company successfully implemented another initiative for the development of HR professionals, the HR Way Club. It is a platform to enhance competencies, share experiences, and network. The HR Way Club's master class speakers were the leading external HR experts. In total, 11 club meetings were held in 2019, attended by 718 participants (20 external and 698 internal). The successful initiative was also scaled to regional branches that held nine meetings of the HR Way Club in 2019.

DISTANCE LEARNING

In 2019, the Company's distance learning system (DLS) was deployed, set up, and launched. Following pilot project, we drafted technical requirements for the DLS fine-tuning.

In addition, Ukrzaliznytsia made an Annual Plan for the Development of E-Learning Courses and Instructions for DLS Users that regulated the distance learning powered by Moodle software. As of the end of 2019, 75,848 employees were authorised users of the distance learning system. The portal features 168 e-books and 106 video courses.

In 2019, **75,848** employees enrolled for distance learning, **29.6%** of Ukrzaliznytsia's headcount.

In 2019, training and testing were conducted in the following areas:

- Code of Ethics of Ukrzaliznytsia – 24,162 employees
- Health and safety – 7,949 employees
- Testing HR employees – 1,259 employees
- Business English – 1,088 employees
- Microsoft Excel: tools and life hacks – 900 employees
- Microsoft Word: tools and life hacks – 887 employees
- Lean production – 764 employees
- Microsoft Power Point – 337 employees
- Traffic safety and issuance of improvement orders – 253 employees.

TRAFFIC SAFETY AND H&S



Safe and efficient transportation of passengers and freight is one of the utmost priorities for Ukrzaliznytsia. The Company constantly manages, assesses and analyses the potential risks of its operations and applies advanced approaches to traffic safety management, trying to reduce injuries and train accidents.

TRAFFIC SAFETY

The Traffic Safety Department controls the compliance with the traffic safety regulations at Ukrzaliznytsia. It also provides up-to-date information, including regular general reviews of traffic events, accidents, incidents, fires, environmental disasters, acts of unlawful interference with transport, and other emergencies to the Supervisory Board Chairman, the Chairman and members of the Management Board, as well as to directors and heads of structural units of Ukrzaliznytsia, the Ministry of Infrastructure of Ukraine, and other central executive agencies.

In 2019, Ukrzaliznytsia worked to develop the documents regulating the traffic safety at Ukrzaliznytsia and harmonise them with the EU regulations. The Company finalised such documents as Ukrzaliznytsia Safety Management System. Key Provisions and Exploring Hazards and Risk Assessment Systems for Safe Rail Operation, Determining the Risk Index and Developing Hazards Detection Procedures at Ukrzaliznytsia. In addition, on 2 November 2019, the Company's Management Board approved the Procedures for Investigation of Railway Accidents. The document establishes the procedures for conducting official investigations of accidents and executing respective documents.

TRAFFIC SAFETY INDICATORS

For many years, the traffic safety indicators have remained stable at Ukrzaliznytsia: the total number of railway accidents keeps declining every year¹⁵.

In 2019, most transport incidents involved delay of passenger trains for an hour or more (27.5%, 297 cases), the delay of cargo trains for

two hours or more (15.1%, 163 cases), and derailment of the rolling stock on running lines or at stations (5.3%, 57 cases).

In addition, there were 16 fire events in the rolling stock, with three classified as railway accidents. In addition, the following transport accidents took place in 2019:

- Collision of rolling stock with other rolling stock – 6 cases
- Accidental cargo train separation – 12 cases
- Accidental passenger train separation – 3 cases
- Failure to heed the signal – 4 cases
- Run-through – 2 cases
- Failure of the signal and interlocking system, power supply failure – 7 cases
- Details falling on the tracks – 11 cases
- Failure to place signals at danger – 2 cases
- Failure of equipment at level crossings – 2 cases.

As a result, 1,092 employees were held liable for violations of the rail safety regulations in 2019 (1,731 employees in 2018).

TRANSPORT ACCIDENTS BY REGIONAL BRANCH, 2017-2019

Regional branch	2017	2018 ¹⁶	2019
Prydniprovyie Railways	138	198	151
Odessa railways	117	199	182
South-Western railways	93	351	343
Lviv Railways	78	269	182
Southern Railways	51	143	142
Donetsk railways	43	72	54
Ukrzaliznytsia companies	21	50	27

NUMBER OF TRANSPORT ACCIDENTS, 2018-2019

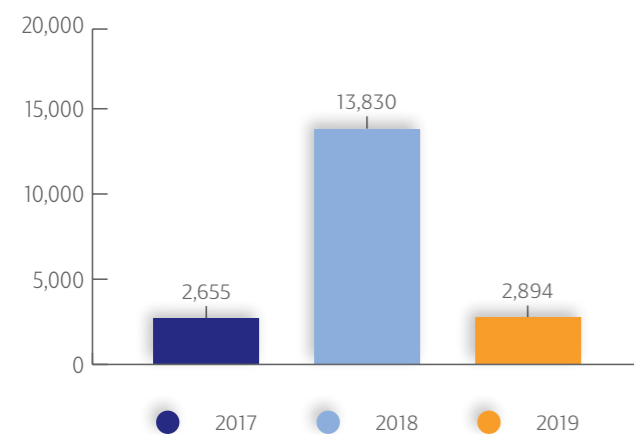
	2018	2019
Crashes	1	0
Accidents through the fault of Ukrzaliznytsia	92	73
Accidents (injuries of third parties)	534	488
Incidents	655	520
Total	1,282	1,081

NUMBER OF LEVEL CROSSING AND NON-LEVEL CROSSING ACCIDENTS, 2017-2019

	2017	2018	2019
Road traffic accidents	86	79	70
Level crossings accidents	80	66	60
Non-level crossing accidents	6	13	10
Fatalities	20	16	14
Injuries	30	30	26

In 2019, material losses of Ukrzaliznytsia from transport accidents reduced significantly, down to UAH 2,893,700 (UAH 13,817,000 in 2018). The amount of paid compensation made UAH 1,867,100 or 64.5%.

UKRZALIZNYTSIA'S TOTAL LOSSES, 2017- 2019, UAH ('000)



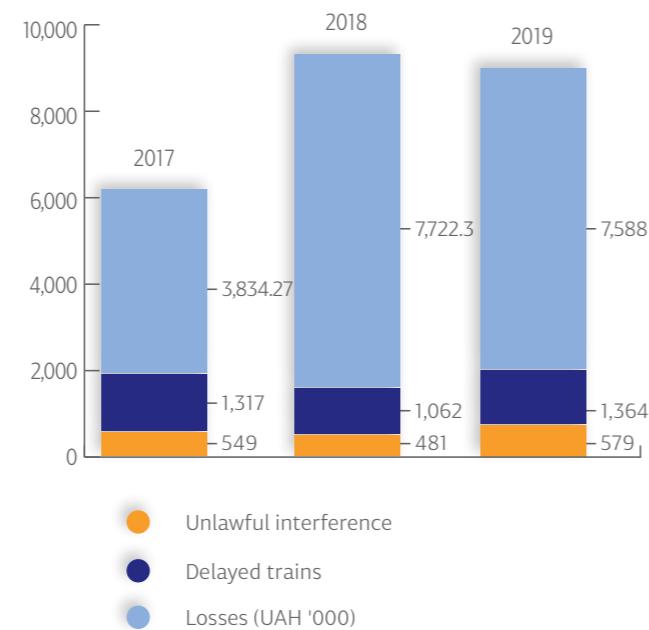
UNLAWFUL INTERFERENCE

In 2019, 579 cases of unlawful interference occurred in the regional branches (481 in 2018). As a result, the Company faced the following consequences:

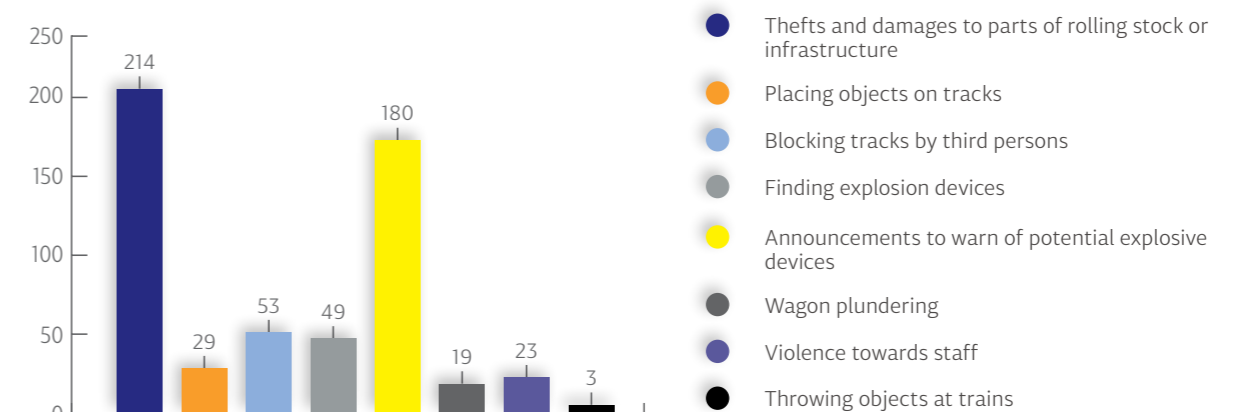
- 5 transport accidents (vs. 10 cases in 2018)
- 1,364 trains were delayed by 894 hours (vs. 1,062 trains late for 3,196 hours in 2018)
- losses of UAH 7,588,000 (vs. UAH 7,722,300 in 2018).

In addition, we registered 2,331 thefts in the reporting period that resulted in losses worth UAH 77,026,400. The amount of compensation made UAH 234,800.

UNLAWFUL INTERFERENCE AND ITS CONSEQUENCES, 2017-2019¹⁷



UNLAWFUL INTERFERENCE IN RAILWAY OPERATIONS, 2019



PLANS FOR 2020 AND A MEDIUM TERM

In 2020, as part of its traffic safety programme, Ukrzaliznytsia plans to refurbish approaches to level crossings, install the video surveillance equipment and automatic crossing signals at non-regulated level crossings with bus traffic, repair passenger platforms and tunnels, as well as install fencing at stations.



OCCUPATIONAL HEALTH AND SAFETY

The national policy in the area of health and safety is enshrined in the Law of Ukraine On Labour Protection. Ukrzaliznytsia adheres to the requirements of the laws and follows the fundamental principles that take into account the peculiarities of railway transport and are designed to create proper, safe and healthy working conditions and prevent accidents and occupational diseases among employees.

The H&S policy of the Company is implemented by the Occupational H&S Department, structural divisions of Ukrzaliznytsia, H&S specialists of Ukrzaliznytsia regional branches, affiliates, and production units.

In 2019, the Company introduced the Occupational Health and Safety Management System. Its goal is to bring every workplace in the Company in line with the H&S regulations and ensure compliance with the requirements of the laws regulating the H&S rights of employees.

Ukrzaliznytsia H&S system:

- establishes basic H&S principles
- establishes duties of Ukrzaliznytsia officials and employees responsible for the H&S management
- sets up respective H&S services in structural units of the Company
- provides for H&S training and knowledge testing of employees
- specifies occupational safety measures
- plans H&S works and their financing
- controls the H&S situation in the Company.

In 2019, Ukrzaliznytsia spent UAH 675,829,900 on health and safety measures, which made 0.8% of the cost of the goods sold or 2.1% of the payroll for the previous year. It is worth noting that the Ukrainian laws require that the H&S costs should be at least 0.5% of the payroll for the previous year.

UKRZALIZNYTSIA H&S COSTS, 2010-2019, UAH MILLION

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Costs	302.10	336.37	367.55	396.27	291.24	367.65	396.52	552.34	613.49	675.83
Total	4,919.610									

UKRZALIZNYTSIA MAJOR H&S COSTS, 2017-2019, UAH

	2017	2018	2019
Overalls, special footwear and other PPE for employees	186,553,900	220,676,600	238,073,700
Mandatory medical examinations of employees	119,500,000	134,881,700	135,217,200
Providing milk, equivalent food and special food	18,306,100	22,883,600	24,088,900
Providing detergents to employees	9,625,240	8,944,300	7,885,100
Workplace certification (assessment of working conditions)	2,038,300	3,755,100	3,990,800

COMPREHENSIVE H&S MEASURES

In a move to bring workplaces in every structural unit in line with regulations and standards and observe the H&S laws, Ukrzaliznytsia annually develops Comprehensive Measures helping to achieve the established standards of safety,

occupational health and working environment, improve the H&S, and prevent occupational injuries, diseases, and accidents in the Company. In 2019, the Comprehensive Measures covered actions worth UAH 620,315,300 (UAH 482,275,400 in 2018).





H&S IN TRADE UNION AGREEMENTS

Ukrzaliznytsia has Sectoral Agreement 2002-2006 (as amended and supplemented) that was made between the State Administration of Railroad Transportation and trade unions and extended for 2019. Moreover, a collective bargaining agreement concluded between the leadership of Ukraine's State Administration of Railway Transportation and the trade union committee of Ukrzaliznytsia's Head Office contains the H&S chapter.

H&S TRAINING

Every year Ukrzaliznytsia arranges H&S training and tests the H&S knowledge of employees. This line of business is governed by the Standard Regulations on the Procedures of H&S Training and Testing¹⁹.

In 2019, Ukrzaliznytsia conducted general H&S training sessions for **180,066** employees and special training sessions for **161,547** employees.

The Occupational H&S Training and Methodology Centre conducted H&S training sessions and knowledge tests for 11,956 employees, including 1,577 employees who took training in the area of electric safety, 5,554 employees who took a general H&S course, and 4,815 employees who studied other H&S issues (H&S regulations). In addition, the Company held 332 H&S workshops for employees and officials of the regional branches and affiliates and 24,508 H&S meetings. In total, 9,168 employees had to attend out-of-schedule training and take knowledge tests because of violated H&S rules.

H&S KNOWLEDGE TESTING

The Company conducts regular assessment of its H&S system by exercising day-to-day and step-by-step control and by using random and comprehensive H&S audits. In 2019, Ukrzaliznytsia regional branches and affiliates conducted comprehensive H&S audits. The increase in occupational injuries at the end of the reporting period resulted in an unscheduled audit of compliance with the H&S laws of Ukraine at Prydniprovye Railways. In addition, the Company conducted a number of targeted inspections.

WORKPLACE CERTIFICATION

The Company performs the workplace assessment in accordance with the Regulations for Workplace Certification Procedures (Assessment of Working Conditions) approved by the Cabinet of Ministers Resolution No. 442 dd. 1 August 1992 (as amended). The workplaces are certified by a certification commission. Its members are appointed and their powers established by an order of the respective subdivision. The certification takes place within the period specified by a collective bargaining agreement, but at least once every five years.

In 2019, Ukrzaliznytsia certified **3,714** workplaces in its regional branches and affiliates, which cost **UAH 3,990,800**.

Ukrzaliznytsia observes Article 17 of the Law of Ukraine On Labour Protection, which requires from the employer to provide financing and conduct preliminary (pre-employment) and regular (during employment) medical examinations of workers engaged in heavy physical work, exposed to harmful or hazardous environment or recruited additionally, as well as annual mandatory health check-ups of persons under 21 years old.

In 2019, Ukrzaliznytsia spent **UAH 135,217,200** on mandatory health check-ups of employees.

WORKING WITH CONTRACTORS

In 2019, Ukrzaliznytsia continued to work with its contractors on H&S issues. All Ukrzaliznytsia agreements with the third-party organisations performing works at the Company's facilities, in the areas adjacent to the railway infrastructure, production facilities, buildings and structures, as well as in the hazardous areas of railway equipment operation, included provisions regulating the compliance with the H&S requirements during the performance of works. Safety measures not regulated by the contracts and agreements are in line with Ukrainian laws on H&S.

H&S COMPLAINTS

The Company regularly considers H&S reports and complaints and takes the follow-up actions to settle the issues. In late 2018, Ukrzaliznytsia launched the Quality and Service hotline at Ukrzaliznytsia Contact Centre. In 2019, the Company received 31 complaints, including 21 requests for investigation of work-related accidents and improper working conditions.

OCCUPATIONAL INJURIES

WORK-RELATED INJURIES

In 2019, Ukrzaliznytsia regional branches and affiliates had 58 accidents that resulted in injuries of 59 employees, with 9 of them having fatal consequences.

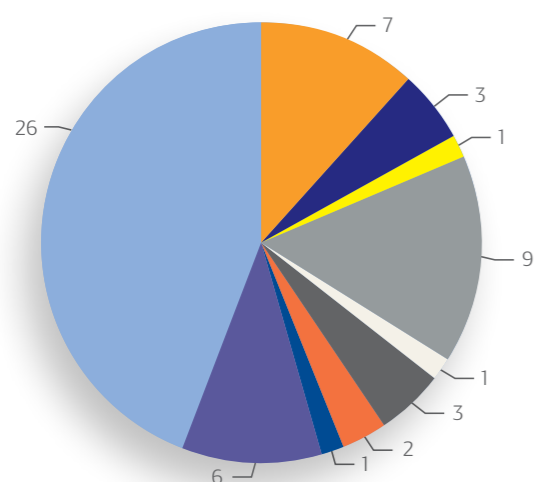
OCCUPATIONAL INJURIES, 2017-2019 ¹⁸			
	2017	2018	2019
Total injuries (number of victims)	85	65	59
Fatalities (number of victims)	17	13	9

The Company conducted the respective in-house investigations of all cases of occupational injuries, identified the root causes, and took measures to avoid them in the future. The investigation and registration of accidents, occupational diseases, and dangerous situations that have occurred with employees of structural units follow the Procedures for Investigation and Registration of Accidents, Occupational Diseases, and Work-Related Incidents²⁰. The main causes of occupational injuries in the reporting period were:

- falls from height, slips and trips – 15 victims or 25.4%;
- injuries caused by moving or rotating parts of equipment and machineries, transport accidents on rail – 15 victims or 25.4%;
- accidents that happened during movement of all types of vehicles – 12 victims or 20.3%.

The same as last year, most accidents in 2019 had organisational causes. These involved non-compliance with the H&S requirements (26 victims), breach of safety rules during the operation of equipment, machinery and mechanisms (9 victims), personal negligence (7 victims), and failure to perform official duties (6 victims).

CAUSES OF OCCUPATIONAL INJURIES, 2019,
NUMBER OF CASES



- Personal negligence
- Violation of technological processes
- Violation of safety rules during operation of mobile equipment and transport vehicles
- Violation of safety rules during operation of equipment, machinery, mechanisms, etc.
- Poor technological process, its incompliance with the safety rules
- Failures to use personal protection equipment when available
- Injuries (deaths) caused by unlawful actions of other people
- Other technical reasons
- Breaches of labour discipline: failures to perform job duties
- Breaches of labour discipline: failures to meet H&S rules

In the reporting period, the majority of accidents happened to workers with a total work experience of more than 15 years – 38 victims (64.4%) and workers with the experience from 1 to 5 years – 21 victims (35.26%). In most cases, the injured workers had the following professions: engine drivers, assistant locomotive drivers (6 victims or 10.2%); shunting masters (5 or 8.5%); rolling stock repairmen (5 victims or 8.5%), and electricians (5 victims or 8.5%).

BREAKDOWN OF VICTIMS BY OVERALL
WORKING EXPERIENCE, 2019

Work experience	Number of victims	% of the total number
Less than 1 year	0	0
1-5 years	6	10.1
6-10 years	10	17
11-15 years	5	8.5
More than 15 years	38	64.4
Total	59	100

In 2019, the injury frequency rate (per 1,000 workers) was 0.244, the injury severity rate (per 1,000 workers) made 16.97, and the average severity factor was 84.18.

BREAKDOWN OF VICTIMS BY LENGTH OF SERVICE
IN THE PROFESSION, 2019

Length of service	Number of victims	% of the total number
Less than 1 year	7	11.9
1-5 years	21	35.6
6-10 years	12	20.3
11-15 years	8	13.6
Over 15 years	11	18.6
Total	59	100

INJURY FREQUENCY AND SEVERITY RATE, 2017-2019²¹

	2017	2018	2019
Injury frequency rate, LTIFR	0.315	0.241	0.236
Injury severity rate, LTISR	20	17.00	16.87

HIGH-RISK EQUIPMENT AND MACHINERY OPERATED BY THE COMPANY

Ukrzaliznytsia regional branches and affiliates operate 13,608 units of high-risk equipment (lifting cranes, lifts, elevators, escalators, steam and hot water boilers, and pressure vessels). In addition, as of 31 December 2019, Ukrzaliznytsia operated five high-risk facilities registered with the State Register of Hazardous Facilities. In 2019, Ukrzaliznytsia introduced changes to the software automating the records of high-risk equipment operated

on rail to provide actual and reliable information on the availability of permits for the operation of high-risk machines, mechanisms, equipment registered in the automated system and for performance of high-risk works connected with the maintenance and repair of such equipment and machinery. In the reporting period, the Company took measures to refurbish obsolete high-risk equipment, especially in the companies that are engaged in considerable operational works and provide regular maintenance of the rolling stock and infrastructure.





PREVENTING OCCUPATIONAL INJURIES

In the reporting period, Ukrzaliznytsia continued taking actions to prevent occupational injuries. In particular, the Company introduced permanent monitoring over the implementation of the measures for improvement of occupational injury prevention actions at Ukrzaliznytsia (Order of Ukrzaliznytsia dd. 21 March 2019, No. 183). It also developed an action plan to improve H&S and the situation with non-work related injuries at Ukrzaliznytsia (approved on 28 January 2019).

To inform employees about the implications and causes of accidents and prevent such cases in the future, special instructions were sent to the regional branches and affiliates in connection with each accident that resulted in fatalities and with accidents that happened regularly. The Company also introduced control over the execution of these instructions.

In April and October 2019, all units of regional branches and affiliates conducted inspections of the H&S situation. Following the inspections, certain regional branches and affiliates introduced a special control over the H&S situation.

On 28 April 2019, all our structural and production units of regional branches and affiliates organised and held the World H&S Day.

NON-OCCUPATIONAL INJURIES

Over 12 months of 2019, 527 people were injured in the accidents (580 people in 2018) that happened at the units of Ukrzaliznytsia (stations, running lines, sites of units), with 334 cases having resulted in fatalities (338 people in 2018).

The main causes of non-occupational injuries were violations of the safety rules on rail, namely:

- crossing tracks at non-designated crossing areas – 196

victims (37.2%);

- walking on the tracks – 191 victims (36.2%);
- standing at the places with reduced clearances (end of platform, walking along the tracks, running in front of trains to cross) – 74 victims (14.1%);
- electric shock – 35 victims (6.6%);
- crossing tracks under the railway vehicle – 9 victims (1.7%);
- getting on and off the train in motion – 2 victims (0.4%);
- other causes – 20 victims (3.8%).

PREVENTING NON-OCCUPATIONAL INJURIES

In 2019, Ukrzaliznytsia's regional branches and affiliates undertook the following measures to prevent non-occupational injuries near rail tracks by:

- making announcements with information and advice for passengers on safety issues at 1,350 railway stations;
- conducting 12,054 discussions (lectures) on safety requirements at railway facilities;
- publishing 97 articles in mass media explaining certain provisions of the Railway Safety Rules for Passengers in Ukraine;
- making 57 radio announcements that related to people's behaviour in the vicinity of railway transport;
- releasing 26 TV news episodes with statistical data on injuries to draw additional attention to this problem;
- stopping 7,285 persons who walked on the tracks and travelled in cargo trains without any authorisation, with 5,784 of them held administratively liable. To this end, the Company's military security forces were engaged;
- conducting 2,163 off-schedule inspections together with law enforcement officers to verify the compliance with the rules for maintenance of level crossings and the observance by motor car drivers of the level crossing rules.

In addition, the Company implemented the following technical measures in 2019:

- 8,595 checks of lighting at the railway stations and passenger passages;
- overhauls of 36 railway crossings;
- improved visibility at 241 railway crossings (vegetation clearance);
- repairs of 34 level crossings for pedestrians;
- repairs of 293 entrances and approaches to level crossings;
- repairs of 118 passenger platforms, walkways, and railway platforms;
- repairs and replacement of 418 units of stairs, pedestrian walkways, and tunnels;
- installation of 5,434 additional information boards with warning texts, as well as safety passage signs;
- repairs of 75 level crossings floors;
- installation of 20,278 electrical safety warning posters on bridges, fences of traction substations, and power line masts;
- fence-off of 21 facilities located at stations, depots, and divisions;
- fence-off of 209 transformer substations in the territories of stations, divisions, depots and running lines.

In 2019, to improve the safety of passengers on rail, Ukrzaliznytsia

In 2019, the Company spent UAH 100.1 million to implement the measures specified by the Programme for the Prevention of Non-Occupational Accidents, against **UAH 76.5 million** in 2018 (**UAH 60.3 million** in 2017 and **UAH 38.7 million** in 2016).

conducted three month-long outreach campaigns on prevention of non-occupational injuries on rail among the population, passengers, students of schools, lyceums, colleges, and universities, and employees of enterprises located primarily in areas adjacent to railways. To this end, the Company identified the most rail accident-effected localities and developed visit schedules for Ukrzaliznytsia specialists.

During the campaigns, we implemented the following measures:

- engaged 10,642 educational institutions and companies
- conducted 12,054 lectures with 643,746 participants in total
- showed 8,225 videos;
- distributed 129,967 information posters, booklets, and memos
- conducted 5,243 surprise inspections.



PLANS FOR 2020 AND A MEDIUM TERM

1. In 2020, Ukrzaliznytsia is going to focus on further implementation of Ukrzaliznytsia Occupational Health and Safety Management System to ensure efficient H&S management practices and conduct H&S hazards identification and risk assessment.
2. In addition, the Company plans to make an automated workstation (AWS) for an H&S specialist. This will help:
 - reduce time and resources needed for the H&S actions and implementation of the H&S events;
 - speed up the filing of H&S performance reports;
 - improve the efficiency of the H&S management system;
 - improve approaches to organisation and control over H&S training; and
 - establish permanent control over assessment of working conditions, etc.
3. Take measures to upgrade obsolete high-risk equipment. In particular, we are set to equip lifting cranes, lifts/hoists, steam and water heating boilers with access control devices and operation data recorders that will make it possible to read information and control access.
4. Take further actions to equip mainline locomotives and multiple units with video recorder systems to record possible road traffic accidents (incidents).

TAKING CARE OF THE HEALTH OF THE COMPANY'S EMPLOYEES

In 2019, Ukrzaliznytsia's Healthcare Centre continued to provide medical services to the railway workers, members of their families, and passengers. The Company also conducted pre-employment and routine preventive health screening, pre-trip and post-trip medical check-ups. The Healthcare Centre includes eight in-house hospitals located in Kyiv, Odessa, Kharkiv, Dnipro, and Lviv. The average headcount of the Centre is 6,260 employees.

In 2019, Ukrzaliznytsia followed the plan to reform its medical service system. The Healthcare Centre developed and approved the following concepts within Ukrzaliznytsia Strategy 2019-2023:

- 1) The concept for creation of a unified medical information landscape of Ukrzaliznytsia. The goal is to build a Medical Information System, which will help the Company manage the quality of medical services, tighten control over the provision of services, and significantly eradicate the associated corruption risks. In addition, the combination of the Medical Information System and the unified medical information landscape of Ukrzaliznytsia will enable us to centralise some of the functions related to finances, accounting, and HR management.
- 2) The concept for streamlining the work of the laboratories in the Healthcare Centre. It is designed to meet the needs of in-house hospitals in laboratory tests and increase the cost-effectiveness of the laboratories by applying modern technologies and reorganising the laboratory service.
- 3) The concept for reforming the dental service of Healthcare Center. This concept will help reform a dental polyclinic at Lviv Station and a dental polyclinic at Uzhgorod Station operating under umbrella of Lviv Railways. The goal is to transfer them to lease hire schemes.

In addition, Ukrzaliznytsia's Healthcare Centre implemented actions in the reporting period to improve the level of satisfaction of railway workers with the quality of medical care, increase the number of preventive health check-ups, ensure higher profitability

MEDICAL CHECK-UPS CONDUCTED BY UKRAZLIZNYTSIA HEALTHCARE INSTITUTIONS, 2018-2019

Number of medical check-ups	2018	2019	2019 against 2018, %
Pre-employment and routine health check-ups	56,866	53,570	-5.8
Incl. suspended employees	303	318	+5.0
% of suspended persons	0.533	0.594	+11.4
Pre-trip and post-trip check-ups	4,503,455	4,608,607	+2.3
Incl. suspended employees	880	797	-9.4
% of suspended persons	0.020	0.017	-11.5
Total	4,560,321	4,662,177	+2.2

of the structural units and more efficient response of the medical service to emergency transport accidents. Thus, compared with 2018, the number of medical check-ups increased by 2.2% and pre-trip and post-trip medical check-ups rose by 2.3%

In 2019, Ukrzaliznytsia conducted **4,662,177** mandatory health check-ups of employees

The total revenue of the Healthcare Centre was ore than **UAH 181,504,000.**

On 21 October 2019, Ukrzaliznytsia held the Donor Day. To help the surgical departments of the Healthcare Centre, it organised a blood donation event in four medical institutions of the Healthcare Centre: Kyiv Railway Hospital No. 2, Kharkiv Railway Hospital No. 2, Lviv Railway Hospital, and Dnipro Railway Hospital. The goal was to support railway workers involved in the Joint Forces Operation and help people suffering from severe diseases. Overall, the organiser collected 51.74 litres of blood.

DONOR DAY RESULTS, 2019

Structural unit of the Healthcare Centre	Number of people	Blood, litres
Dnipro Railway Hospital	26	10.40
Kyiv Railway Hospital No. 2	45	20.25
Lviv Railway Hospital	14	5.34
Kharkiv Railway Hospital No. 2	35	15.75
Total	120	51.74

On 14 December 2019, Dnipro Railway Hospital held the Be Healthy in the New Year! event. The leading experts provided free consultations and conducted medical check-ups for adults and children. The participants had an opportunity to see a doctor of their choice: therapist, cardiologist, surgeon, orthopaedist-traumatologist, urologist, neurologist, otolaryngologist, ophthalmologist, gynaecologist, gastroenterologist, endocrinologist, or dermatologist. In total, 126 patients participated in the event. Taking care of employees' health means that the Company also pays great attention to sports events. In May-August 2019, Ukrzaliznytsia organised and held the 12th Sports and Athletic Competition of Railway Workers. The finals of Sports and Athletic Competition took place in the premises of the structural unit Hero of Ukraine Heorhiy Kirpa Sports Club "Locomotive" of Southern Railways in Kharkiv. Overall, 200 railway sportsmen from six regional branches took part in the finals. The competition included seven types of sports activities: kettle-bell lifting, arm wrestling, table tennis, chess, volleyball, mini football, and checkers. The team of Southern Railways won the competition, Odessa Railways was the runner-up, and South-Western Railways won the bronze medal.

On 15 June 2019, the Company organised festivities in Kyiv to celebrate the 100th anniversary of the Locomotive Sports Club. Currently, 470 children aged between 5 and 19 attend the sports club. Young athletes participate in national and international tournaments, Kyiv Championship and Ukrainian Championship (in different age categories). On the festivity day, Ukrzaliznytsia organised football matches between the teams of young sportsmen.

On 3-4 August 2019, the staff of Kovel Wagon Depot (Lviv Railways) held the 16th Health Festival attended by representatives of the Company's structural units. The competition included such sports as football, volleyball, tug of war, caber toss, table tennis, darts, and checkers.



PLANS FOR 2020 AND A MEDIUM TERM

1. As part of the concept for creation of a unified medical information landscape at Ukrzaliznytsia, the Company is considering the construction of a structured cable network in the buildings of the Healthcare Centre.
2. Ukrzaliznytsia plans to take the following actions related to the property of the Healthcare Centre:
 - register (re-register) the ownership right to distressed assets: 27 assets in Odessa Hospital and 14 assets in Kyiv Hospital No. 2;
 - sell scrap metal and earn a total of UAH 80,000;
 - receive rental income of UAH 4.3 million under the lease agreements signed in 2019.
3. The Company plans to take more actions to further reduce the amount of land tax through the correct and precise designation of land purpose (9 land plots).

4

OUR ENVIRONMENTAL RESPONSIBILITY



ENVIRONMENTAL POLICY

Environmental protection is one of Ukrzaliznytsia's key objectives. The Company annually develops and implements environmental protection measures to prevent, reduce or eliminate air pollution, ensure the efficient use of natural resources, reduce waste generation, preserve biodiversity, etc. The main principles of the Company's environmental policy can be found in Ukrzaliznytsia Integrated Report 2017 (Social and Environmental Responsibility section).



The key objectives of the Company's environmental management system in 2019:

- Implement ISO 14001:2015 environmental management systems (EMS) at two to three production units;
- Improve the economic mechanisms for environmental protection;
- Tighten environmental requirements for production facilities, materials, fuels and raw materials used in operations;
- Improve environmental audit practices;
- Reduce the risk of emergencies and improve clean-up procedures;
- Improve the efficiency of institutional and industrial environmental control;
- Ensure performance management and cost effectiveness of environmental activities.

Meeting Objectives under Ukrzaliznytsia Strategy

Reducing the environmental impact of the rail transport on air, water, land, and soil, as well as ensuring the proper waste disposal are the priority objectives of Ukrzaliznytsia environmental policy outlined in Ukrzaliznytsia Strategy. In 2019, the Company implemented all the measures specified in the Strategy to prevent the discharge of waste water into the environment and partly implemented the measures that helped:

- ensure normal operation of gas treatment plants
- reduce air emissions
- reduce wastewater discharges into the water bodies in excess of the maximum permissible limits, discharging the excessive waste water into the municipal sewage system
- reduce waste generation and avoid waste mixing unless required by technology.

INVESTMENTS IN ENVIRONMENTAL PROTECTION

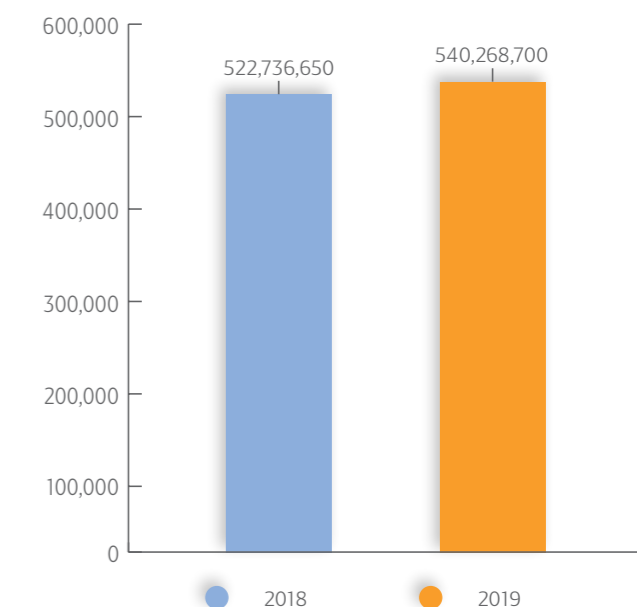
In 2019, Ukrzaliznytsia environmental costs amounted to UAH 540,268,700, up by UAH 17,532,100 year on year. Biodiversity and habitat conservation (UAH 187,968,000), protection and remediation of soil, groundwater and surface water (UAH 137,802,200), and waste and recycled water treatment (UAH 123,180,100) accounted for the lion's share of the Company's environmental costs.

In 2019, the Company spent UAH 14,261,300 on capital investments to build, refurbish, and reconstruct railway transport facilities, replace and improve environment-related technological processes.

Key capital investments:

- UAH 120,000 – modernisation of motor transport through installation of gas equipment;
- UAH 764,000 – purchase of electric motor bogies;
- UAH 13,149,900 – modernisation of diesel locomotives and repairs of vehicles;
- UAH 158,900 – modernisation of the heating systems (switching to electric heating);
- UAH 68,500 – purchase and installation of equipment in the Prydniprovye Railways' road ecology laboratory, the Company's only laboratory that, in addition to laboratory measurements, performs works on inventory of emission sources, development of documents that substantiate emission volumes for Ukrzaliznytsia's structural units to obtain the required emission permits;
- UAH 43,000 – repairs of sewage system;
- UAH 20,000 – repairs of flotation installations;
- UAH 167,500 – overhaul of treatment facilities and equipment;
- UAH 22,800 – purchase and installation of equipment in a chemical laboratory of Refrigerated Wagons Company, which monitors the waste water quality;
- UAH 732,100 – purchase and installation of water consumption and wastewater meters;
- UAH 1,811,700 – installation of LED lighting;
- UAH 467,700 – replacement of oil switches with vacuum switches;
- UAH 387,600 – creation and maintenance of sanitary protection zones at water intakes;
- UAH 9,046,000 – landslide prevention works;
- UAH 334,000 – well plugging works;
- UAH 3,363,700 – purchase and repairs of brush cutters, grass trimmers, and gas chainsaws.

UKRZALIZNYTSIA TOTAL CAPITAL INVESTMENTS
AND CURRENT EXPENSES ON ENVIRONMENTAL
PROTECTION, 2018-2019, UAH



BREAKDOWN OF UKRZALIZNYTSIA'S
ENVIRONMENTAL COSTS IN 2019

Environmental measures	UAH	%
Conservation of biological diversity and habitats	187,968	35%
Reduction of noise and vibration impact	6,187,600	1%
Protection and recovery of soil, underground and surface water	137,802,200	25%
Waste management	39,243,900	7%
Waste and recycled water treatment	123,180,100	23%
Air protection	29,922,600	6%
Other environmental measures	15,530,800	3%
Environmental research works	187,800	0%
Radiation safety	245,700	0%

ENVIRONMENTAL FOOTPRINT

The Company takes actions to embed environmental culture, thinking and action into its teams. In 2019, about **122,000** railway workers took part in landscaping, improvement and cleaning of production sites and water sources. As a result, they cleaned the territory of about **7,500** ha, planted about **9,500** trees and **10,300** bushes, arranged **610.3** has of lawns and cleaned up **2,700** illegal waste sites.

Ukrzaliznytsia takes every opportunity to minimise its environmental impact. Thus, the Company has initiated the manufacture and use of domestic passenger cars and diesel trains with a closed-circuit environmentally friendly system of domestic waste water collection that operates without direct discharge of waste water into the environment. To clean the contaminated railway track ballast and prevent its storage in the environment, the Company purchased a number of ballast cleaners, vacuum ballast cleaners, and track machines. Shelterbelt units of regional branches constantly monitor the state of woodland, provide sanitary felling, clean forests from debris, take actions to restore forest landscapes, etc.

To reduce the use of natural resources and cut air emissions, the Company's structural units have been using solar systems and heat pumps for several years.

Every year, the Company works to replace outdated standby diesel generators for signalling and communication devices and replace stationary open batteries with leak-proof batteries and uninterruptible power supply sources that generate zero air emissions.

Thanks to a modern digital backhaul network, the Company managed to reduce the length of railway automatics, telemechanics and communication overhead lines by dozens of thousands of kilometres and significantly mitigate the electromagnetic footprint.

Reducing the Impact on Land Resources

To protect and efficiently use the land, the Company works to protect lands from water and wind erosion, flooding, mire formation, industrial waste pollution, spills of fuel and lubricants, and other destruction processes. The Company performs reclamation of disturbed lands, removes, uses and preserves the fertile soil layer during the works involving land disturbance, etc. In 2019, the Company spent UAH 134,636,500 to implement these measures (UAH 93,331,270 in 2018).

Seeking approval of technical documentation, Ukrzaliznytsia pays particular attention to the land and soil protection during the construction and modernisation of transport infrastructure.

Waste Disposal

To comply with the requirements of the Ukrainian legislation, the Company's units annually implement waste management measures: they remove waste illegally dumped by the local people in the areas adjacent to the railways, build modern incineration plants, oil and electrolyte regeneration units, make tanks and arrange sites for waste storage, take measures to dispose sludge from washing facilities and dry cleaners, and implement recycling technologies.

Ukrzaliznytsia's companies take measures to reduce waste generated in the course of their operations and minimise the negative impact of waste on the environment.

The main actions undertaken by the Company in 2019 included:

- LED lighting and replacement of fluorescent lamps with energy-saving lamps;
- Manufacture and purchase of waste containers;

• Elimination of illegal waste sites, delivery of waste to specialised companies on a contractual basis, etc.
In 2019, the Company generated 92,544 tonnes of waste, down by 9% compared with 2018:

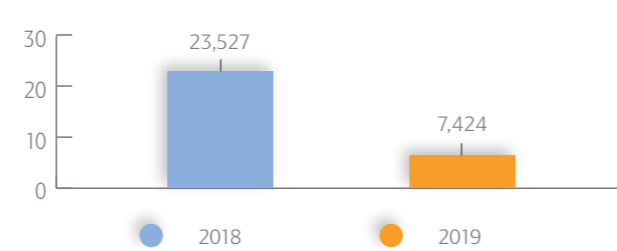
- Waste generated by regional branches — 35,972 tonnes vs. 53,440 tonnes in 2018, down by 33%;
- Waste generated by affiliates — 56,572 tonnes vs. 47,941 tonnes in 2018, up by 15%.



WASTE GENERATED BY UKRZALIZNYTSIA COMPANIES, 2018-2019, TONNES

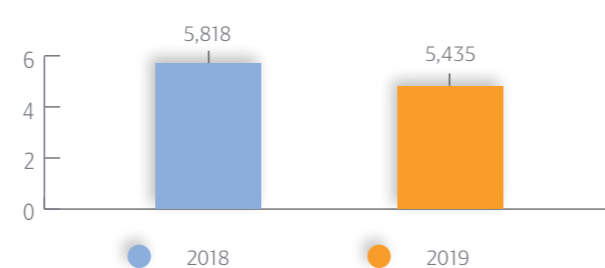
	2018	2019
Regional branches	53,440	35,972
Affiliates	47,941	56,572
Total	101,382	92,544

WASTE OF HAZARD CLASS 1-3 GENERATED, 2018-2019, TONNES



A significant reduction in the waste generated by regional branches and the respective increase in the waste generation by the affiliates is the result of the Company's reorganisation: two production units of the regional branches were hived off into separate companies: the Centre for Track Construction and Repair and the Centre for Construction and Repair of Engineering Facilities. Wastes of hazard classes 1-3 pose significant risks to the public health and the environment. They accounted for 8% of the total waste generated by Ukrzaliznytsia (23% in 2018).

TOTAL WASTE OF HAZARD CLASS 1-3 GENERATED BY AFFILIATES, 2018-2019, TONNES



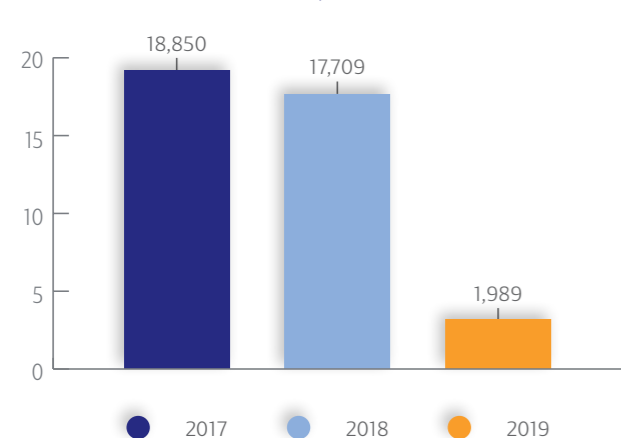
PERCENTAGE OF WASTE BY HAZARD CLASS, 2019

Volumes of waste	tonnes	%
Hazard class 1-3	7,424	8%
Hazard class 4	85,120	92%
Total	92,544	100%

WASTE OF HAZARD CLASS 1-3 BY REGIONAL BRANCH, 2017-2019, TONNES

Regional branch	2017	2018	2019
Donetsk Railways	76	461	224
Lviv Railways	73	30	128
Odessa Railways	366	315	359
Southern Railways	17,634	16,220	557
South-Western	235	208	187
Prydniprovyie Railways	470	475	534

TOTAL WASTE OF HAZARD CLASS 1-3 GENERATED BY REGIONAL BRANCHES, 2017-2019, TONNES



WASTE OF HAZARD CLASS 1-4, 2019, TONNES

Hazard class	2019
Hazard class 4	85,120
Hazard class 3	6,385
Hazard class 2	906
Hazard class 1	133
Total	92,544

ANALYSIS OF ACCUMULATED WASTE

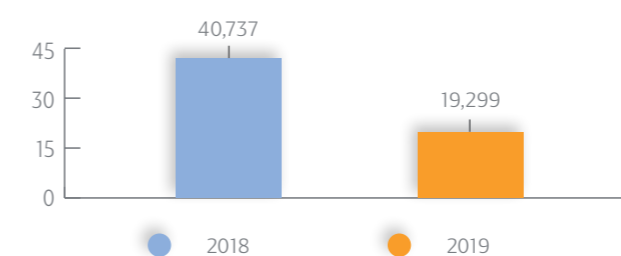
WASTE ACCUMULATED AT UKRZALIZNYTSIA COMPANIES AS OF THE END OF 2019 VS 2018, TONNES

	2018	2019
Regional branches	51,660	9,852
Affiliates	37,476	34,233
Ukrzaliznytsia total	89,136	44,085

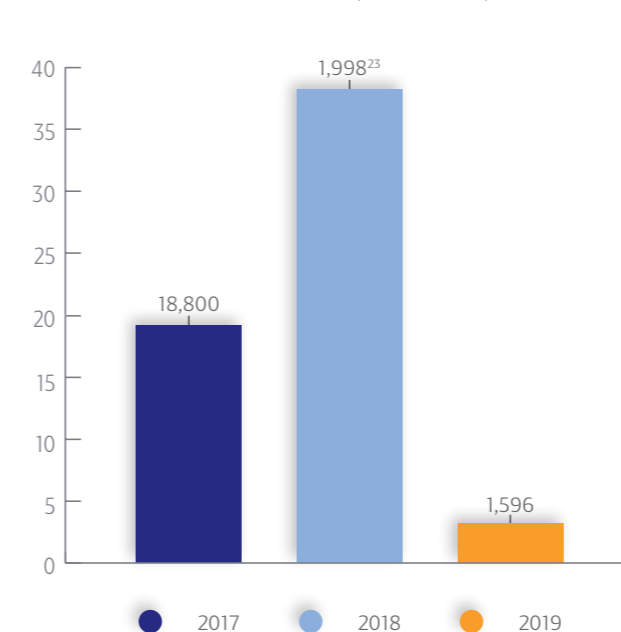
SHARE OF WASTE ACCUMULATED AT UKRZALIZNYTSIA IN 2019 BY HAZARD CLASS

Hazard class	tonnes	%
Hazard class 1-3	19,299	44%
Hazard class 4	24,786	56%
Total	44,085	100%

WASTE OF HAZARD CLASS 1-3 ACCUMULATED AT UKRZALIZNYTSIA COMPANIES, 2018-2019, TONNES



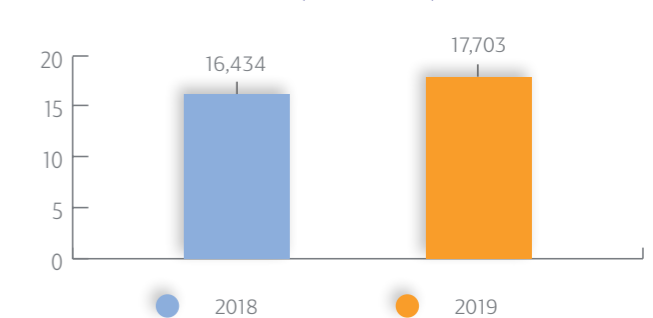
TOTAL WASTE OF HAZARD CLASS 1-3 ACCUMULATED AT REGIONAL BRANCHES, 2017-2019, TONNES



WASTE OF HAZARD CLASS 1-3 ACCUMULATED AT REGIONAL BRANCH, 2017-2019, TONNES

Regional branch	2017	2018	2019
Donetsk Railways	87	895	55
Lviv Railways	81	0	74
Odessa Railways	228	1,018	244
Southern Railways	17,686	1,639	387
South-Western	200	208	154
Prydniprovyie Railways	518	16,220 ²²	682

TOTAL WASTE OF HAZARD CLASS 1-3 ACCUMULATED BY AFFILIATES, 2018-2019, TONNES



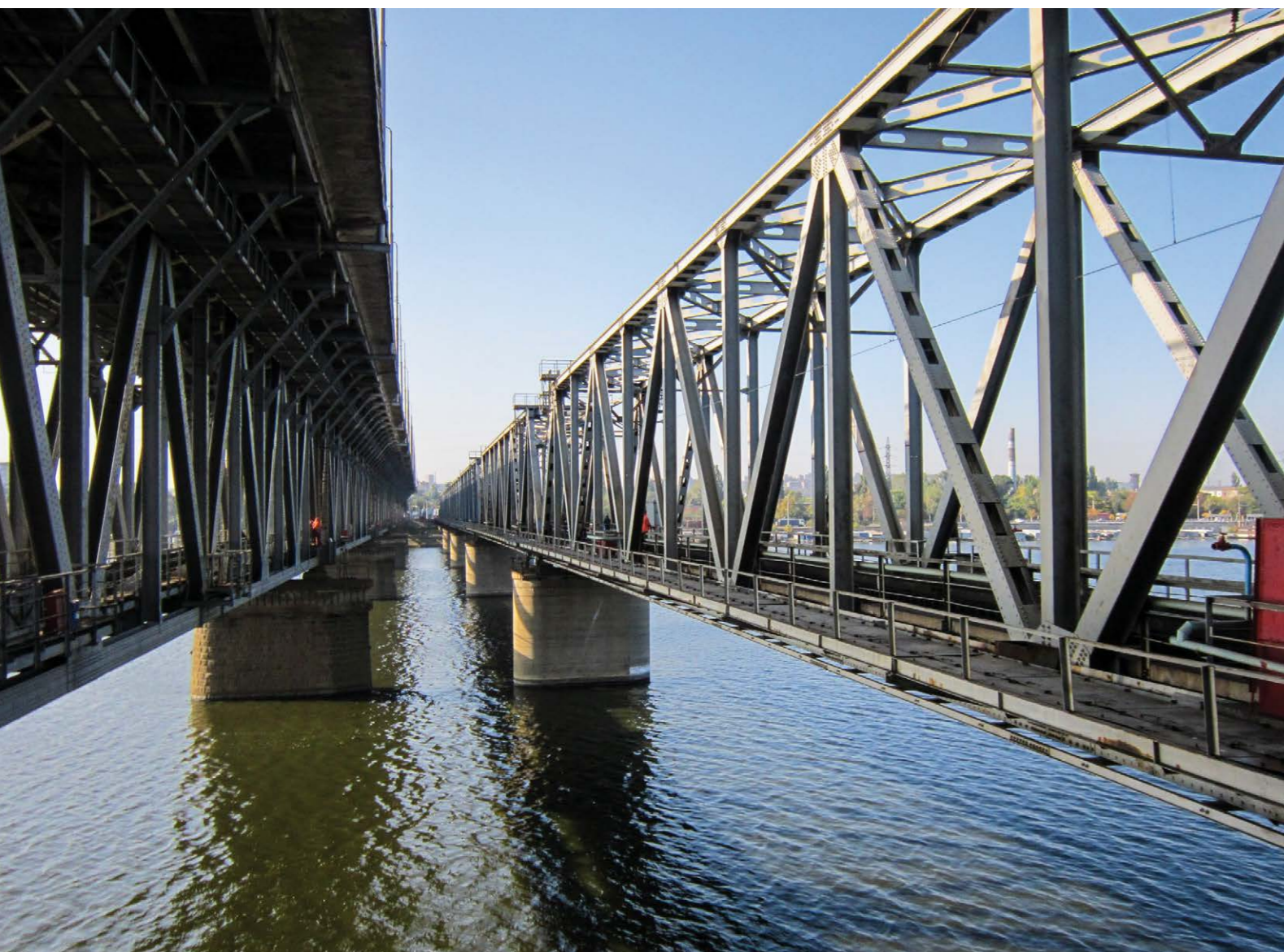
BREAKDOWN OF WASTE ACCUMULATED IN 2019 BY HAZARD CLASS, TONNES

Hazard class	2019
Hazard class 4	24,786
Hazard class 3	18,297
Hazard class 2	922
Hazard class 1	80
Total	44,085

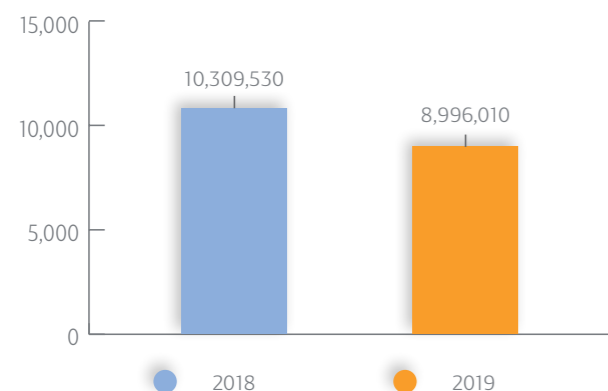
PRUDENT USE AND PROTECTION OF WATER

The Company is well aware of the value of water resources for the country and does everything it can to use it efficiently in its operations.

In 2019, Ukrzaliznytsia's units used 8.996 million cubic meters of water, down by 12.7% year on year. In particular, 4.973 million cubic meters (55.3% of the total water) were used for production needs, while potable water and water for household needs made 4.023 million cubic meters (44.7%).



UKRZALIZNYTSIA WATER CONSUMPTION, 2018-2019, CUBIC METRES



The Company's production units own 737 artesian wells: 535 wells are in operation and 485 wells are equipped with ground water meters. Surface water intakes are equipped with special fish protection devices in accordance with the design documentation. In total, Ukrzaliznytsia took 23.517 million cubic meters of water in 2019: 13.570 million cubic meters from in-house sources, 4.470 million cubic meters from Ukrzaliznytsia systems, and 5.477 million cubic meters from the systems of other companies. This was down by 1.271 million cubic metres, or 5.1%, against 2018. However, 2,776 million cubic meters, or 11.8% of the total water, were lost during transportation (3,039 million cubic meters (12.3%) were lost in 2018). The standards of current losses by sector are defined in the Procedures for development and approval of technological standards for the use of potable water by companies providing services of centralised water supply and/or drainage²⁴.

WATER CONSUMPTION BY UKRZALIZNYTSIA STRUCTURAL UNITS, 2019, %

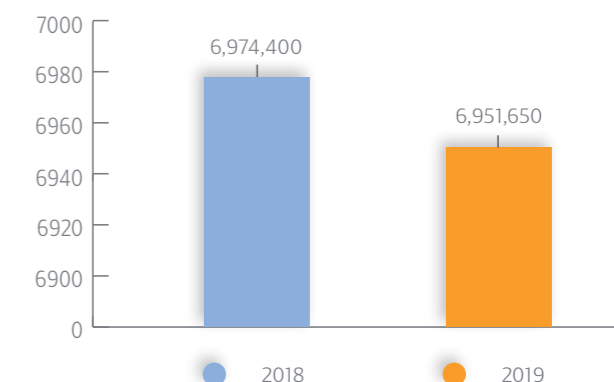
Structural unit	Water consumption, %
Centre of Installation and Construction Works and Facilities Management	23
Centre for Industrial Management	1
Darnytskyi Car Repair Plant	1
Paniutyn Car Repair Plant	1
Stryi Car Repair Plant	1
Healthcare Centre	3
Others	2
Lviv Railways	12
Odessa Railways	3
Southern Railways	7
South-Western Railways	7
Prydniprovyie Railways	6
Donetsk Railways	3
Passenger Company	30

In 2019, the total water use in the water recycling systems made **3.831** million cubic metres.

The waste water from the Company's industrial facilities goes to treatment facilities, where it is treated with mechanical, chemical and biological methods. Ukrzaliznytsia operates 109 wastewater treatment plants that either discharge effluents into the sewage system or recycle it and 41 sewage treatment plants discharging effluents automatically into water bodies. In 2019, the total volume of recycled water discharged into the water bodies made 6.952 million cubic metres, down by 0.02 million cubic meters, or 0.3% year on year, including:

- not treated – 265,190 m³
- insufficiently treated – 856,744 m³
- clean by standard – 1,716,134 m³
- treated to standard quality – 4,113,584 m³

UKRZALIZNYTSIA WATER DISCHARGE, 2018-2019, CUBIC METRES

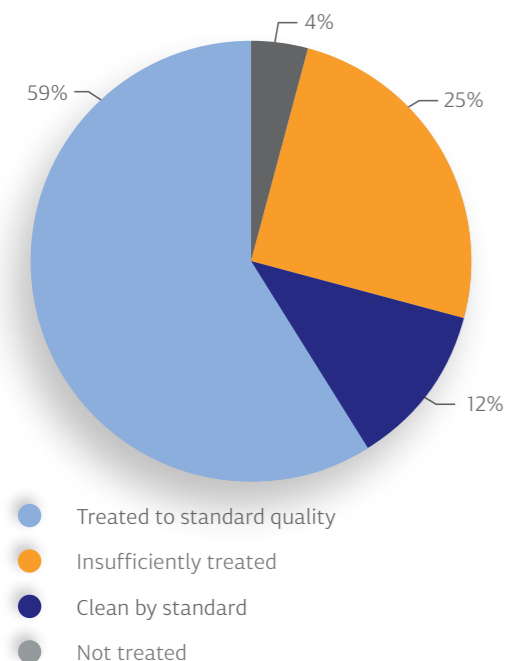


Structural and production units of the Centre of Installation and Construction Works and Facilities Management, Centre for Industrial Management, and Paniutyn Car Repair Plant account for the biggest share of discharges into the water bodies.

WATER DISCHARGE BY UKRZALIZNYTSIA STRUCTURAL UNITS, 2019, CUBIC METRES

Structural unit	Water discharge, cubic metres
Donetsk Railways	0
Lviv Railways	5,700
Odessa Railways	6,300
Southern Railways	8,600
South-Western Railways	53,800
Prydniprovyie Railways	1,200
Paniutyn Car Repair Plant	123,000
Centre for Industrial Management	3,442,400
Production Centre	700
Centre of Installation and Construction Works and Facilities Management	3,303,700
Passenger Company	2,700
Centre for Track Construction and Repairs	3,600

UKRZALIZNYTSIA WATER DISCHARGE BY TYPE OF WATER IN 2019, %



To reduce contamination of sewage water and prevent pollution of water resources, structural units of Ukrzaliznytsia performed the following works throughout 2019:

- Repair, revision, and cleaning of sewage networks and wells;
- Preventive repairs of oil separators and cleaning of primary settlements tanks, maintenance of local treatment facilities.

Water meters have been installed to measure wastewater discharges:

- at treatment plants of Kupyansk-Vuzlovyi station, Kremenchuk C&W Depot at Kahamlytska Washing and Steaming Station (Southern Railway);
- at Drohobych C&W Depot No. 2 (Lviv Railway);
- at Fastiv Multiple Unit Repair Depot No. 8 (South-Western Railway);
- at Pomichna Locomotive Depot, Reni Transfer Locomotive Depot, Kakhovka Passenger Carriage Depot (Odessa Railway);
- at Arabatska Strilka station (Sokol children camp), Kryvyi Rih Holovny station, Nikopol station, Riadova station (sewage pumping station, Synelnykove locomotive depot, Prybyi holiday facility (Prydniprovyie railway);
- in Zaporizhia, Znamianka, Ivano-Frankivsk, Kyiv, Lviv, Poltava, Rivne and Kharkiv local departments (Centre of Installation and Construction Works and Facilities Management branch);
- at the department for material resources in Fastiv (Centre for Industrial Management);
- at Novomoskovsk Treating Plant and Erastivsky Quarry (Centre for Industrial Management);
- at Ilarionove Track and Usatove Track 261 (Centre for Track Construction and Repair).

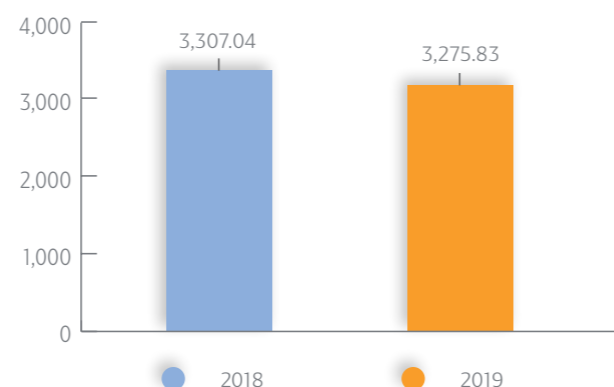
In the absence of metering equipment, discharge payments are made on the assumption of the 100% water consumption.

During the year, the companies of Ukrzaliznytsia drafted documents for obtaining permits for special water use, developed designs of sanitary protection zones at water intakes, calculated indicative figures for maximum allowable discharges, and drafted water intake structure passports. In 2019, Ukrzaliznytsia obtained 23 permits for special water intake. The wastewater quality control (in accordance with technological regulations and contracts with water utilities) was made by our own laboratories or outsourced to other laboratories under contracts. However, the challenges still include such issues as obsolete fixed assets (depreciation is 70-80%) and the decrease in the energy component of water supply and sewerage facilities.

AIR PROTECTION

In 2019, the Company undertook great efforts to make the inventory of the stationary sources of emissions, obtain the permits for air emissions due to changes in technological processes, and identify stationary sources requiring such permits. According to the inventory results, the Company has 16,915 sources of emissions in the regional branches and affiliates, including 11,078 stationary sources and 961 sources that are equipped with gas treatment facilities. In 2019, the emissions made 3,276 tonnes, down by 1% year on year.

EMISSIONS FROM STATIONARY SOURCES OF UKRZALIZNYTSIA STRUCTURAL UNITS, 2018-2019, TONNES

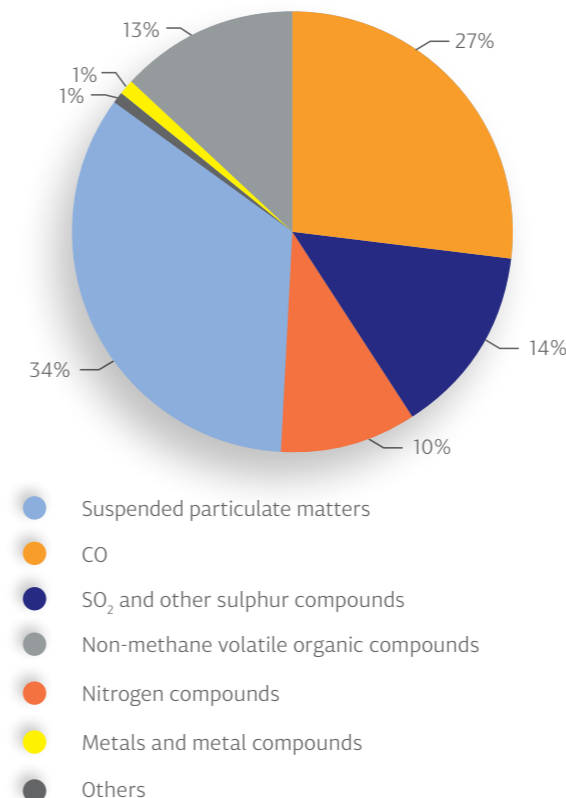


A slight decrease in emissions in 2019 was mostly the result of the less intensive use of natural gas and coal for heating production and household premises in Q4, inventory of emission sources during the development of new emission permits, and a switch to electric heating of administrative buildings.

The key air pollutants emitted from stationary sources:

- suspended particulate matters – 1,117 tonnes
- carbon monoxide – 870 tonnes
- non-methane volatile organic compounds – 435 tonnes
- sulphur dioxide and other sulphur compounds – 452 tonnes
- nitrogen compounds – 317 tonnes
- carbon dioxide – 168,620 tonnes.

UKRZALIZNYTSIA AIR EMISSIONS, 2019, %



Structural and production units of Passenger Company, Odessa Railways, Centre for Industrial Management, Centre of Installation and Construction Works and Facilities Management, and Donetsk Railways are the biggest emitters.

The Company managed to reduce air emissions from stationary sources by upgrading the heating systems, making environmental and heat control adjustments to boilers, modernising and repairing dust treatment stations, and implementing other measures.

AIR EMISSIONS BY UKRZALIZNYTSIA STRUCTURAL UNIT IN 2019, %

Structural unit	Emissions, %
Centre of Installation and Construction Works and Facilities Management	10
Passenger Company	17
Others	6
Donetsk Railways	11
Lviv Railways	8
Odessa Railways	15
Southern Railways	7
Prydniprovyie Railways	5
Darnytskyi Car Repair Plant	2
Stryi Car Repair Plant	2
Paniutyn Car Repair Plant	1
Vehicles Maintenance Centre	1
Centre for Industrial Management	9
South-Western Railways	6



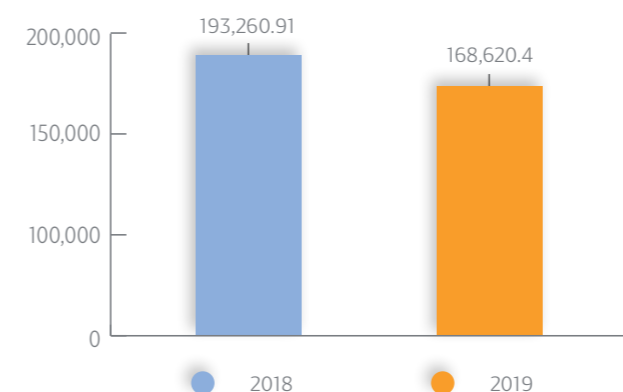
CONTRIBUTING TO THE FIGHT AGAINST CLIMATE CHANGE



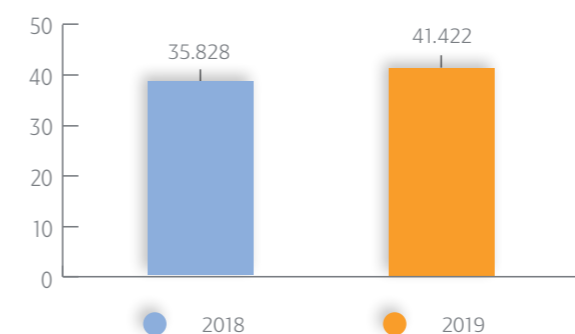
Taking immediate actions against climate change and its consequences is one of the United Nations Sustainable Development Goals strongly supported by the Company. In 2019, Ukrzaliznytsia managed to cut its greenhouse gas emissions by reducing the use of energy resources.

The Company's GHG emissions from the stationary sources still included 168,620 tonnes of carbon dioxide, 41 tonnes of methane, 41 tonnes of nitrogen oxide, including GHGs of indirect effect: 870 tonnes of carbon monoxide, 317 tonnes of nitrogen compounds, and 435 tonnes of non-methane volatile organic compounds.

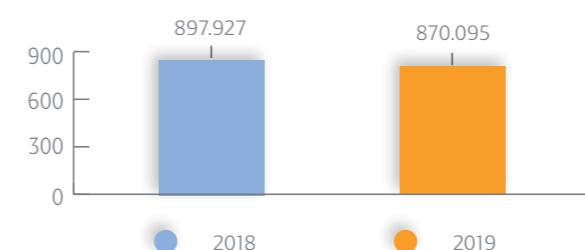
CO₂ EMISSIONS BY UKRZALIZNYTSIA STRUCTURAL
UNITS, 2018-2019, TONNES



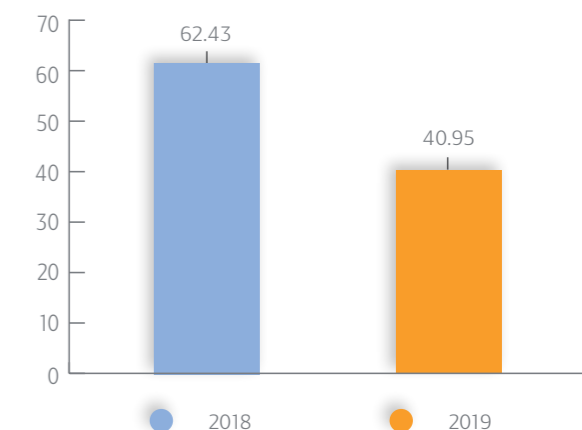
CH₄ EMISSIONS BY UKRZALIZNYTSIA STRUCTURAL
UNITS, 2018-2019, TONNES



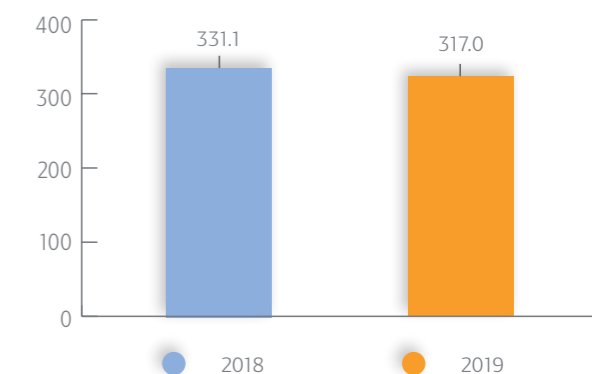
CO EMISSIONS BY UKRZALIZNYTSIA STRUCTURAL
UNITS, 2018-2019, TONNES



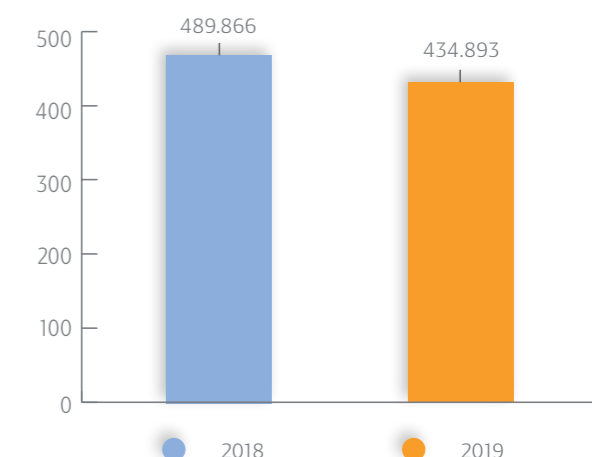
N₂O EMISSIONS BY UKRZALIZNYTSIA STRUCTURAL
UNITS, 2018-2019, TONNES



NITROGEN COMPOUND EMISSIONS BY
UKRZALIZNYTSIA STRUCTURAL UNITS,
2018-2019, TONNES



NON-METHANE VOLATILE ORGANIC COMPOUNDS
EMISSIONS BY UKRZALIZNYTSIA STRUCTURAL
UNITS, TONNES



Environmental Penalties

In May 2019, the State Ecological Inspection of Ukraine and its local and regional authorities conducted unscheduled audits of compliance with the environmental requirements at the production facilities of Ukrzaliznytsia.

In August-December 2019, the State Ecological Inspection of Ukraine and its local and regional authorities conducted unscheduled audits of implementation of their improvement notices at the production

facilities of Odessa Railways and South-Western Railways.

The audits resulted in 181 resolutions that imposed administrative penalties on officials of the production units to a total of UAH 50,472.

In addition, the Company faced four claims totalling UAH 3,400,392. In addition, the Company had to pay a fine of UAH 6 for the recycled water discharge by Prydniprovye Railways into the Dnipro River without a special permit.



PLANS FOR 2020 AND A MEDIUM TERM

- Establish R&D Center for Environmental Protection at Railways;
- Develop and introduce the Ecology automated system for the railway transportation;
- Install biotesting and automated laboratory control systems at Ukrzaliznytsia's sewage treatment plants;
- Conduct research (monitoring) of soil pollution in the areas adjacent to railways, especially in the farmlands, by the locals;
- Provide emergency (fire) trains with equipment and materials for clean-ups after emergencies involving hazardous cargoes that cause environmental pollution.



ENERGY EFFICIENCY AND ENERGY SAVING

Improving energy efficiency and ensuring efficient use of energy resources are among key environmental goals of the Company. Our energy efficiency efforts help reduce greenhouse gas emissions and thus contribute to the fight against climate change.

Key objectives of Ukrzaliznytsia in the area of energy efficiency and energy saving:

- Reduce energy intensity of railway transport
- Increase the efficiency of energy use through metering, control, planning, rate setting and analysis of fuel and energy resources costs across all areas of consumption
- Implement energy and resource saving measures
- Conduct internal energy inspections (audits)
- Implement operational monitoring and take corrective actions in the area of energy saving
- Encourage actions that improve energy efficiency and train production staff in the area of energy saving.

Key principles of Ukrzaliznytsia energy policy in the area of energy efficiency and energy saving:

- Energy saving, efficient use of fuel and energy resources, and implementation of the energy management system are on the top of the Company's economic and industrial agenda;
- Energy saving and energy efficiency make an integral part of our strategic objective to improve operational efficiency through energy costs optimisation (improvement of financial and economic standing), and reduction of man-made impact on the environment;
- Compliance with the requirements of ISO 50001:2014 "Energy Management Systems" and the energy consumption and energy efficiency laws of Ukraine;
- Long-term commitments to reduce energy costs and improve energy efficiency through continuous improvements of energy management; achieve ISO certification by an independent ISO auditor;
- Raising awareness of the Company's employees through training, advanced training, promotion of energy efficiency and energy saving in the industry-specific and national media.

Key approaches to energy efficiency and energy saving:

- Implement a unified energy efficiency and energy saving policy across Ukrzaliznytsia;
- Develop and implement energy saving measures to improve the efficient use of fuel and energy resources and secure the required funding;
- Improve a unified system for energy consumption rationing;
- Conduct energy audits, develop and monitor the implementation of follow-up measures;

- Build an energy use monitoring system and introduce a uniform automated reporting form;
- Analyse factors that influence the electricity losses in the DC and AC traction networks, perform standard technological loss calculations, monitor and control the compliance with standard rates;
- Analyse the technical state of electricity metering systems of traction substations and traction vehicles;
- Monitor the state of energy metering for heating and cooling of passenger cars;
- Ensure a constant increase in the share of alternative (renewable) energy sources (depending on the level of financing);
- Organise training sessions in higher educational institutions for employees whose activity is connected with the use of fuel and energy resources;
- Organise events dedicated to energy saving (workshops, meetings, and panels) to maintain a high level of expertise of the Company's specialists.

In 2019, Ukrzaliznytsia worked hard to build an innovative vertically integrated energy management system. In particular, the Company set up the energy management departments in its regional branches. Moreover, Ukrzaliznytsia was taking actions to:

- Introduce short-term and long-term energy and resource saving measures;
- Conduct energy inspections and energy audits;
- Monitor, plan, standardise, and analyse the energy consumption by area of consumption;
- Ensure centralised management of the natural gas consumption by production units using the Remote Natural Gas Consumption Control automated system (AS Gas);
- Develop cooperation of the Company with the EBRD to draft Ukrzaliznytsia Energy Management Strategy, purchase and implement Ukrzaliznytsia Energy Management Information System;
- Develop methodological industry-specific guidelines;
- Organise training (advanced training) sessions for employees responsible for energy efficiency in the Company.

Implementing Energy and Resource Saving Measures

Ukrzaliznytsia management developed and approved the Programme for Energy and Resource Saving in the Railway Sector 2019-2020 (hereinafter referred to as the Programme) to reduce the energy intensity of production units and cut expenses on the fuel and energy purchases.

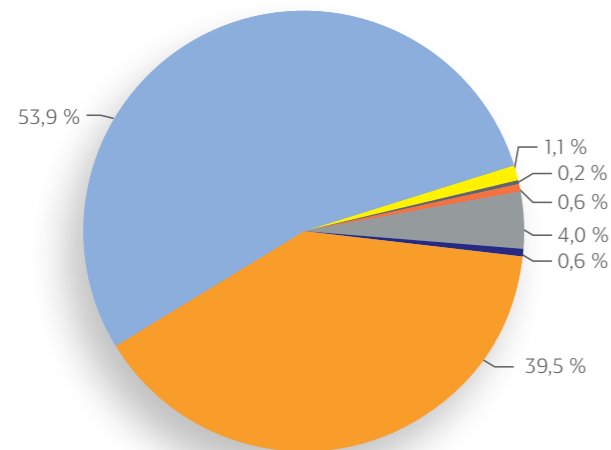
Implementing the energy and resource saving measures specified in the Programme in 2019, the Company expected to save 29,500 tonnes of fuel equivalent, or 21,600 tonnes of oil equivalent, which accounted for 1.5% of total annual fuel and energy consumption by Ukrzaliznytsia.

The Programme's activities have already helped reduce the energy intensity of railway transport by 1.6% (from 0.425 tonnes down to 0.418 tonnes of oil equivalent/\$1,000) in comparison with Ukrzaliznytsia's financial and economic performance targets for 2019.

In 2019, Ukrzaliznytsia allocated UAH 222.1 million for the energy and resource saving measures.



ENERGY SAVING AT UKRZALIZNYTSIA



- Electricity: 52.3 million kWh
- Diesel fuel: 8,600 tonnes
- Gasoline: 123 tonnes
- Natural gas: 1.1 m cubic metres
- Coal: 210 tonnes
- Res. oil: 45 tonnes
- Thermal energy: 2,500 Gcal

Energy Audits

Energy audits are key to the economic development of any industry, especially the energy-intensive railway sector. During the energy audits, Ukrzaliznytsia collects and processes information on the use of energy resources and energy efficiency indicators

and searches for energy saving opportunities. Energy audits in the railway sector take place in the following areas of energy consumption:

- General issues of energy and resource saving, lean production (organisational, technical, and technological)
- Rail traction
- Thermal power
- Electricity
- Use of fuel by motor-and-tractor vehicles, track machines, and special equipment
- Production and use of compressed air
- Water supply, water consumption and drainage.

In 2019, Ukrzaliznytsia conducted energy audits at Dnipropetrovsk Diesel Locomotive Repair Plant, Zaporizhia Electric Locomotive Repair Plant, Lviv Locomotive Repair Plant, Paniutyn Car Repair Plant, and Darnytskyi Car Repair Plant.

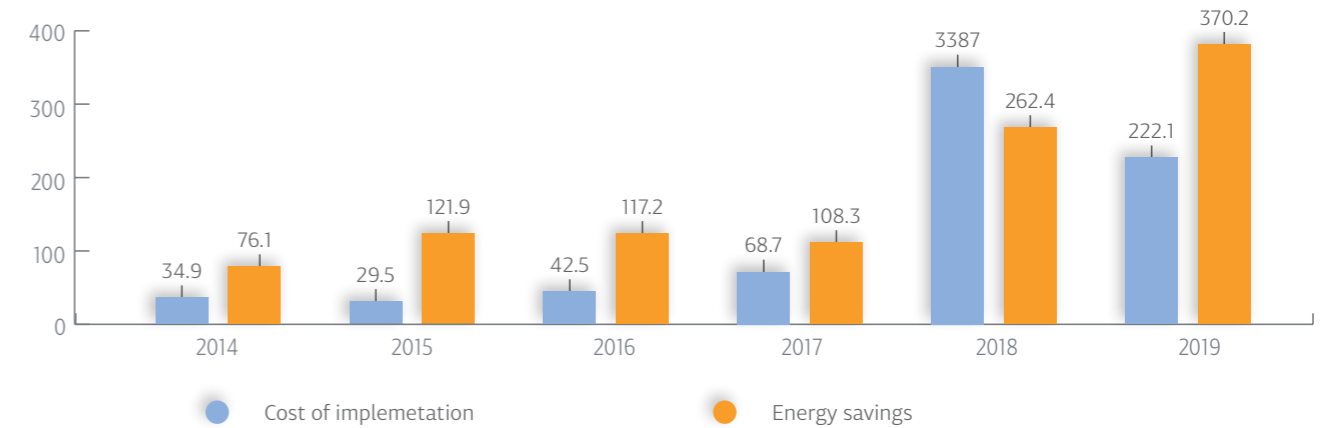
The audit findings were used to identify the energy saving opportunities and specify energy saving reserves to a total of about UAH 52 million, in particular:

- 8.3 million kWh of electricity
- 35.9 tonnes of diesel fuel
- 4 million cubic metres of natural gas
- 16.9 tonnes of gasoline
- 9,100 Gcal of thermal energy.

The energy audits of 115 production units carried out by Ukrzaliznytsia in 2019 helped find opportunities for energy saving to the amount of about UAH 417 million (32,600 tonnes of fuel equivalent), in particular:

- 22.6 million kWh of electricity
- 14,900 tonnes of diesel fuel
- 2.2 million cubic metres of natural gas
- 38.8 tonnes of gasoline
- 4,000 Gcal of thermal energy.

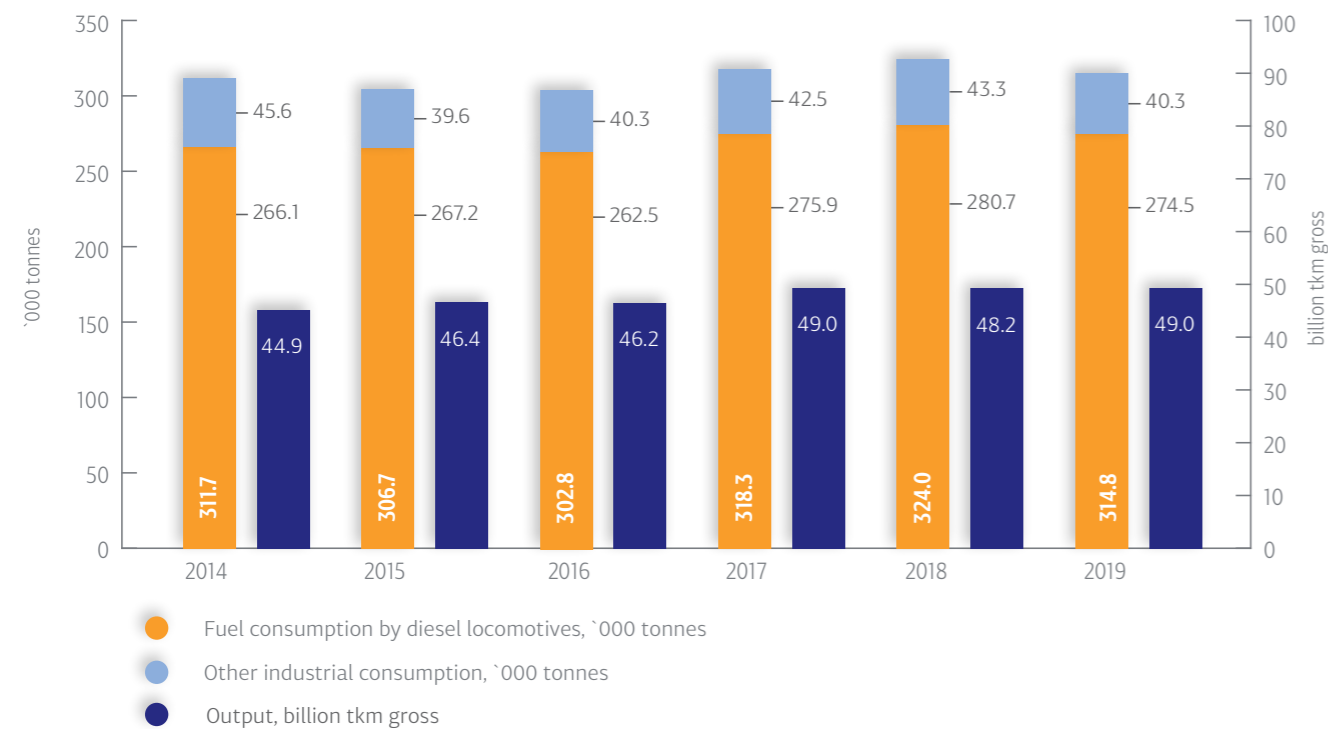
COST OF ENERGY AND RESOURCE SAVING MEASURES AND THEIR ECONOMIC EFFECT, 2014-2019, UAH MILLION



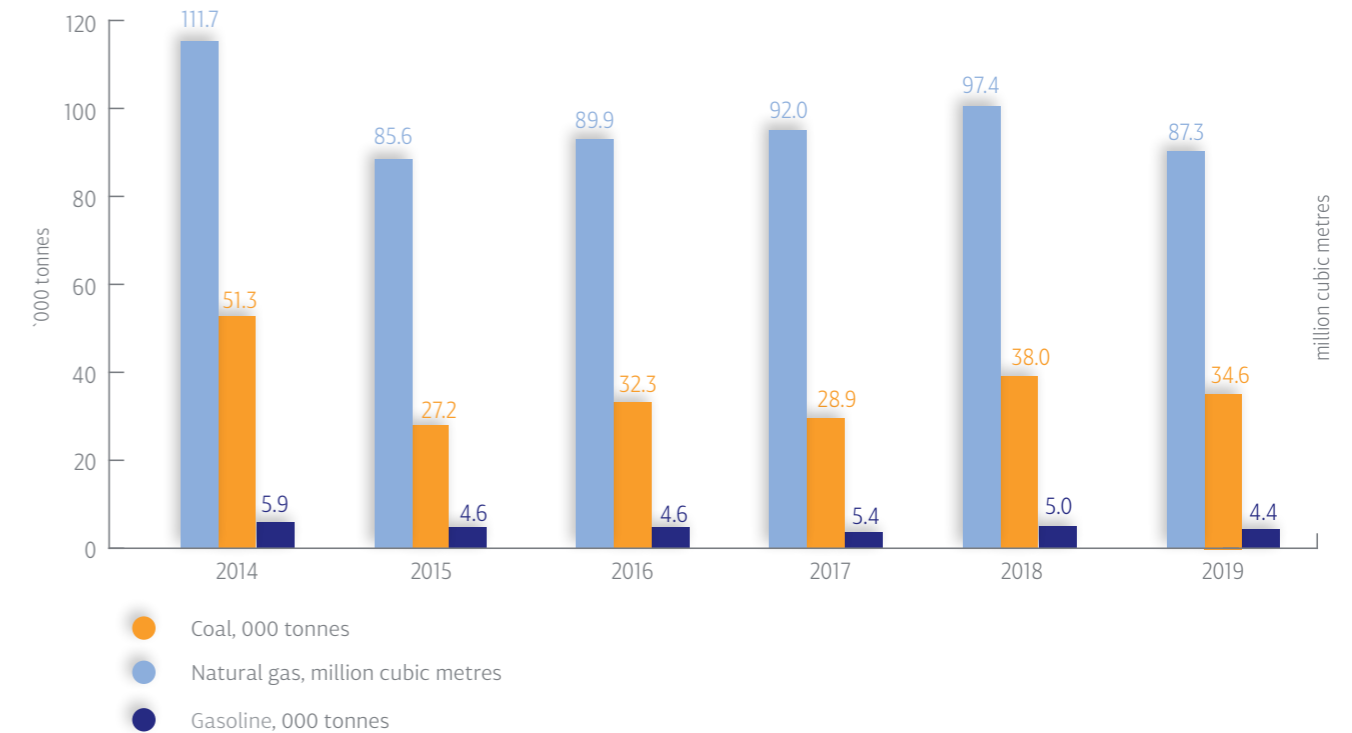
UKRZALIZNYTSIA ENERGY CONSUMPTION, 2019

Description	Measurement unit	2019
Ukrzaliznytsia total consumption of fuel from non-renewable sources, joule or derived unit	tonnes of fuel equivalent	600,200
	MJ	17,652,482
By type of fuel, joule or derived unit:		
Diesel fuel	tonnes	314,800
Natural gas	million cubic metres	87.3
Residual oil	tonnes	760
Coal	tonnes	34,600
Firewood	cubic metres	17,000
Gasoline	tonnes	4,400
Liquefied gas	tonnes	840
Other types of primary fuel	tonnes of fuel equivalent	2,100
Ukrzaliznytsia total energy consumption, joule, kWh or their derived units	kWh	4,631,900
	tonnes of fuel equivalent	1,505,000
	MJ	16,674,840,000
Ukrzaliznytsia total energy consumption for heating purposes, joule, kWh or their derived units	Gcal	593,700
	MJ	2,485,643,790
	Gcal	81,950
Ukrzaliznytsia total energy/fuel sales for heating purposes, joule, kWh or their derived units	MJ	343,100,065
	MJ	19,178,136,272
Total energy consumed at Ukrzaliznytsia, MJ		

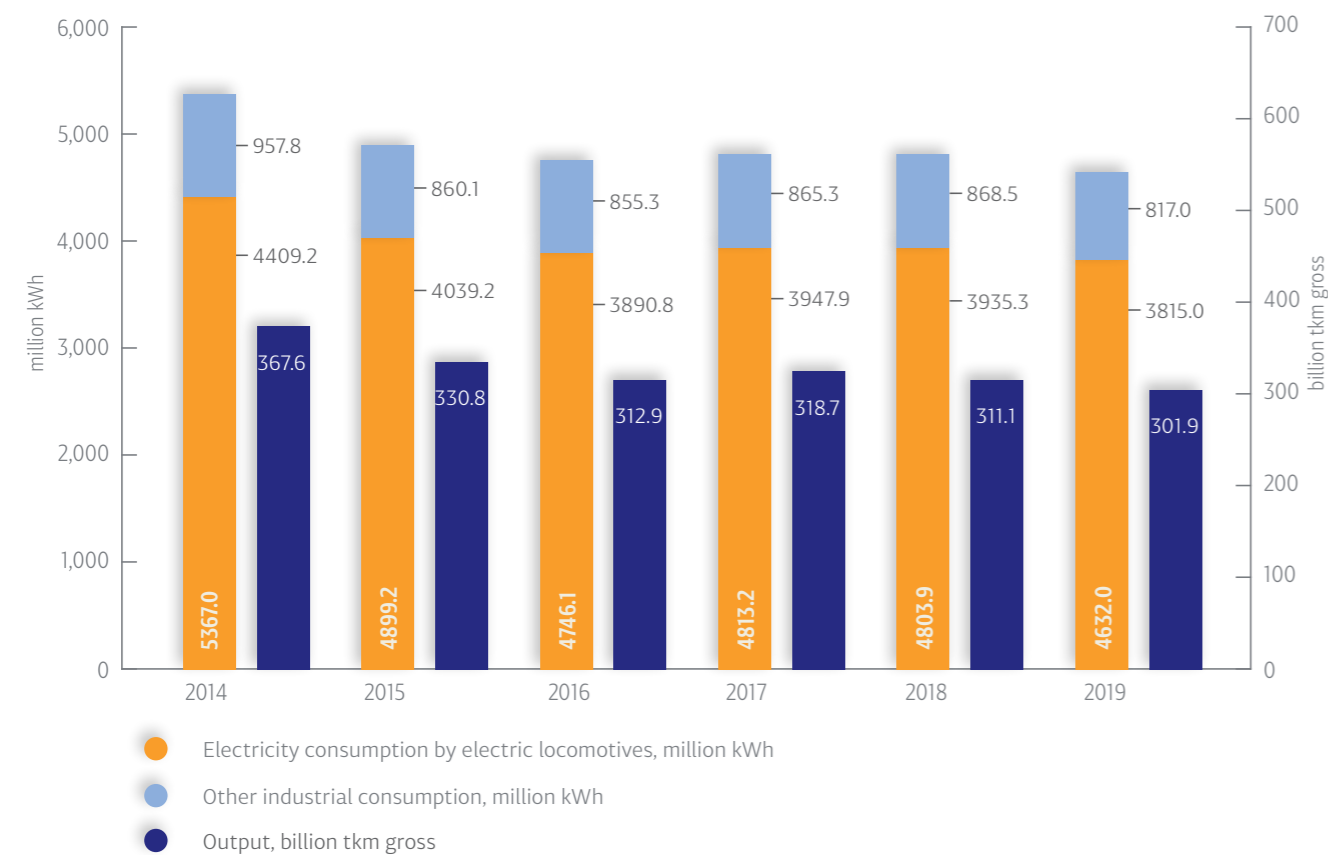
DIESEL FUEL CONSUMPTION AT UKRZALIZNYTSIA, 2014-2019



NATURAL GAS, COAL AND GASOLINE CONSUMPTION AT UKRZALIZNYTSIA, 2014-2019



ELECTRICITY CONSUMPTION AT UKRZALIZNYTSIA, 2014-2019

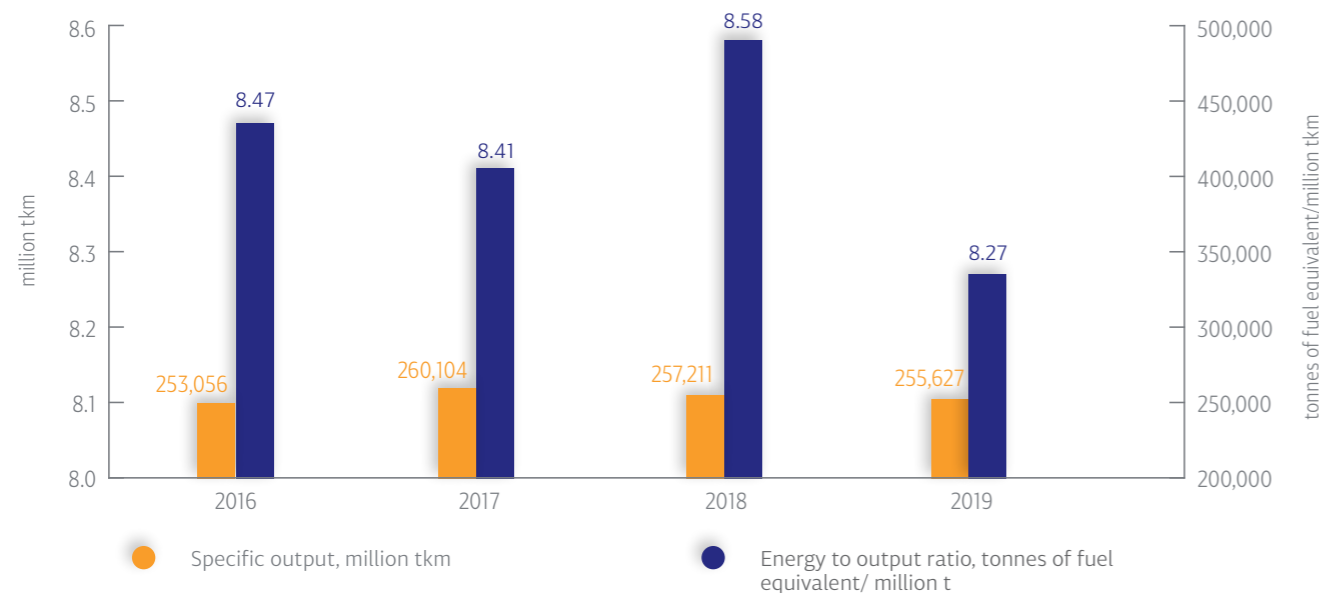


ENERGY INTENSITY

Energy intensity is a key universal indicator for assessing the efficiency of railway transport operation. It is defined as a ratio of consumption of all types of energy resources to the output expressed in specific millions of tonne-kilometres (million tkm). Reducing energy intensity is one of the priority objectives for Ukrzaliznytsia. The Company takes regular measures to improve production operations, seeking to save and ensure efficient use of energy resources, further reduce the energy consumption of the transportation, guarantee a qualitative analysis of energy costs by area of consumption, and unleash the potential of economic and technical capabilities of the railway transport.

In 2019, the energy intensity of railway transport went down by **3.6%** year on year.

ENERGY TO OUTPUT RATIO AT UKRZALIZNYTSIA, 2016-2019



Key areas for implementation of energy saving measures to improve railway transport energy efficiency:

- Improvement of the transportation technology and logistics, extended locomotive runs without changing locomotives and locomotive crews, cancellation of energy-intensive restrictions on the train speed, and streamlining of train traffic;
- Rational use of the locomotive fleet, reduction in the number of traction vehicles by increasing their productivity, minimising light engine runs, and reducing downtime at the rotation stations;
- Modernisation of the traction vehicles, energy consuming equipment, and utility networks, performance of equipment diagnostics, overhauls of traction transformers, substations, and distribution networks with replacement of equipment, and electrification of heavy traffic routes operating on diesel traction;
- Reconstruction and upgrade of heavy-duty thermal generation/heat consuming facilities, increase in the efficiency

of boiler houses and heat supply facilities/systems with the use of energy-saving technologies and modern energy-efficient equipment, and thermal modernisation of buildings and structures.

- Modernisation/reconstruction of outdoor lighting, improvement of the electricity metering system, introduction of modern energy-saving electric lighting equipment and automatic control of outdoor lighting of production sites, stations, parks, level crossings, and platforms.

Outputs of Fuel and Energy Consumption

In the reporting period, Ukrzaliznytsia's gross cargo transportation made 350.9 billion tkm, down by 2.3% against 2018 and down by 1.7% against target. The total energy consumption by locomotives was 1,637,900 tonnes of fuel equivalent, down by 2.9% year on year.

Output by Traction

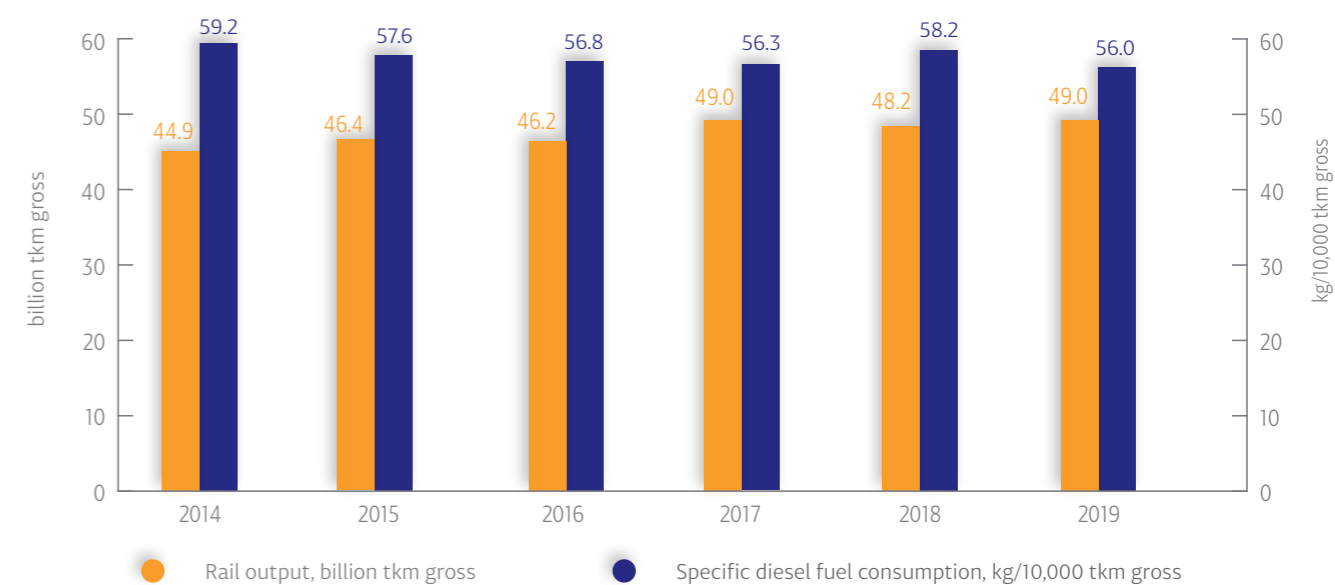
Diesel locomotives:

- Gross output was 49 billion tkm, up by 1.5% year on year and up by 4.8% against target.
- Fuel consumption was 274,600 tonnes of diesel fuel, down by 2.2% compared with 2018.
- Specific fuel consumption reduced by 3.8%, from 58.2 kg/10,000 tkm down to 56 kg/10,000 tkm (gross), leading to a reduction in diesel fuel consumption by 10,700 tonnes.

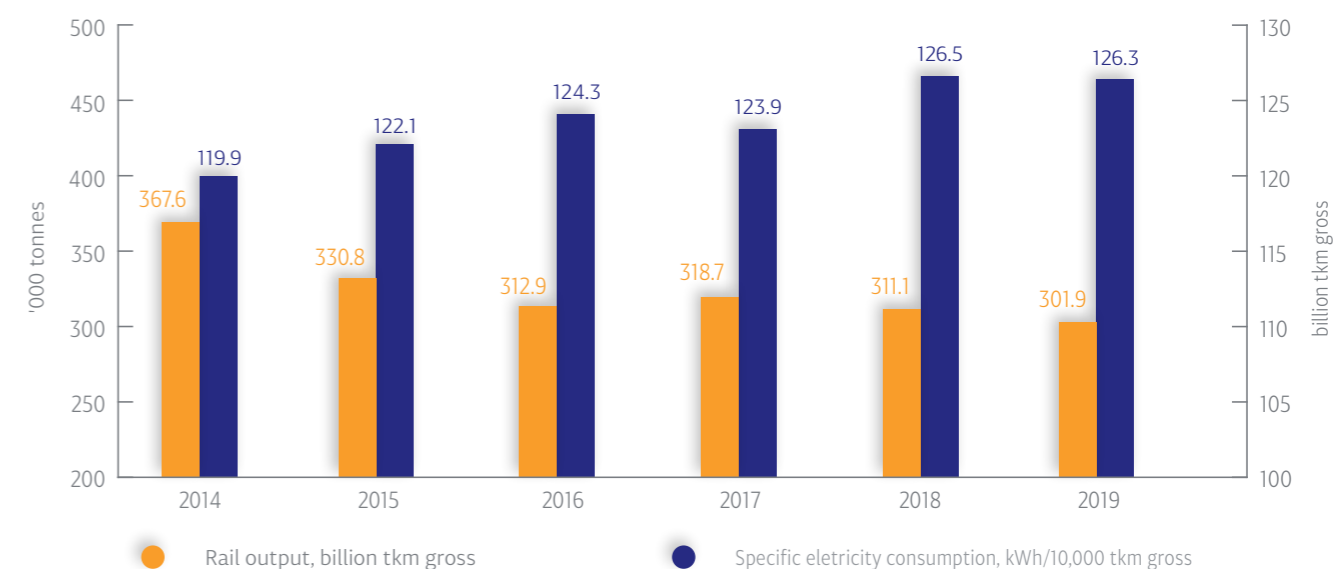
Electric locomotives:

- Gross output was 301.9 billion tkm, down by 9.1 billion tkm or 2.9% year on year and down by 8.2 billion tkm or 2.6% against target;
- Electricity consumption made 3.8 billion kWh, down by 120.5 million kWh or 2.9% compared with 2018;
- Specific electricity consumption reduced by 0.2 kWh/10,000 tkm (gross) or by 0.1%, leading to a reduction in electricity consumption by 6 million kWh.

CHANGES IN RAIL OUTPUT AND SPECIFIC DIESEL FUEL CONSUMPTION, 2014-2019



CHANGES IN RAIL OUTPUT AND SPECIFIC ELECTRICITY CONSUMPTION, 2014-2019



5

OUR SUSTAINABLE DEVELOPMENT



SUSTAINABLE DEVELOPMENT AND CSR AT UKRZALIZNYTSIA



STRATEGIC APPROACH TO SUSTAINABLE DEVELOPMENT AND CSR

Being a socially responsible company, Ukrzaliznytsia prioritises principles of sustainable development that lie at the heart of our corporate values and managerial decisions. Our key objectives include raising the quality of corporate governance, building credibility, transparency and openness, developing human resources, ensuring good standards of living for employees and their families, social stability and higher well-being of the residents in the areas of our operations, as well as improving the environmental safety and energy efficiency.

In 2019, the Company continued to build an effective CSR and sustainable development management system and take actions to prevent non-financial risks. On 12 June 2019, the Cabinet of Ministers of Ukraine approved Ukrzaliznytsia Strategy 2019-2023. The document sets out strategic areas, alternatives and priorities of the Company and explains the implementation procedures over five years. The purpose of the new Strategy is to determine the Company's corporate goals that will be clear and acceptable to the

stakeholders and concentrate efforts to achieve them through the implementation of strategic initiatives. The Strategy is based on a balanced and give-and-take approach to goal setting and takes into account the interests of the Company and its key stakeholders: the government, customers, investors, and employees. Strategic documents of the government, in particular Ukraine National Transport Strategy 2030, were also taken into account. Recognising the importance of a good corporate governance system for business success, the Company approved and began implementing the Code of Ethics in 2019. The code of ethics is one of the most important components of the global standards of integrity, transparency and ethics in business. The principles of integrity and transparency enshrined in the Code of Ethics of Ukrzaliznytsia are important and binding on the Company and all its employees: the chairman and members of the Supervisory Board, the chairman and members of the Management Board, directors, other officers, and employees. Transparency and openness are among the Company's corporate values. Therefore, we made a significant and innovative decision

in the field of public communications in 2019: the Department for Corporate Social Responsibility initiated the establishment of the Disclosure Committee. For the first time, one of the largest Ukrainian companies has taken actual steps to streamline, systematise and develop public communications. The Committee will secure that all public data processes are codified, reviewed regularly following requests of the stakeholders, and expanded every year. Thus, more information will be disclosed. The Company will become even more transparent and open in a planned and steady way. The Company also contributes to the sustainable development by building public trust and implementing anti-corruption measures. Thus, in 2019 the Company began improving its procurements in accordance with the updated Law of Ukraine On Public Procurement. On 17 September 2019, the Company publicly presented Ukrzaliznytsia Procurement Strategy 2019-2021 aimed at improving the procurement system to prevent any elements of corruption. The Strategy envisages anti-corruption measures and actions to improve our reputation and efficiency of procurement.

“The establishment of the Disclosure Committee is a management innovation at Ukrzaliznytsia. Similar solutions are deployed across the globe, but they are not typical for Ukrainian companies. For businesses similar in scale to Ukrzaliznytsia, this is a very interesting case and aspect to follow. I believe that this is a new and important step of the Company in building a modern corporate governance system and, more importantly, it is in line with the Company's development envisaged by the Cabinet of Ministers of Ukraine,”

Rostyslav Kurinko, Director for Corporate Social Responsibility, Ukrzaliznytsia.

In 2019, Ukrzaliznytsia started renting out its real properties through the ProZorro system. Lots are offered for lease all over Ukraine. The non-residential premises, office buildings, warehouses, train stations, locomotive and wagon depots, and other facilities not used by the Company are expected to be rented out. In total, there are over 1,300 of such assets.

The Company places a strong emphasis on the reduction of its environmental footprint. The environmental safety is in our special focus. We work to improve our energy and resource efficiency and reduce CO2 emissions and waste. In 2019, the Company cut the water use by 12.7%, the waste generation by 9%, and the emissions by 2%.

Health and safety is a priority for us. Ukrzaliznytsia works hard to improve the effectiveness of occupational H&S. In 2019, we achieved the lowest injury rate over the past four years. It shows the effectiveness of our comprehensive steps taken to improve the occupational safety and prevent occupational injuries, diseases and accidents.

As one of Ukraine's largest employers, Ukrzaliznytsia recognises its responsibility towards the employees. In 2019, we made significant

changes in the approaches and nature of our social policy and HR development. Approving HR Management Strategy 2019-2023 was a big achievement. Based on Ukraine Railway Transport Development Strategy 2020 and Ukrzaliznytsia Strategy 2019-2023, the HR Management Strategy will help introduce modern processes of HR management, increase the productivity of employees, and create the enabling environment to attract and retain promising young talent in the rail sector.

In 2019, we intensified our efforts in HR training and development, too. In particular, the Company launched a Knowledge Management Portal for its staff, offering such courses as Ukrzaliznytsia Code of Ethics, Business English, and Occupational Safety. The resource contains a Wikipedia on railways, FAQ, a selection of regulatory documents, photo and video galleries, awards and certificates for training, news and announcements of upcoming training events, in-person seminar and meeting reports. The system enables the Company to manage employee virtual training, oversee the educational process, create an electronic platform for distance-learning courses, accumulate, structure and manage access, add more educational materials and much more.



UKRZALIZNYTSIA SUSTAINABLE DEVELOPMENT AWARDS

Quality and transparency of Ukrzaliznytsia public reports are recognised globally

Ukrzaliznytsia Integrated Report 2018 won the international MarCom Awards organised by the American Association of Marketing and Communication Professionals. The Company participated in the high-level competition for the first time and received the highest international prize, a platinum statuette in the Best Print Version of the Annual Report category. Winning the reputable contest in the field of public communications demonstrates the Company's commitment to the leading international standards in transparency and public accountability.

The world-class public reporting and communication system helps protect the Company from possible speculation, prevent corruption and make Ukrzaliznytsia attractive to investors. This is especially important given the future prospects of IPO and the need to ensure transparent mechanisms for the sale of state-owned property.

The Company's integrated report is prepared in line with the best practices of Ukrainian and global companies. It also complies with the requirements and recommendations of international standards, in particular the International Integrated Reporting Council (IIRC), IFRS, Global Reporting Initiative (GRI Standards), 17 UN Sustainable Development Goals, etc.

Ukrzaliznytsia leads in corporate governance according to the Sustainable Ukraine Rating

The professional corporate sustainability rating, Sustainable Ukraine 2019, called Ukrzaliznytsia a leader in corporate governance among Ukrainian companies and ranked us in the TOP 10 Resilient Businesses with quite a high score (BBB). The Company also took the first place for the corporate governance and was among leaders for its environmental actions.

The high score in the rating shows that Ukrzaliznytsia is a transparent and socially responsible company that meets the global criteria, principles of sustainable business, and the Company's development vector is in line with the today's requirements of the investment community.

When making the rating, the experts conducted a comprehensive assessment of the Company in four areas: corporate governance, economic, environmental and social impact. The rating covers the companies that are among top 250 taxpayers in Ukraine. Sustainable Ukraine assesses and compares the quality of corporate governance in companies, their ability to make a positive impact on the society, manage non-financial risks and opportunities, and secure their sustainable development.



UKRZALIZNYTSIA’S CONTRIBUTION TO UN SUSTAINABLE DEVELOPMENT GOALS

In 2019, we continued to integrate 17 Sustainable Development Goals (SDG) of the United Nations into the management and reporting procedures. To do so, we studied the best international practices in this area.



END POVERTY IN ALL ITS FORMS EVERYWHERE
With 255,013 staff members, Ukrzaliznytsia is one of the largest employers in Ukraine. The welfare of employees is a priority of our social policy. In 2019, the average salary of a railway worker was 16% higher than the national average. The Company is one of the largest taxpayers. In 2019, we paid over UAH 29 billion in taxes to the national and local budgets and ranked 5th in TOP 100 biggest taxpayers. For more information, please see the Our Employees and Our Country and Our Financial Performance sections.



QUALITY EDUCATION
HR development is key to the success of the Company. Professional growth and development of competencies of our staff members are strategic objectives for Ukrzaliznytsia. In 2019, over 37,300 employees took professional training courses at our regional branches and affiliates, which made 123% of the 2019 annual target. For more information, please see the Our Employees and Our Country section.



ZERO HUNGER
The Company is one of the largest transporters of agricultural produce from and to the most remote regions of the country. We contribute to the dynamic development of agribusiness and rural areas. For more information, please see the Our Financial Performance section and the Key Operating Results subsection in Our Business section.



ACHIEVE GENDER EQUALITY AND EMPOWER ALL WOMEN AND GIRLS
The policy of Ukrzaliznytsia is to ensure equal rights and opportunities for women and men, eliminate discrimination based on gender, marital status, religion, age, ethnic or national origin. The Company treats every employee with respect, ensuring that their personal rights and freedoms are observed and protected. Achieving gender parity in the governing bodies is an important objective today. In 2019, we employed 151,513 men and 103,500 women. For more information, please see the HR Management and Development and HR Policy subsections in the Our Employees and Our Country section and the Corporate Governance subsection in the Our Business section.



ENSURE HEALTHY LIVES AND PROMOTE WELL-BEING FOR ALL AT ALL AGES
Caring for the health and well-being of our employees remains one of the priorities of our social policy. We have a special Healthcare Centre and a wide network of social infrastructure with 123 facilities. In 2019, 14,588 employees, including 4,516 children, improved their health in our health resorts. For more information, please see the Our Employees and Our Country section.



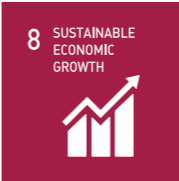
ENSURE ACCESS TO WATER AND SANITATION FOR ALL
The Company continues to take significant efforts to minimise its negative impact on the environment. Ukrzaliznytsia understands the value of water resources for the country and tries to use them rationally in its business operations. In 2019, the Company managed to reduce its water consumption by 12.7% against 2018. For more information, please see the Environmental Footprint subsection in the Our Environmental Responsibility.



ENSURE ACCESS TO AFFORDABLE, RELIABLE, SUSTAINABLE AND MODERN ENERGY
Energy efficiency and energy saving are among our priorities. Implementing the Railway Energy and Resource Saving Programme in 2019 resulted in savings of 31,500 tonnes of fuel equivalent. For more information, please see the Energy Efficiency and Energy Saving subsection in Our Environmental Responsibility section.



REDUCE INEQUALITY WITHIN AND AMONG COUNTRIES
The Company provides equal access and wide opportunities for everyone. We pay equal salary for equal job and apply a uniform wage rate scale to establish salaries throughout the country. In 2019, Ukrzaliznytsia launched online sales of discounted tickets for people with disabilities. For more information, please see the Our Employees and Our Country section.



PROMOTE INCLUSIVE AND SUSTAINABLE ECONOMIC GROWTH, EMPLOYMENT AND DECENT WORK FOR ALL
Ukrzaliznytsia adheres to the competitive salary approach. Our employees are entitled to overtime pay, benefits, and paid vacation. In 2019, we paid a bonus of 50% of the base salary for the performance in 2018. To ensure interaction with employees on the basis of social partnership and protect their social and labour interests, collective bargaining agreements are in place in the regional branches and affiliates of Ukrzaliznytsia. In 2019, our social payments amounted to UAH 11.5 billion. For more information, please see the Our Employees and Our Country section and the Key Operating Results subsection in the Our Business section.



MAKE CITIES INCLUSIVE, SAFE, RESILIENT AND SUSTAINABLE
We continue to play an important role in the social development of the regions of our operations, making a significant economic contribution through the creation of a large number of skilled jobs. Not only does the Company provide employment, but it also constantly raises the salaries and pays taxes to local budgets. For more information, please see the Our Environmental Responsibility, Our Employees and Our Country and Ukrzaliznytsia Today sections.



BUILD RESILIENT INFRASTRUCTURE, PROMOTE SUSTAINABLE INDUSTRIALISATION AND FOSTER INNOVATION
To drive the economic growth and welfare of people, Ukrzaliznytsia continues to develop quality, reliable and sustainable infrastructure and offer innovative services. In particular, in September 2019, Ukrzaliznytsia and the EBRD signed a framework agreement to raise loan of up to \$100 million to modernise lines of the Trans-European Transport Network. The Company will spend \$100 million to upgrade the infrastructure over the next two years. In October 2019, the Company completed the reconstruction of the Volnovakha – Komysh-Zoria section and opened a new double-track running line Zachativka-Rozyzd – Khlিবodariivka where a 15.5 km track was built. The project will offer much more opportunities for cargo transportation to Mariupol, which is a strategic direction. In 2019, for the first time in its history, the Company built a grain train and obtained the licence for its international operation. For more details, see the Transport Market Overview subsection in the Ukrzaliznytsia Today section and the Our Business section.



ENSURE SUSTAINABLE CONSUMPTION AND PRODUCTION PATTERNS
The Company uses new equipment and systems: stands for testing of radio stations and traffic safety devices, water purification installations for cooling systems of locomotives. In 2019, the Company received 15 more mainline freight locomotives manufactured by General Electric Company that have engines of higher environmental performance. For more information, please see the Our Business section and the Energy Efficiency and Energy Saving and Investments in Environmental Protection subsection in the Our Environmental Responsibility section.

13

PROTECT PLANET



TAKE URGENT ACTION TO COMBAT CLIMATE CHANGE AND ITS IMPACTS

The Company seeks to reduce the impact of its actions on climate change. With a view to expand the electrification, the Company continues to improve the rail infrastructure. Ukrzaliznytsia implements rail electrification projects. We reduced consumption of diesel to improve the environmental safety and cut our environmental footprint.

For more information, please see the Investments in Environmental Protection subsection in the Our Environmental Responsibility section and Ukrzaliznytsia Today section.

15

PROTECT TERRESTRIAL ECOSYSTEMS



SUSTAINABLY MANAGE FORESTS, COMBAT DESERTIFICATION, HALT AND REVERSE LAND DEGRADATION, HALT BIODIVERSITY LOSS

Reducing the harmful effects of the railway transport on the air, water resources, land, as well as cutting the industrial and domestic waste produced by railway transport are among key objectives of Ukrzaliznytsia's environmental management system. In particular, in a move to reduce the impact on soils, the Company operated a rolling stock with a closed-type environmentally friendly system of household waste collection without direct discharge into the environment in 2019. Last year, we spent UAH 134,636,500 to reduce the impact on land resources.

For more information, please see the Environmental Footprint subsection in the Our Environmental Responsibility.

16

PEACEFUL AND INCLUSIVE SOCIETIES



PROMOTE JUST, PEACEFUL AND INCLUSIVE SOCIETIES

Openness is one of our corporate values. Ukrzaliznytsia continues to pursue a policy of zero tolerance to any form of discrimination and violence. The corporate governance reform is ongoing at Ukrzaliznytsia, seeking to achieve high standards of openness, transparency and accountability. In 2019, the Company approved and launched the implementation of the Code of Ethics and approved the Corruption Prevention and Counteraction Policy.

For more information, please see the Corporate Governance subsection in Our Business section.

17

STRENGTHEN GLOBAL PARTNERSHIP



REVITALIZE THE GLOBAL PARTNERSHIP FOR SUSTAINABLE DEVELOPMENT

Striving towards the sustainable development, Ukrzaliznytsia continues to cooperate extensively with professional international organisations, in particular the UN Global Compact.

14

CONSERVE THE OCEANS



CONSERVE AND SUSTAINABLY USE THE OCEANS, SEAS AND MARINE RESOURCES

Irrelevant



STAKEHOLDER ENGAGEMENT

Ukrzaliznytsia seeks to build partnerships, trust, and long-term mutually beneficial relationships with its stakeholders: shareholders, passengers, cargo transport users, investors, competitors, government agencies, our employees, the public, etc.

For more information about our stakeholder identification and prioritisation principles, please see our Integrated Report 2017, the Sustainable Development and Stakeholder Engagement section, the Stakeholder Engagement subsection.

The Company adheres to a policy of openness in its stakeholder engagement. Ukrzaliznytsia strives to disclose key information about its operations and actions in a prompt and quality way, using both internal and external corporate channels of communications.

In 2019, our Department of Information Policy and Public Relations handled approximately 600 written requests from the media and organised about 20 events for the media and other stakeholders (press conferences, briefings, press tours, etc.).

For more information about communication channels, please see Ukrzaliznytsia Integrated Report 2017, the Sustainable Development and Stakeholder Engagement section, the Stakeholder Engagement subsection.

GOVERNMENT RELATIONS

Ukrzaliznytsia continues to engage actively with the public and local authorities. Our officials participate in the discussions of important



In the reporting period, the Company was mentioned almost **195,000** times in the media (**189,000** in 2018), in particular **1,587** on television, **1,143** on radio, **1,435** in print media, **131,929** in social media, and **58,805** in the Internet. At the same time, **82%** of the references were positive or neutral and only **18%** were negative. Against 2018, the share of negative references went down by **10%** last year.

legislative initiatives, hearings at the Verkhovna Rada committees, in the activities of the European Business Association and advisory groups that discuss pressing issues of the transport industry and rail transportation. The interaction helps us build a balanced relationship with public authorities and the industry actors.

In 2019, Ukrzaliznytsia, the Ministry of Infrastructure and the EBRD signed a memorandum of cooperation to prepare Ukrzaliznytsia for the IPO. The sale of shares on the stock exchanges will help us raise funds in the capital market on better terms and open up more opportunities for transformations of the Company. The investments will contribute to the implementation of strategic projects and the development of the railway industry as a whole.

The poverty eradication is addressed by the United Nations in conjunction with the employment. The Company acts in accordance with the world trends: in 2019, Southern Railways joined efforts with the employment service to hold a range of events under the Memorandum of Cooperation between the State Employment Service of Ukraine and Ukrzaliznytsia. For example, jobseekers were informed about the Company's operations and actions as one of Ukraine's largest employers. In the reporting period, this helped employ about 150 people at Southern Railways alone.

In October 2019, Ukrzaliznytsia and the State Fiscal Service introduced electronic exchange of information on international cargo transportation. The e-document management is intended to optimise control during the movement of goods across the customs borders of Ukraine, reduce the processing time for trains at border stations and simplify procedures for the handover of cargo at the destination stations. In the future, e-documents should gradually replace hard copies in import, export and transit cargo transportation.

In late December 2019, the Cabinet of Ministers of Ukraine approved an action plan to reform rail transport. The document envisages preparation of Ukrzaliznytsia for the initial public offering and the opening of the rail transport market.

EXPERT ENGAGEMENT

Ukrzaliznytsia always strives to engage as many stakeholders as possible to the dialogue. In 2019, we were partners of events that became communication platforms.

In particular, Lviv hosted an international academic conference, Energy Optimal Technologies, Logistics and Transport Safety, on 18-19 June. Lviv Railways was one of the event organisers. The experts discussed energy-optimal technologies, energy efficiency,

energy management and interoperability (technology compatibility of technical solutions used in the provision of services and their ability to interact). Transport safety and certification, environmental friendliness of rolling stock and transport infrastructure, modern technologies for international transportations and logistics, transport design, interaction of railways and industrial enterprises were in spotlight.

The International Black Sea Transport Forum 2019, TRANS EXPO ODESSA 2019, took place in Odessa on 18-21 September. Transport experts could effectively approach production issues, exchange their practices, and find new business partners. Kriukiv Rail Car Building Plant took part in the event for the first time and presented developments of the national heavy engineering sector, in particular railway transport and municipal utilities vehicles.

On 16-18 October, Kyiv hosted the Third International Exhibition RAIL EXPO 2019 to promote the world's best practices in the Ukrainian car building and rail sector, as well as encourage the experience sharing and networking. Ukrzaliznytsia was the general partner of the event. The exhibition focused on the rail industry: rail transport, infrastructure, production of equipment and components for the rail market.

In addition, leaders of Ukrzaliznytsia joined the Ukrainian delegation to participate in the Silk Road Forum and in the general meeting of the Trans-Caspian International Transport Route International Association in October 2019. The event discussed cooperation around the Silk Road project, integration of the regional economies into global chains, trade development, entry into global markets, strengthening and expansion of partnerships, key trends and investments, improvements in logistics, creation of a sustainable transport network for the Trans-Caspian International Transport Route, transport safety, factors to step up the project, digitalisation, communication technologies, etc.

On 21 November 2019, Odessa hosted the Fifth International Conference, Grain Terminals: New Projects, Equipment and Technologies, attended by the logistics and ferry operations managers of Odessa Railways. The conference discussed terminal services, participation in the grain delivery and transshipment by sea and the use of railway routes.

SURVEY OF CUSTOMER SATISFACTION WITH UKRZALIZNYTSIA'S SERVICES

The independent survey was conducted to determine the level of customer satisfaction with the quality of long-distance passenger transportation services offered by Ukrzaliznytsia, receive specific and objective information on the customers' priorities and services that needed improvement. The survey covered 7,200 respondents and found that one in four passengers considered any other type of transport but rail when planning a trip.

The survey of the general customer satisfaction of Ukrzaliznytsia relied on the analysis of four main parameters: satisfaction with trains, railway stations, performance of the railways in general and the purchase of tickets in the box office or online. The survey showed both the strengths and weaknesses of the services.

The summary report described the assessment of the quality of the Company's services by clients. The average level of satisfaction was 5.99 out of 10 points. Ukrzaliznytsia's key priority for 2020 and a medium-term perspective is to improve customer satisfaction and the quality of service.

CUSTOMER ENGAGEMENT

In 2019, Ukrzaliznytsia started an independent survey among shippers. The survey of the customer satisfaction with railway services has become a joint project of the Company, the Centre for Transport Strategies (CTS), the European Business Association (EBA), and KPMG in Ukraine.

The purpose is to conduct an unbiased survey, find out the level of customer satisfaction with the quality of Ukrzaliznytsia's cargo transportation services, receive clear and objective information about the customers' priorities and services that need improvement.

The first survey covered about 70 companies accounting for over 60% of the cargo market. The direct dialogue and contact with customers enabled us to determine a cargo market segment where a customer operated. Specific questions were also raised regarding the services of Ukrzaliznytsia. The shippers had to evaluate the quality of the Company's services: the ease of transportation contract conclusion and submission of a request for the transportation of goods, compliance with the deadlines for the delivery of goods and railway car spotting, the technical and commercial condition of the Company's cars, the cost of car use, the level of car damage during transportation, etc. The evaluation was based on a ten-point scale. In the questionnaires, the clients indicated the priority of a certain criterion for them and the extent to which the Company met their expectations. Ukrzaliznytsia did not have access to the questionnaires of participants until the final report. The summary report presented the consolidated information without specifying how a particular company evaluated the quality of the Company's services. The average satisfaction score was 5.4 points. Therefore, key priorities for 2020 and a medium-term perspective for the Company will be to increase the customer satisfaction and improve the service quality.



PRESERVING AND USING HISTORICAL HERITAGE

RESEARCH AND DEVELOPMENT

In 2019, the employees of Ukrzaliznytsia's Department of Historical Heritage of Railways held R&D events with the leading museums and research institutions of Ukraine.

On 19 April, the Company together with Dobrov Institute of Research of Scientific and Technical Potential and History of Science, the Ukrainian Society of History of Science and Borodin Centre for Research and History of Science and Technology organised the All-Ukrainian Scientific Conference of Young Historians of Science, Technology and Education and Specialists on the theme "Science as a Phenomenon of the National Culture". Also, jointly with Luhansk Taras Shevchenko National University and Luhansk Regional Organisation of the National Association of Ukrainian Local Historians, we organised the Third All-Ukrainian Scientific and Practical Local History Conference "Luhansk Region: Regional Explorations". It offered a panel on the history of railway heritage in the region.

On 27-28 September, employees of the Company participated in the 13th All-Ukrainian scientific conference "Topical issues of the history of science and technology" (Kramatorsk, Donetsk Oblast) dedicated to the 85th anniversary of the Novokramatorsky Machine Building Plant.

On 25-26 October, a Historical Heritage of Donetsk Railways panel was organised at Bakhmut College of Transport Infrastructure (Bakhmut, Donetsk Oblast) as part of the Third All-Ukrainian Scientific and Practical Local History Conference "Bakhmut History 2019, Local History Researches" dedicated to the 10th anniversary of Kursk – Kharkiv – Azov rail routes and the 85th anniversary of the Zaliznychuk Donbasu newspaper.

On 12 December, the First All-Ukrainian Scientific Military and Historical Conference "The History of Armoured Trains and Railway Troops in Ukraine: Historical Progress" was held in Kyiv jointly with the National Museum of Military History and the National Chernyakhovsky Defence University. The event was coordinated by Yaroslav Tynchenko, the Deputy Director of the National Museum of Military History of Ukraine, and Mykola Ruban, the 1st Class Engineer of the Department of Historical Heritage of Railways of Ukraine. The conference presented a number of unique presentations about the production and use of armoured trains in Ukraine.

Following the events, the conference materials were published and reprinted in the periodicals of Ukrzaliznytsia and Centre for Transport Information of Ukraine.

CULTURAL AND ART EVENTS

GOGOLTRAIN

On 27 April 2019, the GogolTrain arrived to Mariupol from Kyiv. This art train was painted by graffiti artists from all over Ukraine in two days. Such an unusual way was chosen to send participants and guests to GogolFest.

GogolTrain consisted of ten cars: three compartment coaches, five couchette cars, and two restaurant cars. The interior was also decorated to match the concept of the festival. In particular, one of the restaurant cars had a mini-stage for the performance of musical bands, and another one was decorated in a retro style.

This art train was unique not only in Ukraine, but also in Europe. It united cities, people and artists and become a platform for cultural mobility.

NATIVE LAND MUSEUM HALL

In late December 2019, Koziatyn Passenger Station opened a homeland museum hall to mark its 130th anniversary. The exhibition of 15 reproductions of paintings by Oleg Shuplyak, a distinguished artist of Ukraine (village of Bysche, Berezhany District, Ternopil Oblast) kick-started the event. At the same time, a museum room dedicated to the history of Koziatyn station was opened. Passenger Company of Ukrzaliznytsia, Koziatyn Directorate of Railway Transport of South-Western Railways, the territorial committee of the trade union of railway workers, and transport builders of Ukraine took part in the organisation and design of the exposition.

UKRAINE WOW INTERACTIVE EXHIBITION

On 14 November 2019, Ukraine WOW launched an interactive exhibition created by Gres Todorchuk agency upon the request of the Company. It was opened at Kyiv Pasazhyrsky Station to celebrate the Railway Man Day. The exhibition was housed in a new cultural space called Luggage Compartment with Ramp. The exposition consisted of seven blocks and was located on an area of 3,900 sqm. The story unfolded as if a visitor was travelling across Ukraine by train. Speaking of the railway, the exposition talked about the country. The expo featured interesting exhibits: the tunnel of love, the last self-portrait by Kazimir Malevich, sculptures by Alexander Arkhipenko, the alphabet by Georgy Narbut, a national mazanka house with the works by Polina Raiko, a pink wagon, virtual reality zone, the Nevitsky Castle, and the most powerful blast furnace in Europe. Visitors could voice animated movies about prominent Ukrainians. Special photographic zones were arranged. Ukraine WOW was visited by 250,000 people just over two and a half months. More than 200 people worked on the project: architects, designers, editors, journalists, virtual reality specialists, a team of media artists, project managers, and curators.



6

OUR FINANCIAL PERFORMANCE



INDEPENDENT AUDITOR'S REPORT



Translation from Ukrainian original

Ernst & Young Audit Services LLC
19A Khreshchatyk Street
Kyiv, 01001, Ukraine
Tel: +380 (44) 490 3000
Fax: +380 (44) 490 3030
www.ey.com/ua

ТОВ «Ернст энд Янг
Аудиторські послуги»
вул. Хрещатик, 19А
Київ, 01001, Україна
Тел.: +380 (44) 490 3000
Факс: +380 (44) 490 3030

Independent auditor's report

To the Shareholder and Supervisory Board of joint stock company "Ukrainian railways"

Report on the audit of the consolidated financial statements

Qualified opinion

We have audited the consolidated financial statements of joint stock company "Ukrainian railways" (the Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in paragraph (i) of the Basis for qualified opinion section of our report, and except for the effects of the matter described in paragraph (ii) of the Basis for qualified opinion section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), and comply with the requirements for the preparation of financial statements established by Law of Ukraine "On accounting and financial statements in Ukraine" No. 996-XIV.

Basis for qualified opinion

- (i) As disclosed in Note 2 to the consolidated financial statements, certain assets and liabilities of the Group are located in, or otherwise associated with the Autonomous Republic of Crimea and certain territories of Donetsk and Lugansk regions temporarily not controlled by the Ukrainian authorities. In addition, the Group is not considered the legal successor for these assets and liabilities before completion of required statutory legal succession proceedings. There is an uncertainty in respect of timing of the legal succession and the ultimate valuation of the assets and liabilities to be succeeded to the Group as a result of that statutory legal proceedings.

We were unable to obtain sufficient appropriate audit evidence in respect of assets of uncontrolled territories of UAH 13,661,086 thousand and liabilities of uncontrolled territories of UAH 5,207,728 thousand as at 31 December 2019 (2018: UAH 13,562,117 thousand and UAH 5,207,709 thousand, respectively), and share of profit of an associate of UAH 74,596 thousand and revenues and expenses of Regional Branch "Donetsk Railway" for the year ended 31 December 2018 disclosed in Note 2 to the consolidated financial statements.



Translation from Ukrainian original

Such approach is not in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and IAS 16 Property, Plant and Equipment. The effects of this departure from IFRS on the carrying amounts of property, plant and equipment, related deferred tax balances as at 31 December 2019 and 2018, depreciation and impairment charges and deferred tax charges for 2019 and 2018 have not been determined.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Ukraine, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Emphasis of matter

We draw attention to Note 33 to the consolidated financial statements, which describes the effect of tax charges and dividend payments of the Group on its liquidity risk exposure. Our opinion is not modified in respect of this matter.

We further draw attention to Note 34 to the consolidated financial statements, which describes the effect of coronavirus outbreak on the Group's operations after the reporting period. Our opinion is not modified in respect of this matter.

Key audit matters incorporating the most significant risks of material misstatements, including assessed risk of material misstatements due to fraud

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. In addition to the matters described in the Basis for qualified opinion section, we have determined the matter described below to be the key audit matters to be communicated in our report. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying consolidated financial statements.



Translation from Ukrainian original

Key audit matter

How our audit addressed the key audit matter

Compliance with debt covenants

In accordance with the terms of certain loans and Eurobonds issued, the Group should comply with certain financial and non-financial covenants. Potential breaching covenants under one of the loan agreements may lead to cross-default under other loan agreements. The potential acceleration of debt repayments caused by the breaches of covenants may have impact on the classification of interest-bearing loans and borrowings in the consolidated statement of financial position and on the going concern assumption used in the preparation of the consolidated financial statements. For these reasons, we considered compliance with debt covenants to be a key audit matter.

Information on compliance with covenants is disclosed in Note 18 to the consolidated financial statements.

We inspected the terms of loan agreements, including covenant ratios and event of default definitions. We analysed the terms of the debt restructuring and waivers provided by lenders. We evaluated management's calculations of the covenant ratios and paid special attention to the classification of specific and exceptional items included in and excluded from the ratios. We assessed the classification of interest-bearing loans and borrowings as current or non-current liabilities. We analyzed the information on compliance with debt covenants disclosed in the consolidated financial statements.

Other information included in the Integrated Report of JSC "Ukrainian railways" and Annual Information of the Issuer of Securities for 2019

Other information comprises the Integrated Report of JSC "Ukrainian railways" (including consolidated management report) and the Annual Information of the Issuer of Securities (including the corporate governance report) for 2019, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Integrated Report of JSC "Ukrainian railways" and the Annual Information of the Issuer of Securities are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibilities of management and the Supervisory Board for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is



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necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board is responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



Translation from Ukrainian original

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters.

Report on the supplementary financial information

Our audit was conducted for the purposes of expressing an opinion on the consolidated financial statements taken as a whole. Statutory financial reporting forms accompanying these consolidated financial statements which have been disclosed as supplementary financial information are presented for the purpose of compliance with statutory reporting requirements. Such supplementary financial information has been subjected to the auditing procedures applied in our audit of the consolidated financial statements and, in our opinion, except for the possible effects of the matter described in paragraph (i) of the Basis for qualified opinion section of our report, and except for the effects of the matter described in paragraph (ii) of the Basis for qualified opinion section of our report, has been properly prepared, in all material respects, in relation to the Group's consolidated financial statements taken as a whole.

Report on other legal and regulatory requirements

Pursuant to the requirements of Article 14 paragraph 4 of Law of Ukraine "On audit of financial statements and auditing activity" No. 2258-VIII (the "Law No. 2258-VIII") we provide the following information in our Independent Auditor's Report, which is required in addition to the requirements of International Standards on Auditing.

Appointment of the auditor and period of engagement

We were first appointed as independent auditors to perform a statutory audit of the Group's consolidated financial statements according to the agreement dated 13 May 2015. Our appointment has been renewed by the Supervisory Board. The period of total uninterrupted engagement for performing the statutory audit of the Group is 5 years.



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019
(in thousands of Ukrainian hryvnia)

	Notes	2019	2018
Assets			
Non-current assets			
Property, plant and equipment	9	234,555,159	237,701,229
Investment in associates	10	737,122	691,759
Financial assets	11	84,326	91,247
Taxes receivable, other than income tax	15	164,064	845,648
Prepaid income tax		70,661	539,721
Deferred tax asset	21	129,813	58,745
Assets of uncontrolled territories	2	13,661,086	13,562,117
		249,402,231	253,490,466
Current assets			
Inventories	12	9,129,068	8,881,531
Trade and other receivables	13	656,540	1,002,401
Prepayments	14	332,981	136,842
Prepaid income tax		113,272	12,280
Taxes receivable, other than income tax	15	379,881	733,121
Financial assets	16	2,014,715	–
Cash and cash equivalents	16	6,981,236	1,251,826
		19,607,693	12,018,001
Total assets		269,009,924	265,508,467
Equity and liabilities			
Equity			
Contributed capital	17	229,879,115	229,879,115
Additional capital		18,906,066	18,894,521
Accumulated deficit		(36,999,362)	(38,660,688)
		211,785,819	210,112,948
Non-controlling interests		30,384	4,978
		211,816,203	210,117,926
Non-current liabilities			
Interest-bearing loans and borrowings	18	18,149,798	14,918,287
Lease liability	19	1,931,848	1,158,530

	Notes	2019	2018
Defined benefit liability	20	3,186,892	2,654,105
Deferred tax liability	21	19,630	34,105
Liabilities of uncontrolled territories	2	5,207,728	5,207,709
		28,495,896	23,972,736
Current liabilities			
Interest-bearing loans and borrowings	18	14,498,640	17,086,982
Lease liability	19	434,396	286,775
Trade and other payables	22	9,714,077	9,358,892
Contract liabilities		1,936,973	2,324,462
Income tax payable		7,857	68,773
Taxes payable, other than income tax	23	888,779	559,651
Provisions	24	1,217,103	1,732,270
		28,697,825	31,417,805
Total liabilities		57,193,721	55,390,541
Total equity and liabilities		269,009,924	265,508,467



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019
(in thousands of Ukrainian hryvnia)

	Notes	2019	2018
Revenues			
Cargo revenues	26	72,488,806	67,519,803
Passenger revenues	26	9,905,795	8,468,724
Other revenues	26	7,957,718	7,413,880
Total revenues		90,352,319	83,402,407
Operating expenses			
Staff costs		(44,056,208)	(40,585,068)
Depreciation		(12,402,695)	(12,547,478)
Electricity		(8,484,771)	(9,155,746)
Fuel		(8,237,492)	(9,405,550)
Materials, maintenance and repairs		(5,530,092)	(7,030,203)
Taxes, other than income tax	25	(4,229,621)	(1,262,153)
Social expenses		(543,395)	(677,887)
Change in provisions	24	(104,091)	(134,241)
Change in finished goods and work in progress		19,589	(61,273)
Other operating income	27	1,081,671	1,229,638
Other operating expenses	27	(3,045,621)	(270,818)
Total operating expenses		(85,532,726)	(79,900,779)
Operating profit		4,819,593	3,501,628
Finance income	28	259,506	202,624
Finance costs	28	(3,844,992)	(3,463,631)
Other income		143,058	123,108
Other expenses		(918,121)	(21,465)
Foreign exchange gain, net	29	4,325,567	538,820
Share of profit of associates	10	78,736	59,393
Profit before income tax		4,863,347	940,477
Income tax expense	21	(1,875,100)	(736,623)
Profit for the year		2,988,247	203,854
Attributable to:			
Equity holder of the parent		2,988,569	203,766

	Notes	2019	2018
Non-controlling interests		(322)	88
		2,988,247	203,854
Other comprehensive loss			
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods (net of tax)			
Remeasurement losses on defined benefit plans	20, 21	(613,571)	(704,779)
Share of other comprehensive income of associates	10	55,083	–
Other comprehensive loss for the year, net of tax		(558,488)	(704,779)
Attributable to:			
Equity holder of the parent		2,430,081	(501,013)
Non-controlling interests		(322)	88
Total comprehensive income / (loss) for the year, net of tax		2,429,759	(500,925)



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019
(in thousands of Ukrainian hryvnia)

	Notes	Contributed capital	Additional capital	Accumulated deficit	Total	Non-controlling interests	Total equity
At 1 January 2018		229,879,115	18,899,383	(38,006,503)	210,771,995	4,983	210,776,978
Profit for the period		–	–	203,766	203,766	88	203,854
Other comprehensive loss		–	–	(704,779)	(704,779)	–	(704,779)
Total comprehensive loss		–	–	(501,013)	(501,013)	88	(500,925)
Dividends	17	–	–	(153,417)	(153,417)	–	(153,417)
Dividends paid to non-controlling interests		–	–	–	–	(93)	(93)
Other changes		–	(4,862)	245	(4,617)	–	(4,617)
At 31 December 2018		229,879,115	18,894,521	(38,660,688)	210,112,948	4,978	210,117,926
Profit/(loss) for the period		–	–	2,988,569	2,988,569	(322)	2,988,247
Other comprehensive loss		–	–	(558,488)	(558,488)	–	(558,488)
Total comprehensive income/(loss)		–	–	2,430,081	2,430,081	(322)	2,429,759
Dividends	17	–	–	(765,355)	(765,355)	–	(765,355)
Dividends paid to non-controlling interests		–	–	–	–	(65)	(65)
Other changes		–	11,545	(3,400)	8,145	25,793	33,938
At 31 December 2019		229,879,115	18,906,066	(36,999,362)	211,785,819	30,384	211,816,203

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019
(in thousands of Ukrainian hryvnia)

	Notes	2019	2018
Cash flows from operating activities			
Profit before income tax		4,863,347	940,477
Adjustments to reconcile profit before income tax to net cash provided by operations			
Depreciation		12,402,695	12,547,478
Impairment losses on associate		74,276	–
Impairment of property, plant and equipment	9	720,550	–
Finance costs, net	28	3,585,486	3,261,007
Loss on disposals of property, plant and equipment		79,673	12,889
Movements in defined benefit liability and provisions		(317,844)	(352,933)
Allowance for estimated irrecoverable amounts		1,349,350	230,355
Foreign exchange gain, net		(4,311,845)	(536,922)
Share of profit of associates	10	(78,736)	(59,393)
Operating profit before working capital changes		18,366,952	16,042,958
Changes in working capital			
Trade and other receivables		(278,706)	(356,761)
Prepayments		(196,139)	62,627
Inventories		(281,808)	(469,438)
Taxes receivable and prepaid, other than income tax		433,086	(156,831)
Trade and other payables		(581,847)	836,555
Contract liabilities		(387,489)	(141,719)
Taxes payable, other than income tax		329,090	(69,997)
Cash generated from operating activity		17,403,139	15,747,394
Income tax paid		(1,755,587)	(199,813)
Interest paid		(2,783,618)	(2,815,173)
Dividends paid to equity holders of the parent	17	(118,520)	(45,044)
Dividends paid to non-controlling interests	17	(71)	–
Repayment of provisions	24	(482,758)	(66,728)
Net cash flows from operating activities		12,262,585	12,620,636



FOR THE YEAR ENDED 31 DECEMBER 2019
(in thousands of Ukrainian hryvnia)

Cash flows from investing activities			
Acquisition of property, plant and equipment		(9,285,375)	(15,033,937)
Proceeds from disposal of property, plant and equipment		37,619	–
Placement of deposits, net of withdrawals		(2,057,881)	–
Interest received		243,155	197,109
Dividends received from an associates	10	37,297	–
Acquisition of a subsidiary (acquisition of cash)		31,669	–
Net cash flows used in investing activities		(10,993,516)	(14,836,828)
Cash flows from financing activities			
Proceeds from interest-bearing loans and borrowings		35,965,166	18,070,474
Repayment of interest-bearing loans and borrowings		(31,068,745)	(19,450,443)
Repayment of lease liability		(422,358)	(338,712)
Dividends paid to non-controlling interests		–	(93)
Net cash flows used in financing activities		4,474,063	(1,718,774)
Net decrease in cash and cash equivalents		5,743,132	(3,934,966)
Reclassified to assets of uncontrolled territories	2	–	(298)
Net foreign exchange difference		(13,722)	(1,898)
Cash and cash equivalents at 1 January		1,251,826	5,188,988
Cash and cash equivalents at 31 December		6,981,236	1,251,826



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019
(in thousands of Ukrainian hryvnia, unless otherwise indicated)

DESCRIPTION OF BUSINESS AND THE GROUP'S STRUCTURE

INCORPORATION AND OPERATIONS OF THE COMPANY AND THE GROUP

Joint stock company “Ukrainian railways” (JSC “Ukrainian Railways” or “the Company”) is a private joint stock company organised under the laws of Ukraine. Prior to 31 October 2018, the Company's name was Public joint stock company “Ukrainian Railways”, which was registered on 21 October 2015. The Company was created as a result of reorganisation through merger of public service railway enterprises and institutions (“the Reorganisation”) and started e c o n o m i c activities since 1 December 2015. All assets and liabilities of entities previously subordinated to and effectively controlled by State Administration of Railway Transport of Ukraine were transferred to the Company. The consolidated financial statements include financial statements of JSC “Ukrainian Railways” and its subsidiaries (together – “The

Group”). The list of entities included in the Group is presented further. Principal activities of the Group are provision of services for cargo and passengers railway transportation, access to the railway infrastructure, logistics, repairs and maintenance of rolling stock etc. The Company is recognised as a natural monopoly in the area of access to public service infrastructure for railway transportation and railway traffic control function.

CORPORATE INFORMATION

The sole shareholder of JSC “Ukrainian Railways” is the State of Ukraine represented by the Cabinet of Ministers of Ukraine acting in capacity of the sole shareholder of the Company. The Cabinet of Ministers of Ukraine manages the corporate rights of the state over the Company. The registered address of JSC “Ukrainian Railways” is 5, Jerzy Giedroyc St., Kyiv 03150, Ukraine.

ENTITIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS

The financial statements of the following entities are included in the consolidated financial statements as at 31 December :

	2019	2018
Joint stock company “Ukrainian Railways”	Parent	Parent
Private joint-stock company “Dnipropetrovsk Diesel Locomotive Repair Plant”	100%	100%
Private joint-stock company “Zaporizhzhya Elektric Locomotive Repair Plant”	100%	100%
Private joint-stock company “Lviv Locomotive Repair Plant”	100%	100%
Private joint-stock company “Kyiv Electrical Carriage-Repair Plant”	100%	100%
Private joint-stock company “Korosten Plant Of Railway Sleepers”	100%	100%
Private joint-stock company “Hnivan Special Reinforced Concrete Plant”	100%	100%
Private joint-stock company “Transsignal Kyiv Electrical Engineering Plant”	100%	100%
LLC “UZ Cargo Wagon”	100%	100%
LLC “Enerho Zbut Trans”	100%	100%
Private joint-stock company “Insurance Company “Tast Garantiya” (Note 17)	65.62%	65.62%
Private joint-stock company “Insurance Company “Inter-Policy”	50.0046%	–

JSC “Ukrainian Railways” consists of six regional branches and 30 other branches included in the consolodated financial statements. The Company continues its internal reorganisation and forms its

target organisational structure through segregation of market-oriented branches.

In April 2019, the Group obtained control over PrJSC “Insurance Company “Inter-Policy”. As of the date when control was obtained the assets of the subsidiary amounted to UAH 73,231 thousand, liabilities to UAH 21,640 thousand, net assets comprised UAH 51,591 thousand. The carrying value of investment in PrJSC “Insurance Company “Inter-Policy” amounted to UAH 7,552 thousand (30,965%) was presented within Investment in associate as at 31 December 2018.

PRICING POLICY

Cargo and passenger railway transportation in Ukraine is a regulated by government prices and some services that connected with transportation is provided with free market prices. At the same time JSC “Ukrzaliznitsa” in the course of its business activity provides a wide range of auxiliary services and works, manufactures and sells products at unregulated prices. Cargo and passenger transportation is subject to the following tariffs regulations:

- **Tariffs for domestic cargo transportation** – approved by the Ministry of Infrastructure of Ukraine as agreed with the Ministry for Development of Economy, Trade and Agriculture of Ukraine and the Ministry of Finance of Ukraine (except for wagon component of tariff for fleet carriages that belong to the carrier JSC “Ukrainian Railways” starting from 19 February 2018). In accordance with Order No. 425 of the Ministry of Infrastructure of Ukraine dated 12 December 2017, the deregulation of wagon component of tariff for fleet carriages that belong to JSC “Ukrainian Railways” was completed, and the Company started setting tariffs for usage the own fleet carriages of the carrier JSC “Ukrainian Railways” since 19 February 2018. The tariffs are denominated in UAH and are generally subject to changes in cost of transportations and producer price index, which flatten out the level of change in exchange rates of UAH against US dollar and Euro, in which the Group's loan portfolio is denominated. During 2019, tariffs have been increased on 14.2% since 30 March 2019 according to Order No. 205 “About changes in indexes that applied for tariffs from Listing of tariffs for domestic cargo transportation by railroad and related servises” dated 22 March 2019, issued by the Ministry of Infrastructure of Ukraine. In accordance with the resolution of the Management Board of JSC “Ukrainian railways” dated 17 April 2019 and 6 September 2019, the tariffs for carriages that belong to shipping company JSC “Ukrainian railways” have been updated (effective from 20 May 2019 and from 13 October 2019, respectively).
- **Tariffs for domestic transportation of passengers and baggage** – approved by the Ministry of Infrastructure of Ukraine as agreed with the Ministry of Economic Development and Trade of Ukraine (except suburban transportation and transportation with high-speed trains Intercity+ in the first class cars). The tariffs are denominated in Ukrainian Hryvnia. During 2019, there were no changes in tariffs for domestic transportation of passengers and baggage. During 2018, there was an increase in tariffs for domestic transportation of passengers and baggage by 12% from 1 June 2018 and 1 October 2018 in accordance with Order No. 184 dated 20 April 2018.
- **Tariffs for international cargo transportation** – regulated by special Tariff Policy annually approved by the Ministry of Infrastructure of Ukraine based on intergovernmental agreements.

Tariffs are denominbated in Swiss Francs, US Dollars or Euro. During 2018-2019, there were no adjustments to the above tariffs.

- **Tariffs for international transportation of passengers and baggage** – approved by the Ministry of Infrastructure of Ukraine, under certain international agreements, and denominated in Swiss Francs for the countries of the Commonwealth of Independent States, Latvia, Lithuania, Estonia and in Euro for transportation in other countries. During 2019, there were adjustment of indexes of base cost of tickets for interstate passengers’ tariffs for the year according to Order No.208 “About changes of tariffs for transportation of passengers and baggage by railroad for interstate transportation” dated 25 March 2019 issued by the Ministry of Infrastructure of Ukraine.

OPERATING ENVIRONMENT, RISKS AND ECONOMIC CONDITIONS IN UKRAINE

The Group conducts its operations in Ukraine. The Ukrainian economy while deemed to be of market status continues to display characteristics consistent with that of an economy in transition. These characteristics include, but are not limited to, certain structural imbalances, low capital market liquidity, relatively high inflation (in particular in 2014-2018) and a significant level of domestic and foreign state debt.

Following the significant decline in 2014 – 2016, the Ukrainian economy started to demonstrate certain signs of recovery and growth. Main risks affecting the sustainability of the emerging economic trends are represented by the continuing tensions in geopolitical relations with the Russian Federation; lack of the clear consensus as to the directions of the institutional reforms, including public administration, judiciary system and reforms in core sectors of the economy; acceleration of labor emigration and low level of capital inflow.

Following the temporary occupation of the Autonomous Republic of Crimea by the Russian Federation as a result of military aggression in April 2014, the Group ceased its operations in the region. As a result of the Reorganisation, the assets and liabilities related to the temporarily occupied Autonomous Republic of Crimea were transferred to the Company at the carrying values as at 31 March 2014 and continued to be carried at these values as at 31 December 2019 and 2018. There were no income and/or expenses related to the assets and liabilities related to Autonomous Republic of Crimea recorded in the Group's consolidated financial statements for 2019 and 2018.

In the second half of 2014, as a result of military aggression of Russian Federation the Ukrainian authorities temporarily lost control over certain territory of Donetsk and Luhansk regions where some structural units of State Enterprise “Donetsk Railway” (SE “Donetsk Railway”) operated. As a result of the Reorganisation the assets and liabilities of structural units of SE “Donetsk Railway”, located on the temporarily occupied territory of Donetsk and Luhansk regions, were transferred to the Company at the carrying values as at 30 June 2014 and, for the most part, continued to be carried at these values as at 31 December 2019 and 2018 on the balance sheet of Regional branch “Donetsk Railway” (RB “Donetsk Railway”). The Group had only adjusted interest-bearing loans and borrowings, as well as lease liabilities of the uncontrolled territory as at 1 January 2016. No subsequent adjustments to the above financial liabilities were made after this date (Note 18).

Despite the loss of control over the assets and liabilities of the temporarily occupied territories introduced by the Law, the Group continues to record them in the consolidated statement of financial position, as this complies with the regulatory requirements pertaining to the Reorganisation, and this corresponds to the official position of the Ukrainian authorities will regain control over the occupied territories. Upon cessation of the temporary occupation of Autonomous Republic of Crimea and a portion of territory of Donetsk and Luhansk regions (together – “the uncontrolled territories”) the assets and liabilities relating to the above regions will be revalued and contributed to the Company's Charter capital, within a legal succession procedure, apart from a portion of property, plant and equipment, that will be transferred under the title of operating control (Note 17). As disclosed in Note 10, assets, liabilities and financial results of associated company PJSC “Ukrtransleasing” together with its three subsidiaries also relate to uncontrolled territories. Despite the military aggression the Group was able to assure railway transportation involving the temporarily occupied territories of Donetsk and Luhansk by 15 March 2017. According to the Decree of the President of Ukraine No. 62/2017 of 15 March

2017, the decision of the National Security and Defense Council of Ukraine On Urgent Additional Measures to Counter Hybrid Threats to the National Security of Ukraine was enacted, which provides for the implementation of measures to stop the movement of goods through the collision line within Donetsk and Luhansk regions, with a few exceptions. As a result of the measures taken, the railroad cargo transportation with the temporarily occupied territory of Donetsk and Luhansk region was completely suspended. As at 31 December 2017, management performed the segregation of assets and liabilities of RB “Donetsk Railway” to a controlled and uncontrolled parts. Assets and liabilities of the uncontrolled territory were included in the following lines of the consolidated statement of financial position: assets of uncontrolled territories and liabilities of uncontrolled territories within non-current assets and long-term liabilities, respectively. Assets and liabilities associated with Autonomous Republic of Crimea were also included in the above lines. This approach provides more transparent presentation of the Group's assets and liabilities. There were insignificant changes in the composition of assets and liabilities of uncontrolled territories during 2019.

ASSETS AND LIABILITIES OF UNCONTROLLED TERRITORIES
As at 31 December 2019:

	Uncontrolled territory of Donetsk and Luhansk regions	Autonomous Republic of Crimea	Total
Assets			
Non-current assets			
Property, plant and equipment (Note 9)	9,528,873	2,066,406	11,595,279
Financial assets	35,362	1,559	36,921
	9,564,235	2,067,965	11,632,200
Current assets			
Inventories	194,214	69,088	263,302
Trade and other receivables	1,535,481	9,086	1,544,567
Prepayments	34,616	8,691	43,307
Prepaid income tax	29,565	1,220	30,785
Taxes receivable, other than income tax	40,610	2,423	43,033
Cash and cash equivalents	100,139	3,753	103,892
	1,934,625	94,261	2,028,886
Total assets of uncontrolled territories	11,498,860	2,162,226	13,661,086
Current liabilities			
Interest-bearing loans and borrowings	3,663,995	–	3,663,995

ASSETS AND LIABILITIES OF UNCONTROLLED TERRITORIES (continued)

As at 31 December 2019:

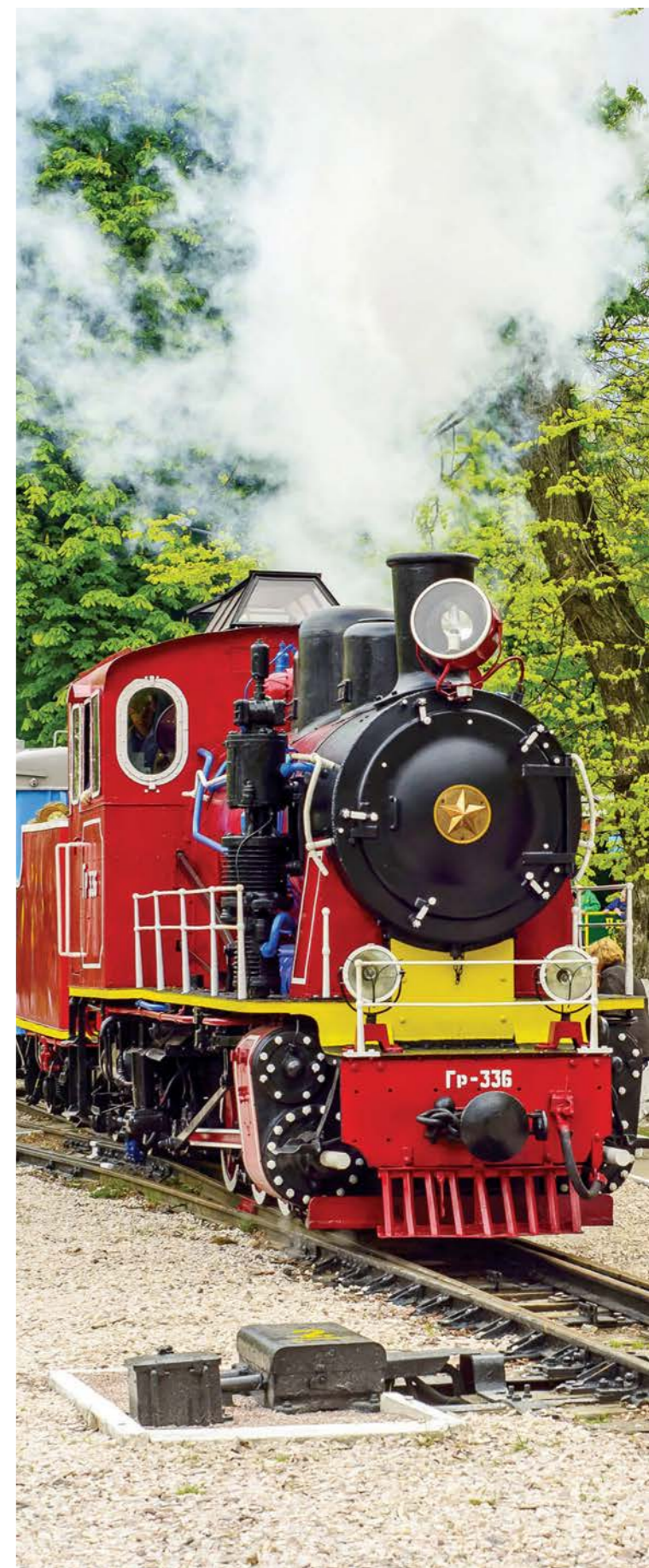
Lease liability	801,777	381	802,158
Trade and other payables	431,279	36	431,315
Advances from customers	225,394	–	225,394
Taxes payable, other than income tax	84,866	–	84,866
	5,207,311	417	5,207,728
Total liabilities of uncontrolled territories	5,207,311	417	5,207,728

OPERATING ENVIRONMENT, RISKS AND ECONOMIC CONDITIONS IN UKRAINE
As at 31 December 2018:

	Uncontrolled territory of Donetsk and Luhansk regions	Autonomous Republic of Crimea	Total
Assets			
Non-current assets			
Property, plant and equipment (Note 9)	9,430,462	2,068,284	11,498,745
Financial assets	35,362	1,559	36,921
	9,465,824	2,069,843	11,535,666
Current assets			
Inventories	193,574	69,343	262,917
Trade and other receivables	1,535,308	9,086	1,544,395
Prepayments	34,616	8,691	43,307
Prepaid income tax	27,681	1,220	28,901
Taxes receivable, other than income tax	40,616	2,423	43,039
Cash and cash equivalents	100,139	3,753	103,892
	1,931,934	94,516	2,026,451
Total assets of uncontrolled territories	11,397,758	2,164,359	13,562,117
Current liabilities			
Interest-bearing loans and borrowings	3,663,995	–	3,663,995
Lease liability (Note 19)	802,158	–	802,158
Trade and other payables	431,260	36	431,296
Advances from customers	225,394	–	225,394
Taxes payable, other than income tax	84,866	–	84,866
	5,207,673	36	5,207,709
Total liabilities of uncontrolled territories	5,207,673	36	5,207,709

The summarised financial information of the Regional branch “Donetsk Railway” included into the consolidated financial statements of the Group as at and for the year ended 31 December is presented below:

ASSETS AND LIABILITIES OF RB “DONETSK RAILWAY”		
	2019	2018
Assets		
Non-current assets		
Property, plant and equipment	4,949,065	5,046,626
Financial assets	3,599	5,635
Prepaid income tax	–	1,402
Assets of uncontrolled territories	8,696,714	8,624,333
	13,649,378	13,677,996
Current assets		
Inventories	481,388	523,387
Trade and other receivables	17,045	27,839
Trade and other receivables from Group entities	2,182	1,584
Prepayments	5,012	5,299
Taxes receivable, other than income tax	13,783	14,734
Cash and cash equivalents	2,181	909
	521,591	573,752
Total assets	14,170,969	14,251,748
Non-current liabilities		
Defined benefit liability	251,017	189,295
Liabilities of uncontrolled territories	5,008,361	5,017,908
	5,259,378	5,207,203
Current liabilities		
Trade and other payables	455,946	541,956
Trade and other payables to Group entities	7,420,050	3,465,314
Contract liabilities	6,307	9,873
Taxes payable, other than income tax	59,184	35,163
Provisions	9,720	–
	7,951,207	4,052,306
Total liabilities	13,210,585	9,259,509
Net assets	960,384	4,992,239



COMPREHENSIVE INCOME OF
RB "DONETSK RAILWAY"

	2019	2018
Revenues		
Cargo revenues	4,323,901	4,493,085
Passenger revenues	69,694	62,839
Other revenues	249,853	198,403
Total revenues	4,643,448	4,754,327
Operating expenses		
Staff costs	(3,445,482)	(3,184,552)
Depreciation	(342,474)	(351,063)
Electricity	(502,097)	(430,542)
Fuel	(842,476)	(1,066,958)
Materials, maintenance and repairs	(112,784)	(371,988)
Taxes, other than income tax	(279,235)	(47,313)
Social expenses	(50,592)	(30,580)
Change in provisions	(10,044)	–
Other operating income	57,730	47,573
Other operating expenses	(88,762)	(37,294)
Change in finished goods and work in progress	(48,289)	(74,469)
Total operating expenses	(5,664,505)	(5,547,186)
Operating loss	(1,021,057)	(792,859)
Other income	10,029	9,078
Other expenses	(1,135)	–
Finance income	333	337
Finance costs	(23,888)	(20,841)
Foreign exchange loss, net	168	(384)
Loss before income tax	(1,035,550)	(804,669)
Income tax expense	–	–
Loss for the year	(1,035,550)	(804,669)

CASH FLOWS OF RB "DONETSK RAILWAY"

	2019	2018
Cash flows from operating activities		
Loss before income tax	(1,035,550)	(804,669)
<i>Adjustments to reconcile loss before income tax to net cash provided by operations</i>		
Depreciation	342,474	351,063
Finance costs, net	23,555	20,504
Movements in defined benefit liability and provisions	19,100	5,557
Foreign exchange loss, net	(168)	384
Operating loss before working capital changes	(650,589)	(427,161)
<i>Changes in working capital</i>		
Trade and other receivables	12,096	(22,043)
Prepayments	287	(4,692)
Inventories	41,786	74,028
Taxes receivable and prepaid	951	1,486
Trade and other payables	649,614	427,801
Contract liabilities	(3,566)	5,013
Taxes payable, other than income tax	24,021	(3,979)
Cash generated from operating activity	74,600	50,453
Interest paid	–	–
Net cash flows from operating activities	74,600	50,453
Cash flows from investing activities		
Acquisition of property, plant and equipment	(73,328)	(51,053)
Net cash flows used in from investing activities	(73,328)	(51,053)
Cash flows from financing activities		
Repayment of interest-bearing loans	–	–
Net cash flows used in financing activities	–	–
Net increase / (decrease) in cash and cash equivalents	1,272	(600)
Reclassified to assets of uncontrolled territories	–	(298)
Cash and cash equivalents at 1 January	909	1,807
Cash and cash equivalents at 31 December	2,181	909

ENSURING SUSTAINABLE OPERATING ACTIVITIES OF THE
GROUP IN THE FORESEEABLE FUTURE

Management believes that the Group will continue its regular operating activities on a going concern basis being a key component of Ukraine's transport infrastructure and systemically important company for the whole economy of the country. In 2019, rail cargo transportation turnover amounted to about 77.6% of the total cargo traffic in Ukraine

(excluding pipelines), in 2018 – about 80.1%; railway passenger transportation turnover amounted to 26.5% and 27.5% of the total passenger turnover, respectively. The Group counts on the Government support, if required, which may include, but not limited to, additional increase in tariffs, facilitation of granting the state guarantees for new loans, obtaining of loans from state-owned banks, additional cash contributions to the statutory capital of the Company, etc.

Management is committed to improving financial performance and the adequacy of cash flows from the core services provided by the Group to ensure timely and complete servicing of its financial obligations that is a key factor in ensuring its sustainable operating activities in the foreseeable future.

In view of this, management points out that as at 31 December 2019 the Group's current liabilities exceeded current assets by UAH 9,090,132 thousand (31 December 2018: UAH 19,399,804 thousand). The main reason for the decrease of this indicator at the end of 2019 was the issuing Eurobonds on the international capital market on the Irish Stock Exchange (Note 18). Thus, in 2020, the Group should pay a portion of the principal amount of Eurobonds of USD 100 million, as well as repay other loans and borrowings. As at 31 December 2019, the carrying amount of interest-bearing loans and borrowings presented within current liabilities amounted to UAH 14,498,640 thousand.

At that, in March 2020, the Group repaid timely and in full the portion in the amount of USD 50 million of outstanding principal amount of Eurobonds together with the related coupon payment (Note 34).

In 2019, at the initiative of management, the Government of Ukraine approved the increase in tariffs for rail cargo transportation by 14.2% starting from 30 March 2019 that corresponds to the producer price index for 2018. Previous indexation of tariffs by 15% was made starting from 31 October 2017. The regulated infrastructure portion of cargo transportation tariffs is subject to approval by the Ministry of Infrastructure of Ukraine upon agreement with the authorized state authorities (Note 1). The wagon component of tariff for its own fleet carriages was recently deregulated. This allowed the Group starting from February 2018 to quarterly adjust the wagon component of the tariff with regard to changes in freight costs and producer price index. The tariffs for certain fleet of own cars are established at market quotation based on the results of auctions at public e-trading platforms.

Management has also initiated the introduction of automatic indexation of tariffs for rail cargo transportation for a producer price index. Respective changes in the tariff setting system are expected to be approved by respective state authorities in 2020. Operating cost optimisation measures are carried out by procurement of goods and services through a system of transparent and competitive online auctions. Moreover, additional cash flows are expected from the sale of scrap metal and excessive property. Debt management operations and new fund raising, as well as measures to improve operating performance will further contribute to timely repayment of obligations, financing capital expenditures and continuing sustainable operating activities of the Group in the foreseeable future.

BASIS OF PREPARATION

These consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements have been prepared on historical cost basis, except for property, plant and equipment carried at revalued amounts, post-employment benefits measured in accordance with the requirements of IAS 19 Employee Benefits,



certain financial instruments measured in accordance with the requirements of IFRS 9 Financial Instruments. These consolidated financial statements are presented in thousands of Ukrainian hryvnia ("thousand UAH") and all values are rounded to the nearest thousand, unless otherwise indicated.

BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

Financial statements of subsidiaries of the Group were prepared on the same reporting period using consistent accounting policies. Adjustments are made to align any dissimilar accounting policies that may exist.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee;
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in 2019 are consistent with those of the previous financial year, except for the new and amended IFRS adopted with effect from 1 January 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below. Although these new standards and amendments apply for the first time in 2019, they do not have a material impact on the annual consolidated financial statements of the Group. The nature and the impact of each new standard or amendment is described below:

IFRS 16 LEASES

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 does not have an impact for leases where the Group is the lessor.

Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal to the leased assets and liabilities respectively recognised under IAS 17). The requirements of IFRS 16 was applied to these leases from 1 January 2019.

Leases previously accounted for as operating leases

The Group elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets'). The accounting rules for these types of leases remain similar to existing ones, that is, Group will continue to classify such lease as operating lease.

The adoption of IFRS 16 have no material impact on the consolidated financial statements of the Group.

OTHER CHANGES

The following new interpretations, amendments and improvements have been adopted by the Group for the first time to the financial reporting periods commencing or after 1 January 2019:

- IFRIC Interpretation 23: Uncertainty over Income Tax Treatment;
- Amendments to IFRS 9: Prepayment Features with Negative Compensation;
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement;
- Amendments to IAS 28: Long-term interests in associates and joint ventures;
- Annual Improvements 2015-2017 Cycle: amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs.

The adoption of the interpretations, amendments and improvements has no material impact on the consolidated financial statements of the Group.

SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

According to IAS 1 Presentation of Financial Statements, the Group accounts for and presents transactions and other events in accordance with their substance and economic reality and not merely their legal form.

The preparation of consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts. These estimates are based on information available as at the end of the reporting period. Actual results could differ from these estimates. The key judgments, estimates and assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that represents a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next financial year are discussed below.

JUDGMENTS

Assets assigned under the title of operating control

Certain items of property, plant and equipment were assigned to the Company under the title of operating control (Note 9). The title of operating control allows to possess and use the assets, except for actions that may lead to disposal of the assets. The Company maintains a separate accounting for these assets, uses them in its economic activity and suffers risks of the accidental destruction or damage to the assets. There are no specific restrictions on the use of revenue proceeds from those assets and the Company maintains their proper functionality at its own cost.

The items of the property, plant and equipment assigned to the Company under the title of operating control meet the definition of property, plant and equipment as they are used in the economic activities for more than one period. These items are included in the relevant groups of property, plant and equipment.

Accounting for assets and liabilities that are not controlled by Group

Consolidated financial statements include the assets and liabilities located or otherwise associated with the temporarily occupied territory of the Autonomous Republic of Crimea, as well as with non-government controlled areas of Donetsk and Luhansk regions. The details on the accounting approach for these items are provided in Note 2. The above approach is based on the regulatory framework related to these assets and liabilities, issued by relevant State authorities. Therefore, it was considered during the preparation of the consolidated financial statements.

Impairment of property, plant and equipment

At the end of each reporting period the Group assesses whether there is any indication that an asset may be impaired. This assessment implies significant judgments. In 2019, there were identified some items of property, plant and equipment with indicators for impairment and for which individual impairment was recognized (Note 9). Management has not identified other

indicators of impairment of property, plant and equipment and has not performed an impairment test as at 31 December 2019.

ESTIMATES

Provision for expected credit losses (ECL) of trade and other receivables

The Group uses a provision matrix to calculate ECLs for trade and other receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in Note 13.

Estimates of the useful lives of property, plant and equipment

Significant management judgment is required to determine the estimated useful lives of items of property, plant and equipment. The actual useful lives may vary from the management estimates.

Defined benefit liability

The cost of defined benefit pension plans and other post employment benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, staff turnover, mortality rates and future pension increases. All assumptions are reviewed at each reporting date. In determining the appropriate discount rate management considers the yield of government bonds because there is no deep market in corporate bonds in Ukraine. Due to the long term nature of these plans, the estimates are subject to significant uncertainty. Further details are given in Note 20.

Provisions

The Group has recognised provisions for obligations related to legal claims. The amount of the provision represents the management's best estimates of expected future cash outflows discounted at a current pre-tax rate, where appropriate. Further details are given in Note 24.

Deferred tax asset recoverability

Deferred tax assets are recognised to the extent that it is probable that they will be recovered, which is dependent on the generation of sufficient future taxable profit. Assumptions about the generation

of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future level of tariffs and sales volumes, prices for consumables and operating costs. Judgments are also required about the application of income tax legislation. These judgments and estimates are subject to risks and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised at the reporting date. In such circumstances, some, or all, of the carrying amount of recognised deferred tax assets and liabilities may require adjustment, resulting in corresponding credit or charge to the income statement.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FOREIGN CURRENCY TRANSLATION

Ukrainian Hryvnia ("UAH") is the Group's presentation currency and the functional currency of the Company and the subsidiaries. Transactions denominated in currencies other than the functional currency (foreign currencies) are initially recorded in the functional currency at the rate at the date of the transaction as established by the National Bank of Ukraine ("NBU"), which is deemed to approximate the prevailing market rate. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange in effect at the end of the reporting period. Non-monetary items that were measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair values were determined. The resulting gains and losses are recognised in the profit or loss within the statement of comprehensive income.

FINANCIAL ASSETS

Financial assets, in accordance with IFRS 9, are classified as either financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables, and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Group determines the classification of its financial assets upon initial recognition and, where allowed and appropriate, re-assess this designation at each financial year-end. The Group has not designated any financial instruments at fair value through profit or loss, neither as held-to-maturity investments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the statement of comprehensive income when the

loans and receivables are derecognised or impaired, as well as through the amortisation process.

Measurement and accounting of financial investments

Investments in associates and joint ventures are measured at cost at the date of initial recognition of such investments. In the case of investments in subsidiaries, the assets acquired and liabilities incurred by such enterprises are stated at fair value at the date of acquisition of the investment (obtaining control of the investment entity). The Group estimates an uncontrolled share in a subsidiary in proportion to the share of current property instruments in recognised amounts of identified net assets.

PROPERTY, PLANT AND EQUIPMENT

When state enterprise is reorganised into a joint stock company its assets, including property, plant and equipment, and liabilities have to be valued at fair value. Since the Reorganisation is considered to be a continuation of the Group as a single economic entity Management decided to show the effect of the revaluation of the property, plant and equipment by the change of accounting policy from cost model to revaluation model. During the year ended 31 December 2015, the Company adopted the revaluation model of accounting for property, plant and equipment. Property, plant and equipment is carried in the consolidated financial statements at revalued amounts, which is their fair value at the date of revaluation 31 July 2014, performed by professional appraisers, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Even when there is no observable market to provide pricing information about the sale of an asset at the measurement date, a fair value measurement shall assume that a transaction takes place at that date, considered from the perspective of a market participant that holds the asset. That assumed transaction establishes a basis for estimating the price to sell the asset. Fair values of other items of property, plant and equipment are determined by reference to market-based evidence, which are the amounts for which the assets could be exchanged between a knowledgeable and willing buyer and seller in an arm's length transaction as at the valuation date. Prior to revaluation, property, plant and equipment were stated at cost or deemed cost at the date of transition to IFRS (further referred as "cost"), excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Such cost included the cost of replacing part of such plant and equipment when that cost is incurred if the recognition criteria were met.

Revaluations of property, plant and equipment are to be performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the reporting date. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

Increase in carrying amount of property, plant and equipment arising on revaluation is recorded as the increase in revaluation reserve in equity, except for reversal of previous revaluation decrease that relate to this particular item and that was previously recognised as an expense. In this case, the increase in value is

recognised as income in the consolidated statement of profit and loss and other comprehensive income within the previous decrease. Decrease in carrying amount of property, plant and equipment as a result of revaluation is recognised as an expense except to the extent it offsets an existing revaluation reserve (if any) on the same asset recognised as a result of previous revaluations. The decrease is recorded in other comprehensive income and revaluation reserve to the extent of existing revaluation surplus on the same asset. On the subsequent sale or retirement of revalued property, plant and equipment, the attributable revaluation reserve included in equity is transferred directly to retained earnings. Upon recognition, items of property, plant and equipment are divided into components, which represent items with a significant value that can be allocated to a separate depreciation period. Overhaul costs also represent a component of an asset. Major spare parts and stand-by equipment qualify as property, plant and equipment when they are expected to be used during more than one period. Repair and maintenance expenditure is expensed as incurred. Major renewals and improvements are capitalised, and the assets replaced are retired. Gains and losses arising from the retirement of property, plant and equipment are included in the profit or loss within the statement of comprehensive income as incurred. Estimates of remaining useful lives are made on a regular basis with annual reassessments for major items. Changes in estimates are accounted for prospectively. Depreciation commences when an item is available for use. Freehold land is not depreciated. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Group	Useful lives
Buildings, constructions and infrastructure	9-80 years
Subgrade and superstructure	6-83 years
Locomotives	5-32 years
Railway cars	5-45 years
Plant, equipment, tools and other	3-30 years
Vehicles	3-18 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss within the statement of comprehensive income in the year the item is derecognised.

Social assets

Included in property, plant and equipment are social infrastructure and other non-production assets (hereinafter referred to as the “social assets”). Management believes that expenditures incurred in respect of acquisition or construction of such assets qualify for

the recognition as an asset on the premises that such expenditures are capable of contributing indirectly to the flow of cash and cash equivalents to the Group through a reduction of cash outflows related primarily to wages and salaries expenses. As such non-production assets are employed by the Group to provide in-kind benefits to its employees in addition to wages and salaries paid in cash.

Construction in progress

Assets in the course of construction are capitalised as a separate component of property, plant and equipment. On completion, the cost of construction is transferred to the appropriate category. Construction in progress is not depreciated.

IMPAIRMENT OF NON-FINANCIAL ASSETS

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s or cash-generating unit’s fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations on a non-relalued asset are recognised in the profit or loss within the consolidated statement of comprehensive income. However, an impairment loss on a revalued asset is recognised in the other comprehensive income and in the revaluation surplus for the asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset’s revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

INVENTORIES

Inventories primarily consist of spare parts, materials, tools and fuel. Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the FIFO (first-in, first-out) method.



BORROWING COSTS

Borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset, otherwise they are recognised as an expense when incurred. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents are defined as cash on hand, demand deposits and short term, highly liquid investments with an original maturity of three months or less that are readily convertible to known amounts of cash and subject to insignificant risks of changes in value. For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

TRADE AND OTHER PAYABLES

Trade and other payables are recognised and initially measured at fair values less directly attributable transaction costs. Subsequently, trade and other payables are carried at amortised cost using the effective interest method.

INTEREST-BEARING LOANS AND BORROWINGS

All loans and borrowings are initially recognised at their fair value less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES
Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired;
- The Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- The Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

In that case Group also recognises an associated liability. The transferred asset and the associated liability are measured on the basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit or loss within the statement of comprehensive income.

IMPAIRMENT OF FINANCIAL ASSETS

The Group assesses at the end of each reporting period whether a financial asset or group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account. The amount of the loss is recognised in consolidated statement of comprehensive income.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial



asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortised cost that would have been at the reversal date, had the impairment not been recognised.

Available-for-sale financial assets

For available-for-sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the profit or loss – is removed from other comprehensive income and recognised in the profit or loss. Impairment losses on equity investments are not reversed through the profit or loss; increases in their fair value after impairment are recognised directly in other comprehensive income. In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the profit or loss.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the profit or loss, the impairment loss is reversed through the profit or loss.

PROVISIONS

Provisions are recognised when the Group has a present legal or constructive obligation (either based on legal regulations or implied) as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is



used, the increase in the provision due to the passage of time is recognised as a finance cost.

CONTINGENT LIABILITIES AND ASSETS

Contingent liabilities are not recognised in the consolidated financial statements. They are disclosed in the notes to the consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognised in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

EMPLOYEE BENEFITS

The Group participates in a statutory defined-benefit pension plan, which is compulsory for entities, who has jobs with extra harmful and difficult working conditions (named “List 1” and “List 2” categories). The obligations of the Group under this defined-benefit pension plan are formed gradually during the whole period

of employment of an employee on the workplace certified in the prescribed manner, which gives the right to receive a privileged pension.

In addition, the Group has other defined benefit plans that are executed in more than 12 months after the end of the reporting period and are subject to an actuarial valuation. These programs of the Group include post-employment benefits, such as one-time retirement bonuses, as well as other long-term employee benefits, such as payments to anniversary dates, as defined by the Industry Agreement in Railway Transportation sector and Collective Agreement.

The Group makes defined contributions to the Ukrainian state pension funds at the relevant statutory rates in force during the year, based on gross salary payments. The Group has no legal or constructive obligations to pay further contributions in respect of those benefits. Its only obligation is to pay contributions as they fall due. Such contributions are expensed in the period when the related salaries are earned.

LEASES (PRIOR TO 1 JANUARY 2019)

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date, and involves assessment whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Group as a lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease term at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are reflected in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term. In other case capitalised leased assets are depreciated over the useful life of the asset. Operating lease payments are recognised as an expense in profit or loss on a straight line basis over the lease term.

Group as a lessor

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

LEASES (STARTING FROM 1 JANUARY 2019)

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the

shorter of the lease term and the estimated useful lives of the assets. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments, included into measurement of lease liability, comprise the following payments for the right to use the underlying assets during lease term:

- fixed payments (including in substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees;
- price of a purchase option reasonably certain to be exercised by the Group;
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of assets that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an

amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

Revenue is presented net of value-added tax and discounts and after eliminating intercompany sales within the Group.

The Group has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

The Group recognises revenue from cargo transportation and passenger transportation over time, using an output method by measuring the progress towards complete satisfaction of that performance obligation proportionally to the services provision period. Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties, customer loyalty points). In determining the transaction price for the sale of goods, the Group considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer (if any).

Generally, the Group receives short-term advances from its customers. Using the practical expedient in IFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

Exchange of services of similar nature and value

The Group's transportation and other services provided to foreign railways are settled through mutual offset arrangements with its counterparties. Generally, the settlement is made in exchange for services of similar nature and value which is not regarded as a transaction which generates revenue. Such transactions are accounted for on a net basis.

ENERGY SAVINGS

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in section Financial assets.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to

the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

TAXES

Current income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted by the end of the reporting period.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.
- Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.



Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted at the end of the reporting period.

Income tax relating to items recognised in other comprehensive income or directly in equity is recognised in other comprehensive income or directly in equity and not in the profit or loss.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Value-added tax

Revenues, expenses and assets are recognised net of the amount of Value-added tax ("VAT") except:

- Where VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case VAT is recognised as part of the cost of acquisition of the asset or as part of expense item as applicable; and
- Receivables, payables and lease liability are stated with the amount of VAT included.

The net amount of VAT receivable from, or payable to, the taxation authority is included into the Taxes receivable, other than income

tax / Taxes payable, other than income tax line items disclosed on the face of the consolidated statement of financial position.

PROFIT DISTRIBUTION AND DIVIDENDS

Profit distribution of the Company and dividends payment are subject to approval by the General meeting of the Company, which shall take into account related Ukrainian legislation. Dividends are recognized as decrease in equity in the period, when they are declared, with simultaneous recognition of liability on dividends payments. Dividends that are declared after the reporting date are treated as a subsequent event under IAS 10 Events after the Reporting Period and disclosed accordingly. Dividends subject to mandatory accrual under effective law are accrued as at the reporting date within current payables to settlements with participants.

STANDARDS ISSUED BUT NOT YET EFFECTIVE

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective and expects that these

standards and amendments will likely have no material impact on the consolidated financial statements of the Group.

Standards and amendments	Effective date
Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Indefinite period
IFRS 17 Insurance Contracts	1 January 2021
Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39 and IFRS 7	1 January 2020
Definition of a Business – Amendments to IFRS 3	1 January 2020
Definition of Material – Amendments to IAS 1 and IAS 8	1 January 2020
The Conceptual Framework for Financial Reporting	1 January 2020

SEGMENT REPORTING

For management purposes, the Group is organised into business units based on their services, and has five reportable operating segments:

- Cargo segment includes cargo transportation services provided by the Group.
- Long-distance passenger transportation segment comprises cross-regional passenger transportation services provided by the Group.
- Suburban passenger transportation segment includes intraregional rail passenger transportation services.
- Auxiliary operations segment mainly includes activities of certain structural units of Regional branches and branches of the Company that produce industrial products and provide services for internal consumption within the Company and for sale to third parties outside of the Group. Auxiliary operations segment produces industrial products and provides services related to cargo transportation and suburban passenger transportation, construction, reconstruction and modernisation of railway tracks and railway infrastructure, repair and maintenance of various railway-related equipment etc. The transfer of products (works, services) between the structural units of one branch and between branches within the Company is considered as internal turnover and is reflected as a reallocation of expenses ("Inter-segment expenses" line) with no revenues recognised (except for certain types of transactions). A segment that receives reallocated expenses includes them in the "Other Costs" category.
- None of Auxiliary segment operations are individually of sufficient size to be reported as separate segment. None of these operations can be aggregated with reportable operating segments described above due to dissimilar economical characteristics.

- All other segments include repair and maintenance of rolling stock and other services provided by the Company's subsidiaries.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment and does not monitor assets and liabilities of the operating segments and this information is not provided to the management on a regular basis. Segment performance is evaluated on the basis of segment operating profit or loss determined based on management accounts that differ from the IFRS consolidated financial statements for the reason that the management accounts are based on Ukrainian GAAP figures. The operating segments results do not include the effects of some adjustments that may be considered necessary to reconcile the management accounts to IFRS consolidated financial statements.

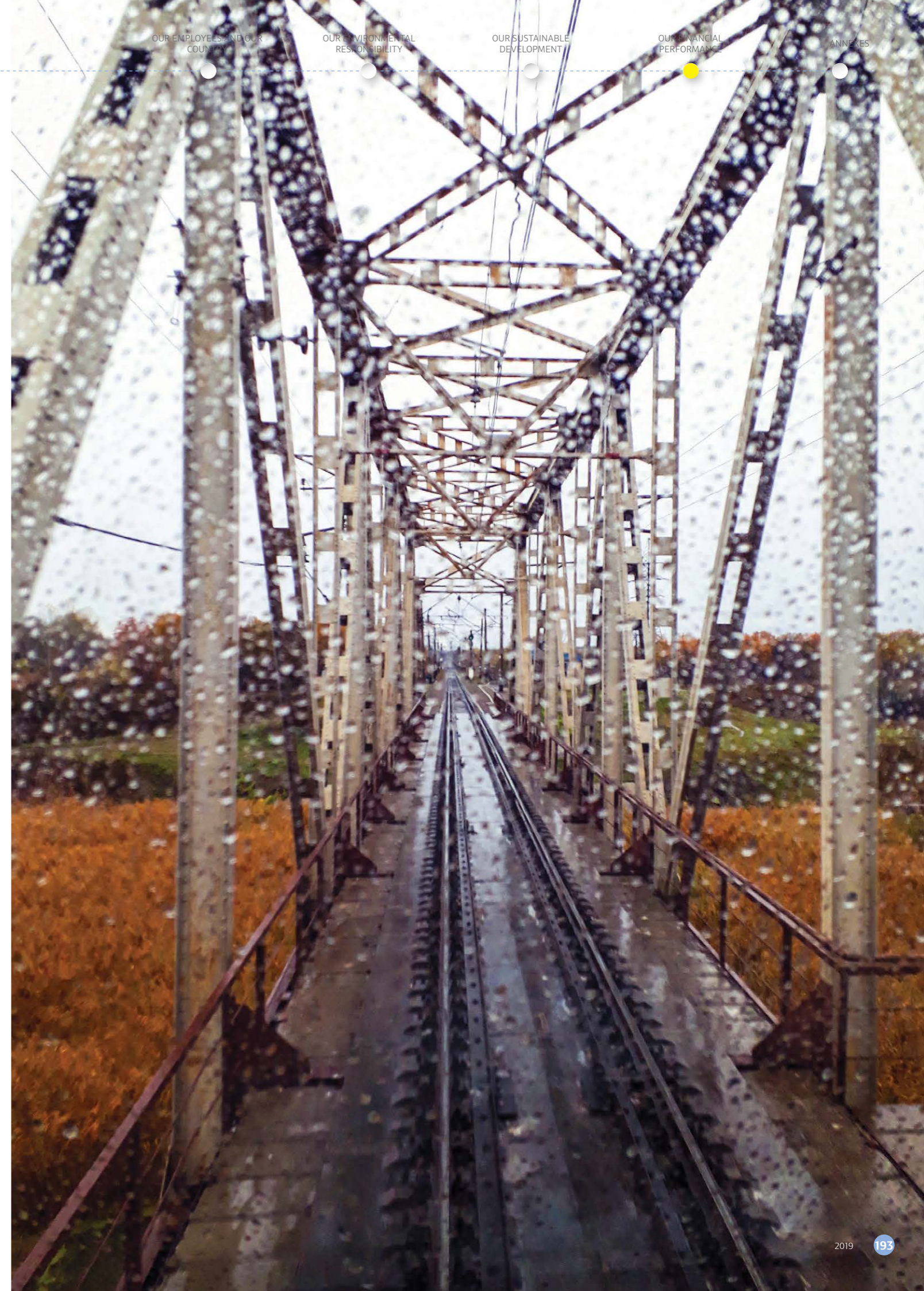
Substantially all of the Group's operating assets are located and most of the services are provided in Ukraine.

Segment revenue is revenue that is directly attributable to a segment, whether from sales to external customers or from transactions with other segments. Segment revenue does not include:

- Interest income;
- Foreign exchange gains;
- Gain on disposal, change in fair value and reversal of impairment of financial assets;
- Gain on disposal of property, plant and equipment;
- Other income.

Segment expenses are expenses resulting from the operating activities of a segment that is directly attributable to the segment and the relevant portion of an expense that can be allocated on a reasonable basis to the segment, including expenses relating to sales to external customers and expenses relating to transactions with other segments.

The segment result is calculated as the difference between segment revenue and segment expenses. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties, except for operations of electricity transfer.



Year ended 31 December 2019	Total segment, including:	Cargo Infrastru- cture component	Wagon component	Total segment, including:	Long-distance passenger Infrastru- cture component	Wagon component	Suburban passenger	Auxiliary activity	All other segments	Unallocated	Eliminations (A)	Eliminations (A)	Total
Sales to third parties	73,288,883	62,662,749	10,626,134	9,161,651	3,989,997	5,171,654	766,052	7,256,752	650,202	–	–	(771,221)	90,352,319
Inter-segment sales	–	–	–	–	–	–	–	1,123,870	9,588,466	–	(10,712,336)	–	–
Total revenue	73,288,883	62,662,749	10,626,134	9,161,651	3,989,997	5,171,654	766,052	8,380,622	10,238,668	–	(10,712,336)	(771,221)	90,352,319
Staff costs	(24,895,049)	(24,619,850)	(275,199)	(8,266,506)	(4,422,358)	(3,844,148)	(3,783,470)	(6,474,699)	(858,674)	(1,074,809)	730,614	566,385	(44,056,208)
Depreciation	(8,546,094)	(6,736,779)	(1,809,315)	(1,653,733)	(718,166)	(935,567)	(688,569)	(967,590)	(60,604)	(581,867)	51,782	43,980	(12,402,695)
Electricity	(5,735,822)	(5,718,678)	(17,144)	(1,659,893)	(1,577,081)	(82,812)	(824,432)	(875,445)	(8,005,347)	(27,111)	8,500,784	142,495	(8,484,771)
Fuel	(5,660,264)	(5,638,967)	(21,297)	(1,180,273)	(1,089,893)	(90,380)	(678,981)	(810,837)	(38,887)	(39,062)	34,340	136,472	(8,237,492)
Materials, maintenance and repairs	(3,665,252)	(3,353,215)	(312,037)	(1,097,600)	(590,652)	(506,948)	(636,993)	(384,995)	(1,159,851)	(85,066)	1,495,878	3,787	(5,530,092)
Other operating expenses	(5,335,006)	(5,184,346)	(150,660)	(1,575,398)	(742,397)	(833,001)	(705,165)	(2,031,472)	(193,284)	(2,855,439)	4,864,977	4,785,166	(3,045,621)
Inter-segment expenses	–	–	–	–	–	–	–	4,966,039	–	–	(4,966,039)	–	–
Segment result	19,451,396	11,410,914	8,040,482	(6,271,752)	(5,150,550)	(1,121,202)	(6,551,558)	1,801,623	(77,979)	(4,663,354)	–	4,907,064	8,595,440

Year ended 31 December 2019	Total segment, including:	Cargo Infrastru- cture component	Wagon component	Total segment, including:	Long-distance passenger Infrastru- cture component	Wagon component	Suburban passenger	Auxiliary activity	All other segments	Unallocated	Eliminations (A)	Eliminations (A)	Total
Sales to third parties	70,571,336	62,785,061	7,786,275	7,841,586	3,525,296	4,316,290	650,131	7,292,309	121,571	–	(2,165,046)	(909,480)	83,402,407
Inter-segment sales	–	–	–	–	–	–	–	8,443,525	2,386,132	–	(10,829,657)	–	–
Total revenue	70,571,336	62,785,061	7,786,275	7,841,586	3,525,296	4,316,290	650,131	15,735,834	2,507,703	–	(12,994,703)	(909,480)	83,402,407
Staff costs	(21,994,645)	(21,701,404)	(293,241)	(7,099,678)	(3,742,184)	(3,357,494)	(3,295,323)	(5,637,140)	(825,977)	(1,191,535)	729,220	(1,269,990)	(40,585,068)
Depreciation	(9,068,479)	(7,091,120)	(1,977,359)	(1,469,916)	(741,721)	(728,195)	(734,913)	(1,081,131)	(35,786)	(187,198)	29,945	–	(12,547,478)
Electricity	(5,847,201)	(5,824,616)	(22,585)	(1,537,399)	(1,443,385)	(94,014)	(844,407)	(9,221,647)	(64,158)	(11,419)	8,405,761	(35,276)	(9,155,746)
Fuel	(6,338,744)	(6,305,967)	(32,777)	(1,326,993)	(1,220,320)	(106,673)	(764,168)	(967,505)	(59,693)	(3,976)	55,529	–	(9,405,550)
Materials, maintenance and repairs	(4,479,767)	(4,097,469)	(382,298)	(968,211)	(515,932)	(452,279)	(690,936)	(428,404)	(1,453,870)	(45,366)	1,542,143	(505,792)	(7,030,203)
Other operating expenses	(6,227,415)	(6,065,874)	(161,541)	(1,490,733)	(500,740)	(989,993)	(621,710)	(1,743,830)	(131,672)	(681,888)	6,662,468	3,963,962	(270,818)
Inter-segment expenses	–	–	–	–	–	–	–	4,430,363	–	–	(4,430,363)	–	–
Segment result	16,615,085	11,698,611	4,916,474	(6,051,344)	(4,638,986)	(1,412,358)	(6,301,326)	1,086,540,	(63,453)	(2,121,382)	–	1,243,424	4,407,544

The Group has detailed the presentation of segment information in 2019, supplementing it by dividing the revenues and expenses by the infrastructure and wagon components, where practically applicable. The presentation of segment information for 2018 has been detailed accordingly to ensure its comparability.

(A) Inter-segment revenue and margins are eliminated on consolidation.

(B) The operating results of each operating segment does not include the following adjustments representing differences between management accounts and financial statements prepared in accordance with IFRS for the year ended 31 December:

	2019	2018
Reclassification of other expenses for IFRS presentation purpose	4,907,064	1,243,424
Total adjustments of differences between management accounts and IFRS	4,907,064	1,243,424

Reconciliation of profit:

	2019	2018
Segment results	8,351,730	5,285,502
Total adjustments due to differences in accounting policies adopted for management accounts and IFRS	4,907,064	1,243,424
Total unallocated amounts	(4,663,354)	(2,121,382)
Items not included in segment expenses		
Taxes, other than income tax	(4,229,621)	(1,262,153)
Social expenses	(543,395)	(677,887)
Change in provisions	(104,091)	(134,241)
Other operating income	1,081,671	1,229,638
Change in finished goods and work in progress	19,589	(61,273)
Other expenses	(918,121)	(21,465)
Other income	143,058	123,108
Finance income	259,506	202,624
Finance costs	(3,844,992)	(3,463,631)
Foreign exchange gain, net	4,325,567	538,820
Share of profit of an associates	78,736	59,393
Group profit before income tax	4,863,347	940,477

	Land	Buildings, constructions and infra-structure	Subgrade and super-structure	Locomotives	Railway cars	Plant, equipment, tools and other	Vehicles	Construction in progress and uninstalled equipment	Total
Cost/revalued amount									
At 1 January 2019	45,681,871	65,079,214	100,512,334	26,154,156	39,533,253	18,473,278	2,503,690	9,152,293	307,090,089
Additions	-	-	-	-	-	-	-	10,323,191	10,323,191
Transfers	(142)	1,056,566	1,937,737	3,477,201	2,895,687	183,797	1,554,062	(11,104,908)	-
Disposals	-	(30,650)	(9,800)	(5,922)	(56,993)	(4,580)	(869)	(4,630)	(113,444)
Acquisitions through business combinations (Note 1)	5,157	4,605	-	-	-	1,302	474	-	11,538
Reclassification of assets of uncontrolled territories (Note 2)	-	241,779	-	(374,066)	1,343,019	737	(46)	(454)	1,210,969
At 31 December 2019	45,686,886	66,351,514	102,440,271	29,251,369	43,714,966	18,654,534	4,057,311	8,365,492	318,522,343
Accumulated depreciation									
At 1 January 2019	-	13,584,812	21,573,248	9,008,279	13,344,257	8,905,977	941,237	2,031,050	69,388,860
Depreciation charge	-	2,748,688	3,694,693	1,169,648	3,076,556	307,726	1,582,259	-	12,579,570
Disposals	-	(18,423)	(4,455)	-	(3,736)	(3,363)	(813)	-	(30,790)
Acquisitions through business combinations (Note 1)	-	211	-	-	-	851	429	-	1,491
Reclassification of assets of uncontrolled territories (Note 2)	-	236,831	-	(291,886)	1,361,943	634	(19)	-	1,307,503
Impairment	-	-	1,166	19,635	699,749	-	-	-	720,550
At 31 December 2019	-	16,552,119	25,264,652	9,905,676	18,478,769	9,211,825	2,523,093	2,031,050	83,967,184
Net book value									
At 1 January 2019	45,681,871	51,494,402	78,939,086	17,145,877	26,188,996	9,567,301	1,562,453	7,121,243	237,701,229
At 31 December 2019	45,686,886	49,799,395	77,175,619	19,345,693	25,236,197	9,442,709	1,534,218	6,334,442	234,555,159

PROPERTY, PLANT AND EQUIPMENT (continued)

	Land	Buildings, constructions and infra-structure	Subgrade and super-structure	Locomotives	Railway cars	Plant, equipment, tools and other	Vehicles	Construction in progress and uninstalled equipment	Total
Cost/revalued amount									
At 1 January 2018	45,640,553	72,332,419	83,139,689	20,710,754	40,374,510	18,369,141	2,051,032	9,096,093	291,714,191
Additions	-	-	-	-	-	-	-	17,424,174	17,424,174
Transfers	17,537	2,999,869	3,311,551	3,379,039	5,819,106	1,677,402	146,492	(17,350,996)	-
Disposals	-	(34,002)	(10,330)	-	(103)	(1,925)	(1)	-	(46,361)
Reclassification between groups	23,781	(10,249,323)	14,057,465	1,468,983	(4,015,232)	(1,592,537)	306,863	-	-
Reclassification of assets of uncontrolled territories (Note 2)	-	30,251	13,959	595,380	(2,645,028)	21,197	(696)	(16,978)	(2,001,915)
At 31 December 2018	45,681,871	65,079,214	100,512,334	26,154,156	39,533,253	18,473,278	2,503,690	9,152,293	307,090,089
Accumulated depreciation									
At 1 January 2018	-	14,186,034	12,872,321	6,821,591	11,709,750	7,737,815	613,768	2,031,050	55,972,329
Depreciation charge	-	2,873,965	3,899,595	1,110,473	2,871,278	1,703,788	224,025	-	12,683,124
Disposals	-	(10,239)	(2,783)	-	(66)	(1,667)	-	-	(14,755)
Reclassification between groups	-	(3,488,556)	4,784,731	499,299	(1,356,138)	(543,435)	104,099	-	-
Reclassification of assets of uncontrolled territories (Note 2)	-	23,608	19,384	576,916	119,433	9,476	(655)	-	748,162
At 31 December 2018	-	13,584,812	21,573,248	9,008,279	13,344,257	8,905,977	941,237	2,031,050	69,388,860
Net book value									
At 1 January 2018	45,640,553	58,146,385	70,267,368	13,889,163	28,664,760	10,631,326	1,437,264	7,065,043	235,741,862
At 31 December 2018	45,681,871	51,494,402	78,939,086	17,145,877	26,188,996	9,567,301	1,562,453	7,121,243	237,701,229



REVALUATION

When state enterprise was reorganised into a joint stock company its assets, including property, plant and equipment, and liabilities have to be valued at fair value. Property, plant and equipment were revalued by an independent appraiser as at 31 July 2014 in accordance with statutory requirements for the formation of the charter capital. The effect of the revaluation was recognised as at 30 November 2015, the date of the completion of the Reorganisation for the purposes of preparation of the consolidated financial statements, as adjusted by taking into account the effect of the depreciation of property, plant and equipment before revaluation for the period from 31 July 2014 to 1 December 2015, and movements of property, plant and equipment for the above period.

Land plots

Land plots include the cost of the rights of permanent use of land plots in the amount of UAH 45,686,886 thousand (2018: UAH 45,681,871 thousand) which was determined on the basis of the revaluation for the purpose of forming the charter capital separately from the items of property, plant and equipment, which can be located on these plots. The results of such revaluation may

differ from the estimates made for the purposes of preparation of the IFRS financial statements.

In 2019, the Group received the right to permanent use of land plots in the amount of UAH 5,157 thousand. Management believes that the presentation of the rights of permanent use of land separately from the respective fixed assets in the consolidated financial statements may not be avoided as this is regulated by the legislation on the Reorganisation.

Assets assigned under the title of operating control

Certain items of property, plant and equipment, specifically – public service line-haul railroads and engineering constructions, transmission equipment attached thereto, which are directly supporting the transportation process were assigned to the Group under the title of operating control. The title of operating control allows to possess and use the assets, except for actions that may lead to disposal of the assets.

As at 31 December 2019, carrying value of the assets assigned under the title of operating control was UAH 93,065,868 thousand (2018: 96,035,916 thousand).

Social assets

Included in property, plant and equipment are social infrastructure and other social assets carried at UAH 3,229,502 thousand as at 31 December 2019 (2018: UAH 2,333,687 thousand), primarily comprising residential buildings, hospitals, canteens and other similar assets.

Prepayments for property, plant and equipment

As at 31 December 2019, construction in progress and uninstalled equipment contained prepayments for property, plant and equipment in the amount of UAH 205,543 thousand (2018: UAH 733,806 thousand).

Capitalised depreciation charge

The Group capitalised UAH 176,875 thousand of depreciation charge into construction in progress for the year ended 31 December 2019 (2018: UAH 174,611 thousand).

Capitalised borrowing costs

In 2019, there were no borrowing costs relating to qualifying assets and there were no capitalised ones (2018: UAH 35,954 thousand). The rate used to determine the amount of borrowing costs eligible for capitalisation was LIBOR 6m +1-6% and EURIBOR 6m +0.4%, which is the effective interest rate of the specific borrowings in 2018.

Fully depreciated assets

As at 31 December 2019 the cost of fully depreciated property, plant and equipment which remain in use amounted to UAH 20,132,439 thousand (2018: UAH 19,515,029 thousand).

Pledged property, plant and equipment

As at 31 December 2019 certain rolling stock with the carrying value of UAH 215,607 thousand was pledged as collateral for the Group's interest-bearing loans and borrowings (2018: UAH 221,149 thousand) (Note 18).

Impairment of property, plant and equipment

As at 31 December 2019, the Group carried out an impairment procedure for individual items of property, plant and equipment. According to the results of the test, impairment losses of UAH 720,550 thousand were recognized in respect of such items within other expenses (2018: none) (Note27). These impaired items of property, plant and equipment mainly consisted of freight wagons, passenger cars, electric locomotives, diesel locomotive and other property, plant and equipment.

INVESTMENT IN ASSOCIATES

On 29 January 2016, the State Property Fund of Ukraine transferred 47.67% interest in the share capital of PJSC “Ukrtransleasing” to JSC “Ukrainian Railways” as a contribution to the charter capital within the Reorganisation process (Note 17). Starting from this date the Group's interest in PJSC “Ukrtransleasing” is accounted for using the equity method in the consolidated financial statements.

PJSC “Ukrtransleasing” with its three subsidiaries form Ukrtransleasing group. The group is engaged in provision of lease services, operating lease of railway rolling stock,

logistics and forwarding services, production of railway nodes and arrows. Neither PJSC “Ukrtransleasing” nor its subsidiaries are listed on any public exchange. A portion of Ukrtransleasing group assets is located in the Autonomous Republic of Crimea and certain parts of the Donetsk and Luhansk regions temporarily not controlled by the Ukrainian authorities (Note 2).

The summarised information on Ukrtransleasing group is presented below:

	2019	2018
Current assets	209,450	295,012
Non-current assets	1,855,097	1,563,830
Current liabilities	(483,547)	(569,899)
Non-current liabilities	(52,926)	(18,474)
Equity	1,528,074	1,270,469
Group's carrying amount of the investment	727,795	604,994

	For the period ended 31 December 2019	For the period ended 31 December 2018
Revenues	499,462	342,855
Profit before tax	348,492	195,085
Income tax expense	(166,072)	(38,600)
Profit for the period (continuing operations)	182,420	156,485
Revaluation decrease of property, plant and equipment	187,104	–
Income tax effect of revaluation increase of property, plant and equipment	(33,679)	–
Total comprehensive income for the period (continuing operations)	335,845	156,485
Group's share of profit for the period	160,098	74,596

During 2019, the Group had received of dividends in amount of UAH 37,297 thousand from the associate company (2018: none).

The Group has investments in other associate companies that are not individually material for separate disclosure. One of the associates was PJSC “Insurance Company “Inter-Policy”, engaged in insurance and reinsurance activities in Ukraine, in which the Group owned 30.965% starting from 1 February 2017. On 17 April 2019,

the Company acquired additional 19.0396% interest, increasing its ownership to 50.0046%, which gives control over PJSC “Insurance Company “Inter-Policy” (Note 1). Carrying value of investment in PJSC “Insurance Company “Inter-Policy” amounted to UAH 7,552 thousand (30.965%) was recognised as Investments in associates as at 31 December 2018.

The other associate is Breitspur Planungsgesellschaft mbH, created under the Austrian legislation, engaged in the feasibility study on the construction of the broad-gauge railway corridor from the Ukrainian border to Vienna, which will facilitate the transportation of freights between the China and Western Europe markets. The start of the construction of the rail track system is scheduled for 2022. As of 21 July 2017, the Group concentrated 25% in the share capital of Breitspur Planungsgesellschaft mbH, when the State Property Fund of Ukraine transferred 12.6% of corporate rights of the company amounted to UAH 47,643 thousand within the Reorganisation process. Aggregated information about other associates that are not individually material for separate disclosure for the period since the date of transfer of shares till 31 December 2019 is presented below:

	2019	2018
Current assets	42,967	195,941
Non-current assets	112	177,852
Current liabilities	(5,498)	(19,440)
Non-current liabilities	(301)	(13,166)
Equity	37,280	341,187
Group's carrying amount of the investments	9,327	86,765

	For the period ended 31 December 2019	For the period from transfer of shares till 31 December 2018
Revenues	3,986	61,612
Loss before tax	(32,468)	(54,755)
Income tax expense	(440)	(2,083)
Loss for the period (continuing operations)	(32,908)	(56,838)
Total comprehensive loss for the period (continuing operations)	(32,908)	(56,838)
Group's share of loss for the period	(8,224)	(15,203)

As at 31 December 2019 the Company have assessed a recoverable amount of investment in associates, which is accounted under the equity method in accordance with IAS 28,



with the involvement of independent valuer and recognised an impairment losses in the amount of UAH 61,649 thousand in Other expenses.

During 2019 the associate companies had not distributed to the Company dividends. During 2018 the associate companies distributed to the Company dividends of UAH 13 thousand. The associate requires the Group's consent to distribute its profits. The Group does not foresee giving such consent at the reporting date.

Associates had no contingent liabilities or capital commitments as at 31 December 2019 and 2018.

FINANCIAL ASSETS

	2019	2018
Equity instruments of another entities	62,319	73,546
Loans due from employees	12,161	15,900
Other financial assets	9,846	1,801
	84,326	91,247

Equity instruments of another entities mainly consist of minority interests in the share capital of certain entities. The carrying value of these financial assets does not differ materially from their fair value.

As at 31 December 2019 the Group have assessed a fair value of equity instruments of another entities, which are measured at fair value through profit or loss in accordance with IFRS 9, with the involvement of independent valuer and recognised an impairment loss in the amount of UAH 12,627 thousand in Other expenses.

The Group provides long-term interest-free loans to its employees with contractual maturity from 3 to 8 years. Loans are carried at amortised cost using the effective interest rate of 13%-23% per annum. The current portion of these loans of UAH 6,102 thousand (2018: UAH 6,954 thousand) is included in trade and other receivables (Note 13).

INVENTORIES

	2019	2018
Spare parts, materials and tools (at lower of cost and net realisable value)	5,184,431	5,309,479
Fuel and lubricants (at lower of cost and net realisable value)	1,040,375	727,881
Finished goods (at lower of cost and net realisable value)	399,865	507,344
Work in progress (at lower of cost and net realisable value)	441,940	314,872
Other (at lower of cost and net realizable value)	2,062,457	2,021,955
	9,129,068	8,881,531

During 2019, spare parts, materials and tools, fuel and lubricants and other inventories in the amount of UAH 13,635,021 thousand were recognised as an operating expenses (2018: UAH 14,867,237 thousand).

As at 31 December 2019 inventories with carrying value of UAH 111,251 thousand (2018: UAH 111,251 thousand) were pledged as collateral for the Group's interest-bearing loans and borrowings (Note 18).

The amount of write-down of inventories in 2019 consituted UAH 33,961 thousand (2018: UAH 8,064).

TRADE AND OTHER RECEIVABLES

	2019	2018
Trade receivables	735,649	662,901
Current portion of long-term financial assets (Note 11)	6,102	6,954
Other receivables	734,804	901,430
	1,476,555	1,571,285
Less: the allowance for expected credit losses of trade and other receivables	(820,015)	(568,884)
	656,540	1,002,401

As at 31 December 2019 and 2018, current portion of long-term financial assets included short-term portion of loans due from employees (Note 11).

Set out below is the movement in the allowance for expected credit losses of trade and other receivables:

	2019	2018
At 1 January	568,884	743,853
Provision for expected credit losses	631,868	184,079
Utilised	(356,796)	(332,213)
Reversed	(23,941)	(26,835)
At 31 December	820,015	568,884

Set out below is the information about the credit risk exposure on the Group's trade and other receivables using a provision matrix as at 31 December 2019 based on historical payment discipline: The ageing of the Group's trade and other receivables was as follows as at 31 December 2018:

	Expected credit loss rate	Estimated total gross carrying amount	Expected credit loss	Carrying value
Neither past due nor impaired	0.50%	674,554	(3,373)	671,181
Less than 2 months	5%	21,696	(1,085)	20,611
2-3 months	25%	78,388	(19,597)	58,791
3-12 months	50%	185,643	(92,822)	92,821
Over one year	50%-100%	611,004	(452,007)	158,997
Total		1,571,285	(568,884)	1,002,401

PREPAYMENTS

	2019	2018
Prepayments for materials and services, net of impairment	332,981	136,842
	332,981	136,842

As at 31 December 2019, no prepayments were impaired (2018: impaired by UAH 6,351 thousand).

TAXES RECEIVABLE, OTHER THAN INCOME TAX

	2019	2018
Value added tax receivable	326,932	673,606
Other taxes prepaid	52,949	59,515
	379,881	733,121

A portion of value added tax receivable and insignificant portion of other taxes amounting to UAH 164,064 thousand was classified as non-current asset as at 31 December 2019 as its expected period of recoverability exceeds 12 months (2018: UAH 845,648 thousand).

CASH AND CASH EQUIVALENTS

In November 2019, the Group signed a number of deposit agreements (with issuance of saving (deposit) certificates) ("deposits") with the Ukrainian state bank, denominated in US dollars and corresponding interest rates of 2.8% - 3.8% per annum. As at 31 December 2019, deposits for period from one to three months were included in short-term deposits in the amount of UAH 992,347 thousand, while deposits for period from three to twelve months have been stated in line financial asset in the amount of UAH 2,014,715 thousand.

	2019	2018
Cash at banks	5,905,088	1,195,617
Other cash equivalents	83,801	56,209
Short-term deposits	992,347	–
	6,981,236	1,251,826

EQUITY

CHARTER CAPITAL

During 2019 and 2018 the charter capital of the Group was of UAH 229,879,115,000 and was divided into 229,879,115 ordinary nominal shares with a nominal value of UAH 1,000 each.

In July 2017, the Company has registered its ownership for the corporate rights of PJSC "Transsignal Kyiv Electrical Engineering Plant" in the amount of UAH 103,481 thousand. Thus, the charter capital became fully contributed and in accordance with the respective Ukrainian legislation the issuance of the Company's shares was registered on 7 September 2017.

THE GROUP REORGANISATION AND ADDITIONAL CAPITAL

Joint stock company "Ukrainian Railways" was established on 21 October 2015, when the state registration of the Company was conducted according to the decree of the Cabinet of Ministers of Ukraine dated 2 September 2015 No. 735 Matters Related to Public Joint Stock Company "Ukrainian Railways". According to the Law of Ukraine dated 23 February 2012 No. 4442-VI On Peculiarities of Creation of the Public Joint Stock Company for Public Service Railway Transport, JSC "Ukrzaliznytsya" is a

legal successor of the State Administration of Railway Transport of Ukraine as well as public service railway enterprises and institutions, which were reorganised through the merger according to the Decree of the Cabinet of Ministers of Ukraine dated 25 June 2014 No. 200 On Establishment of Public Joint Stock Company "Ukrainian Railways".

The date of completion of the Reorganisation for the purposes of preparation of the consolidated financial statements is 30 November 2015. Before this date, the Company licenses, permits and other documents allowing JSC "Ukrainian Railways" to commence its economic activities starting from 1 December 2015.

Due to objective inability to conduct all necessary standard reorganisation proceedings (inventory of underlying assets and liabilities, their valuation and formal transfer and acceptance by the Company), it was not possible to contribute net asset related to the temporarily occupied territory of the Autonomous Republic of Crimea and temporarily occupied territory of Donetsk and Luhansk regions to the charter capital of the Company. Instead, the additional capital was formed through the contribution of the above net assets in correspondence with the additional capital. Financial information on the temporarily occupied territory of the Autonomous Republic of Crimea and temporarily occupied territories of Donetsk and Luhansk regions is provided in Note 2. Additional capital was also formed through contribution of public residential buildings and civil defense facilities, which can't be transferred to the Charter capital of the Company due to legal restrictions, but are included in the Company's assets; also through contribution of lease items; as well as through additions and modernisation of property, plant and equipment over a period from the revaluation date of 31 July 2014 till the date of Reorganisation completion, as at 30 November 2015.

PROFIT DISTRIBUTION AND DIVIDENDS

Profit distribution and dividends payment are subject to approval by the General meeting of the Company, which shall take into account related Ukrainian legislation. The Company pays dividends in cash only. Dividend payments are transferred directly to the state budget according to a relevant decision approved by the Company's General meeting within the prescribed by the legislation time period.

According to the Resolution of the Cabinet of Ministers of Ukraine No. 364 dated 24 April 2019 and the Order of the Cabinet of Ministers of Ukraine No. 460-r dated 24 April 2019, 30% of the Company's net profit for 2018 amounted to UAH 103,101 thousand was distributed as dividends to the State budget of Ukraine.

According to the Law of Ukraine "On Managing State-Owned Entities" No. 185-V dated 21 September 2006, the entities, with state ownership in their share capital, shall approve a relevant decision on declaration of dividends in amount of at least 30% of net profit. As at 31 December 2019, the Company has recognized respective liability on dividend payments for 2019 in amount of UAH 749 205 thousand, which will be payables to the State budget of Ukraine. According to the Ukrainian legislation, General meeting of the Company, which are held no later than 30 April, after the reporting year, is obliged to decide on profit distribution and declare dividends for 2019. According to this decision, the Company is obliged to make payments to the State budget of Ukraine till 30 June.



DISTRIBUTION OF PORTION OF NET PROFIT TO THE STATE

During the year ended 31 December 2019 the subsidiaries of the Company paid a portion of their net profit in the amount of UAH 15,283 thousand directly to the state budget (2018: UAH 11,885 thousand).

INTEREST-BEARING LOANS AND BORROWINGS

As at 31 December interest-bearing loans and borrowings consisted of the following:

	2019	2018
Interest-bearing bank loans	12,596,263	17,185,655
Eurobonds issued	19,550,901	14,319,614
Other borrowings	501,274	500,000
	32,648,438	32,005,269

Eurobonds pertain to the remaining loan of USD 500,000 thousand received as a result of loan participation notes (Eurobonds) placed by Shortline plc on Irish Stock Exchange in May 2013. In March 2016 the Group has reprofiled the loan, the maturity was extended to 15

September 2021, annual interest rate increased from 9.5% to 9.875% starting from 21 November 2015 and the principal repayment schedule changed as follows: 60% to be paid in 2019, 20% - in 2020 and 20% in 2021. In 2019, the Group timely paid the part of 60% of its Eurobonds placed by Shortline plc.

And Eurobonds pertain to the loan of USD 500,000 thousand and USD 94,902 thousand received as a result of loan participation notes (Eurobonds) placed by Rail Capital Markets plc on Irish Stock Exchange in July and September 2019 with maturity date July 2024. As disclosed in Note 2 the Group recorded the liabilities of State Enterprise "Donetsk Railway" on its balance sheet with further division of the balances to controlled and uncontrolled parts. In 2016, majority of lenders of SE "Donetsk Railway" filed court suits with the purpose to recognise JSC "Ukrainian Railways" as a legal successor of the enterprise and recover the debt. In February 2017, some changes to the legislation on the Reorganisation were enacted providing moratorium on foreclosure of assets and enforcement of liabilities of SE "Donetsk Railway" until cessation of antiterrorist operation and completion of legal succession proceedings (inventory of underlying assets and liabilities, their valuation and formal transfer and acceptance by the Company). The court decisions subsequent to the changes in the legislation ruled for non-recognition of the Group as a legal successor for loans and borrowings of State Enterprise "Donetsk Railway" based on the above considerations.

As at 31 December effective interest rate and currency split for borrowings were as follows:

	Interest rate	2019	Interest rate	2018
USD				
Floating rate	LIBOR 6 month + 1%-6%	1,213,524	LIBOR 6 m + 1%-6%	2,694,048
Fixed rate	8.68%-12%	29,279,558	9.9%-12%	26,549,292
		30,493,082		29,243,340
EUR				
Floating rate	EURIBOR 6m + 0.3%	1,447,188	EURIBOR 6m + 0.4%	1,554,639
		1,447,188		1,554,639
UAH				
Fixed rate	10.46%-20.75%	708,168	18.9%-20.75%	1,207,290
		708,168		1,207,290
Total interest-bearing loans and borrowings		32,648,438		32,005,269
Less: current portion		(14,498,640)		(17,086,982)
Interest-bearing loans and borrowings, non-current		18,149,798		14,918,287

Since 1 January 2016, the Group ceased to recognise finance costs and foreign exchange losses related to the above loans and borrowings and as at 31 December 2017, reclassified them into liabilities of uncontrolled territories (Note 2). As such, as at 31 December 2019, the liabilities of uncontrolled territories comprised interest-bearing loans and borrowings denominated in the United States Dollars in the amount of USD 116,340 thousand with a fixed interest rate of 10.65% - 12% per annum, and interest-bearing loans and borrowings denominated in Hryvnia in the amount of UAH 871,725 thousand with a fixed interest rate of 17.4%-18%.

Some of the loan agreements provide for financial and non-financial covenants, which impose restrictions on certain transactions and financial ratios, including restrictions of the amount of outstanding debt and profitability of the Group.

As at 31 December 2019 and 2018, a breach of undertakings was continuing under long-term loan agreements that the Group was not able to timely restructure for an outstanding amount of UAH 4,591,533 thousand and UAH 4,895,629 thousand, respectively. As at 31 December 2019 and 2018, the cross-default was rectified as the respective lenders provided written letters waiving the right for accelerated repayment of debt and accrual of fines related to

the breach before the reporting dates. Management undertakes measures to rectify the breach.

As at 31 December 2019 undrawn loan facilities available to the Group were of UAH 5,532,863 thousand (2018: UAH 5,361,694 thousand).

As at 31 December interest-bearing loans and borrowings were secured as follows:

Type of collateral	2019	2018
Property, plant and equipment (Note 9)	215,607	221,149
Inventories (Note 12)	111,251	111,251
Proceeds from future revenue	19,091,351	19,692,411
Guarantees issued by the State of Ukraine (Note 31)	2,482,475	3,900,859

LEASE LIABILITY

Lease liability is mainly represented by amounts due under agreements for lease of diesel locomotives, electric multiple unit train, equipment and car. Some of lease payments are pegged to USD; the average lease term is 7 years. As at 31 December 2019 and 2018, the interest rates implicit in the lease were within the range of 11% - 21% per annum.

In February 2018, the Company signed a lease agreement with the Ukrainian state bank JSC “Ukreximbank” for the supply of 30 diesel

locomotives manufactured General Electric Company (USA) with a maturity date until March 2026. In the second half of 2018, the Group has received 15 locomotives, another 15 locomotives have been received during the first half of 2019.

Principal repayments under lease to Ukrainian lessors (unlike foreign lessors) are subject to 20% VAT levied at the payment date. Finance charge is not VAT taxable.

Set out below, are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the period:

RIGHT OF USE ASSETS

	Buildings, constructions and infrastructure	Locomotives	Vehicles	Plant, equipment, tools and other	Total	Lease liabilities
As at 1 January 2019	–	2,198,458	5,948	–	2,204,406	1,445,305
Addition/(transfer), net	1,093	1,460,248	(4,807)	1,002	1,457,536	1,319,314
Depreciation	(497)	(88,061)	(330)	(275)	(89,163)	–
Interest expense	–	–	–	–	–	421,383
Foreign exchange difference, net	–	–	–	–	–	(5,877)
Payments	–	–	–	–	–	(813,881)
As at 31 December 2019	596	3,570,645	811	727	3,572,779	2,366,244



EMPLOYEE BENEFITS

The Group has a legal obligation to compensate the Ukrainian State Pension Fund for additional pensions paid to certain categories of the current and former employees who are eligible for early retirement benefits due to working in hazardous and/or unhealthy working conditions. The Group has also contractual obligation to pay lump-sum payments to the retiring employees with the long service, certain post retirement and post employment benefits, as well as other long-term employee benefits such as jubilee according to collective agreements. These obligations fall under definitions of a unfunded defined benefit plan.

UNFUNDED DEFINED BENEFIT PLAN

The Group's defined benefit obligation relates to:

	2019	2018
Post retirement and post-employment benefits under collective agreement	2,312,364	1,876,070
State plan for additional pensions for working in hazardous and unhealthy working conditions	506,821	424,852
Other long-term benefits under collective agreement	367,707	353,183
	3,186,892	2,654,105

Changes in the net present value of the defined benefit obligation were as follows:

	2019	2018
At 1 January	2,654,105	2,232,420
Interest cost on benefit obligation	341,152	251,426
Current service cost	97,177	102,945
Past service cost	–	(25,533)
Benefits paid	(539,794)	(592,049)
Remeasurement gains/(losses) in other comprehensive income from:		
- changes in financial assumptions	678,919	97,145
- changes in demographic assumptions	(323,677)	130,758
- experience adjustments	258,329	429,530
Remeasurement of other long-term employee benefits obligation	20,681	27,463
At 31 December	3,186,892	2,654,105



The amounts recognised in the consolidated income statement were as follows:

	2019	2018
Current service cost	97,177	102,945
Interest cost on benefit obligation (Note 28)	341,152	251,426
Past service cost	–	(25,533)
Remeasurement of other long-term employee benefits obligation	20,681	27,463
	459,010	356,301

Current service cost, past service cost, including their amortisation and recognised actuarial gains are included into the staff costs line item in the statement of comprehensive income. Interest cost on benefit obligation included into finance costs. The principal assumptions used in determining defined benefit obligation are shown below:

	2019	2018
Discount rate	12.70%	16.10%
Staff turnover	5-16%	7-19%
Future benefit increase	6-10%	6-11%
Future pension increase	5-11%	5-12%

The sensitivity analysis is given in the table below:

2019	Increase/ (decrease) in rate	Increase/ (decrease) of defined benefit obligation
Discount rate	+1%	(191,704)
Discount rate	-1%	214,606
Future benefit increase	+1%	193,009
Future benefit increase	-1%	(174,983)

2018	Increase/ (decrease) in rate	Increase/ (decrease) of defined benefit obligation
Discount rate	+1%	(125,100)
Discount rate	-1%	137,500
Future benefit increase	+1%	126,700
Future benefit increase	-1%	(116,800)

For the year ending 31 December 2020, the Group expects to pay benefits related to defined benefit plans in the amount of UAH 529,518 thousand. During the year ended 31 December 2019 the expenses from the participation in obligatory state pension program amounted to

UAH 7,974,982 thousand (2018: UAH 7,443,563 thousand). The Group expects to deduct a mandatory state pension insurance in the amount of UAH 8,595,349 thousand for the year 2020.

INCOME TAX

The components of income tax expense in the consolidated statement of comprehensive Income were as follows:

	2019	2018
Current income tax charge	1,587,502	460,664
Adjustments in respect of current income tax charges	–	(3,767)
Prepaid income tax write off	391,196	–
Deferred income tax (benefit) / expense	(103,598)	279,726
Income tax expense	1,875,100	736,623

During 2019 and 2018, the statutory income tax rate in Ukraine was 18%. Adjustments in respect of current income tax charges was made as a result of the revision of tax declarations for the prior periods.

Reconciliation between loss before income tax multiplied by the statutory tax rate and income tax expense for the years ended 31 december consisted of the following:

	2019	2018
Profit before income tax	4,863,347	940,477
At statutory tax rate (18%)	875,403	169,286
Tax effect of:		
Effect of reassessment of temporary differences	128,840	459,588
Change in unrecognised deferred tax assets	–	(80,842)
Other differences	870,857	188,591
Income tax expense	1,875,100	736,623

Deferred tax assets and liabilities comprised:

	Consolidated statement of financial position		Consolidated statement of comprehensive income	
	2019	2018	2019	2018
Property, plant and equipment (i)	(6,357)	(134,143)	(127,786)	9,460
Inventories (ii)	18,507	11,667	(6,840)	876
Trade and other receivables (iii)	98,033	109,535	11,502	33,323
Defined benefit liability (iv)	–	19,526	19,526	316,909
	110,183	6,585	(103,598)	360,568
Less: unrecognised deferred tax assets	–	–	–	(80,842)
Deferred income tax expense			103,598	279,726
Deferred tax effect of actuarial gain recognised in OCI	–	18,055	18,055	47,346
Net deferred tax assets	110,183	24,640		
Reflected in the statements of financial position as follows:				
Deferred tax assets	129,813	58,745		
Deferred tax liabilities	(19,630)	(34,105)		
Deferred tax assets net	110,183	24,640		

Reconciliation of net deferred tax assets:

	2019	2018
Opening balance as at 1 January	24,640	351,712
Tax benefit / (expense) recognised in profit or loss	103,598	(279,726)
Tax expense recognised in other comprehensive income	(18,055)	(47,346)
Closing balance 31 December	110,183	24,640

The nature of the temporary differences is as follows:

Property, plant and equipment – differences in depreciation patterns and estimates of the remaining useful lives, differences in capitalisation principles, different cost basis;
Inventories – differences in inventories valuation models and the periods of recognition;
Trade and other receivables – differences in valuation, including allowances for doubtful receivables, differences in the period of recognition;
Defined benefit liability – differences in recognition principles;

As at 31 December 2019 and 2018 deferred tax assets arising on foreign currency component of interest-bearing loans and borrowings and lease liability (resulting from devaluation of Ukrainian hryvnia) and on allowance for impairment of financial assets were not recognised since their utilisation was not certain.



TRADE AND OTHER PAYABLES

	2019	2018
Trade payables	3,679,664	3,850,150
Due to employees	2,748,727	2,660,467
Unused vacation accrual	1,165,226	1,176,992
Payables for property, plant and equipment	985,234	1,092,703
Dividends payable (Note 31)	756,695	108,195
Other payables	378,531	470,385
	9,714,077	9,358,892

Trade payables are non-interest bearing and are normally settled within 60 days.

TAXES PAYABLE, OTHER THAN INCOME TAX

	2019	2018
Personal income tax payable	375,336	330,383
Land tax payable	325,377	114,532
VAT payable	115,066	50,097
Other taxes payable	73,000	64,639
	888,779	559,651

REVENUES

Revenue from contracts with customers for the six months ended 31 December 2019 comprised the following:

Segments	Cargo	Long-distance passenger	Suburban passenger	Auxiliary activity	All other segments	Total
Cargo revenues	72,488,806	–	–	–	–	72,488,806
Passenger revenues	–	9,139,743	766,052	–	–	9,905,795
Other revenues	–	–	–	7,307,516	650,202	7,957,718
Total revenue from contracts with customers	72,488,806	9,139,743	766,052	7,307,516	650,202	90,352,319
Timing of revenue recognition						
At a point in time	–	–	–	3,381,423	362,592	3,744,015
Over time	72,488,806	9,139,743	766,052	3,926,093	287,610	86,608,304
Total revenue from contracts with customers	72,488,806	9,139,743	766,052	7,307,516	650,202	90,352,319

PROVISIONS

Movement in the provisions for the year was as follows:

	2019	2018
At 1 January	1,732,270	1,288,789
Arisen during the year	104,091	521,352
Foreign exchange difference	(136,500)	(11,143)
Utilised	(482,758)	(66,728)
At 31 December	1,217,103	1,732,270

In the normal course of business, the Group is subject to various routine litigation and arbitration related matters. Provision for litigations represents management assessment of the probable outflow of the Group's resources arising from a negative (adverse) outcome of the court and arbitration procedures with foreign and domestic contractors and public authorities. The Group's provisions mostly consists of provision for litigations. As at 31 December 2019 the Group recognised a provision in foreign currency for the court decision in respect of a breach of the construction contract with a foreign contractor in the amount of UAH 658,895 thousand (2018: UAH 770,174 thousand).

TAXES, OTHER THAN INCOME TAX

	2019	2018
Land tax	4,020,556	1,112,737
Other taxes	175,647	125,845
Non-recoverable VAT attributable to transit transportation	3,701	12,389
Impairment of current VAT receivable	29,717	11,182
	4,229,621	1,262,153

Revenue from contracts with customers for the six months ended 31 December 2019 comprised the following: (continued)

Segments	Cargo	Long-distance passenger	Suburban passenger	Auxiliary activity	All other segments	Total
Passenger revenues	–	7,818,593	650,131	–	–	8,468,724
Other revenues	–	–	–	7,292,309	121,571	7,413,880
Total revenue from contracts with customers	67,519,803	7,818,593	650,131	7,292,309	121,571	83,402,407
Timing of revenue recognition						
At a point in time	–	–	–	2,478,781	110,533	2,589,314
Over time	67,519,803	7,818,593	650,131	4,813,528	11,038	80,813,093
Total revenue from contracts with customers	67,519,803	7,818,593	650,131	7,292,309	121,571	83,402,407

OTHER OPERATING INCOME, OTHER OPERATING EXPENSES AND OTHER EXPENSES

Other operating income included income from reversal of accrual for bonuses in the amount of UAH 63,103 thousand and UAH 59,777 thousand for 2019 and 2018, respectively. The reversal related to the portion of accrual for bonuses created as at the end of the previous reporting period that was not realised in the current reporting period due to change in estimates regarding the actual amount of the bonuses. Other operating income also included rental income of UAH 159,828 thousand and UAH 146,317 thousand, as well as gain from the sale of scrap metal of UAH 55,181 thousand and UAH 31,607 thousand for 2019 and 2018, respectively.

Other operating expenses consist of the allowance for expected credit losses of trade and other receivables in the amount of UAH 607,927 thousand and UAH 157,244 thousand (Note 13) for 2019 and 2018, respectively; and the allowance for taxes receivable, other than income tax (namely VAT) in the amount of UAH 683,521 thousand for 2019.

Other expenses mainly consist of impairment of property plant and equipment in the amount of UAH 720,550 thousand (Note 9) for 2019.



FINANCE INCOME AND FINANCE COSTS

	2019	2018
Interest expense on loans and borrowings	(3,082,457)	(3,160,564)
Interest expense on lease liabilities	(421,383)	(51,641)
Interest cost on defined benefit obligation (Note 20)	(341,152)	(251,426)
Total finance costs	(3,844,992)	(3,463,631)
Interest income	253,821	197,109
Other finance income	5,685	5,515
Total finance income	259,506	202,624
Finance costs, net	(3,585,486)	(3,261,007)

FOREIGN EXCHANGE GAIN/(LOSS), NET

Foreign exchange gains and losses arisen on the following items:

	2019	2018
Gains		
Interest-bearing loans and borrowings	4,861,654	542,388
Lease liability	5,877	11,629
Trade and other payables	29,673	–
Provision	136,500	11,143
	5,033,704	565,160
Losses		
Trade and other payables	–	(13,791)
Financial assets	(29,717)	–
Cash and cash equivalents	(678,420)	(12,549)
	(708,137)	(26,340)
Foreign exchange gain, net	4,325,567	538,820

CONTINGENCIES AND COMMITMENTS

TAX MATTERS

The Group carries out most of its transactions in Ukraine and therefore has to comply with the requirements of Ukrainian tax law. Ukrainian legislation and regulations regarding taxation and other operational matters, including currency exchange control and custom regulations, continue to evolve. Legislation and regulations are not always clearly written and are subject to varying interpretations by local and national authorities, and other governmental bodies. Instances of inconsistent interpretations are not unusual. Management believes that its interpretation of the relevant legislation is appropriate and that the Group has complied with all regulations, and paid or accrued all taxes and withholdings that are applicable.

Management believes that there are strong arguments to successfully defend any such challenge and does not believe that the risk is any more significant than those of similar enterprises in Ukraine. When it is not considered probable that a material claim will arise, no provision has been established in these financial statements.

LITIGATIONS

In the normal course of business, the Group is subject to various routine litigation and arbitration related matters. As at 31 December 2019, the Group was involved in litigations with tax authorities with respect to additional accrual of liabilities for corporate income tax, VAT and other taxes in the total amount of UAH 1,585,399 thousand (2018: UAH 1,705,099 thousand). As at 31 December 2019 the Group's possible exposure to the ascertained third parties' claims was UAH 2,950,348 thousand (2018: UAH 1,649,675 thousand).

Management believes that the Group's position in the litigations stated above has sustainable legal merits, and therefore the ultimate resolution of these litigations will not have an adverse effect on the Group's financial position, or the results of its future operations, accordingly, no corresponding provisions were recognised in these consolidated financial statements. Provisions were recognised for obligations with probable outflow of resources embodying economic benefits (Note 24).

CAPITAL COMMITMENTS

As at 31 December 2019 the Group's outstanding commitment in respect of purchase of property and equipment and inventories amounted to UAH 2,411,932 thousand (2018: UAH 4,722,655 thousand).

RELATED PARTY DISCLOSURE

The outstanding balances and transaction with entities under common control of the State, comprised:

	2019	2018
Balances at 31 December		
Prepayments for property, plant and equipment	171	5
Trade and other receivables	195,540	196,335
Prepayments, other than dividends	83,202	20,522
Cash and cash equivalents	6,684,694	1,182,968
Trade and other payables, other than dividends	78,750	93,074
Advances received	6,829	15,579
Interest-bearing loans and borrowings and lease liability	2,864,429	2,362,019
Financial assets	2,014,715	–
Transactions during the year		
Cargo revenues	1,499,631	1,552,808
Other revenues	125,380	–
Electricity	(6,403,096)	(8,895,330)
Materials, maintenance and repairs	(138,045)	(110,890)
Finance income	232,196	29,768
Finance costs	(625,628)	(26,215)
Other operating income	131,564	404,433

TERMS AND CONDITIONS OF TRANSACTIONS WITH RELATED PARTIES

The sales to and purchases from related parties are made at regular prices, broadly similar to those with other non-related customers and suppliers. Outstanding balances at the year-end are unsecured, interest free, except for interest bearing loans. Settlement occurs in cash, except for advances received and prepayments. There have been no guarantees provided or received for any related party receivables or payables.

GUARANTEES ISSUED BY THE STATE OF UKRAINE

As at 31 December 2019 the Group's interest bearing loans with carrying value of UAH 2,482,475 thousand (2018: UAH 3,900,859 thousand) were guaranteed by the State of Ukraine.

COMPENSATION OF KEY MANAGEMENT PERSONNEL

Key management personnel is considered to be the Management Board of JSC "Ukrainian Railways" comprising 7 members and the Supervisory Board comprising 7 members as at 31 December 2019. For 2019 and 2018, total compensation to the Management Board mostly included payroll, payroll related taxes and bonuses amounted to UAH 71,417 thousand and UAH 39,654 thousand, respectively. For 2019 total compensation to the members of the Supervisory Board was UAH 43,425 thousand (2018: UAH 19,141 thousand)

DIVIDENDS

As at 31 December 2019 dividends payable to the State in the amount of UAH 756,695 thousand were included in trade and other payables (2018: UAH 108,195 thousand) (Note 22). Dividends for the year ended 31 December 2019 were accrued in amount of UAH 765,355 thousand (2018: UAH 153,417 thousand).

COMPENSATION FOR TRANSPORTATION OF PREFERENTIAL PASSENGERS

The state budget and local budgets should compensate the Group for transportation of certain categories of preferential passengers. The compensation in the amount of UAH 113,418 thousand and UAH 92,904 thousand for 2019 and 2018, respectively, were included in passenger revenues.



FAIR VALUE OF FINANCIAL INSTRUMENTS

Set out below is the comparison by category of carrying amounts and fair values of all of the Group's financial instruments, that are carried in the consolidated statement of financial position:

	Fair value		Carrying value	
	2019	2018	2019	2018
Financial assets				
Trade and other receivables	656,540	1,002,401	656,540	1,002,401
Other financial assets	84,326	91,247	84,326	91,247
Financial assets	2,014,715	–	2,014,715	–
Cash and cash equivalents	6,981,236	1,251,826	6,981,236	1,251,826
Financial liabilities				
Interest-bearing loans and borrowings	32,804,165	31,271,041	32,648,438	32,005,269
Lease liability	2,332,731	1,427,632	2,366,244	1,445,305
Trade and other payables	9,714,077	9,351,190	9,714,077	9,358,892

In assessing the fair value of financial instruments, the Group uses a variety of methods and makes assumptions based on market conditions existing at the end of the reporting period. Quoted market prices or dealer quotes for the specific or similar instruments or the discounted value of future cash flows are used for financial assets. The fair value of unquoted instruments, other financial assets, interest bearing loans and borrowings, lease liability is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

FAIR VALUE HIERARCHY

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

- **Level 1** – quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- **Level 2** – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- **Level 3** – valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Fair value of financial assets and liabilities at 31 December as follows:

2019	Level 1	Level 2	Level 3	Total
Financial assets carried at amortised cost				
Trade and other receivables	–	–	656,540	656,540
Financial liabilities carried at amortised cost				
Interest-bearing loans and borrowings	19,706,627	–	13,097,538	32,804,165
Lease liability	–	–	2,332,731	2,332,731
Trade and other payables	–	–	9,714,077	9,714,077

2018	Level 1	Level 2	Level 3	Total
Financial assets carried at amortised cost				
Trade and other receivables	–	–	1,002,401	1,002,401
Financial liabilities carried at amortised cost				
Interest-bearing loans and borrowings	13,585,386	–	17,685,655	31,271,041
Lease liability	–	–	1,427,632	1,427,632
Trade and other payables	–	–	9,351,190	9,351,190

There were no transfers between Level 1 and Level 2 fair value measurements during the period, and no transfers into or out of Level 3 fair value measurements during the 2019 and 2018 years.

CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

Changes in liabilities arising from financing activities as at 31 December 2019 and 2018 as follows:

	1 January 2019	Cash flows	Foreign exchange movements	New lease liabilities	Other	31 December 2019
Current interest-bearing bank loans	17,086,982	(10,688,365)	(1,949,287)	–	10,049,310	14,498,640
Current obligation under lease contracts	286,775	(422,358)	(3,344)	–	573,323	434,396
Non-current interest-bearing bank loans	14,918,287	15,584,786	(2,912,367)	–	(9,440,908)	18,149,798
Non-current obligation under lease contracts	1,158,530	–	(2,533)	1,319,314	(543,463)	1,931,848
Dividends	108,195	(118,520)	–	–	767,020	756,695
Total liabilities arising from financing activities	33,558,769	4,355,543	(4,867,531)	1,319,314	1,405,282	35,771,377

	1 January 2018	Cash flows	Foreign exchange movements	New lease liabilities	Other	Segregation of liabilities of uncontrolled territories (Note 2)	31 December 2018
Current interest-bearing bank loans	10,890,635	(1,830,443)	(17,049)	–	8,043,839	–	17,086,982
Current obligation under lease contracts	605,292	(338,712)	(406)	–	269,093	(248,492)	286,775
Non-current interest-bearing bank loans	22,620,904	450,474	(525,339)	–	(7,627,752)	–	14,918,287
Non-current obligation under lease contracts	116,087	–	(11,223)	1,317,952	(264,286)	–	1,158,530
Dividends	39	(45,044)	–	–	153,200	–	108,195
Total liabilities arising from financing activities	34,232,957	(1,763,725)	(554,017)	1,317,952	574,094	(248,492)	33,558,769

The “Other” column includes the effect of reclassification of non-current portion of interest-bearing loans and borrowings, including obligations under leases to current due to the passage of time and the effect of accrued but not yet paid interest on interest-bearing loans and borrowings. The Group classifies interest paid as cash flows from operating activities.

FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES

The Group's principal financial instruments comprise interest-bearing loans and borrowings, cash in bank, short-term deposits and other financial assets. The Group has various other financial

instruments, such as trade and other receivables and payables, which arise directly from its operations. The Group has not entered into any material derivative transactions. It is the Group's policy not to trade in financial instruments. The Group's overall risk management program focuses on the

unpredictability and inefficiency of the Ukrainian financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. Risk management is carried out by the Group's financial departments. The main risks arising from the Group's financial instruments are liquidity risk, foreign currency risk, credit risk and interest rate risk. The policies for managing each of these risks are summarised below.

LIQUIDITY RISK

The Group's objective is to maintain continuity and flexibility of funding through the use of cash generated from Group's operations, credit terms provided by suppliers, banks and lenders. Significant aspects of the liquidity risk management are disclosed in Note 2. In addition to the previously mentioned factors, the Group considers that liquidity risk exposure is predetermined by number of factors, imposed by the government regulations, including:

Tax charges. The Group is a payer of number of direct and indirect taxes, established by the Tax Code of Ukraine. During 2019-2018, the Group accrued and paid current income tax as follows:

	2019 p.	2018 p.
Income tax payable / (prepaid income tax) at 1 January, net	56,493	(215,122)
Current income tax charge (Note 21)	1,587,502	460,664
Income tax paid	(1,755,587)	(199,813)
Other movements	6,177	10,764
(Prepaid income tax) / income tax payable at 31 December, net	(105,415)	56,493

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2019 and 2018 based on contractual undiscounted payments, assuming no breaches occurred:

	Less than 3 month	3 to 12 months	1 to 5 years	More than 5 years	Less: effect of amortisation	Carrying value
Year ended 31 December 2019						
Interest bearing loans and borrowings	5,449,659	10,529,989	21,222,482	1,472,007	(6,025,699)	32,648,438
Lease liability	140,092	666,008	2,426,459	465,257	(1,331,572)	2,366,244
Trade and other payables	9,570,964	143,113	–	–	–	9,714,077
Year ended 31 December 2018						
Interest bearing loans and borrowings	6,741,605	12,311,026	14,538,375	1,563,734	(3,149,471)	32,005,269
Lease liability	81,492	411,969	1,302,926	442,708	(793,790)	1,445,305
Trade and other payables	9,036,539	322,353	–	–	–	9,358,892



Among other taxes, the Group is the land tax payer, and related charges and payments are as follows:

	2019	2018
Land tax payable at 1 January, net	59,967	151,850
Land tax charge (Note 25)	4,020,556	1,112,737
Land tax paid	(3,808,786)	(1,226,748)
Other movements	7,153	22,128
Land tax payable at 31 December, net	278,890	59,967

Dividend payments. As described in Note 17, at 31 December 2019, the Company accrued dividends in amount of UAH 749,205 thousand, which are to be paid in 2020 upon relevant approval by the Gerenal meeting of shareholders (2018: UAH 103,101 thousand, which were paid directly to the State budget during 2019).

The Group analyses the aging of its assets and cash generation ability versus the maturity of its liabilities and plans its liquidity depending on the expected repayment of various instruments as well as tax and dividend payments as described above.



FOREIGN CURRENCY RISK

In common with many other businesses in Ukraine, foreign currencies, in particular the US dollar (“USD”), the euro (“EUR”), the Swiss franc (“CHF”) play a significant role in the underlying economics of the Group’s business transactions.

The exchange rates for foreign currencies, in which the Group’s financial assets and liabilities were denominated, against the Ukrainian hryvnia, as established by the NBU as at the dates stated, were as follows:

	USD	EUR	CHF
31-Dec-18	27.6883	31.7141	28.2481
Average for 2018	27.2016	32.1341	27.8222
31-Dec-19	23.6862	26.4220	24.2711
Average for 2019	25.6471	28.6866	25.8404
31-Mar-20	28.0615	30.9617	29.2994

The Group has transactional currency exposure that relates to monetary assets and liabilities denominated in foreign currencies and are attributable to general volatility in exchange markets. Such exposure arises from sales or purchases by the Group in currencies other than its functional currency. The Group has not entered into transactions designed to hedge against these foreign currency risks. The following table demonstrates the sensitivity to a reasonably possible change in the corresponding exchange rates, with all other variables held constant, of the Group’s loss before tax (due to changes in the fair value of monetary assets and liabilities).

31-Dec-19	Weakening “+”/ strengthening “-” of the exchange rate	Increase/(decrease) of the profit before tax	Increase/(decrease) of the equity
UAH/USD	+14.00%	(3,799,634)	(3,799,634)
UAH/USD	-11.00%	2,985,427	2,985,427
UAH/CHF	+14.00%	(12,998)	(12,998)
UAH/CHF	-14.00%	12,998	12,998
UAH/EUR	+15.00%	(216,296)	(216,296)
UAH/EUR	-13.00%	187,456	187,456

31-Dec-18	Weakening “+”/ strengthening “-” of the exchange rate	Increase/(decrease) of the profit before tax	Increase/(decrease) of the equity
UAH/USD	+6.00%	(1,791,701)	(1,791,701)
UAH/USD	-6.00%	1,791,701	1,791,701
UAH/CHF	+6.00%	(7,316)	(7,316)
UAH/CHF	-6.00%	7,316	7,316
UAH/EUR	+8.00%	(116,308)	(116,308)
UAH/EUR	-8.00%	116,308	116,308



CREDIT RISK

Financial instruments which potentially expose the Group to significant concentrations of credit risk consist principally of cash and cash equivalents, deposits, trade and other receivables. The Group’s credit risk exposure is monitored and analysed on a case-by-case basis, and the Group’s management believes that credit risk is appropriately reflected in impairment allowances recognised against assets. The Group’s maximum credit risk exposure at 31 December 2019 and 2018 is represented by the carrying amounts of the financial assets.

The Group’s cash is primarily held with major reputable Ukrainian banks.

The Group does not require collateral in respect of financial assets. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed of all customers requiring credit over a certain amount.

INTEREST RATE RISK

The Group’s exposure to the risk of changes in market interest rates relates primarily to the Group’s long-term debt obligations with floating interest rates.

In 2019 and 2018, the Group primarily borrowed at both fixed and floating rate pegged to the London Inter Bank Offering Rate (“LIBOR”) and the Euro Interbank Offered Rate (“EURIBOR”).

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group’s profit before tax (through the impact on floating rate borrowings).

31 December 2019	Increase “+”/ decrease “-” in basis points	Increase/ (decrease) of the profit before tax	Increase/ (decrease) of the equity
LIBOR	+0.35%	(4,247)	(4,247)
LIBOR	-0.35%	4,247	4,247
EURIBOR	+0.15%	(2,171)	(2,171)
EURIBOR	-0.15%	2,171	2,171

The Group has not entered into transactions designed to hedge against the interest rate risk.

CAPITAL MANAGEMENT

The Group considers debt and equity as relevant components of funding, hence part of its capital management. The Group’s objectives when managing capital are to safeguard the Group’s

31 December 2019	Increase “+”/ decrease “-” in basis points	Increase/ (decrease) of the profit before tax	Increase/ (decrease) of the equity
LIBOR	+0.50%	(13,386)	(13,386)
LIBOR	-0.15%	4,016	4,016
EURIBOR	+0.20%	(3,108)	(3,108)
EURIBOR	-0.01%	155	155

ability to continue as a going concern in order to provide returns for the State and benefits for other stakeholders as well as to provide financing of its operating requirements, capital expenditures and further the Group's development strategy. The Group's capital management policies aim to ensure and maintain an optimal capital structure to reduce the overall cost of capital and provide flexibility relating to the Group's access to capital markets.

The structure of capital managed is presented below:

	2019	2018
Interest-bearing loans and borrowings	32,648,438	32,005,269
Lease liability	2,366,244	1,445,305
	35,014,682	33,450,574
Cash and term deposits	(6,981,236)	(1,251,826)
Net debt	28,033,446	32,198,748
Total equity	211,816,203	210,117,926
Total capital	239,849,649	242,316,674

Management monitors on a regular basis the Group's capital structure and may adjust its capital management policies and targets following changes in its operating environment, market sentiment or its development strategy. Please, refer to Note 2 which discloses the important uncertainty aspects related to the capital management.



EVENTS AFTER THE REPORTING PERIOD

THE CORONAVIRUS OUTBREAK

With the recent and rapid development of the coronavirus (COVID-19) outbreak, many countries have required entities to limit or suspend business operations and implemented restrictions and quarantine measures. These measures have significantly disrupted the activities of many entities from different industries in Ukraine and globally.

Since March 2019, Ukrainian government authorities take measures to prevent the coronavirus outbreak across the territory of Ukraine, in particular, a quarantine was established across the whole territory of Ukraine starting from 12 March 2020 till 24 April 2020. Further, there have been specific measures, which have direct effect on the Group's operations, as described below:

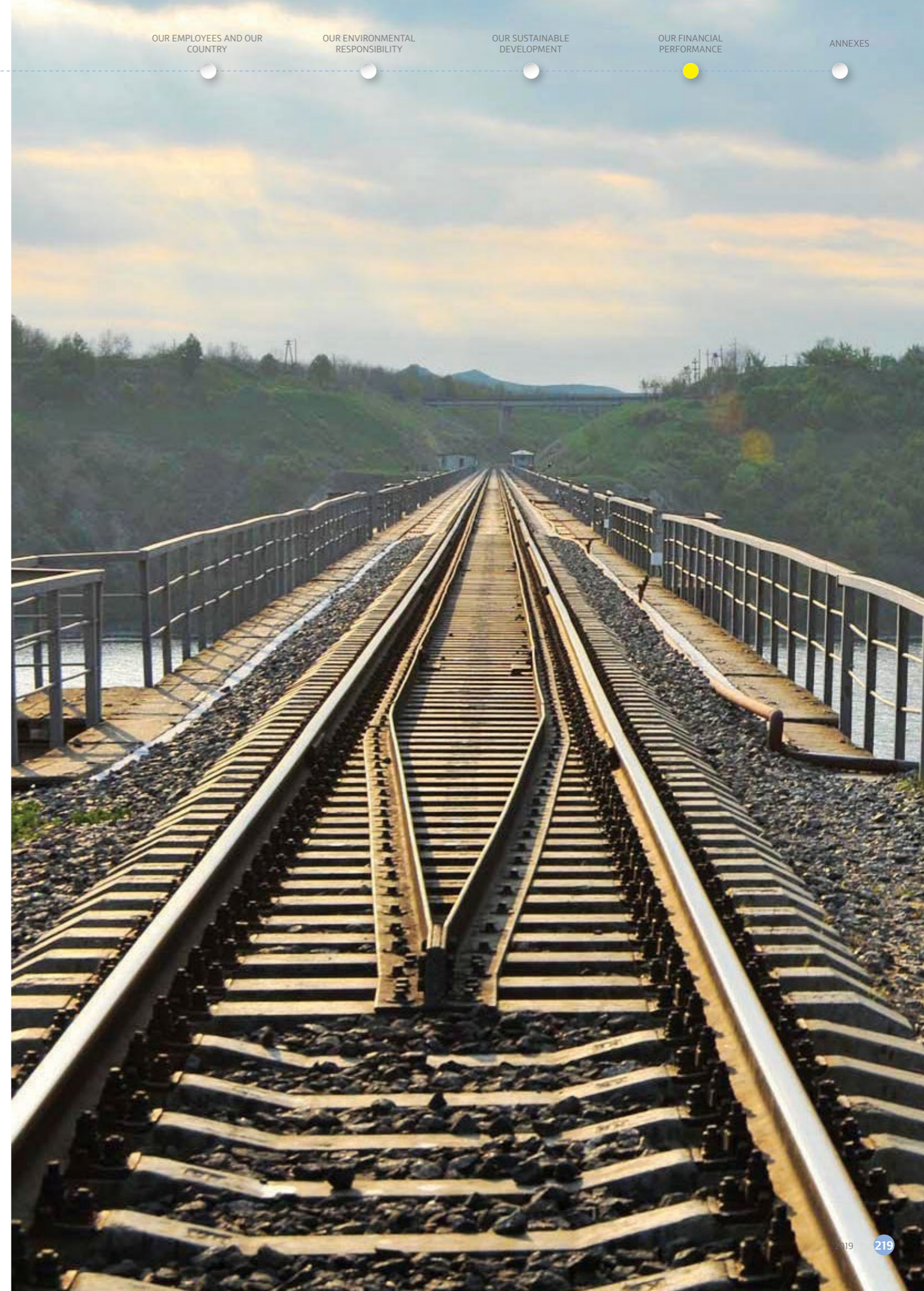
- 1) According to the order of the Cabinet of Ministers of Ukraine №288-r, since 17 March 2020, the Company suspended international railways passenger traffic until either the end of the quarantine or relevant decisions to be approved by the Cabinet of Ministers of Ukraine. Under this order, certain state border crossing points have been temporarily closed.
- 2) According to the Order of the Cabinet of Ministers of Ukraine №215, since 18 March 2020, the Company temporarily suspended domestic passenger railways traffic of all types (suburban, urban, regional and long-distance) until a relevant decision of the Cabinet of Ministers of Ukraine on the traffic renewal.

The Company refunds full payments to the passengers for the tickets bought for the departures starting from 18 March 2020 up to the date of the passengers traffic renewal.

When making the judgement and estimates during the preparation of these separate financial statements, the Group's management takes into consideration all available information about the nature and the timeline of the virus outbreak. The Group's management believes that the mentioned events on the coronavirus outbreak and related measures on its prevention indicate conditions that arose after the reporting period and, thus, shall not be reflected in assets, liabilities and equity of the Group in the consolidated financial statements. These events will have impact on the Group's operations after the reporting date. However, as the outbreak continues to progress and evolve, the Group management cannot estimate reliably the financial effect from these events. The Group management monitors the developments of these events and takes measures to prevent any negative impact to the extent possible.

INTEREST-BEARING LOANS AND BORROWINGS MANAGEMENT AFTER THE REPORTING DATE

In March 2020, the Company timely paid the part of its Eurobonds in amount of USD 50 million or equivalent of UAH 1,281,200 thousand (translated using the official exchange rate of the National Bank of Ukraine at the payment date) and paid the next coupon for them according to the payment schedule.



7

ANNEXES



ABOUT THE REPORT

Ukrzaliznytsia Annual Integrated Report 2019 (hereinafter referred to as the Report) is the Company's third report of the kind. It has been prepared out of the Company's own will and intended for a wide range of its stakeholders: investors, government authorities, partners, employees, the public, non-governmental organisations, mass media, and others. For more information about the target audience of the Report, please see the Stakeholder Engagement subsection in the Our Sustainable Development section. This document is also the Management Report.

The Company strives to ensure the maximum openness and transparency of its operation and provides significant and reliable data for all stakeholders to build a comprehensive view of the Company: its strategy, business resilience, financial and economic performance, railway operations, environmental safety, contribution to the local development, and other material aspects. The Report shows both positive and negative aspects of the Company's performance to enable a sound evaluation of Ukrzaliznytsia's performance and discloses topics that may influence stakeholder decisions.

Public reporting enables Ukrzaliznytsia to demonstrate its adherence to the principles of corporate social responsibility and sustainable development and to disclose important information about the economic, social and environmental aspects of the Company's operations to the public. Ukrzaliznytsia analyses both domestic and international non-financial reporting trends and requirements on an ongoing basis. The Company has been disclosing its contribution to the achievement of the UN Sustainable Development Goals in the Report since 2017.

To designate Ukrzaliznytsia and its subsidiaries, the Report uses the names: "Company", "Group", "Ukrzaliznytsia", and "we". Names of the Company's structural units covered by this Report are given in Ukrzaliznytsia's Organisational Structure (please see the Our Business section, Corporate Governance subsection).

STANDARDS AND REGULATORY REQUIREMENTS:

The Report has been prepared in line with:

- Law of Ukraine On Accounting and Financial Reporting in Ukraine
- Methodological recommendations of the Ministry of Finance of Ukraine on preparation of management reports
- IFRS International Financial Reporting Standards
- International <IR> Framework
- GRI SRS (Core)
- AA1000 International Stakeholder Engagement Standard (Institute of Social and Ethical AccountAbility)
- ISO 26000: 2010 Guidance on Social Responsibility
- UN Sustainable Development Goals relevant to the rail sector.

SCOPE OF THE REPORT

The scope of the Report corresponds to the financial statements of Ukrzaliznytsia and its subsidiaries: 34 branches and affiliates,

7 Private JSCs (Dnipropetrovsk Diesel Locomotive Repair Plant, Zaporizhia Electric Locomotive Repair Plant, Lviv Locomotive Repair Plant, Kyiv Electric Car Repair Plant, Korostenskyi Ferroconcrete Sleepers Plant, Gnivanskyi Special Ferroconcrete Plant, and Kyiv Electrotechnical Plant "TRANSSYGNAL"), and 2 limited liability companies (UZ Cargo Wagon LLC and Energo Zbut Trans LLC).

The Report covers the Company's operations from 01 January 2019 through 31 December 2019. Moreover, the Report may mention events occurring before or after this period if they give readers a more complete understanding of the information disclosed in the Report.

STAKEHOLDER ENGAGEMENT

To enhance transparency and accountability and identify material aspects to be disclosed in the Report, Ukrzaliznytsia has drafted the Report in consultations with its stakeholders. This is an integral part of AA1000, GRI SRS and IR international standards. The Report takes into account key recommendations and requests of the stakeholders. To this end, the Company have deployed interaction mechanisms and communication channels, choosing the most convenient for each stakeholder group. The stakeholder representatives were involved in the process of defining the content of the Report through surveys, questionnaires, personal interviews, and dialogues where stakeholder representatives could ask questions, reply to representatives of the Company, and express their views on the importance of one or another area of Ukrzaliznytsia's operations. In addition, the results of regular media monitoring were taken into account to define the content of the Report.

DETERMINING MATERIAL ASPECTS

The degree of attention paid to the various aspects and topics in the Report is proportional to their materiality. Determination of material aspects and prioritisation of topics rely on Ukrzaliznytsia's strategic priorities and values and on the priorities of the stakeholders.

Business dimension:

- Company's fixed assets renovation (purchase and upgrade of rolling stock)
- Transparent and good governance
- More and better services
- Reduced travel time for cargoes and passengers
- Streamlined operations of non-profitable assets and areas
- Advanced management models: KPIs, financial capital management, social and environmental impacts
- Innovative projects with a high market value
- Transparent system of reimbursements from the national and local budgets
- Investment protection and high return
- Reliable and timely fulfilment of the Company's obligations and commitments.

Economic dimension:

- Transparent system of procurement and corporate governance to prevent corruption and abuse
- Economic activity (increase in incomes)
- Adoption of advanced technologies, digitalisation of the Company.

Social dimension:

- Competitive salaries
- Higher level of social security
- Workforce optimisation and development
- Safe and comfortable working conditions.

Environmental dimension:

- Energy saving and energy efficiency
 - Improved environmental performance (water, air, and land).
- The above topics have priority for the Company and its stakeholders and thus have been disclosed in the Report. Other aspects that are not covered by the Report, but are also considered important, can be addressed in the normal course of business.

PRINCIPLES FOR DEFINING REPORT QUALITY

The following principles ensure the quality of the Report:

Materiality. The information disclosed in the Report covers topics and indicators that show the Company's significant impact on the economy, environment and society or that may have a significant influence on the evaluations and decisions of stakeholders.

Comparability. The information in the Report allows stakeholders to evaluate the Company's operations and performance over time and benchmark them against other organisations.

Accuracy. The data disclosed in the Report are accurate and detailed enough to enable the stakeholders to evaluate operations and performance of Ukrzaliznytsia.

Timeliness. The Report is published as scheduled. The information is made available in a timely manner so that stakeholders can make informed decisions.

Clarity. The information is presented in a way easily understandable to the readers of the Report.

Reliability. The information used to prepare the Report has been collected, documented, analysed and disclosed in a way that allows the study and ensures the quality and materiality of the data.

Stakeholders outreach. The Company has identified the stakeholders interested in its operations and showed how their reasonable expectations were taken into account in preparations of the Report. Reasonable expectations and interests of the

stakeholders are key to many of the decisions made during the preparations of the Report.

Sustainability context. The Report discloses the results of the Company's operations in a broad context of the sustainable development.

Entirety. The disclosure of material aspects, topics and indicators, as well as the scope of the Report, are sufficient to show the Company's significant impact on the economy, environment and society and enable the stakeholders to evaluate its performance in the reporting period.

Balance. The Report discloses both positive and negative aspects of Ukrzaliznytsia's performance to enable a reasonable evaluation of the overall performance.

STATEMENT OF LIMITATION OF LIABILITY FOR PUBLICATION OF PROJECTION DATA

The Report may contain statements based on projected data or forecasts. The statements may relate to any facts other than past period facts and may include statements of intentions and expectations of the Company regarding its performance, financial position, medium and long-term prospects, etc. The statements based on projected data or forecasts involve risks and uncertainty, as they proceed from numerous events that may or may not take place in the future. Their realisation depends on a number of economic, political or legal factors beyond Ukrzaliznytsia's control or influence (global financial, economic and political situation, developments in key markets, changes in tax, environmental and other laws, etc.). Therefore, the Company's actual performance in future may differ from projections and forecasts published in the Report.

ENDNOTES

1. Excluding the temporarily occupied territory of the Autonomous Republic of Crimea, Sevastopol city and parts of temporarily occupied territories in Donetsk and Luhansk Oblasts.
2. Excluding the temporarily occupied territory of the Autonomous Republic of Crimea, Sevastopol city and parts of temporarily occupied territories in Donetsk and Luhansk Oblasts.
3. Including local commuter trains.
4. Excluding the debt of Donetsk Railways, which is under the moratorium according to the Law of Ukraine No. 1787-VIII On Amendments to Some Legislative Acts of Ukraine on Railway Transport Companies Having the Property in the Non-Government Controlled Territories dated 20.12.2016.
5. On 5 February 2020, the Cabinet of Ministers of Ukraine appointed Zeljko Marcek the acting Chairman of the Board of Ukrzaliznytsia.
6. Reporting and transparent communications have been introduced on anti-corruption activities www.uz.gov.ua/about/compliance
7. Anti-corruption action plan https://www.uz.gov.ua/about/compliance/preventing_corruption/documents/501290
8. Code of Ethics https://www.uz.gov.ua/about/compliance/code_of_ethics
9. Adjusted data for 2018.
10. Order No. 205 issued by the Ministry of Infrastructure on 22 March 2019 On Amendments to Coefficients Applicable to Rail Freight Rates and Related Service Prices within Ukraine, registered with the Ministry of Justice of Ukraine on 29 March 2019 under No. 320/33291.
11. In pursuance of the Law of Ukraine No. 2019-VIII dd. 13 April 2017 On the Electricity Market, the Distribution System Code approved by Resolution No. 310 adopted by the National Commission for State Regulation of Energy and Public Utilities on 14 March 2018, Commission's Resolution No. 450 dd. 29 March 2019 Approval of Monitoring Reporting Forms and Corresponding Completion Instructions for Electricity Market Participants, and other applicable regulatory acts.
12. Adjusted data for 2018.
13. Adjusted data for 2018.
14. Adjusted data for 2018.
15. The classification of transport accidents that occurred in 2018 and 2019 is based on the Classification of Transport Accidents on Railroads approved by the Order of the Minister of Infrastructure of Ukraine dd. 03 July 2017.
16. Adjusted data for 2018.
17. Adjusted data on train delays in 2018.
18. The document was approved by the Order of the State Committee of Ukraine on H&S Supervision dd. 26 January 2005.
19. Adjusted data on fatalities in 2018.
20. Approved by Resolution No. 337 of the Cabinet of Ministers of Ukraine dd. 17 April 2019 (as amended).
21. Adjusted data for 2018.
22. Adjusted data for 2018.
23. Adjusted data for 2018.
24. Procedures for development and approval of technological standards for the use of potable water by companies providing services of centralized water supply and/or drainage are available at <https://zakon.rada.gov.ua/laws/show/z1062-14#n21>.



TABLE OF GRI DISCLOSURES

General Reporting Elements	Indicator	Disclosure level	Report Section	The Sustainable Development Goals (SDGs) and GRI linkage
GRI 102: General Disclosures				
Organizational profile				
GRI 102-1	Name of the organization	Fully	Joint Stock Company «Ukrainian Railways» (JSC Ukrzaliznytsia)	
GRI 102-2	Activities, brands, products, and services	Fully	OUR BUSINESS Key Operating Results	
GRI 102-3	Location of headquarters	Fully	UKRZALIZNYTSIA HEAD OFFICE 5 Yezhi Gedtroitsia Street, Kyiv 03150	
GRI 102-4	Location of operations	Fully	OUR BUSINESS Key Operating Results	
GRI 102-5	Ownership and legal form	Fully	ANNEXES About the Report	
GRI 102-6	Markets served	Fully	OUR BUSINESS Key Operating Results	
GRI 102-7	Scale of the organization	Fully	OUR BUSINESS Key Operating Results	
GRI 102-10	Significant changes to the organization and its supply chain	Fully	OUR BUSINESS Corporate Governance	
GRI 102-12	External initiatives	Fully	OUR SUSTAINABLE DEVELOPMENT Sustainable Development and CSR at Ukrzaliznytsia	
GRI 102-13	Membership of associations	Fully	OUR BUSINESS International Cooperation	
Strategy				
GRI 102-14	Statement from senior decision-maker	Fully	SUPERVISORY BOARD CHAIRMAN'S STATEMENT	
Ethics and integrity				
GRI 102-16	Values, principles, standards, and norms of behavior	Partially	OUR BUSINESS Corporate Governance	16. Peace, Justice, and Strong Institutions
GRI 102-17	Mechanisms for advice and concerns about ethics	Fully	OUR BUSINESS Corporate Governance	16. Peace, Justice, and Strong Institutions
Governance				
GRI 102-18	Governance structure	Partially	OUR BUSINESS Corporate Governance	
GRI 102-22	Composition of the highest governance body and its committees	Partially	OUR BUSINESS Corporate Governance	5. Gender Equality

General Reporting Elements	Indicator	Disclosure level	Report Section	The Sustainable Development Goals (SDGs) and GRI linkage
Governance				
GRI 102-23	Chair of the highest governance body	Fully	The Chairman of the Supervisory Board is not executive director either	
GRI 102-24	Nominating and selecting the highest governance body	Partially	OUR BUSINESS Corporate Governance	
Stakeholder engagement				
GRI 102-40	List of stakeholder groups	Fully	OUR SUSTAINABLE DEVELOPMENT Sustainable Development and CSR at Ukrzaliznytsia ANNEXES About the Report	
GRI 102-41	Collective bargaining agreements	Fully	OUR EMPLOYEES AND OUR COUNTRY	8. Decent Work and Economic Growth
GRI 102-42	Identifying and selecting stakeholders	Partially	OUR SUSTAINABLE DEVELOPMENT Sustainable Development and CSR at Ukrzaliznytsia	
GRI 102-43	Approach to stakeholder engagement	Fully	OUR SUSTAINABLE DEVELOPMENT Sustainable Development and CSR at Ukrzaliznytsia ANNEXES About the Report	
Reporting practice				
GRI 102-45	Entities included in the consolidated financial statements	Fully	ANNEXES About the Report	
GRI 102-46	Defining report content and topic Boundaries	Fully	ANNEXES About the Report	
GRI 102-48	Restatements of information	Fully	There have been no significant restatements of information during the reporting period	
GRI 102-49	Changes in reporting	Fully	There have been no changes in material issues or topic boundaries during the reporting period	
GRI 102-50	Reporting period	Fully	ANNEXES About the Report	
GRI 102-51	Date of most recent report	Fully	April 2019	
GRI 102-52	Reporting cycle	Fully	Annual	
GRI 102-53	Contact point for questions regarding the report	Fully	CSR Department: Tel. +38 (044) 309 70 74 Email: sustainability@uz.gov.ua	
GRI 102-54	Claims of reporting in accordance with the GRI Standards	Fully	ANNEXES About the Report	
GRI 102-55	GRI content index	Fully	ANNEX 4. TABLE OF GRI DISCLOSURES	
GRI 200:Economic Topics				
GRI 201: Economic Performance				
GRI 103-1	Explanation of the material topic and its Boundary	Fully	OUR FINANCIAL PERFORMANCE	
GRI 103-2	The management approach and its components	Fully	OUR FINANCIAL PERFORMANCE	
GRI 103-3	Evaluation of the management approach	Fully	OUR FINANCIAL PERFORMANCE	

General Reporting Elements	Indicator	Disclosure level	Report Section	The Sustainable Development Goals (SDGs) and GRI linkage
GRI 201: Economic Performance				
GRI 201-1	Direct economic value generated and distributed	Partially	Key Performance Indicators	2. Zero Hunger 5. Gender Equality 7. Affordable and Clean Energy 8.Decent Work and Economic Growth 9.Industry, Innovation, and Infrastructure
GRI 201-4	Financial assistance received from government	Fully	There have been no financial assistance from government during the reporting period	
GRI 202: Market Presence				
GRI 202-1	Ratios of standard entry level wage by gender compared to local minimum wage	Partially	OUR EMPLOYEES AND OUR COUNTRY HR Management and Development	1. No Poverty 5. Gender Equality 8. Decent Work and Economic Growth
GRI 203: Indirect Economic Impacts				
GRI 203-1	Infrastructure investments and services supported	Partially	OUR BUSINESS Key Performance Indicators	2. Zero Hunger 5. Gender Equality 7. Affordable and Clean Energy 8.Decent Work and Economic Growth 9.Industry, Innovation, and Infrastructure
GRI 205: Anti-corruption				
GRI 103-2	The management approach and its components	Fully	OUR BUSINESS Corporate Governance	
GRI 205-1	Operations assessed for risks related to corruption	Fully	OUR BUSINESS Corporate Governance	16. Peace, Justice, and Strong Institutions
GRI 205-2	Communication and training about anti-corruption policies and procedures	Partially	OUR BUSINESS Corporate Governance	16. Peace, Justice, and Strong Institutions
GRI 205-3	Confirmed incidents of corruption and actions taken	Fully	OUR BUSINESS Corporate Governance	16. Peace, Justice, and Strong Institutions
GRI 300: Environmental Topics				
GRI 302: Energy				
GRI 103-1	Explanation of the material topic and its Boundary	Partially	OUR ENVIRONMEN-TAL RESPONSIBILITY Energy Efficiency and Energy Saving	

General Reporting Elements	Indicator	Disclosure level	Report Section	The Sustainable Development Goals (SDGs) and GRI linkage
GRI 302: Energy				
GRI 103-2	The management approach and its components	Partially	OUR ENVIRONMEN-TAL RESPONSIBILITY Energy Efficiency and Energy Saving	
GRI 302-1	Energy consumption within the organization	Fully	OUR ENVIRONMEN-TAL RESPONSIBILITY Energy Efficiency and Energy Saving	7. Affordable and Clean Energy 8. Decent Work and Economic Growth 12. Responsible Consumption and Production 13. Climate Action
GRI 302-3	Energy intensity	Fully	OUR ENVIRONMEN-TAL RESPONSIBILITY Energy Efficiency and Energy Saving	7. Affordable and Clean Energy 8. Decent Work and Economic Growth 12. Responsible Consumption and Production 13. Climate Action
GRI 302-4	Energy intensity	Partially	OUR ENVIRONMEN-TAL RESPONSIBILITY Energy Efficiency and Energy Saving	7. Affordable and Clean Energy 8. Decent Work and Economic Growth 12. Responsible Consumption and Production 13. Climate Action
GRI 303: Water				
GRI 103-1	Explanation of the material topic and its Boundary	Partially	OUR ENVIRONMENTAL RESPONSIBILITY Environmental Footprint	
GRI 103-2	The management approach and its components	Partially	OUR ENVIRONMENTAL RESPONSIBILITY Environmental Footprint	
GRI 303-3	Water withdrawal	Fully	OUR ENVIRONMENTAL RESPONSIBILITY Environmental Footprint	6. Clean Water and Sanitation
GRI 303-4	Water discharge	Partially	OUR ENVIRONMENTAL RESPONSIBILITY Environmental Footprint	6. Clean Water and Sanitation
GRI 303-5	Water consumption	Fully	OUR ENVIRONMENTAL RESPONSIBILITY Environmental Footprint	6. Clean Water and Sanitation

General Reporting Elements	Indicator	Disclosure level	Report Section	The Sustainable Development Goals (SDGs) and GRI linkage
GRI 305: Emissions				
GRI 305-1	Direct (Scope 1) GHG emissions	Partially	OUR ENVIRONMENTAL RESPONSIBILITY Environmental Footprint	3. Good Health and Well-being 12. Responsible Consumption and Production 13. Climate Action 14. Life Below Water 15. Life On Land
GRI 305-5	Reduction of GHG emissions	Partially	OUR ENVIRONMENTAL RESPONSIBILITY Environmental Footprint	
GRI 305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	Fully	OUR ENVIRONMENTAL RESPONSIBILITY Environmental Footprint	3. Good Health and Well-being 12. Responsible Consumption and Production 13. Climate Action 14. Life Below Water 15. Life On Land
GRI 306: Effluents and Waste				
GRI 103-1	Explanation of the material topic and its Boundary	Fully	OUR ENVIRONMENTAL RESPONSIBILITY Environmental Footprint	
GRI 103-2	The management approach and its components	Fully	OUR ENVIRONMENTAL RESPONSIBILITY Environmental Footprint	
GRI 306-1	Water discharge by quality and destination	Fully	OUR ENVIRONMENTAL RESPONSIBILITY Environmental Footprint	3. Good Health and Well-being 6. Clean Water and Sanitation 14. Life Below Water 12. Responsible Consumption and Production
GRI 306-2	Waste by type and disposal method	Partially	OUR ENVIRONMENTAL RESPONSIBILITY Environmental Footprint	3. Good Health and Well-being 6. Clean Water and Sanitation 14. Life Below Water 12. Responsible Consumption and Production
GRI 306-3	Significant spills	Fully	Not applicable	12.Responsible Consumption and Production
GRI 307: Environmental Compliance				
GRI 307-1	Non-compliance with environmental laws and regulations	Fully	OUR ENVIRONMENTAL RESPONSIBILITY	
GRI 400: Social Topics				
GRI 401: Employment				
GRI 103-1	Explanation of the material topic and its Boundary	Fully	OUR EMPLOYEES AND OUR COUNTRY	

General Reporting Elements	Indicator	Disclosure level	Report Section	The Sustainable Development Goals (SDGs) and GRI linkage
GRI 103-2	The management approach and its components	Fully	OUR EMPLOYEES AND OUR COUNTRY	
GRI 401-1	New employee hires and employee turnover	Fully	OUR EMPLOYEES AND OUR COUNTRY	5. Gender Equality 8. Decent Work and Economic Growth
GRI 401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Partially	OUR EMPLOYEES AND OUR COUNTRY	8. Decent Work and Economic Growth
GRI 402: Labor/Management Relations				
GRI 402-1	Minimum notice periods regarding operational changes	Fully	OUR EMPLOYEES AND OUR COUNTRY	8. Decent Work and Economic Growth
GRI 403: Occupational Health and Safety				
GRI 103-2	The management approach and its components	Fully	OUR EMPLOYEES AND OUR COUNTRY Traffic Safety and H&S	
GRI 403-5	Worker training on occupational health and safety	Fully	OUR EMPLOYEES AND OUR COUNTRY Traffic Safety and H&S	3. Good Health and Well-being 8. Decent Work and Economic Growth
GRI 403-6	Promotion of worker health	Fully	OUR EMPLOYEES AND OUR COUNTRY Traffic Safety and H&S	3. Good Health and Well-being 8. Decent Work and Economic Growth
GRI 403-9	Work-related injuries	Partially	OUR EMPLOYEES AND OUR COUNTRY Traffic Safety and H&S	3. Good Health and Well-being 8. Decent Work and Economic Growth
GRI 404: Training and Education				
GRI 103-1	Explanation of the material topic and its Boundary	Partially	OUR EMPLOYEES AND OUR COUNTRY Cooperation with Educational Institutions	
GRI 103-2	The management approach and its components	Partially	OUR EMPLOYEES AND OUR COUNTRY Cooperation with Educational Institutions	
GRI 404-2	Programs for upgrading employee skills and transition assistance programs	Partially	OUR EMPLOYEES AND OUR COUNTRY Cooperation with Educational Institutions	
GRI 406: Non-discrimination				
GRI 406-1	Incidents of discrimination and corrective actions taken	Fully	In 2019, there were no cases of human rights violation of persons belonging to national, religious or linguistic minorities on the basis of age or gender, as well as there were no cases of forced or compulsory labour	

General Reporting Elements	Indicator	Disclosure level	Report Section	The Sustainable Development Goals (SDGs) and GRI linkage
GRI 409: Forced or Compulsory Labor				
GRI 409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	Fully	In 2019, there were no cases of human rights violation of persons belonging to national, religious or linguistic minorities on the basis of age or gender, as well as there were no cases of forced or compulsory labour	
GRI 411: Rights of Indigenous Peoples				
GRI 411-1	Incidents of violations involving rights of indigenous peoples	Fully	Not applicable	
GRI 412: Human Rights Assessment				
GRI 103-1	Explanation of the material topic and its Boundary	Fully	OUR BUSINESS Corporate Governance	
GRI 103-2	The management approach and its components	Partially	OUR BUSINESS Corporate Governance	
GRI 415: Соціальна оцінка постачальника				
GRI 415-1	Загальний грошовий вираз благодійних внесків на політичні цілі по країнах і одержувачах / бенефіціарах	Fully	JSC Ukrzaliznytsia does not financially support any politicians or political parties.	

FEEDBACK FORM

DEAR READER!

You have just read Ukrzaliznytsia Annual Integrated Report 2019. We are committed to establishing a transparent and honest dialogue with all our stakeholders and we would highly appreciate it if you help us improve the quality of the Company's reporting by answering some simple questions.

Please, specify your stakeholder group:

- ☐ Management and personnel
- ☐ Shareholders
- ☐ Government authorities
- ☐ Partners in transportation sector
- ☐ Users of cargo transportation services
- ☐ Passengers
- ☐ Investors
- ☐ Financial and credit institutions
- ☐ Contractors and suppliers
- ☐ General public
- ☐ NGOs
- ☐ Mass media
- ☐ Employee families
- ☐ International organisations
- ☐ Others

1. Have you found material information related to your concerns in this Report?

- ☐ Fully
- ☐ Partially
- ☐ No
- ☐ Looked through the Report

3. What information presented in the Report was the most interesting to you?

4. What information was the least interesting to you?



5. Please, indicate interesting topics for you, which were not disclosed in the Report:

6. Please, evaluate this Report against the following criteria:

General impression	<input type="checkbox"/> excellent	<input type="checkbox"/> good	<input type="checkbox"/> satisfactory	<input type="checkbox"/> bad	<input type="checkbox"/> difficult to answer
Complete disclosure of information interesting to you	<input type="checkbox"/> excellent	<input type="checkbox"/> good	<input type="checkbox"/> satisfactory	<input type="checkbox"/> bad	<input type="checkbox"/> difficult to answer
Reliability and integrity of the information	<input type="checkbox"/> excellent	<input type="checkbox"/> good	<input type="checkbox"/> satisfactory	<input type="checkbox"/> bad	<input type="checkbox"/> difficult to answer
Clarity and presentation of information	<input type="checkbox"/> excellent	<input type="checkbox"/> good	<input type="checkbox"/> satisfactory	<input type="checkbox"/> bad	<input type="checkbox"/> difficult to answer
Structure and ease of reference	<input type="checkbox"/> excellent	<input type="checkbox"/> good	<input type="checkbox"/> satisfactory	<input type="checkbox"/> bad	<input type="checkbox"/> difficult to answer
Format and design	<input type="checkbox"/> excellent	<input type="checkbox"/> good	<input type="checkbox"/> satisfactory	<input type="checkbox"/> bad	<input type="checkbox"/> difficult to answer

7. What recommendations would you like to give to improve the Company's operations?

8. Other comments and recommendations about the Report:

9. If you would like to receive a reply to your comments, please leave your contract details:

Name

Organisation

Position

Telephone/email

You can also fill in the feedback form online at
www.report2019.uz.gov.ua

or using the QR code



THANK YOU FOR YOUR FEEDBACK.

UKRZALIZNYTSIA HEAD OFFICE
Address: 5 Yezhi Gedtroitsia Street, Kyiv 03150
FRONT OFFICE:
Press Centre: Tel. +38 (044) 465 24 28, Fax +38 (044) 465 24 39
Email: uz@uz.gov.ua

HELP DESK: Tel. +38 (044) 465 21 11
For information contained in the Report: CSR Department: Tel. +38 (044) 309 70 74
Email: sustainability@uz.gov.ua

**KRZALIZNYTSIA
HEAD OFFICE**

Address: 5 Yezhi Gedtroitsia Street,
Kyiv 03150

GENERAL QUESTIONS:

Press Centre:

Tel. +38 (044) 465 24 28

Fax +38 (044) 465 24 39

Email: uz@uz.gov.ua

Help Desk:

Tel.: +38 (044) 465 21 11

For information contained
in the Report:

CSR Department

Tel.:+38 (044) 309 70 74

EMAIL:

sustainability@uz.gov.ua

УКРЗАЛІЗНИЦЯ

