

УКРЗАЛІЗНИЦЯ

2018

UKRZALIZNYTSIA
INTEGRATED REPORT
(Annual Report)





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MANAGEMENT REPORT

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SUPERVISORY BOARD CHAIRMAN'S STATEMENT

During 2018, Ukraine's key infrastructure facilities benefitted from continued reforms and investment. Against this background, Ukrainian railways embarked on a new stage in their development that would enhance their competitiveness both domestically and internationally.

We would encourage all to read our second Integrated Report to see the details of this process more closely.

We welcome the Ukrainian Government's decision to appoint a Supervisory Board for JSC Ukrzaliznytsia with majority of independent members. This progressive decision strives to build and will ensure a modern corporate governance system and to preclude political interference in Ukrzaliznytsia's management and decision making processes.

A move from a public joint-stock company to a joint-stock company helps us do business more effectively. All our efforts focus on improvement of services for our customers in passenger and cargo transportation.

We work consistently to ensure that passengers can enjoy more comfort, higher level of cleanliness, improved safety, and reduced travel time. We are proud to be able to start an express train service between Kyiv and Boryspil Airport. This service gives Ukrainians a regular, comfortable and reliable access to Ukraine's international transport hub.

We strive to ensure that our customers of freight and logistics services can count on quicker and timely delivery of cargos, the reliability and accessibility of rail service, and on transparent rules of operation. We are currently introducing new principles and a new methodology to transform ourselves to be and be seen as a reliable, trusted, and competent business partner rather than a monopolist. The Members of Ukrzaliznytsia Supervisory and Management Boards have shown increased openness to a dialogue with representatives of the business community and the public to discuss issues that arise in relations between these communities that we are tasked to serve and the Company. In particular, we recognise that the policy of freight rates needs to be improved and made fully transparent. These rates need to be brought to levels that they would enable Ukrzaliznytsia to generate revenues for new investments to improve our service and pay off borrowings over the lifecycle of assets which are financed by such loans. In turn, our consumers need to see and understand not only the economic rationale behind the rates, but also their fairness and clarity. This approach of automatic linkage of rate increases to inflation would also completely depoliticise the processes. We are confident that we will achieve this goal.

Another important issue we are dealing with is an outdated fleet. Ukrzaliznytsia has signed a long-term loan agreement with the European Bank for Reconstruction and Development (EBRD) to raise \$150 million for rolling stock acquisition. We are also very delighted that Ukrzaliznytsia has received the first locomotives from General Electric under a landmark contract. It will improve the quality and reliability of transport services and contribute to the growth of the

national economy. We are working on a locomotive fleet development strategy, which is an essential part of the Company's strategy and involves, among other things, a large-scale modernisation of our existing fleet.

We feel proud that Ukrzaliznytsia was the first state-owned company to publish its financial statements on E-Data, a uniform web portal on public spending. In 2018, we disclosed 151,000 procurement transactions, totalling UAH 36 billion. We hope that such openness will become a strong tool for fighting and eventually preventing corruption, strengthening public trust and business confidence in Ukrzaliznytsia, and fostering our financial discipline.

We are delighted with the decision of the Cabinet of Ministers of Ukraine to support the appointment of Yevhen Kravtsov as Ukrzaliznytsia Management Board Chairman as nominated by the Supervisory Board. We are confident that we will and need to work together in a cohesive and coherent manner as a strong and competent team to ensure Ukrzaliznytsia will be able to meet its ambitious goals and strategic objectives.

At this stage of transformation, it is extremely important to define a clear state ownership policy. This policy must outline key parameters of the long-term operations and the government's expectations from Ukrzaliznytsia.

Among the benefits of having Government's representatives on the Supervisory Board is a more effective and open dialogue with the Shareholder and increased awareness and opportunity to take account of the Shareholder's perspectives in our deliberations. The Shareholder, in turn, has more trust in Ukrzaliznytsia, its governance and management, and fully reflects our vision in its own decision-making. It is important to find a coherence and consensus of different views to be able to come up with the best solution to any issue and challenge.

The year of 2019 will see the launch of a new transportation management system, with the rollout period to complete in 2021. A main centre will be set up to supervise regional transportation centres and ensure effective coordination and efficiency of processes.

In a move to meet the demand, we intend to continue expanding our fleet of freight cars. In turn, this will increase a share of freight transported in Ukrzaliznytsia's cars. In particular, higher rate of container transit via Ukraine will be an important element of the rail transport development.

One of our priorities is to drive Ukrzaliznytsia's attractiveness as an employer. We will do everything we can to ensure that employees receive the necessary training and resources to fulfil their tasks and responsibilities and have competitive compensation.

Our mission is to build a sustainable and prosperous business that supports and develops the national economy, as well as contributes to the welfare of Ukraine, its citizens, and our employees by providing the best, safe, reliable, efficient, competitive, and customer-oriented rail services.

And we are well on track...



**Sevki
Acuner**

**Chairman of the Supervisory
Board, JSC "Ukrainian Railways"**

BOARD CHAIRMAN'S STATEMENT

DEAR COLLEAGUES AND PARTNERS!

This Report is historical to a certain extent. In 2018, the Company gained a new status of a joint-stock company. With the change of the legal form, Ukrzaliznytsia will be able to follow a simpler approach to regulation. Such alignment will boost investor confidence and help us build robust corporate governance.

Ukrzaliznytsia has become a driver of new market mechanisms. We are now in the position to set the market prices for the use of our railcars. This has helped raise investment to increase our operational fleet by more than 10,000 cars for less than a year. We have not seen such figures for a quarter century. We are set to buy 5,000 new freight cars with EBRD loan funds in the near future. This landmark agreement signals that we are a reliable market partner and a stable company. Moreover, we held the first tender for cargo transportation with freight cars on Prozorro.Sales platform, which showed the difference in the value of our cars – the price grew 13 times.

The traction fleet also saw changes, as it had not been upgraded for 25 years. We commissioned the first 15 General Electric locomotives, reliable, efficient, and comfortable for crews. In addition, they are even more cost-effective: one such locomotive will save about UAH 10 million for the Company annually.

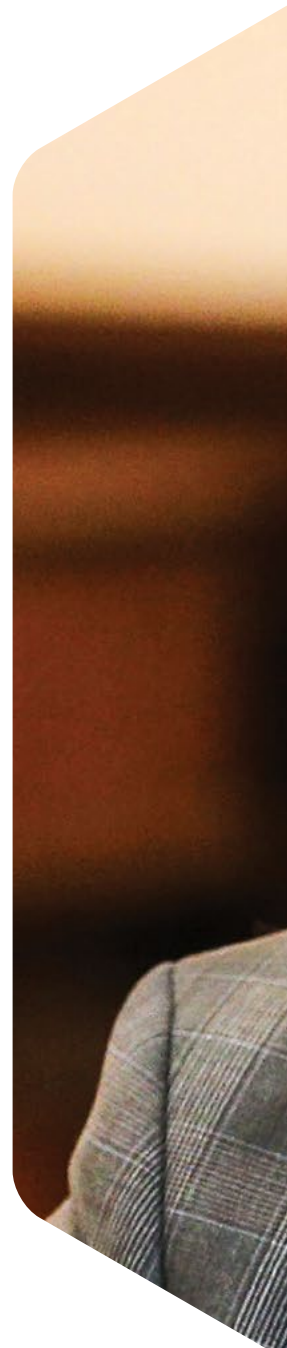
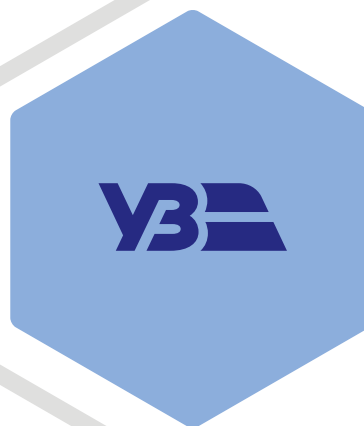
Moreover, Ukrzaliznytsia completed two major projects. The first was an express railway transfer to Boryspil Airport, the country's main gateway. The express is expected to pay off within the next ten years, a good term for projects of similar magnitude. At the same time, the project cost only UAH 480 million, and it took only nine months to implement it. Earlier it had been about tens of billions of hryvnias and years of construction.

The second significant project was the launch of a two-line Beskyd Tunnel, which had been under renovation for more than a decade. The old tunnel was over 120 years old. Its loss would mean at least UAH 2 billion in lost revenues every year and significant losses for export operations. Over 60% of cargo transits towards the Western and Central Europe take this route. This is not just a 1,764-metre tunnel. It means that additional 1,764 metres have been made towards the European Union.

Passenger transportation saw significant changes as well. The modernisation of rolling stock and tracks helped us carry more than 55 million passengers domestically, up by 7% against 2017. New routes (more than eleven) enabled us to optimise the transport logistics. With the emphasis on the international service, we have doubled the passenger traffic to the EU.

The corporate governance reforms, which began in 2018, have been pivotal for the Company. Now Ukrzaliznytsia has an independent supervisory board, amended Charter, and an approved plan for corporate governance reforms in place. The Company is the only one to develop and implement a plan of medium-term corporate changes.

All these factors contribute to stronger trust in Ukrzaliznytsia as a reliable customer and partner. In 2018, the Company improved its sovereign credit rating to the highest possible level. In addition, we demonstrated positive financial results for the second consecutive year and increased our capital investments to almost UAH 17 billion, a record for the last five years. When asked about the golden age of Ukrzaliznytsia, I said that this time is still ahead. 2018 was the year of effective change, and I am confident that we will keep the pace in 2019.





**Yevhen
Kravtsov**
Ukrzaliznytsia
Board Chairman

1

UKRZALIZNYTSIA TODAY





УЗ
УКРЗАЛІЗНИЦЯ

ДО ПОЇЗДІВ
КИЇВ – БОРИСПІЛЬ ЕКСПРЕС



КОЛІЯ

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ТРАК

TRAINS KYIV – BORISPIIL EXPRES

TRANSPORT MARKER OVERVIEW



The transport industry plays a crucial role in Ukrainian economy, providing services for domestic, export/import, and transit carriage of goods and passengers.

The sector's magnitude stems from a developed network of railways, highways, seaports, river terminals, airports, public passenger transport routes, bus terminals, and cargo customs terminals. Today, transport service users have the opportunity to choose the most convenient logistic options for their transportation needs.

In the Black Sea and Azov Sea basins, as well as in the Danube Delta, there are 13 seaports handling annually about 230 million tonnes of cargoes in total. The territory of Ukraine has 1,562,600 km of navigable waterways. There is an advanced network of ferry lines and sea container lines connecting Ukraine with partner countries in the Black Sea region.

The national network of public highways is 169,643 km. In 2017, the cargo turnover by road made 41,178.8 million tkm, while in 2018 it increased by 2.7% to reach 42,569.5 million tkm. Passenger traffic

TODAY UKRZALIZNYTSIA IS RESPONSIBLE FOR 80.1 % OF TRANSPORT OPERATIONS IN THE OVERALL STRUCTURE OF CARGO TRANSPORTATION BY ALL TYPES OF TRANSPORT (EXCLUDING PIPELINES) AND 32.1% OF PASSENGER TRAFFIC (EXCLUDING URBAN ELECTRIC TRANSPORT).

amounted to 35,412.4 million pkm in 2017 and 34,611.0 million pkm in 2018 (a 2.5% decrease).

There is a developed air travel service. Every year, air transport becomes more and more popular, accessible, and affordable both for passengers and for businesses. The cargo turnover by air transport was 272.7 million tkm in 2017 and increased by 23.4% to reach 339.7 million tkm in 2018. Passenger traffic also rose by 25%, from 20,345.7 million pkm in 2017 to 25,432.6 million pkm in 2018.

However, rail transport is still in the greatest demand among other modes of transport. Rail is currently the undisputed leader in the Ukrainian transport and logistics market.

The railway network in Ukraine is one of the largest in Europe: it reaches about 19,790 km (excluding the occupied territories where the network is currently not operated). The extensive railway network covering all regions of Ukraine enables the carriage of large amounts of goods and passengers.

In 2018, rail freight transport amounted to 186,344.1 million tkm, down by 2.9% year on year (191,914.1 million tkm). Passenger traffic increased by 2.2% to 28,614.91 million pkm in 2018 (against 28,001.26 million pkm in 2017).

In terms of freight traffic, Ukrzaliznytsia ranks 4th in the Eurasian continent, trailing only the railways of China, Russia, and India.

Ukrainian railways directly border and interact with the railways of Belarus, Moldova, Poland, Russia, Romania, Slovakia, and Hungary. They cooperate with 40 international rail hubs and serve 13 Ukrainian seaports of the Black Sea – Azov Sea basin. Four Pan-European transport corridors go through the territory of 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 – Chişinău – Bucharest – Dimitrovgrad – Alexandroupolis (has four extensions, of which two relate to Ukraine: Odessa – Rozdilna – Kyiv and Kyiv – Moscow).

Two EU rail freight corridors (RFCs) reach Ukrainian borders (Chop station): No. 6 («Mediterranean») ends at Zahony station and No. 9 (Rhine-Danube) ends at the Cierna nad Tisou and Matiovtsé stations. Each RFC has management bodies that seek to attract more freight. In 2018, Ukrzaliznytsia approved a marketing plan for freight carriage along international transport corridors between Ukraine and the EU. According to the plan, the Company will work to establish contacts with the management of RFC 6 and RFC 9 by 2020.

The countries, in particular the CIS and Baltic countries, which operate under the umbrella of the Organization for Cooperation Between Railways (OSJD), have extended the system of Pan-European transport corridors to the Asian continent to create a Eurasian system of international transport corridors (hereinafter referred to as the ITC), which is in line with the interests of the European community and Asian countries.

All these proposals have been taken into account in an OSJD Railway Transport Corridor Map in Europe-Asia and approved by the CIS Railways Council as part of a consistent transport policy.

Of the thirteen corridors of the OSJD network, seven corridors pass

through the territory of Ukraine: Nos. 3, 4, 5, 7, 8, 10 (TRACECA), and 12.

The OSJD Commission on Transport Policy and Development Strategy is currently planning the development of these corridors, and Ukrzaliznytsia specialists are actively involved in this work.

DEVELOPMENT VECTORS

On 30 May 2018, the Cabinet of Ministers of Ukraine approved Drive Ukraine 2030, a national transportation strategy of Ukraine. Supported by the EU Delegation to Ukraine and the European Commission, the document was developed by the Ministry of Infrastructure of Ukraine together with leading European transport experts.

The document determines the areas for improvement of the transport service quality, provides for a roadmap to bring the services and infrastructure closer to European standards and enhance the transport safety, outlines the anti-corruption policy, takes into account the decentralisation of powers of central executive authorities, and introduces principles of corporate governance in the public sector of the economy.

According to the National Transport Strategy, modern infrastructure, fair market competition, development and coordination between different modes of transport, coupled with the effective management system, should lay foundations for the

"DRIVE UKRAINE 2030" NATIONAL
TRANSPORT STRATEGY SETS A PRIORITY
OBJECTIVE FOR UKRAINE TO UNLEASH
ITS TRANSPORT POTENTIAL AND BUILD
A TRANSIT BRIDGE CONNECTING THE
COUNTRIES OF EUROPE, ASIA, AND THE
EAST.

development and functional growth of Ukraine's national transport system.

Ukrzaliznytsia carries out its operations and makes plans in accordance with the approved National Transport Strategy.

The Company pays considerable attention to ensuring the proper condition and development of the railway infrastructure.

The importance of Ukrzaliznytsia's infrastructure projects cannot be overestimated. Thus, the newly built Beskyd Tunnel

has addressed the only bottleneck in the 5th Crete International Transport Corridor passing through the territory of Italy, Slovenia, Hungary, Slovakia, Ukraine (Trieste – Ljubljana – Budapest – Bratislava – Uzhgorod – Lviv) and further towards the east, as the old Beskyd Tunnel was the only single-line section in the corridor. The rail service launched through the new two-track Beskyd Tunnel allows increasing the throughput compared to the one-way tunnel to 100 pairs of trains per day, as well as increasing the speed of train traffic through the tunnel to 60 km/h.

The launch of the shuttle trains between Kyiv and Boryspil International Airport provides a new quality of services for

they carry products of Poltava Ore Mining and Processing Plant, one of Ukraine's key exporters. Thanks to the electrification, Ukrzaliznytsia will reduce transportation costs, bring down harmful emissions, and accelerate the delivery of goods, since it will not waste time, replacing locomotive crews and locomotives with electric locomotives. Today, Ukraine is ahead of Poland and Romania in terms of electrification.

CARGO TRANSPORTATION

According to the State Statistics Service of Ukraine, the cargo turnover by all types of transport made 331,856.2 million tkm in 2018. Of this, rail transportation accounted for 186,344.1 million tkm (56.2%).

IN 2018, THE COMPANY IMPLEMENTED SEVERAL MAJOR INFRASTRUCTURE PROJECTS. AMONG THE MOST IMPORTANT WERE THE UNVEILING OF THE NEWLY BUILT BESKYD TUNNEL, THE LAUNCH OF KYIV-BORYSPIL INTERNATIONAL AIRPORT SHUTTLE TRAIN, AND THE ELECTRIFICATION OF POTOKY – ZOLOTNYSHYNE SECTION.

passengers, a combination of different modes of transport: urban ground, underground, rail, and air, which enables the passengers to choose the most convenient logistics for travel.

The electrification of the Potoky – Zolotnyshyne section has marked the beginning of a large-scale renewal of the electrification efforts, which have not been in place for almost six years. This project allowed Ukrzaliznytsia to provide electric trains for Poltava – Kременчук – Коростівка – Знам'янка routes and increase the operating length of electrified tracks by 14 km. There are more than 10 trains in the Potoky – Zolotnyshyne section daily. In particular,



¹ Excluding the temporarily occupied territory of the Autonomous Republic of Crimea, Sevastopol city and a part of temporarily occupied territories in Donetsk and Luhansk Oblasts.

RAIL FREIGHT TURNOVER MADE

186 344.1

MILLION TONNE-KILOMETRES IN 2018.

CARGO TURNOVER BY TRANSPORT MODE, 2016-2018¹

Mode of transport	2016	2017	2018	% against 2017	Share of transport mode in total cargo turnover, %		
	million tkm	million tkm	million tkm	%	2016	2017	2018
All modes of transport, incl.	323,473.9	343,057.1	331,856.2	-3.3	100.0	100.0	100.0
Rail	187,557.5	191,914.1	186,344.1	-2.9	57.9	55.9	56.2
Road	37,654.9	41,178.8	425,69.5	2.7	11.6	12.0	12.8
Water	3,998.6	4,257.1	3,363.0	-21.3	1.2	1.2	1.0
Pipeline	94,378.9	105,434.4	99,239.9	-5.9	29.2	30.7	29.9
Air	225.9	272.7	339.7	23.4	0.1	0.1	0.1
Note: share of rail transport without pipeline					81.7	80.8	80.1

For more information about the main reasons for a drop in the rail freight transport, please see Our Business section, Key Operating Results subsection.

Ukrzaliznytsia's key market is the transportation of iron ore, manganese ore, coal, mineral construction materials, grains, ferrous metals, oil, and petroleum products.



PASSENGER TRANSPORTATION

According to the State Statistics Service of Ukraine, passenger traffic grew 4.4% year on year to 103,969.7 million pkm in 2018. The growth took place in air (25%), rail (2.2%), and underground (0.8%) transport.

IN 2018, PASSENGER TRAFFIC
REACHED

28,614.9

MILLION PASSENGER-KILOMETRES,
UP BY 2.2% YEAR ON YEAR.

PASSENGER TURNOVER BY TRANSPORT MODE, 2016-2018²

Mode of transport	2016	2017	2018	% against 2017	Share of transport mode in total passenger turnover, %		
	million pkm	million pkm	million pkm	%	2016	2017	2018
All modes of transport, incl.	102,239.4	99,277.7	103,969.7	4.4	100.0	100.0	100.0
Rail ³	37,360.1	28,001.3	28,614.9	2.2	36.5	28.25	27.6
Road	34,448.0	35,412.4	34,611.0	-2.5	33.73	35.67	33.35
Water	30.4	30.3	27.6	-9.1	0.03	0.03	0.03
Air	15,525.1	20,345.7	25,432.6	25	15.19	20.49	24.5
Tram	3,994.9	3,922.6	3,925.4	0	3.91	3.95	3.78
Trolleybus	5,896.5	6,016.0	5,804.8	-3.5	5.77	6.06	5.59
Underground	5,350.5	5,507.3	5,553.4	0.8	5.23	5.5	5.35

Passenger transportation is an important area of the Company's operations. Ukrzaliznytsia plays an important role in the passenger transport market. Its services have a steady high demand because of the unsatisfactory condition of highways, extensive rail network, and the affordable rail fares.

The visa-free regime with the EU has given impetus to the development of highly profitable transportation between the East and the West, almost doubling the traffic as compared with 2017.



OBJECTIVES AND CHALLENGES

Key mid-term objectives for the transport industry are outlined in "Drive Ukraine 2030" national transport strategy. Among them are:

- Increased efficiency and competitiveness of the transport industry;
- Improvement of the public-private partnership mechanism;
- Stronger cooperation between the public and private sectors, central and local governmental authorities;
- Innovative development of the transport industry and global investment projects;
- Safe, environmentally friendly, and energy-efficient transport;
- Free mobility and interregional integration.

When met, these objectives will contribute to the creation of a free and competitive market of transport services. At the same time, the following challenges are on the way:

- Underfinancing of the transport industry development;
- Insufficient maintenance of infrastructure and transport;
- Changes in demand for transport services;
- Interference of political and other interests.

In its operations, the Company takes into account the objectives specified in the "Drive Ukraine 2030" national transport strategy and the risks that may arise during its implementation. In this case, the main challenges inherent in the railway industry include:

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

² Excluding the temporarily occupied territory of the Autonomous Republic of Crimea, Sevastopol city and a part of temporarily occupied territories in Donetsk and Luhansk Oblasts.

³ Including electric commuter trains.

Mission and Values

OUR MISSION

WE BUILD A STABLE AND PROSPEROUS BUSINESS THAT WORKS TO SUPPORT AND DEVELOP THE NATIONAL ECONOMY AND ENSURE THE WELL-BEING OF UKRAINE AND OUR EMPLOYEES BY PROVIDING QUALITY, SAFE, RELIABLE, EFFICIENT, COMPETITIVE, AND CUSTOMER-ORIENTED RAIL TRANSPORTATION SERVICES.

OUR VALUES

QUALITY

WE ARE COMMITTED TO THE HIGH QUALITY OF OUR SERVICES AND GOVERNANCE OF THE COMPANY.

EFFICIENCY, EFFECTIVENESS AND COMMITMENT TO RESULTS

WE ARE COMMITTED TO RESULTS, EFFICIENCY AND EFFECTIVENESS IN OUR BUSINESS, PERSONNEL DEVELOPMENT, AND SUPPORT TO THE COUNTRY'S ECONOMY.

RESPONSIBILITY

WE TAKE CARE OF OUR EMPLOYEES, PARTNERS, AND SOCIETY, PLACING THE SAFETY ALWAYS FIRST, COMPLY WITH UKRAINIAN LEGISLATION AND EXPECT THAT ALL EMPLOYEES WILL FOLLOW THE SAME PRINCIPLES.

UNITY

WE WORK AS A UNITED AND COHESIVE TEAM TO ACHIEVE COMMON GOALS AND RESULTS.

OPENNESS AND INTEGRITY

WE ARE TRANSPARENT IN MAKING DECISIONS AND PROCESSES, OPEN TO A BROAD PUBLIC DIALOGUE AND ENGAGEMENT, AND ADHERE TO THE PRINCIPLES OF PROFESSIONAL AND PERSONAL ETHICS.

Milestones 2018



A container train made the first run from the Kyiv-Liski station to the Chornomorska station (TIS) in Yuzhny Port on the Black Sea. The initiative has proven successful and profitable for the Company.

The Company signed the first contract to purchase diesel fuel according to formula-based pricing.

The first 15 wagons rebuilt for military use were presented to the public.

The Government approved participation of Ukrzaliznytsia in the Trans-Caspian International Transport route (TITR).

A framework agreement was made with General Electric.

The Government approved a project for the reconstruction of the Dolynska-Mykolaiv section.

A mobile train ticket application was integrated with the Masterpass digital wallet.

JANUARY



FEBRUARY



MARCH



DECEMBER



NOVEMBER



OCTOBER



Ukrzaliznytsia started a pilot project of rail car rental on ProZorro. Sales electronic platforms.

The first TE33AC Evolution locomotive by General Electric Transportation was tested in service at the Kremenchuk – Romodan section.

The Government changed the Company's type from a public joint-stock company to a joint-stock company.

A train between Mukachevo and Budapest started running on European tracks.

A \$150m loan agreement was made with the EBRD for the purchase of new gondola cars.

The Company presented a new passenger car livery.

The first locomotives by General Electric were used for rail services on the Melitopol – Volnovakha route and routes towards Mykolaiv Port.

Kyiv Boryspil Express began to run between Kyiv Railway Terminal and Boryspil International Airport.

Ukrzaliznytsia completed the construction of a bridge over the Kyiv-Kharkiv highway.

Passenger Company launched a new modern contact centre to handle real-time passenger issues in line with clear response rules.





Ukrzaliznytsia ranked 8th in the overall ranking of Ukrainian employers, for the first time over the last decade.

The rail service was launched in the new Beskyd Tunnel in the Carpathians.

US-based General Electric Transportation started construction of the first TE33AC Evolution locomotive for Ukrzaliznytsia.

The Company introduced a new cleaning technology for passenger cars.

An option was introduced for passengers to find out online about the availability of air conditioners in railcars.

Ukrzaliznytsia was the first state-owned company to have a supervisory board consisting of independent members and government representatives.

Ukrzaliznytsia was the first Ukrainian state-owned company to start publishing financial statements on E-Data, Ukraine's single web portal of public spending.

The Directorate of Railway Transport under Odessa Railways regional branch (DN-5) became operational. The Directorate is responsible for interaction with ports and port stations.

APRIL



MAY



JUNE



SEPTEMBER



AUGUST



JULY



The Four Capitals train No. 32/31 Kyiv – Minsk – Vilnius – Riga went on the first run.

Ukrzaliznytsia presented its updated logo.

The Company signed memoranda of cooperation with Alstom and CRRC.

For the first time, a state-owned company offered opportunities to start-ups in the public sector.

Ukrzaliznytsia completed the electrification of the Potoky – Zolotnyshyne section.

General Electric Transportation sent the first TE33AC Evolution locomotive to Ukraine.

A direct trolleybus services was launched between Kyiv Airport and Pivdenny Railway Terminal.

The Ministry of Education and Science of Ukraine and Ukrzaliznytsia signed a memorandum of cooperation to development curricula and textbooks, among other things.

The Company launched a regular container train Odessa Port – Dnipro-Liski.

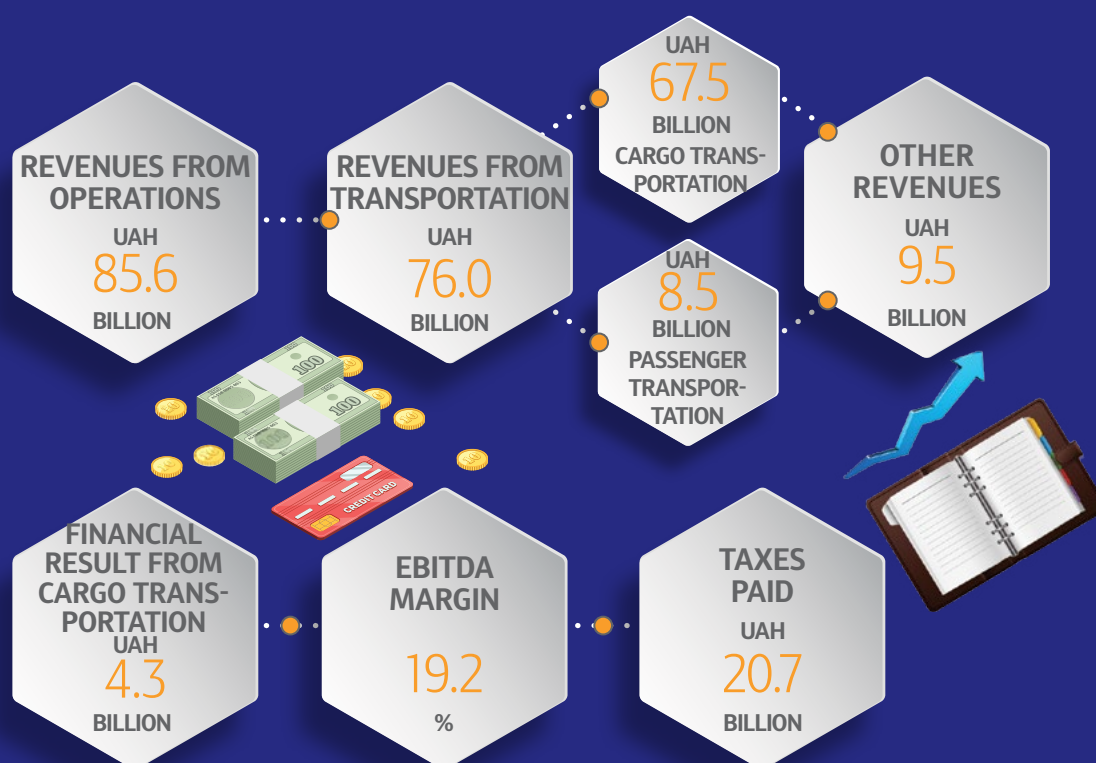


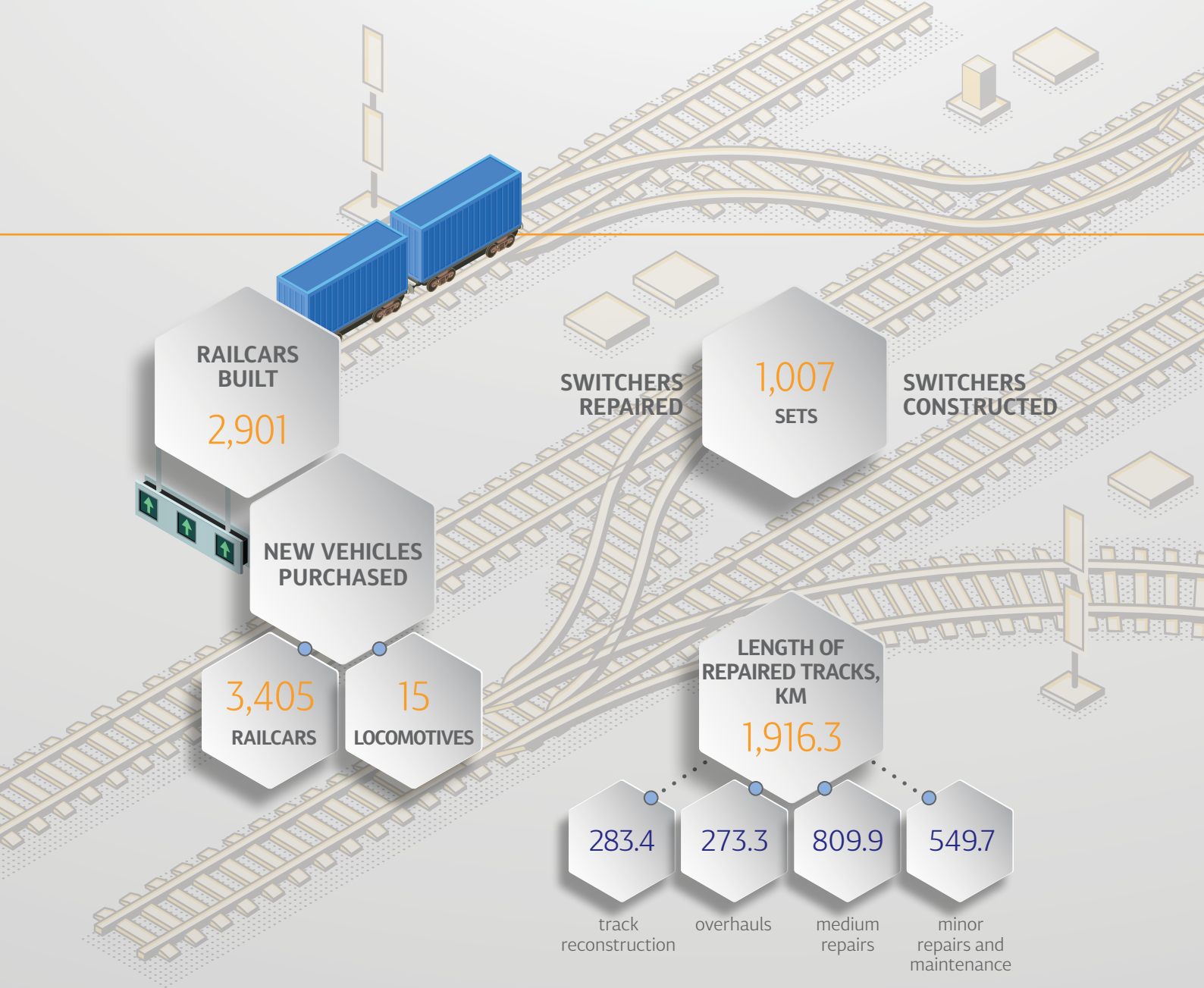
Key Performance Indicators

OPERATIONAL PERFORMANCE



FINANCIAL PERFORMANCE

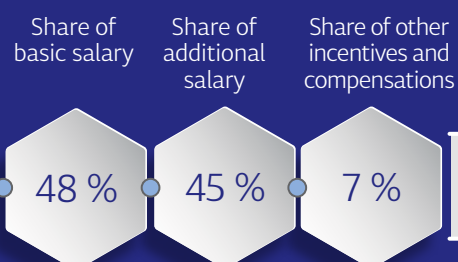




EMPLOYEES



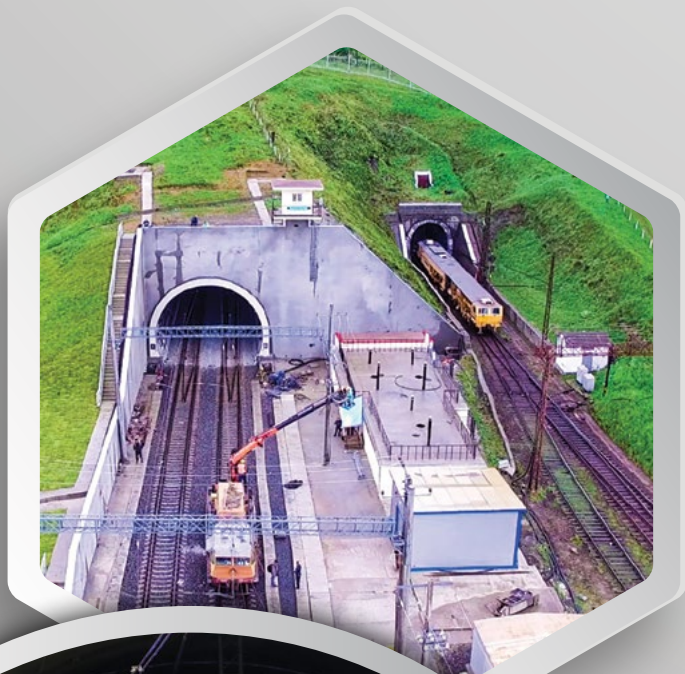
RANK IN THE AVERAGE MONTHLY SALARY RANKING



Beskyd Tunnel

BESKYD TUNNEL DESCRIPTION:

Built in 1886 with stones, the old Beskyd Tunnel with a total length of 1,747 metres was a part of the Kyiv – Lviv – Chop railway line. The throughput of the old tunnel was limited, because the facility had one-way tracks and was on the verge of demolition (because of the length of service). The tunnel pass speed was 15 km/h. The launch of a new two-track tunnel, which runs 30 meters to the left of the old one, has allowed accelerating the train speed from 15-40 km/h to 60 km/h and the throughput from 47 to 100 pairs of trains per day.



DATE OF UNVEILING

24 MAY 2018

KEY PARAMETERS OF THE NEW TUNNEL:

LENGTH	1,764.5 m
WIDTH	10.5 m
HEIGHT	8.5 m
NUMBER OF LINES	2

THE CAPACITY OF THE NEW TUNNEL

100 | **28**
EXPECTED | **CURRENTLY**
run through the tunnel
every day

THE DESIGNED SERVICE LIFE OF THE NEW TUNNEL IS

100
YEARS

MAXIMUM TRAIN SPEED IN THE NEW TUNNEL

60
KM/H

KEY FREIGHT / PASSENGER TRANSPORT ROUTES PASSING THROUGH THE TUNNEL

 **ITALY**
 **SLOVENIA**
 **HUNGARY**
 **SLOVAKIA**
5th Pan-European Corridor

OTHER PROPERTIES OF THE TUNNEL

In case of an emergency, three connecting evacuation routes are in place between the old and new tunnel.

OVERVIEW OF BESKYD TUNNEL CONSTRUCTION:

PLANNED EXPENSES

UAH 2,931,733,737
(INCLUDING VAT) WAS ALLOCATED
FOR THE CONSTRUCTION OF THE
TUNNEL IN ACCORDANCE WITH
THE DESIGN AND ESTIMATE
DOCUMENTATION APPROVED
BY THE CABINET OF MINISTERS
RESOLUTION NO. 153-R DATED
14 MARCH 2018.

ACTUAL EXPENSES

IN FACT, THE CONSTRUCTION OF THE
TUNNEL ABSORBED **UAH 2,374,401,723**
(EXCLUDING VAT), WITH UAH 427,714,000
SPENT IN 2018. EXPENSES WERE CUT,
BECAUSE THE TUNNELLING WAS
MADE ONLY FROM ONE SIDE (FROM
THE EASTERN PORTAL). THEREFORE,
THERE WAS NO NEED IN A NUMBER
OF PREPARATORY WORKS ON THE
CUSTOMER'S PART.

MILESTONE EVENTS

3 August 2011
the contractor started
designing a new two-
track Beskyd Tunnel.

16 May 2013
the National Construction
Expert Organisation,
UkrDerzhBudEkspertryza,
issued a positive opinion
on the tunnel's design
documents.

21 August 2013
the Cabinet of Ministers
of Ukraine approved
the construction
project with its
Resolution No. 752-r.

29 November 2013
general construction
works started.

12 January 2016
the upper bench was
completed in the
tunnel.

24 May 2018
the tunnel was
unveiled.

On average,
200
railwaymen worked
daily during the
active stage of the
construction



A stylized map of Ukraine with a glowing blue railway network. The map is set against a dark blue background. The railway lines are represented by thin blue lines, and the stations are marked with small blue dots. Some stations are highlighted with larger, glowing blue circles. The map shows the outline of Ukraine and its internal railway connections.

LVIV RAILWAYS
JSC UKRZALIZNYTSIA

SOUTH-WESTERN RAILWAY
JSC UKRZALIZNYTSIA

**REGIONAL BRANCHES
AFFILIATES AND PRIVATE
JOINT-STOCK COMPANY
JSC UKRZALIZNYTSIA**

ODESSA RAILWAY
JSC UKRZALIZNYTSIA



22 PRYVOKZALNA STREET,
LYMAN, DONETSK OBLAST
84404

DONETSK RAILWAYS JSC UKRZALIZNYTSIA

CORE OPERATIONS

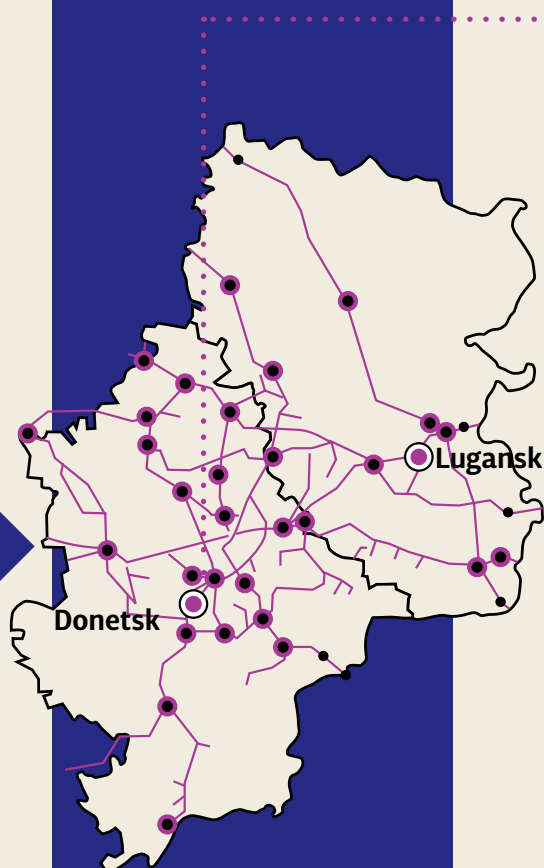
meeting needs of the government, legal entities, and individuals in safe and high-quality domestic and international rail transportation.

KEY SERVICES

- Domestic and international transportation of passengers and freight, including hazardous cargoes, luggage, and mail by rail
- Access to rail infrastructure and other infrastructure-services
- Construction, maintenance, operation, reconstruction, repair, modernisation, retrofitting, and other improvements of the rail infrastructure facilities
- Locomotive traction services
- Rolling stock repair and maintenance.

KEY CARGOES

- COAL
- FLUXES
- FERROUS METALS
- COKE
- STEEL PRODUCTS
- SALT



AVERAGE
HEADCOUNT

19,634
EMPLOYEES



MILLION IN PAYROLL

2,531.717
UAH



MILLION IN PAYMENTS
TO PERFORM SECTORAL
AGREEMENT COMMITMENTS

1,099.187
UAH

REVENUES UAH MILLION

5,253.5

Total

4,493.1

from freight
transportation

19.3

from suburban
passenger transportation

EXPENSES UAH MILLION

6,394.4

4,683.9

459.8

INFRASTRUCTURE



LENGTH OF GENERAL-PURPOSE
TRACKS IN OPERATION

1,616.7 KM

electrified tracks



639 KM



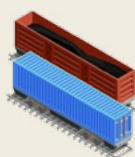
116
STATIONS



548
BRIDGES



1
RAILWAY
TUNNEL



CARGO
TURNOVER

13,198.40

MILLION T·KM

CARGOES
SHIPPED

45,419.80

'000 TONNES

CARGOES
RECEIVED

56,199.16

'000 TONNES



SUBURBAN
PASSENGER
TRAFFIC

182.55

MILLION PKM

NUMBER
OF SUBURBAN
PASSENGERS

4,354.69

'000 PEOPLE

LVIV RAILWAYS JSC UKRZALIZNYTSIA

1 HOHOLIA STREET, LVIV
79007

CORE OPERATIONS

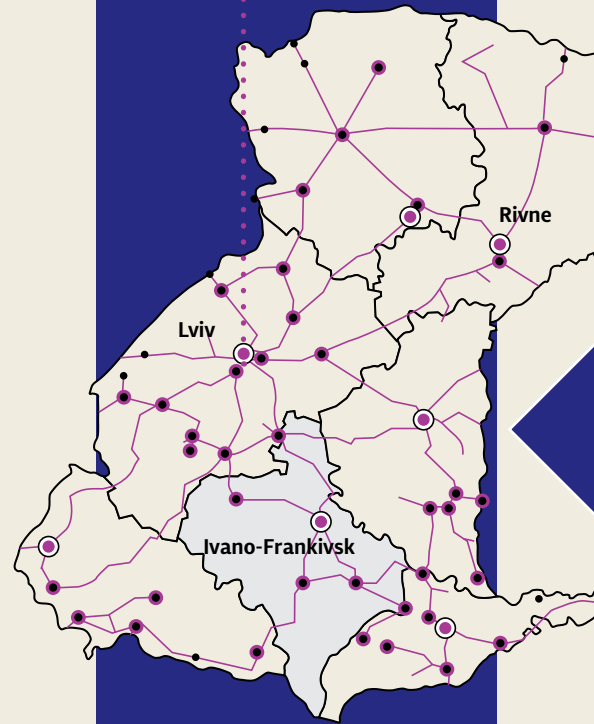
meeting needs of the government, legal entities, and individuals in safe and high-quality domestic and international rail transportation.

KEY SERVICES

- Domestic and international transportation of passengers and freight, including hazardous cargoes, luggage, and mail by rail
- Access to rail infrastructure and other infrastructure-services
- Construction, maintenance, operation, reconstruction, repair, modernisation, retrofitting, and other improvements of the rail infrastructure facilities
- Locomotive traction services
- Rolling stock repair and maintenance.

KEY CARGOES

- CONSTRUCTION MATERIALS
- INDUSTRIAL COMMODITIES
- GRAINS
- CEMENT
- FLUXES
- COAL



REVENUES UAH MILLION

8,643.8

Total

8,058.6

from freight transportation

95.4

from suburban passenger transportation

EXPENSES UAH MILLION

11,816.0

8,769.5

1,456.0



**AVERAGE
HEADCOUNT**

34,006

EMPLOYEES



MILLION IN PAYROLL

4,362.3

UAH



**MILLION IN PAYMENTS
TO PERFORM SECTORAL
AGREEMENT COMMITMENTS**

1,323,519

UAH

INFRASTRUCTURE



**LENGTH OF GENERAL-PURPOSE
TRACKS IN OPERATION**

4,459.5 KM

electrified tracks

1,424.2 KM



**326
STATIONS**



**2,779
BRIDGES**



**31
RAILWAY
TUNNEL**



**CARGO
TURNOVER**

21,865.5

MILLION T·KM

**CARGOES
SHIPPED**

26,401.3

'000 TONNES

**CARGOES
RECEIVED**

52,469.7

'000 TONNES



**SUBURBAN
PASSENGER
TRAFFIC**

773.8

MILLION PKM

**NUMBER
OF SUBURBAN
PASSENGERS**

15,520.0

'000 PEOPLE

19 PANTELEIMONIVSKA
STREET, ODESSA 65012

ODESSA RAILWAYS JSC UKRZALIZNYTSIA

CORE OPERATIONS

meeting needs of the government, legal entities, and individuals in safe and high-quality domestic and international rail transportation.

KEY SERVICES

- Domestic and international transportation of passengers and freight, including hazardous cargoes, luggage, and mail by rail
- Access to rail infrastructure and other infrastructure-services
- Construction, maintenance, operation, reconstruction, repair, modernisation, retrofitting, and other improvements of the rail infrastructure facilities
- Locomotive traction services
- Rolling stock repair and maintenance.

KEY CARGOES

- CONSTRUCTION MATERIALS
- CHEMICAL FERTILISERS
- COAL
- NON-FERROUS AND MANGANESE ORES
- GRAINS
- GRAINS AND MILLED PRODUCTS



AVERAGE
HEADCOUNT

35,361
EMPLOYEES



MILLION IN PAYROLL

4,523.3
UAH



MILLION IN PAYMENTS
TO PERFORM SECTORAL
AGREEMENT COMMITMENTS

1,498,694
UAH

REVENUES UAH MILLION

19,286.8

EXPENSES UAH MILLION

13,635.9

Total

17,398.7

from freight
transportation

10,096.1

96.6

from suburban
passenger transportation

777.5

INFRASTRUCTURE



LENGTH OF GENERAL-PURPOSE
TRACKS IN OPERATION

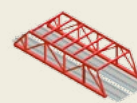
3,973.7 km

electrified tracks

1,735.5 km



229
STATIONS



766
BRIDGES



CARGO
TURNOVER

59,586.7

MILLION T·KM

CARGOES
SHIPPED

31,491.7

'000 TONNES

CARGOES
RECEIVED

88,078.3

'000 TONNES



SUBURBAN
PASSENGER
TRAFFIC

669.4

MILLION PKM

NUMBER
OF SUBURBAN
PASSENGERS

10,562.9

'000 PEOPLE

SOUTHERN RAILWAYS JSC UKRZALIZNYTSIA

7 YEVHENA KOTLIARA
STREET, KHARKIV 61052

CORE OPERATIONS

meeting needs of the government, legal entities, and individuals in safe and high-quality domestic and international rail transportation

KEY SERVICES

- Domestic and international transportation of passengers and freight, including hazardous cargoes, luggage, and mail by rail
- Access to rail infrastructure and other infrastructure-services
- Construction, maintenance, operation, reconstruction, repair, modernisation, retrofitting, and other improvements of the rail infrastructure facilities
- Locomotive traction services
- Rolling stock repair and maintenance.

KEY CARGOES

- ORE
- OIL AND PETROLEUM PRODUCTS
- CONSTRUCTION MATERIALS
- INDUSTRIAL COMMODITIES
- GRAINS
- CEMENT

REVENUES UAH MILLION

8,045.6

Total

6,398.4

from freight
transportation

86.8

from suburban passenger
transportation

EXPENSES UAH MILLION

11,077.8

6,638.9

1,501.1

INFRASTRUCTURE



LENGTH OF GENERAL-PURPOSE
TRACKS IN OPERATION

2,813.1 KM

electrified tracks

1,643.99 KM



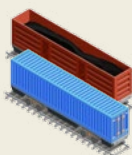
201
STATIONS



1,014
BRIDGES



2
RAILWAY
TUNNEL



CARGO
TURNOVER

17,526.19

MILLION T·KM

CARGOES
SHIPPED

29,120.21

'000 TONNES

CARGOES
RECEIVED

15,000.7

'000 TONNES



SUBURBAN
PASSENGER
TRAFFIC

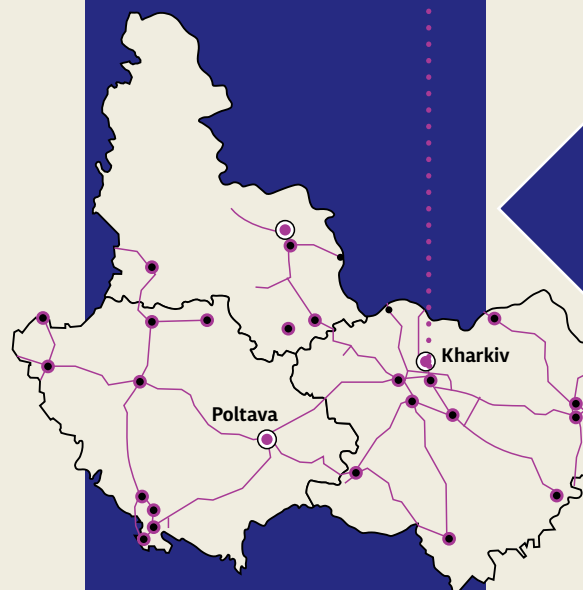
1,159.26

MILLION PKM

NUMBER
OF SUBURBAN
PASSENGERS

28,192.59

'000 PEOPLE



AVERAGE
HEADCOUNT

31,672
EMPLOYEES



MILLION IN PAYROLL

3,836.1
UAH



MILLION IN PAYMENTS
TO PERFORM SECTORAL
AGREEMENT COMMITMENTS

1,298,636
UAH

6 LYSENKA STREET, KYIV
01034

SOUTH-WESTERN RAILWAYS JSC UKRZALIZNYTSIA

CORE OPERATIONS

meeting needs of the government, legal entities, and individuals in safe and high-quality domestic and international rail transportation.

KEY SERVICES

- Domestic and international transportation of passengers and freight, including hazardous cargoes, luggage, and mail by rail
- Access to rail infrastructure and other infrastructure-services
- Construction, maintenance, operation, reconstruction, repair, modernisation, retrofitting, and other improvements of the rail infrastructure facilities
- Locomotive traction services
- Rolling stock repair and maintenance.

KEY CARGOES

- GRAIN
- CEMENT
- CONSTRUCTION MATERIALS
- PETROLEUM PRODUCTS
- INDUSTRIAL COMMODITIES
- REFRACTORIES



AVERAGE
HEADCOUNT

39,382
EMPLOYEES



MILLION IN PAYROLL

5,202.9
UAH



MILLION IN PAYMENTS
TO PERFORM SECTORAL
AGREEMENT COMMITMENTS

1,981.5
UAH

REVENUES UAH MILLION

17,791.0

14,316.2

230.5

Total

from freight
transportation

from suburban
passenger transportation

EXPENSES UAH MILLION

14,696.3

8,769.8

1,491.9

INFRASTRUCTURE



LENGTH OF GENERAL-PURPOSE
TRACKS IN OPERATION

4,351.3 KM

electrified tracks

2,248.89 KM



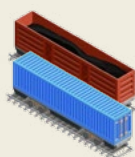
286
STATIONS



1,069
BRIDGES



1
RAILWAY
TUNNEL



CARGO
TURNOVER

41,398.5

MILLION T·KM

CARGOES
SHIPPED

38,467.2

'000 TONNES

CARGOES
RECEIVED

30,226.1

'000 TONNES



SUBURBAN
PASSENGER
TRAFFIC

1,538.3

MILLION PKM

NUMBER
OF SUBURBAN
PASSENGERS

30,706.335

'000 PEOPLE

PRYDNIPROVYE RAILWAYS JSC UKRZALIZNYTSIA

108 DMYTRA
YAVORNYTSKOHO STREET,
DNIPRO 49038

CORE OPERATIONS

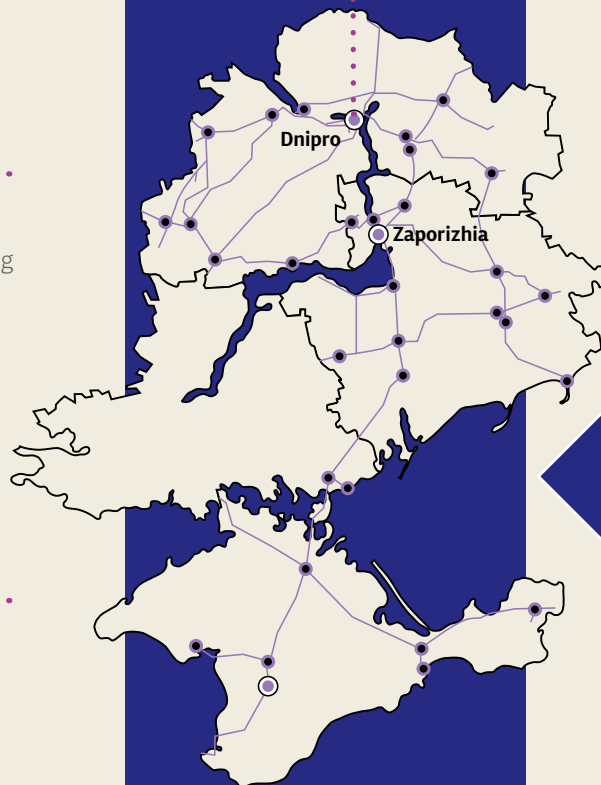
meeting needs of the government, legal entities, and individuals in safe and high-quality domestic and international rail transportation.

KEY SERVICES

- Domestic and international transportation of passengers and freight, including hazardous cargoes, luggage, and mail by rail
- Access to rail infrastructure and other infrastructure-services
- Construction, maintenance, operation, reconstruction, repair, modernisation, retrofitting, and other improvements of the rail infrastructure facilities
- Locomotive traction services
- Rolling stock repair and maintenance.

KEY CARGOES

- IRON ORE
- COAL
- FERROUS METALS



REVENUES UAH MILLION

11,059.7

Total

9,690.9

from freight
transportation

121.6

from suburban passenger
transportation

EXPENSES UAH MILLION

10,793.2

7,933.8

756.7



**AVERAGE
HEADCOUNT**

32,240

EMPLOYEES



MILLION IN PAYROLL

3,910.7

UAH



**MILLION IN PAYMENTS
TO PERFORM SECTORAL
AGREEMENT COMMITMENTS**

1,229.452

UAH

INFRASTRUCTURE



**LENGTH OF GENERAL-PURPOSE
TRACKS IN OPERATION**

2,572.2 KM

electrified tracks

1,623.3 KM



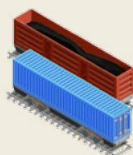
**185
STATIONS**



**881
BRIDGES**



**1
RAILWAY
TUNNEL**



**CARGO
TURNOVER**

32,768.89

MILLION T·KM

**CARGOES
SHIPPED**

96,738.96

'000 TONNES

**CARGOES
RECEIVED**

52,828.56

'000 TONNES



**SUBURBAN
PASSENGER
TRAFFIC**

663.17

MILLION PKM

**NUMBER
OF SUBURBAN
PASSENGERS**

15,742.19

'000 PEOPLE

UKRZALIZNYTSIA'S AFFILIATES

VINNYTSIATRANSPRYLAD JSC UKRZALIZNYTSIA

 1 PRYVOKZALNA SQUARE, VINNYTSIA 21100



377
EMPLOYEES

AVERAGE
HEADCOUNT

CORE OPERATIONS

Provision of railways and consignors with products necessary for the carriage of goods and passengers by all means of transport.

KEY SERVICES

- Manufacture of locking and sealing devices, wire ropes with clamps, sealing pliers, seals and sealing wires, elements of rail track circuits, loading and unloading machines and mechanisms, load-carrying mechanisms and devices, loading and unloading equipment, devices and tools Manufacture of seals and stamps, technological equipment, consumer goods, and other industrial products
- Repair of loading and unloading machines and equipment, recovery of worn-out parts and manufacture of spare parts and assemblies.

The plant has the Quality Management System in place certified according to DSTU ISO 9001:2015 (Certificate No. UA.80050.009 QMS -17 dd. 23 August 2017).

PERFORMANCE 2018 OUTPUT:

- **5.7 million** Varta-Universal M locking and sealing devices to the tune of UAH 205.67 million
- **59,100** Varta L Luks locking and sealing devices to the tune of UAH 1.22 million
- **8,900** Temp-475 wire ropes with clamps to the tune of UAH 148,300
- **396** steel rope and wire scissors (Ø 6 mm) to the tune of UAH 245,870
- **58,900** corrugated packaging units to the tune of UAH 1.45 million
- Other products to the tune of UAH 476,600.

MAIN INFORMATIONAL COMPUTING CENTRE JSC UKRZALIZNYTSIA

 21 IVANA FRANKA STREET, KYIV 01030



2,582
EMPLOYEES

AVERAGE
HEADCOUNT

CORE OPERATIONS

Information support to Ukraine's rail transport operations, support to automated control systems, processing of real-time, statistical, and financial data.

KEY SERVICES

- Development, implementation, support and operation of automated control systems
- E-ticket sales
- Installation, maintenance, and repair of computers and network equipment
- Deployment, operation, and support of integrated information security systems in ITCs, technical information protection
- Information encryption and electronic digital signature services
- Hardware supply and maintenance.

PERFORMANCE 2018

- **55,885,651** passenger seats were sold.
- **27,998,033** e-tickets were sold via booking.uz.gov.ua and the agency network.
- **1,079,726** freight shipping documents were made for all transportation services.
- **25,000** corporate portal users.
- **31,436** corporate email users.
- **2,056,484** information security incidents were detected (including 2,840 critical incidents).
- **72,429** digital signature and cryptographic certificates were issued.
- **1,666** functional servers and 10,440 equipment units for data networks and local area networks were maintained and repaired.

DARNYTSKYI CAR-REPAIR PLANT JSC UKRZALIZNYTSIA

 74 ALMATYNSKA STREET, KYIV 02092



1,010
EMPLOYEES

AVERAGE
HEADCOUNT

CORE OPERATIONS

Production, repair, modernisation of freight cars and other rolling stock; manufacture of spare parts for rail transport.

KEY SERVICES

- Production of gondola cars, model 12-9745
- Overhaul and roundhouse servicing of four-axle freight cars
- Overhaul and roundhouse servicing of gondola cars, extension of service life
- Upgrade of freight cars
- Production and repair of wheel pairs
- Manufacture of spare parts.

PERFORMANCE 2018

- **853** gondola cars were made to the tune of UAH 933,816,590.
- **120** gondola cars were repaired to the tune of UAH 39,427,700.

UNIFIED PAYMENTS CENTRE JSC UKRZALIZNYTSIA



5 UMANSKA STREET, KYIV 03049



348
EMPLOYEES

AVERAGE
HEADCOUNT

CORE OPERATIONS

Meeting needs of the government, legal entities, and individuals in rail transportation in a timely and quality way jointly with other branches and affiliates of the Company.

KEY SERVICES

- Payment settlements for international and domestic transportation, related works and services
- Settlements for international rail transportation and services with foreign railways and legal entities in accordance with the rates established by the rules of international transport organisations
- Settlements with rail transport users under goods carriage contracts and related services in domestic and international rail transportation
- Accounting and control of proceeds from rail transport users.

PERFORMANCE 2018

- To improve the customer service and reduce the contractual burden on them, Ukrzaliznytsia changed its CRM approaches and proposed concluding a single Service Agreement, which took effect in February 2018. In accordance with the Agreement, a user of rail services may enjoy goods carriage services at any cargo station of Ukrzaliznytsia, and settlements for the services are made centrally (a one-stop shop approach) through Unified Payments Centre.
- 9,300 agreements were made, and services were provided to the tune of over UAH 71 billion.

MAGISTRAL MEDIA CENTRE JSC UKRZALIZNYTSIA



6 LYSENKA STREET, KYIV 01034



103
EMPLOYEES

AVERAGE
HEADCOUNT

CORE OPERATIONS

Collection, creation, editing, and storage of information Preparation, issue, publishing, and distribution of corporate mass media (press), other information products, newspapers, and magazines of the Company and its affiliates; support of the railway information web portal; preparation and distribution of publishing products, video films, and television programmes on the operation and performance of the railway transport in Ukraine.

KEY SERVICES

- Corporate newspapers:
 - Magistral of Ukrzaliznytsia
 - Magistral Regional of Ukrzaliznytsia
 - Magistral Express of Ukrzaliznytsia
- Support and provision of content for the railway information web portal, <https://info.uz.ua/>
- Video products.

PERFORMANCE 2018

Newspapers printed:

- 50 issues of the Magistral of Ukrzaliznytsia
- 50 issues of the Magistral Regional of Ukrzaliznytsia with regional newspaper supplements:
 - Lvivsky Zaliznychnyk
 - Pivdenna Magistral
 - Prydniprovskaya Magistral
 - Chornomorsky Hudok
 - Roboche Slovo
 - Zaliznychnyk Donbasu
- 21 issues of the Magistral Express.

Output:

- 143 video clips about Ukrzaliznytsia's services.

Design developed for:

- A presentation of Ukrzaliznytsia's Board Chairman
- A brochure Key Aspects of Ukrzaliznytsia Development Strategy 2018–2022
- Mock-ups for the Leader of Innovations competition
- An animated model for Kyiv – Baku Route
- An animated model for the Four Capitals Train.

DESIGN AND SURVEY INSTITUTE OF RAILWAY TRANSPORT JSC UKRZALIZNYTSIA



39 IVANA FEDOROVA STREET, KYIV 03038



262
EMPLOYEES

AVERAGE
HEADCOUNT

CORE OPERATIONS

Research and experimental developments in natural and technical sciences.

KEY SERVICES

- Development of rolling stock upgrade and renewal projects
- Inspections of rolling stock repair plants and rolling stock departments
- Inspections and technical audits of enterprises making products for the rail transport
- Tests of rolling stock, special rolling stock, their assemblies and parts, rail infrastructure elements
- Publishing of the Zaliznychny Transport Ukrainy magazine.

PERFORMANCE 2018

- UAH 92,997,000 in revenues from all operations:
 - UAH 37,457,000 received from third-party organisations
 - UAH 55,540,000 from performance of internal commitments.

PANIUTYN CAR REPAIR PLANT JSC UKRZALIZNYTSIA

 5 ZAVODSKA STREET, PANIUTYNE VILLAGE, LOZOVA TOWN,
KHARKIV OBLAST 64660

 **1,929** AVERAGE
EMPLOYEES HEADCOUNT

CORE OPERATIONS

Repair of gondola cars, pellet hopper cars and construction of freight cars.

KEY SERVICES

- Repairs of 12-9745, 12-9911, and 12-9911-01 gondola cars, 20-9749 hopper cars, and 13-6961 flat cars
- Manufacture of wheel pairs
- Upgrade of freight cars
- Manufacture of spare parts for freight cars.

PERFORMANCE 2018

Cars repaired:

- 358 cars** — overhauls
- 289 cars** — roundhouse servicing.

Cars made:

- 883** gondola cars, model 12-9745
- 707** gondola cars, model 12-9911-01
- 33** flat cars, model 13-6961
- A pilot grain car, model 19-6938, currently under testing.

CENTRE FOR TRANSPORT LOGISTICS JSC UKRZALIZNYTSIA

 32 IVANA FEDOROVA STREET, KYIV 03038

 **198** AVERAGE
EMPLOYEES HEADCOUNT

CORE OPERATIONS

Streamlining freight traffic in Ukraine, carriage of goods in Ukrzaliznytsia's cars, improving the system of transport services and quality, attracting additional freight traffic.

KEY SERVICES

- Domestic and international rail transportation of cargoes, in particular hazardous cargoes
- Access to rail infrastructure and other infrastructure-services
- Operation of Ukrzaliznytsia's freight cars
- Transportation of goods in cars owned by Ukrzaliznytsia and other companies
- Sale of Ukrzaliznytsia's cargo transportation services.

PERFORMANCE 2018

- 5,526 agreements and side agreements were made.
- 2,868 service contracts were made.
- 145 contracts for carriage payments were made.
- 3,616 grain hopper cars were repaired by Ukrzaliznytsia's plants.
- 10 grain hopper cars were upgraded under NDKTI.19-752.00.00.000 TI project. Initially, they were meant to be removed from the inventory fleet.

THE FOLLOWING PRODUCTS AND PROCESSES WERE DEVELOPED AND IMPLEMENTED

- Sale of services for daily use of Ukrzaliznytsia's cars via the ProZorro.Sales e-platform
- An additional module for the Client-UZ automated system was launched to authorise Ukrzaliznytsia's clients to give payer codes under their contracts to other consignors and consignees and control the use of the codes.
- A technology was implemented for distribution of covered cars with UPPV automated system and the relevant software was deployed.
- A Service Agreement was updated that regulated relationships between customers and Ukrzaliznytsia.

R&D BUREAU OF INFORMATION TECHNOLOGY JSC UKRZALIZNYTSIA



97 ZHYLIANSKA STREET, KYIV 01135



201
EMPLOYEES

**AVERAGE
HEADCOUNT**

CORE OPERATIONS

Development, implementation, integration, and support of automated systems to meet information needs of the railway industry; internal quality evaluation and information support and communications audits at Ukrzaliznytsia.

KEY SERVICES

- Development of standard, technical, design, and technology documentation
- Programming, consulting, and related services
- Information services and consulting on informatisation
- Development, implementation, support, and operation of automated control systems, automated workplaces and ICT systems, as well as other systems.

PERFORMANCE 2018 SUPPORT TO:

- Automated cargo transportation management system at Ukrzaliznytsia and transportation management sub-systems
- Automated accounting system (Phobos)
- Automated receivables and payables data processing system
- Automated system for passenger car repair and operation and passenger services in trains
- Automated system of operational carriage planning (Mesplan).

PRODUCTS DEVELOPED AND INTRODUCED

- Software for the transition to the customer relation management (CRM) under the Rail Service and Payment Agreement
- A system for the use of traction vehicles and the work of locomotive crews (an automated system for Ukrzaliznytsia's Locomotive Facility)
- Software for circular route control and effective use of well cars for regular container train routes
- Centralised automated control of preparations of passenger trains before runs, including the analysis of malfunctions that put the traffic safety at threat or fail to keep a required temperature in car salons
- Software that enables the entry of information about the brake equipment in freight cars into the national-level information networks.

STAROKOSTIANTYNIV FERROCONCRETE SLEEPERS PLANT JSC UKRZALIZNYTSIA



22 HONCHARA STREET, STAROKOSTIANTYNIV TOWN,
KHMELNYTSKY OBLAST 31103



284
EMPLOYEES

AVERAGE
HEADCOUNT

CORE OPERATIONS

Production of concrete products for construction, track structure materials, and engineering installations for railway bridges.

CORE PRODUCTS:

- SB-3, Sh1E-1, Sh-15, Sh1-3 main sleepers, Sh1M bridge sleepers
- Railway bridge joists
- Engineering installations for railway bridges.
- Slabs for ballastless bridge deck
- Plates for roadways and walkways
- Water drainage gutters for tracks.

PERFORMANCE 2018

Output:

For South-Western Railways:

- **54** foundation blocks
- **138** slabs for ballastless bridge deck
- **8** beams for a pedestrian bridge
- **2** BPS slabs
- **37** types of reinforced concrete bridge structures (148 units).

For Donetsk Railways:

- **8** BPS slabs
- **7** types of reinforced concrete bridge structures (14 units).

For Lviv Railways:

- **10** BPS slabs;
- **16** types of reinforced concrete bridge structures (196 units)
- **86** slabs for ballastless bridge deck

For Southern Railways:

- **35** types of reinforced concrete bridge structures (249 units)
- **2** bridge slabs
- **75** slabs for ballastless bridge deck.

For Prydniprovye Railways:

- **7** types of reinforced concrete bridge structures (104 units)
- **52** slabs for ballastless bridge deck

For Odessa Railways:

- **42** types of reinforced concrete bridge structures (210 units).

In addition, the plant produced:

- **178 sets** of reinforced concrete floor for level crossings
- **26 sets** of reinforced concrete floor for pedestrian crossings
- **5,050** sleepers of new Sh-15 type for 750 mm tracks (for narrow-gauge sections of Lviv Railways and Odessa Railways)
- **11,648** SB3-0-1 sleepers
- **896** Sh1-3 sleepers
- **2,016** Sh1E-1 sleepers (1435 mm gauge lines)
- **7,872** Sh1M bridge sleepers
- **1,232** L-1100 water drainage gutters
- **200** VP-225 water drainage gutters
- **252** VP-450 water drainage gutters.

CENTRAL TELECOMMUNICATIONS OFFICE JSC UKRZALIZNYTSIA



5 LYPYNSKOHO STREET, KYIV 01030



155
EMPLOYEES

AVERAGE
HEADCOUNT

CORE OPERATIONS

Telecommunications services for Ukrzaliznytsia, other legal entities, and individuals. Provision of means of telecommunications to the Ministry of Infrastructure of Ukraine, rail transport enterprises, institutions, and organisations in Ukraine to manage transportation processes.

KEY SERVICES

- Provision of local, long-distance and international telephony, long-distance automatic telephony via Ukrzaliznytsia networks
- Centralised round-the-clock monitoring and control of Ukrzaliznytsia's SDH and PDH backbone networks
- Design of internal and external engineering networks, communication systems, and information systems
- Internet access
- Provision of underground cable tunnels for use
- Conference call services via Ukrzaliznytsia networks.

PERFORMANCE 2018

Fixed-line telephony:

- 6,184 internal subscribers
- 1,013 external subscribers.

Internet access:

- 83 internal subscribers
- 1,020 external subscribers.

Design works:

- Reconstruction of a communication line in Popasna -Svatove section to install digital communications equipment
- Reconstruction of an overhead line in Ternopil – Terebovlia section to install digital communications equipment
- Reconstruction of an overhead line in Terebovlia – Chortkiv section to install digital communications equipment
- Refurbishment of a local area network in the administrative building of Design and Survey Institute of Railway Transport
- Reconstruction of a primary communication network in Volnovakha – Komysh-Zoria section
- Interconnection of a telecommunication network operated by Nizhyn Signalling and Communication Division of South-Western Railways (having 1,000 numbers with a 656-xxx dial code) with a public network operated in Chernihiv by Ukrtelecom national telecom operator.

VEHICLES MAINTENANCE CENTRE JSC UKRZALIZNYTSIA



7 KACHALOVA STREET, KYIV 03680



2,923
EMPLOYEES

AVERAGE
HEADCOUNT

CORE OPERATIONS

Mechanisation of track repair and maintenance to ensure safe and uninterrupted train movement and improvement of the track condition.

KEY SERVICES

- Mechanised repairs of tracks:
 - Clean-up of crushed stone ballast
 - Correction, straightening, and tamping of tracks and switches
 - Track stabilisation
 - Ballast planning
 - Rail grinding
 - Ditching and gutter cleaning
 - Installation and medium repair of switches
- Repairs of track machines
- Maintenance of in-house fleet of track machines.

REPAIRS AND WORKS DONE

- **83** overhauls of track vehicles and mechanisms
- **56** interim repairs of track vehicles and mechanisms
- **223** cases of roundhouse servicing of track vehicles and mechanisms
- **11** current repairs of track vehicles and mechanisms
- **552** types of works – maintenance and repairs of units and assemblies on track vehicles and mechanisms
- **3** overhauls of tamping units
- **3** upgrades of track vehicles and mechanisms.

PERFORMANCE 2018

- **880.53** adjusted kilometres saw different types of repairs
- The following works were done for the construction and equipment of Beskyd Tunnel:
 - **2.35 km** of tracks – crush stone cleaning
 - **13 km** of tracks – correcting and levelling
 - **40 km** – arrangement of rail track ballast
 - **3,240 m³** – ditches made and ballast planned
 - **6,560 m³** – dirty ballast was removed.
- The following works were done for the construction and equipment of a railway section between Kyiv and Boryspil Airport:
 - **35 km** of tracks – correcting and levelling
 - **42.6 km** of tracks – arrangement and planning of rail track ballast
 - **252 m³** – dirty ballast was removed.

UKRZALIZNYTSIA'S AFFILIATES

CENTRE OF INSTALLATION AND CONSTRUCTION WORKS AND FACILITIES MANAGEMENT JSC UKRZALIZNYTSIA



61 LVA TOLSTOHO STREET, KYIV 03035



10,682
EMPLOYEES

AVERAGE
HEADCOUNT

CORE OPERATIONS

Meeting the needs of Ukrzaliznytsia and other public or private entities in the construction and operation of buildings and structures, production of construction materials, products, and structures, as well as in other services and works.

KEY SERVICES

- Construction and maintenance of buildings, structures, communications lines, and engineering networks
- District heating, water supply and drainage services; waste collection, processing, and disposal
- Heat energy production, transmission, and supply by main and local heating networks
- Lease of real properties
- Manufacture of reinforced-concrete, metal, metal-plastic structures, commodity concrete, joinery, and furniture
- Production of bottled water.

PERFORMANCE 2018

- Works were completed for the construction of a rail line between Kyiv and Boryspil Airport:
 - Construction of two passenger platforms near the Terminal D in Boryspil International Airport and pavilion; gallery decoration
 - Reconstruction of a part of the low passenger platform on the western side of Kyiv Pasazhyrsky station
- Reconstruction works were completed in service buildings and structures in Sianky station, Sianky village, Turka District, Lviv Oblast.
- Works were done as part of the construction of Beskyd Tunnel.

HOUSING CONSTRUCTION AND CONVERSION OF FACILITIES INTO RESIDENTIAL PREMISES

- The following residential premises were commissioned (permits were issued to families to move in):
 - Conversion of an 8-apartment house into an 11-apartment house at 12 Elementarna Street, Hryplyn, Ivano-Frankivsk
 - Conversion of paramilitary security barracks into a residential building at 84 Sahaidachnoho Street, Ivano-Frankivsk
- The following projects are about to be completed (permits to move in will be issued in early 2019):
 - Construction of a 100-apartment residential complex (Phase 2) on Chekhova Street, Synelnykove, Dnipropetrovsk Oblast
 - Overhaul of a dormitory at 38 Vokzalna Street, Slovyansk, Donetsk Oblast
- The works are underway and about to be completed in 2019:
 - Conversion and extension of a property complex of three buildings into a residential building at 24 Honchara Street, Zdolbuniv town, Rivne Oblast.

CENTRE FOR RAIL INFRASTRUCTURE DIAGNOSTICS

 13 SVIATOSHYNSKA STREET, KYIV 03115



725
EMPLOYEES

AVERAGE
HEADCOUNT

CORE OPERATIONS

Technical inspection of railway tracks, diagnostics and testing of the catenary system, high-voltage equipment, and infrastructure facilities; use and repair of measuring devices and test equipment; ensuring efficient and effective operation and development of the railway transport facilities.

KEY SERVICES

- Testing of rail tracks, catenary system, and high-voltage equipment
- Regular inspections and control of the condition of engineering facilities
- Engineering and geological surveys, regular control of the trackbed condition
- Control of the obstruction and rolling stock clearance, intertrack clearances in sections, stations, and approaching lines
- Testing of track plan and profile, making scale plans for stations.

PERFORMANCE 2018

Facilities tested:

- **999,837 km** of tracks with mobile diagnostics devices
- **541,960 km** of tracks with track measuring devices
 - **3,418 km** were found in poor condition.
 - **3,438** prohibition measures were taken.
- **319,499 km** of tracks were checked with detector cars.
 - **397** spots were found with defective rails.
- **51,300 km** of electrified lines were tested with catenary inspection cars.
 - **1,372** flaws were found in catenary suspensions.
- Along **87,078 km**, automatic locomotive signalling systems, regulators, and automatic rolling stock control devices were checked.
 - **2,831** snagging items were found.
- **3,616** artificial structures were checked.
- **81** stations saw survey works, received their scaled plans, and had longitudinal profiles checked.
- **21** stations had elevation profiles, low-side tracks, marshalling and draw-out tracks checked.
- **43** traction substations saw repair, fine-tuning, and calibration of Regina data and testing system.
- **58** traction substations underwent IR thermography of power equipment.
- **106** transformer substations underwent IR thermography of power equipment.

UKRZALIZNYTSIA'S AFFILIATES

REFRIGERATED WAGONS COMPANY JSC UKRZALIZNYTSIA



1B ANDRIYA SHEPTYTSKOHO STREET,
FASTIV, KYIV OBLAST 08502



1,036
EMPLOYEES

AVERAGE
HEADCOUNT

CORE OPERATIONS

Meeting needs of the government, legal entities, and individuals in safe and high-quality domestic and international rail transportation, including carriage of perishable goods.

KEY SERVICES

- Domestic and international carriage of goods, including hazardous and perishable goods, by rail
- Forwarding services, rail transportation, individual and group shipments, etc.
- Production, operation, modernisation, roundhouse servicing, minor repairs, overhauls, and other types of repairs of rolling stock, containers, and equipment, maintenance of isolated equipment and rolling stock
- Repairs of freight cars, containers, and wheel pairs
- Manufacture, supply, and maintenance of technological equipment for railway transport, etc.

PERFORMANCE 2018

- 1,652 cars were repaired, including repairs by affiliates:
 - 10 cars — overhauls
 - 147 cars — overhauls and extension of service life
 - 957 cars — roundhouse servicing
 - 39 cars — roundhouse servicing and extension of service life
- 15 service refrigerator cars were converted into cars for carriage of goods of the Armed Forces of Ukraine.

UKRAINIAN RAILWAY HIGH SPEED COMPANY JSC UKRZALIZNYTSIA



3 PRYVOKZALNA STREET, KYIV 02096



491
EMPLOYEES

AVERAGE
HEADCOUNT

CORE OPERATIONS

A range of high-speed rail services for passenger travel to legal entities and individuals, in particular, to non-residents.

KEY SERVICES

- Domestic passenger rail service
- Catering
- Advertising.

PERFORMANCE 2018

- 5,660,000 passengers took Intercity+ and Intercity trains.
 - 548,000 passengers were carried in August 2018, a record-breaking figure for the company.

PRODUCTION CENTRE JSC UKRZALIZNYTSIA



11/15 POVITROFLOTSKY AVENUE, KYIV 03049



229
EMPLOYEES

AVERAGE
HEADCOUNT

CORE OPERATIONS

Meeting the Company's needs in fuels and lubricants, track structure materials, equipment, spare parts, machinery, mechanisms, motor vehicles, natural gas, other materials, and resources.

PERFORMANCE 2018

UAH 16,444.7 million — centralised logistical support to regional branches and affiliates

- **UAH 589.7 million** — spare parts
- **UAH 782 million** — materials
- **UAH 402.6 million** — equipment
- **UAH 2,792.2 million** — track structure materials
- **UAH 512.9 million** — oils and lubricants
- **UAH 9,549 million** — diesel fuel
- **UAH 972.5 million** — natural gas
- **UAH 843.8 million** — capital investments.

HEALTHCARE CENTRE JSC UKRZALIZNYTSIA



9 POVITROFLOTSKY AVENUE, KYIV 03049



6,531
EMPLOYEES

AVERAGE
HEADCOUNT

CORE OPERATIONS

Medical services for railwaymen, their family members, retired employees of Ukrzaliznytsia, rail passengers, and other categories of the population. Responsible for the medical component of rail and road traffic safety.

KEY SERVICES

- Services of medical expert commissions for pre-employment and regular health checkups
- Pre-trip and post-trip medical checkups
- Insurance-based medical services.

PERFORMANCE 2018

- **43,037** pre-employment and regular health checkups
- **4,069,474** pre-trip and post-trip medical checkups
- **1,510,988** doctor visits
- **276.59** patients — patient load per one medical position in clinics and hospitals
- **76,280** indoor patients
- **9.95 days** — an average stay in hospitals
- **759,333** bed-days in general in-patient hospitals
including:
 - **390,900** bed-days in GP departments
 - **288,922** bed-days in surgery departments.

UKRZALIZNYTSIA'S AFFILIATES

PERSONNEL DEVELOPMENT CENTRE JSC UKRZALIZNYTSIA



14 CHERKASKA STREET, ZOLOTONOSHA,
CHERKASY OBLAST 19702



63
EMPLOYEES

AVERAGE
HEADCOUNT

CORE OPERATIONS

Educational services (employee retraining and upskilling)
Employee retraining and upskilling courses are developed for 14 licensed professions (trades).

KEY SERVICES

- Employee retraining
- Employee upskilling
- Training of railway construction machine operators.

PERFORMANCE 2018

- **463** employees attended retraining courses.
- **524** employees upgraded their skills

STRYI CAR REPAIR PLANT JSC UKRZALIZNYTSIA



2 ZUBENKA STREET, STRYI TOWN,
LVIV OBLAST 82400



999
EMPLOYEES

AVERAGE
HEADCOUNT

CORE OPERATIONS

Meeting needs of the government, legal entities, and individuals in safe and high-quality domestic and international rail transportation; repairs of freight cars.

KEY SERVICES

- Roundhouse servicing, overhaul, and modernisation of all types of freight cars
- Construction of gondola cars, model 12-9745
- Repair and construction of wheel pairs
- Repair and assembly of two axle carts
- Transportation of goods in freight cars of Stryi Car Repair Plant.

PERFORMANCE 2018

- **425** gondola cars were built.
- **435** cars had overhauls.
- **88** cars had roundhouse servicing.

CENTRE FOR INDUSTRIAL MANAGEMENT JSC UKRZALIZNYTSIA

 32 IVANA FEDOROVA STREET, KYIV 03038



2,101
EMPLOYEES

AVERAGE
HEADCOUNT

CORE OPERATIONS

Production and supply of crushed stone, sand, and gravel, wooden sleeper impregnation, supply of sleepers, switch bars, catenary supports, other reinforced concrete products, materials, and resources for railways and rail transport enterprises.

KEY SERVICES

- Extraction of non-metallic minerals (granite, sand, andesite, sandstone, and gravel)
- Production of crushed stone, sand, and gravel
- Wood sleeper impregnation
- Development of new types of products and services for the rail transport and other industries
- Production and sale of construction materials.

PERFORMANCE 2018

- **3,915,000** tonnes of crushed stone products were made.
- **13,874,000 m³** of wooden sleepers were impregnated.

ENERGOREMTRANS

 10 STANTSIA VINNYTSIA STREET,
VINNYTSIA 21034



547
EMPLOYEES

AVERAGE
HEADCOUNT

CORE OPERATIONS

Design, construction, reconstruction, repair, modernisation, retrofitting, and other improvements of the rail infrastructure facilities.

KEY SERVICES

- Design, construction, reconstruction, repair, modernisation, retrofitting of the catenary system and power supply devices
- Production of finished metal products and metal structures, except machinery and equipment
- Repair of electric machines and transformers, manufacture of electric control units and electric lighting.

PERFORMANCE 2018

- **97,500** metal structures were made with **771** tonnes of rolled metal.
- **26 km** of cable networks were laid.
- **33** design and estimate documents were prepared and submitted for review.

Equipment replacement and adjustment:

- **87 km** of catenary suspensions
- **225 km** of track miles — overhead transmission lines.

Assembly/disassembly works:

- **777/906** supports of the catenary system and overhead transmission lines
- **100/18** foundations of the catenary system
- **189/38** anchors with catenary pull-off
- **77/34** steel crossbars across three or more tracks
- **907/242** cantilevers
- **1480/253** brackets for overhead lines.

UKRZALIZNYTSIA'S AFFILIATES

ENERGOZBUT JSC UKRZALIZNYTSIA



97 ZHYLIANSKA STREET, KYIV 01135



341
EMPLOYEES

AVERAGE
HEADCOUNT

CORE OPERATIONS

Ensuring efficient and effective operation and development of the railway transport facilities, creating the environment for higher competitiveness of the rail sector.

KEY SERVICES

- Electricity supply at regulated rates
- Electricity trade.

РЕЗУЛЬТАТИ ДІЯЛЬНОСТІ 2018 РОКУ

- **5,524,808,768 kWh** – net electricity supply:
 - **5,309,626,793 kWh** – under the 1st consumer category
 - **215,181,978 kWh** – under the 2nd consumer category.

SERVICE SUPPORT CENTRE JSC UKRZALIZNYTSIA



5 YEZHI GEDROITSIA STREET, KYIV 03680



244
EMPLOYEES

AVERAGE
HEADCOUNT

CORE OPERATIONS

Meeting needs of the government, legal entities, and individuals in goods, works and services offered by the affiliate; ensuring efficient and effective operation and development of the railway transport facilities, creating the environment for higher competitiveness of the rail sector; generating profits from business operations and meeting operational needs of the Company's head office.

KEY SERVICES

- Meeting operational needs of the Company's head office.

PERFORMANCE 2018

- Tenders, total – **282**
 - Tenders held – **128**
 - Tenders not held – **154** (3 were cancelled and 2 were suspended).

IN-HOUSE PARAMILITARY SECURITY JSC UKRZALIZNYTSIA

 39 IVANA FEDOROVA STREET, KYIV 03038



10
EMPLOYEES

AVERAGE
HEADCOUNT

CORE OPERATIONS

Meeting needs of the government, legal entities, and individuals in safe and high-quality domestic and international rail transportation; rendering security and guard services.

KEY SERVICES

- Protection of goods transported by rail, artificial structures, and railway infrastructure facilities
- Ensuring that security and access regulations are observed at facilities under protection
- Detection and prevention, within its mandate, of offences at facilities, in particular, offences of a terrorist nature
- Participation in actions to enforce the public order at protected facilities, under the guidance of the National Police of Ukraine.

In 2018, the unit saw restructuring. Organisational restructuring sought to ensure operations of the unit in accordance with the Regulations on the In-House Paramilitary Security.

PASSENGER COMPANY JSC UKRZALIZNYTSIA

 21A SYMONA PETLIURY STREET, KYIV 01032



28,679
EMPLOYEES

AVERAGE
HEADCOUNT

CORE OPERATIONS

Domestic and international carriage of passengers, luggage, and goods by rail

KEY SERVICES

- Domestic and international transportation of passenger, luggage, goods, and mail by rail
- Ticket sales, passenger services at railway stations and in passenger trains
- Passenger car repairs.

PERFORMANCE 2018

- 68,376,100** passengers were transported.
- 431,603** cars were prepared and commissioned for runs.
- 2,071** passenger cars were repaired:
 - 1,414** — roundhouse servicing
 - 575** — overhaul
 - 82** — other repairs.
- Ukrzaliznytsia launched train No. 31/32 Kyiv – Minsk – Vilnius – Riga.
- Two waiting rooms were opened at Kyiv Pasazhyrsky station for Kyiv Boryspil Express passengers.
- The company built an elevated platform on Track 14 in Kyiv Pasazhyrsky station for Kyiv Boryspil Express passengers.
- Passenger Company refurbished the area of a historical museum located on the territory of Kyiv Pasazhyrsky station.

RAILWAY RESEARCH INSTITUTE JSC UKRZALIZNYTSIA



39 IVANA FEDOROVA STREET, KYIV 03038



389
EMPLOYEES

AVERAGE
HEADCOUNT

CORE OPERATIONS

Design, research, and survey for the construction projects, overhaul and refurbishment of railway infrastructure facilities.

KEY SERVICES

- Development of design and estimate documents
- Geological and geodetic engineering surveys
- R&D
- Supervision of facilities under construction
- Due diligence review of projects.

DESIGN WORKS

- Launch of a passenger rail service between Kyiv and Boryspil Airport
- Electrification of a railway section: Kovel – Izov – National Border, Lviv Railways (design stage, Phase 1)
- Reconstruction of railway infrastructure facilities in Polohy – Komysh-Zoria section
- Pre-design works for the reconstruction of Kovel railway station of Lviv Railways
- A concept of safe pedestrian crossings across tracks was developed for Bila Tserkva, Irpin, and Darnytsia station.
- Construction of a 1,500-seat football stadium in Beryslav
- Pre-design works for railway infrastructure in electrified sections of Prydniprovyie Railways
- Pre-design works for the electrification of the Lviv –Khodoriv – Hryplyn section of Lviv Railways
- Reconstruction and overhaul of tracks at stations and sections of Ukrzaliznytsia's regional branches
- Refurbishment of power supply and electric interlocking facilities.

PERFORMANCE 2018

- **580** intragroup commitments assumed and performed for Ukrzaliznytsia companies
- **UAH 79.4 million** in revenues from design and survey services provided to Ukrzaliznytsia companies
- **UAH 1.7 million** in revenues from design and survey services provided to outside organisations
- Design and estimate documents were developed for:
 - **290.3 km** – track reconstruction
 - **203.1 km** – track overhauls
 - **36 facilities** – overhauls of artificial structures
 - **103 facilities** – switch reconstruction
 - **79 facilities** – overhauls of switches

CENTRE OF TRANSPORT SERVICE «LISKI» JSC UKRZALIZNYTSIA



22 DOVBUSHA STREET, KYIV 02092



756
EMPLOYEES

AVERAGE
HEADCOUNT

CORE OPERATIONS

The affiliate is a separate unit of the Company and has no legal entity status. It represents Ukrzaliznytsia's interests at the international level and has partnership relations with railway administrations, rail operators, and forwarding companies in other countries. This enables the container carriage of goods by rail internationally.

KEY SERVICES

- Cargo transportation in universal 20-foot and 40-foot containers, tanks, and refrigerated containers
- Forwarding services for customers, door-to-door delivery
- Cargo transportation in container trains
- Management of container fleet and well cars, keeping the facilities in a proper technical condition, container repairs
- Terminal services (a full gamut of loading and unloading operations, customs clearance of cargoes) and cargo storage (in particular, in containers) in customs-licensed warehouses and temporary storage warehouses.

PERFORMANCE 2018

- **114,741** high-capacity containers were handled at terminals.
- **2,625,000 tonnes** of cargoes were handled at terminals.
- **195,407** containers were transported.
- On 31 January 2018, a full container train departed from Kyiv-Liski station to Chornomorska station (TIS), Yuzhny Port for its first run. The project was jointly implemented by Ukrzaliznytsia represented by Centre of Transport Service "Liski", MAERSK LINE, and TIS Container Terminal.
- A similar container train was launched for the route Chornomorska station (TIS) - Kharkiv-Liski - Chornomorska station (TIS) in May 2018.
- Regular container trains were launched from Odessa Port towards Kyiv-Liski (1 October 2018), Dnipro-Liski (31 July 2018), Kharkiv-Liski (30 August 2018), and back.

PRIVATE JOINT-STOCK COMPANIES OF JSC UKRZALIZNYTSIA

PRIVATE JOINT-STOCK COMPANY DNIPROPETROVSK DIESEL LOCOMOTIVE REPAIR PLANT

 7 AKADEMIKA BELELIUBSKOHO STREET,
DNIPRO 49038



AVERAGE HEADCOUNT

1,014

EMPLOYEES

CORE OPERATIONS

Repair and maintenance of cargo diesel main-line locomotives (2TE116 and 2TE10) and diesel shunting locomotives (ChME3 and TEM2).

SERVICES

- Overhaul and modernisation of diesel locomotives (ChME3, ChME3E, ChME3T, 2TE10M, 2TE10U, 2TE10UT, 2TE116, TEM15, TEM2)
- Overhaul of units, assemblies, and other linear equipment of the traction vehicles
- Overhaul of wheel pairs
- Manufacture of spare parts.

PERFORMANCE 2018

FACILITIES AND EQUIPMENT REPAIRED:

- **43** sections in 41 ChME3 and 2TE116 diesel locomotives to the tune of UAH 241,249,000, excl. VAT
- **190** wheel pairs to the tune of UAH 13,974,000, excl. VAT
- **601** units of linear equipment to the tune of UAH 31,607,000, excl. VAT.

OUTPUT:

- **363** spare parts to the tune of UAH 130,000, excl. VAT
- The plant made other spare parts and provided services to the amount of UAH 1,673,000, excl. VAT.

PRIVATE JOINT-STOCK COMPANY KOROSTENSKYI FERROCONCRETE SLEEPERS PLANT

 78 MAIAKOVSKOHO STREET, KOROSTEN
TOWN, ZHYTOMYR OBLAST 11505



AVERAGE HEADCOUNT

440

EMPLOYEES

CORE OPERATIONS

Production of pre-stressed reinforced concrete sleepers for 1520 mm railway tracks
Production of switch bars and other concrete and reinforced concrete products.

CORE PRODUCTS

- Reinforced concrete sleepers: Sh 1-3, SB3-0, SB3-0-1, SB 3-5-2, SB3-S (Sh2S-1)
- Switch bars M 1/11 and M1/9
- Single switch bars M 1/11 and M1/9
- R65 bars for uniform shoes, 1520 mm tracks
- R65 bars for levelling machines
- Water drainage gutters for tracks
- Board units for low passenger platforms
- Semi-sleepers (KSh27) for crane runways.

PERFORMANCE 2018

PRODUCTS MADE:

- **63,700** m³ of reinforced concrete products to the amount of UAH 413,278,900, excl. VAT, including:
- **515,870** sleepers
- **344** switch bar sets (1/11 and 1/9).

PRIVATE JOINT-STOCK COMPANY KYIV ELECTRIC CAR REPAIR PLANT

 2 POLZUNOVA STREET, KYIV 03049.



**AVERAGE
HEADCOUNT**

995
EMPLOYEES

CORE OPERATIONS

Overhaul and modernisation of electric trains, diesel train cars, traction engines, auxiliary vehicles, and wheel pairs; manufacture of spare parts.

SERVICES

- Major repairs of ER electric trains
- Overhauls of EPL2T, EPL9T, ET, and ED electric trains
- Overhauls of diesel train cars (DPL and DTL)
- Overhauls of units, assemblies, and other linear equipment of electric trains
- Repair and construction of wheel pairs
- Manufacture of spare parts.

PERFORMANCE 2018

FACILITIES AND EQUIPMENT REPAIRED:

- **72** sections in electric trains to the tune of UAH 547,503,800, excl. VAT
- **185** wheel pairs to the tune of UAH 18,118,500, excl. VAT
- **891** electric machines to the tune of UAH 50,985,700, excl. VAT
- The plant made other spare parts and provided services to the amount of UAH 7,053,000, excl. VAT.

THE FOLLOWING MODERNISATION PROJECTS WERE LAUNCHED:

- 3917L.00.00.000 'Modernisation of the main systems and units in ER9 electric trains with new equipment during overhauls'
- 2918L.00.00.000 'Modernisation of the main systems and units in ED9 electric trains with new equipment during overhauls'
- EZ 654.00.00.000 'Modernisation of ER2T electric trains for regional service'
- 218.00.00.000 'Modernisation of systems and units of ER2 v/i electric trains with new equipment'
- TIK 660.001.2016.00.000 'Modernisation of EP9E electric trains with VDA-660U1 rectifiers'

NEW PRODUCTION AND PROCESSES:

- 374 units of new spare parts
- Overhauls of the latest EPL2T electric trains
- Overhauls of ED9M electric trains.

PRIVATE JOINT-STOCK COMPANY LVIV LOCOMOTIVE REPAIR PLANT

 1A ZALIZNYCHNA STREET, LVIV 79018



AVERAGE HEADCOUNT

1,024
EMPLOYEES

CORE OPERATIONS

Overhauls of DC locomotives (VL8, VL10, VL11, VL11M, VL11M/5, VL11M/6, DE1), AC locomotives (VL40, VL60, VL80, DE1, DS3), traction units (PE2m, PE2u, OPE1AM), and some other models.

KEY SERVICES

- Overhaul and modernisation of traction vehicles
- Repair of wheel pairs
- Repair of traction engines and auxiliary machines.

PERFORMANCE 2018

FACILITIES AND EQUIPMENT REPAIRED:

- **21** electric trains to the tune of UAH 172,236,000, excl. VAT
- **2** traction units to the tune of UAH 35,000,000, excl. VAT
- **818** wheel pairs to the tune of UAH 79,635,000, excl. VAT
- **154** traction engines to the tune of UAH 39,009,000, excl. VAT
- **46** auxiliary machines to the tune of UAH 3,718,000, excl. VAT
- **48** cylinder sets for 14D40 diesel engines to the tune of UAH 2,486,000, excl. VAT
- **1** repair of a 8167-1 cart in VL11 electric train to the tune of UAH 1,371,000, excl. VAT
- **1** repair of a 8172-4 cart in VL11 electric train to the tune of UAH 1,328,000, excl. VAT
- **2** diagnostic checks and repairs of electronic equipment in a locomotive operator board (VL40u electric train, No. 1158-2) to the tune of UAH 585,000, excl. VAT
- **8** wheel-and-motor block repairs to the tune of UAH 4,643,000, excl. VAT
- **10** TE006 traction engines to the tune of UAH 2,165,000, excl. VAT.

PRIVATE JOINT-STOCK COMPANIES OF JSC UKRZALIZNYTSIA

PRIVATE JOINT-STOCK COMPANY ZAPORIZHIA ELECTRIC LOCOMOTIVE REPAIR PLANT

 2 ZALIZNYCHNA STREET, ZAPORIZHIA 69095



AVERAGE
HEADCOUNT

1,934

EMPLOYEES

CORE OPERATIONS

Rolling stock repair and maintenance.

KEY SERVICES

- Overhauls of ChS2, ChS4, ChS7, and ChS8 electric trains
- Overhauls of VL-80k, t, s, VL-82m, and VL-40u electric trains
- Overhauls of traction units (OPE1, OPE1A, and OPE1AM with and without self-contained power supply)
- Overhauls of traction motors of up to 1000 kW, F and H heat resistance class
- Overhauls of auxiliary machines with B, F and H heat resistance class
- Overhauls of wheel pairs in electric locomotives of ChS2, ChS4, ChS7, ChS8, VL80v/i, OPE1, OPE1AM, and OPE1A series
- Manufacture of spare parts for rolling stock repairs.

PERFORMANCE 2018

FACILITIES AND EQUIPMENT REPAIRED:

- **55** electric trains to the tune of UAH 518,643,000, excl. VAT
- **142** traction machines to the tune of UAH 30,740,000, excl. VAT
- **166** wheel pairs to the tune of UAH 24,469,000, excl. VAT
- **160** auxiliary machines and 161 units and parts to the tune of UAH 24,612,000, excl. VAT.

NEW REPAIR PROCESSES:

- ChS8 electric trains with the expired service life under technical specifications (TU U30.2-40075815-027:2017)
- ChS7 electric trains with the expired service life under technical specifications (TU U30.2-40075815-031:2017).

NEW PRODUCTION

- Inner cross Ed100104/f (E 836.37.41.03) for ChS4 electric trains
- Outer cross Ed100581 (E 836.37.47.01) for ChS4 electric trains
- Inner cross Ed101705 (E 136.37.42.01) for ChS7 electric trains
- Outer cross Ed100969 (E 136.37.60.01) for ChS7 electric trains
- Outer cross Ed101627 for ChS8 electric trains
- Maltese cross wheels 8TN.224.031 for VL80 electric trains.

PRIVATE JOINT-STOCK COMPANY GNIVANSKYI SPECIAL FERROCONCRETE PLANT



15 PROMYSLOVA STREET, GNIVAN, TYVRIV
DISTRICT, VINNYTSIA OBLAST 23310



AVERAGE HEADCOUNT

487

EMPLOYEES

CORE OPERATIONS

Production of reinforced concrete structures for road, power facility, industrial, and civil construction.

The plant makes over 240 types of products, including

- Sleepers
- Catenary system supports
- Intermediate slabs
- Foundation blocks
- Pressure and non-pressure pipes.

PERFORMANCE 2018

PRODUCTS MADE:

- **15,793 m³** of reinforced concrete sleepers to the amount of UAH 101,751,200, excl. VAT
- **170 m³** of non-pressure pipes to the amount of UAH 863,200, excl. VAT
- **2,074 m³** of catenary system supports to the amount of UAH 24,585,300, excl. VAT
- **104 m³** of intermediary slabs to the amount of UAH 163,800, excl. VAT
- **154 m³** of other products to the amount of UAH 739,400, excl. VAT.

PRIVATE JOINT-STOCK COMPANY KYIV ELECTROTECHNICAL PLANT "TRANSSYGNAL"



97 ZHYLIANSKA STREET, KYIV 01135



AVERAGE HEADCOUNT

139

EMPLOYEES

CORE OPERATIONS

Production of signalling devices, electric and remotely controlled interlocking and signalling systems, automatic block signalling for railways and underground, rail inspection and measurement devices.

PRODUCTS

- Electric drives for switches
- Throttle transformers
- Universal boxes for tracks
- Track measurement equipment for detection cars
- Traffic safety devices (for level crossings) and their spare parts.

PERFORMANCE 2018

PRODUCTS MADE:

- **741** electric drives for switches to the tune of UAH 27.5 million, excl. VAT
- **457** throttle transformers to the tune of UAH 11.2 million, excl. VAT.

NEW PRODUCTION:

- Throttle bridging sections
- Inter-throttle bridging sections
- Connectors
- Railway level-crossing gates.



2

OUR
BUSINESS



BUSINESS DEVELOPMENT AND REFORMS AT UKRZALIZNYTSIA

UKRZALIZNYTSIA
GENERATES UP TO **2.6 %**
OF UKRAINIAN GDP.



PREPARATION OF UKRZALIZNYTSIA
DEVELOPMENT STRATEGY 2019-2023 IS
MEANT TO SET CORPORATE GOALS THAT ARE
CLEAR AND ACCEPTABLE FOR STAKEHOLDERS
AND HELP CONCENTRATE EFFORTS TO
ACHIEVE THE GOALS THROUGH STRATEGIC
INITIATIVES.

As a railway infrastructure operator and a national rail carrier of goods and passengers, Ukrzaliznytsia plays a crucial role for the economic development and security of the country.

In 2018, rail was responsible for 80.1% of the total cargoes transported by all modes of transport, except for the pipeline, and for 32.1% of the total passenger traffic by all modes, except for urban electric transport.

In terms of cargo turnover, Ukrzaliznytsia ranks 7th globally and 4th on the Eurasian continent (after China, Russia, and India).

Ukrzaliznytsia is one of the largest Ukrainian employers with more than 260,000 employees, or 1.6% of the work force in Ukraine. Ukrzaliznytsia generates up to 2.6% of Ukraine's GDP.

The Company has set key medium-term strategic goals and objectives and developed a draft Business Strategy to ensure the proper management of the railway infrastructure in line with the transport market trends, and to expand and improve its services.

Ukrzaliznytsia was working on the Strategy In 2018, and thus identified its main strategic areas, alternatives, priorities, and a vision to implement them in 2019-2023.

In the Strategy, we take a balanced and compromise approach to the goal-setting to accommodate interests of the Company and key stakeholders: the government, customers, investors, and employees.

The Supervisory Board has taken the draft Strategy as a basis. Following the adoption of the Strategy, an action plan will be

developed and include, in particular, measures to reform the Company to achieve its strategic goals.



KEY GOALS

Ukrzaliznytsia Development Strategy seeks to achieve the following goals:

- Meet Ukraine's needs in rail transportation and logistics in line with the country's economic development plans and population mobility;
- Achieve and maintain a strong financial position of the Company, in particular by boosting investment in core operations of the Company;
- Ensure rail safety for customers, employees, and third parties;
- Improve the Company's attractiveness for consumers and employees;
- Introduce the latest effective management practices and principles;
- Increase transparency and ensure compliance with laws to eliminate corruption and abuse.



KEY CHALLENGES

Nowadays there is a significant change in freight traffic flows, which is one of the most important challenges for the Company to achieve its strategic goals. In addition, Ukrzaliznytsia is facing the following challenges:

- Lack of available financial resources to make the necessary investments
- Interference of political and other interests
- Company's traditional geographical structure and imperfect management practices
- General resistance to change both inside and outside the Company.

Underinvestment due to the poor financial situation and operational inefficiencies, as well as the non-market discrete rate regulation over the last few years have led to poor asset condition and, consequently, to poor quality of service. This situation was aggravated by the lack of compensation by the government for losses from passenger transportation. The Company was also negatively affected by the operational inefficiency and insufficient focus on the market.

Potential liberalisation of access to the railway infrastructure poses both an opportunity and a threat to the Company.

Ukrzaliznytsia is in critical need for increasing the labour productivity by modernising equipment, streamlining processes, stimulating and increasing operational efficiency through a modern system of rewards and incentives and improvement of communications.



KEY STRATEGIC OBJECTIVES

- Meet government's qualitative and quantitative requirements for the rail transportation;
- Improve the Company's financial health by reforming the structure of freight rates, which should cover the Company's production costs and timely reflect the changes in market prices (for example, by linking freight rail rates to the Industrial Producer Price Index on a quarterly basis), with additionally limited profitability in order to enable Ukrzaliznytsia to continue investing and maintaining its assets in a satisfactory condition, eliminate internal inefficiencies through better business management practices in line with best international standards;
- Improve asset performance through long-term financial and investment planning and improved operational efficiency;
- Introduce a modern effective process-oriented management system;
- Ensure the attractiveness of Ukrzaliznytsia as an employer by introducing good working conditions, competitive salaries, and high professional standards;
- Introduce a safety management system in accordance with EU standards and the latest standards of occupational health and safety;
- Transform the Company from a quasi-monopoly to a market-oriented and competitive leader with a transparent governance structure, reporting practices, and zero tolerance to corruption.

UKRZALIZNYTSIA'S CREDIT POLICY

IN 2018, UKRZALIZNYTSIA:

- REPAID FINANCIAL OBLIGATIONS OF ALMOST UAH 4 BILLION;
- RESTRUCTURED A PART OF ITS UAH-DENOMINATED DEBT TO THE AMOUNT OF UAH 500 MILLION;
- IMPROVED THE STRUCTURE OF THE LOAN PORTFOLIO DUE TO THE REDUCTION IN THE SHORT-TERM DEBT BY UAH 3.5 BILLION;
- MADE PREPARATIONS TO RAISE UP TO \$500 MILLION IN 2019 IN INTERNATIONAL CAPITAL MARKETS IF THE SITUATION IN THE INTERNATIONAL CAPITAL MARKETS IMPROVES;
- INCREASED THE SIZE OF CREDIT LINES FROM INTERNATIONAL FINANCIAL ORGANISATIONS BY \$150 MILLION;
- HAD ITS CREDIT RATINGS UPGRADED BY INTERNATIONAL RATING AGENCIES TO THE B-/CCC+ LEVEL;
- GAINED FINANCING OF UAH 2.6 BILLION TO TAKE 30 GENERAL ELECTRIC LOCOMOTIVES FOR USE.

UKRZALIZNYTSIA CONDUCTS REGULAR AUDITS IN ACCORDANCE WITH IFRS. FITCH RATING AND STANDARD & POOR'S MONITOR AND UPDATE THE COMPANY'S CREDIT RATING.

The Company uses a variety of financial resources and is a responsible borrower that works closely with international financial institutions.

The Company has a credit policy in place to:

- Optimise the structure of the loan portfolio and borrowing terms and conditions;
- Settle overdue financial debt.

Thanks to the effective work in this area, the Company has improved its loan portfolio and borrower status.

LOAN PORTFOLIO INDICATORS

Indicator	2018	2017
Loan portfolio reduced	by 3 %	by 9 %
Debt at the beginning of the year	37.8	41.4
Financial obligations assumed	0,5	-
Repayment of financial obligations	3.8	4.8
Debt at the end of the year	36.8	37.8
Foreign currency component in the loan portfolio	89 %	98 %

In close cooperation with international financial organisations, Ukrzaliznytsia signed several strategic agreements in 2018. They would further contribute to reducing the depreciation of the Company's fixed assets and improving the infrastructure. In particular, financing was raised for such projects as "Electrification of the Dolynska – Mykolaiv – Kolosivka rail section" and "Purchase of new general-purpose freight cars for Ukrzaliznytsia".

The Company is working on other financial projects with the European Bank for Reconstruction and Development, European Investment Bank, and Ukrainian banks.

For more about strategic goals and objectives of the Company's credit policy, please see Ukrzaliznytsia Integrated Report 2017 (Our Business section, Strategic Approach to the Company's Development subsection).



KEY CHALLENGES

1. A significant foreign currency component in the loan portfolio, which is 89% today, poses significant financial risks associated with a possible hryvnia depreciation;
2. Limited resources available in the financial market;
3. Cancellation of the moratorium on mandatory collection of debts of Donetsk Railways;
4. 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 territory.



CORPORATE GOVERNANCE

THE RESTATED
CHARTER WAS
REGISTERED BY THE
STATE REGISTRAR ON
27 NOVEMBER 2018



The Company continues reforming its corporate governance system. Its goal is to achieve high standards of openness, transparency, and accountability. In 2018, we completed shaping the new governance system and started its implementation.

Underlying documents that regulate operations of Joint-Stock Company "Ukrainian Railways" (hereinafter referred to as Ukrzaliznytsia, or the Company):

- Law of Ukraine On Transport;
- Law of Ukraine On the Peculiarities of Establishment of a Joint-Stock Company of Public Rail Transportation;
- Law of Ukraine On Railway Transport;
- Charter of Railways of Ukraine approved by Resolution No. 457 adopted by the Cabinet of Ministers of Ukraine on 6 April 1998;
- Resolution of the Cabinet of Ministers of Ukraine "On Approval of the Concept of the National Programme for the Railway Transport Reforms", No. 651-r dd. 27 December 2006;
- Resolution of the Cabinet of Ministers of Ukraine "On Approval of the National Special Programme for the Rail Transport Reforms 2010-2019", No. 1390 dd. 16 December 2009;
- Resolution of the Cabinet of Ministers of Ukraine "On Establishing Public Joint-Stock Company "Ukrainian Railways", No.200 dd. 25 June 2014;
- Resolution of the Cabinet of Ministers of Ukraine "Matters Related to Joint-Stock Company "Ukrainian Railways" No.735 dd. 2 September 2015.

The Company operates in accordance with required licences and permissions. The list of licenses is in Annex 3.

COMPANY'S CHARTER

The Cabinet of Ministers of Ukraine adopted Resolution No. 938 "Certain Aspects of Operations of Joint-Stock Company "Ukrainian Railways" on 30 October 2018 to bring the Charter of Ukrzaliznytsia (hereinafter referred to as the "Charter") in line with the amendments to the applicable laws introduced in 2018 to the Law of Ukraine On Joint-Stock Companies. The Resolution approved the restated Charter and changed of the Company's ownership form from public to private, as well as the Company's name from PJSC Ukrzaliznytsia to JSC Ukrzaliznytsia.

According to the restated Charter, the powers of Ukrzaliznytsia' governing bodies were re-assigned in accordance with the legislation. In particular, the General Meeting shall, upon submission of the Supervisory Board of the Company, consider and/or decide on the following matters:

- Setting focus areas of the Company's operations;
- Giving prior approval of the Company's Strategy and annual budgets for the implementation of the Strategy;
- Approving financial plans developed and approved by the Supervisory Board;
- Approving key principles of the state ownership in the Company;
- Approving the number and membership of the Board, appointing and dismissing the Chairman of the Board.

The new wording of Ukrzaliznytsia's Charter also stipulates that the members of the Supervisory Board of the Company are elected by the General Meeting for a term of three years. The General Meeting may decide on early termination of powers of a Supervisory Board member.

Correspondingly, the scope of matters reserved for the Supervisory Board has been expanded.

GOVERNING BODIES

GENERAL MEETING

The Cabinet of Ministers of Ukraine is solely responsible for performing the functions of Ukrzaliznytsia's General Meeting. These functions are outlined by the laws, the Charter, and internal regulations of the Company.

Decisions on matters reserved for the General Meeting shall be documented in a relevant act of the Cabinet of Ministers of Ukraine, with the draft act to be developed and submitted to the Ministry of Economic Development and Trade in accordance with the established procedures.

In 2018, the Cabinet of Ministers of Ukraine, as the only shareholder performing the functions of the General Meeting of Ukrzaliznytsia, adopted 30 decisions on matters that, in accordance with the legislation and the Charter, fall within the competence of the General Meeting, in particular:

- Participation of the Company in associations of legal entities;
- Approval and amendment of a consolidated financial plan;
- Approval of the Annual Report together with the opinion of Ernst & Young Audit Services, approval of the report of the Board of Directors, the distribution of net profit for 2017, and the size of annual dividends;
- Selection of a depository for placing Ukrzaliznytsia's shares onto a securities account for and on behalf of the government;
- Certain aspects of Ukrzaliznytsia's operations (regarding long-term loan to be raised from the EBRD for the project of the rolling stock purchases);
- Certain aspects of the disposal of Ukrzaliznytsia's property;
- Approval of projects: "Reconstruction of the Dolynska – Mykolaiv railway section to increase the capacity of the Znamenska – Dolynska – Mykolaiv route", "Arrangement of the Kyiv – Boryspil International Airport railway passenger service";
- Election of the Supervisory Board and the approval of members of the Company's Board;
- Approval of the terms and condition of contracts with independent members of the Supervisory Board and governmental representatives appointed to the Supervisory Board of the Company.

SUPERVISORY BOARD

The composition of the Supervisory Board of the Company has been brought in line with amendments to the Law of Ukraine On Joint-Stock Companies, which entered into force on 1 May 2018.

The selection was in accordance with the updated procedure for selecting executives and supervisory board members of enterprises that are of particular importance for the national economy. The procedures were introduced by the Resolution of the Cabinet of Ministers of Ukraine "Certain Aspects of the Appointment of Executives and Supervisory Board Members to Public-Sector Enterprises", No. 190 dd. 21 March 2018.

The Company acted in accordance with the Cabinet of Ministers Resolution No. 217-r dd. 4 April 2018 "Certain Aspects of Selection of

Independent Members of the Supervisory Board of Public Joint-Stock Company "Ukrainian Railways" to find independent members of the Supervisory Board.

Thus, the Company elected new members of the Supervisory Board according to Resolution No. 432-r "Matters of the Supervisory Board of Public Joint-Stock Company "Ukrainian Railways" adopted by the Cabinet of Ministers of Ukraine on 20 June 2018. The new members include:

Sevki Acuner, Per Anders Aslund, Andreas Mathieu, and Christian Oliver Kuhn as independent members, as well as Daniel Bilak, Kostiantyn Maryevych, and Ivan Yuryk as government representatives.

The work procedures and remuneration of the Supervisory Board members are regulated by the Law of Ukraine On Joint-Stock Companies, the Charter and the Regulations on the Supervisory Board approved by the Cabinet of Ministers of Ukraine in Resolution No. 938 "Certain Aspects of Operations of Joint-Stock Company "Ukrainian Railways" dd. 30 October 2018, as well as by contracts concluded with members of the Supervisory Board in accordance with Resolution "Certain Aspects of Concluding Contracts with members of the Supervisory Board of Public Joint-Stock Company "Ukrainian Railway", No.610-r dd. 26 July 2018.

In 2018, the Supervisory Board of Ukrzaliznytsia held 12 meetings and made decisions, among other things, on the following issues in accordance with the competence established by the laws and the Charter:

- Election of the Chairman and Vice Chairman of the Supervisory Board;
- Election of an auditor of the Company, approval of the terms and conditions of a contract with the auditor, establishment of auditor's remuneration;
- Election of the Corporate Secretary, approval of Regulations on the Corporate Secretary;
- Selection of the Company's property appraisers, approval of the terms and conditions of contracts to be concluded with the appraiser, establishment of the appraisers' remuneration;
- Establishment of the Supervisory Board committees, approval of Regulations on the Supervisory Board Committees, election of committee members;
- Amendments to the Charter, draft Regulations on the Supervisory Board and its Committees, draft Regulations on the Board;
- Establishment of legal entities and structural changes in the Company;
- Corporate governance reforms, including new executive roles to be introduced for procurement and compliance;
- Hearing of regular reports of the Director of Economics and Finance, Acting Chairman of the Board, as well as other officials, including chairmen of the Supervisory Board committees;
- Approval of key financial and economic indicators for 2019;
- Approval of changes to financial plan 2018;
- Schedule of meetings and a work plan of the Supervisory Board of the Company;
- Approval of key principles of the state ownership in the Company;
- Election of the Chairman of the Board.

MEMBERS OF UKRZALIZNYTSIA'S SUPERVISORY BOARD



SEVKI ACUNER

SUPERVISORY BOARD CHAIRMAN



DANIEL BILAK

VICE CHAIRMAN OF THE
SUPERVISORY BOARD

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).

EMPLOYMENT HISTORY

He has an extensive experience in senior executive roles at the international level, specialising in finance/banking sector.

PROFESSIONAL COMPETENCIES:

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

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 (EBRD), Kyiv, Ukraine:

- 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 the Ukrainian Office (May 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).

EDUCATIONAL BACKGROUND

- McGill University, Department of Law, Bachelor of Law, Bachelor of Civil Law (1986);
- University of Toronto, Bachelor (International Relations), diploma with distinction (1982).

EMPLOYMENT HISTORY

Daniel Bilak contributed to the development of a new strategy and legislation on reforming the judicial branch of power in Ukraine, was a co-author of the report "Proposals for the President: A New Wave of Reforms" (2005).

Co-founder and Supervisory Board member, Ukrainian Legal Foundation, Kyiv, Ukraine (1992-2005).

PROFESSIONAL COMPETENCIES:

International relations, corporate governance, investment, and risk management, law.

Fasken Martino LLP, Toronto (1988-1993).

Emtech Ltd, Toronto, and Shannon, Ireland – general counsel, Energy (1993-1996).

United Nations Development Program, Ukraine – senior expert on integrity and democratic governance (1997-2001).

Gowling Lafleur Henderson LLP, Toronto, Canada – a partner (2002-2005).

United Nations Development Program, Ukraine – senior expert on integrity and democratic governance (2005-2006).

CMS. Cameron McKenna LLC, Kyiv, London – international manager/managing partner (August 2007 – October 2016).

Canada-Ukraine Foundation, Toronto – member of the Board (2017 – present).

Ukrainian Network of Integrity and Compliance, Kyiv – member of the Board (2017 – present).

Ukrainian Corporate Governance Academy, Kyiv – member of the Board (2017 – present).

Ukrainian Catholic University, Lviv – Senator (2014 – present).

Cabinet of Ministers of Ukraine – Director of the Investment Promotion Office (1 November 2016 – present).

Raiffeisen Bank Aval – Supervisory Board member (April 2018 – present).

Ukrzaliznytsia – Supervisory Board member (20 June 2018 – 16 July 2018).

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



ANDERS ASLUND
SUPERVISORY BOARD MEMBER

EDUCATIONAL BACKGROUND

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

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.

PROFESSIONAL COMPETENCIES:

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

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

Russian Government – economic adviser (November 1991 – January 1994).

Russian Privatization Centre – a founding member of the Board of Directors (1992-1999).

Ukrainian Government – economic advisor (August 1994 – December 1997).

Carnegie Endowment for International Peace, Washington, D.C. – senior associate (October 1994 – December 2005).

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

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

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

Ministry of Finance of Ukraine, Ukraine – adviser to the Minister of Economy (May 2014 – April 2016).

East Capital – a member of the Advisory Committee (2002 – present).

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

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

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

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



CHRISTIAN KUHN
SUPERVISORY BOARD MEMBER

EDUCATIONAL BACKGROUND

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

EMPLOYMENT HISTORY

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

PROFESSIONAL COMPETENCIES:

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

Connex (Veolia group) (March 1996 – October 2005):

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

Deutsche Bahn AG (November 2005 – February 2009):

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

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

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

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

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

MEMBERS OF UKRZALIZNYTSIA'S SUPERVISORY BOARD



**ANDREAS
MATHIEU**

SUPERVISORY BOARD MEMBER

EDUCATIONAL BACKGROUND

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

EMPLOYMENT HISTORY

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

PROFESSIONAL COMPETENCIES:

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

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

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

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

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

Polyfelt GmbH (March 1999 – December 2005):

- vice-president of finance and administration (March 1999 – March 2003),
- chief financial officer (April 2003 – December 2005).

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

OMV AG, Vienna, Austria:

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

Consulting services, Austria (December 2017 – present).

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



**KOSTIANTYN
MARYEVYCH**

SUPERVISORY BOARD MEMBER

EDUCATIONAL BACKGROUND

- Hrushevsky Humanitarian and Pedagogical College of Bar (2004-2008);
- Ivan Franko National University of Lviv, Master of Law (2010-2011).

EMPLOYMENT HISTORY AND PROFESSIONAL COMPETENCES:

Law, master of law, lawyer.

Municipal utility company 2, Vinnytsia – lawyer (August 2008 – June 2009).

Municipal utility company 14, Vinnytsia – lawyer (July 2009 – January 2013).

Ailex Ltd, Vinnytsia – founder (September 2012 – August 2014).

Housing and Maintenance Association, Vinnytsia – lawyer of rank 1 (February 2013 – October 2014).

Vinnytsia City Council, Vinnytsia – advisor to the city mayor for organizational support and office management (2014).

Ministry of Regional Development, Construction and Housing and Utilities of Ukraine, Kyiv – deputy director of the department of life support and housing policy, head of the regulatory and methodological support department (November 2014 – October 2015).

Verkhovna Rada of Ukraine – deputy chief of office in the Verkhovna Rada Administration (October 2015 – April 2016).

Office of the Vice Prime Minister Volodymyr Kistion – head of office (April 2016 – present).

PJSC Main Gas Pipelines of Ukraine, Kyiv – Supervisory Board member (March 2018 – present).

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



IVAN YURYK

SUPERVISORY BOARD MEMBER

EDUCATIONAL BACKGROUND

- Government finance training course, John F. Kennedy School of Government at Harvard University, USA (2008);
- Master's Programme in Economics, Economics Education and Research Consortium at Kyiv-Mohyla Academy (2004);
- Bachelor's degree from Taras Shevchenko National University (Department of Mechanics and Mathematics), diploma with distinction (2002).

EMPLOYMENT HISTORY AND PROFESSIONAL COMPETENCES:

Investment and finance.

Peterson Institute for International Economics, Washington D.C. – scientific assistant; a draft overview of economic reforms in Ukraine after independence (he published a book, *How Ukraine has Become a Market Economy and Democracy*, 2007).

Blackstone – the head of the representative office in Ukraine; corporate M&A transactions, debt restructuring, and capital raising; development, structuring, and implementation of corporate transactions (2010-2014).

Ministry of Finance of Ukraine – head of the minister's office, coordination and administration of key projects and work processes of the ministry; support of the ministry's key initiatives in the Government and Parliament; coordination of analytical function and media relations; development of presentations and analytical materials to support the minister's work (2014-2016).

UkraineInvest Investment Support Office – deputy director, support and implementation of investment projects involving foreign direct investment in the real sector of the economy of Ukraine: renewables, infrastructure (railways, seaports), agro-industry, modern production and new technologies (2017 – present).

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

SUPERVISORY BOARD ACTIVITIES IN 2018

1. The Chairman of the Supervisory Board and Vice Chairman of the Supervisory Board were elected.
2. Four committees were established and their members and chairmen elected:
 - Audit Committee
 - Remuneration and Nomination Committee
 - Corporate Governance Committee
 - Strategy and Finance Committee.
3. Ukrzaliznytsia developed and approved Regulations on the Supervisory Board committees.
4. The Company developed, approved, and submitted Regulations on the Supervisory Board to the shareholder for review. The shareholder approved the Regulations.
5. Ukrzaliznytsia developed, approved, and submitted its restated Charter to the shareholder for review. The shareholder approved the restated Charter.
6. The Company selected a corporate secretary.
7. The Supervisory Board developed and submitted to the Government its proposals on the state ownership policy for Ukrzaliznytsia.
8. The Company developed a draft Strategy.
9. Ukrzaliznytsia developed procedures for selection of board chairman, vice chairmen and members and received approved of the procedures from the Ministry of Economic Development. The Company evaluated the performance of the acting Chairman of the Board and submitted proposals about his candidacy to the shareholder.
10. Ukrzaliznytsia selected its Financial Auditor for 2018-2019.
11. The Company improved the form and content of reporting to the Supervisory Board.
12. A draft Corporate Governance Action Plan was updated as part of the corporate governance reforms. The Supervisory Board submitted its proposals in this regard to the shareholder.

**PLANS**

The Supervisory Board has an agreed meeting schedule for 2019. It plans to hold ten regular meetings and ten meetings of each of its committees.

The Supervisory Board has also set its priorities for 2019: approve the Company's strategy, approve Financial Plan 2019, and ensure the implementation of the Action Plan for Corporate Governance Reforms. Over the first six months of 2019, the Supervisory Board plans to hold five meetings that have been agreed in advance.

MANAGEMENT BOARD





YEVHEN KRAVTSOV

CHAIRMAN OF THE BOARD SINCE
10 AUGUST 2017

(Resolution of the Cabinet of Ministers On Imposing Responsibilities of the Board Chairman of Public Joint Stock Company "Ukrainian Railways" on Yevhen P. Kravtsov on a Temporary Basis, No. 512-r, dated 9 August 2017). Yevhen Kravtsov was born on 31 May 1986 in Odessa, Ukraine. He graduated from European University, a private higher educational institution in 2008 and from Taras Shevchenko National University of Kyiv in 2010.

Specialisations: law and transport industry management.

MAREK ROBERT ZALESNY

HE TOOK OFFICE ON 24 JUNE 2016

Marek Robert Zalesny was born on 26 June 1963 in the city Bogatynia, Lower Silesian Voivodeship, Poland. In 1991, he graduated from the University of Silesia (Katowice, Poland).

Specialisation: logistics management.

REMIGIUSZ PASZKIEWICZ

HE TOOK OFFICE ON 5 JULY 2016

Remigiusz Paszkiewicz was born on 29 December 1970 in the city of Gabin, Poland. In 1994, he graduated from Warsaw University of Technology.

Specialisation: railway transport.

OLEKSANDR BUZHOR

HE TOOK OFFICE ON 7 JUNE 2016

Oleksandr Buzhor was born on 4 September 1963 in Kharkiv, Ukraine. In 1988, he graduated from Karazin National University of Kharkiv (formerly known as Gorky State University of Kharkiv).

Specialisations: economics and banking.

IRENEUSZ WASILEWSKI

HE TOOK OFFICE ON 2 AUGUST 2016

Ireneusz Wasilewski was born on 5 July 1957 in Poznan, Poland. In 1983, he graduated from Kazimierz Pułaski University of Technology and Humanities in Radom.

Specialisation: railway transport.

SERHIY MYKHALCHUK

HE TOOK OFFICE ON 1 DECEMBER 2015

Serhiy Mykhalchuk was born on 17 May 1973 in Ostapivtsi village, Kolomyia District, Ivano-Frankivsk Oblast. He graduated from Dnipropetrovsk State Technical University of Railway Transport in 1997 and from Lazarian National University of Railway Transport in Dnipropetrovsk in 2003.

Specialisation: railway transport

ZELJKO MARCEK

HE TOOK OFFICE ON 24 JUNE 2016

Zeljko Marcek was born on 11 July 1969 in the Republic of Serbia. In 2012, he graduated from DOBA, Maribor.

Specialisation: business administration.

In accordance with Article 107 of Ukrzaliznytsia's Charter, meetings is the main form of proceedings of the 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 by absentee voting (written polls) or by other acceptable means in accordance with the law.

More about the members of the Board, please see Integrated Report 2017 (Our Business section, Corporate Governance subsection).

Chairman of the Board Yevhen Kravtsov: attended all board meetings.

Level of attendance by board members:

- Marek Robert Zalesny was absent from six meetings and did not take part in twenty-one absentee votes;
- Remigiusz Paszkiewicz was absent from three meetings and did not take part in two absentee votes;
- Oleksandr Buzhor was absent from two meetings and did not take part in three absentee votes;
- Ireneusz Wasilewski was absent from four meetings and did not take part in eleven absentee votes;
- Serhiy Mykhalchuk was absent from four meetings and did not take part in eleven absentee votes;
- Zeljko Marcek was absent from three meetings and did not take part in four absentee votes.

IN 2018, THE COMPANY'S BOARD HELD **106 MEETINGS**, INCLUDING **83 MEETINGS IN ABSENTIA** (THROUGH WRITTEN POLL).

IN TOTAL, THE BOARD CONSIDERED **636 ISSUES** ON THE AGENDA AND MADE DECISIONS ON **562** OF THEM.

100 %

SHAREHOLDINGS IN NINE BUSINESS ENTITIES ARE CONTRIBUTED TO THE COMPANY'S STATUTORY.

INTERNAL AUDIT COMMISSION

As of March 2017, three out of five members of Ukrzaliznytsia's Internal Audit Commission had dismissed from offices they had held in governmental authorities at the time of approval of the Commission's membership.

Resolution No. 538-r "Recognising certain resolutions of the Cabinet of Ministers of Ukraine invalid" adopted by the Cabinet of Ministers on 26 July 2018 invalidated the Cabinet of Ministers Resolution "Approval of the Membership of the Supervisory Board and the Internal Audit Commission of Public Joint-Stock Company "Ukrainian Railways", No. 1239-r dd. 25 November 2015.

To date, the Internal Audit Commission has not been established. In 2018, no meetings of the Commission took place.



PLANS

In 2019, Ukrzaliznytsia will continue its corporate governance reforms. The Cabinet's meeting on 12 December 2018 approved Ukrzaliznytsia's Action Plan for Corporate Governance Reforms, authorising the Ministry of Economic Development and Trade to finalise and get approval of the document. Therefore, the Company is set to implement this plan in 2019.

ORGANISATIONAL STRUCTURE

During the year, the Company saw changes in its structure. In particular, two structural subdivisions of the management apparatus of Ukrzaliznytsia were reorganized:

1. The Department for Domestic and International Passenger Transportation was set up to replace the Department of Passenger Transportation of Long-Distance Services. This helped improve the organization's efficiency, coordination, and control of the domestic (except for suburban) and international service in accordance with the current rules of passenger, luggage, cargo, and mail transportation by railways of Ukraine and international agreements on carriage of passengers; shape and implement an effective policy of domestic (except for suburban) and international service; ensure high quality of services provided to passengers at stations and in trains.
2. The Department of Internal Control and Audit was set up to replace the Department of Audit and Control. This helped improved the quality of audit of business processes at structural subdivisions, affiliates, and regional branches of the Company; enhance financial and economic performance, asset preservation, compliance with laws, regulations, standards, and contractual obligations, and ensure the reliability of reporting by the Company's units.

In the reporting year, the Company acquired the title to 0.09891% of shares in PJSC IndustrialBank from Prydniprovye Railways. In addition, Ukrzaliznytsia has enterprises under its umbrella with the shareholdings in them contributed to the Company's statutory capital.



Ukrzaliznytsia Organisational Chart

THE HIGH
GOVERNMENT
Supervision

Senior Management

YEVHEN
KRAVTSOV
Chairman
of the Board

MAREK ROBERT
ZALESNY
(cargo
transportation)

COMPLIANCE OFFICE



SEPARATE DIVISIONS OF UKRZALIZNYTSIA



UKRZALIZNYTSIA'S SHAREHOLDINGS IN BUSINESS ENTITIES



THE MANAGING BODY of the railway board

REMIGIUSZ
PASZKIEWICZ
(infrastructure)

OLEKSANDR
BUZHOR
(economy and
finance)

IRENEUSZ
WASILEWSKI
(production)

SERHIY
MYKHALCHUK
(passenger
transportation
and service)

ZELJKO
MARCEK
(social policy)

Operations
Director

Traffic
Management
Department

Traffic Safety
Department

Operational
Monitoring
Department

Commercial
Operations
Department

Buildings and
Structures
Department

Chief
Accountant

Department of
Bookkeeping,
Tax Accounting,
Reporting and
Methodology

Economy
and Finance
Director

Treasury
Department

Department of
Economy,
Planning and
Budgeting

Price Policy
Department

Statistics
Office

Director of
Engineering
and Technical
Support

Development
and Technical
Policy
Department

Department of
Product and
Service Quality
Management

Energy
Management
Department

Environmental
Management
Department

Wagons
Department

Locomotives
Department

Material and
Technical
Support
Department

Passenger
Transportation
Director

Department of
Domestic and
International
Passenger
Transportation

Suburban
Passenger
Transportation
Department

Director of HR
Management
and Social
Policy

Compensation
and Benefits
Department

Organisational
Development
Department

Department of
Employee
Development
and HR Policy

Social Policy
Department

Corporate
Social
Responsibility
Department

Refrigerated
Wagons
Company

Transport
Service "Liski"

Centre for
Transport
Logistics

Vinnytsiatransprylad

Centre of
Installation and
Construction
Works and Facilities
Management

Unified
Payments
Centre

Railway
Research
Institute

Design and
Survey
Institute of
Railway
Transport

Darnytskyi
Car-Repair
Plant

Paniutyn Car
Repair Plant

Stryi Car
Repair Plant

Ukrainian
Railway
High Speed
Company

Passenger
Company

Personnel
Development
Centre

Healthcare
Centre

Korostenskyi
Ferroconcrete
Sleepers Plant
100%
shareholding

Gnivanskyi
Special
Ferroconcrete
Plant
100% share-
holding

Kyiv Electro-
technical Plant
"TRANSSYGNAL"
100%
shareholding

Dnipropetrovsk
Diesel Locomotive
Repair Plant
100% shareholding

Lviv Locomotive
Repair Plant
100%
shareholding

Zaporizhia Electric
Locomotive Repair
Plant
100% shareholding

Kyiv Electric Car
Repair Plant
100% shareholding



ENTERPRISES WHERE UKRZALIZNYTSIA OWNS SHAREHOLDINGS

PRIVATE JSC LVIV LOCOMOTIVE AND CAR REPAIR PLANT.

It makes the following repairs: repair and modernisation of locomotives, rolling stock, its units and assemblies; production of railway locomotives, rolling stock, and rail transport; manufacture and sale of spare parts, assemblies, units for locomotives and rolling stock, as well as machine-building products.

Governing bodies in accordance with the Charter: the General Meeting (the highest body), Supervisory Board, Internal Audit Commission, and the Board.

In 2018, the plant held 17 meetings of the Supervisory Board.

Annual dividends will be approved by the Annual General Meeting of Shareholders.

PRIVATE JSC DNIPROPETROVSK DIESEL LOCOMOTIVE REPAIR PLANT.

It is one of the biggest enterprises in Ukraine that specialises in major repairs and modernisation of diesel locomotives, repair of wheeled pairs for Railways and other customers in Ukraine, in production of spare parts for locomotives and rolling stock, repair of 2TE116, 2TE10, and TEM2 diesel locomotives, as well as in the manufacture of more than 600 types of spare parts, modernisation of ChME3 diesel locomotives.

Governing bodies in accordance with the Charter: the General

Meeting (the highest body), Supervisory Board, Internal Audit Commission, and the Board.

In 2018, the plant's Supervisory Board held 12 meetings.

Annual dividends will be approved by the Annual General Meeting of Shareholders.

PRIVATE JSC ZAPORIZHIA ELECTRIC LOCOMOTIVE REPAIR PLANT.

It specialises in repairs and maintenance of rolling stock, production of electric and other machinery and equipment, repair of wheeled pairs and traction engines, as well as the manufacture of spare parts for rolling stock.

Governing bodies in accordance with the Charter: the General Meeting (the highest body), Supervisory Board, Internal Audit Commission, and the Board.

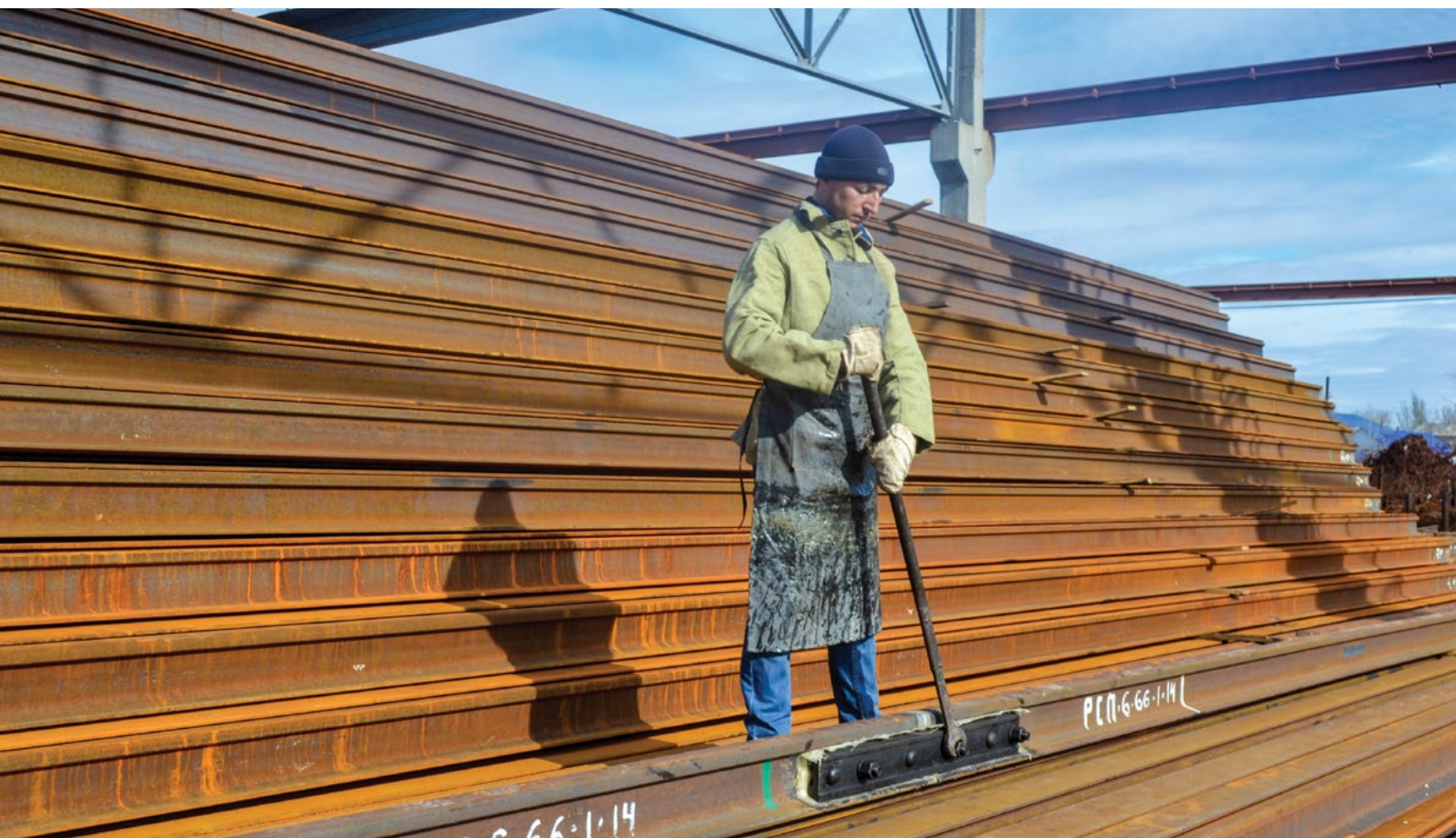
In 2018, the plant's Supervisory Board held 18 meetings.

Annual dividends will be approved by the Annual General Meeting of Shareholders.

PRIVATE JSC KYIV ELECTRIC CAR REPAIR PLANT.

It is only enterprise in Ukraine that performs major overhaul of all types and series of AC or DC electric trains, electric motors, and wheel pairs for rolling stock. The plant produces spare parts for in-house needs and needs of Ukrainian rail transport that substitute imports.

Governing bodies in accordance with the Charter: General Meeting (the highest body), Supervisory Board, Internal Audit Commission, and the Board.



In 2018, the plant's Supervisory Board held 8 meetings.
Annual dividends will be approved by the Annual General Meeting of Shareholders.

PRIVATE JSC GNIVANSKYI SPECIAL FERROCONCRETE PLANT.

It produces reinforced sleepers, pressured pipes, non-pressure pipes, catenary supports, foundation blocks, floor slabs, other reinforced concrete products, industrial, and building materials.

Governing bodies in accordance with the Charter: the General Meeting (the highest body), Supervisory Board, Internal Audit Commission, and the Board.

In 2018, the plant's Supervisory Board held 11 meetings.
Annual dividends will be approved by the Annual General Meeting of Shareholders.

PRIVATE JSC KOROSTENSKYI FERROCONCRETE SLEEPERS PLANT.

It specializes in the production of reinforced concrete pre-stressed sleepers for 1520 mm railways and switches for railways infrastructure. Main types of products: reinforced sleepers of type Sh 1-3, Sh1-1, SB3-0, Sh 2C-1, Sh-7, C-56-2, ShC 1u; 1/9 and 1/11 bars, concrete trays for drainage along tracks, and other concrete products. The plant is preparing for the production of sleepers with a more cost-effective high-strength wire by making a set with 40 high-strength wires instead of the traditional 44 wires. The move will save energy 400 tonnes of wire per year.

Governing bodies in accordance with the Charter: the General

Meeting (the highest body), Supervisory Board, Audit Commission, and the Board.

In 2018, the plant's Supervisory Board held 12 meetings.
Annual dividends will be approved by the Annual General Meeting of Shareholders.

PRIVATE JSC KYIV ELECTROTECHNICAL PLANT "TRANSSYGNAL".

Ukraine's only enterprise that manufactures electric locomotive drives, throttle transformers and signalling and interlocking devices, as well as flaw detection and track measurement devices, and other unparalleled products for Ukrzaliznytsia's needs.

Governing bodies in accordance with the Charter: the General Meeting (the highest body), Supervisory Board, Internal Audit Commission, and the Board.

In 2018, the plant's Supervisory Board held 10 meetings.
Annual dividends will be approved by the Annual General Meeting of Shareholders.

PRIVATE JSC UKRTRANSLEASING.

It operates as an intermediary in the trade of various goods and lends air transport. Other focus areas include non-specialized wholesale trade, freight rail transport, auxiliary ground transportation services, other transport support operations, financial leasing, and truck lending.

Governing bodies in accordance with the Charter: the General Meeting (the highest body), the Supervisory Board (the supervisory



body), General Director (the executive body), Internal Audit Committee (Internal Auditor, the controlling body).

In 2018, the company held 11 meetings of the Supervisory Board. Annual dividends will be approved by the Annual General Meeting of Shareholders.

PRIVATE JSC INSURANCE COMPANY TAST-GARANTIA.

Focus areas include insurance, reinsurance, financial operations connected with the creation, placement and management of insurance reserves, as well as contract-based services for other insurers and any another transactions for internal needs.

Governing bodies in accordance with the Charter: the General Meeting of Shareholders (the highest body); Supervisory Board, a body that protects the rights and interests of the company's shareholders, controls, and regulates the executive body; General Director, the executive body of the company; Internal Auditor, a body that controls the financial and economic operations of the company. The company held five meetings of the Supervisory Board in 2018. Annual dividends will be approved by the Annual General Meeting of Shareholders.

PRIVATE JSC INSURANCE COMPANY INTER-POLIS.

Focus areas of business include insurance, reinsurance, financial operations connected with the creation, placement and management of insurance reserves, in particular contract-based services for other insurers, other services and works directly related to the specified activities, as well as any transactions to meet internal needs.

Governing bodies in accordance with the Charter: the General Meeting of Shareholders (the highest body); Supervisory Board, a body that protects the rights and interests of the company's shareholders, controls, and regulates the executive body; General Director, the executive body of the company; Internal Auditor, a body that controls the financial and economic operations of the company.

The company held 19 meetings of the Supervisory Board in 2018. Annual dividends will be approved by the Annual General Meeting of Shareholders.

PUBLIC JOINT-STOCK BANK INDUSTRIALBANK.

In accordance with the charter, the Bank's focus areas of business is independent banking and other operations that may be carried out in accordance with the laws of Ukraine and regulatory acts of the National Bank of Ukraine.

Governing bodies in accordance with the Charter: the General Meeting of Shareholders (the highest body) and the Board (the collegial executive body).

Core operations: other types of remittance and monetary intermediation services.

Annual dividends will be approved by the Annual General Meeting of Shareholders.

ENERGO ZBUT TRANS LLC.

Focus areas of business include: electricity trading, electricity supply to consumers, data processing, posting of information on websites and related activities, support of web portals, provision



of other information services, programming, consulting and related activities, repair of computers and communication equipment; development, production, implementation, maintenance, measurement of technical information protection systems.

Governing bodies in accordance with the Charter: the General Meeting and the Director who is the sole executive body that manages day-to-day operations of the company.

Annual dividends will be approved by the Annual General Meeting of Participants.

UZ CARGO WAGON LLC.

Focus areas of business include freight rail transport; warehousing; cargo handling; other transport support activities; repair and maintenance of other vehicles.

The governing body of the company is the General Meeting of the members of the partnership.

Governing bodies in accordance with the Charter: the General Meeting and the Director who is the sole executive body that manages day-to-day operations of the company.

Annual dividends will be approved by the Annual General Meeting of Participants.

BREITSPUR PLANUNGSGESELLSCHAFT MBH.

Its key business goal is to plan the extension of 1520 mm track infrastructure from the Ukrainian border through the territory of Slovakia to the border with Austria and in Austria.

Its scope of operations in accordance with the Articles of Association are the development of feasibility studies, in particular

business analysis; evaluation of strategic aspects of the site and related machinery (equipment); analysis of cooperation with the relevant railway administrations in the operational sector. The company may also conduct other operations and activities deemed necessary and useful to achieve the company's goal, with the exception of banking and financial services. In particular, the company may establish branches in the country and abroad or to participate in the operations of companies having the same or similar corporate goal.

The governing body of the company is the General Meeting. The company may have one, two, three or four directors.

Annual dividends will be approved by the Annual General Meeting.

PRIVATE JSC UKRZOVNISHTRANS INTERNATIONAL TRANSPORT COMPANY.

Operates transport vehicles for domestic and foreign cargo transportation, as well as provides other services to Ukrainian and foreign legal entities and individuals. The company has not been doing business since 2012.

Annual dividends will be approved by the Annual General Meeting of Shareholders.

For more information about the companies wholly or partially owned by Ukrzaliznytsia, please see Annex 2.

BONUSES FOR EMPLOYEES

More information about the procedure for bonus awarding to managers is available in Integrated Report 2017 (Our Business section, Corporate Governance subsection). The bonuses of the heads of regional branches and affiliates are paid in accordance with the bonus regulations adopted by every individual company.

OUR AWARDS AND RECOGNITIONS

According to the State Fiscal Service, the Company ranked 6th in the TOP 100 largest taxpayers in 2018 (revenues from financial and industrial groups) by the tax payments to the Consolidated Budget of Ukraine and the 2nd in the transport sector. In addition, the Company generates 3.5% of revenues of the Consolidated Budget of Ukraine among all payers of the Large Taxpayers Office.

- Honorary Diploma from the Organization for the Co-operation of Railways (OSJD).
- Ukrzaliznytsia received the Rail Expo Award for the project "Launching a New Beskyd Tunnel". The initiative helped increase the traffic from and towards the western borders of the country.
- Ukrzaliznytsia's Refrigerated Wagons Company received a Ukraine's Choice 2018 certificate.
- In an annual expert contest held by PaySpace Magazine among Ukrainian e-commerce and FinTech players, booking.uz.gov.ua was recognized for the second time as the best online ticket service.
- According to Presa, a state-owned periodicals enterprise, Ukrzaliznytsia's newspaper Magistral joined Top 10 newspapers in Ukraine (8th place) for the largest national run.
- In February 2018, Inspector of the City TV project broadcast by 1+1 Channel gave the Intercity train, Route 747/748 Kyiv – Ternopil – Kyiv, the Pride of the City prize in Ternopil. In August 2018, Ukrainian Railway High Speed Company won a competition as the best H&S unit of Ukrzaliznytsia.
- In 2018, Odessa Railways staff received a certificate of merit from Odessa Regional Council.
- On 6 June 2018, the Main Department of Paramilitary Security was awarded a diploma for participation in a crossfit competition held as part of the Annual Ukrainian All-Round Cup among special-purpose units.





RISK MANAGEMENT

In the course of its operations, the Company may face various risk situations because of the impact of a large number of objective and subjective factors. Therefore, the development of a system for risk management, identification, and evaluation is extremely important for the Company's strategic objectives. At Ukrzaliznytsia, the risk management system seeks to achieve a balance between the receipt of revenues and the reduction of losses from operations. The system is integrated into the general policy of the Company at all levels, is a part of the planning and decision-making on critical issues, ensures the stable business development and is an integral part of the Company's governance. Risk analysis is based on the assessment of the impact of internal and external factors, the analysis of pre-conditions and reasons for their occurrence.

Risks may arise in all spheres of the Company's operations. Therefore, the responsibility for them is now distributed among all departments. The risk management is at all levels of management. The main responsibility for risk management lies with the top management of Ukrzaliznytsia. The management assigns powers to relevant employees who work to reduce the degree of these risks. All decisions taken in the process of risk management are in line with Ukrainian laws and corporate objectives of the Company. For more about risk management in the Company, please see Integrated Report 2017 (Our Business section, Corporate Governance subsection).

RISK MANAGEMENT IS AN INTEGRAL COMPONENT OF ANY MANAGEMENT SYSTEM, ENSURING THE STABLE BUSINESS DEVELOPMENT AND IMPROVED EFFICIENCY OF BUSINESS ADMINISTRATION.

ANTI-CORRUPTION POLICY

In pursuance of the anti-corruption laws of Ukraine, Ukrzaliznytsia introduced an updated anti-corruption programme on 23 March 2018 (Executive Order No. 192). The document relies on the standard anti-corruption programme approved by the National Agency on Corruption Prevention (Decision No. 75, dd. 2 March 2017) and Methodical Recommendations for the Preparation and Implementation of Anti-Corruption Programmes of Legal Entities approved by the Agency (Decision No. 734, dd. 22 September 2017). On 12 December 2018, Ukrzaliznytsia appointed an Anti-Corruption Officer in line with Articles 62.5 and 64.1 of the Law of Ukraine On Prevention of Corruption.

The Company took measures to implement Law of Ukraine On Prevention of Corruption, the Cabinet of Ministers Resolution No. 706 dd. 4 March 2013 "Aspects of Prevention and Detection of Corruption", and other anticorruption regulations.

In pursuance of the Law of Ukraine On Prevention of Corruption and the Company's Anti-Corruption Programme, Ukrzaliznytsia took a number of measures in 2018 to prevent and counteract corruption. In particular, HR departments notified managers and officials of central office and branches, who resigned or otherwise ceased to perform public functions, about the need to submit public official declarations upon resignation to report about previously unreported periods as prescribed by law.

Late filings or failures to file declarations as established by Article 3 of the Law of Ukraine On Prevention of Corruption are reported to the National Agency on Corruption Prevention.

Also, Ukrzaliznytsia took other measures to identify and prevent corruption offences. In particular, employees of the Security Department participated in 1,033 inspections leading to 147 cases reported to law enforcement agencies (of which 91 resulted in criminal proceedings). Administrative protocols were made against 13 railwaymen for violation of anticorruption legislation. The inspections covered the following areas: tender-based procurements and contract administration, property and land relations, energy and electricity, locomotive and passenger facilities, etc.

THE HEADS OF STRUCTURAL SUBDIVISIONS AND THE AUTHORISED OFFICER DID NOT DETECT ANY CONFLICT OF INTERESTS AND CORRUPTION RISKS IN THE WORK OF THE ADMINISTRATION OFFICIALS.

THE STRUCTURAL AND PRODUCTION UNITS OF THE COMPANY'S REGIONAL BRANCHES AND AFFILIATES RECORDED 71 POTENTIAL AND ACTUAL CONFLICTS OF INTEREST, OF WHICH 28 WERE SETTLED ACCORDING TO PROCEDURES ESTABLISHED BY THE LAW OF UKRAINE ON PREVENTION OF CORRUPTION.

IN ORDER TO PREVENT, DETECT AND ELIMINATE CORRUPTION RISKS IN THE ACTIVITIES OF THE BOARD AND EMPLOYEES OF UKRZALIZNYTSIA, THE UPDATED ANTI-CORRUPTION PROGRAMME OF THE SOCIETY ENVISAGES ACTIVITY OF THE COMMISSION FOR THE ESTIMATION OF CORRUPTION RISKS, ITS COMPOSITION AND PROCEDURE IS DETERMINED.

Following examination and briefing sessions, 1,135 offenders were held disciplinarily liable (161 employees were dismissed, 414 were reprimanded, 81 were transferred to other positions or removed from work, and 479 were warned or deprived of bonuses).

Of the 199 reports recorded by the Stop Corruption contact centre, about 80 had elements of corruption committed by the Company's employees. Following the inspection, 32 of these employees were held disciplinarily liable. One of them, a manager, was dismissed.

The Company probed into possible unlawful actions by officials reported in 22 requests of members of local councils and the Parliament and 85 reports of citizens, enterprises, and organisations.

PROJECT OFFICE

In 2018, Ukrzaliznytsia's Project Office continued its operations. Jointly with the structural divisions of the Company's administration, the unit developed Ukrzaliznytsia's first internal standards of project management that would help coordinate Company's projects, assess their efficiency, effectiveness, and risks.

Ukrzaliznytsia continues to improve its procurements and transparency of procurement under the project "Benchmarking and Conducting Certification of Supply Management at Ukrzaliznytsia in Line with CIPS Approaches". The European Bank for Reconstruction and Development financed the benchmarking project as part of the loan agreement with the Company. The Chartered Institute of Procurement and Supply (UK) was a consultant of the initiative that benchmarked and analysed the Company's practices against internationally recognised standards. Following the review of procurement processes and approaches, as well as the certification of the supply function, Ukrzaliznytsia will be able to increase the number of bidders (including foreign bidders) and thus buy products and services of higher quality and reasonable cost. At present, the Company is regulated by the Law of Ukraine On Public Procurement and purchases most of its products, works, and services through the government-run ProZorro e-procurement system. However, effective procurements are also about an effective internal procurement management system based on a process approach. Therefore, the Company is set to systematise and update supply and procurement approaches in line with international standards and following the certification.

Within the framework of the benchmarking project, Ukrzaliznytsia developed such important documents as the Code of Corporate Ethics, anti-corruption policy, gift policy and regulations on prevention and resolution of conflicts of interest. They lie at the heart of the Company's business and corporate governance. In line with the procurement cycle, Ukrzaliznytsia developed draft documents corresponding to the certification elements in five functional areas: organisational structure, people, policies, processes, and evaluation. In particular, the documents included regulations on general criteria and requirements for bidders in procurement procedures and bidder verification methodology at Ukrzaliznytsia. The appointment of a Procurement Director is an important step towards a new responsible and professional supply system, which helps greatly to ensure operations of the Company as a going concern.

In addition, Ukrzaliznytsia developed a draft document to roll out a business intelligence system, which would become an integral



part of the Company's business processes and senior management. This project should help increase the business efficiency and manageability, provide high-quality operational management, and organise a single business administration system, which is instrumental to decision-making and other processes in the Company. To date, Ukrzaliznytsia has developed a project structure, documentation, and concept, as well as made a pilot passenger traffic analysis in Ukraine according to mobile operators' data.

In a move to build a transparent and efficient car management system, the Project Office proposed (and implemented in December 2018) a pilot project to sell the services (use of Ukrzaliznytsia's cars) via the ProZorro.Sales e-commerce system. The initiative saw a successful start: up to 5% of the Ukrzaliznytsia's fleet were intended for this purpose.

The first tenders for the sale of services via the ProZorro.Sales e-platform showed that the market perceives these tenders as an efficient, accessible, and transparent mechanism to set an objective fee for the car use. The fee for using Ukrzaliznytsia's gondola cars increased by more than 60% following the first tender. The Company is set to put out up to 40% of its empty cars for e-tenders in 2019. The tenders will help determine the indicative prices for the entire car fleet, depending on the type and period.

In November 2018, Ukrzaliznytsia established a 100%-owned affiliate, UZ Cargo Wagon LLC in a move to increase the overall operational

efficiency of the Company's project implemented jointly with the European Bank for Reconstruction and Development to purchase new general-purpose freight cars for a total of approximately \$260 million. The new freight cars will be purchased, in particular, in regard to EBRD's part of financing, according to the bank's rules and on a competitive basis through e-tenders.

HUMAN RIGHTS

In 2018, Ukrzaliznytsia continued its efforts to ensure the protection of human rights, by continuing to disclose publicly its approach to human rights policy and practices. For more about the focus areas in this field, please see Ukrzaliznytsia Integrated Report 2017 (Social Policy section, Human Rights subsection).

The Company developed a policy to prevent modern slavery. This document is intended to confirm our position that our employees, partners, and the third parties acting on behalf of the Company, should not engage in any business practices involving human trafficking or slavery. We are also committed to a policy of zero tolerance to human trafficking and slavery in our supply chain. At the time of preparation of the Report, the Company was finalising the document through coordination with its respective units. The Policy for the Prevention of Modern Slavery is expected to be approved in 2019.

KEY OPERATING RESULTS

IN 2018, THE COMPANY TOOK **88** SCHEDULED MEASURES TO A TOTAL OF UAH **1,556,700** TO ENSURE FREE ACCESS TO RAILWAY FACILITIES FOR PEOPLE WITH DISABILITIES.

IN ADDITION, UKRZALIZNYTSIA POSTED INFORMATION ABOUT ACCESSIBLE TRAIN STATION DESIGN FOR DISABLED PASSENGERS ON ITS WEBSITE, PASSENGERS SECTION, PEOPLE WITH DISABILITIES SUBSECTION. BY CLICKING [HTTP://UZ.GOV.UA/PASSENGERS/PERSONS_WITH_DISABILITIES/](http://uz.gov.ua/passengers/persons_with_disabilities/), EVERYONE CAN CHECK AN INTERACTIVE MAP TO SEE INFORMATION ON THE ARRANGEMENT OF ACCESSIBLE PLACES AND REST ROOMS, WAITING ROOMS, DRESSING ROOMS, TICKET OFFICES, RAMPS, CALL BUTTONS, LUGGAGE OFFICES, PARKING PLACES, AND NAVIGATION FACILITIES.

LONG-DISTANCE PASSENGER TRANSPORTATION

In 2018, Ukrzaliznytsia's passenger service units worked to implement a range of measures in:

- Arrangement and provision of passenger transportation services;
- Preparation of passenger trains for runs;
- Repair and operation of passenger cars;
- Renewal of passenger cars;
- Participation in the development and support of the car manufacture;
- Services for passengers in trains;
- Operation of rail terminals and stations;
- Marketing.

To offer passenger services, Ukrzaliznytsia operates 105 terminals and stations (15 extra-class stations, 7 first-class stations, 34 second-class stations, and 49 third-class stations).

In addition, 1,288 stations have in-house passenger service facilities. Fourteen depots and nine passenger car units with eighteen car attendant pools are in place to repair and service passenger cars. Fourteen car repair depots operate under the umbrella of Ukrzaliznytsia's Passenger Company.

Passenger Company's nineteen passenger car depots and units prepare trains for runs.

In 2018, the Company provided services to 524,600 passengers travelling from Ukraine to the EU. The passenger traffic grew by 222,400 people, or by 73.6%, year on year. In the reverse direction, Ukrzaliznytsia served 292,600 passengers in 2018, which was by 116,500 people (66.1%) more than in 2017.

IN 2018, **2,145 SEATS** WERE ARRANGES IN THE SPECIAL CARS FOR PEOPLE WITH DISABILITIES. THEREFORE, ABOUT **2,000 RUNS** ARE IN PLACE TO CARRY THIS PASSENGER CATEGORY.

KEY PERFORMANCE INDICATORS OF PASSENGER TRANSPORTATION

Indicator	2016	2017	2018	2018 against 2017, %
Passenger turnover, million PKM	26,997.1	28,043.4	28,614.9	102.2
Suburban	5,748.3	5,443.5	4,986.4	91.6
Long-distance, including:	21,248.8	22,557.8	23,628.5	104.7
High-speed service	1,872	2,417	2,652	109.7
Passengers served:	162,340.8	158,126.0	151,162.0	95.6
Suburban	119,352.0	112,541.0	103,876.0	92.3
Long-distance, including:	42,988.8	45,585.4	47,286.7	103.7
High-speed service	3,807	5,185	5,660	109.2

The Rail Timetable 2018/19 includes 181 pairs of passenger trains, including 133 year-round pairs, 19 seasonal pairs, and 29 one-time 29 pairs. This is excluding regional trains serviced with multiple units. This is excluding regional trains serviced with multiple units, with 158 pairs operated by Passenger Company and Ukrainian Railway High-Speed Company operated, 11 pairs operated by CIS countries, and 12 pairs operated by other countries.

By destination:

- 20 pairs of trains traveling to CIS countries;
- 20 year-round pairs travelling to Western countries;
- 141 domestic service trains.

In 2018, 1,988 passenger cars had scheduled repairs, including 1,411 roundhouse servicing, and 575 car had overhauls.

In addition, 118 cars underwent major repairs resulting in the extended service life, installed modern roof air conditioners and environmentally friendly WC systems, upgraded interiors, a climate control system introduced in each compartment, etc.

In total, the Company repaired 2,106 passenger cars.

With the renewal of the passenger car fleet, Ukrzaliznytsia launched new routes from Zaporizhia to Uzhgorod, from Kyiv to Lysychansk, and from Kyiv to Riga. Odessa – Kharkiv, Kyiv – Novooleksiivka, Kyiv – Truskavets, Dnipro – Kyiv, and Lviv – Bakhmut were upgraded and added with more cars after major repairs.

Upon renewal of the passenger car fleet, the Company met European quality standards. which was confirmed with the launch of an

international train to the EU countries on the route Kyiv – Minsk – Vilnius – Riga. The train consisted of passenger cars that had had roundhouse servicing made by Passenger Company.

IN 2018, UKRZALIZNYTSIA HANDLED **3,188 TONNES OF LUGGAGE**, OR **52.5% OF THE 2017 FIGURE (6,070 TONNES)**.

THE COMPANY TRANSPORTED **8,984 AUTOMOBILES FOR UAH 10,610,000 IN 2018 AGAINST 8,055 VEHICLES FOR UAH 6,132,000 IN 2017.**





IN 2018, **27.7 MILLION SEATS** WERE BOOKED ONLINE, WHICH WAS **50% OF THE TOTAL TICKET SALES OF 55.2 MILLION** AND UP BY **25% YEAR ON YEAR.**

In 2018, Ukrzaliznytsia entered into four contracts for the manufacture and supply of 54 new passenger cars with improved performance. Over the past two decades, this is the biggest car supply. In late 2018, eight of these cars were supplied and used during the New Year and Christmas holidays. The remaining 46 cars will be delivered before the summer transportation season 2019.

ONLINE TICKET BOOKING

The online train ticket booking enjoys an increasing demand among passengers. A passenger may register via Ukrzaliznytsia's service website, booking.uz.gov.ua, or through a network of agents.

The booking.uz.gov.ua site offers ticket reservations for journeys with changes of trains. Passengers can get information about possible

changes of trains and buy tickets for connecting trains.

You can buy tickets online for Ukrzaliznytsia-made trains Odessa – Przemyśl and Kyiv – Minsk – Vilnius – Riga. Passengers may make ticket reservations for regional trains.

Travel passes are checked with mobile terminals via QR codes.

PREPARATIONS OF PASSENGER CARS

For winterisation of passenger trains and reduction of expenses for coal purchases, Ukrzaliznytsia provided heating in passenger cars with 62 electric units of 3000V external power supply. This helped save coal for heating cars in staging yards. This made it possible to connect simultaneously 62 passenger trains to the 3000V energy supply.

During the summer season, the Company used 542 electric units of 380V power supply for air-conditioning at the train maintenance stations to improve the comfort of passenger transportation. This allowed cooling the cars before passenger boarding.

Odessa Holovna car depot upgraded its boiler facilities to ensure the reliable operation of the boiler equipment and increase energy efficiency.

Passenger Company developed Energy Saving Programme 2025.

KEY DOMESTIC ROUTES

Kyiv – Lviv, Ivano-Frankivsk, Uzhgorod; Kyiv – Odessa, Kherson; Kyiv – Dnipro, Zaporizhia; Kyiv – Kharkiv; Kyiv – Vinnitsa; Odessa – Lviv; Kyiv – Przemyśl.

PASSENGER CAR FLEET

As of 1 January 2019, Ukrzaliznytsia's inventory fleet of passenger cars had 4,220 cars, including 67 cars of up to 5 years old, 23 of 5 to 10 years, 295 of 10 to 15 years, 87 of 15 to 20 years, 358 of 20 to 28 years, 2,880 of 28 to 41 years, and 568 cars of over 41 years. The aging rate significantly increases the rate of passenger car renewal. The average age of cars is 31.6 years.

In 2018, 257 cars were removed from the inventory fleet. However, since 2016 the fleet of operational cars has been kept at 2,900 cars due to the car modernisation and extension of the service life.

A SPECIAL SOFTWARE WAS DEVELOPED USING THE MINISTRY OF SOCIAL POLICY'S CENTRAL DATABANK ON DISABILITY FOR ONLINE RESERVATIONS FOR PEOPLE WITH DISABILITIES. THE SYSTEM ALLOWS VERIFICATION OF ID DOCUMENTS CONFIRMING THE RIGHT TO TRAVEL PRIVILEGES.



PROJECTS AND PROGRAMMES

The Company's passenger rail timetable is based on the analysis of passenger traffic with regard to the passenger needs of both in the long-distance and suburban service. The Rail Timetable 2018/19 includes 181 pairs of passenger trains, including 133 year-round pairs, 19 seasonal pairs, and 29 one-time 29 pairs. This is excluding regional trains serviced with multiple units with 158 pairs operated by Passenger Company and Ukrainian Railway High-Speed Company operated, 11 pairs operated by CIS countries, and 12 pairs operated by other countries.

By destination:

- 20 pairs of trains traveling to CIS countries;
- 20 year-round pairs travelling to Western countries;
- 141 domestic service trains.

Ukrainian Railway High-Speed Company is set to operate 15 pairs of IC+ and IC trains between Kyiv and Przemyśl, Kyiv and Kharkiv, Darnytsia (Kyiv) and Lviv, Kyiv and Ternopil, Kyiv and Kostiantynivka, Kyiv and Zaporizhia, Kyiv and Pokrovsk, Kyiv and Kryvyi Rih, Darnytsia (Kyiv) and Odessa.

The 2018/19 Rail Timetable includes 15 pairs of new trains.

The Company paid special attention to the passenger rail service to Luhansk and Donetsk Oblasts. Three pairs of year-round passenger trains were assigned for this destination. The route of trains passing from Lviv to Kyiv was extended to Bakhmut to establish a direct connection of the northern areas of Donetsk Oblast with Western Ukraine.

Ukrzaliznytsia launched a Kyiv – Minsk – Vilnius – Riga train, which first departed from Kyiv on 28 September 2018 and departed back from Riga on 29 September 2018. In 2018, the train ran once a week, with 2,036 passengers travelling from Kyiv and 1,655 passengers in the reverse direction.

In 2018, 419,600 passengers travelled by Ukrzaliznytsia trains from Ukraine to the European Union, showing an 82% increase in the passenger traffic. In the reverse direction, 266,000 people took Ukrzaliznytsia's trains for reverse journeys in 2018.

Ukrzaliznytsia launched the service to European cities: Vienna, Budapest, Kosice, Bucharest, Suceava, Warsaw, Wroclaw, Krakow, Riga, Vilnius, Przemyśl, and Helm.

- For journeys between Ukraine and Hungary, a daily round-trip train departs from Budapest to Mukachevo (1435 mm tracks).
- The rail timetable enables passengers to change from IC+ to other categories of trains at the junction stations.
- The 2018/19 timetable includes 19 pairs of summer trains, of which 18 pairs are for the domestic service.

Passenger Company opened a contact centre to improve the passenger service quality. Most issues should be fixed at the time passengers ask for resolution for the first time online. The Company developed new quick-response patterns and introduced new processes to shorten the processing time for proposals and comments.



PLANS

Establishment of Railway Station Company branch, which will include 21 stations of extra-class and 1st class, which are now part of Passenger Company and 84 railway stations of the 2nd and 3rd class, which currently operate under umbrella of Ukrzaliznytsia's regional branches.

Continued improvement of all types of services offered at the stations via payment cards.

Establishment of UkrRemPasService branch to evolve from the Passenger Company's repair departments.

Replacement of staff uniforms.

Extension of online services for passengers:

- booking a specially equipped carriage for people with disabilities moving on carts and receiving travel passes;
- making group reservations online;
- launching a Waiting List service;
- making ticket reservations for rail journeys to European countries.

Online registration of privileged travel documents for people with disabilities, confirming the validity of the documents certifying the right to the privilege, using the central databank on disability of the Ministry of Social Policy.

Possible launch of a rail service between Prague and Mukachevo (1435 mm tracks). This option is currently discussed with the Czech and Slovak sides.



SUBURBAN PASSENGER TRANSPORTATION

Suburban passenger transportation has a high socio-economic importance in the community. The high demand of the population for such transportation is related both to business (commuting) and recreation activity (holiday trips, guided tours, shopping tours, etc.). The advantage of railway transport compared to other types of passenger transportation is due to high freight capacity, affordable fares, reliability, and punctuality.

In 2018, passenger turnover at Ukrzaliznytsia's regional branches in the area of suburban passenger transportation amounted to 5 billion pkm, or 92.3% of the planned target and 91.6% of the 2017 level.

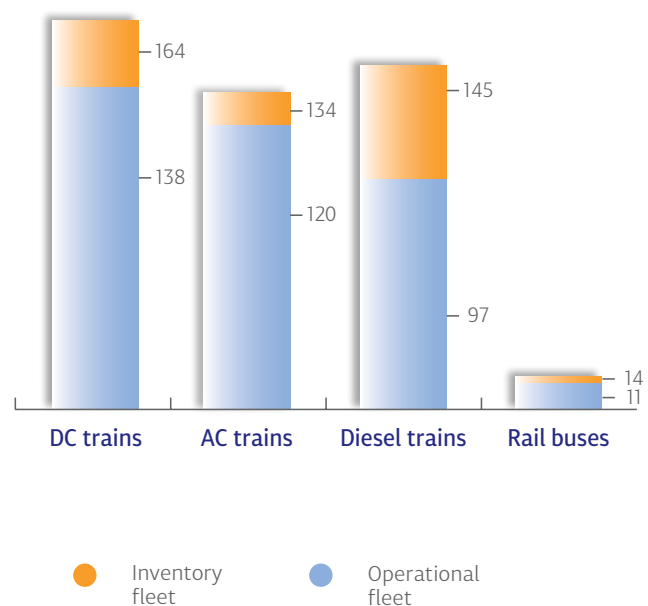
An average of 1,340 commuter trains run daily to meet suburban transportation needs. In a day, about 300,000 passengers in Ukraine use these trains, or 52.3% of the total number of people who travel by rail transport.

In 2018, suburban trains carried 105.6 million passengers, or 8.8 million less than in 2017 and 92.5% of the planned target.

The decrease in the number of passengers transported by suburban trains occurred due to the reduced number of:

- Benefit-entitled passengers carried by railway free of charge – by 4.8 million people, or 12.1%;

INVENTORY AND OPERATIONAL FLEET



- Passengers carried under form 4* – by 2.5 million people, or 20.6%;
- Fare-paying passengers – by 1.5 million people, or 2.3%.

* Form 4 users are railwaymen and their children.

As of 1 January 2019, the multiple unit inventory fleet has 1,335 sections, (including 38 sections of the Ukrainian Railway High Speed Company), (656 alternating current and 645 direct current sections), 246 diesel trains, and 14 rail buses.

1,041 sections, or 256 electric trains (508 AC sections, or 120 trains, and 533 DC sections, or 136 trains), 97 diesel trains, and 11 rail buses are in operation.

1,031 sections (74.1%) of electric trains (533 sections, or 107 AC trains (81.2%), and 4 sections, or 105 DC trains (67.8%); and 269 sections, or 138 diesel trains (96.1%) were fully depreciated.

One of the main problems is the obsolete multiple unit rolling stock. Depreciation of the multiple unit rolling stock is 87.5% for electrical trains (91.6% for AC and 83.7% for DC), 97.2% for diesel trains, and 26.5% for rail buses.

263 sections, or 55 DC trains (33.5%), and 18 sections, or five AC trains (4.0%), have been in operation beyond their extended service life (for over 50 years). 29 sections, or 14 diesel trains (9.5%) have been in operation for over 40 years.

One of the problems of suburban passenger transportation is the under-compensation of losses to the regional branches for the transportation of preferential categories of citizens.

In 2018, Ukrzaliznytsia's regional branches carried 33.7 million benefit-entitled citizens by suburban trains. That is 5.6 million less than in 2017 (39.3 million). The services provided in 2018 amounted to UAH 389.4 million, 20.4 million less than in 2017 (UAH 409.8 million). Losses from transportation of preferential categories of citizens must be compensated by local executive authorities. In 2018, they compensated UAH 88.6 million, 16.6 million more than in 2017 (UAH 72.0 million). The percentage of compensation in 2018 was 22.8%, in 2017 – 17.6%.

In accordance with Article 91.3(e) of the Budget Code of Ukraine, local budget expenditure, which may be paid from any local budget, include expenditure on compensations for the carriage of benefit-entitled passengers. Thus, local authorities and self-governing bodies may independently determine the volume of services and anticipate expenditures for these purposes. In 2018, Ukrzaliznytsia's regional branches concluded 402 contracts.



SUBURBAN PASSENGER TRANSPORTATION HAS AN EXTREMELY IMPORTANT SOCIAL FUNCTION. IN ACCORDANCE WITH CURRENT LEGISLATION, SUBURBAN TRAINS CARRY 17 PREFERENTIAL CATEGORIES OF CITIZENS (ABOUT ONE THIRD OF SUBURBAN PASSENGERS ARE BENEFIT-ENTITLED).

UKRZALIZNYTSIA'S TOTAL
ARREARS FOR THREE YEARS
AMOUNT TO UAH

1,012.6 MILLION.

COMPENSATION FOR THE CARRIAGE OF BENEFIT-ENTITLED PASSENGERS

year	Cost of services, UAH million	Compensa- tion received, UAH million	Arrears, UAH million
2016	417.6	43.6	374.0
2017	409.8	72.0	337.8
2018	389.4	88.6	300.8

TOTAL RIDES BY CATEGORY, 2018, MILLION

Paid		Children		Students		Transit pass		Free pass		Form ⁴	
tickets	rides	tickets	rides	tickets	rides	tickets	rides	tickets	rides	tickets	rides
55.7	61.0	1.4	1.5	5.6	6.3	0.6	-	17.7	33.7	-	9.8

REPAIRS

In 2018, Kyiv Electric Car Repair Plant improved the interior and exterior of 13 electric trains (63 sections). Other adjustments significantly enhanced the operation of multiple unit rolling stock and passenger transportation conditions.

The plant underwent overhauls and upgrades, with the extension of service life of 72 sections of electric trains (15 trains).

RETAINING CURRENT AND ATTRACTING NEW PASSENGERS

1. In 2018, shuttle movement suburban trains continued to run on the Sviatoshyn – Klavdiievo – Sviatoshyn route of the Teteriv – Sviatoshyn – Teteriv section, with two modernised and comfortable 10-car electric trains.

2. Since June, suburban passenger transportation in the Mariupol – Volnovakha direction is carried out by electric trains registered at Lyman regional suburban unit 3, replacing an electric locomotive with all-steel cars. That made it possible to

significantly improve the quality of services.

3. The Company took a number of organisational and technical measures regarding the use of type 620M passenger buses produced by PESA (Poland) to service Sky Express trains at the Kyiv – Boryspil section.

4. Suburban trains are serviced by ticket cashiers (travelling) and passenger car attendants (multiple unit trains), with the use of video recorders. It disciplines passengers and is consistently implemented to generate appropriate revenues.

5. In agreement with the relevant regional state administrations, the passenger transportation fares increased by an average of 53.4% at the Donetsk Railways; 10% at the Prydniprovye Railways; 43.0% at Southern Railways in the Poltava and Sumy directorates (Sumy, Poltava, Chernihiv Oblasts); at the Lviv Railways – by 47.6% in Lviv, Rivne, Ternopil, Ivano-Frankivsk and Uzhgorod directorates (Lviv, Rivne, Ternopil, Ivano-Frankivsk, Chernivtsi and Zakarpattia Oblasts) and by 29.8% in Rivne directorate (Volyn Oblast).



CHALLENGES

The main challenges in the suburban passenger transportation sector are:

- 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 state support in resolving issues of suburban railway transportation, particularly the compensation to the Railways of the losses incurred for suburban transportation, including transportation of preferential categories of citizens;
- Lack of modern approaches to the financing of suburban transportation (contracts for the operation and maintenance of multiple unit rolling stock);
- Low household income and passengers' habit of evading commuter fare.

The Company is yet to develop a mechanism of compensating for the difference between the actual cost of transportation and revenues from transportation based on approved rates. The regional state administration authorities have a negative attitude towards the proposals of Ukrzaliznytsia's regional branches regarding the increase of suburban passenger transportation rates.

IT WOULD BE PREFERABLE FOR THE COMPANY IF THE GOVERNMENT INTRODUCED TARGETED CASH PAYMENTS TO PREFERENTIAL CATEGORIES OF CITIZENS. THIS WOULD ENABLE THE CARRIER TO GET THE FULL FARE, REGARDLESS OF THE SOCIAL STATUS OF PASSENGERS.



PLANS

To improve passenger transportation conditions, Ukrzaliznytsia's financial plan proposes:

- the purchase of the first 3-car diesel train for the cost of UAH 147.5 million (VAT excluded) for regional transportation;
- overhauls and upgrades of 46 sections of electric trains (about nine trains), four diesel trains by repair plants, and roundhouse servicing to the total amount of UAH 344.4 million (VAT excluded);
- 56,000 current repairs of rolling stock in depots to prevent operational malfunctions and maintain it in a functional and proper sanitary condition.

⁴ Form 4 users are railway workers and their children.

COMMERCIAL HOUSEHOLD

Ukrzaliznytsia provides reception of cargoes (including transits) and their transportation by rail. The commercial household (cargo facilities) plays a key role in the organisation of these processes.

The commercial household is responsible for interacting with clients in terms of organisation of cargo transportation, monitoring cargo transportation, developing and implementing relevant marketing measures.

CARGO TRANSPORTATION

In 2018, Ukrzaliznytsia transported 322.3 million tonnes of cargo,

down by 17.2 million tonnes (5.1%) year-on-year. The cargo turnover amounted to 186.3 billion tkm, or 5.6 billion tkm (2.9%) less than in 2017. The volume of transportation decreased for all types of services: exports by 8.71 million tonnes (7.5%); domestic by 5.04 million tonnes (3.1%); transit by 3.21 million tonnes (16.4%); and imports by 0.25 million tonnes (0.6%).

The main consumers of Ukrainian exports (according to transport documents) are: Switzerland (18.4% of total exports); Poland (8.7%); China (8.7%); Russia (7.6%); Belarus (5.2%). In 2018, the biggest cargo transits came mainly from Russia (79.8%), Belarus (8.3%), and Kazakhstan (5%).



KEY INDICATORS

Indicators	2016	2017	2018	% against 2017
Cargo transported, million tonnes	343.4	339.6	322.3	94.9
Cargo delivered, million tonnes	292.1	277.3	267.6	96.5
daily average	0.80	0.76	0.73	96.1
Total cargo turnover, billion tkm, incl.	226.1	232.1	228.5	98.5
freight turnover	187.6	191.9	186.3	97.1
empty running	38.50	40.19	42.25	105.1

KEY RAIL TRANSPORTATION INDICATORS

Indicator	Service	2017	2018	+/- against 2017	% against 2017
million tonnes	Transported, incl.	339.6	322.3	-17.21	94.9
	Transit	19.6	16.4	-3.21	83.6
	Import	43.9	43.6	-0.25	99.4
	Export	116.1	107.4	-8.71	92.5
	Domestic	160.0	155.0	-5.04	96.9
million tkm	Cargo turnover, incl.	191,914.1	186,344.1	-5,570.0	97.1
	Transit	20,272.6	17,452.8	-2,819.8	86.1
	Import	22,873.7	23,846.0	972.4	104.3
	Export	79,817.3	76,664.9	-3,152.5	96.1
	Domestic	68,950.5	68,380.4	-570.1	99.2

CARGO TRANSPORTATION BY COMMODITY FOR ALL TYPES OF SERVICES, MILLION TONNES⁵

Cargo class	2017	2018	+/- against 2017	% against 2017
Iron ore and manganese ore	70.2	70.9	0.7	101.0 %
Coal	67.1	64.9	-2.2	96.7 %
Mineral building materials	62.7	57.4	-5.2	91.6 %
Grain and ground products	36.9	33.8	- 3.1	91.6 %
Ferrous metals	22.5	22.4	-0.1	99.6 %
Oil and oil products	13.9	12.2	-1.6	88.2 %
Chemical and mineral fertilisers	12.5	9.2	-3.3	73.6 %
Cement	6.4	6.2	-0.2	96.9 %
Coke	6.5	5.6	-0.9	85.8 %
Chemicals	3.6	3.7	0.1	104.0 %
Ferrous scrap	3.1	3.0	-0.1	98.3 %
Timber	3.7	2.8	-0.9	76.6 %
Salt	1.8	2.1	0.4	122.3 %
Other	28.8	28.0	-0.8	97.1 %

The following factors determined the decrease in transportation:

- Loss of capacities of metallurgical plants and coal mining companies located in the certain areas of Donetsk and Luhansk Oblasts. In Q1 2017 (before the cessation of carriage), transportation from/to these areas made 5.2 million tonnes.
- Lower grain yield in 2017/2018 marketing year by 6.4%;
- Partial refocus on motor and river transportation;
- Introduction and extension of Russia's discriminatory trade and transport restrictions on the transportation of transit and export cargoes (including mineral building materials and chemical fertilisers);
- Partial redirection of transit cargo flows from the Russian Federation to other destinations;
- Stronger control over deforestation in Ukraine in accordance with the Draft Law No. 5495 of 6 September 2018, approved by the Verkhovna Rada.

CONTAINER TRANSPORTATION

In 2018, 334,900 TEUs (twenty-foot equivalent units) were transported by rail within the territory of Ukraine. That is 1.5% of the total volume of goods transported by rail.

To increase transportation volume, accelerate delivery, and store container cargo, Ukrzaliznytsia launched 17 container trains, including seven transit trains, which now run on a permanent basis. For the most part, container trains that run in Ukraine typically have 57 conventional cars. The number of container flatcars in a

train depends on the flatcar's length. Thus, an average container train running in Ukraine transports 40 container flatcars.

In 2018, Ukrzaliznytsia, together with other carriers, launched a container train on the China – Kazakhstan – Russia – Ukraine – the EU route, transporting forty-foot containers with assorted

**IN 2018, THE CONTAINER
TRANSPORTATION WITHIN THE
TERRITORY OF UKRAINE INCREASED BY
13% AGAINST 2017, IN PARTICULAR:**

- BY 17% IN EXPORTS
- BY 8% IN IMPORTS
- BY 11% IN THE DOMESTIC SERVICE
- BY 24% IN TRANSITS.

⁵ Corrected data

IN 2018, **119,915** TEUS WERE TRANSPORTED WITHIN THE TERRITORY OF UKRAINE AS PART OF CONTAINER TRAINS AND ROUTE GROUPS. THAT WAS 48% MORE THAN IN 2017 (80,806 TEUS) AND **36%** OF THE TOTAL NUMBER OF CONTAINERS TRANSPORTED ACROSS THE TERRITORY OF UKRAINE.

cargo. The goal was to accelerate the delivery and store container cargo on the territory of Ukraine, and to increase the volume of transportation.

Furthermore, in 2018 Ukrzaliznytsia launched eight regular container trains, connecting Black Sea ports with terminal facilities located in the areas of cargo flow concentration. The trains run according to the timetable on specific days of the week, providing accelerated container cargo delivery.

Regular container trains are a new service in the Ukrainian transport market. Their benefits include shorter delivery and safety of transported cargo, and a competitive cost of transportation compared to alternatives.

This product creates opportunities for attracting additional volumes of freight transportation by rail, developing intermodal transportation, and attracting international intermodal transport operators to the Ukrainian transport market.



CONTAINER TRANSPORTATION BY CONTAINER TRAINS

Train name (launch of service)	Total containers in TEUs			
	2016	2017	2018	% against 2017
Total transported	73,702	80,806	119,915	+48 %
Total containers transported by trains	60,329	55,551	95,700	+72 %
Viking	4,354	8,221	10,387	+26 %
ZUBR	1,499	1,596	2,320	+45 %
Romania – Togliatti	6,182	7,388	6,054	-18 %
Slovakia (Kosice) – Russia (Perspektivnaya)	12,664	5,468	3,208	-41 %
Land Bridge (China – Slovakia/Hungary) (since November 2017)	1,546	82	506	6.2-fold
China – Slovakia (through Mongolia since June 2017)	0	2,410	4,554	+89 %
China – Slovakia (through Kazakhstan since February 2018)	0	0	6,906	–
Nika (Nikopol – Chornomorsk/Poromna)	29,926	23,680	21,506	-9 %
Nyzhniodniprovsk-Prystan – Chornomorska	4,158	6,706	9,644	+44 %
Kyiv-Liski – Chornomorska (since January 2018)	0	0	10,559	–
Odessa-Port/Chornomorska – Rozhniativ (since May 2018)	0	0	7,897	–
Kharkiv-Liski – Chornomorska (since July 2018)	0	0	2,100	–
Dnipro-Liski – Chornomorska (TransInvestService since December 2018)	0	0	165	–
Ternopil – Chornomorska (since August 2018)	0	0	5,449	–
Kyiv-Liski – Odessa-Port (since October 2018)	0	0	510	–
Dniprovets [Odessa – Dnipro-Liski (since July 2018)]	0	0	2,487	–
Odessa-Port – Kharkiv-Liski (since August 2018)	0	0	1,448	–
Total containers transported in route groups	13,373	25,255	24,215	-4 %
Odessa/Chornomorsk – Kharkiv-Liski	3,070	6,794	3,958	-42 %
Odessa/Chornomorsk – Kyiv-Liski	3,514	4,184	1,403	-66 %
Odessa/Chornomorsk – Dnipro-Liski	5,113	5,404	3,899	-28 %
Podillia (Odessa/Chornomorsk – Khmelnytsky)	1,676	1,764	1,974	+12 %
Berehova – Rozhniativ (since October 2017)	0	1,424	5,972	4.2-fold
Odessa-Port – Vinnytsia (since January 2017)	0	5,685	7,009	+23 %

* In 2018, the Company launched regular container trains with fixed length, times, and departure days. Now, it is taking relevant measures to consolidate container flows. Therefore, it is necessary to isolate the container transportation in route groups.

To keep current and to attract additional volumes of container transportation, Ukrzaliznytsia:

- Launches container trains in the direction of cargo flow concentration to ensure compliance with their timetables, thus accelerating container cargo delivery;
- Controls the passage time of container trains through the territory of Ukraine to improve the service provided to railway users;
- Opens cargo stations for commercial operations with high-capacity containers, including stations on approaching lines (to redirect cargo flows from other types of transport, such as automobiles);
- Creates new logistic arrangements for cargo transportation.

CARGO TERMINALS IN PUBLIC ACCESS AREAS

The technological process of railway cargo transportation involves loading and unloading operations in public access areas. At present, they are carried out by six production-oriented structural subdivisions of Ukrzaliznytsia's regional branches (hereinafter referred to as the terminals). The main function of terminals is to

CARGO HANDLING AT THE TERMINALS OF UKRZALIZNYTSIA'S REGIONAL BRANCHES IN 2017 AND 2018, '000 TONNES

Period	2018	2017	before 2017
Lyman	122.3	164	74.6
Lviv	1,789.0	2,097.0	85.3
Odessa	668.2	826.2	80.9
Poltava	491.5	340.5	144.3
Zhmerynka	1,479.9	1,510.2	98
Zaporizhia	385.2	413	93.3
Total	4,936.1	5,350.9	92.2

provide a full gamut of loading and unloading services, forwarding operations, maintenance of weighing tools, diagnostics of technical means, consulting and marketing operations, etc. The terminals have 675 pieces of lifting equipment, including 257 electric gantry cranes of 5 to 50 tonne capacity, 11 railway cranes, 35 truck cranes, 192 loaders of different types, and 100 trucks.

MEASURES TO IMPROVE SERVICE QUALITY

In 2018, the Company took measures to keep current and attract new customers in the cargo transportation sector. Thus, the Centre for Transport Logistics optimised cargo transportation, improved the system of transportation services, improved their quality, and attracted additional cargo flows.

During 2018, the affiliate concluded 5,526 contracts and additional agreements (including 145 contracts for the organisation and effecting of freight payments and 2,868 services contracts). Furthermore, the following measures were taken:

- Setting up the sale of services for the daily lease of Ukrzaliznytsia's cars with the use of ProZorro.Sales system;
- Adding a new module to the Client-UZ automated system to permit Ukrzaliznytsia's customers to use payment codes under their contracts with other consignors and consignees, and to control the usage of such codes;
- Developing a technology for the distribution of covered cars through the automated empty car management system, and implementing the provided software;
- Putting into operation the current Agreement on the provision of services regulating the relationship between Ukrzaliznytsia and its customers (the advantages of concluding the agreement include settlements made solely through the Unified Payments Centre, simplified contractual relations, and reduced number of payment codes and personal accounts).

The Priority Action Plan was developed and approved in order to stabilise the transportation process, particularly in terms of ensuring a sufficient traction rolling stock, compliance with cargo delivery time, execution of transportation plans, etc.

The Company held meetings (including those at the regional level)

DEREGULATION WAGON COMPLEX

On 19 February 2018, Ukrzaliznytsia introduced deregulation procedures for the freight car-related element in its rail rates to bring the car leasing fee in line with the market rules. The elimination of these far-fetched dumping practices has allowed raising investment and overcoming the shortage of cars in the transport market (over 10,000 new cars per year). The shortage occurred in part, because a part of the fleet remained in the non-government controlled areas (Eastern Ukraine and Crimea).

Since December 2018, electronic car leasing tenders have been introduced, helping determine market indicators of the cost of such services.

The Company developed and approved a Comprehensive Plan for the Digital Transformation of the Freight and Logistics Business Vertical for 2018-2020. It provides for the electronic communications with customers throughout the preparation and execution of documents, an automated subsystem for the use of Ukrzaliznytsia's cars through the ProZorro electronic platform, digital transport corridors to be developed, etc.

IN 2018, AS PART OF PLANNED REPAIRS, 3,616 GRAIN HOPPER CARS WERE OVERHAULED TO THE AMOUNT OF **UAH 162,397,240**, INCLUDING:

- **2,543 CARS** HAD ROUNDHOUSE SERVICING (UAH 110,099,700);
- **2 CARS** HAD OVERHAULS (UAH 131,600);
- **960 CARS** HAD ROUNDHOUSE SERVICING WITH THE EXTENSION OF SERVICE LIFE (UAH 41,568,770);
- **111 CARS** HAD OVERHAULS WITH THE EXTENSION OF SERVICE LIFE (UAH 10,597,160).

IN ADDITION, THE CENTRE FOR TRANSPORT LOGISTICS JOINTLY WITH THE DESIGN AND SURVEY INSTITUTE OF RAILWAY TRANSPORT MODERNISED TEN GRAIN HOPPER CARS ACCORDING TO THE INSTITUTE'S PROJECT 19-752.00.00.000. THESE CARS HAD BEEN SUPPOSED TO BE REMOVED FROM THE INVENTORY FLEET FOR TECHNICAL REASONS.

with companies that tend to use cars on approaching lines for a long time. Local authorities and regulators were notified of such inefficient use of freight cars.

Over the year, Ukrzaliznytsia held a series of meetings with cargo-generating companies, freight forwarders, railway administrations, sea trading ports, elevator companies, and other organisations to improve the transportation process and attract additional volumes of cargo transportation.

Furthermore, visits to companies (including grain elevators) were organised in order to promptly solve problems concerning transportation, and decide on cooperation for the future period.



PLANS

- Introduce a mechanism of automatic rate indexation for cargo transportation to the level of PPIs (producer price index), convergence of rate classes;
- Continue upgrading and modernisation of traction and rolling stock;
- Establish an office for Ukrzaliznytsia's key clients for the purpose of improving cargo transportation quality;
- Centralise traffic control functions on the routes with the highest traffic (routes to the Western crossing points and ports) and improvement of the empty car distribution system; repairs and roadworks were made in 2018;
- Expand practices of electronic tenders for the freight car leasing.

INFRASTRUCTURE

The effective operation, modernisation, and development of the railway infrastructure lie at the heart of Ukrzaliznytsia's operations. These objectives are the responsibility of the infrastructure vertical, which includes the track facilities, signalling and communications facilities, transportation unit, and traffic safety unit.

In order to ensure uninterrupted operation of the railways, the following:

- Track reconstruction – 283.4 km;
- Track overhaul – 273.3 km;
- Intermediate track maintenance – 809.9 km;
- Minor track repair – 549.7 km;
- Retrofitting of 270 sets of switches;
- Intermediate maintenance of 567 sets of switches;
- Overhaul of 172 sets of switches.

To provide reliable operation of electric networks, Ukrzaliznytsia repaired 11,912 km of overhead catenary, replaced 231.4 km of worn contact wire, 114.3 km of messenger wire, 37.71 km of steel wire ropes in load compensators, 197 defective catenary masts, replaced 10,399 obsolete catenary insulators with polymer ones, replaced 225 section insulators, and upgraded 392 aerial frogs.

The Company modernised and repaired automatic control and telecommunications equipment in rail transport. The primary communication network was reconstructed with the introduction of digital operational communication system (eight facilities: stations, junctions, block posts) at the Volnovakha – Komysh-Zoria section (84 km) of Donetsk Railways.

The Company completed reconstruction of pole lines at the Kovel – Izov – National Border section (110 km) of the Lviv Railways with the introduction of digital communication, which started in 2017.

Deteriorated automatic telephone exchanges were replaced with modern switching systems at stations Volnovakha (Donetsk Railways), Cherkasy and Kropyvnytsky (Odessa Railways). Communication devices for the set-up of Odessa and Znamenka regional traffic control centres were modernised.

Ukrzaliznytsia completed the equipment of the Beskyd station with switch and signal microprocessor interlocking devices, and the equipment of Lavochne-Beskyd and Beskyd-Skotarsky sections of Lviv Railways with bilateral code blocking devices (in light of the construction of the new Beskyd tunnel).

The 19 km track post on the Heorhiy Kirpa-Boryspil section of the South-Western Railways, originally built for the setting up of rail passenger service between Kyiv and Boryspil, was equipped with communications devices and switch and signal microprocessor interlocking devices. Some modernisation efforts were taken on automatic blocking devices in the section.

Deteriorated and obsolete remote code control devices were replaced with modern microprocessor control systems at the 1,141 km track post of Odessa Railways and the Pokotylyvka, Mzha and Sokolove stations of Southern Railways. Railway automation and connection devices were modernised, with the construction of the optical fibre line at the Potoky – Zolotnyshyne electrification

IN 2018, THE OPERATIONAL LENGTH OF MAIN TRACKS WAS **19,786.5 KM**, OF WHICH **9,349.7 KM** WERE ELECTRIFIED

THE EXPECTED UTILISATION OF PRODUCTION-RELATED CAPITAL INVESTMENTS BY THE TRACK PLANTS FROM ALL FINANCING SOURCES IS **UAH 4,473,755,000**, OR **98.6% OF THE TARGET**, WHICH WAS **UAH 4,538,407,000**.

POWER SUPPLY COMPANIES UTILISED **UAH 439,690,000** OF THE CAPITAL INVESTMENTS.

section (14 km) of Southern Railways.

The Company purchased and assembled tower equipment for the new switch and signal microprocessor interlocking devices at the Koziatyn station EC-1 tower of the South-Western Railways.

To replace overhead lines with cable lines, an optical fibre cable was installed, along with digital communication system equipment, at the Ternopil – Terebovlia section (33.4 km) of the Lviv Railways, Zaporizhia – Komysh-Zoria section (137.7 km) of the Prydniprovyie Railways. The optical fibre cable was suspended on catenary masts at the Kamianytsia – Sianky section (46.5 km) of the Lviv Railways.

Overhead lines at the Hryhorivka – Bakhmach section (7 km) of Southern Railways were replaced with copper cable.

The 327 km junction of the Prydniprovyie Railways, originally built to increase the traffic capacity of the Komysh-Zoria – Polohy section, was equipped with communication devices and switch and signal microprocessor interlocking devices.

IN 2017, THE CENTRE FOR RAIL INFRASTRUCTURE DIAGNOSTICS WAS ESTABLISHED TO IMPROVE THE TECHNICAL DIAGNOSTICS OF THE RAILWAY INFRASTRUCTURE. IN 2018, THE CENTRE CHECKED THE TECHNICAL CONDITION OF THE RAILWAY INFRASTRUCTURE (999,859 KM).



COMPLETED PROJECTS AND PROGRAMMES

In compliance with the minutes of the meeting of the Transport Safety Commission of the Ministry of Infrastructure of Ukraine, a programme was developed for 2016-2020 to ensure the traffic safety at level crossings. As part of this programme, the Company:

- Provided one bus and level crossing with automatic equipment;
- Overhauled 41 level crossings;
- Replaced crossing panels at 45 level crossings;
- Closed five small-scale level crossings to give way for traffic;
- Introduced public service advertising at 183 level crossings;
- Published and distributed 121,239 thematic brochures to inform about safety at level crossings.

REGIONAL BRANCHES

Donetsk Railways:

- Upgraded the catenary system at sections: Sviatohirsk – Lyman – Kurdiumivka – Slavkurort, Chaplyne – Avdiivka, South Donbas – Mariupol, and Lozova – Slovyansk – Skotuvata;
- Reconstructed switches (35,110 kV) at the Siversk traction substation.

Lviv Railways:

- Upgraded the catenary system at sections Lviv – Stryi – Khodoriv – Chop, Lviv – Zdolbuniv, Lviv – Sambir – Sianky, and Lviv – Mostyska-2;
- Provided retrofitting of traction substations Klepariv, Velykyi Liubin and Yasenytsia, including the replacement of switches, 110 kV circuit breakers, and measuring transformers CT-110 (current transformers) and VT-110 (voltage transformers);
- Reconstructed transmission lines (10 kV) at Vorokhta – Lazeshchyna, Kovel – Manevychi, and Sarny – Rafalivka sections.

Odessa Railways:

- Upgraded the catenary system at the Pomichna – Kolosivka section, provided retrofitting of the catenary system at the Funduklivka – Tsybuleve section;
- Retrofitted the Kavuny traction substation.

Southern Railways:

- Reconstructed the catenary system at the Nova Bavaria – Liubotyn section (increasing the electricity supply at the Kharkiv – Liubotyn – Sovnarkomivska section);
- Reconstructed railway infrastructure and provided electrification at the Potoky – Zolotnyshyne section;
- Retrofitted traction substations Triychate, Rohozyanka, Myrhorod, Skrypai, Chuhuiv, and Bilyayivka.

South-Western Railways:

- Reconstructed the Teteriv traction substation, modernised the catenary system at sections: Kyiv – Fastiv – Koziatyn – Zhmerynka – Zdolbuniv, Kyiv – Darnytsia – Nizhyn – Konotop – Khutir – Mykhailivsky, Myronivka – Fastiv, Zhmerynka – Khmelnytsky, and Zhmerynka – Vapniarka;
- Retrofitted storage batteries and chargers at the traction substations of Fastiv, Tereshchenska, and Melnia

Prydniprovye Railways:

- Upgraded the catenary system at Lozova – Synelnykove – Syvash, Piatykhatty – Dnipropetrovsk – Chaplyne sections, and at the Kryvyi Rih Railway Transportation Directorate;
- Retrofitted 110 kV open-type switchgear and 10 kV indoor switchgear at the Slovyanka traction substation, as well as of storage batteries at Musivka, Krasny Shakhtar and YuGOK traction substations.



PLANS

In 2019, the Company plans to complete the following repairs and roadworks:

- Track reconstruction – 266.7 km
- Track overhaul – 146.9 km
- Intermediate track maintenance – 949 km
- Retrofitting of 190 sets of switches
- Intermediate maintenance of 810 sets of switches
- Overhaul of 100 sets of switches.

Further development of trunk circuits implies the construction of an optical fibre line at the Siversk – Dekonska – Bakhmut section (35 km) of the Donetsk Railways in 2019. It also provides for completing the replacement of overhead lines with the optical fibre cable at the Kamyanytsya – Sianky section of Lviv Railways.

Ukrzaliznytsia plans to complete the introduction of new switch and signal microprocessor interlocking devices on the EC-1 tower at the Koziatyn station, South-Western Railways. The Company also plans a retrofitting of the automatic telephone exchange with the implementation of an interconnected telecommunication network of Bilhorod-Dnistrovsky and Izmail stations (Odessa Railways). It also plans to modernise the operational communication system at the Romodan – Hrebinka section (72 km) of Southern Railways.

Major capital construction and modernisation facilities in the power supply sector for 2019:

- Donetsk Railways: reconstruction of the catenary system at the Sartana station, reconstruction of 10 switchgears at 35 kV Slavkurort and Siversk traction substations;
- Lviv Railways: reconstruction of the railway with electrification at the Kovel – Izov – National Border section, reconstruction of the catenary system at the Lviv – Sambir – Sianky, Lviv – Zdolbuniv, Lviv – Mostyska-2 and Lviv – Stryi – Chop sections;
- Odessa Railways: retrofitting of the catenary system of even and odd tracks at the Fundukliivka – Tsybuleve section;
- Southern Railways: reconstruction of the catenary system at the Nova Bavaria – Liubotyn section, even and odd tracks with the increased the power supply at the Kharkiv – Liubotyn – Sovnarkomivska section;
- South-Western Railways: reconstruction of the catenary system at the Kyiv – Fastiv – Koziatyn – Zhmerynka – Zdolbuniv, Kyiv – Darnytsia – Nizhyn – Konotop – Khutir – Mykhailivskiy, Myronivka – Fastiv, Zhmerynka – Khmelnytsky, and Zhmerynka – Vapniarka sections;
- Prydniprovye Railways: retrofitting of 110 kV open-type switchgear and 10 kV closed switchgear at the traction substation Rozyizd-5 km, modernisation of the catenary system at the Piatykhvatky – Dnipropetrovsk – Chaplyne, Lozova – Synelnykove sections – Sivash, and the catenary system of the Kryvyi Rih Railway Transportation Directorate.



LOCOMOTIVE FACILITY

The Locomotive Facility is responsible for the safe and stable transportation of cargo and passengers by serviceable rail traction vehicles and for the maintenance of rolling stock in accordance with technical requirements. The facilities and equipment of this household include main locomotive depots, specialised workshops for the repair of separate locomotive junctions, maintenance depots, locomotive equipment (a range of supply operations: fuel, water, sand, etc.) and change in crews, locomotive reserve base.

For more information about the goals and objectives of the locomotive facility, refer to Ukrzaliznytsia Integrated Report 2017 (Our Business section, Key Operating Results subsection).

KEY OPERATIONAL INDICATORS OF THE LOCOMOTIVE FACILITY IN 2018:

- THE INVENTORY (TOTAL) FLEET OF RAIL TRACTION VEHICLES INCLUDES **3,611.5 LOCOMOTIVES**.
- THE FLEET OF OPERATIONAL LOCOMOTIVES HAS **1,857.5 LOCOMOTIVES**, INCLUDING:
 - **816 FREIGHT LOCOMOTIVES**
 - **365.5 PASSENGER LOCOMOTIVES**
 - **676 SHUNTING LOCOMOTIVES**
- UKRZALIZNYTSIA HAS **310.5 LOCOMOTIVES** IN RESERVE, INCLUDING:
 - **87.5 FREIGHT LOCOMOTIVES**
 - **83 PASSENGER LOCOMOTIVES**
 - **140 SHUNTING LOCOMOTIVES**.
- **15 LOCOMOTIVES** WERE PURCHASED;
- **7,460.5 LOCOMOTIVES** UNDERWENT CURRENT REPAIRS (5,764 ELECTRIC LOCOMOTIVES AND 1,696.5 DIESEL LOCOMOTIVES), INCLUDING 380 CURRENT REPAIRS OF LEVEL 3;
- **115 LOCOMOTIVES** UNDERWENT OVERHAULS ON PLANT PREMISES AND EIGHT WERE REPAIRED AT LOCOMOTIVE DEPOTS;
- **3,925 WHEEL PAIRS** WERE REPAIRED (2,658 IN DEPOTS, 1,123 AT PLANTS, AND 144 BY OTHER ENTERPRISES).

The execution value of the capital investment plan at regional branches was UAH 2,912,618,000 in 2018 (VAT excluded).



SCOPE OF REPAIRS IN 2018

Ukrzaliznytsia's plants overhauled 115 locomotives to the total amount of UAH 914,424,600 (VAT excluded).

Ukrzaliznytsia utilised UAH 26,424,000 (VAT excluded) as part of the capital investment plan in capital construction, UAH 39,661,000 (VAT excluded) in capital investment in mechanisms and equipment, and UAH 25,821,000 (VAT excluded) in capital investment in other fixed tangible assets.

ROUNDHOUSE SERVICING

In 2018, the Locomotive Facility spent UAH 1,554.9 million on roundhouse servicing of the main assets. The actual costs increased by UAH 171.7 million against the same period in 2017.

Cost breakdown by repair type:

- **Overhauls in depots:** UAH 29.7 million spent, eight electric



locomotives repaired (one repaired by Lviv Railways at the expense of capital investments), 12 railway cranes;

- **Roundhouse servicing:** UAH 1,149.9 million spent against the same period in 2017, actual costs increased by UAH 127.6 million, including:

- **Repairs of electric locomotives:** 5,764 repaired, the average actual cost of current repairs reduced by 11.6% to meet the expected costs.

- **Repairs of diesel locomotives:** 1,696.5 repaired, the average actual cost of current repairs of diesel locomotives reduced by 22.6% to meet the expected costs.

- **Repairs of other rolling stock:** five rail buses, ten railway cranes, five locomotives.

The Company spent UAH 1,798,618,000 (VAT excluded) on the commercial use of 15 TE33AC diesel locomotives (on financial leasing terms). The Company's plants upgraded 65 locomotives to the total amount of UAH 568,126,100 (VAT excluded).

To provide proper functioning of traction vehicles for transportation needs, in 2018 Ukrzaliznytsia developed, approved, and launched a quarterly renovation of the operational locomotive fleet. As part of this effort, 414 locomotives were restored, after being idle for a long time because of the lack of necessary parts and line equipment, 137 locomotives were restored in Q1, 116.5 in Q2, 99.5 in Q3, and 61 in Q4.



PLANS

- Arrange financial leasing of 15 TE33A mainline freight diesel locomotives manufactured by General Electric;
- Overhaul 91 locomotives: 78 overhauls with the extension of service life and partial modernisation of line equipment (including the repairs of 45 electric locomotives and 33 diesel locomotives);
- Provide roundhouse servicing for 3,960 electric locomotives and 1,243 diesel locomotives;
- Ensure functional development of the engine driver's electronic routing system (by means of satellite navigation data systems, diesel fuel control systems), automatic identification of locomotive crews (by means of electronic magnetic cards, RFID tags, electronic signatures, etc.);
- Introduce energy efficient technologies and equipment;
- Introduce technical means of traffic safety.

RAIL CAR FACILITY

The primary objective of the Rail Car Facility is roundhouse servicing and overhauls of freight cars, their en route maintenance, and preparing the cars for loading.

REPAIR AND RESTORATION OF THE FREIGHT CAR FLEET

In order to restore the freight car fleet, Ukrzaliznytsia acquired 3,351 freight cars at its own expense, the highest number over the last 25 years. For comparison, the Company purchased 2,721 freight cars in 2017.

3,351

FREIGHT CARS WERE
PURCHASED

2,901

CARS WERE BUILT

455

GONDOLA CARS WERE
PURCHASED THROUGH
OPEN TENDERS

servicing and repairs by Ukrzaliznytsia's plants. This includes 20,341 cars of Ukrzaliznytsia and 16,588 cars of Ukrainian industrial enterprises (5,689 by overhauls, 10,899 by roundhouse servicing).

The car repair companies purchased and put into operation more than 100 types of mechanisms and technological equipment, and upgraded more than 47 mechanisms.

UAH (VAT EXCLUDED)

3,575,471,000

WAS CHANNELLED INTO THE MANUFACTURE
AND PURCHASE OF FREIGHT CARS.

THE TOTAL VALUE OF UTILISED CAPITAL
INVESTMENTS WAS UAH

4,627,433,000

More specifically:

- 2,901 cars were built at Ukrzaliznytsia's own production facilities (2,868 gondola cars and 33 container flatcars);
- 450 gondola cars were purchased through open tenders from Ukrainian car-building plants of (250 from Kriukiv Rail Car Building Works; 200 from Popasna Rail Car Repair Works).

In total, 36,929 freight cars underwent planned roundhouse

In 2018, Ukrzaliznytsia channelled UAH 3,575,471,000 (VAT excluded) into the manufacture and purchase of freight cars and UAH 986,005,000 (VAT excluded) into the modernisation and overhauls of 7,191 freight cars. The total value of utilised capital investments made UAH 4,627,433,000.



COMPLETED PROJECTS AND PROGRAMMES

1. Ukrzaliznytsia launched production of a multi-purpose eight-wheel gondola car (12-9911-01 model). This gondola car complies with international rail service standards.
2. The Company started production of a hopper/silo wagon (19-6938 model).
3. 12 technical guidance documents were developed for facility needs.



PLANS

- Repair of 22,816 freight cars
- Modernisation and overhaul of 12,557 cars
- Manufacture of 1,200 freight cars
- Purchase of about 5,000 gondola cars.

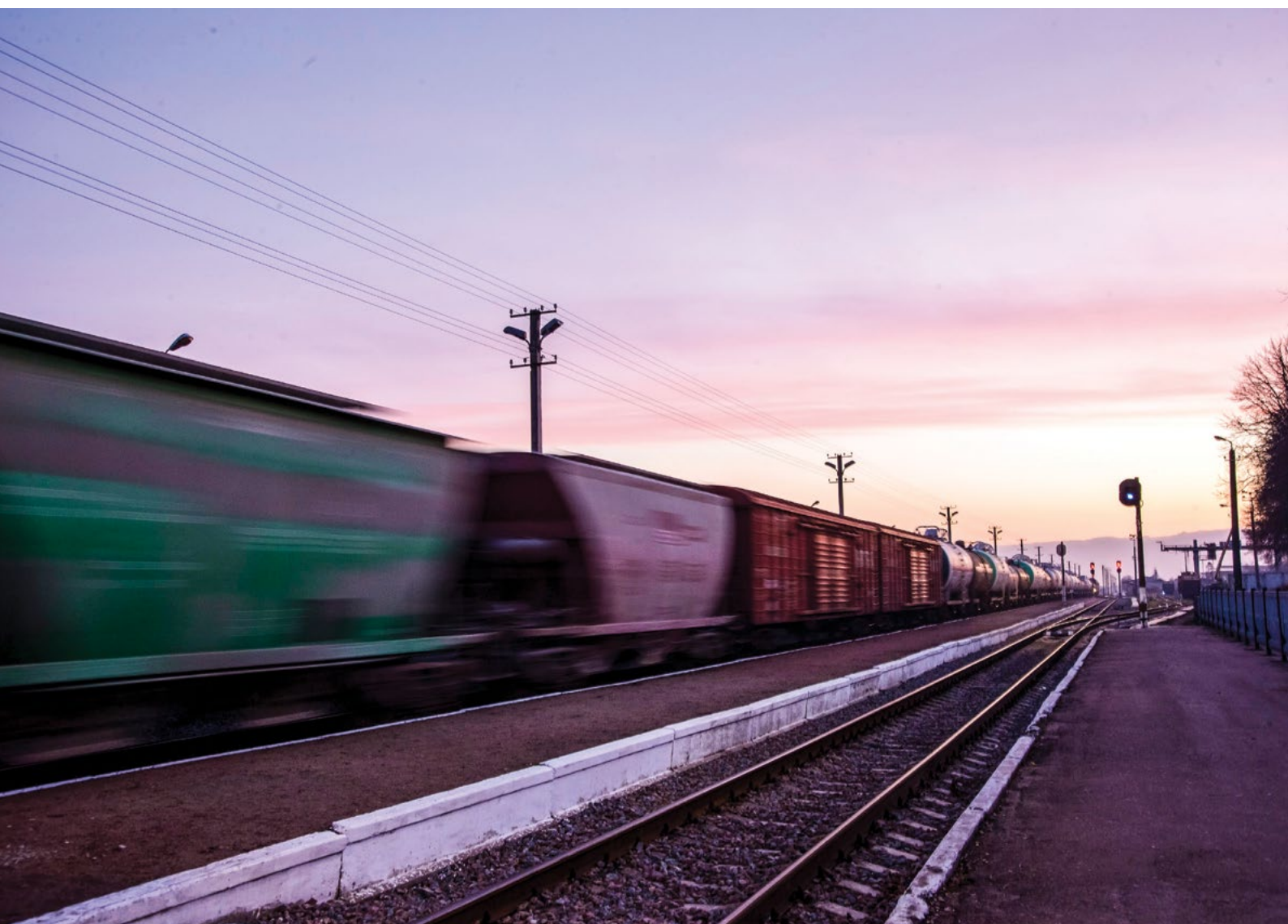
ENGINEERING AND TECHNICAL SUPPORT

Ukrzaliznytsia works on an ongoing basis to improve its efficiency based on targeted scientific and technical operations in the railway transportation sector. After all, the railway is one of the major consumers of innovations. The Company pays particular attention to engineering and technical support, which sees continuous improvements to be in line with advanced R&D achievements. The engineering facility ensures a close relationship between science and production by implementing European standards in railway transport, and develops technologies, standards, and regulatory documents. The Company's experts improve production operations, prepare and maintain scientific and technical projects, and work closely with research organisations. All of this allows for the efficient operation and development of production and technological railway facilities, and increases their competitiveness. One of the main directions of the Company's innovation activities is increasing the reliability of railway tracks and structures, thus ensuring safe and uninterrupted movement of trains.

In 2018, the Company took measures to increase traffic capacity at the Zaporizhia – Polohy – Komysh-Zoria – Volnovakha – Mariupol section. Ukrzaliznytsia built a 327 km junction at the Mahedove – Komysh-Zoria section; installed the arrival and departure tracks (No. 7, 8, 9) and nine sets of switches at the Komysh-Zoria station; completed a deep overhaul of the railway and continuous welded rail track at the Rozivka – Zachativska section, as well as an overhaul of the rail tracks and switches at the Zachativska and Khlibodarivka stations.

At the end of 2018, these efforts allowed to increase the number of train pairs passable in the direction from 27 to 30, including 24 pairs of cargo trains. UAH 185.7 million (VAT included) was spent that year on these works.

From 2016 to 2018, Ukrzaliznytsia spent UAH 359.8 million (VAT included) on the entire range of works to increase the capacity of the Mariupol – Volnovakha – Komysh-Zoria – Zaporizhia direction and maintain the railway infrastructure in proper condition (excluding the costs of rail traction vehicles repairs).





The range of works completed in 2016-2018 increased the main indicators of rail transport performance at the Mariupol – Volnovakha – Komysh-Zoria section:

Cargo transportation:

- The average volume of cargo transportation per day increased from 13 to 21 pairs of trains in 2018 against 2016 (by 61.5%).
- The volume of cargo transportation (reception of cars) in 2018 increased from 238,400 to 330,900 cars (by 38.8%) against 2016; the handing over of wagons increased from 86,000 to 123,700 cars (by 43.8%).

Passenger transportation:

- The average number of passenger trains per day increased

to five pairs in 2018, 150% more than in 2016 (two pairs of trains).

- The number of suburban trains increased to 7 in 2018, or 133.3% against 2016 (three pairs of trains).
- The volumes of long-distance passenger transportation increased from 365,500 in 2016 to 626,100 in 2018 (by 71.3%).
- The volume of suburban passenger transportation increased from 173,400 passengers in 2016 to 483,900 in 2018 (by 179.1%).

Meanwhile, the average daily passenger traffic in the aforementioned Mariupol section increased from 1,800 in 2017 to 2,200 in 2018.



PLANS

The Company will continue increasing the track capacity and maintaining the railway infrastructure at the Mariupol – Volnovakha – Komysh-Zoria – Polohy – Zaporizhia section.

For 2019, Ukrzaliznytsia has planned the following works at the Mariupol – Volnovakha – Komysh-Zoria section:

- Construction of the second line in Khlivobodrivka – Zachativska section.
- Estimated cost: UAH 166.6 million.

The plans include:

- Construction of a 16.4 km long second line
- Installation of five switches (four new, one reconstructed)
- Replacement of two crossing panels
- Construction of two low passenger platforms
- Reconstruction of signalling control and communication devices
- Power supply of the signalling control devices.
- Overhaul of continuous welded rail track, medium repair of the track, and overhaul of switches.

For the period up to 2020, Ukrzaliznytsia has planned the following works to further develop Pryazovia railway infrastructure and increase the section's capacity:

- Implementation of one arrival and departure track at each of the Husarka and Mahedove stations (Polohy – Komysh-Zoria section);
- Building additional block post at 356 km in Komysh-Zoria – Rozivka section, including:
 - Installation of signalling, interlocking, and communication devices
 - Modular duty room
 - Reconstruction of two halt platforms.

INFORMATION TECHNOLOGY SECTOR

Ukrzaliznytsia's Information Technology Sector provides continuous informational support in matters of transport management, management decisions, and railway customer service.

UKRZALIZNYTSIA'S KEY IT RESOURCES:

- 22 hardware and software systems of Ukrzaliznytsia and regional branches (railways)
- Over 1,600 operational servers
- Over 50,000 workstations (PCs)
- Data communication networks and local data processing networks: over 10,000 pieces of equipment (routers, switches)
- Over 148 centralised automated systems
- Ukrzaliznytsia's unified corporate informational portal: 25,000 users
- Approximately 31,500 corporate e-mail users.

IN 2018, THE INFORMATION TECHNOLOGY SECTOR SUPPORTED:

- THE SALE OF **55,885,651** PASSENGER TRAINS TICKETS (LONG-DISTANCE), INCLUDING **27,998,033** TICKETS SOLD ONLINE (BOOKING.UZ.GOV.UA AND THE AGENCY NETWORK), OR UP BY **28%** YEAR ON YEAR;
- CONVERSION OF **1,079,726** FREIGHT TRANSPORT DOCUMENTS FOR ALL TYPES OF SERVICES INTO ELECTRONIC FORM, INCLUDING **525,610** ELECTRONIC TRANSPORT DOCUMENTS FOR DOMESTIC SERVICE. REGISTRATION OF **20,375** CLIENTS IN THE ELECTRONIC FILING SYSTEM;
- DETECTION AND LOCALISATION OF MORE THAN **2.5 MILLION** INFORMATION AND CYBER SECURITY INCIDENTS;
- PRODUCTION OF **36,265** PERSONAL CERTIFICATION KEYS FOR DIGITAL SIGNATURE.

PUBLICATION OF INFORMATION ON UKRZALIZNYTSIA'S PAYMENT TRANSACTIONS ON THE E-DATA UNIFIED WEB PORTAL ON PUBLIC SPENDING

GOAL:

Publish information on Ukrzaliznytsia's payment transactions pursuant to the Law of Ukraine No. 679-VIII of 15 September 2015 On the Openness of Public Spending.

IMPLEMENTATION PERIOD: 2018.

The Company developed a draft Procedure of preparation and submission by structural units of data on public spending to be published on the unified web-portal at e-data.gov.ua. Ukrzaliznytsia signed a memorandum on cooperation with Open Public Finance state-owned company that also provided for the exchange of information.

The arrangement was developed for the informational interaction between Ukrzaliznytsia and Open Public Finances, and the interaction of all Ukrzaliznytsia structural units in the process of publication of information. The structure of information, index and description of transactions, and publication regulations were approved.

Software was developed which guarantees the selection of the necessary information from the Unified centralised database on the Centralised Funding of Ukrzaliznytsia's Phobos automated accounting system, cohesive reorganisation of such information, its electronic signature, and transmission for publication on the e-data.gov.ua web-portal.

Since 1 April 2018, information on Ukrzaliznytsia's payment transactions has been regularly published on the E-Data web-portal.

Ukrzaliznytsia works to refine the software to ensure:

- Constant control over the completeness and reliability of information that is subject to publishing in accordance with the Law of Ukraine No. 679-VIII of 15 September 2015 On the openness of use of public funds;
- Transition to the automatic publication of data that meet the requirements of the approved logical controls;
- Additional analysis of data that are yet to pass relevant controls, supplement or correct and publish the data on the portal.



COMPLETED PROJECTS AND PROGRAMMES

1. Analytical applications in the Business Intelligence system were developed:

- Cash flows
- A mobile application for daily cargo transportation reports
- Locomotive availability.

2. A distance learning system was put into test operation.

3. A module was introduced for accounting centralised inventory procurements.

4. Project for the publication of information on Ukrzaliznytsia's payment transactions on E-Data (a unified web portal on public spending) was launched.

5. Software was developed for the calculation of rates, taking into account the deregulation of the car-related element.

6. The Company introduced digital signature for transportation contracts.

7. Software was developed for integrated payments through the Unified Payments Centre under a single contract for domestic and international cargo carriage;

8. Software was developed for the Mesplan automated system in order to control transportation orders beyond the maximum permissible track capacity of approaching line for loading and unloading operations.

9. Software was developed to permit cargo operations at underactive stations and introduce the Request to Mesplan service and the new service Distribution of freight cars to closing and underactive stations.

10. The first stage of the test range for the modelling and evaluation of the results of rate policy changes was introduced.

11. Software was developed for the set-up of daily leasing of Ukrzaliznytsia's cars with the use of ProZorro.Sales system.

12. The plan for Ukrzaliznytsia's use of information received from satellite navigation devices was developed and approved.

13. Software was developed to set up and control the running of route trains.

14. Ticket sale system for the Kyiv – Boryspil train was put into test operation. A programme of cooperation with Oschadbank was developed for the implementation of self-service zones at railway stations and cashless payments in trains. The system of cashless payments for optional services was introduced in Kyiv – Odessa and Kyiv – Lviv trains.

15. Registration of technology of electronic travel documents for train No. 31/32 (Kyiv – Minsk – Vilnius – Riga) was introduced.

16. The Key Certification Centre had re-accreditation and updated its digital signature software and hardware. It was modernised for the use of international cryptographic digital signature algorithms. The Centre's RSA root certificate was obtained from the Central Department of the Ministry of Justice of Ukraine.

17. The main nodes of the data transmission network were modernised and 140 pieces of obsolete network equipment were replaced according to the plan. The data path capacity of the Unified data transmission network was increased from 50 to 100 Mbit/s at sections: Lviv – Kyiv, Kharkiv – Kyiv, Dnipro – Kyiv.

18. A centralised Cisco Prime Infrastructure management system was introduced.

To boost the information and cyber security, Ukrzaliznytsia took comprehensive to protect its information and telecommunication networks, web applications and e-mail service, ensure protection against zero-day threats, collection and analysis of security events, monitoring and management of LAN connections, management of network security devices, and centralised antivirus protection.



PLANS

1. Improve the accounting system, transition from the three-tier to the two-tier structure without additional data consolidation.
2. Introduce automated control over the implementation of the annual financial plan and short-term liquidity.
3. Develop and implement an automated logistics planning system.
4. Develop and implement a budgeting system.
5. Develop and implement centralised directories: operational structure, contractors, incomes and expenses, registry of commitments.
6. Develop and introduce centralised staff schedules.
7. Introduce QR-encoding for inventory movement.
8. Implement a contractual work subsystem, signature of executive documents and other instruments in electronic form.
9. Improve the automated transportation planning subsystem and replacement of technology.
10. Develop an automated subsystem for the exchange of information with other carriers, portals, customs, and other administrative control bodies.
11. Develop an automated subsystem for claims management and settlement of claims regarding cargo transportation.
12. Automate the new inventory system of the Ukrzaliznytsia locomotive fleet, including the indicator of locomotive availability.
13. Develop a technology and software of operational planning for locomotives and cargo crews.
14. Implement the engine driver's electronic routing system with on-board automation.
15. Introduce an automated subsystem for the inventory of car parts and car loading suitability.
16. Support the digital transformation of the Passenger Transportation business vertical by:
 - setting up of the electronic queuing system as part of the Waitlist during the sale of electronic travel documents;
 - developing an application management subsystem for the carriage of passenger automobiles;
 - developing an order registration subsystem for the inclusion of specially equipped cars for disabled persons and travel registration for cart-using disabled persons;
 - introducing a travel document registration technology, taking into account train classification, depending on the level of service.
17. Develop a draft unified ticket sales system for suburban transportation. Improvement of the registration technology (cashless purchase) for travel/transportation documents in suburban passenger transportation.
18. Develop and implement a solution adjusted to Ukrzaliznytsia's ITSM processes and Service Desk based on the standard ITIL methodology.
19. Upgrade the electronic document management system.
20. Introduce an online meeting system with the possibility of remote participation.
21. Develop and deploy a website of Ukrzaliznytsia.
22. Implement a centralised monitoring system for the equipment of the Unified data transmission network.
23. Modernise Ukrzaliznytsia's contact centre.

DEREGULATION OF THE CAR-RELATED ELEMENT IN RAIL RATES

GOAL:

Isolate the cost of Ukrzaliznytsia's freight car use from the total rate for freight transportation.

Primary objectives:

- Conversion of the Ukrzaliznytsia car fleet from inventory fleet to in-house fleet;
- Conclusion of new cargo transportation and payment contracts with Ukrzaliznytsia's car users;
- Improvement of automated systems for the implementation of these decisions.

The project seeks to improve the situation in the cargo transportation market, where Ukrzaliznytsia has ceased to be a monopolist in car leasing. The Company's rolling stock is only 30% in this market.

IMPLEMENTATION PERIOD: 2018

Pursuant to Executive Order No. 425 of the Ministry of Infrastructure, On Amendments to the Rates for the Rail Carriage of Goods in Ukraine and Related Services, dd. 7 December 2017, Ukrzaliznytsia's Board decided on 17 January 2018 to introduce a formula-based pricing and establish new daily rates for transportation in Ukrzaliznytsia's cars.

Results of project implementation:

This deregulation of the car-related element allowed Ukrzaliznytsia to evade the low car leasing rates.

In 2018, the estimated revenue from the deregulation amounted approximately to UAH 5.8 billion.

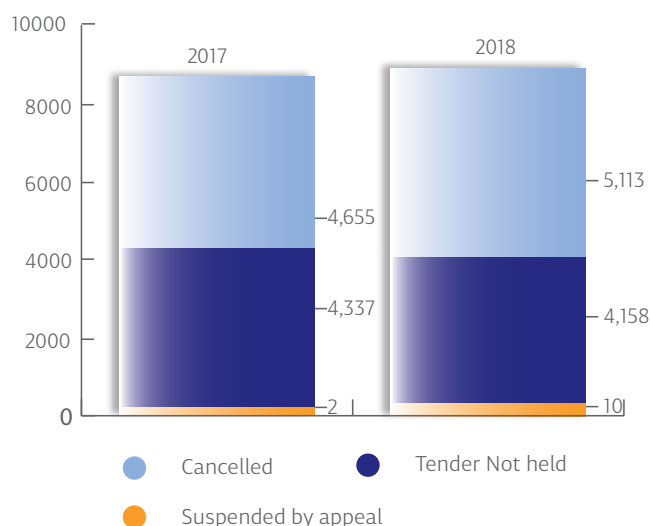


MATERIAL AND TECHNICAL SUPPORT

The Material and Technical Support vertical is responsible for Ukrzaliznytsia's resource management system. Timely order placement, procurement of materials, spare parts, and other material and technical resources, their distribution among the branches of the Company, provides for the uninterrupted operation of the rail transport.

With the introduction of the ProZorro public e-procurement system, Ukrzaliznytsia's hold tenders for its goods, works, and services on this platform. The result is the saving of public funds, effective fight against unaccountability and corruption in procurement.

NUMBER OF TENDERS FOR UKRZALIZNYTSIA'S GOODS, WORKS, AND SERVICES, 2017-2018



ANALYSIS OF UKRZALIZNYTSIA'S LOGISTICAL SUPPORT PLAN IMPLEMENTATION, 2016-2018, UAH MILLION, VAT INCLUDED

Logistical support	2016			2017			2018		
	Target	Fact	%	Target	Fact	%	Target	Fact	%
Total:	18,638	14,969	80	24,282	20,023	83	23,224	22,483	97
Materials, in particular:	10,871	8,188	75	15,106	11,652	77	13,002	11,419	88
Spare parts	2,778	1,775	64	3,708	3,028	82	3,150	2,600	83
Supplies	2,498	1,949	78	4,503	3,377	75	3,860	3,310	86
Food	92	65	70	174	75	43	110	74	67
Equipment	823	632	77	1,210	1,049	87	1,218	1,034	85
Track structure materials	4,240	3,445	81	5,019	3,615	72	4,233	3,857	91
Oils and lubricants	440	322	73	492	508	103	431	544	126
Fuel	7,767	6,781	87	9,176	8,371	91	10,222	11,064	108

IMPLEMENTATION OF OTHER SERVICE PROCUREMENT PLANS AT UKRZALIZNYTSIA, 2017-2018

Regional branches	2017		2018	
	Target	Fact	Target	Fact
Donetsk Railways	122,850	31,572	60,085	33,449
Lviv Railways	266,389	63,822	139,915	54,206
Odessa Railways	412,875	76,951	232,819	90,927
Southern Railways	271,275	80,101	237,528	90,326
South-Western Railways	289,608	128,214	230,613	77,192
Prydniprovyie Railways	262,670	93,269	159,018	116,890
Other affiliates	1,697,923	813,707	1,510,684	1,107,722

Kyiv Boryspil Express



KYIV BORYSPII EXPRESS SPECIFICATIONS:



37.4

KM

ROUTE LENGTH

total operational length of the Kyiv- Kyiv Pasazhyrsky – Boryspil International Airport section

operational length of the new railway line from a junction (PK189 + 09.27) to Terminal D of the Boryspil International Airport.

3.36

KM

TRIP DURATION



About

40
MINUTES

STABLE OPERATION

(as of 31 December 2018)

1,710

TRIPS

12

including unsuccessful



TICKET PRICE

80

UAH

for adults

60

UAH

for children

40

UAH

for students

5

TRAINS

Number of trains in operation

PESA
620 M

Model

120

KM/H

Maximum speed

81

SEATS

Number of seats

2

SEATS

Number of seats for people with disabilities

636,000

PASSENGERS

Expected number of passengers transported per year

54,600

PASSENGERS

Number of passengers transported by the end of 2018

(from 30 November 2018 to 31 December 2018).



KYIV BORYSPIL EXPRESS CONSTRUCTION SPECIFICATIONS:

PLANNED CONSTRUCTION COSTS



UAH
419
MILLION

UAH
397
MILLION

Actual costs*



250
UKRZALIZNYTSIA
EMPLOYEES

were involved in the construction every day from April to November 2018.

STAGES OF CONSTRUCTION

I
STAGE

PREPARATIONS

27 April 2018 – 7 September 2018

Notification about the start of preparations

II
STAGE

THE MAIN PHASE OF CONSTRUCTION

7 September 2018 – 2 November 2018

Permission for construction

III
STAGE

COMMISSIONING

2 November 2018

Certificate of conformity



OTHER SPECIFICATIONS

- Artificial structures: a railway overpass;
- A complex of two 114 m long passenger platforms with an open passenger hall and an overall roof near Terminal D of the Boryspil International Airport;
- Ukrzaliznytsia put 13 land plots (11.214 hectares) into permanent use;
- Ukrzaliznytsia concluded agreements (superficies) for the right to use two land plots (4.5059 hectares) for development.



PLANS FOR THE DEVELOPMENT OF KYIV BORYSPIL EXPRESS FOR 2019 AND ONWARD

Reconstruction of the Vydubychi platform to make a transfer hub to the metro station.

Prospects:

- Electrification of the Kyiv – Boryspil International Airport railway section
- Construction of a side track from the Boryspil station to the Boryspil Airport
- Extension of passenger platforms with overall roofs at Boryspil Airport to ensure stops by Hyundai high-speed trains

* Costs at the registration stage. The savings came from the efforts of Ukrzaliznytsia's subdivisions.

INVESTMENT ACTIVITIES

IN 2018, THE COMPANY
UTILISED A TOTAL OF
UAH 16,590,249,000
IN CAPITAL INVESTMENTS.



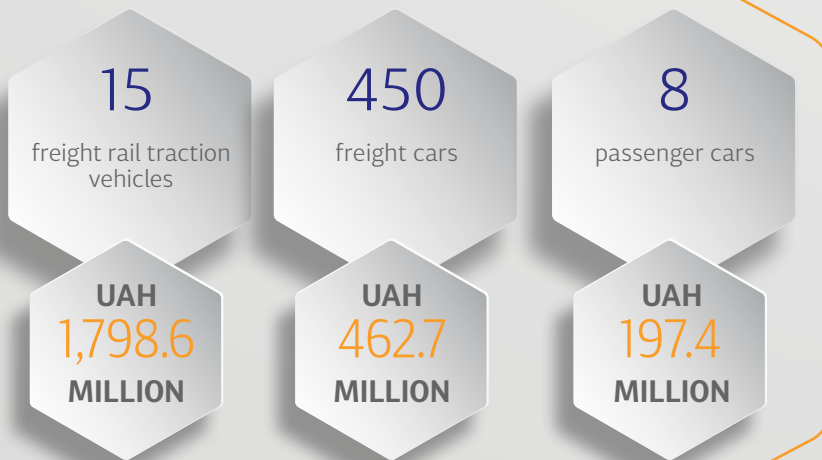
Ukrzaliznytsia carries out investment activities, using both its own resources and borrowings from various sources, in particular through cooperation with international financial institutions on implementation of infrastructure projects.

In 2018, as the Investment Policy Department was established, Ukrzaliznytsia commenced the development of a consistent systemwide approach to its investment activities, namely the

formalisation of its investment policy. The investment policy is an extension of the financial, economic, credit, and technical policies and is important for the successful implementation of the Company's Development Strategy. Developing the consistent approach to the investment policy and further monitoring of its implementation will increase the efficiency of investment in the renovation of fixed assets and expand opportunities for attracting investment.

Capital Expenditures in Key Areas of Ukrzaliznytsia's Operations in 2018

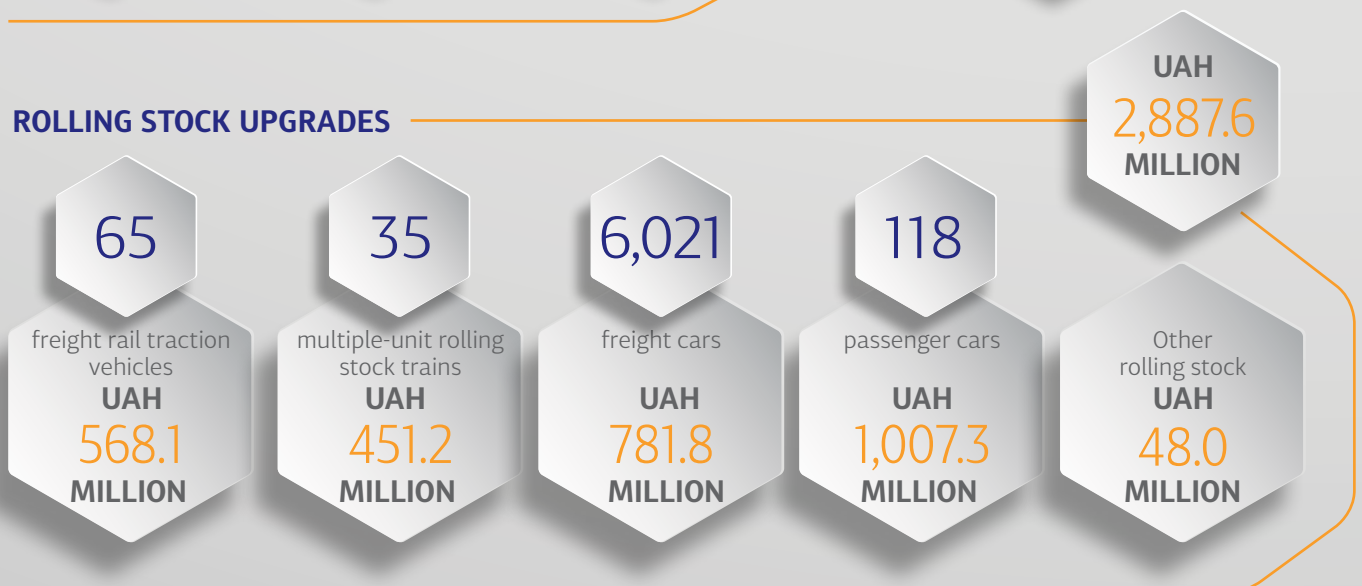
PURCHASES



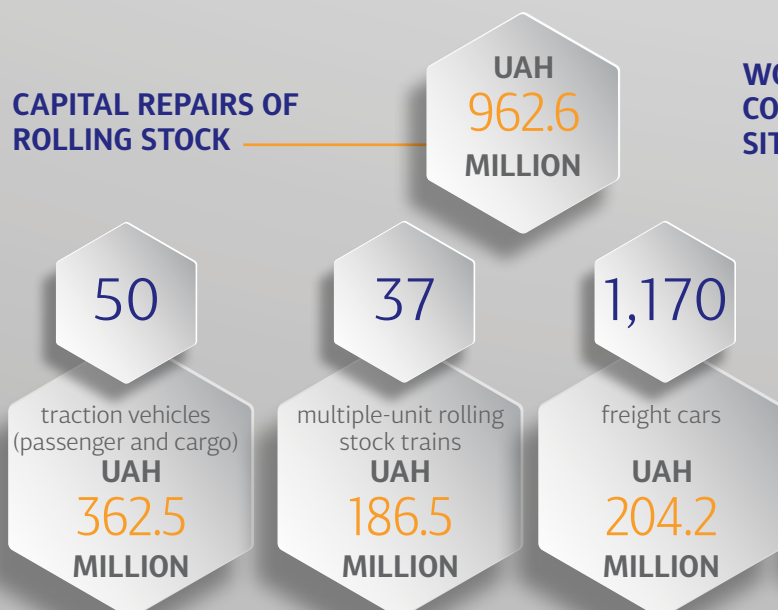
MANUFACTURE



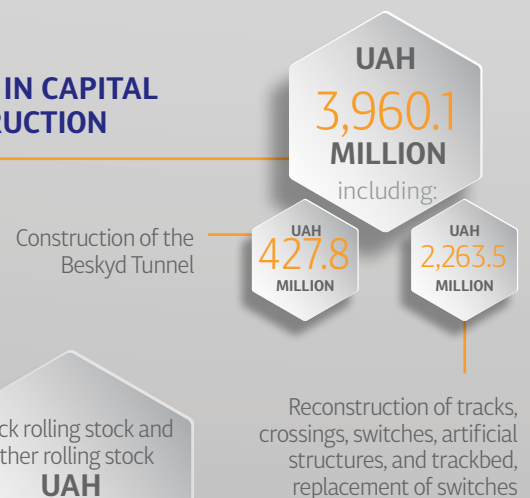
ROLLING STOCK UPGRADES



CAPITAL REPAIRS OF ROLLING STOCK



WORKS IN CAPITAL CONSTRUCTION SITES



IN 2018, 15 TE33AC MAINLINE FREIGHT LOCOMOTIVES MANUFACTURED BY GENERAL ELECTRIC WERE ACQUIRED ON LEASING TERMS AT A TOTAL AMOUNT OF UAH **1,798.6** MILLION.

IN 2018, THE MEASURES UNDER THE ROLLING STOCK RENOVATION PROGRAMME COST **UAH 8,440.72** MILLION, OR 68.4% OF ITS TARGET. THIS INCLUDED THE PURCHASE OF THE ROLLING STOCK FOR **UAH 5,423.46** MILLION (53.9% OF THE PROGRAMME TARGET) AND OVERHAULS AND UPGRADES OF **UAH 3,017.26** MILLION (77.8% OF THE PROGRAMME TARGET).

CAPITAL INVESTMENTS BY AREA

Area of investment	2017 fact	2018		Implementa- tion against targets	Imple- mentation against 2017
		Target	Fact		
	UAH, million			%	% or times
Capital construction, in particular	2,405.3	4,923.2	3,960.1	80.4	1.7 times
Track reconstruction	844.0	1,908.8	2,006.4	105.1	2.4 times
Acquisition of fixed assets, in particular	3,891.0	10,688.5	6,302.0	59.0	1.6 times
Rolling stock	3,357.9	9,517.0	5,571.5	58.5	1.7 times
Other fixed assets	533.1	1,171.5	730.5	62.4	1.4 times
Acquisition of non-current tangible assets	262.0	392.9	330.3	84.1	1.3 times
Acquisition of intangible assets	69.7	201.1	164.1	81.6	2.4 times
Modernisation of fixed assets, in particular	2,461.5	6,246.2	3,390.6	54.3	1.4 times
Modernisation of rolling stock	2,171.4	5,326.1	2,887.6	54.2	1.3 times
Modernisation of other fixed assets	290.1	920.1	503.0	54.7	1.7 times
Overhaul, in particular	1,814.6	2,614.5	2,443.1	93.4	1.3 times
Overhaul of rolling stock	651.5	1,254.7	962.6	76.7	1.5 times
Overhaul of buildings and structures	1,079.3	1,327.3	1,400.0	105.5	1.3 times
Overhaul of other fixed assets	83.8	32.5	80.5	247.7	96.1 times
Total	10,904.1	25,066.5	16,590.2	66.2	152

PRIORITY INVESTMENT AREAS

- Renovation of the traction vehicle fleet;
- Renovation of the gondola car fleet;
- Renovation of the passenger car fleet;
- Improvement of the current railway infrastructure through upgrade and reconstruction of rail tracks and electrification;
- Development of terminal facilities: construction of transshipment terminals to attract transit flows. This will be key to further development of the most profitable segment of rail transportation and will shape a long-term international partnership with major rail companies;
- Improvement of railway station management: the transformation of railway stations into modern transport hubs, which should promote business development along with the improvement of passenger service quality.

Ukrzaliznytsia continues cooperation with international partners under investment projects. The key financial institutions include the European

IN 2018, THE BESKYD TUNNEL CONSTRUCTION PROJECT WAS FULLY COMPLETED. THE FACILITY WAS PUT INTO OPERATION IN ACCORDANCE WITH THE CERTIFICATE OF CONFORMITY. THE TOTAL COST OF CONSTRUCTION MADE **€ 117 MILLION**, INCLUDING **€32.46 MILLION** IN AN EBRD LOAN, **€55 MILLION** IN AN EIB LOAN, AND **€22 MILLION** IN UKRZALIZNYTSIA'S FUNDS.

Bank for Reconstruction and Development, European Investment Bank, and the General Electric Company.

Throughout 2018, Ukrzaliznytsia worked actively on the large-scale projects:

Preparation stage:

- Procurement of new multi-purpose freight cars
- Renovation of the electric locomotive fleet
- Procurement of new rolling stock for regional and suburban rail transportations
- Modernisation and electrification of the Dolynska – Mykolaiv – Kolosivka section

- Modernisation of the 1,435 mm railroad track in the Kovel – Yahodyn section – National Border with subsequent electrification.

Implementation stage:

- Investment project for the renovation of traction vehicles in partnership with General Electric
 - Launch of high-speed passenger trains in Ukrainian railways.
- The initiative consisted of investment projects for the purchase of track equipment and construction of Beskyd Tunnel.



KEY INVESTMENT PROJECTS

RENOVATION OF THE FREIGHT CAR FLEET

IMPLEMENTATION PERIOD: 2018 – 2019.

PROJECT OBJECTIVES: Planned renovation of the gondola car fleet as a priority area of Ukrzaliznytsia's operations (the wear of gondola cars is more than 85%). The Company plans to purchase 6,000 new multi-purpose freight cars: solid-bottom wagons (stage 1) and drop-bottom wagons (Stage 2).

AMOUNT OF INVESTMENT: the project cost is \$259.018 million.

2018 RESULTS: On 18 May 2018, an invitation to tender for the purchase of 3,000 solid-bottom freight cars was published on the EBRD's Client E-Procurement Portal. On 16 July 2018, the tender opened automatically on the Portal. Bids were received from three companies, including foreign ones. On 9 November 2018, Ukrzaliznytsia entered into a loan agreement with the EBRD to purchase multi-purpose freight cars (hereinafter referred to as "loan agreement". The total cost of the project is \$259.018 million (\$150 million in borrowings and \$109.018 million in Ukrzaliznytsia's funds). The loan agreement provided for the purchase of about 6,500 freight cars. The loan maturity is ten years, and the grace period for repaying the principal amount is two years.

2019 GOALS: Under the terms of the loan agreement, the drawdown period is until 31 December 2019. The Company plans to acquire drop-bottom wagons.

RENOVATION OF THE ELECTRIC LOCOMOTIVE FLEET

IMPLEMENTATION PERIOD: 2018 – 2020.

PROJECT OBJECTIVES: Renovation of Ukrzaliznytsia's electric locomotive fleet through the purchase of 210 electric locomotives.

AMOUNT OF INVESTMENT: \$1 million.





PILOT PROJECT FOR THE REFORMS OF SUBURBAN TRANSPORTATION IN ZAPORIZHIA AND DNIPROPETROVSK OBLASTS

PERIOD OF PREPARATION AND IMPLEMENTATION: 2018 – 2021.

AMOUNT OF INVESTMENT: from €100 million.

2018 RESULTS: Socially important railway transport management in accordance with the Regulations requires institutional, legal, and technical decisions, the collection of additional data and its analysis with feasibility studies.

To this effect, the project provides for technical assistance, funded by the European Investment Bank.

The experts will conduct a comprehensive study of the current state of suburban transportation in pilot areas, including the analysis of the current state of use of regional and suburban rolling stock. They will formulate rolling stock requirements and other technical requirements for the management of socially important passenger transportation. The experts will assess the need to establish a rolling stock owner, the requirements to be met by such a company, the conditions, procedures, and mechanisms for the transfer of rolling stock to carriers of the socially important transportation sector. They will analyse demand and supply, develop the forecast for these indicators, analyse profits and expenditures, the financial model for suburban transportation, develop the required draft documents. In November 2018, European experts started preparing a feasibility study on the implementation of pilot projects in Zaporizhia and Dnipropetrovsk Oblasts.

2019 GOALS: The feasibility study is expected to be completed by the end of May 2019. Then, by late 2019, a package of organisational and legal instruments will be prepared (with the involvement of international consulting companies). It is required for the further implementation of the project. The implementation stage of the project is expected to start in 2020-2021. This stage will last from one to three years, depending on the results of the feasibility study and the proposed organisational model.



ACCESSIBILITY OF RAILWAY INFRASTRUCTURE FACILITIES FOR PERSONS WITH DISABILITIES

IMPLEMENTATION PERIOD: 2017-2019.

PROJECT OBJECTIVES: Creating appropriate access opportunities to railway stations, public premises, and adjoining territories owned by Ukrzaliznytsia for persons with special needs.

Measures taken as part of the project implementation: As of 1 January 2019, the stations of Ukrzaliznytsia were refitted and equipped for people with disabilities: 123 waiting rooms, 24 lounges, 816 leisure areas, 183 luggage offices, 93 ticket offices, 30 lifts, 122 lavatories, 34 hygiene rooms, 29 mobile units for the boarding of passengers with disabilities, 154 call buttons for duty personnel, 272 ramps, 168 car parking spaces, 131 wheelchairs for the movement of disabled persons on station sites, and 146 wheelchairs for use inside trains cars.

FUNDS SPENT: In 2018, in accordance with an action plan, 88 measures were taken to the amount of about UAH 1.6 million to create appropriate access to railway infrastructure facilities for people with special needs.

2019 GOALS: The action plan provides for the implementation of 80 initiatives to the amount of about UAH 3.3 million to boost accessibility of railway infrastructure facilities for people with disabilities.



PLANS

- Continued implementation of key investment projects with the participation of leading financial institutions, preparation and implementation of new medium- and long-term investment projects;
- Attracting private investment, advanced technologies, and management experience from the private sector. This will allow access to investment resources without increasing Ukrzaliznytsia's current debt burden and will help achieve Ukrzaliznytsia's strategic development goals;
- Development, arrangement, and updating of Ukrzaliznytsia's regulations on investment activities.



Ukrzaliznytsia's Updated Visual Identity

CONTINUITY AS A COMMITMENT TO TRADITIONS

An important requirement for the development of the updated visual style was to preserve the continuity of images as a mark of respect for the many years of the Company's record and traditions. The logo did not change completely and remained recognisable, but at the same time, it became more modern.

HOW THE VISUAL IDENTITY WAS UPDATED

In order to update Ukrzaliznytsia's visual identity, a competition was held in April-July 2018. During the competition, the leading creativity agencies were invited to submit their own concepts and logo designs to the Company for review. The winner, Galagan creativity agency, developed an updated visual identity on a pro bono basis.



THE GALAGAN AGENCY DESIGNED A BESPOKE FONT. IT WAS THOROUGHLY DESIGNED FROM SCRATCH, WITH THE FONT OF LETTERS U AND Z REPRESENTING STABILITY AND RELIABILITY AND THE COMBINATION OF ITALIC LETTERS REFLECTING THE SAME MOVEMENT FROM LEFT TO RIGHT. THE "UZ" LIGATURE WAS TAKEN FROM THE PREVIOUS DESIGNS TO PRESERVE CONTINUITY.

UKRZALIZNYTSIA
PRESENTED ITS NEW
LOGO IN SEPTEMBER

2018



LAYOUT AND COLOURS

As a matter of convenience, two versions of the updated logo were developed – full and abbreviated. The full logo contains the name "Ukrzaliznytsia", while the abbreviated name is "UZ". Also, both variants contain a symbolic element – the contour of the locomotive moving forward into the future. The upper part of the symbol is rounded and resembles the outline of modern high-speed trains.

The main colour of the logo is deep blue, set against a light background. These two colours (day and night) symbolise the Company's round-the-clock operation because trains run regardless of the time of day. Other colours that are also used in the updated visual style are pearl-white, black and orange.

The updated visual style is gradually being implemented in the infrastructure facilities, rolling stock, inventory, and employee uniform. The infographics list the facilities designed in the updated style with applied logo in 2018.





PLANS

In order to ensure a consistent and efficient operation, Ukrzaliznytsia approved the updated logo implementation plan for railway areas and facilities on 26 October 2010. According to the document, the update of the visual identity of the Company's facilities should be carried out gradually. For example, the implementation period is:

- 2 years for passenger cars (during the overhaul of rolling stock and the construction of new cars)
- 8 years for freight cars (during the overhaul of rolling stock and the construction of new cars)
- 3 years for containers (during the overhaul of rolling stock and construction of new cars)
- 3 years for diesel locomotives, electric locomotives, diesel trains, electric trains, other rolling stock
- 2 years for machinery
- 1 year for uniforms and workwear (taking into account the requirements)
- 3 years for infrastructure facilities.

Investment in Development

SPECIFICATIONS OF NEW GENERAL ELECTRIC LOCOMOTIVES

LOCOMOTIVE MODEL



TE33AC MAINLINE FREIGHT
DIESEL LOCOMOTIVE

PLACE OF MANUFACTURE



GENERAL ELECTRIC
LOCOMOTIVE FACTORY
(UNITED STATES)

MAIN TECHNICAL SPECIFICATIONS OF THE LOCOMOTIVE



ENGINE RATING

3,356 KW (4,564 HP)

DESIGN SPEED

120 KM/H

WHEEL
ARRANGEMENT

30-30

SERVICE WEIGHT

138 TONNES (±3 %)

CLEARANCE

1-T ACCORDING TO DSTU B
V.2.3-29
(GOST 9238)

COST OF ONE LOCOMOTIVE



4.68 MILLION (VAT INCLUDED)

ECONOMIC EFFECT OF LOCOMOTIVE OPERATION: REDUCED COSTS OF FUEL AND LUBRICANT CONSUMPTION, ETC.



REDUCED COST OF FUEL AND LUBRICANTS
CONSUMPTION (**UP TO 20%**). THE COST OF MAINTENANCE
AND REPAIR FALLS BY HALF (COMPARED WITH 2TE10
AND 2TE116 DIESEL LOCOMOTIVES).

ECOLOGICAL BENEFIT FROM LOCOMOTIVE OPERATION: REDUCTION OF HARMFUL EMISSIONS, ETC.



DIESEL LOCOMOTIVES ARE ADJUSTED TO UKRAINIAN
CLIMATE, MORE ENVIRONMENTALLY FRIENDLY, RELIABLE,
COST-EFFECTIVE, AND COMFORTABLE FOR LOCOMOTIVE
CREWS. COMPARED TO OTHER DIESEL LOCOMOTIVE
MODELS, HARMFUL EMISSIONS ARE REDUCED BY MORE
THAN **40%**.



SPECIFICATIONS OF NEW GENERAL ELECTRIC LOCOMOTIVES

A LOCOMOTIVE CREW OF TWO PERSONS IS RESPONSIBLE FOR THE HANDLING OF THE TE33AC LOCOMOTIVE:



ENGINE
DRIVER

ASSISTANT
ENGINE
DRIVER

EXPECTED SERVICE LIFE
OF THE LOCOMOTIVE



40
YEARS

LOCOMOTIVE
REPAIRS



MELITOPOL LOCOMOTIVE DEPOT OF
PRYDNIPROVYE RAILWAYS IS IN CHARGE OF
MAINTENANCE.

AREAS OF
LOCOMOTIVE
OPERATION



OPERATED IN THE AREAS OF REGIONAL BRANCHES:
DONETSK RAILWAYS, ODESSA RAILWAYS, AND
PRYDNIPROVYE RAILWAYS.

COOPERATION WITH GENERAL ELECTRIC

THE FIRST
SIX MONTHS
OF
2018

Commencement
of construction
of the first
locomotive

10
OCTOBER
2018

the first **TE33AC**
locomotive arrived
at the port of
Chornomorsk in
Odessa Oblast



In February 2018,
Ukrzaliznytsia
concluded a framework
agreement with
General Electric, which
established a long-
term cooperation
on the renovation of
the Company's diesel
locomotive fleet.

15

TE33AC
LOCOMOTIVES



The total value of
locomotive supply
stipulated by the
agreement is up to
225 GE Evolution
locomotives to be
supplied by 2034
(provided Ukrzaliznytsia
requires such
locomotives and has
sufficient funds).

Number of locomotives put into
operation

Number of locomotives leased
to the Company

Number of locomotives to be supplied
in 2019

In 2018, Ukrzaliznytsia acquired 15 TE33AC
locomotives on leasing terms, including four
on 12 December 2018, four on 14 December
2018, and seven on 29 December 2018.



12.12.2018

4

14.12.2018

4

29.12.2018

7

INTERNATIONAL COOPERATION



IN 2018, THE INTERNATIONAL COOPERATION DEPARTMENT ARRANGED **329** MEETINGS WITH FOREIGN DELEGATIONS AT UKRZALIZNYTSIA, BY 51 MORE THAN IN 2017.

One of the priorities of Ukrzaliznytsia's cooperation within international organisations is the integration of the Ukrainian railway network into the pan-European transport system. The Company actively interacts with international partners in the field of rail transportation and plays an important role in the international transportation of cargo and passengers.

In order to maximise transit potential and improve international passenger and cargo transportation, Ukrzaliznytsia actively participates in the work of international railway organisations.

PARTICIPATION OF UKRZALIZNYTSIA'S EXPERTS IN INTERNATIONAL ORGANISATIONS

1. Council for Rail Transport of the Commonwealth Member States (CRT CIS, Moscow, Russia).
2. Organisation for Collaboration between Railways (OSJD, Warsaw, Poland).

3. Intergovernmental Organisation for International Carriage by Rail (OTIF, Bern, Switzerland).
4. International Rail Transport Committee (CIT, Bern, Switzerland) – Comité international des transports ferroviaires.
5. International Union of Railways (UIC, Paris, France) – Union Internationale des Chemins de fer.
6. Inland Transport Committee of United Nations Economic Commission for Europe (UNECE ITC, Geneva, Switzerland).
7. Forum Train Europe (FTE, Bern, Switzerland).
8. Community of European Railway and Infrastructure Companies (CER, Brussels, Belgium).
9. Coordinating Council on Trans-Siberian Transportation (CCTT, Moscow, Russia).
10. South-West Route Coordination Committee.
11. Trans-Caspian International Transport Route International Association (TITR Association).
12. Board of Directors on the joint operation of the ferry service between the ports of Varna-Poti/Batumi-Illichivsk.
13. Meetings on the coordination of volumes and conditions of foreign cargo transportation between the railways of Ukraine, the Russian Federation, Hungary, Serbia, Montenegro, Slovakia, Bulgaria, and Moldova.
14. Border conferences (commissions) are held once a year.

On 2-6 September 2018, a Ukrainian delegation of Ukrzaliznytsia representatives took part in the meeting of the 81st session of the Working Party on Transport Trends and Economics of the United Nations Economic Commission for Europe (UNECE). It also participated in the Making Euro-Asian Transport Corridors Operational International Conference and presented Ukraine's development priorities in the Europe-Asia route. Those included the harmonisation of approaches to the implementation of a sustainable, cargo owner-oriented transportation policy; creation of uniform technical and technological conditions of cargo transportation; and removing obstacles to the movement of goods and services in Eurasia.

BORDER RAIL COMMISSIONS

The commissions held five meetings in 2018:

**UKRAINE – POLAND**

13-15 June 2018 in Rzeszów, Poland

**UKRAINE – HUNGARY**

19-21 June 2018 in Hajdúszoboszló, Hungary

**UKRAINE – SLOVAKIA**

15-17 May 2018 in Kyiv, Ukraine

**UKRAINE – ROMANIA**

02-04 October 2018 in Yaremche, Ukraine

**UKRAINE – MOLDOVA**

27-29 December 2018 in
Odessa, Ukraine

**INSTRUMENTS SIGNED IN 2018:**

- A letter of intent on cooperation between Ukrzaliznytsia and Lithuanian Railways for the effective use of the locomotive fleets of the parties;
- A memorandum on cooperation between the Ministry of Economic Development and Trade of Ukraine, Ukrzaliznytsia, and China National Complete Engineering Corporation to implement the rolling stock renovation programme for Ukrainian railways;
- A memorandum of understanding between Ukrzaliznytsia and French Alstom Transport relating to cooperation in the renovation of the electric locomotive fleet and its maintenance;
- A memorandum of understanding between Ukrzaliznytsia and Chinese companies, CMI (China Motors International) and CRRC Datong, on cooperation in the renovation of Ukrzaliznytsia's current electric locomotive fleet.

Furthermore, bilateral meetings took place between the directors of railway companies: between Ukrzaliznytsia and Belarusian Railway (15 March 2018, Minsk), between Ukrzaliznytsia and Lithuanian Railways (23-24 October 2018, Kyiv). More meetings were held during international forums and conferences in the field of rail transport with the directors of railway companies of Georgia, Azerbaijan, Kazakhstan, Poland, Slovakia, Hungary, Moldova, Romania, Turkey, Germany, France, and Austria.

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

PROJECT GOAL:

Develop and improve efficiency of transport and economic relations between Central European and Asian countries.

This region is an international transport hub, perfectly located at the intersection of transportation routes at the heart of the Trans-European Transport Network. The implementation of the project will allow construction of an 11,000 km long Eurasian land route. As a result, cargo transportation between Europe and Asia will take 15 days or less, while transportation by sea takes more than 40 days. Breitspur Planungsgesellschaft mbH, Austria, Vienna, with Ukrzaliznytsia's 25% shareholding in the statutory capital, was established.

Railway companies of four countries (Ukraine, Slovakia, Austria, and Russia) initiated the organisation of a direct railway service between Western European countries, CIS countries, and China with 1520 mm tracks on the route Chop – Košice – Bratislava – Vienna.

The main purpose of the project is to reduce the costs of cargo transportation by eliminating transshipment operations at border stations. It provides for the replacement of carts, moving away from the use of more expensive cars with sliding wheel pairs, improved logistic arrangements of cargo transportation between the Europe and Asia, and organisation of such transportation along the transport corridors of the member states.

The following researches are underway or completed within the framework of the project:

Feasibility Study (technical and environmental) of the Eurasian railway project is to be completed by the end of 2019.

Business Model and Economic Analysis has been completed. Cargo Flow Forecast has been completed.

Breitspur's extraordinary meeting decided on 31 January 2018 to proceed to Stage 4 "Preliminary Design". This stage will last two years and include actions to obtain construction permits in Slovakia and Austria, as well as a detailed construction plan. During this period, the company members are set to work with project investors to raise funds for construction.



3

**OUR EMPLOYEES
AND OUR COUNTRY**



SOCIAL POLICY

The Company's management is staunchly committed to the highest standards of occupational health and safety. The Company's social policy makes it an attractive employer for highly skilled personnel committed to work effectively and efficiently and is a competitive advantage of Ukrzaliznytsia. The Company provides its employees with benefits under the Law and additional social programmes to make employees feel comfortable. The Company maintains a favourable social climate, improves living standards of its employees and members of their families, and creates opportunities for the professional development of railway workers. As one of the largest domestic employers, Ukrzaliznytsia is aware of its social responsibility. Every year it performs a wide range of activities on health and recreation through a network of social infrastructure establishments. Furthermore, there are also housing programmes. The Company extensively finances all these important motivational tools of social policy every year.

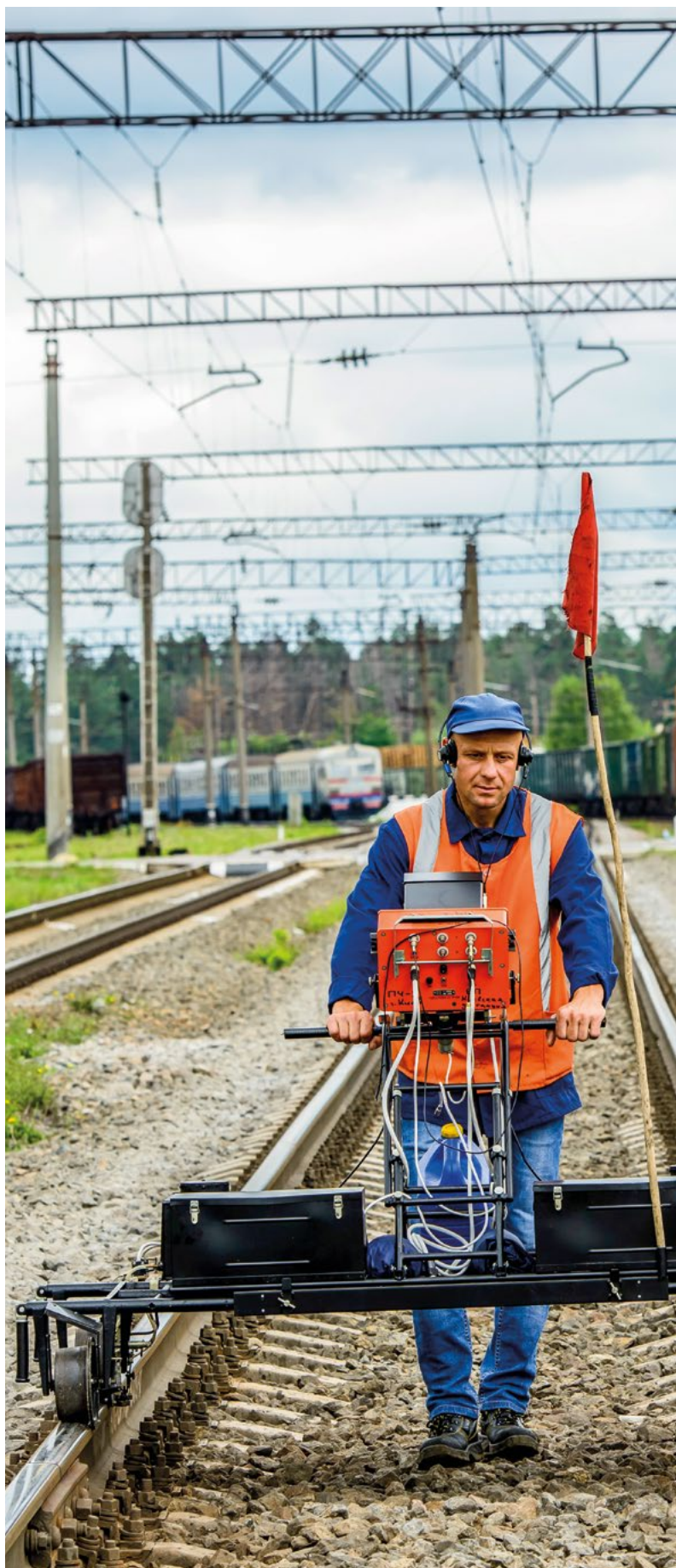
The result of Ukrzaliznytsia's effective social policy is its stable operation. For more information about approaches to HR management, please see Integrated Report 2017 (Social and Environmental Responsibility section).

COLLECTIVE BARGAINING AGREEMENT

The Company concluded the Sectoral Agreement and the Collective Bargaining Agreements of the Company's branches for the regulation of the industrial, labour, and socio-economic relations and coordinate the interests of employees and the management. For more information, please see Integrated Report 2017 (Social and Environmental Responsibility section, Collective Bargaining Agreement subsection).

In 2018, the Company spent UAH 11.2 billion on the implementation of the Sectoral Agreement. Total expenses specified in the Sectoral Agreement and certain provisions of Collective Bargaining Agreements made UAH 12,456,470,000, including UAH 11,212,647,000 in mandatory payments required by the Sectoral Agreement.

IN 2018,
UKRZALIZNYTSIA'S
SOCIAL SECURITY
PAYMENTS EXCEEDED
UAH 11 BILLION.





THE COMPANY WORKS
TO CREATE A POSITIVE
AND ATTRACTIVE
IMAGE FOR POTENTIAL
EMPLOYEES.

SOCIAL INFRASTRUCTURE

The Company has developed a wide network of social infrastructure facilities providing the treatment, healthcare, and recreation of the Company's employees and their family members, their acculturation, leisure, and education of the younger generation. The social infrastructure facilities allow employees to restore their strength and health and return to full employment.

As of 2018, Ukrzaliznytsia has 115 social infrastructure facilities, with a 1,980-strong staff.

The total maintenance costs for Ukrzaliznytsia social infrastructure facilities during the reporting period amounted to UAH 408,929,900:

- Revenues: UAH 211,127,600
- including UAH 47,019,000 in government subsidies
- Loss: UAH 197,802,300.

BREAKDOWN OF EXPENSES TO PERFORM THE SECTORAL AGREEMENT:

Monthly long service bonus	UAH 3,301,982,000	29.45%
Additional payments and increments	UAH 3,019,858,000	26.93%
Allocations for health improvement	UAH 863,556,000	7.7%
Annual bonus	UAH 595,972,000	5.32%
Financing health and safety measures	UAH 613,487,000	5.47%
Additional vacations under the Sectoral Agreement	UAH 520,780,000	4.64%
Maintenance of health-care, sports, and cultural facilities	UAH 206,948,000	1.85%
Reduction in prices for rest and recreation vacation packages for railwaymen and their family members	UAH 92,858,000	0.83%
One-off retirement benefit	UAH 438,612,000	3.91%
Itinerant worker allowance	UAH 336,506,000	3%
Mandatory health checkups financed by the Company	UAH 248,844,000	2.22%
Other	UAH 973,844,000	8.69%

HR MANAGEMENT AND DEVELOPMENT

HUMAN RESOURCES POLICY

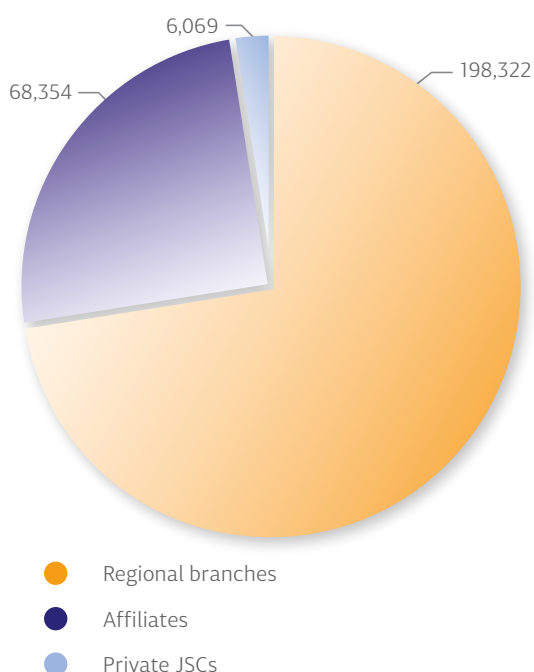
The HR policy is an integral part of the Company's general policy. Its purpose is to ensure an optimal balance between updating and maintaining of the Company's personnel quality during its development in accordance with the needs, requirements of the current legislation, the state of the labour market, and the Company's Development Strategy.

In 2018, Ukrzaliznytsia implemented effective directions of HR policy: the systems of search and selection, evaluation, training, and development of personnel.

The Company gives priority to the development of motivational mechanisms that increase the employees' investment in and satisfaction with the work. The Company studies and implements international practices in applying tangible and intangible incentives. Notably, Ukrzaliznytsia develops and implements professional development programmes (talent pool, mentoring, career development, advanced training and retraining of employees, and internal coaching).

Ukrzaliznytsia's management is responsible for implementation of the HR policy. The policy efficiency and effectiveness are ensured by the heads of personnel vertical units. The Company extensively cultivates the corporate culture and promotes the development of human resources through the introduction of an HR-school. Ukrzaliznytsia's top management is responsible for the compatibility of the HR policy principles and areas with the Company's development goals and Strategy.

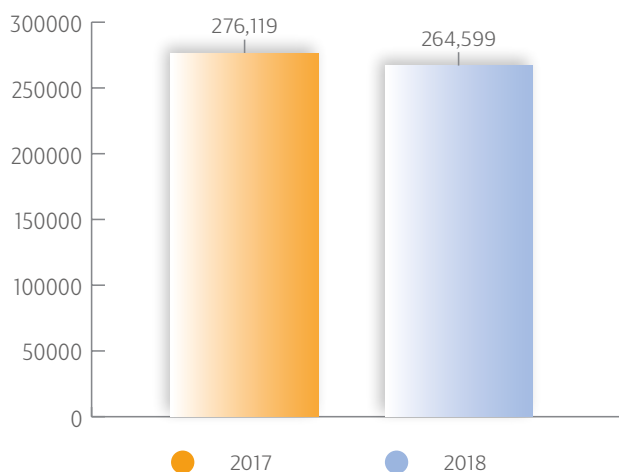
UKRZALIZNYTSIA AVERAGE HEADCOUNT,
2018, PERSONS



HEADCOUNT AND STRUCTURE

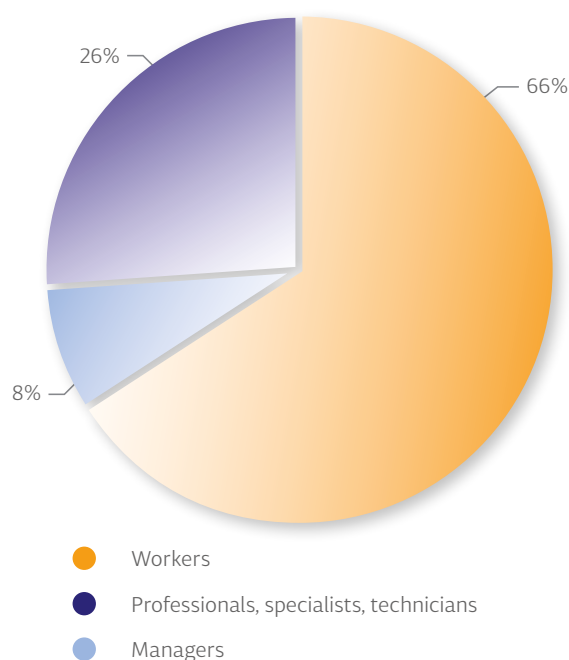
The Company's headcount in 2018 was 272,745 people, including 198,322 employees of regional branches (72.7%), 68,354 employees of affiliates (25.1%), and 6,069 employees of affiliated private joint-stock companies (2.2%). During the reporting period, the gender breakdown was 166,266 (60.9%) male and 106,479 (39.1%) female employees.

AVERAGE HEADCOUNT, PERSONS



In 2018, the number of full-time employees decreased by 6,914 people, or 4.2%, year on year. This is due to the natural churn of personnel, automation-caused reorganisation of the Company's structural units, and aligning the number of employees with the scope of work.

BREAKDOWN OF UKRZALIZNYTSIA EMPLOYEES
BY CATEGORY, 2018



THE AVERAGE MONTHLY SALARY WAS **UAH 10,490** AT UKRZALIZNYTSIA, WHICH WAS **18% HIGHER** THAN THE NATIONAL AVERAGE.

The professional qualification structure of the Company's staff did not change as compared with 2017. It consisted of managers (8%), professionals, specialists, technical staff (26%), and blue-collar workers (66%).

EMPLOYEE REMUNERATION

Labour remuneration is the main incentive of labour. It is an important aspect of the interaction between the Company and its employees.

Ukrzaliznytsia has developed a labour remuneration policy based on the following basic principles:

- Motivation to increase efficiency
- Internal fairness
- External competitiveness
- Transparency and clarity
- Ease of management
- Legitimacy, observance of the current legislation.

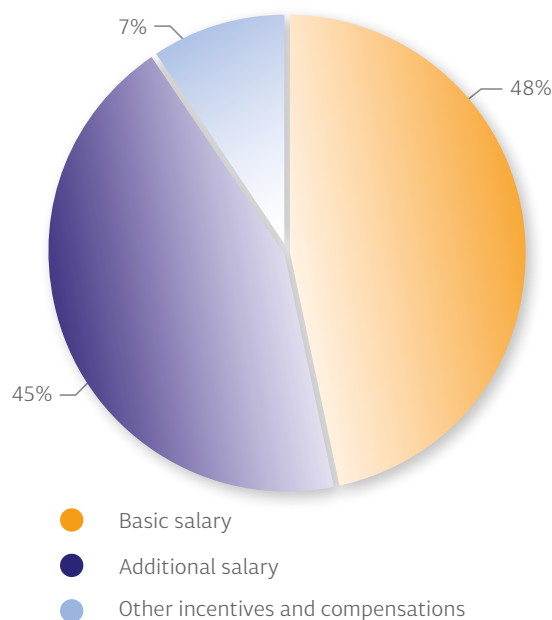
The Company's payroll consists of the basic and additional salary funds, other incentives, and compensations.

In 2018, the basic salary (depending on hourly rates and position) made 48%.

The additional salary includes monthly bonus, additional payments, and increments established by law and the Sectoral Agreement (for work in difficult and hazardous conditions, work in unsocial hours, combining occupations, performing the duties of a temporarily absent employee, extension of service areas, professional skills, etc.). It made 45% in 2018.

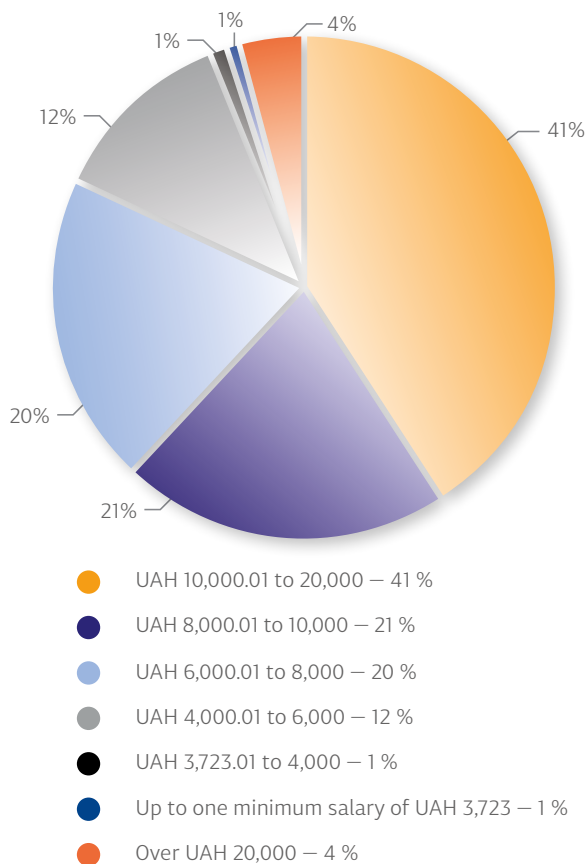
Other incentives and compensatory payments constituted 7% of the payroll.

STRUCTURE OF UKRZALIZNYTSIA'S PAYROLL, 2018, %



In December 2018, a number of the Company's employees were paid for 50% or more working hours set for a month. Over 2,000 of those (underskilled) workers were paid less than the minimum wage. Almost 2,500 employees (1%) were paid UAH 3,723-4,000 (employees of regional branches in non-core operations: trade, catering, consumer services, cultural and recreational centres, folk arts and crafts centres, fitness and healthcare facilities; underskilled workers). More than 100,000 employees of employees (41%, the largest share) were paid UAH 10,000-20,000. More than 11,000 employees (4%) were paid over UAH 20,000.

BREAKDOWN OF EMPLOYEES BY AVERAGE MONTHLY SALARY IN DECEMBER 2018



THE COMPANY RANKED
12TH IN TERMS OF AVERAGE
MONTHLY SALARY AMONG
OTHER ECONOMIC SECTORS.

In 2018, railway workers ranked 12th in terms of average salary in economic sectors (13th in 2017), up by 33% against 2017, 26% against the industry average, and 25% against the Ukrainian average.

AVERAGE MONTHLY SALARY AT UKRZALIZNYTSIA AGAINST THE INDUSTRY AVERAGE AND UKRAINE AVERAGE, 2016-2018, UAH

	2016	2017	2018
Ukrzaliznytsia	5,816	7,863	10,490
Ukrainian industry	5,902	7,631	9,633
Ukraine in general	5,183	7,104	8,865

In December 2017, new Regulations on Ukrzaliznytsia employee payments (hereinafter – Regulations) took effect. The new Regulations was based on a single methodological approach to the formation of rates and salary patterns within the Company's overall organisational structure. Ukrzaliznytsia established a transparent and unified system for the determination and payment of increments, one-time rewards, and social benefits at the level of structural divisions. The pay system was gradually introduced in December 2017 and in early 2018, first for employees of the main railway professions and finally, for employees of general occupations and for managers. In 2018, an additional UAH 458 million was allocated monthly to budget the new corporate pay system.

THE TOTAL
PAYROLL IS
UAH 33,309.1 MILLION.

In 2018, Ukrzaliznytsia introduced the corporate pay system in stages. This resulted in a pay rise.

In order to better motivate its employees for self-development on an ongoing basis, and to ensure internal fairness, the Company has developed and implemented a policy of one-time incentives. It is implemented under the Regulations on the establishment and payment of one-time incentives (bonuses) to Ukrzaliznytsia's administrative staff and employees whose occupations are listed

by the Company. In 2019, this policy will become the foundation of a unified policy of one-off incentives for all employees of the Company.

In 2018, two key remuneration policies were developed: the policy of performance assessment and the policy of bonus payments to Ukrzaliznytsia's administrative staff. Relevant regulatory documents were prepared. The implementation of these policies will be phased, with the first stage to start in 2019.

HANDLING WORK-RELATED COMPLAINTS

In 2018, the Company continued to process work-related complaints. During the reporting period, Ukrzaliznytsia received 2,020 written requests and 3,211 more were sent to the government contact centre. A total of 456 requests were made for public information and 16,053 e-mails were sent to the virtual reception. Ukrzaliznytsia received 808 complaints from its employees on work-related issues. In total, 21,740 complaints were settled in 2018.

HOUSING PROGRAMME

The Company employs many highly qualified specialists from other regions. To improve its system of workplace social support, Ukrzaliznytsia decided to compensate for the cost of overcoming difficult living conditions. In 2017, the Company developed a unified approach to workers compensation for the lease of housing in accordance with the requirements of the Collective Agreement and regulations. This practice was introduced in 2018.

The housing record of Ukrzaliznytsia railway subsidiaries lists 8,947 workers' families and railway pensioners. The number includes 1,879 families in need of better living conditions on preferential terms: 462 out of turn and 1,417 on a first priority basis. The dynamic pattern of housing for railway workers is better compared with 2017.

HOUSING PROCEDURES FOR UKRZALIZNYTSIA'S EMPLOYEES IN NEED OF BETTER LIVING CONDITIONS AND DWELLING HAS BEEN DEVELOPED AND IS NOW COORDINATED WITH THE DEPARTMENTS CONCERNED. THIS DOCUMENT IS AIMED AT SOLVING THE ISSUE OF HOUSING RECORDS, PROVISION, AND DISTRIBUTION OF HOUSING IN THE COMPANY.



IN A MOVE TO BUILD A SYSTEM OF ADAPTATION OF NEWLY RECRUITED PERSONNEL, UKRZALIZNYTSIA DEVELOPED A DRAFT REGULATIONS ON NEW EMPLOYEE ADAPTATION.

The Company plans to put 14 residential properties into operation within the framework of the Housing and Refurbishment Programme for 2018, which includes 24 facilities.

In 2018, the second phase of the 56-apartment residential complex was completed in Synelnykove, Dnipropetrovsk Oblast. In addition, a 110-apartment residential house was built in Kharkiv on Malinovskoho Street.

As part of the development and implementation of the Housing Concept for the Company's employees, Ukrzaliznytsia will draft and roll out a comprehensive programme for solving the housing issues. It can be achieved through a housing funding system by raising funds from various sources, including personal funds of railway workers, credit unions, mortgage, and occupational arrangements.

EMPLOYEE TRAINING, RETRAINING, AND RECRUITMENT

In 2018, Ukrzaliznytsia strived to transform into a modern and business-oriented organisation and worked towards staff rejuvenation by attracting external sources and hiring young, competent, and dedicated employees. To this end, Ukrzaliznytsia concluded contracts with the leading recruitment websites to publish its vacancies and ensure equal opportunities for all those who wish to work for the Company. On top of that, Ukrzaliznytsia signed a Memorandum on cooperation with the State Employment Service of Ukraine and raised public awareness on employment opportunities at the Company.

Automation of the recruiting process at the head office and administrations of branches to obtain recruitment insights will allow identifying and addressing the bottlenecks of the process and creating a pool of external candidates for positions.

In addition, in January 2018, the Company introduced reports on persons dismissed in the first three months of employment to assess personnel adaptation.





QUANTITATIVE ANALYSIS OF RECRUITMENT IN 2018

NUMBER OF EMPLOYEES HIRED BY UKRALIZNYTSIA BRANCHES AND AFFILIATES, PERSONS

	2016	2017	2018
South-West- ern Railways	2,888	3,942	4,104
Southern Railways	2,929	2,499	2,485
Lviv Railways	2,485	2,734	3,602
Prydniprovyie Railways	4,367	3,790	2,991
Donetsk Railways	22,613	2,338	1,168
Odessa Railways	4,939	3,803	5,326
Other branches	4,460	50,715	78,924
Total	44,681	69,821	28,600

Ukrzaliznytsia introduced a system of recruitment planning in regional branches. Accordingly, it developed and implemented a vacancy placement programme, complete with effective HR tools. For more information about the managerial approach to training and education, please see our Integrated Report 2017 (Social and Environmental Responsibility section, Social Policy subsection).

SECTORAL COUNCIL. OCCUPATIONAL STANDARDS

The level of training of skilled railway workers in public vocational schools does not fully meet industry requirements. Therefore, the Company decided to develop competency-based occupational standards for blue-collar jobs. The purpose is to manage training, retraining, and professional development of workers, determine the requirements for the knowledge, skills, and abilities that ensure quality performance of the key responsibilities, and create conditions for the professional development of workers and the improvement of their performance.

A Sectoral Council was set up in the Federation of Railway Workers of Ukraine, which is the international organisation of rail industry employers for the purpose of the developing occupational standards and professional qualifications in the railway industry. Members were also approved and included representatives of the Federation of Railway Workers of Ukraine, Ukrzaliznytsia, the Trade Union of Railwaymen and Transport Construction Workers of Ukraine, the Ministry of Social Policy, the Ministry of Education, higher educational establishments (Dnipro National University of Rail Transport, Ukrainian State Academy of Railway Transport, Kyiv Institute of Railway Transport, Kyiv Electromechanical College), and vocational schools (Odessa Centre for Professional Development of Personnel, Kyiv Higher Technical School of Railway Transport, Koziatyn Interregional Vocational School of Railway Transport).

In 2018, one of the main objectives of the Sectoral Council was to develop six occupational standards for such professions as electric locomotive operator, steward (road service), track serviceman, train builder, shunter, grade crossing attendant, and catenary electrician.

COOPERATION WITH EDUCATIONAL INSTITUTIONS

COOPERATION WITH UNIVERSITIES AND VOCATIONAL SCHOOLS

Ukrzaliznytsia signed a Memorandum of Cooperation with the Ministry of Education and Science of Ukraine, which provided for common approaches taken to training in accordance with the needs of the Company, theoretical and practical training, further employment of youth, etc.

A number of measures aimed at improving the quality of Ukrzaliznytsia's personnel training are taken within the framework of cooperation with universities and vocational schools.

INTRODUCTION OF DUAL LEARNING ELEMENTS

Striving to provide the railway industry with skilled workers and resolve problems, a number of meetings were held with the representatives of the Ministry of Education and Science of Ukraine and vocational schools. The participants made a decision to introduce dual learning elements in the training of skilled workers at vocational schools in partnership with Prydniprovye Railways, Odessa Railways, Southern Railways, and South-Western Railways regional branches.

As part of the implementation of dual learning elements, a visiting meeting was held in Koziatyn on June 5 2018 at the Koziatyn Interregional Vocational School of Railway Transport. The meeting focused on the exchange of experience on the introduction of dual learning elements in the training of skilled workers. Its participants included managers and specialists of Ukrzaliznytsia, representatives of regional branches and affiliates, representatives of vocational schools with German partners.

Curricula and programmes were developed with regard to the combination of theoretical and practical training in the educational process with the ratio of 60:40. The first 211 trainees will take courses with dual learning elements at six vocational schools.

NOWADAYS, UPSKILLING IS
THE MOST EFFECTIVE FORM OF
PROFESSIONAL DEVELOPMENT.
IT PROMOTES HIGH-QUALITY
EMPLOYEE PERFORMANCE,
COMPETENCY DEVELOPMENT, AND
OPPORTUNITIES FOR MASTERING
NEW RESPONSIBILITIES.

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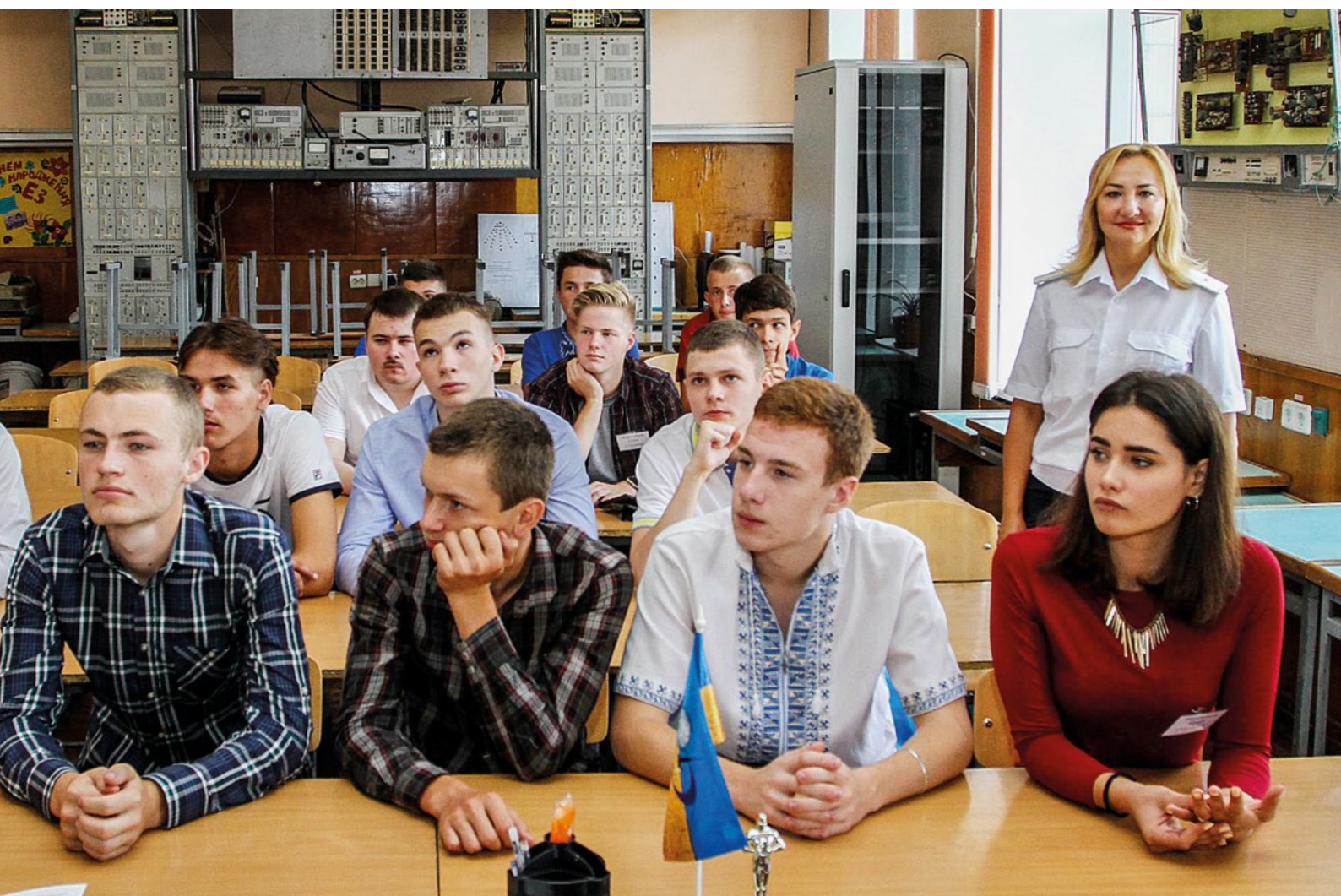
INTERNSHIP

One of the main stages in the training of young professionals is the internship of university and vocational school students. During the reporting period, almost 4,700 university and vocational school students completed internships in regional branches and affiliates. Ukrzaliznytsia approve Employment Targets 2019 to assign trained graduates to the regional branches. In 2018, 102% students took internship, as compared with targets, including 27% that had work placement opportunities.

PROFESSIONAL TRAINING

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.

The introduction of a unified system of professional training of workers and the definition of prospects and directions of professional development of the workforce, create conditions for the highest level of training of the Company's employees.



In order to create unified approaches to the training the workers, to improve the incentive mechanism of Ukrzaliznytsia employees, the Regulations on professional training of the Company's workers was developed. It introduces new mechanisms for the financing professional training, criteria for evaluating the process of professional training of workers, and new forms of reporting with additional criteria (average number of hours per employee, cost of training, breakdown of workers by category, etc.).

Over the course of 2018, more than 2,800 workers were trained in regional branches and affiliates, or 180% against the 2018 target and 127% against the 2017 plan performance:

- 300 workers in professional personnel development centres
- 2,400 workers at production sites
- 118 workers in other educational institutions.

Ukrzaliznytsia retrained 5,060 employees, or 108% against the 2018 target and 92% against the 2017 plan performance:

- 2,900 workers in professional personnel development centres
- 1,880 workers at production sites
- 211 workers in other educational institutions.

In 2018, almost 30,700 employees completed upskilling courses, or 135% against 2018 target and 99% against 2017 plan performance:

- 3,800 workers in professional personnel development centres;
- 26,600 workers at production sites;
- 321 workers in other educational institutions.

One of the 2018 milestones was the training of employees who would be involved in the maintenance of TE33AC locomotives in accordance with the agreement between Ukrzaliznytsia and GE Transportation.

The special courses were arranged and conducted for 80 employees of such professions as instructor driver of the locomotive crew, engine driver, and assistant engine driver. They took place in Odessa Railways' subsidiary, Odessa Centre for Professional Development of Personnel, to ensure that Ukrzaliznytsia's Locomotive Facility employees successfully master the skills of operation, maintenance, and repair of TE33AC locomotives.

Furthermore, 7,700 industry employees completed special training on the transportation of hazardous cargo in 2018, or 89% against the 2017 plan performance and 97% against the 2018 target.

In August 2018, the Company obtained a certificate confirming that Ukrzaliznytsia was a special training centre for workers engaged in the rail transportation of hazardous cargo. Since September, 3,200 employees have been trained at Ukrzaliznytsia's Special



IN ASSOCIATION WITH PLASKE JSC, THE COMPANY CONDUCTED TWO STAGES OF TRAINING FOR THE ADMINISTRATIVE STAFF OF UKRZALIZNYTSIA'S HEAD OFFICE, REGIONAL BRANCHES, AND AFFILIATES. THE PURPOSE WAS TO IMPROVE THE LEVEL OF PROFESSIONAL TRAINING IN THE AREA OF RAIL TRANSPORTATION, AS WELL AS THE PRACTICAL APPLICATION OF KNOWLEDGE. THIS INITIATIVE WAS A PART OF A PILOT TRAINING PROGRAMME "USE OF SMGS WAYBILLS FOR CARGO TRANSPORTATION IN DIRECT RAIL-AND-FERRY SERVICE (MULTIMODAL TRANSPORTATION)".

Training Centre, accounting for 57% of the total number of the Company's employees trained during the year.

ADVANCED TRAINING OF MANAGERS AND SPECIALISTS

The upskilling of managers and professionals plays an important part in improving industry personnel quality. In 2018, 4,035 top managers and railway specialists completed advanced training at railway-oriented higher educational establishments of all four levels of accreditation. That is 99% of the 2018 target (4,058) and twice more than last year.

Southern Railways made a timely centralised purchase of training services upon the decision of the board. This allowed the employees of the Company's regional branches and affiliates to participate in advanced training courses at higher educational establishments. At the same time, personnel departments of regional branches and affiliates organised and implemented other forms of personnel development. In total, 67,212 people attended full-time topical seminars, 5,454 attended short-term topical seminars, 6,827 took the special purpose courses, and 210 employees attended training sessions.

In 2018, the Department of Employee Development and HR Policy was the first to initiate and conduct a procedure for the comprehensive coordination of the generalised estimated demand for services (without repairs) of regional branches and affiliates.

Within the framework of international cooperation, Ukrzaliznytsia conducted training with the representatives of Azerbaijan Railways. The trainees gave the programme the highest rating for all indicators of organisation and conduct quality.

THE COMPANY'S TRAINING SYSTEM INCLUDES SPECIALISED CURRICULA AND PROVIDES THE OPPORTUNITY TO IMPROVE KNOWLEDGE AND SKILLS FREE OF CHARGE, ENSURING EQUAL RIGHTS FOR ALL EMPLOYEES. THE COMPANY PROVIDES FOR BOTH COMPULSORY EDUCATION REGULATED BY LAW AND PROGRAMMES FOR THE DEVELOPMENT OF SKILLS AND COMPETENCIES.

WORK PLACEMENT

Work placement at Ukrzaliznytsia, its regional branches, and affiliates is regulated by the Regulations on the Work Placement and is conducted for:

- professional development of employees;
- learning of the operational specifics of particular rail transport subdivisions to gain hands-on experience in a particular job;
- examination of the proficiency, professionalism, and personal qualities of a specialist enrolled in the candidate pool and applying for a particular position.

In 2018, 932 work placements were organised and conducted in Ukrzaliznytsia subdivisions (44 in the management department, 839 in regional branches, and 49 in affiliates).

Ukrzaliznytsia is working on updating the work placement process to:

- improve the work placement quality;
- build an effective work placement system;
- differentiate roles and their functions during work placements;
- establish clear deadlines for the implementation of tasks during the work placements.

In 2019, the Company plans to approve the updated version of Regulations on the Work Placement.

EMPLOYEES TRAINING AND DEVELOPMENT

Professional training and personnel development are strategically important objectives for Ukrzaliznytsia, because only a team of professionals can fulfil the mission and realise the ambitious goals of the Company.

HR SCHOOL

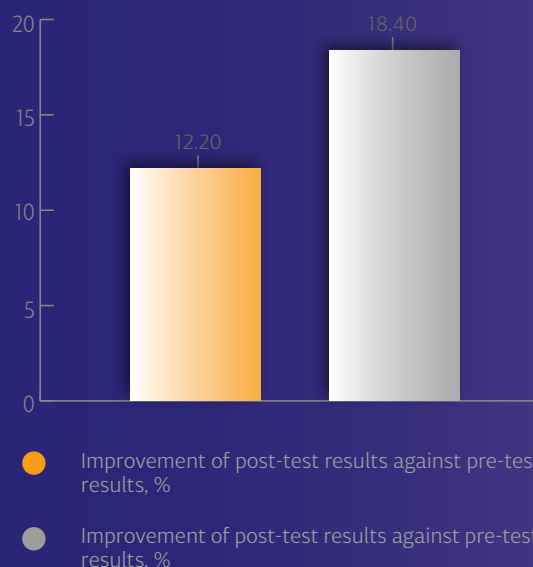
In July 2018, the HR School training project was launched for 23 heads of personnel departments in six regional branches.

Conducted in a corporate format, the training had the following goals:

1. Development of professional and leadership competencies of HR managers to increase the productivity and operational efficiency.
2. Update of knowledge and skills with regard to modern trends and requirements of the HR managers qualification, providing advanced tools of personnel and process management for the high-quality implementation of objectives.
3. Establishment of constructive communication between colleagues of different structural subdivisions through team interaction during joint projects and tasks within the HR-school.
4. Improved awareness of processes and changes taking place in the Company, in-depth familiarisation with the operations of the affiliated HR departments of the Company.
5. Increased engagement and motivation of HR managers and subsequent achievement of all of the aforementioned objectives.

The HR School project consists of eight modules, each lasting two days and containing several different topics. Since the launch of the school, three training modules have been completed. The training was attended by 23 heads of HR units in six regional branches. Nine internal and two external speakers were involved.

IMPROVEMENT OF POST-TEST RESULTS AGAINST PRE-TEST RESULTS, %





In 2018, the training of management personnel was mainly carried out by outsource providers: 39 training events were carried out for 431 employees of structural units; 352 managers were trained in four internal and 32 external programmes, while 78 specialists were trained in 17 external and one internal programme.

At the same time, the Company is developing a concept of the School of Internal Coaches, to be implemented in 2019. The project seeks to promote, share, and preserve the expertise, experience, and practices within the Company, as well as to ensure cost optimisation, organise mass training, and improve the general level of employee competency.

The Programme for the Development of Corporate Competencies is also aimed at improving the system of training and personnel development. It started in 2018, and next year it will be hardwired

into the system of competency assessment within the framework of the general policy of employee performance evaluation. Creation and implementation of the competency framework in the Company will allow it to establish the standards of employee behaviour required by the strategy and key business objectives.

The competency framework is one of the foundations of the HR system used to perform the following tasks:

- Recruitment
- Career planning, personnel transfer (rotation)
- Candidate pool
- Personnel training and development
- Formation of the corporate culture;
- Development of personnel potential;
- Employee evaluation assessment (feedback tool).



LEADER OF INNOVATIONS

The Company hosted an innovation project contest, Leader of Innovations. The implementation of the contest's winning projects is scheduled for 2019.

For more information about the contest, please see our Integrated Report 2017 (Social and Environmental Responsibility section, Social Policy subsection).



PLANS

1. Improve the remuneration policy.
2. Implement a performance evaluation policy for the top management, heads of regional branches and affiliates, their deputies, chief engineers, and chief accountants of regional branches and affiliates.
3. Implement a performance-based bonus policy.
4. Provide phased automation of management of key performance indicators (efficiency).
5. Develop and implement competency frameworks.
6. Implement candidate pool programmes.
7. Provide phased automation of personnel training and development, as well as a training planning and reporting system.
8. Implement a distance learning system.
9. Update and approve regulations on housing rent compensation.
10. Approve the Regulations on the Housing Fund of Ukrzaliznytsia in accordance with the established procedure, together with the related structural subdivisions.
11. Implement a workable mechanism for the use of corporate housing facilities.

TRAFFIC SAFETY AND H&S

The railway is seen as a high-risk industry. Safe railway operation is one of the most important priorities of the railway sector. The Company constantly manages, assesses and analyses the potential risks of its industrial operations, applies advanced approaches to traffic safety management, trying to reduce injuries and train accidents. The strategic goal is to ensure zero accidents on the railway.

Particular attention is also given to occupational health and safety (H&S). The policy of the Company in this area is to create proper and safe working conditions for employees, prevent accidents and occupational diseases. To read more about H&S approaches, please see Ukrzaliznytsia Integrated Report 2017 (Social and Environmental Responsibility section, Traffic Safety and Occupational H&S subsection).

TRAFFIC SAFETY

Ukrzaliznytsia has been implementing a projection-based programme to introduce rail safety equipment and systems across the Company in 2014-2018. The programme was approved by Order No. 432-Ts/od (432-Ц/од) dated 5 December 2013.

You can find more information about the guiding documents of the Company in this area, as well as about the principles and approaches to traffic safety in Ukrzaliznytsia Integrated Report 2017 (Social and Environmental Responsibility section, Traffic Safety and Occupational H&S subsection).

The Company is currently developing the following standards: "Safety Management System of Ukrzaliznytsia. Key Provisions", "Procedures for Investigation of Railway Accidents" and "Studying Hazards and Risk Assessment Systems for Safe Rail Operation and Determining the Risk Index with the Development of the Procedures for Detection of Hazards at Ukrzaliznytsia" and it is trying to bring them in line with the requirements of the legislation of the European Union and norms and standards as defined by Directive 2004/49/EC of the European Parliament and of the Council of 29 April 2004 on safety on the Community's railways.

TRAFFIC SAFETY INDICATORS

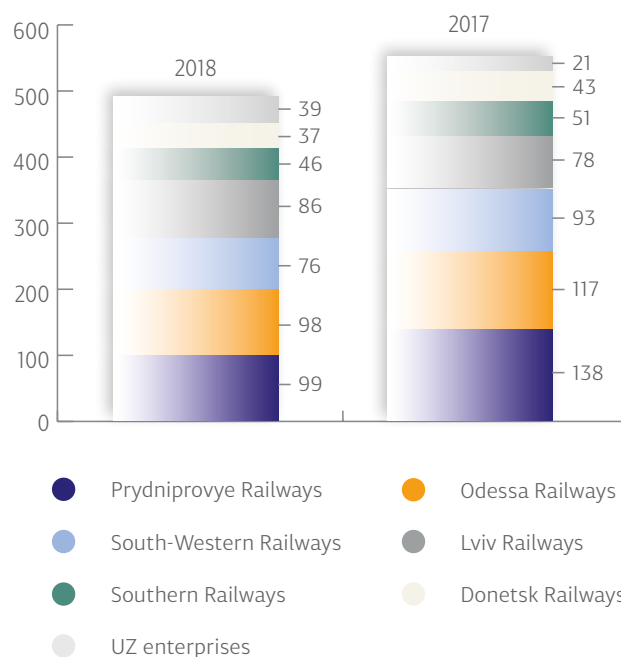
For many years, traffic safety indicators have been stable at Ukrzaliznytsia: the total number of railway accidents keeps declining every year.

NUMBER OF TRAFFIC ACCIDENTS BY CATEGORY				
	2015	2016	2017*	2018
Total number	602	550	541	481
Crashes	0	1	0	2
Accidents	0	0	2	1
Serious incidents	27	16	31	41

* Corrected data

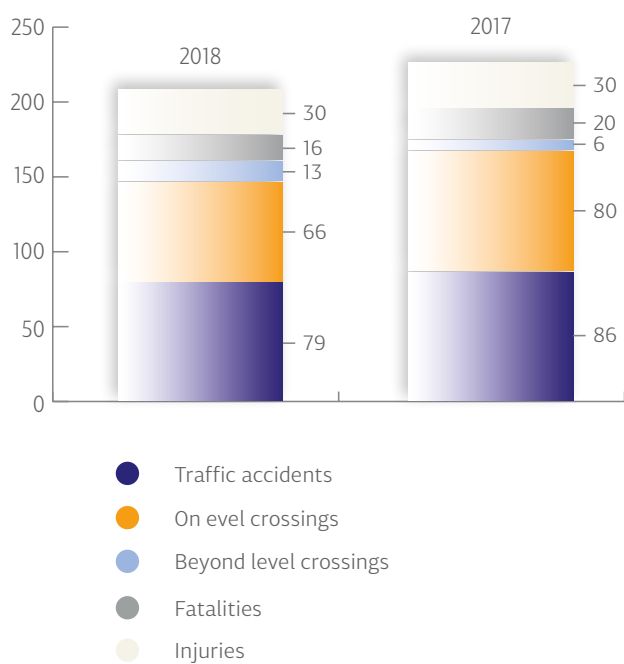
TRAFFIC AND RAIL OPERATION
SAFETY MEANS THE LEVEL
OF SAFETY AT WHICH THERE
IS A ZERO RISK OF ACCIDENTS
AND THEIR CONSEQUENCES, IN
PARTICULAR THOSE THAT POSE A
THREAT TO THE LIFE AND HEALTH
OF CITIZENS, THE ENVIRONMENT,
AND PROPERTY.

BREAKDOWN OF TRAFFIC ACCIDENTS BY REGIONAL BRANCH



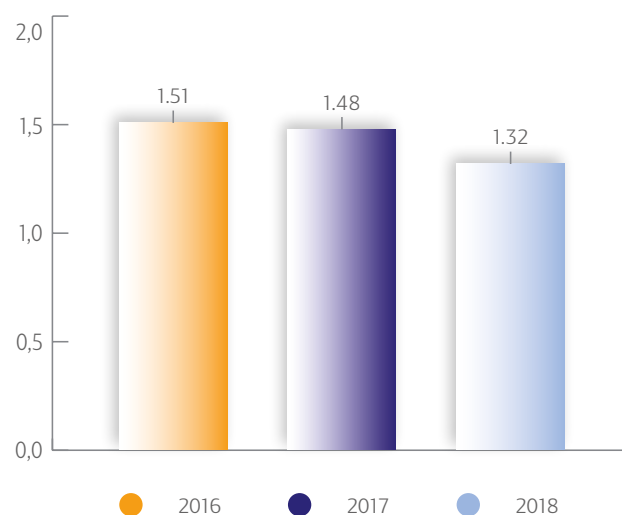


NUMBER OF TRAFFIC ACCIDENTS ON LEVEL CROSSINGS AND TRACKS



During 2018, there were 154 traffic accidents with passenger trains and suburban trains (or 32%). On average, there were 1.32 accidents per day vs. 1.48 in 2017.

AVERAGE NUMBER OF INCIDENTS PER DAY



In 2018, most traffic incidents involved the delay of freight trains for 2 hours and more (40.95% or 197 cases), delay of passenger trains for 1 hour and more (27.85%, or 134 cases), derailment of the rolling stock at the running line or station (16.83% or 81 cases, including 2 cases as a result of failure to heed the signal).

Also during 2018, the following traffic accidents took place:

- Collision of rolling stock with other rolling stock – 7 cases, including one case with failure to heed the signal
- Accidental freight train separation – 13 cases
- Accidental passenger train separation – 4 cases
- Failure to heed the signal – 6 cases
- Run-through – 3 cases
- Cargoes with dimensions which surpass the maximum established values – 2 cases
- Failure of the signal and interlocking system, power supply failure – 6 cases
- Failure to complete works within the established "window" – 2 cases
- Details falling on the tracks – 9 cases
- Fire events in rolling stock – 6 cases
- Rolling stock stopping beyond the fouling point – 2 cases
- Failure to place signals at danger – 4 cases
- Failure to give warnings – 2 cases
- Traffic lights turned into permissive signal – 1 case
- Closed angle cocks at trains – 1 case
- Rolling stock going to an inbound route – 1 case.

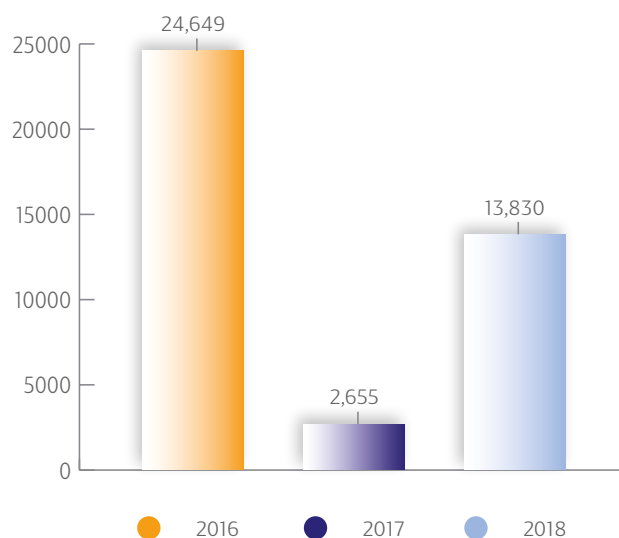
As a result, 1,731 employees were held liable for violations of rail safety regulations. Out of them:

- 49 employees were fired, including 19 executive officers
- 1,682 employees were reprimanded, including 797 executive officers
- 4,287 had to be re-examined, including 541 executive officers
- 5,859 employees were denied bonuses, including 1,399 executive officers.

In 2018, the number of the following accidents increased:

- The number of cases with passenger or freight train isolation or coupling break increased from 11 to 17 cases.
- Violation of the cargo placement and securing regulations that led to cargo displacement beyond the standard cargo dimensions – up from 0 to 2 cases.
- Failure to complete works within the established "window" which led to delays of trains – up from 1 to 2 cases.
- Three new cases occurred, which did not take place in 2017: a train departed with closed angle cocks; a "go" traffic signal instead of a signal at danger; rolling stock going to the running line. These accidents could have led to even more severe consequences.

UKRZALIZNYTSIA'S TOTAL LOSSES, 2016-2018, '000 UAH



IN 2018,
UKRZALIZNYTSIA
SUFFERED MATERIAL
LOSSES OF
UAH 13.830 MILLION
BECAUSE OF THE TRAFFIC
ACCIDENTS. THE AMOUNT
OF COMPENSATION PAID
WAS **UAH 1.168 MILLION**,
OR **8.45%**.

UNLAWFUL INTERFERENCE

During 2018, 481 cases of unlawful interference occurred in the regional branches (553 in 2017). As a result, the Company faced the following consequences:

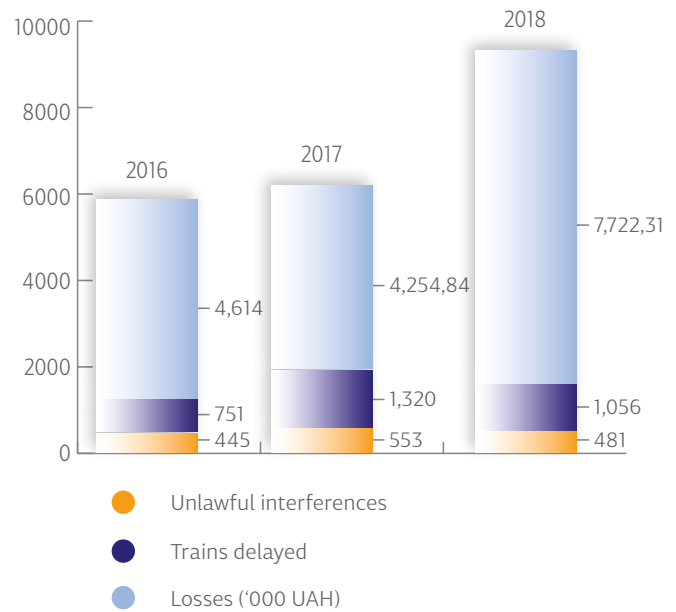
- 10 traffic accidents (vs. 2 cases in 2017);
- 1,056 trains were delayed by 3,185 hours (vs. 1,320 trains delayed by 1,044 hours in 2017);
- Losses of UAH 7,722,310 (vs. UAH 4,254,000 in 2017).



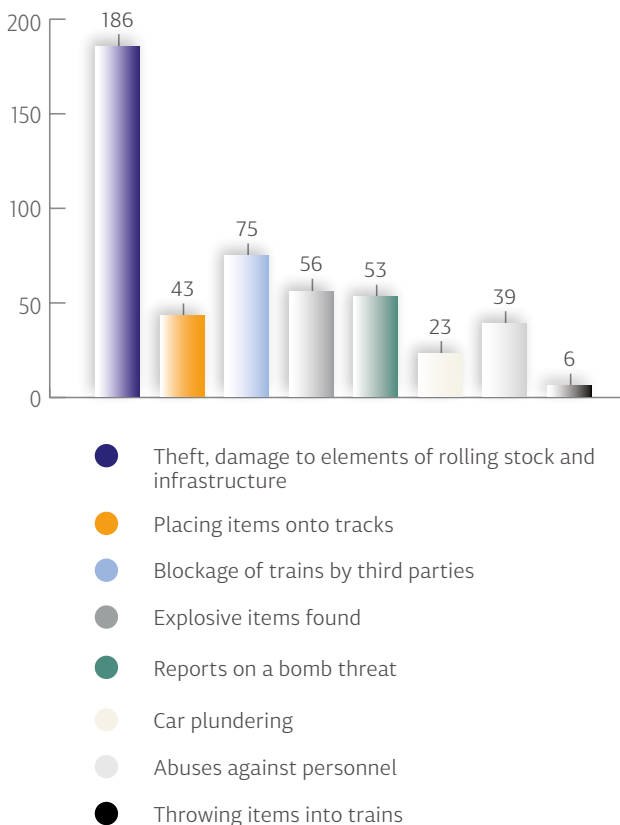


During 2018, reports and documents on 175 cases of unlawful interference were submitted to the law enforcement agencies. The company received thirty-one responses as a result. Twenty unlawful interference cases were registered with the Unified Register of Pre-Trial Investigations.

UNLAWFUL INTERFERENCES AND THEIR CONSEQUENCES



UNLAWFUL INTERFERENCE BY CATEGORY



Theft of parts of the rolling stock, signals and interlocking devices, power and communication devices, and upper structures of tracks is a major danger. During 2018, 4,053 cases of theft were committed that affected traffic safety, and thus caused losses amounting to UAH 103,594,100 (of which UAH 256,170 (0.4%) were reimbursed) against 4,814 cases of theft committed in the similar period last year, with losses amounting to UAH 68,580,660.

UKRZALIZNYTSIA DOES
EVERYTHING IT CAN TO
REDUCE THE UNLAWFUL
INTERFERENCE IN THE
OPERATION OF RAIL
TRANSPORT.

OCCUPATIONAL HEALTH AND SAFETY

The Company keeps working on the development and implementation of a unified corporate H&S management system of Ukrzaliznytsia (hereinafter referred to as the System). To this end, the Company takes into account domestic and European H&S legislation. Ukrzaliznytsia is building occupational health and safety management system taking into account hazards identification and risk assessment. While the system is not in operation, the regional branches and affiliates of the Company have their own H&S management systems in place that were introduced by administrative orders of the heads of regional branches and affiliates.

For more information about the key H&S goals, please see Ukrzaliznytsia Integrated Report 2017 (Social and Environmental Responsibility section, Traffic Safety and Occupational H&S subsection).

TOTAL H&S COSTS IN 2018

In 2018, Ukrzaliznytsia spent UAH 613,486,500 on health and safety measures, which was equal to 0.77% of the cost of the goods sold, or 2.3% of the payroll fund for the previous year. Pursuant to Article 19 of the Law of Ukraine On Labour Protection, the H&S costs shall be not less than 0.5% of the payroll for the previous year.

SEEKING TO PREVENT
ACCIDENTS AT WORK,
OCCUPATIONAL DISEASES
AND OTHER TYPES OF
HAZARDS TO THE WORKER'S
HEALTH AND CREATE
PROPER, SAFE AND HEALTHY
WORKING CONDITIONS,
UKRZALIZNYTSIA IS
CONSTANTLY WORKING TO
INCREASE H&S FINANCING.

UKRZALIZNYTSIA'S MAJOR H&S COSTS

	2015	2016	2017*	2018
Overalls, special footwear and other PPE for employees	UAH 127,393,480	UAH 153,770,930	UAH 186,553,860	UAH 220,676,600
Mandatory medical examinations of employees	UAH 74,627,520	UAH 91,585,360	UAH 119,500,000	UAH 134,881,700
Providing milk, equivalent food and special food	UAH 13,622,870	UAH 14,350,260	UAH 18,306,120	UAH 22,883,600
Providing detergents to employees	UAH 7,812,060	UAH 8,792,180	UAH 9,625,240	UAH 8,944,300
Workplace certification (assessment of working conditions)*	UAH 4,653,750	UAH 2,392,940	UAH 2,038,290	UAH 3,755,100

*Workplace certification shall take place every five years.

H&S COSTS

Years	2010	2011	2012	2013	2014	2015	2016	2017	2018
Costs, million UAH	302.10	336.37	367.55	396.27	291.24	367.65	396.52	552.34	613.49
Total, 2010-2018	UAH 3,623,530,000								

H&S AT WORKPLACE

State policy in the field of H&S is defined by the Law of Ukraine On Labour Protection. The implementation of state policy in this area is based on the basic principles of health and safety. The policy takes into account the peculiarities of the railway operation and is aimed at creating proper, safe and healthy

working conditions, preventing accidents and occupational diseases among employees of Ukrzaliznytsia. For more information on the H&S principles, please see Ukrzaliznytsia Integrated Report 2017 (Social and Environmental Responsibility section, Traffic Safety and Occupational Health and Safety subsection).



H&S IN AGREEMENTS WITH TRADE UNIONS

Ukrzaliznytsia has Sectoral Agreement 2002-2006 in place that was concluded between the State Administration of Railroad Transportation and trade unions (with amendments and supplements) and extended for 2018. There is also a collective bargaining agreement concluded between the leadership of Ukraine's State Administration of Railway Transportation and the trade union committee of Ukrzaliznytsia (with amendments and supplements), which includes H&S section. For more information about the content of this section, please see Ukrzaliznytsia Integrated Report 2017 (Social and Environmental Responsibility section, Traffic Safety and Occupational Health and Safety subsection).

CARING ABOUT THE HEALTH OF THE COMPANY'S EMPLOYEES

Ukrzaliznytsia cares about the health of its employees. Sports activities are of particular importance.

In June-August 2018, the Company organised and held Sports and Athletic Competition of Railway Personnel. The competition included seven types of sports activities: arm wrestling, kettle-bell lifting, arena soccer, volleyball, table tennis, chess, and checkers, and was attended by more than 5,000 railway employees.

The competition consisted of three stages. The third stage was the finals of Sports and Athletic Competition that took place on 2-5 August 2018 in the premises of the structural unit Hero of Ukraine Heorhiy Kirpa Sports Club "Locomotive" of Southern Railways Regional Branch in Kharkiv. Overall, 168 railway sportsmen took part in this event.

According to the results of the Sports and Athletic Competition the team of Southern Railways Regional Branch took 1st place in the team competition. The prize-winners and runners-up in the finals of the Sports and Athletic Competition, both in individual and team competitions (arena soccer, volleyball and mixed double table tennis), received diplomas and the respective medals, as well as cash rewards: 29 employees who finished in first place – UAH 10,000 each; 30 employees who won second place – UAH 8,000 and 27 employees who achieved third place – UAH 6,000 each.

Ukrzaliznytsia operates the Healthcare Centre which is engaged in the organisation and provision of quality medical services. The Company also organises the work of medical-expert commissions for the purpose of conducting preliminary (upon recruitment) and regular preventive health check-ups, carries out pre-trip and post-trip medical checkups. The respective health improvement

measures are taken following the results of such medical examinations.

The Healthcare Centre includes eight in-house hospitals that are located in Kyiv, Odessa, Kharkiv, Dnipro and Lviv.

In 2018, the total headcount of the Healthcare Centre was reduced.

The average headcount is 6,531 employees.

The staff includes:

health care workers:

- doctors, heads of departments – 1,365;
- nurses – 3,069;
- junior medical staff (junior nursing staff) – 1,201;

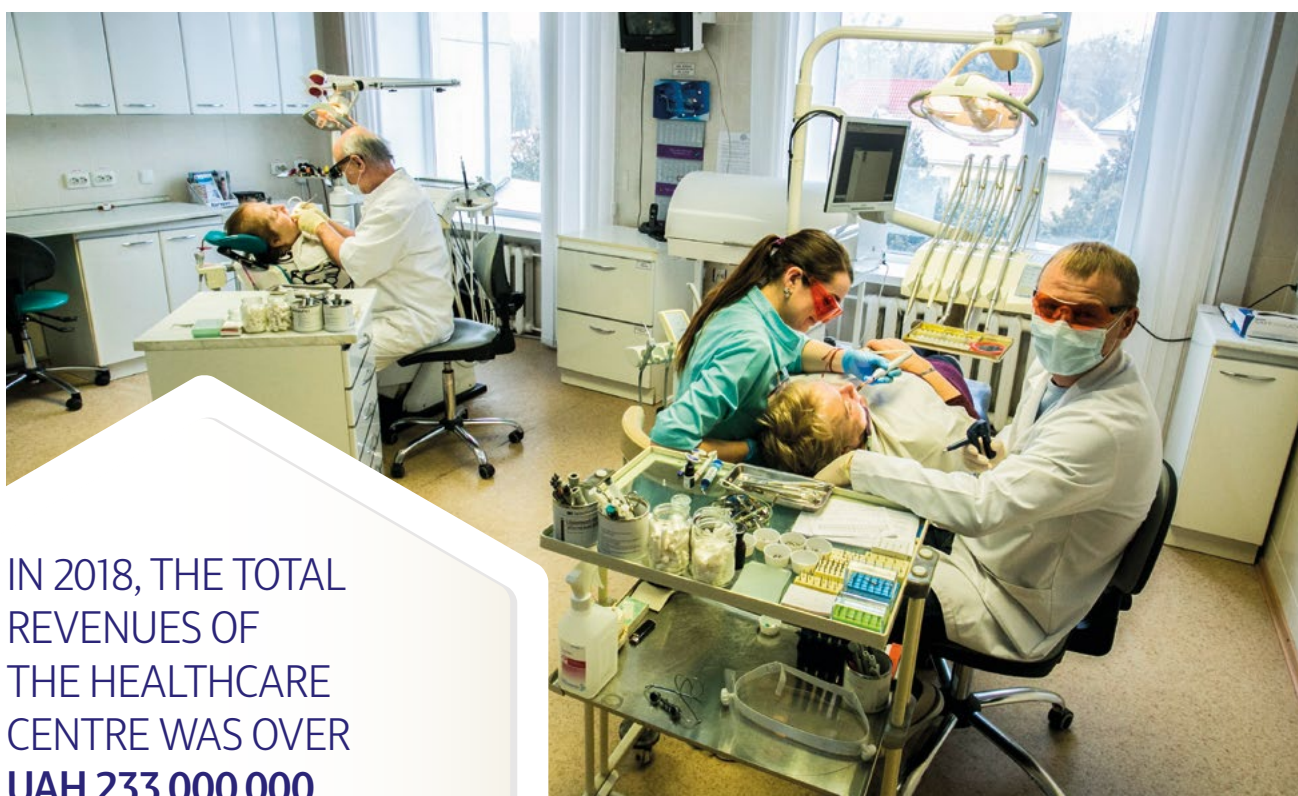
other employees:

- specialists (engineers and other technical workers, office and management staff) – 383;
- workers – 828.

IN 2018,
UKRZALIZNYTSIA
CONDUCTED
4,664,291 MANDATORY
HEALTH CHECK-UPS
OF EMPLOYEES.

KEY PERFORMANCE INDICATORS OF THE HEALTHCARE CENTRE IN 2018

Indicator	2016	2017	2018	Plan for 2019
Average length of stay in bed	11.52	10.27	10.16	8
Load on 1 medical job in outpatient clinic department	4,444	3,254	4,075	4,000
Number of health check-ups:	3,856,999	4,341,339	4,664,291	5,065,000
- pre-employment and regular	61,544	61,833	56,167	65,000
- pre-trip and post-trip	3,795,455	4,279,506	4,608,124	5,000,000
Number of people who had surgeries in hospitals	25,561	25,520	19,883	21,000
Surgeries	65.66	64.78	68.75	70.5



IN 2018, THE TOTAL
REVENUES OF
THE HEALTHCARE
CENTRE WAS OVER
UAH 233,000,000.

NUMBER OF HEALTH CHECK-UPS

Medical institution	Performance over 12 months of 2018					
	Number of health check-ups			Overall cost, UAH '000		
	plan	actual	% imple- mentation	plan	actual	% imple- mentation
Total in the Healthcare Centre	5,657,770	4,664,291	82.44	124,414.0	94,747.0	76.15
Lviv Railway Hospital	589,889	575,342	97.5	11,371.0	10,107.0	88.9
Odessa Railway Hospital	1,432,300	1,403,865	98.0	28,427.0	27,976	98.4
Kharkiv Railway Hospital No.2	1,314,967	927,272	70.5	26,861.0	17,582.0	65.5
Kyiv Railway Hospital No.1	430,024	454,270	105.6	6,823.0	6,723.0	98.5
Kyiv Railway Hospital No.2	327,670	277,313	84.6	13,237.0	6,535.0	49.4
Kyiv Railway Hospital No.3	441,920	254,331	57.6	11,370.0	7,587.0	66.7
Dnipro Railway Hospital	1,121,000	771,898	68.9	26,325.0	18,237.0	69.3



IMPLEMENTED PROJECTS AND PROGRAMMES

1. The Healthcare Centre together with Ukrzaliznytsia's Social Policy Department and the Main Military Hospital held the "Donor Day" in all its structural subdivision. The event was dedicated to the Defender's Day in Ukraine and allowed the organisers to collect about 250 litres of blood.
2. Kyiv Railway Hospital No. 2 started using percutaneous nephrolithotripsy as a minimally invasive surgery technique for removing renal calculus, which will help reduce the length of stay of the patient in the hospital and speed up their recovery. The hospital introduced piezosurgery, which makes it possible to repair bone and cartilage defects using ultrasound (which means less severe injuries, speedy healing and recovery). Also, the hospital mastered rhinomatometry: digitisation of nasal breathing results before and after surgery (helps to better assess the efficacy of surgical treatment).
3. Kyiv Railway Hospital No. 1 obtained ISO DSTU ISO 9001: 2015 "Quality Management Systems. Requirements". Also, the hospital obtained the Statement of the State Labour Service of Ukraine as to the compliance with the H&S requirements of the legislation and regulations.
4. Kharkiv Railway Hospital No. 2 introduced hip joint prosthetics. The surgery department uses modern equipment to perform abdominal and gastro-intestinal surgeries. In case of prostate or bladder pathology the hospital performs transurethral resection. Also, the hospital introduced percutaneous nephrolithotripsy and mastered the use of coblation surgery.
5. Kharkiv Railway Hospital No. 1 introduced intra-arterial thrombolysis with bridging therapy. The hospital also mastered endovascular balloon angioplasty and stent placement - peripheral arteries and introduced the method of "hybrid" treatment for multilevel peripheral arterial disease. The catarrhal thromboaspiration technic for treatment of acute ischemic stroke was performed in Kharkiv for the first time.



PLANS

Reforming the medical service of Ukrzaliznytsia is the key priority of the Healthcare Centre, which pursues the following objectives:

1. Increase the level of satisfaction of railway workers with the quality of medical care.
2. Improve the level of quality health check-ups for railway employees.
3. Increase the profitability of the structural units of the Healthcare Centre.
4. Improve the response of the medical service to emergency transport accidents and develop an algorithm for interacting with the State Emergency Service of Ukraine.
5. Conduct emergency first aid training among personnel.



H&S TRAINING

In accordance with the requirements of the Standard Regulations on the Procedures for Conducting H&S Training and Testing approved by Order No. 15 of the State Committee of Ukraine on H&S Supervision dd. 26 January 2005, the Occupational H&S Training and Methodology Centre of the Occupational Health and Safety Department conducted H&S training and knowledge testing of officials and other employees of Ukrzaliznytsia.

IN 2018,
**169,752 EMPLOYEES TOOK
H&S TRAINING AND TESTS,
INCLUDING 16,175
COMPANY OFFICIALS.**



THE OCCUPATIONAL H&S TRAINING AND METHODOLOGY CENTRE UNDER UMBRELLA OF THE OCCUPATIONAL HEALTH AND SAFETY DEPARTMENT CONDUCTED H&S TRAINING AND KNOWLEDGE TESTING FOR **12,743 EMPLOYEES** (OFFICIALS AND SPECIALISTS OF THE COMPANY), INCLUDING **1,280 EMPLOYEES** WHO WERE TRAINED IN THE AREA OF ELECTRIC SAFETY, **5,517 EMPLOYEES** WHO TOOK A GENERAL H&S COURSE, AND **5,946 EMPLOYEES** WHO STUDIED OTHER H&S ISSUES (H&S REGULATIONS).

In September 2018, a sectoral H&S workshop brought together representatives of the State Labour Service of Ukraine, the Ministry of Infrastructure of Ukraine, H&S specialists of regional branches and affiliates, representatives of the Council of the Trade Union of Railway Workers and Transport Builders of Ukraine, the Free Trade Union of Railway Workers of Ukraine, and the Free Trade Union of Engine Drivers of Ukraine.

In addition, the Company held 692 H&S workshops for employees and officials of the regional branches and affiliates of Ukrzaliznytsia, 25,199 H&S meetings, including 9,026 conference calls.

In total, 13,470 employees attended out-of-schedule training and knowledge test after violations of the requirements of H&S regulatory acts.

WORKPLACE CERTIFICATION

The health of workers is a guarantee of the Company's smooth operation. One way to monitor the health of employees is to conduct health check-ups. Before determining the grounds for conducting health check-ups, the Company carries out the workplace assessment.

During the certification, the Company follows 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). They are designed to regulate relations between the owner or an authorized body and employees that relate to realisation of the right to healthy and safe working conditions, preferential pension arrangements, benefits and compensation for work in hazardous working environment. The workplaces are certified by a certification commission. Its membership and powers are established by an order of the respective subdivision within the period that is established by the collective bargaining agreement, but not less than once every five years.

In accordance with the requirements of Article 17 of the Law of Ukraine On Labour Protection, the employer is obliged to provide financing and arrange for conducting preliminary (during recruitment) and regular (during work) medical examinations of workers engaged in heavy physical work, or exposed to harmful or hazardous environment or those where there is a need for occupational selection, as well as annual mandatory health check-ups of persons under 21 years old.

In 2018, Ukrzaliznytsia spent UAH 134,881,700 on mandatory health check-ups of employees.

H&S COMPLAINTS

In November 2018, the Department for Occupational Health and Safety launched the Quality and Service line of Ukrzaliznytsia contact centre. The goal is to ensure centralized registration and processing of H&S complaints, applications and appeals from employees of Ukrzaliznytsia. In 2018, the Company received 14 complaints, applications, and requests for investigation of production-related accidents, improper working conditions, benefits in connection with heavy physical work and hazardous environment, etc. The Company processed 14 of them during the reporting period and settled 14 issues addressed in appeals,

IN 2018, UKRZALIZNYTSIA
CERTIFIED
**3,318 WORKPLACES IN
REGIONAL BRANCHES AND
AFFILIATES, WHICH COST
UAH 3,755,100.**



IN A MOVE TO BRING WORKPLACES IN EACH STRUCTURAL UNIT IN LINE WITH REGULATIONS AND STANDARDS AND MEET THE REQUIREMENTS OF THE LEGISLATION ON THE RIGHTS OF WORKERS IN THE H&S AREA, UKRZALIZNYTSIA ANNUALLY DEVELOPS COMPREHENSIVE MEASURES HELPING TO ACHIEVE THE ESTABLISHED STANDARDS OF SAFETY, OCCUPATIONAL HEALTH AND WORKING ENVIRONMENT, INCREASE THE CURRENT LEVEL OF H&S, AND PREVENT OCCUPATIONAL INJURIES, DISEASES, AND ACCIDENTS IN THE COMPANY.

IN 2018, THESE COMPREHENSIVE MEASURES SPECIFIED A SERIES OF MEASURES WORTH UAH 482,275,400.

IN ADDITION, UKRZALIZNYTSIA ANNUALLY APPROVES THE MEASURES FOR THE IMPROVEMENT OF PREVENTIVE MEASURES AGAINST OCCUPATIONAL INJURIES IN THE COMPANY.

complaints, applications, etc. In addition, there were complaints, applications, and appeals that were considered on the spot.

H&S PROGRAMMES AND PROJECTS

Ukrzaliznytsia is guided by the Sectoral Programme for Improving Occupation Health and Safety and Working Environment in the Transport Industry and the Mail Communications Sector for 2014-2018 approved by the Order of the Ministry of Infrastructure of Ukraine dd. 9 July 2014, No. 302.

H&S AUDITS

The main type of control over H&S situation in the structural units of regional branches and affiliates is operational control, which is carried out by the unit heads together with representatives of trade union organisations or authorised H&S workers. Operational control over H&S is carried out in all subdivisions of the regional branches and affiliates and consists of three stages.

Comprehensive and ad hoc H&S audits and inspections were organised and held in all regional branches and separate divisions as specified by the schedule of H&S audits in the departments, regional affiliates, branches and private joint stock companies subordinate to Ukrzaliznytsia for 2018.

WORKING WITH CONTRACTORS ON H&S

When performing works at the sites of the Company's units, contractors shall comply with the requirements of the current laws of Ukraine on labour protection and H&S regulations applied in the Company.

At the same time, contracts with third-party contractors performing works at the Company's facilities specify measures that help to ensure compliance with the H&S requirements when they perform works in the territory of the Company's units as well as outline the procedures for addressing the issues between the customer (a unit of the Company) and a third-party organisation. In addition, the contracts specify personal responsibility for organising and conducting H&S training. Safety measures that are not regulated by the contracts shall meet the requirements of the Ukrainian laws on occupational health and safety. The above-mentioned requirements are outlined in a draft standard "Ukrzaliznytsia's Occupational Health and Safety Management System. General Provisions".

H&S PRACTICES AT UKRZALIZNYTSIA

In May 2018, the Company introduced a Register of Permits. In particular, Ukrzaliznytsia established permanent operational control over the timely receipt of permitting documents for the performance of dangerous works, operation of high-risk machines, machinery, and equipment by regional branches and affiliates.

OCCUPATIONAL INJURIES

WORK-RELATED INJURIES

Ukrzaliznytsia analyses occupational injuries on a quarterly basis to determine the causes of accidents both for a separate business and the entire Company, the most hazardous occupations, victim age groups, etc. The analysis results are used to develop measures to bring the H&S conditions in line with the regulatory requirements, and improve the current level of H&S.

In 2018, Ukrzaliznytsia had 61 accidents at its regional branches and affiliates that injured 65 employees and resulted in 12 fatalities. In 2017, the Company had 79 accidents leaving 85 employees injured, including 17 fatalities.

In particular, in 2018, 17 workers were injured as a result of a fall, including 11 cases during the movement (or 16.9%), and 5 cases as a result of a fall from height (or 7.7%). In 2018, the injury frequency rate (per 1,000 workers) was $K_r = 0.244$, the injury severity (per 1,000 workers) - $K_s = 16.97$, the average severity factor - $K_s av = 85.40$. Overall, 14 women and 51 men were injured in the accidents.

CHANGES IN THE INJURY RATE FREQUENCY AND SEVERITY

	2015	2016	2017	2018
Accident frequency rate	0.281	0.274	0.315	0.244
Accident severity rate	17.99	13	20	16.97

The procedures for investigation and record keeping of accidents, occupational diseases and dangerous occurrences that have occurred with employees of structural units of Ukrzaliznytsia are determined by the Procedures for Investigation and Record Keeping of Accidents, Occupational Diseases, and Work-Related Incidents approved by the decision of the Cabinet of Ministers of Ukraine dd. 30 November 2011 No. 1232 (as amended).

ACCIDENTS WITH INJURIES

	2015	2016	2017	2018
Fatalities	17	14	17	12
Total injuries (number of victims)	86	75	85	65

IN 2018, UKRZALIZNYTSIA REGIONAL BRANCHES AND AFFILIATES HAD 61 ACCIDENTS THAT RESULTED IN THE INJURY OF 65 EMPLOYEES, WITH 12 OF THEM HAVING FATAL CONSEQUENCES. DURING THE SAME PERIOD OF 2017, THERE WERE 79 ACCIDENTS THAT INJURED 85 WORKERS, INCLUDING 17 FATALITIES.

IN 2018, FALLS WERE THE MOST COMMON CAUSE OF ACCIDENTS (17 INJURED, OR 26.2%). THE NEXT MOST COMMON CAUSES INCLUDED TRANSPORT ACCIDENTS (13 INJURED OR 20.0%), AND MOVING AND ROTATING PARTS OF EQUIPMENT AND MACHINERY (11 INJURED, OR 16.9%).

The main causes of occupational injuries in the reporting period were:

- Organisational causes (41 injured, or 63.1%) that involved violation of workplace ethics and discipline, violation of traffic safety rules, and failure to use personal protective equipment;
- Psychophysiological causes (17 injured, or 26.2%) connected with personal carelessness of victims and also include injuries caused by unlawful actions of unauthorised persons;
- Technical causes (7 injured, or 10.8%).

In 2018, one of the major H&S problems was connected with cancellation of a number of legal documents regulating the procedures for safe operation of high-risk equipment (lifting cranes, lifts, steam and water-heating boilers, pressure vessels, etc.). They were terminated in 2017, while the new regulations came into force only in Q2 2018.

KEY H&S ISSUES

Violation of work and production discipline	27
Injuries through third-party wrongdoing	7
Personal negligence	6
Other	6
Violation of safety rules	4
Failure to use personal protective equipment because of insufficient supply of the equipment	2
Poor technical condition	2
Violation of safety rules while operating transport vehicles	2
Violation of technology processes	2
Failure to use personal protective equipment when available	1
Design flaws and low reliability of equipment	1
Low psychic stability	1
Design flaws and low reliability of transport vehicles	1
Violation of safety rules while operating equipment, machinery, etc.	1
Poor physical abilities	1
No or poor safety briefings	1

Jobs with the highest injury risk:

- mechanical engineer, electrician, electric welder, electrical fitter – 11 victims (16.9%), including 2 fatalities;
- engine driver, assistant engine driver – 9 victims (13.8%), including 3 fatalities;
- track serviceman – 7 victims (10.8%), including 2 fatalities.

Most accidents happened to workers with a total work experience of more than 15 years – 40 victims (61.5%) and workers with the experience from 1 to 5 years – 19 victims (29.2%).

The same as in previous years, most accidents had organisational causes. Avoidance requires only a responsible attitude and compliance by workers with the H&S requirements, work performance procedures, and job descriptions, as well as the respective level of workplace ethics and discipline.

BREAKDOWN OF VICTIMS BY OVERALL WORK EXPERIENCE

Work experience:	Number of victims:	% of the total number:
Less than 1 year	0	0
1-5 years	7	10.8
6-10 years	8	12.3
11-15 years	10	15.4
Over 15 years	40	61.5
Total	65	100

BREAKDOWN OF VICTIMS BY WORK EXPERIENCE IN THE AREA WHERE THE ACCIDENTS OCCURRED

Work experience:	Number of victims:	% of the total number:
Less than 1 year	6	9.2
1-5 years	19	29.2
6-10 years	16	24.6
11-15 years	9	13.8
Over 15 years	15	23.1
Total	65	100

HIGH-RISK EQUIPMENT AND MACHINERY OPERATED BY THE COMPANY

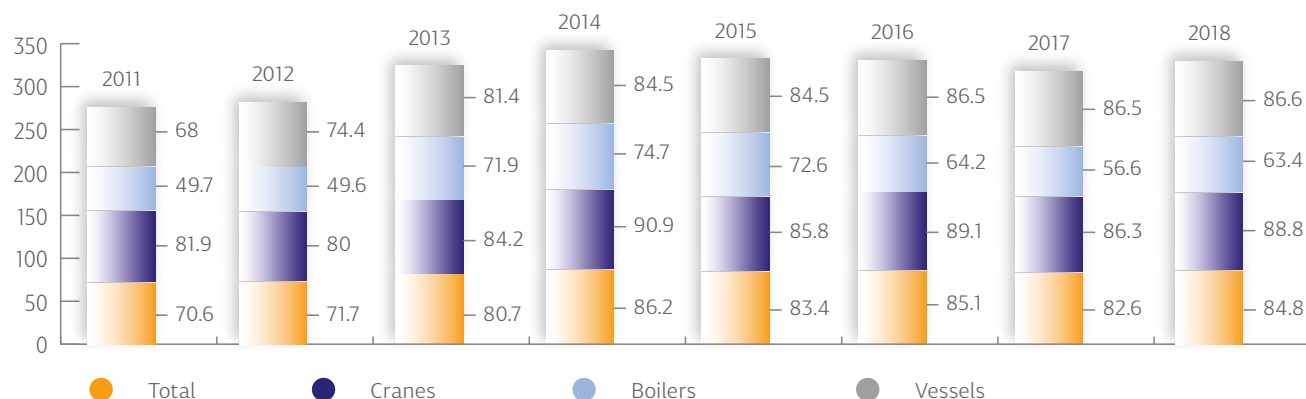
Ukrzaliznytsia has 13,508 pieces of high-risk equipment (lifting cranes, lifts, elevators, escalators, steam and hot water boilers, pressure vessels), namely:

- 8,635 lifting structures, including 7,826 weight lifting cranes (1,080 railway cranes, 1,278 overhead travelling cranes, 1,033 gantries, 455 truck-mounted cranes, 57 column cranes, 3,923 other cranes), 199 elevators, 27 escalators and 583 lifts;
- 4,873 boiler control facilities, including 3,620 pressure vessels and 1,253 steam and hot water boilers.

As of 31 December 2018, Ukrzaliznytsia operated four high-risk facilities registered with the State Register of Hazardous Facilities.

ON 28 APRIL, ALL STRUCTURAL AND PRODUCTION UNITS OF REGIONAL BRANCHES AND AFFILIATES OF UKRZALIZNYTSIA ORGANISED AND HELD THE WORLD H&S DAY AND IMPLEMENTED A SET OF MEASURES TO IMPROVE THE WORKING CONDITIONS, PSYCHOLOGICAL ENVIRONMENT IN TEAMS AND HELP REDUCE ANNUAL MORTALITY, OCCUPATIONAL INJURIES, AND OCCUPATIONAL DISEASES.

AVAILABILITY OF HIGH-RISK EQUIPMENT WITH THE EXPIRED SERVICE LIFE



PREVENTING OCCUPATIONAL INJURIES

In 2018, the Company organised and carried out the following actions to prevent occupational injuries:

Ukrzaliznytsia developed Comprehensive Measures to achieve the established standards of safety, occupational health and working environment, increase the current level of H&S, and prevent occupational injuries, diseases and accidents in the Company. The developed action plan 2018 specified a series of measures worth UAH 482,275,400.

The Company also introduced permanent monitoring over the Measures for the Improvement of Preventive Work on Occupational Injuries in the Company (Order of Ukrzaliznytsia dd. 14 February 2018, No. 099).

During the year, the Company introduced special control over H&S area as a result of work-related injuries that took place at certain regional branches, affiliates and businesses of Ukrzaliznytsia.

In order 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 of Ukrzaliznytsia in connection with each accident resulted in fatalities as well as accidents that happened regularly. The Company also introduced control over the execution of these instructions.

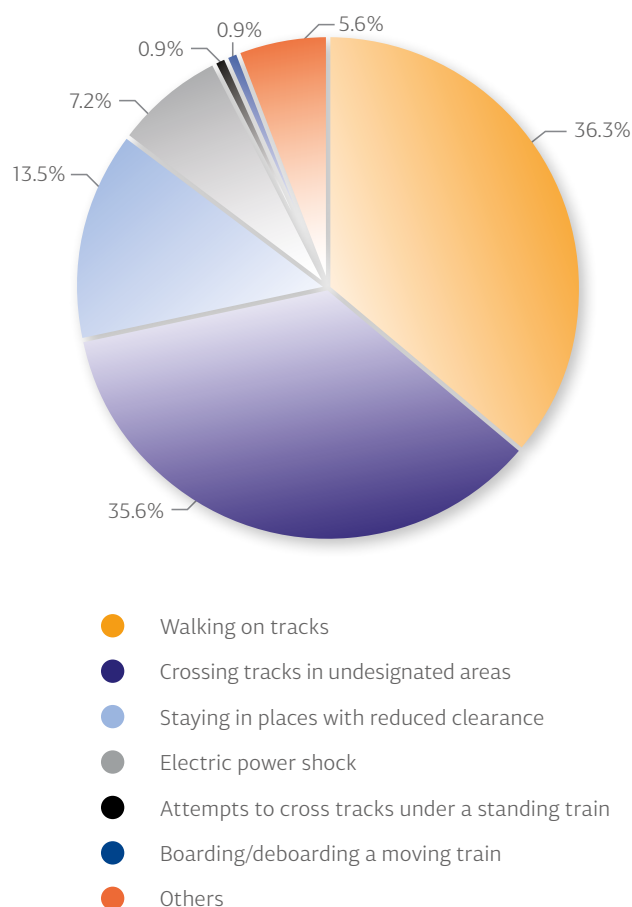
Ukrzaliznytsia also sent the Action Plan with the list of measures to its regional branches and affiliates in connection with high (or low) ambient temperature in order to prevent health problems or injuries of workers who spend most of their working time in the open air. The Company also introduced control over the execution of the Action Plan. In April and October 2018, all units of regional branches and affiliates of Ukrzaliznytsia conducted inspections of the situation in the H&S area.

NON-OCCUPATIONAL INJURIES

The Company annually develops, introduces and implements the Programme for Prevention of Non-Occupational Accidents at the Railway Transport.

IN 2018, THE COMPANY SPENT **UAH 76.5 MILLION** TO IMPLEMENT THE MEASURES SPECIFIED BY THE PROGRAMME FOR THE PREVENTION OF NON-OCCUPATIONAL ACCIDENTS, AGAINST **UAH 60.3 MILLION** IN 2017 AND **UAH 38.7 MILLION** IN 2016.

KEY CAUSES OF NON-OCCUPATIONAL INJURIES AT UKRZALIZNYTSIA



KEY CAUSES OF NON-OCCUPATIONAL INJURIES AT UKRZALIZNYTSIA

In 2018, 580 people were injured in the accidents that happened at the units of Ukrzaliznytsia (stations, running lines, territory of units) with 338 cases having resulted in fatalities. People were injured either as a result of hit by a railway vehicle or a fall from the rolling stock or other types of accidents.

The main causes of non-occupational injuries are violations of the safety rules in the railway sector, namely:

- crossing tracks at non-designated crossing areas – 208 injured persons (35.7%);
- walking on the tracks – 202 injured (34.8%);
- standing at the places with reduced clearances (end of platform, walking along the tracks, running in front of trains to cross) – 91 injured (15.7%);
- electric shock – 35 injured (6.1%);
- crossing tracks under the railway vehicle – 6 injured (1.1%);
- getting on and off the train in motion – 4 injured (0.7%);
- other causes – 34 injured (5.9%).

PREVENTION OF NON-OCCUPATIONAL INJURIES

Pursuing the goal to prevent injuries and maintain a positive image, in 2018 the Company undertook the following preventive actions and conducted railway safety campaigns to raise awareness of the population:

50

TV NEWS EPISODES

were made that gave injuries statistical data and drew additional attention to this urgent problem



Announcements on compliance with the Railway Safety Rules were made

AT **1,350**
RAILWAY STATIONS
AND RAILWAY YARDS

6,177

UNAUTHORIZED PERSONS

were caught by the military railway security forces for walking on the tracks and traveling in freight trains,

WITH **5,481**

of them being brought to administrative liability

TOGETHER

with law enforcement officers,

4,495

OFF-SCHEDULE INSPECTIONS

to verify the compliance with the rules for maintenance of railway crossings and the compliance of drivers of vehicles with the railway crossing rules



12,831

CONVERSATIONS
(LECTURES)

were conducted on safety requirements at railway facilities



177

ARTICLES

were published in mass media explaining certain provisions of the Railway Safety applied to the railway transport of Ukraine

347

RADIO ANNOUNCEMENTS

were made that relate to people's behaviour within the vicinity of railway transport equipment





The Company implemented the following technical measures:

- Carried out 9,882 inspections of the level of lighting at the railway stations and passages for passengers;
- Overhauled 35 railway crossings;
- Improved visibility at 216 railway crossings (vegetation clearance);
- Repaired 50 level crossings for pedestrian;
- Repaired 1,577 entrances and approaches to railway crossings;
- Repaired 95 passenger platforms, walkways and railway platforms;
- Repaired and replaced 431 units of stairs, pedestrian walkways and tunnels;
- Installed 3,562 additional information boards with warning texts as well as safety passage signs;
- Repaired 103 level crossings floors were repaired;
- Installed 19,621 electrical safety warning posters on bridges, fences of traction substations, and power line pillars;
- Fenced off 22 facilities located at stations, depots, and divisions;
- Fenced off 254 transformer substations and complex transformer substations on the territories of stations, divisions, depots and running lines.

To this end, the Company identified the most rail accident-effected settlements and developed schedules of visits of specialists of Ukrzaliznytsia and its regional branches, executives and their deputies, specialists of branches and separate subdivisions of regional branches (chief engineers, heads of departments, H&S engineers, track supervisors, heads of railway stations and yards).

IN 2018, IN ORDER TO IMPROVE SAFETY ON THE RAILWAYS AND AT THE REGIONAL BRANCHES AND AFFILIATES, UKRZALIZNYTSIA CONDUCTED THREE MONTH-LONG OUTREACH CAMPAIGNS ON PREVENTION OF NON-OCCUPATIONAL INJURIES ON THE RAILWAYS AMONG THE POPULATION, PASSENGERS, STUDENTS OF SCHOOLS, LYCEUMS, COLLEGES, AND UNIVERSITIES, IN PARTICULAR PRESCHOOL EDUCATIONAL FACILITIES, AND EMPLOYEES OF ENTERPRISES LOCATED PRIMARILY IN AREAS ADJACENT TO RAILWAYS.



IMPLEMENTED PROJECTS AND PROGRAMMES

1. In 2018, Ukrzaliznytsia (with engagement of the respective departments) developed and drafted the following Standards of the Company, which constitute an integral part of the Company's Occupational Health and Safety Management System:
 - General provisions (STP 015-002: 2019)
 - H&S Service (STP 015-004: 2019)
 - Procedures for Conducting H&S Training and Knowledge Testing (STP 015-003: 2019)
 - Procedures for Organising and Operating H&S Offices, Booths and Stands.
2. All training and methodological departments of the Occupational H&S Training and Methodology Centre of the Occupational H&S Department introduced H&S distance learning courses which are currently used in test mode.
3. In November 2018, the Department for Occupational Health and Safety launched the Quality and Service line of Ukrzaliznytsia contact centre in order to provide centralized registration and processing of H&S complaints, applications and appeals from Ukrzaliznytsia employees.
4. The Company introduced a register of permitting documents and their validity. This was done to ensure permanent control over the timely receipt of permitting documents by regional branches and affiliates for the performance of high danger works, operation of high-risk machines, machinery, and equipment.



PLANS

In 2019, Ukrzaliznytsia will focus on further development and implementation of Ukrzaliznytsia Occupational Health and Safety Management System by taking into account European Occupational H&S legislation and providing hazards identification and risk assessment. Also, the Company plans to do the following:





Develop the automated workstation (AWS) for a H&S specialist, which will allow it to reduce time and resources for the H&S activity and development and implementation of the H&S events, H&S performance reports, as well as improve the efficiency of the H&S management system, improve organisation and control over H&S training and establish permanent control over assessment of working conditions at workplaces, etc.

Make changes to the «Automated System for Keeping Records of High-Risk Equipment on the Rail Transport in Ukraine» software and provide actual and reliable information on the availability of permits for the operation of high risk machines, mechanisms, equipment registered in the system (lifting cranes, lifts, elevators, escalators, steam and water heating boilers, pressure vessels), and for performance of high risk works connected with the maintenance and repair of such equipment and machinery.

Take measures to upgrade and modernise obsolete high-risk equipment, especially in the companies that are engaged in important operational work and provide regular maintenance of the rolling stock and infrastructure, in particular equip lifting cranes, lifts/hoists, steam and water heating boilers with access restriction devices and operation data recorders that will make it possible to read information and execute control.

Take further actions to equip the rail traction vehicles (mainline locomotives) and multiple units with a video recorder system to record possible road traffic accidents (occurrences).

Healthcare System at Ukrzaliznytsia

		2017	2018
	TOTAL VISITS AND ADMISSIONS TO HOSPITALS	1,794,163	1,721,011
	TOTAL VISITS TO OUTPATIENT CARE FACILITIES	1,708,665	1,640,363
	NUMBER OF RAILWAY PATIENT CONTACTS	1,476,111	1,414,662
	EMPLOYEES	1,209,853	1,151,729
	PENSIONERS	160,878	151,272
	FAMILY MEMBERS	105,380	111,661
	INCLUDING CHILDREN	147,057	143,771
	NUMBER OF NON-RAILWAY PATIENT CONTACTS	232,554	225,701

	2017	2018
 TOTAL NUMBER OF PEOPLE TREATED AT IN-PATIENT FACILITIES EXCEPT FOR DENTISTRY:	81,084	76,280
INCLUDING SURGERY BED-DAYS	37,031	33,915
INCLUDING THERAPY BED-DAYS	37,860	41,002
TOTAL NUMBER OF BED-DAYS SPENT AT USUAL IN-PATIENT FACILITIES, TOTAL:	865,831	759,333
TREATED RAILWAY PATIENTS, TOTAL	56,733	50,945
INCLUDING EMPLOYEES	33,234	29,996
PENSIONERS	19,885	17,815
FAMILY MEMBERS	3,614	3,134
INCLUDING CHILDREN	2,652	2,237
TREATED NON-RAILWAY PATIENTS, TOTAL	24,351	25,335
NUMBER OF PATIENTS WHO UNDERWENT SURGERY	21,014	19,591
NUMBER OF PERFORMED SURGERIES (IN PARTICULAR, SUBCUTANEOUS OPERATIONS AND PROCEDURES)	25,282	23,318

2018

Description	"LVIV RAILWAY HOSPITAL (5 Ohienka Street, Lviv 79007)"	"ODESSA RAILWAY HOSPITAL (4-a Shkliaruka Street, Odessa 65059)"	"KHARKIV RAILWAY HOSPITAL No.1 (5 Balakirieva Street, Kharkiv 61018)"	"KHARKIV RAILWAY HOSPITAL No.2 (35 Malopanasivska Street, Kharkiv 61052)"
Number (headcount) of doctors, including:	305	136	105	215
General practitioner	34	19	2	35
Surgeon	19	9	0	16
ENT specialist	8	4	1	5
Anaesthesiologist	17	9	13	10
Ob/Gyn	11	18	1	22
Dentist	23	3	0	25
Neuropathologist	12	5	26	7
Cardiologist	14	3	14	2
Pediatrician	13	-	-	12
Other doctors	154	66	48	81

2017

Description	"LVIV RAILWAY HOSPITAL (5 Ohienka Street, Lviv 79007)"	"ODESSA RAILWAY HOSPITAL (4-a Shkliaruka Street, Odessa 65059)"	"KHARKIV RAILWAY HOSPITAL No.1 (5 Balakirieva Street, Kharkiv 61018)"	"KHARKIV RAILWAY HOSPITAL No.2 (35 Malopanasivska Street, Kharkiv 61052)"
Number (headcount) of doctors, including:	304	155	105	219
General practitioner	33	21	1	36
Surgeon	20	12	0	16
ENT specialist	6	5	1	5
Anaesthesiologist	18	11	13	10
Ob/Gyn	11	19	1	23
Dentist	24	3	0	26
Neuropathologist	11	6	26	7
Cardiologist	14	3	14	3
Pediatrician	13	-	-	12
Other doctors	154	75	49	81

2018

"KYIV RAILWAY HOSPITAL No. 1 (8a Kotsiubynskoho Street, Kyiv 01030)"	"KYIV RAILWAY HOSPITAL No. 2 (9 Povitroflotsky Avenue, Kyiv 01049)"	"KYIV RAILWAY HOSPITAL No. 3 (8 Simferopolska Street, Darnytsia 02096)"	"DNIPRO RAILWAY HOSPITAL (55 Kedrina Street, Dnipro 49047)"	Total
95	192	105	218	1,371
4	21	20	20	155
8	6	13	9	80
3	8	2	5	36
8	8	8	13	86
7	23	4	25	111
2	23	18	16	110
1	8	7	11	77
0	6	1	7	47
13	8	2	14	62
49	81	30	98	607

2017

"KYIV RAILWAY HOSPITAL No. 1 (8a Kotsiubynskoho Street, Kyiv 01030)"	"KYIV RAILWAY HOSPITAL No. 2 (9 Povitroflotsky Avenue, Kyiv 01049)"	"KYIV RAILWAY HOSPITAL No. 3 (8 Simferopolska Street, Darnytsia 02096)"	"DNIPRO RAILWAY HOSPITAL (55 Kedrina Street, Dnipro 49047)"	Total
98	210	99	228	1,418
4	18	19	28	160
9	6	13	10	86
3	7	2	5	34
7	9	8	10	86
8	25	4	25	116
3	28	18	16	118
1	7	6	12	76
0	6	1	8	49
13	8	2	14	62
50	96	26	100	631

4

OUR ENVIRONMENTAL RESPONSIBILITY





IMPLEMENTING ENVIRONMENTAL POLICY

Ukrzaliznytsia seriously takes its environmental commitments and tries to reduce its negative environmental footprint by making environmental protection an integral part of the Company's corporate culture. The Company implements environmental initiatives and introduces the respective advanced technologies in order to comply with national and international environmental standards. The Company's departments develop comprehensive environmental protection measures to protect air and water and ensure efficient use of water and land resources, mineral resources, efficient waste management, etc.

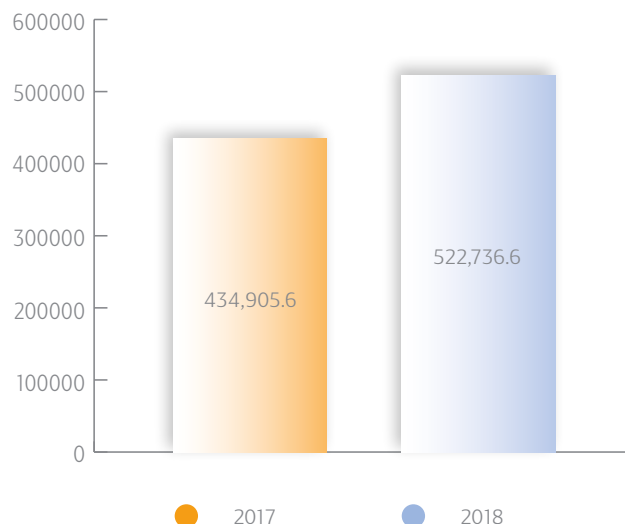
INVESTMENTS IN ENVIRONMENTAL PROTECTION

The total environmental protection costs of Ukrzaliznytsia consisted of current expenses and capital investments.

THE COMPANY INVESTED A TOTAL OF **UAH 522,736,600** IN ENVIRONMENTAL MEASURES, IN PARTICULAR: AIR PROTECTION – **UAH 117,260,700**, WASTE AND RECYCLED WATER TREATMENT – **UAH 109,176,600**, PRODUCTION WASTE DISPOSAL – **UAH 46,140,600**, PROTECTION AND REMEDIATION OF SOIL, GROUNDWATER AND SURFACE WATER – **UAH 71,072,200**, REDUCTION OF NOISE LEVEL AND VIBRATION IMPACT – **UAH 16,926,000**, BIODIVERSITY AND HABITAT CONSERVATION AND RESTORATION – **UAH 148,892,400**, RADIATION SAFETY – **UAH 227,800** AND OTHER AREAS OF ENVIRONMENTAL PROTECTION – **UAH 13,140,300**.



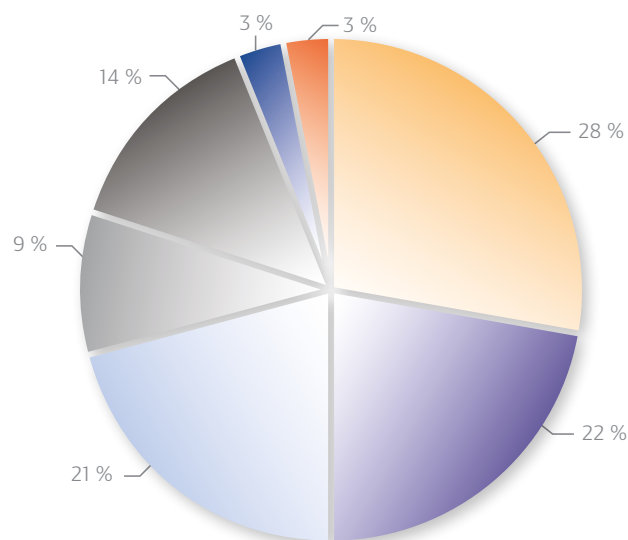
UKRZALIZNYTSIA'S TOTAL CAPITAL INVESTMENTS
AND CURRENT EXPENSES ON ENVIRONMENTAL
PROTECTION, '000 UAH





IN 2018, MORE THAN **124,500** RAILWAY MEN PARTICIPATED IN THE WORKS TO LANDSCAPE, IMPROVE, AND CLEAN THE COMPANY'S TERRITORIES AND WATER SOURCES. THE SIZE OF THE CLEANED AREA WAS OVER **7,000** HECTARES; **22,400** TREES AND SHRUBS WERE PLANTED; **666** HECTARES OF LAWNS WERE ARRANGED; **2,300** ILLEGAL WASTE DUMPS WERE LIQUIDATED.

UKRZALIZNYTSIA'S ENVIRONMENTAL COSTS, 2018, %



KEY INVESTMENTS IN ENVIRONMENTAL PROTECTION:

- Modernisation of motor transport with installation of gas equipment – UAH 407,500, in 2017 – UAH 393,800;
- Modernisation of the engine fuel system of motor vehicles – UAH 7,745,900;
- Introduction of heliosystems – UAH 2,924,500, in 2017 – UAH 1.212 million;
- Installation of continuous welded railway track – UAH 14 million, in 2017 – UAH 20,480,000;
- Electrification of rail track sections – UAH 77.310 million;
- Repair of treatment facilities and equipment, connection networks, flotation installations – UAH 983,500, in 2017 – UAH 1.052 million;
- LED lighting and replacement of fluorescent lamps with energy-saving lamps – UAH 9,611,900, in 2017 – UAH 4.2 million;
- Protection of soils from lubricants (use of RM cars), design of trackbed overhaul measures – UAH 23,430,100, in 2017 – UAH 6.699 million.
- Measures to protect forestation, including the purchase and repair of bush cutters, etc. – UAH 5,617,000, in 2017 – UAH 2.619 million.

- Conservation of biological diversity and habitats – 28 %
- Air protection – 22 %
- Return and drainage water treatment – 21 %
- Waste management – 9 %
- Protection and recovery of soil, underground and surface water – 14 %
- Reduction of noise and vibration impact – 3 %
- Radiation safety – 0 %
- Other environmental measures – 3 %

The costs of other environmental measures include the Company's general (operational) expenses according to expense categories related to the maintenance of environmental units, consultancy fees, environmental education training and distribution of environmental information.

Throughout the year, employees of the Company's businesses were engaged in the improvement and landscaping of production sites and the adjacent residential areas and participated in the annual For Clean Environment nationwide campaign.

ENVIRONMENTAL FOOTPRINT

The most significant environmental impacts of the railway operation include land, surface and groundwater use, discharge of industrial, waste and storm-water into a water body, air emissions, formation of different hazardous waste, extraction of minerals, use of plant resources, acoustic effects (noise emissions) from rail vehicles and road equipment, electromagnetic radiation, ionising effect and possible radiation pollution connected with transportation of radioactive substances, negative impact on the environment during transportation of hazardous substances, in particular in case of emergency pollution.

Railway transport is considered to have the lowest negative impact on the environment and the lowest energy consumption per TKM among all modes of transport.

REDUCING THE IMPACT ON LAND RESOURCES

In 2018, the Company operated trains equipped with a closed-loop wastewater collection system for certain routes. This is an environmentally friendly solution, as it does not include direct dropping of waste onto railways. As a result, this helped reduce the impact on soil and groundwater.

To protect and ensure efficient use of land, the Company implements the following environmental measures: protects lands from water and wind erosion, flooding, saturation, mire formation, soil re-salting, drying, soil compaction, industrial waste pollution, chemical and radioactive substances and from other destruction processes; performs reclamation of disturbed lands and takes measures to increase land fertility and improve other useful properties of land; removes, uses and preserves the fertile layer of soil during the works involving land disturbance, etc.

In 2018, the Company spent UAH 93,331,270 to implement these measures.

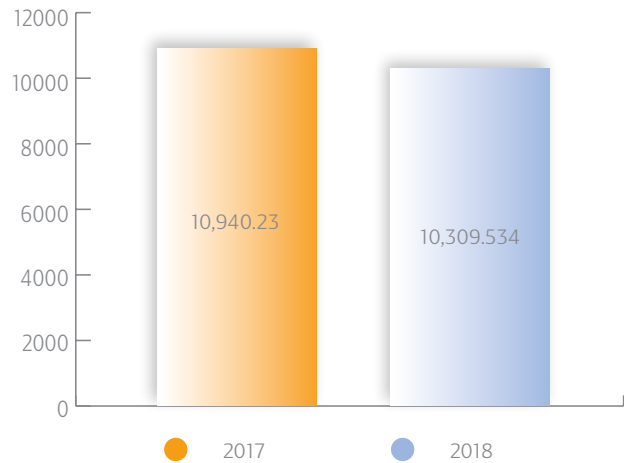
Ukrzaliznytsia pays particular attention to land and soil protection during the construction and modernisation of transport infrastructure and approval of technical documentation (technical specifications, assignments, STP, DSTU, etc.).

For more information about the use of land by the Company, please see Ukrzaliznytsia Integrated Report 2017 (Social and Environmental Responsibility section, Environmental Protection subsection).

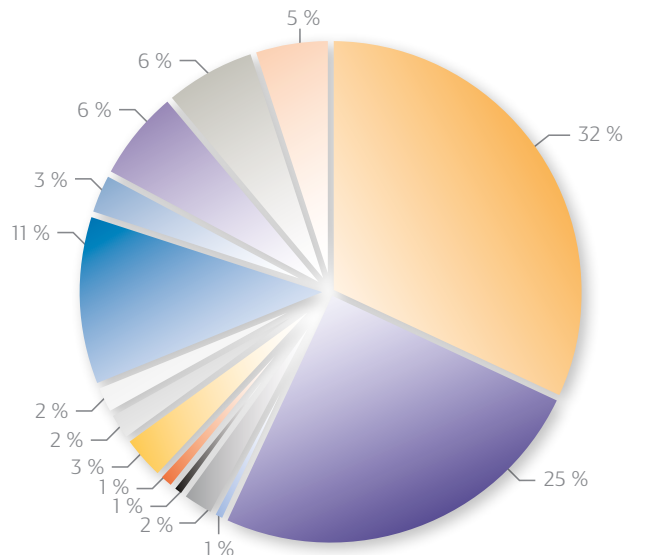
USE AND PROTECTION OF WATER RESOURCES

The Company is well aware of the value of water resources for the country and is trying to use it efficiently in its economic activity. In 2018, the Company's units used 10.309 million cubic meters of water, down by 6% year on year. In particular, 4.975 million cubic meters of water (48.3% of the total water volume) were used for production needs, potable water and water for household needs made 5.334 million cubic meters (51.7%). For more information about the use and protection of water resources by the Company, please see Integrated Report 2017 (Social and Environmental Responsibility section, Environmental Protection subsection).

UKRZALIZNYTSIA WATER CONSUMPTION, '000 M³



WATER CONSUMPTION BY STRUCTURAL UNIT, 2018, %



- Centre of Installation and Construction Works and Facilities Management – 32 %
- Passenger Company – 25 %
- Centre for Industrial Management – 1 %
- Darnytskyi Car-Repair Plant – 2 %
- Paniutyn Car Repair Plant – 1 %
- Stryi Car Repair Plant – 1 %
- Healthcare Centre – 3 %
- Others – 2 %
- Donetsk Railways – 2 %
- Lviv Railways – 11 %
- Odessa Railways – 3 %
- Southern Railways – 6 %
- South-Western Railways – 6 %
- Prydniprovye Railways – 5 %

There are 741 artesian wells on the balance sheet of the regional branches and affiliates of the Company, of which: 538 wells are in operation and 494 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, 24,788 million cubic meters of water were taken in 2018 (14,724 million cubic meters from its own sources; 4,546 million cubic meters from Ukrzaliznytsia systems and 5,517 million cubic meters from the systems of other companies), up by 0.136 million m³, or 0.5%, against 2017. However, during transportation, 3,039 million cubic meters of water were lost, which is 12.3% of the total water volume.

In 2018, total volumes of water consumption in circulation and return water supply systems amounted to 3.932 million cubic meters.

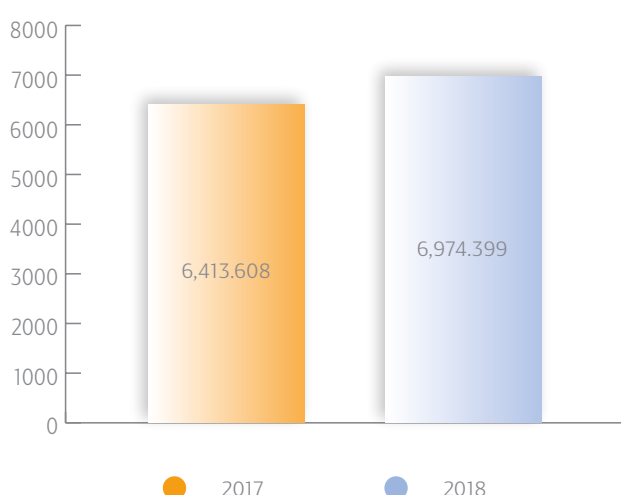
Wastewater from the Company's industrial facilities goes to treatment facilities, where it is treated using mechanical, chemical and biological methods.

Ukrzaliznytsia production facilities have 105 wastewater treatment plants that either discharge effluents into the sewage system or reuse or recycle it and 44 sewage treatment plants discharging effluents automatically into water bodies.

In 2018, the total volume of return water discharged into the bodies of water made 6.9774 million cubic metres, up by 0.557 million cubic meters, or 8% year on year, including:

- without treatment – 296,876 m³
- insufficiently treated – 318,423 m³
- clean by standard – 3,093,210 m³
- treated to standard quality – 3,265,890 m³.

UKRZALIZNYTSIA WATER DISCHARGE, '000 M³

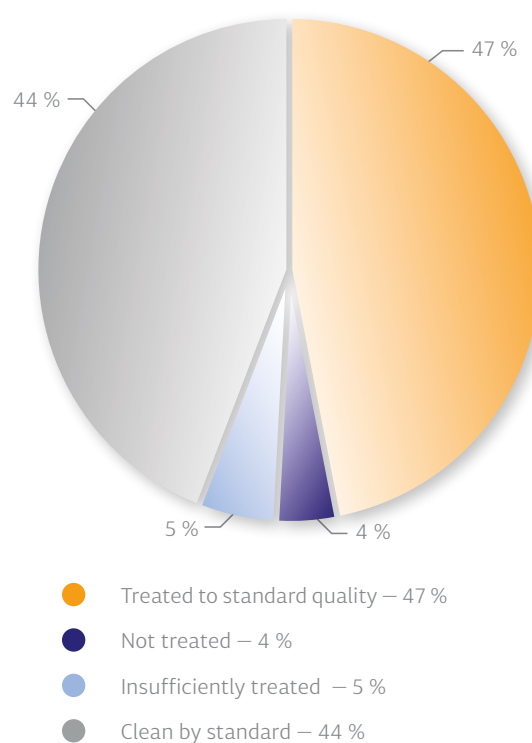


Structural / production divisions of the Centre of Installation and Construction Works and Facilities Management, Centre for Industrial Management, and Paniutyn Car Repair Plant account for the biggest share of discharges into the bodies of water.

UKRZALIZNYTSIA WATER DISCHARGE BY STRUCTURAL UNIT, '000 M³

Donetsk Railways	0
Lviv Railways	7.6
Odessa Railways	4.9
Southern Railways	8.4
South-Western Railways	56.185
Prydniprovye Railways	1.476
Paniutyn Car Repair Plant	131.8
Centre for Industrial Management	3,189.955
Production Centre	0.63
Centre of Installation and Construction Works and Facilities Management	3,570.453
Passenger Company	3

UKRZALIZNYTSIA WATER DISCHARGE BY TYPE OF WATER, 2018, %



To reduce pollution of sewage water and prevent pollution of water resources, structural units of Ukrzaliznytsia performed the following works throughout 2018:

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

During the year, the companies of Ukrzaliznytsia drafted documents for obtaining permits for special water use, developed water intake sanitary protection zones, maximum allowable discharges proposals, and produced water intake structures passports. In 2018, Ukrzaliznytsia obtained 30 permits for special water intake and 12 permits for special discharges of pollutants into the water bodies.

Waste water quality was controlled (in accordance with the technological regulations and the terms of the contracts with water utilities) by in-house laboratories of the Company and in line with the concluded contracts.

High wear-and-tear of fixed assets remains an important problem (the wear-and-tear makes 70-80%). Another problem is the necessity to reduce the energy component of water supply and discharge.

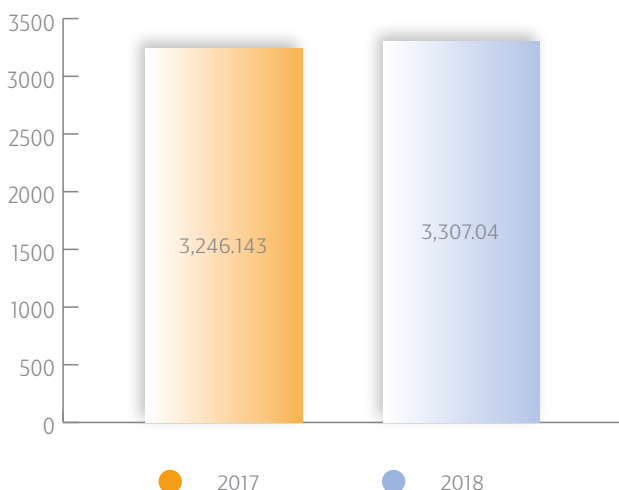
AIR PROTECTION

There are 16,372 sources of emissions in the regional branches and affiliates of the Company, including 10,568 stationary sources of emissions and 943 sources that are equipped with gas treatment facilities. The number of emission sources increased by 199 in comparison with 2017. This was the result of the work of the Company's regional branches and affiliates, in particular, they conducted the inventory of sources of pollution and obtained permits for emissions from stationary sources. In 2018, Ukrzaliznytsia obtained more than 230 emission permits.

The emissions made 3.309 million tonnes in 2018, up by 1.9% compared with the last year.

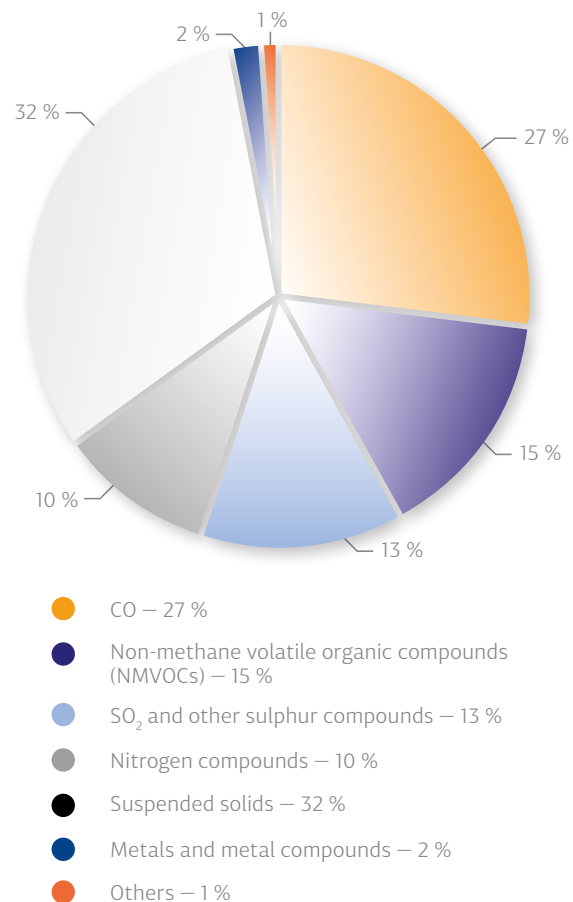
A slight increase in the volume of emissions in 2018 is the result of the higher use of fuel (gas, firewood, and coal) for technological needs, heating of premises and an increase in the number of passenger carriages with a combined heating system.

POLLUTANT EMISSIONS FROM UKRZALIZNYTSIA STATIONARY SOURCES, TONNES



The main substances emitted into the air from stationary sources include: substances in the form of suspended solids – 1,064,000 tonnes; carbon monoxide – 898 tonnes; non-methane volatile organic compounds – 490 tonnes; sulphur dioxide and other sulphur compounds – 438 tonnes; nitrogen compounds – 331 tonnes. In addition, carbon dioxide emissions made 193,261 tonnes.

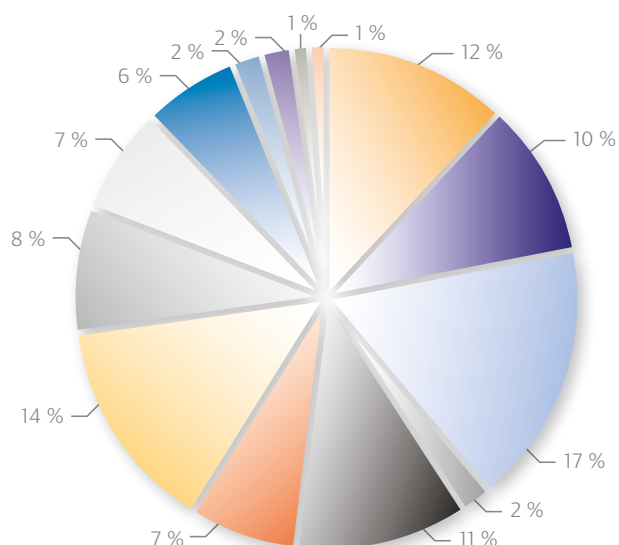
UKRZALIZNYTSIA AIR EMISSIONS, 2018, %



Structural/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.



AIR EMISSIONS BY STRUCTURAL UNIT, 2018, %



- Centre of Installation and Construction Works and Facilities Management – 12 %
- Centre for Industrial Management – 10 %
- Passenger Company – 17 %
- Others – 2 %
- Donetsk Railways – 11 %
- Lviv Railways – 7 %
- Odessa Railways – 14 %
- Southern Railways – 8 %
- South-Western Railways – 7 %
- Prydniprovye Railways – 6 %
- Darnytskyi Car-Repair Plant – 2 %
- Stryi Car Repair Plant – 2 %
- Paniutyn Car Repair Plant – 1 %
- Vehicles Maintenance Centre – 1 %

In 2018, the Company upgraded the heating systems, switched boilers to electric heating, made environmental and heat control adjustments to boilers, as well modernised and repaired dust

treatment stations and implemented other measures that could help reduce emissions.

Also, in 2018, monitoring and laboratory inspection of emissions of harmful substances from stationary sources as well as analysis of the efficiency of gas treatment facilities were partially conducted by the laboratories of Prydniprovye Railways regional branch, Darnytskyi Car-Repair Plant, Paniutyn Car Repair Plant as well as specialized agencies engaged on a contractual basis.

The Company also reduced emissions from mobile pollution sources by repairing and adjusting the fuel equipment to ensure efficient consumption of diesel fuel, modernising motor vehicles and equipping it with gas equipment.

When performing current repairs of diesel locomotives directly in its production shops the Company conducts rheostats tests, which include adjustments to diesel-generator parameters to ensure lower fuel consumption and, as a consequence, reduce emissions of dangerous substances (carbon and nitrogen oxides, sulphur dioxide, soot).

In 2018, Lviv Railways conducted the laboratory control of emissions of harmful substances from diesel engines, using a mobile environmental laboratory of Locomotive Depot Lviv-Zakhid in accordance with GOST 32.001-94 (Emissions of Pollutants with Exhaust Gases of Diesel Locomotive Engines. Standards and Methods of Determination).

Monitoring and laboratory control of emissions of harmful substances into the air from mobile sources (cars) is carried out partly by in-house laboratories (devices) of Lviv Railways regional branch, Southern Railways regional branch, Prydniprovye Railways regional branch, Darnytskyi Car-Repair Plant, Paniutyn Car Repair Plant, and Central Telecommunications Office and specialized organisations engaged on a contractual basis during visual and technical inspection.

CONTRIBUTING TO THE FIGHT AGAINST CLIMATE CHANGE

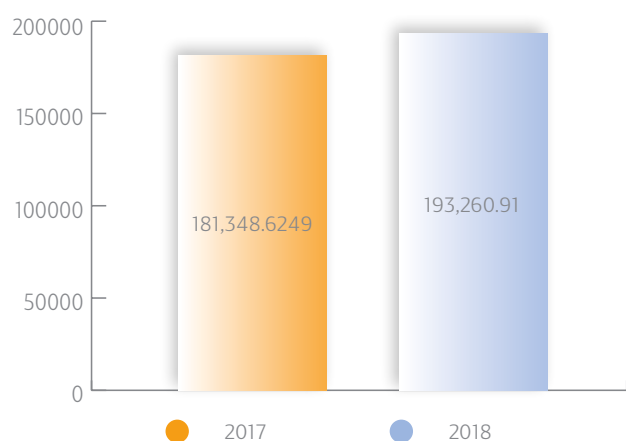
The problem of climate change stays in the centre of attention of environmentalists, academic and scientific communities. The company contributes to the fight against climate change by implementing a number of measures.

The Company's emissions of greenhouse gases from the stationary sources include: carbon dioxide – 193,261 tonnes, methane – 36 tonnes, nitrogen oxide – 62 tonnes, in particular of indirect action: carbon monoxide – 898 tonnes, nitrogen compounds – 331 tonnes, non-methane volatile organic compounds – 490 tonnes.



EMISSIONS OF HARMFUL SUBSTANCES INTO THE AIR

No	Harmful substances	2016		2017		2018	
		Total emissions of harmful substances t/year	%	Total emissions of harmful substances t/year	%	Total Emissions of harmful substances t/year	%
1	Metals and their compounds	40.045	1.2	39.400	1.2	43.985	1.3
2	Substances in the form of suspended solids	1,000.624	30.5	1,031.313	31.7	1,063.776	32.2
3	Nitrogen compounds	345.04	10.5	321.268	9.9	331.074	10
4	Dioxide and other sulphur compounds	476.732	14.6	405.535	12.5	438.374	13.3
5	Carbon oxide	862.047	26.3	878.613	27.1	897.927	27.1
6	Non-methane volatile organic compounds	519.152	15.9	515.072	15.9	489.866	14.8
7	Methane	27.315	0.8	35.610	1.1	35.828	1.1
8	Others	6.158	0.2	19.332	0.6	6.210	0.2
Total		3,277.113	100	3,246.143	100	3,307.040	100

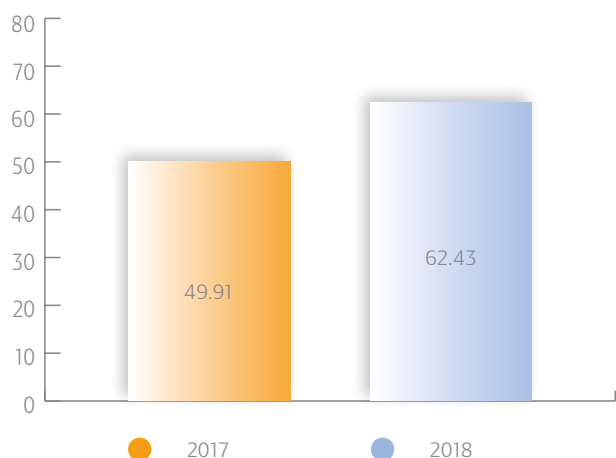
UKRZALIZNYTSIA CO₂ EMISSIONS, TONNES

In 2018, the Company saw a rise in greenhouse gas emissions compared with 2017. This was a result of increased use of energy resources and deterioration of fuel quality, in particular coal.

ENVIRONMENTAL PENALTIES

In 2018, the local authorities of the State Ecological Inspection of Ukraine conducted four surprise audits of compliance with the environmental requirements at the production facilities of regional branches and affiliates of Ukrzaliznytsia.

The audits resulted in one resolution that imposed administrative penalties on officials of the production units. In addition, the Company had to pay fines totalling UAH 1,190,000 (vs. 19 resolutions that cost UAH 3,383,000 in 2017). In addition, the Company faced two claims totalling UAH 2,020,404 against five claims worth UAH 677,321 in 2017. The claims are now being challenged in court.

UKRZALIZNYTSIA N₂O EMISSIONS, TONNES

ANALYSIS OF WASTE GENERATED

Ukrzaliznytsia's companies are taking measures to reduce waste generated in the course of their activities and minimize the negative impact of waste on the environment.

The main actions undertaken by the Company included:

- LED lighting and replacement of fluorescent lamps with energy-saving lamps
- Manufacturing and purchasing containers for solid domestic wastes storage
- Elimination of unauthorized waste dumps, transfer of waste to specialised companies under contracts, etc.

In 2018, the Company allocated UAH 40,385,400 to implement the measures. For more information about the waste generated by the Company, please see Ukrzaliznytsia Integrated Report 2017 (Social and Environmental Responsibility section, Environmental Protection subsection).

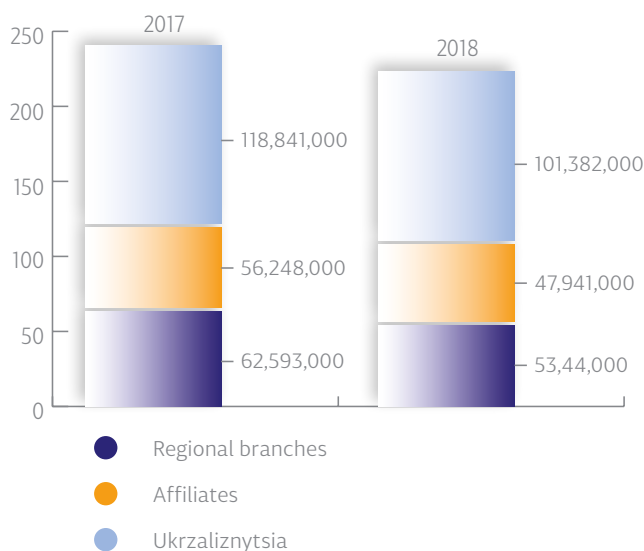
The specific feature about production departments of the Company is a wide variety of waste generated in the course of production activities.

In 2018, the Company generated 100,382,000 tonnes of waste vs. 118,841,000 tonnes in 2017, down by 15%:

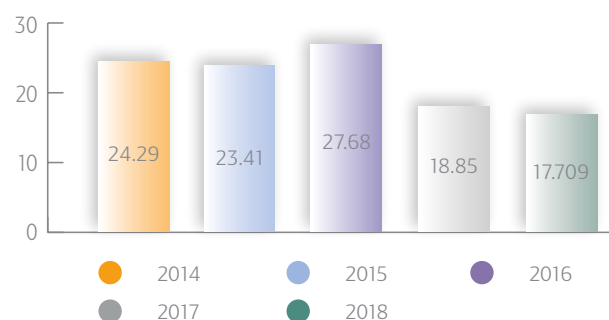
- waste generated by regional branches – 53,440,000 tonnes vs. 62,593,000 tonnes in 2017, down by 15%;
- waste generated by affiliates – 47,941 tonnes vs. 52,248,000 tonnes in 2017, down by 15%.

Wastes of hazard classes 1-3 pose significant risks to health and the environment.

WASTE GENERATED BY UKRZALIZNYTSIA COMPANIES IN 2017-2018, TONNES



WASTE OF HAZARD CLASS 1-3 GENERATED BY REGIONAL BRANCHES IN 2014-2018, '000 TONNES



WASTE OF HAZARD CLASS 1-3 GENERATED BY REGIONAL BRANCHES IN 2014-2018, TONNES

Regional branch	Donetsk Railways	Lviv Railways	Odessa Railways	Southern Railways	South-Western	Prydniprovye Railways
2014	510	178	442	21,573	1,190	398
2015	722	197	394	21,320	364	416
2016	147	45	271	26,437	331	452
2017	76	73	366	17,634	235	470
2018	461	30	315	16,220	208	475

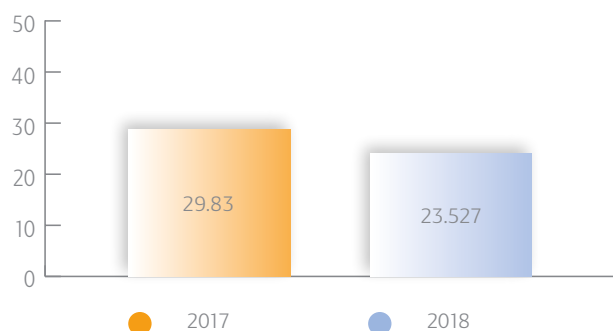
PERCENTAGE OF WASTE BY HAZARD CLASSES AT UKRZALIZNYTSIA COMPANIES IN 2018, '000 TONNES

Volumes of waste	tonnes	%
hazard class 1-3	23.527	23%
hazard class 4	77.854	77%
Total	101.382	100%

WASTE OF HAZARD CLASS 1-4 GENERATED BY UKRZALIZNYTSIA COMPANIES IN 2018, '000 TONNES

Hazard class	2018
Hazard class 4	77.854
Hazard class 3	22.450
Hazard class 2	930
Hazard class 1	148
Total	101.382

WASTE OF HAZARD CLASS 1-3 GENERATED IN 2017-2018, TONNES



ANALYSIS OF ACCUMULATED WASTE

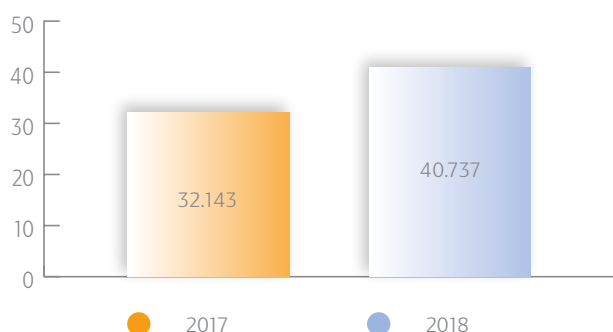
WASTE ACCUMULATED AT UKRZALIZNYTSIA COMPANIES COMPARED WITH 2017, '000 TONNES

Year	2017	2018
Regional branches	41.954	51.660
Affiliates	24.216	37.476
Ukrzaliznytsia	66.170	89.136

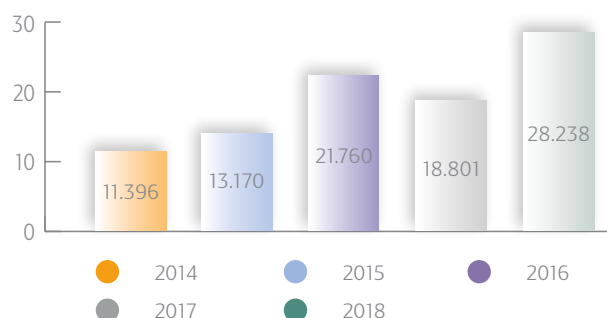
PERCENTAGE OF ACCUMULATED WASTE AT UKRZALIZNYTSIA IN 2018 BY HAZARD CLASS, TONNES

	'000 tonnes	%
Hazard class 1-3	40.737	44%
Hazard class 4	48.399	56%
Total	89.136	100%

ACCUMULATED WASTE OF HAZARD CLASS 1-3 AT UKRZALIZNYTSIA COMPANIES IN 2017-2018, '000 TONNES



WASTE OF HAZARD CLASS 1-3 ACCUMULATED AT REGIONAL BRANCHES IN 2014-2018, '000 TONNES



THE ACCUMULATED WASTE INCREASED AS A RESULT OF A BAN IMPOSED ON UKRZALIZNYTSIA TO SELL WASTE OILS, ACCUMULATOR BATTERIES, AND FERROUS AND NON-FERROUS SCRAP METAL.

WASTE OF HAZARD CLASS 1-3 ACCUMULATED AT REGIONAL BRANCHES IN 2014-2018, TONNES

Regional branch	Donetsk Railways	Lviv Railways	Odessa Railways	Southern Railways	South-Western	Prydniprovyie Railways
2014	81	10	109	10,161	817	218
2015	344	114	182	11,989	324	217
2016	82	112	185	20,783	192	405
2017	87	81	228	17,686	200	518
2018	895	0	1,018	1,639	12,279	12,407

WASTE OF HAZARD CLASS 1-4 ACCUMULATED AT UKRZALIZNYTSIA IN 2018, TONNES

Hazard class	2018
Hazard class 4	48,399
Hazard class 3	39,803
Hazard class 2	835
Hazard class 1	99
Total	89,136

In general, environmental performance of the industry do not demonstrate a sustainable reduction in the environmental impact.



PLANS

Establish an R&D Centre for Environmental Protection in the Railway Sector.

Develop and implement automated system 'Ecology' for the rail transport operation.

Implement biological testing and automatic laboratory control systems at the sewage treatment facilities.

Organise and monitor soil contamination in the railway strip, first of all it refers to the land used for cultivating agricultural crops by railway men and the local population.

Equip repair (firefighting) trains with equipment and materials for eliminating consequences of dangerous goods-related accidents that lead to environmental pollution.



ENERGY EFFICIENCY AND ENERGY SAVING

Energy efficiency is a driver of sustainable economic development of Ukrzaliznytsia. The company invests in the projects aimed at improving the energy efficiency of all households and the social area, modernising the main technical equipment and lighting upgrade. Both, the policy of the Company and the measures specified by the Programme for Energy and Resource Saving in the Railway Sector 2019-2020 include replacement of obsolete equipment and introduction of progressive energy-saving technologies.

In the area of energy efficiency, Ukrzaliznytsia focuses on reducing the energy intensity of the Company through more efficient use of fuel and energy resources for own needs, in particular heating, water, steam, etc. while maintaining the same level of production. The Company's approaches are aimed at minimising the environmental impact of the railway sector and reducing greenhouse gas emissions, as well as cutting the costs of purchasing energy resources through their systematic management and monitoring. For more information on the Approaches of the Company in the area of energy efficiency and energy saving, please see Ukrzaliznytsia Integrated Report 2017 (Social and Environmental Responsibility section, Energy Efficiency and Energy Saving subsection).

Successful implementation of these measures depends on the performance of obligations at all management levels of the Company and, first, on commitments taken by the Company's management, in particular on how the Company:

- Compiles energy balances and conclusions regarding the use and consumption of energy at the current moment, for certain periods of time, and before the baseline year;
- Identifies the key energy efficiency indicators for regional branches and affiliates as well as in general for Ukrzaliznytsia;
- Implements energy goals, tasks and energy and resource saving measures;
- Monitors and measures energy consumption indicators;
- Searches for opportunities to save all kinds of energy and improve energy parameters of production.

The Company has been making energy saving efforts for many years. In 2017, Ukrzaliznytsia set the goal to introduce an energy management system. For more information on energy efficiency and energy management policies, please see Ukrzaliznytsia Integrated Report 2017 (Social and Environmental Responsibility section, Energy Efficiency and Energy Saving subsection).

Following the requirements of international standard ISO 50001:2011 "Energy Management Systems", the Company keeps working on the following issues:

- Create conditions for the implementation of a systematic approach and gradual improvement of energy parameters of production and energy efficiency of consumption of all types of energy;

THE COMPANY'S ENERGY MANAGEMENT GOAL IS TO CREATE THE NECESSARY CONDITIONS FOR CUTTING FINANCIAL EXPENSES BY ENSURING CONSISTENT MANAGEMENT OF ENERGY RESOURCES AND MODERNISATION.



- Provide production units with modern equipment, measurement instruments and systems, as well as improve technological processes and raise the personnel awareness as they are responsible for the Company's performance in the area of energy consumption;
- Establish requirements for the use of all types of energy;
- Develop regulatory documentation and reports on energy costs.

In 2018, Ukrzaliznytsia continued to implement the Energy Management System in accordance with the requirements of international standard ISO 50001 as a part of the Company's integrated management system:

KEY BENEFITS FROM IMPLEMENTATION OF THE ENERGY MANAGEMENT SYSTEM AND ITS CERTIFICATION AT ALL COMPANY'S LEVELS

DIRECT BENEFITS:

- Constant improvement of energy efficiency, reduction of energy intensity of products (services);
- Control over electricity consumption;
- Reduction of environmental impact;
- Investment attractiveness;
- Learning best practices and experience in energy management and compliance with European standards.

INDIRECT BENEFITS:

- Involvement of all staff of the Company in the energy efficiency activities;
- Advanced training in energy issues;
- Energy management outreach beyond Ukrzaliznytsia;
- Risk reduction, which leads to lower costs as a result;
- Compatibility with other standards of the energy management system.



- The Company started developing Ukrzaliznytsia Energy Strategy 2020-2035 and the Programme for Energy and Resource Saving in the Railway Sector 2019-2020.
- It continues cooperation to develop and integrate the business processes of energy efficiency management at the regional branches and affiliates of the Company. To this end, the Company appointed responsible persons for each process and identified the key performance indicators, input and output information flows.
- Ukrzaliznytsia completed the first stage of work and defined the consulting companies (with the support and grant financing of the EBRD within the agreements for rolling stock upgrade and electrification of the Dolynska – Mykolaiv –

Kolosivka route) on the issues of creating the Energy Management Strategy, as well as the design and implementation of the Energy Management Information System;

- The Company also introduced individual programmes for Ukrzaliznytsia, such as "Installation of LED Lamps during the Modernisation of the Lighting System at Railway Stations in 2019-2021", "Bringing Electricity Accounting System of Ukrzaliznytsia Regional Branches and Affiliates in Line with the Regulatory Requirements for 2018-2022", and "Measures on Replacement of Compressor Equipment on Rolling Stock in 2019-2023";
- In 2017, Ukrzaliznytsia launched an initiative of the Energy Management Department to streamline the process of

managing specific power requirements and energy losses at the companies of Ukrzaliznytsia. In 2018, it started works for the development and approval of specific fuel and power requirements for hauling operations by type of traction, movement, and locomotive. This covered 60 production divisions: 43 locomotive depots and 17 multiple unit depots, as well as subsidiaries of Ukrainian Railway High Speed Company. This initiative can help analyse the deviations of specific requirements from the target indicators, the influence of these factors on energy consumption, and finally identify steps to reduce losses;

UKRZALIZNYTSIA CONTINUES OUTREACH EFFORTS TO PROMOTE ENERGY EFFICIENCY AND ENERGY SAVING AMONG THE COMPANY'S EMPLOYEES. THUS, IN 2018 THE COMPANY HELD TWO WORKSHOPS, TWO SESSIONS WITHIN THE FRAMEWORK OF THE DAYS OF SCIENCE, AND TEN THEMATIC MEETINGS OF UKRZALIZNYTSIA'S RESOURCE AND ENERGY SAVING UNIT.

- In 2018, the Company started working with Kyiv City Innovation Sectoral Organisation of Employers "Resource Efficient and Cleaner Production Centre" to develop technical feasibility and energy assessment of Darnytsia Traction Substation and identify potential ways to increase the efficiency of resource consumption;
- Ukrzaliznytsia is working to control consumption of natural gas by production units through the automated system "Remote Control over Natural Gas Consumption";
- Laboratory cars undertake experimental trips to determine the maximum (critical) tonnage standards for freight trains and the optimal consumption of fuel and electricity for rail traction vehicles, avoid unscheduled stops, etc.;
- In 2018, the Company carried out pilot inspections of diesel locomotives in order to prevent the failure of important railway equipment and mechanisms, as well as determine the quality of the conducted repairs and maintenance. In total, Ukrzaliznytsia conducted 362 inspections of rail traction vehicles including 212 electric locomotives and 150 diesel locomotives;
- Ukrzaliznytsia started introducing innovations: it implemented advanced methods of the use of production resources, carried out works to develop and implement actions based on the lean production concept in order to address the issue of handling of accumulator batteries, in particular ensure compliance with storage conditions for spent batteries.



STAKEHOLDER ENGAGEMENT

Ukrzaliznytsia is an active participant of the key Ukrainian and international discussion platforms that are focused on the efficient use of resources, reduction of the environmental footprint of production companies and development of advanced technologies in the railway sector. The Company's experts in the area of energy efficiency take an active part in the working groups, which pursue the goal to start pilot and permanent use of new developments, equipment, rolling stock and technologies, define technical specifications and tasks for the development of sectoral documentation, as well as participate in the meetings with representatives of international companies.

PROGRAMME FOR ENERGY AND RESOURCE SAVING IN THE RAILWAY SECTOR 2018

The main document that clearly outlines the actions, their economic effect and the amount of energy saved (by types of energy) is the Programme for Energy and Resource Saving in the Railway Sector 2018.

Key activities specified by the Programme:

- Diesel fuel saving measures (traction/non-traction area)
- Energy-saving measures (traction/non-traffic)
- Boiler and furnace fuel saving measures
- Fuel saving measures
- Resource saving measures (materials, technologies, and equipment).

UKRZALIZNYTSIA EXPECTED TO SAVE **49,700 TONNES** OF FUEL EQUIVALENT IN 2018 WITH THE PROGRAMME ACTIONS, WHICH WOULD BE **2.3%** OF THE TOTAL ANNUAL FUEL CONSUMPTION. THE TOTAL COST OF ENERGY RESOURCES TO BE SAVED MADE **UAH 532.7 MILLION**. THE COMPANY ALLOCATED **UAH 451.2 MILLION** TO IMPLEMENT THE ENERGY SAVING MEASURES. AT THE SAME TIME, THE ROI OF ACTIONS IS MORE THAN **9.5 MONTHS**.

UKRZALIZNYTSIA'S
TOTAL ENERGY
CONSUMPTION MADE
20,056,218,985 MJ.

In 2018, due to the implementation of the Programme for Energy and Resource Saving in the Railway Sector, the Company saved 26,634 tonnes of fuel equivalent, including (in physical terms) 3,557 tonnes of fuel, 58,952,000 kWh of electricity, 974,000 m³ of natural gas, 672 tonnes of coal, 15 tonnes of residual oil and 1,900 GCal of thermal energy.

The Company saved energy resources worth UAH 262.4 million, while the cost of the energy saving actions made UAH 338.6 million.

In Q2 2018, the Company's specialists, in particular representatives of the Energy Management Department, carried out an energy audit to assess the efficiency of the diesel fuel use and operation of locomotives during shunting and operation in Znamenka Locomotive Depot (Odessa Railways).

During the audit the Company:

processed:

- 1,000 e-routes of the engine drivers;

undertook:

- 17 experimental trips in different shunting areas within the service area of the locomotive depots;

studied:

- the quality of the established specific fuel consumption requirements by types of traffic;
- the statistical data for 2013-2018 in regard to the use of fuel and performance of shunting and ordinary operation;

identified:

- the performance results and fuel consumption for each diesel locomotive, each service station and shunting area;

calculated:

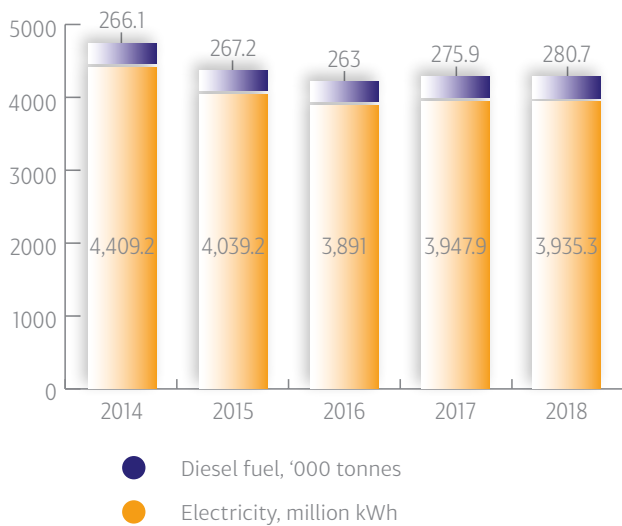
- the economic effect from reduction in the specific consumption of diesel fuel at the level of 90 tonnes of fuel with the estimated cost of UAH 2.3 million.

In regional branches and affiliates:

- Odessa Railways – over 3,900 tonnes of fuel equivalent to the amount of UAH 52.2 million;
- Prydniprovye Railways – 4,200 tonnes of fuel equivalent to the amount of UAH 44.7 million;
- South Western Railways – 9,400 tonnes of fuel equivalent to the amount of UAH 83.3 million;
- Lviv Railways – 5,900 tonnes of fuel equivalent to the amount of UAH 69.6 million;
- Passenger Company – 600 tonnes of fuel equivalent to the amount of UAH 4.7 million;
- Centre of Installation and Construction Works and Facilities Management – 800 tonnes of fuel equivalent to the amount of UAH 4.7 million;
- Vehicles Maintenance Centre – 10 tonnes of fuel equivalent to the amount of UAH 69,000.

IN 2018, THE COMPANY PERFORMED **106 ENERGY INSPECTIONS** IN TOTAL THAT REVEALED THE POTENTIAL OF ENERGY SAVING TO THE AMOUNT OF **24,700 TONNES** OF FUEL EQUIVALENT OR ABOUT **UAH 259.4 MILLION** (ABOUT 1.1% OF THE TOTAL FUEL AND ENERGY CONSUMPTION BY THE COMPANY).

DIESEL FUEL AND ELECTRICITY CONSUMPTION BY UKRZALIZNYTSIA'S TRACTION FACILITIES, 2014-2018



UKRZALIZNYTSIA OUTPUT, ENERGY CONSUMPTION AND COSTS, 2015-2018

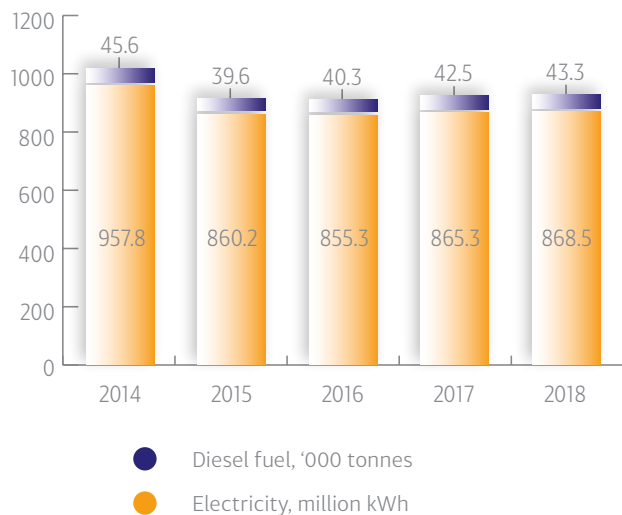
	2015	2016	2017	2018
Fuel equivalent, '000 tonnes	2,185.2	2,142	2,188	2,205.7
Specific output, million tkm	271,660	263,418.6	260,104	257,211
Costs, UAH million	12,761	15,088	16,820	21,780

ENERGY INTENSITY

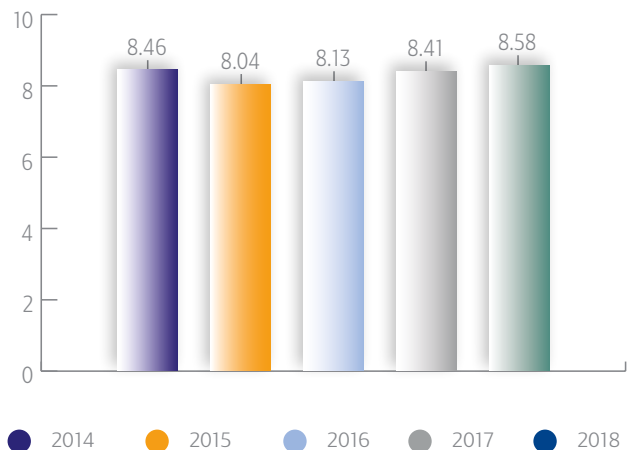
The energy intensity for railway transport is the ratio of consumption of all types of energy resources (in fuel equivalent) to the number of transport operations, which is expressed in adjusted millions of tonne-kilometres (million tkm).

This indicator shows the efficiency and cost effectiveness of the use of all types of fuel and energy resources against the performed work. The main task of Ukrzaliznytsia in the field of energy efficiency is to reduce this indicator, that is to ensure that more operations can be done at this level of fuel and energy efficiency.

DIESEL FUEL AND ELECTRICITY CONSUMPTION BY UKRZALIZNYTSIA'S NON-TRACTION FACILITIES, 2014-2018



ENERGY TO OUTPUT RATIO AT UKRZALIZNYTSIA, 2014-2018





PLANS

In 2018, the Energy Management Department was actively engaged in the gradual formation of an innovative vertically integrated energy management system. In 2019, the Company plans to complete the reform process, create additional departments in the Energy Management Department and ensure that regional energy managers are subordinate to the Energy Management Department of the Company.

In 2019, Ukrzaliznytsia plans to start working in new areas of energy efficiency and continue to implement the action plan that was introduced last year, namely:

1. Specify the electricity consumption rates for industrial and domestic needs in regional branches and affiliates.
2. Specify diesel and gasoline consumption rates for the operation of motor vehicles, machinery and mechanisms, and special self-propelled rolling stock for regional branches and affiliates.
3. Ensure cooperation of the Company with the European Bank for Reconstruction and Development (EBRD) in order to implement international standards ISO 50001 "Energy Management Systems" and ISO 50002 "Energy Audits" in Ukrzaliznytsia.
4. Conduct energy inspections (audits) of production units and private joint-stock companies as a part of technical audits.
5. Conduct monitoring in the area of thermal energy in terms of natural gas consumption management as performed by production units; such monitoring to be conducted with the help of the automated system "Natural Gas Consumption Remote Control".
6. Organise the work of rail traction and energy laboratory vehicles to identify energy saving potential and thus increase the cargo and traffic capacity of certain sites (directions), determine the best modes for train movement, critical weight and actual specific costs of energy resources for traction.
7. Develop, implement, and monitor the implementation of short-term and long-term measures, energy and resource saving programmes at Ukrzaliznytsia.
8. Organise the work on the development and implementation of lean production measures in the Company.
9. Develop Ukrzaliznytsia Energy Strategy 2020 and up to 2035, support the implementation of its provisions.
10. Develop the Programme for the Development and Use of Alternative (Renewable) Sources of Energy in the Railway Sector.
11. Conduct workshops, conferences and meetings on improvement of energy efficiency of production units.
12. Implement wide analyses of energy efficiency and energy intensity of regional branches, affiliates and companies in the traction and non-traction spheres.
13. Execute control over the efficient use and conservation of energy resources and lubricants by conducting energy audits and inspections at regional branches and affiliates.
14. Conduct daily monitoring of the data from electronic systems for controlling fuel consumption by rolling stock.
15. Organise and implement thermal imaging of rail traction and passenger vehicles.
16. Develop methodological sectoral documentation in accordance with the national regulatory documents.
17. Organise training (advanced training) of employees responsible for energy efficiency.



5

OUR SUSTAINABLE DEVELOPMENT



SUSTAINABLE DEVELOPMENT AND CSR AT UKRZALIZNYTSIA



STRATEGIC APPROACH TO SUSTAINABLE DEVELOPMENT AND CSR

The issue of sustainable development remains one of the global challenges facing the world today. We continue to demonstrate how Ukrzaliznytsia contributes to solving this problem. The Company is doing everything it can to raise the awareness of the role of rail transport (as a key factor for achievement of sustainable development and reduction of climate change implications) among the society, business and the government. Primarily, it is about the environmental, social and economic aspects. We continue to implement Corporate Social Responsibility (CSR) projects that are designed to improve the quality of life of employees and their families, contribute to stable development of the regions and improvement of the welfare of population throughout

the company's regions of presence, maintain environmental sustainability and energy efficiency, improve corporate image, contribute to growth of intangible assets, and gain public trust.

In 2018, we met objectives in the area of sustainable development and CSR that were set during the previous reporting period. We continued to build an effective sustainable development and CSR management system, as well as develop non-financial risk prevention actions. In particular, the Company developed a draft Strategy of the Company. The document defines the strategic directions, alternatives and priorities of Ukrzaliznytsia, as well as it gives the vision as to their implementation within the next five years, 2019-2023.

We continued to practice transparency, accountability and open engagement with key stakeholders in line with international

standards. We developed Sustainable Development and Corporate Social Responsibility Policy. The Policy goal is to ensure sustainable development by providing all consumers with high-quality and affordable transport services on the basis of social and environmental responsibility principles and an effective model of the Company's management which meets the challenges of today (For more about corporate ethics, please see Ukrzaliznytsia Integrated Report 2017, Our Business section, Corporate Governance subsection). In 2019, the Company also plans to start consultations with the public on the Report preparation and turn it into practice.

In 2018, we organised the issue of an integrated annual (including non-financial) reporting in accordance with international standards. During the previous reporting period, we developed a system of indicators in the area of sustainable development, which we added to the reporting system of Ukrzaliznytsia. We also managed to establish a system for collecting, preparing and publishing the respective information. We released the first Integrated Report in the history of the Company, using a number of guiding standards.

In 2018, we implemented projects and programmes aimed at developing a socially responsible model of management and staff development, enhancing motivation, and contributing to the Company's key values. In particular, on November 22, the Company held two training workshops "Building Corporate Sustainability System: Fact-Based Approach" and "GRI Indicators in the Ukrzaliznytsia Integrated Reports". The workshops were conducted within the framework of the training programme for HR managers of regional branches. Jointly with Galagan company, we updated the Company's logo, which is an important step towards modernising the Ukrainian railways, implementing large-scale reforms, bringing new quality and a higher level of service. We have once again realised that our Company is one big family, we have common goals, and we are responsible for the results. The new logo should be associated with high performance results and decent salaries, solid business partnership and good neighbour relations with local communities.

We continue to be actively engaged in international initiatives in the area of sustainable development and CSR, in particular, we cooperate with the United Nations Global Compact (UN Global Compact), CSR Europe, Global Sustainable Development



Initiative (GRI), and the World Business Council on Sustainable Development (WBCSD).

We use the leading experience of European companies to ensure successful development of the Company. In March 2018, Ukrzaliznytsia delegation headed by Zeljko Marcek, a Company's board member, visited Berlin on the invitation of Deutsche Bahn, German national railway company. The

purpose of the visit was to exchange experience in the area of HR management, non-financial assets management, corporate social responsibility and sustainable development.

The Ukrainian delegation learnt about the organisational structure and model of interaction of the parent company with its subdivisions. The parties discussed the strategy for the development of social assets of the German railway carrier, as well as the implementation of the terms of a collective bargaining agreement. Separate meetings were held to discuss the principles of leadership, financial management, staff development and training, and sustainable development and CSR management at Deutsche Bahn. European colleagues welcomed the Company's practice and strategic approach to CSR and sustainable development, which are similar to the approaches of the German company largely and are built on single international understanding of quality system management of non-financial impact issues.

At the same time, we support and encourage the dissemination of sustainable development models among other state-owned companies. Thus, on 4 October 2018, Ukrzaliznytsia Corporate Social Responsibility Department (jointly with the UN Global Compact Management) organised a discussion workshop in Kyiv, Sustainable Leadership: Integrating UN Sustainable Development Goals into Company's Management and Reporting Practices. The workshop outlined:

- Mechanisms that help companies to better assess their activities and place in the society, manage business and report on their contribution to the achievement of SDGs;
- Progress in the integration of SDGs into the management practice of Ukrzaliznytsia (internal benchmark with the definition of priority goals and further focus on their integration);
- Best international practices in the integration of 17 UN SDGs into the Company's activities and reporting process. In addition, the event participants had an opportunity to exchange experience. After all, they all share the same goal, sustainable development for the sake of a better future.

UKRZALIZNYTSIA CONTRIBUTION TO ACHIEVEMENT OF UN SUSTAINABLE DEVELOPMENT GOALS (SDGs)

On 25 September 2015, the 193 Member States of the United Nations adopted the 17 Sustainable Development Goals (SDGs) and 169 targets aimed at helping to achieve three major results by 2030: end poverty, hunger and inequality, take action on climate change and the environment.



1 END POVERTY

END POVERTY IN ALL ITS FORMS EVERYWHERE

The Company is one of the largest national employers in Ukraine with 272,745 people working there (276,119 people in 2017: down by 4.2% due to the natural employee churn, reorganisation of structural units, and workforce optimisation depending on the workload). It is also one of the largest taxpayers. In 2018, we paid over UAH 20 billion in taxes to different budgets. The Company ranks 6th among TOP-100 largest taxpayers. For more information, please see Our Employees and Our Country and Financial Performance sections.



4 QUALITY EDUCATION

ENSURE INCLUSIVE AND EQUITABLE QUALITY EDUCATION AND PROMOTE LIFE LONG LEARNING OPPORTUNITIES FOR ALL

The Company continued to pay considerable attention to the training, retraining and career development of specialists. There are industry-specific educational institutions in place, which include 10 Centres for staff professional development where employees can attend training, retraining and advanced training courses on 59 blue-collar occupations. In 2018, the Company trained more than 2,800 workers in the regional branches and affiliates. This exceeded the annual target by over 80% in 2018 and by 27% in the same period in 2017. For more, please go to Our Employees and Our Country section.



2 END HUNGER

END HUNGER, ACHIEVE FOOD SECURITY, IMPROVE NUTRITION AND PROMOTE SUSTAINABLE AGRICULTURE

Ukrzaliznytsia remains one of the largest carriers of agricultural products from the most remote regions of the country, providing a dynamic development of agribusiness and rural areas. For more information, please see Financial Performance section and Our Business section, Key Operating Results subsection.



5 GENDER EQUALITY

ACHIEVE GENDER EQUALITY AND EMPOWER ALL WOMEN AND GIRLS

Employees of different gender and age groups in the Company are provided with equal opportunities. In the reporting period, there were 160,638 men (60.7%) and 103,961 women (39.3%). That is, the gender ratio (compared with 2017 with 61.3% of men against 38.7% of women) did not change much. For more information, please see Our Employees and Our Country section, HR Management and Development section, Human Resources Policy subsection, and Our Business section, Corporate Governance subsection.



3 ENSURE HEALTHY

ENSURE HEALTHY LIVES AND PROMOTE WELL-BEING FOR ALL AT ALL AGES

Ensuring healthy lives and promoting the well-being of staff remains one of the priorities of the Company's social policy. Ukrzaliznytsia has a specialized branch Healthcare Centre in place. The Company has a large number of social infrastructure facilities in its structure: there are 115 social infrastructure facilities at Ukrzaliznytsia in total. In 2018, the Company paid over UAH 12 billion in social benefits. For more information, please see Our Employees and Our Country section.



6 SUSTAINABLE MANAGEMENT OF WATER

ENSURE AVAILABILITY AND SUSTAINABLE MANAGEMENT OF WATER AND SANITATION FOR ALL

Ukrzaliznytsia continues to take significant efforts to protect the environment, minimise the negative environmental footprint, preserve and restore natural resources. In 2018, Ukrzaliznytsia allocated UAH 5.617 million to implement forest protection measures. For more information, please see Our Environmental Responsibility section, Investing in the Environmental Protection subsection

7 MODERN ENERGY FOR ALL



ENSURE ACCESS TO AFFORDABLE, RELIABLE, SUSTAINABLE AND MODERN ENERGY FOR ALL

Energy efficiency and energy SAVING remain one of the priority directions of the Company's activities. In 2018, due to implementation of measures under the Programme for Energy and Resources Saving in the Rail Sector 26,634 tonnes of fuel equivalent were saved (up by 97% compared with 2017).

For more information, please see Our Environmental Responsibility section, Energy Efficiency and Energy Saving subsection.

10 REDUCE INEQUALITY



REDUCE INEQUALITY WITHIN AND AMONG COUNTRIES

The Company continues to pursue the policy that provides equal access and development opportunities for all. We pay equal pay for work of equal value and use a unified wage rate scale to determine salaries throughout the country.

For more information, please see Our Employees and Our Country section.

8 SUSTAINABLE ECONOMIC GROWTH



PROMOTE SUSTAINED, INCLUSIVE AND SUSTAINABLE ECONOMIC GROWTH, FULL AND PRODUCTIVE EMPLOYMENT AND DECENT WORK FOR ALL

The Company ranked 12th in the ranking of average monthly wages among other branches of economy. That is, it moved up one place in the ranking compared with 2017. Ukrzaliznytsia's regional branches and affiliates concluded collective bargaining agreements to ensure broader staff engagement based on social partnership and protect their social and labour interests.

For more information, please see Our Employees and Our Country and Our Business sections, Key Operating Results subsection.

11 MAKE CITIES INCLUSIVE, SAFE, RESILIENT AND SUSTAINABLE



MAKE CITIES INCLUSIVE, SAFE, RESILIENT AND SUSTAINABLE

Ukrzaliznytsia continues to play an important role in the social development of the regions of its presence and make a significant economic impact by creating many skilled jobs, supporting the employment, constantly increasing the wage level and paying taxes to the national and local budgets. For more, please see Our Environmental Responsibility, Our Employees and Our Country, and Ukrzaliznytsia Today sections.

9 RESILIENT INFRASTRUCTURE



BUILD RESILIENT INFRASTRUCTURE, PROMOTE SUSTAINABLE INDUSTRIALIZATION AND FOSTER INNOVATION

In support of economic development and people's welfare, the Company builds a quality, reliable and sustainable infrastructure, develops and implements innovative services. In particular, we completed one of our biggest infrastructure projects, Beskyd Tunnel. We also launched the construction of tracks from Kyiv to Boryspil airport. The Company completed the electrification of Potoky – Zolotnyshyne railway route. In addition, we held the Leader of Innovations competition and plan to start implementing the winning projects in 2019. For more information, please see Ukrzaliznytsia Today section, Transport Market Overview subsection, Our Business, and Our Employees and Our Country sections.

12 ENSURE SUSTAINABLE CONSUMPTION



ENSURE SUSTAINABLE CONSUMPTION AND PRODUCTION PATTERNS

We adhere to the technological requirements established for promising traction vehicles and we use the new equipment and stands for testing radio stations and traffic safety devices, water treatment plants for diesel locomotive cooling systems, as well as we undertake other actions. In 2018, the Company received 15 mainline locomotives produced by General Electric Company, which are equipped with engines with improved environmental performance. In addition, the Company started implementing the measures to upgrade the fleet of electric locomotives (period of implementation: 2018-2020).

For more information, please see Our Business and Our Environmental Responsibility sections, Energy Efficiency and Energy Saving and Investing in the Environmental Protection subsections.

13 PROTECT PLANET



TAKE URGENT ACTION TO COMBAT CLIMATE CHANGE AND ITS IMPACTS

Railways are one of the most environmentally friendly modes of transport and thus contribute to the fight against climate change ensuring the lowest greenhouse gas emissions. In order to increase the electrification of railway routes, the Company continues to work on improving the infrastructure of rail transport. In particular, The Company completed the electrification of Potoky – Zolotnyshyne railway route. For more information, please see Our Environmental Responsibility section, Investing in the Environmental Protection subsection, and Ukrzaliznytsia Today section.

14 CONSERVE THE OCEANS



CONSERVE AND SUSTAINABLY USE THE OCEANS, SEAS AND MARINE RESOURCES FOR SUSTAINABLE DEVELOPMENT

Irrelevant.

15 PROTECT TERRESTRIAL ECOSYSTEMS



PROTECT, RESTORE AND PROMOTE SUSTAINABLE USE OF TERRESTRIAL ECOSYSTEMS, SUSTAINABLY MANAGE FORESTS, COMBAT DESERTIFICATION, AND HALT AND REVERSE LAND DEGRADATION AND HALT BIODIVERSITY LOSS

Reducing the environmental impacts of the railway transport on air, water and land, as well as reducing the industrial and domestic waste are the priority objectives of Ukrzaliznytsia environmental management system. In particular, in 2018 the Company used the rolling stock with a closed-circuit and environmentally friendly system of domestic waste water collection that operated without direct discharge of waste water into the environment. In addition, Ukrzaliznytsia allocated UAH 5.617 million to implement forest protection measures in 2018. For more, please see Our Environmental Responsibility section, Investing in the Environmental Protection subsection.





PROMOTE PEACEFUL AND INCLUSIVE SOCIETIES FOR SUSTAINABLE DEVELOPMENT, PROVIDE ACCESS TO JUSTICE FOR ALL AND BUILD EFFECTIVE, ACCOUNTABLE AND INCLUSIVE INSTITUTIONS AT ALL LEVELS

Openness is one of the Company's core values. We pursue a policy of zero tolerance to any form of discrimination and violence. The Company is continuing its corporate governance reform aimed at achieving high standards of openness, transparency and accountability. In 2018, Ukrzaliznytsia adopted such important documents as the Code of Business Ethics, Anti-Corruption Policy and Gift Policy, which constitute an integral part of the corporate governance of the Company. For more information, please see Our Business section, Corporate Governance subsection.



STRENGTHEN THE MEANS OF IMPLEMENTATION AND REVITALIZE THE GLOBAL PARTNERSHIP FOR SUSTAINABLE DEVELOPMENT

Ukrzaliznytsia continues to cooperate extensively with professional international organisations for achievement and promotion of sustainable development goals. We are considering the cooperation with the UN Global Compact and other sustainability champions.



STAKEHOLDER ENGAGEMENT

"IT IS STRATEGICALLY IMPORTANT
FOR US TO TAKE INTO ACCOUNT
AND ACCOMMODATE BOTH THE
INTERESTS OF UKRZALIZNYTSIA
AND THE MARKET PLAYERS".

SEVKI ACUNER, UKRZALIZNYTSIA
SUPERVISORY BOARD CHAIRMAN



By developing the Stakeholder Engagement Roadmap, we outline the best paths to follow. (For more information on the principles of stakeholder mapping and prioritisation see Ukrzaliznytsia Integrated Report 2017, Sustainable Development and Stakeholders, Engagement, subsection Stakeholder Engagement). Thus, in the reporting period the Company actively used communication channels for stakeholder engagement. In 2018, Ukrzaliznytsia Department for Information Policy and Public Relations processed about 700 written media inquiries (more than 500 written inquiries in 2017), organised about 30 events for mass media and other stakeholders (press conferences, briefings, media tours). During the reporting period the Company received almost 189,000 mentions in mass media (more than 100,000 mentions in 2017), including 1,293 mentions on TV, 1,162 – on radio, 2,126 – in printed materials, 95,171 – in social networks, 88,983 – on the web. For more information about communication channels, please see Ukrzaliznytsia Integrated Report 2017, Sustainable Development and Stakeholders Engagement section, Stakeholder Engagement subsection).

We engage our staff to participate in certified trainings. In particular, on 11-12 October 2018, GRI Reporting on Sustainable Development training course that was organised by the UN

Global Reporting Initiative took place in Kyiv. Eight Ukrzaliznytsia employees successfully completed the training. In this way, experts preparing the annual reports were able to learn about the new requirements of GRI Standards and improve their knowledge as to the application of these standards.

COOPERATION WITH THE GOVERNMENT AUTHORITIES AND INTERNATIONAL COOPERATION

Ukrzaliznytsia continues to interact with state and local authorities, creating predictable and fair business environment to do business and comply with the legislation. In addition, the Company actively participates in solving socially sensitive issues by holding dialogues with the government authorities.

Ukrzaliznytsia actively cooperates with the Cabinet of Ministers of Ukraine, the shareholder of the Company. In particular, the reform of Ukrzaliznytsia corporate governance system is being implemented with the participation of the CMU. In 2018, the Company introduced the Supervisory Board and approved a new edition of the Articles of Association. Ukrzaliznytsia Supervisory Board was appointed by holding the open competition that was organised by the Cabinet



of Ministers of Ukraine. Thus, Ukrzaliznytsia is the first state-owned company where the Supervisory Board was formed under the new procedures based on the selection of independent members. According to the Prime Minister of Ukraine Volodymyr Groisman, such a step makes government-owned companies more open, public and minimises opportunities for corruption.

On 12 December 2018, the Cabinet of Ministers of Ukraine approved a step-by-step plan of the corporate governance reform. Changes should be implemented in line with best international practices of corporate governance and contribute to improving the quality of services for passengers and railway customers. Members of the Company's Supervisory Board discussed the corporate governance during a meeting with the First Vice Prime Minister of Ukraine Volodymyr Kistion. According to Mr Kistion, the corporate governance reform is being implemented in the Company right now, in particular, through the approval of a new version of Ukrzaliznytsia Articles of Association, Supervisory Board Regulations, creation of the Supervisory Board committees, etc. The Government highly appreciated the teamwork and the interaction of the Supervisory Board of the Company with

its shareholder. "The corporate governance reform has made remarkable progress just recently, over a short period of time", said Volodymyr Kistion. In addition, the meeting participants underlined the necessity to strengthen social responsibility of Ukrzaliznytsia during further corporate transformations in the Company.

Cargo transportation plays an important role in the growth of trade in the country. In 2018, the Cabinet of Ministers of Ukraine approved the participation of Ukrzaliznytsia in the Union of Legal Entities "Trans-Caspian International Transport Route (International Association)". The Trans-Caspian International Transport Route seeks to implement the new Silk Road Economic Belt initiative (China – Kazakhstan – Azerbaijan – Georgia – Ukraine – Europe (via the ferry crossings at the ports of the Caspian Sea and the Black Sea). It opens up additional opportunities for attracting cargo traffic from the Asian region to the European countries.

In May 2018, Ukrzaliznytsia delegation in Baku took part in the general meeting of participants of the Trans-Caspian International Transport Route to implement this project. Yevhen Kravtsov was appointed a member of the Trans-Caspian International Transport Route Board. Following the

meeting in October 2018, it was decided to develop and sign a unified document regulating the interaction of the parties in the organisation of multimodal services of the Trans-Caspian International Transport Route.

In May 2018, Ukrzaliznytsia delegation participated in the 68th meeting of the Council for Rail Transport of Member States in Bishkek (Kyrgyz Republic). During the meeting, negotiations were held with a number of representatives of foreign railway administrations. In particular, there was a meeting with Lithuanian Railways delegation - the parties agreed on further development of the Viking Container Train project, as well as the transportation of grain from Chernihiv region to Klaipeda.

Ukrzaliznytsia continues to cooperate with the European Bank for Reconstruction and Development (EBRD). On 5 July 2018, "Professional Government" conference (organised with the assistance of the Konrad Adenauer Foundation and with the participation of Ukrzaliznytsia CEO) took place in Kyiv. During the conference, the Managing Director of the European Bank for Reconstruction and Development Oliana Gordienko emphasized the fundamental changes in the Company's management structure as they helped gain the trust of international investors: They probably would not have given a loan to Ukrzaliznytsia if they were not sure about the appropriate level of corporate governance, professionalism and the decision making process in the Company". In

November 2018, a long-term loan agreement was signed to raise \$150 million for the purchase of new freight cars. The signing of the agreement marked the completion of a one-year work between the bank team, Ukrzaliznytsia and the Ukrainian government. "This is one of the many projects we implement jointly with the EBRD. Cooperation with the bank contributes to modernisation, upgrade and reforming of the company", said Yevhen Kravtsov. Thus, thanks to many years of cooperation between Ukrzaliznytsia and the EBRD, a number of important projects have already been implemented, including the construction of the Beskyd Tunnel, the acquisition of rolling stock and introduction of high-speed rail service in Ukraine.

The World Bank experts are also seeing positive trends at Ukrzaliznytsia. Currently, they are defining the ways to support Ukraine's railway industry. On 17 December 2018, there was a regular working meeting of bankers with the leadership of the national railway company. The parties try to analyse the situation in certain areas of the company's activity to determine the mechanisms for cooperation. The dialogue focuses on five topics: rail freight tariffs, passenger transportation, debt management, infrastructure asset management and investment priorities, as well as opening the freight transport market.

"The mechanisms for cooperation between Ukrzaliznytsia and the World Bank will be determined following the analysis



conducted by the World Bank experts. The respective works are planned to be completed by June 2019”, said Ukrzaliznytsia Board Chairman Yevhen Kravtsov.

The quality of transportation is one of the main factors that have a significant impact on the economic growth, as well as the ability of businesses to compete. On 14 March 2018, during his working visit to Warsaw the Board Chairman of Ukrzaliznytsia Yevhen Kravtsov met with representatives of the PKP LHS railway freight operator. During the meeting, the parties discussed the improvement of transportation between the countries. In particular, it was agreed to increase the number of trains on “Kovel – Izov – National Border” from nine to twelve pairs of trains a day. Thus, it will help increase the passenger traffic between the countries. This was one more step in the implementation of the memorandum of intention on the reconstruction of the railway structures with the site electrification that was signed in April 2017. The project feasibility study is being currently finalised. The initiative is expected to reduce the operating costs, shorten the cargo delivery time and increase the tonnage of freight trains.

In addition, in 2018 Ukrzaliznytsia and the Belarusian Railway identified the main vectors of cooperation. The respective agreement between the railways was signed by the Board Chairman of Ukrzaliznytsia Yevhen Kravtsov and the head of the Belarusian Railways Vladimir Morozov. In Minsk, the delegations agreed the cooperation efforts in the area of the

international passenger and freight transportation, border rail infrastructure and other relevant areas.

The Company cooperates with the State Fiscal Service of Ukraine. In 2018, a special customs control point was arranged at Kyiv-Pasazhyrsky Railway Station (Kyiv-Passenger Railway Station) for passengers who will travel by Four Capitals train No. 31/32, Kyiv – Minsk – Vilnius – Riga (“red” and “green” corridors). In September 2018, with the cooperation between Ukrzaliznytsia and the authorities of Irpin town in the suburbs of Kyiv (co-financing), a level crossing for pedestrians was built through the railway tracks at a designated crossing area used by many people. This strengthened the security of the safety of citizens. The new facility provides comprehensive protection and benefits for pedestrians: road signs, horizontal markings, light alarms on both sides, and special labyrinth type fencing, which gives all-round view and barrier-free access.

Joint meetings of railwaymen with the city authorities of Lviv (and other stakeholders who are landowners) allowed us to discuss all the nuances of the reconstruction of the Palace Square near the railway station. The Company was always ready to meet the needs of Lviv stakeholders in all work-related issues: provided a land demarcation land or showing technical premises to be visited by the working group of the City Council. Finally, in 2018, Lviv developed a final project for the reconstruction of the square in front of the main transport gates (since 90% of the city’s visitors come to this city by rail).



COOPERATION WITH CIVIC ORGANISATIONS

In the reporting period, Ukrzaliznytsia continued its cooperation with both national and foreign expert communities. The company also supports the initiatives that are aimed at supporting and ensuring sustainable development.

In 2018, we once again demonstrated our readiness for a constructive and socially responsible dialogue in the business environment. In particular, the newly formed Supervisory Board of Ukrzaliznytsia initiated an expanded meeting with the representatives of business associations of Ukraine. During the first joint meeting on 13 September 2018, Ukrzaliznytsia's Supervisory Board Chairman

Sevki Acuner and Board Chairman Yevhen Kravtsov discussed the areas of cooperation, in particular in the field of tariff policy, as well as the issues relating to the locomotive fleet, the opening of the private traction vehicle market, and organisation of low-activity stations etc.

"We expect that the opinion of the transportation market actors will be heard and taken into account. Our association has already established a dialogue with the leadership of Ukrzaliznytsia, and we are very grateful for this opportunity. Considering that Ukrzaliznytsia has the new Supervisory Board in place, which most likely takes a fresh look at all these issues, I hope that together we can develop an algorithm for productive interaction. This is the first meeting, and I hope for a further dialogue. In turn, we will definitely send our proposals to Ukrzaliznytsia and describe the problems that arise in business", said Andy Hunder, President of the American Chamber of Commerce.

"It is strategically important for us to take into account and accommodate both the interests of Ukrzaliznytsia and the market players. The situation with provision of rolling stock

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MARKET PLAYERS".

SEVKI ACUNER,
UKRZALIZNYTSIA SUPERVISORY
BOARD CHAIRMAN



to the Company' clients comes from low capital investments, investment deficit, and the need for tariff liberalisation and higher competition. It is important to understand that we will not see any investment inflows or development of Ukrzaliznytsia technical capacities without changing the tariffs. At the same time, it is necessary to increase the operational efficiency of the company", stated Sevki Acuner.

In the reporting period, the Company did not ignore the painful social issues. On 22 September (in cooperation with International Alliance of Brotherhood NGO and Dnipro Municipal Council), Prydniprovyie Railways participated in the vacancy festival for ATO veterans. The railwaymen answered all the questions of the visitors and provided potential employees with flyers containing contact information. The invited them to work in the structural subdivisions of the Company in the capacity of: track serviceman, locomotive engine driver and assistant engine driver, rolling stock repairman and other blue-collar jobs.

On 13 November 2018, striving to take care of the environment and historical heritage, the railwaymen, representatives of

the Ministry of Ecology and Natural Resources of Ukraine, and activists from municipal civic organisations participated in the Plant the Peace Tree campaign that took place at the Fastiv station. The event was held to mark the 100th anniversary of the Unification Act of the Ukrainian People's Republic and the Western Ukrainian People's Republic (Act Zluky). This historic event took place in the suburbs of Kyiv in 1918. Now this area is home to Zluky museum in a railway car.

Ukrzaliznytsia encourages volunteering, which contributes to the achievement of the Global Sustainable Development Goals. In particular, railroad volunteers continue to visit lonely and sick pensioners (former employees), and provide them with support and assistance. On 5 December 2018, the Veteran Organisation at the Southern Railways regional branch summed up the results of the annual competition "Best Volunteer of the Year". This was done to mark the International Volunteer Day. About 130 members of the Veteran Organisation (which includes 28,000 pensioners) took part in the event. Thirty-three participants came to the final, and seven of them became winners.



PRESERVATION OF HISTORICAL CULTURAL HERITAGE

RIDES IN VINTAGE TRAINS

Ukrzaliznytsia contributes to the development of sustainable tourism, trying to preserve the unique character of each locality. In 2018, we continued to organise vintage train trips.

On holidays, a steam train consisting of ER 787-46 (later L-4600) steam locomotive, 4-5 cars with passenger seats and a dining car was travelling on the route of a commuter train in Kyiv. During the year, this vintage train was scheduled for 10 holidays. The vintage train enjoys great popularity among the residents and guests of Kyiv and tickets are sold out on the first day.

On summer holidays, it was also possible to enjoy a ride on a real steam engine, GR-336 - at Kyiv Children's Railway.

In Kharkiv, ER 794-12 steam train and a passenger vintage car (made in 1940) with a stylized cabin ran to transport the veterans of the Southern Railways regional branch and the young railwaymen from the Mala Southern Railways (children's railways).

The Company organised a three-day steam locomotive tour from 19 to 21 of May 2018 at the request of SERVRAIL tourist company (Bern, Switzerland) represented mostly by former railway employees (pensioners) and their family members. The group of tourists included about 70 people. The train consisting of L-3535 locomotive and two passenger couchette cars travelled on the route:

- Chernivtsi - Novoselytsia (19 May 2018)
- Chernivtsi - Rakhiv (20 May 2018)
- Rakhiv - Deliatyn (21 May 2018).

Ukrzaliznytsia received very positive feedback from customers about the trips. This helped improve the reputation of the Company among the international community of railway history fans. In addition, the Company managed to conclude preliminary agreements for future trips. In addition, it generated revenue of UAH 493,732.01, with the profit making UAH 94,948.46.

In September 2018, a group of foreign tourists was on a one-week tour in Ukraine. The Company arranged two additional trains on Rudnytsia - Haivoron - Holovanivsk narrow-gauge line as part of their visit:

- On 17 September — a train consisting of GR-280 steam locomotive, Pafawag passenger car and an old track measurement car on the Haivoron - Holovanivsk - Haivoron route;
- On 18 September — a special train with TU2 locomotive, Pafawag passenger car and several cargo platforms on the Haivoron - Bershad - Haivoron route.

In addition, from 25 to 29 September 2018, Ukrzaliznytsia arranged a large-scale tour for a group of foreign visitors at the request of the Railway Touring Company. As a result, a number of railway trips took place with two locomotives - L-3535 and ER 797-86:

- Lviv - Khodoriv - Ivano-Frankivsk (25 September)
- Ivano-Frankivsk - Kolomyia - Chernivtsi (26 September)
- Chernivtsi - Zalishchyky - Ternopil (27 September)
- Ternopil - Khodoriv - Lviv (28 September).

RESEARCH AND DEVELOPMENT

Employees of the Department for Historical Heritage at Ukrzaliznytsia implemented a number of R&D initiatives. In particular, they came to agreement with the leading museum and



research institutions of Ukraine (National Union of Local History Experts of Ukraine, Ukrainian Society for Protection of Historical and Cultural Monuments, T. Shevchenko Luhansk National University, V. Dahl East Ukrainian National University, Horlivka Institute of Foreign Languages, Artemivsk College of Transport Infrastructure, Bakhmut Museum of Local Lore, History, and Economy) in regard to organisation of joint scientific events.

On 27 February – 1 March 2018, “Railway Heritage History of the Region” session was organised on the territory of Bakhmut College of Transport Infrastructure as part of the All-Ukrainian Scientific and Practical Local History Conference “Bakhmut Old Days 2018: Local History Studies”. The Department for Historical Heritage of Ukrainian Railways acted as a co-organiser of the event.

On 24 April 2018, the Department for Historical Heritage of Ukrainian Railways co-organised the All-Ukrainian Scientific and Practical Local History Conference “Luhansk Region: Local History Exploration” (Starobilsk, Luhansk Oblast), which also held a session on the railway heritage of the region.

These conferences had a positive impact on the local railway workers, regional history experts and students of railway educational facilities who live in the area of the Joint Forces Operation. Following the events, the Company published separate conference material collections, as well as had them reprinted in Ukrzaliznytsia periodical editions.

During 20–23 May, a series of excursions was organised for the students of Bakhmut College of Transport Infrastructure, in particular on the territory of the Kyiv Children’s Railway, Kyiv-Pasazhyrsky and Darnytsia stations, Ukrainian Railway High-Speed Company branch.

On September 27–28, the Company’s representatives took part in the 17th All-Ukrainian Scientific and Practical Conference “Important Aspects of the History of Science and Technology”. It was held in the premises of the Museum at the Igor Sikorsky Kyiv Polytechnic Institute. The conference proposed opening the first museum of operating railway equipment in Ukraine on the basis of Snovsk locomotive depot under umbrella of South-Western Railways.

EXHIBITIONS

The Railway Museum Exhibition, 157-year Journey from the Past to the Future, was organised in the premises of Mystetsky Arsenal National Art and Culture Museum to mark the Railway Worker’s Day. Held with the assistance of Gres Todorchuk PR company, the event took place on 1–4 November 2018 and consisted of four rooms – “Platform”, “Departure Point”, “Journey”, and “Destination” – where you could go on a journey by rail and find out interesting facts about the railwaymen or special events. In addition, visitors were able to see the railroad rarities, interactive exhibits and project themselves to the virtual future of the Ukrainian railway.

The exposition was attended by more than 4,700 people (including 3,000 railway workers, namely: students of specialized educational institutions, employees of Odessa Railways, Donetsk Railways, Prydniprovyie Railway, Ukrzaliznytsia’s affiliates and head office, as well as other curious visitors). The main objective of the exhibition was to emphasize the social effect of the main line for Ukraine as a whole. The unique feature of the Railway Museum exhibition was that this project was the only one in Ukraine where it was possible to travel virtually by rail, find out interesting facts about railwaymen and special events, see the railroad rarities, interactive exhibits, and get into the virtual future of the Ukrainian railway.

“A DECISION WAS MADE TO MAKE A FOUR-ROOM EXHIBITION. THESE ROOMS, LIKE ANY TRIP, START WITH A PLATFORM AND END WITH A DESTINATION POINT. IN EACH ROOM, WE HAVE FIGURATIVELY SHOWN THINGS THAT MAKE UP OUR HISTORY AND PRESENT OUR HERITAGE TODAY, AS WELL AS WHAT WE ARE TRYING TO ACHIEVE, THAT IS WHERE THE RAILWAY SECTOR IS HEADING NOW. THE MAIN PURPOSE OF THIS EXHIBITION IS TO CREATE A SENSE OF PRIDE IN THE PROFESSION OF A RAILWAYMAN, ESPECIALLY IT IS IMPORTANT FOR THOSE WHO ARE PREPARING TO TAKE THIS CAREER PATH”. ZELJKO MARCEK, UKRZALIZNYTSIA BOARD MEMBER.





6

OUR FINANCIAL PERFORMANCE



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2018
(in thousands of Ukrainian hryvnia)

	Notes	2018	2017
Assets			
Non-current assets			
Property, plant and equipment	9	237,701,229	235,741,862
Investment in associates	10	691,759	632,366
Financial assets	11	91,247	93,247
Taxes receivable, other than income tax	15	845,648	849,024
Prepaid income tax		539,721	590,618
Deferred tax asset	20	58,745	376,484
Assets of uncontrolled territories	2	13,562,117	10,795,149
		253,490,466	249,078,750
Current assets			
Inventories	12	8,881,531	8,417,920
Trade and other receivables	13	1,002,401	879,122
Prepayments	14	136,842	203,999
Prepaid income tax		12,280	215,752
Taxes receivable, other than income tax	15	733,121	460,132
Cash and cash equivalents		1,251,826	5,188,988
		12,018,001	15,365,913
Total assets		265,508,467	264,444,663
Equity and liabilities			
Equity			
Contributed capital	16	229,879,115	229,879,115
Additional capital		18,894,521	18,899,383
Accumulated deficit		(38,660,688)	(38,006,503)
		210,112,948	210,771,995
Non-controlling interests		4 978	4 983
		210,117,926	210,776,978
Non-current liabilities			
Interest-bearing loans and borrowings	17	14,918,287	22,620,904
Finance lease liability	18	1,158,530	116,087

as at 31 December 2018*(in thousands of Ukrainian hryvnia)*

	Notes	2018	2017
Defined benefit liability	19	2,654,105	2,232,420
Deferred tax liability	20	34,105	24,772
Liabilities of uncontrolled territories	2	5,207,709	4,972,904
		23,972,736	29,967,087
Current liabilities			
Interest-bearing loans and borrowings	17	17,086,982	10,890,635
Finance lease liability	18	286,775	605,292
Trade and other payables	21	9,358,892	7,791,010
Contract liabilities		2,324,462	–
Advances from customers		–	2,467,817
Income tax payable		68,773	630
Taxes payable, other than income tax	22	559,651	656,425
Provisions	23	1,732,270	1,288,789
		31,417,805	23,700,598
Total liabilities		55,390,541	53,667,685
Total equity and liabilities		265,508,467	264,444,663

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2018*(in thousands of Ukrainian hryvnia)*

	Notes	2018	2017
Revenues			
Cargo revenues	25	67,519,803	60,112,590
Passenger revenues	25	8,468,724	7,318,542
Other revenues	25	7,413,880	6,507,019
Total revenues		83,402,407	73,938,151
Operating expenses			
Staff costs		(40,585,068)	(31,973,995)
Depreciation		(12,547,478)	(14,662,305)
Electricity		(9,155,746)	(7,865,933)
Fuel		(9,405,550)	(7,307,862)

for the year ended 31 December 2018*(in thousands of Ukrainian hryvnia)*

	Notes	2018	2017
Maintenance		(7,091,476)	(5,809,691)
Taxes, other than income tax	24	(1,262,153)	(1,803,000)
Social expenses		(677,887)	(470,130)
Change in provisions	23	(134,241)	(100,243)
Other income	26	1,352,746	2,451,001
Other expenses		(292,283)	(1,061,392)
Total operating expenses		(79,799,136)	(68,603,550)
Operating profit		3,603,271	5,334,601
Finance income	27	202,624	554,799
Finance costs	27	(3,463,631)	(3,810,903)
Foreign exchange gain/(loss), net	28	538,820	(1,139,624)
Share of profit/(loss) of associates	10	59,393	(166,780)
Profit before income tax		940,477	772,093
Income tax expense	20	(736,623)	(657,544)
Profit for the year		203,854	114,549
Attributable to:			
Equity holder of the parent		203,766	114,424
Non-controlling interests		88	125
		203,854	114,549
Other comprehensive loss			
<i>Other comprehensive loss not to be reclassified to profit or loss in subsequent periods (net of tax)</i>			
Remeasurement losses on defined benefit plans	19, 20	(704,779)	(136,378)
Share of other comprehensive losses of associates	10	–	(55,411)
Other comprehensive loss for the year, net of tax		(704,779)	(191,789)
Attributable to:			
Equity holder of the parent		(501,013)	(77,365)
Non-controlling interests		88	125
Total comprehensive loss for the year, net of tax		(500,925)	(77,240)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2018
(in thousands of Ukrainian hryvnia)

	Notes	Contribut- ed capital	Additional capital	Accumulat- ed deficit	Total	Non-con- trolling interests	Total equity
At 1 January 2017		229,879,115	19,597,430	(38,668,315)	210,808,230	4,889	210,813,119
Profit for the period		–	–	114,424	114,424	125	114,549
Other compre- hensive loss		–	–	(136,378)	(136,378)	–	(136,378)
Share of other compre- hensive loss of associ- ates (net of income tax)		–	–	(55,411)	(55,411)	–	(55,411)
Total comprehensive loss		–	–	(77,365)	(77,365)	125	(77,240)
Dividends	16	–	–	(6,513)	(6,513)	–	(6,513)
Dividends paid to non-controlling interests		–	–	–	–	(31)	(31)
Addition of associates	10	–	47,643	–	47,643	–	47,643
Reclassification of additional capital	16	–	(745,690)	745,690	–	–	–
At 31 January 2017		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 compre- hensive loss		–	–	(704,779)	(704,779)	–	(704,779)
Total comprehen- sive income/(loss)		–	–	(501,013)	(501,013)	88	(500,925)
Dividends	16	–	–	(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

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2018
(in thousands of Ukrainian hryvnia)

	Notes	2018	2017
Cash flows from operating activities			
Profit before income tax		940,477	772,093
<i>Adjustments to reconcile profit before income tax to net cash provided by operations</i>			
Depreciation		12,547,478	14,662,305
Finance costs, net	27	3,261,007	3,256,104
Result of disposal of property, plant and equipment		12,889	–
Movements in defined benefit liability and provisions		(352,933)	(291 814)
Allowance for estimated irrecoverable amounts		230,355	100,486
Foreign exchange (gain)/loss, net		(536,922)	896,694
Share of (profit)/loss of associates	10	(59,393)	166,780
Operating profit before working capital changes		16,042,958	19,562,648
<i>Changes in working capital</i>			
Trade and other receivables		(356,761)	(369 827)
Prepayments		62,627	78,371
Inventories		(469,438)	(2,538 250)
Taxes receivable and prepaid, other than income tax		(156,831)	57,087
Trade and other payables		836,555	841,154
Contract liabilities / Advances from customers		(141,719)	(18 423)
Taxes payable, other than income tax		(69,997)	244,021
Cash generated from operating activity		15,747,394	17,856,781
Income tax paid		(199,813)	(360 359)
Interest paid		(2,815,173)	(3,437 303)
Dividends paid	16	(45,044)	(6 513)
Repayment of provisions	23	(66,728)	(60 328)
Net cash flows from operating activities		12,620,636	13,992,278

for the year ended 31 December 2018
(in thousands of Ukrainian hryvnia)

	Notes	2018	2017
Cash flows from investing activities			
Acquisition of property, plant and equipment		(15,033,937)	(10,872,454)
Interest received		197,109	548,968
Dividends received from an associates	10	–	7,988
Net cash flows used in investing activities		(14,836,828)	(10,315 498)
Cash flows from financing activities			
Proceeds from interest-bearing loans and borrowings		18,070,474	–
Repayment of interest-bearing loans and borrowings		(19,450,443)	(2,718 312)
Repayment of domestic bonds		–	(1,720 000)
Repayment of finance lease liability		(338,712)	(381 786)
Dividends paid to non-controlling interests		(93)	(31)
Net cash flows used in financing activities		(1,718,774)	(4,820 129)
Net decrease in cash and cash equivalents		(3,934,966)	(1,143 349)
Reclassified to assets of uncontrolled territories	2	(298)	(103 594)
Net foreign exchange difference		(1,898)	16,185
Cash and cash equivalents at 1 January		5,188,988	6,419,746
Cash and cash equivalents at 31 December		1,251,826	5,188,988



NOTES OF CONSOLIDATED STATEMENT

for the year ended 31 December 2018
(in thousands of Ukrainian hryvnia)

DESCRIPTION OF BUSINESS AND THE GROUP'S STRUCTURE

CREATION 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 economic 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. 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 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:

	Share as at 31 December 2018	Share as at 31 December 2017
Joint stock company "Ukrainian Railways"	Parent	Parent
Private joint-stock company "Dnipropetrovsk Diesel Locomotive Repair Plant"	100 %	100 %
Private joint-stock company "Zaporizhzhya Electric 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 %	–
LLC "Enerho Zbut Trans"	100 %	–
Private joint-stock company "Insurance Company "Tast Garantiya" (Note 16)	65.62 %	65.62 %

JSC "Ukrainian Railways" consists of six regional branches and 28 other branches included in the consolidated financial statements. The Company continues its internal reorganisation and forms its target organisational structure through segregation of market-oriented branches.

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 “Ukrzaliznytsa” 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 of Economic Development and Trade 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. There was no increase in tariffs for cargo transportation that are regulated by government in 2018. There was increased in the tariffs for domestic cargo transportation during 2017 by 15% from 31 October.

Since 28 July 2018 in accordance with resolution of Management Board of JSC “Ukrainian Railways”, tariffs for usage of company’s carriage has been updated.

- **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 2018 there was an increase in tariffs for domestic transportation of passengers and baggage by 12% from 1 June 2018, and by 12% from 1 October 2018, in accordance with Order No. 184 dated 20 April 2018. During 2017, there was no increase in tariffs, except for a minor adjustment on tariffs for some suburban destinations.

- **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 denominated in Swiss Francs, US Dollars or Euro. There were no adjustments to the above tariffs during 2018 and 2017.

- **Tariffs for international transportation of passengers and baggage** – approved by the Ministry of Infrastructure of Ukraine, denominated in Swiss Francs or in Euro. There were no adjustments to the above tariffs during 2018 and 2017.

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 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 2018 and 2017. There were no income and/or expenses related to the assets and liabilities related to Autonomous Republic of Crimea recorded in the Group’s financial statements for 2018 and 2017.

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 temporary 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 2018 and 2017 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 finance 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 17).

Despite the loss of control over the assets and liabilities of the temporarily occupied territories related to 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 16).

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 changes in the composition of assets and liabilities of uncontrolled territories during 2018.

ASSETS AND LIABILITIES OF UNCONTROLLED TERRITORIES

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
Finance lease liability (Note 18)	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

	Uncontrolled territory of Donetsk and Luhansk regions	Autonomous Republic of Crimea	Total
Assets			
Non-current assets			
Property, plant and equipment (Note 9)	6,799,881	1,948,787	8,748,668
Financial assets	34,951	1,559	36,510
Prepaid income tax	27,605	–	27,605
	6,862,437	1,950,346	8,812,783
Current assets			
Inventories	191,817	69,089	260,906
Trade and other receivables	1,527,954	8,879	1,536,833
Prepayments	30,705	8,691	39,396
Prepaid income tax	11	1,220	1,231
Taxes receivable, other than income tax	37,983	2,423	40,406
Cash and cash equivalents	99,841	3,753	103,594
	1,888,311	94,055	1,982,366
Total assets of uncontrolled territories	8,750,748	2,044,401	10,795,149
Current liabilities			
Interest-bearing loans and borrowings	3,724,995	–	3,724,995
Finance lease liability (Note 18)	553,467	–	553,467
Trade and other payables	402,917	–	402,917
Advances from customers	223,758	–	223,758
Taxes payable, other than income tax	67,767	–	67,767
	4,972,904	–	4,972,904
Total liabilities of uncontrolled territories	4,972,904	–	4,972,904



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"

	2018	2107
Assets		
Non-current assets		
Property, plant and equipment	5,046,626	4,647,805
Financial assets	5,635	6,964
Prepaid income tax	1,402	1,460
Assets of uncontrolled territories	8,624,333	8,750,748
	13,677,996	13,406,977
Current assets		
Inventories	523,387	596,411
Trade and other receivables	27,839	11,205
Trade and other receivables from Group entities	1,584	–
Prepayments	5,299	4,059
Taxes receivable, other than income tax	14,734	16,220
Cash and cash equivalents	909	1,807
	573,752	629,702
Total assets	14,251,748	14,036,679
Non-current liabilities		
Defined benefit liability	189,295	174,456
Liabilities of uncontrolled territories	5,017,908	4,972,904
	5,207,203	5,147,360
Current liabilities		
Finance lease liability	–	74,793
Trade and other payables	541,956	434,859
Trade and other payables to Group entities	3,465,314	1,986,656
Advances from customers	–	6,026
Contract liabilities	9,873	–
Taxes payable, other than income tax	35,163	56,231
	4,052,306	2,558,565
Total liabilities	9,259,509	7,705,925
Net assets	4,992,239	6,330,754

COMPREHENSIVE INCOME OF RB "DONETSK RAILWAY"

	2018	2107
Revenues		
Cargo revenues	4,493,085	4,062,706
Passenger revenues	62,839	84,800
Other revenues	198,403	299,159
Total revenues	4,754,327	4,446,665
Operating expenses		
Staff costs	(3,184,552)	(2,869 077)
Depreciation	(351,063)	(366 736)
Electricity	(430,542)	(361 184)
Fuel	(1,066,958)	(804 632)
Maintenance	(446,457)	(355 271)
Taxes, other than income tax	(47,313)	(86 788)
Social expenses	(30,580)	(31 779)
Other income	56,651	170,463
Other expenses	(37,294)	(22 278)
Total operating expenses	(5,538,108)	(4,727 282)
Operating loss	(783,781)	(280 617)
Finance income	337	18,794
Finance costs	(20,8410)	(27 277)
Foreign exchange loss, net	(384)	(1 044)
Loss before income tax	(804,669)	(290 144)
Income tax expense	–	–
Loss for the year	(804,669)	(290 144)

CASH FLOWS OF RB “DONETSK RAILWAY”

	2018	2107
Cash flows from operating activities		
Loss before income tax	(804,669)	(290,144)
<i>Adjustments to reconcile loss before income tax to net cash provided by operations</i>		
Depreciation	351,063	366,921
Finance costs, net	20,504	27,277
Movements in defined benefit liability and provisions	5,557	–
Foreign exchange loss, net	384	–
Operating profit/(loss) before working capital changes	(427,161)	104,054
<i>Changes in working capital</i>		
Trade and other receivables	(22,043)	(13,312)
Prepayments	(4,692)	(6,630)
Inventories	74,028	(131,459)
Taxes receivable and prepaid	1,486	(41,061)
Trade and other payables	427,801	388,786
Advances from customers	5,013	58,346
Taxes payable, other than income tax	(3,979)	4,180
Cash generated from operating activity	50,453	362,904
Interest paid	–	(16 420)
Net cash flows from operating activities	50,453	346,484
Cash flows from investing activities		
Acquisition of property, plant and equipment	(51,053)	(163,261)
Net cash flows used in from investing activities	(51,053)	(163,261)
Cash flows from financing activities		
Repayment of interest-bearing loans	–	(190,261)
Net cash flows used in financing activities	–	(190,261)
Net decrease in cash and cash equivalents	(600)	(7,038)
Reclassified to assets of uncontrolled territories	(298)	(99,841)
Cash and cash equivalents at 1 January	1,807	108,686
Cash and cash equivalents at 31 December	909	1,807

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 2018, rail cargo transportation turnover amounted to about 80.1% of the total cargo traffic in Ukraine (excluding pipelines), in 2017 – about 80.8%; railway passenger transportation turnover amounted to 27.5% and 28.2% 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 2018 the Group's current liabilities exceeded current assets by UAH 19,399,804 thousand (31 December 2017: UAH 8 334 685 thousand). The main reason for the increase in current liabilities at the end of 2018 was the upcoming maturity of long-term loans. Thus, in 2019, the Group should pay a portion of the principal amount of Eurobonds of USD 300 million, as well as repay other loans and borrowings. As at 31 December 2018, the carrying amount of interest-bearing loans and borrowings amounted to UAH 17,086,982 thousand.

At that, in March 2019, the Group repaid timely and in full the first portion in the amount of USD 150 million of outstanding principal amount of Eurobonds together with the related coupon payment. Loan resources for refinancing of liabilities were attracted, with the support of the Government, in the domestic market from a state-owned bank and the State Agency for Infrastructure Projects of Ukraine (Ukrinfraproekt).

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 the second half of 2019.

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. It is worth noting that the effect of these measures to improve operating performance may not be sufficient to repay the above-mentioned liabilities in 2019. Management continues pursuing options to refinance the current portion of such liabilities. The priority option is to obtain the necessary approvals for the placement of a new issue of Eurobonds in the second or third quarter of 2019. In addition, management is working on attracting borrowings from alternative commercial sources. Management is also considering attracting finances from state-owned banks and government support mechanisms in case it is not possible to attract funds in time in the international capital markets.

However, there is a risk that the Group will not be able to receive the necessary refinancing in a timely manner due to possible difficulties with obtaining appropriate approvals from a number of state bodies. In this case, as option of last resort, management will be ready to initiate debt restructuring negotiations with the creditors in advance. Management believes that the Group will be able to agree acceptable debt restructuring terms.

Restructuring of current debt may be considered an event of default under other loan agreements. As a result, certain creditors may have the right to claim early repayment of most of the long-term loans. Management believes that it has the necessary experience and means to settle the possible event of default and high degree of confidence in such settlement.

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 POLICY

The accounting policies adopted are consistent with those of the previous financial year, except for the new and amended IFRS adopted with effect from 1 January 2018. 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 2018, 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 15 Revenue from Contracts with Customers

IFRS 15 Revenue from Contracts with Customers supersedes IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in scope of

other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. The fundamental principle of the new standard provides for recognition of the revenues in the financial statements in such a way as to show the transfer of goods or services to customers in the amount that reflects the amount of the remuneration (i.e. payment) which the Group expects to receive in return for such goods or services.

The standard requires entities to exercise judgment taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly relating to fulfilling a contract.

Clarifications to IFRS 15 Revenue from Contracts with Customers are applicable to annual periods beginning on 1 January 2018 or afterwards. The improvement has provided additional clarifications concerning certain requirements and has introduced an additional exemption for entities introducing IFRS 15 Revenue from Contracts with Customers.

New terms and definitions introduced by IFRS 15 and applied by the Group during the preparation of these consolidated financial statements preparation are as follows:

Contract asset represents a right to consideration in exchange for goods or services that the Group has transferred to a customer when that right is conditioned on something other than the passage of time. As at 31 December 2018 and 2017, amount of such assets are insignificant and presented within Trade and other receivables of the consolidated statement of financial position.

Contract liability represents an obligation to transfer goods or services to a customer for which the Group has received consideration (or the amount of consideration is due) from the customer. As at 31 December 2017, such liabilities presented within Advances from customers of the consolidated statement of financial position.

As required for the consolidated financial statements, the Group disaggregated revenue recognized from contracts with customers into categories that depict how the amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The Group also disclosed information about the relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment. (Notes 8 and 25)

The standard is applied retrospectively with the cumulative effect of initially applying this Standard recognized at the date of initial application. The Group has carried out an analysis of the impact of the standard, interpretations and clarification to the standard on the accounting policy applied by the Group and in the opinion of the Management of the Group, they do not have any material impact on the currently applied accounting policy.

● IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments:

classification and measurement, impairment and hedge accounting.

The Group has applied IFRS 9 retrospectively, with the initial application date of 1 January 2018.

(a) Classification and measurement

Under IFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through other comprehensive income. The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The new classification and measurement of the Group's debt financial assets are, as follows:

1. Debt instruments at amortised cost for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. This category includes the Group's Trade and other receivables, and Loans due from employees included under Financial assets.

2. Financial assets measured at FVPL comprise financial assets which do not meet the criteria to be measured at amortized costs or at FVOCI. These financial assets comprise equity instruments which the Group had not irrevocably elected to classify as FVOCI. These categories include the Group's equity instruments of another entities included in financial assets. The assessment of the Group's business models was made as of the date of initial application, 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The accounting for the Group's financial liabilities remains largely the same as it was under IAS 39.

(b) Impairment

The adoption of IFRS 9 has changed the Group's accounting for impairment losses for financial assets by replacing IAS 39 incurred loss approach with a forward-looking expected credit loss approach. IFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at fair value through profit or loss.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

The Group disaggregated financial assets based on common credit risk characteristics, such as financial instrument type, credit risk rating, debtor or issuer type, date of financial asset initial recognition, and established a provision based on the Group's historic default percentage adjusted for forward looking

factors specific to the debtors and the economic environment. For the trade receivables and contract assets, the Group has applied the standard's simplified approach and has calculated expected credit losses based on lifetime expected credit losses.

(c) Hedge accounting

Under IAS 39, all gains and losses arising from the Group's cash flow hedging relationships were eligible to be subsequently reclassified to profit or loss. However, under IFRS 9, gains and losses arising on cash flow hedges of forecast purchases of non-financial assets need to be incorporated into the initial carrying amounts of the non-financial assets. This change only applies prospectively from the date of initial application of IFRS 9 and has no impact on the statement of financial position as at 1 January 2018.

The adoption of the standard did not have material impact on the Group's consolidated financial statements.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Considerations

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The Group had always applied the abovementioned approach, thus this amendment didn't have impact on the Group's financial statements or accounting policies.

Amendments to IAS 40 Transfers of Investment Property

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. These amendments didn't have any impact on the Group's consolidated financial statements.

Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are



required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The Group has no share-based payment transaction. Therefore, these amendments didn't have any impact on the Group's consolidated financial statements.

Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

The amendments address concerns arising from implementing



the new financial instruments standard, IFRS 9, before implementing IFRS 17 Insurance Contracts, which replaces IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach. These amendments are not relevant to the Group.

Amendments to IAS 28 Investments in Associates and Joint Ventures

The amendments clarify that an entity that is a venture

capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. If an entity, that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint

venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which: (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. These amendments do not have any impact on the Group's consolidated financial statements.

Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards – Deletion of short-term exemptions for first-time adopters

Short-term exemptions in paragraphs E3-E7 of IFRS 1 were

deleted because they have now served their intended purpose. These amendments do not have any impact on the Group's consolidated financial statements.

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. Management has not identified indicators of impairment of property, plant and equipment and has not performed an impairment test as at 31 December 2018.

ESTIMATES

Provision for expected credit losses 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 19.

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 23.

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-revalued 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

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.

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 on a net basis.

CONTRACT BALANCES

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 finance 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.

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.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces 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. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the

lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under IAS 17. The Group is assessing the potential effect of IFRS 16 on its financial statements.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. The Group is assessing the potential effect of IFRS 17 on its financial statements.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. Applying the

interpretation could be challenging for entities, particularly those that operate in more complex multinational tax environments. Entities may also need to evaluate whether they have established appropriate processes and procedures to obtain information on a timely basis that is necessary to apply the requirements in the interpretation and make the required disclosures. The interpretation will not have impact on the Group's financial statements or accounting policies.

Amendments to IFRS 9: Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The amendments should be applied retrospectively and are effective from 1 January 2019, with earlier application permitted. It is expected that these amendments will not influence the Group's financial statements.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. It is expected that these amendments will not influence the Group's financial statements.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event;
- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered

under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognised in other comprehensive income.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 January 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Group.

Amendments to IAS 28: Long-term interests in associates and joint ventures

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

The amendments should be applied retrospectively and are effective from 1 January 2019, with early application permitted. The Group is assessing the potential effect of Amendments to IAS 28 on its financial statements.

ANNUAL IMPROVEMENTS 2015-2017 CYCLE (ISSUED IN DECEMBER 2017)

These improvements include:

IFRS 3 Business Combinations

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. It is expected that the amendments will not have impact on the Group's financial statements or accounting policies.

IFRS 11 Joint Arrangements

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as

defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. It is expected that the amendments will not have impact on the Group's financial statements or accounting policies.

IAS 12 Income Taxes

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application is permitted. It is expected that the amendments will not have impact on the Group's financial statements or accounting policies.

IAS 23 Borrowing Costs

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. It is expected that the amendments will not have impact on the Group's financial statements or accounting policies.

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.

The Group changed the presentation of segment information in 2018. "Other expenses" line was added to segment expenses as well as the information on the internal reallocation of expenses from the Auxiliary operations segment to other segments. The changes are due to the fact that management began to review in more details the results of segments, taking into account the reallocation of expenses from the Auxiliary operations segment. The presentation of information by segment for 2017 has been changed to ensure compliance with the disclosure for 2018.



Year ended 31 December 2018	Cargo	Long-distance passenger	Suburban passenger	Auxiliary activity	All other segments
Sales to third parties	70,571,336	7,841,586	650,131	7,292,309	121,571
Inter-segment sales	–	–	–	8,443,525	2,386,132
Total revenue	70,571,336	7,841,586	650,131	15,735,834	2,507,703
Staff costs	(21,994,645)	(7,099,678)	(3,295,323)	(5,637,140)	(825,977)
Depreciation	(9,068,479)	(1,469,916)	(734,913)	(1,081,131)	(35,786)
Electricity	(5,847,201)	(1,537,399)	(844,407)	(9,221,647)	(64,158)
Fuel	(6,338,744)	(1,326,993)	(764,168)	(967,505)	(59,693)
Maintenance	(4,479,767)	(968,211)	(690,936)	(428,404)	(1,453,870)
Other expenses	(6,227,415)	(1,490,733)	(621,710)	(1,743,830)	(131,672)
Inter-segment Expenses	–	–	–	4,430,363	–
Segment result	16,615,085	(6,051,344)	(6,301,326)	1,086,540	(63,453)

Year ended 31 December 2017	Cargo	Long-distance passenger	Suburban passenger	Auxiliary activity	All other segments
Sales to third parties	60,990,787	6,745,313	588,844	6,498,480	8,539
Inter-segment sales	–	–	–	7,409,197	1,776,779
Total revenue	60,990,787	6,745,313	588,844	13,907,677	1,785,318
Staff costs	(17,408,628)	(5,317,605)	(2,584,647)	(4,635,870)	(617,177)
Depreciation	(10,714,216)	(1,633,342)	(870,424)	(1,274,147)	(35,867)
Electricity	(5,306,396)	(1,253,580)	(722,395)	(7,952,118)	(56,356)
Fuel	(4,970,812)	(955,452)	(604,993)	(768,600)	(47,462)
Maintenance	(3,757,517)	(837,248)	(527,679)	(366,776)	(1,106,424)
Other expenses	(4,755,767)	(1,423,272)	(555,621)	(1,363,423)	(11,210)
Inter-segment Expenses	–	–	–	3,398,163	–
Segment result	14,077,451	(4,675,186)	(5,276,915)	944,906	(89,178)

Unallocated	Eliminations (A)	Adjustments (B)	Total
-	(3,074,526)	-	83,402,407
-	(10,829,657)	-	-
-	(13,904,183)	-	83,402,407
(1,191,535)	729,220	(1,269,990)	(40,585,068)
(187,198)	29,945	-	(12,547,478)
(11,419)	8,405,761	(35,276)	(9,155,746)
(3,976)	55,529	-	(9,405,550)
(45,366)	1,542,143	(567,065)	(7,091,476)
(681,888)	7,571,948	3,033,017	(292,283)
-	(4,430,363)	-	-
(2,121,382)	-	1,160,686	4,324,806

Unallocated	Eliminations (A)	Adjustments (B)	Total
-	(893,812)	-	73,938,151
-	(9,185,976)	-	-
-	(10,079,788)	-	73,938,151
(607,129)	585,004	(1,387,943)	(31,973,995)
(168,306)	33,997	-	(14,662,305)
-	7,428,242	(3,330)	(7,865,933)
(5,531)	44,988	-	(7,307,862)
-	1,447,333	(661,380)	(5,809,691)
(1,717,709)	3,938,387	4,827,223	(1,061,392)
-	(3,398,163)	-	-
(2,498,675)	-	2,774,570	5,256,973

(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:

	2018	2017
Reclassification of other expenses for IFRS presentation purpose	1,160,686	2,774,570
Total adjustments of differences between management accounts and IFRS	1,160,686	2,774,570

Reconciliation of profit:

	2018	2017
Segment results	5,285,502	4,981,078
Total adjustments due to differences in accounting policies adopted for management accounts and IFRS	1,160,686	2,774,570
Total unallocated amounts	(2,121,382)	(2,498,675)
Items not included in segment expenses		
Taxes, other than income tax	(1,262,153)	(1,803,000)
Social expenses	(677,887)	(470,130)
Change in provisions	(134,241)	(100,243)
Other income	1,352,746	2,451,001
Finance income	202,624	554,799
Finance costs	(3,463,631)	(3,810,903)
Foreign exchange gain/(loss), net	538,820	(1,139,624)
Share of profit/(loss) of an associates	59,393	(166,780)
Group profit before income tax	940,477	772,093

PROPERTY, PLANT AND EQUIPMENT

	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 be- tween groups	23,781	(10,249,323)	14,057,465	1,468,983	(4,015,232)	(1,592,537)	306,863	-	-
Reclassification of as- sets 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 be- tween groups	-	(3,488,556)	4,784,731	499,299	(1,356,138)	(543,435)	104,099	-	-
Reclassification of as- sets 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

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 2017	45,647,046	74,822,084	82,563,874	19,796,853	35,933,527	19,279,284	3,053,184	8,017,402	289,113,254
Additions	-	-	-	-	-	-	-	11,312,881	11,312,881
Transfers	-	298,398	2,122,838	1,270,255	4,674,756	1,162,416	206,133	(9,734,796)	-
Disposals	-	(6)	-	-	-	(746)	(5)	-	(757)
Acquisitions through busi- ness combinations (Note 16)	-	11,622	1,307	-	-	23,010	456	1,086	37,481
Other (reclassification of uncontrolled territories)	(6,493)	(2,799,679)	(1,548,330)	(356,354)	(233,773)	(2,094,823)	(1,208,736)	(500,480)	(8,748,668)
At 31 December 2017	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
Accumulated depreciation									
At 1 January 2017	-	11,001,347	8,194,444	5,201,722	7,792,129	6,561,587	308,940	2,031,050	41,091,219
Depreciation charge	-	3,175,386	4,676,886	1,619,869	3,917,621	1,155,425	304,377	-	14,849,564
Disposals	-	(6)	-	-	-	(745)	(5)	-	(756)
Acquisitions through busi- ness combinations (Note 16)	-	9,307	991	-	-	21,548	456	-	32,302
At 31 December 2017	-	14,186,034	12,872,321	6,821,591	11,709,750	7,737,815	613,768	2,031,050	55,972,329
Net book value									
At 1 January 2017	45,647,046	63,820,737	74,369,430	14,595,131	28,141,398	12,717,697	2,744,244	5,986,352	248,022,035
At 31 December 2017	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

REVALUATION

When state enterprise in 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 45,681,871 thousand which was determined on the basis of the revaluation for the purpose of forming the charter capital (Note 16) 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.

The Group obtained a land plot in the amount of UAH 154 thousand and received the right to permanent use of land plots in the amount of UAH 17,383 thousand in 2018.

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 (Note 16). The title of operating control allows to possess and use the assets, except for actions that may lead to disposal of the assets.

Carrying value of the assets assigned under the title of operating control was UAH 96,035,916 thousand as at 31 December 2018 (2017: 98,640,070 thousand).

SOCIAL ASSETS

Included in property, plant and equipment are social infrastructure and other social assets carried at UAH 2,333,687 thousand as at 31 December 2018 (2017: UAH 3,360,681 thousand), primarily comprising residential buildings, hospitals, canteens and other similar assets.

PREPAYMENTS FOR PROPERTY, PLANT AND EQUIPMENT

As at 31 December 2018 construction in progress and uninstalled equipment contained prepayments for property, plant and

equipment in the amount of UAH 733,806 thousand (2017: UAH 278,159 thousand).

CAPITALISED DEPRECIATION CHARGE

The Group capitalised UAH 174,611 thousand of depreciation charge into construction in progress for the year ended 31 December 2018 (2017: UAH 219,561 thousand).

CAPITALISED BORROWING COSTS

In 2018, borrowing costs of UAH 35,954 thousand relating to qualifying assets were capitalised (2017: UAH 16,339 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.

FULLY DEPRECIATED ASSETS

As at 31 December 2018 the cost of fully depreciated property, plant and equipment which remain in use amounted to UAH 19,515,029 thousand (2017: UAH 14,488,757 thousand).

FINANCE LEASE

As at 31 December 2018 the carrying value of property and equipment held under finance leases amounted to UAH 2,804,597 thousand (2017: UAH 1,077,265 thousand).

During the year ended 31 December 2018 the Group acquire property and equipment of under finance lease agreements amounted to UAH 1,612,814 thousand (2017: none).

PLEGDED PROPERTY, PLANT AND EQUIPMENT

As at 31 December 2018 certain rolling stock with the carrying value of UAH 221,149 thousand was pledged as collateral for the Group's interest-bearing loans and borrowings (2017: UAH 239,726 thousand) (Note 17).

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 16). 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 finance 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:

	2018	2017
Current assets	295,012	1,010,570
Non-current assets	1,563,830	851,289
Current liabilities	(569,899)	(701,015)
Non-current liabilities	(18,474)	(46,859)
Equity	1,270,469	1,113,985
Group's carrying amount of the investment	604,994	530,398

	For the period ended 31 December 2018	For the period ended 31 December 2017
Revenues	342,855	287,112
Profit/(loss) before tax	195,085	(420,423)
Income tax benefit/(loss)	(38,600)	70,529
Profit/(loss) for the period (continuing operations)	156,485	(349,894)
Revaluation decrease of property, plant and equipment	–	(134,867)
Income tax effect of revaluation increase of property, plant and equipment	–	23,738
Other comprehensive loss for the period	–	(5,109)
Total comprehensive income/(loss) for the period (continuing operations)	156,485	(466,132)
Group's share of profit/(loss) for the period	74,596	(166,794)

During 2018 the Group hadn't received dividends from the associate company (2017: UAH 7,988 thousand).

The Group has investments in other associate companies that are not individually material for separate disclosure. One of the associates is PJSC "Insurance Company "Inter-Policy" engaged in insurance and reinsurance activities in Ukraine, in which the Group owns 30.965% starting from 1 February 2017. 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 for the period since the date of transfer of shares till 31 December 2018 is presented below:

	2018	2017
Current assets	195,941	205,130
Non-current assets	177,852	222,134
Current liabilities	(19,440)	(22,170)
Non-current liabilities	(13,166)	(7,033)
Equity	341,187	398,061
Group's carrying amount of the investments	86,765	101,968

	For the period ended 31 December 2018	For the period from transfer of shares till 31 December 2017
Revenues	61,612	68,323
Profit / (Loss) before tax	(54,755)	2,130
Income tax expense	(2,083)	(2,085)
Profit / (Loss) for the period (continuing operations)	(56,838)	45
Total comprehensive income/(loss) for the period (continuing operations)	(56,838)	45
Group's share of profit/(loss) for the period	(15,203)	14

During 2018 the associate companies distributed to the Group 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 2018 and 2017.

FINANCIAL ASSETS

	2018	2017
Equity instruments of another entities	73,546	73,546
Loans due from employees	15,900	19,701
Other financial assets	1,801	–
	91,247	93,247

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.

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 the loans of UAH 6,954 thousand (2017: UAH 8,518 thousand) is included in trade and other receivables (Note 13).

INVENTORIES

	2018	2017
Spare parts, materials and tools (at lower of cost and net realisable value)	5,816,824	6,003,150
Fuel and lubricants (at cost)	727,881	706,715
Other (at lower of cost and net realisable value)	2,336,826	1,708,055
	8,881,531	8,417,920

During 2018, spare parts, materials and tools, fuel and lubricants and other inventories in the amount of UAH 14,867,237 thousand were recognised as an operating expenses (2017: UAH 12,678,353 thousand).

As at 31 December 2018 inventories with carrying value of UAH 111,251 thousand (2017: UAH 111,251 thousand) were pledged as collateral for the Group's interest-bearing loans and borrowings (Note 17).

The amount of write-down of inventories in 2018 constituted UAH 8,064 thousand (2017: none).

TRADE AND OTHER RECEIVABLES

	2018	2017
Trade receivables	662,901	913,941
Current portion of long-term financial assets (Note 11)	6,954	8,518
Other receivables	901,430	700,516
	1,571,285	1,622,975
Less: the allowance for expected credit losses of trade and other receivables	(568,884)	(743,853)
	1,002,401	879,122

As at 31 December 2018 and 2017 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:

	2018	2017
At 1 January	743,853	729,636
Provision for expected credit losses	184,079	43,597
Utilised	(332,213)	(23,165)
Reversed	(26,835)	(6,215)
At 31 December	568,884	743,853

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 2018 based on historical payment discipline:

	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 days	50%	185,643	(92,822)	92,821
Impaired	50%-100%	611,004	(452,007)	158,997
Total		1,571,285	(568,884)	1,002,401

The ageing of the Group's trade and other receivables was as follows as at 31 December 2017

	Neither past due nor impaired	Less than 3 months	3-6 months
31-Dec-17	741,012	69,559	47,630

	6-12 months	More than 12 months	Total
31-Dec-17	20,921	-	879,122

PREPAYMENTS

	2018	2017
Prepayments for materials and services, net of impairment	136,842	203,999
	136,842	203,999

As at 31 December 2018 prepayments are impaired by UAH 6,351 thousand (2017: UAH 9,510 thousand).

TAXES RECEIVABLE, OTHER THAN INCOME TAX

	2018	2017
Value added tax receivable	673,606	443,687
Other taxes prepaid	59,515	16,445
	733,121	460,132

A portion of value added tax receivable and insignificant portion of other taxes amounting to UAH 845,648 thousand was classified as non-current asset as at 31 December 2018 as its expected period of recoverability exceeds 12 months (2017: UAH 849,024 thousand).

EQUITY

CHARTER CAPITAL

During 2018 and 2017 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, 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 finance 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.

In 2017, the Group performed a reclassification of UAH 745,690 from accumulated deficit to additional capital in order to ensure compliance with the statutory documents of the Reorganisation.

DISTRIBUTION OF PORTION OF NET PROFIT TO THE STATE

During the year ended 31 December 2018 the subsidiaries of the Company paid a portion of their net profit in the amount of UAH 45,044 thousand directly to the state budget (2017: UAH 6,513 thousand).

INTEREST-BEARING LOANS AND BORROWINGS

As at 31 December interest-bearing loans and borrowings consisted of the following:

	2018	2017
Interest-bearing bank loans	17,185,655	18,446,029
Eurobonds issued	14,319,614	14,583,106
Other borrowings	500,000	482,404
	32,005,269	33,511,539

Eurobonds pertain to the 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.

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.

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 2018, 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% - 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 11%-18%.

As at 31 December effective interest rate and currency split for borrowings were as follows:

	Interest rate	2018	Interest rate	2017
USD				
Floating rate	LIBOR 6 m + 1%-6%	2,694,048	LIBOR 6 m + 1%-6%	4,132,705
Fixed rate	9.9%-12%	26,549,292	9.9%-12%	27,507,731
		29,243,340		31,640,436
EUR				
Floating rate	EURIBOR 6m + 0.4%	1,554,639	EURIBOR 6m + 0.3%	1,172,340
		1,554,639		1,172,340
UAH				
Fixed rate	18.9%-20.75%	1,207,290	18.9%-20.75%	698,763
		1,207,290		698,763
Total interest-bearing loans and borrowings		32,005,269		33,511,539
Less: current portion		(17,086,982)		(10,890,635)
Interest-bearing loans and borrowings, non-current		14,918,287		22,620,904

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 2018 and 2017, 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 4,895,629 thousand and UAH 4,493,811 thousand, respectively. In 2017 the breach caused a cross-default under certain other borrowings. Therefore, the lenders became entitled to request accelerated repayment of interest-bearing loans and borrowings with carrying value of UAH 3,926,119 thousand as at 31 December 2017. In 2018, the cross-default was rectified as before the end of the year the lenders provided written letters waiving the right for accelerated repayment of debt and accrual of fines related to the breach. Management undertakes measures to rectify the breach and expects to rectify the breach by 31 December 2019.

As at 31 December 2018 undrawn loan facilities available to the Group were of UAH 5,361,694 thousand (2017: 6,548,251 thousand). Following the breaches of undertakings as at 31 December 2017 the access to certain undrawn loan facilities was restricted. Assuming there were no breaches under loan agreement, the undrawn loan facilities available to the Group would comprise UAH 7,218,160. As at 31 December 2018 there were no restrictions over undrawn facilities.

As at 31 December interest-bearing loans and borrowings were secured as follows:

Type of collateral	2018	2017
Property, plant and equipment (Note 9)	221,149	239,726
Inventories (Note 12)	111,251	111,251
Proceeds from future revenue	19,692,411	18,042,411
Guarantees issued by the State of Ukraine (Note 30)	3,900,859	4,813,240

FINANCE LEASE LIABILITY

Finance lease liability is represented by amounts due under the purchase 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 2018 the interest rates implicit in the lease were within the range of 12% - 21% per annum.

In February 2018, the Company signed a finance 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 February 2026. By the end of 2018, the Group has received 15 locomotives, another 15 locomotives have been received after the reporting period (Note 33).

Principal repayments under finance lease to Ukrainian lessors (unlike foreign lessors) are subject to 20% VAT levied at the payment date. Finance charge is not VAT taxable.

The following are the minimum lease payments and present value of finance lease liability under finance lease agreements:

	Minimum payments		Present value of payments	
	2018	2017	2018	2017
Amounts payable under finance leases				
Within one year	493,461	654,892	286,775	605,292
After one year but not more than five years	1,302,926	129,197	782,181	116,087
More than five years	442,708	–	376,349	–
	2,239,095	784,089	1,445,305	721,379
Less amounts representing finance charges				
Present value of minimum lease payments	(793,790)	(62,710)	–	–
	1,445,305	721,379	1,445,305	721,379
Classified as:				
Current	286,775	605,292	286,775	605,292
Non-current	1,158,530	116,087	1,158,530	116,087

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 and long service benefits, etc. 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:

	2018	2017
Post retirement and post-employment benefits under collective agreement	1,876,070	1,545,503
State plan for additional pensions for working in hazardous and unhealthy working conditions	424,852	341,522
Other long-term benefits under collective agreement	353,183	345,395
	2,654,105	2,232,420

Changes in the net present value of the defined benefit obligation were as follows:

	2018	2017
At 1 January	2,232,420	2,532,957
Interest cost on benefit obligation	251,426	340,497
Current service cost	102,945	108,592
Past service cost	(25,533)	(30,175)
Benefits paid	(592,049)	(415,293)
Remeasurement gains/(losses) in other comprehensive income from:		
- changes in financial assumptions	97,145	152,148
- changes in demographic assumptions	130,758	(21,453)
- experience adjustments	429,530	35,621
Remeasurement of other long-term employee benefits obligation	27,463	(470,474)
At 31 December	2,654,105	2,232,420

The amounts recognised in the consolidated income statement were as follows:

	2018	2017
Current service cost	102,945	108,592
Interest cost on benefit obligation (Note 27)	251,426	340,497
Past service cost	(25,533)	(30,175)
Remeasurement of other long-term employee benefits obligation (Note 26)	27,463	(470,474)
	356,301	(51,560)

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:

	2018	2017
Discount rate	16.10%	15.30%
Staff turnover	7-19%	10.56%
Future benefit increase	6-11%	7.00%
Future pension increase	5-12%	5.50%

The sensitivity analysis is given in the table below:

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)

2017	Increase/(decrease) in rate	Increase/(decrease) of defined benefit obligation
Discount rate	+1%	(110,434)
Discount rate	-1%	99,871
Future benefit increase	+1%	102,358
Future benefit increase	-1%	(112,186)

For the year ending 31 December 2019, the Group expects to pay benefits related to defined benefit plans in the amount of UAH 494,314 thousand.

During the year ended 31 December 2018 the expenses from the participation in obligatory state pension program amounted to UAH 7,443,563 thousand (2017: UAH 5,524,867 thousand). The Group expects to deduct a mandatory state pension insurance in the amount of UAH 6,513,430 thousand for the year 2019.



INCOME TAX

The components of income tax expense in the consolidated statement of comprehensive Income were as follows:

	2018	2017
Current income tax charge	460,664	440,475
Adjustments in respect of current income tax charges	(3,767)	8,069
Deferred income tax expense	279,726	209,000
Income tax expense	736,623	657,544

During 2018 and 2017, 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:

	2018	2017
Profit before income tax	940,477	772,093
At statutory tax rate (18%)	169,286	138,977
Tax effect of:		
Effect of reassessment of temporary differences	459,588	840,566
Change in unrecognised deferred tax assets	(80,842)	(585,240)
Other differences	188,591	263,241
Income tax expense	736,623	657,544

Deferred tax assets and liabilities comprised:

	Consolidated statement of financial position		Consolidated statement of comprehensive income	
	2018	2017	2018	2017
Property, plant and equipment (i)	(134,143)	(124,683)	9,460	91,379
Inventories (ii)	11,667	12,543	876	76,940
Advances from customers (iii)	–	–	–	(30,832)
Trade and other receivables (iv)	109,535	142,858	33,323	(146,092)
Trade and other payables (v)	–	–	–	6,593
Finance lease liability (vi)	–	–	–	199,310
Defined benefit liability (vii)	19,526	336,435	316,909	84,034
Interest-bearing loans and borrowings (viii)	–	–	–	512,908
	6,585	367,153	360,568	794,240
Less: unrecognised deferred tax assets	–	(80,842)	(80,842)	(585,240)
Deferred income tax expense			279,726	209,000
Deferred tax effect of actuarial gain recognised in OCI	18,055	65,401	47,346	(29,938)
Net deferred tax assets	24,640	351,712		
Reflected in the statements of financial position as follows:				
Deferred tax assets	58,745	376,484		
Deferred tax liabilities	(34,105)	(24,772)		
Deferred tax assets net	24,640	351,712		

Reconciliation of net deferred tax assets:

	2018	2017
Opening balance as at 1 January	351,712	530,774
Tax expense recognised in profit or loss	(279,726)	(209,000)
Tax benefit/(expense) recognised in other comprehensive income	(47,346)	29,938
Closing balance 31 December	24,640	351,712

The nature of the temporary differences is as follows:

- (i) Property, plant and equipment – differences in depreciation patterns and estimates of the remaining useful lives, differences in capitalisation principles, different cost basis;
- (ii) Inventories – differences in inventories valuation models and the periods of recognition;

(iii) Prepayments and advances from customers – differences in period of recognition and valuation principles;

(iv) Trade and other receivables – differences in valuation, including allowances for doubtful receivables, differences in the period of recognition;

(v) Trade and other payables – differences in valuation and recognition principles;

(vi) Financial lease liability – differences in recognition principles;

(vii) Defined benefit liability – differences in recognition principles;

(viii) Interest-bearing loans and borrowings – differences in recognition principles of unrealised foreign exchange loss.

As at 31 December 2018 and 2017 deferred tax assets arising on foreign currency component of interest-bearing loans and borrowings and finance 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

	2018	2017
Trade payables	3,850,150	3,666,007
Due to employees	2,660,467	2,396,794
Unused vacation accrual	1,176,992	1,021,695
Payables for property, plant and equipment	1,092,703	437,331
Dividends payable (Note 30)	108,195	39
Other payables	470,385	269,144
	9,358,892	7,791,010

Trade payables are non-interest bearing and are normally settled within 60 days.

TAXES PAYABLE, OTHER THAN INCOME TAX

	2018	2017
Personal income tax payable	330,383	314,847
Land tax payable	114,532	168,454
VAT payable	50,097	107,839
Other taxes payable	64,639	65,285
	559,651	656,425

PROVISIONS

Movement in the provisions for the year was as follows:

	2018	2017
At 1 January	1,288,789	1,220,425
Arisen during the year	521,352	100,243
Foreign exchange difference	(11,143)	28,449
Utilised	(66,728)	(60,328)
At 31 December	1,732,270	1,288,789

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 2018 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 770,174 thousand (2017: UAH 781,317 thousand).

TAXES, OTHER THAN INCOME TAX

	2018	2017
Land tax	1,112,737	1,692,440
Other taxes	125,845	83,649
Non-recoverable VAT attributable to transit transportation	12,389	24,809
Impairment of VAT receivable	11,182	2,102
	1,262,153	1,803,000

REVENUES

Revenue from contracts with customers for the six months ended 31 December 2018 comprised the following:

Segments	Cargo	Long-distance passenger	Suburban passenger	Auxiliary activity	All other segments	Total
Cargo revenues	67,519,803	–	–	–	–	67,519,803
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

Revenue from contracts with customers for the six months ended 31 December 2017 comprised the following:

Segments	Cargo	Long-distance passenger	Suburban passenger	Auxiliary activity	All other segments	Total
Cargo revenues	60,112,590	–	–	–	–	60,112,590
Passenger revenues	–	6,728,375	590,167	–	–	7,318,542
Other revenues	–	–	–	6,498,480	8,539	6,507,019
Total revenue from contracts with customers	60,112,590	6,728,375	590,167	6,498,480	8,539	73,938,151
Timing of revenue recognition						
At a point in time	–	–	–	2,124,095	8,539	2,132,634
Over time	60,112,590	6,728,375	590,167	4,374,385	–	71,805,517
Total revenue from contracts with customers	60,112,590	6,728,375	590,167	6,498,480	8,539	73,938,151

OTHER INCOME

Other income included income from reversal of accrual for bonuses in the amount of UAH 59,777 thousand and UAH 663,393 thousand for 2018 and 2017, 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 income also included income from remeasurement of other long-term employee benefits obligation of UAH 31,045 thousand and UAH 470,474 thousand (Note 19), as well as gain from the sale of scrap metal of UAH 31,607 thousand and UAH 177,810 thousand for 2018 and 2017, respectively.

FINANCE INCOME AND FINANCE COSTS

	2018	2017
Interest expense on loans and borrowings	(3,160,564)	(3,361,127)
Finance lease charges	(51,641)	(106,990)
Interest cost on defined benefit obligation (Note 19)	(251,426)	(340,497)
Other finance costs	–	(2,289)
Total finance costs	(3,463,631)	(3,810,903)
Interest income	197,109	548,968
Other finance income	5,515	5,831
Total finance income	202,624	554,799
Net finance costs	(3,261,007)	(3,256,104)

FOREIGN EXCHANGE GAIN/(LOSS), NET

Foreign exchange gains and losses arisen on the following items:

	2018	2017
Gains		
Cash and cash equivalents	–	35,630
Interest-bearing loans and borrowings	542,388	–
Finance lease liability	11,629	–
Provision	11,143	–
	565,160	35,630
Losses		
Interest-bearing loans and borrowings	–	(1,092,752)
Finance lease liability	–	(10,181)
Trade and other payables	(13,791)	(34,983)
Net loss on sale/purchase of foreign currencies	(6,322)	(8,889)
Cash and cash equivalents	(6,227)	–
Provision	–	(28,449)
	(26,340)	(1,175,254)
Foreign exchange gain/(loss), net	538,820	(1,139,624)

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 2018, 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 1,705,099 thousand (2017: UAH 2,860,911 thousand). As at 31 December 2018 the Group's possible exposure to the ascertained third parties' claims was UAH 1,649,675 thousand (2017: UAH 752,968 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 23).

CAPITAL COMMITMENTS

As at 31 December 2018 the Group's outstanding commitment in respect of purchase of property and equipment and inventories amounted to UAH 4,722,655 thousand (2017: UAH 3,701,998 thousand).

RELATED PARTY DISCLOSURE

The outstanding balances and transaction with entities under common control of the State, comprised:

	2018	2017
Balances at 31 December		
Prepayments for property, plant and equipment	5	2,712
Trade and other receivables	196,335	24,977
Prepayments, other than dividends	20,522	140,119
Cash and cash equivalents	1,182,968	5,080,382

	2018	2017
Balances at 31 December		
Trade and other payables, other than dividends	93,074	8,501
Advances received	15,579	31,166
Interest-bearing loans and borrowings and finance lease liability	2,362,019	574,780
Transactions during the year		
Cargo revenues	1,552,808	641,304
Electricity	8,895,330	7,662,452
Maintenance	110,890	192,679
Finance income	29,768	544,368
Finance costs	26,215	215,694
Other expenses	404,433	54,382

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 2018 the Group's interest bearing loans with carrying value of UAH 3,900,859 thousand (2017: UAH 4,813,240 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 2018. For 2018 and 2017, total compensation to the Management Board mostly included payroll, payroll related taxes and bonuses amounted to UAH 39,654 thousand and UAH 36,608 thousand, respectively. For 2018 total compensation to the members of the Supervisory Board was UAH 19,141 thousand. The members of the Supervisory Board were not entitled to compensation in 2017.

DIVIDENDS

As at 31 December 2018 dividends payable to the State in the amount of UAH 108,195 thousand were included in trade and other payables (2017: UAH 39 thousand) (Note 21). Dividends for the year ended 31 December 2018 were accrued in amount of UAH 153,417 thousand (2017: UAH 6,315 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 92,904 thousand and UAH 75,005 thousand for 2018 and 2017, 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	
	2018	2017	2018	2017
Financial assets				
Trade and other receivables	1,002,401	879,122	1,002,401	879,122
Other financial assets	91,247	93,247	91,247	93,247
Cash and cash equivalents	1,251,826	5,188,988	1,251,826	5,188,988
Financial liabilities				
Interest-bearing loans and borrowings	31,271,041	33,884,246	32,005,269	33,511,539
Finance lease liability	1,427,632	721,379	1,445,305	721,379
Trade and other payables	9,351,190	7,791,010	9,358,892	7,791,010

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, finance 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.

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 HIERARCHY

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, based

Fair value of financial assets and liabilities at 31 December as follows:

31 December 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
Finance lease liability	-	-	1,427,632	1,427,632
Trade and other payables	-	-	9,358,892	9,358,892
31 December 2017				
Financial assets carried at amortised cost				
Trade and other receivables	-	-	879,122	879,122
Financial liabilities carried at amortised cost				
Interest-bearing loans and borrowings	14,953,936	-	18,930,310	33,884,246
Finance lease liability	-	-	721,379	721,379
Trade and other payables	-	-	7,791,010	7,791,010

**CHANGES IN LIABILITIES ARISING
FROM FINANCING ACTIVITIES**

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 2018 and 2017 years. Changes in liabilities arising from financing activities as at 31 December 2018 and 2017 as follows:

The “Other” column includes the effect of reclassification of non-current portion of interest-bearing loans and borrowings, including obligations under finance 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.

	1 January 2018	Cash flows	Foreign exchange move- ments	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 finance 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 finance 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

	1 January 2017	Cash flows	Foreign exchange movements	Other	Segregation of liabilities of uncontrolled territories (Note 2)	31 December 2017
Current interest-bearing bank loans	16,679,238	(4,438,312)	481,171	1,893,533	(3,724,995)	10,890,635
Current obligation under finance lease contracts	1,186,599	(144,861)	10,167	106,854	(553,467)	605,292
Non-current interest-bearing bank loans	23,832,509	–	611,581	(1,823,186)	–	22,620,904
Non-current obligation under finance lease contracts	459,852	(236,925)	14	(106,854)	–	116,087
Dividends	201	(31)	–	(131)	–	39
Total liabilities arising from financing activities	42,158,399	(4,820,129)	1,102,933	70,216	(4,278,462)	34,232,957

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 and interest-bearing loans and borrowings. Significant aspects of the liquidity risk management are disclosed in Note 2.

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.

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2018 and 2017 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 2018						
Interest bearing loans and borrowings	6,741,605	12,311,026	14,538,375	1,563,734	(3,149,471)	32,005,269
Finance 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

	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 2017						
Interest bearing loans and borrowings	10,206,582	2,907,581	24,860,982	–	(4,463,606)	33,511,539
Finance lease liability	339,762	315,130	129,197	–	(62,710)	721,379
Trade and other payables	7,371,151	419,859	–	–	–	7,791,010

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"), the Russian rouble ("RUB") 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:

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).

	USD	EUR	CHF	10 RUB
31-Dec-17	28.0672	33.4954	28.6188	4.8703
Average for 2017	26.6016	30.0283	27.0093	4.5608
31-Dec-18	27.6883	31.7141	28.2481	3.9827
Average for 2018	27.2016	32.1341	27.8222	4.3545
15-Apr-19	26.7139	30.2428	26.7021	4.1406

31-Dec-18	Weaken- ing “+”/ strengthen- ing “-” 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

31 Dec-17	Weaken- ing “+”/ strengthen- ing “-” of the exchange rate	Increase/ (decrease) of the profit before tax	Increase/ (decrease) of the equity
UAH/USD	+14.00 %	(4,525,310)	(4,525,310)
UAH/USD	-10.00 %	3,232,364	3,232,364
UAH/CHF	+14.00 %	(16,295)	(16,295)
UAH/CHF	-10.00 %	11,639	11,639
UAH/EUR	+53.00 %	(530,778)	(530,778)
UAH/EUR	-15.00 %	150,220	150,220
UAH/RUB	+25.00 %	1,498	1,498
UAH/RUB	-16.50 %	(989)	(989)

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 2018 and 2017 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 2018 and 2017, 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 2018	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

31 December 2017	Increase “+”/ decrease “-” in basis points	Increase/ (decrease) of the profit before tax	Increase/ (decrease) of the equity
LIBOR	+0.70 %	(28,747)	(28,747)
LIBOR	-0.08 %	3,142	3,142
EURIBOR	+0.25 %	(2,931)	(2,931)
EURIBOR	-0.01 %	117	117

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 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:

	2018	2017
Interest-bearing loans and borrowings	32,005,269	33,511,539
Finance lease liability	1,445,305	721,379
	33,450,574	34,232,918
Cash and term deposits	(1,251,826)	(5,188,988)
Net debt	32,198,748	29,043,930
Total equity	210,117,926	210,776,978
Total capital	242,316,674	239,820,908

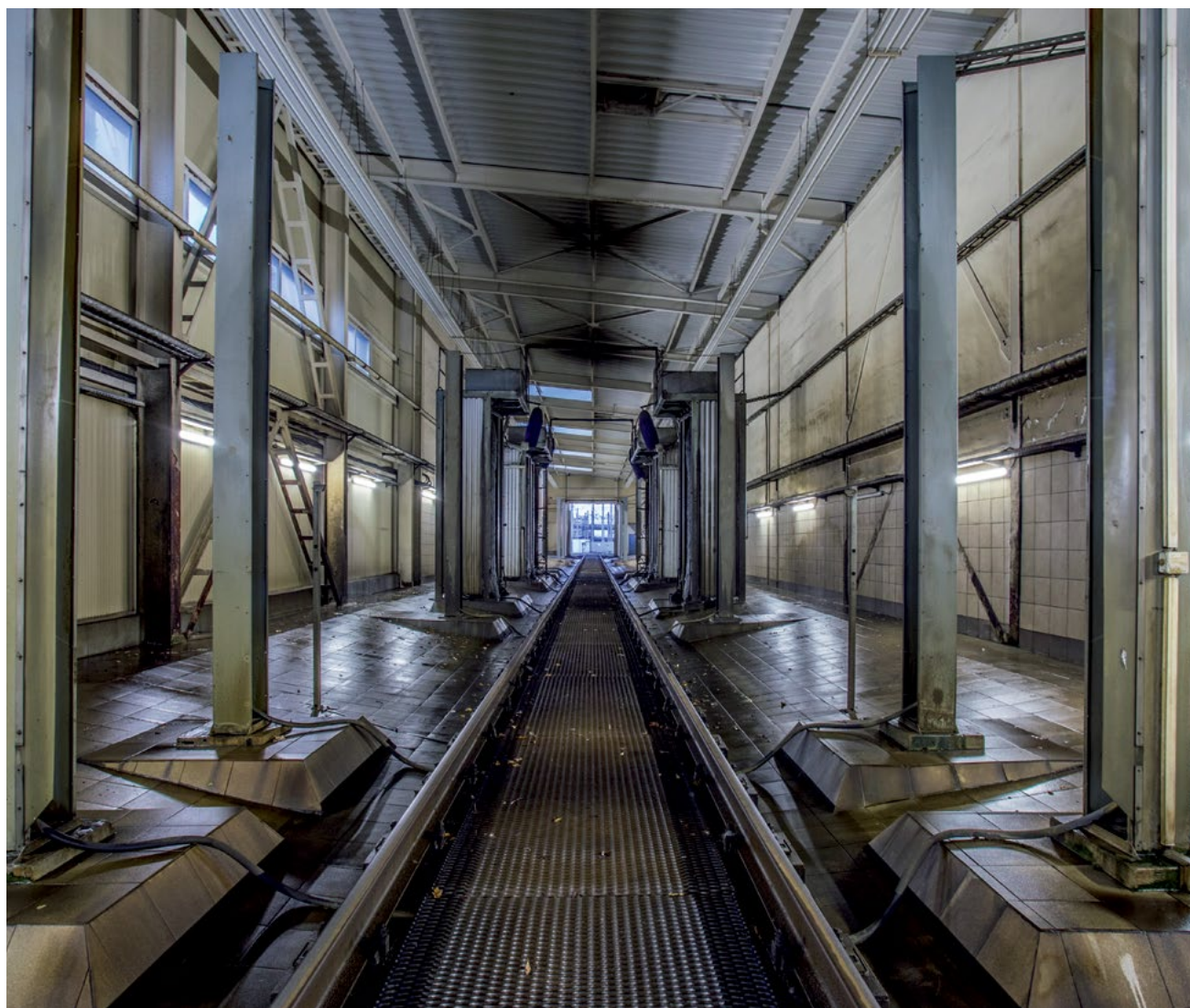
Management monitors on a regular basis the Group's capital structure and may adjust its capital management policies and targets following changes in its operating environment, market sentiment or its development strategy. Please, refer to Note 2

which discloses the important uncertainty aspects related to the capital management.

EVENTS AFTER THE REPORTING PERIOD

In early 2019, the Group received 15 diesel locomotives manufactured by General Electric Company (USA) under a financial leasing agreement concluded with the Ukrainian state bank JSC "Ukreximbank" (Note 18). Thus, at the date of authorization for issue of these consolidated financial statements, the Group received all of 30 locomotives under the lease agreement. In March 2019, the Group repaid timely and in full the first portion in the amount of USD 150 million of outstanding principal amount of Eurobonds together with the related coupon payment. Loan resources for refinancing of liabilities were attracted with the support of the Government, in the domestic market from a state-owned bank and the State Agency for Infrastructure Projects of Ukraine (Ukrinfraproekt).

In 2019, at the initiative of management, the Government of Ukraine approved the increase in the regulated tariffs for rail cargo transportation by 14.2% starting from 30 March 2019 that corresponds to the producer price index for 2018.



INDEPENDENT AUDITOR'S REPORT



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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 2018, 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 2018 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.

For the year ended 31 December 2018, we were unable to obtain sufficient appropriate audit evidence in respect of assets of uncontrolled territories of UAH 13,562,117 thousand and liabilities of uncontrolled territories of UAH 5,207,709 thousand as at 31 December 2018, share of profit of an associate of UAH 74,596 thousand and revenues and expenses of Regional Branch "Donetsk Railway" disclosed in Note 2 to the consolidated financial statements.

For the year ended 31 December 2017, we were unable to obtain sufficient appropriate audit evidence in respect of assets of UAH 16,611,478 thousand



(which included assets of uncontrolled territories, assets of Regional Branch "Donetsk Railway" located on the controlled territory and investment in an associate), and liabilities of UAH 7,705,925 thousand (which included liabilities of uncontrolled territories and liabilities of Regional Branch "Donetsk Railway") as at 31 December 2017, share of loss of an associate of UAH 166,794 thousand and revenues and expenses of Regional Branch "Donetsk Railway" disclosed in Note 2 to the consolidated financial statements.

- (ii) As disclosed in Notes 6 and 9 to the consolidated financial statements the Group changed its accounting policy for property, plant and equipment from cost to revaluation model starting from 1 December 2015. Carrying value of property, plant and equipment was determined based on the revaluation results as at 31 July 2014 performed for statutory purposes adjusted for depreciation and movements in property, plant and equipment for the periods since revaluation, which is not fair value as at 1 December 2015. 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 IFRSs on the carrying amounts of property, plant and equipment, related deferred tax balances as at 31 December 2018 and 2017, depreciation and impairment charges and deferred tax charges for 2018 and 2017 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 (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 opinion.

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 matter 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 the matter. For the matter below, our description of how our audit addressed the matter is provided in that context.

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.

Key audit matter	How our audit addressed the key audit matter
<i>Debt repayment and liquidity</i>	
As disclosed in Note 2 to the consolidated financial statements, as at 31 December 2018, the Group experienced liquidity misbalance due to upcoming maturity of long-term loans and borrowings. In addition, the Group is subject to financial and non-financial covenants provided in the loan agreements. Non-compliance with such covenants could impact the terms of debt repayment.	We inspected the terms of loan agreements including covenant ratios and event of default definitions. We analysed the terms of 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.
Management is undertaking measures to manage Group's liquidity for timely repayment of the Group's obligations including the refinancing of the current debt and additional cash contributions to the statutory capital of the Company.	We assessed the disclosures in the notes to the financial statements about the liquidity risks and measures taken by management to address them.
We considered debt repayment and liquidity to be a key audit matter because the Group had significant amounts of debt due for repayment, either with its own cash balance or by refinancing with new debt. Inability of the Group to timely repay or refinance the current debt would further negatively impact the Group's liquidity position.	

Other information included in the Integrated Report of JSC "Ukrainian railways" and Annual Information of the Issuer of Securities for 2018

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 2018. 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. Management is responsible for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not and 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 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.



When we read the Integrated Report of JSC "Ukrainian railways" and the Annual Information of the Issuer of Securities, if we conclude that there is a material misstatement therein, we will communicate the matter to the Supervisory Board.

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 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.
- ▶ 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 4 years.

Consistency of the independent auditor's report with the additional report to the audit committee

We confirm that our independent auditor's report is consistent with the additional report to the Audit Committee of the Group, which we issued on 15 April 2019 in accordance with Article 35 of Law No. 2258-VIII.

Provision of non-audit services

We declare that no prohibited non-audit services referred to in Article 6 paragraph 4 of Law No. 2258-VIII were provided. In addition, there are no non-audit services which were provided by us to the Company or its controlled entities and which have not been disclosed in the consolidated financial statements or the consolidated management report.

The partner in charge of the audit resulting in this independent auditor's report is Oleksiy Kredisov.

Oleksiy Kredisov
Partner
for and on behalf of Ernst & Young Audit Services LLC

Kyiv, Ukraine

15 April 2019

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ANNEXES





ABOUT THE REPORT

Joint-Stock Company Ukrzaliznytsia operates in line with the principles of corporate social responsibility (CSR), openness, and transparency.

Integrated Report 2018 (hereinafter referred to as the Report) is the Company's second annual report and includes the Management Report as well. The Report is designed to inform a wide range of stakeholders, both internal and external, about operations and performance of Ukrzaliznytsia. The Company's stakeholders include government authorities, investors, partners, employees, representatives of non-governmental organisations, the general public, mass media, and others. The Report has been prepared in accordance with the Law of Ukraine On Accounting and Financial Reporting in Ukraine and Methodological Guidelines for Management Reporting developed by the Ministry of Finance of Ukraine.

The Report discloses material aspects of the Company's operations, namely:

- Financial and economic performance in core operations
- Strategic approach to Ukrzaliznytsia's development
- New management approaches
- International cooperation
- Modernisation of infrastructure
- Implementation of the capital investment plan
- Social policy and environmental responsibility
- Traffic safety, occupational health and safety
- Environmental protection.

Therefore, the Report discloses in detail the Company's sustainable development, financial and non-financial operations, as well as key aspects of CSR policy, enabling the readers to evaluate comprehensively Ukrzaliznytsia's operations and performance in 2018. In addition, the Report provides information on the Company's short-term and long-term plans and key targets in material aspects identified by the key stakeholders.

To designate Ukrzaliznytsia and its subsidiaries, the Report uses the names: "Company", "Group", "Ukrzaliznytsia", and "we". Moreover, in 2018 Ukrzaliznytsia changed the organisational form from a public to private joint-stock company. Therefore, the Report may refer to PJSC "Ukrzaliznytsia" in regard to documents approved in 2018 prior to the change of the ownership form.

STANDARDS AND REGULATORY REQUIREMENTS

The Report has been prepared in line with:

- IFRS International Financial Reporting Standards
- International <IR> Framework
- Global Reporting Initiative standards (Core)
- AA1000 International Stakeholder Engagement Standard (Institute of Social and Ethical AccountAbility)
- ISO 26000: 2010 Guidance on Social Responsibility.

SCOPE OF THE REPORT

The scope of the Report corresponds to the financial statements of Ukrzaliznytsia and its subsidiaries: 34 branches, 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 2018 through 31 December 2018. 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.

PRINCIPLE FOR DEFINING REPORT CONTENT

While preparing the Report, Ukrzaliznytsia focused on defining information and data to be included in the Report. This information is essential for the Company and key stakeholders and may inform decisions that are of significant importance for the Company's further development. The procedures to define material aspects for disclosure in the Report were conducted in accordance with the International <IR> Framework and Global Reporting Initiative standards.

STAKEHOLDER ENGAGEMENT

In a move to define material aspects to be disclosed in the Report, the Company continues an ongoing dialogue with stakeholders. The Report takes into account key recommendations and requests made by the stakeholders in the course of the dialogue.

THE FOLLOWING METHODS WERE USED TO COLLECT AND SYSTEMATISE DATA:

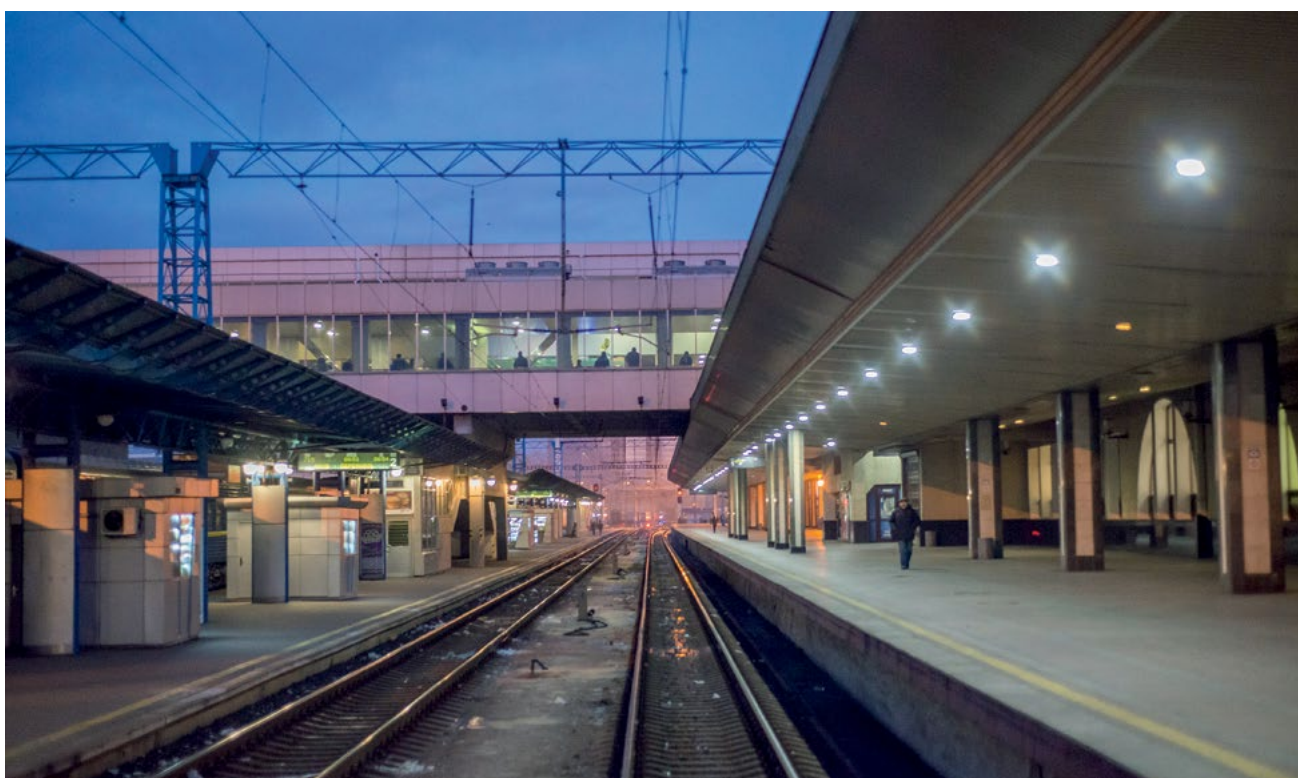
- Indirect or direct stakeholder engagement;
- Analysis of the life cycle of the Company's services, production processes, and operating results;

- Analysis of key performance indicators and major events in the reporting period: the impact of various changes in the Company, which related, among other things, to corporate governance and implementation of the Strategy, on the structure, content, and scope of aspects that may be considered material;
- Analysis of information in public domain.

Using the above methods, the Company has developed a list of material aspects to be included in the Report. Following the aspect prioritisation procedure conducted in compliance with the advanced international methodologies, we have defined a short list of material aspects recommended for disclosure in the Report.

BUSINESS DIMENSION:

- Fixed assets renovation (purchase and upgrade of rolling stock)
- Transparent and effective governance
- More and better services
- Reduced travel time for goods and passengers
- Streamlined operations of non-profitable assets and areas
- Modern management models in place (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 abuses
- 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 included into the Report, but are also considered important, can be addressed in the normal course of business in case they are of interest.

PRINCIPLES FOR DEFINING REPORT QUALITY

The following principles ensure the quality of the Report:

BALANCE

The Report has been drafted with due regard to events in the reporting period, regardless of their positive or negative nature. The Company has

tried to provide an unbiased picture of its operations and performance and reported both achievements and issues to be addressed.

COMPARABILITY

The information in the Report allows stakeholders to evaluate the Company's operations over time and benchmark them against operations of other organisations

CLARITY

The information is presented in a way easily understandable to the stakeholders and the widest possible audience.

RELIABILITY

The Report refers to information sources. The data are disclosed in a way to explore and ensure the quality and materiality of the information. This enables the stakeholders to verify the Report.

ACCURACY

The data disclosed in the Report are accurate and detailed to the extent enabling stakeholders to evaluate operations and performance of the Company in each material aspect. All data in the Report are officially recognised by the Company and confirmed by internal and open sources. The Company's structural subdivisions have carried out internal compliance audits of public reporting processes.

TIMELINESS

The Company's Integrated Report is published as scheduled. Further on, Ukrzaliznytsia plans to publish annual accounts



during the first six months of a financial year. In this Report, there is no significant rewording of indicators or data of previous periods disclosed in previous reports.

The reliability of the data disclosed in the Report is ensured during the collection and consolidation of information in line with standard assurances and verifications and is confirmed by units responsible for the preparation of relevant information. If public documents are used, the Report gives a reference to the source.

ASSURANCE OF THE REPORT

Ernst & Young Audit Services has been selected as an independent party to audit the Group's consolidated statement of financial position, consolidated statement of comprehensive income, equity statement, and cash flow statement for 2018, as well as the Notes to the consolidated financial statements, including a summary of significant accounting policies. No formal data assurance was applied to non-financial indicators.

STATEMENT OF LIMITATION OF LIABILITY FOR PUBLICATION OF PROJECTION DATA

The Report may contain statements based on projected data or forecasts. These statements are not historical facts, but show Ukrzaliznytsia's expectations, intentions or views regarding future performance, financial position, liquidity, efficiency, prospects, growth rates, strategies of the Company and the sector where it operates.

Statements containing forecasts of future events include, but are not limited to, the following information:

- Plans to improve the corporate governance practices of the Company
- Future position of the Company in the transport market
- Economic performance projections
- Expected industry trends
- Possible regulatory changes and impact of regulations on the Company's operations
- Estimation of future operational and financial indicators of the Company
- Company's plans to renovate and modernise the infrastructure and rolling stock
- Changes in the demand for the Company's services and Ukrzaliznytsia's plans for the existing and new services, as well as pricing projections.

The statements based on projected data or forecasts involve risks and uncertainty, as their realisation depends on numerous factors, with many of them beyond the Company's control or influence (economic and political situation inside and outside Ukraine, changes in tax, environmental and other laws, etc.).

The Company informs that statements based on projections or forecasts are not a guarantee of future results and that the Company's actual performance, financial position, and liquidity may differ significantly from projections and targets.

Ukrzaliznytsia assumes no obligation to review and confirm expectations and estimates, as well as to update any information based on projections or forecasts.



ANNEX 2. UKRZALIZNYTSIA'S SHAREHOLDINGS IN ENTITIES

Name	Address	EDRPOU Code	Shareholding, %	Nominal value of shares
Dnipropetrovsk Diesel Locomotive Repair Plant	7 Akademika Beleliubskoho Street, Dnipro 49038	00659101	100 %	UAH 71,425,900.00
Zaporizhia Electric Locomotive Repair Plant	2 Zaliznychna Street, Zaporizhia 69095	01056273	100 %	UAH 73,703,767.00
Lviv Locomotive Repair Plant	1A Zaliznychna Street, Lviv 79018	00740599	100 %	UAH 72,635,300.00
Kyiv Electric Car Repair Plant	2 Polzunova Street, Kyiv 03049	00480247	100 %	UAH 48,737,200.00
Korostenskyi Ferroconcrete Sleepers Plant	78 Maiakovskoho Street, Korosten, Zhytomyr Oblast 11500	00282406	100 %	UAH 29,266,000.00
Gnivanskyi Special Ferroconcrete Plant	15 Promyslova Street, Gnivan, Vinnytsia Oblast 23310	00282435	100 %	UAH 92,883,000.00
Kyiv Electrotechnical Plant "TRANSSYGNAL"	97 Zhylianska Street, Kyiv 01135	00260652	100 %	UAH 19,853,569.00
Tast-Garantia Insurance Company	3 Trasportna Street, Odessa 65039	13915014	65.62 %	UAH 5,297,500.00
Ukrtransleasing	32G Yevhena Konovaltsia Street, Office 8, Kyiv 01133	30674235	47.67 %	UAH 629,995,600.00
UkrZovnishTrans International Transport Company	18/24 Dmytrivska Street, Kyiv 01054	32000106	25.1 %	UAH 125,500.00
Inter-Polis Insurance Company	69 Volodymyrska Street, Kyiv 01033	19350062	30.97 %	UAH 5,001,600.00
Breitspur Planungsgesellschaft mbH	Opernring 9/7 A-1010 Vienna, Austria	-	25 %	€3,025,000.00
IndustrialBank*	18/7 Generala Almazova Street, Kyiv 01133	13857564	0.09891 %	UAH 8,472,408.00
Energo Zbut Trans	7 Kachalova Street, Kyiv 03126	42588390	100 %	Statutory capital of UAH 1,000,000
UZ Cargo Wagon	5 Yezhi Gedtroitsia, Kyiv 03150	42598807	100 %	Statutory capital of UAH 1,000,000

ANNEX 3. UKRZALIZNYTSIA'S LICENCES

Type of operations	Licence/Decision No.	Date of issue	Issuing authority	Licence validity term
Transportation of passengers, dangerous goods, and hazardous waste by rail	77	1 March 2016	State Transport Safety Service Ukraine (UkrTransBezpeka)	perpetual
Purchase, storage, transportation, sale (delivery), destruction, and use of precursors (List 2 of Table IV "List of narcotic drugs, psychotropic substances, and precursors")	12	18 February 2016	State Drug Control Service of Ukraine	18 February 2021
Medical practice	134	25 February 2016	Ministry of Health of Ukraine	perpetual
Central water supply and drainage	3217	29 December 2015	National Commission for State Regulation of Energy and Public Utilities	perpetual
Production and transmission of heat energy by main and local (distribution) heating networks and heating supply	252	25 February 2016	National Commission for State Regulation of Energy and Public Utilities	perpetual
Electric power supply at regulated rates	213	19 February 2016	National Commission for State Regulation of Energy and Public Utilities	perpetual
Electricity distribution (transmission) via local grids	213	19 February 2016	National Commission for State Regulation of Energy and Public Utilities	perpetual
Educational activities of educational institutions	1407l	21 July 2016	Ministry of Education and Science of Ukraine	
	1408l	5 August 2016		
Construction of facilities of 4th and 5th complexity categories – with due regard to special aspects defined by the Law of Ukraine On Architecture Operations	49-L	26 December 2016	State Architecture and Construction Inspectorate	26 December 2021
Security operations and services	147	2 March 2016	Ministry of Internal Affairs of Ukraine	perpetual

Type of operations	Licence/Decision No.	Date of issue	Issuing authority	Licence validity term
Fire-prevention services and works as determined by a list approved by Cabinet of Ministers of Ukraine	DSNS 26-17517/261		State Emergency Service of Ukraine. As no new licensing conditions are in place, the licensing authority (the Emergency Service) has recommended operating under previous licenses and licensing conditions (Letter No. DSNS 26-17517/ 261 dated 1 December 2015)	perpetual
Fixed local telephony services with the right to maintain and operate telecommunication networks and to provide telecommunication channels for use	No. 000966	25 April 2018	National Commission for the State Regulation of Communications and Informatisation	16 July 2023
	DL No. 000134	30 December 2015		16 September 2019
	DL No. 000135	30 December 2015		30 November 2020
	DL No. 000136	30 December 2015		16 September 2019
	No. 001091	29 October 2018		8 January 2024
	No. 000967	25 April 2018		16 July 2023
	No. 001092	29 October 2018		19 January 2024
	DL No. 000149	30 December 2015		16 September 2019
	DL No. 000289	26 January 2016		15 May 2021
	No. 000871	4 October 2017		4 October 2022
	No. 000872	4 October 2017		4 October 2022
Fixed long-distance telephony service with the right to maintain and operate telecommunication networks and to provide telecommunication channels for use	No. 001009	23 June 2018	National Commission for the State Regulation of Communications and Informatisation	23 September 2023
	No. 000991	21 May 2018		4 August 2023
	No. 000968	25 April 2018		23 June 2023
	DL No. 000480	28 April 2016		21 August 2021
	No. 000969	25 April 2018		16 July 2023
	No. 001017	4 July 2018		4 September 2023
	No. 000992	21 May 2018		12 August 2023
Use of ionizing radiation sources	No. OV 011151	23 May 2018	State Nuclear Regulatory Inspectorate of Ukraine	23 May 2021

ANNEX 4. TABLE OF GRI DISCLOSURES

General Reporting Elements	Indicator	Report Section
GRI 102: General disclosures		
Organisational Profile		
GRI 102-1	Name of the organisation	Annex 1. About the Report
GRI 102-2	Brands, products, and services	OUR BUSINESS Business Development and Reforms at Ukrzaliznytsia
GRI 102-3	Location of headquarters	Annex 6. Feedback Form
GRI 102-4	Location of operations	UKRZALIZNYTSIA TODAY Transport Market Overview
GRI 102-5	Ownership and legal form	Annex 1. About the Report
GRI 102-6	Markets served	UKRZALIZNYTSIA TODAY Transport Market Overview
GRI 102-7	Scale of the organisation	UKRZALIZNYTSIA TODAY Transport Market Overview
GRI 102-8	Information on employees and other workers	OUR EMPLOYEES AND OUR COUNTRY HR Management and Development
GRI 102-10	Significant changes to the organisation and its supply chain	OUR BUSINESS Corporate Governance
GRI 102-12	A list of externally-developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes, or which it endorses.	OUR SUSTAINABLE DEVELOPMENT Sustainable Development and CSR at Ukrzaliznytsia
GRI 102-13	Membership of associations (a list of the main memberships of industry or other associations, and national or international advocacy organizations)	OUR BUSINESS International Cooperation
Strategy		
GRI 102-14	Statement from senior decision maker	SUPERVISORY BOARD CHAIRMAN'S STATEMENT
GRI 102-15	Key impacts, risks, and opportunities	OUR BUSINESS Corporate Governance
Ethics and Integrity		
GRI 102-16	Values, principles, standards, and norms of behaviour in the organisation	UKRZALIZNYTSIA TODAY
GRI 102-17	Internal and external mechanisms for reporting concerns about unethical or unlawful behavior and matters of integrity	OUR BUSINESS Corporate Governance
Corporate Governance		
GRI 102-18	Governance structure	OUR BUSINESS Corporate Governance
GRI 102-19	Process for delegating authority for economic, environmental, and social topics from the highest governance body to senior executives and other employees	OUR BUSINESS Corporate Governance
GRI 102-20	Executive-level responsibility for economic, environmental, and social topics	OUR BUSINESS Corporate Governance
GRI 102-21	Processes for consultation between stakeholders and the highest governance body on economic, environmental, and social topics	OUR BUSINESS Corporate Governance
GRI 102-22	Composition of the highest governance body and its committees	OUR BUSINESS Corporate Governance
GRI 102-23	Chair of the highest governance body	OUR BUSINESS Corporate Governance
GRI 102-24	Nomination and selection processes for the highest governance body and its committees	OUR BUSINESS Corporate Governance
GRI 102-26	Highest governance body's and senior executives' roles in the development, approval, and updating of the organization's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental, and social topics	OUR BUSINESS Corporate Governance

General Reporting Elements	Indicator	Report Section
GRI 102: General disclosures		
Corporate Governance		
GRI 102-27	Measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental, and social topics	OUR BUSINESS Corporate Governance
GRI 102-28	Evaluating the highest governance body's performance	OUR BUSINESS Corporate Governance
GRI 102-30	Effectiveness of risk management processes	OUR BUSINESS Corporate Governance
GRI 102-35	Remuneration policies for the highest governance body and senior executives	OUR BUSINESS Corporate Governance
GRI 102-36	Process for determining remuneration	OUR BUSINESS Corporate Governance
Stakeholder Engagement		
GRI 102-40	A list of stakeholder groups engaged by the organisation	Annex 1. About the Report
GRI 102-41	Percentage of total employees covered by collective bargaining agreements	OUR EMPLOYEES AND OUR COUNTRY HR Management and Development
GRI 102-42	The basis for identifying and selecting stakeholders with whom to engage	OUR SUSTAINABLE DEVELOPMENT Stakeholder engagement
GRI 102-43	Organisation's approach to stakeholder engagement	Annex 1. About the Report
Reporting Practice		
GRI 102-45	Entities included in the consolidated financial statements	Annex 2. Ukrzaliznytsia's Shareholdings in Entities
GRI 102-46	Defining Report content and topic boundaries	Annex 1. About the Report
GRI 102-47	List of material topics	Annex 1. About the Report
GRI 102-48	Restatements of information	Annex 1. About the Report
GRI 102-50	Reporting period	Annex 1. About the Report
GRI 102-51	Date of most recent report	Annex 1. About the Report
GRI 102-52	Reporting cycle	Annex 1. About the Report
GRI 102-53	Contact point for questions regarding the report	Annex 5. Management
GRI 102-54	Claims of reporting in accordance with the GRI Standards	Annex 1. About the Report
GRI 102-55	GRI content index	Annex 4. Table of GRI Disclosures
GRI 102-56	External assurance	Annex 1. About the Report
GRI 200: Economic Topics		
GRI 201: Economic Performance		
GRI 103-1	Explanation of the material topic and its boundary	OUR FINANCIAL PERFORMANCE
GRI 103-2	The management approach and its components	OUR FINANCIAL PERFORMANCE
GRI 103-3	Evaluation of the management approach	OUR FINANCIAL PERFORMANCE
GRI 201-1	Direct economic value generated and distributed	OUR EMPLOYEES AND OUR COUNTRY HR Management and Development
GRI 201-3	Defined benefit plan obligations and other retirement plans	OUR EMPLOYEES AND OUR COUNTRY Social Policy
GRI 201-4	Financial assistance received from government	OUR BUSINESS Key Operating Results
GRI 202: Market Presence		
GRI 202-1	Ratios of standard entry-level wage compared to local minimum wage	OUR EMPLOYEES AND OUR COUNTRY HR Management and Development
GRI 203: Indirect Economic Impacts		
GRI 103-1	Explanation of the material topic and its boundary	OUR BUSINESS Investment Activities
GRI 103-2	The management approach and its components	OUR BUSINESS Investment Activities
GRI 103-3	Evaluation of the management approach	OUR BUSINESS Investment Activities
GRI 203-1	Infrastructure investments and services supported	OUR BUSINESS Key Operating Results

General Reporting Elements	Indicator	Report Section
GRI 205: Anti-corruption		
GRI 103-1	Explanation of the material topic and its boundary	OUR BUSINESS Corporate Governance
GRI 103-2	The management approach and its components	OUR BUSINESS Corporate Governance
GRI 103-3	Evaluation of the management approach	OUR BUSINESS Corporate Governance
GRI 205-1	Total number and percentage of operations assessed for risks related to corruption, and significant risks identified	OUR BUSINESS Corporate Governance
GRI 205-2	Communication and training about anti-corruption policies and procedures	OUR BUSINESS Corporate Governance
GRI 205-3	Confirmed incidents of corruption and actions taken	OUR BUSINESS Corporate Governance
GRI 300: Environmental Topics		
GRI 302: Energy		
GRI 103-1	Explanation of the material topic and its boundary	OUR ENVIRONMENTAL RESPONSIBILITY Energy Efficiency and Energy Saving
GRI 103-2	The management approach and its components	OUR ENVIRONMENTAL RESPONSIBILITY Energy Efficiency and Energy Saving
GRI 103-3	Evaluation of the management approach	OUR ENVIRONMENTAL RESPONSIBILITY Energy Efficiency and Energy Saving
GRI 302-1	Energy consumption within the organisation, with primary sources	OUR ENVIRONMENTAL RESPONSIBILITY Energy Efficiency and Energy Saving
GRI 302-3	Energy intensity	OUR ENVIRONMENTAL RESPONSIBILITY Energy Efficiency and Energy Saving
GRI 302-4	Reduction of energy consumption	OUR ENVIRONMENTAL RESPONSIBILITY Energy Efficiency and Energy Saving
GRI 303: Water		
GRI 103-1	Explanation of the material topic and its boundary	OUR ENVIRONMENTAL RESPONSIBILITY Environmental Footprint
GRI 103-2	The management approach and its components	OUR ENVIRONMENTAL RESPONSIBILITY Environmental Footprint
GRI 103-3	Evaluation of the management approach	OUR ENVIRONMENTAL RESPONSIBILITY Environmental Footprint
GRI 303-3	Water withdrawal	OUR ENVIRONMENTAL RESPONSIBILITY Environmental Footprint
GRI 303-5	Water consumption	OUR ENVIRONMENTAL RESPONSIBILITY Environmental Footprint
GRI 305: Emissions		
GRI 103-1	Explanation of the material topic and its boundary	OUR ENVIRONMENTAL RESPONSIBILITY Environmental Footprint
GRI 103-2	The management approach and its components	OUR ENVIRONMENTAL RESPONSIBILITY Environmental Footprint
GRI 103-3	Evaluation of the management approach	OUR ENVIRONMENTAL RESPONSIBILITY Environmental Footprint
GRI 305-1	Direct GHG emissions	OUR ENVIRONMENTAL RESPONSIBILITY Environmental Footprint
GRI 305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	OUR ENVIRONMENTAL RESPONSIBILITY Environmental Footprint
GRI 306: Effluents and Waste		
GRI 103-1	Explanation of the material topic and its boundary	OUR ENVIRONMENTAL RESPONSIBILITY Environmental Footprint
GRI 103-2	The management approach and its components	OUR ENVIRONMENTAL RESPONSIBILITY Environmental Footprint
GRI 103-3	Evaluation of the management approach	OUR ENVIRONMENTAL RESPONSIBILITY Environmental Footprint
GRI 306-1	Total volume of planned and unplanned water discharges	OUR ENVIRONMENTAL RESPONSIBILITY Environmental Footprint
GRI 306-2	Total weight of hazardous and non-hazardous waste generated from operations	OUR ENVIRONMENTAL RESPONSIBILITY Environmental Footprint

General Reporting Elements	Indicator	Report Section
GRI 307: Environmental Compliance		
GRI 307-1	Non-compliance with environmental laws and regulations	OUR ENVIRONMENTAL RESPONSIBILITY Environmental Footprint
GRI 400: Social Topics		
GRI 401: Employment		
GRI 103-1	Explanation of the material topic and its boundary	OUR EMPLOYEES AND OUR COUNTRY Social Policy
GRI 103-2	The management approach and its components	OUR BUSINESS Key Operating Results
GRI 103-3	Evaluation of the management approach	OUR EMPLOYEES AND OUR COUNTRY Social Policy
GRI 401-1	New employee hires and employee turnover	OUR BUSINESS Key Operating Results OUR EMPLOYEES AND OUR COUNTRY HR Management and Development
GRI 401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	OUR EMPLOYEES AND OUR COUNTRY Social Policy
GRI 402: Labour/Management Relations		
GRI 103-1	Explanation of the material topic and its boundary	OUR EMPLOYEES AND OUR COUNTRY Social Policy
GRI 103-2	The management approach and its components	OUR EMPLOYEES AND OUR COUNTRY Social Policy
GRI 103-3	Evaluation of the management approach	OUR EMPLOYEES AND OUR COUNTRY Social Policy
GRI 402-1	Minimum notice periods regarding operational changes and whether they are indicated in collective bargaining agreements	OUR EMPLOYEES AND OUR COUNTRY Social Policy
GRI 403: Occupational Health and Safety		
GRI 103-1	Explanation of the material topic and its boundary	OUR EMPLOYEES AND OUR COUNTRY Traffic Safety and H&S
GRI 103-2	The management approach and its components	OUR EMPLOYEES AND OUR COUNTRY Traffic Safety and H&S
GRI 103-3	Evaluation of the management approach	OUR EMPLOYEES AND OUR COUNTRY Traffic Safety and H&S
GRI 403-5	Worker training on occupational health and safety	OUR EMPLOYEES AND OUR COUNTRY Traffic Safety and H&S
GRI 403-6	Promotion of worker health	OUR EMPLOYEES AND OUR COUNTRY Traffic Safety and H&S
GRI 403-9	The main types and rate of work-related injury	OUR EMPLOYEES AND OUR COUNTRY Traffic Safety and H&S
GRI 404: Training and education		
GRI 103-1	Explanation of the material topic and its boundary	OUR EMPLOYEES AND OUR COUNTRY Cooperation with Educational Institutions
GRI 103-2	The management approach and its components	OUR EMPLOYEES AND OUR COUNTRY Cooperation with Educational Institutions
GRI 103-3	Evaluation of the management approach	OUR EMPLOYEES AND OUR COUNTRY Cooperation with Educational Institutions

General Reporting Elements	Indicator	Report Section
GRI 405: Diversity and equal opportunities		
GRI 103-1	Explanation of the material topic and its boundary	OUR EMPLOYEES AND OUR COUNTRY Social Policy
GRI 103-2	The management approach and its components	OUR EMPLOYEES AND OUR COUNTRY Social Policy
GRI 103-3	Evaluation of the management approach	OUR EMPLOYEES AND OUR COUNTRY Social Policy
GRI 405-1	Diversity of governance bodies and employees with the breakdown by gender, age group, minority or other indicators of diversity	OUR EMPLOYEES AND OUR COUNTRY HR Management and Development
GRI 407: Freedom of Association and Collective Bargaining		
GRI 103-2	The management approach and its components	OUR BUSINESS Corporate Governance
GRI 407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk' rights to exercise freedom of association or collective bargaining may be violated or at significant risk, and measures taken	OUR BUSINESS Corporate Governance
GRI 410: Security Practices		
GRI 103-1	Explanation of the material topic and its boundary	OUR BUSINESS Corporate Governance
GRI 103-2	The management approach and its components	OUR BUSINESS Corporate Governance
GRI 103-3	Evaluation of the management approach	OUR BUSINESS Corporate Governance
GRI 410-1	Percentage of security personnel who have received formal training in the organization's human rights policies or specific procedures and their application to security	OUR BUSINESS Corporate Governance
GRI 412: Human Rights Assessment		
GRI 103-1	Explanation of the material topic and its boundary	OUR BUSINESS Corporate Governance
GRI 103-2	The management approach and its components	OUR BUSINESS Corporate Governance
GRI 103-3	Evaluation of the management approach	OUR BUSINESS Corporate Governance

ANNEX 5. MANAGEMENT

Name	Position	Telephone
Yevhen Kravtsov	Chairman of the Board	(044) 465-00-00
Marek Robert Zalesny	Board Member	(044) 465-00-01
Remigiusz Yan Paszkiewicz	Board Member	(044) 465-00-02
Oleksandr Buzhor	Board Member	(044) 465-00-03
Ireneusz Stanislaw Wasilewski	Board Member	(044) 465-00-04
Serhiy Mykhalchuk	Board Member	(044) 465-00-05
Zeljko Marcek	Board Member	(044) 465-00-06
Hryhoriy Boiko	Director of Engineering and Technical Support	(044) 465-00-10
Viacheslav Yeromin	Operations Director	(044) 465-00-12
Anton Sabolevsky	Director of Strategic Development and Investment Policy	(044) 465-00-14
Oleksandr Tolkachov	Director of Passenger Transportation and Services	(044) 465-00-15
Roman Chernitsky	Infrastructure Director	(044) 465-00-16
Artem Morkovkin	Security Director	(044) 465-00-17
Yevhen Kozak	Director of HR Management and Social Policy	(044) 465-00-18
Andriy Riazantsev	Economy and Finance Director	(044) 465-00-19
Artur Reznik	Director of Legal Issues and Property Policy	(044) 465-00-21
Svitlana Katkova	IT Director	(044) 465-00-22
Tamara Riabchun	Chief Accountant	(044) 465-00-20
Olena Diachenko	Head of Project Office	(044) 465-39-44
Myroslav Molnar	Director of Corporate Secretary Office	(044) 406-96-70
Maryna Potetueva	Head of Corporate Secretary Office Management	(044) 406-93-94
Dmytro Parobok	Director of Administrative Support Department	(044) 406-95-30
Kateryna Rakova	Press Secretary	(044) 465-11-99
Kostiantyn Zhura	Director of Information Policy and Public Relations Department	(044) 309-65-38
Serhiy Buhaiov	Director of Donetsk Railways	062-61-6-33-03
Volodymyr Krot	Director of Lviv Railways	032-226-44-00
Serhiy Nikulin	Director of Odessa Railways	048-727-44-00
Mykola Umanets	Director of Southern Railways	057-724-44-00
Roman Veprytsky	Director of South-Western Railways	(044)465-44-10
Mykola Kuzhavsky	Director of Prydniprovyie Railways	056-793-00-24
Volodymyr Kuzio	Director of Investment Policy Department	(044) 465-14-01
Oleh Nazaruk	Acting Director of Security Department	(044) 406-90-60
Ivan Bushovsky	Director of Marketing and Advertising Department	(044) 465-03-43
Rostyslav Kurinko	Director of Corporate Social Responsibility Department	(044) 309-70-70
Yuriy Pavlyshynets	Director of Corporate Governance Department	(044) 309-73-00
Maksym Bilousov	Deputy Director of Price Policy Department	(044) 465-37-75
Vasyl Kryliuk	Head of Environmental Management Department	(044) 406-90-46
Oleksandr Tkachenko	Director of Traffic Control Department	(044) 465-01-00
Oleksandr Krasnoshtan	Director of Domestic and International Passenger Transportation	(044) 465-02-00
Oleksandr Ivanko	Director of Suburban Passenger Transportation	(044) 465-13-40
Andriy Miroshnikov	Director of Commercial Operations Department	(044) 465-12-00
Serhiy Pavlov	Director of Locomotives Department	(044) 465-02-50
Oleh Motin	Director of Railcars Department	(044) 465-03-00

Name	Position	Telephone
Oleksiy Vinnichuk	Director of Tracks and Structures Department	(044) 465-03-50
Natalia Kotil	Head of Statistics Office	(044) 465-06-22
Oleh Bunchukov	Director of Automation and Telecommunications Department	(044) 465-05-00
Yuriy Tverdokhlib	Acting Director of Electrification and Electric Power Supply Department	(044) 465-05-25
Olha Skarlat	Director of Employee Remuneration and Motivation Department	(044) 406-91-90
Valeriy Suslenko	Director of Occupational Health & Safety Department	(044) 465-13-03
Oksana Vakarchuk	Acting Director of Organisational Development Department	(044) 309-71-50
Oleksandr Malakov	Director of Strategic Development and Planning Department	(044) 406-97-70
Liudmyla Vasyleha	Director of Employee Development and HR Policy Department	(044) 309-71-00
Olha Bezpalko	Deputy Director of HR Management and Social Policy, Head of Social Policy Department	(044) 465-04-32
Eduard Stupak	Director of Operational Monitoring Department	(044) 309-79-40
Volodymyr Shysh	Acting Director of Development and Technical Policy Department	(044) 465-04-00
Viacheslav Shapovalov	Director of Property Policy Department	(044) 465-17-75
Olha Klochok	Director of Bookkeeping, Tax Accounting, Reporting and Methodology Department	(044) 465-05-51
Andriy Malakhov	Acting Director of Treasury Department	(044) 465-24-74
Roman Zhadik	Acting Director of Economy, Planning, and Budgeting Department	(044) 465-36-00
Oleksandr Rudyak	Acting Director of Legal Department	(044) 465-04-33
Volodymyr Parashchuk	Head of Paramilitary Security Headquarters	(044) 465-06-50
Viktor Ivanenko	Head of Special Directorate	(044) 465-04-40
Oleh Tsukanov	Head of First Directorate	(044) 465-04-50
Yuriy Voznichenko	Head of Special Communications Department	(044) 465-06-62
Roman Bilousov	Director of International Cooperation Department	(044) 465-04-20
Oleksandr Vahanov	Director of Product and Service Quality Management Department	(044) 309-79-57
Lidia Kalashnykova	Director of Capital Investment Department	(044) 465-14-40
Oleh Troian	Director of Internal Audit and Control Department	(044) 465-06-76
Viktor Slobodianiuk	Director of Buildings and Structures Department	(044) 465-06-70
Yuriy Shyhanov	Acting Director of Logistical Support Department	(044) 465-08-00
Vladyslav Krasyl'nikov	Head of Energy Management Department	(044) 309-69-76

LETTER FOR NOTES

[illegible]

ANNEX 6. FEEDBACK FORM

DEAR READER,

You have just read Ukrzaliznytsia Annual Integrated Report 2018.

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 several 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
- ☐ Wide public
- ☐ NGOs
- ☐ Mass media
- ☐ Employee families
- ☐ International organisations
- ☐ Other:

2. 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 pressing issues 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
Completeness of 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 contact details:

Name _____

Organisation _____

Position _____

Tel/email _____

You can also fill in the feedback form online at

www.report2018.uz.gov.ua
or using the QR code



THANK YOU FOR YOUR FEEDBACK

**UKRZALIZNYTSIA
HEAD OFFICE**

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