



2020

Integrated report of JSC Ukrzaliznytsia (Management report)

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Dear colleagues and partners!

2020 was an extremely difficult year for all of us and for the Company as a whole. We faced challenges that we did not know before. The COVID-19 pandemic has shaken the whole world. The volumes of production were drastically declined, and, as a result, due to the economic downturn, the volumes of railway transportation also substantially decreased. Passenger traffic was temporarily stopped. However, we have demonstrated that we were able to deal with difficult challenges and continue to make informed decisions in order to flexibly adjust business processes and maintain efficiency in new circumstances.

The events of 2020 highlighted what an important economic and social role railway transport plays. Ukrzaliznytsia was and remains the main cargo carrier and the main transport artery of Ukraine. In 2020, the share of railway transport in traffic volumes was 51%. More than 305 million tons of cargo were transported by Ukrainian railways. The container transportation segment showed good dynamics – the share of our company in this segment increased by 11% compared to 2019. In particular – due to the organization of three new container trains in the connection China – European countries.

We continued to actively improve the speed and timeliness of cargo delivery, increase transportation safety, improve services for clients, create uniform rules of the game for all transportation market participants, and strengthen the competitiveness of our

services both domestically and internationally.

The priority of the Supervisory Board remains ensuring the smooth operation of the company, operational and financial stability of Ukrzaliznytsia while maintaining an appropriate level of liquidity, improving efficiency, creating opportunities to attract additional financial resources for investment, fighting corruption, transparency and integrity.

I am convinced that a successful company can be built only with the help of modern business tools. Therefore, now, within the framework of the implementation of the Strategy of Ukrzaliznytsia JSC for 2019-2023, a deep structural reform of the company is being carried out.

Work continues on the allocation of individual business verticals: passenger, cargo, production and infrastructure. Such transformations will contribute to improving service, ensuring transparent and competitive prices, attracting finance for the renewal of rolling stock. All these reforms are also being implemented to fulfill Ukraine's obligations under the Association Agreement with the EU. Their goal is to build a competitive and liberal railway transportation market in Ukraine and gradually integrate it with the European system.

The company also continued to work on the liberalization of freight transport tariffs, for which it is proposed to introduce a single logistics tariff. As part of the implementation of a government pilot project on the admission of private locomotives to operate on separate routes on public railways, Ukrzaliznytsia has concluded the first contract on participation in the project. This step is important to prepare for the opening of the railway transportation market.

The company continues to demonstrate zero tolerance to corruption. On January 23, 2020, the Supervisory Board of Ukrzaliznytsia decided to form the Compliance and Anti-Corruption Committee. The committee will monitor the efforts made by the company

to strengthen the fight against corruption, to train management and employees in ethical behaviour when conducting activities. Anti-corruption and compliance are the top priorities of the Supervisory Board of Ukrzaliznytsia. In addition, in order to strengthen cooperation in the field of preventing and combating corruption, Ukrzaliznytsia signed the Memorandum of Understanding and Cooperation with the National Anti-Corruption Bureau of Ukraine.

Despite the fact that in 2020 Ukrzaliznytsia ended with significant financial losses, the company business strategy for 2021 reflects plans to make a profit and continue to reform the industry in 2021. The important result of the work in 2020 was that for the first time in all the years of independence, Ukrzaliznytsia will receive financial support from the state in the amount of UAH 4 billion, which is provided for in the state budget for 2021. The allocated funds will be used to upgrade the fleet of passenger wagons and railway infrastructure. We hope this will help bring the Company's services to a high level of quality.

Ukrzaliznytsia continues to get rid of its non-core assets and functions. In 2020, the work was carried out to create a List of non-core assets that are not directly related to transportation, infrastructure, dispatching. This will allow the company to focus on its core business with efficiency – ensuring stable and reliable passenger and cargo transportation.

I would like to thank all the employees of the company, without whom no achievements would be possible. I am proud of how quickly, due to your efforts and sacrifice, the company responded to the crisis. These were you, dear railway workers, who at this time of professional and economic challenges continued to ensure the operation of the country's transport system. You worked faithfully during the lockdown and the strengthening of quarantine restrictions: you delivered doctors, law enforcement officers and rescuers to work. You maintained

the good condition of the tracks, repaired locomotives and wagons, transported passengers and cargo. You were with the company when it was forced to switch to a reduced work week.

Due to your professional efforts, dedication to the profession and to the Company, Ukrzaliznytsia was able to avoid laying off employees during these hard times. And we will make every effort to keep Ukrzaliznytsia an attractive employer in the future. I am convinced that only together will we achieve success in the future!

Now I bring to your attention for the fourth consecutive time the Integrated Report of Ukrzaliznytsia JSC, prepared taking into account the best practices in the field of reporting and the requirements of domestic legislation. We consider transparency of business behaviour as one of the key elements of sustainable development and corporate social responsibility.

The report comprehensively and transparently highlighted the main results of the company's activities in 2020, disclosed not only operational and financial indicators, but also provided detailed information on personnel development, environmental protection, safe working conditions, corporate governance. The report reflects how the company creates value for all interested parties, how its activities affect the achievement of the goals of sustainable development of the society. After all, sustainable development, based on the principles of economic efficiency, environmental integrity and social protection, is a global trend.

Despite all the challenges, we continue to build a successful, transparent and sustainable business that works to develop the national economy and ensure the welfare of the country.

Shevki Adjuner

Chairman of the Supervisory Board
JSC "Ukrzaliznytsia"





JSC "UKRZALIZNYTSIA"
TODAY

Transport market overview



The level of development of the transport system is an important component of the state's economy and a sign of its technical progress. Stable and reliable operation of transport provides efficient service of domestic, export, import and transit transportation of goods and passengers. A modern and developed transport system creates the necessary environment to meet the needs of users in transportation services, as well as prerequisites for increasing

the country's competitiveness and national security.

In the process of integration of Ukraine's transport system into the European one, in particular in the framework of the implementation of world standards, a fundamental role is played by the extensive transport system, which is represented by a wide range of modes of transport in our country. Today, users can choose the most convenient logistical options for transportation, which include: rail network, roads, sea and river waterways, air routes. In addition, there are many routes of public passenger transport, bus stations, cargo customs terminals, pipeline networks.



Drive Ukraine 2030

The current state of the transport sector does not fully meet the requirements of effective implementation of Ukraine's European integration course and integration of the national transport network into the Trans-European one.

On the way to change, on May 30, 2018, the National Transport Strategy Drive Ukraine 2030 (hereinafter - the Strategy) was adopted. This is the main guideline outlining the development of the transport industry in the coming years. The strategy identifies the main directions of improving the quality of transport services, provides for the approximation of their level and infrastructure development to European standards.

To implement the Strategy, a "Action Plan for the Implementation of the National Transport Strategy of Ukraine" was developed within two years, which was approved by the Cabinet of Ministers of Ukraine on April 07, 2021 (hereinafter - the Action Plan). Document repeatedly was discussed with a wide range of participants, and also contains information on detailed steps for the implementation of all tasks, identified amounts of investment and sources of funding.

In particular, the Action Plan outlines projects for the development of transport infrastructure at both the regional and interstate levels. Their implementation is aimed at improving the safety, quality and accessibility of transport services; attracting innovative technologies and introducing benefits to support national producers, which were offered by relevant associations; improving the quality of transport services, their environmental friendliness and compliance with international standards; integration of the Ukrainian transport system into the European network, etc.

For each of the four main areas of the Strategy, a list of tasks, relevant stages of implementation, executors, deadlines and indicators have been identified.

Ukraine - transport hub

Ukraine has significant transit potential. This is facilitated by its geographical location at the intersection of roads between Western European and East Asian countries and the availability of appropriate infrastructure. The territory of the country stretches 169,643 km public roads. The operational length of the tracks of JSC "Ukrzaliznytsia" for 2020 is 19,811.5 km. There are 18 seaports and 12 port points in the Black Sea and Azov basins, as well as in the Danube Delta, and 1,562.6 thousand km of navigable waterways extend through the territory of Ukraine. There is a developed network of ferry services, sea container lines connecting Ukraine with partner countries in the Black Sea region.

A differentiated network of air services is also gaining capacity. From year to year, air transport is becoming increasingly popular, more accessible to both passengers and businesses. The network of pipelines for transportation of oil and oil products also copes with the set tasks.

Ukraine's railway network is one of the largest in Europe. Ukrainian railways directly border and interact with the railways of Belarus, Moldova, Poland, Russia, Romania, Slovakia, Hungary and provide interaction with 40 international railway crossings, as well as serve 13 Ukrainian seaports in the Black Sea-Azov basin.

Four Pan-European transport corridors pass through the territory of Ukraine:

- No. III Brussels - Aachen - Cologne - Dresden / Berlin - Wroclaw - Katowice - Krakow - Lviv - Kyiv;
- No. V Venice - Trieste / Koper - Ljubljana - Maribor - Budapest - Uzhhorod - Lviv - Kyiv;
- No. VII Danube (water): (Austria, Hungary, Yugoslavia, Bulgaria, Romania, Moldova, Ukraine);
- No. IX Helsinki - St. Petersburg - Kyiv - Chisinau - Bucharest - Dimitrovgrad - Alexandroupolis (has four branches, two of which relate to Ukraine: Odessa - Rozdilna

- Kyiv and Kyiv - Moscow)

Two EU freight railway corridors (RFC corridors) reach the border with the territory of Ukraine (Chop station) - No.6 ("Mediterranean"), which ends at Zahony station, and No.9 ("Rhine-Danube"), which ends at the stations of Chierna on the Tisza, Matovtse. Of the 13 corridors of the Railway Cooperation Organization network, 7 corridors pass through the territory of Ukraine: No. 3, 4, 5, 7, 8, 10 (TRACECA) and No. 12.

Ukrzaliznytsia - strong and reliable partner

Joint-Stock Company "Ukrainian Railways" - the national railway carrier of goods and passengers (hereinafter - the Company, the Company, JSC "Ukrzaliznytsia", Ukrzaliznytsia). The company was established in accordance with the Law of Ukraine "On the peculiarities of the establishment of a joint-stock company of public railway transport" and the resolution of the Cabinet of Ministers of Ukraine of June 25, 2014 No. 200 "On the establishment of a public joint-stock company" Ukrainian Railways".

The Company was formed as a joint-stock company, 100% of the shares of which are fixed in state ownership, on the basis of Ukrzaliznytsia, as well as enterprises, institutions and organizations of public railway transport, which were reorganized by merger. The Company is the legal successor of all rights and obligations of Ukrzaliznytsia and railway transport enterprises.

The purpose of the Company is to meet the needs of the state, legal entities and individuals in safe and high-quality rail transport in domestic and international traffic, efficient operation and development of railway transport, creating conditions for increasing the competitiveness of the transport sector.

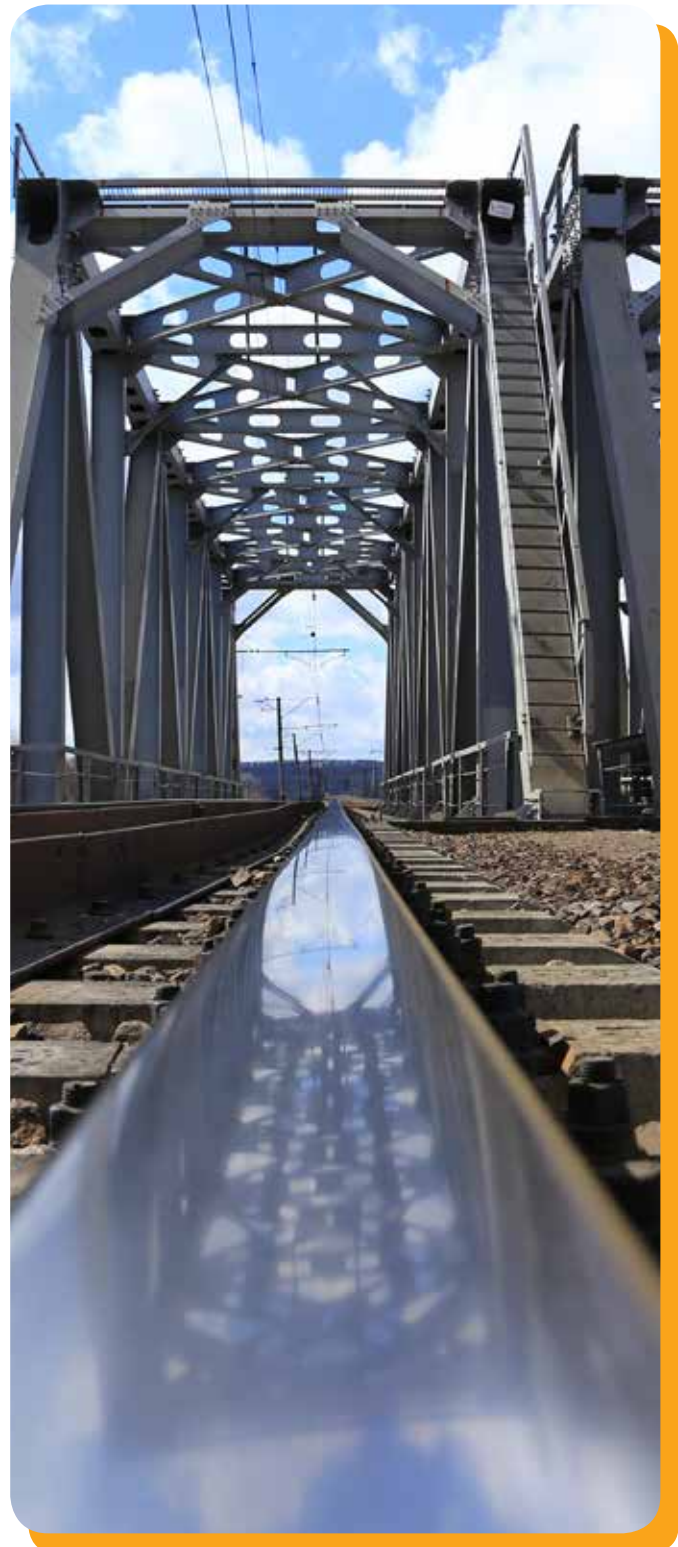
The main activities of JSC "Ukrainian Railways" are:

- provision of services for the carriage of passengers, cargo, including dangerous goods, luggage, cargo and mail by rail in domestic and international traffic;
- provision of services for access to railway transport infrastructure and other services related to the use of infrastructure facilities;
- design, construction, maintenance, operation, reconstruction, repair, modernization, technical re-equipment and other types of improvement of railway transport infrastructure facilities;
- construction activities, in particular the organization of construction of buildings; construction of residential and non-residential buildings; construction of communications; construction of buildings; specialized construction works;
- construction of railways and subways, etc.

JSC "Ukrzaliznytsia" is the undisputed leader in the transport and logistics market of Ukraine, where it provides the bulk of freight and passenger traffic, which is carried out by all modes of transport.

In terms of freight traffic, the Ukrainian railway ranks fourth on the Eurasian continent, second only to the railways of China, Russia and India. The presence of an extensive network of railways, which covers all regions of Ukraine, allows to transport a significant number of goods and passengers.

The importance of railway transport in the system of transport communications of Ukraine is enhanced by the fact that the main trans-European transport corridors run through the territory of the state: East - West, Baltic - Black Sea.



Freight transportation

According to the State Statistics Service of Ukraine¹, freight turnover by all modes of transport in 2020 amounted to 313.2 billion tons·km, or 88.2% of the volume of 2019. Falling cargo flows are also observed on water and pipeline modes of transport. The share of rail freight turnover in the total freight turnover in 2020 was 56% (72% without pipeline) - compared to last year, the share increased.

Freight turnover by types of transport, 2018-2020²

| Type of transport | Freight turnover, million t·km | | | % by 2019 | Share of transport types in total freight turnover, % | | |
|---|-----------------------------------|----------------|----------------|--------------|--|--------------|--------------|
| | 2018 | 2019 | 2020 | | 2018 | 2019 | 2020 |
| All transport types, in particular: | 361,355 | 355,009 | 313,239 | 88.2 | 100.0 | 100.0 | 100.0 |
| railway | 186,344.1 | 181,844.7 | 175,587.1 | 96.6 | 51.6 | 51.2 | 56.1 |
| motor ³ | 72,068.3 | 64,952.9 | 65,176.9 | 100.3 | 19.9 | 18.3 | 20.8 |
| water | 3,363.0 | 3,387.7 | 2,877.3 | 84.9 | 0.93 | 0.95 | 0.92 |
| pipeline | 99,239.9 | 104,528.1 | 69,281.8 | 66.3 | 27.5 | 29.4 | 22.1 |
| air | 339.7 | 295.6 | 316.2 | 107.0 | 0.09 | 0.08 | 0.1 |
| Reference: the share of rail transport excluding pipeline | | | | | 71.1 | 72.6 | 72 |

More information on freight transportation by rail - in the section "Our Business", section "Freight".

*1 Updated data for 17.05.2021 of the State Statistics Service of Ukraine (section Economic statistics / Economic activity / Transport on the web-site <http://www.ukrstat.gov.ua/>).

*2 The data are given without taking into account the temporarily occupied territory of the Autonomous Republic of Crimea, the city of Sevastopol and parts of the temporarily occupied territories in Donetsk and Luhansk regions.

*3 Taking into account the volume of cargo transportation to serve the needs of own production, taking into account the transportation of goods performed by natural persons-entrepreneurs.

Passenger transportation

According to the State Statistics Service of Ukraine⁴, for 2020 the passenger turnover on all types of transport amounted to 49,034.8 million passenger-km, or 45.8% of the volume of 2019. The share of passenger transportation by rail amounted to 10,696.2 million passenger-km (including transportation by city electric train), which is 21.8% of the total volume of passenger transport. Compared to the volume of passenger transportation by rail in 2019, this is 37.6%. The significant decline in passenger traffic in the reporting period is due to quarantine restrictions imposed due to the outbreak of acute respiratory illness COVID-19.

Passenger turnover by types of transport, 2018-2020⁵

| Type of transport | Passenger turnover, million passenger-km | | | % by 2019 | Share of transport types in total passenger turnover,% | | |
|--|---|----------------|-----------------|--------------|---|--------------|--------------|
| | 2018 | 2019 | 2020 | | 2018 | 2019 | 2020 |
| All transport types, in particular: | 104,446 | 107,175 | 49,034.8 | 45.8 | 100.0 | 100.0 | 100.0 |
| railway ⁶ | 28,685.2 | 28,413.5 | 10,696.2 | 37.6 | 27.5 | 26.5 | 21.8 |
| motor ⁷ | 34,560.3 | 33,879.9 | 19,092.2 | 56.4 | 33.1 | 31.6 | 38.9 |
| water | 27.6 | 25.8 | 4.0 | 15.5 | 0.0 | 0.0 | 0.0 |
| air | 25,889.3 | 30,241.8 | 10,106.9 | 33.4 | 24.8 | 28.2 | 20.6 |
| tram | 3,925.4 | 3,729.2 | 2,541.0 | 68.1 | 3.8 | 3.5 | 5.2 |
| trolleybus | 5,804.8 | 5,407.0 | 3,452.9 | 63.9 | 5.6 | 5.0 | 7.0 |
| subway | 5,553.4 | 5,477.8 | 3,141.6 | 57.4 | 5.3 | 5.1 | 6.4 |

More information on passenger transportation by rail - in the section "Our Business", section "Passenger Transportation".

*4 Updated data for 17.05.2021 of the State Statistics Service of Ukraine (section Economic statistics / Economic activity / Transport on the website <http://www.ukrstat.gov.ua/>).

*5 The data are given without taking into account the temporarily occupied territory of the Autonomous Republic of Crimea, the city of Sevastopol and parts of the temporarily occupied territories in Donetsk and Luhansk regions.

*6 Taking into account transportation by city electric train.

*7 Taking into account the transportation of passengers by small businesses - legal entities and individuals.

The most important events in the activities of JSC "Ukrzaliznytsia" for 2020

January

- According to the results of 2019, Ukrzaliznytsia became a leader in the field of corporate governance among Ukrainian companies according to the professional Sustainable Ukraine corporate sustainability rating. The company entered the top 10 in the overall ranking of corporate stability with a fairly high rate (BBB).
- JSC "Ukrzaliznytsia" and the All-Ukrainian Integrity and Compliance Network (UNIC) have signed a memorandum of partnership. Its goal is cooperation aimed at promoting the idea of ethical and responsible business conduct, enhancing transparency, fighting corruption and abuse.
- JSC "Ukrzaliznytsia" and China Railway Construction Corp. Ltd signed a memorandum of understanding. The purpose of the memorandum is cooperation in the development of Ukraine's railway infrastructure and the development of railway transportation between the countries.
- Ukrzaliznytsia together with the European Bank for Reconstruction and Development and the European Investment Bank has announced a tender for the purchase of works under the project "Electrification of the railway line Dolynska - Mykolaiv - Kolosivka", which is part of the TEN-T network.
- Ukrzaliznytsia timely paid a coupon on Eurobonds in the amount of about USD 24 million with a maturity in 2024.

February

- Ukrzaliznytsia has opened waiting rooms for JFO servicemen at Ivano-Frankivsk and Khmelnytskyi railway stations.
- Ukrzaliznytsia supported the digitalization of state-citizen relations and the launch of the "Diia" project. Users of the "Diia"

application can now present an electronic certificate in the application when boarding the train.

- Ukrzaliznytsia has developed an operational action plan to prevent the spread of COVID-19.

March

- In pursuance of the order of the Cabinet of Ministers of Ukraine No. 288-p, the Company temporarily suspended international passenger traffic in connection with the COVID-19 pandemic on March 17. On March 18, in pursuance of the Resolution of the Cabinet of Ministers of Ukraine No. 215, the transportation of passengers by rail in all types of domestic communication (suburban, urban, regional and long-distance) was temporarily suspended.
- As part of the pilot project, Ukrzaliznytsia, together with the National Police of Ukraine, launched escort of passenger trains by police officers. This project is part of an action plan to improve passenger safety at trains and stations.
- Ukrzaliznytsia timely and fully repaid the next part of Eurobonds in the amount of 10% of the initial outstanding principal amount of the debt - USD 50 million, and paid another coupon income for them in the amount of about USD 10 million.
- On March 20, five "Intercity+" trains on the Przemyśl – Kyiv route evacuated Ukrainian citizens from Poland and the Czech Republic who, due to restrictive measures due to quarantine, were unable to cross the border on their own. Ukrzaliznytsia also scheduled a train flight No. 31/32 Kyiv - Minsk - Riga - Vilnius for March 21 to return citizens of Ukraine, Belarus, Lithuania and Latvia to their countries.
- In March, the Company began free transportation of medical staff, employees of the National Police and the State

Emergency Service of Ukraine to workplaces by their official trains.

April

- JSC "Ukrzaliznytsia" together with Anlimtek LLC, one of the largest rapid prototyping and R&D laboratories in the country, signed a Memorandum of Cooperation.
- The Company has become a leader in competitiveness and revenue among state-owned companies that use the electronic system Prozorro. Sales since the start of site operation.
- The management of JSC "Ukrzaliznytsia" held a conference call with leading investors and analysts of the international capital market. The results of the Company's activities for 2019 and the main tasks and development priorities for 2020 were presented. In total, about 40 investors took part in the event.

May

- Ukrzaliznytsia resumed operation of railway ticket offices at railway stations.
- The Board of the Company decided to establish a separate branch on July 01, 2020 - "Station Company". Its main goal is to make stations efficient and bring them to a break-even level.

June

- Ukrzaliznytsia received the first container train from China, which arrived at Kyiv-Lysky station on June 08.
- The Company has published the text of a new contract for the carriage of goods, which comes into force on July 01, 2020. The new agreement was prepared in close cooperation with business representatives and their associations involved in public authorities.
- The Company completed the reconstruction of the Vydubychi bus stop and created a transport hub on its base.

July

- One of the leading international rating agencies Standard & Poor's

upgraded the long-term credit rating of JSC "Ukrzaliznytsia" from "CCC" to "B" level.

- The Company resumed traffic on about half of the quarantine passenger trains.
- Ukrzaliznytsia has successfully completed a debt rescheduling agreement worth about USD 200 million.
- The Company signed a memorandum with the German company HHLA International GmbH, its subsidiary "Container Terminal "Odessa" and "Ukrainian Intermodal Company" LLC. Its goal is to develop new logistics products for customers. In particular, intermodal transportation within Ukraine and in connection with the countries of Eastern Europe and the Baltics.

August

- Ukrzaliznytsia has developed a comprehensive program to improve the safety of passenger trains in order to eradicate criminogenic acts, illegal actions and violations during the carriage of passengers.
- A pilot project for the protection of passenger trains in motion by paramilitary guards of JSC "Ukrzaliznytsia" has been launched.

September

- Ukrzaliznytsia has launched a special train for the GOGOLFEST festival in Kherson. This is a unique example of how the railway combines with contemporary Ukrainian art.
- The Company together with Transparency International Ukraine has launched a project to visualize procurement data online. This will allow anyone to get the necessary information directly on the Company's website.
- Ukrzaliznytsia has signed memoranda of cooperation with Visa and Mastercard. Within the framework of cooperation it is planned to implement a number of innovative projects: a mobile application for passengers with the latest services for payment and security, the ability to pay for travel by contactless card and other

electronic media, including suburban services, and expanding e-tickets to all services.

October

- Ukrzaliznytsia and the leading international payment system Visa have launched three pilot infrastructure projects on the railway.
- The Company held a conference call with leading investors and analysts of the international capital market. The results of the Company's activity for 6 months of 2020 were presented and the main tasks and priorities for the future were announced. In total, more than 30 investors took part in the event.
- On October 30, Volodymyr Zhmak, Chairman of the Board of JSC "Ukrzaliznytsia", and Artem Sytnyk, Director of the National Anti-Corruption Bureau of Ukraine, signed a memorandum on cooperation and exchange of information between the parties.

November

- For the first time during the existence of JSC "Ukrzaliznytsia", the Company conducted a survey of its reputation as an employer according to the RepTrak methodology, which took place in the form of an anonymous employee survey. About 4.5 thousand railway workers were represented in the survey, representing various branches and regional branches of the Company, all categories of positions and various geographical regions of the Company's presence.
- The Legal Department of JSC "Ukrzaliznytsia" won the nomination "Best Legal Department of the Company in the field of transport and logistics" in the annual independent survey "50 leading legal departments of Ukraine", conducted by the newspaper "Legal Practice".
- A photo exhibition "Faces of Ukrzaliznytsia" was opened for the Railwayman's Day at the Kyiv-Pasazhyrskyi station competition. The project aims to introduce people to railway heroes and tell about their difficult but

crucial work.

- The Chairman of the Board of the Company Volodymyr Zhmak met with the Ambassador Extraordinary and Plenipotentiary of Switzerland to Ukraine Claude Wild and representatives of the Swiss company Schwihaag AG - a manufacturer of systems for superstructure.
- Ukrzaliznytsia has opened a dormitory for the families of railway workers in Donetsk region.
- JSC "Ukrzaliznytsia", Lisky Transport Service Center and DHL Global Forwarding signed a Memorandum of Understanding and Cooperation. Ukrzaliznytsia and DHL Global Forwarding will develop China-Europe container rail transportation and plan to introduce new international routes.

December

- Ukrzaliznytsia has signed the first agreement to participate in a private traction project as part of a government pilot project to allow private locomotives to operate on separate routes on public railways.
- The Company creates a separate business vertical of freight transportation, using the experience of developed countries.
- The Company began to create modern traffic control centers. The first such center started operating in Kharkiv. Its work is based on European best practices.
- The Law "On the State Budget of Ukraine for 2021" was adopted, which takes into account the proposals of Ukrzaliznytsia and for the first time provides funding for important projects to upgrade passenger railway rolling stock and infrastructure.



ГЕЗЗАС-2013



OUR
BUSINESS

Implementation of the Strategy of JSC "Ukrzaliznytsia"

3 GOOD HEALTH AND WELL-BEING



4 QUALITY EDUCATION



8 DECENT WORK AND ECONOMIC GROWTH



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



10 REDUCED INEQUALITIES



11 SUSTAINABLE CITIES AND COMMUNITIES



16 PEACE, JUSTICE AND STRONG INSTITUTIONS



The strategy of JSC "Ukrzaliznytsia" for 2019-2023 (hereinafter - the Strategy) defines the strategic goals, priorities and activities of the joint-stock company "Ukrainian Railways", as well as the vision for their implementation for a five-year period. The strategy was approved by the order of the Cabinet of Ministers of Ukraine and approved by the Supervisory Board of JSC "Ukrzaliznytsia".

The purpose of adopting the Strategy is to define the overall corporate goals of the Company, which will be understood and accepted by stakeholders, to concentrate efforts to achieve them through the implementation of strategic initiatives. During the development of the Strategy, a balanced and compromise approach was used to set goals to take into account the interests of the Company and the main stakeholders: the state, customers, investors and employees of the Company, as well as the Government's strategic documents.

The Company's strategy is aimed at achieving the following main goals:

- meeting the needs of Ukraine in railway transportation and logistics in accordance with the plans of economic development of the country and population mobility;
- achieving and maintaining a strong financial position of the Company, in particular by

intensifying the necessary investments in the main activities of Ukrzaliznytsia;

- ensuring the safety of railway transport for customers, employees and third parties;
- increasing the attractiveness of the Company for consumers and employees;
- introduction of modern and effective management practices and principles;
- increase transparency and compliance with the law in order to eliminate corruption and abuse.

In 2020, the functions of ensuring the implementation and monitoring of the implementation of the strategic development plan of the Company were assigned to the Department of Strategic Development and Planning. Due to the need to combine the functions of strategic planning, implementation and monitoring of the Strategy of JSC "Ukrzaliznytsia" with the functions of transformation and management of project activities, it was decided to establish a Department of Strategy and Transformation on the basis of the Department of Strategic Development and Planning and Project Office.



Separation of business verticals of the Company

To achieve the strategic goals of the Company it is necessary to carry out a number of structural changes. One of the strategic initiatives of JSC "Ukrzaliznytsia" in this area is the reorganization of the Company from the regional structure into business segments (unbundling). The allocation of individual business verticals will allow the Company to attract finance to upgrade rolling stock and improve service. The organizational separation of business verticals is planned to be completed in 2022.

Freight transportation

One of the main initiatives of this vertical is the separation of the freight carrier in accordance with the requirements of EU Directives and Regulations, which provide for the distribution of infrastructure and transportation services and the opening of the rail market, as such services are linked organizationally and financially.

Currently, work is underway to establish a branch of Cargo Carrier UZ Cargo. After the establishment, the necessary assets of the Company will be transferred to the branch, which will ensure the reliable operation of the cargo carrier.

Passenger transportation

On the basis of the Passenger Company branch, the formation of a passenger carrier is underway, which will provide long-distance passenger transportation services.

The Board of the Company in 2020 decided to reorganize the structure of the passenger transport economy and updated the organizational structure of the branch "Passenger Company", which will include production units:

- "Speed depot",
- "Locomotive depot West",
- "Locomotive depot South",

- "Diesel depot".

It was decided to transfer from the balance of regional branches of JSC "Ukrzaliznytsia" to the balance of the branch "Passenger Company" two locomotive and one electric locomotive depot, as well as traction rolling stock used in passenger traffic.

The allocation of the passenger transport vertical depends to a large extent on state policy, as passenger tariffs are currently unprofitable and covered by freight revenues, which is contrary to EU Directives and Regulations in the field of rail transport. Therefore, the passenger carrier in the segment of socially important transport should receive full compensation of losses from central or local authorities in accordance with the agreements for the provision of services for socially important transportations.

Thus, for the full functioning of the passenger carrier, one of the main issues is not only its separation, but also the formation of a system of agreements for the provision of socially important transportations.





9 INDUSTRY, INNOVATION
AND INFRASTRUCTURE



A pilot project to modernize regional passenger services is currently being implemented, including the introduction of contracts for socially important passenger services in Dnipropetrovsk and Zaporizhzhia regions. The project is implemented within the framework of technical assistance from the European Investment Bank.

In 2020, the first and second stages of this project were completed, containing:

- feasibility study;
- demand for services research;
- description of the fare system;
- organizational and legal model of the project (assessment of stakeholders' readiness and action plan for reforms, development of a review of readiness to differentiate between railway infrastructure operator and passenger suburban transport operator, development of a draft agreement on provision of socially important passenger transportation services by rail, etc.).

Infrastructure

In order to centralize the function of traffic management and increase the efficiency of the organization of the transportation process, the Main Traffic Management Center was established. Stages of reorganization:

- At the first stage of reorganization, regional traffic control centers (hereinafter - RCMS) and their districts were created on the basis of transportation services of the Company's regional branches on the basis of transportation departments of railway transportation directorates by their consolidation.
- At the second stage, the districts that were part of the railway transport directorates were added to the RTCC of regional branches; the powers of the transportation services of regional branches and their subdivisions are transferred to the RTCC.
- Currently, the third stage of reorganization has begun, which involves the unification of regional centers.

The transfer of the Company's assets to the branch of Vokzalna Company, which will be part of the business infrastructure in the future, is also continuing due to the need to differentiate infrastructure and transportation services in accordance with EU Directives and Regulations.

Production and service

The main reorganization initiatives in this vertical are transformational transformations related to the transfer of assets of wagon and locomotive facilities to freight and passenger carriers, as well as the formation of a business vertical that will specialize in major repairs and modernization of rolling stock.

To implement these initiatives, the division of repair and maintenance components of the car industry into car depots has been completed.

The Supervisory Board of JSC "Ukrzaliznytsia" has approved an organizational structure that provides for the establishment of a branch for the repair and construction of cars, to which the relevant assets of the car industry will be transferred.

As part of the restructuring of the locomotive industry, the Board of the Company in 2020 developed and approved the Concept of restructuring of the locomotive industry of JSC "Ukrzaliznytsia" for 2020-2023 (hereinafter - the Concept), which provides for the restructuring of locomotive depots.

Corporate center

In 2020, measures were taken to centralize corporate functions:

- **Legal functions.**

New unified organizational structures of legal services of the Company's regional branches have been introduced, legal support has been centralized at the level of the management staff and several branches, and the number of legal staff has been optimized.

- **HR functions.**

Preparatory and organizational measures were taken to centralize the functions and open two joint Centers for Personnel Management, audit and reengineering of business processes of the personnel management function at the level of the management staff.

- **Treasury functions.**

Measures are being taken to implement a single automated treasury system, work is underway to centralize treasury functions (current accounts of production units are closed, except for units that are objects of the social sphere, payments of two regional branches and eleven branches of the Company are transferred to the Unified Payment Center).

- **Accounting and tax accounting.**

The centralization of accounting at the level of branch services of regional branches and affiliates is underway, which, according to the schedule, is planned to be completed by the end of 2021.

Non-core assets

In 2020, work was carried out to create a list of non-core assets of the Company and its content. The Methodology for classification, selection of the method of disposal and ranking of non-core and surplus assets of JSC "Ukrzaliznytsia" was developed, approved and put into effect, as well as a permanent Commission on non-core assets of JSC "Ukrzaliznytsia" (hereinafter - the

Commission) was established.

To ensure the work of the Commission, as well as the Company's activities on the definition and disposal of non-core and surplus assets, a new subdivision "Non-core Asset Management Division" was created, which is part of the Department of Property Policy.

Also in 2020, a branch of the "Health and Recreation Center" was established (selected and agreed management, prepared a package of documents on legal status, allocated premises, carried out work in accordance with the approved business plan).



Implementation of separate strategic initiatives

The Company's strategy provides for the implementation of a number of strategic initiatives, including the establishment of reasonable tariffs, customer orientation, introduction of the Security Management System, introduction of the Public-Private Partnership and programs financed from the state budget, fight against corruption and others. In 2020, significant progress was made in implementing the following strategic initiatives of Ukrzaliznytsia.

Establishment of reasonable tariffs

The main measures to implement this initiative in 2020 were aimed at revising state-regulated tariffs and free prices (tariffs).

- **In the segment of state-regulated prices** the Company cooperated with the Ministry of Infrastructure of Ukraine on:
- Convergence of tariff classes for cargo transportation. Transfer of the vast majority of cargoes of tariff class 1 to tariff class 2 (except for porous aggregates, ammonia water, salts of oxygen-free acids, gases, except energy, which are highly profitable) and reduction to the cost of tariffs for low-cost extracurricular group of goods.
- Unification of tariffs for transportation of empty cars. Bringing the coefficients from unloading of goods of different tariff classes to a single coefficient at the level of the current coefficient from unloading of goods of tariff class 2 at the first stage and reducing the cost of transportation of empty cars at the second stage.

Unfortunately, both initiatives were not implemented.

- **In the segment of setting free prices (tariffs) for the Company's services** in 2020, there was a significant decline in the share of the Company's freight cars in total traffic. In this regard, the Company has introduced market mechanisms for setting prices for the use

of cars depending on the share of their use. Relevant measures allowed to increase the volume of traffic in Ukrzaliznytsia cars.

Customer orientation and development of the list of services in the main activity

Traditionally, rail transport in Ukraine has been a monopoly that expected customers (both freight and passenger) to find ways to interact with the railways themselves to obtain services. One of the key goals of the reform is to change the Company's mentality to customer-oriented. The following measures were taken in the direction of passenger traffic in 2020:

- **Pilot project on the introduction of a single electronic ticket**

In 2020, JSC "Ukrzaliznytsia" together with the Ministry of Infrastructure of Ukraine carried out work on the implementation of this project in the field of railway, aviation and urban transport.

- **Creating a modern chatbot**

Work has begun on creating a chatbot, thanks to which passengers can order tickets for Intercity+ high-speed trains and meals during the trip, learn information about the schedule, return of purchased tickets, arrival, late train, track number and more. The project was implemented in 2021.

- **Improving communications with passengers**

In the contact center of JSC "Ukrzaliznytsia" in an updated format, the hotline "Quality and Service", which allows you to quickly respond to requests from citizens (calls and private messages on the social network Facebook).

- **Inclusiveness**

In order to improve the quality of service for people with physical disabilities and limited mobility, work is underway to equip railway stations, stations and stopping points with

lifting platforms (mechanisms) for boarding / disembarking people with disabilities, tactile, visual and other accessibility elements.

The technology of registration of preferential travel documents through the official website of the Company with online validation of documents entitling to the privilege (with the interaction of information resources of JSC "Ukrzaliznytsia" and the Ministry of Social Policy) has been introduced.

A training program has been developed to help people with disabilities during passenger transportation. In December 2020, internal trainers were trained who will provide training for service personnel.



8 DECENT WORK AND ECONOMIC GROWTH



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



11 SUSTAINABLE CITIES AND COMMUNITIES



Ukrzaliznytsia plans to develop new logistics products for customers.

In particular, intermodal transportation within Ukraine and in connection with the countries of Eastern Europe and the Baltics. The relevant memorandum was signed on July 30, 2020 with the German company HHLA International GmbH, its subsidiary Container Terminal "Odessa" and the newly established LLC "Ukrainian Intermodal Company".

"Our common goal is to offer customers a new high-quality and fast model of cargo transportation. To do this, Ukrzaliznytsia and its partners need to invest

in the development of Ukraine's infrastructure and introduce intermodal transportation services that meet modern customer requirements", said Acting Chairman of the Board of JSC "Ukrzaliznytsia" Ivan Yuryk.

In particular, we are talking about improving the capacity of the Odessa-Port railway station and the development of the railway infrastructure of the Odessa seaport.

"In addition, together we must bring the tariff system in line with best international practice and ensure a more efficient distribution of operational and commercial risks", said Ivan Yuryk.

The memorandum also provides, if necessary, for communication with the authorities, international organizations, including financial, interested in the development of railway infrastructure.

Introduction of Security Management System

JSC "Ukrzaliznytsia" aims to close the gap between its achievements in railway safety and HSE (Health, safety and environment - health, safety and environment) and the achievements of partners in the European Union in accordance with generally accepted safety indicators of the European Railway

Agency (ERA).

To establish the procedure for conducting an investigation, registration of materials for the official investigation of traffic accidents in the Company, STP 07-005:2019 "Procedure for the official investigation of traffic accidents" was put into effect.

The relevant STP complies with the Regulation on the classification of accidents

on rail transport, developed in accordance with the norms and standards set out in Directive 2004/49/EU of the European Parliament and of the Council of 29.04.2014 "On railway safety in the Community amending Council Directive 95/18/EU on the licensing of railway undertakings and Directive 2001/14/EU on the allocation of railway infrastructure capacity and the levying of charges for the use of railway infrastructure and on safety certification" (Directive on railway safety) of 29 April 2004⁸.

Introduction of Public-Private Partnerships and programs financed from the state budget

Most of Ukrzaliznytsia's capital investments are made with its own funds, a smaller part is financed using the leasing mechanism or by raising funds. At the same time, international experience shows that the railway cannot rely only on its own resources.

Within the framework of the Public-Private Partnership, a pilot project on the concession of station complexes is being introduced. Thus, in September 2020, at the initiative of the Company and the Ministry of Infrastructure of Ukraine, with the support of international financial institutions and in accordance with the methodology of the Global Infrastructure Fund, the readiness of railway station concession projects was assessed in Kyiv, Kharkiv, Dnipro, Mykolaiv, Vinnytsia, Khmelnytskyi and Chop.

More details - in the section "Investment activities".

Fight corruption by increasing transparency

Corruption is one of the limiting factors of the Company's development and can be a significant complication in the implementation of strategic initiatives. Only strict control over

the processes and their transparency can eliminate corruption risks.

More details on measures aimed at building and improving the anti-corruption system can be found in the section "Corporate Governance", subsection "Anti-Corruption Policy".

Plans for 2021 and a medium-term perspective on the implementation of the Company's Strategy

In 2021 JSC "Ukrzaliznytsia" will continue with structural reforms and training activities Companies before unbundling (division of the Company into 4 functional verticals) and launch of a competitive railway transportation market, namely:

- reorganization and separation of freight and passenger carriers;
- transfer of functions and assets of locomotive and wagon facilities to the relevant verticals;
- centralization of infrastructure functions;
- reorganization of the vertical of production and service with the creation of appropriate branches;
- development of procedures for the interaction of verticals in the field of transportation (traction services), repair and maintenance of traction rolling stock;
- development of normative documents, in particular the Procedure for equal access to the infrastructure of public railway transport, in accordance with the requirements of the legislation of Ukraine and the EU;
- other measures for the implementation of the Strategy.

⁸ This document has been drawn up taking into account the Treaty establishing the European Community, and in particular Art. 71 (1).

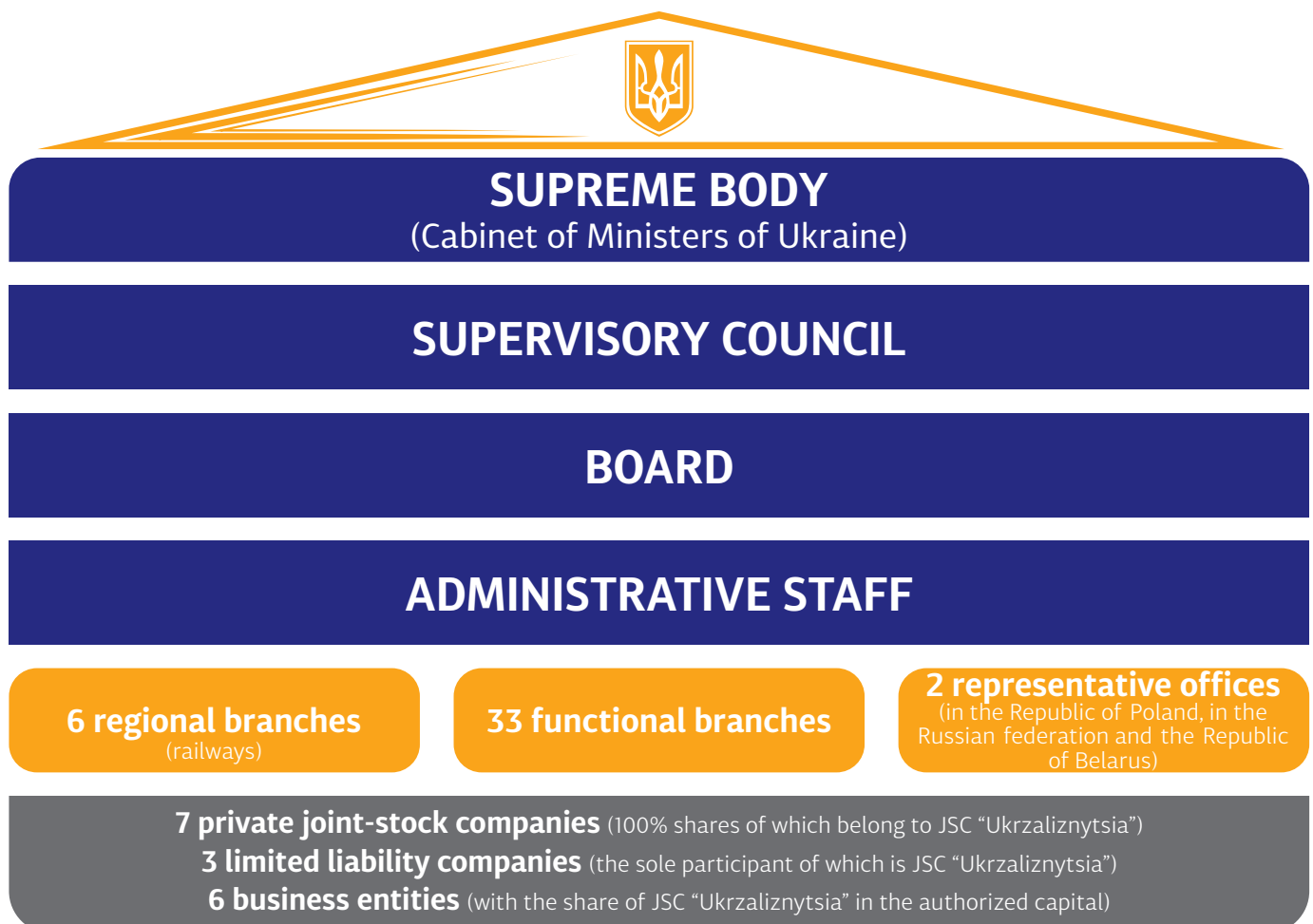
Changes in the organizational structure of Ukrzaliznytsia

Organizational development of JSC "Ukrzaliznytsia" is aimed at ensuring the effective functioning of the Company in terms of reorganization through the formation of a balanced organizational structure and optimal management system. The main tasks in the field of organizational development of the Company:

- ensuring the process of structural transformations of Ukrzaliznytsia from a regional structure into business segments;
- improvement and unification of organizational and functional structures;
- design and optimization of business processes of the Company;
- determination of functions, tasks, powers of structural subdivisions of the Company's management staff, separate subdivisions, directors of functional areas.

In 2020, in accordance with the requirements of the Charter of JSC "Ukrzaliznytsia", the decision of the Supervisory Board of 7-9.10.2020 approved on 23.09.2020 by the Board of the Company organizational structure of JSC "Ukrzaliznytsia"

Management structure of "Ukrainian Railway" Joint-Stock Company (as of December 31, 2020)



As a result of the introduction of the organizational structure of JSC "Ukrzaliznytsia", the number of positions of functional directors and structural subdivisions of the Company's management staff is expected to decrease, as well as the organizational structures of the Company's management staff are optimized by 30%. All measures are implemented to implement the Personnel Development Strategy of JSC "Ukrzaliznytsia" for 2019-2023.

More about the Personnel Development Strategy in the section "Our employees and the country".

Separate divisions created in 2020

JSC "Ukrzaliznytsia" consists of management staff, separate divisions (regional branches, affiliates, representative offices) and is a member of other legal entities, namely: seven private joint stock companies, 100% of the shares of which are owned by JSC "Ukrzaliznytsia", three limited liability companies, the only participant of which is JSC "Ukrzaliznytsia", six companies with a share of JSC "Ukrzaliznytsia" in the authorized capital.

As of December 31, 2020, Ukrzaliznytsia has 41 separate divisions, namely: 39 branches (based on the property complexes of railway transport enterprises), of which 6 are regional railway branches and 33 are functional branches, as well as 2 representative offices: in the Republic of Poland and in the Russian Federation and the Republic of Belarus.

During 2020, in accordance with the Strategy and in order to implement the Action Plan for the reform of railway transport, approved by the order of the Cabinet of Ministers of Ukraine dated December 27, 2019, Separate subdivisions of JSC "Ukrzaliznytsia"

were created:

- **Branch "Station Company" of JSC "Ukrzaliznytsia"**

The subject of activity of the branch "Station Company" is the provision of services for the carriage of passengers, luggage, cargo and mail by rail in domestic and international traffic; performance of works and provision of passenger service at railway stations; trade in food, beverages, tobacco products and household goods and alcoholic beverages; conducting trade activities, including commission, trade-brokerage and trade-purchasing; retail trade in non-specialized stores.

- **Branch "Expert and Technical Center" of JSC "Ukrzaliznytsia"**

The subject of activity of the branch is performance of works and rendering of services on technical diagnostics (expert inspection) and technical inspection of the equipment of the increased danger (cranes, vessels working under pressure, boiler units); expert inspection of electrical installations that have served the standard service life; thermal tests and inspections of boiler equipment; certification of specialists, performance of works and provision of services for technical testing and research of factors of the production environment.

- **Branch "Health and recreation center" JSC "Ukrzaliznytsia"**

The subject of the branch's activity is to satisfy the needs of employees, members of their families, pensioners of the Company, legal entities and individuals in receiving quality social services: sports, sanatorium treatment, health and recreation, works and services performed and provided by the branch; ensuring the effective functioning and development of institutions.

Important projects in the field of organizational development of the Company

Important projects in the field of organizational development of the Company are the implementation of the organizational structure of JSC "Ukrzaliznytsia" and the development of a model of transformation of the HR function.

• Development, approval and implementation of the organizational structure of JSC "Ukrzaliznytsia"

The approved organizational structure of JSC "Ukrzaliznytsia" is the first step in the reorganization of the Company from a regional structure into business segments. The criteria underlying the development of the organizational structure correspond to the target model of the railway market, namely:

- construction of the holding structure of the Company;
- formation of a competitive transportation market and fulfillment of the requirements of the Association Agreement with the EU;
- elimination of duplicate functions;
- compliance with the best international experience of corporate governance;
- separation of financial flows and ensuring the profitability of key economic activities.

The implementation of the organizational structure of the Company during 2020-2021 is in accordance with the Action Plan for Railway Transport Reform and the Strategy.

• Development of a model for the transformation of the HR function

In 2020, in accordance with the Strategy and construction of a vertically integrated holding structure of the Company, the following measures were taken:

- formed and described a general register of business processes for personnel management of JSC "Ukrzaliznytsia" with cascading at the management level (from the management staff to the production unit);

- developed and approved the Concept for the establishment of Personnel Management Centers (PMCs) for the implementation of centralized operational administration of the main functions of personnel management;
- developed and agreed on unified business processes of PMCs;
- a pilot PMC was opened on the basis of the Station Company branch, which achieved:
 - increasing the productivity of personnel management specialists;
 - optimization of the number of personnel management employees;
 - savings in the salary fund of personnel management employees;
 - revision of the norms of the number of employees in the field of accounting of the branch "Station Company" and bringing them to the level of intersectoral norms.

More about the transformation of the HR function - in the section "Our employees and the country".



Plans for 2021 and a medium-term perspective in the field of organizational development of the Company

1. Ensuring structural reforms in the framework of the reorganization of JSC "Ukrzaliznytsia" and the construction of the target structure of the Company, which will include:

- corporate center that will formulate vertical policies and monitor compliance with them, as well as provide corporate services;
- vertical of freight transportation and logistics, which will sell the relevant services;
- vertical passenger transportation, which will organize the sale of passenger transportation services;
- vertical of the infrastructure that will maintain and maintain the railway infrastructure, will ensure the sale of services for access to public railway infrastructure;
- vertical production and service that will meet the needs of the Company in the restoration of fixed assets;
- organizational structure for the management of non-core assets, which will provide social services to employees of the Company and streamline non-core assets.

2. Optimization of organizational structures of JSC "Ukrzaliznytsia" divisions, which provides:

- bringing structures in line with the requirements of the Procedure design and approval of organizational structures in JSC "Ukrzaliznytsia" taking into account the structural changes taking place in the Company;
- development and implementation of unified organizational structures of units in order to ensure their compliance with the vertically integrated management system;
- delimitation of areas of responsibility and division of powers, reduction of levels of government and staff.

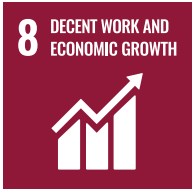
3. Introduction of a process approach to the management of Ukrzaliznytsia, which will be implemented in order to:

- description and regulation of the existing business processes of the Company for the possibility of their further automation and planning of organizational changes;
- optimization of business processes aimed at improving, identifying reserves and reducing unproductive costs of resources of JSC "Ukrzaliznytsia".



Corporative management

Company corporate governance system



Quality corporate governance is a key factor in the successful implementation of the Company's Strategy. JSC "Ukrzaliznytsia" has a well-established corporate governance system aimed at the effective operation of the Company, achieving a balance of interests of all stakeholders, risk management and sustainable development. In 2020, the Company continued to improve its corporate governance system, focusing on the world's best practices.

Corporate governance of the Company is carried out in accordance with the Charter of the joint - stock company "Ukrainian Railways" (hereinafter - Charter), which

is posted in the public domain at the link: <https://zakon.rada.gov.ua/rada/show/735-2015-%D0%BF#n2>.

In improving the corporate governance system, the Company is guided by the Corporate Governance Action Plan (CGAP). This plan was approved by the Government in order to create a modern and effective model of Ukrzaliznytsia management. It sets generally accepted standards of corporate governance, which is one of the main indicators of the Company's efficiency for investors. The Company regularly reports to the Cabinet of Ministers of Ukraine on the implementation of the CGAP.

In 2019, the Draft Corporate Governance Code was developed, what according to CGAP was approved by the Supervisory Board of JSC "Ukrzaliznytsia". In December 2020, after receiving and processing the comments of the Ministry of Infrastructure, the amended draft of this Code, as amended, was re-approved

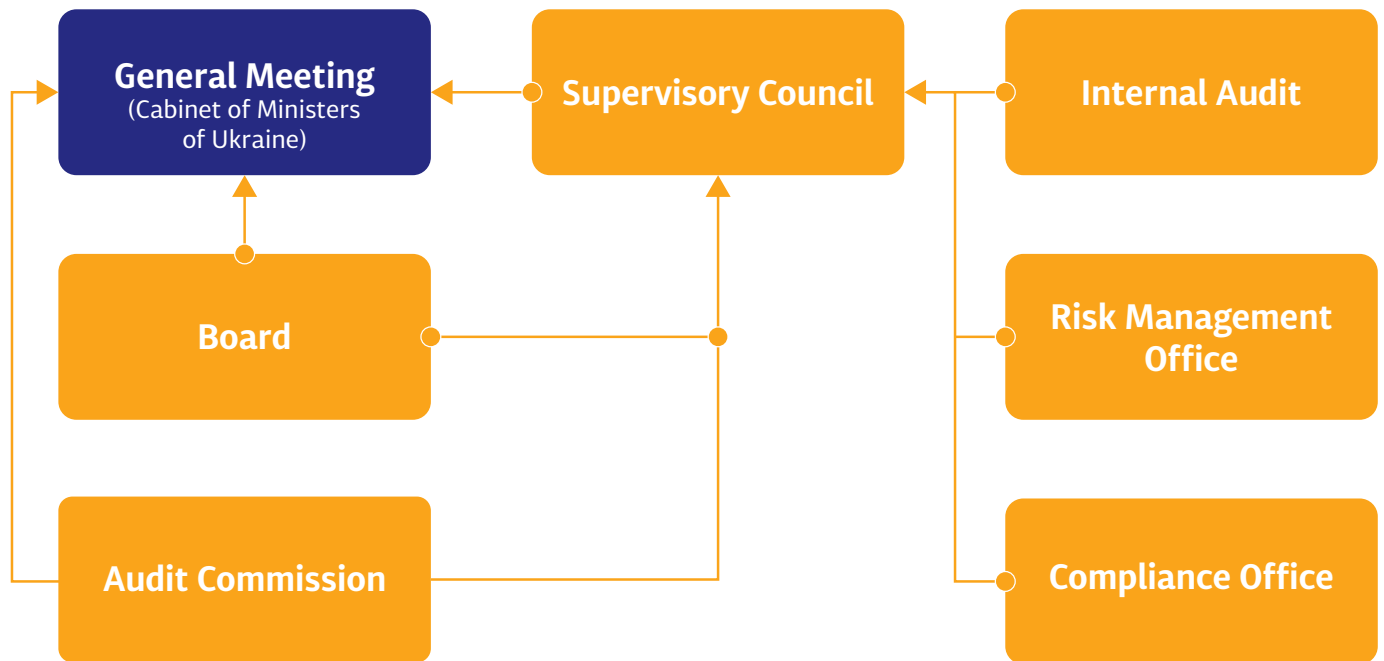
by the Supervisory Board and sent for final approval by the Cabinet of Ministers of Ukraine.

Key achievements of the Company in 2020 in the field of corporate governance:

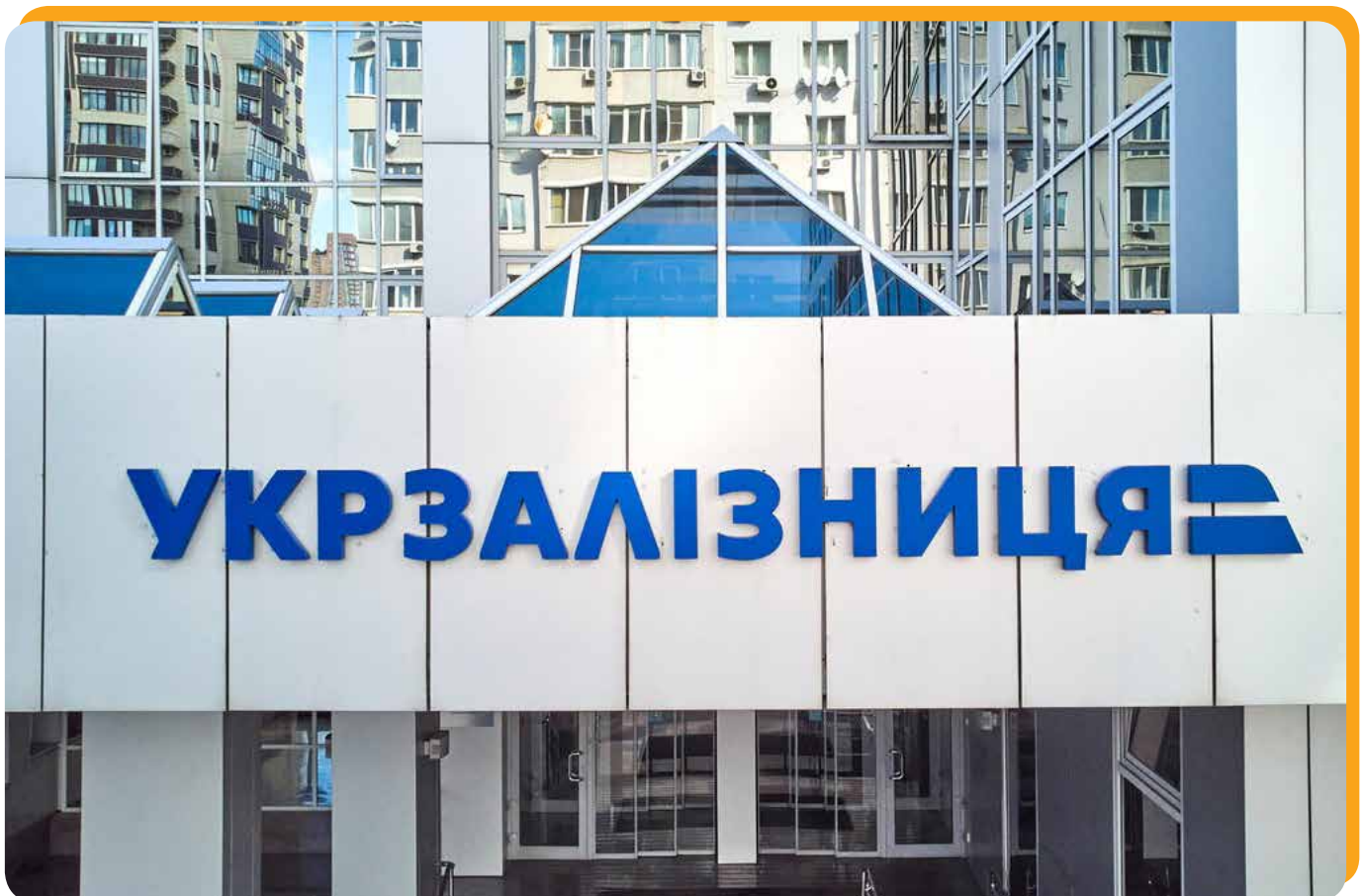
- a new head of risk management has been appointed;
- approved regulations on the risk management unit;
- the draft Corporate Governance Code has been finalized;
- the implementation of constant monitoring of the implementation of the Company's Strategy was introduced;
- developed and approved by the Board proposals to amend the Charter of the Company;
- the Policy on Prevention and Counteraction to Corruption is evaluated on an ongoing basis;
- the functioning of the Disclosure Committee was launched.

According to the Articles of Association, the bodies of the Company are the General Meeting, the Supervisory Board, the Management Board and the Audit Commission

Bodies of the Society



Reports ● →



Activities of JSC “Ukrzaliznytsia”

General meeting

The supreme body of the Company is the general meeting. The functions of the general meeting, which are provided by the legislation, the Charter, as well as the internal documents of the Company, are performed by the Cabinet of Ministers of Ukraine alone. The list of issues referred to the exclusive competence of the General Meeting of the Company is defined in the Articles of Association

In 2020, the supreme body of the Company made 57 decisions

The Government's decisions addressed the following main issues:

- on termination of powers and appointment (assignment of duties) of the Chairman and members of the Board of JSC "Ukrzaliznytsia";
- changes in the quantitative composition of the board of JSC "Ukrzaliznytsia";
- approval of a new version of the Charter;
- conditions and amounts of remuneration of heads of economic entities of the public sector of the economy;
- making changes to the Procedure for servicing citizens by rail;
- approval of the basic norm of deduction of the share of profit, which is directed to the payment of dividends on the results of financial and economic activities in 2019 of companies in the authorized capital of which are the corporate rights of the state;
- the amount of remuneration of managers, members of executive bodies and remuneration of members of supervisory boards of economic entities of the public sector of the economy;
- alienation by transferring real estate to state ownership;
- approval of the financial plan of JSC "Ukrzaliznytsia" for 2020;
- implementation of a pilot project to implement a single e-ticket registration service;
- corporate governance of the largest state-owned companies;
- conclusion of a contract of voluntary liability insurance of the Chairman of the Management Board and members of the Supervisory Board of JSC "Ukrzaliznytsia";
- making changes to the Procedure for disposing of the property of JSC "Ukrzaliznytsia";
- write-off of state property, etc

Supervisory Board

The Supervisory Board is a collegial body that protects the rights of the Company's shareholders and, within the competence defined by law and the Articles of Association, manages the Company, as well as controls and regulates the activities of the Management Board. The Supervisory Board acts on the basis of the legislation, the Articles of Association and its regulations.

The Supervisory Board consists of seven members, who are appointed and dismissed in the manner prescribed by law and the Statute, from among individuals who have full civil capacity and meet the requirements of the Statute and law.

The personal composition of the supervisory board is approved by the general meeting. The Supervisory Board includes independent members of the Supervisory Board (independent directors), the number of which must be a majority of the members of the Supervisory Board, as well as members of the Supervisory Board - representatives of the state. Candidates for the position of independent members of the Supervisory Board are determined by the results of competitive selection in the manner prescribed by law.

More details - in the Charter of the Company.

Composition of the Supervisory Board

In 2020, there were changes in the composition of the supervisory board. On October 10 and 11, 2020, the powers of two independent members of the Supervisory Board of JSC "Ukrzaliznytsia" were terminated: Anders Per Oslund and Christian Oliver Kuhn.

As of the date of preparation of this report, the Supervisory Board consists of five persons.



Shevki Adjuner
Chairman of the Board

Education

Concordia University, Montreal, Canada, MBA (1980 - 1982);

Stockholm University, Stockholm, Sweden, graduate student (1976 - 1977);

Bosphorus University, Istanbul, Turkey, Management, Bachelor (1971 - 1976).

Employment

Has experience in senior management roles at the international level, specialization - financial / banking sector.

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

Central Bank of the Republic of Turkey

- Analyst of Finance and Economics (1979 - 1980).

Bank of Montreal

- Customer Service Manager (1983 - 1985).

Concordia University

- Lecturer, Faculty of Trade (1985 - 1986).

Royal Bank of Canada (1985 - 1996):

- Customer Service Manager, Commercial Banking, Montreal, Canada (1985 - 1987),
- Special Credit Manager, 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 Portfolio Manager, London, UK (2000 - 2009),
- Deputy Director, Asset Portfolio Manager, Istanbul, Turkey (2009 - 2013),
- Director of the Ukrainian office (05.2013 - 2018).

JSC "Ukrzaliznytsia":

- Member of the Supervisory Board (June 20, 2018 - July 16, 2018).
- Chairman of the Supervisory Board (July 17, 2018 - to the present day).



Oleh Zhuravlov

Member of the Supervisory Board

Education

MBA program at the University of New Brunswick (Canada) (2011 - 2014).

Institute of World Economy and International Relations of the National Academy of Sciences of Ukraine, Candidate of Economic Sciences (1999 - 2004).

Kyiv State University of Trade and Economics, Faculty of Banking, Economist for Foreign Economic Activity Management, diploma with honors (1993 - 1998).

Employment

He has more than 20 years of general experience, 15 of them in the field of corporate governance of large Ukrainian corporations. The main areas of expertise include corporate governance, mergers and acquisitions, corporate law, compliance and international relations.

JSC "Ukrinbank"

- Economist, Leading, Chief Economist of the Money Markets Department of the Treasury (03.1998 - 02.2001).

PJSC "Ukrsotsbank"

- Chief Economist of the Department of Environmental Analysis of the Department of Strategic Marketing (03.2001 - 06.2002).

JSC Kyivenerho (06.2002 - 09.2005):

- Advisor to the Chairman of the Board;
- Deputy General Director of CJSC "Center for Corporate Solutions";

- Member of the Supervisory Board of CJSC "Insurance Company Lad".

DCH Group of Companies (08.2005 - 08.2010):

- Development Construction Holding LLC - Deputy Director for Corporate Governance;
- LLC "Center-City" (real estate subholding) - Deputy Director of the Legal Department of LLC "Center-City" (real estate subholding).

PJSC "Kreditprombank"

- Director of the Coordination Department of the Supervisory Board - Corporate Secretary (08.2010 - 05.2013).

Donetskstal Group of Companies (07.2013 - 07.2017):

- PJSC "Donetskstal" - Deputy Director of Property Management;
- PJSC "Yasynivka Coke Plant" - a member of the Supervisory Board;
- INCOSTIL GROUP LLC - Director of the Property and Corporate Rights Management Department.

Deloitte

- corporate governance improvement project for JSC "Ukrzaliznytsia" (12.2017 - 12.2018);
- "Energoatom - Sustainable Corporate Development" project - consultant of the international team (12.2017 - 12.2018).

Professional Association of Corporate Governance (PACG)

- member of the association; Advisor to the Chairman of the Board (2017 - to the present day).

Ministry of Infrastructure of Ukraine

- Adviser to the Minister of Infrastructure of Ukraine on a voluntary basis (08.2019 - to the present day).

PJSC "IC "KRONA"

- Chairman of the Supervisory Board (08.01.2018 - to the present day).

JSC "Ukrzaliznytsia"

- Member of the Supervisory Board (18.12.2019 - to the present day).

**Serhii Leshchenko**

Member of the Supervisory Board

Education

Internship:

- Endowment for Democracy, Washington, USA - internship under the President Reagan and Congressman Fassel program (2013 - 2014).
- Stanford University, USA - Draper Hills Fellows Program (2013).
- John Smith Fellowship, London, United Kingdom (2012).

Institute of Journalism of Taras Shevchenko National University of Kyiv, specialty "Journalism", Master (2003).

Employment**PE "Ukrainska Pravda"**

- Deputy Editor-in-Chief, known for his anti-corruption investigations (2002 - 2014).

Ukrainska Pravda, a non-governmental organization

- Founder (2003 - to the present day).

Individual entrepreneur (2004 - 2014).

The Verkhovna Rada of Ukraine of the VIII convocation

- People's Deputy of Ukraine, Chairman of the Subcommittee on International Cooperation and Implementation of Anti-Corruption Legislation of the Verkhovna Rada Committee on Prevention and Counteraction to Corruption (2014 - 2019).

JSC "Ukrzaliznytsia"

- is a member of the Supervisory Board (18.12.2019 - to the present day).

**Andreas Mathieu**

Member of the Supervisory Board

Education

Vienna University of Economics and Business, Vienna, Austria, Faculty of Law, PhD (2006 - 2010);

University of Toronto, Faculty of Management named after Rothman, MBA (2001 - 2002);

Austrian Business School LIMAK, General Management Program (2000 - 2001).

Employment

Executive director with extensive international experience in stock companies.

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

Vienna University of Economics and Business

- Associate Professor, Institute of Industrial Management (04.1990 - 11.1990).

OTOB Clearingbank AG, Vienna

- coach (12.1990 - 03.1991).

Vienna University of Economics and Business (1990 - 2006)

- Associate Professor, Institute of Industrial Management (04.1991 - 08.1995), Lecturer (1990 - 2006).

OMV AG, Vienna

- corporate governance (09.1995 - 02.1999).

Polyfelt GmbH (03.1999 - 12.2005):

- Vice President of Finance and Administration

(03.1999 - 03.2003),

- Financial Director (04.2003 - 12.2005).

TenCate Geosynthetics Austria GmbH

- Chief Executive Officer (01.2006 - 12.2008).

OMV AG, Vienna, Austria:

- Senior Vice President of Accounting (01.2009 - 12.2010),
- Senior Vice President for Control (12.2010 - 12.2012),
- OMV Petrom SA, Bucharest - Chief Financial Officer (01.2013 - 06.2017),
- senior advisor (07.2017 - 12.2017).

Consulting services, Austria (12.2017 - to the present day).

JSC "Ukrzaliznytsia"

- Member of the Supervisory Board (June 20, 2018 - to the present day).

AB Giraites ginkluotes gamykla, Lithuania

- Member of the Supervisory Board (2011 - 2012).

Ministry of Economy, Lithuania

- Deputy Minister (02.2012 - 12.2012); Adviser to the Minister (2010 - 2012).

State Property Fund, Lithuania

- Member of the Supervisory Board (2012 - 2013).

UAB VAE, Lithuania

- Chairman of the Supervisory Board (2012 - 2013).

AB Ukio Bankas, Hotel Lithuania

- temporary administrator (powers of the supervisory board and general director) (01.2013 - 05.2013).

UAB Civitta (leading management consulting company in the Baltics), Lithuania, Latvia, Estonia, Belarus, Ukraine

- partner (2013 - 2015).

SOE Reload, Ukraine

- Founder, Managing Director, Senior Advisor to the Minister of Economy of Ukraine (2015 - 2016).

Ukrainian Academy of Corporate Governance, Ukraine

- President, consultation on corporate governance, training programs, recommendations (2017 - to the present day).

Cabinet of Ministers of Ukraine, Ukraine

Adviser to the Prime Minister of Ukraine on corporate governance, communications, energy policy (2017 - to the present day).

Main gas pipelines of Ukraine, Ukraine

- Member of the Supervisory Board (2018 - to the present day).

Miratech Group, Ukraine

- Member of the Supervisory Board (2018 - to the present day).

JSC "Ukrzaliznytsia"

- Member of the Supervisory Board (20.06.2018 - to the present day).



Adomas Azuolas Auditskas

Member of the Supervisory Board

Education

INSEAD, MBA (2014), Reading University (University of Reading, England), Bachelor of International Securities, Investment and Banking (2008);

Vilnius University, Bachelor of Mathematics (2005).

Employment

AB Sampo bank, Lithuania

- Junior Project Manager (2005 - 2006).

UAB Gild Bankers, Lithuania, Latvia, Estonia

- Senior Financial Analyst (2008 - 2010).

In October 2020, the Supervisory Board approved the organizational structure of the Company, which, among other things, provides for the establishment of separate branches for freight, passenger transport, infrastructure operator, locomotive repair, construction and repair of cars

During 2020, 33 meetings of the Supervisory Board were held, where, among other things, the following main issues were considered and, in accordance with the competence defined by the legislation and the Articles of Association:

- election of appraisers of the Company's property, approval of the terms of agreements to be concluded with them, establishment of the amount of payment for their services;
- formation of legal entities, branches and structural changes in the Company;
- corporate governance reform;
- hearing regular reports of the Director of Economics and Finance, Procurement, Chairman and Members of the Management Board, as well as other officials, including the chairmen of the committees of the Supervisory Board;
- termination of powers and appointment of the chairman and members of the board of the Company, etc.;
- approval of key financial and economic indicators for 2020;
- approval of the draft consolidated financial plan of the Company for 2020 developed by the Management Board, together with the draft investment plan for 2020-2022;
- approval of the market value of the Company's property in cases provided by law;
- election of board members;
- approval in the new wording of the regulations on the Internal Audit Service, other internal regulations;
- approval of key performance indicators of the chairman and members of the board;
- preliminary approval of decisions of the Board regarding the activities of business companies, the sole shareholder of which is the Company;
- appointment of the head of the Company's risk management issues;
- development and submission to the general meeting for approval of the Corporate Governance Code;
- approval of the proposals prepared by the Board on changes to the regulated prices (tariffs) for the Company's services;
- schedule of meetings and work plan of the Supervisory Board of the Company.

Committees within the supervisory board

| Name of the committee | Staff of the committee |
|--|--|
| On audit | Andreas Mathieu, Shevki Adjuner, Adomas Auditskas |
| On rewards and appointments | Shevki Adzhuner, Oleh Zhuravlov, Andreas Mathieu |
| On corporate governance | Oleg Zhuravlyov, Sergey Leshchenko, Adomas Auditskas, Shevki Adjuner |
| On strategy and finances | Adomas Auditskas, Shevki Adjuner, Andreas Mathieu, Oleh Zhuravlov |
| On compliance and anti-corruption issues | Serhii Leshchenko, Adomas Auditskas, Andreas Mathieu |

In 2020, 48 meetings of the committees of the Supervisory Board took place, among them: on audit - 10; from rewards and appointments - 13; on corporate governance - 4; from strategy and finances - 11; on compliance and anti-corruption issues - 10

Plans for 2021 on the activities of the Supervisory Board

In December 2020, the Supervisory Board approved the schedule and work plan of the Supervisory Board and its committees for the first half of 2021, which, among other things, plans to consider the following issues:

- Consideration and approval of the annual non-financial statements for 2020 (for submission to the shareholder).
- Approval of financial plans of subsidiaries for 2021.
- Review of the Progress Report on the implementation of the Strategy.
- Definition of KPI for the chairman and members of the board for 2021.
- Definition of KPI for the chairman and members of the board for 2022.
- Evaluation of the implementation by the Chairman and members of the Board of KPI for 2020. Determination of bonuses and bonuses (if any) for 2020.
- Progress with non-core assets.
- Progress with staff reductions.
- Purchase of electric locomotives (discussion and decision-making if necessary).
- Regular reports of the chairman and members of the board.
- Regular report of the Director of Economics and Finance.
- Sale of scrap metal and rolling stock.
- The Supervisory Board did not approve the work plan for the second half of 2021, as in June 2021 the three-year term of office of the members of the Supervisory Board elected on June 20, 2018 expires.

Board

The Board is a collegial executive body of the Company, which manages its current activities. The Board operates on the basis of legislation, the Charter and the Regulations on the Board. The Board is accountable to the General Meeting (Cabinet of Ministers of Ukraine) and the Supervisory Board, organizes the implementation of their decisions. The activity of the board is regulated by the principles of economic expediency and is aimed at making a profit.

The number and personnel of the Management Board are approved by the General Meeting on the basis of proposals (submissions) of the Company's Supervisory Board. The Board is headed by the Chairman, who is appointed and dismissed by the General Meeting on the basis of proposals (submissions) of the Supervisory Board of JSC "Ukrzaliznytsia".

More details - in the Charter of the Company.



Board of JSC "Ukrzaliznytsia"



Ivan Yuryk

Acting chairman of the board

Education

Public Finance Management Training Course, John F. Kennedy School of Management; Harvard University, USA (2008);

Master's Program in Economics, Consortium for Economic Research and Education, Kyiv-Mohyla Academy (2004);

Bachelor, Taras Shevchenko National University (Faculty of Mechanics and Mathematics), diploma with honors (2002).

Employment

Professional competencies: specialist in investment and finance.

2007

- Institute of International Economics. Peterson, Washington, USA, research assistant; draft review of economic reforms in Ukraine since independence (published book "How Ukraine became a market economy and democracy").

2010 - 2014

- Blackstone, Head of Representative Office in Ukraine; corporate M&A transactions, debt restructuring and capital raising, creation, structuring and implementation of corporate transactions.

2014 - 2016

- Ministry of Finance of Ukraine, Head of the Minister's Service, coordination and administration of key projects and

work processes of the Ministry; support of the main initiatives of the Ministry in the Government and the Parliament; coordination of analytical function and work with mass media; development of presentation and analytical materials to support the activities of the Minister.

2017-2019

- Investment Attraction and Support Office of the Government of Ukraine UkraineInvest, Deputy Director, support and implementation of investment projects involving foreign direct investment in the real sector of Ukraine's economy: alternative energy, infrastructure (railways, seaports), agro-industry, modern production and new technologies.

20.06.2018 – 05.06.2019

- member of the supervisory board of JSC "Ukrzaliznytsia".

14.06.2019 – 15.04.2020

- Member of the Board of JSC "Ukrzaliznytsia".

16.04.2020 – 26.08.2020

- Acting Chairman of the Board of JSC "Ukrzaliznytsia".

27.08.2020 – 17.03.2021

- Member of the Board of JSC "Ukrzaliznytsia".

From 17.03.2021

- acting Chairman of the Board of JSC "Ukrzaliznytsia".

**Ivan Syniakov**

Acting member of the board

Education

MBA degree in business administration at the Kyiv School of Economics (2018);

PMD program specializing in "Management of Organizations" at the International Institute of Management (2006);

Lesia Ukrainka East European National University, specializing in Psychology (1997);
Kivertsy Medical College (1992).

He has completed a number of specialized programs in personnel management, leadership, change management, strategic and process management, risk management and control in the UK, Germany, Belgium, Luxembourg and more.

Employment**1998 - 2003**

- management positions in CJSC Holding Company "Blitz-Inform".

2007 - 2012

- management positions in PJSC "State Export-Import Bank of Ukraine".

2004 - 2007 and 2012 - 2014

- Deputy General Director of Continuum Group of Companies (WOG, Rixos Hotel Complex, Western Dairy Group, Cheese Club, Investment and Savings Bank, etc.).

August 2014 - January 2019

- Director of the HR Department and Social Policy of the National Joint Stock Company "Naftogaz of Ukraine".

From May 2020

- Director of Personnel Management and Social Policy of JSC "Ukrzaliznytsia".

From 01.07.2020

- Acting member of the board of JSC "Ukrzaliznytsia".

**Frantisek Bures**

Member of the Board

Education

Graduated from Masaryk University in Brno (Faculty of Law);

Ecole Supérieure De Commerce Et De Management - Escem University of New York;

MBA Business School in Prague;

University of Western Bohemia in Plzen, SPŠE Brno (Technical Higher School of Electrical Engineering).

Employment**2002 - 2004**

- Supply Director, Regional Manager of NKT Cables (Central and Eastern Europe).

2004 - 2007

- worked in management positions at Skoda Holding Group (Czech Republic), Skoda Electric (Czech Republic), Sibelektroprivod (Novosibirsk, Russia).

2007 - 2011

- Supply Director, Regional Manager of ALSTOM (Czech Republic, Slovakia).

2011 - 2015

- General Director and Chairman of the Board of the Czech Railways DPOV Group (Prague, Czech Republic).

2014 - 2016

- Operational Director for Technical and Production Activities, Member of the Board of the Czech Railways. 1992 - 2001 - Managing Director of CBI - Intercom (Czech Republic).

2016 - 2019

- General Director and Chairman of the Board of the Center for Railway Research and Testing "Czech Railways" VELIM (Prague, Czech Republic).

From 14.06.2019

- Member of the Board of JSC "Ukrzaliznytsia".

**Oleksandr Pertsovskyi****Acting member of the board****Education**

Graduated from Taras Shevchenko National University of Kyiv with a degree in Economics and Entrepreneurship;

Brandeis University (USA) with a degree in International Economics and Finance.

Employment**June 2010 - October 2016**

- has held various management positions at Deutsche Post DHL Group in the USA and Singapore.

October 2016 - September 2020

- First Deputy General Director of JSC "Ukrposhta".

He joined the Ukrzaliznytsia team in October 2020 and works as the director of the Passenger Company branch of JSC "Ukrzaliznytsia".

From 26.10.2020

- b. at. member of the board of JSC "Ukrzaliznytsia".

**Roman Chernitskyi****Acting member of the board****Education**

Graduated from Chernivtsi Technical School of Railway Transport, Dnipropetrovsk State Technical University and Kyiv University of Economics and Transport Technologies with a degree in "Construction of railways, tracks and track facilities", "Railway facilities and track facilities".

He was awarded the Diploma of the State Administration of Railway Transport of Ukraine, the badge "Honorary Railwayman", the Gratitude of the Head of the Lviv Regional State Administration.

Employment**1992 - 1993**

- track fitter, doubler of the road master of the Lviv Railway for the period of industrial and undergraduate practice.

October 1997 - April 2002

- road master, head of the production site

Pidvolochysk-Ternopil, acting chief engineer, and later chief engineer of the Ternopil distance of the Lviv Railway.

April 2002 - April 2017

- Head of the track machine station, Deputy Head of the General Affairs Directorate of the Ternopil Directorate of Railway Transportation of the Lviv Railway, Head of the Lviv Center for Mechanization of Track Works, Chief Engineer of the separate unit "Track Service", First Deputy Head, and later Head of the Track Service, Deputy Head of the Regional Branch infrastructure of Lviv Railway.

In 2015 he was a participant in the anti-terrorist operation.

April 2017 - March 2019

- Director of Infrastructure of JSC "Ukrzaliznytsia".

March 2019 - October 2020

- Executive Director of the regional branch of Lviv Railway.

From October 2020

- Director of Infrastructure of JSC "Ukrzaliznytsia".

From 26.10.2020

- Acting member of the board of JSC "Ukrzaliznytsia".

Changes in the composition of the Board of the Company

- Chairman of the Board Kravtsov Yevhen Pavlovych was appointed to the position in accordance with the order of the Cabinet of Ministers of Ukraine dated January 10, 2019 No. 6-p. The powers of the Chairman of the Board were terminated ahead of schedule in accordance with the order of the Cabinet of Ministers of Ukraine dated January 29, 2020 No. 58-p.
- Member of the Board Marchek Zhelko was introduced to the Board in accordance with the resolution of the Cabinet of Ministers of Ukraine from 01.06.2016 No. 349. According to the order of the Cabinet of Ministers of

Ukraine from 05.02.2020 No. 64-p Marchek Zhelko is temporarily entrusted with the appointment of the Chairman of the Board duties of the chairman of the board. Resolution of the Cabinet of Ministers of Ukraine of 15.04.2020 No. 280 terminated the powers of Marchek Zhelko as a member of the Board. According to the order of the Cabinet of Ministers of Ukraine dated 15.04.2020 No. 420-p, the order of the Cabinet of Ministers of Ukraine dated 05.02.2020 No. 64-p was declared invalid.

- Member of the Board Yuryk Ivan Ivanovych was introduced to the Board in accordance with the resolution of the Cabinet of Ministers of Ukraine dated 05.06.2019 No. 488. According to the order of the Cabinet of Ministers of Ukraine dated 15.04.2020 No. 421-p Yuryk Ivan Ivanovych was temporarily appointed, until the appointment of the Chairman of the Board, acting chairman of the board. According to the order of the Cabinet of Ministers of Ukraine dated March 17, 2021 No. 185-p, Yuryk Ivan Ivanovych is temporarily assigned to perform the duties of the Chairman of the Board until the appointment in the prescribed manner of the Chairman of the Board.
- By the order of the Cabinet of Ministers of Ukraine dated 15.04.2020 No. 424-p, the Director of Infrastructure Roman Romanovych Veprytskyi was temporarily assigned to perform the duties of a member of the Board in accordance with the established procedure. By the order of the Cabinet of Ministers of Ukraine dated 21.10.2020 No. 1284-p the order of the Cabinet of Ministers of Ukraine dated 15.04.2020 No. 424-p was declared invalid.
- Kushnir Serhii Ivanovych, a member of the Board, was introduced to the Board in accordance with the Resolution of the Cabinet of Ministers of Ukraine of 05.06.2019 No. 488. Resolution of the Cabinet of Ministers of Ukraine of 01.07.2020 No. 556 terminated the powers of Kushnir Serhii

Ivanovych as a member of the Board.

- Member of the Board Pashkevych Remigiusz Jan was introduced to the Board in accordance with the resolution of the Cabinet of Ministers of Ukraine dated 01.06.2016 No. 349. Resolution of the Cabinet of Ministers of Ukraine dated 15.07.2020 No. 597 terminated the powers of Pashkevych Remigiusz Jan as a member of the Board.
- Member of the Board Tselevsky Marcin was introduced into the Board in accordance with the resolution of the Cabinet of Ministers of Ukraine dated 05.06.2019 No. 488. Resolution of the Cabinet of Ministers of Ukraine dated 15.07.2020 No. 597 terminated the authority of Tselevsky Marcin as a member of the Board.
- By the order of the Cabinet of Ministers of Ukraine dated 01.07.2020 No. 810-p, the Director of Personnel Management Syniakov Ivan Olehovych was temporarily assigned to perform the duties of a member of the Management Board in accordance with the established procedure.
- By the order of the Cabinet of Ministers of Ukraine dated 15.07.2020 No. 858-p, Mykola Ivanovych Ivaniniy, Director of Economics and Finance, was temporarily assigned to perform the duties of a member of the Board in accordance with the established procedure. By the order of the Cabinet of Ministers of Ukraine dated 21.10.2020 No. 1283-p, the order of the Cabinet of Ministers of Ukraine dated 15.07.2020 No. 858-p was declared invalid.
- By the order of the Cabinet of Ministers of Ukraine dated 21.10.2020 No. 1286-p, Oleksandr Semenovych Pertsovsky, director of the Passenger Company branch of JSC "Ukrzaliznytsia", was temporarily acting as a member of the board for a period of three months. By the order of the Cabinet of Ministers of Ukraine dated 27.01.2021 No. 58-p, Oleksandr Semenovych Pertsovsky, the director of the Passenger Company branch of JSC "Ukrzaliznytsia", was

temporarily acting as a member of the board.

- The order of the Cabinet of Ministers of Ukraine dated 21.10.2020 No. 1285-p entrusted the temporary performance of duties of a member of the board to the director of infrastructure Chernitskyi Roman Romanovych for a period of three months. The order of the Cabinet of Ministers of Ukraine dated 27.01.2021 No. 59-p was temporarily assigned the duties of a member of the board to the director of infrastructure Chernitskyi Roman Romanovych.
- Member of the Board Bures Frantisek was introduced to the Board in accordance with the resolution of the Cabinet of Ministers of Ukraine dated 05.06.2019 No. 488.
- Chairman of the Board Volodymyr Mykolaiovych Zhmak was appointed to the position in accordance with the order of the Cabinet of Ministers of Ukraine dated August 26, 2020 No. 1047-p. The powers of the Chairman of the Board were terminated ahead of schedule in accordance with the order of the Cabinet of Ministers of Ukraine dated March 17, 2021 No. 184-p.

• Board meeting in 2020

During 2020, 125 meetings of the Board of the Company were held, 84 of them - in the form of absentee voting (written survey). In total, 717 issues were included in the agendas, 680 issues were decided.

Chairman of the Board Kravtsov Ye.P. in January 2020 (before termination of office) he was present at 9 board meetings.

Chairman of the Board Zhmak V.M. after taking office he was present at 52 board meetings.

Level of attendance at board meetings by board members:

Marchek J. was present at 34 meetings of the board until the termination of powers.

Pashkevych R. until the termination of powers - at 58 board meetings.

Tselevsky M. until the termination of powers - at 58 board meetings.

Kushnir S.I. until the termination of powers - at 57 board meetings.

Veprytskyi R.R. until the termination of powers - at 17 board meetings.

F. Buresh was present at 122 board meetings.

Yuryk I.I. was present at 125 board meetings.

Syniakov I.O. after taking office was present at 66 board meetings.

Ivaniniv M.I. after taking office - at the 31st meeting of the Board.

Pertsovskyi O.S. after taking office - at 35 board meetings.

Chernitskyi R.R. after taking office - at 34 board meetings.

• **Issues considered by the Board of the Company during 2020:**

1. Addressing issues of business organization, financing, accounting and reporting.

2. Development of projects of the main directions and perspective plans of the Company, in particular annual financial plans.

3. Approval of control tasks on centralized financing of purchase of fixed assets (rolling stock, mechanisms, equipment, etc.), equipment for capital construction, overhaul and modernization of traction (railcar) rolling stock, passenger cars for 2020 and control tasks on development of capital investments in JSC “Ukrzaliznytsia” and private joint stock companies for 2020.

4. Issues related to the disposal of cash and property (write-off, transfer (internal transfer) between production units) and cash of the Company.

5. Issues related to the activities of the Company's tender committees.

6. Issues related to the Tariff Commission of JSC “Ukrzaliznytsia”.

7. Approval of rules, procedures, regulations and other documents of the Company, except for those whose approval is attributed by the Charter to the competence of

the general meeting, the supervisory board.

8. Approval of regulations on branches, representative offices, other separate divisions of Ukrzaliznytsia, their organizational structure and resolution of issues related to the management of their work.

9. The issue of committing transactions - concluding agreements and making changes to them by concluding additional agreements and more.

10. Resolving issues of management of legal entities, the shareholder (founder, participant) of which is the Company, as well as branches, representative offices and other separate divisions.

• **Plans for the activities of the Board of the Company for 2021**

In accordance with paragraph 110 of the Articles of Association at the end of each calendar year, but not later than December 1 of the current year, the Chairman of the Board submits to the Board for approval the plan of meetings for the next calendar year.

Revision Commission

The Audit Commission of the Company acts on the basis of its regulations. The Audit Commission inspects (controls) the financial and economic activities of Ukrzaliznytsia. Members of the audit commission are appointed by the general meeting. The Audit Commission consists of five people. The term of office of the audit commission is three years. A member of the audit commission may not be a member of the supervisory board, board, corporate secretary, member of other bodies of JSC “Ukrzaliznytsia”. The same person may be elected to the audit committee repeatedly. In case of early termination of the powers of a member of the audit commission, the general meeting shall appoint a new member of the audit commission for the period before the expiration of its term of office.

The rights and obligations of the members of the audit commission are determined by the legislation, the Charter, the regulations

on the audit commission, as well as the civil law agreement concluded with each member of the audit commission. Such an agreement is signed on behalf of Ukrzaliznytsia by the chairman of the board or another person authorized by the general meeting. The powers of a member of the audit commission by civil servants or other representatives of the state shall be exercised in accordance with the procedure established by law. Members of the audit commission perform their functions without receiving material remuneration. The Audit Commission informs the General Meeting and the Supervisory Board about the results of its inspections. In 2020, the Company did not approve the composition of the audit commission.

Plans for 2021 and a medium-term perspective in the field of corporate governance

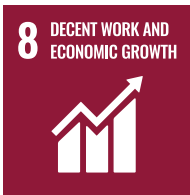
In order to reform the corporate governance system in 2021, it is planned to implement the following measures of the Corporate Governance Action Plan (CGAP):

- approval of changes to the CGAP;
- full formation of compliance and risk management functions;
- implementation of the Corporate Governance Code;
- implementation of the Strategy of JSC "Ukrzaliznytsia" for 2019-2023 in accordance with the indicators of the Company's activity and risk management;
- implementation of the succession plan;
- evaluation of key performance indicators of functional verticals and regular reporting on the implementation of the board and supervisory board;
- implementation of a comprehensive and consolidated work plan.

In the medium term, it is planned to determine the target system of corporate governance of branches, subsidiaries and affiliates of JSC "Ukrzaliznytsia".



Risk management



In the daily activities of JSC "Ukrzaliznytsia" there are risks caused by external and internal factors. The level of their impact can be both insignificant and critical in terms of financial, reputational consequences and ensuring the continuity and efficiency of the Company. Risk management contributes

to the realization of the Company's strategic goals and guarantees the sustainable development of Ukrzaliznytsia in the long run.

The Company's activities in the field of risk management are regulated by the Risk and Opportunities Management Policy of JSC "Ukrzaliznytsia", which provides for the involvement and distribution of responsibilities between risk owners, the Risk Management Office, the Compliance Office and the Internal Audit and Control Department.

In order to minimize the negative consequences of possible risks, JSC "Ukrzaliznytsia" is implementing a comprehensive risk management system. This system provides for timely identification, risk assessment, monitoring of changes in the level of risks and timely implementation of risk minimization tasks by all divisions of the Company

Ukrzaliznytsia's risk management system is being implemented and needs to be brought in line with international best practices and standards. Company plans to establish a Risk Management Committee, which will become a platform for discussing potential risks and making decisions on their minimization.

In 2021, a plan for the development of a risk management system was developed, which provides, in particular, for the creation of new risk management tools. The evaluation of the

effectiveness of the risk management system in JSC "Ukrzaliznytsia" is carried out by the Supervisory Board and the Department of Internal Audit and Control.

As part of the decision-making system in Society regular identification and risk assessment is carried out.

Plans for 2021 and a medium-term perspective in the field of risk management

In 2021 it is planned to improve the risk management system by developing the following areas:

1. Strategic vision and methodology, which provides for the development of risk management strategies, policies and documents on risk assessment methods.
2. Improving the level of risk management culture by conducting training activities for employees JSC "Ukrzaliznytsia" in order to raise their awareness of the importance and rules of operation of the risk management system Societies.
3. Regular identification, assessment and minimization of risks, involving the introduction of new tools for identification and assessment of risks, development of risk minimization plans and regular risk assessment in the process of making management decisions in Ukrzaliznytsia.



Anti-corruption policy



The company seeks to formulate and maintain a policy of zero tolerance for any manifestations of corruption. In its activities JSC "Ukrzaliznytsia" is guided by the principles of transparent, honest and ethical business conduct, carries out purposeful work to combat corruption and fraud. These issues are in the focus of special attention of the Company's management. One of the main directions in this area is the identification of corruption risks, as well as the implementation of measures to minimize these risks.

Key documents regulating the activities of JSC "Ukrzaliznytsia" in the field of prevention and combating corruption:

- Anti-corruption program of the public joint-stock company "Ukrainian Railways";
- Code of Ethics of JSC "Ukrzaliznytsia";
- Implementation plan of the Code of Ethics of JSC "Ukrzaliznytsia";
- JSC "Ukrzaliznytsia" Anti-Corruption and Anti-Corruption Policy and Implementation Plan of the Anti-Corruption and Anti-Corruption Policy and other measures, standards and procedures provided by the Anti-Corruption Program in JSC "Ukrzaliznytsia";
- Regulations on the procedure for assessing corruption risks in the activities of JSC "Ukrzaliznytsia";
- Report on the results of the internal assessment of corruption risks in the activities of JSC "Ukrzaliznytsia" (2019);
- Plan for implementation of measures to eliminate corruption risks in the activities of JSC "Ukrzaliznytsia" with further updating.

During 2020, together with the Ministry of Infrastructure of Ukraine, work continued on measures within the governmental-public initiative "Together against corruption" to jointly develop draft anti-corruption measures to be implemented, as well as draft plans for anti-corruption measures implemented by central executive bodies.

The main results of the Company's activities in 2020 in the field of prevention and anti-corruption:

- Based on the results of the assessment of corruption risks, the Plan for the implementation of measures to eliminate corruption risks in the activities of JSC "Ukrzaliznytsia" was approved and implemented, and its implementation is constantly monitored.
- A distance learning course has been developed and implemented for the Company's employees (more than 50% of employees have passed).
- Official inspections and internal investigations were conducted, the materials of which were sent to special entities in the field of preventing and combating corruption.
- Procurement abuse was prevented, in particular to counter COVID-19.
- A successful partnership was formed and consolidated in the form of Memoranda of Cooperation with the All-Ukrainian Integrity and Compliance Network (UNIC) in January and the National Anti-Corruption Bureau of Ukraine (NABU) in October 2020.
- The anti-corruption clause has been introduced as an integral part of agreements with Ukrzaliznytsia's business partners.
- Anti-corruption trainings and informational and explanatory work for employees and business partners of the Company were conducted.

Under the procedure of anti-corruption inspection of business partners in 2020, the Security Office of Ukrzaliznytsia inspected 7,042 legal entities. 442 revealed signs of negative business reputation and other risks. In all these cases, official letters with comments were sent to the initiating services and the chairmen of the tender committees. Also, 5,071 individuals were inspected, 104 of whom were not approved for appointment in the Company.

The Company has developed Guidelines for the preparation of documents in case of

bringing employees of JSC "Ukrzaliznytsia" to disciplinary responsibility, in particular for violations of anti-corruption legislation, anti-corruption policies, standards and procedures of the Company.

On January 17, 2020, the Company signed a Memorandum of Partnership with UNIC, the purpose of which is cooperation aimed at promoting the idea of ethical and responsible business conduct, strengthening transparency, combating corruption and abuse

On October 30, 2020, Ukrzaliznytsia and NABU signed a Memorandum of Cooperation and Information Exchange. Its purpose is to develop cooperation in the field of prevention and counteraction to criminal acts of corruption; other crimes under investigation by NABU; exchange of information and information-analytical activities in order to prevent and detect criminal acts of corruption and other acts related to corruption. After the signing of the Memorandum, joint work with NABU on specialized anti-corruption training for employees of the security vertical, prevention of corruption and procurement of the Company began

Training and outreach work for employees and business partners of the Company

According to the distance learning course, Ukrzaliznytsia employees are trained on the principles and standards in the field of preventing and combating corruption in the Company's activities.

As of December 31, 2020, 82,000 employees of JSC "Ukrzaliznytsia" have successfully completed the course "Policy to Prevent and Counteract Corruption"

A project of a remote video course on the principles and standards in the field of preventing and combating corruption in the activities of the Company for Business Partners of Ukrzaliznytsia has been developed.

Employees of the Company are acquainted with the Policy of Prevention and Counteraction of Corruption of JSC "Ukrzaliznytsia" under the signature in the register. For newly hired employees of the Company and those who have not yet met, the heads of the relevant departments provide a continuous process of familiarization. Regional branches, branches of Ukrzaliznytsia were provided with methodological assistance in further acquaintance of employees with this document.

Anti-corruption inspections in 2020

During 2020, the Office for Anti-Corruption Activities of JSC "Ukrzaliznytsia" and the Office for Security (Office of the Director for Economic and Information Security, Department for Economic and Information Security) organized and conducted 54 official inspections.

In addition, the Security Office conducted selective inspections of contracts, works and / or services to be performed in December 2020 in order to prevent losses. As a result of such inspections, 27 violations (non-performance, fictitious performance of contracts) were identified and losses in the amount of UAH 162 million were prevented.

Also, 276 requests from law enforcement agencies, 24 - from public authorities and control bodies were processed, 31 court rulings and judges were executed.

In 2020, work was carried out to eliminate

corruption risks in terms of overestimating the expected cost and excessive detail of technical characteristics during the procurement of gas stations by branches "Center for construction and repair of tracks", "Center for construction and operation of buildings and structures" and regional branch "South-Western Railway" for the total amount of UAH 60 million. As a result, the competition between the participants in the branch "Center for Construction and Repair of Tracks" was increased and the expected value of the subject of procurement was reduced, losses in the amount of at least UAH 3.6 million were prevented.

The Company monitors compliance with the requirements of regulations during procurement in order to counter COVID-19 branch "Health Center" (hereinafter - HC), branch "Passenger Company" (hereinafter - PC) and branch "Service Provision Center" (hereinafter - SPC). In the process of control, 97 purchases worth a total of about UAH 132 million were checked, including:

- HC - 39 purchases for UAH 81.86 million;
- PC - 28 purchases for UAH 34.25 million;
- SPC - 30 purchases for UAH 17.32 million.

During the inspections, possible violations were identified and losses were prevented to the Company in 14 purchases in the amount of about UAH 25.5 million, of which: HC - 7 purchases for UAH 20 million, SPC - 6 purchases for UAH 4.6 million, PC - 1 purchase at UAH 936,000.

In order to prevent losses, random inspections of contracts, works and / or services that were to be performed in December 2020 were conducted. As a result of such inspections, 27 violations (non-performance, fictitious performance of contracts) were identified and losses in the amount of UAH 162 million were prevented.

Measures taken as a result of inspections conducted in 2020

Materials of 14 official inspections were sent to law enforcement agencies, 2 - to the State Audit Office of Ukraine. Criminal proceedings have been registered on two materials, and three have been attached to previously registered criminal proceedings. The total amount of detected and prevented losses amounted to over UAH 423 million. As part of open criminal proceedings, 16 people were charged with suspicion.

A total of 57 violators were brought to disciplinary responsibility (dismissed - 17 persons, reprimanded - 40), transferred to another position or removed from work - 12, brought to administrative responsibility as a result of official inspections and trials conducted during 2020 - 27 persons

Criminal proceedings have been instituted for violating the legislation in the field of railway transport

In total, in 2020, law enforcement agencies registered 503 criminal proceedings involving railway transport workers. Out of the total number of proceedings, 394 - concerning unidentified persons who committed crimes, 150 - concerning specific employees of the Company, of which 41 criminal proceedings are at the stage of trial.

Violation notification channels and activities of the Stop Corruption Contact Center

The Company has the following channels for reporting violations:

- Stop Corruption hotline: 0 800 503 222;
- e-mail: antisor@uz.gov.ua and cuado@uz.gov.ua.

To ensure the proper functioning of the

Stop Corruption hotline, the messages were categorized. The Contact Center has also developed Instructions for receiving and registering messages received on the Stop Corruption hotline, and voice messages (IVR videos) to ensure communication with whistleblowers.

In 2020, the Stop Corruption hotline received 153 notifications and appeals, which were verified in the prescribed manner. Applicants (other than anonymous) were provided with answers, in particular regarding:

- abuse of office - 26;
- thefts - 13;
- personnel issues and labor protection - 7;
- extortion - 4;
- other issues - 102.

Also, during 2020, through other channels for appeals, 23 reports were received from whistleblowers about possible corruption violations, based on the results of which three reports of corruption violations were confirmed, to which there was a response. According to other reports, the information was not confirmed.

Pursuant to the requirements of the Law of Ukraine “On Prevention of Corruption” and the Anti-Corruption Program of the Company, protection was provided against illegal dismissal and other abuses of three whistleblowers who reported committing corruption offenses.

As a result of consideration of reports and appeals, 17 violators were brought to disciplinary responsibility.

201 appeals and inquiries regarding possible violations by Ukrzaliznytsia employees and officials were also considered. Relevant inspections were carried out on all appeals and inquiries, and applicants were informed about the results.

Internal assessment of corruption risks of the Company

At the beginning of 2020, the internal assessment of corruption risks of the Company was completed and the Report on the results of the internal assessment of corruption risks in the activities of JSC “Ukrzaliznytsia” for 2019 was prepared.

The main part of corruption risks is identified by the object "Procurement Process". There were 28 such risks (25%). The main measures aimed at minimizing / eliminating risks:

- development and implementation of a standardized, unified procurement process, a normative document that will regulate the procurement process in accordance with the requirements of the legislation;
- development and implementation of the Regulation on the procedure for determining the expected value of the subject of procurement.

Continuous assessment (identification and analysis) of corruption risks inherent in processes, projects, regulations, agreements, changes to them, risky transactions and operations, organizational changes of the Company (anti-corruption expertise). Measures are being taken to strengthen existing or establish new internal controls in order to minimize / eliminate identified corruption risks.



Corporate ethics and compliance



JSC “Ukrzaliznytsia” consistently implements a system of compliance and integrity standards in accordance with international best practices. Strengthening the fight against corruption, improving compliance standards and building effective compliance risk management are among

the most important tasks in the Company's activities.

The development and improvement of the compliance risk management system will allow the Company to identify and manage these risks in a timely manner, and therefore respond quickly and adequately to changes in the internal and external environment, as well as operate in accordance with domestic and transnational anti-corruption legislation, international standards and international standards. experience in the field of integrity and compliance, maintain an open and transparent dialogue with government agencies, stakeholders and investors.

Since April 2019, the function of compliance in terms of preventing and combating corruption has been performed by the Office for Anti-Corruption Activities of JSC “Ukrzaliznytsia”.

In January 2021, the Compliance Office of JSC Ukrzaliznytsia was launched to implement the CGAP and the Company's Strategy. Its main tasks are to build in the Company and constantly improve the system of compliance management, in particular the system of preventing and combating corruption

In April 2021, in order to create a single comprehensive control function in the field of compliance and prevent corruption, the Supervisory Board decided to join the

Office for Anti-Corruption Activities in the Compliance Office. As a result, the Company has a single specialized unit for compliance and prevention of corruption - Compliance and anti-corruption office of JSC "Ukrzaliznytsia".

This unit is responsible for preventing, counteracting and detecting corruption in the Company's activities, implementing and implementing the Anti-Corruption Program, the Code of Ethics, the Policy for Preventing and Counteracting Corruption, Policy Compliance and Compliance Program of JSC “Ukrzaliznytsia”, supervising the observance of these Company officials and officials. documents.

The creation of a single specialized unit for compliance and prevention of corruption will strengthen and develop compliance and anti-corruption function in the Company, as well as eliminate duplication of functions.

In its activities, Compliance and the Anti-Corruption Office are guided by the Company's internal documents (Code of Ethics, Anti-Corruption Policy, Anti-Corruption Program), as well as anti-corruption and other relevant legislation, apply international standards and best practices in compliance and anti-corruption.

In the near future, the main documents regulating compliance policy and compliance risk management processes in Ukrzaliznytsia will be developed and implemented.

Training on ethical and anti-corruption requirements

The Company trains employees on ethical and anti-corruption standards and requirements. In 2020, senior and middle management of Ukrzaliznytsia was trained on the Policy for Prevention and Counteraction to Corruption. New employees are constantly acquainted with the Code of Ethics and the Policy for Prevention and Combating Corruption.

In order to verify the assimilation of material for the Company's employees through

the Knowledge Development Portal, a distance learning course and appropriate testing on anti-corruption standards and requirements have been developed and implemented. In 2020, the majority (over 50%) of employees were trained.

In 2020, 11,147 employees were trained in the Code of Ethics on the Knowledge Development Portal

Plans for 2021 and medium-term perspective in the field of compliance and prevention of corruption

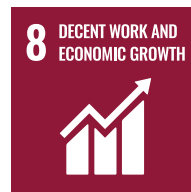
In April 2021, the Compliance and Anti-Corruption Committee of the Company's Supervisory Board was presented with a roadmap for the deployment of the compliance function in 2021, which, in particular, includes the following measures:

- actualization and updating the Anti-Corruption Program of the Company;
- development of Compliance policy and Compliance program of Ukrzaliznytsia;
- improving the functioning of the hotline and other internal channels of reports of violations, the process of reviewing reports of violations, in particular to ensure the consideration of whistleblower reports in accordance with the requirements of the Law of Ukraine "On Prevention of Corruption";
- implementation of compliance risk methodology and processes;
- improving the organization, as well as direct compliance and anti-corruption investigations and inspections;
- implementation of procedures and processes to prevent and resolve conflicts of interest in the Company;
- third party risk management and personnel risks;
- improving compliance and anti-corruption

investigations;

- conducting anti-corruption training for staff, management, business partners of the Company.

Human Rights



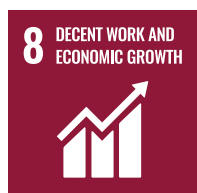
Respect for human rights is one of the fundamental principles of JSC "Ukrzaliznytsia". The Company recognizes the importance of granting equal rights to every employee regardless of gender, nationality, race, religion, physical characteristics, etc. As a socially responsible company, Ukrzaliznytsia does not use child or forced labor and clearly complies with the requirements of domestic legislation, as well as international standards in the field of human rights protection. The Company also expects human rights to be respected by contractors.

Every employee of Ukrzaliznytsia has equal opportunities in exercising their rights and freedoms in the field of labor. The Company's interaction with trade unions is carried out

within the framework of social partnership. Ukrzaliznytsia has collective agreements, which prescribe the principles of organization of wages, social support, working conditions, work and rest, etc. In 2021, the Company plans to complete work on the draft single Collective Agreement of JSC "Ukrzaliznytsia". There were no cases of discrimination in the reporting period.

Key operating results

Freight transportation



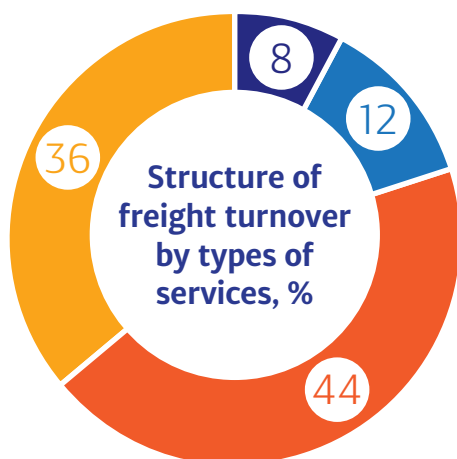
Freight transportation is the main activity of Ukrzaliznytsia. They occupy a leading place in the work of the entire transport system of the country. Successful operation of railway transport in modern conditions is possible only on the basis of continuous improvement of transportation process management, application of market methods of cargo and commercial work, further introduction of paperless technologies, optimization of transport flows and transport component in gross national product structure, creation of efficient railway logistics system, as well as full satisfaction of demand for transport services. This work is coordinated in the Company by the Department of Commercial Work and the Department of Traffic Management, and the transportation itself is provided by the regional branches of the Company, as well as by the branches of the Transport Logistics Center.

In 2020, Ukraine's railways transported 305.5 million tons of cargo, which is 7.5 million tons or 2.4% less than in the same period of 2019. Traffic volumes were negatively affected by the quarantine restrictions caused by the COVID-19 pandemic in Ukraine and in the world, which caused the cessation or reduction of production volumes of a significant number of industrial enterprises.

The fall in freight traffic was observed on all modes of transport. At the same time, freight transportation by rail, compared to other modes of transport, decreased the least. Compared to 2019, the volume of rail freight decreased:

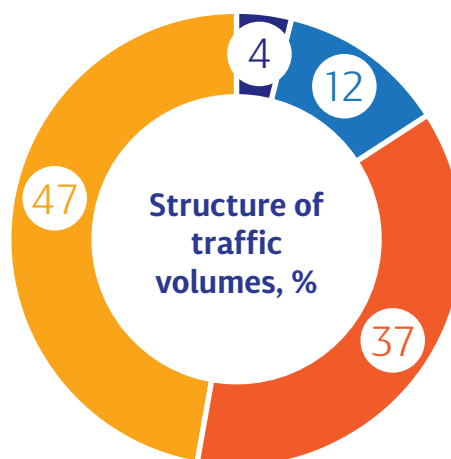
- in imports (-6.7 million tons, or -15.4%) - up to 36.5 million tons,
- in exports (-2.8 million tons, or -2.5%) - up to 113 million tons,
- in transit (-1.9 million tons, or -12.8%) - up to 12.5 million tons.

Domestic traffic increased (+3.9 million tons, or + 2.8%) to 143.4 million tons.



transit

import



export

internal

The main indicators of freight transportation by rail, 2019-2020

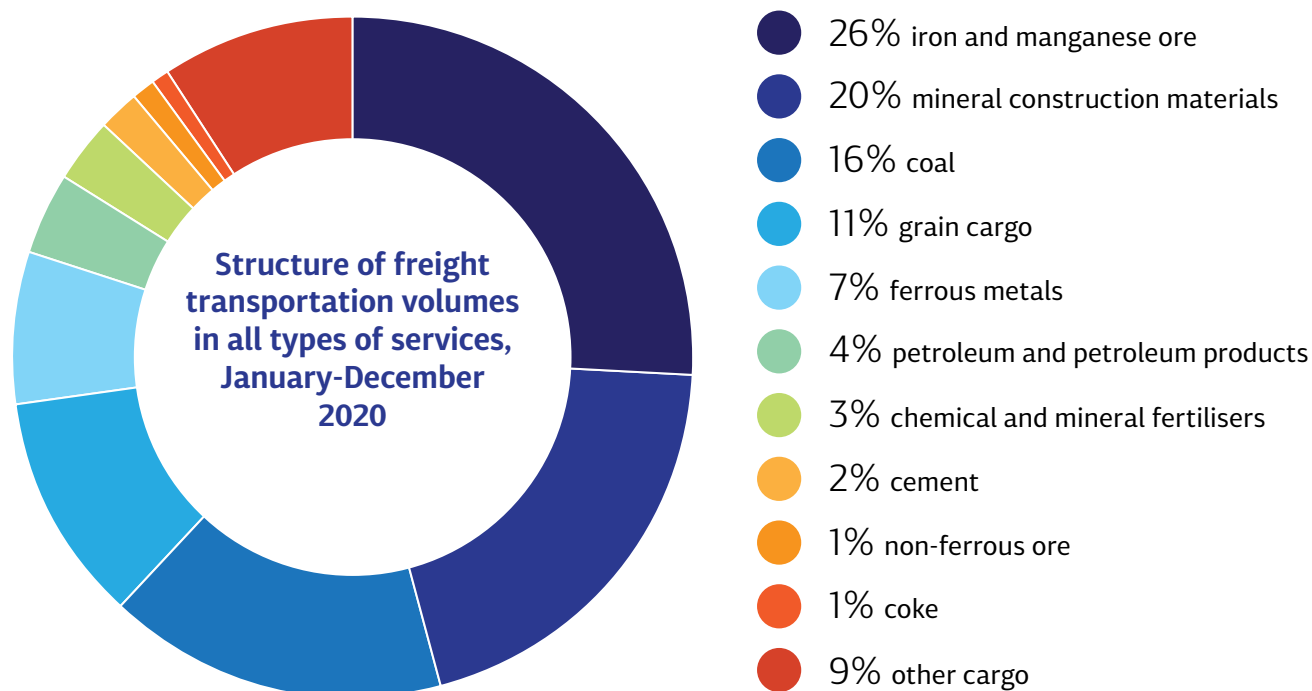
| Name of indicators | 2019 | 2020 | "+/-" until 2019 | % by 2019 |
|---|------------------|------------------|------------------|-------------|
| Million tons were transported, in particular | 312.94 | 305.48 | -7.46 | 97.6 |
| transit | 14.39 | 12.54 | -1.85 | 87.2 |
| import | 43.16 | 36.51 | -6.65 | 84.6 |
| export | 115.83 | 112.99 | -2.84 | 97.5 |
| internal | 139.55 | 143.43 | 3.88 | 102.8 |
| Freight turnover, million tons·km, in particular | 181,844.7 | 175,587.1 | -6,257.6 | 96.6 |
| transit | 15,216.2 | 14,276.4 | -939.8 | 93.8 |
| import | 23,673.5 | 20,225.5 | -3,448.0 | 85.4 |
| export | 80,855.8 | 77,838.8 | -3,017.0 | 96.3 |
| internal | 62,099.2 | 63,246.4 | 1,147.3 | 101.8 |

Compared to 2019, the increase in volumes occurred during transportation:

- mineral construction materials (+8.7 million tons) - up to 60.4 million tons,
- iron and manganese ore (+5.2 million tons) - up to 79.7 million tons,
- non-ferrous ore (+0.1 million tons) - up to 4.5 million tons.

The decrease was mainly observed during transportation:

- coal (-10.2 million tons) - up to 48.6 million tons,
- grain cargo (-5.3 million tons), up to 35.2 million tons,
- ferrous metals (-0.9 million tons) - up to 20.5 million tons.

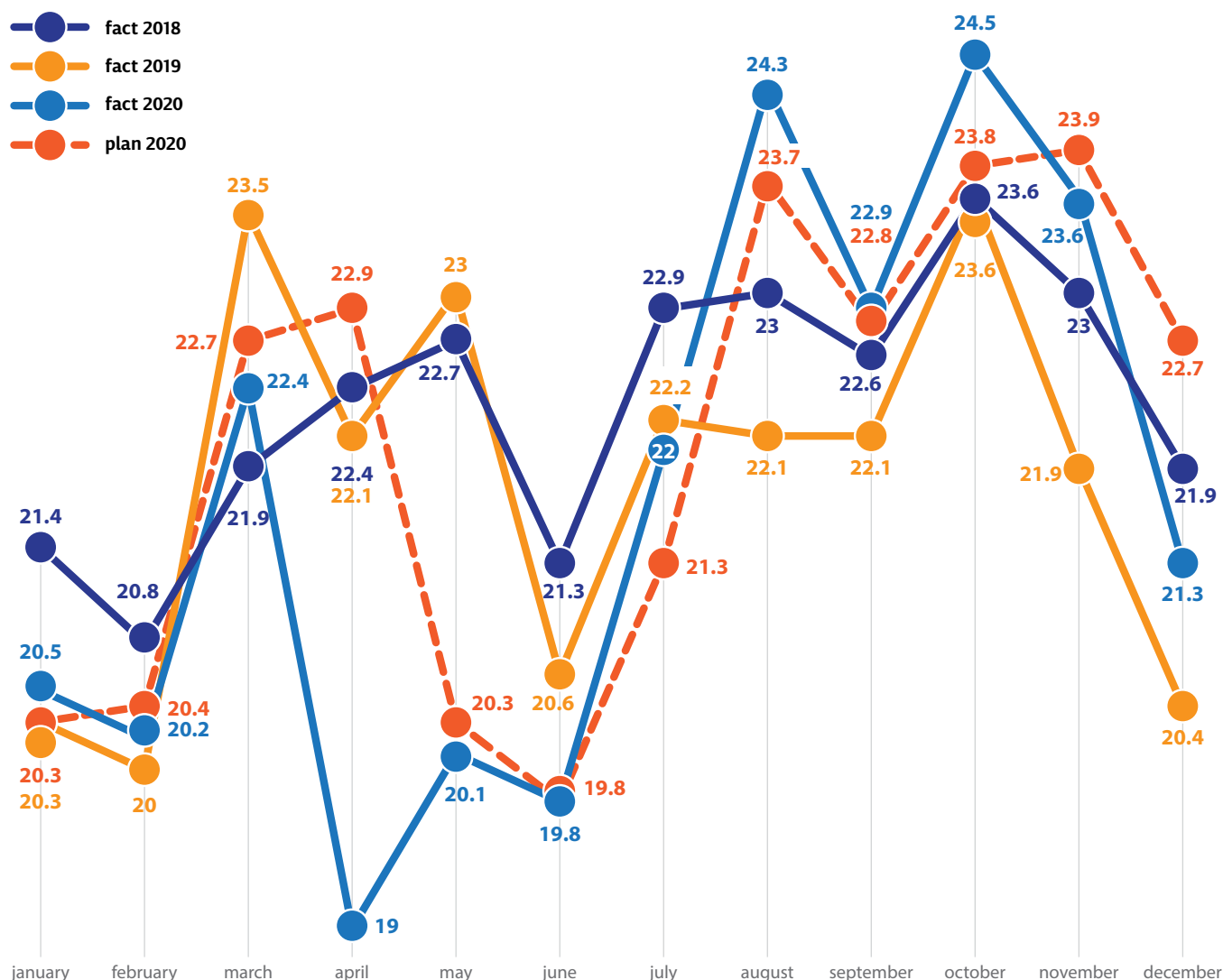


The volume of workload in 2020 decreased slightly due to the state of the Ukrainian economy, which began to slow down in late 2019. Since March 2020, the industry has been negatively affected by the COVID-19 pandemic and related quarantine restrictions. There was a decline in external demand for exports, as well as domestic demand. In the second quarter of 2020, the economic contraction was 11.4% and, accordingly, the load indicators decreased. From the second half of the year there was a significant recovery of the economy, as well as the volume of workload.

Load volumes in 2020 amounted to 260.8 million tons, which is almost at the level of 2019 (-0.5%)

With a 4% reduction in the country's GDP, the decrease in load by only 0.5% per year is explained by the fact that in the second half of 2020 additional freight flows from alternative modes of transport (mainly grain cargo, construction materials, chemical fertilizers) were attracted to the railway.

Loud volumes in 2018-2020, mln. t



General fleet of freight cars of JSC "Ukrzaliznytsia" and other owners, as of December 31, 2019-2020.

| Rolling stock | 2019 | | 2020 | | "+" / "-" in% until 2019 | |
|---------------|----------------------|--------------|----------------------|--------------|--------------------------|--------------|
| | Property of JSC "UZ" | Other owners | Property of JSC "UZ" | Other owners | Property of JSC "UZ" | Other owners |
| Grain trucks | 11,474 | 16,958 | 11,461 | 18,612 | -0.11 | +9.75 |
| Gondola cars | 33,556 | 49,613 | 33,363 | 49,739 | -0.58 | +0.25 |
| Tanks | 7,935 | 9,632 | 7,933 | 9,710 | -0.03 | +0.81 |
| Platforms | 4,337 | 364 | 4,294 | 426 | -0.99 | +17.03 |
| Covered cars | 5,155 | 1,303 | 5,113 | 1,326 | -0.81 | +1.76 |
| Cement trucks | 4,446 | 2,418 | 4,444 | 2,608 | -0.04 | +7.85 |
| Refrigerators | 448 | 4 | 448 | 4 | 0.00 | 0.00 |

The average monthly turnover of a freight car of JSC "Ukrzaliznytsia" in 2020 was 15.9 days, which is 3.1 days more than in 2019 (12.8 days). Such dynamics is associated with a surplus of car fleet and a decrease in traffic due to quarantine restrictions in the first half of 2020.

The total turnover of a freight car in 2020 was 7.8 days, which is 1.9 days less than in 2019 (9.7 days)

The average time of use of cars on access tracks in 2020 decreased by 2.53 hours (or by 7.7%) and amounted to 30.18 hours against 32.68 hours in 2019. Taking into account all places of use, the average time decreased by 2.75 hours (or by 8.6%) and amounted to 29.10 hours against 31.85 hours in 2019.

The average weight of a freight train in 2020 was 3,224 tons, which is 16 tons more than in 2019. Precinct / technical speed of freight train in the reporting period increased compared to 2019 and amounted to 36.3 / 42.4 km/h (in 2019 - 34.2 / 42.1 km/h).

The main problems in the field of freight and ways to solve them

The development of the Company's freight transportation is influenced by a number of challenges and problematic issues, the main of which are the following.

• Reducing market demand for cars JSC "Ukrzaliznytsia".

From 2018, freight car rental prices began to rise. In this regard, private operators in 2019 increased their own fleet (gondola cars - by 16%, grain trucks - by 85%), which created a surplus of rolling stock in the transport market of Ukraine. This worsened Ukrzaliznytsia's market position and led the Company to lose a significant part of its freight traffic in its own rolling stock.

In order to increase the competitiveness of the Company's cars and railway transportation in general, the Board of Ukrzaliznytsia in December 2020 approved the Procedure for determining and revising the rates of payment for the use of own cars of JSC "Ukrzaliznytsia" in the process of providing freight services.

More details - in the section "Rates of payment for the use of freight cars of JSC "Ukrzaliznytsia".

- **Tariff policy optimization.**

During 2020, Ukrzaliznytsia prepared and sent to the Ministry of Infrastructure draft orders on the unification of tariffs for the carriage of empty cars and the convergence of tariff classes, but none of the projects was implemented, because they did not find support in public authorities.

- **The need to accelerate the pace of development of multimodal transport.**

In the market of container transportation there is fierce competition. Container terminals of JSC "Ukrzaliznytsia" need modernization. In addition, the network of terminals is underdeveloped. Therefore, there is a need to increase their number, especially in large transport hubs, as well as investing in technical and technological equipment of container terminals.

To this end, in 2020 the branch Lisky Transport Service Center performed capital construction works in the amount of UAH 490 thousand; modernization of fixed assets - UAH 4.33 million; purchase of equipment, machines, mechanisms - UAH 5.38 million; overhaul - UAH 4.29 million. In addition, 232 units of rolling stock were modernized for a total of UAH 10.5 million. New terminals are planned to be opened in 2021.

- **Negative dynamics of transit traffic.**

In 2020, there was a tendency to reduce the volume of transit through the territory of Ukraine. The reduction in transit cargo is primarily due to the reorientation of Russian cargo. Factors such as the aggravation of the epidemiological situation in the world, the surplus of coal and iron ore in the main consumer markets, the reorientation of transportation of oil products of Kazakhstani origin, etc. also had a negative impact.

In order to attract additional volumes of transit traffic through the territory of Ukraine, the Company pursues a flexible and balanced tariff policy. When formulating tariff conditions for the transportation of transit

goods by rail, a differentiated approach is applied depending on the cargo and volume; tariffs for transportation of goods in specific directions are set for the specified volumes of transportation on the terms of deferred tariffs, etc.

Reorganization of freight transportation

According to the Association Agreement between Ukraine and the European Union, ratified by the Verkhovna Rada of Ukraine and the European Parliament on 16.09.2014, Ukraine undertook to create legal conditions in accordance with the European model of railway transport and implement the provisions of EU directives and regulations in the field of railway transport.

In accordance with the Plan of measures for the reform of railway transport, approved by the order of the Cabinet of Ministers of Ukraine dated 27.12.2019 No. 1411-p, measures are being taken to reform the JSC "Ukrzaliznytsia". The Company has developed a draft of the Detailed Unbundling Plan of JSC "Ukrzaliznytsia", which envisages measures to allocate functional business verticals. After approval by the Board and the Supervisory Board of the Detailed Unbundling Plan of JSC "Ukrzaliznytsia", measures will be implemented to establish a branch for the vertical "freight traffic".



Calculations for transportation

In 2020, Ukrzaliznytsia entered into agreements on the provision of services for the organization of cargo transportation by rail with 7,100 customers.

During 2020, the Company received revenue (including operating needs) from the transportation of goods in the amount of UAH 69,151.8 million, which is less than in 2019 by UAH 13,242.8 million (16.1%). The planned task of the Company to receive revenue from the transportation of goods has been fulfilled at the level of 99%.

Under separate agreements, work was carried out with the Ministry of Defense of Ukraine on the organization of military cargo transportation. In 2020, the Company provided the Ministry of Defense with military cargo transportation services in the amount of UAH 865 million, which is 3.4% more than in 2019.

Tariff policy in the field of freight transportation

The main tariffs for the transportation of goods by railways of Ukraine are regulated by public authorities. Payments for works and services related to the transportation of goods for which there is no state regulation of tariffs are made by the Company at free tariffs. That is, tariffs for transportation and rates of payment for services are divided into state regulated tariffs and free tariffs, fees.

The level of state regulated tariffs for cargo transportation within Ukraine in 2020 did not change. Indexation of tariffs for transportation of goods by rail was last carried out in 2019 in accordance with the order of the Ministry of Infrastructure No. 205 "On Amendments to the Coefficients Applicable to Tariffs of the Catalogue of Tariffs for Transportation of Goods by Rail within Ukraine and Related Services". This document provided for an increase from March 30, 2019, tariffs for transportation of goods by rail within Ukraine and related services by 14.2%.

During 2020 The company adjusted the prices for works and services at free tariffs taking into account the price indices of industrial producers in accordance with the official data of the State Statistics Service of Ukraine. There was an increase in prices for services at free tariffs: in July - by 0.2%, in October - by 0.9%.

In 2020, a working group was established to develop " Methodologies for determining the cost of works and services related to the carriage of goods provided under free (contractual) tariffs, and the procedure for their application" (hereinafter - the Methodology). Its purpose is to introduce a unified approach to determining the rates of payment for works and services related to the transportation of goods, which are provided at free (contractual) rates. In the process of developing the Methodology, an updated list of works and services related to the transportation of goods provided at a free (contractual) rate was formed, the technological description for the services of the List is developed, the technological and standardizing maps for the specified services are formed, and also calculations and the analysis of the prices are calculated.

Rates of payment for the use of freight cars of JSC "Ukrzaliznytsia"

From 2018, Ukrzaliznytsia, like all other owners, has the authority to independently form a fee for the use of its own cars at market prices.

In 2020 Society taking into account the general economic situation was forced to respond flexibly to market changes. There was a need to revise the method of forming the fee rate for the use of own cars of the carrier JSC "Ukrzaliznytsia" (hereinafter - fee rates). During the reporting period, review of fee rates carried out six times, mainly in the direction of reduction.

In December, the Board of JSC "Ukrzaliznytsia" approved Procedure

No. 5 for determining and revising the rates of payment for the use of own cars of JSC "Ukrzaliznytsia" in the process of providing freight transportation services, the purpose of which is increasing the competitiveness of the Company's cars and rail transportation in general. In order approval of marginal and actual payment rates, as well as automatic monthly review (analysis) of payment rates, which is carried out for each type of car based on the application of payment rates for the use of own cars of JSC "Ukrzaliznytsia" for the first 25 days of the month.

From the beginning of 2021, the rates of payment for the use of own cars of JSC "Ukrzaliznytsia" are reviewed monthly and posted on the official website of the Company.

Container transportation

In 2020, the Company transported 425,066 containers in 20-foot equivalent (hereinafter referred to as TFE) throughout Ukraine. This is 2.1% of the total volume of goods transported by rail. According to the results of the reporting period, the volume of container traffic of Ukrzaliznytsia increased by 11% compared to 2019.



Container transportation of the Company by types of communication, 2019-2020

| Type of connection | 2019, TFE | Fraction | 2020, TFE | Fraction | The ratio of 2020 to 2019, % |
|--------------------|----------------|-------------|----------------|-------------|------------------------------|
| import | 128,641 | 33% | 115,061 | 27% | -11% |
| export | 160,826 | 42% | 171,171 | 40% | +6% |
| transit | 21,829 | 6% | 38,181 | 9% | +75% |
| internal | 72,722 | 19% | 100,653 | 24% | +38% |
| Total | 384,018 | 100% | 425,066 | 100% | +11% |

In order to increase freight flows, increase traffic, reduce delivery times and improve the level of storage of goods during 2020, the Company organized 19 new container trains, of which 16 - domestic and 3 - international. 50 container trains ran on a regular basis, 11 of them were international. Container trains transported 230,784 DFE, which is 41% more than in 2019 (163,309 DFE) and is 54% of the total volume of containers transported through the territory of Ukraine.

Together with other carriers in 2020, 3 new container trains were organized in the connection China - European countries, which ran on the following routes:

- China - Kazakhstan - Russian Federation - Ukraine - Poland;
- China - Mongolia - Russian Federation - Ukraine;
- China - Kazakhstan - Russian Federation - Belarus - Ukraine - Poland.

Successfully continued to run trains in the connection China - European countries and in the opposite direction on the routes:

- China - Kazakhstan - Russian Federation - Ukraine - Slovakia / Hungary;
- China - Mongolia - Russian Federation - Ukraine - Hungary.

83 trains to the EU (37 to Poland, 33 to Hungary and 13 to Slovakia) and 3 trains from Slovakia to China were transported through Ukraine.

In June 2020, the first container train from China to Ukraine was accepted. In total, in 2020, Ukrzaliznytsia received 22 such trains, which transported 1,928 DFE

Trains also ran regularly in the domestic service, connecting the ports of the Black Sea with the terminal complexes located at the points of concentration of cargo flows.

In order to preserve the current and attract additional volumes of traffic, the time of passage of container trains through the territory of Ukraine is controlled, freight stations are opened to perform commercial operations with large-capacity containers, in particular on access tracks. In addition, for the convenience of shippers from 29.12.2020, the container train can be formed at any station open for operations with containers.

Transportation of goods across the state border

In 2020, there were 20 agreements concluded by the Company, on cooperation in the organization and implementation of international freight transportation across the state border. It is established in contracts a single level of payment rates for the use of freight cars of JSC "Ukrzaliznytsia" and for the work performed (services) of both commercial companies and state carriers Poland, Slovakia, Romania, Hungary and Bulgaria.

Within the framework of the Agreement on Information Cooperation between the State Fiscal Service of Ukraine and the Joint-Stock Company Ukrainian Railways, in 2020 work was carried out on the implementation and organization of information exchange with the State Customs Service. The works were performed in the following areas:

1) simplification and reduction of processing time at border transfer stations of imported and transit cargo, namely the provision of customs transfer information to the customs authorities in electronic form before the arrival of the train;

2) the organization of electronic document management to implement the function of delivery of goods in customs office of destination (at the station of destination) with receipt from the customs authorities of an

electronic notification of customs clearance of goods, which is a permit for its issuance to the consignee;

3) providing the carrier with information on issued customs declarations for empty wagons belonging to non-residents of Ukraine, which are imported into the territory of Ukraine as commercial vehicles;

4) formation and submission to the customs authorities of Ukraine of the "General Declaration of Arrival" for the possibility of assessment by the customs authorities of the risks when importing goods into the customs territory of Ukraine.

Repair campaign

In 2020, about UAH 4,962 million of investments were directed to freight transportation. To meet the needs of rolling stock renewal, about UAH 2,000 million was allocated, 6,501 freight cars were modernized and repaired, 39 electric freight locomotives and 2 main locomotives were modernized and repaired.

In 2020, the Company's car repair companies repaired 13,233 freight cars of JSC "Ukrzaliznytsia" with depot and capital repairs, with a plan of 12,076 cars (+ 9.58%)

In order to ensure uninterrupted execution of the transportation process by affiliated enterprises of Ukrzaliznytsia in 2020, 116 overhauls of traction rolling stock were performed, among them 94 - with extended service life.

Projects and programs to improve the service in the field of freight

In order to increase the level of satisfaction with the services of the Company in 2020, the Board of JSC "Ukrzaliznytsia" approved:

- a new form of the Agreement on the provision of services for the organization of cargo transportation by rail;
- a new form of the Agreement on the provision of services for the organization of transportation of military cargo of the National Guard of Ukraine;
- amendments to the Agreement on the provision of services for the organization of cargo transportation by rail in terms of transportation of goods by route and container trains;
- the form of the Agreement on the admission of private locomotives to work on separate routes;
- conducting electronic auctions for the sale of transportation services with agreed terms and volumes in the cars of JSC "Ukrzaliznytsia" using the electronic trading system "ProZorro. Sales», which gives the right to use the Company's cars for a long time (1-3 years). In this case, the rate of payment for use remains unchanged for the entire period of service. For the Company, this decision will provide a profit and increase the share of involved cars of Ukrzaliznytsia in the transportation market;
- technology of organization of cargo transportation with agreed terms and volumes, based on the results of electronic bidding (auction);
- Procedure No. 5 determination and revision of rates of payment for the use of own cars of JSC "Ukrzaliznytsia" in the process of providing freight services, which is a new, market-oriented pricing method that will improve the competitiveness of cars of JSC "Ukrzaliznytsia".

Based on the monitoring of market needs in 2020, optimal lots (with different number

of shipments and service life) of cars of JSC "Ukrzaliznytsia" were developed and put up for auction through the ProZorro system, which helped to increase the activity of bidders. Provision of applications is guaranteed through the introduction of a control system that allows tracking the provision of rolling stock under load directly for each customer.

In 2020, 136 instructions were prepared on the transportation of goods under special

conditions (in 2019 - 102), which allowed to attract additional traffic in the amount of about UAH 540 million (in 2019 - 402).

The automation of the process of concluding written agreements and contracts for the carriage of goods on special terms and the contract for the running of cars has been implemented.

Electronic applications for cargo forwarding have been introduced.



8 DECENT WORK AND ECONOMIC GROWTH

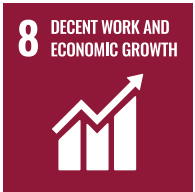


In February 2020, Ukrzaliznytsia held the first "Dutch auction" for the distribution of freight cars. The price for the use of cars during the auction at the first stage is reduced to the maximum

minimum bid, and at the second stage can

both increase and remain at the level of the first stage. The decision to hold such auctions was made by the Board of JSC "Ukrzaliznytsia" in order to promptly respond to market fluctuations and demand. From February to December 31, 2020, 13,957 lots (283,630 cars) were drawn.





In June 2020, in order to create competitive conditions for transport market participants, increase the share of traffic in the carrier's cars and even distribution of rolling stock in seasonal transportation, including grain cargo, the board of JSC "Ukrzaliznytsia" introduced a project to organize transportation with agreed terms and volumes and approved rates of payment for the use of the carrier's own cars and the technology of organization of cargo transportation with agreed terms and volumes, which determines the organizational features of the service.

11,946 shipments were allocated for the JSC "Ukrzaliznytsia" project, including 9,996 shipments in grain trucks and 1,950 shipments in gondola cars. At the end of 2020, the service was provided to 26 customers on 33 orders.

Management of car fleets with the use of long-term contracts is a world standard of large-scale business. Given this experience, in December 2020, Annex 1-9 to the contract

on the organization of transportation was introduced.

Auctions for services for the use of Ukrzaliznytsia cars were held through the system ProZorro. Lots consisted of different number of shipments (from 25 cars per day) and different terms of service (1 or 3 years). The rate for the use of the carrier's cars is set during the auction. On December 30, 2020, 34 lots were published for transportation services with agreed terms and volumes in Ukrzaliznytsia's own gondola cars.

As a result of the auctions, 1,260,252 car shipments were sold for a period of 3 years and 85,020 for a period of 1 year at the rate of payment for the use of the carrier's cars at UAH 480 / day. The total number is 1,383 car departures / day.

The conclusion of long-term contracts will allow the Company to receive a stable income and will have a positive impact on the use of the Company's cars. Thus, the share of gondola cars of JSC "Ukrzaliznytsia" in the transportation market increased from 19% to 30%.

Measures aimed at retaining existing and attracting new customers in the field of freight

During 2020, in order to increase the level of customer satisfaction with the Company's services in the field of railway transportation and attract additional volumes of transportation, the following main measures were taken:

- monitoring and analysis of the situation on the freight market;
- holding meetings with cargo-generating enterprises, freight forwarders, railway

administrations, sea trade ports, elevators and other organizations in order to improve the transportation process, resolve problematic issues and attract additional cargo flows;

- carrying out work with the enterprises on which the tendency of increase in time of use of cars on access tracks is observed, concerning increase of efficiency of use of freight cars;
- interaction with other types of transport, in particular through the development of multimodal transport;

- carrying out work on increasing the volume of container traffic by container trains and trains of combined transport, expanding the ranges of their running;
- carrying out work on the organization of transportation by scheduled trains, route departures, departure and step routes;
- improvement of normative-legal regulation of freight transportation;
- improvement of the Company's tariff policy, increase of its competitiveness;
- organization of work in the system of electronic state bidding ProZorro in terms of car rental of JSC "Ukrzaliznytsia" and control over the implementation of the terms of lots (agreements);
- development of electronic document management, information support of cargo transportation in international traffic;
- improving the quality of customer service. In particular, the specialists of the contact center provided explanations to users of transport services on the conditions of transportation of goods, registration of transportation documents, charging for transportation of goods and helped to solve problems that arose in the process of organizing transportation. A total of 23,053 appeals from clients were processed in 2020;
- conducting surveys and interviews of major freight companies.



8 DECENT WORK AND ECONOMIC GROWTH



10 REDUCED INEQUALITIES



16 PEACE, JUSTICE AND STRONG INSTITUTIONS



At the end of 2020, the Company's Commercial Work Department organized a survey of shippers in order to investigate the level of customer satisfaction with Ukrzaliznytsia's freight services. The questionnaire was sent to all contractors with whom the Company has a contractual relationship for the organization of freight. In 2020, respondents rated the compliance of Ukrzaliznytsia services with their expectations at 6.8 points

out of 10, while in 2019 - at 5.4 points. The highest score was given to the service "Speed of approval of applications for transportation" (8.3 out of 10). The lowest - "The level of liability for non-compliance with the conditions of carriage" (4,8).



8 DECENT WORK AND ECONOMIC GROWTH



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



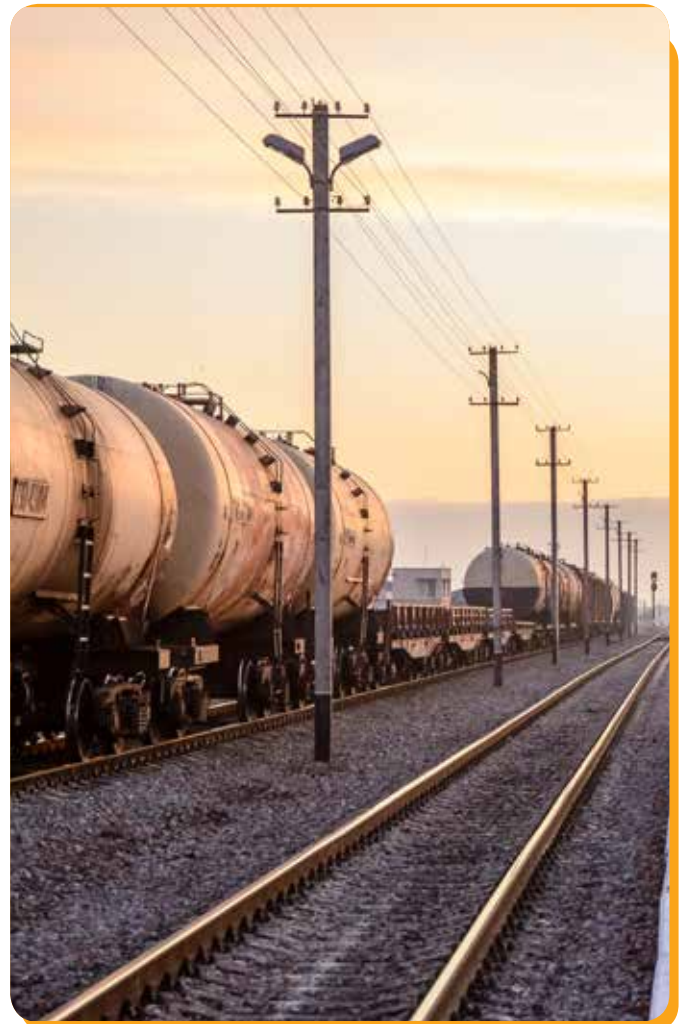
10 REDUCED INEQUALITIES



16 PEACE, JUSTICE AND STRONG INSTITUTIONS



JSC “Ukrzaliznytsia”, in close cooperation with all stakeholders, finalized a new contract for the provision of freight transportation services, which came into force on July 01, 2020. The text of the agreement is published at the link: <http://uz-cargo.com/contractcarriage.html>. Public discussion of the terms of cooperation with customers of freight services began in April 2019. The final version of the contract best meets the interests of the participants in the transportation process. As of December 31, 2020, JSC “Ukrzaliznytsia” concluded 6,504 agreements with consumers of railway services.



Plans for 2021 in the field of freight

1. Continuation of work on reforming the vertical of freight traffic.
2. Preparation of a draft order on the establishment of tariffs at the level of goods of the 1st tariff class for goods of the extracurricular group.
3. Preparation of a draft order on the unification of tariffs for the carriage of empty cars and their further reduction to the cost level.
4. Preparation of a draft order on the establishment of tariffs at the level of the 2nd tariff class for goods of the 1st tariff class.
5. Carrying out analysis of the logistics of major freight companies, the reasons for their use of alternative modes of transport, especially road, and the organization work to increase the share of railway transport in the transport market of Ukraine.
6. Creation of new logistic schemes of cargo transportation taking into account the fact that from 29.12.2020 for the convenience of senders the container train can be formed at any station open for operations with containers.
7. Expansion of the network of terminals - opening of terminals Vinnytsia and Lviv (Sknyliv), expansion of the range of services at the terminals.
8. The use of a pilot project launched in 2020 to process applications for redirection in electronic form through the AS "Client", which will significantly reduce the time of application, its consideration and issuance of a redirection order.

Passenger transportation

8 DECENT WORK AND ECONOMIC GROWTH



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



10 REDUCED INEQUALITIES



11 SUSTAINABLE CITIES AND COMMUNITIES



Long distance traffic

Long-distance passenger transportation is an important area of the Company's activity and plays a significant role in providing passenger transportation in the country. The Department for the Organization of Domestic and International Passenger Transportation coordinates and organizes passenger transportation in Ukrzaliznytsia, and the transportation itself is realized by the branches of the Passenger Company (PC) and the Ukrainian Railway Express Company (UREC).

In 2020, 6.7 million seats were issued through ticket offices (in 2019 - 22.9 million

seats). 12.9 million seats were purchased via the Internet, which is 66% of total sales (in 2019 - 30.4 million seats). Also, almost 16.5 thousand preferential travel documents for people with disabilities have been issued via the Internet. In addition, in 2020, 112 orders

for the inclusion of a special car for the transportation of persons with disabilities and travel documents were issued via the Internet.

In 2020, the volume of passenger traffic of Ukrzaliznytsia was significantly affected by the COVID-19 pandemic. On March 18, 2020, the transportation of passengers by rail in all types of domestic traffic (suburban, urban, regional and long-distance) was prohibited. From June 01, anti-epidemic measures were relaxed. This made it possible to partially resume passenger traffic with 50% of seats. From July 15, the sale of 100% of seats in trains resumed. Gradually, by 31.12.2020, 70% of passenger trains from the planned volumes were resumed.

In order to provide an opportunity for passengers to issue travel documents for a limited number of seats in passenger carriages (except for SC) in the amount of 50% of seats in the car, arranged in a checkerboard pattern, the Company has refined the software of automated passenger transportation system ACS PE UZ

The main indicators of long-distance passenger traffic, 2018-2020

| Indicator | 2018 | 2019 | 2020 | % 2020 to 2019 |
|---|----------|----------|----------|----------------|
| Passenger turnover, million passenger-km | | | | |
| long-distance traffic, in particular: | 23,628.5 | 23,343.1 | 8,319.4 | 35.6 |
| - <i>high-speed traffic</i> | 2,652 | 2,147 | 1,090 | 50.8 |
| Passengers sent, thousand persons: | | | | |
| long-distance traffic, in particular: | 47,286.7 | 46,272.6 | 16,692.5 | 36.1 |
| - <i>high-speed traffic</i> | 5,660 | 4,783 | 2,356 | 49.3 |



4 QUALITY EDUCATION



8 DECENT WORK AND ECONOMIC GROWTH



17 PARTNERSHIPS FOR THE GOALS

On March 31, Ukrzaliznytsia started free transportation of medical employees by its official trains. In total, during the quarantine period and until the resumption of passenger and suburban trains, the Company transported to the place of work and back more than 206 thousand medical workers. Also, during the quarantine period, the railwaymen picked up employees of the National Police and the State Emergency Service

of Ukraine. This decision was made by the Company's management and agreed with the Ministry of Infrastructure. In total, 20.2 thousand employees of the National Police of Ukraine and 4.7 thousand employees of the State Emergency Service of Ukraine were transported by service trains during the quarantine period.

Quarantine restrictions also had a negative impact on other passenger traffic indicators. In 2020, luggage was processed in the amount of UAH 2,691 thousand. This amounted to almost 16% of the figures for 2019, when luggage was processed in the amount of UAH 17.02 million. In 2020, 526 cars worth UAH 627.6 thousand were transported in automobile wagons, which is 93% less than in 2019, when 8,066 cars worth UAH 12.24 million were transported.

Inventory fleet of cars

The Company's inventory fleet of passenger cars in 2020 numbered 3,826 units, which is 206 less than in 2019. The operational fleet in the reporting period was 2,803 units against 2,814 in 2019.



Inventory and operational fleet of passenger cars of JSC "Ukrzaliznytsia", 2019-2020, units

| Car type | 2019 | | 2020 | |
|------------------|-----------------|-------------------|-----------------|-------------------|
| | Inventory fleet | Operational fleet | Inventory fleet | Operational fleet |
| Together in UZ | 4,032 | 2,814 | 3,826 | 2,803 |
| Compartments | 1,546 | 1,227 | 1,476 | 1,257 |
| Non-compartments | 1,960 | 1,276 | 1,840 | 1,226 |
| Soft | 262 | 197 | 270 | 208 |
| Luggage | 20 | 11 | 17 | 13 |
| Restaurant cars | 40 | 5 | 36 | 9 |
| Post-Luggage | 6 | 0 | 6 | 0 |
| Interregional | 145 | 98 | 130 | 90 |
| Others-special | 53 | 0 | 51 | 0 |

The Company's investments in passenger transportation

Despite the fact that in 2020 the COVID-19 pandemic caused significant financial losses to the Company, Ukrzaliznytsia continued to invest in the purchase of cars, machinery and equipment, repairs and more. The total amount of capital investment in the vertical long-distance passenger traffic in 2020 amounted to UAH 1.65 billion. These funds were spent as follows:

- purchase of passenger cars - UAH 661.94 million,
- implementation of overhaul of passenger cars - UAH 211.61 million,
- overhaul of passenger rolling stock, buildings, structures and equipment - UAH 642.26 million,
- capital construction - UAH 8.71 million,
- purchase of machinery, mechanisms and equipment - UAH 12.56 million,
- non-current tangible assets -

UAH 108.54 million.

In 2020, 28 locomotive traction cars were purchased.

Repair campaign

In 2020, fixed assets worth a total of UAH 381.48 million were repaired at the passenger farm. Current and depot repairs of rolling stock for the total amount of UAH 304.09 million were performed. In addition, current and capital repairs of buildings, structures and equipment worth a total of UAH 77.39 million were performed. Renovated 1,406 units of rolling stock (in 2019 - 2,041 units), of which:

- 954 units - depot repair,
- 439 units - overhaul of the first volume,
- 13 units - overhaul.

The reason for the decrease in the number of repairs is the reduction in passenger traffic and the lack of need for rolling stock due to quarantine restrictions.

Running of passenger trains in domestic and international traffic

In the period from 01.01.2020 to 18.03.2020, 96 pairs of passenger trains of JSC "Ukrzaliznytsia" ran in domestic traffic. After lifting the ban on transportation of passengers by rail in all types of domestic service from 01.06.2020 to 31.12.2020 there was resumed the running of 86 pairs of passenger trains. The main destinations were Kyiv - Kharkiv, Kyiv - Dnipro, Kyiv - Odesa, Kyiv - Lviv and Lviv - Odesa.

In the international traffic from 01.01.2020 to 17.03.2020 there were 37 pairs of passenger trains. Of these, the formation of JSC "Ukrzaliznytsia" - 14 pairs, other railways - 23 pairs. The main destinations were Kyiv - Przemyśl, Kyiv - Warsaw, Kyiv - Vienna (Budapest), Kyiv - Minsk, Kyiv - Riga. On March 17, 2020, Ukrzaliznytsia suspended international passenger traffic until the end of the quarantine period.

In order to carry out the international evacuation of passengers by rail (from 19.03.2020 to 29.03.2020), the branch of the Company provided medical support to 10 international InterCity flights in the direction of Kyiv - Przemyśl - Kyiv. Medical staff of Kyiv and Lviv clinical hospitals were involved in medical support.

According to the results of 2020, 34.02 million passengers were transported domestically, which is 36.6% compared to 2019 (92.81 million passengers); internationally - 418.9 thousand passes, which is 11.9% against 2019 (3,514.9 thousand passes).

Reorganization of passenger traffic

In 2020, the reorganization of long-distance passenger traffic was carried out in several directions.

By the decision of the Board of the Company dated 14.05.2020 the decision of the Supervisory Board of the Company dated 11.10.2019 on the establishment of the branch

"Station Company" of JSC "Ukrzaliznytsia" was implemented. The branch included 107 stations (extracurricular, first, second and third class) and a stop platform "Karavaievi dachi" in Kyiv.

The decision of the Board of JSC "Ukrzaliznytsia" of 02.07.2020 approved the Concept of restructuring of the locomotive industry of JSC "Ukrzaliznytsia" for 2020-2023 (hereinafter the Concept) and the Plan of implementation of the Concept (1 stage - 2020) which provide:

- creation of major repair locomotive depots, which will specialize in maintenance and current repairs, depot repairs, overhauls and operational locomotive depots with the existing management vertical;
- division of operational locomotive depots into freight and passenger depots.

Draft documents on the transfer of employees and transfer of personnel documentation to the newly created production units have been prepared, the vertical of the locomotive industry has been prepared for the distribution of verticals of infrastructure, passenger and freight transportation.

At the board meeting on 30.12.2020 a decision was made on reorganization of the structure of the passenger transportation economy and approved the organizational structure of the branch "Passenger Company", which included production units "Speed Depot", "Locomotive Depot West", "Locomotive Depot South", "Diesel Depot".

In addition, it was decided to transfer such property from the balance sheet of the regional branches of Lviv Railway, Odesa Railway, Dnipro Region Railway, South-West Railway, and South Railway of JSC "Ukrzaliznytsia" to the balance sheet of the Passenger Company branch:

- Locomotive depot Kyiv-Pasazhyrskiy, Dniprovskiy locomotive depot, Electric locomotive depot Kharkiv - Main;
- traction rolling stock used in passenger

traffic;

- Locomotive depot Lviv-West, Locomotive depot Podilsk, Locomotive depot named after T. Shevchenko and other depots of regional branches.

At the meeting of the Board dated 05.01.2021 it was decided to transfer to the branch "Passenger Company" locomotives, which are involved in passenger traffic.

Projects and programs to improve the quality of passenger service

The Company strives to improve the quality of passenger service. To process complaints in the contact center of JSC "Ukrzaliznytsia" in an updated format, the hotline "Quality and Service", which allows you to quickly respond to requests from citizens (calls and messages via messenger on the social network Facebook). Most issues are resolved within a few hours of the passenger's request.

Activities of the contact center "Quality and Service" of Ukrzaliznytsia, 2019-2020

| Indicator | 2019 | 2020 |
|------------------------------|---------|---------|
| Incoming calls | 168,107 | 408,815 |
| Received calls | 118,609 | 225,018 |
| Missed calls | 49,498 | 183,797 |
| Service level | 70% | 55% |
| Outgoing calls | 72,050 | 80,347 |
| Number of registered appeals | 53,204 | 42,397 |

The drop in the Service level indicator was due to the fact that the contact center's ability to receive incoming calls is limited. Because of this, not all calls were accepted.

In order to improve the quality of services on the basis of the order of JSC "Ukrzaliznytsia" "On the development and implementation of the Integrated Management System and Lean Production" working group on the development and implementation of the Integrated Management System (hereinafter - IMS) in the branch "UREC" in the period 01.06.2020 - 03.07.2020 audit of IMS branch for compliance with the requirements of international

standards ISO 9001: 2015, 45001: 2018, 14001: 2015. The UREC branch updated the registers of regulatory and supporting documents of the main production processes and updated the lists of key performance indicators of these processes. From 01.03.2021 the monitoring of the main production processes of this branch has started.

In addition, the UREC branch has put into operation the Integrated Quality Management System, Ecology, Health and Safety at Work on the basis of international standards ISO 9001, 14001, 45001. Preparations for ISM certification by specialized third-party organizations are underway.



9 INDUSTRY, INNOVATION
AND INFRASTRUCTURE



11 SUSTAINABLE CITIES
AND COMMUNITIES



services smartticket.gov.ua. The task of the Company is to organize the connection of electronic resources for the sale and execution

Pursuant to the Resolution of the Cabinet of Ministers of Ukraine "On the implementation of a pilot project for the implementation of a single electronic ticket service" of 23.09.2020

Ukrzaliznytsia provided an electronic travel document for travel by rail as part of a single electronic ticket on the transport portal electronic

of electronic travel documents in the internal connection to the transport portal of electronic services of SE "Sectoral Center for Digitalization and Cybersecurity". Within the framework of the project JSC "Ukrzaliznytsia" the introduction of software for the sale and return of electronic travel documents for travel by rail as part of a single electronic ticket. Currently, the passenger has the opportunity to issue an electronic ticket for travel by rail and public transport (Kyiv metro). In 2020, 137 electronic smart tickets were issued and 20 were returned.



3 GOOD HEALTH
AND WELL-BEING



11 SUSTAINABLE CITIES
AND COMMUNITIES



Ukrzaliznytsia implements a plan of measures to improve passenger safety at trains and stations. As part of the pilot project, the Company together with the National Police of Ukraine organized the escort of passenger trains by police officers. Thus, in 2020, the production units of the Passenger Company

branch concluded agreements with the National Police of Ukraine for the escort of trains No. 23/24 on the Odessa-Moscow route and No. 121/122 on the Mykolaiv-Kyiv route. When determining the trains, the increased criminogenic situation in them was taken into account. In addition, on August 25, 2020, a pilot project was introduced to escort ten passenger trains by paramilitary guards.

Measures aimed at retaining existing and attracting new passengers

Following the resumption of passenger trains in June 2020, in order to ensure the safe use of rail transport services for citizens, the unconditional implementation of the Provisional Recommendations on the organization of anti-epidemic measures in the provision of passenger services by rail was organized. In addition, additional measures have been implemented:

- temperature screening at the entrance to the station building and boarding the car;
- hourly treatment during the flight of surfaces, places of contact of passengers' hands (door handles, seats, folding tables, sinks, etc.) with alcohol-containing disinfectants.

To improve the quality of passenger service from 29.08.2020 set the duration of the sale of travel documents in 90 days before the departure of the train for trains of all categories of branches "PC" and "UREC" in domestic traffic.

In 2020, the issuance of an electronic travel document prior to the arrival of the train at the final station for all long-distance trains running on the domestic service was introduced.

From December 01, 2020, the sale of tea, coffee and confectionery to passengers in dense airtight packaging was resumed in passenger trains.

Ukrzaliznytsia also supported the digitalization of state-citizen relations and the launch of the "Diia" project in order to improve the quality of passenger service. Users of "Diia" can present an electronic certificate in the application when boarding the train.

Work was carried out on the development of software for a chatbot for the execution of electronic travel documents and interaction with the automated system of passenger transportation. On January 12, 2021, Ukrzaliznytsia, in cooperation with Visa, launched a chatbot on Viber and Telegram for Intercity+ trains.

Ukrzaliznytsia has signed memoranda of cooperation with Visa and Mastercard. Within the framework of cooperation, it is planned to implement innovative projects: a mobile application for passengers with the latest services for payment and security, the ability to pay for travel by contactless card and other electronic media, as well as expanding the validity of electronic tickets for all connections

Transportation of passengers with disabilities

Ukrzaliznytsia offers comfortable travel conditions in long-distance trains for passengers with disabilities. During 2020, 2,900 passengers with special needs were transported in special carriages to ensure the transportation of persons with disabilities. This is 2.5 times less than in 2019 (in 2019 - 7,161 people). Such cars are equipped with a lifting mechanism, a special compartment and a toilet room for people with disabilities, which in their parameters are larger than usual and adapted for free movement of people on wheelchairs. Also, in 2020, the Company purchased 84 lifting platforms for people with disabilities who move on wheelchairs. They help to get more conveniently to the car, and therefore, it is more comfortable to travel by rail.

The official website of JSC "Ukrzaliznytsia" and the widget for travel documents meet the requirements of the Ukrainian Society of the Blind and have the appropriate certificate.

The Company has developed a training program to help people with disabilities during passenger transportation. In December 2020, in accordance with this program, internal trainers were trained to provide training for service personnel.



In 2020, JSC “Ukrzaliznytsia” held a series of seminars on “Ways to move, assist and accompany low-mobility passengers on rail transport.” Their main goal is to acquire basic knowledge and practical skills of accompanying people with disabilities and ethics of communication with this group

of passengers. As a result of the training, the participants of the trainings improved their communication skills with people with hearing, vision and musculoskeletal disorders, and practiced first aid skills in case of an epileptic seizure. A total of 203 employees involved in providing services to passengers were trained. They will in turn train other employees.

Also in 2020, the technology of registration of preferential travel documents was introduced through the official website of the Company with online validation of documents entitling to the privilege (with the interaction of information resources of JSC “Ukrzaliznytsia” and the Ministry of Social Policy). At the same time, when drawing up travel documents for people with profound visual impairments, voice support of the process of choosing places and paying for travel was implemented.

Ukrzaliznytsia is carrying out works on equipping railway stations, stations and stopping points with lifting platforms (mechanisms) for boarding / disembarking people with disabilities, tactile, visual and other accessibility elements. In total, during 2020, regional branches and affiliates of JSC “Ukrzaliznytsia” performed 264 measures worth UAH 11.04 million

Tariff policy of the Company

Tariffs for passenger transportation by rail are approved on the basis of the resolution of the Cabinet of Ministers of Ukraine “On establishing the powers of executive bodies and executive bodies of city councils to regulate prices (tariffs)”, namely the Ministry of Infrastructure with the consent of the Ministry of Economic Development and Trade, trade union associations at the national level, the Joint Representative Body of Employers at the national level, the State Regulatory Service of Ukraine. Tariffs come into force after state registration by the Ministry of Justice.

Tariffs for transportation of passengers in domestic traffic (except for cars of the 1st class of Intercity+ trains) are approved by the order of the Ministry of Infrastructure “On approval of Tariffs for transportation of passengers, luggage and cargo by rail in domestic traffic”. The order defines the coefficients of flexible tariff regulation for thirteen calendar periods of the year with coefficients of decrease of 0.8-0.97 and increase of 1.01-1.10. At the same time, adjustments were made by days of the week: a decrease of 10% on Tuesdays and Wednesdays, an increase of 10% on Fridays and Sundays and no changes on Mondays, Thursdays and Saturdays.

Tariffs for domestic passenger transport are differentiated depending on the type of car (general, reserved, compartment, suite, 3rd class, 2nd class, 1st class), train speed category (Intercity+, Intercity, Regional Express, Regional, Night Express, Night Express, Night Passenger), the level of service quality (branded and regular train). That is, the fare depends on the time of year, day of the week, train category, car type and level of service quality. In addition, the difference in fare is affected by the coefficient of branded cars.

The program of loyalty "buy earlier - pay less" is applied depending on the term of purchase of travel documents before departure of the train only in cars of the 1st class of trains of the Intercity + category, formation of cost in which is not subject to the state regulation.

Tariffs for domestic passenger transportation in 2020 remained at the level of 2019

Indexation of tariffs in the field of passenger transportation

During 2018, a two-stage indexation of tariffs for domestic passengers was carried out: by 12% from May 30 and from October 01. In general, the level of indexation of tariffs for passenger transportation in December 2018 compared to December 2017 was 25%. Tariffs for domestic passengers from October 2018 until the end of 2020 remained unchanged.

Volumes of compensation for transportation of privileged categories

In 2020, the actual amount to be compensated by Ukrzaliznytsia amounted to UAH 537.1 million. Received - UAH 102.8 million, the amount of unreceived compensation amounted to UAH 434.3 million (coverage is 19%).

Plans for 2021 and the medium-term perspective in the field of long-distance passenger transport

1. Providing control of electronic tickets by means of document control terminals with the Android operating system.

2. Development of software for the implementation of the following new online services for passengers:

- organization of the electronic "Waiting List" system and registration of electronic travel documents;
- providing orders for group transportation of passengers, including children, via the Internet. Registration via the Internet of electronic travel documents for groups to reserved seats;
- registration via the Internet of transportation of cars by automobile platforms.



Suburban traffic

With the help of suburban railway transport, the population makes daily trips to work, study, recreation, and country estates. Thanks to the daily transportation of workers by suburban rail transport, the livelihoods of large cities are supported. At the same time in all seasons, high reliability and regularity of communication is provided. The general coordination of the Company's work in the field of suburban passenger transportation is entrusted to the Department of Suburban Passenger Transportation, which has developed a "Concept for the organization of suburban passenger transportation." Now possible variants of organizational structure of economy of suburban passenger transport of JSC "Ukrzaliznytsia" are considered.

To meet the needs of the population in the suburban service before the establishment of quarantine restrictions, an average of 1,380 suburban trains ran daily. Due to the easing of quarantine measures on 01.06.2020, the movement of suburban trains was partially restored. Passengers carried an average of 940 suburban trains per day.

In 2020, 280,283 trains were sent by regional branches of JSC "Ukrzaliznytsia" in suburban traffic, of which 277,827 were on schedule. The Company transported 50.2 million people in suburban traffic, which is 54.7 million or 52.2% less than in 2019.

The main indicators of suburban passenger traffic, 2018-2020

| Indicator | 2018 | 2019 | 2020 | % 2020 to 2019 |
|---|-----------|-----------|----------|----------------|
| Passenger turnover, million passenger-km | | | | |
| suburban traffic | 4,986.4 | 5,013.0 | 2,354.4 | 47.0 |
| Passengers sent, mln | | | | |
| suburban traffic | 103,876.0 | 103,343.4 | 49,602.7 | 48.0 |

In recent years, suburban passenger traffic has seen a decline in traffic, due to the dynamics of demographic indicators, increasing the level of motorization of citizens, the development of suburban transport. The decrease in the number of passengers carried by suburban trains in 2020 compared to 2019 was due to a decrease in the number of:

- "free" of transported passengers - by 22 million people, or 49.2%, among them transported on Form 4 - by 2.3 million people, or by 27.1%;

- transported "paid" passengers - by 27.5 million people, or 54.4%.

The decrease in the number of transported passengers was also due to the spread of acute respiratory disease COVID-19 and the

introduction of quarantine. In addition, the decline in suburban passenger transport by rail is due to a number of economic, social and demographic factors, the development of suburban transport and a reduction in the number of suburban trains due to the wear of rolling stock. Significant wear and tear, lack of procurement of new rolling stock and unsatisfactory level of logistics leads to the decommissioning of sections of railcar rolling stock (RCRS), which negatively affects the level of passenger comfort. Thus, the passenger, who is willing to pay the full cost of travel, is looking for an alternative and switches to a more convenient mode of transport.

As of 31.12.2020, the wear of the RCRS in suburban traffic is 90.06% for electric trains (92.74% - alternating current and 87.31% - direct current); diesel trains - 97.40%, rail buses - 28.50%

All types of RCRS require significant maintenance and repair costs. They consume 15-20% more electricity and diesel fuel than modern next-generation rolling stock. In general, the condition of the existing rolling stock, the main part of which was developed and supplied in 1960-1970, has approached a critical limit and should be written off in accordance with traffic safety requirements due to the emergency condition of load-bearing metal structures (body frames and carts).

According to Article 10 of the Law of Ukraine "On Railway Transport" construction and reconstruction (including electrification) of railway lines, stations, pedestrian bridges, passenger platforms and other railway transport facilities related to the service of the population of the region, the purchase of electric trains and diesel trains for suburban communication, are carried out at the expense funds of regional branches with the involvement of local budgets, as well as other sources not prohibited by law.

Currently, the local executive authorities do not comply with the provisions of this article, ie funds are not allocated for rolling stock. Given the shortage of rolling stock and the impossibility of performing the planned types of car repairs, the Company's regional branches are forced to optimize the schedule of commuter trains by reducing their number and complexity.

Rolling stock for suburban transportation

As of 31.12.2020, the RCRS has 1,294 sections or 281 electric trains (of which 656 sections, or 135 trains - alternating current, and 638 sections, or 146 trains) for suburban passenger transportation. - direct current), 120 diesel trains, 4 rail buses (3 units. - 620M, 1od. - 630M). Compared to 2019, the inventory was reduced by 3 sections due to the expiration of the rolling stock.

927 sections, or 238 trains, electric trains are operated (from them 472 sections, or 115 trains - alternating current, and 455 sections, or 123 trains - direct current), 75 diesel trains, 2 rail buses. Due to insufficient funding for the purchase of spare parts, the farm operates 25 sections less than in 2019.

1,023 sections of electric trains (79.06%) were fully depreciated. From them 540 sections, or 108 structures (82,32%)- alternating current, and 483 sections, or 104 compositions (75.71%) -direct current. Also, 222 sections, or 113 units, were fully depreciated. (96.52%) diesel trains, against 2019, 30 sections were fully depreciated.

Over the extended service life (more than 50 years) 262 sections, or 54 trains (43.9%), electric trains of a direct current are operated; 28 sections, or 7 trains (6.1%), alternating current electric trains and (over 40 years) 47 sections, or 24 trains (32.0%), diesel trains.

Transportation of privileged categories of citizens

Passenger transport in the suburban railway performs an important social function. According to the current legislation, 17 privileged categories of citizens are transported by this type of transport. Privileged people make up 45.2% of suburban passengers.

In 2020, JSC "Ukrzaliznytsia" transported 16.4 million people belonging to privileged categories of citizens in suburban traffic.

This is 19.5 million people less than in 2019 (35.9 million people). Losses from the carriage of such categories of passengers must be reimbursed by local executive authorities. The amount of services provided in 2020 amounted to UAH 285.3 million, which is UAH 230.4 million less than in 2019 (UAH 515.7 million). In 2020, the Company received UAH 79.9 million in compensation from local executive authorities, which is UAH 32.4 million less than in 2019 (UAH 112.3 million).

According to the Budget Code of Ukraine, expenditures on compensation payments for concessional travel of certain categories of citizens belong to the expenditures of local budgets, which can be made from all local budgets. That is, local authorities should allocate funds for damages for preferential travel for certain categories of citizens.

According to the results of 2020, the regional branches of JSC "Ukrzaliznytsia" concluded 460 contracts out of the planned 508.

The percentage of compensation for transportation of privileged categories of citizens in 2020 amounted to 28.0%, in 2019 - 21.8%

Compensation for preferential transportation in 2018-2020, UAH million, including VAT

| Year | Amount of services provided | Compensation received | Arrears |
|------|-----------------------------|-----------------------|---------|
| 2018 | 389.4 | 88.6 | 300.8 |
| 2019 | 515.7 | 112.3 | 403.4 |
| 2020 | 285.3 | 79.9 | 205.4 |



Categories of citizens who are granted benefits in suburban traffic, 2020

| Categories of citizens who are granted benefits | Number of transported passengers of privileged categories |
|--|---|
| World War II disabled veterans of Group I and II; World War II disabled veterans of Group III, and equal-status persons; attendants for World War II disabled veterans of Group I | 1,352 |
| Participants of the World War II and defence operations of the former Soviet Union from among military personnel who served in military units, headquarters, and establishments that were part of the active army and former partisans, former members of the anti-fascist resistance movement | 4,187 |
| Parents of servicemen who died or went missing during military service | 1,390 |
| Persons with war-caused disabilities (Group I, II, III) and persons with equal status; attendants accompanying disabled persons of Group I (not more than one attendant); attendants for war disabled veterans of Group II and III from among combatants during the Great Patriotic War of 1941-1945 who are 85 years old or older (not more than one accompanying person) | 2,495 |
| Participants in hostilities | 168,005 |
| Disabled people and persons accompanying disabled people of group I (or children with disabilities) | 1,079,390 |
| Victims of Nazi persecution | 43 |
| Victims of the Chernobyl disaster of the I, II category; minor children with disabilities related to the Chernobyl disaster | 38,004 |
| Retirees by age | 14,971,401 |
| Veterans of military service, veterans of law-enforcement bodies, veterans of tax militia, veterans of the state fire service, veterans of the State Penitentiary Service of Ukraine, veterans of the civil defense service, veterans of the State Service for Special Communications and Information Protection of Ukraine | 43,916 |
| Children from large families | 112,405 |
| Orphans and children deprived of parental care who are brought up or educated in educational institutions or boarding schools | 10,599 |
| Children are disabled of all categories | 4,978 |
| Total for local state administrations | 16,438,165 |
| Students of higher educational institutions of I-IV levels of accreditation and students of vocational and technical educational institutions, regardless of ownership | 2,157,510 |
| Children aged 6 to 14 years | 635,727 |

The best option for JSC "Ukrzaliznytsia" is the introduction of targeted cash payments by the state to privileged categories of passengers, which will give the carrier the opportunity to receive the full fare regardless of the social status of citizens.

Tariff policy of the Company

Tariffs for passenger transportation by rail in suburban traffic are set in accordance with the Law of Ukraine "On Railway Transport" and the Cabinet of Ministers of Ukraine "On establishing the powers of executive bodies and executive bodies of city councils to regulate prices (tariffs)" regional branches of JSC "Ukrzaliznytsia" for in coordination with regional state administrations.

Currently, fares in suburban traffic are significantly lower than the economically justified level

In 2020, in coordination with the relevant regional state administrations, there was an increase in tariffs for passenger transportation: for the entire regional branch of Donetsk Railway by an average of 2.8%; regional branch of the Southern Railway in Kharkiv region - 2.3 times; regional branch of the South-Western Railway in Kyiv and Chernihiv regions - by 13.6%.

According to the Law of Ukraine "On Railway Transport" at the level of tariffs that do not ensure the profitability of suburban transportation, losses must be compensated from local budgets. In practice, this provision of current legislation is not met.

Problematic issues in the tariff policy are the lack of a mechanism to compensate for the difference between the actual cost of transportation and revenues from transportation received on the basis of

approved tariffs, as well as negative attitude of the management of regional state administrations to the proposals of the regional branches of JSC "Ukrzaliznytsia" to increase tariffs for passenger transportation in suburban traffic.

Nevertheless, the Company works with local executive bodies to agree on further increases in tariffs for suburban passenger traffic.

The Company's investments in suburban passenger transportation

In 2020, with a plan of UAH 564.6 million, UAH 479.55 million of capital investments, or 84.9%, were disbursed in the economy of suburban passenger transportation. Development took place in sections:

- "Capital construction" - with a plan of UAH 9.99 million, UAH 10.97 million, or 109.9%, was disbursed;
- "Modernization of fixed assets" - with a plan of UAH 390.36 million, UAH 329.65 million, or 84.4%, was disbursed;
- "Machinery, mechanisms and equipment" - with a plan of UAH 21.52 million, UAH 20.44 million, or 95.0%, was disbursed;
- "Non-current, tangible assets" - with a plan of UAH 6.63 million, UAH 6.37 million, or 96.1%, was disbursed;
- "Overhaul" - with a plan of UAH 136.11 million, UAH 112.12 million, or 82.4%, was disbursed.

Repair campaign

The proper technical condition of the RCRS is ensured by its repair and modernization with the extension of the established service life. During the modernization, special attention is paid to the installation of modern energy-saving equipment, including lighting systems based on LEDs. Modern temperature control systems are installed in the cabins, new window units to reduce heat loss, as well as a set of equipment aimed at improving traffic safety and passenger conditions.

In 2020, the costs of repairing fixed assets of JSC "Ukrzaliznytsia" with a plan of UAH 492.9 million amounted to UAH 439.9 million. Underdevelopment of funds is UAH 53 million, or 10.8%.

The current repairs of the RCRS with the plan of UAH 464.7 million were performed in the amount of UAH 416.9 million. Underdevelopment of funds amounts to UAH 47.8 million, or 10.3%.

At the same time locomotives were repaired - 14 units (127.3% of the plan 11 units), electric sections - 4 273.8 sections (98.2% of the plan 4 350 sections), diesel trains - 282 units (98% of the plan 287.9 units), rail buses - 2 units (100% of the plan), other rolling stock - 5 units (100% of the plan).

Equipment repair: with a plan of UAH 10.6 million, the actual execution amounted to UAH 4.8 million. Underdevelopment of funds is UAH 5.8 million, or 45.2%.

Other types of repairs: with a plan of UAH 17.5 million, UAH 18.2 million was actually directed. Overspending amounts to UAH 0.6 million, or 103.5%.

The main achievements in the field of suburban passenger traffic

In 2020, PJSC "Kyiv Electric Car Repair Plant" during overhauls and modernization with extended service life performed a set of works to improve the interior, exterior of electric trains and other works that significantly improve the operation of rolling stock and passenger transport conditions, by 8 trains (33 sections) of electric trains, as well as a separate modernization of one train (3 sections) of an electric train. The cost of the work performed is UAH 367.5 million.

In the regional branches of Odesa Railway and Donetsk Railway, 75 mobile and stationary registrars of settlement operations for the sale of tickets in suburban traffic were purchased.

In 2020, the arrangement of the passenger waiting area at the Suburban Station was completed. Kyiv-Passenger Regional Branch of the South-Western Railway. Thus, reconstruction of the area of the Suburban station of the Fastiv direction of Kyiv-Pasazhyrskyi station.

Plans for 2021 and a medium-term perspective in the field of suburban communication

In order to improve the conditions of passenger transportation in suburban traffic, the capital investment plan of JSC "Ukrzaliznytsia" provides:

- acquisition of rolling stock in the amount of UAH 294.95 million;
- overhaul and modernization of 51 sections of electric trains in the plant (about 11 trains) for a total of UAH 572.588 million;
- execution of 4.7 thousand current repairs of rolling stock in the conditions of railcar depots to prevent malfunctions in operation, maintaining it in working order and proper sanitary and hygienic condition.

In order to increase the profitability of passenger transportation in suburban traffic, it is planned to introduce a new, more modern automated passenger service system for suburban rail transport, which will significantly improve and bring passenger service to a higher level.



Infrastructure

8 DECENT WORK AND ECONOMIC GROWTH



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



11 SUSTAINABLE CITIES AND COMMUNITIES



The railway is one of the most popular means of transportation and transportation of goods in Ukraine. Of particular importance in transportation is the infrastructure complex. They depend on the technical condition of the railway infrastructure safety, continuity and volume of transportation, speed and reliability of delivery of passengers and cargo, efficiency of use of rolling stock. Railways are a whole complex of engineering structures and devices, as well as production units and economic enterprises that ensure uninterrupted operation of tracks and their repairs. The component of the infrastructure complex of JSC "Ukrzaliznytsia" includes:

- track economy,
- transportation economy,
- signaling and communication facilities,
- power supply economy.

The deployed length of railway tracks is 41,429.7 km (public use - 39,232.7 km), including the main tracks - 27,062.3 km.

The deployed length of electrified tracks is 25,223.4 km (including 14,584.8 km of AC 27.5 kV)

The main problematic issues in the field of infrastructure management of Ukrzaliznytsia remain:

- increasing the length of the main tracks with overdue repair and track works;
- increasing the length of sections of tracks with limited speed of trains and warnings about it;
- increasing the number of station and distillation devices of automation and communication to ensure the control of train traffic and safety, which have exhausted the installed resource and need a complete replacement with modern ones.

Repair campaign and technical re-equipment

In order to ensure uninterrupted operation of railway tracks in 2020, 1,345.4 km of railway tracks were repaired, which is 24 km more than in 2019 (1,321.4 km), in particular:

- track reconstruction - 112.6 km (2019 - 133.8 km);
- overhaul of the track - 48.1 km (2019 - 115.9 km);
- average track repair - 1,184.7 km (2019 - 1,071.7 km);
- new turnouts were replaced - 309 sets (2019 - 109 sets);
- replaced by old-fashioned turnouts - 165 sets (2019 - 185 sets);
- average repair of turnouts - 880 sets (2019 - 866 sets).

Also in 2020, a set of works in the energy supply economy was performed. In particular, the catenary was inspected and repaired on the main tracks of stations and races with a total length of 10,465 km; 48.1 km of worn-out contact wire, 39.0 km of corroded supporting cable and 110.7 km of steel cables of cargo compensation devices were replaced; 1,414 acutely defective, defective and old-type catenary supports were replaced; 6,149 contact suspension insulators of

obsolete types were replaced with polymer ones; 76 sectional insulators were replaced and 611 air shooters were modernized.

At traction substations, 7 multi-volume oil-filled switches of 110 kV, 3 high-voltage paper-oil inputs of transformers and 7 batteries were replaced. In addition, 74 modern surge arresters have been installed; capital repairs of 5 transformers of traction substations were performed; 227 current and voltage transformers were replaced, as well as 53 switches of obsolete types in DI-10 kV.

136.3 km of steel wires, 1,938 supports, 13,499 insulators of overhead power lines of SCB, PE and DPR devices were replaced in energy devices. 730 modern surge arresters have also been installed; 378 searchlight masts were repaired; works on removal of 12 km of overhead lines from the forest planting strip to the supports of the catenary were performed.

During 2020, the power supply facilities of the Company's regional branches performed technical re-equipment, reconstruction of the contact network of traction and transformer substations.

• **Donetsk Railway Regional Branch:**

- reconstruction of the battery of Zeleny Klin substation and the OPL-35 kV ECE Sloviansk - REMS line;
- technical re-equipment of OS-110 kV, CTS-10 kV traction substation Kurdiumivka and traction substation Druzhkivka with battery replacement and transfer of metering to MBN OS-110 kV.

• **Lviv Railway Regional Branch:**

- reconstruction of the catenary of Khodoriv station;
- reconstruction of PL 10 kV "Kovel - Yahodyn" and OPL-10 kV on the section Kovel - Volodymyr-Volynskyi - Izov;
- reconstruction of traction substations "Dubno" and "Svaliava";
- reconstruction of lighting of the "Klepariv" node.

• **Odesa Railway Regional Branch:**

- technical re-equipment of the catenary on the Fundukliivka cros. - Tsybuleva and on the section Znamianka - Pantaivka.
- technical re-equipment of OPL-10 kV at the Izmail-Tashbunar section, OS-35 kV CPDS Znamianka, Mozharove Substation, TS-41 Tsvitkove station.

• **Southern Railway Regional Branch:**

- reconstruction of the catenary on the section Nova Bavaria - Lyubotyn;
- reconstruction of posts of sectioning of a catenary on Kharkiv station - Balashovskiy and Lyubotyn station;
- technical re-equipment with replacement of AB and LSD at Grakove substation, Slatine substation, MSS-1 substation, Biliaivka substation, Romodan substation, Topoli substation, Bulatselivka substation;
- technical re-equipment of PL-10 TS-6 – TS-60 and PL- 10 TS-70 – TS-69 in Kremenchuk.

• **Regional branch of the South-Western Railway:**

- reconstruction of traction substations Sukholisy, Kruty and Rakhny;
- reconstruction of transformer substations TS-696 Kyiv station - Tovarnyi and NG-15 Fastiv 2 station;
- reconstruction of the catenary on the section Korosten - Zhytomyr - Post Pivdennyi, on the crossing of Kozhanka - Popilnia, Motovylyvka - Sorochny Brid and at Teteriv and Rokytne stations; reconstruction of OPL-ID-10 kV on the section of G. Kirpa - Baryshivka, Darnytsia - G. Kirpa and OPL-AB 10 kV on the section Chornorudka - Sestrenivka;
- reconstruction of telemechanics equipment of the Limestone Dispatching Circle.

• **Dnipro Region Railway Regional Branch:**

- modernization of the catenary on the section Sukhachivka - Horiainove and Apostolove station;
- technical re-equipment of traction substations Kantserivka, Riadova, 1,132 km, Zaporizhzhia - Kamianske, Varvarivka (replacement of the battery with a charger).

The Company's investments in infrastructure

• Track economy

In 2020, the Company allocated UAH 2.192 billion for capital investments. This is 62.4% of the plan (the plan is UAH 3.512 billion).

In June 2020, JSC "Ukrzaliznytsia" and the European Bank for Reconstruction and Development (EBRD) concluded agreements for the supply of superstructure materials for track reconstruction and turnout works totaling USD 70 million. At the expense of the funds allocated by the EBRD, the Company performed works on track reconstruction and turnouts for the total amount of UAH 739.85 million, the share of which in the total costs is 58.6%.

Starting from July, the supply of rail fasteners, P65 type rails and turnouts 1/11 and 1/9 was actively carried out. Due to this, the production units of the track economy performed works on the reconstruction of the track in the amount of 126 km for the total amount of UAH 831.65 million and technical

re-equipment (reconstruction) of turnouts in the amount of 284 sets in the amount of UAH 428.48 million.

The vast majority of capital works consisted of overhauling the track, turnouts, man-made structures and the ground, as well as machinery, mechanisms, equipment and more. At the same time, fixed assets worth UAH 59.58 million were purchased and manufactured, including track tools - by UAH 20.86 million, equipment for engineering structures - by UAH 3.78 million, other equipment - by UAH 14.73 million.

In 2020, all types of repairs overhauled fixed assets in the amount of UAH 803.85 million with a plan of UAH 620.69 million, which is 129.5%





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17 PARTNERSHIPS FOR THE GOALS



In November 2020, Volodymyr Zhmak, Chairman of the Board of JSC “Ukrzaliznytsia”, met with Claude Wild, Ambassador Extraordinary and Plenipotentiary of Switzerland to Ukraine, and representatives of the Swiss company Schwiag AG, a manufacturer of systems for track superstructure.

The railway industry is one of the most important areas of cooperation between the two countries. In particular, Ukrzaliznytsia is already successfully cooperating with Swiss partners in the framework of cooperation with the EBRD on the

reconstruction of the railway infrastructure of the Trans-European Transport Network.

As a result of the meeting, an agreement was reached on the commissioning of Schwiag roller devices (SRC), designed to facilitate the transfer of turnouts and the commissioning of reinforced concrete sleepers of prestressed types SH and SH.1 with elastic rail fastening type SBS W SL-1 -900-R65 manufactured by “SCHWIHAG AG”. This allows you to adjust the track width. Materials are provided by the company free of charge.

• Alarm and communication economy

The overhaul plan for 2020 provided for funding in the amount of UAH 235.14 million. Execution for the year amounted to UAH 230.14 million (97.9% of the plan). The vast majority of works consisted in the overhaul of 81 hill car moderators of sorting slides for a total amount of UAH 47.61 million. In 2020, 1,159 physically worn-out electric switches were also replaced for a total of UAH 51.68 million.

Purchased and installed network equipment for the object "Reconstruction of the overhead communication line at the electrification section Kovel - Izov - State Border".

Works on replacement of 47.8 km of physically worn-out overhead communication line with fiber-optic one with the organization of digital communication channels on the section Kostryno - Kamianytsia of the regional branch "Lviv Railway" were performed.

To replace physically worn-out devices to ensure traffic safety, new field devices of microprocessor centralization of switches and signals of the YL-1 control area of Koziatyn I station of the South-Western Railway regional branch were built.

• Power supply economy

The plan for the development of capital investments for 2020 in the power supply economy provided funds in the amount of UAH 1,121.20 million (excluding VAT) for technical re-equipment, reconstruction of the catenary of traction and transformer substations, as well as the purchase of machinery, equipment other non-current tangible assets. As of January 01, 2021, the implementation of the plan for the development of capital investments in the power supply economy amounted to 40.6% (UAH 454.87 million).

Measures to implement Sectoral program to ensure traffic safety at railway crossings

In order to improve the state of accidents on transport in JSC "Ukrzaliznytsia" approved the Sectoral Program to ensure traffic safety at railway crossings for 2016-2020. Within the framework of this program in 2020 the following was performed:

- overhaul of 15 railway crossings;
- laying of 64 moving decks from precast concrete;
- improving visibility at 2 railway crossings;
- closure of 4 railway crossings;
- introduction of 394 LED heads at traffic lights;
- introduction of preliminary inclusion of the blocking alarm system at emergency opening of the main barriers at 7 railway crossings;
- introduction on 2 sections with automatic blocking of the scheme of inclusion of coding and overlapping of the nearest train traffic light in case of de-energization of fire relays of railway traffic lights;
- introduction of 6 schemes of inclusion of lamps of moving traffic lights on constant burning in case of malfunction of a set of the flashing relay;
- modernization of 29 devices of crossing automation where there was no control of integrity of lamps of crossing traffic lights or control is executed with use of one relay;
- installation at 128 crossings of social advertising "On prevention of violations of the rules of railway crossing" (information boards, boards), models of video cameras with information on the boards "CCTV in operation";
- production and distribution of 105,942 thematic booklets promoting the rules of safe travel through railway crossings.

Establishment of regional traffic control centers

In 2019, Ukrzaliznytsia began to create modern consolidated regional traffic control centers (hereinafter - RTCC) on the basis of European best practices. Centralization of transport process management functions is carried out in accordance with the Action Plan for Railway Transport Reform. The work on reforming the vertical control of train traffic is to improve the control system.

The purpose of concentration of functions of management of transportations in RTCCs:

- comprehensive optimization of the transportation economy;
- elimination of duplication of functions between units;
- increasing the efficiency of the organization of the transportation process;
- prompt elimination of systemic shortcomings that arise in the process of transportation management;
- ensuring timely implementation of basic management tasks;
- optimization of the number of staff.

The regional branches of Dnipro Region Railway, South Railway, South-West Railway, Odesa Railway and Lviv Railway have established traffic control centers, which include districts that were part of the directorates of railway transportation.

Currently, the district of the Donetsk Railway RTCC is attached to the Southern Railway RTCC. Work is underway to form a joint RTCC of the South Railway.

During the first half of 2021, it is planned to connect the districts of the RTCC of the Dnipro Region Railway to the RTCC of the Southern Railway. In the future, it is planned to join the districts of the Odesa Railway and Lviv Railway Regional Units to the South-West Railway Regional Unitary Enterprise.

At the final stage of reform, it is planned to leave two joint RTCCs in Kharkiv and Kyiv.

Plans for 2021 and a medium-term perspective in the field of infrastructure management

1. In 2021 it is planned to perform the following volume of repair and track works:

- track reconstruction - 316.25 km;
- overhaul of the track - 82.25 km;
- technical re-equipment (reconstruction) of turnouts - 297 sets;
- overhaul of turnouts - 146 sets.

2. The following main priority areas of development for 2021 have been identified for the signaling and communication economy:

- reconstruction of railway automation and telecommunications devices at the Kovel - Izov - State Border electrification section of the Lviv Railway regional branch;
- replacement of physically worn-out overhead communication lines with cable ones at the Terebovlia - Chortkiv and Kamianytsia - Sianky sections of the Lviv Railway regional branch;
- reconstruction of the communication line with laying of fiber-optic cable on the section Poltava-Pivdenna - Kremenchuk - Burty of the regional branch "South Railway";
- implementation of the project "Centralization of transport process management functions" by joining districts 1 and 2 of the Regional Branch of the Dnipro Region Railway regional branch to the RTCC of the South Railway regional branch;
- implementation of EBRD-financed investment projects during 2021-2022.

3. In the direction of automation of management and control over the modes of operation of electric networks of the Company at workplaces of operational personnel it is planned to introduce automated workplaces of energy dispatchers of different levels with a set of functions providing support of all organizational and technical measures and technological processes of energy dispatch control.

4. Within the limits of control tasks on development of capital investments for 2021 on economy of power supply performance of works on electrification, reconstruction, technical re-equipment of devices of the electric power, in particular on regional branches is planned:

• Donetsk railway

- Reconstruction of the contact network of Sartana station, as well as traction substations Siversk and Slovianskyi Kurort.

• Lviv railway

- Reconstruction of railway structures with electrification of the section Kovel - Izov - State Border, as well as the contact network of the section Ternopil - Pidvolochysk.
- Construction of a stationary traction substation Kovel.
- Reconstruction of PL-10 kV L-38 / State Border, PL-6 kV L-4 Klepariv - Briukhovychi and PL-0.4 kV Sokolyky - Sianky.

• Odesa railway

- Technical re-equipment of the catenary, even and odd track of the Fundukliivka - Tsybuleve section, as well as OS-35 kV of Zavadivka substation, OS-35 kV of Znamianka substation and DHG-110 kV of Yastrubynove substation.

• South Railway

- Reconstruction of the catenary network on the section Nova Bavaria - Lyubotyn, even and odd tracks with strengthening of the power supply of the section Kharkiv - Lyubotyn - Sovnarkomivska.
- Technical re-equipment of transformer substations TS-66 of Kremenchuk station and TS-279 at Suprunivka station.
- Technical re-equipment of Shpakivka traction substation and Kozacha Lopan traction substation, as well as OPL-10 kV on the Kuzemivka - Svatove station.

• South-West Railway

- Reconstruction of the contact network on the section Motovylivka - Sorochyi Bridna and Rotok - Sukholysy.
- Reconstruction of transformer substation TS-510 10/0.4 kV Kyiv-Pasazhyrskyi station.

• Dnipro Region Railway

- Technical re-equipment of the catenary at Sukhachivka station, and on the section Sukhachivka - Horiaynove, as well as traction substations Mineralna, Varvarivka, Nyzhnodniprovsk-Vuzol, Utishna and Pidstepna.

Locomotive control

7 AFFORDABLE AND CLEAN ENERGY



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



Proper condition of the locomotive fleet is a guarantee of stable and safe operation of railway transport. The locomotive economy of the Company provides the need for traction rolling stock and locomotive crews for transportation of JSC "Ukrzaliznytsia". The locomotive industry includes traction rolling stock, main and revolving locomotive depots, locomotive maintenance and equipment points, locomotive stock bases, fuel bases, rest homes of locomotive crews and specialized repair enterprises.

Control and coordination of the regional branches and affiliates of the Company for operation, repair, maintenance, modernization and renewal of traction rolling stock, the balance holder of which is the locomotive industry, provides the Department of Locomotive Industry JSC "Ukrzaliznytsia" (hereinafter - the Department). He also implements and rationally uses in Ukrzaliznytsia progressive types of traction, determines the needs of the Company in the purchase of new traction rolling stock and equipment for it, distributes them among

regional branches. The Department is directly involved in the planning, organization, control, accounting and evaluation of measures for the maintenance of traction rolling stock in accordance with the regulatory documentation of the Company.

Reorganization of the locomotive industry

The transformation in the locomotive industry, namely the process of its preparation for the distribution of business verticals, began in 2020 in accordance with the Strategy of JSC "Ukrzaliznytsia" for 2019-2023 and the Action Plan for railway transport reform.

In March 2020, the Department developed the Concept of Restructuring of the Locomotive Industry of JSC "Ukrzaliznytsia" for 2020-2023 and the Implementation Plan of the Concept of Restructuring of the Locomotive Industry of JSC "Ukrzaliznytsia" for 2020-2023 (the first stage is 2020). The concept of restructuring provides for organizational and technical division of verticals of repair and maintenance depots, because the restructuring of the locomotive industry is a necessary preparatory stage for further reform of the Company. The process of separating the locomotive repair business into a separate branch began in 2021.

Key performance indicators

The total inventory of traction rolling stock of the Company for 2020 amounted to 3,577.5 locomotives (2019 - 3,614 locomotives). The active fleet of locomotives is:

- for freight traffic - 1,216 units,
- for passenger traffic - 346 units,
- shunting locomotives - 944 units,
- RCRS - 10 units.

Availability ratio:

- freight locomotives - 0.7;
- passenger locomotives - 0.68.

The Company's investments in the locomotive industry

In 2020, the total volume of capital investments of JSC “Ukrzaliznytsia” in the locomotive industry amounted to UAH 1,587.24 million (excluding VAT). Funding was directed to:

- Modernization - UAH 1,238.38 million, or 68.2% of the plan (of which UAH 1,236.76 million for modernization of locomotives).
- Overhaul - UAH 276.13 million, or 111.54% of the plan (of which UAH 246.41 million was spent on overhaul of locomotives).
- Mechanisms and equipment - UAH 48.65 million, or 118.3% of the plan.
- Capital construction - UAH 6.83 million, or 77% of the plan.
- Other non-current tangible assets - UAH 17.25 million, or 157.5% of the plan.

Repair campaign

In 2020, 116 locomotives were repaired in the repair plants of JSC “Ukrzaliznytsia”: 59 electric locomotives and 57 diesel locomotives. During the reporting period, UAH 1,597 million, or 101.45% of the plan, was allocated for the repair of fixed assets in the depot. By types of work costs are distributed as follows:

1. Expenditures on current repairs of rolling stock amounted to UAH 1,486.7 million (105.63% of the plan), in particular:

- 3,876 repairs of electric locomotives (115% to the plan);
- 1,350 repairs of locomotives (115.93% to the plan);
- 6 rail buses repaired (54.5% of the plan 11 units);
- 2 locomotives repaired (50% of the plan 4 units);
- 1 diesel train repaired (33.33% of the plan 3 units);
- 11 cranes repaired on the railway line (68.75% of the plan of 16 units);
- 1 unit repaired of other rolling stock (100% of the plan).

2. Equipment repair costs amounted to UAH 31.71 million, or 50.2% of the plan.

3. Expenditures on other repairs (buildings, structures) amounted to UAH 78.54 million, or 75.8% of the plan.

In addition, in 2020 in the conditions of the depot the Company performed current repairs in the amount of ПП-3 9 electric locomotives and 10.5 diesel locomotives with capitalization of expenses in the amount of UAH 51.74 million.

During the reporting year, the Company allocated UAH 1,926.41 million for current and capital repairs of locomotives (electric locomotives, diesel locomotives, steam locomotives). In particular, for the modernization of locomotives - UAH 1,236.76 million



In order to ensure the transportation process of serviceable traction rolling stock in 2020, the implementation of quarterly programs for the restoration of the operational fleet of locomotives was developed, approved and organized. According to the Programs, 135 locomotives, which had been idle for a long time due to waiting for the necessary spare parts and line equipment, were restored to service

In the conditions of wheel repair departments of production and structural subdivisions of the locomotive industry during 2020 2,670 wheel pairs were repaired, in particular 2,350 units for locomotives.

In 2020, 2,372 units were overhauled on the basis of locomotive repair plants and enterprises that are not subordinated to JSC "Ukrzaliznytsia" linear equipment of traction rolling stock, including: wheel pairs - 1,032 units, traction electric motors - 266 units, auxiliary electric machines - 295 units, anchors of traction electric motors - 82 units, other equipment - 697 units.

The main results of the locomotive industry in 2020

During 2020, in accordance with the capital investment plan, the Company has implemented measures in such areas as energy saving, renewal of the locomotive fleet, improving fire safety, labor protection, traffic safety, introduction of innovative technologies in programs and road maps. Among the specific measures for 2020:

- Acquisition of KЖ20MФ3 wheel-lathe with numerical program control for turning wheel pairs without rolling out from under the locomotive in the locomotive depot "Lviv-West".
- Production of non-standard equipment by

the structural divisions of the Company. In particular: the machine for crushing of metal shaving, and also the stand for lapping of sprayers of nozzles; telpher, stand for crimping ECG shaft washers, trolley for transporting of MC, etc.; washing machine for washing small parts, universal racks for 10Д100 diesel crankshafts, technological stands for the ГС-501 main generator, etc.; frame tilter of TEM of electric locomotive, MC test stand, distiller, etc.

- Purchase of air conditioners, washing machines, refrigerators and other accessories to create proper conditions in the rest homes of locomotive crews.
- Carrying out works on reconstruction of fuel depot, road surface, heating systems of buildings in locomotive depots of the Company.
- Development of the process of forming the electronic route of the driver through satellite navigation systems, using data from diesel fuel consumption control systems, electric electricity meters, locomotive crew identification systems (using electronic magnetic RFID cards) and others.

During the reporting year, Ukrzaliznytsia also upgraded locomotives to increase their energy and resource efficiency:

- 17 electric locomotives of the ВЛ11m series were modernized and equipped with their system of automatic control of regenerative brakes;
- modernization of the cooling system of 5 locomotives of the TPS70 series by replacing axial-piston pumps of the MH-250/100 type with electric motor-fans;
- the latest fire alarm system was installed on 9 electric locomotives of the ЧС8 and ВЛ11 series;
- 16 modern DC electric locomotives and 5 double-powered electric locomotives are equipped with modern electronic electricity meters;
- more than 250 locomotive driver's cabins were modernized by introducing LED

equipment to replace standard obsolete lighting equipment, air conditioning systems, cooler bags, new seats, etc.;

- upgraded 2 diesel locomotives of the ЧМЕЗ series: equipped with a diesel coolant heating system;
- the onboard video registration system on 2 locomotives is established;
- in order to reduce the intensity of wear of the ridges of wheel pairs in the conditions of locomotive repair plants, modernization of 32 locomotives with the installation of lubricators was carried out.

Plans for 2021 and a medium-term perspective in the field of locomotive management

1. Introduction of energy-saving train modes, reduction of the Company's operating costs by increasing the coefficient of technical readiness and reliability of locomotives, reducing the specific consumption of fuel and energy resources, increasing the productivity of locomotives and locomotive crews.
2. Carrying out technical re-equipment and development of locomotive economy.
3. Carrying out of works on realization of the Concept of restructuring of locomotive economy.
4. Carrying out works with locomotive companies to upgrade the locomotive fleet of JSC "Ukrzaliznytsia".
5. Continuation of works on introduction of service (technical) maintenance of TE33AC series locomotives.
6. Installation on locomotives of modern on-board systems of video registration, heating of cooling liquid, rheostatic braking, automatic control of regenerative braking, control of fuel consumption, etc.
7. Modernization of locomotive driver's cabins in order to improve working conditions of locomotive crews.
8. Introduction of modern fire alarm and

fire extinguishing systems and compressor equipment on locomotives.

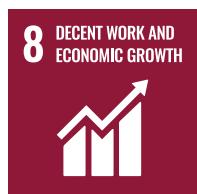
9. Acquisition of technological and diagnostic equipment, compressors, welding equipment, locomotive radios, office equipment for locomotive depots of regional branches.

10. Implementation of plans for capital and current repairs of locomotives.

11. Beginning of construction of the equipment shop and TO-2 electric locomotives of Kozyatyn PM.



Procurement system management



The system of material and technical support of JSC "Ukrzaliznytsia" is one of the central links of the entire management system of the Company. Timely formation of orders, purchase of materials, spare parts and other material and technical resources, their distribution between the divisions of the Company - all this creates the preconditions for the smooth and efficient operation of the railway. Effective procurement also helps to increase the competitiveness

of rail transport and increase the quality of transportation, affects traffic safety, reliability and sustainability of rolling stock operation.

JSC "Ukrzaliznytsia" makes purchases on electronic platforms of the ProZorro system in accordance with the regulations of the electronic trading system and in accordance with the requirements of the Law of Ukraine "On Public Procurement".

The implementation of strategic logistics initiatives in the Company is ensured by the Procurement Director, the Department of Categorical Management, the Office of the Director of Supply and Supply Management for Transformation, the Department of Tender Procedures, the Department of Procurement Planning and Expected Value, as well as regional branches and affiliates. JSC "Ukrzaliznytsia".

Results of the implementation of the Procurement Strategy

During the reporting period, Ukrzaliznytsia continued to work on improving the procurement management system. Based on Procurement strategies for 2019-2021 the Company in 2020 identified and implemented priority tasks, including:

- introduced Institute of Authorized Persons for Regional Branches and Branches of JSC "Ukrzaliznytsia";
- developed a draft Methodology for determining the expected value of procurement;
- a draft Procurement Management Policy has been developed to bring the procurement function of JSC "Ukrzaliznytsia" in line with international practices and international standards;
- confirmed compliance with 78% of the requirements of the British Chartered Institute of Supply and Supply Management

(CIPS) for successful certification according to its standards;

- introduced an algorithm for coordinating the procurement of goods, works and services aimed at preventing the spread of coronavirus disease (COVID-19).

During the reporting period, the Company's procurement activities were as follows:

- 242 purchases related to COVID-19 were made;
- increased procurement efficiency;
- achieved strategic goals to save money during auctions for the purchase of goods, services and works.

Strategic goal of procurement and logistics management Ukrzaliznytsia focused on ensuring the growth of competition from potential counterparties. And accordingly, to obtain a positive financial result for the

Company in the form of savings obtained during the tender procedures.

Long-term contracts

Concluding long-term contracts on the strategic nomenclature is an important area of the Company's work, which began in 2019. The strategic nomenclature includes such goods as brake pads, railway rails, rough bandages, all-rolled wheels, etc. Procurement under long-term contracts requires the Company to introduce appropriate long-term planning and analysis of the possible economic outcome of such contracts.

In 2020, in order to implement procurement under long-term contracts, consultations were held with market operators on:

- possibilities of introduction of formula pricing for long-term contracts;
- unified rules for agreeing technical conditions (terms of reference), which will increase competition.

Introduction of process automation

During 2020, the Company continued to work on implementation automation of processes in the field of logistics and provision of services (without repairs), purchased under the element "Other" from third parties. During the reporting period, the Company developed and agreed on a technical task for the development of processes for the formation of estimated needs and monitoring of procurement, as well as work began on the automation of these processes. This work is long-term.

Representatives of the procurement vertical of Ukrzaliznytsia took part in the project of transformation, automation and description of business processes related to procurement. The result of this work was the development of a technical task for the relevant procurement module of the ERP-system and its further implementation in the Company.

Purchase of diesel fuel under a framework agreement

Ukrzaliznytsia buys diesel fuel as profitably and transparently as possible. In particular, in 2020 the Company purchased diesel fuel under a framework agreement.

The framework agreement mechanism stipulates that first all interested suppliers are qualified, then a framework agreement is signed with them, after which auctions are held. Unlike a standard fixed-price auction, Platts bidding auctions allow you to view the price according to the price changes. The supplier will not be able to refuse delivery, as he will lose the security of the supply contract.

On April 22, 2020, Ukrzaliznytsia signed a framework agreement with 12 diesel fuel suppliers who joined the tender process - this indicator of the number of participants in the procedure is one of the largest for the purchase of diesel fuel in JSC "Ukrzaliznytsia". At the same time, one third of the suppliers under the framework agreement are new and have not previously participated in the Company's tenders, which indicates an increase in the interest of market participants in cooperation with the Company.

The framework agreement identified the main elements of cooperation between the participants in the procurement process and innovative approaches to revising the unit price. At the same time, a wide range of suppliers makes it impossible to establish a monopoly on the supply of diesel fuel.

In total, 57 competitive selections were announced during 2020, the total volume of fuel amounted to 200,000 tons. The amount of fuel actually purchased under the framework agreement during 2020 amounted to 146,914 tons.

Savings in the purchase of fuel under the framework agreement compared to the average market prices per 1 ton of diesel fuel in the reporting period amounted to 3.7%. The average value of the margin rate during the framework agreement in 2020 was

UAH 869 without VAT per 1 ton of diesel fuel. In 2019, this figure was UAH 1,837 excluding VAT per 1 ton of diesel fuel.

Interaction with suppliers

Ukrzaliznytsia is open for cooperation. Therefore, all suppliers that meet the established requirements can participate in procurement procedures conducted by regional branches and subsidiaries of the Company.

All necessary information, including procurement plans, tender announcements, is in the ProZorro system, which is publicly available, guarantees non-discrimination, free access to information to all interested parties and allows you to view the auction in real time.

According to the Law of Ukraine "On Public Procurement", the main requirement of the Company to the participants of the procurement procedure is the submission of documented information on compliance with qualification criteria, as well as technical and

qualitative characteristics of the procurement subject defined in the tender documentation.

In cooperation with suppliers, Ukrzaliznytsia guarantees compliance with the following basic principles:

- fair competition among participants;
- maximum economy, efficiency and proportionality;
- openness and transparency at all stages of procurement;
- non-discrimination and equal treatment of all participants;
- objective and impartial determination of the winner of the procurement procedure;
- prevention of corruption and abuse;
- product quality control.

The main types of purchased products

The total number of suppliers with which the Company interacted in 2020 amounted to 2,022. Of these, 1,065 for goods, 925 for services, and 123 for work.

The number of tenders of JSC "Ukrzaliznytsia" for goods, works and services in 2020 is:

TOP-5 categories in terms of expenditures for which the Company procured (according to ProZorro), 2020

| Name | Delivery amount, UAH million | Share in total deliveries, % |
|---|------------------------------|------------------------------|
| 09130000-9 Petroleum and distillates | 4,475 | 34 |
| 34630000-2 Parts of railway or tramway locomotives or rolling stock; railway traffic control equipment | 2,016 | 15 |
| 34940000-8 Railway equipment | 919 | 7 |
| 50220000-3 Repair, maintenance and repair of railway transport and related equipment and related services | 816 | 6 |
| 44530000-4 Fasteners | 408 | 3 |

- took place - 6,707;
- did not take place - 6,497, incl. stopped by appeal - 333.

Among the main reasons for which there were no tenders, it is worth noting the rejection of all tenders, submission of less than 2 tenders, as well as the inability to eliminate violations caused by violations of procurement law.

There were 268 purchases without the use of the ProZorro electronic system. Such purchases are provided for in Part 5 of Article 3 of the Law of Ukraine “On Public Procurement”, which defines the cases when the Company may conduct procurement outside the ProZorro system.



Execution of the procurement plan

It was planned to implement the plan for providing material and technical resources (hereinafter - MTR) in 2020 UAH 24.81 billion including VAT, but in fact the Company spent UAH 13.08 billion including VAT (the volume of the plan was 53%). For the same period in 2019, the implementation of the plan amounted to 67%. Funding was directed to: spare parts, materials, food, equipment, IBC materials, oils and lubricants, fuel. In 2020, it was planned to spend UAH 3.6 billion on

VAT on services (excluding repairs) purchased under the "Others" element, and actually spent UAH 1.3 billion on VAT (36%).

During 2020, Ukrzaliznytsia achieved savings during auctions for the purchase of goods, works and services in the amount of UAH 1,167.8 million

Implementation of the material and technical support plan of JSC "Ukrzaliznytsia", 2018-2020, UAH million including VAT

| Name of MTR | 2018 | | | 2019 | | | 2020 | | |
|---|---------------|---------------|-----------|---------------|---------------|-----------|---------------|---------------|-----------------|
| | Plan | Fact | % | Plan | Fact | % | Plan | Fact | % |
| Materials, in particular: | 13,002 | 11,419 | 88 | 12,539 | 6,646 | 53 | 15,350 | 6,891 | 45 |
| spare parts | 3,150 | 2,600 | 83 | 3,231 | 1,791 | 55 | 2,851 | 1,746 | 61 |
| materials | 3,860 | 3,310 | 86 | 3,144 | 1,595 | 51 | 4,042 | 1,744 | 43 |
| food | 110 | 74 | 67 | 219 | 128 | 59 | 165 | 43 | 26 |
| equipment | 1,218 | 1,034 | 85 | 1,227 | 699 | 57 | 1,267 | 682 | 54 |
| IBC materials | 4,233 | 3,857 | 91 | 4,099 | 1,909 | 46 | 6,497 | 2,431 | 37 |
| oils and lubricants | 431 | 544 | 126 | 619 | 524 | 85 | 528 | 245 | 46 |
| Fuel | 10,222 | 11,064 | 108 | 12,159 | 9,918 | 82 | 9,459 | 6,188 | 65 ⁹ |
| Total MTR | 23,224 | 22,467 | 97 | 24,698 | 16,564 | 67 | 24,809 | 13,079 | 53 |
| Services (without repairs) purchased under the item "Other" | 2,570 | 1,570 | 61 | 3,214 | 1,459 | 45 | 3,640 | 1,314 | 36 |

⁹ Given the decrease in the volume of traffic related to the epidemiological situation in Ukraine and the world, and the decrease in the level of purchase prices.



Procurement Data Visualization Project

In 2020, JSC “Ukrzaliznytsia” began cooperation with Transparency International Ukraine, an accredited representative of the global Transparency International movement, one of the projects of which is the Dozorro public procurement monitoring portal and the BI ProZorro public

analytics module.

In cooperation with Transparency International Ukraine, the Company launched a project to visualize the Company's procurement data online. This initiative allows anyone to receive analytical data directly on the Ukrzaliznytsia website at the link

https://www.uz.gov.ua/about/procurement/pokaznyky_zakupivel_ukrzaliznytsi/.

Thus, the home page shows all the Company's purchases for which certain procedural actions took place in the current year. Most indicators are interactive and make it easy to move on to specific units and details of the procurement process. For example, to view savings and other summary data only for completed procedures, it is sufficient to select the generalized status "Completed".

The project on visualization of the Company's procurement data was implemented by the Company to ensure transparency and impartial reporting of Ukrzaliznytsia in the field of procurement. In particular, all data is transmitted directly from the public module of BI ProZorro analytics without any influence of the Company.

Plans for 2021 and a medium-term perspective in the field of procurement

In order to timely form orders, purchase materials, spare parts and other material and technical resources, as well as their distribution among the Company's branches for 2021, the Company provides measures to:

- conducting initial certification of the Company's procurement system according to the requirements of CIPS;
- introduction of a new format for procurement of diesel fuel, natural gas and electricity;
- reduction of terms and simplification of the process of preparation and conduct of the procurement procedure by reducing the terms of internal coordination of procurement plans and tender documents and the introduction of standardized requirements for procurement;
- development and implementation of effective procurement tools: framework agreements, formula pricing, long-term contracts for critical categories of MTR nomenclature to achieve better price conditions and guarantee the stability of procurement;
- standardization and unification of tender documents;
- full transition from tender committees to authorized persons;
- introduction of tools that will provide continuous training and advanced training of authorized persons and persons involved in the preparation of tender documents;
- implementation of the Regulations on the procedure for determining the expected value of the subject of procurement;
- introduction of the possibility of applying factoring in public procurement tenders to

10 REDUCED INEQUALITIES



16 PEACE, JUSTICE AND STRONG INSTITUTIONS

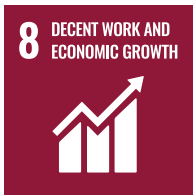


increase the level of competition among suppliers and a corresponding increase in savings in procurement;

- implementation of a standard contract for the purchase of MTR;
- revision of requirements for suppliers of oils and lubricants: simplification of production procedures and increased competition among suppliers;
- preparation and reorganization of the Company's procurement vertical within the framework of the unbundling project in order to implement an effective model of interaction with all business verticals;
- introduction of criteria for selection of business partners, including requirements for suppliers of JSC "Ukrzaliznytsia" to prevent corruption;
- implementation of categorical strategies for critical categories of MTR nomenclature, which, among others, will determine the methodology and procedure for finding sources of suppliers for the category, as well as the requirements for the specifications of procurement MTR;
- introduction of a standardized, unified procurement process, a normative document that will regulate the procurement process in accordance with the requirements of the legislation;
- implementation of the Regulations on the procedure for application of operational and economic sanctions in JSC "Ukrzaliznytsia" for breach of contractual obligations by the business partner of the Company.



Credit policy



JSC "Ukrzaliznytsia" is a responsible borrower who timely and fully fulfills its obligations. One of the priorities of the stable work of the Company is transparent

and stable relations with domestic and international partners, in particular stable fulfillment of credit obligations.

The main sources of the Company's liquidity are revenues from core and non-core operating activities, as well as funds raised in the Ukrainian and international financial markets.

Work on optimization of credit policy is carried out by Ukrzaliznytsia by selecting the optimal financial instruments, reducing the cost of borrowing, increasing the terms of financing and improving the credit quality of the Company, compliance with obligations and covenants, increasing the credit rating of the Company. Ukrzaliznytsia's credit policy is implemented by the Treasury Department and the Investment Department. The main goals and objectives of the credit policy of JSC "Ukrzaliznytsia":

- Ensuring a balanced amount and cost of borrowing financing for the implementation of strategic initiatives of the Company's verticals.
- Strengthening the financial stability of JSC "Ukrzaliznytsia" due to changes in the maturity of financial liabilities and the emphasis on long-term financing.
- Reduction of financial costs for servicing the existing loan portfolio.
- Raising the Company's credit rating to the level of sovereign.

In 2020, the Company made the following major achievements in credit policy:

- 1) Increased the level of liquidity by increasing the sources of working capital replenishment on the most acceptable terms.
- 2) Carried out effective commitment management to ensure compliance with financial covenants on external borrowing

despite the impact of the COVID-19 pandemic.

3) Postponed a significant financial burden during the crisis.

4) The credit rating remained at COVID.

5) Reduced the financial costs of servicing borrowed funds by expanding the range of creditors of the Company and reducing the cost of borrowed capital.

Covenant management

Ukrzaliznytsia has taken measures to comprehensively manage financial covenants. The list of lending currencies on the existing revolving credit lines was expanded, lending limits were increased and lending conditions were improved in terms of lower interest rates, which increased the efficiency of the Company's loan portfolio management.

Due to the significant impact of the COVID-19 pandemic, the shortfall in revenue from transportation and the fall in EBITDA in 2020, some financial ratios (covenants) that the Company has to comply with under most current financial agreements with international financial institutions, state banks and with issuers of bonds participating in the position, the proceeds from the placement of which financed loans to the Company. In order to prevent breaches of contractual terms, Ukrzaliznytsia promptly carried out comprehensive management of covenants, during which appropriate changes were made to the terms of financial documentation and creditors were denied the right to demand early repayment of debt that may arise due to potential non-compliance with financial covenants.

Indicators of the loan portfolio of JSC "Ukrzaliznytsia", 2019-2020, UAH billion

| Indicator | As of 31.12.2019 | As of 31.12.2020 ¹⁰ |
|---|------------------|--------------------------------|
| Loan portfolio ¹¹ JSC "Ukrzaliznytsia" in hryvnia equivalent, in particular: | 33.2 | 34.2 |
| external loans | 2.7 | 2.2 |
| local debt | 9.4 | 10.4 |
| Eurobonds | 18.8 | 19.7 |
| financial leasing | 2.3 | 1.9 |

In 2020, the Company repaid UAH 4.9 billion of principal debt, including:

- payment on Eurobonds - UAH 2.7 billion;
- external loans - UAH 1.2 billion;
- local debt - UAH 0.6 billion;
- financial leasing - UAH 0.4 billion.

The main problem components of the loan portfolio is the dependence on state policy on access to international financial markets, as well as the low level of filling the Ukrainian financial market with available financing, in particular the lack of a corporate stock market in Ukraine, the risk of devaluation of the national currency.

Important events and agreements in the field of credit policy implementation in 2020

- Ukrzaliznytsia has successfully completed an agreement on debt reprofiling, which is to be repaid by the end of July 2020. This debt was attracted by the railways of Ukraine in 2010-2012, and Ukrzaliznytsia provided debt service as a successor. Given the negative impact of the COVID-19 pandemic on the financial markets, the Company took the necessary steps and agreed with the bank to defer debt repayment for up to three years with the possibility of early debt repayment. Due to this, Ukrzaliznytsia did not allow a significant burden on liquidity in the third quarter of 2020.
- In 2020, another part of the principal debt in the total amount of USD 100 million on Shortline plc Eurobonds (Shortline PLC) was repaid with a final maturity in 2021 and a coupon in the amount of USD 17.3 million was paid. Also in 2020, a coupon payment of \$ 47.6 million was made. US on Eurobonds Rail Capital Markets plc (Rail Capital Markets PLC) maturing in 2024. These payments were made in accordance with the established debt service schedule, which is a confirmation of the Company's responsible attitude to the fulfillment of its obligations, despite the negative impact of the COVID-19 pandemic on the Company's liquidity.
- In 2020, the Company's timely and full commitment to the Export-Import Bank of Korea (the loan from which was raised under the guarantee of the Government of Ukraine to finance the purchase of electric trains manufactured by Hyundai Rotem Company) was repaid in a timely manner and in full.

¹⁰ Information on the principal debt, which does not include accrued and unpaid interest, increase in debt on Eurobonds due to exchange rate differences.

¹¹ Excluding debts of uncontrolled territories, including SE "Donetsk Railway", which is under a moratorium under the Law of Ukraine "On Amendments to Certain Legislative Acts of Ukraine Concerning Railway Transport Enterprises, whose property is on the Territory of the Anti-Terrorist Operation" dated 20.12.2016 No. 1787-VIII.

Plans for 2021 and the medium-term perspective in the field of credit policy

1. Continuation of cooperation with Ukrainian banks on revolving credit lines and raising funds for projects with international financial organizations. In particular, the active stage of the project "Electrification of the direction Dolynska - Mykolaiv - Kolosivka" and the liquidity support project.

2. Full repayment of the principal debt on Eurobonds issued in 2013 in the amount of USD 100 million.

3. Interaction with financial organizations on the implementation of additional instruments to increase liquidity and refinance credit obligations.



Investment activity

8 DECENT WORK AND ECONOMIC GROWTH



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



11 SUSTAINABLE CITIES AND COMMUNITIES



17 PARTNERSHIPS FOR THE GOALS



An important area of the Company's work is investment activities, which the Company carries out both at the expense of its own resources and by attracting external funds. An effective investment policy is important for the implementation of Ukrzaliznytsia's Strategy.

Work is underway on the formalization of investment policy - the only systematic approaches to the implementation of investment activities, which are closely linked with financial and economic, credit, technical policies. The Company pays great attention to expanding the mechanisms for attracting investments, increasing the

efficiency of investments and organizing a system for monitoring investment activities.

In 2020, the priority areas of the Company's capital investment remained capital construction and acquisition of fixed assets, including rolling stock. More than 35% of all capital investments of JSC "Ukrzaliznytsia" were directed to these areas. Also, a significant part of capital investment was directed to the modernization and modification of fixed assets (almost 29.5%) and capital repairs (over 31%).

The total amount of capital investments of the Company in 2020 amounted to UAH 8,442.3 million (in 2019 - UAH 10,697.1 million). Due to the COVID-19 pandemic and the introduction of quarantine restrictions, the capital investment plan for 2020 was fulfilled by 66.8% in the year. For the same reasons, compared to 2019, the implementation of the capital investment plan in 2020 is 78.9%.

Capital investments were financed by the Company exclusively in accordance with the financial plan of JSC "Ukrzaliznytsia" for 2020, which was approved by the order of the Cabinet of Ministers of Ukraine dated 27.07.2020 No. 927-p and object-based capital investment plans.



Capital investments of the Company in the main areas, 2018-2020

| Areas of capital investment | 2018 p. fact | 2019 p. fact | 2020 p. | | | execution until 2019 |
|---|-----------------|-----------------|----------|---------|-----------------------|----------------------|
| | | | plan | fact | execution to the plan | |
| | million UAH | | | | | % |
| Capital construction, in particular: | 4,282.7 | 1,912.8 | 4,397.1 | 1,816.5 | 41.3 | 95.0 |
| track reconstruction | 2,006.4 | 1,024.0 | 2,200.5 | 846.6 | 38.5 | 82.7 |
| Acquisition of fixed assets, in particular: | 6,302.0 | 3,016.2 | 1,677.9 | 1,164.8 | 69.4 | 38.6 |
| rolling stock | 5,571.5 | 2,447.0 | 1,031.9 | 797.0 | 77.2 | 32.6 |
| other fixed assets | 730.5 | 569.2 | 646.0 | 367.8 | 56.9 | 64.6 |
| Acquisition of non-current assets | 330.3 | 366.2 | 333.0 | 306.8 | 92.1 | 83.8 |
| Acquisition of intangible assets | 164.1 | 60.0 | 112.4 | 44.1 | 38.7 | 72.5 |
| Modernization, modification of fixed assets, in particular: | 3,390.6 | 3,297.0 | 3,862.5 | 2,488.0 | 64.4 | 75.5 |
| modernization of rolling stock | 2,887.6 | 2,902.2 | 2,987.0 | 2,266.8 | 75.9 | 78.1 |
| modernization of other fixed assets | 503.0 | 394.8 | 875.5 | 221.2 | 25.3 | 56.0 |
| Overhaul, in particular: | 2,443.1 | 2,044.9 | 2,252.2 | 2,622.1 | 116.4 | 128.2 |
| overhaul of rolling stock | 962.6 | 1,116.5 | 1,501.8 | 1,718.9 | 114.5 | 154.0 |
| overhaul of buildings and structures | 1,400.0 | 845.5 | 658.2 | 859.3 | 130.6 | 101.6 |
| overhaul of other fixed assets | 80.5 | 82.9 | 92.2 | 43.9 | 47.6 | 53.0 |
| Total | 16,912.8 | 10,697.1 | 12,635.1 | 8,442.3 | 66.8 | 78.9 |

Key international partners with which JSC “Ukrzaliznytsia” cooperates on investment projects are the European Bank for Reconstruction and Development, the European Investment Bank, the World Bank, the International Finance Corporation (IFC), the Global Infrastructure Fund (GIF), and Rail Capital Markets PLC.

Renewal of JSC “Ukrzaliznytsia” rolling stock in 2020

During 2020, the Company invested UAH 794.1 million in procurement, UAH 2.9 million in production, UAH 2,266.8 million in modernization and UAH 1,718.9 million in overhaul of rolling stock. The total amount of investments in the renewal of the Company's rolling stock in 2020 amounted to UAH 4,782.7 million.

Investments in the renewal of the rolling stock of JSC "Ukrzaliznytsia", 2020

| Name of rolling stock | Purchased | | Made | | Upgraded | | Overhaul carried out | |
|---|-----------|---------------------|------|---------------------|------------|---------------------|-------------------------------------|---------------------|
| | Qty | Amount, UAH million | Qty | Amount, UAH million | Qty | Amount, UAH million | Qty | Amount, UAH million |
| Freight cars | - | - | - | 2.9 | 2,755 | 438.9 | 3,746 | 576.5 |
| Passenger cars | 28 | 661.9 | - | - | 13 | 215.5 | 439 | 545.4 |
| Traction rolling stock | - | - | - | - | 94 | 1,236.7 | 22 | 272.3 |
| Motor-rolling stock (diesel train) | - | - | - | - | 29 section | 372.4 | 25 section 4 units diesel trains | 112.1 |
| High-speed electric trains (regional transportations) | - | - | - | - | - | - | 2 | 114.7 |
| Track and other rolling stock | 4 | 132.2 | - | - | 3 | 3.3 | 190 | 97.9 |
| Total | | 794.1 | | 2.9 | | 2,266.8 | | 1,718.9 |

In order to implement the measures provided by the Decree of the President of Ukraine dated 08.11.2019 No. 837/2019 "On urgent measures to reform and strengthen the state", on April 28, 2020 began open selection of electric locomotive manufacturer for the project to upgrade the fleet of electric locomotives JSC "Ukrzaliznytsia". International companies and domestic industrial enterprises have expressed their interest in this project.

In 2020, a qualification stage of selection was held, during which the interested manufacturers of traction rolling stock had to confirm their compliance with the defined criteria. Based on the results of the qualification stage, the Company has identified a "short list" of producers to participate in the next stage of selection.

Further implementation of a set of measures related to selection is scheduled for 2021.

In addition to capital investments, in 2020, in preparation for construction work on the project "Electrification of the railway Dolynska - Mykolaiv - Kolosivka" Ukrzaliznytsia at its own expense partially allocated land required for construction. Based on the results of the tender, a company will be selected to perform the duties of a FIDIC engineer and provide technical supervision over construction and engineering works, ensure that all works comply with the approved engineering decisions and technical conditions, and ensure compliance with the terms of contracts.

In 2020, the Company did not invest in research and development activities.



Most important investment projects of the Company in 2020



Electrification of Dolynska direction - Mykolaiv - Kolosivka

Project description: large-scale long-term project for the development of railway infrastructure and electrification, consisting of two phases and implemented jointly with the EBRD and the EIB: Dolynska - Mykolaiv (Phase I, 148 km) and Mykolaiv - Kolosivka (Phase II, 105 km) with a total length of 253 km modernization of alarm and communication systems at stations and races. This is the largest infrastructure investment project since Ukraine's independence, which JSC "Ukrzaliznytsia" is implementing jointly with international financial organizations.

Investment volume: EUR 367 million, including

EUR 300 million from banks, EUR 60 million from Ukrzaliznytsia's own funds, and EUR 7 million from grants.

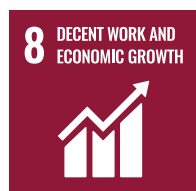
Project implementation period: 36 months from the actual start of construction.

Project objectives: construction and reconstruction of tracks, electrification of sections, installation of a new alarm and communication system, connection to a high-voltage line.

Expected effect: improving the level of traffic safety, increasing capacity in the direction of the Black Sea ports of Ukraine, ensuring energy savings in rail transport and reducing operating costs, increasing the speed of trains, reducing harmful emissions.

Implemented in 2020: A tender for the selection of a contractor for Phase I has been launched.

Goals for 2021: concluding a contract with a contractor and starting construction.



Modernization of priority railway lines of JSC "Ukrzaliznytsia"

Project description: a joint project with the EBRD to modernize railways, mainly on the corridors of the Trans-European Transport Network (TEN-T).

Investment volume: USD 98.5 million.

Project implementation period: 2019–2021

Project objectives: reconstruction of 316.3 km

of track, overlapping of the link track section with seamless track, technical re-equipment of turnouts. Introduction of microprocessor systems of dispatching centralization on priority directions (total length 1,148 km). Introduction of digital technological radio communication of the DMR standard on priority railway routes with a total length of 2,135 km, replacement of physically worn-out devices of station centralization of arrows and signals.

Expected effect: reconstruction of tracks, increase of speed and safety of trains.

Implemented in 2020: railway rails, sets of fasteners and turnouts, as well as systems of microprocessor centralization of arrows and signals were purchased.



Goals for 2021: further procurement of the superstructure of the track and means of automation and telecommunications for the implementation of the project.

8 DECENT WORK AND ECONOMIC GROWTH



Pilot project on modernization of regional passenger services

Project description:

introduction of contracts for socially important services (PSO) for passenger transportation (in Dnipropetrovsk and Zaporizhzhia regions) within the framework of technical assistance of the European Investment Bank.

The amount of investment: about 150 million euros.

Project implementation period: 2018–2023

Project objectives:

development and implementation of a new model of suburban transportation with the use of PSO, which will significantly improve the level of

service with the further implementation of this model in other regions of Ukraine.

Expected effect: development of a model that will take into account the needs and interests of all participants in the process of suburban transportation: for passengers - quality service, for local authorities and JSC "Ukrzaliznytsia" - agreed mutually beneficial terms of cooperation that will provide timely quality services to passengers.

Implemented in 2020: the second preparatory stage of the project was successfully implemented - a package of organizational and legal documents necessary for its further implementation was prepared.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



10 REDUCED INEQUALITIES



11 SUSTAINABLE CITIES AND COMMUNITIES



Goals for 2021: completion of project preparation. In particular, development and adoption of a resolution of the Cabinet of Ministers of Ukraine on the implementation of the pilot project, approval of the state aid program at the AMCU, development and adoption of regional budget funding programs by Dnipropetrovsk and Zaporizhzhia Regional State Administrations. Preparation for concluding contracts for the provision of services of socially important transportation on the basis of the existing rolling stock between JSC "Ukrzaliznytsia" and Dnipropetrovsk and Zaporizhzhia Regional State Administrations.

8 DECENT WORK AND ECONOMIC GROWTH



Renewal of the fleet of electric locomotives

Project description:

replenishment of traction rolling stock with new modern freight electric locomotives that meet the latest trends in world locomotive construction.

Investment volume: about 300 million euros.

Project implementation period: 2020–2025

Project objectives: renewal of the fleet of traction rolling stock with 50 new freight electric locomotives.

Expected effect: maintaining the supply of traction rolling stock of JSC "Ukrzaliznytsia" to meet the needs of freight transportation by rail and increase the economic efficiency of freight transportation by electric traction.

Implemented in 2020:

An open selection of an electric locomotive manufacturer has been started for the implementation of a project

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



11 SUSTAINABLE CITIES AND COMMUNITIES



12 RESPONSIBLE CONSUMPTION AND PRODUCTION



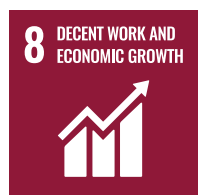
13 CLIMATE ACTION



to upgrade the fleet of electric locomotives of JSC “Ukrzaliznytsia”.

Goals for 2021: selection of the manufacturer and further implementation of a set of measures related to the project implementation.

Additional Information: There is an initiative of the Government of Ukraine and the Government of France to conclude an intergovernmental agreement to promote the renewal of the fleet of electric locomotives of JSC “Ukrzaliznytsia”. In case of concluding such an agreement, JSC “Ukrzaliznytsia” may receive electric locomotives purchased by a shareholder - the Cabinet of Ministers of Ukraine.



Improvement of station complex management (station concession)

Project description:

transfer to concession of station complexes determined jointly with the Ministry of Infrastructure of Ukraine. Cooperation with the private sector through the mechanism of public-private partnership will promote the development of stations and adjacent areas and will create modern public spaces. Passengers and locals will be offered more commercial services.

Investment volume: will be determined in accordance with the feasibility study (FS).

Terms of project implementation: 2019-2024

Project objectives: modernization of existing station buildings taking into account modern requirements for energy efficiency.

Construction of new infrastructure - offices,

hotels, restaurants, shops. Reconstruction of adjacent territories - arrangement of parking lots, passages, recreation areas. Integration with other modes of transport - public transport, air and bus services. Implementation of projects using the mechanism of public-private partnership will attract international experience in the management of station complexes, reduce the costs of JSC “Ukrzaliznytsia” for their maintenance, improve the quality of services for passengers and users, attract investors, transfer concessions to certain stations, improve their condition and terms of use.

Expected effect: for the state as a whole and local authorities - additional jobs and taxes, concession fees. For Ukrzaliznytsia - loss reduction, renewal and development of infrastructure. For investors - profit. For consumers (passengers and locals) - a qualitatively new public space, as well as new services and additional comfort.

Implemented in 2020: At the initiative of the Company and the Ministry of Infrastructure of Ukraine, with the support of international financial institutions and in accordance with the methodology of the Global Infrastructure Fund, the readiness of concession projects of railway stations in Kyiv, Kharkiv, Dnipro, Mykolaiv, Vinnytsia, Khmelnytskyi and Chop was assessed.

Goals for 2021: prepare an assessment of the readiness of projects for the stations of Lviv Main, Lviv Suburban and Odessa-Main stations. Further preparation of concession projects for implementation, primarily on the basis of those stations for which preliminary assessments of project readiness have been conducted. Further preparation of the project in accordance with the requirements of the Law of Ukraine “On Concession” on the basis of Kyiv-Pasazhyrskyi and Vinnytsia stations, with the prospect of including Kyiv-Suburban station and several stations in Kyiv region, which will be determined by the feasibility study.

Other areas of investment activity of JSC "Ukrzaliznytsia"

In addition to the implementation of the above projects, Ukrzaliznytsia continues to implement the project "Electrification of the section Kovel - Izov - State Border" at its own expense. In 2020, the Board of JSC "Ukrzaliznytsia" approved the project "Reconstruction of railway facilities with electrification of the section" Kovel - Izov - State Border in the Volyn region. 1 turn », the tender procedure on attraction of technical supervision is carried out and the process of obtaining the permission for performance of construction works is begun.

Together with the European Investment Bank, the Company continues to prepare a feasibility study for the project "Modernization and further electrification of the railway line Kovel - Yahodyn - State Border". The feasibility study will be developed with EIB grant funds. As a result of the feasibility study, the optimal investment option for the project will be determined.

The Law "On the State Budget of Ukraine for 2021" for the first time provides for the financing of part of capital investments in railway transport at the expense of the state budget, in particular:

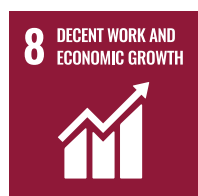
- UAH 4,025.9 million - for the renewal of rolling stock for passenger transportation and modernization of railway infrastructure for the development of passenger transportation.
- UAH 5 million - for the design and implementation of works on the restoration of the European-style railway track 1,435 mm wide from Chop station to Uzhhorod station with delivery to the platform of Uzhhorod railway station

As a result of the implementation of the above projects, it is expected to increase freight traffic, provide non-stop passenger service between Ukraine and the European Union, reduce operating costs, increase the district speed of trains, improve the environmental situation.

Plans for 2021 and the medium-term perspective in the field of investment activity

- Start of construction under the project "Electrification of the railway direction Dolynska - Mykolaiv - Kolosivka".
- Start of construction on the project "Kovel - Izov - State Border".
- Renewal of rolling stock for passenger transportation and modernization of railway infrastructure for the development of passenger transportation at the expense of budget funds.
- Selection of a partner-manufacturer of electric locomotives for renewal of traction rolling stock of the Company.
- Conclusion of contracts for the provision of public transport services (PSO) in the framework of a pilot project for the modernization of regional passenger services.
- Development of a feasibility study for the stations of the first stage of the project "Improvement of management of station complexes (station concession)".
- Development of a feasibility study for the project "Modernization and further electrification of the railway line Kovel - Yahodyn - State Border".
- Capital construction within the approved plans.
- Modernization and overhaul of rolling stock.
- Introduction of sustainable practice of state financing of railway transport.
- Introduction of public-private partnership instruments for the development of railway transport facilities and attracting a wide range of investors.
- Implementation of the high-speed railway project envisaged by the National Transport Strategy 2030 on the territory of Ukraine in case the state determines potential sources of financing the project.

International cooperation



One of the priorities of interaction of JSC “Ukrzaliznytsia” with international organizations is the integration of Ukraine's railway network into the pan-European transport system. To this end, the Company actively cooperates with international partners in the field of rail transport and plays an important role in the transportation of goods and passengers in international traffic.

The Company's activities in the field of international cooperation are coordinated by the Department of International Cooperation. In 2020, the Department organized more than 100 meetings of Ukrzaliznytsia representatives with foreign delegations.

In order to maximize the transit potential and carry out passenger and freight transportation in international traffic, the Company actively participates in the work of international railway transport organizations. The company

is a member of the following international organizations, associations and unions:

1. Council for Railway Transport of the Commonwealth Member States (CES).
2. Railway Cooperation Organization (RCO).
3. International Committee on Railway Transport (CIT).
4. International Union of Railways (IUR).
5. European Railways Forum (FTE).
6. European Railways and Infrastructure Companies (CER).
7. International Coordinating Council for

Trans-Eurasian Transport (CSTP).

8. South-West Coordinating Committee.
9. Association of Legal Entities International Association "Trans-Caspian International Transport Route" (TITR).

Representatives of the Company as part of the delegations of the Ministry of Infrastructure of Ukraine take part in the work of the Intergovernmental Organization for International Carriage by Rail (OTIF), the Inland Transport Committee of the United Nations Economic Commission for Europe (UNECE ITC), the Organization for Democracy and Economic Development (GUAM) and Intermediate Transport corridor Europe-Caucasus-Asia (TRACECA).

In 2020, representatives of Ukrzaliznytsia took part in 145 meetings of expert and working groups, governing and working bodies of the above organizations, of which more than 120, given the COVID-19 pandemic, were held by video conference. The meetings mainly concerned the updating, approval and approval of regulations that define the basic conditions of operation, technical and operational characteristics, as well as the legal basis for the implementation of rail transport in international traffic.

Given the need to integrate into the European railway area, in 2020 Ukrzaliznytsia signed an agreement with RailNetEurope to use the route coordination system (PCS) in terms of passenger traffic. PCS is a unified Internet communication system used to coordinate the schedule of international passenger and freight rail transport in the EU. This system provides the ability to automatically reconcile requests and proposals for routes and data exchange between the IT systems of European infrastructure managers.

Cooperation with international organizations allows the Company not only to update the existing regulatory framework, but also to exchange developments and search for new solutions and opportunities for common challenges and problems

In 2020, representatives of Ukrzaliznytsia started working in new working groups within international organizations, in particular:

- In the group of CIT experts on data protection. The main task of the group is to prepare and constantly update the Data Protection Manual for Transport Enterprises (MDP), which contains recommendations and samples of standard data protection agreements. In addition, this group acts as a platform for sharing experiences and generating ideas from railway companies' experts in the field of IT and safety.
- In the temporary working group of the Commission of the RCO on transport law on the issues of the commodity document. The main task of the group is to prepare changes and additions to the AIGT to address the issue of providing the AIGT consignment note with the functions of a commodity document. The temporary working group included representatives of Azerbaijan, the Republic of Belarus, Hungary, Georgia, Kazakhstan, China, Mongolia, Poland, Russia and Ukraine.
- In the joint working group of RCO/IUR on updating of joint monuments of RCO/IUR and their transfer to projects of the international railway decisions IRD/IRS. The main task of the group is organization and coordination of work in the framework of cooperation between RCO and IUR on the development of IRD/IRS used in different railway systems to ensure interoperability and improve the quality of railway services.

Participation in border railway commissions and meetings on coordination of approximate volumes and conditions of transportation of export, import and transit cargoes

Ukrzaliznytsia actively participates in the preparation and holding of meetings of border railway commissions and meetings to agree on the approximate volumes and conditions of transportation of export, import and transit cargo.

Such meetings are held once a year by participating railway companies in turn. During the meetings, the volumes and conditions of transportation of export, import and transit cargo are agreed, problematic issues in the field of cargo and passenger transportation are discussed, as well as ways to solve them. The Parties shall inform each other of changes that have taken place on the railways and in the legislation of the countries concerning the conditions for the international carriage of goods by rail.

During 2020, due to the introduction of a quarantine regime in a number of countries related to the COVID-19 pandemic, the closure of borders and the impossibility of free movement of persons, some of the planned meetings were not held. The format of videoconferencing was not supported by some foreign railways.

In view of this situation, it was agreed to extend the minutes of the meetings until the next regular event in 2021:

- between the railways of Ukraine, the Russian Federation, Serbia and Hungary;
- between the railways of Ukraine, Slovakia, the Russian Federation;
- between the railways of Ukraine, the Republic of Belarus, the Republic of Lithuania, the Russian Federation, Germany and Poland;
- between the railways of Ukraine, the Russian Federation, Moldova and Romania.

Bilateral cooperation

During 2020, Ukrzaliznytsia continued to build bilateral cooperation. Negotiations were actively held with the management of railway companies on topical issues of bilateral cooperation, video conferences were held with representatives of international carriers on the development of freight transportation, as well as on the possible participation of the Company in infrastructure modernization in other countries. Representatives of the Company participated in the preparation of a draft memorandum with the Italian company, which is part of the FS Group, on participation in the project of the organization of high-speed traffic in Ukraine. Materials were prepared for a meeting with representatives of ALSTOM and CRRC rolling stock manufacturers.

Given the difficult epidemic circumstances and in order to continue cooperation with the Company's international partners, a number of border railway commissions were held by video conference. They addressed the following main issues:

1. Summarizing the results of cargo transportation in the East-West, West-East directions for 2019 and for the first half of 2020.
2. Analysis of the implementation of decisions and commitments on problematic issues from the minutes of previous meetings of the Border Commission.
3. Settlement of current issues.
4. Passenger traffic issues.

For example, during a meeting with the Polish Railways, a draft of a new Agreement between the Polish Railways (JSC PKP) and Ukrzaliznytsia on railway connections across the Polish-Ukrainian state border was discussed. As a result of the meeting, together with the Polish Railways, work began on the preparation of a draft of a new Agreement between JSC PKP and the Company on cooperation in the organization of international rail transport.

Representation of JSC "Ukrzaliznytsia" abroad

In order to attract additional volumes of freight and passenger rail transport, operational communication and negotiations with foreign representatives to attract additional freight traffic, informing leading cargo owners about the technical and technological capabilities of freight transportation, as well as to establish and develop business contacts with all participants and in the framework of representing the interests of the joint-stock company "Ukrainian Railways" in 2020 continued its activities Representation of JSC "Ukrzaliznytsia" in the Republic of Poland, Representation of JSC "Ukrzaliznytsia" in the Russian Federation and the Republic Belarus, as well as the Permanent Representative to the Republic of Moldova and Romania.

Work in the international Contact Group ERA and RCO

In 2020, Ukrzaliznytsia continued to work to make Ukrainian rail transport more technically compatible with EU rail transport. Thus, the railways of Ukraine will become more competitive and increase the share of traffic in the market. An important aspect of interoperability in railway transport is the harmonization of technical requirements and regulatory framework to create organizational, legal, economic and technical and technological prerequisites for the implementation of European transport policy, which is defined by the Concept of the State Program of Railway Reform (approved by the Cabinet of Ministers of December 27, 2006 No. 651-p).

In March and October 2020, regular meetings of the RCO/ERA Contact Group (RCO - Railway Cooperation Organization, ERA - European Railway Agency) were held by videoconference, where the current versions of the working document "Analysis of parameters that are crucial for maintaining

technical and the interoperability of the 1520 mm and 1435 mm railway system at the CIS-EU border. Subsystem: freight cars". This document has been prepared by the ERA taking into account the information provided by the delegations of the Russian Federation, the Republic of Belarus, the Republic of Latvia, the Slovak Republic and Ukraine. The analysis was performed on such basic parameters as construction and mechanical equipment; gauge and impact on the track; brake system; environment and safety in railway transport.

During the analysis, each parameter of the freight car in accordance with the structure of the TCI was considered from the standpoint:

- basic requirements for each subsystem and the possibility of its interaction with other subsystems;
- characteristics of the subsystem (functional and technical specifications, operating rules, maintenance rules, staff qualifications, safety and health requirements, etc.);
- interoperability constituents (list, permissible characteristics and specifications of constituents);
- assessment of compatibility of components and subsystems, procedures for assessing conformity or suitability for use of system elements;
- instructions for the implementation of the specification, in particular special cases of technical solutions.

As of the end of 2020, the Contact Group conducted an analysis of the parameters that are crucial for maintaining the technical and operational compatibility of the railway system of the track 1520 mm and 1435 mm, for the subsystems:

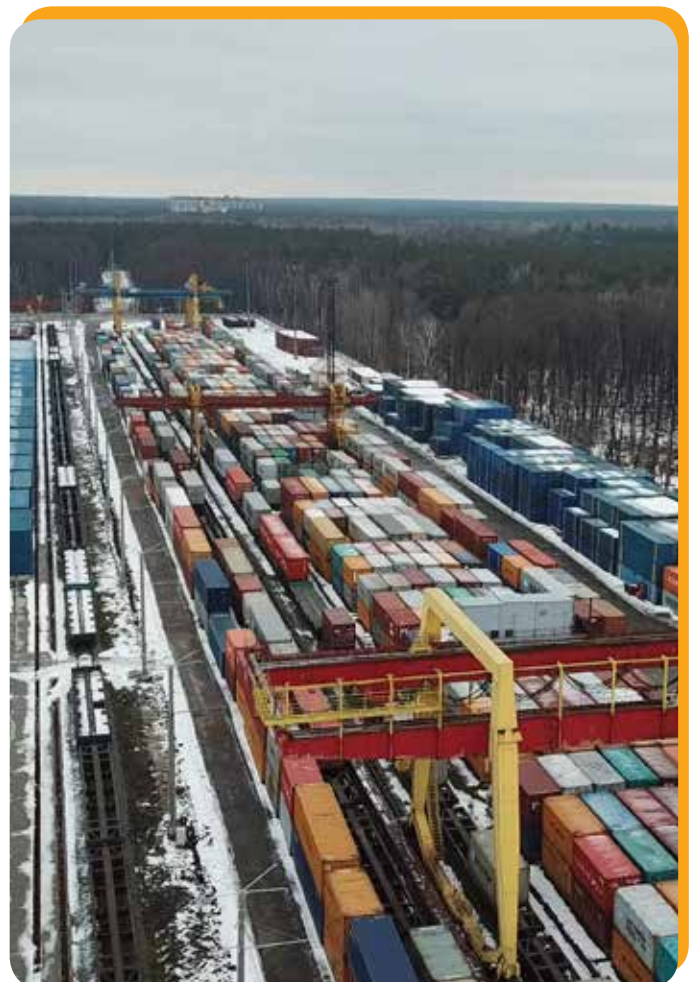
- Infrastructure. Track and track economy.
- Power supply.
- Alarm, centralization, blocking and communication.
- Passenger cars.
- Locomotives and railcar rolling stock.
- Operational activity and traffic

management.

The subsystems "Freight cars" and "Accessibility for people with disabilities and people with limited mobility" are in the process of development.

Plans for 2021 and the medium-term perspective in the field of international cooperation:

1. Continuation of cooperation with international organizations, a member of which is JSC "Ukrzaliznytsia".
2. Improving the regulatory framework for bilateral cooperation.
3. Intensification of participation in the work of international meetings and meetings of experts in order to exchange experiences on the development of rail transport.





8 DECENT WORK AND ECONOMIC GROWTH



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



11 SUSTAINABLE CITIES AND COMMUNITIES



Project of construction of a railway track with a width of 1520 mm Kosice - Bratislava - Vienna

Project goal: development and efficiency of transport and economic connections between Central Europe and Asian countries.

Main purpose: reduction of freight costs due to the elimination of transshipment operations at border stations, where there is a change of carriages, eliminating the use of more expensive cars

with sliding wheelsets, as well as improving logistics schemes for freight transport between Europe and Asia, the organization of Eurasian freight participating countries.

Expected effect: The new jobs associated with the construction of the project are expected to provide EUR 28.6 billion in added value in the four participating countries. The expected amount of tax revenue is estimated at EUR 9.6 billion. The projected volume of traffic in 2030 will be 18.2 million tons of cargo. By 2050, this figure should increase to 22.9 million tons.

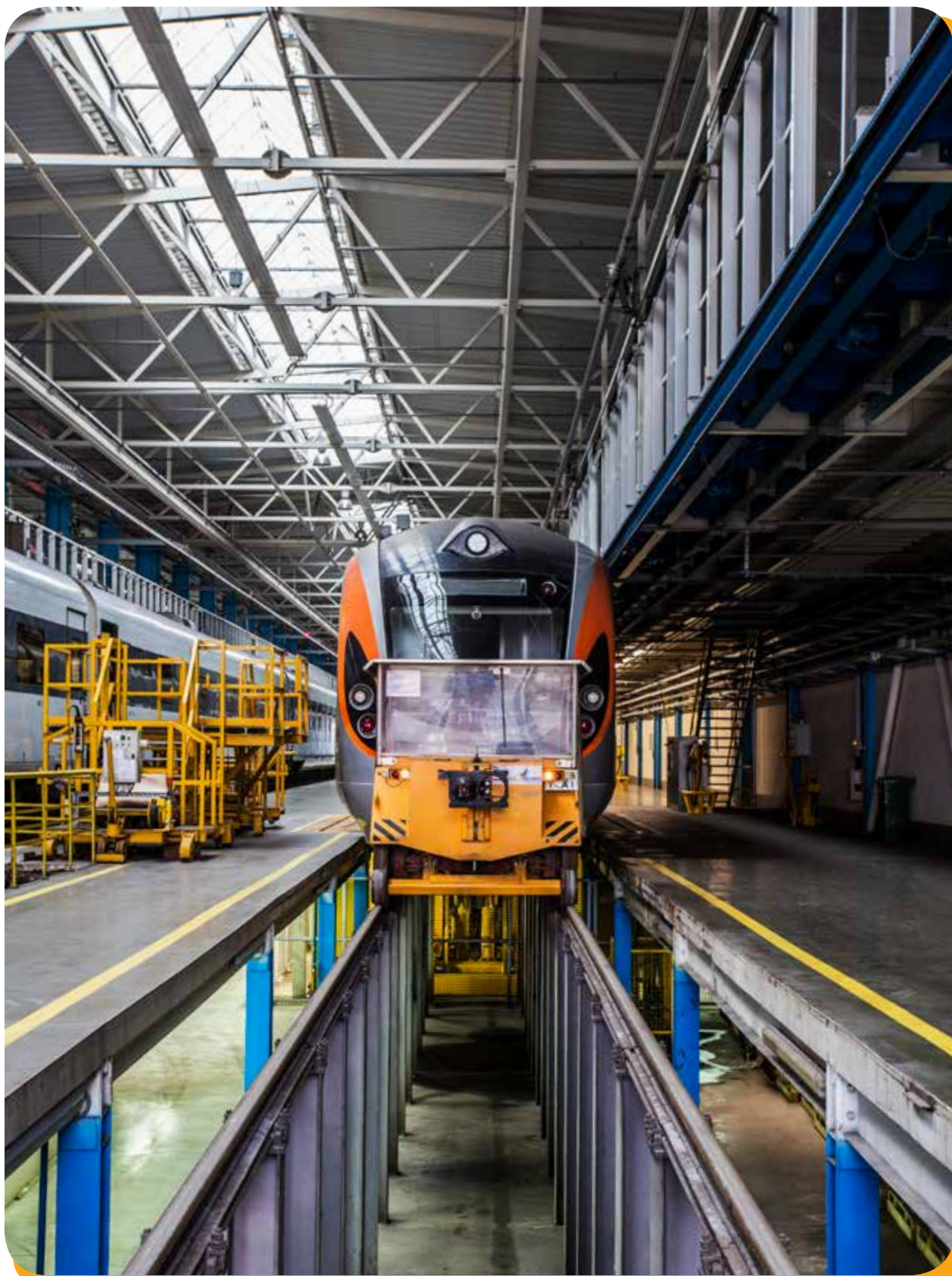
Start of work: Railway companies of four countries (Ukraine, Slovakia, Austria, Russia) took the initiative in 2007 to organize a direct railway connection between Western Europe, the CIS and China using a railway track 1520 mm wide on the route Uzhhorod -

Kosice - Bratislava - Vienna. In 2008, Breitspur Planungsgesellschaft mbH was established by a joint decision of the heads of the railway companies of Ukraine, Slovakia, Austria and Russia, with registration in Vienna, Austria. To implement the project in 2010, a working group was established, which consists of specialists from the participating railways.

Current state of affairs:

The countries through which the new 1520 mm track will pass within the project (Austria, Slovakia) are the "Feasibility study (technical and environmental part) of the Eurasian Railway Project", the environmental impact assessment of the project is being carried out. During 2020, the regulatory authorities of Austria and Slovakia simultaneously worked to obtain positive conclusions on the impact of the project on the environment. Ukrzaliznytsia specialists actively participated in the work of the technical, freight and financial committees of Breitspur Planungsgesellschaft, which helped to intensify the approval of documents in the public authorities of Austria and Slovakia.

More about the project - in the Integrated Report of JSC "Ukrzaliznytsia" for 2019.

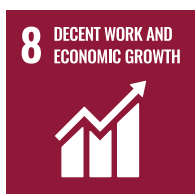






OUR EMPLOYEES
AND OUR COUNTRY

HR



Employees of JSC “Ukrzaliznytsia” play a leading role in achieving the Company’s strategic goals. Almost 250,000 railway workers provide reliable transportation of passengers and cargo every day through their professional activities. JSC “Ukrzaliznytsia” cares about creating a positive, attractive image of the Company as an employer and carries out systematic work to attract and retain staff. The company respects the labor rights of its employees, actively interacts with trade unions, welcomes and supports the professional development of employees. Ukrzaliznytsia guarantees and ensures equal

labor rights of employees. Taking care to create decent working conditions and improve the quality of life of railway workers, the Company ensures its sustainable development in the long run.

Personnel management is one of the key factors influencing the development of Ukrzaliznytsia. The purpose of the Company’s personnel management policy is to ensure the optimal balance of renewal and retention of competent specialists in accordance with the needs of the Company, the requirements of current legislation, the labor market and the Personnel Development Strategy of JSC “Ukrzaliznytsia” for 2019-2023.

The main aspects of personnel management in the Company are providing sufficient qualified personnel to meet the country’s needs in rail transport of passengers and goods, increasing staff productivity to improve financial and economic stability of JSC “Ukrzaliznytsia”, increase the attractiveness of the Company as an employer

The company has a significant economic impact on the territory of its presence by creating a significant number of skilled jobs, which not only provides employment, but also provides people with social guarantees and gradually increases wages. During 2020, the Company implemented modern processes in the field of personnel management, created conditions for increasing employee productivity, attracting and consolidating promising young people on the railway, improved the automated management system “Personnel” (AMS “Personnel”).

Key documents regulating the activities of JSC “Ukrzaliznytsia” in the field of personnel management:

- Personnel development strategy of JSC “Ukrzaliznytsia” for 2019-2023;
- Regulations on remuneration of employees of the joint-stock company “Ukrainian Railways”;
- Model of corporate competencies of JSC “Ukrzaliznytsia”.

Management system

The Department of Personnel Development and Personnel Policy, the Department of Remuneration and Personnel Motivation and the Department of Social Policy are responsible for the direction of personnel management at JSC “Ukrzaliznytsia”.

Basic functions Department of Personnel Development and Personnel Policy are to coordinate and control the work of personnel

and social policy services of regional branches, personnel divisions of branches and branches of the Center for Professional Development of Personnel of the Society for Professional Selection, Personnel, Professional Development and Training of Personnel of All Categories.

Basic functions Department of Remuneration and Staff Motivation:

- Formation of principles and uniform organizational and normative approaches to remuneration and motivation of the Company's staff;
- Determining the main directions of development of Ukrzaliznytsia's activity in the field of remuneration and staff motivation, coordination of their implementation;
- Control of activities on the rationing of labor, modes of work and rest, organizational and staffing structure;
- Planning and analysis of labor costs.

The main functions of the Department of Social Policy:

- Introduction of an effective system of awards, recognition of employee achievements and corporate events;
- Development, implementation and support of a single effective and transparent system of social relations for employees and retirees (veterans) of the Company;
- Introduction of effective systems of development and support of youth and veterans of Ukrzaliznytsia;
- Ensuring the effective functioning of the social sphere of the Society.

As of December 31, 2020, 669 structural subdivisions of the Company were involved in personnel processes.

Implementation of the Personnel Development Strategy for 2019-2023

The decision of the Board of September 12, 2019 and the Supervisory Board of November 05, 2019 approved the Personnel Development Strategy of JSC "Ukrzaliznytsia" for 2019-2023, which provides for the implementation of 24 strategic initiatives for four purposes:

1. Ensuring the availability of a sufficient number of qualified personnel to meet the needs of the country in the transportation of passengers and goods by rail.
2. Ensuring the growth of staff productivity to improve the financial and economic stability of JSC "Ukrzaliznytsia".
3. Increasing the attractiveness of JSC "Ukrzaliznytsia" as an employer.
4. Improving the quality of management in JSC "Ukrzaliznytsia".

In 2020, the organizational structure of JSC "Ukrzaliznytsia" was approved. Measures were taken to implement the organizational structure with a deadline of the end of February 2021. It is estimated that the implementation of the organizational structure will achieve the following results:

- elimination of duplicate functions;
- optimization of the number and costs of the payroll of the management staff by 25%;
- formation of the optimal distribution of functional responsibilities aimed at improving the efficiency of management decisions;
- preparation of the organizational structure for unbundling.

Changes in the organizational structure of the Company are carried out in order to increase the efficiency of management and successful transformation of JSC "Ukrzaliznytsia".

Establishment of Joint Personnel Management Centers

In 2020, the Company began the creation of joint personnel management centers (PMCs), which is carried out in accordance with the order of the Cabinet of Ministers of Ukraine "On approval of the action plan for the reform of railway transport"; The strategic goals of the Company for 2019-2023 and corresponds to the Personnel Development Strategy of JSC "Ukrzaliznytsia" for 2019-2023. PMCs are consolidated centers that will provide the Company's employees with basic services in the field of personnel management.

In November 2020, the official opening of the Central Branch of the Station Company took place

PMCs are created to centralize the HR function of the Company, the purpose of which is:

- to introduce and control the implementation of uniform standards of labor rationing, in particular the calculation of the number of staff;
- to optimize the processes of personnel management in the field and increase the productivity of the employees involved;
- to introduce the principle of "single window" in the provision of personnel services, to improve its quality by strengthening control;
- to consolidate the data of personnel accounting, accounting of working time and payroll, costs of professional training, etc. and to introduce analysis of these data at the level of both individual regional branches and the Company as a whole;
- disseminate information on open vacancies for employees, create a single database of internal and external candidates and provide access to it for departments - customers;

- provide counseling and career guidance for workers laid off due to redundancies;
- to introduce and develop the institute of HR-generalists (universal personnel managers) as a source of development of business-oriented HR-function;
- to promote the transformation and development of the Company as a whole.

Analytical information on personnel management, which will be collected and accumulated by the PMCs, will be used to develop transparent criteria for evaluating the operational performance of the Company's production units, the introduction of performance indicators, and, as a result, to make management decisions.

The main functions of PMC:

- Personnel selection: search, selection, initial adaptation, transfer of an employee to another structural unit, re-employment.
- Personnel and military accounting.
- Formation of general staffing schedules, staffing in AMS "Personnel".
- Analysis of the use of working time and payroll.
- Formation of work schedules, control of tabulation.
- Standardization of the number of staff, the implementation of "photos" of the working day.
- Carrying out career guidance activities and promoting the employer's brand.

The reform for the establishment of PMCs in the Company should be fully completed by the end of 2023. Its result should be the creation of 23 PMCs with further consolidation to 5-6

**8** DECENT WORK AND ECONOMIC GROWTH**10** REDUCED INEQUALITIES**16** PEACE, JUSTICE AND STRONG INSTITUTIONS

In November-December 2020, for the first time in its existence, JSC “Ukrzaliznytsia” conducted a survey of its reputation as an employer, which took place in the form of an anonymous survey of employees. The RepTrak methodology was chosen for the study, which has been successfully used for more than 20 years to study the reputation of companies in more than 60 countries. The study was initiated and organized by the Department of Sustainable Development

and Internal Communications.

About 4.5 thousand employees of JSC “Ukrzaliznytsia” were represented in the survey, representing various branches and regional affiliates of the Company, all categories of positions and various geographical regions of the Company's presence. As a result of the survey, the level of employee loyalty to the Company, the level of satisfaction with the factors of work in JSC “Ukrzaliznytsia”, in particular, working conditions, quality of management, innovation and efficiency, as well as strengths and weaknesses of the Company as an employer.

The results of the study showed a high level of employee satisfaction with social guarantees and benefits, as well as a healthy

working atmosphere in the teams, which is favorable for teamwork. Survey participants demonstrated a low level of satisfaction with the level and transparency of material remuneration, as well as the lack of equal opportunities for training and career building in the Company.

The level of loyalty was measured through answers to questions about the willingness of employees to work in the Company and support it. According to the survey, about half of the employees of JSC “Ukrzaliznytsia” plan to continue their work in the Company. The number of those who are ready to openly express their commitment to JSC “Ukrzaliznytsia” is about a third of employees. And only a quarter of respondents are ready to recommend the Company as a decent place to work.

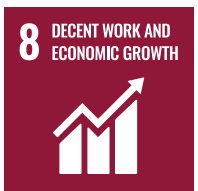
The results of the study formed the basis of management decisions aimed at developing the brand of the Company's employer, in particular, to form the attractiveness of JSC “Ukrzaliznytsia” for young employees and job seekers, raising awareness of the professions and work of railway workers, popularization of these professions in society, introduction of transparent equal opportunities for all employees.

The Company's reputation as an employer will continue to be surveyed annually, and employee satisfaction and loyalty indicators will be measured as one of the important business indicators.

Youth policy

In order to activate young employees, develop the youth movement, attract and consolidate promising youth in the Company, the Company has developed a Youth Policy of the Joint Stock Company "Ukrainian Railways" for 2019-2023 (hereinafter - Youth

Policy). Projects and initiatives within this policy will promote the emergence of unique competitive advantages in the Company, which are to form an active team of young professionals who share the corporate values of JSC "Ukrzaliznytsia" and are ready to contribute to its development.



In order to form a team of young leaders who are ready to develop and promote the development of JSC "Ukrzaliznytsia" and in the future to be professional managers, the Company has introduced a new format of work with youth - the Directorate of Youth. It consists of active young workers under the age of 35.

Due to quarantine restrictions in 2020, the Society, unfortunately, was forced to suspend the implementation of Youth Policy, which made serious adjustments to the work of the Directorate of Youth. Only at the end of August a strategic session was held with the

participation of young staff of Ukrzaliznytsia,

who are part of the Directorate of Youth (60 leaders), to develop a work plan taking into account the situation in Ukraine and the world.

At the strategic session, a map of problems was created and positive work experiences of young people in the workplace were discussed. Based on the results of the meeting, the main goals were formed and a further work plan of the Youth Directorate was developed.

The results were presented by Acting Member of the Board Ivan Syniakov and decided to implement the most priority areas of concern to young people, namely:

- creating opportunities for young workers to study international and professional experience;
- preventing the loss of young workers due to discrimination in the workplace;
- creating conditions for career growth of young workers.

The impact of the COVID-19 pandemic on the Company's activities in the field of personnel management

In 2020, the Company's activities in the field of personnel management and development were affected by the COVID-19 pandemic. In April, during the period of quarantine restrictions, about 90 thousand employees were sent to forced layoffs, which is almost 40% of the total number of employees of JSC "Ukrzaliznytsia". The Company decided to continue to pay them 100% salary (tariff rate), despite the fact that employees are idle by law only provides for the payment of 2/3 of the tariff rate (Article 113 of the Labor Code).

This approach is evidence of Ukrzaliznytsia's responsible attitude towards its employees. Steadily short of revenue from transportation, the Company provided social guarantees and support to railway workers. With the resumption of passenger and freight traffic, the number of idle employees decreased significantly. In December 2020, it amounted to about 13 thousand people.

During 2020, the Company's employees who were in idle mode were paid UAH 1,092 million

To maintain financial stability and staff, the Company's management has developed a plan to overcome the financial crisis - Anti-Crisis Plan events of JSC "Ukrzaliznytsia". It provided for the introduction of part-time work, deferral of social benefits, increased energy efficiency, sale of scrap metal and non-core assets, as well as many other measures to save costs and increase income. A separate block provided for a number of state support measures, including the abolition of land tax and direct financial assistance.

In March 2020, in accordance with the resolution of the Cabinet of Ministers of Ukraine "On prevention of the spread of coronavirus COVID-19 in Ukraine" (as amended), the Company was temporarily

suspended certain training projects.

In order to ensure the effective operation of the personnel vertical of JSC "Ukrzaliznytsia" during quarantine restrictions and to reduce travel costs, the capacity of the branch "Main Information and Computing Center" of the Company was deployed software (with free software code) for WEB -meetings, conferences, exercises, which made it possible to hold meetings without restrictions.



Staff composition and turnover

In 2020, due to the natural turnover of staff, as well as the implementation of measures to optimize staff in accordance with the volume of work performed, there was a decrease in the total number of employees

of Ukrzaliznytsia. The average number of employees was 247,954 people, of whom more than 39.8% - women (in 2019 - 255,013 people, of which - 39.7% women).

Distribution of employees of JSC "Ukrzaliznytsia" by categories of personnel, 2019-2020, %

| Staff category | 2019 | 2020 |
|-----------------|------|------|
| Leaders | 8 | 8 |
| Professionals | 7 | 7 |
| Workers | 65 | 65 |
| Specialists | 14 | 14 |
| Technical staff | 6 | 6 |

Distribution of employees of JSC "Ukrzaliznytsia" by age and category of staff, 2019-2020, %

| Staff category | 2019 | | | 2020 | | |
|-----------------|--------------------------|-------------------------------|-------------------------|--------------------------|-------------------------------|-------------------------|
| | employees up to 30 years | employees from 30 to 50 years | employees from 50 years | employees up to 30 years | employees from 30 to 50 years | employees from 50 years |
| Leaders | 5.6 | 62.5 | 31.9 | 4.8 | 62.9 | 32.3 |
| Professionals | 11.2 | 63.9 | 24.9 | 9.9 | 63.8 | 26.3 |
| Workers | 13.1 | 53.2 | 33.7 | 11.8 | 52.5 | 35.7 |
| Employees | 8.8 | 50.0 | 41.2 | 12.7 | 47.6 | 39.7 |
| Specialists | 14.1 | 55.2 | 30.7 | 12.5 | 55.3 | 32.1 |
| Out of category | 10.2 | 53.2 | 36.7 | 8.8 | 52.2 | 39.0 |
| Total | 12.4 | 55.0 | 32.7 | 11.0 | 54.6 | 34.4 |

In 2020, more than 100 women in the Company held senior positions at the level of directors and deputy directors at various

levels, which is 35.5% of the management (in 2019, 78 women held senior positions, which was 36.6% of the Company's management).

Distribution of employees of JSC "Ukrzaliznytsia" by gender and category of staff, 2019-2020, %

| Staff category | 2019 | | 2020 | |
|-----------------|-------------|-------------|-------------|-------------|
| | women | men | women | men |
| Leaders | 27.8 | 72.2 | 28.7 | 71.3 |
| Professionals | 72.5 | 27.5 | 73.2 | 26.8 |
| Workers | 28.2 | 71.8 | 28.3 | 71.7 |
| Employees | 98.5 | 1.5 | 100.0 | 0 |
| Specialists | 57.6 | 42.4 | 57.6 | 42.4 |
| Out of category | 93.4 | 6.6 | 93.7 | 6.3 |
| Total | 39.7 | 60.3 | 39.8 | 60.2 |

In 2020, the staff turnover of JSC "Ukrzaliznytsia" decreased significantly - from 16.3% to 4.4%. Such dynamics is caused

by the suspension of recruitment in the state as a whole, which in turn affected the natural turnover of personnel in the Company.

Staff turnover of the Company, 2019-2020, %

| Subdivisions | 2019 | 2020 |
|---|----------------------|----------------------|
| | Staff turnover ratio | Staff turnover ratio |
| Total by regional branches | 7.7 | 1.9 |
| Total by branches | 8.6 | 2.5 |
| Total by regional branches and affiliates of the Company | 16.3 | 4.4 |

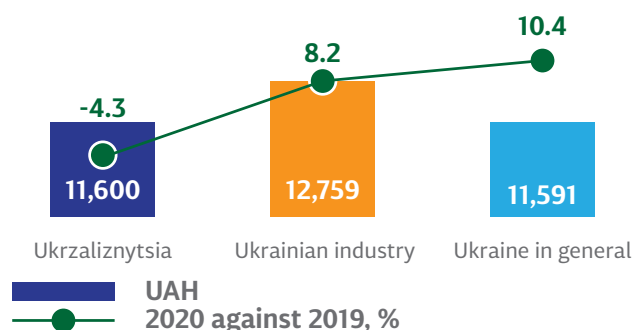
Remuneration and employee motivation

The Company's remuneration fund consists of the basic and additional salary fund, other incentive and compensation payments. In 2020, the basic salary fund (payment at hourly rates and salaries) amounted to 47%. The additional salary fund includes a monthly bonus, a system of surcharges and allowances provided by law and the Sectoral Agreement (for working with difficult and harmful working conditions, for working in the evening and night, for combining professions, for performing the duties of a temporarily absent employee, expansion service areas, professional skills, etc.). In 2020, the additional salary fund amounted to 48%. Other incentive and compensation payments in the Company's salary fund - 5%.

The remuneration fund of JSC "Ukrzaliznytsia" in 2020 amounted to UAH 34.51 billion

The average monthly salary of the Company's employees in 2020 amounted to UAH 11,600, which is 4.3% less than in 2019 (UAH 12,126). Such is the dynamics related to the implementation of the Anti-Crisis Action Plan of JSC "Ukrzaliznytsia" for 2020 due to deterioration of the financial condition of the Company caused by the COVID-19 pandemic and quarantine restrictions that have been introduced throughout Ukraine. It is 0.1% higher than the average wage in the country and 9% lower than the average wage in industry. In terms of the average wage among the branches of the economy, the railwaymen took the sixteenth place in the reporting period.

Average monthly salary, 2020, UAH



Remuneration in the Company is regulated by the Regulations on Remuneration of Employees of the Joint-Stock Company Ukrainian Railways, which is an integral part of the Sectoral Agreement (hereinafter - the Regulation). The Regulation is based on a unified methodological approach to the formation of tariff grids and salary schemes within the entire organizational and staffing structure of the Company. The Regulation defines the conditions and amounts of setting salaries, hourly rates, surcharges, allowances, one-time incentive payments, remuneration to employees of Ukrzaliznytsia, as well as the conditions of bonuses for performance. Measurements of hourly tariff rates and official (monthly) salaries of the Company's employees in 2020 were not revised due to the difficult financial and economic situation.

The largest share of Ukrzaliznytsia employees - 38% (over 86 thousand employees) received in 2020 a salary in the amount of UAH 10,000 to 15,000.

Amount of wages paid to employees of the Company, 2020

| The amount of salary | Number of employees, persons | % |
|---|------------------------------|-----|
| Up to one minimum wage (workers of the simplest professions and workers of non-core activities) | 5,924 | 3% |
| From UAH 5,000 to 7,000 | 26,846 | 12% |
| From UAH 7,000 to 10,000 | 59,283 | 26% |
| From UAH 10,000 to 15,000 | 86,687 | 38% |
| From UAH 15,000 to 20,000 | 30,714 | 13% |
| More than UAH 20,000 | 19,089 | 8% |

Ukrzaliznytsia unconditionally complies with the legislation of Ukraine in terms of indexation of employees' salaries. Clause 4.16 of the Regulation on Remuneration of Employees of the Joint-Stock Company "Ukrainian Railways" stipulates that indexation of monetary income is carried out in accordance with the Procedure for indexation of monetary income of the population approved by the Cabinet of Ministers of Ukraine dated 17.07.2003 No. 1078. Ukrzaliznytsia amounted to UAH 17.78 million.

Motivational mechanisms and employee support

An important component of an effective personnel policy of Ukrzaliznytsia is the optimal management of personnel costs and the formation of marketing activities in the field of remuneration and staff motivation. The company pays considerable attention to motivational mechanisms, the implementation of which helps to increase interest and job satisfaction among employees. Unfortunately, the deterioration of the Company's financial condition in 2020 led to a reduction in the Company's ability to pay a number of

incentives.

At the same time, the employees of JSC "Ukrzaliznytsia", who continued to work in the usual and sometimes more intensive mode under the conditions of quarantine restrictions, were steadily paid a bonus based on the results of performance indicators.

In order to maintain qualified personnel and prevent the reduction of the number of employees in the period of deterioration of the financial and economic situation of the Company from 01.07.2020 for employees with a five-day working week, a part-time work regime was introduced. At the same time, all surcharges, allowances and bonuses are retained. By the decision of the Board of 15.10.2020, in order to ensure the planned volumes of transportation and work for certain categories of workers and their direct management (masters, electricians), the part-time regime was abolished and the full working week was renewed.

Pursuant to the Law "On Social Support of Insured Persons and Business Entities for the Period of Restrictive Anti-Epidemic Measures Introduced to Prevent the Spread of Acute Respiratory Disease COVID-19 Caused by SARS-CoV-2 Coronavirus" in Ukraine,

the Company prepared and submitted employment centers of Ukraine all the necessary documents for the payment of employees of the Company, for which a part-time regime was introduced, state one-time cash benefits in the amount of up to UAH 8 thousand.

In 2020, the Company worked to obtain funding from the state budget in the amount of UAH 102.7 million for social support of the Company's employees, whose working hours were reduced due to the introduction of quarantine measures at the state level. Material assistance was provided to 30,961 employees

The introduction of quarantine measures and related downtime led the Company to develop and approve the Instruction on the procedure for registration and payment of downtime in the joint-stock company "Ukrainian Railways". The decision of the Board of 17.09.2020 also approved the Procedure for accounting for the use of working time of employees of JSC "Ukrzaliznytsia".

Introduction of a staff performance appraisal system

In 2020, the following measures were taken to assess the Company's staff:

- the Library of Key Performance Indicators (KPIs) of JSC "Ukrzaliznytsia" was put into operation;
- updated and approved corporate KPIs for the III, VI quarters and II half of 2020;
- a working group was formed to develop and implement an automated accounting system KPIs in the information system of JSC "Ukrzaliznytsia";
- developed and approved technical requirements for the Automated system of accounting for key performance indicators (efficiency) of JSC "Ukrzaliznytsia";
- the automated system of accounting of KPIs in the information system of JSC "Ukrzaliznytsia" is developed, its experimental operation is carried out;
- work was carried out on the preparation of performance evaluation maps of employees of the management staff of Ukrzaliznytsia, heads of regional branches and affiliates.

In the framework of the project "Development and implementation of a grading system of remuneration according to the Hay Group methodology in the management staff of JSC "Ukrzaliznytsia" a working group responsible for the development and approval of job descriptions, for their further evaluation formed and approved:

- 10 profiles of positions of functional directors;
- 47 profiles of positions of directors of departments / authorities / offices, positions of direct subordination to the chairman of the board or the supervisory board in the management staff;
- 91 profile of positions of deputy directors of departments / authorities / offices in the management staff;
- 15 profiles of positions of branch directors.



Equal employment opportunities

JSC "Ukrzaliznytsia" is aware of the importance of attracting highly qualified personnel to achieve high results. The Company constantly provides access to current vacancies for all interested parties - the relevant information is posted on the official website of the Company in the section "Work on the railway". In order to complete the management staff of the Company and regional branches, branches, qualified employees also use job search sites Work.ua and Robota.ua. On the official websites of the regional branches there are sections "We invite you to work", where vacancies are published in terms of production units, personnel categories, geography. Links to these vacancies are also posted on the official website of the Company. Also in 2020, systematic work on recruitment planning in regional branches was continued.

The Company ensures equal labor rights of all employees. The Company prohibits any

discrimination in the field of labor, including violation of the principle of equality of rights and opportunities, direct or indirect restriction of employees' rights depending on race, color, political, religious and other beliefs, gender, gender identity, sexual orientation, ethnic, social and foreign origin, age, health condition, disability, suspicion or presence of HIV / AIDS, marital and property status, family responsibilities, place of residence, membership in a trade union or other association of citizens, participation in a strike, appeal or intention to appeal to a court or other bodies to protect their rights or provide support to other employees in defending their rights, on linguistic or other grounds.

In particular, the Company recognizes the right to work of people with disabilities on an equal footing with other employees. According to the personnel department, as of the end of 2020, 9,489 people with disabilities worked at JSC "Ukrzaliznytsia".

Employees are accepted into the Company by categories of personnel and age¹², 2020

| Staff category | Employees under the age of 30 are accepted | Employees aged 30 to 50 are accepted | Employees over the age of 50 are accepted |
|-----------------|--|--------------------------------------|---|
| Leaders | 117 | 1,096 | 439 |
| Professionals | 455 | 1,497 | 440 |
| Workers | 3,080 | 5,877 | 2,910 |
| Employees | 1 | 1 | 0 |
| Technical staff | 303 | 1,751 | 1,275 |
| Specialists | 719 | 1,399 | 452 |
| Total | 4,675 | 11,621 | 5,516 |

¹² According to AMS "Personnel"

Plans for 2021 and a medium-term perspective in the field of personnel management

1. Approve and implement the Procedure for search and selection of personnel of JSC "Ukrzaliznytsia".
 2. Develop and approve Regulations on the system of staff adaptation of the joint-stock company "Ukrainian Railways".
 3. To promote the development of the project "Transformation and automation of business processes on the basis of ERP block" Personnel Management".
 4. Provide for an increase in tariff rates (salaries) by 8%.
 5. Put into operation the automated budgeting system of JSC "Ukrzaliznytsia" in terms of forming budgets for personnel costs.
 6. Make changes and additions to the Library of key performance indicators (KPIs) of JSC "Ukrzaliznytsia", to cover the system of performance evaluation of the heads of the management of the Company, regional branches and affiliates.
 7. Within the framework of the project "Development and implementation of a grading system of remuneration according to the Hay Group methodology in the management staff of JSC "Ukrzaliznytsia" by the end of 2021 to complete the second and third stages of the project.
 8. Within the project of creation of the Joint centers of management of the personnel in the first half of 2021 opening of pilot PMCs is planned:
 - Southern Railway Regional Branch in Kharkiv;
 - Regional branch of the South-West Railway in Korosten;
 - Branch "Passenger Company" in Kyiv.
- In the second half of 2021, it is planned to start replicating the PMCs.



Social protection and support of employees



JSC "Ukrzaliznytsia" provides its employees with one of the best social packages in the country. The company offers a wide range of compensations and benefits, including financial assistance for recovery, in connection with marriage, childbirth, retirement benefits, treatment and rehabilitation in sanatoriums and rest homes, organization of sports and cultural events and others.



The system of social support for employees of JSC "Ukrzaliznytsia" is aimed at improving the living standards of employees and their families, as well as the level of motivation and satisfaction of railway workers. In the difficult financial and economic conditions of 2020, the most important task for the Company was to preserve the benefits and guarantees provided for employees and take care of their social protection.

The Company's policy in the field of social protection and social security is determined by the norms of the Sectoral Agreement concluded between the State Administration of Railway Transport of Ukraine and trade unions, as well as by the norms provided by current collective agreements of JSC "Ukrzaliznytsia". The Company is also governed by the laws of Ukraine, presidential decrees and resolutions of the Cabinet of Ministers of Ukraine. The sectoral agreement and collective agreements of the structural subdivisions of the Company regulate production, labor, socio-economic relations and coordinate the interests of employees and management.

100% of Ukrzaliznytsia employees are covered by collective agreements

The total expenditures of the Company for the implementation of measures in the field of social policy in 2020 amounted to about UAH 13 billion

Distribution of the Company's expenses for the implementation of the Sectoral Agreement:

- allowance for years of service - UAH 3,362.12 million and 26%;
- surcharges and allowances - UAH 2,724.21 million and 21%;
- material assistance - UAH 1,937.38 million and 15% (including UAH 1,411.38 million and 11% for rehabilitation);
- labor protection - UAH 740.53 million and 6%;
- additional leave - UAH 630.29 million and 5%;
- maintenance of health improvement facilities, cheapening of vouchers - UAH 311.33 million and 2%;
- retirement assistance - UAH 397.11 million and 3%;
- payments for the traveling nature of work - UAH 385.34 million and 3%;
- medical examinations and medical check-ups - UAH 188.64 million and 1.5%;
- other - UAH 2,272.44 million and 17.5%.

In 2020, in the field of social protection and social security of employees, the Company took the following measures:

- A branch of the Health and Recreation Center was established (management staff was selected and agreed upon, a package of documents on legal status was prepared, premises were allocated, and work was carried out in accordance with the approved

business plan).

- The conflict with trade unions has been resolved (measures have been taken to reduce social tensions to stop picketing by the Ministry of Infrastructure of Ukraine (MIU) by free trade unions).
- The conflict related to the reform of medical institutions of the Health Center branch has been resolved (measures have been taken to reduce social tensions in the issue of reforming departmental medical institutions: 12 meetings were held at the Ministry of Infrastructure, meetings with trade unions and members of parliament of Ukraine).
- For the purpose of constant communication and open dialogue, regular meetings were held with the participation of the Chairman of the Board with the leaders of trade unions: explanation of urgent problems, coordination of ways out of the crisis and involvement of trade unions to solve problems at the national level.
- A register of trade unions of structural (production) divisions, members of which are employees of the Company, has been created.
- The software of the AMS "Material assistance" was developed, the experimental operation was carried out, the work on maintaining a single database of material assistance accounting was launched.
- The Youth Directorate was created, a plan for involving young people in reform issues in the Company was developed.
- A new standard of providing employees with uniforms has been formed, new sketches, completeness of uniforms have been approved, experimental samples have been tested.

Interaction with trade unions

Cooperation with trade unions operating in the Company takes place within the framework of collective bargaining, according to which the

In 2020, more than UAH 179 million was transferred to trade unions operating in the Company for cultural and mass, physical culture and health-improving work

parties are endowed with mutual obligations.

In accordance with the legislation and the terms of the current collective agreements, in 2020 JSC "Ukrzaliznytsia" allocated to trade unions funds for cultural, physical culture and health work in the amount of UAH 179.4 million.

Housing program

In 2020, the construction of 110 apartments in a residential building in Kharkiv was completed. Currently, work is underway to draw up title documents.

Also in 2020, employees who are registered for housing received warrants for 53 apartments of the second phase of a 100-apartment residential complex in Synelnykove.

After the reconstruction, an 8-apartment residential building in Zdolbuniv, Rivne region, was put into operation.

Work is underway on the construction (reconstruction) of a 4-apartment residential building in the village of Koziatyn, Vinnytsia region, as well as the reconstruction of a non-residential building for an apartment building in Nizhyn, Chernihiv region.

On the balance of JSC "Ukrzaliznytsia" there are 75 dormitories, designed for more than 6.3 thousand beds. Currently, more than 4.5 thousand people live in dormitories. More than UAH 60.1 million was allocated for the maintenance of dormitories, including UAH 49 million for current maintenance and over UAH 11.1 million for repair work.



11 SUSTAINABLE CITIES AND COMMUNITIES



On November 17, a new dormitory for railroad workers with 30 apartments was opened in Sloviansk. The three-storey building has two wings. The total area of one-room apartments is from 32 to 38 square meters. m, and two-bedroom - from 53 to 56 square meters. The rooms are equipped with everything necessary for people's living: furniture, plumbing and appliances. The hostel is located near the train station, near a school, kindergarten and shopping center.

Social support for servicemen

On the occasion of the Day of the Defender of Ukraine and in order to support employees of JSC "Ukrzaliznytsia" who served and / or are serving in the military and / or injured during hostilities in the area of anti-terrorist operation / Joint Forces operation, the Board of the Company made a decision dated 12.10.2020 on the payment of 3,023 employees of the Company of monetary incentives in the amount of UAH 1,500, for the total amount of UAH 6,853,169.12 (including taxes).

Support for retirees

One of the priorities of the Company's social policy is to improve the quality of life of railway workers, including unemployed retirees. Every year JSC "Ukrzaliznytsia" organizes rehabilitation of unemployed pensioners of railway transport in the Company's health facilities. In 2020, due to the introduction of quarantine measures, recovery lasted only one month.

Certain categories of pensioners were also provided with transport assistance, tickets for free travel by rail in domestic and suburban services.

In 2020, financial assistance was provided to about 27.6 thousand retirees of the Company for a total amount of about UAH 58.5 million

The Company also provides insurance for unemployed retired railway workers. Relevant agreements JSC "Ukrzaliznytsia" has concluded with insurance companies Naftogazstrakh, Interpolis, Raritet and Interexpress. Insurance programs provide for the provision of insured persons with medicines, medical devices, diagnostic tests, food, reimbursement of expenses for the purchase of medicines, medical devices, as well as payment for diagnostic tests.

In 2020, the Board of JSC "Ukrzaliznytsia" decided to provide funding to the Trade Union of Railwaymen and Transport Builders of Ukraine in the amount of UAH 3.64 million to help organizations of war veterans and labor of railway transport of Ukraine



Maintaining a healthy lifestyle

Rehabilitation of employees

The health and resource status of employees is an important factor in the sustainable and effective development of the Company. Unfortunately, the introduction of quarantine measures caused by the COVID-19 pandemic has made serious adjustments to the health and recreation system of JSC "Ukrzaliznytsia". For some time in Ukraine, the activities of sanatoriums, boarding houses, recreation centers and children's health facilities of all forms of ownership, including those owned by the Company, were banned. Due to the epidemiological danger, children's rehabilitation facilities of JSC "Ukrzaliznytsia" in the summer of 2020 did not open their doors at all.

Rehabilitation took place in 3 sanatoriums - "Medical Center for Rehabilitation of Railwaymen", "Svitiazianka" and sanatorium named after M. Gogol. In 2020, under conditions of quarantine restrictions, 4,097 railway workers and members of their families were rehabilitated in the Company's branch facilities.

Every year the Society organizes and conducts numerous cultural, artistic and sports and health events, however in 2020 in due to quarantine restrictions throughout Ukraine, such did not occur in the Company.

In order to provide social protection and material support to the employees of JSC "Ukrzaliznytsia" who contracted a coronavirus infection, the Company decided to provide financial assistance to employees in the amount of up to UAH 10,000

Material assistance for the treatment of coronavirus infection is provided in accordance with the Procedure for providing material assistance for medical and other purposes to employees, retirees of the joint-stock company "Ukrainian Railways" and members of their families (hereinafter - the Procedure). The

maximum amount of assistance is from 6 to 10 thousand UAH in the presence of original checks and a complete package of documents in accordance with the Procedure.

Medical services for employees

An important element of the corporate culture of JSC "Ukrzaliznytsia" is to take care of the health of employees. The Company has a specialized branch "Health Care Center" (HCC), which includes 8 clinical hospitals (in which employees can receive inpatient treatment), and outpatient care is provided by:

- 6 linear outpatient clinics,
- 142 health points,
- 48 medical centers at railway stations.

Railway workers and members of their families, as well as retired railway workers, have access to free quality medical care in all medical facilities of the Company, where they can undergo examinations, preventive examinations and treatment.

Basic medical services, what provided to employees of the Company and members of their families

During 2020, the following basic medical services were provided to Ukrzaliznytsia healthcare facilities by the Company's employees, members of their families, as well as by retired railway workers:

- provision of primary health care in the conditions of polyclinics and health care points at enterprises;
- providing secondary specialized medical care in an outpatient setting in various specialties;
- managing pregnancy in an outpatient setting;
- providing secondary (specialized) medical care in a day hospital;
- providing specialized medical care in hospital departments in various specialties;
- providing medical care to children;
- provision of medical rehabilitation services;

- providing dental care to adults and children;
- providing medical care to patients with diseases of internal organs, endocrine system, neurological diseases;
- conducting instrumental methods of examination (radiological, endoscopic, ultrasound, electrophysiological);
- conducting general clinical and biochemical laboratory tests, as well as laboratory tests for metabolic screening;
- performing surgical operations;
- conducting anesthesia and anesthesiological monitoring during surgical operations and examinations;
- providing postoperative monitoring, analgesia and further drug therapy;
- providing medical care to pregnant women in childbirth, with a complicated pregnancy and with extragenital pathology;
- providing round-the-clock medical and nursing care for patients;
- providing care for acute stroke;
- providing medical care for heart attacks;
- conducting pathomorphological studies;
- psychological medical interventions;
- palliative care.

During 2020, 1,017,199 visits by railway workers and 87,612 members of their families were registered in the polyclinics of the HCC branch. There were appeals to the hospitals of railway hospitals in the reporting period from the Company's employees 836,521, from members of their families - 89,042, from pensioners-railwaymen - 116,764.

The Company's hospitals performed 2,902,290 examinations, of which 361,158 - diagnostic. 4,483 endoscopic operations and 91,904 X-ray diagnostic examinations were performed. During the year, 94,084 children of railway workers received medical care in hospitals and clinics of Ukrzaliznytsia. The number of operated patients - 11,997, of which 6,209 - operated urgently. 1,965 people were rehabilitated in the day hospital.

The Company's medical institutions have joined the implementation of effective management tools. All railway hospitals are accredited and have received a quality certificate of the international standard ISO DSTU ISO 9001: 2015 "Quality Management Systems. Requirements". The introduction of a quality management system in health care facilities allows to organize the work of medical institutions in accordance with modern requirements using the best world experience in the field of management

"HCC" branch also carries out pre- and post-trip medical examinations and health-improving activities. For the purpose of early detection of diseases and various pathological conditions, Ukrzaliznytsia employees undergo periodic and preliminary preventive examinations in medical institutions at least once every two years.

In 2020, 4,429,154 inspections of railway workers were conducted. During preliminary and periodic health examinations, 140 people were fired. During pre- and post-trip examinations - 687 people who needed medical and health-improving measures

Medical facilities The Company actively cooperates with insurance companies under voluntary health insurance programs, which allows to improve financing and ensure the provision of medical services to insured railwaymen at the appropriate level.

In 2020, 22,598 railway workers were treated under the insurance policies of all insurance companies. Of these, 13,537 are employees. The total amount of revenues from insurance companies to the "HCC" branch in 2020 amounted to UAH 51.32 million

In railway hospitals, there is a mechanism for the state to reimburse patients for the cost of medicines (reimbursement) under the "Affordable Medicines" program. The list of drugs available under the program includes more than 250 drugs for the treatment of patients with cardiovascular, endocrine, pulmonary and other diseases. Railway doctors have prescribed more than 5,000 free prescriptions for patients with cardiovascular disease, bronchial asthma, and type 2 diabetes.

About 100 doctors of the "HCC" branch are registered in the e-Health system, including family doctors, therapists and pediatricians. The number of declarations signed with patients under the medical guarantee program exceeded 38,000

In 2020, for the provided medical services related to primary health care, the "HCC" branch received funds from the National Health Service of Ukraine in the amount of UAH 16.58 million

Activities of medical institutions in a pandemic COVID-19

The work of the Society's medical institutions in 2020 was aimed primarily at providing care to patients with or suspected of having COVID-19. During the reporting period, scheduled hospitalizations were repeatedly limited, and scheduled appointments in polyclinics were canceled. The number of citizens' appeals, the number of planned hospitalizations and operative interventions decreased. Hospitals continued to operate in a special mode. Measures were taken to prevent the spread of the disease in medical institutions.

Given the epidemic situation, the material and technical equipment of medical institutions was reviewed. JSC "Ukrzaliznytsia" procured medicines to meet the needs of patients with COVID-19. 24 ventilators,

consumables for operating rooms were purchased, 10,000 rapid tests for the diagnosis of coronavirus disease, pulse oximeters, and 8 oxygen concentrators were delivered. Medicines for the treatment of dermatological patients and diseases of the musculoskeletal system were purchased for almost UAH 2 million. All this allowed to improve the quality of medical care for patients who applied to railway hospitals.

Donor Day

Railway workers take part in the annual Donor Days. Due to the COVID-19 pandemic, Donor Day in 2020 could not be held as planned. Despite this, we managed to collect more than 123 liters of blood, while in 2019 - about 52 liters.

Plans for 2021 and a medium-term perspective in the field of social policy

1. Complete work on the draft Collective Agreement of JSC "Ukrzaliznytsia".
2. Form, approve and fulfill a corporate order for the rehabilitation of railway workers and their families under quarantine restrictions.
3. Expand the range of medical services under agreements with the National Health Insurance Fund.
4. Facilitate the provision of services to Ukrzaliznytsia employees in terms of rehabilitation.
5. Carry out preventive measures for the Company's employees in order to maintain their health.

Results of the "Donor Day" in the Society, 2020

| Blood collection point in the Society | Number of people who took part in the event | The amount of blood collected |
|--|---|-------------------------------|
| Kyiv Clinical Hospital in railway transport No. 1 | - | - |
| Kyiv Clinical Hospital in railway transport No. 2 | - | - |
| Kyiv Clinical Hospital in railway transport No. 3 | - | - |
| Odesa Clinical Hospital in railway transport | - | - |
| Kharkiv Clinical Hospital in railway transport No. 1 | - | - |
| Kharkiv Clinical Hospital in railway transport No. 2 | 154 | 79 l |
| Dnipro Clinical Hospital in railway transport | - | - |
| Lviv Clinical Hospital in railway transport | 89 | 44 l 452 ml |
| Total | 243 | 123 l 452 ml |



Development and training of employees

4 QUALITY EDUCATION



8 DECENT WORK AND ECONOMIC GROWTH



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



Ukrzaliznytsia understands the importance of providing high professional training, continuous professional development, as well as the realization of employees' rights to education. The training of the Company's employees is aimed at the development of the Company's personnel taking into account its strategic goals and personnel needs. The Company develops and implements programs of professional development: personnel reserve, mentoring, career development, training and retraining of employees. The company strives to create favorable conditions necessary for training and retraining of employees. JSC "Ukrzaliznytsia" has an extensive network of centers for professional development of personnel, there are centers for professional education, internships, ongoing training in production.

In 2020, the Company allocated UAH 40,806,725 for training, development and advanced training of personnel (including UAH 28,612,318 for regional branches, UAH 9,379,782 for branches, UAH 2,814,625 for management staff), which is 5,6% more than in 2019 (UAH 38,649,395)

In 2020, the Company organized and implemented various events for the development and training of employees, which took place both inside and outside the Company, using face-to-face and distance learning.

In the management staff of JSC "Ukrzaliznytsia", employees of the Department of Personnel Development and Personnel Policy, the Department of Internal Audit and Control, the Main Department

of Paramilitary Security, the Department of Corporate Rights Management and Management, as well as employees of other departments were most involved in training in 2020.

After the procedure of procurement of educational services in accordance with the Law of Ukraine "On Public Procurement" and the conclusion of relevant contracts, 366 employees underwent external training. Main topics of study:

- "Construction 2020. Legislative and regulatory support of construction activities. New procedures and rules. New order";
- "Public procurement - 2020. Procurement of goods, works and services under the new rules. How to conduct tenders in 2020";
- "Security Guard";
- "Internal audit of the enterprise";
- "Detailed analysis of business process audit";
- "Project Management";
- "Procurement Manager";
- "Corporate Secretary";
- "Training in shooting" and others.

Also, 40 employees received internal training on "Limits of financial obligations" and "Job description: from preparation to approval."



In 2020, JSC "Ukrzaliznytsia" held training and staff development events, which were attended by 399,588 employees (some employees underwent several types of training). Basic types of training:

- vocational training of workers - 27,983 people (in the centers of professional development of personnel, centers of vocational education - 4,972 people, in production - 22,575 people, 436 people - in other educational institutions);
- training of "first-timers" - 8,767 people;
- special training on the transportation of dangerous goods - 8,161 people;
- technical training of employees of JSC "Ukrzaliznytsia" - 221,022 people;
- training of line management staff of regional branches, affiliates - 3,674 persons;
- training of employees of the management staff of JSC "Ukrzaliznytsia" - 406 people (among them 164 - managers, 94 - specialists, 12 - professionals, 136 - workers);
- distance learning of employees on the Portal of knowledge development of JSC "Ukrzaliznytsia" - 129,324 people

Assessment of the knowledge level of the Company's employees

In accordance with the Regulations on Professional Testing of Railway Transport Employees, the regional branches and affiliates of the Company assess the level of knowledge of employees using a system of multidisciplinary testing. During 2020, professional testing was conducted for 30,485 people, of which 30,314 people showed a satisfactory level of knowledge.

- Testing is carried out:
- before certification of managers and specialists;
- before enrollment in the personnel reserve;

- in the process of professional development;
- after training and retraining of staff;
- during periodic knowledge testing;
- before and after the internship.

The management staff of Ukrzaliznytsia assesses the level of knowledge of employees using a system of multidisciplinary testing before and after the internship. According to the results of this assessment after the internship, the level of knowledge of the Company's employees in 2020 increased by an average of 10%.

The impact of the COVID-19 pandemic on staff development and training

Pandemic COVID-19 and the resulting quarantine measures had a negative impact on staff development and training in 2020:

- the implementation of the strategic initiative "Formation and development of the personnel reserve" has been temporarily suspended;
- the selection of candidates for internal coaches of JSC "Ukrzaliznytsia" has been started but postponed;
- postponed or canceled internships in the management of JSC "Ukrzaliznytsia" employees from other cities of Ukraine;
- a number of events included in the Plan of scientific and practical conferences, seminars, seminars-meetings, schools of advanced experience of JSC "Ukrzaliznytsia" for 2020 were canceled;
- the implementation of the Regulations on technical training of employees of the joint-stock company "Ukrainian Railways" was temporarily suspended;
- adjustments were made to the periods of vocational training and the amount of training, with appropriate changes to the schedules of training and orders for vocational training in the structural units of the Company. In the centers of professional development of personnel and professional education of regional branches and the

branch "Center of professional development of personnel" the number of persons in educational groups was reduced (restriction made no more than 10 persons in group);

- 12 advanced training agreements were concluded with 2,734 managers and specialists of JSC "Ukrzaliznytsia" with six institutions of professional higher education (colleges), but the planned training did not start due to quarantine restrictions;
- the project "Specialized conductor school" to increase the level of service for conductors of passenger cars of the branch "Passenger Company" was suspended.

Strategic initiatives in the field of staff development and training

In 2020, the Company implemented a number of strategic initiatives in the field of staff development and training.

• Development and implementation of the Competence model

In accordance with the stages of the initiative, at the end of March 2020 the Company's Board of Directors approved the Corporate Competence Model of JSC "Ukrzaliznytsia" and began its implementation in personnel management processes. The purpose of implementing a unified corporate model of competencies in the Company:

- improving the quality of personnel and process management to achieve the expected results and successful implementation of the Company's strategic goals;
- creation of individual plans for employee

development to increase the level of expertise and key competencies for the successful implementation of the goals and objectives of positions;

- improving the internal image of Ukrzaliznytsia, supporting the development of corporate culture by providing employees with transparent opportunities for consistent development and career growth.

On the Knowledge Development Portal of JSC "Ukrzaliznytsia" the section "Competence Model" has been created, where the memo "Model of Corporate Competences of JSC "Ukrzaliznytsia" and the distance training course "Model of Corporate Competences" are posted.

• Formation and development of personnel reserve

According to the stages of this initiative, on March 03, 2020, the conditions for the implementation of the priority formation of the personnel reserve in the Company were approved, the pilot subdivisions and levels for the implementation of the priority formation of the personnel reserve were determined. The list of defined positions of regional branches, branches for the priority formation of the personnel reserve of JSC "Ukrzaliznytsia" (69 positions) was approved. The process of implementation of the second stage of the initiative aimed at selecting candidates and approving the list of reservists has begun. Proposals for candidates to the personnel reserve (125 candidates) were received from regional branches and affiliates.

Due to personnel and organizational and structural changes in the Company, as well as due to the unfavorable epidemic situation and quarantine measures, the formation of the personnel reserve in the pilot units has been temporarily suspended. A list of distance learning courses aimed at improving the level of competencies has been prepared and communicated to the pilot units.

• Introduction of a dual form of education in the professional training of skilled

workers in vocational (technical) education institutions (hereinafter – V(T)EI) and specialists in higher education institutions for the railway industry

The dual form of training was introduced in 16 V(T)EI with the participation of 6 regional branches of the Company and the branch "Passenger Company". In 2020, V(T)EI graduated 300 skilled workers who studied in dual form, of which 96 graduates were employed in Ukrzaliznytsia, which is 32% of the total output. In 2020, 22 people studied in higher education institutions in the dual form of education, 20 of whom were employed in the Company's divisions.

• Development of professional standards on a modular competence basis for certain professions

In 2020, the Company developed 19 professional standards for railway professions, which were approved by the Ministry of Economy, Trade and Agriculture of Ukraine: "Duty at the railway station", "Train receiver", "Compressor driver", "Motor locomotive driver", "Machinist of fixed trolley", "Commercial agent", "Diesel train driver", "Luggage cashier", "Head of locomotive depot", "Train electrician", "Car speed controller", "Centralization post operator", "Electromechanic of the site (for repair and maintenance of alarm, centralization and blocking devices)", "Receiver of cargo and luggage", "Operator of the sorting slide", "Duty of switch post", "Machinist of railway construction machines", "Machinist of track machines", "Debugger of track machines and mechanisms".

Professional standards are created to determine the requirements for qualification and special knowledge of employees, their tasks, responsibilities and specialization; creating conditions for professional development of employees; labor rationing; definition of job (work) tasks and responsibilities of employees, planning of their professional growth, development of job (work) instructions (if necessary); organization

of employee training, selection, staffing; substantiation of decisions made based on the results of attestation, certification of employees; development of standards of the enterprise, organization, institution; formation of systems for motivation and stimulation of staff; establishing uniform requirements for the content and quality of professional activity; coordination of names of professions (professional names of works, positions); streamlining of types of labor activity, etc.

• Ensuring the possibility of attracting workers of the main professions to perform work in acutely deficient related professions

The initiative is aimed at reducing the risk of disruption of work related to the absence of the employee, rapid replacement of the absent employee to perform work, unification of retraining plans for workers in the workplace, encouraging employees to master other types of work, creating quality control. ensuring the proper level of work performed by him.

In order to increase the efficiency of the use of workers, create conditions for their professional mobility, the Company has developed and approved 41 recommended curricula and retraining programs for workers in related professions to attract workers of acute shortages of railway transport to work in related professions, partial qualifications. Also, the draft Regulation on attracting workers of JSC "Ukrzaliznytsia" to work in related professions, partial qualifications was prepared for consideration by the Board.

Professional education

70% of the Company's employees are skilled workers. The company provides continuous training and advanced training of workers during their work. Professional training of workers is carried out in production, in the centers of professional development of personnel and the centers of professional education of regional branches, branches "Center of professional development of personnel". The most common types of training of workers in 2020 were retraining and advanced training.

In 2020, 27,983 workers underwent vocational training (training, retraining, advanced training), the implementation of the annual training plan amounted to 96.1%. 22,575 workers were trained in production (874 were trained, 2,174 were retrained, and 19,527 were requalified). 436 employees were trained in other educational institutions.

In 2020, vocational training covered more than 27 thousand workers who were trained directly in the workplace, in the centers of professional development of staff and vocational education centers of JSC "Ukrzaliznytsia"

In addition, in 2020, 4,972 employees were trained in personnel professional development centers and vocational education centers (23 in training, 2,176 in retraining, 2,773 in requalification).

On the basis of centers of professional development of personnel and centers of professional education, special-purpose first aid courses are organized and conducted, and special training of workers on the transportation of dangerous goods is carried out. In 2020, 749 people received first aid training, 8,161 employees of the Company underwent special training in the transportation of dangerous goods.

Teaching "first-timers"

Training of personnel, who for the first time in the autumn-winter conditions begins to work in professions related to traffic safety and personal safety, is carried out on special-purpose courses under the program "first-timers". The information and practice gained during the training is important for the "first-timers" to perform their professional duties in difficult weather conditions. In 2020, such training in the structural (production) divisions of regional branches and affiliates of JSC "Ukrzaliznytsia" covered 8,767 people. The duration of the courses was at least 8 hours.

Instruction, labor protection training, assignment of experienced staff, credit - all this allowed the "first-timers" to be ready for unpredictable winter conditions and feel more confident in the workplace



Training of employees of structural divisions of the Company

In order to increase professional and managerial competencies in 2020, training of employees of structural units of the Company continued. In the reporting period, 3,674 employees of line management staff of regional branches, branches of JSC "Ukrzaliznytsia" were trained: managers, professionals, specialists and technical staff. Employees received the following trainings:

- production and technical courses;
- special purpose courses;
- retraining;
- requalification;
- functional development;
- schools of advanced techniques and methods of work, etc.

In addition, more than 221,000 workers received technical training directly at the factory. Also in 2020, 406 employees of the Company's management staff were trained.

Internship

In order to improve the skills of employees, study the specifics of the activities of departments, gain practical experience, check the professional level of applicants for a position in the Company is an internship. The system of internship in the Company is regulated by the Regulations on internship of specialists at enterprises, institutions and organizations of railway transport.

In 2020, 251 employees of the Company underwent internships

Internship of the Company's employees, 2020, persons

| Regional branch / branch / administrative staff | Purpose of the internship | | | the total number of |
|---|-------------------------------------|---|---------------------------------|---------------------|
| | Enrollment in the personnel reserve | Improving the level of knowledge and skills | Rotation (transfer to position) | |
| Administrative staff | 7 | 6 | 9 | 22 |
| Passenger company | 13 | - | 2 | 15 |
| Ukrainian high-speed railway company | - | 5 | - | 5 |
| Center for repair and operation of track machines | 1 | - | - | 1 |
| Lviv Railway | - | 2 | - | 2 |
| Odesa Railway | 13 | - | 12 | 25 |
| South-West Railway | 6 | 64 | 34 | 104 |
| South Railway | - | 29 | - | 29 |
| Dnipro Railway | 1 | - | 1 | 2 |
| Donetsk Railway | 1 | 22 | 23 | 46 |
| Total | 42 | 128 | 81 | 251 |

Distance training

Distance learning of the Company's employees is aimed at the implementation of professional educational programs, professional training, advanced training and development of personal qualities of employees using distance education technologies and information and telecommunication systems of JSC "Ukrzaliznytsia". Distance learning is regulated by the Regulations on distance learning in the joint-stock company "Ukrainian Railways". The Company has implemented the System of distance learning of employees - Knowledge Development Portal of JSC "Ukrzaliznytsia" (hereinafter - the Portal), which contains electronic training courses, to which free access is provided to all employees of Ukrzaliznytsia (<https://elearning.uz.gov.ua>).

In 2020, the total number of employees of the Company authorized on the Portal reached a record value of 145 thousand users, and distance education services were used by almost 130 thousand people. Distance learning in the Company covers all categories of employees

Access to the Portal is provided both from the internal corporate network of JSC "Ukrzaliznytsia" and from the Internet. The portal allows you to manage a virtual learning environment, create electronic educational resources, provide remote access to educational resources, monitor the learning process, provide an electronic platform for distance learning courses, accumulate, structure, manage access, replenish the educational base, and provide communication and information participants of the educational process.

Each Ukrzaliznytsia's employee, having entered the Portal, will find in his personal virtual account a list of electronic training courses that were recommended to him for training or for which he registered himself.

In addition, the personal account has a convenient calendar of planned events and activities, as well as a form for feedback from teachers.

Each of the courses presented on the Portal meets the high requirements for the organization of educational material, defined by the international set of standards and specifications SCORM 2004. Electronic courses that implement Game Mechanics and Virtual Reality (VR) technologies are being actively developed.

Also on the Portal, the Company's employees have the opportunity to get acquainted with the procedure of internship at JSC "Ukrzaliznytsia", the model of corporate competencies, the principles of preventing and combating corruption. Among other features of the Portal:

- electronic library;
- railway Wikipedia;
- answers to frequently asked questions;
- selection of legal documents;
- photo and video gallery;
- honors and certificates for training;
- current events and announcements of future educational events.

School of internal coaches

According to the Regulations on Internal Coaches in the joint-stock company "Ukrainian Railways", work on training of internal coaches, which began in 2019, continues. The project is aimed at dissemination, preservation, unification of expertise and experience gained within the Company, cost optimization, organization of mass training, increasing the general level of staff competence.

In 2020, a list of proposals for candidates for internal trainers of JSC "Ukrzaliznytsia" and topics of programs for development was formed, which included employees of departments of the management staff, regional branches and affiliates. Also in 2020,

a permanent expert commission was set up to make decisions on working with internal coaches in Ukrzaliznytsia and approved its composition.

The selection of candidates for the Company's internal trainers has started, but due to the unfavorable epidemic situation and quarantine measures, the selection process has been suspended and postponed.



In December 2020, 201 employees of the passenger industry of the branches "Passenger Company", "Ukrainian Railway Speed Company" and "Station Company" were trained in a series of trainings on "Ways to move, assist and accompany low-mobility passengers on rail transport."

The aim of the course is to provide managers and professionals who provide transportation services, skills of non-discriminatory, tolerant communication and

safe support of passengers with disabilities and other low-mobility groups. As a result of the training, students developed skills to provide safe services for the support of low mobility groups, communication with people with hearing impairments elements of sign language, as well as correct communication with people with other disorders, to act in crisis and conflict situations.

HR schools

Special purpose courses have been introduced for HR-vertical employees at regional branches and branches of JSC "Ukrzaliznytsia". Their goal is to develop professional and leadership competencies of HR managers, update knowledge and skills taking into account current trends and qualification requirements of HR managers, create constructive communication between colleagues from different departments through teamwork during joint projects and tasks within HR -schools, improving awareness of the processes and changes taking place in the Company, in-depth acquaintance with the activities of related departments of the HR-vertical of the Company, etc.

In September 2019, an HR school was introduced for 32 employees of the personnel

departments of the branches, and 6 projects were approved for development:

- Mentoring system in the production unit;
- Young Leader School;
- Creation of a universal electronic course "Welcome-training for a beginner";
- Gamification as a type of intangible motivation;
- Formation of a matrix of competence development;
- Distance learning course for specialists in search and selection of personnel.

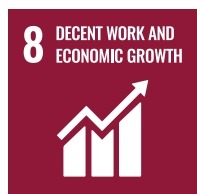
In 2020, 5 training modules were conducted for employees of personnel departments of branches, 2 of which - in a distance format. Completion of HR-school is planned in 2021.

Plans Companies for 2021 and the medium term in the field of staff development and training

- To carry out professional training of more than 24 thousand employees of working professions.

- Apply to the Research Institute of Labor and Employment of the Ministry of Social Policy to develop ten professional standards.
- Select candidates for internal coaches of JSC "Ukrzaliznytsia" and continue the implementation of internal coaching in the Company.

Interaction with educational institutions



In order to provide qualified personnel, Ukrzaliznytsia actively cooperates with institutions of professional (vocational and technical) and higher education for the organization and conduct of internships in production units.

Institutions of professional (vocational and technical) education (V(T)EI) of the railway direction are social partners of the Company. They train skilled workers for divisions of regional branches, branches of JSC "Ukrzaliznytsia". In 2020,

1,662 students of V(T)EI passed the internship at the Society. 275 of them are employed by the Company.

Also in 2020, Ukrzaliznytsia cooperated with 16 institutions of higher and professional higher education. 1,732 students of free economic zones and institutions of professional higher education underwent industrial training. 211 graduates were employed in the Company's divisions. The company cooperates with the Free Economic Zone in the framework of the introduction of the dual form of education, organizes undergraduate, internships for students in the structural units of regional branches and affiliates, departments of the management of JSC "Ukrzaliznytsia".

Industrial practice of students in the

workplace is carried out in accordance with the tasks defined in the programs of practice, drawn up and approved by educational institutions, taking into account the specifics of the profession and specialty.

Career guidance work on children's railways

In order to increase the prestige of the railway professions on the children's railways of the Company, career guidance work is constantly carried out among school-age children. Currently, there are 7 children's railways, on which in 2019-In the 2020 academic year, 4,683 young railway workers were trained-III years of study. In 298 groups, students acquire knowledge and skills to work in the main railway professions: assistant locomotive driver, station duty officer, operator, auditor, passenger car conductor, switchman on duty, train assembler.

Plans for 2021 and the medium-term perspective in the field of interaction with educational institutions

The society intends to continue to actively cooperate with educational institutions within the framework of the dual form of education. Currently, measures are being taken to create the need for training skilled workers in the dual form of education, as well as to expand the number of educational institutions willing to cooperate with Ukrzaliznytsia.

Internship in the Society of Applicants (institutions of higher and professional higher education), 2020

| Structural unit | Trainees | Graduates of 2020 | Paid internship |
|---|--------------|-------------------|-----------------|
| South-West Railway | 81 | - | - |
| Donetsk Railway | 263 | - | - |
| Lviv Railway | 349 | 167 | 124 |
| Odesa Railway | 386 | 151 | 31 |
| South Railway | 233 | 63 | 4 |
| Dnipro Region Railway | 257 | 187 | 35 |
| Ukrainian high-speed railway company | 9 | - | - |
| Passenger company | 125 | 21 | 10 |
| Darnytsia Car Repair Plant | 29 | 6 | 2 |
| Other branches/divisions of the Company | - | - | - |
| Total | 1,732 | 595 | 206 |



Traffic safety and labor protection

Traffic safety



Ensuring traffic safety during the transportation of passengers and cargo is one of the key priorities of JSC "Ukrzaliznytsia".

The safety of trains in the Company functions as a set of organizational and technical measures aimed at ensuring trouble-free operation and maintenance of railway structures, tracks, rolling stock, equipment, mechanisms and devices.

Ukrzaliznytsia regularly monitors the potential risks of its activities, approves and

implements measures aimed at ensuring traffic safety and reducing injuries. Lowering traffic safety standards for the Company is unacceptable.

Key documents regulating Ukrzaliznytsia's activity in the field of traffic safety management:

- Rules of technical operation of railways of Ukraine.
- Regulations on the Traffic Safety Management System in the State Administration of Railway Transport of Ukraine.
- Regulations on the Classification of Transport Events in Railway Transport.
- Enterprise standard "Procedure for official investigation of traffic accidents".
- The order of information and analytical support in JSC "Ukrzaliznytsia" in case of emergencies on railway transport.
- European standards.

The strategic goal of the Company's implementation of documents regulating traffic safety management is to minimize the number of emergencies in railway transport.

Management system

State supervision over the safety of trains on the railway is carried out by the Ministry of Infrastructure of Ukraine in accordance with the procedure established by the Cabinet of Ministers of Ukraine.

The Department of Traffic Safety monitors compliance with the requirements of regulations on ensuring traffic safety in the Company. It also provides up-to-date information on traffic accidents and traffic accidents, informs about accidents, fires, environmental disasters, acts of illegal interference in the activities of the Company and more. The Traffic Safety Department of JSC "Ukrzaliznytsia" is directly involved in the planning, organization, control, accounting and assessment of measures and risks in the Company's divisions.

The Department of Traffic Safety has the following main functions:

- Organization and coordination of work, namely: the definition of train safety management bodies and the establishment of functional links between structural units and the order of their interaction.
- Information and analytical support, which provides for the receipt of operational and final information, accounting and data analysis. In particular, the calculation and assessment of accident rates and traffic safety.
- Prompt response to traffic accidents and their investigation, which includes carrying out emergency recovery work, investigation and assessment of traffic safety at enterprises, etc.
- Planning and implementation of traffic safety works: development and implementation of measures, ensuring the implementation and support of decisions at all stages.
- Control functions that ensure the implementation of planned and unscheduled measures for the supervision of train safety.

- Traffic safety promotion, which is carried out through outreach, organization and holding of conferences, exhibitions, seminars, meetings, schools of excellence.

The Company's investments in traffic safety

Every year, Ukrzaliznytsia invests in strengthening traffic safety and related measures. The total volume of the Company's investments in traffic safety in 2020 amounted to UAH 2.23 million (against UAH 2.05 million in 2019). Investments were aimed at:

- renewal of recovery equipment designed to eliminate the consequences of emergencies in railway transport;
- restructuring of recovery trains, which significantly saves money on their maintenance;
- performance of repairs of fixed assets;
- carrying out planned types of repairs, technical means of recovery trains and production sites.

During the reporting year, the estimated budget for repairs in 2019-2020 was fully utilized. The planned financing of repairs of fixed assets in 2020 amounted to UAH 27.28 million (UAH 19.95 million in 2019).

Traffic safety indicators

Every year at the production divisions and at the station infrastructure of the Company with the participation of railway workers

and outsiders there are transport events of varying severity. Among the main types of events are: catastrophes, accidents caused by JSC "Ukrzaliznytsia", accidents (injuries to outsiders) and incidents.

In 2020, the largest number of traffic accidents occurred in:

- injuries (death) of third parties by rolling stock - 47.09%, or 324 cases;
- delay of freight trains for 2 hours or more - 20.78%, or 143 cases;
- delay of passenger trains for 1 hour or more - 15.84%, or 109 cases;
- ascent of rolling stock at the race or station - 7.41%, or 51 cases.

Also, during 2020 the following cases of traffic accidents were allowed:

- collision of rolling stock with other rolling stock;
- rolling stock fires and self-disengagement in freight and passenger trains;
- the passage of the prohibitory signal, the cut of the arrow, the failure of the SCB devices, communication and power supply, the fall of parts on the track.

Traffic safety indicators of JSC "Ukrzaliznytsia" from year to year show a gradual improvement. This is facilitated by the measures implemented by the Company to raise standards in the field of traffic safety and injury prevention on the railway. For example, compared to the data for 2019, the number of traffic accidents at most regional branches of the Company has almost halved.

Transport events depending on the classification, 2018-2020, units

| | 2018 | 2019 | 2020 |
|---|--------------|--------------|------------|
| Disasters | 1 | 0 | 0 |
| Accidents through the fault of JSC "Ukrzaliznytsia" | 92 | 73 | 67 |
| Accidents (injuries to third parties) | 534 | 488 | 324 |
| Incidents | 655 | 520 | 297 |
| Total | 1,282 | 1,081 | 688 |

Distribution of transport events by regional branches of the Company, 2019-2020, units

| Regional branch | Dnipro Region Railway | Odesa Railway | South-West Railway | Lviv Railway | South Railway | Donetsk Railway |
|-----------------|-----------------------|-------------------|--------------------|--------------|---------------|-----------------|
| 2019 | 152 ¹³ | 181 ¹⁴ | 343 | 182 | 142 | 54 |
| 2020 | 115 | 152 | 187 | 85 | 76 | 50 |

Analysis of data on Cases of accidents on tracks and railway crossings as of 2020 compared to 2019 also show the dynamics to reduce the number of traffic accidents. Thus, the total number of road accidents decreased by 11 cases (from 70 to 59). The average

number of road accidents per day in 2020 was 0.16. Unfortunately, the largest number of accidents occurs annually at crossings, mainly due to non-compliance with traffic safety rules by drivers.

Accident at railway crossings and tracks, 2019-2020, units

| Event name | Accident | At the crossings | Outside of crossings | Died | Injured |
|------------|----------|------------------|----------------------|------------------|------------------|
| 2019 pik | 70 | 60 | 10 | 15 ¹⁵ | 25 ¹⁶ |
| 2020 pik | 59 | 49 | 10 | 8 | 31 |

Economic effect of transport events

After conducting an investigation, identifying those involved and developing a response plan, the end result of any traffic disruption is usually the Company's financial costs related to the elimination of the

consequences of traffic accidents, elimination of possible threats and other measures. Material losses from transport events in 2020 amounted to UAH 14.63 million, which is the highest figure for the last three years.

*13 The data were reviewed based on the results of the investigation of traffic accidents.

*14 The data were reviewed based on the results of the investigation of traffic accidents.

*15 Data reviewed.

*16 Data reviewed.

Illegal interference

The topic of unauthorized interference in the work of railway transport is becoming more and more relevant every year. This, in particular, theft, damage to rolling stock and infrastructure, the imposition of foreign objects on the track, blocking the movement of third parties, detection of explosive devices, notification of the installation of explosive devices, violence against personnel and others. Such cases are the fault of unscrupulous citizens and as a result of their negligent treatment of the Company's personnel and property. This kind of interventions pose a direct threat to the safety of railway traffic, passengers and employees of Ukrzaliznytsia, so incur criminal and administrative liability for perpetrators.

During 2020, 338 cases of illegal interventions took place at the regional branches of the Company. As a result, 635 trains were detained for 547 hours and the Company suffered losses amounting to UAH 12.1 million. In 2019, 579 such cases were committed, as a result of which 1,369 trains were detained for 896 hours and caused losses amounting to UAH 7.6 million.

Losses of JSC "Ukrzaliznytsia" from transport events, 2018-2020, thousand UAH



Illegal interventions on the railway and their consequences, 2018-2020

| Year | Illegal interference, units | Trains delayed, units | Losses, thousand UAH |
|------|-----------------------------|-----------------------|----------------------|
| 2018 | 481 | 1,062 | 7,722 |
| 2019 | 579 | 1,369 | 7,588 |
| 2020 | 338 | 635 | 12,112 |

In the reporting period, there were 111 cases of theft and damage to the Company's rolling stock and infrastructure (almost twice less than in 2019). Employees of the Company and law enforcement agencies received 79 reports of cases of mining of railway stations and rolling stock, which were not confirmed (against 189 in 2019). At the same time, the number of cases of foreign objects on the track has increased - in 2020 there were 48 such cases against 29 in 2019.

During 2020, materials on 152 cases of illegal interventions were sent to law enforcement agencies. 16 cases were entered in the unified register of pre-trial investigations for the committed interventions.

771 employees, including 458 managers, were prosecuted for violating the requirements of normative documents on traffic safety. Of these, 20 employees were

fired, including 7 managers. Reprimands were announced to 751 employees, including 451 managers.

Plans for 2021 and a medium-term perspective in the field of traffic safety

1. As part of the implementation of the "Program for the implementation of technical means of traffic safety for 2021 - 2025" the Company for 2021 plans:

- to update, modernize and implement new tools and systems at the Company's infrastructure facilities;
- to perform repairs and upgrades of rolling stock.

2. Putting into operation of the Traffic Safety Management System of JSC "Ukrzaliznytsia", reduced to the norms of the European Union on traffic safety.

Main types of illegal interference in the activities of Ukrzaliznytsia, 2019-2020, units

| Illegal interference | 2019 | 2020 |
|---|------|------|
| Theft, damage to rolling stock and infrastructure | 214 | 111 |
| Notification of the installation of explosive devices | 189 | 79 |
| Traffic obstruction by third parties | 53 | 31 |
| Detection of explosive devices | 49 | 26 |
| Overlay on the track of foreign objects | 29 | 48 |
| Theft of goods from cars | 19 | 23 |

Labor Protection



The issue of labor protection and industrial safety is constantly in the spotlight JSC "Ukrzaliznytsia". The Company regularly conducts occupational safety measures and implements projects to reduce the rates of occupational and non-occupational injuries in departments and at the station infrastructure.

In Ukrzaliznytsia, labor protection functions as a set of measures aimed at ensuring the safety of the labor process, disease prevention, and accident prevention.

The life and health of railway workers, passengers and ordinary citizens, who in one way or another are affected by the Company's activities,

depend on the effectiveness of the Company's work in the field of labor protection. Observance of labor protection norms allows employees to feel protected. As a result, their involvement, interest in the work increases and staff turnover decreases.

Key documents regulating Ukrzaliznytsia's labor protection activity:

- ES "Labor protection management system of JSC" Ukrzaliznytsia". General provisions".
- ES "Labor protection management system of JSC" Ukrzaliznytsia". Labor protection service".
- ES "Labor protection management system of JSC" Ukrzaliznytsia". Procedure for training and testing of knowledge on labor protection".
- ES "Labor protection management system of JSC" Ukrzaliznytsia". System of coupons-warnings on labor protection".
- ES "Labor protection management system of JSC" Ukrzaliznytsia ". Order of organization and functioning of offices, corners

The labor protection management system at JSC "Ukrzaliznytsia" has been developed taking into account the requirements of international standards. In 2020, work continued on its adaptation to the requirements of DSTU OHSAS 18001 (ISO 45001: 2018)

and cars for labor protection and industrial safety".

The strategic goal of the Company's implementation of documents regulating the management of labor protection and industrial safety is to ensure the safest working conditions and reduce the number of cases of industrial and non-industrial injuries to a minimum.

Management system

State supervision over the state of labor protection and industrial safety on the railway transport of Ukraine is carried out by the Ministry of Infrastructure of Ukraine in accordance with the procedure established by the Cabinet of Ministers of Ukraine.

The Department of Labor Protection and Industrial Safety provides control over the observance of the requirements of normative legal acts, as well as the implementation of measures for their implementation and observance in Ukrzaliznytsia. On-site control is carried out by labor protection specialists of regional branches and affiliates of the Company, as well as their production (structural) divisions.

Management of labor protection and industrial safety of the Company includes:

- carrying out preventive measures aimed at eliminating harmful and dangerous production factors;
- training and testing of knowledge on occupational safety of officials and specialists of the Company;
- conducting comprehensive and targeted inspections;

- keeping records of cases of occupational injuries, occupational diseases and accidents at work and analysis of their causes;
- prevention of accidents at work, occupational diseases and other cases of threat to life or health of workers;
- consideration of letters, applications, complaints of Ukrzaliznytsia employees concerning labor protection issues, etc.

Supervision of labor protection and industrial safety in the Company's divisions is carried out by conducting inspections and inspections by employees of relevant structures (departments, services).

Expenses of the Company for labor protection

Ukrzaliznytsia's expenditures on labor protection measures are constantly growing. In 2020, they amounted to UAH 740.53 million, i.e., 2% of the payroll fund (PF) for the previous year, although according to the requirements of the legislation, they must be at least 0.5% of the PF for the previous year.

The dynamics of the Company's increase in expenditures on labor protection and industrial safety measures in 2020 demonstrates Ukrzaliznytsia's intentions to achieve the highest safety standards in its divisions.

In order to create safe working conditions in each production (structural) division of the Company, as well as to ensure compliance with the legislation on workers' rights in the field of labor protection, JSC "Ukrzaliznytsia" annually develops comprehensive measures to achieve safety standards for occupational health, production environment, increasing the existing level of labor protection and prevention of occupational injuries, diseases and accidents (hereinafter - Extensive measures).

During 2020 UAH 740.53 million was allocated for the implementation of

Expenses of JSC "Ukrzaliznytsia" for labor protection, 2018-2020, UAH million

| | 2018 | 2019 | 2020 |
|------------------------|--------|--------|--------|
| Labor protection costs | 613.49 | 675.83 | 740.53 |

Comprehensive Measures. In particular, measures were financed for:

- prevention of accidents due to the collision of rolling stock;
- prevention of accidents due to falling from a height and electric shock;
- elimination of the impact on workers of dangerous and harmful production factors in the workplace;
- improving the condition of sanitary facilities and improving the quality of household services for workers in production;
- conducting technical inspections and diagnosing high-risk equipment;
- training on labor protection and regulatory protection of labor protection;
- attestation of workplaces under working conditions and laboratory research of factors of the production environment;
- conducting mandatory medical examinations;
- providing employees with milk, equivalent food, detergents;
- providing employees with special clothing, footwear and other personal protective equipment, etc.

Main cost items of JSC “Ukrzaliznytsia” for the implementation of labor protection measures, 2018-2020, UAH million

| | 2018 | 2019 | 2020 |
|---|---------------|---------------|---------------|
| Providing employees with overalls, footwear and other personal protective equipment | 220.68 | 238.07 | 230.05 |
| Conducting mandatory medical examinations of employees | 134.88 | 135.22 | 141.22 |
| Providing workers with milk, equivalent food and special food | 22.88 | 24.09 | 20.64 |
| Providing employees with detergents | 8.94 | 7.89 | 8.43 |
| Carrying out certification of workplaces under working conditions | 3.76 | 3.99 | 5.27 |
| Other | 222.35 | 266.57 | 334.92 |
| Together | 613.49 | 675.83 | 740.53 |

Training, testing and certification of working places

The state of labor protection in the Company is regularly assessed through operational and step-by-step control, as well as selective and comprehensive inspections of the state of labor protection. In order to maintain the level of knowledge of employees on labor protection at a high level, the Company conducts regular training and testing of knowledge.

Thus, in 2020, the training and methodological center of labor protection and industrial safety of the Department of labor protection and industrial safety of JSC “Ukrzaliznytsia” trained 7,135 employees, and based on its results, a knowledge test was conducted. The results of knowledge tests are documented, employees are issued certificates on relevant issues.

Also, during 2020, the Company's divisions planned to certify 5,468 working places under working conditions. Given the quarantine restrictions imposed throughout the country and the transfer of some employees to downtime, the certification was conducted at 4,871 working places, which cost

UAH 5.27 million. According to the results of the attestations of workplaces on working conditions, the employees were confirmed (established) benefits and compensations for work in unfavorable conditions, which are provided by the legislation. 597 working places remained untested. Their certification has been postponed to 2021.

Medical examinations of employees

In 2020, the specialized branch of the Health Care Center (HCC) continued to provide medical services to railway workers, members of their families and passengers. Preliminary and preventive medical examinations, as well as pre- and post-trip medical examinations take place on the basis of the HCC branch. In addition, clinical hospital staff are involved in providing medical care to people affected by an explosion, accident or emergency. The branch includes 8 clinical hospitals in Kyiv, Odesa, Kharkiv, Dnipro and Lviv.

During 2020, 4,429,154 medical examinations were performed. Of these, 39,618 are preliminary and periodic, as well as 4,389,536 are pre- and post-trip.

Medical examinations for employees of JSC "Ukrzaliznytsia", 2018-2020, units

| Number of medical examinations performed | 2018 | 2019 | 2020 | % in 2020 to 2019 |
|--|------------------|------------------|------------------|-------------------|
| Previous and periodic | 56,866 | 53,570 | 39,618 | 74% |
| - suspended of them | 303 | 318 | 140 | 44% |
| - % of suspended | 0.533 | 0.594 | 0.353 | |
| Pre- and post-trip | 4,503,455 | 4,608,607 | 4,389,536 | 95.2% |
| - suspended of them | 880 | 797 | 687 | 86% |
| - % of suspended | 0.020 | 0.017 | 0.015 | |
| Total | 4,560,321 | 4,662,177 | 4,429,154 | 95% |

During the COVID-19 pandemic, the HCC branch implemented a number of measures to counteract the spread of coronavirus disease in railway units, railway stations, stations, and platforms. In particular, in 2020, round-the-clock medical emergency response teams were formed, and anti-epidemic measures were intensified in all medical institutions of the Society. Regular disinfection of the premises and wet cleaning were carried out.

Work with contractors

In 2020, Ukrzaliznytsia continued to work with contractors performing work at the Company's facilities in the field of labor protection.

During the works in the right-of-way, in the protection zone of production facilities, buildings and structures, in the area of operation of the technical equipment of railway transport, measures were taken to comply with the requirements of labor protection. Safety measures not regulated by

the agreements met the requirements of the legislation of Ukraine on labor protection.

Dealing with complaints

The Company regularly considers appeals of employees on labor protection, as a result of which the relevant work is carried out. Thus, during the reporting period Ukrzaliznytsia received and considered 21 appeals regarding:

- improving working conditions of employees;
- investigation of accidents at work;
- social protection of workers affected by accidents at work.

The Company considered and satisfied 18 such appeals, and clarifications were provided for three of them in accordance with the current legislation.

Occupational injuries

During the reporting period, Ukrzaliznytsia continued to make efforts to prevent occupational injuries. In particular, constant

control over the implementation of measures to improve preventive work to prevent occupational injuries in the Company, certification of jobs was established. Control over the conduct and organization of briefings for all employees has been strengthened.

Unfortunately, despite the measures taken during 2020, the Company had 56 cases of occupational injuries, as a result of which 59 people were injured. Severe accidents - 11, fatal accidents - 10.

Serious accidents occurred due to violation of the requirements of labor protection instructions, technological process, unsatisfactory technical condition of production facilities, buildings, structures, utilities, imperfections of the technological process, personal negligence of victims,

and fatal cases - as a result violation of the requirements of the instructions on labor protection and technological process by the injured workers.

For all cases of occupational injuries in the Company, appropriate official investigations were conducted and the causes of such events were analyzed in detail. Based on the received information, measures were developed to prevent occupational injuries and sent to all departments of Ukrzaliznytsia for review and use in the work. Preventive work was also carried out with employees at enterprises where accidents occurred to prevent their recurrence.

The severity of injuries in 2020 decreased from 18.19 in 2019 to 14.61 in 2020.

Occupational injuries in the Company, 2018-2020

| | 2018 | 2019 | 2020 |
|---|-------|---------------------|-------|
| Total number of victims in the result of occupational injuries, persons | 65 | 59 | 59 |
| In particular: | | | |
| <i>Number of serious accidents¹⁷</i> | 16 | 17 | 11 |
| <i>Number of fatal accidents</i> | 13 | 9 | 10 |
| In the breakdown by gender: | | | |
| <i>Women injured</i> | 14 | 8 | 12 |
| <i>Men injured</i> | 51 | 51 | 47 |
| Injury frequency ratio ¹⁸ | 0.241 | 0.236 | 0.243 |
| Injury severity ratio ¹⁹ | 17.00 | 18.19 ²⁰ | 14.61 |
| Number of days of incapacity for work as a result of accidents | 4,595 | 4,539 | 3,546 |

*17 In some serious accidents, the number of injured workers with a disability was indicated.

*18 The injury rate is calculated per 1,000 employees.

*19 The severity of injuries is calculated per 1,000 employees.

*20 The severity of injuries for 2019 has changed due to an increase in the number of days of incapacity for work.

Among the main causes of occupational injuries in 2020 are:

- Organizational - imperfection of the labor protection management system, violation of safety requirements during the operation of equipment, violation of labor and production discipline. During the reporting period, 45 people were injured due to organizational reasons.
- Psychophysiological - alcohol and drug intoxication, trauma (death) due to illegal actions of others, etc. As a result of psychophysiological reasons, 10 people were injured.
- Technical - design flaws, imperfections of the technological process, other technical reasons. Due to technical reasons, 4 people were injured in 2020.

The main causes of occupational injuries in the Company, 2020

| Reasons | Number of injured, persons | % of the total quantity |
|--|----------------------------|-------------------------|
| Organizational | 45 | 76.3 |
| Unsatisfactory functioning, imperfection or lack of labor protection management system | 1 | 1.7 |
| Violation of the technological process | 5 | 8.5 |
| Violation of safety requirements during operation of equipment, machinery, mechanisms, etc. | 1 | 1.7 |
| Violation of safety requirements during the operation of public transport (road, water, rail, air) | 4 | 6.8 |
| Non-use of personal protective equipment, if any | 2 | 3.4 |
| Violation of labor and production discipline, including: | | |
| non-performance of official duties | 2 | 3.4 |
| non-compliance with the requirements of labor protection instructions | 29 | 49.1 |
| Other organizational reasons | 1 | 1.7 |
| Psychophysiological | 10 | 16.9 |
| Alcohol intoxication | 1 | 1.7 |
| Injury (death) as a result of illegal actions of others | 1 | 1.7 |
| Personal negligence of the victim | 8 | 13.5 |
| Technical | 4 | 6.8 |
| Structural shortcomings, imperfections, insufficient reliability of means of production | 1 | 1.7 |
| Imperfection of the technological process, its non-compliance with safety requirements | 1 | 1.7 |
| Unsatisfactory technical condition, in particular: | | |
| production facilities, buildings, structures, utilities, territory | 1 | 1.7 |
| Other technical reasons | 1 | 1.7 |
| Total | 59 | 100 |

Analysis of the causes of occupational injuries in 2020 shows that injuries due to accidents are most often suffered by workers with more than 15 years of experience - 45 victims (76.3%) and the least - with work experience up to 1 year - 0 victims. Most workers in 2020 were injured by profession: driver, assistant driver of traction rolling stock, train assembler, locksmith for rolling stock repair and electrician.

Non-occupational injuries

- In 2020, 366 people (527 people in 2019) were injured in the divisions of JSC "Ukrzaliznytsia" (at stations, races, territories of divisions) due to the collision of railway rolling stock, falling from it or other types of impact, in particular, 219 people - with a fatal outcome (334 deaths - 2019).

The main cause of non-occupational injuries in the reporting period was the violation by citizens of railway safety rules, namely:

- track crossing in unspecified places - 130 injured (35.5%).
- walking on the tracks - 106 injured (29%).
- being in reduced clearance (the edge of the platform, walking along the tracks, crossing in front of the rolling stock in the immediate vicinity) - 55 injured (15.1%).
- electric shock - 40 injured (10.9%).
- track crossing under the car - 3 injured (0.8%).
- boarding / disembarking in motion of the train - 3 injured (0.8%).
- others - 29 injured (7.9%).

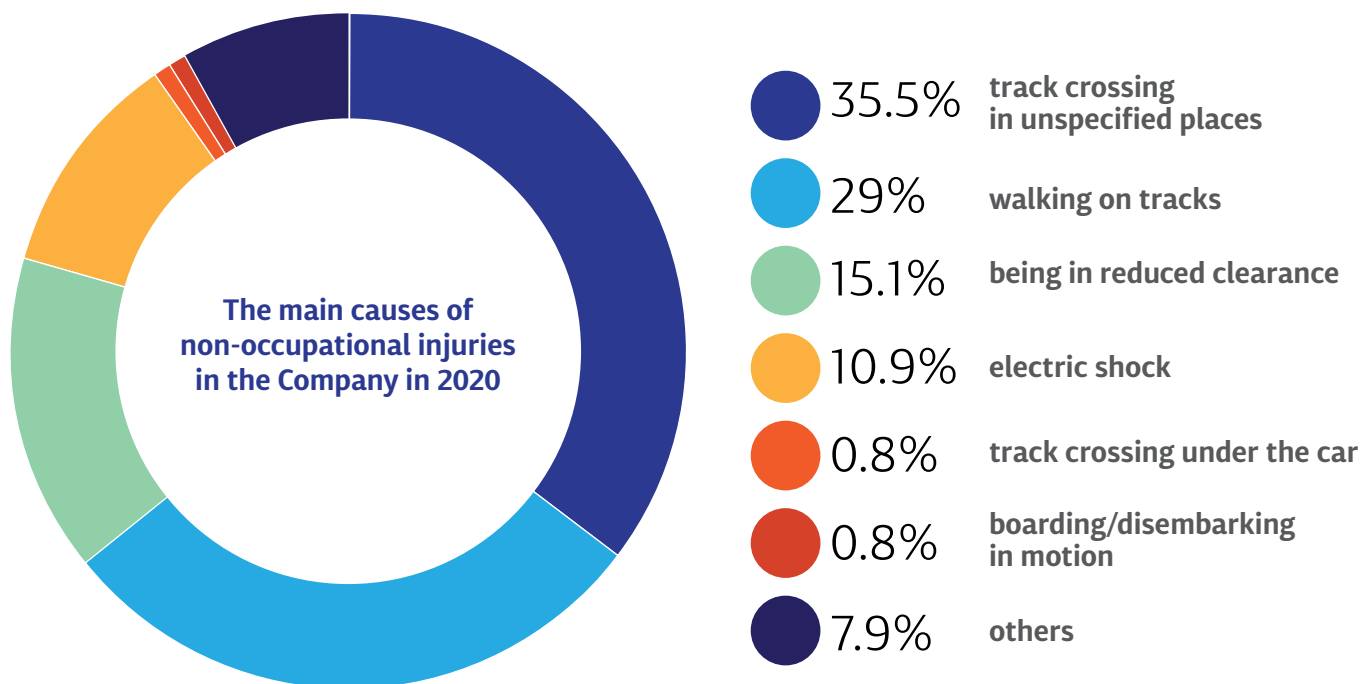
Distribution of victims of occupational injuries by total length of service, 2020

| Experience | Number of victims, persons | % |
|---------------|----------------------------|------------|
| Up to 1 year | 0 | 0.0 |
| 1-5 years | 2 | 3.4 |
| 6-10 years | 6 | 10.2 |
| 11-15 years | 6 | 10.2 |
| Over 15 years | 45 | 76.3 |
| Total | 59 | 100 |

Dynamics of non-occupational injuries in the Company, 2018-2020

| | 2018 | 2019 | 2020 |
|--|------|------|------|
| Total number of victims of non-occupational injuries, persons. In particular: | | | |
| <i>Number of serious accidents^{*21}:</i> | 242 | 193 | 147 |
| <i>Number of fatal accidents</i> | 338 | 334 | 219 |

^{*21} Information on the number of serious accidents is the number of non-fatal injuries.



The overall picture of non-industrial injuries compared to the same period in 2019 is characterized by fewer serious accidents and lower mortality rates of outsiders on the track.

In order to increase the level of safety of citizens at railway infrastructure facilities, the Program for the Prevention of Non-Occupational Accidents on Railway Transport is developed, put into operation and implemented annually. In the reporting period, Ukrzaliznytsia allocated UAH 54.3 million for the implementation of profile measures and programs.

Methods and ways to prevent non-occupational injuries

During 2020, the employees of JSC "Ukrzaliznytsia" carried out systematic work to prevent non-productive injuries on the railway.

Among the population of the territories adjacent to the railway tracks, explanations were made on the rules of safety of citizens on the railway transport of Ukraine, in particular:

- at 1,435 stations and railway stations,

Expenditures of the Company for the prevention of non-occupational injuries, 2018-2020

| | 2018 | 2019 | 2020 |
|---|------|-------|------|
| Expenses for prevention of non-occupational injuries, UAH million | 76.5 | 100.1 | 54.3 |



information on safety rules for staying at station infrastructure facilities was periodically announced;

- held 3,485 talks (lectures) on safety requirements at railway facilities;
- 28 articles with explanations of certain provisions of legislative acts were published in mass media;
- 11 radio appearances and 3 television programs were organized in order to draw public attention to this topical issue.

The Company's paramilitary guards detained 4,738 outsiders for walking on tracks and traveling in freight trains, of which 3,685 were brought to administrative responsibility. The following technical measures were also taken:

- 6,809 inspections of the level of illumination of the territories of stations and routes of passage of passengers;
- 28 railway crossings were overhauled;
- 260 entrances and approaches to railway crossings were repaired;
- 84 passenger platforms, platforms and transition decks were repaired;
- 472 units were repaired and replaced. stairs, decks of pedestrian bridges, tunnels;
- 2,957 additional information stands of warning content and signs of safe passage were installed, as well as other measures were taken.

Industrial safety

13,622 units of high-risk equipment are in operation in the regional branches and affiliates of JSC "Ukrzaliznytsia", including:

- cranes - 7,935 units;
- pressure vessels - 3,654 units;
- steam and hot water boilers - 1,195 units;
- lifts - 591 units;
- elevators - 208 units;
- escalators - 39 units.

Also, as of the end of 2020, the Company

operated 11 high-risk facilities, which are registered in the State Register of high-risk facilities.

During the reporting period, the Company carried out constant control over the maintenance of high-risk equipment, as well as over its renewal, modernization and protection of employees. During the comprehensive and targeted inspections of the state of labor protection, the technical condition of the equipment was monitored. The "Automated system of accounting of high-risk equipment on the railway transport of Ukraine" was involved, which allows to conduct constant operational accounting and diagnostics of equipment in production units, branch services of regional branches, in branches, departments and other divisions of the Company.

During 2020, cases of occupational injuries due to unsatisfactory technical condition of high-risk equipment in the Company are not allowed.

Plans for 2021 and a medium-term perspective in the field of labor protection

In order to improve the working conditions of the Company's employees for 2021, Ukrzaliznytsia has developed Comprehensive measures to achieve the established safety standards. It is planned to implement measures to prevent occupational injuries, diseases and accidents, improve the working environment, increase the existing level of labor protection. Among the planned activities:

- prevention of accidents due to collision of rolling stock, falling from a height and electric shock;
- elimination of the impact on workers of dangerous and harmful production factors in the workplace;
- improving the condition of sanitary facilities and improving the quality of household

services for workers in production;

- conducting technical inspections, certifications, diagnosing high-risk equipment;
- training and regulatory support for labor protection;
- certification of workplaces under working conditions and laboratory studies of factors of the production environment;
- mandatory medical examinations;
- providing employees with special clothing, footwear and other personal protective equipment, as well as their repair and testing, etc.

The priority area of work in 2021 is the further implementation of the Occupational Safety and Health Management System of JSC "Ukrzaliznytsia" in order to effectively manage occupational health and safety. Also important for the Company is the development and implementation of an automated workplace of a labor protection specialist, which will allow:

- reduce the cost of time and resources for event planning and organization of current work on labor protection;
- speed up the receipt of reports on the state of labor protection;
- to increase the efficiency of the Occupational Safety and Health Management System;
- to improve the process of organization and control over the implementation of training on labor protection;
- to establish constant control over the certification of working conditions at workplaces, etc.

Special emphasis in 2021 will be placed on the implementation of measures to update and modernize physically and morally obsolete high-risk equipment.









OUR ENVIRONMENTAL RESPONSIBILITY

Environmental policy



JSC "Ukrzaliznytsia" is aware of the full extent of responsibility to present and future generations for the impact of its activities on the environment. Among the main priorities of the Company in this direction is the harmonization of the Company's economic interests with the environmental interests of society.

In the field of environmental protection, Ukrzaliznytsia takes measures to reduce the impact on air, hydrosphere and land resources, cares for the protection and rational use of water resources, carries out environmental control over production processes and the condition of industrial zones. In addition, the Company rationally uses and stores production waste.

The strategic goal in the implementation of the Company's environmental initiatives is to comply with environmental safety standards and minimize the negative impact of the Company's activities on the environment.

Key documents regulating the activities of JSC "Ukrzaliznytsia" in the field of environmental protection:

- Constitution of Ukraine;
- Law of Ukraine "On Environmental Protection";
- Law of Ukraine "On Atmospheric Air Protection";
- Law of Ukraine "On Environmental Impact Assessment";
- Law of Ukraine "On Nature Reserve Fund";
- The strategy of JSC "Ukrzaliznytsia" for 2019-2023.

Management system

The function of prompt solution of tasks in the field of environmental protection, prevention of violations of environmental legislation, proper coordination of environmental work in JSC "Ukrzaliznytsia" is carried out by the Department of Environmental Management (hereinafter -Management). In the regional branches, independent environmental safety departments are involved in the implementation of the general environmental policy.

On Management the following functions are assigned:

- analysis of environmental activities of structural divisions of the Company;
- development and implementation of measures for environmental protection, their rational use and environmental safety;
- creation and implementation of a sustainable system of organizational, legal and technical mechanisms to ensure compliance with environmental legislation, international acts;
- prevention and minimization of environmental consequences of emergencies within the powers of the Office;
- coordination of the work of structural divisions of the Company on obtaining licenses, permits, limits and other permitting documents on environmental safety and others.

In order to implement a unified policy and strategy for environmental protection and man-made safety in the Company, on August 12, 2020 the Supervisory Board of JSC "Ukrzaliznytsia" supported the decision to establish the Department of Environmental and Man-Made Safety (hereinafter - Department).

Six regional offices will be established within the Department. The department will perform a wider range of functions, including:

- assessment of man-caused risks of the

Company's activity;

- control over the observance by regional branches, affiliates and their structural subdivisions of technogenic safety requirements;
- prompt solution of tasks in the field of environmental protection;
- coordination of environmental work in JSC "Ukrzaliznytsia".

Ukrzaliznytsia conducts environmental assessment of its activities at stages from project development and planning, preparation of feasibility studies to project implementation, taking into account the principles of European environmental law.

In 2020, Ukrzaliznytsia started work on the implementation of the Integrated Management System and Lean Production in accordance with the requirements of ISO 9001: 2015 standards; 14001: 20015; 45001: 2018

Implementation of the Strategy of JSC "Ukrzaliznytsia" for 2019-2023 in the field of environmental protection and environmental safety

In order to implement a systematic approach to environmental protection and ensure man-made safety during the reporting period, the Company continued to implement the Development Strategy of JSC "Ukrzaliznytsia" for 2019-2023 (hereinafter - the Strategy). The Strategy lays the foundation for the Company's environmental policy, planning and implementation of its environmental activities, rational use of natural resources and increasing the level of environmental safety of the Company's production facilities.

Basic principles of the environmental management system of JSC "Ukrzaliznytsia":

- leadership and responsibility;
- harmonization of economic interests of the Company with ecological and social interests

of society;

- application of the best available technologies;
- priority of preventive approach;
- application of risk-oriented approach during activity and minimization of risks of negative impact on the environment;
- environmental education and culture;
- openness of information and transparency of activity.

The main tasks in the field of environmental protection and environmental safety, provided for in the implementation of the Strategy, include reducing the negative impact of rail transport on air, water and land resources, subsoil, as well as responsible waste management.

During the 12 months of 2020, a number of measures in the field of environmental protection were implemented within the framework of the Strategy implementation. Among the key ones are the following:

- created and put into operation domestic passenger cars and diesel trains with a closed, environmentally friendly system for collecting domestic wastewater without their direct discharge into the environment;
- measures for rational use of the Company's natural resources have been developed and implemented;
- the level of ecological safety of the Company's production facilities has been increased;
- Ukrzaliznytsia was prepared for the implementation of the Integrated Management System and Lean Production in accordance with the requirements of ISO 9001: 2015 standards; 14001: 20015; 45001: 2018;
- an environmental assessment of the Company's activities at the stages of development, project planning, preparation of feasibility studies and project implementation, taking into account the principles of European environmental law.

The impact of the COVID-19 pandemic on the Company's activities in the field of environmental protection

During the reporting period, the activities of Ukrzaliznytsia as a whole and the organization and implementation of measures in the field of environmental protection were affected by the COVID-19 pandemic and quarantine restrictions related to its spread.

The Company has taken all necessary preventive measures to protect its employees and passengers from possible contamination with COVID-19. In particular, a number of planned measures in the field of environmental protection and environmental safety were not fully implemented in 2020 and carried over to the next year. Among such initiatives:

- Environment Day;
- annual action "For a clean environment";
- Day of improvement of territories of settlements;
- seminars, conferences, trainings;
- advanced training courses, etc.



On September 19, 2020, employees of JSC "Ukrzaliznytsia" joined the large-scale global action "World Cleanup Day". Its main purpose is to unite the participants to save the planet from garbage. The event was held in the formats proposed by the All-Ukrainian Youth Movement "Let's do it Ukraine", namely:

- Group cleaning. Participants could gather in groups subject to restrictions on the number of people in a large enough area to maintain social distance.

- Individual cleaning. Cleaning with friends or family has become an original form of leisure, and to motivate the organizers turned it into a competition. Participants chose the contaminated places on the map and moved forward.

- Digital cleaning. The new form of cleaning could be carried out in any convenient place and at any time. Removing redundant information from your gadgets allows you to unload database centers, which support a huge amount of energy.

The action took place in compliance with quarantine restrictions and safety rules. Mandatory requirements were the presence of protective masks, gloves and social distance.

Investments in environmental protection

The total costs of the Company for environmental protection consist of current and capital costs. In 2020, current and capital expenditures on environmental protection amounted to UAH 488.2 million (in 2019, UAH 540.3 million was spent). The decrease in expenses in the reporting period was caused reduction in the volume of work related to the Company's core business due to quarantine restrictions caused by the COVID-19 pandemic.

Ukrzaliznytsia's capital investments in the creation, re-equipment and reconstruction of railway transport facilities, replacement and improvement of technological processes, which are classified as environmental measures, in 2020 amounted to UAH 42.6 million. Main directions of capital investments:

- UAH 14.6 million - execution of anti-landslide works;
- UAH 11.8 million - modernization and overhaul of locomotives of the ЧМЕ3 series;
- UAH 9.5 million - preconstruction of the infrastructure of the Korosten-Podilskyi section – Post Pivdennyi;
- UAH 4.2 million - purchase and repair of brush cutters, grass-trimmers, chainsaws;
- UAH 616.8 thousand - repair of a sewer culvert;
- UAH 312.5 thousand - prevention of wastewater pollution by modifying production processes;
- UAH 177.2 thousand - design work on the development of the section "Environmental Impact Assessment";
- UAH 124 thousand - obtaining permits for emissions of pollutants into the atmosphere by stationary sources of emissions;
- UAH 123.6 thousand - technical re-equipment of station heating systems (installation of electric convectors);
- UAH 89.2 thousand - overhaul of sewage

treatment plant equipment;

- UAH 31 thousand - construction of sewerage network;
- UAH 13.6 thousand - inventory of emission sources, etc.

Fines, sanctions and inspections

For 12 months of 2020, the State Ecological Inspectorate of Ukraine and its territorial bodies conducted 8 unscheduled inspections of the Company's production units.

According to the results of inspections, the representatives of the State Ecological Inspectorate issued 12 resolutions on imposing administrative penalties on officials of production units in the amount of UAH 2.84 thousand, which were paid by the Company in full. Ukrzaliznytsia did not receive any claims from the State Ecological Inspectorate of Ukraine and its territorial bodies.



Impact on the environment



Compared to other modes of transport, the railway has the lowest impact on the environment. The main components of the Company's influence are activities related to:

- use of land, surface and groundwater and discharge into water bodies of industrial, domestic and rainwater;
- emissions of pollutants into the atmosphere;
- waste generation of different hazard classes;
- using subsoil for the extraction of gravel, sand, etc.;
- acoustic impact (noise) from rolling stock;
- electromagnetic radiation;
- ionizing effects and possible radiation pollution during cargo transportation;
- impact on the environment during the transportation of hazardous substances, including accidental pollution.

Ukrzaliznytsia pays great attention to measures to reduce its impact on the environment. To control

environmental risks, the Company improves the environmental management system, takes measures to reduce the impact of the railway on the environment, ensure environmental safety in transport and rational use of natural resources. In particular, the Company's divisions annually develop and implement a number of measures that have an environmental effect.

Impact on land resources



CAs of December 31, 2020, the divisions of JSC "Ukrzaliznytsia" occupy an area of 209.8 thousand hectares, including 80.1 thousand hectares among the areas occupied by protective forest plantations.

In the regions of the Company's presence, the maintenance of the land is carried out in the track economy by crews for the current maintenance of the track. The maintenance of the ground on mountain, landslide, erosion, landslide, karst and other difficult areas is usually carried out by specialized teams for the repair of the ground with the involvement of special means of mechanization.

The structure of the negative impact of the railway on land resources is associated with the violation of the stability of natural landscapes, which contributes to the development of erosion and landslides, pollution of the earth with oil, lead, products of blowing and falling bulk cargo (coal, ore, cement).

In order to counteract such a negative impact and in the framework of protection and rational use of land, the Company in 2020 took a number of measures to protect land from:

- water and wind erosion, flooding, waterlogging, pollution by industrial waste;
- spills of fuels and lubricants and other hazardous substances from other destruction processes.

Reclamation of disturbed lands, removal, use and preservation of the fertile layer of soil during works related to land disturbance were also carried out. During the reporting year, the Company paid special attention to:

- protection of lands and soils during the construction and modernization of transport infrastructure, upon approval of technical documentation (technical conditions,

Waste management

technical tasks, ES, DSTU, etc.);

- establishing a management system for the protection of land resources, in particular for the prevention of oil pollution of territories, including railways;
- commissioning of rolling stock with a closed, environmentally friendly system for collecting domestic wastewater, without their direct discharge into the environment;
- In the territories of all regional branches and affiliates of the Company weed control was carried out, in particular allergenic plants by mowing the territory and using herbicides.

In 2020, the Company allocated UAH 147.4 million for land protection and rational use measures. There are no cases of flooding, waterlogging and littering of lands by the Company's divisions. Administrative and economic sanctions for violation of land use rules were not applied



Unfortunately, the state of waste management in Ukraine is unsatisfactory. The main problems are the lack of infrastructure for waste processing and disposal, effective accounting and reporting system, inefficient regulatory and legal norms, illegal waste disposal and the creation of landfills, lack of finances, which leads to loss of resource potential and deterioration of the environmental situation.

During 2020, the Company generated 108,791 thousand tons of waste against 92,544 thousand tons in 2019 (18% more). The increase in waste volumes in 2020 was due to an increase in the volume of ferrous scrap, as during the reporting year JSC "Ukrzaliznytsia" wrote off more than 17 thousand units of rolling stock.

The main types of waste in the Company in 2020 were:

- ferrous scrap (hazard class 3 - 4) - 68,749 thousand tons, or 63% of the total amount of waste generated;
- communal (municipal) mixed waste, including garbage from bins - 30,941 thousand tons, or 28%.



Volumes of generated waste in JSC "Ukrzaliznytsia", 2018-2020, thousand tons²²

| Subdivisions | 2018 | 2019 | 2020 |
|-------------------|----------------|---------------|----------------|
| Regional branches | 53.440 | 35.972 | - |
| Branches | 47.941 | 56.572 | - |
| Total | 101.382 | 92.544 | 108.791 |

A significant share of the Company's waste (over 56%) belongs to hazard class 4, i.e., to the category of low-hazard. Of them, municipal solid waste accounts for 50% (or

28.5% of total waste). The share of waste of hazard class 1 (extremely hazardous) at Ukrzaliznytsia divisions is less than 0.1%.

Volumes of waste generated in JSC "Ukrzaliznytsia" of 1-4 hazard class, 2018-2020

| Danger class | 2018 | | 2019 | | 2020 | |
|---------------------------------|----------------|-------------|---------------|-------------|----------------|-------------|
| | thousand tons | % | thousand tons | % | thousand tons | % |
| 4 th class of danger | 77.854 | 76.8% | 85.120 | 91.98% | 61.581 | 56.6% |
| 3 rd class of danger | 22.450 | 22.1% | 6.385 | 6.9% | 46.445 | 42% |
| 2 nd class of danger | 0.930 | 0.9% | 0.906 | 0.98% | 0.675 | 0.6% |
| 1 st class of danger | 0.148 | 0.1% | 0.133 | 0.14% | 0.089 | 0.1% |
| Total | 101.382 | 100% | 92.544 | 100% | 108.791 | 100% |

²² Pursuant to paragraph 2 of the order of the State Statistics Service of Ukraine No. 190 of 19.06.2020 "On approval of the form of state statistical surveillance No. 1-waste (annual) "Waste generation and management", approved and implemented from the report for 2020 - in 2021, the report was submitted by a legal entity (namely JSC "Ukrzaliznytsia"). In previous years, the form of state statistical observation № 1-waste (annual) was provided to local territorial bodies of state statistics directly by production units of JSC "Ukrzaliznytsia". In connection with the above, information on the amount of waste generated is provided in accordance with the form No. 1-waste (annual) for 2020.

Waste management

In order to reduce the amount of hazardous waste generated as a result of the Company's activities and reduce the negative impact of waste on the environment, Ukrzaliznytsia annually performs a set of measures in the field of waste management. During 2020, the following works continued:

- replacement of mercury-containing lamps with LED ones, which allows in the future to reduce the generation of hazard class 1 waste and the cost of their disposal, as well as to achieve energy savings;
- replacement of rechargeable batteries (lead-acid), complete with recharging units, with new modern vacuum ones with improved electrical characteristics and increased reliability in operation at traction substations of the power supply economy;
- elimination of places of unauthorized storage of waste by the local population in the lanes of railways, which negatively affect the state of the environment;
- arrangement and arrangement of places for temporary storage of waste, including production, repair, purchase of containers for waste collection.

In 2020, the Company allocated UAH 31.729 million for the implementation of measures in the field of rational use and storage of production and household waste (against UAH 33.182 million in 2019). Of them, UAH 30.766 million for waste transfer to specialized enterprises (against UAH 29.102 million in 2019). The increase in costs is associated with the implementation of works on the cleaning of traction tracks and the conclusion of agreements with specialized organizations for the transfer of used (contaminated) gravel (sand), etc.

Disposal of the Company's waste

The Company takes all necessary measures to reduce waste generation and minimize the impact of waste on the environment. The main priority, taking into account the specifics of each of the identified types of waste - solid, liquid and industrial, is a professional approach to waste management and rational use.

When concluding contracts for the disposal of hazardous waste, the Company assesses service providers for the availability of licenses and the appropriate material and technical base for the transportation, processing and disposal of hazardous waste.



Rational use and protection of water resources



The Company understands the value of water resources for Ukraine and tries to use them rationally in its economic activities.

In 2020, the Company took a total of 21.607 million m² of water. Of them from own sources - 12.288 million m³, from systems of JSC "Ukrzaliznytsia" - 4.458 million m³, from systems of other enterprises - 4,861 million m³. This is 1.91 million m³, or 8.1%, less than in 2019.

water treatment facilities with subsequent discharge of these effluents into the sewerage system or for repeated or sequential use, and 43 sewage treatment plants with independent discharge into reservoirs.

The total amount of return water discharged into reservoirs in 2020 amounted to 6,113.577 thousand m³, which is 0.838 million m³, or 12.1% less than in 2019. Of them:

- without treatment - 274.801 thousand m³;
- insufficiently treated - 455.04 thousand m³;
- normatively pure - 1,522.65 thousand m³;
- normatively treated - 3,861.086 thousand m³.

Total water consumption in Ukrzaliznytsia's circulating and re-water supply systems in 2020 amounted to 3.325 million m³

The Company's production units are the balance holders of 733 artesian wells. Of them, 516 wells are operated, 488 - equipped with means of measuring the volume of extracted groundwater. Also, according to the design documentation, surface water intakes are equipped with special fish protection devices.

In 2020, the volume of water use by the Company's divisions amounted to 8.531 million m³, which is 5.2% less than in 2019. In particular, industrial needs accounted for 4.872 million m³ (57.1%) of all used water, for drinking and sanitary needs - 3.659 million m³ (42.9%).

An important aspect of the Company's activities in the field of water management is wastewater management and primary treatment. In particular, wastewater from the production facilities of the Company's enterprises is discharged to treatment facilities, where they are treated by mechanical, chemical and biological methods.

Ukrzaliznytsia has 117 preliminary waste

Water use by JSC "Ukrzaliznytsia", 2019-2020, thousand m³

| 2019 | 2020 |
|----------|----------|
| 8,996.01 | 8,531.05 |

Drainage of return waters into reservoirs of JSC "Ukrzaliznytsia", 2018-2020, thousand m³

| 2018 | 2019 | 2020 |
|----------|----------|-----------|
| 6,974.40 | 6,951.65 | 6,133.577 |

The largest volume of return water discharges into water bodies falls on the following divisions of the Company:

- branch "Industrial Management Center" - 3,038.17 thousand m³,
- branch "Center for construction and installation works and operation of buildings and structures" - 2,889.27 thousand m³,
- branch "Paniutyn Car Repair Plant" - 113.9 thousand m³,
- regional branch "South-West Railway" - 48.296 thousand m³.



Volumes of return water discharge by structural subdivisions of JSC "Ukrzaliznytsia", 2020, thousand m³

| Structural unit | thousand m ³ |
|--|-------------------------|
| "Donetsk Railway" | 0 |
| "Lviv Railway" | 4.5 |
| "Odesa Railway" | 5.0 |
| "South Railway" | 0.200 |
| "South-West Railway" | 48.296 |
| "Dnipro Region Railway" | 1.30 |
| Paniutyn Car Repair Plant | 113.9 |
| "Industry Management Center" | 3,038.17 |
| "Production Support Center" | 0.540 |
| "Center for construction and installation works and operation of buildings and structures" | 2,889.27 |
| "Passenger company" | 2.3 |
| "Center for track construction and repair" | 10.10 |

Measures to prevent and combat water pollution

In 2020, the Company allocated UAH 5.715 million for the implementation of measures for the protection and rational use of water resources. To reduce wastewater pollution and prevent pollution of water resources during 2020, the Company took the following measures:

- repair, cleaning and maintenance of drainage systems;
- purchase of equipment, repair and maintenance of treatment facilities;
- obtaining permits in accordance with the requirements of the legislation;
- carrying out of instrumental and laboratory control of parameters of discharges of polluting substances with sewage and return waters and efficiency of work of treatment facilities;
- organization and equipment of laboratories for wastewater and return water quality control;
- maintenance and repair of repeated and circulating water supply systems;
- repair and maintenance of sanitary protection zones of water intakes;
- liquidation tamponing of artesian wells;
- repair and maintenance of storm sewer networks;
- purchase, installation, maintenance of water consumption and drainage meters;
- measures of career management on protection of water resources;
- other measures for the rational use and protection of water resources.

Wastewater quality control (in accordance with technological regulations and conditions of contracts with water utilities) was carried out in 2020 by the Company's own laboratories or third-party organizations under the concluded agreements.

Also, during 2020, the Company's enterprises worked on the development of

documentation for obtaining permits for special water use (22 permits were obtained). Projects of sanitary protection zones of water intakes, projects of maximum allowable discharges and others were developed.

Atmospheric air protection



Anthropogenic air pollution has the most negative impact on the environment, as pollutants dissolve in the air and are transported over long distances.



The most significant negative impact of rail transport on the environment is the exhaust gases of diesel locomotive engines. At the same time, in contrast to motor transport, the absolute and relative mass of emissions of which is constantly increasing, emissions from diesel vehicles are reduced due to the transition to more economical models with reduced specific fuel consumption, the transition of rolling stock to electric traction.



A significant number of pollutants is also contained in the emissions of power plants used in the Company's divisions, from the technological processes of quarry management in the extraction of granite, sand, their processing, loading and unloading, as well as from the processes of washing, welding, painting, electroplating, from processing of plastics and wood, tests of engines and at other technological processes of repair of a rolling stock.

In 2020, Ukrzaliznytsia continued to work on the inventory of stationary sources

of emissions and obtaining appropriate permits for emissions of pollutants into the atmosphere. As a result of the work performed, the production divisions of the Company during the reporting period received 146 relevant permits.

In total, the Company accounts for 16,973 units of stationary emission sources, of which 11,196 are organized

The total emissions of pollutants of JSC "Ukrzaliznytsia" in 2020 decreased compared to 2019 by 11.7% and amounted to 2,893.1 tons. Emission reductions occurred due to technical re-equipment of boiler houses, their maintenance, commissioning works. In addition, due to the quarantine restrictions caused by the COVID-19 pandemic and the transfer of the Company's employees to a reduced working week, the volume of work related to the Company's core business decreased.

The main substances emitted by the Company's stationary sources of emissions into the atmosphere in 2020:

- carbon dioxide - 148.250 thousand tons;
- substances in the form of suspended solids - 0.967 thousand tons;
- carbon monoxide - 0.854 thousand tons.

Emissions of pollutants from stationary sources of JSC "Ukrzaliznytsia", 2018-2020, t

| 2018 | 2019 | 2020 |
|----------|----------|---------|
| 3,307.04 | 3,275.83 | 2,893.1 |

Main substances emitted by the Company's stationary sources into the atmosphere, 2019-2020

| Main substances | 2019 | | 2020 | |
|--|---------------|-------|---------------|-------|
| | thousand tons | % | thousand tons | % |
| substances in the form of suspended solids | 1.117 | 34% | 0.967 | 33.4% |
| carbon monoxide | 0.870 | 26.6% | 0.854 | 29.5% |
| non-methane volatile organic compounds | 0.435 | 13.3% | 0.374 | 12.9% |
| dioxide and other sulfur compounds | 0.452 | 13.8% | 0.391 | 13.5% |
| nitrogen compounds | 0.317 | 9.7% | 0.252 | 8.7% |
| metals | 0.036 | 1.1% | 0.03 | 1% |
| others | 0.049 | 1.5% | 0.025 | 1% |
| Total excluding carbon dioxide | 3.276 | 100% | 2.893 | 100% |
| In addition, carbon dioxide | 168.620 | | 148.250 | |

The largest emissions in 2020 were made by the following divisions of the Company:

- branch "Passenger Company" - 18.8%,
- regional branch "Odesa Railway" - 14.1%,
- regional branch "Donetsk Railway" - 11.2%,
- branch "Center for construction and installation works and operation of buildings and structures" - 9.7%,
- branch "Industrial Management Center" - 9.6%.

Measures to prevent and combat air pollution

In 2020, the Company allocated UAH 42.659 million for the implementation of air protection measures (against UAH 29.859 million in 2019). In order to reduce emissions of pollutants into the atmosphere in the reporting period the Company conducted:

- work related to the issuance and adjustment of permits for emissions of pollutants into

the atmosphere from stationary emission sources;

- instrumental and laboratory control of parameters of pollutant emissions by stationary and mobile sources and efficiency of gas treatment plants;
- equipping laboratories and organizing control of pollutant emissions into the atmosphere;
- maintenance of infrared heaters, solar systems, boiler equipment, etc.;
- improvement and introduction of new technological processes (laying of seamless track, re-equipment of rechargeable batteries);
- purchase, maintenance and repair of gas treatment plants;
- hydro-dust suppression in mining shops;
- purchase of equipment and modernization of the fuel system of engines of vehicles and locomotives.

Emissions of pollutants into the atmosphere by structural units of JSC "Ukrzaliznytsia", 2020

| Name of the Company's division | thousand tons | % |
|--|---------------|------------|
| "Passenger company" | 0.543 | 18.8 |
| "Odesa Railway" | 0.407 | 14.1 |
| "Donetsk Railway" | 0.325 | 11.2 |
| "Center for construction and installation works and operation of buildings and structures" | 0.280 | 9.7 |
| "Industry Management Center" | 0.279 | 9.6 |
| "Lviv Railway" | 0.229 | 7.9 |
| "South Railway" | 0.212 | 7.3 |
| "Dnipro Region Railway" | 0.157 | 5.4 |
| "South-West Railway" | 0.156 | 5.4 |
| "Center for track construction and repair" | 0.092 | 3.2 |
| Other divisions | 0.213 | 7.4 |
| Total | 2.893 | 100 |

Ukrzaliznytsia's contribution to the fight against climate change



The main sources of greenhouse gas emissions that directly affect climate change in Ukraine and in the world in general are industry, energy and transport. Rail transport also affects climate change and changes the concentration of greenhouse gases. However, given the high degree of electrification, the railway ranks only fourth in the ranking, accounting for only 1.6% of carbon emissions among all modes of transport in the EU²³.

In 2020, in the field of combating climate change, the Company has implemented a number of measures in the following main areas:

- efficient use of energy;
- use of alternative energy sources;
- the draft Environmental Policy of Ukrzaliznytsia until 2030 has been developed.

Greenhouse gas emissions

In 2020, the Company's divisions released the following main greenhouse gases into the atmosphere:

- carbon dioxide - 148.250 thousand tons;
- carbon monoxide - 0.854 thousand tons;
- non-methane volatile organic compounds - 0.374 thousand tons.

The main sources of greenhouse gas emissions in the Company's activities are internal combustion engines of diesel locomotives and power plants

Volumes of greenhouse gas emissions of JSC "Ukrzaliznytsia", 2018-2020, t

| | 2018 | 2019 | 2020 |
|---|------------|------------|------------|
| Carbon dioxide (CO ₂) | 193,260.91 | 168,620.40 | 148,250.23 |
| Carbon monoxide (CO) | 897.927 | 870.095 | 854.486 |
| Non-methane volatile organic compounds (NMVOCs) | 489.866 | 434.893 | 374.392 |
| Nitrogen compounds | 331.1 | 317.0 | 251.710 |
| Nitric oxide (N ₂ O) | 62.43 | 40.95 | 36.262 |
| Methane (CH ₄) | 35.828 | 41.422 | 21.446 |

*23 <https://www.dw.com/uk>

The decrease in emissions compared to 2019 was due to quarantine restrictions caused by the COVID-19 pandemic and the transfer of the Company to a reduced working

week, which in turn affected the volume of work performed in the reporting period.

Total volume of significant emissions of pollutants from stationary sources of JSC "Ukrzaliznytsia" (excluding CO₂), 2020, thousand tons

| | |
|--|-------|
| Total | 2.893 |
| of them: | |
| NO _x | 0.252 |
| SO _x | 0.391 |
| persistent organic pollutants (POPs) | 0 |
| volatile organic compounds (VOCs), non-methane volatile organic compounds (NMVOCs) | 0.374 |
| hazardous air pollutants (HAP) | 0 |
| solid particles (SP) | 0.967 |
| other standard categories of emissions into the atmosphere | 0.909 |

Emissions of pollutants from stationary sources of the Company into the atmosphere, 2020

| Main substances | 2020 | |
|---|-----------|-------|
| | t | % |
| metals and their compounds | 29.703 | 1.03 |
| substances in the form of suspended solids | 967.155 | 33.43 |
| nitrogen compounds | 251.710 | 8.7 |
| dioxide and other sulfur compounds | 390.958 | 13.51 |
| carbon monoxide | 854.486 | 29.54 |
| non-methane volatile organic compounds (NMVOCs) | 374.392 | 12.94 |
| methane | 21.446 | 0.74 |
| others | 3.218 | 0.11 |
| Total excluding carbon dioxide | 2,893.068 | 100 |

The main measures to mitigate the Company's impact on climate change are energy efficiency and energy saving measures, planting of new forests in large areas, introduction of alternative and renewable energy sources.

The Company's plans for 2021 and the medium-term perspective in the field of environmental protection:

1. Implementation of the environmental management system in accordance with international standards, ISO 14001:2015 and other standards related to environmental protection and environmental and man-made safety of the Company.

2. Approval of the "Environmental Policy" of JSC "Ukrzaliznytsia" until 2030.

Energy efficiency and resource saving

Energy efficiency management of the Company



Energy efficiency and resource saving are one of the most important aspects of sustainable development of JSC "Ukrzaliznytsia". Rail transport is quite energy-intensive, energy prices are rising every year, and economic activities related to the maintenance of railways require a rational attitude, efficient distribution and meticulous control over the use of energy and other resources.

From year to year, the Company maintains a tendency to reduce energy consumption by pursuing a prudent policy in the field of energy efficiency and resource conservation. The Company's current approaches to resource efficiency also minimize the environmental impact of rail transport and reduce greenhouse gas emissions. The Company's activity in this area is regulated by a number of normative

documents.

Key documents regulating the activities of JSC "Ukrzaliznytsia" in the field of energy efficiency and resource conservation:

- Development strategy of JSC "Ukrzaliznytsia" for 2019-2023.
- Energy strategy of JSC "Ukrzaliznytsia" for the period up to 2015 and for the period up to 2020. Currently, the Energy Strategy of JSC "Ukrzaliznytsia" for the period up to 2035 "Innovation, energy efficiency, competitiveness" is being developed. The development is envisaged by the Plan of research, development and development of regulatory documents of JSC "Ukrzaliznytsia" for 2021.
- Methods for determining the economic efficiency of energy saving measures implemented on the railways of Ukraine.
- The procedure for organizing an energy audit.
- The procedure for compiling the energy balance of the structural unit of railway transport.

Management system

State supervision over energy efficiency and resource saving in railway transport is carried out by the Ministry of Infrastructure of Ukraine in accordance with the procedure established by the Cabinet of Ministers of Ukraine.

In JSC "Ukrzaliznytsia" the Department of Energy Management monitors compliance with regulations in the field of energy efficiency and energy saving, pursues a common technical policy, coordinates and organizes work on:

- improving the efficiency of energy use by accounting, planning, standardization and analysis of fuel and energy resources in all areas of consumption;
- implementation of energy and resource saving measures, programs;
- conducting internal energy audits (audits);
- implementation of operational monitoring and corrective actions in the field of energy saving;
- development of measures for the development and use of non-traditional energy sources in railway transport and promotes their implementation;
- incentives to increase the efficiency of use and training of production system personnel in the field of energy saving;
- development of normative, normative-technical and administrative documents, ensuring standardization of the use of oil products, electric and thermal energy.

Evaluation of the effectiveness of the Company

The overall efficiency of the Company in the field of energy efficiency and resource conservation is characterized by the level of energy intensity, which is determined by the ratio of the sum of the costs of all energy resources in all areas of use on the volume of work performed. This indicator reveals the efficiency and rational use of all

types of fuel and energy resources (t.f.o.e. - tons of fuel oil equivalent) to the work performed (given million t-km). The main task of JSC "Ukrzaliznytsia" in the field of energy efficiency is to reduce the energy intensity of transportation.

During 2018-2020, Ukrzaliznytsia achieved significant results in improving energy efficiency, which had a positive impact on the energy and financial and economic efficiency of the Company.

Thus, according to the results of 2020, the energy intensity was reduced compared to 2019 by 5.3% (from 8.27 to 7.86 t.f.o.e. / reduced million t-km). The positive dynamics of change has been maintained over the last three years:

- 2018 - 8.58 t.f.o.e. / reduced million t-km,
- 2019 - 8.27 t.f.o.e. / reduced million t-km,
- 2020 - 7.86 t.f.o.e. / reduced million t-km.

Energy consumption in Ukrzaliznytsia

The Company is constantly improving its activities in order to save and more efficient use of energy resources, further reduce the energy intensity of transportation, conducting a qualitative analysis of energy costs in terms of their consumption. As a result of the implemented energy saving measures in 2020, the total electricity consumption of JSC "Ukrzaliznytsia" decreased by 13.3% compared to 2019 and amounted to 16,622,006,692MJ (2019 - 19,178,136,272 MJ).

Energy consumption in JSC "Ukrzaliznytsia", 2019-2020

| Indicator | Unit | 2019 | 2020 |
|--|-------------------------|----------------|----------------|
| Total fuel consumption from non-renewable sources by JSC "Ukrzaliznytsia", (joule or derivative unit) | thousand t.f.o.e. | 600.2 | 516.8 |
| | MJ | 17,652,482 | 15,200,698 |
| by type of fuel, (joule or derived unit): | | | |
| <i>diesel fuel</i> | thousand tons | 314.8 | 272.7 |
| <i>natural gas</i> | million cubic meters. m | 87.3 | 75.6 |
| <i>oil fuel</i> | thousand tons | 0.76 | 0.72 |
| <i>coal</i> | thousand tons | 34.6 | 23.5 |
| <i>firewood for heating</i> | thousand cubic meters m | 17.0 | 15.1 |
| <i>gasoline</i> | thousand tons | 4.4 | 5.0 |
| <i>liquefied gas</i> | thousand tons | 0.84 | 0.89 |
| <i>other types of primary fuel</i> | thousand t.f.o.e. | 2.1 | 1.6 |
| Total electricity consumption by JSC "Ukrzaliznytsia", (joules, kilowatt-hours or their derivatives) | million kW-year | 4,631.9 | 3,992.9 |
| | thousand t.f.o.e. | 1,505 | 1,298 |
| | MJ | 16,674,840,000 | 14,374,588,206 |
| Total energy consumption for heating by JSC "Ukrzaliznytsia", (joules, kilowatt-hours or their derivatives) | thousand Gcal | 593.7 | 533.2 |
| | MJ | 2,485,643,790 | 2,232,217,789 |
| Total amount of fuel / energy sold for heating at JSC "Ukrzaliznytsia" (joules, kilowatt-hours or their derivatives) | thousand Gcal | 81.95 | 83.10 |
| | MJ | 343,100,065 | 347,894,472 |
| The total amount of energy consumed by JSC "Ukrzaliznytsia" (joule or derivative unit) | MJ | 19,178,136,272 | 16,622,006,692 |

Company's need for energy

Freight transportation remains the direct leader in the Company's energy consumption both in 2020 and in previous years.

Energy needs of JSC "Ukrzaliznytsia", 2018-2020, MJ²⁴

| Direction of energy consumption | 2018 | 2019 | 2020 | 2020/2019, % |
|------------------------------------|----------|----------|----------|--------------|
| Freight transportation | 32,422.5 | 31,552.8 | 30,037.8 | -4.8 |
| Passenger transportation | 7,616.3 | 2,309.8 | 3,732.3 | 61.6 |
| Suburban transportation | 4,328.8 | 889.3 | 2,598.7 | 192.2 |
| Non-traction sphere of consumption | 15,285.8 | 13,993.2 | 12,655.9 | -9.6 |

Implementation of energy and resource saving measures

Every year the Company allocates more than 20% of the total expenditures (about UAH 15 billion) for the purchase of energy. In order to reduce these costs, increase energy efficiency and keep rolling stock and infrastructure in good condition, the Company modernizes specialized machinery, technology and equipment. The Company's rolling stock is also subject to annual renewal. So according to the results of 2020:

- Major repairs of traction transformers, substations, distribution electrical networks with replacement of equipment were performed.
- The technologies of logistics of the transportation process and the organization of trains on elongated shoulders without

changing locomotives and locomotive crews have been improved.

- The operational fleet of traction rolling stock has been reduced by increasing its productivity.
- Modernization of traction rolling stock, energy-consuming equipment, engineering networks and equipment was carried out.
- The efficiency of boiler houses and heat supply systems / facilities has been increased with the introduction of energy-saving technologies and modern energy-efficient equipment.
- Modernization / reconstruction and equipment of automatic control of external lighting of production areas have been carried out.

²⁴Data from branch statistical reports of forms TXO-2, TXO-3, 4MTΠ, EO-1, as well as statistical data of the portal ACS FT UZ-S were used during calculation of calculations.

Standards and methods of data collection were developed on the basis of:

- "Instruction on technical rationing of electricity and fuel consumption by locomotives for traction trains",
- "Instructions for calculating technological losses of electricity in traction power supply devices",
- "Instruction on standardization of heat and fuel consumption for stationary railway transport installations",
- "Methods for calculating the norms of consumption of diesel fuel and electricity for train traction",
- "Guidelines for determining the norms of electricity consumption for stationary consumers of railways",
- "Guidelines for standardization of specific costs of fuel and energy resources."

To ensure a systematic approach to energy efficiency and resource conservation, the Company has developed and implemented energy saving measures "Energy and Resource Conservation Program for Railway Transport for 2019-2020" (hereinafter - the Program).

The total expenses of the Company for the implementation of activities under the Program for 2019-2020 amounted to UAH 304.2 million. In 2020, the Company directed to the implementation of energy

saving measures under the Program UAH 82.2 million. The decrease in costs compared to 2019 is due to the deterioration of the Company's financial condition, which was caused by the COVID-19 pandemic and quarantine restrictions that were introduced throughout Ukraine.

Expenditures for the implementation of the main directions of the Company's Program, 2019-2020, UAH million

| The main directions of the Program | 2019 | 2020 |
|--|-------|------|
| Energy saving measures in the traction of trains (diesel fuel) | 118.7 | 39.8 |
| Energy saving measures in the power industry | 73.8 | 28.0 |
| Energy saving measures to save boiler and furnace fuel | 29.3 | 14.4 |

Due to the implementation of energy saving measures of the Program for 2020, 40.7 thousand tons of fuel were actually saved in the estimated value of UAH 416.6 million, which corresponds to 2.2% of the total annual amount of energy consumed, in particular:

- 8.8 thousand tons of diesel fuel,
- 79 million kW·h of electricity,
- 113.2 tons of gasoline,
- 1.1 million cubic meters. natural gas,
- 354 tons of coal,
- 59.1 tons of fuel oil,
- 2.7 thousand Gcal of heat.

Reduction of the Company's energy consumption by main types of energy resources due to the implementation of the Program, 2020

| Direction of energy saving measures | Volumes of cost reduction ²⁵ | MJ |
|--|---|---------|
| Reduction of diesel fuel consumption | 8,839 t | 376,960 |
| Reduction of electricity costs | 79 million kW·year | 755,153 |
| Reduction of boiler and furnace fuel consumption | 1,637 p.m. | 48,147 |
| Reduce gasoline consumption | 113.2 t | 4,961 |

*25 The actual amount of saved energy resources is indicated.

Also in 2020, the specific norms of energy consumption for the main activity - train traction - were reduced. In heat traction - by 2.2% (from 56 to 54.8 kg / 10 thousand t-km gross) and in electric traction - by 4.2% (from 126.3 to 121 kW·year / 10 thousand t-km gross). The dynamics of changes in unit costs is as follows:

in heat draft:

- 2018 - 58.2 kg / 10 thousand t-km gross,
- 2019 - 56 kg / 10 thousand t-km gross,
- 2020 - 54.8 kg / 10 thousand t-km gross,

in electric traction:

- 2018 - 126.5 kW·year / 10 thousand t-km gross,
- 2019 - 126.3 kW·year / 10 thousand t-km gross,
- 2020 - 121 kW·year / 10 thousand t-km gross.

Energy surveys

Energy audits of the Company's production units also had a significant impact on electricity savings. During 2020, employees of the Department of Energy Management performed 115 such inspections. According to the results of the surveys, the reserves of savings and opportunities for energy saving (hereinafter - OES) in the amount of about UAH 417 million have been determined. Also, 5 energy audits of locomotive and car repair plants were performed, during which the OES was determined in the amount of about UAH 52 million.

As a result, due to the implementation of OESs identified during 2019-2020, energy resources were saved in the amount of 18.4 thousand tons in conventional terms, with an estimated cost of over 179.3 million UAH - this is the total amount of savings for 2019 and 2020. In particular saved:

- 5.2 thousand tons of diesel fuel,
- 30.2 million kW·h of electricity,
- 20.6 tons of gasoline,
- 611.8 thousand m³ natural gas,

- 20.8 tons of coal;
- 1.5 thousand Gcal of heat.

Plans for 2021 and the medium-term perspective

1. Implementation of the Energy Saving Program for Railway Transport for 2021.
2. Development of the Energy Strategy of JSC "Ukrzaliznytsia" for the period up to 2035 "Innovation, energy efficiency, competitiveness".
3. Reduction of energy intensity of the railway by 4.5% to the level of 2020.
4. Reduction of specific energy consumption in the traction of trains: in thermal traction - by 4.9% (from 54.8 to 52.1 kg / 10 thousand t-km gross), in electric traction - by 3.5% (from 121 to 116, 8 kW·year / 10 thousand t-km gross).
5. Introduction of electronic fuel meters at 86 fuel depots of the Company.

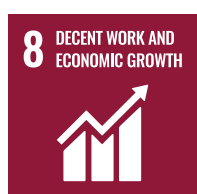






OUR SUSTAINABLE DEVELOPMENT

Strategic approach to sustainable development



Adherence to the principles of sustainable development and a high level of social responsibility are integral components of the Company's corporate culture. As the largest company in the country, JSC "Ukrzaliznytsia" is well aware of its responsibility to influence the development of the Ukrainian economy and strengthen its competitiveness, industrial and environmental safety, improve the quality of life of about 250 thousand employees, support local communities, solve related problems with environmental protection.

JSC "Ukrzaliznytsia" adheres to high standards of corporate social responsibility and strives to continuously improve its performance in the field of sustainable development. The Company's activities are based on such values as caring for its employees, doing business in accordance with high ethical and professional standards, careful use of natural resources, transparency, accountability and information openness, zero tolerance for corruption.

The Company aims to preserve, create and increase long-term social, environmental and economic benefits for both current and future generations. Aware of its impact on the entire Ukrainian society, the Company is also guided in



its activities by global goals and objectives in the field of sustainable development. JSC "Ukrzaliznytsia" takes into account 17 UN Sustainable Development Goals (UN SDG) in its activities, and also works closely with the UN Global Compact Network Representation in Ukraine. As part of the contribution to the achievement of the 17th UN SDG, it is especially important for the Company to participate in the implementation of those goals that best meet the strategy and specifics of the Company and the interests of its stakeholders.



“Responsible business takes into account how its current activities will affect the future. To build the Company's work on the principles of sustainable development is to work responsibly, consume resources rationally, minimize damage to the environment and take care of employees. The concept of sustainable development is based on three components: social, economic and environmental”

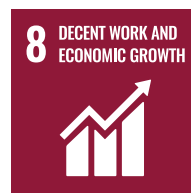
Director of the Department of Sustainable Development and Internal Communications
Ihor Kotelianets.

The principles of the concept of sustainable development are integrated into the corporate governance system of the Company. This issue is in the area of special attention of the management of JSC "Ukrzaliznytsia". The Company's activities in the field of sustainable development and corporate social responsibility are coordinated by the Department of Sustainable Development and Internal Communications. The main functions of the department:

- Development of a strategic approach to corporate social responsibility and sustainable development in the Company.
- Implementation of projects in the field of sustainable development and CSR, cooperation in this area with a wide range of stakeholders.
- Informing the Company's employees and all stakeholders about social responsibility and sustainable development of the Company.
- Preparation and issue of public annual integrated reporting of the Company.
- Introduction and maintenance of Ukrzaliznytsia's reputation management system.
- Development and improvement of the system of internal and external communications.
- Planning, coordinating and building dialogue

with stakeholders.

- Development of the employer's brand and implementation of projects to increase its attractiveness.
- Coordination of projects for preservation and development of the historical heritage of the Society, etc.



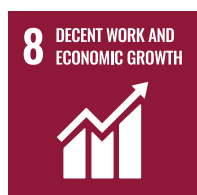
Key priorities

The Company's priorities in the field of sustainable development are aimed at ensuring the effective contribution of the Company to the socio-economic development of Ukraine and the rational treatment of the natural environment.

The key direction of the Company's corporate social responsibility policy is the support and development of human capital. JSC "Ukrzaliznytsia" makes significant efforts to ensure the health, safety and well-being of its employees, creating favorable and safe working conditions that contribute to the disclosure of their professional and creative potential. It is our employees, their experience, professional knowledge, desire to develop - the most valuable asset of the Company.

A photo exhibition "Faces of Ukrzaliznytsia" was opened at the Kyiv-Pasazhyrskiy station on the Day of the Railwayman. The project aims to introduce people to the representatives of this profession and tells about their difficult but crucial work for the whole country

The Company strives for the highest standards in the field of environmental protection and energy saving, carries out purposeful activities to reduce its impact on the environment, the careful use of natural resources.



In 2020, the COVID-19 pandemic was a significant challenge for the whole country and related quarantine restrictions. Uncertainty, economic decline, shutdown of enterprises caused reduction of freight traffic by rail. Passenger traffic was stopped completely for some time. All this led to the deterioration of the economic situation in the Company.

JSC "Ukrzaliznytsia", understanding its impact on Ukrainian society and the national economy, promptly responded to the situation. The company managed to save jobs and make all social benefits to its employees. In the crisis situation, Ukrzaliznytsia

preserved the well-being of those employees who were put on hold for many months due to the reduction of business activity of the JSC caused by quarantine restrictions. About 90,000 employees of the Company continued to pay 100% of their salaries (tariff rate) during the period when people were forced to stay at home. Despite economic difficulties, Ukrzaliznytsia remains one of the largest taxpayers in the country and continues to subsidize local governments. After the shutdown of the transport in March 2020, the Company carried out transportation of operational services employees at its own expense.

More details - in the section "Contribution of JSC "Ukrzaliznytsia" in overcoming the impact of the COVID-19 pandemic in 2020".



One of the important vectors of the Company's development is cooperation with all stakeholders (stakeholders), maintaining a transparent and trusting relationship with them in the long run. In cooperation with stakeholders, the Company strictly adheres to the requirements of the

law, is guided by international and domestic corporate standards, as well as takes into account the interests and needs of key stakeholders.

One of the main components of the Company's corporate social responsibility is the transparency of business practices. For the fourth year in a row, JSC "Ukrzaliznytsia" is preparing an Integrated Report, which reveals not only data on financial and operational activities, but also achievements in the field of corporate governance, personnel development, occupational safety and health, environmental protection, sustainable development management and corporate social responsibility. (CSR).

The reports comprehensively show how the Company creates value for all stakeholders, increases its value and strengthens competitive advantages in the long run. The Company prepares its reports in accordance with national legislation and international standards, in particular, the standards of the Global Reporting Initiative (GRI). All versions of the reports are posted in the public domain on the website of JSC "Ukrzaliznytsia" <https://www.uz.gov.ua/about/investors/>.

More details - in the appendix "About the Report".

3 GOOD HEALTH AND WELL-BEING



Caring for railroad workers

Employees are a key value of the Company. JSC “Ukrzaliznytsia” is the largest employer in the country. The average number of employees of the Company as of the end of 2020 was 247,954 people.

During the reporting period, the Company continued to pay special attention to improving the working conditions of employees. In particular, the Company has a system of collective agreements, which cover 100% of employees. Even in the extremely difficult economic situation caused by the COVID-19 pandemic, JSC “Ukrzaliznytsia” offers its employees one of the best social packages in the country. The Company's remuneration fund for 2020 amounted to UAH 34.51 billion.

11 SUSTAINABLE CITIES AND COMMUNITIES



In April 2020, due to the COVID-19 pandemic and related quarantine restrictions, about 90,000 employees (40% of the total number of employees of JSC “Ukrzaliznytsia”) were sent to forced layoffs. The Company continued to pay 100% salary (tariff rate). During 2020, the Company's employees who were in idle mode were paid UAH 1,092 million.

For more details, see the section “Our employees and the country”, subsection “Impact of the COVID-19 pandemic on the Company's activities in the field of personnel development”.

One of the Company's priorities is to ensure equal opportunities. The share

of women among our employees in 2020 was over 39.8%. More than 100 women held management positions at the level of directors and deputy directors at various levels, which is 35.5% of the management staff.

More details in the section “Our employees and the country”, subsection “Staff composition and turnover”.

JSC “Ukrzaliznytsia” has built an extensive system of staff training, which allows each employee to develop and realize their potential in the Company. In 2020, despite the unfavorable situation with COVID-19, educational programs were implemented. For training, development and advanced training of the staff in the reporting year the Company directed UAH 40.8 million. 399,588 employees were involved in staff training and development activities (some employees have undergone several types of training).

More details - in the section “Our employees and the country”, subdivision “Employee development and training».

As part of social support, the Company continues to provide housing for employees. In particular, in 2020, the construction of a residential building for 110 apartments in Kharkiv was completed. In November, the Company opened a dormitory for 30 apartments for railway families in Slavyansk. In total, there are 75 dormitories on the balance sheet of JSC “Ukrzaliznytsia”. The Company allocated over UAH 60.1 million for their maintenance, in particular, for current maintenance - UAH 49 million, for repair works - over UAH 11 million.

More details in the section “Our employees and the country”, subsection “Housing program”.

JSC “Ukrzaliznytsia” pays special attention to the health of employees and their leisure. The Company has a wide network of health and recreation facilities: sanatoriums, boarding houses, recreation

centers, children's health facilities, sports complexes. The Company also has a specialized branch of the Health Care Center. Health care facilities of JSC "Ukrzaliznytsia"

provide employees with a wide range of medical services.

More about treatment, rehabilitation and recreation of employees - in the section "Our employees and the country", section "Support for a healthy lifestyle".



11 SUSTAINABLE CITIES AND COMMUNITIES



On June 21, 2020 due to an explosion in a residential building on 1/5 Solomiia Krushelnytska Street in Kyiv, 16 apartments were destroyed and 40 were damaged.

Among the victims were the families of railway workers. Unfortunately, two employees of the regional branch of the South-Western Railway, as well as two members of the families of railway workers, died.

The branch covered the costs of organizing the burial of the dead workers. A total of 40 railway workers and members of

their families lived in 11 apartments of the destroyed entrance to the high-rise building. The Company provided 11 persons with temporary rest rooms in the service center of Kyiv-Pasazhyrskyi station, where all living conditions were organized for them.

On June 25, Ukrzaliznytsia paid a one-time financial assistance of UAH 50,000 to UAH 500,000 to each of the 11 railway families affected by the explosion for a total of UAH 2,500,000. In addition, one-time assistance in the amount of 3-month tariff rates (salaries) was provided to the families of deceased employees.



8 DECENT WORK AND ECONOMIC GROWTH



Improving customer services

The priority for the Company is the constant increase of customer orientation, development and improvement of service services.

From July 01, 2020, a new contract for the carriage of goods was put into effect, prepared in close cooperation with business representatives and their associations involved in public authorities.

In July, JSC "Ukrzaliznytsia" developed a state program to upgrade the fleet of freight cars for 2021-2025, the purpose of which is to improve the technical condition of cars operated in Ukraine and

support domestic rolling stock manufacturers.

The Company plans to develop new logistics products for customers, in particular, intermodal transportation within Ukraine and in connection with the countries of Eastern Europe and the Baltics. On July 30, 2020, a corresponding memorandum was signed with the German company HHLA International GmbH.

More about the memorandum - in the section "Our Business", subsection "Customer orientation and development of the list of services in the main activity".

In December 2020, the Company entered into the first agreement to participate in a private traction project as part of a government pilot project to allow private locomotives to operate on separate routes on public railways.

Using the experience of developed countries, JSC "Ukrzaliznytsia" has created a separate business vertical freight. The company has also started creating modern regional traffic control centers (RTCC). The

first such center started operating in Kharkiv.

More about RTCC - in the section "Our business", subdivision "Separation of business verticals of the Company".

The Company is constantly working to improve the infrastructure of railway transport in order to increase its electrification. Electrification of the railway allows to reduce the costs of transportation, increases energy efficiency, reduces the negative impact on the environment by reducing emissions into the environment. In January 2020, the Company together with the European Bank for Reconstruction and Development and the European Investment Bank announced a tender for the purchase of works under the project "Electrification of the railway line Dolynska - Mykolaiv - Kolosivka", which is part of the TEN-T network.

More about the project - in the section "Our Business", subsection "The most important investment projects of the Company in 2020".

At the end of 2020, a survey of shippers was organized in order to investigate the level of customer satisfaction with Ukrzaliznytsia's cargo transportation services. Respondents rated the compliance of the Company's services with their expectations at 6.8 points out of 10 (in 2019- at 5.4 points).

More about the questionnaire - in the section "Our Business", section "Projects and programs to improve the service in the field of freight".

For the convenience of passengers, from June 1, travel documents for trains of JSC "Ukrzaliznytsia" can be purchased 90 days before the departure date of the train. Increasing the period of sale of travel documents from 45/60 days to 90 days allows passengers to plan their trips much more efficiently, and the Company - more responsive to demand and pre-schedule trains on the most popular dates and destinations.

In 2020, JSC "Ukrzaliznytsia" supported the digitalization of public services for citizens and the launch of the "Diia" project. "Diia"

project users can now present an electronic ID in this application when boarding a train.

In order to improve services for customers, JSC "Ukrzaliznytsia" implements innovative projects. The Company signed memoranda of cooperation with Visa and Mastercard. On January 12, 2021, Ukrzaliznytsia in cooperation with Visa and Middleware launched the first in-house chatbot in Viber and Telegram with the functions of direct ticket sales, ordering food during the trip, displaying the schedule, returning purchased tickets, notification of arrival, lateness, track number and etc. The bot speaks three languages - Ukrainian, English and Russian - and, in addition to background information, provides feedback.

The Company also pays special attention to the support of art projects. In September, the Company launched a special train for the GOGOLFEST festival in Kherson. This is a unique example of how the railway combines with contemporary Ukrainian art.

In order to create a festive mood and popularize railway transport, Kyiv Children's Railway on St. Nicholas Day, on December 19, launched the festive train "Polar Express". All activities took place in compliance with quarantine regulations.

The Company also improves customer service when ordering group passenger transportation. To this end, in 2020 the Company created a passenger service center that provides a wide range of services. It is planned that the center will primarily serve customers who make group orders for passenger transportation, order a saloon car, additional car or train. In the center you can also order a car carrier, luggage car, car transfer, excursion service, food on trains (saloon cars, tourist trains) and much more.

JSC "Ukrzaliznytsia" is constantly working to create a barrier-free space for all social groups, including people with disabilities and low mobility groups, introduces facilities to ensure the availability of railway infrastructure.

During 2020, the Company purchased 84 lifting platforms for people with disabilities who move on wheelchairs. They help to get more conveniently to the car, and therefore, it is more comfortable to travel by rail. In total, 112 such platforms are already used at more than 80 Ukrzaliznytsia stations

During 2020, 2,900 passengers with special needs in special cars were transported. The official website of JSC "Ukrzaliznytsia" and the widget for travel documents meet the requirements of the Ukrainian Society of the Blind and have the appropriate certificate. In 2020, the technology of registration of preferential travel documents was introduced through the official website of the Company with online validation of documents entitling to the privilege.

More about transportation of people with disabilities - in the sections "Our Business", subsection "Transportation of passengers with disabilities", " Our employees and the country".

One of the priority areas of the passenger segment of JSC "Ukrzaliznytsia" is the development of domestic tourism by rail. In December 2020, before the Christmas and New Year holidays the JSC "Ukrzaliznytsia"

In September 2020, along the route of T. Shevchenko station (Smila) - Cherkasy JSC "Ukrzaliznytsia" sent on the first flight a diesel train ДПКр-3 produced by the Kriukiv Carriage Plant. The train is equipped with individual blocks of seats, tables, sockets, monitors. There is a barrier-free space for people with disabilities in wheelchairs: a sliding ramp, wheelchair spaces and a spacious sanitary module

launches high-speed train Intercity+ No. 745/746 Kyiv - Slavske "Ski Express", convenient for passengers who were planning a trip to the Carpathian ski resort.

More about improving customer service - in the sections "Key operating results", "Freight", "Passenger", "Infrastructure".

Support for local communities

The Company pays special attention to the support and development of local communities. The Company is one of the largest taxpayers in the country. The amount of tax payments of JSC "Ukrzaliznytsia" to the state and local budgets in 2020 is more than UAH 25 billion. The Company constantly interacts with local authorities, takes an active part in the development of local communities, is engaged in the development of culture, sports, education in the places of presence.

An important social function is performed by passenger transport in the suburban railway. This type of transport annually transports 17 privileged categories of citizens. Privileged people make up 45.2% of suburban passengers. In 2020, JSC "Ukrzaliznytsia" transported 16.4 million people belonging to privileged categories of

citizens in suburban traffic. The amount of services provided in 2020 amounted to UAH 285.3 million. However, in 2020 the

Company received compensation of only UAH 79.9 million from local executive authorities. The compensation percentage was only 28%.

More about preferential transportation - in the section "Our business", subsection "Transportation of privileged categories of citizens".

The Company also pays special attention development of railway routes in eastern Ukraine, in particular the maximum restoration of railway connections, which were lost due to the occupation of parts of Donetsk and Luhansk regions. On July 10, 2020, JSC "Ukrzaliznytsia" extended the train route No. 20/19 Kyiv - Lysychansk to Popasna station in Luhansk region. From December 13, the route of the Maiak train No. 135/136 Kyiv - Pokrovsk has been extended to Avdiivka station.

Under the conditions of quarantine restrictions, in 2020 the Company continued to do everything possible to support and ensure the development of the economy. As the largest cargo carrier in the country, JSC "Ukrzaliznytsia" made every effort to provide the construction and road industry with the necessary materials, in particular, crushed stone products. Thus, thanks to the stable operation of freight railway transport, the joint project of the President and the Government "Large Construction" for the construction of the necessary infrastructure throughout Ukraine was provided in a timely manner.

More information on transportation of construction materials - in the section "Our Business", subsection "Freight".





In April, employees of the Company's departmental fire brigade and volunteers of the Korosten station's fire brigade helped locate and eliminate fires in the Zhytomyr region, one of the largest in 2020. During April 17-22, the fire train of JSC "Ukrzaliznytsia" went to the aid of the SES

of Ukraine five times. The railwaymen filled the cars of the SES units with water, created conditions for the safe passage of wagons with explosive and flammable goods, and also did not allow the fire to spread to the other side of the tracks.



Environmental protection

Efficient use of natural resources and careful treatment of the environment is an important component of the Company's activities. The company seeks to minimize environmental impact, focuses on energy efficiency, reducing emissions, conserving water resources, recycling waste.

The basis of the Company's environmental policy, planning and implementation of its environmental activities, rational use of natural resources and improving the environmental safety of production facilities of the Company is laid down in the Strategy of JSC "Ukrzaliznytsia" for 2019-2023. The main tasks in the field of environmental protection and environmental safety, provided for in the implementation of the

Strategy, it is necessary to reduce the negative impact of rail transport on the state of

atmospheric air, water and land resources, subsoil, waste management.

In 2020, the Company allocated UAH 488.2 million for environmental protection

Among the main measures taken by the Company to mitigate the anthropogenic impact on climate change - the implementation of projects in the field of energy efficiency and energy conservation, planting new forests, the use of alternative and renewable energy sources.

In 2020, at the request of JSC "Ukrzaliznytsia", the operation of domestic passenger cars and diesel trains with a closed, environmentally friendly system for collecting domestic wastewater, without their direct discharge into the environment, began. In order to clean the contaminated ballast and prevent its assembly in the environment, a number of crushed stone cleaning machines, vacuum ballast cleaners and ditch-cutting machines were purchased and put into production. Distances of protective forest plantations carry out constant supervision over the condition of forest plantations, sanitary fellings, clearing of forest plantations



from garbage, works on restoration of green plantations and many other works take place.

The Company pays special attention to waste management. During 2020, 108.791 thousand tons of waste were generated, which is 18% more than in 2019 (92.544 thousand tons). The increase in waste was due to the increase in the formation of scrap ferrous metals. Emissions of basic substances into the atmosphere from stationary sources amounted to 2.893 thousand tons, which is 11% less than in 2019 (3.276 thousand tons). Reduction of emission indicators was mainly due to technical re-equipment of boilers, their maintenance, commissioning. In addition, due to the quarantine restrictions caused by the COVID-19 pandemic and the transfer of the Company to a reduced working week, the work related to the main activity decreased.

More details - in the section "Our environmental responsibility", subsection "Environmental policy".



Energy efficiency and resource saving

The company carries out systematic work to improve energy efficiency. Rail transportation is a very energy-intensive industry. Freight transportation remains the direct leader in the Company's energy consumption. The company implements a consistent policy in the field of energy efficiency and resource conservation, due to which energy consumption decreases every year. In 2020, the total electricity consumption of JSC "Ukrzaliznytsia" decreased compared to 2019 and amounted to 16,622,006,692 MJ. The total consumption of fuel from non-renewable sources at JSC "Ukrzaliznytsia" was 15,200,698 MJ.

The Company is implementing the "Energy and Resource Saving Program for Railway

Transport for 2019-2020" (hereinafter - the Program). The total expenses of the Company for the implementation of measures under the Program for 2019-2020 amounted to UAH 304.2 million. Thanks to the implementation of energy saving measures of the Program for 2020, 40.7 thousand tons of fuel are actually saved in conventional estimation at the estimated cost in UAH 416.6 million

According to the results of 2020, the energy intensity indicator was reduced to the level of 2019 by 5.3% (from 8.27 to 7.86 t.f.o.e. / reduced million t-km). The positive dynamics of change has been maintained over the last three years.

More details - in the section "Our environmental responsibility", subsection "Energy efficiency and resource saving".



Corporative management

The Company has an effective system of corporate governance. The company builds its activities in accordance with the principles of responsibility, efficiency, fair competition. In 2020, JSC "Ukrzaliznytsia" finalized the Draft Corporate Governance Code, approved proposals for amendments to the Company's Charter, and approved regulations on the risk management unit. The implementation of the Company's Strategy is monitored on an ongoing basis and the Anti-Corruption Policy is evaluated, and the Disclosure Committee is operational. Effective risk management contributes to the realization of strategic goals and sustainable development of the Company in the long run.

More details - in the section "Corporate Governance".

The Company pays special attention to anti-corruption activities. In this regard, the Company is guided by the requirements of domestic legislation, as well as the best

world practices, constantly improving the anti-corruption system. In the direction of ensuring anti-corruption compliance in JSC "Ukrzaliznytsia" there is a principle of zero tolerance for any manifestations of corruption. In January 2021, in order to build in the Company and constantly improve the compliance management system, the Compliance Office of JSC "Ukrzaliznytsia" was opened.

More details in the section "Corporate governance", subsection "Corporate ethics and compliance".

In 2020, it was approved and the Plan for implementation of measures to eliminate corruption risks in the activities of JSC "Ukrzaliznytsia" is being implemented; official inspections and internal investigations were conducted; anti-corruption reservations were introduced as an integral part of agreements with the Company's business partners.

In the reporting year, the Company joined the working group of the National Agency for the Prevention of Corruption to develop a new version of the Standard Anti-Corruption Program for Legal Entities. In October 2020, a memorandum of cooperation and exchange of information between the parties was signed between JSC "Ukrzaliznytsia" and the National Anti-Corruption Bureau of Ukraine.

In 2020, staff training on preventing and combating corruption continued. 82 thousand employees of JSC "Ukrzaliznytsia" successfully completed the course "Policy to prevent and combat corruption". A project of a remote video course "Policy for Prevention and Counteraction to Corruption" has been developed for the Company's business partners.

At the beginning of 2020, the internal assessment of the Company's corruption risks was completed and a report on its results was prepared.

More details - in the section "Corporate Governance", subsection "Anti-Corruption Policy".





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Ukrzaliznytsia's contribution to overcoming the impact of the COVID-19 pandemic in 2020

In 2020, Ukraine faced global challenges related to the COVID-19 pandemic. JSC "Ukrzaliznytsia" has taken unprecedented measures to support the state and citizens. In difficult financial and epidemic circumstances, the Company responded to difficulties in a timely manner, demonstrated strength and resilience, proved the effectiveness of the business management system and continued to be a mainstay of the domestic economy.

It was critical for the Company to ensure the stable operation of the industry: to maintain the smooth operation of the railway, to perform the functions of a socially responsible carrier. At the same time, the Company strictly complied with all anti-epidemic measures introduced by the Government. Transportation of passengers by rail was carried out taking into account the Interim Recommendations on the organization of anti-epidemic measures in the organization of rail transportation during the quarantine period in connection with the spread of coronavirus disease (COVID-19).

The Company strives not only to achieve high financial performance, but also to contribute to the sustainable development and prosperity of the country. Having a significant impact on the whole country, the Society has supported the global agenda for sustainable development and made a significant contribution to the achievement of the UN Global Sustainable Development Goals.

Despite the extremely difficult economic situation, JSC "Ukrzaliznytsia" remained one of the largest taxpayers, paying its debt on Eurobonds on time. Thanks to flexible solutions, the Company managed to keep the staff, pay salaries to employees in full, as well as social benefits and privileges in a timely manner. In March 2020, when transport was suspended due to the introduction of quarantine measures in the country, the Company transported operatives at its own expense, took care of the return home of Ukrainians who found themselves abroad, provided reliable transportation of goods. Company took all necessary measures to protect its employees, purchased antiseptics, protective masks and respirators, other personal protective equipment. The Company paid assistance to employees who fell ill with COVID-19. Also, JSC "Ukrzaliznytsia" supported the state project "Large Construction", continued to carry out training activities for staff, worked to improve the living conditions of railway workers.

3 GOOD HEALTH AND WELL-BEING



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SOCIETY



Ukrzaliznytsia - one of the largest taxpayers in the country.

More than 25 billion - total payments in favor of the state (the amount of tax payments of the Company to state and local budgets).

UAH 3.7 billion the Company paid land tax under the tracks.

UAH 6.1 billion paid value added tax.



Ukrzaliznytsia provided transportation of privileged categories of citizens in suburban traffic, systematically not receiving payment for services from local authorities.

16.4 million people, belonging to the privileged categories of citizens, transported by the Company in suburban traffic.

More than UAH 205 million - debt to the Company of Local Authorities for preferential transportation in suburban traffic.

Only 28% compensation was received by the Company for preferential suburban passenger transportation from local executive authorities in 2020.



Ukrzaliznytsia provided free transportation of operatives to workplaces by their service trains.

In total, during the quarantine period and before the resumption of passenger and suburban trains, service trains transported:

- **over 206 thousand** medical workers,
- **20.2 thousand** employees of the National Police of Ukraine,
- **4.7 thousand** employees of the State Service of Ukraine for Emergencies.

All transportation costs were borne by the Company.



Ukrzaliznytsia helped Ukrainians return from abroad, who were unable to cross the border on their own due to quarantine restrictions.

More than 7.5 thousand passengers were transported by special trains from Poland, the Czech Republic, Russia and the Baltic States.



Ukrzaliznytsia buys ventilators, oxygen concentrators and personal protective equipment for railway hospitals.

24 devices artificial lung ventilation and 8 oxygen concentrators were purchased for hospitals of the Health Center branch. Hospitals are used by railway workers, members of their families and the local population.



Ukrzaliznytsia uninterruptedly provided the construction industry with materials, in particular, for the state project "Large Construction"

In 2020, the Company increased the volume of domestic transportation of construction materials by 8.7 million tons **to 60.4 million tons**.

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EMPLOYEES



Ukrzaliznytsia paid salaries in full to the Company's employees who were taken out of service at the time of the stoppage.

About **90 thousand persons**, or almost 40% of all employees of the Company, in April were forced to be laid off due to reduced volumes and shutdowns.

UAH 1,092 million - paid to employees of the Company, who were in idle mode, during 2020. Railwaymen were paid 100% salary (tariff rate).



Ukrzaliznytsia purchased personal protective equipment for employees.

The regional branches, as well as the branches of the Passenger Company and the Center for Construction and Installation Works and Operation of Buildings and Structures of the Company acquired:

- **more than 3.5 million** medical masks,
- **more than 175 thousand liters** disinfectants,
- **1,509 contactless thermometers**, etc. means of protection.



Ukrzaliznytsia paid financial assistance to employees with COVID-19.

1,646 employees regional branches and branches of the Center for Construction and Installation and Operation of Buildings and Structures of the Company, which fell ill with COVID-19, received financial assistance totaling about **UAH 4.3 million**.



Ukrzaliznytsia organized a hotline for employees on COVID-19, social media pages and messengers for prompt information.

To support employees, the Company has launched an internal hotline 0 800 503 111. Up-to-date information on how to protect against COVID-19, the procedure in case of infection or contact with a patient and other useful information was published on the Company's Facebook page, in Viber and Telegram.



A virtual assistant has been created, which provides information to employees wherever they are through a corporate chatbot.

In order to promptly inform the Company's employees about the implementation and implementation of anti-crisis measures, reform and development plans of the Company, remuneration, incentive system, as well as to build an open dialogue between employees and management, Ukrzaliznytsia has introduced a convenient and accessible communication channel - chatbot "Buksa. Railwayman assistant". The chatbot works via Telegram and Viber.



Ukrzaliznytsia instructed staff on how to proceed with the disease of COVID-19. Operational monitoring of the number of patients was carried out.

The Company has developed an Algorithm of actions in case of illness of the employee and COVID-19, Memorandum on self-isolation, carried out careful monitoring of cases of illness of employees on COVID-19, took measures to prevent spread of coronavirus and infection of other employees of the Company. There was an active explanatory work among employees on the incidence of coronavirus. All units provided daily reports of employee illnesses. A special commission was set up to respond to the detection of infections in workers.



Ukrzaliznytsia paid financial assistance to employees for rehabilitation.

UAH 1.4 billion amounted to financial assistance for rehabilitation **About UAH 13 billion** - the total amount of the Company's expenses for the implementation of measures in the field of social policy in 2020 (seniority allowance, financial assistance, labor protection, maintenance of health facilities, assistance in dismissal in connection with retirement, etc.).



Ukrzaliznytsia transferred funds to trade unions to provide social protection and additional opportunities for employees.

UAH 179.4 million transferred to the trade unions operating in the Company for cultural and mass, physical culture and health work.



Ukrzaliznytsia paid financial assistance to employees in connection with retirement.

UAH 397.1 million amounted to assistance of the Company to employees in case of dismissal in connection with retirement.



Ukrzaliznytsia continued to improve the living conditions of railway workers. A dormitory was opened in Slovyansk in November.

29 Employees of the Society with their families received housing in a reconstructed apartment-type dormitory in the city of Slovyansk in the Donetsk region.

More than UAH 14.5 million allocated by the Company for the reconstruction of this dormitory in 2018-2020.



Ukrzaliznytsia made material payments to railway workers who suffered from a gas explosion in a residential building in the capital's Pozniaky.

From 50 to 500 thousand UAH paid the Company to 11 families of railway workers affected by the explosion in June 2020, for a total of **UAH 2.5 million**.

The Company provided one-time assistance in the amount of 3-month tariff rates (salaries) to the families of deceased railway workers.

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CLIENTS

**Ukrzaliznytsia provided reliable, fast and efficient freight rail transportation.**

The Company has developed an Action Program to minimize the impact of COVID-19 on operating activities, which is designed to ensure stable transportation of goods and provides a full audit of costs to maintain the financial stability of the Company. In 2020, Ukraine's railways transported **305.5 million tons of cargo**.

**Ukrzaliznytsia returned to passengers the full cost of tickets for canceled trains due to quarantine.**

In March 2020, the carriage of passengers by rail in all modes of domestic service was prohibited. Company returned 100% of the cost of tickets to passengers - **743 959 travel documents** at the time of closing their sale in the amount of **UAH 262 million**.

**Ukrzaliznytsia has resumed the Maiak train on the Kyiv route - Avdiivka.**

After a long break, the residents of frontline Avdiivka were able to comfortably and safely get home or to relatives. The Maiak train began running on this route daily, as it had before the start of hostilities.

**Ukrzaliznytsia carried out regular sanitary and quarantine treatment of trains and public places.**

35.7 thousand liters disinfectants worth **UAH 2.27 million** were purchased and used to treat train cars.

**Ukrzaliznytsia has equipped medical stations and premises at stations for temporary isolation of persons with symptoms of respiratory diseases.**

24 points and premises for temporary isolation of persons with symptoms of respiratory diseases was arranged at railway stations.

**Ukrzaliznytsia organizes safe access to its services and launches chatbot for passengers.**

The company in cooperation with Visa and Middleware on January 12, 2021 launched a customer chatbot in Viber and Telegram with the functions of direct ticket sales, ordering food during the trip, displaying the schedule, return purchased tickets, notification of arrival, lateness, track number, etc.

8 DECENT WORK AND ECONOMIC GROWTH



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12 RESPONSIBLE CONSUMPTION AND PRODUCTION



THE SUSTAINABILITY OF THE COMPANY IS THE SUPPORT OF THE ECONOMY



To ensure financial stability and liquidity, Ukrzaliznytsia has developed and implemented the Anti-Crisis Plan.

UAH 2.4 billion was brought to the Company in the first months of the Anti-Crisis Plan.

Plan was designed to stabilize the situation in the Company and is aimed primarily at structural change. It provides, inter alia, with energy efficiency measures, personnel management measures, sale of scrap metal and non-core assets, as well as many other measures to save costs and increase revenues.



Ukrzaliznytsia has strictly prioritized and optimized costs, reviewed procurement activities.

Reduced operating costs to the planned target for all cost elements (except depreciation):

- **by UAH 5.7 billion** - on materials;
- **by UAH 2.5 billion** - on fuel;
- **by UAH 0.4 billion** - for other expenses.



Ukrzaliznytsia repaid the principal debt in a timely manner and in full on Eurobonds Shortline plc.

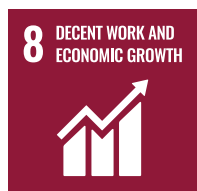
- **USD 9.9 million** - Coupon paid in March.
- **USD 7.4 million** - Coupon paid in September.



Ukrzaliznytsia paid coupon on Eurobonds Rail Capital Markets plc.

- **USD 24.2 million** - Coupon paid in January.
- **USD 25.8 million** - Coupon paid in July.

Preservation and development of historical heritage



A special activity of JSC "Ukrzaliznytsia" is the preservation and promotion of railway historical heritage sites. The company conducts activities that help preserve cultural and historical heritage sites, support research initiatives, develop the cultural and educational level of the population in the Company's presence, provide career guidance to young people (demonstrating options for professional and personal implementation) and perform a presentation function. For

Ukrzaliznytsia, 2020 was marked by two important anniversaries, namely the 150th anniversary of the South-West Railway and the 155th anniversary of the Odesa Railway (now the regional branches of the same name).

Research activities

In the context of the COVID-19 pandemic, the Society's activities for the preservation and development of historical heritage focused on research activities. In particular, in 2020, employees of the Department of Sustainable Development and Internal Communications of JSC "Ukrzaliznytsia" carried out a number of joint activities with leading museums and research institutions of Ukraine. The events were held both online and offline - subject to all necessary quarantine restrictions.

In particular, on April 23, 2020 JSC "Ukrzaliznytsia" together with Luhansk Taras Shevchenko National University (Starobilsk, Luhansk region) and the National Union of Local Historians of Ukraine held an All-Ukrainian scientific-practical local lore conference "Luhansk region: local history research" section on the history of the railway

depression of the region.

On May 28-30, 2020, the Company's employees took part in the XIV All-Ukrainian Scientific and Practical Conference "Ukrainian Technical Museum: History, Experience, Prospects" (Kamianets-Podilskyi), which was dedicated to the 130th anniversary of the Kamianets-Podilskyi State historical museum-reserve.

On October 23, 2020 JSC "Ukrzaliznytsia" together with the Horlivka Institute of Foreign Languages (Bakhmut, Donetsk region), CCI "Bakhmut Museum of Local Lore" and the National Union of Local Historians of Ukraine held an All-Ukrainian scientific and practical conference "Local History Studies: Bakhmut Antiquities:

On October 28-30, 2020, the Company's employees took part in the XIX All-Ukrainian Scientific Conference "Current Issues in the History of Science and Technology" (Kyiv), organized by the Association of Technical Museum Workers of the Institute of Research of Scientific and Technical Potential and History of Science named after H.M. Dobrov of the National Academy of Sciences of Ukraine, the National Historical and Architectural Museum "Kyiv Fortress" and the State Polytechnic Museum at NTUU "KPI".

A number of unique reports on the development of historical rolling stock and the architecture of the Ukrainian railways were presented at these conferences, which took place online. As a result of the events, collections of conference proceedings were published, as well as their subsequent reprinting in industry periodicals. The obtained material was the basis for future project activities of JSC "Ukrzaliznytsia" to revitalize historical heritage sites and establish relations with key beneficiaries in this area.

Participation of JSC “Ukrzaliznytsia” executives in conferences

On February 27, 2020, the conference "Ukrainian Railways: Development and Investment - 2020" was held. During the event, many problematic issues related to the activities of JSC "Ukrzaliznytsia" were discussed, namely: prospects for liberalization of the railway market, the formation of a competitive environment and the entry of new players - private locomotive operators, investment conditions in rolling stock and locomotive traction, the situation in car and locomotive construction, the pricing policy of manufacturers, the payback period of investments, etc.

On October 20-22, 2020, Frantisek Bures, Member of the Board of JSC “Ukrzaliznytsia”, and Acting Member of the Board of the Company Oleksandr Pertsovskiy took part in the opening of the International Specialized Exhibition Rail EXPO 2020, the main theme of which was the possibility of rapid recovery of the railway industry and the development of industrial potential of the country.

O. Pertsovskiy stated:

"The year was difficult for the railway, but the fact that the exhibition is taking place and is sold out, shows that the market believes in the further development of the industry and manufacturers are ready to quickly return to full production capacity. In 2021, manufacturers will feel that this will be a year of record investment: we have a very ambitious program to restore cars and traction. That's why the production capacities of the railway itself are loaded to the maximum, but there will definitely be a place for production cooperation as well".

F. Bures emphasized:

"I really want to see Ukrainian companies in cooperation with world manufacturers among our traction suppliers. But such cooperation is in the hands of Ukrainian producers themselves. For Ukrzaliznytsia and world producers, the quality of local products comes first. Without it, no world producer will enter the Ukrainian

market, without it, Ukraine will not receive new technologies and jobs".

Railwayman's Day 2020

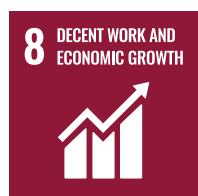
As part of the celebration of Railwayman's Day on November 4, 7 and 8, 2020, Ukrzaliznytsia provided free admission to the Museum of the History of the South-Western Railway, the Museum of the History of the Lviv Railway and the Exhibition of Historical Rolling Stock at Kyiv-Pasazhyrskiy station. Fascinating expositions from unique exhibits of the history of steel highways of Ukraine for a century and a half of their operation were presented to the attention of visitors, including samples of equipment, design documentation and personal belongings of prominent railwaymen. The museums worked in compliance with the requirements of quarantine and taking into account the specific epidemiological situation in the regions.

150th anniversary of the South-West and Odesa railways

On June 07, 2020, JSC “Ukrzaliznytsia” celebrated the 150th anniversary of the founding of the South-West Railway. On the occasion of the holiday, ceremonial events and awards were held for employees of the regional branch. Unfortunately, the wide program of celebrations was affected by nationwide quarantine restrictions, which led to some events being moved online. In particular, a congratulatory video about the history of the railway was released and a holiday issue of the corporate newspaper was published.

On December 04, 2020, the Odesa Railway regional branch celebrated its 155th anniversary. As part of the festivities, a quiz on the history of its highway was held among the Odesa railwaymen in the chatbot “Buksa. Railwayman Assistant”, as well as a jubilee historical film. According to the results of the quiz, the winners were awarded valuable gifts from the leadership of the regional branch of "Odesa Railway".

Interaction with stakeholders



Sustainable development of the Company taking into account the needs of society involves building a system of fruitful interaction with key stakeholders - public authorities and local governments, employees, the media. Such interaction aims to create a favorable and impartial regulatory and information environment for doing business in full compliance with the law on the one hand, and taking into account the needs of stakeholders on the other.

Principles of interaction

Interaction of

JSC "Ukrzaliznytsia" with stakeholders is based on key principles:

Significance - the Company clearly understands who its stakeholders are and what stakeholder interests are important to it

Openness - the Company provides comprehensive and accurate information about its activities and uses various

forms and methods of informing and receiving feedback

Completeness - the Company understands the information needs and concerns of stakeholders and provides information in full to understand the essential issues of activity, as well as prospects for development

Reaction - the Company responds in a timely manner (by informing or making appropriate changes to its activities) to significant issues that arise both before stakeholders and before the Company itself.

Interaction with the authorities

Systematic development of interaction with state and local authorities

Protecting the interests of the railway industry and the Company at the state level during the transformation in the economic and political crisis in the country and the world caused by the COVID-19 pandemic requires a systematic approach to building the Company's reputation and relationships with central and local governments.

That is why in 2020 JSC "Ukrzaliznytsia" for the first time introduced the position of Director of Relations with public authorities.

Interaction with public authorities

Ukrzaliznytsia builds its relations with state authorities on the basis of openness and legality. The company regularly informs the authorities about development plans and financial, economic and production results in accordance with the requirements of current legislation.

The main objectives of cooperation with public authorities at the national level are to protect the interests of the railway industry and the Company during the preparation of new laws and regulations, support strategic initiatives of Ukrzaliznytsia at the national level and ensure information openness of the Company to ensure sustainable development.

Key issues, which were in the focus of JSC "Ukrzaliznytsia" in terms of cooperation with public authorities in 2020 - excessive tax burden, including land tax, state regulation of tariffs for freight, huge debts from ministries and local governments for passenger transportation privileged categories, the lack of comprehensive state support for the development of Ukrzaliznytsia and the

restrictions caused by the COVID-19 pandemic.

The main factor influencing the result of Ukrzaliznytsia's work in 2020 was the COVID-19 pandemic. It has led to the cessation of passenger traffic and a significant restriction on freight traffic. Under the conditions of adaptive quarantine at the initiative of JSC "Ukrzaliznytsia", the Ministry of Infrastructure of Ukraine delegated decisions on quarantine restrictions on vehicles and railways in the regions of the "red" zone to the level of regional commissions on man-made environmental safety and emergencies. This allowed for limited restrictions on traffic in some regions with a red level of coronavirus infection and to maintain the stability of traffic in other regions of the country.

Interaction with local governments

Ukrzaliznytsia seeks to satisfy the interests of society and to contribute to the economic and social development of Ukraine in general and the territories in which the Company operates in particular. One of the key tasks is to reach a compromise between the social function that Ukrzaliznytsia is aware of and performs in the field of passenger transportation and the economic feasibility of such transportation, as the primary task of JSC "Ukrzaliznytsia" is the profitability of all activities in the interests of Ukraine.

According to the Charter of the Railways of Ukraine, the issues of organization and payment of suburban transportation are resolved in close cooperation with local authorities and self-government. Such interaction is based on the principles of partnership and responsibility in the organization of suburban train traffic and full compensation to the carrier for its costs for the carriage of passengers of privileged categories.

In 2020, the focus of work with local governments was aimed at fully providing in the budgets of local communities for 2021 funds to compensate for the costs of the

Company for the transportation of privileged categories of passengers. Negotiations were conducted with all local governments that have such obligations to the Company. At the same time, Ukrzaliznytsia tried to enlist the support of local governments. The issue of reducing land tax rates was also raised.

The main results of the Company's activities in the field of management of relations with public authorities in 2020

• Attracting state funding for the development of Ukrzaliznytsia.

Through systematic work at all levels of government for the first time during the years of Ukraine's independence, the budget of Ukraine for 2021 provides funds in the amount of over UAH 4 billion for the renewal of rolling stock for passenger transportation and modernization of railway infrastructure for the development of passenger transportation. This will allow Ukrzaliznytsia to look more confidently into the future, given the challenges it faces.

For this purpose, profile specialists and managers of the Company defended the Company's position at the meetings of the Transport, Budget Committees and the Tax and Customs Policy Committee of the Verkhovna Rada of Ukraine.

• Work on the abolition of land tax for railway land.

Prior to the adoption of amendments to the Tax Code of Ukraine, when approving the budget of Ukraine for 2021 with the participation of people's deputies of Ukraine, proposals were made on draft amendments to these documents in terms of protecting the interests of the railway.

The project provided for the abolition of land tax for lands of railway transport. Such changes are projected to save the Company almost UAH 4 billion.

These changes were supported by the Transport Committee and the Committee

on Tax and Customs Policy, but for reasons beyond the Company's control, the bill was not supported by the deputies in the first reading in the Verkhovna Rada.

- **Work on amendments to the Procedure for normative monetary valuation of lands of settlements.**

With these changes, Ukrzaliznytsia should get rid of the obligation to overpay the triple coefficient when determining the normative monetary valuation of land plots. This would save about UAH 1 billion of the Company's funds. With the participation of Ukrzaliznytsia, changes were developed in accordance with this procedure, which were agreed with the interested central executive bodies and signed by the Minister of Economic Development, Trade and Agriculture of Ukraine. However, for reasons beyond the Company's control, this Procedure was not registered by the Ministry of Justice of Ukraine and revoked.

- **Initiated the creation of a fund for the development of railway transport.**

Ukrzaliznytsia has submitted proposals to the Ministry of Infrastructure of Ukraine to provide in the budgets of Ukraine in the coming years comprehensive funding for infrastructure upgrades and rolling stock at the expense of budget funding. This fund should accumulate budget funds directly for the renewal of Ukrzaliznytsia's infrastructure and would allow the Company to plan the use of its own funds more rationally. The Ministry of Infrastructure of Ukraine has initiated the development of a comprehensive bill on this issue with the participation of the European Bank for Reconstruction and Development (EBRD). Specialists in the field of cooperation with the authorities took part in meetings with IMU and the EBRD and held talks with consultants of this project - Ernst & Young Ukraine, one of the world's largest international consulting audit companies. Work is currently underway.

- **Entering the market of direct contracts for the purchase of electricity.**

On February 25, 2021, for the first time, Ukrzaliznytsia abandoned intermediaries and purchased electricity directly from the producer – “NNEGC “Energoatom” SE. For this purpose, draft regulations on direct purchases of electricity from “NNEGC “Energoatom” SE have been prepared. This model will allow the Company to save up to UAH 2 billion annually. The implementation of this task was achieved in close cooperation with the Ministry of Energy of Ukraine, “NNEGC “Energoatom” SE and work in government committees dedicated to this issue.

- **Cooperation with relevant Ukrainian and national associations and structures.**

JSC "Ukrzaliznytsia" actively cooperates with public structures, in particular, with the American Chamber of Commerce in Ukraine, the European Business Association, the Federation of Employers of Ukraine, the Ukrainian Union of Industrialists and Entrepreneurs. Such work allows to involve authoritative public institutions in support of railway transport reform and changes to the legislation initiated by the Society.

- **Plans for 2021 and a medium-term perspective in the field of management relations with public authorities**

Amendments to regulatory documents remain the key areas of work in 2021.

- Work will continue on amendments to the Procedure for normative monetary valuation of lands of settlements, which was launched in 2020. The implementation of changes to this normative document is projected to reduce the Company's costs and allow to direct funds to the modernization of rolling stock and infrastructure, increase the comfort and reliability of transportation.
- The development of normative and legal documents on the establishment of the Fund for the Development of Railway Transport with the inclusion of excise tax paid by the Company will continue.

- Work will continue to reduce the tax burden on the budget of JSC "Ukrzaliznytsia". In the medium term, this will help increase investment in improving customer service and strengthening social guarantees for the company's employees.
- Another vector of efforts in cooperation with public authorities is to reach an agreement with the Ministry of Education of Ukraine to increase compensation for preferential transportation of students of higher education institutions and students of professional (vocational) educational institutions.

Interaction with the media

JSC "Ukrzaliznytsia" is the largest employer and one of the largest taxpayers in Ukraine and is clearly aware of its responsibility to society. The company strives to conduct its activities transparently and openly communicate with stakeholders, cooperating with the media.

During 2020, the Department of Information Policy and Public Relations of JSC "Ukrzaliznytsia" processed about 550 written requests from the media, organized about 20 events for the media and other stakeholders (press conferences, briefings, pressures).

In 2020, the media had almost 68 thousand mentions of the Company's activities, including television - about 2.1 thousand, radio - more than 800, print media - almost 2 thousand, social networks - about 123 thousand (Facebook - more than 99.5 thousand, Twitter - more than 10.7 thousand, Instagram - almost 11.2 thousand, Youtube - more than 1.8 thousand), Internet - almost 62.7 thousand.

At the same time, about 88% of mentions were positive or neutral and only 12% were

negative. Compared to 2019, the share of negative mentions in 2020 decreased by 5% (12% vs. 17%).

Interaction with staff

According to the Company's Strategy until 2023, JSC "Ukrzaliznytsia" must undergo a significant transformation on the model of the world's best companies, get rid of unusual functions and focus on specialized activities - the organization of reliable passenger and freight traffic. Transformation into a profitable business with a stable business model, a decent level of remuneration for all employees is impossible without the support of staff as one of the key stakeholders of the Company.

Ukrzaliznytsia, as a responsible employer, strives at every stage of change to directly, easily and honestly inform the Company's employees about the reforms, the logic of decisions made, and the main goal of the reform - to restore stability and confidence in the future.

Creation and centralization of the function of internal communications

To ensure effective communication with staff in 2020 in the Department of Sustainable Development and Internal Communications of JSC "Ukrzaliznytsia" was launched and centralized reputation management, internal communications and brand functions of the employer.

The opening of positions of internal communications managers in all regional branches has been initiated. Communications managers prepare dozens of regional news on critical topics for employees, monitor moods in teams, organize research on reputation and social climate in teams, develop feedback channels.

As part of the development of the internal

communications system, the development and implementation of internal communications standards continues: internal communications strategies, internal communications policies, anti-crisis communication algorithms, information collection and cascading system for internal communications, etc.

Creation of channels of operative informing of workers

In order to promptly inform employees about the Company's reform process, as well as the situation related to the COVID-19 pandemic, Ukrzaliznytsia has created new channels for informing employees: channels in Telegram and Viber, Facebook pages, implemented electronic newsletters in the internal document management system. information boards in office buildings.

An information portal for employees has been created, on which the Company's internal corporate and regional news are accumulated.

Also in 2020, the introduction of a digital channel for communication with staff began - chatbot "Buksa. Railwayman assistant". This is a free, internal communication channel available to every employee, working in Viber and Telegram messengers. The channel delivers corporate news, conducts surveys, answers the most popular questions, provides registered users with discounts on the purchase of goods and services, etc. The introduction of a chatbot has become an alternative to the Magistral newspaper, which was distributed by subscription and liquidated in December 2020. This allows the Company to save about a million hryvnias.

Creating feedback channels in communication with staff

In 2020, Ukrzaliznytsia established the Anti-Crisis Communication Headquarters for the first time. The members of the headquarters promptly exchange information on crisis issues that concern employees on the ground, influence the planning and implementation of internal communications in all regions of the Company's presence.

On the portal for employees the feedback channel "To people" is created. Every employee with access to the Internet can ask questions through a special form, and provided contacts for feedback and / or in the news on the portal to get an answer to your question.

In November 2020, the first in the history of Ukrzaliznytsia study of the reputation of the employer, the state of awareness of staff and the social climate. The results of research and monitoring the mood of employees are taken into account by management in making management decisions.



Buksa.

Railwayman assistant

virtual employee of the
Department of Sustainable
Development and Internal
Communications





OUR FINANCIAL RESULTS

Independent auditor's report



Translation from Ukrainian original

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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 2020, 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 2020 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), and comply with the requirements for the preparation of financial statements established by Law of Ukraine "On accounting and financial statements in Ukraine" No. 996-XIV.

Basis for qualified opinion

- (i) As disclosed in Note 2 to the consolidated financial statements, certain assets and liabilities of the Group are located in, or otherwise associated with the Autonomous Republic of Crimea and certain territories of Donetsk and Lugansk regions temporarily not controlled by the Ukrainian authorities. In addition, the Group is not considered the legal successor for these assets and liabilities before completion of required statutory legal succession proceedings. There is an uncertainty in respect of timing of the legal succession and the ultimate valuation of the assets and liabilities to be succeeded to the Group as a result of that statutory legal proceedings.

We were unable to obtain sufficient appropriate audit evidence in respect of assets of uncontrolled territories of UAH 13,662,100 thousand and liabilities of uncontrolled territories of UAH 5,213,057 thousand as at 31 December 2020 (2019: UAH 13,661,086 thousand and UAH 5,207,728 thousand, respectively) disclosed in Note 2 to the consolidated financial statements.

- (ii) As disclosed in Notes 6 to the consolidated financial statements, the Group applies revaluation model to its property, plant and equipment starting from 1 December 2015. At that date, 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.

In addition, IAS 16 Property, Plant and Equipment requires, that revaluations shall be made with sufficient regularity to ensure that the property, plant and equipment's carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. In presence of information, which indicates that the fair value of property, plant and equipment as at 31 December 2020 and 2019 could materially differ from their carrying amount, no revaluation has been performed by the Group as at 31 December 2020 and 2019, which is not in compliance with IAS 16 Property, Plant and Equipment.



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The effect of this departure from IFRS on the carrying value of property, plant and equipment and related deferred tax effects as at 31 December 2020 and 2019, as well as on depreciation and impairment charges, gain/loss on disposals of property, plant and equipment and deferred tax charges for 2020 and 2019 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' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Ukraine, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

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 this matter.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

| Key audit matter | How our audit addressed the key audit matter |
|--|---|
| Compliance with debt covenants | |
| In accordance with the terms of certain loans and Eurobonds issued, the Group should comply with certain financial and non-financial covenants. Potential breaching covenants under one of the loan agreements may lead to cross-default under other loan agreements. The potential acceleration of debt repayments caused by the breaches of covenants may have impact on the classification of interest-bearing loans and borrowings in the consolidated statement of financial position and on the going concern assumption used in the preparation of the consolidated financial statements. For these reasons, we considered compliance with debt covenants to be a key audit matter. | We inspected the terms of loan agreements, including covenant ratios and event of default definitions. We analysed the terms of the debt restructuring and waivers provided by lenders. We evaluated management's calculations of the covenant ratios and paid special attention to the classification of specific and exceptional items included in and excluded from the ratios. We assessed the classification of interest-bearing loans and borrowings as current or non-current liabilities. We analyzed the information on compliance with debt covenants disclosed in the consolidated financial statements. |
| Information on compliance with covenants is disclosed in Note 18 to the consolidated financial statements. | |



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Other information included in the Integrated Report of JSC "Ukrainian railways" and Annual Information of the Issuer of Securities for 2020

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 2020, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Integrated Report of JSC "Ukrainian railways" and the Annual Information of the Issuer of Securities are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibilities of management and the Supervisory Board for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is 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.



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- ▶ 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, actions taken to eliminate threats or safeguards applied.

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.



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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 6 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 30 March 2021 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

31 March 2021

Ernst & Young Audit Services LLC is included in the Register of auditors and audit firms, registration number: 3516.

Consolidated statement of financial position

as at 31 December 2020 (in thousands of Ukrainian hryvnia)

| | Notes | 2020 | 2019 |
|---|-------|--------------------|--------------------|
| Assets | | | |
| Non-current assets | | | |
| Property, plant and equipment | 9 | 230,226,016 | 234,555,159 |
| Investments in associates | 10 | 729,058 | 737,122 |
| Other non-current financial assets | 11 | 88,295 | 84,326 |
| Taxes receivable, other than income tax | 15 | 163,972 | 164,064 |
| Prepaid income tax | | 58,445 | 70,661 |
| Deferred tax asset | 21 | 196,847 | 129,813 |
| Assets of uncontrolled territories | 2 | 13,662,100 | 13,661,086 |
| | | 245,124,733 | 249,402,231 |
| Current assets | | | |
| Inventories | 12 | 8,725,561 | 9,129,068 |
| Trade and other receivables | 13 | 570,546 | 656,540 |
| Prepayments | 14 | 94,714 | 332,981 |
| Prepaid income tax | | 112,433 | 113,272 |
| Taxes receivable, other than income tax | 15 | 478,087 | 379,881 |
| Other current financial assets | 11 | 9,759 | 2,014,715 |
| Cash and cash equivalents | 16 | 2,497,546 | 6,981,236 |
| | | 12,488,646 | 19,607,693 |
| Assets held for distribution to owner | 9 | 96,162 | – |
| | | 12,584,808 | 19,607,693 |
| Total assets | | 257,709,541 | 269,009,924 |
| Equity and liabilities | | | |
| Equity | | | |
| Contributed capital | 17 | 229,879,115 | 229,879,115 |
| Additional capital | | 18,905,900 | 18,906,066 |
| Accumulated deficit | | (49,426,445) | (36,999,362) |
| | | 199,358,570 | 211,785,819 |
| Non-controlling interests | | 30,352 | 30,384 |
| | | 199,388,922 | 211,816,203 |
| Non-current liabilities | | | |
| Interest-bearing loans and borrowings | 18 | 18,336,587 | 18,149,798 |
| Lease liability | 19 | 1,545,435 | 1,931,848 |
| Defined benefit liability | 20 | 3,588,929 | 3,186,892 |
| Deferred tax liability | 21 | 42,716 | 19,630 |
| Liabilities of uncontrolled territories | 2 | 5,213,057 | 5,207,728 |
| | | 28,726,724 | 28,495,896 |
| Current liabilities | | | |
| Interest-bearing loans and borrowings | 18 | 16,398,153 | 14,498,640 |
| Lease liability | 19 | 419,500 | 434,396 |
| Trade and other payables | 22 | 8,681,867 | 9,714,077 |
| Contract liabilities | | 1,680,392 | 1,936,973 |
| Income tax payable | | 2,572 | 7,857 |
| Taxes payable, other than income tax | 23 | 1,128,578 | 888,779 |
| Provisions | 24 | 1,282,833 | 1,217,103 |
| | | 29,593,895 | 28,697,825 |
| Total liabilities | | 58,320,619 | 57,193,721 |
| Total equity and liabilities | | 257,709,541 | 269,009,924 |

Consolidated statement of comprehensive income

for the year ended 31 December 2020 (in thousands of Ukrainian hryvnia)

| | Notes | 2020 | 2019 |
|--|--------|---------------------|---------------------|
| Revenues | | | |
| Cargo revenues | 26 | 65,018,753 | 72,488,806 |
| Passenger revenues | 26 | 4,133,019 | 9,905,795 |
| Other revenues | 26 | 6,139,788 | 7,957,718 |
| Total revenues | | 75,291,560 | 90,352,319 |
| Operating expenses | | | |
| Staff costs | | (41,116,369) | (44,056,208) |
| Depreciation | | (12,786,783) | (12,402,695) |
| Electricity | | (7,596,828) | (8,484,771) |
| Fuel | | (5,455,890) | (8,237,492) |
| Materials, maintenance and repairs | | (4,335,809) | (5,530,092) |
| Tax expenses, other than income tax | 25 | (3,909,367) | (4,229,621) |
| Social expenses | | (381,991) | (543,395) |
| Change in provisions | 24 | (95,348) | (104,091) |
| Change in finished goods and work in progress | | (252,026) | 19,589 |
| Other operating income | 27 | 637,891 | 1,081,671 |
| Other operating expenses | 27 | (2,758,037) | (3,045,621) |
| Total operating expenses, net of operating income | | (78,050,557) | (85,532,726) |
| Operating (loss)/profit | | (2,758,997) | 4,819,593 |
| Finance income | 28 | 190,406 | 259,506 |
| Finance costs | 28 | (4,237,041) | (3,844,992) |
| Other income | 27 | 349,099 | 143,058 |
| Other expenses | 27 | (51) | (918,121) |
| Foreign exchange (loss)/gain, net | 29 | (5,485,530) | 4,325,567 |
| Share of profit of associates | 10 | 7,807 | 78,736 |
| (Loss)/profit before income tax | | (11,934,307) | 4,863,347 |
| Income tax benefit/(expense) | 21 | 34,620 | (1,875,100) |
| (Loss)/profit for the year | | (11,899,687) | 2,988,247 |
| Attributable to: | | | |
| Equity holder of the parent | | (11,899,805) | 2,988,569 |
| Non-controlling interests | | 118 | (322) |
| | | (11,899,687) | 2,988,247 |
| Other comprehensive loss | | | |
| Other comprehensive loss not to be reclassified to profit or loss in subsequent periods (net of tax) | | | |
| Remeasurement losses on defined benefit plans | 20, 21 | (488,308) | (613,571) |
| Share of other comprehensive income of associates | 10 | 10,220 | 55,083 |
| Other comprehensive loss for the year, net of tax | | (478,088) | (558,488) |
| Attributable to: | | | |
| Equity holder of the parent | | (12,377,893) | 2,430,081 |
| Non-controlling interests | | 118 | (322) |
| Total comprehensive (loss)/income for the year, net of tax | | (12,377,775) | 2,429,759 |

Consolidated statement of changes in equity

for the year ended 31 December 2020 (in thousands of Ukrainian hryvnia)

| | Notes | Contributed capital | Additional capital | Accumulated deficit | Total | Non-controlling interests | Total |
|---|-------|---------------------|--------------------|---------------------|--------------|---------------------------|--------------|
| At 1 January 2019 | | 229,879,115 | 18,894,521 | (38,660,688) | 210,112,948 | 4,978 | 210,117,926 |
| Profit/(loss) for the period | | - | - | 2,988,569 | 2,988,569 | (322) | 2,988,247 |
| Other comprehensive loss | | - | - | (558,488) | (558,488) | - | (558,488) |
| Total comprehensive income/(loss) | | - | - | 2,430,081 | 2,430,081 | (322) | 2,429,759 |
| Dividends | 17 | - | - | (765,355) | (765,355) | - | (765,355) |
| Dividends paid to non-controlling interests | | - | - | - | - | (65) | (65) |
| Other changes | 17 | - | 11,545 | (3,400) | 8,145 | 25,793 | 33,938 |
| At 31 December 2019 | | 229,879,115 | 18,906,066 | (36,999,362) | 211,785,819 | 30,384 | 211,816,203 |
| (Loss)/profit for the period | | - | - | (11,899,805) | (11,899,805) | 118 | (11,899,687) |
| Other comprehensive loss | | - | - | (478,088) | (478,088) | - | (478,088) |
| Total comprehensive (loss)/income | | - | - | (12,377,893) | (12,377,893) | 118 | (12,377,775) |
| Dividends | 17 | - | - | (8,641) | (8,641) | - | (8,641) |
| Dividends paid to non-controlling interests | | - | - | - | - | (150) | (150) |
| Other changes | 17 | - | (166) | (40,549) | (40,715) | - | (40,715) |
| At 31 December 2020 | | 229,879,115 | 18,905,900 | (49,426,445) | 199,358,570 | 30,352 | 199,388,922 |

Consolidated statement of cash flows

for the year ended 31 December 2020 (in thousands of Ukrainian hryvnia)

| | Notes | 2020 | 2019 |
|---|-------|--------------------|---------------------|
| Cash flows from operating activities | | | |
| (Loss)/profit before income tax | | (11,934,307) | 4,863,347 |
| <i>Adjustments to reconcile profit before income tax to net cash provided by operations</i> | | | |
| Depreciation | | 12,786,783 | 12,402,695 |
| Impairment losses on associate | | - | 74,276 |
| Impairment of property, plant and equipment | 9 | - | 720,550 |
| Finance costs, net | 28 | 4,046,635 | 3,585,486 |
| (Gain)/loss on disposals of property, plant and equipment | | (339,423) | 79,673 |
| Movements in defined benefit liability and provisions | | (323,955) | (317,844) |
| Allowance for estimated irrecoverable amounts | | 362,549 | 1,349,350 |
| Foreign exchange loss/(gain), net | | 5,854,343 | (4,311,845) |
| Share of profit of associates | 10 | (7,807) | (78,736) |
| Operating profit before working capital changes | | 10,444,818 | 18,366,952 |
| <i>Changes in working capital</i> | | | |
| Trade and other receivables | | (118,056) | (278,706) |
| Prepayments | | 238,267 | (196,139) |
| Inventories | | 1,008,188 | (281,808) |
| Taxes receivable and prepaid, other than income tax | | (81,567) | 433,086 |
| Trade and other payables | | (887,821) | (581,847) |
| Contract liabilities | | (256,581) | (387,489) |
| Taxes payable, other than income tax | | 239,799 | 329,090 |
| Cash generated from operating activity | | 10,587,047 | 17,403,139 |
| Income tax paid | | (17,942) | (1,755,587) |
| Repayment of provisions | 24 | (166,996) | (482,758) |
| Net cash flows from operating activities | | 10,402,109 | 15,164,794 |
| Cash flows from investing activities | | | |
| Acquisition of property, plant and equipment | | (9,221,094) | (9,285,375) |
| Proceeds from disposal of property, plant and equipment | | 21,125 | 37,619 |
| Proceeds from withdrawal / (placement) of deposits | | 2,186,701 | (2,057,881) |
| Interest received | | 200,937 | 243,155 |
| Dividends received from an associates | 10 | 26,084 | 37,297 |
| Purchase of domestic government bonds | | (9,999) | - |
| Acquisition of a subsidiary (acquisition of cash) | 17 | - | 31,669 |
| Net cash flows used in investing activities | | (6,796,246) | (10,993,516) |
| Cash flows from financing activities | | | |
| Proceeds from interest-bearing loans and borrowings | | 23,521,480 | 35,965,166 |
| Repayment of interest-bearing loans and borrowings | | (28,050,365) | (31,068,745) |
| Repayment of lease liability | | (394,741) | (422,358) |
| Interest paid | | (3,412,009) | (2,783,618) |
| Dividends paid to equity holders of the parent | 17 | (9,908) | (118,520) |
| Dividends paid to non-controlling interests | 17 | (144) | (71) |
| Net cash flows (used in)/from financing activities | | (8,345,687) | 1,571,854 |
| Net (decrease)/increase in cash and cash equivalents | | (4,739,824) | 5,743,132 |
| Net foreign exchange difference | | 256,134 | (13,722) |
| Cash and cash equivalents at 1 January | | 6,981,236 | 1,251,826 |
| Cash and cash equivalents at 31 December | | 2,497,546 | 6,981,236 |

Notes to the consolidated financial statements

for the year ended 31 December 2020 (in thousands of Ukrainian hryvnia, unless otherwise indicated)

1. Description of business and the Group's structure

Incorporation and operations of the Company and the Group

Joint stock company “Ukrainian railways” (JSC “Ukrainian Railways” or “the Company”) is a private joint stock company organised under the laws of Ukraine. Prior to 31 October 2018, the Company’s name was Public joint stock company “Ukrainian Railways”, which was registered on 21 October 2015. The Company was created as a result of reorganisation through merger of public service railway enterprises and institutions (“the Reorganisation”) and started 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.

Principal activities of the Group are provision of services for passenger, cargo, baggage and mail transportation in domestic and international routes, access to the railway infrastructure, logistics, repairs and maintenance of rolling stock etc.

The Company is recognised as a natural monopoly on the territory of Ukraine in the area of access to public service infrastructure for railway transportation and railway traffic control function.

Corporate information

The sole shareholder of JSC “Ukrainian Railways” is the State of Ukraine represented by the Cabinet of Ministers of Ukraine acting in capacity of the sole shareholder of the Company. The Cabinet of Ministers of Ukraine manages the corporate rights of the state over

the Company.

The registered address of JSC “Ukrainian Railways” is 5, Jerzy Giedroyc St., Kyiv 03150, Ukraine.

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.

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 2020 | Share as at 31 December 2019 |
|---|---------------------------------|---------------------------------|
| Joint stock company “Ukrainian Railways” | Parent | Parent |
| Private joint-stock company “Dnipropetrovsk Diesel Locomotive Repair Plant” | 100% | 100% |
| Private joint-stock company “Zaporizhzhya Elektric Locomotive Repair Plant” | 100% | 100% |
| Private joint-stock company “Lviv Locomotive Repair Plant” | 100% | 100% |
| Private joint-stock company “Kyiv Electrical Carriage-Repair Plant” | 100% | 100% |
| Private joint-stock company “Korosten Plant Of Railway Sleepers” | 100% | 100% |
| Private joint-stock company “Hnivan Special Reinforced Concrete Plant” | 100% | 100% |
| Private joint-stock company “Transsignal Kyiv Electrical Engineering Plant” | 100% | 100% |
| LLC “UZ Cargo Wagon” | 100% | 100% |
| LLC “Enerho Zbut Trans” | 100% | 100% |
| LLC “Zbut Energy LTD” | 100% | – |
| Private joint-stock company “Insurance Company “Tast Garantiya” (Note 17) | 65.62% | 65.62% |
| Private joint-stock company “Insurance Company “Inter-Policy” | 50.0046% | 50.0046% |

JSC “Ukrainian Railways” consists of six regional branches and 33 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.

In August 2020, “Zbut Energy LTD” LLC was incorporated by the Group. The share capital of LLC “Zbut Energy LTD” will be formed by contributing 100 percent share owned by JSC “Ukrainian Railways” in the share capital of LLC “Enerho Zbut Trans”.

Pricing policy

Cargo and passenger railway transportation in Ukraine is a regulated by government prices and some services that connected with transportation are provided with free market prices. At the same time the Company provides a wide range of auxiliary services and works, manufactures and sells products at unregulated prices in the course of its business activity. Cargo and passenger transportation is subject to the following tariffs regulations:

Tariffs for domestic cargo transportation

– approved by the Ministry of Infrastructure of Ukraine as agreed with the Ministry for Development of Economy, Trade and

Agriculture of Ukraine, the Ministry of Finance of Ukraine and the State Regulatory Service of Ukraine (except for wagon component of tariff for fleet carriages that belong to the carrier JSC “Ukrainian railways” starting from 20 February 2018). Since 20 February 2018, the Company has started setting tariffs for usage the own fleet carriages of the carrier JSC “Ukrainian railways” in accordance with the Board’s decision. Tariffs are denominated in UAH and are mostly adjusted for changes in the amount of overhaul and depot repairs, prices per unit of rolling stock, market trends and demand for railway cars owned by JSC “Ukrainian railways” and changes in the industrial producer price index, which is influenced by changes in exchange rate of UAH against US dollars and Euro, in which the Group’s loan portfolio is denominated.

During 2019, the tariffs for domestic cargo transportation have been increased by 14.2% since 30 March 2019 according to the Order No. 205 About Changes in Indexes that are Applied for Tariffs from Listing of Tariffs for Domestic Cargo Transportation by Railroad and Related Services dated 22 March 2019, issued by the Ministry of Infrastructure of Ukraine. During 2020, there were no other changes in tariffs for domestic cargo transportation.

In 2019, according to the resolution of the Management Board of JSC “Ukrainian railways” dated 17 April 2019 and 6 September 2019, the tariffs for carriages that belong to JSC “Ukrainian railways” have been updated (effective from 20 May 2019 and from 13 October 2019, respectively). During 2020, number of measures regarding changes of tariff policy were implemented, in particular: (i) the tariffs for particular carriages that belong to the carrier JSC “Ukrainian railways” have been revised; (ii) new tariff for usage of own piggyback flatcars has been established; (iii) the tariff for loading of carriages that belong to JSC “Ukrainian railways” has been set.

Starting from January 2021, the Group has

implemented monthly reviews of payment rates for the use of own cars of the carrier JSC “Ukrainian railways” using a marginal approach based on the utilisation level of the wagons of JSC “Ukrainian railways”. According to the results of such an analysis, the fee rate may fluctuate by up to UAH 100.

Tariffs for domestic transportation of passengers and baggage are approved in accordance with the resolution of the Cabinet of Ministers of Ukraine No. 1548 On Establishing the Powers of Executive Bodies and Executive Bodies of City Councils to Regulate Prices (Tariffs) dated 25 December 1996 by the Ministry of Infrastructure of Ukraine as agreed with the Ministry of Economic Development and Trade of Ukraine, the Joint Representative Body of the Representative All-Ukrainian Trade Unions, the Joint Representative Body of employers at the national level and the State Regulatory Service (except for 1st class cars of Intercity+ trains). The tariffs are denominated in Ukrainian Hryvnia.

The current tariffs (except for 1st class cars of Intercity+ trains) were approved by the order of the Ministry of Infrastructure dated 20 April 2018 № 184 On Approval of Tariffs for Transportation of Passengers, Luggage and Baggage by Rail in Domestic Traffic. During 2020-2019, there were no changes in tariffs for domestic transportation of passengers, luggage and baggage.

Tariffs for passenger transportation in the first class of Intercity+ trains are removed from state regulation and established by the decision of the Board of JSC “Ukrainian railways” in accordance with the resolution of the Cabinet of Ministers of Ukraine No. 1548 On Establishing the Powers of Executive Bodies and Executive Bodies of City Councils to Regulate Prices (Tariffs) dated 25 December 1996.

The Management Board of JSC “Ukrainian railways” approved growth of tariffs in the cars of the 1st class of trains Intercity+ as follows: in 2019, the cost of passenger

transportation increased by 17% from May 1, 2019 and by 17% from July 1, 2019. From November 1, 2020, tariffs were reduced by 15%.

Tariffs for international cargo transportation – regulated by special Tariff Policy, which is annually approved at the Tariff Coordinating Conferences, denominated in Swiss Francs, US Dollars or Euro and implemented by the corresponding order of the Ministry of Infrastructure of Ukraine. During 2020-2019, there were no adjustments to the above tariffs.

Tariffs for international transportation of passengers and baggage – established in accordance with the Agreement on the Interstate Passenger Tariff and the Interstate Passenger Tariff, which entered into force on 1 June 1997. This agreement stipulates that each of the state administrations has the right to set an increasing or decreasing index to the basic fares in terms of ticket part for the passenger transportations on its territory, to the tariffs for the baggage transportation on its territory and to the seat tariffs for own railcars for the entire train route as well as set service rates.

Tariffs for the railway passenger transportation in international traffic are agreed in accordance with the resolution of the Cabinet of Ministers of Ukraine of 25 December 1996 No. 1548 On Establishing the Powers of Executive Bodies and Executive Bodies of City Councils to Regulate Prices (Tariffs).

Tariffs for international passenger transportation with the CIS countries are determined by the Order No. 306 of the Ministry of Transport and Communications of Ukraine On the Establishment of Tariffs for Transportation of Passengers, Luggage and Baggage by Rail in International Traffic dated 19 March 2008. This order set basic tariffs in Swiss francs and the indexation coefficients to the basic cost of a ticket on the territory of Ukraine and for seat tariffs for the own railcars for the entire train route.

During 2019, indexes for the basic cost

of a ticket and seat tariffs for interstate passengers have been adjusted for the calendar periods of year according to the Order dated 25 March 2019 No. 208 About Changes of Tariffs for Transportation of Passengers, Luggage and Baggage by Rail for Interstate Traffic, issued by the Ministry of Infrastructure of Ukraine. During 2020, there were no changes in tariffs for international transportation of passengers and baggage.

International passenger transportation with European countries is carried out in accordance with the Special Conditions of International Carriage (SCIC) – for the travel according to the travel tickets in the East-West direction (EWT) and the Agreement on International Passenger Services. In accordance with these regulations of international transportation in European countries, each of the carriers of the country travelled through sets a fare on its territory for base cost of a ticket and seat tariffs of its formation, which are set in Euros and calculated in the national currency on the date of registration of the travel document.

Tariffs for international transportation in European countries are established by the Order No. 633 On Approval of Tariffs for Transportation of Passengers and Luggage by Rail in International Transportation in East-West direction dated 23 October 2012 issued by the Ministry of Infrastructure of Ukraine.

During 2020-2019, there have been no changes in tariffs for transportation of passengers, luggage and baggage in the international East-West direction.

2. Operating environment, risks and economic conditions in Ukraine

Operating environment in Ukraine and COVID-19 outbreak impact

The Group conducts its operations in Ukraine. During last years, the Ukrainian economy started to demonstrate certain signs of recovery and growth following the significant decline in 2014-2016. The main constraints affecting the economic development are still 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 and low level of capital inflow. Until the breakout of the coronavirus disease (COVID-19) in the first quarter 2020, the real GDP has been growing by 2.4%-3.4% annually, and annual inflation has been decreased from 9.8% in 2018 to 4.1% in 2019.

Starting from March 2020, Ukraine and other countries have taken quarantine and other measures to prevent the coronavirus outbreak, which had and continue to have a significant effect on the overall business scale. In particular, during 2020, the real GDP in Ukraine dropped by 4% comparing to 2019, and the inflation fastened up to 5%. In December 2020, the industrial producer prices increased by 14.5% in comparison with December 2019. These above measures led to Ukrainian transportation industry decline in 2020: overall cargo turnover decreased 14.4% comparing to 2019, while the overall passengers turnover fell by 54.2%.

The worsening of the economic situation in Ukraine, among other things due to the COVID-19 outbreak, led to Ukrainian hryvnia ("UAH") devaluation against the foreign currencies: the official exchange rate as at 31 December 2020 was

USD/UAH 28.27 comparing to USD/UAH 23.69 as at 31 December 2019 (31 December 2018: USD/UAH 27.69). In an effort to offset the negative impact of the COVID-19 pandemic on Ukrainian economy, the National Bank of Ukraine ("the NBU") gradually reduced the key policy rate from 13.5% p.a., effective from 13 December 2019, to 10% p.a. starting from 13 March 2020 and further – to 6% p.a. effective from 11 June 2020. At the beginning of March 2021, the NBU set up the key policy rate as 6.5% p.a.

Among the restrictions and quarantine measures implemented starting from March 2020, there have been specific measures with direct impact on the Group's operations, namely:

- According to the order of the Cabinet of Ministers of Ukraine No. 288-r, since 17 March 2020, the Group temporarily suspended international railways passenger traffic. Under this order, certain state border crossing points have been temporarily closed.
- According to the Order of the Cabinet of Ministers of Ukraine No. 215, since 18 March 2020, the Group temporarily suspended domestic passenger railways traffic of all types (suburban, urban, regional and long-distance).

The Group resumed its passenger traffic on 1 June 2020. The suspension of the railway passenger traffic during the mentioned period together with other passengers restrictions led to decline in total railway passenger turnover in Ukraine during 2020 by 62.4% comparing to 2019 and to decrease in the Group's passenger revenues, accordingly.

The outbreak of COVID-19 and related economic downturn led to decrease in total railway cargo turnover in Ukraine during 2020 by 3.4% comparing to 2019 and to decrease in the Group's cargo revenues, accordingly.

In addition, during 2020, as a result of Ukrainian hryvnia's devaluation against foreign currencies the Group

incurred net foreign exchange loss of UAH 5,485,530 thousand (2019: net foreign exchange gain of UAH 4,325,567 thousand), mainly related to the Group's loans and borrowings denominated in foreign currencies.

Further results of the Group's activities will depend on the future development of the situation with the COVID-19 spread and the timeline of the economic recovery in Ukraine. The Group management monitors the developments of these events and takes measures to prevent any negative impact to the extent possible.

Assets and liabilities of uncontrolled territories

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 2020 and 2019. 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 2020 and 2019 years.

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 2020 and 2019 on the balance sheet of Regional branch "Donetsk railway" (RB "Donetsk railway"). The Group had only adjusted interest-bearing loans and borrowings, as well as lease liabilities of the uncontrolled territory as at 1 January 2016. No subsequent adjustments to the above financial liabilities were made after this date.

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 that 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.

Despite the military aggression the Group was able to secure railway transportation involving the temporarily occupied territories of Donetsk and Luhansk until 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 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 no significant changes in the composition of assets and liabilities of uncontrolled territories during 2020.

Thus, as at 31 December 2020, the value of assets and liabilities of uncontrolled territories amounted to UAH 13,662,100 thousand and UAH 5,213,057 thousand respectively (2019: UAH 13,661,086 thousand and UAH 5,207,728 thousand, respectively). At the same time, a significant part of the liabilities of uncontrolled territories were interest-bearing loans and borrowings in the amount of UAH 3,663,995 thousand, as well as liabilities under lease agreements in the amount of UAH 807,487 thousand.

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 2020, rail cargo transportation turnover amounted to about 79.5% of the total cargo traffic in Ukraine (excluding pipelines), in 2019 – about 77.6%; railway passenger transportation turnover amounted to 21.8% and 26.5% of the total passenger turnover, respectively. The

Group counts on the Government support, if required, which may include, but not limited to, additional increase in tariffs, facilitation of granting the state guarantees for new loans, obtaining of loans from state-owned banks, additional cash contributions from the state.

According to the Law of Ukraine dated 15 December 2020 No. 1158-IX On the State Budget for 2021, there have been provided for UAH 4,030,879 thousand in direct budget financing to the Group for the procurement of passenger railcars and for infrastructure modernisation and electrification projects.

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 2020 the Group’s current liabilities exceeded current assets by UAH 17,105,249 thousand (31 December 2019: UAH 9,090,132 thousand). This position is caused by the upcoming current portions of long-term interest-bearing loans and borrowings maturity and UAH devaluation against the foreign currencies caused by the economic downturn during 2020 as described above. As at 31 December 2020 and 2019, the carrying amount of current interest-bearing loans and borrowings comprised UAH 16,398,153 thousand and UAH 14,498,640 thousand, respectively.

In March 2021, the Group repaid timely and in full the portion in the amount of USD 50 million of outstanding principal amount of Eurobonds together with the related coupon payment (Note 34).

To improve the financial results of the Group’s activities, the measures are taken by management as follows:

- Starting from July 2020, a part-time four-day working week has been introduced for the

certain Group's employees to reduce staff costs.

- The amount of management salaries was limited to a level not exceeding UAH 47,230 during April-September 2020 as established by the relevant resolution of the Cabinet of Ministers of Ukraine.
- Measures are held for operating costs optimisation by organising the procurement of materials, goods and services through the system of transparent and competitive online auctions, as well as prioritising the Group's expenditures.
- The Group continues to take measures to reduce the land tax burden on the Group by ongoing negotiation with Ukrainian Government and other Ukrainian authorities.
- Management develops initiatives regarding the tariff system improvement, in particular, related to the automatic indexation of the part of the regulated tariff for the rail freight adjusted by the producer price index.
- Management continues to improve the Group's operating effectiveness in term of utilisation of the property, plant and equipment and develops sales mechanisms with the customers to respond to their specific needs in terms of both cargo and passenger railway transportation.
- Developing the plans of the scrap metal and non-core property surplus sales in order to obtain additional cash inflows.

Management continues pursuing options to refinance the current portion of the Group's interest-bearing loans and borrowings.

Among the options for debt management, the Group considers placement of a new issue of Eurobonds in 2021 and takes actions to obtain the necessary approvals, including those from other lenders and Ukrainian state bodies. In addition, management is working on attracting borrowings with favorable debt terms comparing to the existing one from alternative commercial sources, namely from Ukrainian and international banks. 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.

Debt management combined with new funds raising and measures to improve operating results will further have positive impact on timely obligations settlements, enable capital investments and maintain sustainability of the Group's operating activities in the foreseeable future.

3. 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 ("UAH thousand") 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.

4. Changes in accounting policies and disclosures

The accounting policies adopted in 2020 are consistent with those of the previous financial year, except for presentation of interest paid and dividends paid in the consolidated statement of cash flows as described below and for the new and amended IFRS adopted with effect from 1 January 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Voluntary change in presentation of the interest paid and dividends paid

The Group has re-assessed its accounting policy for presentation of interest paid and dividends paid in the consolidated statement

of cash flows. The Group has previously presented the interests paid and dividends paid within cash flows from operating activities. Starting from 1 January 2020, the Group elected to change the presentation of interest paid and dividends paid in the consolidated statement of cash flows and to present these payments within cash flows from financing activities. The Group believes that such presentation provides more relevant information to the users of the consolidated financial statements as it is more aligned to practices adopted by the companies within the railway industry and the Ukrainian state-owned companies.

The Group has applied this change in presentation retrospectively. The change in the presentation was corrected by recalculation of line items affected of the consolidated statement of cash flows for the previous period as follows:

| Line | Year ended 31 December 2019 as previously reported | Effect of the voluntary change in presentation | Year ended 31 December 2019 |
|---|---|---|--------------------------------|
| Cash flows from operating activities | | | |
| Interests paid | (2,783,618) | 2,783,618 | – |
| Dividends paid to equity holders of the parent | (118,520) | 118,520 | – |
| Dividends paid to non-controlling interests | (71) | 71 | – |
| Net cash flows from operating activities | 12,262,585 | 2,902,209 | 15,164,794 |
| Cash flows from financing activities | | | |
| Interests paid | – | (2,783,618) | (2,783,618) |
| Dividends paid to equity holders of the parent | – | (118,520) | (118,520) |
| Dividends paid to non-controlling interests | – | (71) | (71) |
| Net cash flows from financing activities | 4,474,063 | (2,902,209) | 1,571,854 |

New and amended standards and interpretations

The following new interpretations, amendments and improvements have been adopted by the Group for the first time to the financial reporting periods commencing or after 1 January 2020:

- Amendments to IFRS 3 Definition of a Business;
- Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform;
- Amendments to IAS 1 and IAS 8 Definition of Material;
- Conceptual Framework for Financial Reporting;
- Amendments to IFRS 16 Covid-19 Related Rent Concessions.

The adoption of the interpretations, amendments and improvements has no material impact on the consolidated financial statements of the Group.

5. 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 the Group

Consolidated financial statements include the assets and liabilities located or otherwise associated with the temporarily occupied territory of the Autonomous Republic of Crimea, as well as with non-government controlled areas of Donetsk and Luhansk regions. The details on the accounting approach for these items are provided in Note 2. The above approach is based on the regulatory framework related to these assets and liabilities, issued by relevant State authorities. Therefore, it was considered during the preparation of the consolidated financial statements.

• Impairment of property, plant and equipment

At the end of each reporting period the Group assesses whether there is any indication that an asset may be impaired. This assessment implies significant judgments. In 2019, there were identified some items of property, plant and equipment with indicators for impairment and for which individual impairment was recognized (Note 9). Management has not identified indicators of impairment of property, plant and equipment and has not performed an impairment test as at 31 December 2020.

Estimates

• Provision for expected credit losses (ECL) of trade and other receivables

The Group uses a provision matrix to calculate ECLs for trade and other receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates 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 and mortality rates, etc. All assumptions are reviewed at each reporting date. In determining the appropriate discount rate management considers the yield of government bonds because there is no deep market in corporate bonds in Ukraine. Due to the long-term nature of these plans, the estimates are subject to significant uncertainty. Further details are given in Note 20.

• Provisions

The Group has recognised provisions for obligations related to legal claims. The amount of the provision represents the management's best estimates of expected future cash outflows discounted at a current pre-tax rate, where appropriate. Further details are given in Note 24.

• Deferred tax asset recoverability

Deferred tax assets are recognised to the extent that it is probable that they will be recovered, which is dependent on the generation of sufficient future taxable profit. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future level of tariffs and sales volumes, prices for consumables and operating costs. Judgments are also required about the application of income tax legislation. These judgments and estimates are subject to risks and uncertainty, hence there is a possibility

that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised at the reporting date. In such circumstances, some, or all, of the carrying amount of recognised deferred tax assets and liabilities may require adjustment, resulting in corresponding credit or charge to the income statement.

6. 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 instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

1) Financial assets

• Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Group’s business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price as disclosed in section Revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are ‘solely payments of principal and interest (SPPI)’ on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model. The Group’s business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows.

The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held

within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

• Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments);
- Financial assets at fair value through profit or loss.

As at 31 December 2020 and 2019, the Group had no financial assets at fair value through OCI with recycling of cumulative gains and losses and financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition.

• Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade receivables, loans to employees and other non-current financial assets, which includes deposit certificates and government bonds.

• Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include equity instruments of another entities that are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

• Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a 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.

• Impairment

Further disclosures relating to impairment of financial assets, namely for trade receivables, are provided in Note 13.

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments 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, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 180 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external

information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

II) Financial liabilities

• Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings. As at 31 December 2020 and 2019, the Group had no financial liabilities at fair value through profit or loss and derivatives designated as hedging instruments in an effective hedge.

Subsequent measurement

• Financial liabilities at amortised cost (loans and borrowings)

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of comprehensive income.

This category generally applies to interest-bearing loans and borrowings. For more information, refer to Note 18.

• Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the profit or loss.

III) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

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 as a change in accounting policy from cost model to revaluation model. As at 1 December 2015, the Group 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. The Group measure the fair value of an asset using the assumptions that market participants would use when pricing the asset, assuming that market participants act in their economic best interest. 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 in bank and 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.

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.

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 in which related services are provided by the respective employees 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 Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

• Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the right of use assets. Right-of-use assets are subject to impairment.

• Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments, included into measurement of lease liability, comprise the following payments for the right to use the underlying assets during lease term:

- Fixed payments (including in substance fixed payments) less any lease incentives receivable;
- Variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees;
- Price of a purchase option reasonably certain to be exercised by the Group;
- Payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment of the option to purchase the underlying asset.

• Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets

recognition exemption to leases of underlying assets that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the consolidated statement of comprehensive income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

Revenue is presented net of value-added tax and discounts and after eliminating intercompany sales within the Group.

The Group has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

The Group recognises revenue from cargo transportation and passenger transportation over time, using an output method by measuring the progress towards complete satisfaction of that performance obligation proportionally to the services provision period.

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties, customer loyalty points). In determining the transaction price for the sale of goods, the Group considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer (if any).

Generally, the Group receives short-term advances from its customers. Using the practical expedient in IFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

• Exchange of services of similar nature and value

The Group's transportation and other services provided to foreign railways are settled through mutual offset arrangements with its counterparties. Generally, the settlement is made in exchange for services of similar nature and value which is not regarded as a transaction which generates revenue. Such transactions are accounted for on a net basis.

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;
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are

expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted at the end of the reporting period.

Income tax relating to items recognised in other comprehensive income or directly in equity is recognised in other comprehensive income or directly in equity and not in the profit or loss.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

• Value-added tax

Revenues, expenses and assets are recognised net of the amount of Value-added tax ("VAT") except:

- Where VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case VAT is recognised as part of the cost of acquisition of the asset or as part of expense item as applicable; and
- Receivables, payables and lease liability are stated with the amount of VAT included.

The net amount of VAT receivable from, or payable to, the taxation authority is included into the Taxes receivable, other than income tax/Taxes payable, other than income tax line items disclosed on the face of the consolidated statement of financial position.

IAS 10 Events after the Reporting Period and disclosed accordingly. Dividends subject to mandatory accrual under effective law are accrued as at the reporting date within current payables to settlements with participants.

Profit distribution and dividends

Profit distribution of the Company and dividends payment are subject to approval by the General meeting of the Company, which shall take into account related Ukrainian legislation. Dividends are recognized as decrease in equity in the period, when they are declared, with simultaneous recognition of liability on dividends payments. Dividends that are declared after the reporting date are treated as a subsequent event under

7. Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective and expects that these standards and amendments will likely have no material impact on the consolidated financial statements of the Group.

| Standards and amendments | Effective date |
|--|------------------------|
| Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 | 1 January 2021 |
| Reference to the Conceptual Framework – Amendments to IFRS 3 | 1 January 2022 |
| Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16 | 1 January 2022 |
| Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37 | 1 January 2022 |
| IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter | 1 January 2022 |
| IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities | 1 January 2022 |
| IAS 41 Agriculture – Taxation in fair value measurements | 1 January 2022 |
| IFRS 17 Insurance Contracts | 1 January 2023 |
| Amendments to IAS 1 Classification of Liabilities as Current or Non-current | 1 January 2023 |
| Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 | Postponed indefinitely |

8. 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 operating expenses" category. None of Auxiliary segment operations are individually of sufficient size to be reported as a 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 board as chief operating decision makers 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 managerial 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, 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.



8. Segment reporting (continued)

| Year ended 31 December 2020 | Cargo | | | | Long-distance passenger | | |
|------------------------------------|-------------------------|--------------------------|----------------------|------------------|-------------------------|--------------------------|--------------------|
| | Total segment, included | Infrastructure component | Locomotive component | Wagon component | Total segment, included | Infrastructure component | Wagon component |
| Sales to third parties | 65,330,079 | 39,724,844 | 20,717,801 | 4,887,434 | 3,679,552 | 1,352,588 | 2,326,964 |
| Inter-segment sales | – | – | – | – | – | – | – |
| Total revenue | 65,330,079 | 39,724,844 | 20,717,801 | 4,887,434 | 3,679,552 | 1,352,588 | 2,326,964 |
| Staff costs | (26,009,768) | (19,886,593) | (5,833,199) | (289,976) | (6,172,574) | (2,993,180) | (3,179,394) |
| Depreciation | (8,712,259) | (5,812,275) | (790,291) | (2,109,693) | (1,891,771) | (965,595) | (926,176) |
| Electricity | (5,776,983) | (704,562) | (5,056,637) | (15,784) | (919,369) | (848,600) | (70,769) |
| Fuel | (4,245,852) | (397,628) | (3,831,223) | (17,001) | (469,802) | (413,699) | (56,103) |
| Materials, maintenance and repairs | (4,760,841) | (3,197,147) | (1,281,138) | (282,556) | (803,902) | (476,012) | (327,890) |
| Other operating expenses | (4,712,773) | (4,196,766) | (439,999) | (76,008) | (988,005) | (409,471) | (578,534) |
| Inter-segment expenses* | – | – | – | – | – | – | – |
| Segment result | 11,111,603 | 5,529,873 | 3,485,314 | 2,096,416 | (7,565,871) | (4,753,969) | (2,811,902) |

| Year ended 31 December 2020 | Suburban component | Auxiliary activity | All other segments | Total segments | Unallocated | Eliminations (A) | Adjustment (B) | Total |
|------------------------------------|--------------------|--------------------|--------------------|-------------------|--------------------|---------------------|-------------------|-------------------|
| Sales to third parties | 453,467 | 5,457,970 | 843,220 | 75,764,288 | – | – | (472,728) | 75,291,560 |
| Inter-segment sales | – | 1,584,429 | 8,861,337 | 10,445,766 | – | (10,445,766) | – | – |
| Total revenue | 453,467 | 7,042,399 | 9,704,557 | 86,210,054 | – | (10,445,766) | (472,728) | 75,291,560 |
| Staff costs | (3,100,645) | (5,827,014) | (998,048) | (42,108,049) | (920,316) | 656,226 | 1,255,770 | (41,116,369) |
| Depreciation | (754,197) | (918,207) | (99,450) | (12,375,884) | (579,166) | 24,171 | 144,096 | (12,786,783) |
| Electricity | (576,177) | (1,004,028) | (6,903,487) | (15,180,044) | (44,688) | 7,627,904 | – | (7,596,828) |
| Fuel | (303,357) | (407,422) | (38,066) | (5,464,499) | (18,389) | 26,998 | – | (5,455,890) |
| Materials, maintenance and repairs | (518,667) | (310,396) | (1,242,699) | (7,636,505) | (171,540) | 3,254,359 | 217,877 | (4,335,809) |
| Other operating expenses | (576,363) | (1,383,579) | (189,626) | (7,850,346) | (7,602,055) | 2,830,057 | 9,864,307 | (2,758,037) |
| Inter-segment expenses* | – | 3,973,949 | – | 3,973,949 | – | (3,973,949) | – | – |
| Segment result | (5,375,939) | 1,165,702 | 233,181 | (431,324) | (9,336,154) | – | 11,009,322 | 1,241,844 |

* Management board as chief operating decision makers considers such presentation of “Inter-segment expenses” as appropriate given the segment “Auxiliary activity” produces its products, works and services for intra-group purposes, and thus its performance is evaluated mainly based on the existing expenses and their structure rather than in revenues terms.

| Year ended 31 December 2019 | Cargo | | | | Long-distance passenger | | |
|------------------------------------|-------------------------|--------------------------|----------------------|-------------------|-------------------------|--------------------------|--------------------|
| | Total segment, included | Infrastructure component | Locomotive component | Wagon component | Total segment, included | Infrastructure component | Wagon component |
| Sales to third parties | 73,288,883 | 40,730,787 | 21,931,962 | 10,626,134 | 9,161,651 | 3,989,997 | 5,171,654 |
| Inter-segment sales | - | - | - | - | - | - | - |
| Total revenue | 73,288,883 | 40,730,787 | 21,931,962 | 10,626,134 | 9,161,651 | 3,989,997 | 5,171,654 |
| Staff costs | (24,895,049) | (18,940,739) | (5,679,111) | (275,199) | (8,266,506) | (4,422,358) | (3,844,148) |
| Depreciation | (8,546,094) | (6,064,464) | (672,315) | (1,809,315) | (1,653,733) | (718,166) | (935,567) |
| Electricity | (5,735,822) | (577,775) | (5,140,903) | (17,144) | (1,659,893) | (1,577,081) | (82,812) |
| Fuel | (5,660,264) | (445,354) | (5,193,613) | (21,297) | (1,180,273) | (1,089,893) | (90,380) |
| Materials, maintenance and repairs | (3,665,252) | (2,250,005) | (1,103,210) | (312,037) | (1,097,600) | (590,652) | (506,948) |
| Other operating expenses | (5,335,006) | (4,906,831) | (277,515) | (150,660) | (1,575,398) | (742,397) | (833,001) |
| Inter-segment expenses* | - | - | - | - | - | - | - |
| Segment result | 19,451,396 | 7,545,619 | 3,865,295 | 8,040,482 | (6,271,752) | (5,150,550) | (1,121,202) |

| Year ended 31 December 2019 | Suburban component | Auxiliary activity | All other segments | Total segments | Unallocated | Eliminations (A) | Adjustment (B) | Total |
|------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|---------------------|------------------|-------------------|
| Sales to third parties | 766,052 | 7,256,752 | 650,202 | 91,123,540 | - | - | (771,221) | 90,352,319 |
| Inter-segment sales | - | 1,123,870 | 9,588,466 | 10,712,336 | - | (10,712,336) | - | - |
| Total revenue | 766,052 | 8,380,622 | 10,238,668 | 101,835,876 | - | (10,712,336) | (771,221) | 90,352,319 |
| Staff costs | (3,783,470) | (6,474,699) | (858,674) | (44,278,398) | (1,074,809) | 730,614 | 566,385 | (44,056,208) |
| Depreciation | (688,569) | (967,590) | (60,604) | (11,916,590) | (581,867) | 51,782 | 43,980 | (12,402,695) |
| Electricity | (824,432) | (875,445) | (8,005,347) | (17,100,939) | (27,111) | 8,500,784 | 142,495 | (8,484,771) |
| Fuel | (678,981) | (810,837) | (38,887) | (8,369,242) | (39,062) | 34,340 | 136,472 | (8,237,492) |
| Materials, maintenance and repairs | (636,993) | (384,995) | (1,159,851) | (6,944,691) | (85,066) | 1,495,878 | 3,787 | (5,530,092) |
| Other operating expenses | (705,165) | (2,031,472) | (193,284) | (9,840,325) | (2,855,439) | 4,864,977 | 4,785,166 | (3,045,621) |
| Inter-segment expenses* | - | 4,966,039 | - | 4,966,039 | - | (4,966,039) | - | - |
| Segment result | (6,551,558) | 1,801,623 | (77,979) | 8,351,730 | (4,663,354) | - | 4,907,064 | 8,595,440 |

* Management board as chief operating decision makers considers such presentation of "Inter-segment expenses" as appropriate given the segment "Auxiliary activity" produces its products, works and services for intra-group purposes, and thus its performance is evaluated mainly based on the existing expenses and their structure rather than in revenues terms.

8. Segment reporting (continued)

(A) Inter-segment revenue and margin are eliminated on consolidation.

(B) For 2020 and 2019, the operating results of each operating segment did not include adjustments representing differences between the basis of preparation of management accounts and the Group's IFRS accounting policies.

As the Group continues its operating transformation, management considers that the additional separation of infrastructure, locomotive and wagon components within Cargo segment as well as disclosure of infrastructure and wagon components within

Long-distance passenger transportation segment is required for analysis of the Group performance and further reorganisation.

The Group has detailed the presentation of segment information in 2020, supplementing it by segregation of the revenues and expenses by locomotive component, where practically applicable. The presentation of segment information for 2019 has been detailed accordingly to ensure its comparability.

Reconciliation of loss/profit before income tax:

| | 2020 | 2019 |
|---|---------------------|------------------|
| Total adjusted segment results | 1,241,844 | 8,595,440 |
| Items not included into segment expenses: | | |
| Tax expenses, other than income tax | (3,909,367) | (4,229,621) |
| Social expenses | (381,991) | (543,395) |
| Change in provisions | (95,348) | (104,091) |
| Other operating income | 637,891 | 1,081,671 |
| Change in finished goods and work in progress | (252,026) | 19,589 |
| Other expenses | (51) | (918,121) |
| Other income | 349,099 | 143,058 |
| Finance income | 190,406 | 259,506 |
| Finance costs | (4,237,041) | (3,844,992) |
| Foreign exchange (loss)/gain, net | (5,485,530) | 4,325,567 |
| Share of profit of associates | 7,807 | 78,736 |
| Group (loss)/profit before income tax | (11,934,307) | 4,863,347 |

9. Property, plant and equipment

The movements in property, plant and equipment, including right of use assets, were as follows:

| | Land | Buildings, constructions and infrastructure | Subgrade and superstructure | Locomotives | Railway cars |
|---|------------|---|-----------------------------|-------------|--------------|
| Cost/revalued amount | | | | | |
| At 1 January 2020 | 45,686,886 | 66,351,514 | 102,440,271 | 29,251,369 | 43,714,966 |
| Additions | – | 1,065 | 14,164 | – | – |
| Transfers | 2,541 | 704,041 | 1,999,297 | 1,854,068 | 2,511,017 |
| Disposals | – | (71,547) | (64,731) | (7,159) | (598,376) |
| Reclassification of assets of uncontrolled territories (Note 2) | – | – | – | – | 470 |
| Transferred to assets held for distribution to owner | – | – | – | – | – |
| Other changes | – | 206 | (543) | (20) | (196) |
| At 31 December 2020 | 45,689,427 | 66,985,279 | 104,388,458 | 31,098,258 | 45,627,881 |
| Accumulated depreciation | | | | | |
| At 1 January 2020 | – | 16,552,119 | 25,264,652 | 9,905,676 | 18,478,769 |
| Depreciation charge | – | 2,670,136 | 3,804,994 | 1,295,212 | 3,445,878 |
| Disposals | – | (15,891) | (29,073) | (2,173) | (419,914) |
| Reclassification of assets of uncontrolled territories (Note 2) | – | – | – | – | – |
| Other changes | – | (208) | (78) | (9) | (161) |
| At 31 December 2020 | – | 19,206,156 | 29,040,495 | 11,198,706 | 21,504,572 |
| Net book value | | | | | |
| At 1 January 2020 | 45,686,886 | 49,799,395 | 77,175,619 | 19,345,693 | 25,236,197 |
| At 31 December 2020 | 45,689,427 | 47,779,123 | 75,347,963 | 19,899,552 | 24,123,309 |

| | Plant, equipment and tools | Vehicles | Other property, plant and equipment | Construction in progress and uninstalled equipment | Total |
|---|----------------------------------|-----------|---|---|-------------|
| Cost/revalued amount | | | | | |
| At 1 January 2020 | 18,230,586 | 4,057,311 | 423,948 | 8,365,492 | 318,522,343 |
| Additions | 8,448 | – | – | 9,248,031 | 9,271,708 |
| Transfers | 1,040,732 | 17,300 | 69,380 | (8,198,376) | – |
| Disposals | (2,962) | (7,616) | (8,506) | (248,224) | (1,009,121) |
| Reclassification of assets of uncontrolled territories (Note 2) | (129) | (46) | – | – | 295 |
| Transferred to assets held for distribution to owner | – | – | – | (96,162) | (96,162) |
| Other changes | 1,659 | (5,259) | – | – | (4,153) |
| At 31 December 2020 | 19,278,334 | 4,061,690 | 484,822 | 9,070,761 | 326,684,910 |
| Accumulated depreciation | | | | | |
| At 1 January 2020 | 8,965,627 | 2,523,093 | 246,198 | 2,031,050 | 83,967,184 |
| Depreciation charge | 1,554,673 | 151,401 | 50,859 | – | 12,973,153 |
| Disposals | (2,596) | (7,192) | (4,443) | – | (481,282) |
| Reclassification of assets of uncontrolled territories (Note 2) | (73) | (44) | – | – | (117) |
| Other changes | 5,352 | (4,940) | – | – | (44) |
| At 31 December 2020 | 10,522,983 | 2,662,318 | 292,614 | 2,031,050 | 96,458,894 |
| Net book value | | | | | |
| At 1 January 2020 | 9,264,959 | 1,534,218 | 177,750 | 6,334,442 | 234,555,159 |
| At 31 December 2020 | 8,755,351 | 1,399,372 | 192,208 | 7,039,711 | 230,226,016 |

9. Property, plant and equipment (continued)

The movements in property, plant and equipment, including right of use assets, were as follows:

| | Land | Buildings, constructions and infrastructure | Subgrade and superstructure | Locomotives | Railway cars |
|---|------------|---|-----------------------------|-------------|--------------|
| Cost/revalued amount | | | | | |
| At 1 January 2019 | 45,681,871 | 65,079,214 | 100,512,334 | 26,154,156 | 39,533,253 |
| Additions | – | – | – | – | – |
| Transfers | (142) | 1,056,566 | 1,937,737 | 3,477,201 | 2,895,687 |
| Disposals | – | (30,650) | (9,800) | (5,922) | (56,993) |
| Acquisitions through business combinations (Note 17) | 5,157 | 4,605 | – | – | – |
| Reclassification of assets of uncontrolled territories (Note 2) | – | 241,779 | – | (374,066) | 1,343,019 |
| At 31 December 2019 | 45,686,886 | 66,351,514 | 102,440,271 | 29,251,369 | 43,714,966 |
| Accumulated depreciation | | | | | |
| At 1 January 2019 | – | 13,584,812 | 21,573,248 | 9,008,279 | 13,344,257 |
| Depreciation charge | – | 2,748,688 | 3,694,693 | 1,169,648 | 3,076,556 |
| Disposals | – | (18,423) | (4,455) | – | (3,736) |
| Acquisitions through business combinations (Note 17) | – | 211 | – | – | – |
| Reclassification of assets of uncontrolled territories (Note 2) | – | 236,831 | – | (291,886) | 1,361,943 |
| Impairment | – | – | 1,166 | 19,635 | 699,749 |
| At 31 December 2019 | – | 16,552,119 | 25,264,652 | 9,905,676 | 18,478,769 |
| Net book value | | | | | |
| At 1 January 2019 | 45,681,871 | 51,494,402 | 78,939,086 | 17,145,877 | 26,188,996 |
| At 31 December 2019 | 45,686,886 | 49,799,395 | 77,175,619 | 19,345,693 | 25,236,197 |

| | Plant, equipment and tools | Vehicles | Other property, plant and equipment | Construction in progress and uninstalled equipment | Total |
|---|----------------------------------|-----------|---|---|-------------|
| Cost/revalued amount | | | | | |
| At 1 January 2019 | 18,118,360 | 2,503,690 | 354,918 | 9,152,293 | 307,090,089 |
| Additions | – | – | – | 10,323,191 | 10,323,191 |
| Transfers | 114,760 | 1,554,062 | 69,037 | (11,104,908) | – |
| Disposals | (4,260) | (869) | (320) | (4,630) | (113,444) |
| Acquisitions through business combinations (Note 17) | 989 | 474 | 313 | – | 11,538 |
| Reclassification of assets of uncontrolled territories (Note 2) | 737 | (46) | – | (454) | 1,210,969 |
| At 31 December 2019 | 18,230,586 | 4,057,311 | 423,948 | 8,365,492 | 318,522,343 |
| Accumulated depreciation | | | | | |
| At 1 January 2019 | 8,706,561 | 941,237 | 199,416 | 2,031,050 | 69,388,860 |
| Depreciation charge | 260,675 | 1,582,259 | 47,051 | – | 12,579,570 |
| Disposals | (3,043) | (813) | (320) | – | (30,790) |
| Acquisitions through business combinations (Note 17) | 800 | 429 | 51 | – | 1,491 |
| Reclassification of assets of uncontrolled territories (Note 2) | 634 | (19) | – | – | 1,307,503 |
| Impairment | – | – | – | – | 720,550 |
| At 31 December 2019 | 8,965,627 | 2,523,093 | 246,198 | 2,031,050 | 83,967,184 |
| Net book value | | | | | |
| At 1 January 2019 | 9,411,799 | 1,562,453 | 155,502 | 7,121,243 | 237,701,229 |
| At 31 December 2019 | 9,264,959 | 1,534,218 | 177,750 | 6,334,442 | 234,555,159 |

9. Property, plant and equipment (continued)

Revaluation

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. 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. The Group takes actions to perform next revaluation in the foreseeable future.

Land plots

Land plots include the cost of the rights of permanent use of land plots in the amount of UAH 45,684,115 thousand (2019: UAH 45,681,574 thousand) which was determined on the basis of the revaluation for the purpose of forming the charter capital separately from the items of property, plant and equipment, which can be located on these plots. The results of such revaluation may differ from the estimates made for the purposes of preparation of the IFRS financial statements.

Management believes that the presentation of the rights of permanent use of land separately from the respective fixed assets in the consolidated financial statements may not be avoided as this is regulated by the legislation on the Reorganisation.

Assets assigned under the title of operating control

Certain items of property, plant and equipment, specifically – public service line-haul railroads and engineering constructions, transmission equipment attached thereto, which are directly supporting the transportation process were assigned to the Group under the title of operating control. The title of operating control allows to possess and use the assets, except for actions that may lead to disposal of the assets.

As at 31 December 2020, carrying value of the assets assigned under the title of operating control was UAH 90,373,176 thousand (2019: UAH 93,065,868 thousand).

Social assets

Included in property, plant and equipment are social infrastructure and other social assets carried at UAH 3,407,660 thousand as at 31 December 2020 (2019: UAH 3,229,502 thousand), primarily comprising residential buildings, hospitals, canteens and other similar assets.

Prepayments for property, plant and equipment

As at 31 December 2020, construction in progress and uninstalled equipment contained prepayments for property, plant and equipment in the amount of UAH 137,601 thousand (2019: UAH 205,543 thousand).

Capitalised depreciation charge

The Group capitalised UAH 186,370 thousand of depreciation charge into construction in progress for the year ended 31 December 2020 (2019: UAH 176,875 thousand).

Fully depreciated assets

As at 31 December 2020 the cost of fully depreciated property, plant and equipment which remain in use amounted to UAH 24,096,690 thousand (2019: UAH 20,132,439 thousand).

Right of use assets

The Group includes right of use assets into property, plant and equipment within corresponding groups. Right of use assets are disclosed in Note 19 to these consolidated financial statements.

Pledged property, plant and equipment

As at 31 December 2020 certain rolling stock with the carrying value of UAH 216,064 thousand was pledged as collateral for the Group's interest-bearing loans and borrowings (2019: UAH 215,607 thousand) (Note 18).

Impairment of property, plant and equipment

As at 31 December 2019, the Group carried out an impairment procedure for individual items of property, plant and equipment. According to the results of the inspection conducted in 2019, impairment losses of UAH 720,550 thousand were recognized in respect of such items within other expenses (Note 27). These impaired items of property, plant and equipment mainly consisted of freight wagons, passenger cars, electric locomotives, diesel locomotive and other property, plant and equipment.

Assets held for held for distribution to owner

As at 31 December 2020, the Group has presented certain construction in progress with the carrying amount of UAH 96,162 thousand within assets classified as held for distribution. On 21 October 2020, relevant decision of transfer these assets from the Group to another state entity was approved by the Cabinet of Ministers of Ukraine. The Group expects to complete transfer within one year.

10. Investments in associates

On 29 January 2016, the State Property Fund of Ukraine transferred 47.67% interest in the share capital of PrJSC "Ukrtransleasing" to JSC "Ukrainian Railways" as a contribution to the charter capital within the Reorganisation process (Note 17). Starting from this date the Group's interest in PrJSC "Ukrtransleasing" is accounted for using the equity method in the consolidated financial statements.

PrJSC "Ukrtransleasing" with its three subsidiaries form Ukrtransleasing group. The group is engaged in provision of lease services, operating lease of railway rolling stock, logistics and forwarding services, production of railway nodes and arrows. Neither PrJSC "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), which were impaired in 2018.

The summarised information of Ukrtransleasing group is presented below:

| | 2020 | 2019 |
|---|-----------|-----------|
| Current assets | 413,271 | 209,450 |
| Non-current assets | 1,713,700 | 1,855,097 |
| Current liabilities | (546,879) | (483,547) |
| Non-current liabilities | (49,419) | (52,926) |
| Equity | 1,530,673 | 1,528,074 |
| Group's carrying amount of the investment | 729,058 | 727,795 |

| | For the year ended 31 December 2020 | For the year ended 31 December 2019 |
|---|--|--|
| Revenues | 326,526 | 499,462 |
| Profit before tax | 69,053 | 348,492 |
| Income tax expense | (33,125) | (166,072) |
| Profit for the period (continuing operations) | 35,928 | 182,420 |
| Group's share of total comprehensive income for the year | | |
| Other comprehensive income, net of tax | 21,440 | 153,425 |
| Total comprehensive income for the period (continuing operations) | 57,368 | 335,845 |
| Group's share of profit for the year | 17,127 | 86,960 |
| Group's share of total comprehensive income for the year | 27,347 | 160,098 |

During 2020, the Group had received dividends in amount of UAH 26,084 thousand from the associate company (2019: UAH 37,297 thousand).

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. 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. Summarised financial information about this associate is presented below:

| | 2020 | 2019 |
|--|-----------|---------|
| Current assets | 226,285 | 42,967 |
| Non-current assets | 84 | 112 |
| Current liabilities | (251,439) | (5,498) |
| Non-current liabilities | (690) | (301) |
| Equity | (25,760) | 37,280 |
| Group's carrying amount of the investments | – | 9,327 |

| | For the year ended 31 December 2020 | For the year ended 31 December 2019 |
|---|--|--|
| Revenues | 1,315 | 3,986 |
| Loss before tax | (66,216) | (32,468) |
| Income tax expense | (54) | (440) |
| Loss for the period (continuing operations) | (66,270) | (32,908) |
| Total comprehensive loss for the period (continuing operations) | (66,270) | (32,908) |
| Group's share of total loss for the year | (9,320) | (8,224) |
| Group's share of total comprehensive loss for the year | (9,320) | (8,224) |

During 2020 and 2019 Breitspur Planungsgesellschaft mbH had not distributed to the Company dividends.

The associate requires the Group's consent to distribute its profits. The Group does not foresee giving such consent at the reporting date.

As at 31 December 2020 and 2019, associates had no contingent liabilities or capital commitments.

As at 31 December 2019, the Group had assessed a recoverable amount of investments in associates, which is accounted under the equity method in accordance with IAS 28, with the involvement of independent valuer and recognised an impairment losses in the amount of UAH 61,649 thousand in Other

expenses. This impairment loss was related to the investment in associate Breitspur Planungsgesellschaft mbH. As at 31 December 2020, the Group concluded that no additional impairment loss is required in respect of the investments in associates.

11. Other financial assets

Other non-current financial assets

| | 2020 | 2019 |
|--|--------|--------|
| Equity instruments of another entities | 62,326 | 62,319 |
| Loans due from employees (excluding current portion) | 10,202 | 12,161 |
| Other financial assets | 15,767 | 9,846 |
| | 88,295 | 84,326 |

Equity instruments of another entities mainly consist of minority interests in the share capital of certain entities.

The Group provides long-term interest-free loans to its employees with contractual maturity from 3 to 8 years. Loans are carried at amortised cost using the effective interest rate of 13%-23% per annum. The current portion of these loans of UAH 5,271 thousand (2019: UAH 6,102 thousand) is included in trade and other receivables (Note 13).

Other current financial assets

As at 31 December 2020, other current financial assets included short-term domestic government bonds acquired during 2020, which are accounted for at amortised cost in the amount of UAH 9,759 thousand.

As at 31 December 2019, other current financial assets included short-term deposits with the maturity from three to twelve months in the amount of UAH 2,014,715 thousand. The Group signed relevant deposit agreements (with issuance of saving (deposit) certificates) with the Ukrainian state bank, denominated in US dollars and corresponding interest rates of 2.8%-3.8% per annum, in November 2019. In 2020, the Group received proceeds from these deposits upon expiration of their maturities.

12. Inventories

| | 2020 | 2019 |
|--|-----------|-----------|
| Spare parts, materials and tools (at lower of cost and net realisable value) | 5,392,328 | 5,184,431 |
| Fuel and lubricants (at lower of cost and net realisable value) | 810,432 | 1,040,375 |
| Finished goods (at lower of cost and net realisable value) | 336,576 | 399,865 |
| Work in progress (at cost) | 253,203 | 441,940 |
| Other (at lower of cost and net realisable value) | 1,933,022 | 2,062,457 |
| | 8,725,561 | 9,129,068 |

During 2020, spare parts, materials and tools, fuel and lubricants and other inventories in the amount of UAH 9,626,852 thousand were recognised as an operating expenses (2019: UAH 13,635,021 thousand).

As at 31 December 2020 inventories with carrying value of UAH 111,251 thousand (2019: UAH 111,251 thousand) were pledged as collateral for the Group's interest-bearing loans and borrowings (Note 18).

The amount of allowance for estimated irrecoverable amounts of inventories in 2020 was in the amount of UAH 194,673 thousand (2019: UAH 33,961 thousand).

13. Trade and other receivables

| | 2020 | 2019 |
|---|-----------|-----------|
| Trade receivables | 800,638 | 735,649 |
| Current portion of other non-current financial assets (Note 11) | 5,271 | 6,102 |
| Other receivables | 590,000 | 734,804 |
| | 1,395,909 | 1,476,555 |
| Less: the allowance for expected credit losses of trade and other receivables | (825,363) | (820,015) |
| | 570,546 | 656,540 |

As at 31 December 2020 and 2019, current portion of other non-current 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:

| | 2020 | 2019 |
|--------------------------------------|-----------|-----------|
| At 1 January | 820,015 | 568,884 |
| Provision for expected credit losses | 199,995 | 631,868 |
| Utilised | (162,528) | (356,796) |
| Reversed | (32,119) | (23,941) |
| At 31 December | 825,363 | 820,015 |

Set out below is the information about the credit risk exposure on the Group's trade and

other receivables using a provision matrix based on historical payment discipline:

| At 31 December 2020 | Expected credit loss rate | Gross carrying amount | Expected credit loss | Carrying value |
|-------------------------------|---------------------------|-----------------------|----------------------|----------------|
| Neither past due nor impaired | 0.5% | 452,312 | (2,262) | 450,050 |
| Less than 2 months | 5% | 50,930 | (2,546) | 48,384 |
| 2-3 months | 25% | 14,224 | (3,556) | 10,668 |
| 3-12 months | 50% | 96,190 | (48,095) | 48,095 |
| Over one year | 75%-100% | 782,253 | (768,904) | 13,349 |
| Total | | 1,395,909 | (825,363) | 570,546 |

| At 31 December 2019 | Expected credit loss rate | Gross carrying amount | Expected credit loss | Carrying value |
|-------------------------------|---------------------------|-----------------------|----------------------|----------------|
| Neither past due nor impaired | 0.5% | 458,660 | (2,293) | 456,367 |
| Less than 2 months | 5% | 58,858 | (2,943) | 55,915 |
| 2-3 months | 25% | 20,924 | (5,231) | 15,693 |
| 3-12 months | 50% | 150,888 | (75,444) | 75,444 |
| Over one year | 75%-100% | 787,225 | (734,104) | 53,121 |
| Total | | 1,476,555 | (820,015) | 656,540 |

14. Prepayments

As at 31 December 2020 prepayments made include prepayments for materials and services in the amount of UAH 94,714 thousand (2019: UAH 332,981 thousand). As at 31 December 2020 and 2019, no prepayments were impaired.

15. Taxes receivable, other than income tax

| | 2020 | 2019 |
|----------------------------|---------|---------|
| Value added tax receivable | 363,028 | 326,932 |
| Other taxes prepaid | 115,059 | 52,949 |
| | 478,087 | 379,881 |

A portion of value added tax receivable and insignificant portion of other taxes amounting to UAH 163,972 thousand were classified as non-current asset as at 31 December 2020 as their expected period of recoverability exceeds 12 months (2019: UAH 164,064 thousand).

16. Cash and cash equivalents

| | 2020 | 2019 |
|------------------------|-----------|-----------|
| Cash at banks | 2,460,124 | 5,905,088 |
| Other cash equivalents | 14,883 | 83,801 |
| Short-term deposits | 22,539 | 992,347 |
| | 2,497,546 | 6,981,236 |

As at 31 December 2020, deposits in the amount of UAH 22,539 thousand (31 December 2019: UAH 992,347 thousand) for period from one to three months were included in short-term deposits within cash and cash equivalents.

17. Equity

Charter capital

During 2020 and 2019 the charter capital of the Group was of UAH 229,879,115 thousand and was divided into 229,879,115 ordinary nominal shares with a nominal value of UAH 1,000 each.

The Group Reorganisation and additional capital

Joint stock company “Ukrainian Railways” was established on 21 October 2015, when the state registration of the Company was conducted according to the decree of the Cabinet of Ministers of Ukraine dated 2 September 2015 No. 735 Matters Related to Public Joint Stock Company “Ukrainian Railways”.

According to the Law of Ukraine dated 23 February 2012 No. 4442-VI On Peculiarities of Creation of the Public Joint Stock Company for Public Service Railway Transport, JSC “Ukrainian Railways” 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 obtained 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 assets 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; as well as through additions and modernisation of property, plant and equipment over a period from the revaluation date of 31 July 2014 till the date of Reorganisation completion, as at 30 November 2015.

Profit distribution and dividends by the Company

Profit distribution and dividends payment are subject to approval by the General meeting of the Company, which shall take into account related Ukrainian legislation. The Company pays dividends in cash only. Dividend payments are transferred directly to the state budget according to a relevant decision approved by the Company's General meeting within the prescribed by the legislation time period.

According to the Law of Ukraine On Managing State-Owned Entities No. 185-V dated 21 September 2006, the entities, with state ownership in their share capital, by 1st May of the year after the reporting year, shall approve a relevant decision on declaration of dividends in amount of at least 30% of net profit. As at 31 December 2019, the Company has recognized respective liability on dividend payments for 2019 in amount of UAH 749,205 thousand, which will be payable to the State budget of Ukraine. According to the Ukrainian legislation, General meeting of

the Company, which are held no later than 30 April, after the reporting year, is obliged to decide on profit distribution and declare dividends for relevant reporting year. As at the date of approval of these consolidated financial statements, the relevant decision of the General Meeting of Shareholders has not been made in respect of this matter.

According to the Law of Ukraine “On amendments to certain legislative Acts of Ukraine aimed at providing additional social and economic guarantees in connection with the spread of coronavirus disease (COVID-19)” No. 540 dated 30 March 2020 decision on declare dividends for 2019 financial year may be accepted by the general meeting of shareholders no later than three months after the end of quarantine.

During the year ended 31 December 2020, no dividends were declared and paid by the Company. For the year ended 31 December 2019, dividends for 2018 were declared and paid in the amount of UAH 103,101 thousand.

Distribution of portion of net profit to the State by the subsidiaries

During the year ended 31 December 2020, the subsidiaries of the Company declared distribution of net profits to the State in amount of UAH 8,641 thousand (2019: UAH 16,150 thousand). These amounts were included into dividends distribution reflected within “Dividends” in the consolidated statement of changes in equity. During the year ended 31 December 2020, the subsidiaries of the Company paid a portion of their net profit in the amount of UAH 9,908 thousand directly to the state budget (2019: UAH 15,283 thousand).

Other changes

In April 2019, the Group obtained control over PrJSC “Insurance Company “Inter-Policy”. As of the date when control was obtained the assets of the subsidiary amounted to UAH 73,231 thousand, liabilities to UAH 21,640 thousand, net assets comprised UAH 51,591 thousand.

The carrying value of investment in PrJSC “Insurance Company “Inter-Policy” amounted to UAH 7,552 thousand (30,965%) was presented within Investment in associate as at 31 December 2018. The Group has recognised the net effect from this business combination under common controls within other changes directly in the consolidated statement of changes in equity from the date when the control was obtained.

In 2020, the Group has disposed certain property, plant and equipment according to the relevant resolutions of the Cabinet of Ministers of Ukraine to the state entities and governmental bodies. The effect from these disposals were accounted for within other changes directly in the consolidated statement of changes in equity.



18. Interest-bearing loans and borrowings

As at 31 December interest-bearing loans and borrowings consisted of the following:

| | 2020 | 2019 |
|-----------------------------|------------|------------|
| Interest-bearing bank loans | 13,787,145 | 12,596,263 |
| Eurobonds issued | 20,441,824 | 19,550,901 |
| Other borrowings | 505,771 | 501,274 |
| | 34,734,740 | 32,648,438 |

During 2013-2019, the Group has placed loan participation notes (Eurobonds) on the Irish Stock Exchange. The Group's Eurobonds pertain to:

- The remaining loan of USD 500,000 thousand received as a result of loan participation notes (Eurobonds) placed by Shortline plc on Irish Stock Exchange in May 2013. In March 2016 the Group has reprofiled the loan, the maturity was extended to 15 September 2021, annual interest rate increased from 9.5% to 9.875% starting from 21 November 2015 and the principal repayment schedule changed as follows: 60% were paid in 2019, 20% were in 2020 and 20% to be paid in 2021. As at 31 December 2020, the Group timely paid the part of 80% of its Eurobonds placed by Shortline plc.
- The loan of USD 594,902 thousand received as a result of loan participation notes (Eurobonds) placed by Rail Capital Markets plc on Irish Stock Exchange in July and September 2019 with maturity date in July 2024.

As disclosed in Note 2 the Group recorded the liabilities of State Enterprise “Donetsk Railway” on its balance sheet with further division of the balances to controlled and uncontrolled parts. In 2016, majority of lenders of SE “Donetsk Railway” filed court suits with the purpose to recognise JSC “Ukrainian Railways” as a legal successor of the

enterprise and recover the debt. In February 2017, some changes to the legislation on the Reorganisation were enacted providing moratorium on foreclosure of assets and enforcement of liabilities of SE “Donetsk Railway” until cessation of antiterrorist operation and completion of legal succession proceedings (inventory of underlying assets and liabilities, their valuation and formal transfer and acceptance by the Company).

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 2020 and 2019, the liabilities of uncontrolled territories comprised interest-bearing loans and borrowings in amount of UAH 3,663,995 thousand, out of which – loans and borrowings denominated in the US dollars in the amount of USD 116,340 thousand with a fixed interest rate of 10.65%-12% per annum, and interest-bearing loans and borrowings denominated in Hryvnia in the amount of UAH 871,725 thousand with a fixed interest rate of 17.4%-18%.

However, during 2020, the Supreme Court of Ukraine recognised the Company as the legal successor to SE “Donetsk Railway” in respect of certain liabilities of uncontrolled territories. As a response, the Company is challenging these decisions (i.e. on introducing

the Company as a debtor to the enforcement proceedings) in courts of different instances. Although the Company has been recognised as the successor to SE “Donetsk Railway” by the Supreme Court of Ukraine and certain courts of the first instance, any foreclosure of assets and enforcement of liabilities of the Company on account of SE “Donetsk Railway” is only possible following the completion of legal succession procedures or within six months after the cessation of the national security and defense operations in, and restoration of the sovereignty of Ukraine over the temporarily occupied territories of the Donetsk and Luhansk regions in accordance with the moratorium regime described above. The Group’s possible exposure related to these claims are disclosed in Note 30.

As at 31 December effective interest rate and currency split for borrowings were as follows:



| | Interest rate | 2020 | Interest rate | 2019 |
|---|-------------------|-------------------|-------------------|-------------------|
| USD | | | | |
| Fixed rate | 8.68%-12% | 32,048,341 | 8.68%-12% | 29,279,558 |
| Floating rate | LIBOR 6m + 1%-6% | 256,742 | LIBOR 6m + 1%-6% | 1,213,524 |
| | | 32,305,083 | | 30,493,082 |
| EUR | | | | |
| Floating rate | EURIBOR 6m + 0.3% | 1,902,769 | EURIBOR 6m + 0.3% | 1,447,188 |
| | | 1,902,769 | | 1,447,188 |
| UAH | | | | |
| Fixed rate | 10.46%-16.4% | 506,357 | 10.46%-20.75% | 708,168 |
| Floating rate | UIRD 6m + 3% | 20,531 | – | – |
| | | 526,888 | | 708,168 |
| Total interest-bearing loans and borrowings | | 34 734 740 | | 32 648 438 |
| Less: current portion | | (16,398,153) | | (14,498,640) |
| Interest-bearing loans and borrowings, non-current | | 18,336,587 | | 18,149,798 |

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 a result of worsening of the economic conditions in Ukraine due to the COVID-19 outbreak as described in Note 2, as at 31 December 2020, the Group did not comply with the financial covenant under one of the long-term loan with the carrying amount of UAH 1,902,514 thousand. In November 2020, the Group has initiated negotiations with the relevant bank in order to obtain a waiving letter to remediate this breach before 31 December 2020. However, due to the bank's internal approval policies, this waiving letter was not received by the Group before the reporting date. The internal approval process was completed by the bank subsequent to the reporting date, and in March 2021, the Group has obtained written letters waiving the right for accelerated repayments of this debt. Pursuant to the requirements of IAS 1 Presentation of Financial Statements the non-current portion

under the above mentioned agreement of UAH 1,893,829 thousand as at 31 December 2020, were reported in these consolidated financial statements within current liabilities.

As at 31 December 2020 and 2019, a breach of undertakings was continuing under loan agreements with one of the creditors in foreign currency that the Group was not able to timely restructure for an outstanding amount of UAH 5,956,799 thousand and UAH 4,591,533 thousand, respectively. As at 31 December 2020 and 2019, the cross-default was rectified as the lenders provided written letters waiving, including the conclusion of additional agreements on Eurobonds in 2017 year, the right for accelerated repayment of debt and accrual of fines related to the breach before the reporting dates. Management undertakes measures to rectify the breach.

As at 31 December 2020 undrawn loan facilities available to the Group were of UAH 5,216,238 thousand (2019: UAH 5,532,863 thousand).

As at 31 December interest-bearing loans and borrowings were secured as follows:

| Type of collateral | 2020 | 2019 |
|---|------------|------------|
| Property, plant and equipment (Note 9) | 216,064 | 215,607 |
| Inventories (Note 12) | 111,251 | 111,251 |
| Proceeds from future revenue | 21,609,618 | 19,091,351 |
| Guarantees issued by the State of Ukraine (Note 31) | 2,088,986 | 2,482,475 |

19. Leases

Lease liability is mainly represented by amounts due under agreements for lease of diesel locomotives, electric multiple unit train, equipment and car. Some of lease payments are pegged to USD; the average lease term is 7 years. As at 31 December 2020 and 2019, the interest rates implicit in the lease were within the range of 14%-19% per annum.

The Group reclassified to liabilities of uncontrolled territories, liabilities under

lease agreements related to the uncontrolled territories (Note 2). Thus, as at 31 December 2020 and 31 December 2019, the liabilities of uncontrolled territories included liabilities under lease agreements in the amount of UAH 807,487 thousand with a fixed interest rate of 17% per annum (2019: UAH 802,158 thousand).

Set out below, are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the period:

| Right of use assets | | | | | | |
|---|--|-------------|----------|-----------------------------------|-----------|-------------------|
| | Buildings, constructions and infra-structure | Locomotives | Vehicles | Plant, equipment, tools and other | Total | Lease liabilities |
| As at 1 January 2020 | 596 | 3,570,645 | 811 | 727 | 3,572,779 | 2,366,244 |
| Addition/(transfer), net | 729 | - | - | (727) | 2 | 1 |
| Depreciation | (695) | (91,249) | (107) | - | (92,051) | - |
| Interest expense | - | - | - | - | - | 404,543 |
| Foreign exchange difference, net | - | - | - | - | - | 4,723 |
| Payments | - | - | - | - | - | (805,247) |
| Reclasification to liabilities of uncontrolled territories (Note 2) | - | - | - | - | - | (5,329) |
| As at 31 December 2020 | 630 | 3,479,396 | 704 | - | 3,480,730 | 1,964,935 |

| Right of use assets | | | | | | |
|----------------------------------|--|-------------|----------|-----------------------------------|-----------|-------------------|
| | Buildings, constructions and infra-structure | Locomotives | Vehicles | Plant, equipment, tools and other | Total | Lease liabilities |
| As at 1 January 2019 | - | 2,198,458 | 5,948 | - | 2,204,406 | 1,445,305 |
| Addition/(transfer), net | 1,093 | 1,460,248 | (4,807) | 1,002 | 1,457,536 | 1,319,314 |
| Depreciation | (497) | (88,061) | (330) | (275) | (89,163) | - |
| Interest expense | - | - | - | - | - | 421,383 |
| Foreign exchange difference, net | - | - | - | - | - | (5,877) |
| Payments | - | - | - | - | - | (813,881) |
| As at 31 December 2019 | 596 | 3,570,645 | 811 | 727 | 3,572,779 | 2,366,244 |

The Group presents right of use assets within property, plant and equipment (Note 9).

20. 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 payments according to collective agreements. These obligations fall under definitions of an unfunded defined benefit plans.

The Group's defined benefit obligation relates to:

| | 2020 | 2019 |
|--|-----------|-----------|
| Post retirement and post-employment benefits under collective agreement | 2,569,913 | 2,312,364 |
| State plan for additional pensions for working in hazardous and unhealthy working conditions | 631,876 | 506,821 |
| Other long-term benefits under collective agreement | 387,140 | 367,707 |
| | 3,588,929 | 3,186,892 |



Changes in the net present value of the defined benefit obligation were as follows:

| | Post retirement and post-employment benefits under collective agreement | State plan for additional pensions for working in hazardous and unhealthy working conditions | Other long-term benefits under collective agreement | Total |
|--|---|--|---|-----------|
| At 1 January 2019 | 1,876,070 | 424,852 | 353,183 | 2,654,105 |
| Interest cost on benefit obligation | 240,038 | 57,539 | 43,575 | 341,152 |
| Current service cost | 47,740 | 15,541 | 33,896 | 97,177 |
| Benefits paid | (388,131) | (68,035) | (83,628) | (539,794) |
| Remeasurement gains/(losses) in other comprehensive income from: | | | | |
| - changes in financial assumptions | 593,398 | 85,521 | – | 678,919 |
| - changes in demographic assumptions | (328,764) | 5,087 | – | (323,677) |
| - experience adjustments | 272,013 | (13,684) | – | 258,329 |
| Remeasurement of other long-term employee benefits obligation | – | – | 20,681 | 20,681 |
| At 31 December 2019 | 2,312,364 | 506,821 | 367,707 | 3,186,892 |
| Interest cost on benefit obligation | 242,104 | 55,127 | 35,802 | 333,033 |
| Current service cost | 57,890 | 21,874 | 40,509 | 120,273 |
| Benefits paid | (410,172) | (72,527) | (87,435) | (570,134) |
| Remeasurement gains/(losses) in other comprehensive income from: | | | | |
| - changes in financial assumptions | 360,632 | 68,662 | – | 429,294 |
| - changes in demographic assumptions | 47,872 | 1,437 | – | 49,309 |
| - experience adjustments | (40,777) | 50,482 | – | 9,705 |
| Remeasurement of other long-term employee benefits obligation | – | – | 30,557 | 30,557 |
| At 31 December 2020 | 2,569,913 | 631,876 | 387,140 | 3,588,929 |

The amounts recognised in the consolidated statement of comprehensive income were as follows:

| | 2020 | 2019 |
|---|---------|---------|
| Current service cost | 120,273 | 97,177 |
| Interest cost on benefit obligation (Note 28) | 333,033 | 341,152 |
| Remeasurement of other long-term employee benefits obligation | 30,557 | 20,681 |
| | 483,863 | 459,010 |

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 average duration of the defined benefit plan obligation at the end of the reporting period is 15.9 years (2019: 16.7 years).

During the year ended 31 December 2020 the expenses from the participation

in obligatory state pension program amounted to UAH 7,485,638 thousand (2019: UAH 7,974,982 thousand). The Group expects to deduct a mandatory state pension insurance in the amount of UAH 7,827,785 thousand for the year 2021.

The principal assumptions used in determining defined benefit obligation are shown below:

| | 2020 | 2019 |
|-------------------------|-------|-------|
| Discount rate | 11.0% | 12.7% |
| Future benefit increase | 6-9% | 6-10% |
| Staff turnover | 5-16% | 5-16% |

The sensitivity analysis is given in the table below:

| 2020 | Increase/(decrease) in rate | Increase/(decrease) of defined benefit obligation |
|-------------------------|-----------------------------|---|
| Discount rate | +1% | (233,181) |
| Discount rate | -1% | 259,888 |
| Future benefit increase | +1% | 227,169 |
| Future benefit increase | -1% | (207,354) |
| Staff turnover | +1% | (119,099) |
| Staff turnover | -1% | 146,728 |

| 2019 | Increase/(decrease) in rate | Increase/(decrease) of defined benefit obligation |
|-------------------------|-----------------------------|---|
| Discount rate | +1% | (191,704) |
| Discount rate | -1% | 214,606 |
| Future benefit increase | +1% | 193,009 |
| Future benefit increase | -1% | (174,983) |
| Staff turnover | +1% | (103,000) |
| Staff turnover | -1% | 128,050 |

21. Income tax

The components of income tax expense in the consolidated statement of comprehensive income were as follows:

| | 2020 | 2019 |
|------------------------------|----------|-----------|
| Current income tax charge | 9,328 | 1,587,502 |
| Prepaid income tax write off | – | 391,196 |
| Deferred income tax benefit | (43,948) | (103,598) |
| Income tax (benefit)/expense | (34,620) | 1,875,100 |

During 2020 and 2019, the statutory income tax rate in Ukraine was 18%.

Reconciliation between loss or profit before income tax multiplied by the statutory tax rate and income tax expense for the years ended 31 December consisted of the following:

| | 2020 | 2019 |
|--|--------------|-----------|
| (Loss)/profit before income tax | (11,934,307) | 4,863,347 |
| At statutory tax rate (18%) | (2,148,175) | 875,403 |
| Tax effect of: | | |
| Change in unrecognised deferred tax assets | 1,846,410 | – |
| Non-deductible expenses for tax purpose | 267,145 | 999,697 |
| Income tax (benefit)/expense | (34,620) | 1,875,100 |

Deferred tax assets and liabilities comprised:

| | Consolidated statement of financial position | | Consolidated statement of comprehensive income | |
|---|--|----------|--|-----------|
| | 2020 | 2019 | 2020 | 2019 |
| Property, plant and equipment (I) | (45,709) | (22,085) | 23,624 | (112,058) |
| Property, plant and equipment (II) | 61,968 | 15,728 | (46,240) | (15,728) |
| Inventories (II) | 27,126 | 18,507 | (8,619) | (6,840) |
| Trade and other receivables (III) | 109,051 | 98,033 | (11,018) | 11,502 |
| Provisions (IV) | 1,695 | – | (1,695) | 19,526 |
| Tax loss available for offsetting against future taxable income (V) | 1,846,410 | – | (1,846,410) | – |
| | 2,000,541 | 110,183 | (1,890,358) | (103,598) |
| Less: unrecognised deferred tax assets (V) | (1,846,410) | – | 1,846,410 | – |
| Deferred income tax benefit recognised in profit or loss | | | (43,948) | (103,598) |
| Deferred tax effect of actuarial gain recognised in OCI | – | – | – | 18,055 |
| Net deferred tax assets | 154,131 | 110,183 | | |
| Reflected in the statements of financial position as follows: | | | | |
| Gross deferred tax assets | 199,840 | 132,268 | | |
| Less offsetting with deferred tax liabilities | (2,993) | (2,455) | | |
| Recognised deferred tax assets | 196,847 | 129,813 | | |
| Gross deferred tax liabilities | (45,709) | (22,085) | | |
| Less offsetting with deferred tax assets | 2,993 | 2,455 | | |
| Recognised deferred tax liabilities | (42,716) | (19,630) | | |
| Deferred tax assets, net | 154,131 | 110,183 | | |

Reconciliation of net deferred tax assets:

| | 2020 | 2019 |
|--|---------|----------|
| Opening balance as at 1 January | 110,183 | 24,640 |
| Tax benefit recognised in profit or loss | 43,948 | 103,598 |
| Tax expense recognised in other comprehensive income | – | (18,055) |
| Closing balance 31 December | 154,131 | 110,183 |

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) Trade and other receivables – differences in valuation, including allowances for expected credit losses, differences in the period of recognition;

(IV) Provisions – differences in recognition

principles and timing of recognition.

(V) Deferred tax assets have not been recognised in respect of losses incurred in 2020 as they may not be used to offset future taxable profits of the Group.

Deferred tax liabilities have not been recognised in respect of unremitted earnings of Ukrainian subsidiaries as the earnings can be remitted free from taxation currently and in future years, based on current legislation.

There are no income tax consequences attached to the payment of dividends the Group to its shareholders.

22. Trade and other payables

Trade payables are non-interest bearing and are normally settled within 50 days.

| | 2020 | 2019 |
|--|-----------|-----------|
| Trade payables | 3,190,759 | 3,679,664 |
| Due to employees | 2,105,041 | 2,748,727 |
| Unused vacation accrual | 1,471,892 | 1,165,226 |
| Payables for property, plant and equipment | 770,280 | 985,234 |
| Dividends payable (Note 31) | 755,434 | 756,695 |
| Other payables | 388,461 | 378,531 |
| | 8,681,867 | 9,714,077 |

23. Taxes payable, other than income tax

| | 2020 | 2019 |
|-----------------------------|-----------|---------|
| Personal income tax payable | 357,310 | 375,336 |
| Land tax payable | 312,204 | 325,377 |
| VAT payable | 379,096 | 115,066 |
| Other taxes payable | 79,968 | 73,000 |
| | 1,128,578 | 888,779 |

24. Provisions

Movement in the provisions for the year was as follows:

| | 2020 | 2019 |
|-----------------------------|-----------|-----------|
| At 1 January | 1,217,103 | 1,732,270 |
| Arisen during the year | 95,348 | 104,091 |
| Foreign exchange difference | 137,378 | (136,500) |
| Utilised | (166,996) | (482,758) |
| At 31 December | 1,282,833 | 1,217,103 |

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 2020 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 793,818 thousand (2019: UAH 658,895 thousand).

25. Tax expenses, other than income tax

| | 2020 | 2019 |
|--|-----------|-----------|
| Land tax charges | 3,630,101 | 4,020,556 |
| Other taxes | 168,520 | 175,647 |
| Non-recoverable VAT attributable to transit transportation | 95,567 | 3,701 |
| Impairment of current VAT receivable | 15,179 | 29,717 |
| | 3,909,367 | 4,229,621 |

26. Revenues

Revenue from contracts with customers for the year ended 31 December 2020 comprised the following:

| Segments | Cargo | Long-distance passenger | Suburban pass | Auxiliary activity | All other segments | Total |
|--|-------------------|-------------------------|----------------|--------------------|--------------------|-------------------|
| Cargo revenues | 65,018,753 | - | - | - | - | 65,018,753 |
| Passenger revenues | - | 3,679,552 | 453,467 | - | - | 4,133,019 |
| Other revenues | - | - | - | 5,296,568 | 843,220 | 6,139,788 |
| Total revenue from contracts with customers | 65,018,753 | 3,679,552 | 453,467 | 5,296,568 | 843,220 | 75,291,560 |
| Timing of revenue recognition | | | | | | |
| At a point in time | - | - | - | 1,674,140 | 12,244 | 1,686,384 |
| Over time | 65,018,753 | 3,679,552 | 453,467 | 3,622,428 | 830,976 | 73,605,176 |
| Total revenue from contracts with customers | 65,018,753 | 3,679,552 | 453,467 | 5,296,568 | 843,220 | 75,291,560 |

Revenue from contracts with customers for the year ended 31 December 2019 comprised the following:

| Segments | Cargo | Long-distance passenger | Suburban pass | Auxiliary activity | All other segments | Total |
|--|-------------------|-------------------------|----------------|--------------------|--------------------|-------------------|
| Cargo revenues | 72,488,806 | - | - | - | - | 72,488,806 |
| Passenger revenues | - | 9,139,743 | 766,052 | - | - | 9,905,795 |
| Other revenues | - | - | - | 7,307,516 | 650,202 | 7,957,718 |
| Total revenue from contracts with customers | 72,488,806 | 9,139,743 | 766,052 | 7,307,516 | 650,202 | 90,352,319 |
| Timing of revenue recognition | | | | | | |
| At a point in time | - | - | - | 3,381,423 | 362,592 | 3,744,015 |
| Over time | 72,488,806 | 9,139,743 | 766,052 | 3,926,093 | 287,610 | 86,608,304 |
| Total revenue from contracts with customers | 72,488,806 | 9,139,743 | 766,052 | 7,307,516 | 650,202 | 90,352,319 |

As at 31 December 2020 and 2019, the contract balances related to the contracts with customers are as follows:

| | 2020 | 2019 |
|-----------------------------|-----------|-----------|
| Trade receivables (Note 13) | 800,638 | 735,649 |
| Contract liabilities | 1,680,392 | 1,936,973 |

Contract liabilities includes short-term advances received. Advances received from the customers as at 31 December 2019 in the amount of UAH 1,852,070 thousand were recognised as revenue during the year ended 31 December 2020 (2019: UAH 2,294,712 thousand out of advances received from the customers as at 31 December 2018 were recognised as revenue).

27. Other operating income, other operating expenses and other expenses

In 2020, other operating income included income from reversal of bonuses accrual in the amount of UAH 13,791 thousand (2019: UAH 63,103 thousand). 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.

In 2020, other operating income also included rental income of UAH 104,733 thousand (2019: UAH 159,828 thousand), arising from operating leases of rolling stock and railway infrastructure objects.

Other operating income also included gain from the sale of scrap metal of

UAH 17,330 thousand and UAH 55,181 thousand for 2020 and 2019, respectively.

Other operating expenses consist of the allowance for expected credit losses of trade and other receivables in the amount of UAH 167,876 thousand and UAH 607,927 thousand (Note 13) for 2020 and 2019, respectively; the allowance to net realisable value of inventories in the amount of UAH 194,673 thousand (2019: UAH 33,961 thousand) and the allowance for taxes receivable, other than income tax (namely VAT) in the amount of UAH 683,521 thousand for 2019.

Other expenses mainly consist of impairment of property plant and equipment in the amount of UAH 720,550 thousand (Note 9) for 2019.



28. Finance income and finance costs

| | 2020 | 2019 |
|---|--------------------|--------------------|
| Interest expense on loans and borrowings | (3,498,327) | (3,082,457) |
| Interest expense on lease liabilities | (404,543) | (421,383) |
| Interest cost on defined benefit obligation (Note 20) | (333,033) | (341,152) |
| Other finance expenses | (1,138) | – |
| Total finance costs | (4,237,041) | (3,844,992) |
| Interest income | 186,441 | 253,821 |
| Other finance income | 3,965 | 5,685 |
| Total finance income | 190,406 | 259,506 |
| Finance costs, net | (4,046,635) | (3,585,486) |

29. Foreign exchange (loss)/gain, net

Foreign exchange (loss)/gain arisen on the following items:

| | 2020 | 2019 |
|--|--------------------|------------------|
| Interest-bearing loans and borrowings | (6,118,402) | 4,861,654 |
| Provisions | (137,378) | 136,500 |
| Trade and other payables | (26,217) | 29,673 |
| Lease liability | (4,723) | 5,877 |
| Trade and other receivables | 4,257 | – |
| Other current financial assets | 190,485 | (29,717) |
| Cash and cash equivalents | 606,448 | (678,420) |
| Foreign exchange (loss)/gain, net | (5,485,530) | 4,325,567 |
| Foreign exchange loss | (6,286,720) | (708,137) |
| Foreign exchange gain | 801,190 | 5,033,704 |

30. 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 the Group concludes that the material claim is not probable of being accepted, the effect of the uncertainty needs to be reflected in the entity's accounting for income taxes and related provisions.

Litigations

In the normal course of business, the Group is subject to various routine litigation and arbitration related matters. As at 31 December 2020, the Group was involved in litigations with tax authorities with respect to additional accrual of liabilities for corporate income tax amounted to UAH 648,105 thousand (2019: UAH 660,723 thousand), VAT and other taxes in the total amount of UAH 798,202 thousand (2019: UAH 924,676 thousand).

As at 31 December 2020 the Group's possible exposure to the ascertained third parties' claims was UAH 2,011,822 thousand (2019: UAH 2,950,348 thousand).

As at 31 December 2020, the Group's possible exposure related to the claims in respect of the interest-bearing loans and borrowing of uncontrolled territories (and covered by the moratorium on payment) described in Note 18, was UAH 3,196,484 thousand.

Management believes that the Group's position in the litigations stated above has sustainable legal merits, and therefore the ultimate resolution of these litigations will not have an adverse effect on the Group's financial position, or the results of its future operations, accordingly, no corresponding provisions were recognised in these consolidated financial statements. Provisions were recognised for obligations with probable outflow of resources embodying economic benefits (Note 24).

Capital commitments

As at 31 December 2020 the Group's outstanding commitment in respect of purchase of property and equipment amounted to UAH 235,748 thousand (31 December 2019: UAH 328,270 thousand) and other commitments amounted to UAH 1,777,809 thousand (31 December 2019: UAH 2,083,661 thousand).

Other matters

In 2019 the Company timely fulfilled its obligations on dividends payments for its financial results for 2018 (Note 17) following the relevant decision of the General Meeting of Shareholders. However, starting from December 2019 and up to the date of these financial statements, the governmental authorities of Ukraine considered the matter to recognize additional liability on the dividends payments for 2018 in the amount of UAH 206,203 thousand. As at the date of approval of these consolidated financial statements, the relevant decision of the General Meeting of Shareholders has not been made in respect of this matter. The Company is taking steps to resolve this matter.

31. Related party disclosure

The outstanding balances and transaction with entities under common control of the State, comprised:

| | 2020 | 2019 |
|---|-------------|-------------|
| Balances at 31 December | | |
| Prepayments for property, plant and equipment | 6,396 | 171 |
| Trade and other receivables | 324,339 | 195,540 |
| Prepayments, other than dividends | 18,204 | 83,202 |
| Cash and cash equivalents | 2,362,176 | 6,684,694 |
| Trade and other payables, other than dividends | 194,105 | 78,750 |
| Advances received | 53,106 | 2,167 |
| Interest-bearing loans and borrowings and lease liability | 2,479,580 | 2,864,429 |
| Other current financial assets | 9,759 | 2,014,715 |
| Transactions during the year | | |
| Cargo revenues | 1,370,817 | 1,378,358 |
| Passenger revenues | 94,226 | 128,154 |
| Other revenues | 437,521 | 125,380 |
| Electricity | (2,331,194) | (6,403,096) |
| Materials, maintenance and repairs | (317,381) | (138,045) |
| Finance income | 145,936 | 232,196 |
| Finance costs | (557,025) | (625,628) |
| Other operating income | - | 131,564 |

The outstanding balances and transaction with associates comprised:

| | 2020 | 2019 |
|-------------------------------------|--------|---------|
| Balances at 31 December | | |
| Advances received | 3,214 | 4,662 |
| Transactions during the year | | |
| Other revenues | 78,636 | 121,273 |

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 2020 the Group's interest bearing loans with carrying value of UAH 2,088,986 thousand (2019: UAH 2,482,475 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 6 members and the Supervisory Board comprising 5 members as at 31 December 2020.

For 2020 and 2019, total compensation to the Management Board mostly included payroll, payroll related taxes and bonuses amounted to UAH 53,018 thousand and UAH 71,417 thousand, respectively. For 2020 total compensation to the members of the Supervisory Board was UAH 20,676 thousand (2019: UAH 43,425 thousand).

Dividends

As at 31 December 2020, dividends payable to the State in the amount of UAH 753,748 thousand were included in trade and other payables (2019: UAH 755,015 thousand) (Note 22). Dividends for the year ended 31 December 2020 were accrued in amount of UAH 8,641 thousand (2019: UAH 765,355 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 85,643 thousand and UAH 113,418 thousand for 2020 and 2019, respectively, were included in passenger revenues.



32. 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 | |
|--|------------|------------|----------------|------------|
| | 2020 | 2019 | 2020 | 2019 |
| Financial assets | | | | |
| Trade and other receivables | 570,546 | 656,540 | 570,546 | 656,540 |
| Equity instruments of another entities | 62,326 | 62,319 | 62,326 | 62,319 |
| Other non-current financial assets | 25,969 | 22,007 | 25,969 | 22,007 |
| Other current financial assets | 9,759 | 2,014,715 | 9,759 | 2,014,715 |
| Cash and cash equivalents | 2,497,546 | 6,981,236 | 2,497,546 | 6,981,236 |
| Financial liabilities | | | | |
| Interest-bearing loans and borrowings | 35,312,824 | 32,804,165 | 34,734,740 | 32,648,438 |
| Trade and other payables | 8,681,867 | 9,714,077 | 8,681,867 | 9,714,077 |

In assessing the fair value of financial instruments, the Group uses a variety of methods and makes assumptions based on market conditions existing at the end of the reporting period. Quoted market prices or dealer quotes for the specific or similar instruments or the discounted value of future cash flows are used for financial assets. The fair value of unquoted instruments, other financial assets, interest bearing loans and borrowings, lease liability is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

Fair value hierarchy

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

- Level 1 – quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 – valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Fair value of financial assets and liabilities at 31 December 2020 and 2019 (valuation dates) as follows:

| 2020 | Level 1 | Level 2 | Level 3 | Total |
|---|------------|---------|------------|------------|
| Financial assets carried at amortised cost | | | | |
| Trade and other receivables | – | – | 570,546 | 570,546 |
| Other non-current financial assets | – | – | 25,969 | 25,969 |
| Other current financial assets (domestic government bonds) | 9,759 | – | – | 9,759 |
| Financial assets carried at fair value through profit or loss | | | | |
| Equity instruments of another entities (I) | – | – | 62,326 | 62,326 |
| Financial liabilities carried at amortised cost | | | | |
| Interest-bearing loans and borrowings | 21,019,910 | – | 14,292,914 | 35,312,824 |
| Trade and other payables | – | – | 8,681,867 | 8,681,867 |

| 2019 | Level 1 | Level 2 | Level 3 | Total |
|---|------------|-----------|------------|------------|
| Financial assets carried at amortised cost | | | | |
| Trade and other receivables | – | – | 656,540 | 656,540 |
| Other non-current financial assets | – | – | 22,007 | 22,007 |
| Other current financial assets (deposit certificates) | – | 2,014,715 | – | 2,014,715 |
| Financial assets carried at fair value through profit or loss | | | | |
| Equity instruments of another entities (I) | – | – | 62,319 | 62,319 |
| Financial liabilities | | | | |
| Financial liabilities carried at amortised cost | | | | |
| Interest-bearing loans and borrowings | 19,706,627 | – | 13,097,538 | 32,804,165 |
| Trade and other payables | – | – | 9,714,077 | 9,714,077 |

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 2020 and 2019 years.

(i) Equity instruments of another entities are classified and measured at fair value through profit or loss. The fair value of such non-listed equity instruments is determined by the Group using market multiples and applying

to the relevant financial information of the investees.

The significant unobservable inputs used in the fair value measurements categorised within Level 3 of the fair value hierarchy, together with a quantitative sensitivity analysis as at 31 December 2020 and 2019 are shown below:

| Significant unobservable input | Range | Sensitivity of the input to fair value of the equity instruments |
|--------------------------------------|--------------------------|--|
| Price to book value | 2020: 0.97 2019: 0.97 | 5% increase/decrease in the multiplier would result in an increase/decrease in fair value by UAH 1,296 thousand (2019: UAH 1,320 thousand) |
| Enterprise value to invested capital | 2020: 0.99 2019: 0.99 | 5% increase/decrease in the multiplier would result in increase/decrease in fair value by UAH 3,920 thousand (2019: UAH 5,306 thousand) |

Reconciliation of fair value measurement of equity instruments of another entities is as follows:

| | |
|--|----------|
| At 1 January 2019 | 73,546 |
| Remeasurement recognised in profit or loss | (11,227) |
| At 31 December 2019 | 62,319 |
| Remeasurement recognised in profit or loss | 7 |
| At 31 December 2020 | 62,326 |

Changes in liabilities arising from financing activities

Changes in liabilities arising from financing activities as at 31 December 2020 and 2019 as follows:

| | 1 January 2020 | Cash flows | Foreign exchange effect | New lease liabilities | Segregation of liabilities of uncontrolled territories (Note 2) | Other | 31 December 2020 |
|--|-------------------|--------------------|-------------------------|-----------------------|---|------------------|-------------------|
| Current interest-bearing bank loans | 14,498,640 | (7,530,388) | 2,416,347 | - | - | 7,013,554 | 16,398,153 |
| Current obligation under lease contracts | 434,396 | (805,247) | 3,655 | - | (5,329) | 792,025 | 419,500 |
| Non-current interest-bearing bank loans | 18,149,798 | - | 3,702,055 | - | - | (3,515,266) | 18,336,587 |
| Non-current obligation under lease contracts | 1,931,848 | - | 1,068 | 1 | - | (387,482) | 1,545,435 |
| Dividends | 756,695 | (10,052) | - | - | - | 8,791 | 755,434 |
| Total liabilities arising from financing activities | 35,771,377 | (8,345,687) | 6,123,125 | 1 | (5,329) | 3,911,622 | 37,455,109 |

| | 1 January 2019 | Cash flows | Foreign exchange effect | New lease liabilities | Other | 31 December 2019 |
|--|-------------------|------------------|-------------------------|-----------------------|------------------|-------------------|
| Current interest-bearing bank loans | 17,086,982 | (10,688,365) | (1,949,287) | - | 10,049,310 | 14,498,640 |
| Current obligation under lease contracts | 286,775 | (422,358) | (3,344) | - | 573,323 | 434,396 |
| Non-current interest-bearing bank loans | 14,918,287 | 15,584,786 | (2,912,367) | - | (9,440,908) | 18,149,798 |
| Non-current obligation under lease contracts | 1,158,530 | - | (2,533) | 1,319,314 | (543,463) | 1,931,848 |
| Dividends | 108,195 | (118,520) | - | - | 767,020 | 756,695 |
| Total liabilities arising from financing activities | 33,558,769 | 4,355,543 | (4,867,531) | 1,319,314 | 1,405,282 | 35,771,377 |

The “Other” column includes the effect of reclassification of non-current portion of interest-bearing loans and borrowings, including obligations under leases to current due to the passage of time and the effect of accrued but not yet paid interest on interest-

bearing loans and borrowings. The Group classifies interest paid as cash flows from financing activities.

33. Financial risk management policies and objectives

Financial risk management policies and objectives

The Group's principal financial instruments comprise interest-bearing loans and borrowings, cash in bank, short-term deposits and other financial assets. The Group has various other financial instruments, such as trade and other receivables and payables, which arise directly from its operations.

The Group has not entered into any material derivative transactions. It is the Group's policy not to trade in financial instruments. The Group's overall risk management program focuses on the unpredictability and inefficiency of the Ukrainian financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Risk management is carried out by the Group's financial departments. The main risks arising from the Group's financial instruments

are liquidity risk, foreign currency risk, credit risk and interest rate risk. The policies for managing each of these risks are summarised below.

Liquidity risk

The Group's objective is to maintain continuity and flexibility of funding through the use of cash generated from Group's operations, credit terms provided by suppliers, banks and lenders. Significant aspects of the liquidity risk management are disclosed in Note 2.

In addition to the previously mentioned factors, the Group considers that liquidity risk exposure is predetermined by number of factors, imposed by the government regulations, including:

- Tax charges. The Group is a payer of number of direct and indirect taxes, established by the Tax Code of Ukraine. During 2020 2019, the Group accrued and paid current income tax as follows:

| | 2020 | 2019 |
|---|-----------|-------------|
| Income tax payable/(prepaid income tax) at 1 January, net | (105,415) | 56,493 |
| Current income tax charge (Note 21) | 9,328 | 1,587,502 |
| Income tax paid | (17,942) | (1,755,587) |
| Other movements | 4,168 | 6,177 |
| (Prepaid income tax)/income tax payable at 31 December, net | (109,861) | (105,415) |

Among other taxes, the Group is the land tax payer, and related charges and payments are as follows:

| | 2020 | 2019 |
|--------------------------------------|-------------|-------------|
| Land tax payable at 1 January, net | 278,890 | 59,967 |
| Land tax charge (Note 25) | 3,630,101 | 4,020,556 |
| Land tax paid | (3,710,312) | (3,808,786) |
| Other movements | 4,305 | 7,153 |
| Land tax payable at 31 December, net | 202,984 | 278,890 |

- Dividend payments. As described in Note 17, at 31 December 2020, the Company accrued dividends in amount of UAH 755,434 thousand, which are to be paid in 2021 upon relevant approval by the General meeting of shareholders (2019: UAH 749,205 thousand, which were paid directly to the State budget during 2020).

The Group analyses the aging of its assets and cash generation ability versus the maturity of its liabilities and plans its liquidity

depending on the expected repayment of various instruments as well as tax and dividend payments as described above.

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2020 and 2019 based on contractual undiscounted payments, assuming no breaches occurred:

| Year ended 31 December 2020 | Less than 3 month | 3 to 12 months | 1 to 5 years | More than 5 years | Total contractual payments | Less: effect of amortisation | Carrying value |
|---------------------------------------|-------------------|----------------|--------------|-------------------|----------------------------|------------------------------|----------------|
| Interest bearing loans and borrowings | 7,067,323 | 8,775,469 | 23,152,495 | 1,827,023 | 40,822,310 | (6,087,570) | 34,734,740 |
| Lease liability | 128,278 | 596,437 | 2,130,413 | 41,268 | 2,896,396 | (931,461) | 1,964,935 |
| Trade and other payables | 7,036,689 | 1,645,178 | – | – | 8,681,867 | – | 8,681,867 |

| Year ended 31 December 2019 | Less than 3 month | 3 to 12 months | 1 to 5 years | More than 5 years | Total contractual payments | Less: effect of amortisation | Carrying value |
|---------------------------------------|-------------------|----------------|--------------|-------------------|----------------------------|------------------------------|----------------|
| Interest bearing loans and borrowings | 5,449,659 | 10,529,989 | 21,222,482 | 1,472,007 | 38,674,137 | (6,025,699) | 32,648,438 |
| Lease liability | 140,092 | 666,008 | 2,426,459 | 465,257 | 3,697,816 | (1,331,572) | 2,366,244 |
| Trade and other payables | 9,570,964 | 143,113 | – | – | 9,714,077 | – | 9,714,077 |

Foreign currency risk

In common with many other businesses in Ukraine, foreign currencies, in particular the US dollar ("USD"), the euro ("EUR"), the Swiss franc ("CHF") play a significant role in the underlying economics of the Group's business

transactions.

The exchange rates for foreign currencies, in which the Group's financial assets and liabilities were denominated, against the Ukrainian hryvnia, as established by the NBU as at the dates stated, were as follows:

| | USD | EUR | CHF |
|------------------|---------|---------|---------|
| 31 December 2019 | 23.6862 | 26.4220 | 24.2711 |
| Average for 2019 | 25.6471 | 28.6866 | 25.8404 |
| 31 December 2020 | 28.2746 | 34.7396 | 32.0156 |
| Average for 2020 | 26.9639 | 30.8013 | 28.7676 |
| 31 March 2021 | 27.8852 | 32.7233 | 29.7658 |

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 rate. 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 or profit before tax.

| 31 December 2020 | Weakening “+”/ strengthening “-” of the exchange rate | Increase/(decrease) of the profit before tax | Increase/(decrease) of the equity |
|------------------|---|--|--------------------------------------|
| USD/UAH | +15.00% | (5,206,252) | (5,206,252) |
| USD/UAH | -12.00% | 4,165,001 | 4,165,001 |
| CHF/UAH | +15.00% | (26,173) | (26,173) |
| CHF/UAH | -12.00% | 20,938 | 20,938 |
| EUR/UAH | +16.00% | (312,521) | (312,521) |
| EUR/UAH | -14.00% | 273,456 | 273,456 |

| 31 December 2019 | Weakening “+”/ strengthening “-” of the exchange rate | Increase/(decrease) of the profit before tax | Increase/(decrease) of the equity |
|------------------|---|--|--------------------------------------|
| USD/UAH | +14.00% | (3,799,634) | (3,799,634) |
| USD/UAH | -11.00% | 2,985,427 | 2,985,427 |
| CHF/UAH | +14.00% | (12,998) | (12,998) |
| CHF/UAH | -14.00% | 12,998 | 12,998 |
| EUR/UAH | +15.00% | (216,296) | (216,296) |
| EUR/UAH | -13.00% | 187,456 | 187,456 |

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 expected credit loss allowances recognised

against assets. The Group's maximum credit risk exposure at 31 December 2020 and 2019 is represented by the carrying amounts of the financial assets.

The Group's cash is primarily held with major reputable Ukrainian banks. The external credit risk of banks, in which cash and cash equivalents, deposits, was placed was represented:

| | 31 December 2020 | 31 December 2019 |
|---|------------------------|------------------------|
| Bank with external credit rating (Moody's): | | |
| - B2 | 709,202 | 1,049,160 |
| - B3 | 1,762,256 | 5,916,561 |
| - Caa1 | 20 | 99 |
| Bank without credit rating | 25,843 | 15,037 |
| Cash on hand | 225 | 379 |
| | 2,497,546 | 6,981,236 |

Customer credit risk is managed by each counterparty to the Group's established policy, procedures and control relating to customer credit risk management. 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. At 31 December 2020, the Group had 207 customers (2019: 203) that owed it more than UAH 100 thousand each and accounted for approximately 54% (2019: 51%) of all the trade and other receivables outstanding. There were ten customers (2019: nine customers) with balances greater than UAH 6,000 thousand accounting for just over 33% (2019: 31%) of the total amounts of trade and other receivables. Further information about the credit risks exposure on the Group's trade and other receivables using a provision matrix is disclosed in Note 13.

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 2020 and 2019, 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 loss or profit before tax (through the impact on floating rate borrowings).

| 31 December 2020 | Increase “+”/ decrease “-” in basis points | Increase/(decrease) of the profit before tax | Increase/(decrease) of the equity |
|------------------|--|--|-----------------------------------|
| LIBOR | +1.00% | (2,533) | (2,533) |
| LIBOR | -0.25% | 638 | 638 |
| EURIBOR | +0.20% | (3,805) | (3,805) |
| EURIBOR | -0.20% | 3,805 | 3,805 |

| 31 December 2020 | Increase “+”/ decrease “-” in basis points | Increase/(decrease) of the profit before tax | Increase/(decrease) of the equity |
|------------------|--|--|-----------------------------------|
| LIBOR | +0.35% | (4,247) | (4,247) |
| LIBOR | -0.35% | 4,247 | 4,247 |
| EURIBOR | +0.15% | (2,171) | (2,171) |
| EURIBOR | -0.15% | 2,171 | 2,171 |

The Group has not entered into transactions designed to hedge against the interest rate risk.

Capital management

The Group considers debt and equity as relevant components of funding, hence part of its capital management. The Group's objectives when managing capital are to safeguard the Group's 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:

| | 2020 | 2019 |
|---------------------------------------|-------------|-------------|
| Interest-bearing loans and borrowings | 34,734,740 | 32,648,438 |
| Lease liability | 1,964,935 | 2,366,244 |
| Trade and other payable | 8,681,867 | 9,714,077 |
| | 45,381,542 | 44,728,759 |
| Cash and term deposits | (2,497,546) | (6,981,236) |
| Net debt | 42,883,996 | 37,747,523 |
| Total equity | 199,388,922 | 211,816,203 |
| Total capital | 242,272,918 | 249,563,726 |
| Gearing ratio | 22% | 18% |

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.

In order to achieve this overall objective, the Group's capital management, among other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches of the financial covenants of any interest-bearing loans and borrowing in the current period.

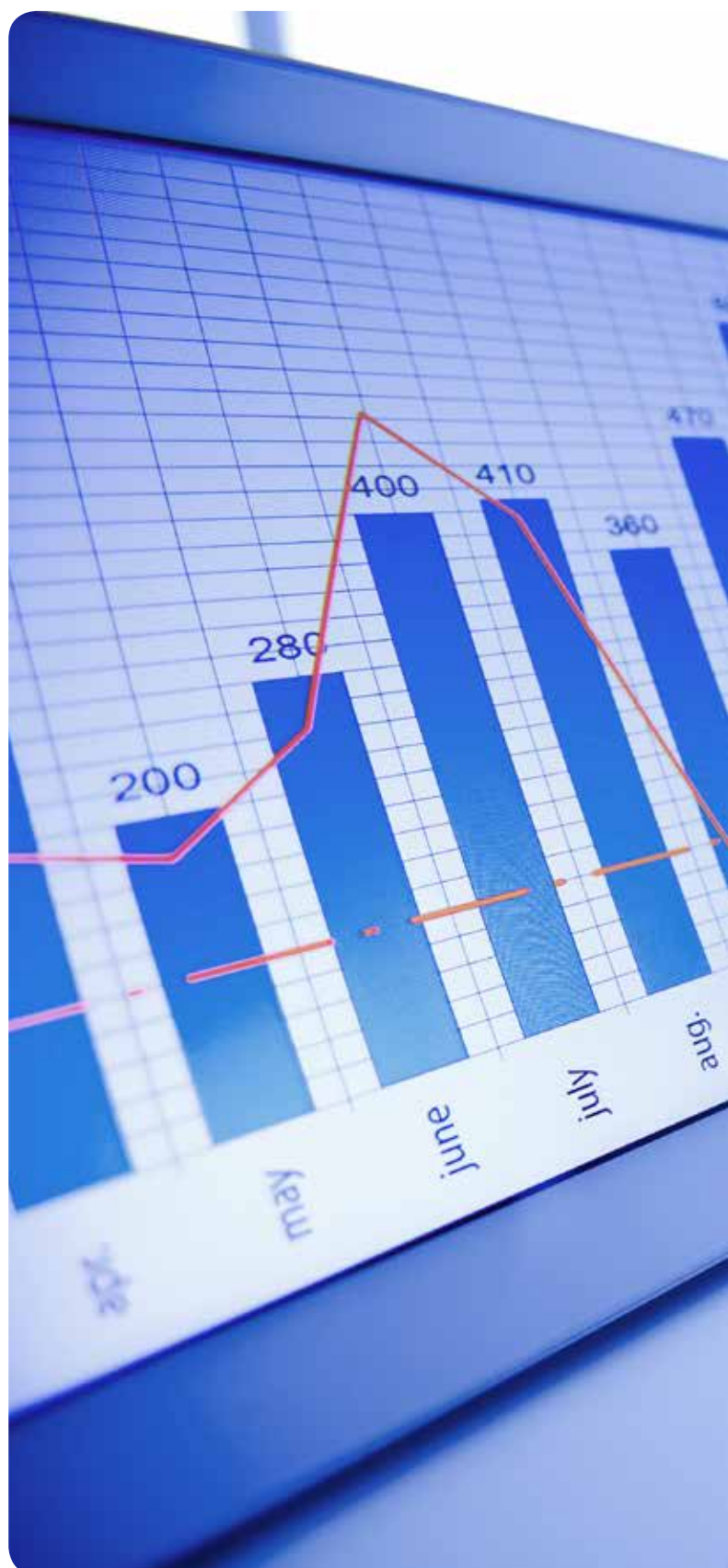
No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2020 and 2019.

34. Events after the reporting period

Interest-bearing loans and borrowings management after the reporting date

In March 2021, the Group agreed a revolving credit line with one of the Ukrainian state-owned banks with total limit of USD 38 million at 3.5% p. a. maturity in December 2021.

In March 2021, the Group repaid another part of Shortline plc's Eurobonds in the amount of USD 50 million or the equivalent of UAH 1,386 million (translated using the official exchange rate of the National Bank of Ukraine at the payment date) and paid the next coupon for them according to the payment schedule.









ANNEXES

About the Report

The annual integrated report of JSC “Ukrzaliznytsia” for 2020 (hereinafter - the Report) is the fourth Report prepared by the Company on a voluntary basis and addressed to a wide range of stakeholders: investors, public authorities, partners, employees, the public, representatives of public organizations, means media and others.

The Company strives to ensure maximum openness and transparency of its activities, provides relevant and reliable data for all stakeholders, which allows to form a comprehensive view of the Company: its strategy, business sustainability, financial and economic results, activities in the field of rail transport, environmental safety, contribution to development of regions of presence and other significant areas of activity. The report reflects both positive and negative aspects of the Company's performance in order to allow a reasonable assessment of the results of JSC “Ukrzaliznytsia”, and also contains topics that may influence the decisions of stakeholders.

Open reporting allows the Company to demonstrate its commitment to the principles of corporate social responsibility and sustainable development, as well as to disclose important information about the economic, social and environmental aspects of the Company's activities. JSC “Ukrzaliznytsia” constantly analyzes both domestic and international trends and new requirements in the field of non-financial reporting. Since 2017, the Company has included in the Report information on its contribution to the achievement of the UN Sustainable Development Goals.

In addition to the names of JSC “Ukrzaliznytsia” and the “Company”, the names “Ukrzaliznytsia”, “Company” and “Group” are also used in the Report to denote Ukrzaliznytsia Joint-Stock Company and its subsidiaries.

Standards and regulatory requirements

The report is prepared taking into account:

- International Financial Reporting Standard (IFRS);
- International Standard for Integrated Reporting (<IR> International Framework);
- International Reporting Initiative for Sustainable Development Global Reporting Initiative (GRI SRS, Core Compliance);
- UN Sustainable Development Goals relevant to rail transport activities.

Limits of the Report

The report for 2020 provides more information on the results of JSC “Ukrzaliznytsia's” activities, with the aim of bringing the Report's boundaries in line with the consolidated financial statements of JSC “Ukrzaliznytsia” (for more details, see the section “Our financial results”, note 1). The 2020 Report includes data on the most significant impact of JSC “Ukrzaliznytsia” and its subsidiaries, which in turn have a significant impact on the economic, environmental and social performance of JSC “Ukrzaliznytsia”.

The report discloses the most significant results and performance indicators of the Company, covering the period from 01.01.2020 to 31.12.2020. The text of the Report may also contain information on events that occurred earlier or later than the specified period, if this is necessary for a fuller disclosure of the substance of the issues addressed in the Report.

Interaction with stakeholders

In order to increase transparency, accountability and identify key issues for reflection in the Report, the Report was prepared in cooperation with stakeholders. The document takes into account the main recommendations and requests of stakeholder representatives. To this end, the Company

used interaction mechanisms and information exchange channels, using the most convenient methods of communication for each group of stakeholders. Representatives of stakeholders were involved in the process of determining the content of the Report through surveys, personal meetings, where they could ask questions to representatives of the Company and get answers to them, as well as express their views on the importance of certain activities of JSC "Ukrzaliznytsia". In addition, the results of regular media monitoring were taken into account when determining the content of the Report.

Determining the significance of topics

The degree of attention paid to various topics in the Report is proportional to their materiality. Clarification of the list of significant issues and determination of priority topics was carried out from the standpoint of strategic priorities and values of JSC "Ukrzaliznytsia" and the priorities of stakeholders.

Business dimension:

- renewal of fixed assets of the Company (acquisition of new and modernization of existing rolling stock);
- transparent and effective management, application of modern management models;
- increasing the number and improving the quality of services provided;
- reduction of travel time of goods and passengers;
- optimization of non-profit assets and directions;
- impact on society and the environment;
- transparent system of reimbursement of expenses from the state and local budgets;
- investment security and high profitability;
- reliability and timeliness of fulfillment of obligations by the Company.

Economic dimension:

- introduction of a transparent management system of the Company and an open system of procurement of works, goods and services that prevent corruption offenses and abuses;
- economic activity (increase in income);
- wide introduction of modern technologies, digitalization of the Company.

Social dimension:

- remuneration and motivation of employees;
- increasing the degree of social protection of employees;
- optimization and staff development;
- creating safe and comfortable working conditions.

Environmental dimension:

- energy saving and energy efficiency;
- improving environmental performance (water, air, land).

These topics are a priority for the Company and stakeholders, so they are reflected in the pages of the Report. Other issues that were not included in the Report, but which are also considered important, can be addressed in a working order.

Principles for determining the quality of the Report

The quality of the Report is ensured through the use of the following approaches:

Significance. The information included in the Report covers topics and indicators that reflect the significant impact of the Company on the economy, environment and society or may significantly affect the assessments and decisions of stakeholders.

Comparability. The information in the Report is presented in such a way as to allow stakeholders to analyze changes in the Company's performance and to provide an opportunity to compare with other organizations.

Precision. The data in the Report are sufficiently detailed and accurate so that stakeholders can evaluate the results of JSC “Ukrzaliznytsia’s” activities.

Timeliness. Reporting is carried out according to a regular schedule. Information is available in a timely manner, so stakeholders can make informed decisions.

Clarity. The information is provided in a form that is understandable and accessible to stakeholders who use the Report.

Reliability. The information used in the preparation of the Report is collected, documented, analyzed and disclosed in a way that allows for study and ensures the quality and relevance of the information.

Stakeholder coverage. The Company identified stakeholders in its activities and showed how their reasonable expectations were taken into account in preparing the Report. Reasonable expectations and interests of stakeholders are a key aspect of many of the decisions taken in preparing the Report.

Context of sustainable development. The report reveals the results of the Company's activities in the broad context of sustainable development.

Completeness. The coverage of significant topics and indicators, as well as the limits of the Report, are sufficient to reflect the significant impact of the Company on the economy, environment and society and to give stakeholders the opportunity to evaluate the results of the Company's activities for the reporting period.

Balance. The report reflects both positive and negative aspects of the performance of JSC “Ukrzaliznytsia” in order to allow a reasonable assessment of overall performance.

Limitation of liability

The information provided in the Report may contain forward-looking statements. They can be made on any facts, except for those related to previous periods, as well as include statements about the intentions and expectations of the Company regarding the results of its activities, financial position, medium and long-term prospects, etc.

Forecasts are associated with risks and uncertainties, as they depend on circumstances that may or may not occur in the future, their feasibility depends, inter alia, on a number of economic, political or legal factors beyond the influence of JSC “Ukrzaliznytsia” (global financial, economic and political situation, the situation in key markets, changes in tax, customs and environmental legislation, etc.). Therefore, actual performance indicators for future years may differ from the forecast statements published in the Report.

GRI Standards reporting table

| General standard reporting elements | Description of the indicator | Report section |
|-------------------------------------|--|---|
| | GRI 102: General Disclosures | |
| | Organizational profile | |
| GRI 102-1 | Name of the organization | Joint-Stock Company "Ukrainian Railways" (JSC "Ukrzaliznytsia") |
| GRI 102-2 | Activities, brands, products, and services | JSC "UKRZALIZNYTSIA" TODAY Transport market overview OUR BUSINESS Key operating results |
| GRI 102-3 | Location of headquarters | HEAD OFFICE JSC "UKRZALIZNYTSIA" Address: 03150, Kyiv, 5 Jerzy Giedroyc Street |
| GRI 102-4 | Location of operations | OUR BUSINESS Key operating results |
| GRI 102-5 | Ownership and legal form | JSC "UKRZALIZNYTSIA" TODAY Transport market overview |
| GRI 102-6 | Markets served | JSC "UKRZALIZNYTSIA" TODAY Transport market overview OUR BUSINESS Key operating results |
| GRI 102-7 | The scale of the organization | OUR BUSINESS |
| GRI 102-8 | Information on employees and other workers | OUR EMPLOYEES AND THE COUNTRY |
| GRI 102-9 | Supply chain | OUR BUSINESS Procurement system management |
| GRI 102-10 | Significant changes to the organization and its supply chain | OUR BUSINESS Implementation of the Strategy of JSC "Ukrzaliznytsia" Corporative management |
| GRI 102-11 | Precautionary Principle or approach | OUR BUSINESS Corporative management |
| GRI 102-12 | External initiatives | OUR BUSINESS Corporative management international cooperation OUR SUSTAINABLE DEVELOPMENT ACCESSORIES About the Report |
| GRI 102-13 | Membership of associations | OUR BUSINESS International cooperation |
| | Strategy | |
| GRI 102-14 | Statement from senior decision-maker | ADDRESS OF THE CHAIRMAN OF THE SUPERVISORY BOARD OF JSC "UKRZALIZNYTSIA" |
| | Ethics and integrity | |
| GRI 102-16 | Values, principles, standards and norms of company behavior | OUR BUSINESS OUR SUSTAINABLE DEVELOPMENT |
| GRI 102-17 | Mechanisms for advice and concerns about ethics | OUR BUSINESS Corporative management |

| | Governance | |
|------------|---|--|
| GRI 102-18 | Governance structure | OUR BUSINESS Corporative management |
| GRI 102-22 | Composition of the highest governance body and its committees | OUR BUSINESS Corporative management |
| GRI 102-23 | Chair of the highest governance body | The Chairman of the Supervisory Board is also not the Executive Director |
| GRI 102-24 | Nominating and selecting the highest governance body | OUR BUSINESS Corporative management |
| | Stakeholder engagement | |
| GRI 102-40 | List of stakeholder groups | OUR SUSTAINABLE DEVELOPMENT Interaction with stakeholders ANNEXES About the Report |
| GRI 102-41 | Collective bargaining agreements | OUR EMPLOYEES AND OUR COUNTRY Social protection and support of employees |
| GRI 102-42 | Identifying and selecting stakeholders | OUR SUSTAINABLE DEVELOPMENT Interaction with stakeholders ANNEXES About the Report |
| GRI 102-43 | Approach to stakeholder engagement | OUR SUSTAINABLE DEVELOPMENT Interaction with stakeholders ANNEXES About the Report |
| GRI 102-44 | Key topics and concerns raised | OUR EMPLOYEES AND OUR COUNTRY OUR SUSTAINABLE DEVELOPMENT Interaction with stakeholders ANNEXES About the Report |
| | Reporting practice | |
| GRI 102-45 | Entities included in the consolidated financial statements | ANNEXES About the Report |
| GRI 102-46 | Defining report content and topic Boundaries | ANNEXES About the Report |
| GRI 102-47 | List of important topics | ANNEXES About the Report |
| GRI 102-48 | Reformulation of information | No significant reformulations took place during the reporting period |
| GRI 102-49 | Changes in reporting | There were no changes among significant topics and boundaries of topics during the reporting period |
| GRI 102-50 | Reporting period | ANNEXES About the Report |
| GRI 102-51 | Date of publication of the last report | November 2020 |
| GRI 102-52 | Reporting cycle | Annual |
| GRI 102-53 | Contact point for questions regarding the report | Department of Sustainable Development and Internal Communications tel.: + 38 (044) 309 70 74; EMAIL: sustainability@uz.gov.ua |
| GRI 102-54 | Claims of reporting in accordance with the GRI Standards | ANNEXES About the Report |
| GRI 102-55 | GRI content index | ANNEXES GRI Standards reporting table |
| GRI 102-56 | External assurance | The integrated report was not independently audited. The consolidated financial statements have been independently audited, the report on the results is presented in the section "OUR FINANCIAL RESULTS" |

| | | |
|-----------|--|---|
| | GRI 200: Economic | |
| | GRI 201: Economic Performance | |
| GRI 103-1 | Explanation of the material topic and its boundaries | OUR FINANCIAL RESULTS |
| GRI 103-2 | Management approach and its components | OUR BUSINESS OUR FINANCIAL RESULTS |
| GRI 201-1 | Direct economic value generated and distributed | OUR BUSINESS OUR EMPLOYEES AND OUR COUNTRY OUR SUSTAINABLE DEVELOPMENT JSC “Ukrzaliznytsia's” contribution to overcoming the impact of the COVID-19 pandemic |
| GRI 201-4 | Financial assistance received from the government | During the reporting period, the company did not receive financial assistance from the state |
| | GRI 202: Market presence | |
| GRI 202-1 | Ratios of standard entry level wage by gender compared to local minimum wage | OUR EMPLOYEES AND OUR COUNTRY HR |
| | GRI 203: Indirect economic impact | |
| GRI 203-1 | Infrastructure investments and services supported | OUR BUSINESS Key operating results OUR EMPLOYEES AND OUR COUNTRY Social protection and support of employees |
| | GRI 205: Anti-corruption | |
| GRI 103-1 | Explanation of the material topic and its boundaries | OUR BUSINESS Corporative management |
| GRI 103-2 | Management approach and its components | OUR BUSINESS Corporative management |
| GRI 205-1 | Operations assessed for risks related to corruption | OUR BUSINESS Corporative management |
| GRI 205-2 | Communication and training about anti-corruption policies and procedures | OUR BUSINESS Corporative management |
| GRI 205-3 | Confirmed incidents of corruption and actions taken | OUR BUSINESS Corporative management |
| | GRI 300: Environmental | |
| | GRI 302: Energy | |
| GRI 103-1 | Explanation of the material topic and its boundaries | OUR ENVIRONMENTAL RESPONSIBILITY Environmental policy Energy efficiency and resource saving |
| GRI 103-2 | Management approach and its components | OUR ENVIRONMENTAL RESPONSIBILITY Environmental policy Energy efficiency and resource saving |
| GRI 302-1 | Energy consumption within the organization | OUR ENVIRONMENTAL RESPONSIBILITY Energy efficiency and resource saving |
| GRI 302-3 | Energy intensity | OUR ENVIRONMENTAL RESPONSIBILITY Energy efficiency and resource saving |
| GRI 302-4 | Reduction of energy consumption | OUR ENVIRONMENTAL RESPONSIBILITY Energy efficiency and resource saving |

| | GRI 303: Water | |
|-----------|--|---|
| GRI 103-1 | Explanation of the material topic and its boundaries | OUR ENVIRONMENTAL RESPONSIBILITY Environmental policy Impact on the environment |
| GRI 103-2 | Management approach and its components | OUR ENVIRONMENTAL RESPONSIBILITY Environmental policy Impact on the environment |
| GRI 303-3 | Water withdrawal | OUR ENVIRONMENTAL RESPONSIBILITY Impact on the environment |
| GRI 303-4 | Water discharge | OUR ENVIRONMENTAL RESPONSIBILITY Impact on the environment |
| GRI 303-5 | Water consumption | OUR ENVIRONMENTAL RESPONSIBILITY Impact on the environment |
| | GRI 305: Emissions | |
| GRI 103-1 | Explanation of the material topic and its boundaries | OUR ENVIRONMENTAL RESPONSIBILITY Environmental policy Impact on the environment |
| GRI 103-2 | Management approach and its components | OUR ENVIRONMENTAL RESPONSIBILITY Environmental policy Impact on the environment |
| GRI 305-1 | Direct greenhouse gas emissions | OUR ENVIRONMENTAL RESPONSIBILITY Ukrzaliznytsia's contribution to the fight against climate change |
| GRI 305-5 | Reduction of greenhouse gas emissions | OUR ENVIRONMENTAL RESPONSIBILITY Ukrzaliznytsia's contribution to the fight against climate change |
| GRI 305-7 | Emissions of NOx, SOx and other significant pollutants | OUR ENVIRONMENTAL RESPONSIBILITY Ukrzaliznytsia's contribution to the fight against climate change |
| | GRI 306: Discharges and wastes | |
| GRI 103-1 | Explanation of the material topic and its boundaries | OUR ENVIRONMENTAL RESPONSIBILITY Environmental policy Impact on the environment |
| GRI 103-2 | Management approach and its components | OUR ENVIRONMENTAL RESPONSIBILITY Environmental policy Impact on the environment |
| GRI 306-1 | Waste generation and associated significant impacts | OUR ENVIRONMENTAL RESPONSIBILITY Impact on the environment |
| GRI 306-2 | Management of significant impacts associated with waste generation | OUR ENVIRONMENTAL RESPONSIBILITY Impact on the environment |
| GRI 306-3 | Waste generated | OUR ENVIRONMENTAL RESPONSIBILITY Impact on the environment |
| | GRI 307: Environmental compliance | |
| GRI 307-1 | Non-compliance with environmental laws and regulations | OUR ENVIRONMENTAL RESPONSIBILITY Environmental policy |
| | GRI 400: Social | |
| | GRI 401: Employment | |
| GRI 103-1 | Explanation of the material topic and its boundaries | OUR EMPLOYEES AND OUR COUNTRY |
| GRI 103-2 | Management approach and its components | OUR EMPLOYEES AND OUR COUNTRY |
| GRI 401-1 | New employee hires and employee turnover | OUR EMPLOYEES AND OUR COUNTRY HR |

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|--|--|---|
| GRI 401-2 | Benefits provided to full-time employees and not to temporary or part-time employees | OUR EMPLOYEES AND OUR COUNTRY Social protection and support of employees |
| GRI 403: Occupational health and safety | | |
| GRI 103-1 | Explanation of the material topic and its boundaries | OUR EMPLOYEES AND OUR COUNTRY Traffic safety and labor protection |
| GRI 103-2 | Management approach and its components | OUR EMPLOYEES AND OUR COUNTRY Traffic safety and labor protection |
| GRI 403-5 | Worker training on occupational health and safety | OUR EMPLOYEES AND OUR COUNTRY Traffic safety and labor protection |
| GRI 403-6 | Promoting the health of employees | OUR EMPLOYEES AND OUR COUNTRY Social protection and support of employees Traffic safety and labor protection |
| GRI 403-9 | Work-related injuries | OUR EMPLOYEES AND OUR COUNTRY Traffic safety and labor protection |
| GRI 404: Training and education | | |
| GRI 103-1 | Explanation of the material topic and its boundaries | OUR EMPLOYEES AND OUR COUNTRY Development and training of employees Interaction with educational institutions |
| GRI 103-2 | Management approach and its components | OUR EMPLOYEES AND OUR COUNTRY Development and training of employees Interaction with educational institutions |
| GRI 404-2 | Programs for upgrading employee skills and transition assistance programs | OUR EMPLOYEES AND OUR COUNTRY Development and training of employees Interaction with educational institutions |
| GRI 406: Non-discrimination | | |
| GRI 406-1 | Incidents of discrimination and corrective actions taken | In 2020, there were no cases of violations of the rights of persons belonging to national, religious or linguistic minorities by age or gender, as well as cases of forced labor. |
| GRI 409: Forced or compulsory labor | | |
| GRI 409-1 | Operations and suppliers at significant risk for incidents of forced or compulsory labor | In 2020, there were no cases of violations of the rights of persons belonging to national, religious or linguistic minorities by age or gender, as well as cases of forced labor. |
| GRI 412: Human rights assessment | | |
| GRI 103-1 | Explanation of the material topic and its boundaries | OUR BUSINESS Corporative management OUR EMPLOYEES AND OUR COUNTRY |
| GRI 103-2 | Management approach and its components | OUR BUSINESS Corporative management OUR EMPLOYEES AND OUR COUNTRY HR |
| GRI 415: Public Policy | | |
| GRI 415-1 | Political contributions | JSC "Ukrzaliznytsia" does not financially support any politicians or political parties |

Feedback questionnaire

Dear reader!

You have just read the Integrated Report of JSC “Ukrzaliznytsia” for 2020.

We strive for the most transparent and honest dialogue with all stakeholders and would be grateful if you could help improve the quality of the Company's reporting by answering a few simple questions.

What stakeholder group do you belong to?

- Management and Personnel
- Shareholders
- Government agencies
- Partners in the field of transportation
- Users of freight services
- Passengers
- Investors
- Financial and credit institutions
- Contractors and suppliers
- Population
- NGOs
- Media
- Families of workers
- International organizations
- Another group: _____

1. Did you find significant information in the Report on the issues that concern you?

- Completely
- Partially
- No
- Reviewed the Report

3. What information presented in the Report interested you the most?

4. Which was the least interesting for you?

5. Indicate the topics that interest you, but were not mentioned in the Report:

6. Please evaluate this Report according to the following criteria:

| | excellent | good | satisfactory | bad | difficult to answer |
|---|-----------|------|--------------|-----|---------------------|
| Overall impression | | | | | |
| Complete disclosure of information that interests you | | | | | |
| Reliability and objectivity of information | | | | | |
| Clarity and accessibility presentation of information | | | | | |
| Structure and ease of information retrieval | | | | | |
| Format and design | | | | | |

7. What recommendations would you like to give to improve the Company's activities?

8. Other comments and recommendations on the Report:

9. If you want to receive a response to your comments, please leave your contact details:

Name: _____

Organization: _____

Position: _____

Phone / e-mail: _____

THANK YOU FOR YOUR FEEDBACK!

*Electronic version of the completed questionnaire
please send to: sustainability@uz.gov.ua*

**Contact Information**

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E-mail for media inquiries: Infopress@uz.gov.ua.

E-mail for appeals of representatives of public organizations: Pr@uz.gov.ua.

From the information materials contained in the Report:

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