

Public joint stock company
"Ukrainian Railway"

Consolidated financial statements

*As at 31 December 2016
with independent auditors' report*

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Independent auditor's report

To the Shareholder and Supervisory Board of Public joint stock company "Ukrainian railway"

Report on the audit of the consolidated financial statements

Qualified opinion

We have audited the consolidated financial statements of Public joint stock company "Ukrainian railway" and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2016, 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 matters described in paragraphs (ii) and (iii) of the Basis for qualified opinion section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for qualified opinion

- (i) As disclosed in Note 2 to the consolidated financial statements, certain assets of the Group are located in, or otherwise associated with the Autonomous Republic of Crimea and non-government controlled areas of Donetsk and Lugansk regions. As a result, we were unable to obtain sufficient appropriate audit evidence in respect of the carrying values of assets of UAH 15,788,047 thousand and UAH 15,526,087 thousand as at 31 December 2016 and 2015, respectively, liabilities of UAH 7,479,020 thousand and UAH 6,808,383 thousand as at 31 December 2016 and 2015, respectively, revenues of UAH 4,694,905 thousand and UAH 3,218,506 thousand for 2016 and 2015, respectively, and loss of UAH 153,749 thousand and UAH 3,441,570 thousand for 2016 and 2015, respectively, as well as in respect of increase in retained earnings of UAH 4,536,104 thousand recognised in the consolidated statement of changes in equity for 2015 as a result of the reorganisation as disclosed in Note 2 to the consolidated financial statements.
- (ii) As disclosed in Note 17 to the consolidated financial statements, there were court decisions in respect of loans and borrowings of State Enterprise "Donetsk Railway" and legal succession of the Group in respect of these loans and borrowings before completion of the required statutory procedures. The Group considered these court decisions to be sufficient for non-recognition of related finance costs and foreign exchange losses in 2016. The court decisions related to the timing of legal succession, rather than the existence of a contractual obligation under applicable legislation. Therefore, the non-recognition of the finance costs and foreign exchange differences in 2016 as disclosed in Note 17 and respective understatement of interest-bearing loans and borrowings represent a departure from IFRSs.

- (iii) As disclosed in Notes 9 and 16 to the consolidated financial statements the Group changed its accounting policy for property, plant and equipment from cost to revaluation model starting from 1 December 2015. Carrying value of property, plant and equipment was determined based on the revaluation results as at 31 July 2014 performed for statutory purposes adjusted for depreciation and movements in property, plant and equipment for the periods since revaluation, which is not fair value as at 1 December 2015. Such approach is not in accordance with IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors and IAS 16, Property, Plant and Equipment. Had the Group continued to follow cost model for its of property, plant and equipment, carrying value as at 31 December 2015 would have been UAH 60,796,658 thousand. The effects of this departure from IFRSs on the carrying amounts of property, plant and equipment, related deferred tax balances as at 31 December 2016, depreciation and impairment charges and deferred tax charges for 2016 have not been determined.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Ukraine, and we have fulfilled our other ethical responsibilities in accordance with 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

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. These matters were 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 these matters. In addition to the matters described in the Basis for qualified opinion section, we have determined the matters described below to be the key audit matters to be communicated in our report.

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 these matters. 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 matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Compliance with debt covenants

In accordance with the terms of certain loans and bonds issued, the Group should comply with certain financial and non-financial covenants. We considered compliance with debt covenants to be a key audit matter due to the breaches of covenants that occurred in 2016 and prior periods and the impact that the potential acceleration of debt repayment caused by the breaches of covenants may have on the classification of interest-bearing liabilities in the consolidated statement of financial position and on the going concern assumption used in the preparation of the consolidated financial statements.

We inspected the terms of loan agreements including covenant ratios and event of default definitions. We analysed the terms of debt restructuring and waivers provided by lenders. We evaluated management's calculations of the covenant ratios and paid special attention to the classification of specific and exceptional items included in and excluded from the ratios. We assessed the classification of interest-bearing loans and borrowings as current or non-current liabilities.

Information on compliance with covenants is disclosed in Note 17 to the consolidated financial statements.

Elimination of intercompany balances and transactions

The Group has extensive intercompany transactions involving components located over the whole territory of Ukraine. During 2016, there were changes in internal legal structure resulting in changes of the flows of financial information within the Group. The elimination of intercompany balances and transactions was one of the matters of most significance in our audit due to the volume, number of transactions and changes in internal flows of financial information during 2016.

We analysed the process of identification, treatment of exceptions and elimination of intercompany transactions and balances and changes in the process that occurred during the year. We analysed the aggregation of intercompany balances and transactions at the Group components' level, investigated for unusual items and re-performed the elimination procedures at the consolidation level.

Other information included in the Group's Annual information of the securities issuer for 2016

Other information consists of the information included in the Annual information of the securities issuer for 2016 other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Annual information of the securities issuer for 2016 is 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.
- ▶ 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.

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 it all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 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 and are not within the scope of IFRSs. 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 matters described in paragraphs (ii) and (iii) 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.

The partner in charge of the audit resulting in this independent auditor's report is Oleksiy Kredisov.

Ernst & Young Audit Services LLC

Kyiv, Ukraine
20 April 2017

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2016

(in thousands of Ukrainian hryvnia)

	Notes	2016	2015
Assets			
Non-current assets			
Property, plant and equipment	9	248,022,035	259,312,989
Investment in associate	10	760,591	-
Financial assets	11	178,882	150,559
Taxes receivable, other than income tax	15	888,602	679,873
Prepaid income tax		702,715	-
Deferred tax asset	20	555,722	555,400
		<u>251,108,547</u>	<u>260,698,821</u>
Current assets			
Inventories	12	6,125,854	5,140,361
Trade and other receivables	13	2,043,899	1,662,074
Prepayments	14	321,766	264,397
Prepaid income tax		274,579	620,156
Taxes receivable, other than income tax	15	557,625	456,379
Cash and cash equivalents		6,419,746	4,884,908
		<u>15,743,469</u>	<u>13,028,275</u>
Total assets		<u>266,852,016</u>	<u>273,727,096</u>
Equity and liabilities			
Equity			
Contributed capital	16	229,879,115	229,879,115
Additional capital	16	19,597,430	19,597,430
Accumulated deficit	16	(38,668,315)	(31,237,446)
		<u>210,808,230</u>	<u>218,239,099</u>
Non-controlling interests		4,889	-
		<u>210,813,119</u>	<u>218,239,099</u>
Non-current liabilities			
Interest-bearing loans and borrowings	17	23,832,509	21,168,008
Finance lease liability	18	459,852	960,331
Defined benefit liability	19	2,532,957	1,899,361
Deferred tax liability	20	24,948	33,232
		<u>26,850,266</u>	<u>24,060,932</u>
Current liabilities			
Interest-bearing loans and borrowings	17	16,679,238	20,810,905
Finance lease liability	18	1,186,599	1,077,380
Trade and other payables	21	6,912,116	6,232,816
Advances from customers		2,709,998	1,864,075
Income tax payable		84	45,308
Taxes payable, other than income tax	22	480,171	580,573
Provisions	23	1,220,425	816,008
		<u>29,188,631</u>	<u>31,427,065</u>
Total liabilities		<u>56,038,897</u>	<u>55,487,997</u>
Total equity and liabilities		<u>266,852,016</u>	<u>273,727,096</u>

Signed and authorised for release on behalf of Public joint stock company "Ukrainian Railway" on 20 April 2017 by:

Acting Chief Executive Officer

Ireneusz Wasilewski

Member of the board

Olexandr Y. Buzhor

Chief accountant

Tamara S. Ryabchun

The accompanying notes form an integral part of the consolidated statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2016

(in thousands of Ukrainian hryvnia)

	Notes	2016	2015
Revenues			
Cargo revenues		54,460,057	49,099,196
Passenger revenues		6,720,345	5,997,799
Other revenues		5,389,762	5,028,603
Total revenues		66,570,164	60,125,598
Operating expenses			
Staff costs		(25,665,850)	(22,398,887)
Depreciation		(17,910,127)	(7,036,204)
Maintenance		(5,316,235)	(5,325,991)
Electricity		(7,813,910)	(6,505,173)
Fuel		(5,877,363)	(5,873,984)
Taxes, other than income tax	24	(1,093,293)	(1,225,945)
Social expenses		(283,186)	(428,355)
Revaluation decrease	9	-	(4,783,345)
Change in provisions	23	(318,615)	(142,329)
Other income		559,075	975,933
Other expenses		(1,008,650)	(1,593,335)
Total operating expenses		(64,728,154)	(54,337,615)
Operating profit		1,842,010	5,787,983
Finance income	25	364,872	299,171
Finance costs	25	(4,803,518)	(5,125,715)
Foreign exchange loss, net	26	(4,505,516)	(13,905,165)
Share of profit of an associate	10	(13,597)	-
Loss before income tax		(7,115,749)	(12,943,726)
Income tax expense	20	(206,292)	(3,838,194)
Loss for the year		(7,322,041)	(16,781,920)
Attributable to:			
Equity holder of the parent		(7,322,101)	(16,781,920)
Non-controlling interests		60	-
		(7,322,041)	(16,781,920)
Other comprehensive income			
Other comprehensive income not to be reclassified to profit or loss in subsequent periods			
Revaluation surplus	9	-	199,071,113
Remeasurement (losses)/gains on defined benefit plans, net of tax	19	(224,801)	(7,683)
Share of other comprehensive income of associate (net of income tax)	10	116,827	-
Other comprehensive income for the year, net of tax		(107,974)	199,063,430
Attributable to:			
Equity holder of the parent		(7,430,075)	182,281,510
Non-controlling interests		60	-
Total comprehensive income/(loss) for the year, net of tax		(7,430,015)	182,281,510

The accompanying notes form an integral part of the consolidated statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2016

(in thousands of Ukrainian hryvnia)

	Notes	Contributed capital	Other additional capital	Revaluation reserve	Retained earnings	Total	Non-controlling interests	Total equity
At 1 January 2015		18,640,130	-	-	9,129,169	27,769,299	-	27,769,299
Loss for the period		-	-	-	(16,781,920)	(16,781,920)	-	(16,781,920)
Other comprehensive income		-	-	199,071,113	(7,683)	199,063,430	-	199,063,430
Total comprehensive loss		-	-	199,071,113	(16,789,603)	182,281,510	-	182,281,510
Dividends	16	-	-	-	(343,991)	(343,991)	-	(343,991)
Reorganisation		211,238,985	19,597,430	(199,071,113)	(23,233,021)	8,532,281	-	8,532,281
At 31 December 2015		229,879,115	19,597,430	-	(31,237,446)	218,239,099	-	218,239,099
Loss for the period		-	-	-	(7,322,101)	(7,322,101)	60	(7,322,041)
Other comprehensive income		-	-	-	(224,801)	(224,801)	-	(224,801)
Share of other comprehensive income of associates (net of income tax)		-	-	-	116,827	116,827	-	116,827
Total comprehensive income		-	-	-	(7,430,075)	(7,430,075)	60	(7,430,015)
Dividends	16	-	-	-	(794)	(794)	-	(794)
Acquisition of a subsidiary	16	-	-	-	-	-	4,829	4,829
At 31 December 2016		229,879,115	19,597,430	-	(38,668,315)	210,808,230	4,889	210,813,119

The accompanying notes form an integral part of the consolidated statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2016

(in thousands of Ukrainian hryvnia)

	Notes	2016	2015
Cash flows from operating activities			
Loss before income tax		(7,115,749)	(12,943,726)
<i>Adjustments to reconcile loss before income tax to net cash provided by operations</i>			
Depreciation		17,910,127	7,036,204
Revaluation decrease	9	-	4,783,345
Finance costs, net	25	4,438,646	4,826,544
Result of disposal of property, plant and equipment		(3,201)	(10,027)
Movements in defined benefit liability and provisions		408,026	(128,580)
Allowance for estimated irrecoverable amounts		249,743	380,165
Unrealised foreign exchange loss, net		4,479,346	14,032,747
Share in profit of an associate	10	13,597	-
Operating profit before working capital changes		20,380,535	17,976,672
<i>Changes in working capital</i>			
Trade and other receivables		(1,384,545)	(416,098)
Prepayments		(68,116)	(190,515)
Inventories		(1,077,279)	(1,665,838)
Taxes receivable and prepaid, other than income tax		(309,968)	(221,896)
Trade and other payables		1,129,592	650,178
Advances from customers		844,826	(658,749)
Taxes payable, other than income tax		(100,617)	257,299
Cash generated from operating activity		19,414,428	15,731,053
Income tax paid		(557,501)	(714,868)
Interest paid		(4,054,202)	(3,997,394)
Dividends paid	16	(166,480)	(238,745)
Net cash flows from operating activities		14,636,245	10,780,046
Cash flows from investing activities			
Acquisition of property, plant and equipment		(6,799,448)	(3,623,755)
Proceeds from disposal of property, plant and equipment		5,282	15,852
Purchase of financial instruments		(53,095)	-
Interest received		357,765	46,404
Cash received as result of Reorganisation		881	68,195
Net cash flows used in investing activities		(6,488,615)	(3,493,304)
Cash flows from financing activities			
Proceeds from Interest-bearing loans		982,145	740,530
Repayment of Interest-bearing loans		(5,377,703)	(2,491,445)
Proceeds from domestic bonds		269,000	-
Repayment of domestic bonds		(1,775,625)	(581,733)
Repayment of finance lease obligations		(749,376)	(2,284,130)
Net cash flows used in financing activities		(6,651,559)	(4,616,778)
Net increase in cash and cash equivalents		1,496,071	2,669,964
Net foreign exchange difference		38,767	176,936
Cash and cash equivalents at 1 January		4,884,908	2,038,008
Cash and cash equivalents at 31 December		6,419,746	4,884,908

The accompanying notes form an integral part of the consolidated statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2016

(in thousands of Ukrainian hryvnia, unless otherwise indicated)

1. Description of business and the Group's structure

Creation and operations of the Company and the Group

Public joint stock company "Ukrainian Railway" (JSC "Ukrzaliznytsia" or "the Company") was registered on 21 October 2015 and started economic activities since 1 December 2015.

JSC "Ukrzaliznytsia" was created as a result of reorganisation through merger of public service railway enterprises and institutions ("the Reorganisation"). Substantially all assets and liabilities of entities previously subordinated to and effectively controlled by State Administration of Railway Transport of Ukraine (SART "Ukrzaliznytsia", together – "Previous Group") which were previously included in the combined financial statements of SART "Ukrzaliznytsia" were transferred to the Company.

Management believes that besides the change of legal form of entities subject to reorganisation, there were no significant changes in the substance of economic activities, qualitative and quantitative characteristics of assets and liabilities. The Company is considered as a continuation of the Previous Group. The Reorganisation was defined by management as a reorganisation under common control of the state. Accordingly to respective accounting policies the Reorganisation was presented in the consolidated financial statements using pooling of interest method prospectively from the date when changes related to the Reorganisation became effective.

The consolidated financial statements include financial statements of JSC "Ukrzaliznytsia" and its subsidiaries (together – "The Group"). The list of entities included in the Group is presented further.

Principal activities of the Group are provision of services for cargo and passengers railway transportation, access to the railway infrastructure, logistics, repairs and maintenance of rolling stock.

The Company is recognized as a natural monopoly in the area of access to public service infrastructure for railway transportation and maintenance of railway transportation control function.

Corporate information

The sole shareholder of JSC "Ukrzaliznytsia" is the State of Ukraine represented by the Cabinet of Ministers of Ukraine. State corporate administration functions are assigned to the Cabinet of Ministers of Ukraine. Before the Reorganisation State Administration of Railway Transport of Ukraine and other entities of the Previous Group were subordinated to the Ministry of Infrastructure of Ukraine as assigned by the Cabinet of Ministers of Ukraine.

The registered address of JSC "Ukrzaliznytsia" is 5, Tverska St., Kyiv 03680, Ukraine.

Entities included in the consolidated financial statements

The Reorganisation allowed preparing consolidated financial statements instead of combined financial statements starting from 1 December 2015.

Below is presented the list of entities financial statements of which are included in the consolidated financial statements as at 31 December 2016 and 2015.

	<i>Share as at 31 December 2016</i>	<i>Share as at 31 December 2015</i>
1 Public joint stock company "Ukrainian Railway"	Parent	Parent
2 Private joint-stock company "Dnipropetrovsk Diesel Locomotive Repair Plant"	100%	100%
3 Private joint-stock company "Zaporizhzhya Electric Locomotive Repair Plant"	100%	100%
4 Private joint-stock company "Lviv Locomotive Repair Plant"	100%	100%
5 Private joint-stock company "Kyiv Electrical Carriage-Repair Plant"	100%	100%
6 Private joint-stock company "Korosten Plant Of Railway Sleepers"	100%	100%
7 Private joint-stock company "Hnivan Special Reinforced Concrete Plant"	100%	100%
8 Private joint-stock company "Insurance Company "Tast Garantiya" (Note 16)	65.62%	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2016

(in thousands of Ukrainian hryvnia, unless otherwise indicated)

1. Description of business and the Group's structure (continued)

As at 31 December 2016 and 2015, 100% of shares of Private joint-stock company "Transsignal Kyiv Electrical Engineering Plant" were not yet transferred to JSC "Ukrzaliznytsia" as a contribution to its charter capital.

The names of significant entities financial statements of which were included in the consolidated financial statements for the period from 1 January 2015 to 30 November 2015 (before the Reorganisation) are presented below.

Managing entity

1	State Administration of Railway Transport of Ukraine (Ukrzaliznytsia)	State Enterprise
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Railways

2	Donetsk Railway	State Enterprise
3	Lviv Railway	State Regional Specialised Association
4	Odesa Railway	State Enterprise
5	Prydniprovskaya Railway	State Enterprise
6	South-Western Railway	State Regional Specialised Association
7	Southern Railway	State Enterprise

Auxiliary services

8	Ukrspetsvagon	State Enterprise
9	Ukrainian State Center for Railways Refrigerator Transportation "Ukrreftrans"	State Enterprise
10	Ukrainian State Center for Transportation Service "Lisky"	State Enterprise
11	Darnytsky Carriage Repair Plant	State Enterprise
12	Main Information Processing Center of Ukrzaliznytsia	State Enterprise
13	Central Communications Station	State Enterprise
14	Ukrainian State Clearing Center for International Transportation	State Enterprise
15	Ukrzaliznychpostach	State Enterprise
16	Ukrainian Center for Railroad Mechanisation	State Enterprise
17	Rava-Rusky Sleeper Plant	State Enterprise
18	Ukrainian transport logistics center	State Enterprise
19	Ukrainian railway high-speed company	State Enterprise
20	Vinnytsiatransprylad	State Enterprise
21	Stryysky Carriage Repair Plant	State Enterprise
22	Starokonstantynovsky Concrete Sleeper Plant	State Enterprise
23	Administration for Industrial Enterprises	State Enterprise

As a result of the Reorganisation assets and liabilities of the entities of the Previous Group formed the basis for creation of branches of JSC "Ukrzaliznytsia". Details of inclusion in the consolidated financial statements of assets, liabilities, results of operations related to the temporarily occupied territory of the Autonomous Republic of Crimea and non-controlled territory of Donetsk and Lugansk regions are presented in Note 2.

Pricing policy

Cargo and passenger transportation is regulated area and is subject to the following tariffs regulations.

Tariffs for domestic cargo transportation – approved by the Ministry of Infrastructure of Ukraine as agreed with the Ministry of Economic Development and Trade of Ukraine and the Ministry of Finance of Ukraine. The tariffs are denominated in Ukrainian hryvnia and are generally subject to inflation adjustments. There were upward adjustments to the tariff rates during 2016 and 2015.

Tariffs for domestic transportation of passengers and baggage – approved by the Ministry of Infrastructure of Ukraine as agreed with the Ministry of Economic Development and Trade of Ukraine. The tariffs are denominated in Ukrainian hryvnia. There were upward adjustments to the tariff rates for domestic transportation of passengers and baggage during 2016. There were no adjustments to the above tariffs in 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2016

(in thousands of Ukrainian hryvnia, unless otherwise indicated)

1. Description of business and the Group's structure (continued)

Tariffs for international cargo transportation – regulated by special Tariff Policy annually approved by the Ministry of Infrastructure of Ukraine based on intergovernmental agreements. Tariffs are denominated in Swiss Francs. There were no adjustments to the above tariffs in 2016 and 2015.

Tariffs for international transportation of passengers and baggage – approved by the Ministry of Infrastructure of Ukraine, denominated in Swiss Francs for the countries of the Commonwealth of Independent States, Latvia, Lithuania, Estonia and in euro for transportation in other countries. There were no adjustments to the above tariffs in 2016 and 2015.

2. Operating environment, risks and economic conditions in Ukraine

The Group conducts its operations in Ukraine. The Ukrainian economy while deemed to be of market status continues to display certain characteristics consistent with that of an economy in transition. These characteristics include, but are not limited to, low levels of liquidity in the capital markets, high inflation, and significant imbalances in the public finance and foreign trade.

Following the significant deterioration in 2014 and 2015, the current political and economic situation in Ukraine remains unstable. The Ukrainian government continues to pursue a comprehensive structural reform agenda aiming at the removal of the existing imbalances in the economy, public finance and governance, fighting corruption, reforming judiciary system, etc. with the ultimate goal to secure conditions for the economic recovery in the country.

The weakness of the national currency (UAH), which experienced more than triple devaluation against US dollar and 2.5 times devaluation against euro since the beginning of 2014, combined with cross border settlement restrictions, negative external trade balance, along with continued volatility in the country's traditional export commodity markets, and high inflation represent key risks to the stabilisation of the Ukrainian operating environment in the near future. The continued support from the IMF and other international donors is contingent upon the mentioned above structural reforms sustaining momentum.

Taking an advantage of political and social unrest, arisen at the end of 2013, in February-March 2014 the Russian Federation temporary occupied the territory of the the Autonomous Republic of Crimea. After the temporary occupation the Group ceased its operations in the region. As a result of anti-government protests of illegal armed groups, anti-terrorist operation was launched in certain areas of the Donetsk and Lugansk regions since April 2014. In the second half of 2014 as a result of the armed confrontations, the Ukrainian authorities lost control over certain territory of Donetsk and Lugansk regions where some structural units of State Enterprise "Donetsk Railway" (SE "Donetsk Railway") operated.

The known and estimable effects of the above events on the financial position and performance of the Group in the reporting period have been taken into account in preparing the consolidated financial statements. Specific effects of the temporary occupation of the Autonomous Republic of Crimea and the ongoing anti-terrorist operation in certain areas of Donetsk and Lugansk regions are disclosed below in this note.

Management is monitoring the developments in the current environment and taking actions, where appropriate, to minimize any negative effect to the extent possible. Further adverse developments in the political, macroeconomic and/or international trade conditions may further adversely affect the Group's financial position and performance in a manner not currently determinable.

The Group recorded the assets and liabilities attributable to the temporarily occupied Autonomous Republic of Crimea at the carrying values as at 31 March 2014. The assets and liabilities were transferred to the Company at these carrying values as a result of the Reorganisation (Note 16). No adjustments were made to the above carrying values during 2016 and 2015. As at the end of the reporting period, the carrying value of the Group's assets and liabilities located in or otherwise associated with the temporarily occupied Autonomous Republic of Crimea (including customers, borrowers, etc.) was UAH 1,182,515 thousand (0.4% of the Group's total assets) and UAH 185,104 thousand (0.3% of Group's total liability), respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2016

(in thousands of Ukrainian hryvnia, unless otherwise indicated)

2. Operating environment, risks and economic conditions in Ukraine (continued)

The results of operations of the structural units of SE "Donetsk Railway" were included in the Group's consolidated financial statements only to the extent of nine months ended 30 September 2015. After this date the Group ceased to receive sufficient financial information from the structural units to include in its consolidated financial statements. As a result of the Reorganisation the assets and liabilities of SE "Donetsk Railway" were transferred to the Company at the carrying values as per the financial statements of the railway as at 30 June 2014 (Note 16). The differences that have arisen at the Reorganisation as a result of inclusion in the consolidated financial statements of balances that do not correspond to the period of activity, were recorded as increase in retained earnings of UAH 4,536,104 thousand within the equity effect of the Reorganisation. As at 31 December 2015, the Group accrued interest and made adjustments for the effects of changes in the foreign currency rates related to interest-bearing loans and borrowings as well as finance lease liabilities of SE "Donetsk Railway". Management has no information which would have enabled to assess possible adjustments to the carrying values of property, plant and equipment, inventories or other assets as a result of anti-terrorist operation.

The legislation on the Reorganisation states that after cessation of the temporary occupation of the Autonomous Republic of Crimea and regaining control over non-government controlled areas of Donetsk and Luhansk regions, the assets and liabilities located in or otherwise associated with these territories are subject to inventory, revaluation and further contribution to the Company's charter capital.

The financial information attributable to the non-government controlled areas was included in financial statements of the Regional division "Donetsk Railway" of JSC "Ukrzaliznytsya" (RD "Donetsk Railway"), which also include financial information of controlled area. Despite the ongoing anti-terrorist operation, the Group was undertaking actions to separate the assets and liabilities attributable to government controlled and non-government controlled areas. Regional division "Donetsk Railway" contributed 7.1% to the Group's revenues during the year ended 31 December 2016. As at that date the carrying value of the Group's assets located in or otherwise associated with the RD "Donetsk Railway" (including customers, borrowers, etc.) was UAH 14,605,532 thousand (5.5% of the total Group's assets).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2016

(in thousands of Ukrainian hryvnia, unless otherwise indicated)

2. Operating environment, risks and economic conditions in Ukraine (continued)

The summarised financial information of the Regional division "Donetsk Railway" included into the consolidated financial statements of the Group as at and for the years ended 31 December 2016 and 2015 is presented below:

Assets and liabilities of RD "Donetsk Railway"

	2016	2015
Assets		
Non-current assets		
Property, plant and equipment	12,147,230	12,499,602
Intangible assets	185	79
Financial assets	34,302	43,455
Prepaid income tax	29,519	-
	<u>12,211,236</u>	<u>12,543,136</u>
Current assets		
Inventories	696,190	597,498
Trade and other receivables	1,542,722	468,792
Trade and other receivables from Group entities	5,614	541,416
Prepayments	28,260	41,870
Prepaid income tax	-	29,519
Taxes receivable, other than income tax	12,824	8,658
Cash and cash equivalents	108,686	112,683
	<u>2,394,296</u>	<u>1,800,436</u>
Total assets	<u>14,605,532</u>	<u>14,343,572</u>
Non-current liabilities		
Interest-bearing loans and borrowings	6,014	-
Finance lease liability	-	188,000
Employee benefit liability	310,930	310,930
	<u>316,944</u>	<u>498,930</u>
Current liabilities		
Interest-bearing loans and borrowings	3,909,603	4,549,651
Finance lease liability	622,444	644,821
Trade and other payables	978,231	658,615
Trade and other payables to Group entities	1,175,369	239
Advances from customers	171,507	177,326
Taxes payable, other than income tax	119,818	93,697
	<u>6,976,972</u>	<u>6,124,349</u>
Total liabilities	<u>7,293,916</u>	<u>6,623,279</u>
Net assets	<u>7,311,616</u>	<u>7,720,293</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2016

(in thousands of Ukrainian hryvnia, unless otherwise indicated)

2. Operating environment, risks and economic conditions in Ukraine (continued)

Comprehensive income of RD "Donetsk Railway"

	2016	2015
Revenues		
Cargo revenues	4,219,395	2,811,419
Passenger revenues	91,418	64,128
Other revenues	193,106	217,216
Revenue from Group entities	190,986	125,743
Total revenues	4,694,905	3,218,506
Operating expenses		
Staff costs	(2,629,582)	(1,932,105)
Depreciation	(392,934)	(741,564)
Maintenance	(474,788)	(216,663)
Electricity	(412,890)	(392,119)
Fuel	(586,356)	(576,140)
Taxes, other than income tax	(67,773)	(49,379)
Social expenses	(16,204)	(14,803)
Other income	34,383	60,376
Other expenses	(138,073)	(275,508)
Total operating expenses	(4,684,217)	(4,137,905)
Operating profit/(loss)	10,688	(919,399)
Finance income	1,950	40,266
Finance costs	(55,819)	(554,453)
Foreign exchange loss, net	(110,568)	(1,434,123)
Loss before income tax	(153,749)	(2,867,709)
Income tax expense	-	(573,861)
Loss for the year	(153,749)	(3,441,570)
Total comprehensive loss for the year, net of tax	(153,749)	(3,441,570)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2016

(in thousands of Ukrainian hryvnia, unless otherwise indicated)

2. Operating environment, risks and economic conditions in Ukraine (continued)

Cash flows of RD "Donetsk Railway"

	2016	2015
Cash flows from operating activities		
Loss before income tax	(153,749)	(2,867,709)
<i>Adjustments to reconcile loss before income tax to net cash provided by operations</i>		
Depreciation	392,934	741,564
Finance costs, net	53,869	514,187
Result of disposal of property, plant and equipment	(124)	22
Unrealised foreign exchange loss, net	110,568	1,434,123
Operating profit / (loss) before working capital changes	403,498	(177,813)
<i>Changes in working capital</i>		
Trade and other receivables	443,010	504,578
Prepayments	13,610	12,581
Inventories	(125,549)	(142,773)
Taxes receivable and prepaid	(4,166)	91,933
Trade and other payables	178,881	480,999
Advances from customers	(89,913)	(30,273)
Taxes payable, other than income tax	26,121	107,445
Cash generated from operating activity	845,492	846,677
Interest paid	(33,901)	(606,437)
Net cash flows from operating activities	811,591	240,240
Cash flows from investing activities		
Acquisition of property, plant and equipment	(201,679)	-
Proceeds from disposal of property, plant and equipment	1,602	-
Interest received	-	10
Net cash flows (used in)/received from investing activities	(200,077)	10
Cash flows from financing activities		
Repayment of Interest-bearing loans	(615,511)	(110,217)
Repayment of domestic bonds	-	(50,000)
Net cash flows used in financing activities	(615,511)	(160,217)
Net (decrease)/increase in cash and cash equivalents	(3,997)	80,033
Cash and cash equivalents at 1 January	112,683	32,650
Cash and cash equivalents at 31 December	108,686	112,683

Despite the anti-terrorist operation management was able to assure railway transportation involving the non-government controlled areas. Cargo transportation with the non-government controlled areas was halted on 15 March 2017 (Note 31). Management shares the official position of the Ukrainian authorities that the non-government controlled areas will be reintegrated to Ukraine.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2016

(in thousands of Ukrainian hryvnia, unless otherwise indicated)

2. Operating environment, risks and economic conditions in Ukraine (continued)

Going concern

The Group's net loss for the year ended 31 December 2016 amounted to UAH 7,322,101 thousand (2015: UAH 16,781,920 thousand). As at 31 December 2016, the Group's current liabilities exceeded its current assets by UAH 13,445,162 thousand (2015: UAH 18,398,790 thousand). As at 31 December 2016 and 2015, the Group did not comply with certain undertakings under its long-term loan agreements and has not remediated the breaches before the end of the reporting period. Such default have triggered a cross-default under certain other borrowings. During 2015 and 2016 the Group has rectified breaches under certain loan agreements and expects to rectify the remaining breaches by 31 December 2017.

As at end of the reporting period, the Group had undrawn loan facilities in the amount of UAH 6,468,685 thousand, and subsequent to the reporting period, the Group has obtained confirmations from domestic banks for obtaining new loan long-term facilities in the amount of UAH 5,500,000 thousand. Those funds will be used to refinance certain portion of loans and borrowings included in the current liabilities as at 31 December 2016 and to finance capital expenditures. Management will continue the efforts to attract long-term financing and improve the liquidity position of the Group.

In 2016 the government approved the increase in the cargo transportation tariffs by 15% effective from 30 April 2016, further increase is negotiated with the government. These circumstances together with the ongoing cost reduction measures is expected to contribute to further improvement of operating results and financial position of the Group.

3. Basis of preparation

The consolidated financial statements have been prepared on historical cost basis, except for and 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 IAS 39 *Financial Instruments: Recognition and Measurement*. These consolidated financial statements are presented in Ukrainian hryvnia ("UAH") thousands and all values are rounded off to the nearest thousand except where otherwise indicated.

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

Basis of consolidation and combination

Financial statements of entities of the Group and the Previous Group were prepared on the same reporting period using consistent accounting policies. Adjustments are made to align any dissimilar accounting policies that may exist. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Subsidiaries are consolidated from the date the Company obtains control over them and continue to be consolidated until the date that such control ceases.

The initial combination of the Previous Group has been made using the pooling of interests method as if the entities of the Previous Group have always been together but not earlier than the entities were acquired under common control. The charter capital of the Previous Group combines the registered capital of State Administration of Railway Transport of Ukraine and other entities of the Previous Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2016

(in thousands of Ukrainian hryvnia, unless otherwise indicated)

4. Changes in accounting policy

The accounting policies adopted are consistent with those of the previous financial year, except for the new and amended IFRS adopted with effect from 1 January 2016. The nature and the impact of each new relevant standard and amendment is described below:

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. Application of these amendments did not impact the Group's financial statements or accounting policies as the Group did not have joint arrangement agreements in the reporting period.

IFRS 14 Regulatory Deferral Accounts

IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and OCI. The standard requires disclosure of the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements.

Activities of the Group are not subject to rate-regulations, thus this standard did not impact the Group's financial statements or accounting policies.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. These amendments did not have any impact on the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41. Instead, IAS 16 will apply. After initial recognition, bearer plants will be measured under IAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of IAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* will apply. The Group does not have bearer plants as at the reporting date, thus the amendments did not impact the Group's financial statements or accounting policies.

Amendments to IAS 27: Equity Method in Separate Financial Statements

The amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of IFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to IFRS. These amendments did not impact the Group's financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2016

(in thousands of Ukrainian hryvnia, unless otherwise indicated)

4. Changes in accounting policy (continued)

Annual improvements 2012-2014 cycle

These improvements are effective for annual periods beginning on or after 1 January 2016. They include:

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

Assets (or disposal groups) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. This amendment must be applied prospectively. This amendment did not impact the Group's financial statements or accounting policies.

IFRS 7 Financial Instruments: Disclosures

(i) Servicing contracts

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments. This amendment did not impact the Group's financial statements or accounting policies.

(ii) Applicability of the amendments to IFRS 7 to condensed interim financial statements

The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment must be applied retrospectively. This amendment did not impact the Group's financial statements or accounting policies.

IAS 19 Employee Benefits

The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment is applied prospectively. This amendment did not impact the Group's financial statements or accounting policies.

IAS 34 Interim Financial Reporting

The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment must be applied retrospectively.

These amendments did not have any impact on the Group's financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2016

(in thousands of Ukrainian hryvnia, unless otherwise indicated)

4. Changes in accounting policy (continued)

Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 *Presentation of Financial Statements* clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1;
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated;
- That entities have flexibility as to the order in which they present the notes to financial statements;
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments did not have any impact on the Group's financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10.

The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. These amendments must be applied retrospectively. These amendments did not impact the Group's financial statements or accounting policies.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2016

(in thousands of Ukrainian hryvnia, unless otherwise indicated)

5. Significant accounting judgments, estimates and assumptions (continued)

The items of the property, plant and equipment assigned to the Company under the title of operating control meet the definition of property, plant and equipment as they are used in the economic activities for more than one period. These items are included in the relevant groups of property, plant and equipment.

Accounting for assets and liabilities that are not controlled by Group

Consolidated financial statements include the assets and liabilities located or otherwise associated with the temporarily occupied territory of the Autonomous Republic of Crimea, as well as with non-government controlled areas of Donetsk and Luhansk regions. The details on the accounting approach for these items are provided in Note 2.

The above approach is based on the regulatory framework related to these assets and liabilities, issued by relevant State authorities. Therefore, it was considered during the preparation of the consolidated financial statements.

Impairment of property, plant and equipment

At the end of each reporting period the Group assesses whether there is any indication that an asset may be impaired. This assessment implies significant judgments. Given the adoption of the revaluation model of accounting for property, plant and equipment since 1 December 2015 (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 2016.

Estimates

Allowance for doubtful debts

The allowance for doubtful debts is estimated by management using the best information available as to the creditworthiness of its customers as at the end of the reporting period. However, the actual recoverability of receivables may differ from those estimations made by management.

Estimates of the useful lives of property, plant and equipment

Significant management judgment is required to determine the estimated useful lives of items of property, plant and equipment. The actual useful lives may vary from the management estimates.

Defined benefit liability

The cost of defined benefit pension plans and other post employment benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, staff turnover, mortality rates and future pension increases. All assumptions are reviewed at each reporting date. In determining the appropriate discount rate management considers the yield of government bonds because there is no deep market in corporate bonds in Ukraine. Due to the long term nature of these plans, the estimates are subject to significant uncertainty. Further details are given in Note 19.

Provisions

The Group has recognised provisions for obligations related to legal claims. The amount of the provision represents the management's best estimates of expected future cash outflows discounted at a current pre-tax rate, where appropriate. Further details are given in Note 23.

Deferred tax asset recoverability

Deferred tax assets are recognised to the extent that it is probable that they will be recovered, which is dependent on the generation of sufficient future taxable profit. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future level of tariffs and sales volumes, prices for consumables and operating costs. Judgments are also required about the application of income tax legislation. These judgments and estimates are subject to risks and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised at the reporting date. In such circumstances, some, or all, of the carrying amount of recognised deferred tax assets and liabilities may require adjustment, resulting in corresponding credit or charge to the income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2016

(in thousands of Ukrainian hryvnia, unless otherwise indicated)

6. Summary of significant accounting policies

Foreign currency translation

The functional and presentation currency of the Group is the Ukrainian hryvnia. This is the currency of the primary economic environment in which the Group operates. Transactions denominated in currencies other than the functional currency (foreign currencies) are initially recorded in the functional currency at the rate at the date of the transaction as established by the National Bank of Ukraine ("NBU"), which is deemed to approximate the prevailing market rate. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange in effect at the end of the reporting period. Non-monetary items that were measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair values were determined. The resulting gains and losses are recognised in the profit or loss within the statement of comprehensive income.

Financial assets

Financial assets in the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, held-to maturity investments, loans and receivables, and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Group determines the classification of its financial assets upon initial recognition and, where allowed and appropriate, re-assess this designation at each financial year-end.

The Group has not designated any financial instruments at fair value through profit or loss, neither as held-to-maturity investments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the statement of comprehensive income when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Property, plant and equipment

When state enterprise is reorganized into a joint stock company its assets, including property, plant and equipment, and liabilities have to be valued at fair value. Since the Reorganisation is considered to be a continuation of the Group as a single economic entity Management decided to show the effect of the revaluation of the property, plant and equipment by the change of accounting policy from cost model to revaluation model. During the year ended 31 December 2015, the Company adopted the revaluation model of accounting for property, plant and equipment.

Property, plant and equipment is carried in the consolidated financial statements at revalued amounts, which is their fair value at the date of revaluation, performed by professional appraisers, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

When no market values are available, fair value of specialized property, plant and equipment is determined by using depreciated replacement cost approach. Fair values of other items of property, plant and equipment are determined by reference to market-based evidence, which are the amounts for which the assets could be exchanged between a knowledgeable and willing buyer and seller in an arm's length transaction as at the valuation date. Prior to revaluation, property, plant and equipment were stated at cost or deemed cost at the date of transition to IFRS (further referred as "cost"), excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Such cost included the cost of replacing part of such plant and equipment when that cost is incurred if the recognition criteria were met.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2016

(in thousands of Ukrainian hryvnia, unless otherwise indicated)

6. Summary of significant accounting policies (continued)

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 reflected directly in equity within 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:

<i>Group</i>	<i>Useful lives</i>
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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2016

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6. Summary of significant accounting policies (continued)

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 directly against any 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. Net realisable value is determined as the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Borrowing costs

Borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset, otherwise they are recognised as an expense when incurred. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

Cash and cash equivalents

Cash and cash equivalents are defined as cash on hand, demand deposits and short term, highly liquid investments with an original maturity of three months or less that are readily convertible to known amounts of cash and subject to insignificant risks of changes in value.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2016

(in thousands of Ukrainian hryvnia, unless otherwise indicated)

6. Summary of significant accounting policies (continued)

Trade and other payables

Trade and other payables are recognised and initially measured at fair values less directly attributable transaction costs. Subsequently, trade and other payables are carried at amortised cost using the effective interest method.

Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired;
- The Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- The Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

In that case Group also recognizes an associated liability. The transferred asset and the associated liability are measured on the basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit or loss within the statement of comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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6. Summary of significant accounting policies (continued)

Impairment of financial assets

The Group assesses at the end of each reporting period whether a financial asset or group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account. The amount of the loss is recognised in profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortised cost that would have been at the reversal date, had the impairment not been recognized.

Available-for-sale financial assets

For available-for-sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the profit or loss - is removed from other comprehensive income and recognised in the profit or loss. Impairment losses on equity investments are not reversed through the profit or loss; increases in their fair value after impairment are recognised directly in other comprehensive income. In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the profit or loss.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the profit or loss, the impairment loss is reversed through the profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2016

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6. Summary of significant accounting policies (continued)

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 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.

In addition, the Group has a legal obligation to compensate the Ukrainian State Pension Fund for additional pensions paid to certain categories of the current and former employees who are eligible for early retirement benefits due to working in hazardous and/or unhealthy working conditions. The Group has also contractual obligation to pay lump-sum payments to the retiring employees with the long service, certain post retirement and post employment benefits, as well as other long-term employee benefits such as jubilee and long service benefits, etc. according to collective agreements. These obligations fall under definitions of a defined benefit plan.

Government grants

Government grants contributed towards the acquisition of property, plant and equipment are deducted from the cost of those assets where there is reasonable assurance that the grants will be received and all attached conditions will be complied with.

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date, and involves assessment whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Group as a lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease term at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are reflected in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term. In other case capitalised leased assets are depreciated over the useful life of the asset.

Operating lease payments are recognised as an expense in profit or loss on a straight line basis over the lease term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2016

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6. Summary of significant accounting policies (continued)

Group as a lessor

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Revenue recognition

Revenues are recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of revenues can be measured reliably.

Revenues and expenses are accounted for at the time the actual flow of related goods and services occurs and transfer of risks and rewards has been completed, regardless of when cash or its equivalent is received or paid, and are reported in the statement of comprehensive income in the period to which they relate.

Transportation services

In respect of services related to cargo and passenger transportation, revenue is recognised by reference to the stage of completion of the transportation at the end of the reporting period provided that the stage of completion of the transportation and the amount of revenue can be measured reliably. The stage of completion is determined based on a duration or transportation completed to date to total duration of transportation.

Any amounts, which have been collected from the clients in advance to deliveries, initiated and not completed as at the date of these consolidated financial statements are reported in the consolidated statement of financial position as advances received for transportation. The amount of these liabilities is reduced for the amount of revenues recognised by reference to the stage of completion of the delivery.

Interest and similar income and expense

Interest income and expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of such an instrument, taking into consideration all contractual terms of the instrument.

Exchange of services of similar nature and value

The Group's transportation and other services provided to foreign railways are settled through mutual offset arrangements with its counterparties. Generally, the settlement is made in exchange for services of similar nature and value which is not regarded as a transaction which generates revenue. Such transactions are accounted on a net basis.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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6. Summary of significant accounting policies (continued)

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted at the end of the reporting period.

Income tax relating to items recognised in other comprehensive income or directly in equity is recognised in other comprehensive income or directly in equity and not in the profit or loss.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Value-added tax

Revenues, expenses and assets are recognised net of the amount of Value-added tax ("VAT") except:

- Where VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case VAT is recognised as part of the cost of acquisition of the asset or as part of expense item as applicable; and
- Receivables, payables and finance lease liability are stated with the amount of VAT included.

The net amount of VAT receivable from, or payable to, the taxation authority is included into the *Taxes receivable, other than income tax / Taxes payable, other than income tax* line items disclosed on the face of the consolidated statement of financial position.

Events after the reporting period

Events after the reporting period that provide additional information on the Group's position at the end of the reporting period (adjusting events) are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes when material.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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7. Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these standards when they become effective. Management currently assesses the impact of adoption of these standards and interpretations on the consolidated financial statements of forthcoming periods.

Standard	Pronouncement	Effective date
IFRS 9 <i>Financial Instruments</i>	Replacement of IAS 39, applies to classification and measurement of financial assets and financial liabilities, as defined in IAS 39.	Annual periods beginning on or after 1 January 2018
Amendments to IFRS 10 <i>Consolidated Financial Statements</i> and IAS 28 <i>Investments in Associates and Joint Ventures</i>	Amendments relate to sale or contribution of assets between an investor and its associate or joint venture.	In December 2015, the IASB decided to defer the effective date of the amendments until such time as it has finalised any amendments that result from its research project on the equity method.
IFRS 15 <i>Revenue from Contracts with Customers</i>	Replacement of IAS 18, the principles in IFRS 15 provide a more structured approach to measuring and recognising revenue.	Annual periods beginning on or after 1 January 2017
IFRS 16 <i>Leases</i>	IFRS 16 supercedes IAS 17 and requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under IAS 17.	Annual periods beginning on or after 1 January 2019
IAS 7 <i>Disclosure Initiative – Amendments to IAS 7</i>	Amendments introduce disclosure requirements regarding changes in liabilities arising from financing activities.	Annual periods beginning on or after 1 January 2017
IAS 12 <i>Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12</i>	Amendments clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value.	Annual periods beginning on or after 1 January 2017
IFRS 2 <i>Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2</i>	Amendments introduce changes in relation to the classification and measurement of share-based payment transactions.	Annual periods beginning on or after 1 January 2018
Applying IFRS 9 <i>Financial Instruments</i> with IFRS 4 <i>Insurance Contracts – Amendments to IFRS 4</i>	The amendments address concerns arising from implementing the new financial instruments Standard, IFRS 9, before implementing the new insurance contracts standard that the Board is developing to replace IFRS 4.	Annual periods beginning on or after 1 January 2018
<i>Transfers of Investment Property (Amendments to IAS 40)</i>	The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property.	Annual periods beginning on or after 1 January 2018
IFRIC Interpretation 22 <i>Foreign Currency Transactions and Advance Consideration</i>	The interpretation clarifies determination of the date of the transaction arising from the advance consideration.	Annual periods beginning on or after 1 January 2018
IFRS 1 <i>First-time Adoption of International Financial Reporting Standards</i>	Amendments resulting from Annual Improvements 2014-2016 Cycle: deletion of short-term exemptions for first-time adopters.	Annual periods beginning on or after 1 January 2018
IAS 28 <i>Investments in Associates and Joint Ventures</i>	Amendments resulting from Annual Improvements 2014-2016 Cycle: clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice.	Annual periods beginning on or after 1 January 2018
IFRS 12 <i>Disclosure of Interests in Other Entities</i>	Amendments resulting from Annual Improvements 2014-2016 Cycle: clarification of the scope of the disclosure requirements.	Annual periods beginning on or after 1 January 2017

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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8. Segment reporting

For management purposes, the Group is organized 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 all cross-regional passenger transportation services provided by the Group.
- *Suburban passenger transportation segment* includes intraregional rail passenger transportation services.
- *Auxiliary operations segment* include repair and maintenance of rolling stock, energy re-sale, construction and other services provided by the Group's entities.
- *All other segments* include activities of the Group's entities which provide services related to cargo, suburban passenger transportation, construction, reconstruction and modernisation of railways and railway transport infrastructure, repair and maintenance of different railway-related equipment and other companies within the Group. None of these operations are of sufficient size to be reported separately. None of these operations can be aggregated with reportable operating segments described above due to dissimilar economical characteristics.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated on the basis of segment operating profit or loss determined based on management accounts that differ from the IFRS consolidated financial statements for the reason that the management accounts are based on Ukrainian GAAP figures. The operating segments results do not include the effects of some adjustments that may be considered necessary to reconcile the management accounts to IFRS consolidated financial statements.

Substantially all of the Group's operating assets are located and most of the services are provided in Ukraine.

Segment revenue is revenue that is directly attributable to a segment, whether from sales to external customers or from transactions with other segments. Segment revenue does not include:

- Interest income;
- Foreign exchange gains;
- Gain on disposal, change in fair value and reversal of impairment of financial assets;
- Gain on disposal of property, plant and equipment;
- Other income.

Segment expenses are expenses resulting from the operating activities of a segment that is directly attributable to the segment and the relevant portion of an expense that can be allocated on a reasonable basis to the segment, including expenses relating to sales to external customers and expenses relating to transactions with other segments.

Segment expense does not include:

- Interest expense;
- Foreign exchange losses;
- Loss on disposal, change in fair value and impairment of financial assets;
- Loss on disposal of property, plant and equipment;
- Loss on impairment of property, plant and equipment;
- Contributions to finance activities of trade union, pension funds; membership in professional organisations;
- Bank charges;
- Income tax expense;
- Doubtful debts expenses;
- Social expenses;
- Maintenance;
- Other expenses.

Segment result is measured as segment revenue less segment expense.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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8. Segment reporting (continued)

Year ended 31 December 2016	Cargo	Long- distance passenger	Suburban passenger	Auxiliary activity	All other segments	Unallocated	Eliminations (A)	Adjustments (B)	Total
Sales to third parties	55,424,486	6,190,346	527,212	5,388,189	48,777	-	-	(1,008,846)	66,570,164
Inter-segment sales	-	-	-	6,601,915	1,495,249	-	(8,097,164)	-	-
Total revenue	55,424,486	6,190,346	527,212	11,990,104	1,544,026	-	(8,097,164)	(1,008,846)	66,570,164
Staff costs	(13,479,790)	(4,063,526)	(2,017,104)	(485,832)	(436,994)	(339,714)	-	(470,399)	(25,665,850)
Depreciation	(12,806,538)	(2,154,356)	(957,760)	(1,432,393)	(39,405)	(39,100)	-	(480,575)	(17,910,127)
Electricity	(5,158,070)	(1,224,776)	(720,510)	(657,987)	(47,727)	(4,840)	-	-	(7,813,910)
Fuel	(3,946,970)	(734,282)	(506,638)	(643,879)	(38,595)	(6,999)	-	-	(5,877,363)
Segment result	20,033,118	(1,986,594)	(3,674,800)	4,397,522	981,305	(390,653)	(8,097,164)	(1,959,820)	9,302,914
Year ended 31 December 2015	Cargo	Long- distance passenger	Suburban passenger	Auxiliary activity	All other segments	Unallocated	Eliminations (A)	Adjustments (B)	Total
Sales to third parties	49,373,085	5,430,070	586,488	5,267,577	345,406	-	-	(877,028)	60,125,598
Inter-segment sales	-	-	-	3,245,508	625,903	-	(3,871,411)	-	-
Total revenue	49,373,085	5,430,070	586,488	8,513,085	971,309	-	(3,871,411)	(877,028)	60,125,598
Staff costs	(12,109,565)	(3,858,422)	(1,917,686)	(2,994,746)	(507,163)	(1,233,745)	-	222,440	(22,398,887)
Depreciation	(5,100,915)	(1,324,417)	(618,905)	(1,273,592)	(102,479)	(74,400)	-	1,458,504	(7,036,204)
Electricity	(4,318,131)	(1,037,225)	(585,214)	(449,021)	(87,453)	(28,129)	-	-	(6,505,173)
Fuel	(3,945,467)	(735,751)	(491,055)	(637,715)	(57,537)	(6,459)	-	-	(5,873,984)
Segment result	23,899,007	(1,525,745)	(3,026,372)	3,158,011	216,677	(1,342,733)	(3,871,411)	803,916	18,311,350

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2016

(in thousands of Ukrainian hryvnia, unless otherwise indicated)

8. Segment reporting (continued)

(A) Inter-segment revenue and margins are eliminated on consolidation.

(B) The operating results of each operating segment does not include the following adjustments representing differences between management accounts and financial statements prepared in accordance with IFRS for the year ended 31 December:

	2016	2015
Recognition of revenue in appropriate period	14,033	284,244
Settlements with foreign railways	(1,022,879)	(1,161,272)
	(1,008,846)	(877,028)
Correction of bonuses and unused vacation expenses accrual	(380,984)	493,352
Correction of defined benefits obligation	(89,415)	(270,912)
Correctio of depreciation expenses adjusted as the result of different carrying values of property, plant and equipment in IFRS and management information	(480,575)	1,458,504
Total corrections of differences between management accounts and IFRS	(1,959,820)	803,916
Reconciliation of profit:		
	2016	2015
Segment results	19,750,551	22,721,578
Total adjustments due to differences in accounting policies adopted for management accounts and IFRS	(1,959,820)	803,916
Total unallocated amounts	(390,653)	(1,342,733)
Inter-segment sales (elimination)	(8,097,164)	(3,871,411)
Items not included in segment expenses		
Maintenance	(5,316,235)	(5,325,991)
Taxes, other than income tax	(1,093,293)	(1,225,945)
Social expenses	(283,186)	(428,355)
Revaluation decrease	-	(4,783,345)
Change in provisions	(318,615)	(142,329)
Other income	559,075	975,933
Other expenses	(1,008,650)	(1,593,335)
Finance income	364,872	299,171
Finance costs	(4,803,518)	(5,125,715)
Foreign exchange loss, net	(4,505,516)	(13,905,165)
Share of profit of an associate	(13,597)	-
Group loss before income tax	(7,115,749)	(12,943,726)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2016

(in thousands of Ukrainian hryvnia, unless otherwise indicated)

9. Property, plant and equipment

	Land	Buildings, constructions and infra- structure	Subgrade and superstructure	Locomotives	Railway cars	Plant, equipment, tools and other	Vehicles	Construction in progress and uninstalled equipment	Total
Cost / revalued amount									
At 1 January 2016	45,647,046	74,520,805	80,608,479	18,435,987	33,727,854	18,287,171	3,769,420	7,318,790	282,315,552
Additions	-	-	-	-	-	-	-	6,795,322	6,795,322
Acquisitions through business combinations (Note 16)	-	-	-	-	-	12,099	-	-	12,099
Transfers	-	301,279	1,955,395	627,922	2,196,755	989,733	25,626	(6,096,710)	-
Disposals	-	-	-	-	-	(9,719)	-	-	(9,719)
Other (reclassification of PP&E)	-	-	-	732,944	8,918	-	(741,862)	-	-
At 31 December 2016	45,647,046	74,822,084	82,563,874	19,796,853	35,933,527	19,279,284	3,053,184	8,017,402	289,113,254
Accumulated depreciation									
At 1 January 2016	-	7,698,454	3,192,516	2,673,987	2,581,950	4,335,408	489,198	2,031,050	23,002,563
Depreciation charge	-	3,302,893	5,001,928	1,969,605	5,202,349	2,233,817	385,702	-	18,096,294
Disposals	-	-	-	-	-	(7,638)	-	-	(7,638)
Other (reclassification of PP&E)	-	-	-	558,130	7,830	-	(565,960)	-	-
At 31 December 2016	-	11,001,347	8,194,444	5,201,722	7,792,129	6,561,587	308,940	2,031,050	41,091,219
Net book value									
At 1 January 2016	45,647,046	66,822,351	77,415,963	15,762,000	31,145,904	13,951,763	3,280,222	5,287,740	259,312,989
At 31 December 2016	45,647,046	63,820,737	74,369,430	14,595,131	28,141,398	12,717,697	2,744,244	5,986,352	248,022,035

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2016

(in thousands of Ukrainian hryvnia, unless otherwise indicated)

9. Property, plant and equipment (continued)

	Land	Buildings, constructions and infra- structure	Subgrade and superstructure	Locomotives	Railway cars	Plant, equipment, tools and other	Vehicles	Construction in progress and uninstalled equipment	Total
Cost / revalued amount									
At 1 January 2015	-	27,537,551	19,594,752	24,944,113	21,001,498	18,939,054	1,869,442	4,691,980	118,578,390
Additions	-	-	-	-	-	-	-	3,689,021	3,689,021
Reorganisation (Note 16)	-	3,375,359	(67,591)	68,817	4,920,064	1,791,234	34,945	932,832	11,055,660
Revaluation	45,647,046	49,681,355	67,836,900	5,727,940	20,959,127	5,480,383	2,640,144	1,098,218	199,071,113
Elimination of accumulated depreciation against cost	-	(6,586,011)	(7,162,163)	(12,994,547)	(13,955,000)	(8,497,638)	(856,980)	-	(50,052,339)
Transfers	-	515,400	406,581	694,382	814,046	579,232	81,930	(3,091,571)	-
Disposals	-	(2,849)	-	(4,718)	(11,881)	(5,094)	(61)	(1,690)	(26,293)
At 31 December 2015	45,647,046	74,520,805	80,608,479	18,435,987	33,727,854	18,287,171	3,769,420	7,318,790	282,315,552
Accumulated depreciation									
At 1 January 2015	-	8,783,121	8,179,210	13,924,776	14,741,473	9,565,550	1,031,285	-	56,225,415
Depreciation charge	-	1,184,410	1,594,353	1,166,784	1,611,892	1,296,759	241,209	-	7,095,407
Reorganisation (Note 16)	-	3,288,331	322	108,398	5,665	1,526,447	37,144	-	4,966,307
Elimination of accumulated depreciation against cost	-	(6,586,011)	(7,162,163)	(12,994,547)	(13,955,000)	(8,497,638)	(856,980)	-	(50,052,339)
Revaluation decrease	-	1,029,771	580,794	473,024	186,085	446,020	36,601	2,031,050	4,783,345
Disposals	-	(1,168)	-	(4,448)	(8,165)	(1,730)	(61)	-	(15,572)
At 31 December 2015	-	7,698,454	3,192,516	2,673,987	2,581,950	4,335,408	489,198	2,031,050	23,002,563
Net book value									
At 1 January 2015	-	18,754,430	11,415,542	11,019,337	6,260,025	9,373,504	838,157	4,691,980	62,352,975
At 31 December 2015	45,647,046	66,822,351	77,415,963	15,762,000	31,145,904	13,951,763	3,280,222	5,287,740	259,312,989

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2016

(in thousands of Ukrainian hryvnia, unless otherwise indicated)

9. Property, plant and equipment (continued)

Revaluation

When state enterprise in reorganized 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 1 December 2015, the date of the completion of the Reorganisation, 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.

Group reorganisation

The effect of the Group Reorganisation includes effects attributable to the addition of health care institutions not previously included in the combined financial statements, as well as effects related to inclusion of subsidiaries 100 percent of the share capital of which was transferred to the charter capital of the Company (Note 16).

Land plots

Land plots include the cost of the rights of permanent use of land plots in the amount of UAH 45,647,046 thousand which was determined on the basis of the revaluation for the purpose of forming the charter capital (Note 16) separately from the items of property, plant and equipment, which can be located on these plots. The results of such revaluation may differ from the estimates made for the purposes of preparation of the IFRS financial statements.

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 presentation is regulated by the legislation on the Reorganisation of SART UkrZaliznytsia.

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 Company under the title of operating control (Note 16). The title of operating control allows to possess and use the assets, except for actions that may lead to disposal of the assets.

Carrying value of the assets assigned under the title of operating control was UAH 102,211,984 thousand as at 31 December 2016 (2015: 108,473,122 thousand).

Social assets

Included in property, plant and equipment are social infrastructure and other social assets carried at UAH 3,438,546 thousand as at 31 December 2016 (2015: UAH 3,360,888 thousand), primarily comprising residential buildings, hospitals, canteens and other similar assets.

Prepayments for property, plant and equipment

As at 31 December 2016 construction in progress contained prepayments for property, plant and equipment in the amount of UAH 20,568 thousand (2015: UAH 21,345 thousand).

Capitalised depreciation charge

The Group capitalised UAH 115,641 thousand of depreciation charge into construction in progress for the year ended 31 December 2016 (2015: UAH 59,203 thousand).

Capitalised borrowing costs

In 2016, borrowing costs of UAH 16,097 thousand relating to qualifying assets were capitalised (2015: UAH 19,371 thousand).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2016

(in thousands of Ukrainian hryvnia, unless otherwise indicated)

9. Property, plant and equipment (continued)

Fully depreciated assets

As at 31 December 2016 the cost of fully depreciated property, plant and equipment which remain in use amounted to UAH 10,661,518 thousand (2015: UAH 9,208,078 thousand).

Finance lease

As at 31 December 2016 the carrying value of property and equipment held under finance leases amounted to UAH 1,302,650 thousand (2015: UAH 1,636,288 thousand).

During the year ended 31 December 2016 the Group did not acquire property and equipment of under finance lease agreements (2015: no property and equipment was acquired under finance lease agreements).

Pledged property, plant and equipment

As at 31 December 2016 certain rolling stock with the carrying value of UAH 249,424 thousand was pledged as collateral for the Group's interest-bearing loans and borrowings (2015: UAH 259,121 thousand) (Note 17).

10. Investment in associate

On 29 January 2016 the State Property Fund of Ukraine transferred 47.67% interest in the share capital of PJSC "Ukrtransleasing" to JSC "Ukrzaliznytsia" as a contribution to the charter capital within the Reorganisation process (Note 16). Starting from this date the Group's interest in PJSC "Ukrtransleasing" is accounted for using the equity method in the consolidated financial statements.

PJSC "Ukrtransleasing" with its three subsidiaries form Ukrtransleasing group. The group is engaged in provision of finance lease services, operating lease of railway rolling stock, logistics and forwarding services, production of railway nodes and arrows. Neither PJSC "Ukrtransleasing" nor its subsidiaries are listed on any public exchange. A portion of Ukrtransleasing group assets is located in the Autonomous Republic of Crimea and certain territories of Donetsk and Lugansk regions temporarily not controlled by the Ukrainian authorities, respective operations enter the determination of the results of operations of Ukrtransleasing group.

The summarised information on Ukrtransleasing group adjusted to arrive at uniform accounting policies for the period since the date of transfer of shares till 31 December 2016 is presented below:

	31 December 2016 (adjusted)	At the date of transfer of shares (adjusted)
Current assets	1,258,587	1,269,307
Non-current assets	1,329,056	1,285,683
Current liabilities	(737,064)	(727,485)
Non-current liabilities	(253,704)	(447,182)
Equity	1,596,875	1,380,323
Group's carrying amount of the investment	760,591	658,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2016

(in thousands of Ukrainian hryvnia, unless otherwise indicated)

10. Investment in associate (continued)

	<i>For the period from transfer of shares till 31 December 2016 (adjusted)</i>
Revenue	230,367
Loss before tax	(51,575)
Income tax benefit	26,253
Loss for the period (continuing operations)	(25,322)
Revaluation increase of property, plant and equipment	299,146
Income tax effect of revaluation increase of property, plant and equipment	(53,846)
Other comprehensive loss for the period	(225)
Total comprehensive income for the period (continuing operations)	219,753
Adjustment to comply with the Group's uniform accounting policy by the investee	(3,201)
Total comprehensive income for the period (continuing operations) after the adjustment to comply with the Group's uniform accounting policies by investee	216,552
Group's share of profit for the period	103,230

During 2016 the Group received UAH 639 thousand of dividends from the associate company.

11. Financial assets

	2016	2015
Equity instruments of another entities	127,840	81,014
Loans due from employees	50,131	53,432
Other financial assets	911	16,113
	178,882	150,559

Equity instruments of another entities mainly consist of payments to acquire minority interests in the share capital of certain entities, for which property rights were not formally registered as at the end of reporting period.

The Group provides long-term interest-free loans to its employees with contractual maturity from 3 to 8 years. Loans are carried at amortised cost using the effective interest rate of 13%-23% per annum. The current portion of the loans of UAH 7,061 thousand (2015: UAH 7,605 thousand) is included in trade and other receivables (Note 13).

12. Inventories

	2016	2015
Spare parts, materials and tools (at lower of cost and net realisable value)	3,861,293	3,939,409
Fuel and lubricants (at cost)	785,875	514,316
Other (at cost)	1,478,686	686,636
	6,125,854	5,140,361

The amount of write-down of inventories to net realisable value and losses of inventories in 2016 is UAH 6,358 thousand (2015: UAH 511,202 thousand), recognised as an expense and included in maintenance expenses.

As at 31 December 2016 inventories with carrying value of UAH 111,251 thousand (2015: UAH 111,251 thousand) were pledged as collateral for the Group's interest-bearing loans and borrowings (Note 17).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2016

(in thousands of Ukrainian hryvnia, unless otherwise indicated)

13. Trade and other receivables

	2016	2015
Trade receivables	945,193	1,084,646
Receivables for outstanding contributions	103,481	762,691
Current portion of long-term financial assets	7,061	7,605
Other receivables	1,717,800	373,702
	<u>2,773,535</u>	<u>2,228,644</u>
Less: allowance for impairment of trade and other receivables	<u>(729,636)</u>	<u>(566,570)</u>
	<u>2,043,899</u>	<u>1,662,074</u>

Receivables for outstanding contributions are for shares of certain entities not contributed to the charter capital of the Company (Note 16).

As at 31 December 2016 and 2015 current portion of long-term financial assets included short-term portion of loans due from employees.

As at 31 December 2016, trade and other receivables of UAH 729,636 thousand (2015: UAH 566,570 thousand) were impaired and fully provided for. Loss on impairment was included to other expenses in consolidated statement of comprehensive income. The reconciliation of changes in allowance account was as follows:

	2016	2015
At 1 January	566,570	213,273
Arising during the year	172,955	379,838
Utilised	(9,889)	(26,506)
Reversed	-	(35)
At 31 December	<u>729,636</u>	<u>566,570</u>

As at 31 December the ageing of the Group's trade and other receivables was as follows:

	Neither past due nor impaired	Past due, but not impaired				Total
		Less than 3 months	3-6 months	6-12 months	More than 12 months	
2016	654,595	1,340,296	9,729	39,279	-	2,043,899
2015	522,908	1,067,572	15,820	55,774	-	1,662,074

14. Prepayments

	2016	2015
Prepayments for materials and services, net of impairment	314,109	263,332
Dividends prepaid (Note 28)	7,657	1,065
	<u>321,766</u>	<u>264,397</u>

As at 31 December 2016 prepayments are impaired by UAH 27,206 thousand (2015: UAH 1,425 thousand).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2016

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15. Taxes receivable, other than income tax

	2016	2015
VAT receivable	538,744	417,034
Other taxes prepaid	18,881	39,352
	557,625	456,386
Less: allowance for impairment	-	(7)
	557,625	456,379

A portion of VAT receivable amounting to UAH 888,602 thousand was classified as non-current asset as at 31 December 2016 as its expected period of recoverability exceeds 12 months (2015: UAH 679,873 thousand).

16. Equity

Charter capital

Since the date of establishment of the Company to 31 December 2016 the charter capital of the Group was of UAH 229,879,115,000 and was divided into 229,879,115 ordinary nominal shares with a nominal value of UAH 1,000 each.

As at 31 December 2016 and as at the date of authorisation of these consolidated financial statements, the issuance of the Company's shares was not registered by the National Securities and Stock Market Commission of Ukraine. Management believes that the absence of registration has no significant impact on the Company's activities and that it will be completed in the near time.

The Group Reorganisation, formation of charter capital, other additional capital

Public joint stock company "Ukrainian Railway" 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 Railway"*.

30 November 2015 is the date of completion of the Reorganisation through merger. On this date the acts of property transfer and acceptance and other relevant documents were signed, which, in particular, allowed JSC "Ukrzaliznytsya" to commence its economic activities starting from 1 December 2015.

According to the Law of Ukraine dated 23 February 2012 No. 4442-VI *On Peculiarities of Creation of the Public Joint Stock Company for Public Service Railway Transport*, JSC "Ukrzaliznytsya" is a legal successor of the State Administration of Railway Transport of Ukraine as well as public service railway enterprises and institutions, which were reorganized 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 Railway"*.

Due to objective inability to conduct all necessary standard reorganisation procedures (e.g. stock-take), it was not possible to contribute net asset related to the temporarily occupied territory of the Autonomous Republic of Crimea and uncontrolled territories of Donetsk and Lugansk regions to the charter capital of the Company. Instead, the additional capital was formed through the contribution of the above net assets. Financial information on the temporarily occupied territory of the Autonomous Republic of Crimea and uncontrolled territories of Donetsk and Lugansk regions is provided in Note 2.

Additional capital was also formed through contribution of public residential buildings and civil defense facilities, which can't be transferred to the charter capital of the Company due to legal restrictions, but are included in the Company's assets; also through contribution of finance lease items; as well as through additions and modernisation of property, plant and equipment over a period from the revaluation date of 31 July 2014 till the date of Reorganisation completion, as at 30 November 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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16. Equity (continued)

At the beginning of 2016 JSC "Ukrzaliznytsia" obtained legal title for 65.62% interest in the share capital of PJSC "Insurance Company "Tast Garantiya" within the Reorganisation process. The principal activity of PJSC "Insurance Company "Tast Garantiya" is providing insurance services except life insurance. The carrying values of assets of the subsidiary was UAH 16,654 thousand and UAH 14,854 thousand as at the date of transfer of the shares and 31 December 2016 respectively. From the date of transfer of the shares to 31 December 2016 the subsidiary contributed UAH 147 thousand of net profit to the Group's total comprehensive loss for the period.

The Group elected to measure the non-controlling interest in the subsidiary at the proportionate share of its interest in the subsidiary's identifiable net assets.

Not contributed capital

As at 31 December the shares of the following entities were not contributed to the charter capital:

<i>Name of the entity</i>	<i>Share of ownership</i>	<i>2016</i>	<i>2015</i>
PJSC "Transsignal Kyiv Electrical Engineering Plant"	100	103,481	103,481
Leasing Company PJSC "Ukrtransleasing"	47.67	-	658,000
Insurance Company PJSC "Inter-Policy"	8.16	-	1,204
PJSC "International transportation company "Ukrzovnishtrans"	25.1	-	6
		<u>103,481</u>	<u>762,691</u>

Respective receivable on the outstanding contribution is presented in Note 13.

Distribution of portion of net profit to the State

During the year ended 31 December 2016 the subsidiaries of the Company paid a portion of their net profit in the amount of UAH 794 thousand directly to the state budget.

17. Interest-bearing loans and borrowings

As at 31 December interest-bearing loans and borrowings consisted of the following:

	<i>2016</i>	<i>2015</i>
Interest-bearing bank loans	23,804,004	25,807,195
Eurobonds issued	14,205,504	12,129,288
Bonds issued in domestic markets	2,093,421	3,691,230
Other borrowings	408,818	346,487
Overdrafts	-	4,713
	<u>40,511,747</u>	<u>41,978,913</u>

In March 2016 the Group has reprofiled the loan of USD 500,000 thousand received as a result of loan participation notes (Eurobonds) placement by Shortline plc on Irish Stock Exchange. The loan maturity was extended to 15 September 2021, annual interest rate increased from 9.5% to 9.875% starting from 21 November 2015 and the principal repayment schedule changed as follows: 60% to be paid in 2019, 20% - in 2020 and 20% in 2021.

Domestic bonds are issued and placed in Ukraine. They are denominated in UAH, bear interest of 18.0%-23.5% and mature in 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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17. Interest-bearing loans and borrowings (continued)

As disclosed in Note 2 the Group recorded the liabilities of State Enterprise "Donetsk Railway" on its balance sheet. In 2016, majority of lenders of State Enterprise "Donetsk Railway" filed court suits with the purpose to recognise JSC "Ukrzaliznytsia" as a legal successor of the enterprise and recover the debt. At the end of the reporting period and after the reporting period, there were court decisions providing for non-recognition of the Group as a legal successor for loans and borrowings of State Enterprise "Donetsk Railway" as the legal succession procedures (inventory of assets and liabilities and signing of acceptance acts) required by the law on the Reorganisation were not completed and suspended upon completion of the antiterrorist operation. The Group considered this sufficient for non-recognition of related finance costs in the amount of UAH 486,651 thousand and foreign exchange losses in the amount UAH 417,564 thousand in 2016.

As at 31 December effective interest rate and currency split for borrowings were as follows:

	Interest rate	2016	Interest rate	2015
USD				
Floating rate	LIBOR 6 month + 1%-6%	5,363,114	LIBOR 6 month + 1%-6%	5,906,835
Fixed rate	9.5%-12%	30,652,598	9.5%-12%	29,593,496
		<u>36,015,712</u>		<u>35,500,331</u>
EUR				
Floating rate	EURIBOR 6m + 0.4%	994,791	EURIBOR 6m + 6.55%	622,308
		<u>994,791</u>		<u>622,308</u>
UAH				
Fixed rate	17.4%-23.5%	3,501,244	17.4%-23.5%	5,856,274
		<u>3,501,244</u>		<u>5,856,274</u>
Total interest-bearing loans and borrowings		40,511,747		41,978,913
Less: current portion		(16,679,238)		(20,810,905)
Interest-bearing loans and borrowings, non-current		<u>23,832,509</u>		<u>21,168,008</u>

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.

In September 2016, the Group breached its undertakings under the amended and restated loan agreement between JSC "Ukrzaliznytsia" and Shortline plc dated 19 February 2016, as the Group was not able to timely restructure a portion of its debt. The Group has rectified the breach before the end of the reporting period.

As at 31 December 2015 and 2016 the Group was not in compliance with certain undertakings under its long-term loan agreements and failed to remediate certain breaches before the reporting date. Such default have triggered a cross-default under certain other borrowings. Therefore, the lenders became entitled to request accelerated repayment of interest-bearing borrowings with carrying value of UAH 4,549,891 thousand as at 31 December 2016 (2015: UAH 5,787,070 thousand). Pursuant to the requirements of IAS 1 Presentation of Financial Statements the non-current portion of the Group's borrowings under the above mentioned agreements of UAH 3,649,075 thousand as at 31 December 2016 (2015: UAH 4,808,105 thousand), were reported within current liabilities. The Group has completed the restructuring negotiations with certain lenders during 2015 and 2016. Management expects that the restructuring negotiations with the remaining lenders will be completed, or the debt refinanced by 31 December 2017.

As at 31 December 2016 undrawn loan facilities available to the Group were of UAH 6,468,685 thousand (2015: UAH 1,442,272 thousand). Following the breaches of undertakings as at 31 December 2016 the access to certain undrawn loan facilities was restricted. Assuming there were no breaches, the undrawn loan facilities available to the Group would comprise UAH 7,037,137 thousand as at 31 December 2016 (2015: UAH 4,032,232 thousand).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2016

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17. Interest-bearing loans and borrowings (continued)

As at 31 December interest-bearing loans and borrowings were secured as follows:

<i>Type of collateral</i>	<i>2016</i>	<i>2015</i>
Property, plant and equipment (Note 9)	249,424	259,121
Inventories (Note 12)	111,251	111,251
Proceeds from future revenue	22,984,535	26,108,391

18. Finance lease liability

The Group leases out railway cars, locomotives and equipment (Note 9). The majority of lease payments are pegged to USD; the average lease term is 7 years. As at 31 December 2016 the interest rates implicit in the lease were within the range of 11%-17% per annum.

During the years ended 31 December 2016 and 2015, the Group did not acquire assets under finance lease agreements.

In February 2015 terms of two finance lease agreements were substantially amended. As a result of these changes the Group recognised extinguishment of the original liability and recognised a new financial lease liability. The difference between the carrying amount of the extinguished liability and the new liability of UAH 177,294 thousand was presented within financial income in the consolidated statement of comprehensive income. There were no substantial amendments to the lease agreements in 2016.

Principal repayments under finance lease to Ukrainian lessors (unlike foreign lessors) are subject to 20% VAT levied at the payment date. Finance charge is not VAT taxable.

The following are the minimum lease payments and present value of finance lease liability under finance lease agreements:

	<i>Minimum payments</i>		<i>Present value of payments</i>	
	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
Amounts payable under finance leases				
Within one year	1,307,690	1,280,185	1,186,598	1,083,014
After one year but not more than five years	521,645	1,135,383	459,853	940,599
More than five years	-	15,479	-	14,098
Total minimum lease payments	1,829,335	2,431,047	1,646,451	2,037,711
Less amounts representing finance charges	(182,884)	(393,336)	-	-
Present value of minimum lease payments	1,646,451	2,037,711	1,646,451	2,037,711
Classified as:				
Current	1,186,599	1,077,380	1,186,599	1,077,380
Non-current	459,852	960,331	459,852	960,331

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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19. Employee benefits

The Group's defined benefit obligation relates to:

	2016	2015
Post retirement and post employment benefits under collective agreement	1,325,671	1,071,320
State plan for additional pensions for working in hazardous and unhealthy working conditions	445,649	388,380
Other long-term benefits under collective agreement	761,637	439,661
	<u>2,532,957</u>	<u>1,899,361</u>

Changes in the net present value of the defined benefit obligation were as follows:

	2016	2015
At 1 January	1,899,361	1,912,649
Interest cost on benefit obligation	270,033	248,252
Current service cost	93,477	61,911
Benefits paid	(307,409)	(220,241)
Remeasurement gains/(losses) in other comprehensive income from:		
- changes in financial assumptions	199,592	20,569
- changes in demographic assumptions	(8,786)	2,803
- experience adjustments	83,342	(14,003)
Remeasurement of other long-term employee benefits obligation	303,347	(112,579)
At 31 December	<u>2,532,957</u>	<u>1,899,361</u>

The amounts recognised in the consolidated income statement were as follows:

	2016	2015
Current service cost	93,477	61,911
Interest cost on benefit obligation (Note 25)	270,033	248,252
Remeasurement of other long-term employee benefits obligation	303,347	(112,579)
	<u>666,857</u>	<u>197,584</u>

Current service cost, past service cost, including their amortisation and recognized actuarial gains are included into the staff costs line item in the statement of comprehensive income. Interest cost on benefit obligation included into finance costs.

The principal assumptions used in determining defined benefit obligation are shown below:

	2016	2015
Discount rate	16.00%	17.00%
Staff turnover	6.94%	3.48%
Future benefit increase	6.35%	6.09%

The sensitivity analysis is given in the table below:

2016	Increase/ (decrease) in rate	Effect on defined benefit obligation
Discount rate	+1%	(117,764)
Discount rate	-1%	129,526
Future benefit increase	+1%	82,730
Future benefit increase	-1%	(76,354)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2016

(in thousands of Ukrainian hryvnia, unless otherwise indicated)

19. Employee benefits (continued)

2015	Increase/ (decrease) in rate	Effect on defined benefit obligation
Discount rate	+1%	(87,554)
Discount rate	-1%	95,858
Future benefit increase	+1%	60,111
Future benefit increase	-1%	(54,360)

Defined contribution plan

During the year ended 31 December 2016 the expenses from the participation in obligatory state pension program amounted to UAH 4,569,491 thousand (2015: UAH 6,211,463 thousand).

The Group's estimated employer contributions for the year ending 31 December 2017 amounts to UAH 5,359,135 thousand.

20. Income tax

The components of income tax expense in the consolidated statement of comprehensive Income were as follows:

	2016	2015
Current income tax charge	165,551	349,494
Deferred income tax expense	40,741	3,488,700
Income tax expense	206,292	3,838,194

During the years ended 31 December 2016 and 31 December 2015, the statutory income tax rate in Ukraine was 18%.

Current income tax charge for 2016 was reduced by UAH 80,625 thousand as a result of the revision of tax declarations for the prior periods.

Reconciliation between loss before income tax multiplied by the statutory tax rate and income tax expense for the years ended 31 December consisted of the following:

	2016	2015
Loss before income tax	(7,115,749)	(12,943,726)
At statutory tax rate	(1,280,835)	(2,329,871)
Tax effect of:		
Effect of reassessment of temporary differences	1,527,725	624,042
Effect of revaluation of property, plant and equipment for tax purposes	-	4,221,569
Change in unrecognised deferred tax assets	(1,614,254)	501,815
Other permanent differences	1,573,656	820,639
Income tax expense	206,292	3,838,194

As at the date of Reorganisation property, plant and equipment were revalued for tax purposes and this revaluation is considered to be related to the accounting revaluation. The tax effects of both the revaluation of property, plant and equipment and the adjustment of the tax base were recognised and offset each other in other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2016

(in thousands of Ukrainian hryvnia, unless otherwise indicated)

20. Income tax (continued)

Deferred tax assets and liabilities comprised:

	Consolidated statement of financial position		Consolidated statement of comprehensive income	
	31 December 2016	31 December 2015	2016	2015
Property, plant and equipment (i)	(33,304)	(93,974)	(60,670)	3,307,489
Inventories (ii)	89,483	87,351	(2,132)	(15,447)
Prepayments (iii)	-	-	-	61
Advances from customers (iii)	(30,832)	(18,100)	12,732	10,280
Trade and other receivables (iv)	(3,234)	30,113	33,347	(14,445)
Trade and other payables (v)	6,593	6,448	(145)	211,492
Finance lease liability (vi)	199,310	231,651	32,341	(27,488)
Defined benefit liability (vii)	420,469	355,769	(64,700)	4,078
Financial assets (viii)	-	-	-	(1,924)
Interest-bearing loans and borrowings (ix)	512,908	2,217,130	1,704,222	(487,211)
	1,161,393	2,816,388	1,654,995	2,986,885
Less: unrecognised deferred tax assets	(666,082)	(2,280,336)	(1,614,254)	501,815
Deferred income tax expense			40,741	3,488,700
Deferred tax effect of actuarial gain recognised in OCI	35,463	(13,884)	(49,347)	(1,686)
Net deferred tax assets	530,774	522,168		
Reflected in the statements of financial position as follows:				
Deferred tax assets	555,722	555,400		
Deferred tax liabilities	(24,948)	(33,232)		
Deferred tax assets net	530,774	522,168		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2016

(in thousands of Ukrainian hryvnia, unless otherwise indicated)

20. Income tax (continued)

Reconciliation of net deferred tax assets:

	2016	2015
Opening balance as at 1 January	522,168	4,009,182
Tax expense recognised in profit or loss	(40,741)	(3,488,700)
Tax benefit recognised in other comprehensive income	49,347	1,686
Closing balance 31 December	530,774	522,168

The nature of the temporary differences is as follows:

- (i) Property, plant and equipment – differences in depreciation patterns and estimates of the remaining useful lives, differences in capitalisation principles, different cost basis;
- (ii) Inventories – differences in inventories valuation models and the periods of recognition;
- (iii) Prepayments and advances from customers – differences in period of recognition and valuation principles;
- (iv) Trade and other receivables – differences in valuation, including allowances for doubtful receivables, differences in the period of recognition;
- (v) Trade and other payables – differences in valuation and recognition principles;
- (vi) Financial lease liability – differences in recognition principles;
- (vii) Defined benefit liability – differences in recognition principles;
- (viii) Financial assets – differences in valuation and recognition principles;
- (ix) Interest-bearing loans and borrowings – differences in recognition principles of unrealised foreign exchange loss.

As at 31 December 2016 and 2015 deferred tax assets arising on foreign currency component of interest-bearing loans and borrowings and finance lease liability (resulting from devaluation of Ukrainian hryvnia) and on allowance for impairment of financial assets were not recognised since their utilisation was not certain.

21. Trade and other payables

	2016	2015
Trade payables	2,740,065	2,589,850
Due to employees	2,482,097	1,747,297
Payables for property, plant and equipment	426,490	783,383
Unused vacation accrual	886,258	645,184
Dividends payable (Note 28)	201	167,621
Other payables	377,005	299,481
	6,912,116	6,232,816

Trade payables are non-interest bearing and are normally settled within 60 days.

22. Taxes payable, other than income tax

	2016	2015
Personal income tax payable	270,189	168,703
VAT payable	80,520	331,909
Land tax payable	94,708	27,094
Other taxes payable	34,754	52,867
	480,171	580,573

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2016

(in thousands of Ukrainian hryvnia, unless otherwise indicated)

23. Provisions

The provisions relate to legal claims. Movement in the provisions for the year was as follows:

	2016	2015
At 1 January	816,008	436,665
Arisen during the year	367,461	148,946
Unused amounts reversed during the year	(48,846)	(6,617)
Foreign exchange difference	85,802	237,014
At 31 December	1,220,425	816,008

The Group's provisions mostly consists of provision for litigations. As at 31 December 2016 the Group recognized 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 752,864 thousand (2015: UAH 667,062 thousand).

24. Taxes, other than income tax

	2016	2015
Non-recoverable VAT attributable to transit transportation	32,142	773,741
Land tax	995,613	363,894
Other taxes	58,617	78,055
Impairment of VAT receivable	6,921	10,255
	1,093,293	1,225,945

25. Finance income and finance costs

	2016	2015
Interest expense on loans and borrowings	(4,328,779)	(4,449,371)
Finance lease charges	(196,064)	(424,919)
Interest cost on defined benefit obligation (Note 19)	(270,033)	(248,252)
Other finance costs	(8,642)	(3,173)
Total finance costs	(4,803,518)	(5,125,715)
Interest income on deposits	357,765	46,404
Interest income on loans and receivables from related parties	-	50,453
Finance income from modification of terms of financial liabilities	-	177,294
Other finance income	7,107	25,020
Total finance income	364,872	299,171
Net finance costs	(4,438,646)	(4,826,544)

26. Foreign exchange loss, net

Foreign exchange gains and losses arisen on the following items:

	2016	2015
Gains		
Cash and cash equivalents	12,598	307,795
	12,598	307,795
Losses		
Interest-bearing loans and borrowings	(4,144,355)	(12,762,338)
Finance lease liability	(180,253)	(1,043,993)
Trade and other payables	(191,698)	(372,254)
Net loss on sale / purchase of foreign currencies	(1,808)	(34,375)
	(4,518,114)	(14,212,960)
Foreign exchange loss net	(4,505,516)	(13,905,165)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2016

(in thousands of Ukrainian hryvnia, unless otherwise indicated)

27. Contingencies and commitments

Tax matters

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. However, where the risk of outflow of resources is probable, the Group has accrued tax liabilities based on management's best estimate.

The uncertainty related to enforcement and application of Ukrainian tax laws creates a risk of substantial additional tax liabilities and penalties being claimed by the tax authorities. Such claims, if sustained, could have a material effect on the Group's financial position, results of operations and cash flows, however, the amounts of potential losses or possibility of negative outcome are not currently determinable. Management believes that there are strong arguments to successfully defend any such challenge and does not believe that the risk is any more significant than those of similar enterprises in Ukraine. When it is not considered probable that a material claim will arise, no provision has been established in these financial statements.

Litigations

In the normal course of business, the Group is subject to various routine litigation and arbitration related matters. As at 31 December 2016, the Group was involved in litigations with tax authorities with respect to additional accrual of liabilities for corporate income tax, VAT and other taxes in the total amount of UAH 1,042,709 thousand (2015: UAH 321,880 thousand). As at 31 December 2016 the Group's possible exposure to the ascertained third parties' claims was UAH 388,796 thousand (2015: UAH 244,385 thousand).

Management believes that the Group's position in the litigations stated above has sustainable legal merits, and therefore the ultimate resolution of these litigations will not have an adverse effect on the Group's financial position, or the results of its future operations, accordingly, no corresponding provisions were recognised in these consolidated financial statements. Provisions were recognised for obligations with probable outflow of resources embodying economic benefits (Note 23).

Capital commitments

As at 31 December 2016 the Group's outstanding commitment in respect of purchase of property and equipment amounted to UAH 4,105,722 thousand (2015: UAH 2,986,521 thousand).

28. Related party disclosure

The outstanding balances and transaction with entities under common control of the State, comprised:

	2016	2015
Balances at 31 December		
Prepayments for property, plant and equipment	2	13
Other financial assets	9,537	10,710
Trade and other receivables	73,195	90,786
Prepayments, other than dividends	101,202	50,555
Cash and cash equivalents	6,140,126	3,635,448
Trade and other payables, other than dividends	12,402	7,031
Advances received	26,916	3,626
Interest-bearing loans and borrowings	969,371	883,382
Transactions during the year		
Cargo revenues	63,805	131,273
Electricity	7,424,154	3,201,725
Maintenance services purchased	101,594	353,101
Finance income	19,040	56,157
Finance costs	113,554	125,721
Other expenses	215,348	306,153

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2016

(in thousands of Ukrainian hryvnia, unless otherwise indicated)

28. Related party disclosure (continued)

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. For the years ended 31 December 2015 the Group has recorded impairment of long-term and current portion of long-term receivable due from Vugillya Ukrainy. Loss on impairment of UAH 234,850 thousand was included to other expenses in interim combined statement of comprehensive income. Each financial year the Group undertakes assessment through examining the financial position of the related party and the market in which the related party operates.

Guarantees issued by the State of Ukraine

As at 31 December 2016 the Group's interest bearing loans with carrying value of UAH 6,357,905 thousand (2015: UAH 5,906,833 thousand) were guaranteed by the State of Ukraine.

Compensation of key management personnel

Before the Reorganisation 11 members of the Board of Ukrzaliznytsia were considered as key management personnel. Starting from 1 December 2015 the Management Board and the Supervisory Board of JSC "Ukrzaliznytsia" were considered as key management personnel comprising 7 and 11 members, respectively, as at 31 December 2016. For the years ended 31 December 2016 and 2015, total compensation which mostly included payroll and payroll related taxes amounted to UAH 19,240 thousand and UAH 2,724 thousand, respectively. The members of the Supervisory Board are not entitled to compensation.

Dividends

As at 31 December 2016 prepaid portion of net profit (dividends) to the State in the amount of UAH 7,657 thousand were included in prepayments (2015: UAH 1,065 thousand) (Note 14). As at 31 December 2016 dividends payable to the State in the amount of UAH 201 thousand were included in trade and other payables (2015: UAH 167,621 thousand) (Note 21). Dividends for the year ended 31 December 2016 amounted to UAH 794 thousand (2015: UAH 343,991 thousand).

Government compensations

The Group receives compensations from the State for transportation of certain categories of preferential passengers. In 2016 such compensations of UAH 63,600 thousand (2015: UAH 182,100 thousand) were included into passenger revenue.

29. 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:

	<i>Fair value</i>		<i>Carrying value</i>	
	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
Financial assets				
Trade and other receivables	2,043,899	1,662,074	2,043,899	1,662,074
Other financial assets	178,882	150,559	178,882	150,559
Cash and cash equivalents	6,419,746	4,884,908	6,419,746	4,884,908
Financial liabilities				
Interest-bearing loans and borrowings	39,185,208	41,216,342	40,511,747	41,978,913
Finance lease liability	1,646,451	2,037,711	1,646,451	2,037,711
Trade and other payables	6,912,116	6,232,816	6,912,116	6,232,816

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2016

(in thousands of Ukrainian hryvnia, unless otherwise indicated)

29. Fair value of financial instruments (continued)

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 cash and cash equivalents, short-term deposits, trade and other receivables, trade and other payables approximate their carrying amounts largely due to the short-term maturities of these instruments. The fair value of unquoted instruments, other financial assets, interest bearing loans and borrowings, finance lease liability is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

30. 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 and interest-bearing loans and borrowings. Significant aspects of the liquidity risk management are disclosed in the Note 2.

The Group analyses the aging of its assets and cash generation ability versus the maturity of its liabilities and plans its liquidity depending on the expected repayment of various instruments.

The table below summarizes the maturity profile of the Group's financial liabilities at 31 December based on contractual undiscounted payments, assuming no breaches occurred:

	<u>Less than 3 month</u>	<u>3 to 12 months</u>	<u>1 to 5 years</u>	<u>More than 5 years</u>	<u>Less: effect of amortisation</u>	<u>Carrying value</u>
Year ended 31 December 2016						
Interest bearing loans and borrowings	15,088,756	4,439,727	31,681,274	416,788	(11,114,798)	40,511,747
Finance lease liability	885,119	422,571	521,645	-	(182,884)	1,646,451
Trade and other payables	6,250,583	661,533	-	-	-	6,912,116
	<u>Less than 3 month</u>	<u>3 to 12 months</u>	<u>1 to 5 years</u>	<u>More than 5 years</u>	<u>Less: effect of amortisation</u>	<u>Carrying value</u>
Year ended 31 December 2015						
Interest bearing loans and borrowings	8,503,395	10,619,003	31,959,806	2,627,541	(11,730,832)	41,978,913
Finance lease liability	550,798	729,387	1,135,383	15,479	(393,336)	2,037,711
Trade and other payables	4,980,372	1,252,444	-	-	-	6,232,816

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2016

(in thousands of Ukrainian hryvnia, unless otherwise indicated)

30. Financial risk management policies and objectives (continued)

Foreign currency risk

In common with many other businesses in Ukraine, foreign currencies, in particular the US dollar ("USD"), the euro ("EUR"), the Swiss franc ("CHF"), the Russian rouble ("RUB") play a significant role in the underlying economics of the Group's business transactions.

The exchange rates for foreign currencies, in which the Group's financial assets and liabilities were denominated, against the Ukrainian hryvnia, as established by the NBU as at the dates stated, were as follows:

	USD	EUR	CHF	10 RUB
31 December 2015	24.0007	26.2231	24.2492	3.2931
Average for 2015	21.8314	24.2006	22.6786	3.6118
31 December 2016	27.1909	28.4226	26.5285	4.5113
Average for 2016	25.5513	28.2919	25.9546	3.8314
20 April 2017	26.7871	28.7291	26.8748	4.7685

The Group has transactional currency exposure that relates to monetary assets and liabilities denominated in foreign currencies and are attributable to general volatility in exchange markets. Such exposure arises from sales or purchases by the Group in currencies other than its functional currency. The Group has not entered into transactions designed to hedge against these foreign currency risks.

The following table demonstrates the sensitivity to a reasonably possible change in the corresponding exchange rates, with all other variables held constant, of the Group's loss before tax (due to changes in the fair value of monetary assets and liabilities). There is no impact on the Group's equity.

31 December 2016	Change in UAH rate	Effect on the profit before tax
UAH/USD	+53.00%	(20,117,818)
UAH/USD	-13.00%	4,934,559
UAH/CHF	+53.00%	(21,305)
UAH/CHF	-13.00%	5,226
UAH/EUR	+53.00%	(289,269)
UAH/EUR	-15.00%	81,868
UAH/RUB	+58.00%	949
UAH/RUB	-22.00%	(360)

31 December 2015	Change in UAH rate	Effect on the profit before tax
UAH/USD	+67.00%	(24,344,534)
UAH/USD	-18.00%	6,540,323
UAH/CHF	+67.00%	(96,713)
UAH/CHF	-18.00%	25,983
UAH/EUR	+67.00%	(366,792)
UAH/EUR	-18.00%	98,541
UAH/RUB	+50.00%	1,883
UAH/RUB	-33.50%	(1,262)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2016

(in thousands of Ukrainian hryvnia, unless otherwise indicated)

30. Financial risk management policies and objectives (continued)

Credit risk

Financial instruments which potentially expose the Group to significant concentrations of credit risk consist principally of cash and cash equivalents, deposits, trade and other receivables. The Group's credit risk exposure is monitored and analysed on a case-by-case basis, and the Group's management believes that credit risk is appropriately reflected in impairment allowances recognised against assets. The Group's maximum credit risk exposure at 31 December 2016 and 2015 is represented by the carrying amounts of the financial assets.

The Group's cash is primarily held with major reputable Ukrainian banks.

The Group does not require collateral in respect of financial assets. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed of all customers requiring credit over a certain amount.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

In 2016 and 2015, the Group primarily borrowed at both fixed and floating rate pegged to the London Inter Bank Offering Rate ("LIBOR").

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings). There is no impact on the Group's equity.

<u>31 December 2016</u>	<u>Increase/ decrease in basis points</u>	<u>Effect on the profit before tax</u>
LIBOR	+0.60%	31,968
LIBOR	-0.08%	(4,262)
EURIBOR	+0.12%	1,194
EURIBOR	-0.08%	(796)
 <u>31 December 2015</u>	 <u>Increase/ decrease in basis points</u>	 <u>Effect on the profit before tax</u>
LIBOR	+0.50%	29,534
LIBOR	-0.12%	(7,088)
EURIBOR	+0.17%	1,058
EURIBOR	-0.05%	(311)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2016

(in thousands of Ukrainian hryvnia, unless otherwise indicated)

30. Financial risk management policies and objectives (continued)

The structure of capital managed is presented below:

	<u>2016</u>	<u>2015</u>
Interest-bearing loans and borrowings	40,511,747	41,978,913
Finance lease liability	<u>1,646,451</u>	<u>2,037,711</u>
	42,158,198	44,016,624
Cash and term deposits	<u>(6,419,746)</u>	<u>(4,884,908)</u>
Net debt	<u>35,738,452</u>	<u>39,131,716</u>
Total equity	<u>210,813,119</u>	<u>218,239,099</u>
Total capital	<u>246,551,571</u>	<u>257,370,815</u>

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.

31. Events after the reporting period

Ukraine Presidential Decree number 62/2017 dated 15 March 2017 has enacted the decision of the National Security and Defense Council of Ukraine *On Urgent Additional Measures to Counteract Hybrid Threats to National Security of Ukraine*, which provides for measures to halt the transport of goods across the line of collision in Donetsk and Lugansk regions, with few exceptions. The undertaken measures had resulted in complete suspension of cargo transportation to and from temporarily occupied areas of Donetsk and Lugansk regions. Management believes that these events will not have significant negative impact on the performance of the Group.

Supplementary financial information

BALANCE SHEET as at 31 December 2016

Entity: JSC "Ukrzaliznytsia"
Location: Ukraine
Ownership: Public Joint Stock Company
Type of activity: Freight railroad transport
Average quantity of employees: 282,853
Address, telephone: 03680, Kyiv, Tverska Str., phone 465-05-52

Date (year month date)	2016 12 31
Per EDRPOU	40075815
Per KOATUU	8038200000
Per KOPFG	230
Per KVED	49.20

Units of measurement: UAH thousand
Prepared in accordance with (mark with "v" in relevant box):
Ukrainian Accounting Standards
International Financial Reporting Standards

V

Form # 1 Per DKUD 1801003

Assets	Line code	As at 31 December 2015	As at 31 December 2016
1	2	3	4
I. Non-current assets			
Intangible assets:	1000	187,442	45,787,645
historical cost	1001	249,560	45,948,287
accumulated amortization	1002	(62,118)	(160,642)
Capital investments in progress	1005	5,285,814	5,986,579
Property, plant and equipment:	1010	253,839,733	196,247,811
historical cost	1011	274,749,128	643,539,578
accumulated depreciation	1012	(20,909,395)	(447,291,767)
Investment property	1015	-	-
Non-current biological assets:	1020	-	-
historical cost of non-current biological assets	1021	-	-
accumulated depreciation of non-current biological assets	1022	-	-
Non-current financial investments:		-	-
accounted for under the equity method	1030	-	760,591
other financial investments	1035	81,016	128,383
Non-current receivables	1040	69,543	50,499
Deferred tax assets	1045	555,400	555,722
Other non-current assets	1090	679,873	1,591,317
Total section I	1095	260,698,821	251,108,547
II. Current assets			
Inventories:	1100	5,140,361	6,125,854
production inventories	1101	4,376,647	5,575,396
work in progress	1102	-	-
finished goods	1103	444,599	478,420
commodities	1104	319,115	72,038
Current biological assets	1110	-	-
Accounts receivable for goods, works and services	1125	1,280,767	442,189
Accounts receivable on settlements:		-	-
on prepayments made	1130	212,902	260,491
with budget	1135	1,076,535	832,204
including income tax	1136	620,156	274,579
Accounts receivable on intercompany settlements	1145	-	-
Other current accounts receivable	1155	381,307	1,430,559
Current financial investments	1160	-	-
Cash and cash equivalents:	1165	4,884,908	6,419,746
Cash in hand	1166	477	734
Cash at banks	1167	4,884,431	6,419,012
Deferred expenses	1170	51,495	61,275
Other current assets	1190	-	171,151
Total section II	1195	13,028,275	15,743,469
III. Assets classified as held for distribution	1200	-	-
Balance	1300	273,727,096	266,852,016

Supplementary financial information

Liabilities and equity	Line code	As at 31 December 2015	As at 31 December 2016
1	2	3	4
I. Equity			
Share capital	1400	229,879,115	229,879,115
Capital in revaluation	1405	-	-
Additional capital	1410	19,597,430	19,597,430
Reserve fund	1415	-	-
Retained earnings (accumulated deficit)	1420	(31,237,446)	(38,668,315)
Unpaid capital	1425	-	-
Treasury shares	1430	-	-
Non-controlling interests	1490	-	4,889
Total section I	1495	218,239,099	210,813,119
II. Non-current liabilities and provisions			
Deferred tax liabilities	1500	33,232	24,948
Non-current bank loans	1510	8,543,906	9,612,584
Other non-current liabilities	1515	13,584,432	14,679,777
Other non-current provisions	1520	1,899,362	2,532,957
Non-current provisions for staff expenses	1521	1,899,362	2,532,957
Special purpose financing	1525	-	-
Total section II	1595	24,060,932	26,850,266
III. Current liabilities and provisions			
Short-term bank loans	1600	21,015,224	16,679,238
Current liabilities for:			
current portion of non-current liabilities	1610	-	-
for goods, works and services	1615	3,373,233	3,539,654
with budget	1620	793,502	473,413
with Income tax	1621	45,308	84
social insurance	1625	416,458	273,204
wages	1630	800,851	1,013,936
Current liabilities on advances received	1635	1,833,603	2,675,316
Current liabilities on intercompany settlements	1645	-	-
Other provisions	1660	1,175,171	3,307,087
Deferred income	1665	30,472	40,184
Other current liabilities	1690	1,988,551	1,186,599
Total section III	1695	31,427,065	29,188,631
IV. Liabilities directly associated with the assets classified as held for distribution			
	1700	-	-
Balance	1900	273,727,096	266,852,016

Supplementary financial information

Entity: JSC "Ukrzaliznytsia"

Date (year, month, date)
per EDRPOU

CODE		
2016	12	31
40075815		

STATEMENT OF FINANCIAL RESULTS (STATEMENT OF COMPREHENSIVE INCOME)
FOR THE YEAR ENDED 31 DECEMBER 2016

Form # 2

Per DKUD

1801003

I. FINANCIAL RESULTS

Description	Line code	For the reporting period	For the previous period
1	2	3	4
Net revenue from sales of goods (merchandise, works, services)	2000	66,570,164	60,125,598
Cost of goods (merchandise, works, services) sold	2050	(63,696,856)	(44,798,177)
Gross:			
Profit	2090	2,873,308	15,327,421
Loss	2095	-	-
Other operating income	2120	843,119	3,360,543
Administrative expenses	2130	(863,067)	(1,757,344)
Selling expenses	2150	(126,435)	(136,423)
Other operating expenses	2180	(5,472,693)	(19,933,014)
Financial results from operating activities:			
Profit	2190	-	-
Loss	2195	(2,745,768)	(3,138,817)
Income from investments accounted for under the equity method	2200	-	-
Other finance income	2220	364,282	299,171
Other income	2240	397,772	221,923
Finance costs	2250	(4,798,139)	(5,125,715)
Losses from investments accounted for under the equity method	2255	(13,597)	-
Other expenses	2270	(320,299)	(5,200,288)
Financial results before taxation:			
Profit	2290	-	-
Loss	2295	(7,115,749)	(12,943,726)
Income tax expense	2300	(206,292)	(3,838,194)
Income (loss) from discontinued operations after tax	2305	-	-
Net financial result:			
Profit	2350	-	-
Loss	2355	(7,322,041)	(16,781,920)

II. COMPREHENSIVE INCOME

Description	Line code	For the reporting period	For the previous period
1	2	3	4
Revaluation of non-current assets	2400	-	199,071,113
Revaluation of financial instruments	2405	-	-
Accumulated foreign exchange rate differences	2410	-	-
Share of other comprehensive income of associates and joint ventures	2415	116,827	-
Other comprehensive income	2445	(274,148)	(7,683)
Other comprehensive income before tax	2450	(157,321)	199,063,430
Income tax related to other comprehensive income	2455	49,347	-
Other comprehensive income after tax	2460	(107,974)	199,063,430
Comprehensive profit (sum lines 2350, 2355 and 2460)	2465	(7,430,015)	182,281,510

Supplementary financial information

III. ELEMENTS OF OPERATING EXPENSES

Description	Line code	For the reporting period	For the previous period
1	2	3	4
Cost of materials	2500	19,007,508	17,705,148
Labour costs	2505	21,037,582	16,443,804
Social security charges	2510	4,628,268	5,955,083
Depreciation and amortization	2515	17,910,127	7,036,204
Other operating expenses	2520	5,238,277	19,624,716
Total	2550	67,821,762	66,764,955

IV. CALCULATION OF EARNINGS PER SHARE

Description	Line code	For the reporting period	For the previous period
1	2	3	4
Annual average number of ordinary shares	2600	-	-
Adjusted annual average number of ordinary shares	2605	-	-
Net income per ordinary share	2610	-	-
Adjusted net income per ordinary share	2615	-	-
Dividends per ordinary share	2650	-	-

Supplementary financial information

Entity: JSC "Ukrzaliznytsia"

Date (year, month, date)
per EDRPOU

CODE		
2016	12	31
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STATEMENT OF CASH FLOWS (indirect method) FOR THE YEAR ENDED 31 DECEMBER 2016

Form # 3

DKUD code

1801003

Description	Line code	For the reporting period		For the previous period	
		proceeds	expense	proceeds	Expense
1	2	3	4	3	4
I. Cash flows from operating activities					
Profit (loss) from ordinary activities before tax	3500	-	7,115,749	-	12,943,726
Corrections on:					
depreciation of fixed assets	3505	17,910,127	-	7,036,204	-
increase (decrease) in provisions	3510	408,026	-	-	128,580
loss (profit) on unrealized exchange differences	3515	4,479,346	-	14,032,747	-
loss (profit) from non-operating activities and other non-cash transactions	3520	260,139	-	5,153,483	-
Financial expenses	3540	4,438,646	-	4,826,544	-
Decrease (increase) in current assets	3550	-	2,839,908	-	2,494,347
Increase (decrease) in inventories	3551	-	1,077,279	-	2,127,431
Decrease (increase) in accounts receivable for products, goods, works, services	3553	-	1,384,545	-	739,640
decrease (increase) in other current receivables	3554	-	68,116	-	222,748
decrease (increase) in other current assets	3557	-	309,968	-	-
Increase (decrease) in current liabilities, including:	3560	1,974,418	100,617	907,477	658,749
increase (decrease) in current accounts payable for goods and services	3561	1,129,592	-	-	542,757
increase (decrease) in current budget settlements	3562	-	100,617	209,248	-
increase (decrease) in current insurance settlements	3563	-	143,254	129,641	-
increase (decrease) in current salary settlements	3564	213,085	-	178,701	-
Increase (decrease) in other current payables	3567	844,826	-	1,239,824	-
Cash from operating activities	3570	19,414,428	-	15,731,053	-
Income tax paid	3580	-	557,501	-	714,868
Borrowings interest paid	3585	-	-	-	-
Net cash flow from operating activities	3195	18,856,927	-	15,016,185	-
II. Cash flows from investing activities					
Proceeds from sale of:					
financial investments	3200	-	-	-	-
Fixed assets	3205	5,282	-	-	-
Proceeds from received:					
interests	3215	-	-	-	-
dividends	3220	-	-	-	-
proceeds from derivatives	3225	-	-	-	-
other proceeds	3250	358,646	-	130,451	-
Payments on acquisition:					
financial investments	3255	-	53,095	-	-
fixed assets	3260	-	6,799,448	-	3,623,755
payments for derivatives	3270	-	-	-	-
other payments	3290	-	166,480	-	238,745
Net cash flows from investing activities	3295	-	6,655,095	-	3,732,049
III. Cash flows from financing activities					
Proceeds from share capital	3300	-	-	-	-
Proceeds from borrowings	3305	1,251,145	-	740,530	-
Other proceeds	3340	-	-	-	-
Payments for:					
own securities	3345	-	-	-	-
repayment of borrowings	3350	-	7,153,328	-	3,073,178
dividends paid	3355	-	-	-	-
Borrowings interest paid	3360	-	4,054,202	-	3,997,394
Finance lease interests paid	3365	-	749,376	-	2,284,130
Other payments	3390	-	-	-	-
Net cash flows from financing activities	3395	-	10,705,761	-	8,614,172
Net (decrease)/increase in cash and cash equivalents	3400	1,496,071	-	2,669,964	-
Cash balance at the beginning of the year	3405	4,884,908	-	2,038,008	-
Net foreign exchange difference	3410	38,767	-	176,936	-
Cash balance at the end of the year	3415	6,419,746	-	4,884,908	-

Entity: JSC "Ukrzaliznytsia"

Date (year, month, date)
per EDRPOU

CODE		
2016	12	31
40075815		

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

Form # 4

DKUD code

1801003

Description	Line code	Share capital	Capital in revaluation	Additional capital	Reserve fund	Retained earnings (accumulated deficit)	Unpaid capital	Treasury capital	Non-controlling interests	Total
1	2	3	4	5	6	7	8	9	10	11
Balance at the beginning of the year	4000	229,879,115	-	19,597,430	-	(31,237,446)	-	-	-	218,239,099
Adjustments:										
Changes in accounting policies	4005	-	-	-	-	-	-	-	-	-
Correction of errors	4010	-	-	-	-	-	-	-	-	-
Other adjustments	4090	-	-	-	-	-	-	-	-	-
Adjusted balance at the beginning of the year	4095	229,879,115	-	19,597,430	-	(31,237,446)	-	-	-	218,239,099
Net profit (loss) for the reporting period	4100	-	-	-	-	(7,322,101)	-	-	60	(7,322,041)
Other comprehensive income for the current period including:	4110	-	-	-	-	(224,801)	-	-	-	(224,801)
Revaluation (disposal) of fixed assets	4111	-	-	-	-	-	-	-	-	-
Other comprehensive income	4116	-	-	-	-	(224,801)	-	-	-	(224,801)
Distribution of profit:										
Payments to shareholders (dividends)	4200	-	-	-	-	-	-	-	-	-
Distribution to share capital	4205	-	-	-	-	-	-	-	-	-
Distribution to the reserve fund	4210	-	-	-	-	-	-	-	-	-
Total net profit, due to the budget in accordance with the law	4215	-	-	-	-	(794)	-	-	-	(794)
Total net income for the establishment of special (earmarked) funds	4220	-	-	-	-	-	-	-	-	-
Total net profit on financial incentives	4225	-	-	-	-	-	-	-	-	-
Contributions made by shareholders:										
Contributions to capital	4240	-	-	-	-	-	-	-	-	-
Repayment of debts from equity	4245	-	-	-	-	-	-	-	-	-
Withdrawal of capital:										
Purchase of shares (contributions)	4260	-	-	-	-	-	-	-	-	-
Re-sale of purchased shares (contributions)	4265	-	-	-	-	-	-	-	-	-
Cancellation of purchased shares (contributions)	4270	-	-	-	-	-	-	-	-	-
Withdrawal of contribution in capital	4275	-	-	-	-	-	-	-	-	-
Other changes in equity	4290	-	-	-	-	116,827	-	-	4,829	121,656
Total changes in equity	4295	-	-	-	-	(7,430,869)	-	-	4,889	(7,425,980)
Balance at the end of the period	4300	229,879,115	-	19,597,430	-	(38,668,315)	-	-	4,889	210,813,119