

**Public joint stock company**  
**“Ukrainian Railway”**

Unaudited interim condensed consolidated  
financial statements

*As at 30 June 2017*

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## REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

### *Introduction*

We have reviewed the accompanying interim condensed consolidated financial statements of Public joint stock company "Ukrainian railway" and its subsidiaries (collectively referred to as "the Group"), which comprise the interim consolidated statement of financial position as at 30 June 2017, the interim consolidated statement of comprehensive income, the interim consolidated statement of changes in equity and the interim consolidated statement of cash flow for the six-month period then ended and selected explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

### *Scope of review*

Except as explained in paragraph (i) of the Basis for qualified conclusion, we conducted our review in accordance with the International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### *Basis for qualified conclusion*

- (i) As disclosed in Note 2 to the interim condensed consolidated financial statements, certain assets of the Group are located in, or otherwise associated with the Autonomous Republic of Crimea and certain territories of Donetsk and Lugansk regions temporarily not controlled by the Ukrainian authorities. As a result, we were unable to complete our review of the assets of UAH 16,256,533 thousand and UAH 15,788,047 thousand as at 30 June 2017 and 31 December 2016, respectively, liabilities of UAH 7,949,934 thousand and UAH 7,479,020 thousand as at 30 June 2017 and 31 December 2016, respectively, revenues of UAH 2,131,346 thousand and UAH 1,937,602 thousand, share of loss of an associate of UAH 207,109 thousand and share of profit of an associate of UAH 31,874 thousand, loss of UAH 257,147 thousand and UAH 618,567 thousand for the six-month periods ended 30 June 2017 and 2016, respectively.

(continued on the next page)

- (ii) As disclosed in Note 8 to the interim condensed 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 for the six-month periods ended 30 June 2017. 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 for the six-month period ended 30 June 2017 as disclosed in Note 8 and respective understatement of interest-bearing loans and borrowings represent a departure from IFRSs.
- (iii) As disclosed in Note 6 to the interim condensed consolidated financial statements, the Group changed its accounting policy for property, plant and equipment from cost to revaluation model starting from 1 December 2015. Carrying value of property, plant and equipment was determined based on the revaluation results as at 31 July 2014 performed for statutory purposes adjusted for depreciation and movements in property, plant and equipment for the periods since revaluation, which is not fair value as at 1 December 2015. Such approach is not in accordance with IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors and IAS 16, Property, Plant and Equipment. The effects of this departure from IFRSs on the carrying amounts of property, plant and equipment, related deferred tax balances as at 30 June 2017 and 31 December 2016, depreciation and impairment charges and deferred tax charges for the six-month periods ended 30 June 2017 and 2016 have not been determined.

### **Qualified Conclusion**

Except for the adjustments to the interim condensed consolidated financial statements that we might have become aware of had it not been for the situation described in paragraph (i) of the Basis for qualified conclusion, and with the exception of the matters described in paragraphs (ii) and (iii) of the Basis for qualified conclusion, based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

### **REPORT ON THE SUPPLEMENTARY FINANCIAL INFORMATION**

Our review was conducted for the purposes of expressing a conclusion on the interim condensed consolidated financial statements taken as a whole. Statutory reporting forms accompanying these interim condensed consolidated financial statements which have been disclosed as supplementary financial information are presented for the purpose of compliance with statutory reporting requirements. Such supplementary financial information has been subjected to the review procedures applied in our review of the interim condensed consolidated financial statements and except for the adjustments to the interim condensed consolidated financial statements that we might have become aware of had it not been for the situation described in paragraph (i) of the Basis for qualified conclusion, and with the exception of the matters described in paragraphs (ii) and (iii) of the Basis for qualified conclusion, based on our review, nothing has come to our attention that causes us to believe that the accompanying supplementary financial information has not been properly prepared, in all material respects, in relation to the Group's interim condensed consolidated financial statements taken as a whole.



25 September 2017

(ii)

**INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION****as at 30 June 2017***(in thousands of Ukrainian Hryvnia)*

	Notes	30 June 2017 (unaudited)	31 December 2016 (audited)
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	243,975,385	248,022,035
Investment in associate		577,143	760,591
Financial assets		152,768	178,882
Taxes receivable, other than income tax		888,602	888,602
Prepaid income tax		657,353	702,715
Deferred tax asset		455,479	555,722
		<u>246,706,730</u>	<u>251,108,547</u>
<b>Current assets</b>			
Inventories		6,778,202	6,125,854
Trade and other receivables		2,637,397	2,043,899
Prepayments		13,352	321,766
Prepaid income tax		14,433	274,579
Taxes receivable, other than income tax		61,694	557,625
Cash and cash equivalents		6,627,914	6,419,746
		<u>16,132,992</u>	<u>15,743,469</u>
<b>Total assets</b>		<u>262,839,722</u>	<u>266,852,016</u>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Contributed capital	7	229,879,115	229,879,115
Additional capital	7	19,597,430	19,597,430
Accumulated deficit		(38,552,225)	(38,668,315)
		<u>210,924,320</u>	<u>210,808,230</u>
<b>Non-controlling interests</b>	7	4,828	4,889
		<u>210,929,148</u>	<u>210,813,119</u>
<b>Non-current liabilities</b>			
Interest-bearing loans and borrowings	8	18,231,067	23,832,509
Finance lease liability	9	303,549	459,852
Defined benefit liability		2,584,714	2,532,957
Deferred tax liability		24,704	24,948
		<u>21,144,034</u>	<u>26,850,266</u>
<b>Current liabilities</b>			
Interest-bearing loans and borrowings	8	18,771,267	16,679,238
Finance lease liability	9	1,126,153	1,186,599
Trade and other payables		5,712,809	6,912,116
Advances from customers		1,915,833	2,709,998
Income tax payable		11,113	84
Taxes payable, other than income tax		1,037,857	480,171
Provisions	10	2,191,508	1,220,425
		<u>30,766,540</u>	<u>29,188,631</u>
<b>Total liabilities</b>		<u>51,910,574</u>	<u>56,038,897</u>
<b>Total equity and liabilities</b>		<u>262,839,722</u>	<u>266,852,016</u>

Signed and authorised for release on behalf of Public joint stock company "Ukrainian Railway" on 25 September 2017:

Acting Chief Executive Officer

Yevgen P. Kravtsov

Member of the board

Oleksandr Y. Buzhor

Chief Accountant

Tamara S. Ryabchun

*The accompanying notes form an integral part of the interim condensed consolidated financial statements.*

**INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME****for the six months ended 30 June 2017***(in thousands of Ukrainian Hryvnia)*

		<i>For the six months 2017 (unaudited)</i>	<i>For the six months 2016 (unaudited)</i>
	<i>Notes</i>		
<b>Revenues</b>			
Cargo revenues		28,987,593	25,103,708
Passenger revenues		3,392,066	3,076,482
Other revenues		2,892,810	2,415,447
<b>Total revenues</b>		<u>35,272,469</u>	<u>30,595,637</u>
<b>Operating expenses</b>			
Staff costs		(14,966,209)	(11,220,330)
Depreciation		(7,686,497)	(9,237,059)
Electricity		(3,959,629)	(3,384,593)
Fuel		(3,521,479)	(2,605,729)
Maintenance		(2,550,006)	(2,446,665)
Taxes, other than income tax		(897,506)	(543,642)
Change in provisions	10	(1,056,756)	(174,811)
Social expenses		(191,725)	(149,965)
Other income	11	1,074,220	342,790
Other expenses		(392,402)	(591,935)
<b>Total operating expenses</b>		<u>(34,147,989)</u>	<u>(30,011,939)</u>
<b>Operating profit</b>		1,124,480	583,698
Finance income		279,631	9,435
Finance costs		(2,017,728)	(2,870,005)
Foreign exchange gain/(loss), net		1,427,755	(1,400,925)
Share of (loss)/profit of an associate		(207,109)	31,874
<b>Profit/(loss) before income tax</b>		<u>607,029</u>	<u>(3,645,923)</u>
Income tax expense	12	(484,515)	(148,543)
<b>Profit/(loss) for the period</b>		<u>122,514</u>	<u>(3,794,466)</u>
<b>Attributable to:</b>			
Equity holder of the parent		122,514	(3,794,470)
Non-controlling interests		—	4
		<u>122,514</u>	<u>(3,794,466)</u>
Other comprehensive income for the period, net of tax		—	—
<b>Total comprehensive income/(loss) for the period, net of tax</b>		<u>122,514</u>	<u>(3,794,466)</u>
<b>Attributable to:</b>			
Equity holder of the parent		122,514	(3,794,470)
Non-controlling interests		—	4
<b>Total comprehensive income/(loss) for the period, net of tax</b>		<u>122,514</u>	<u>(3,794,466)</u>

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

**INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY****for the six months ended 30 June 2017***(in thousands of Ukrainian Hryvnia)*

	<i>Notes</i>	<i>Contributed capital</i>	<i>Other additional capital</i>	<i>Retained earnings</i>	<i>Total</i>	<i>Non-controlling interests</i>	<i>Total equity</i>
<b>As at 1 January 2017 (audited)</b>		229,879,115	19,597,430	(38,668,315)	210,808,230	4,889	210,813,119
Profit for the period		–	–	122,514	122,514	–	122,514
<b>Total comprehensive income</b>		–	–	122,514	122,514	–	122,514
Dividends	7	–	–	(6,424)	(6,424)	–	(6,424)
Dividends paid to non-controlling interests		–	–	–	–	(61)	(61)
<b>At 30 June 2017 (unaudited)</b>		229,879,115	19,597,430	(38,552,225)	210,924,320	4,828	210,929,148

**for the six months ended 30 June 2016***(in thousands of Ukrainian Hryvnia)*

	<i>Notes</i>	<i>Contributed capital</i>	<i>Other additional capital</i>	<i>Retained earnings</i>	<i>Total</i>	<i>Non-controlling interests</i>	<i>Total equity</i>
<b>As at 1 January 2016 (audited)</b>		229,879,115	19,597,430	(31,237,446)	218,239,099	–	218,239,099
Profit/(loss) for the period		–	–	(3,794,470)	(3,794,470)	4	(3,794,466)
<b>Total comprehensive loss</b>		–	–	(3,794,470)	(3,794,470)	4	(3,794,466)
Acquisition of a subsidiary	7	–	–	–	–	4,829	4,829
<b>At 30 June 2016 (unaudited)</b>		229,879,115	19,597,430	(35,031,916)	214,444,629	4,833	214,449,462

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

**INTERIM CONSOLIDATED STATEMENT OF CASH FLOW****for the six months ended 30 June 2017***(in thousands of Ukrainian Hryvnia)*

	Notes	For the six months 2017 (unaudited)	For the six months 2016 (unaudited)
<b>Cash flows from operating activities</b>			
<b>Profit/(loss) before income tax</b>		607,029	(3,645,923)
<i>Adjustments to reconcile profit/(loss) before income tax to net cash provided by operations</i>			
Depreciation		7,686,497	9,237,059
Finance costs, net		1,738,097	2,860,570
Loss on disposal of property, plant and equipment		–	61,671
Movements in defined benefit liability and provisions		930,752	73,380
Allowance for estimated irrecoverable amounts		241,534	77,113
Unrealised foreign exchange (gain)/loss		(1,430,794)	1,404,259
Share in (profit)/loss of an associate		207,109	(31,874)
<b>Operating profit before working capital changes</b>		9,980,224	10,036,255
<i>Changes in working capital</i>			
Trade and other receivables		(714,960)	(1,069,232)
Prepayments		335,720	29,519
Inventories		(652,348)	732,809
Taxes receivable and prepaid		495,931	(357,749)
Trade and other payables		(443,242)	(429,332)
Advances from customers		(790,668)	(187,901)
Taxes payable, other than income tax		557,686	64,226
<b>Cash generated from operating activity</b>		8,768,343	8,818,595
Income tax paid		(116,182)	(72,549)
Interest paid		(1,745,790)	(1,807,916)
Dividends paid	7	(6,372)	(165,667)
Repayment of provisions	10	(60,000)	–
<b>Net cash flows from operating activities</b>		6,839,999	6,772,463
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment		(4,394,389)	(2,890,217)
Proceeds from disposal of property, plant and equipment		–	910
Interest received		226,007	9,394
Dividends received from an associate		7,988	–
Addition of a subsidiary, net of cash		–	881
<b>Net cash flows used in investing activities</b>		(4,160,394)	(2,879,032)
<b>Cash flows from financing activities</b>			
Proceeds from interest-bearing loans		–	148,857
Repayment of interest-bearing loans		(1,602,800)	(1,041,864)
Proceeds from domestic bonds		–	269,000
Repayment of domestic bonds		(620,000)	(655,000)
Repayment of finance lease obligations		(251,615)	(440,091)
Dividends paid to non-controlling interests		(61)	–
<b>Net cash flows used in financing activities</b>		(2,474,476)	(1,719,098)
<b>Net increase in cash and cash equivalents</b>		205,129	2,174,333
Net foreign exchange difference		3,039	2,291
Cash and cash equivalents at 1 January		6,419,746	4,884,908
<b>Cash and cash equivalents at 30 June</b>		6,627,914	7,061,532

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



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 June 2017

(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 were transferred to the Company.

Principal activities of the Group are services for cargo and passengers railway transportation, access to the railway infrastructure, logistics, repairs and maintenance of rolling stock. The Company is recognised 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. Management functions for the Company’s corporate rights are assigned to the Cabinet of Ministers of Ukraine.

The registered address of JSC “Ukrzaliznytsia” is 5, Tverska St., Kyiv 03150, Ukraine.

### *Entities included in the consolidated financial statements*

Below is presented the information on the entities financial statements of which are included in the interim condensed consolidated financial statements for the six month ended 30 June 2017.

	<i>Share as at 30 June 2017</i>	<i>Share as at 31 December 2016</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 7)	65.62%	65.62%

In July 2017, 100% of corporate rights of Private joint-stock company “Transsignal Kyiv Electrical Engineering Plant” were transferred to JSC “Ukrzaliznytsia” as contribution to the charter capital of the Company (Note 16).

Public joint stock company “Ukrainian Railway” consists of six Regional branches and 28 branches, financial statements of which are included in this interim condensed consolidated financial statements. The Company continues its internal reorganisation and forms the target structure of the company with the appropriation of market-oriented divisions.

### *Pricing policy*

Cargo and passenger transportation in Ukraine 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. Tariffs for cargo transportation were not increased during the six months ended 30 June 2017, during the six months ended 30 June 2016, increased by 15% (starting from 1 May 2016).

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the six months ended 30 June 2017

(in thousands of Ukrainian Hryvnia, unless otherwise indicated)

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

***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. During the six months ended 30 June 2017, there was no increase in tariffs for domestic transportation of passengers and baggage, except for a slight increase in tariffs for some suburban destinations. During the six months ended 30 June 2016, the increase of tariffs for domestic transportation of passengers and baggage by 5% was only for the first class of trains “Intercity+”.

***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.

***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.

Consolidated financial plan of JSC “Ukrzaliznytsia” was approved by the regulation of Cabinet of Ministers of Ukraine dated 13 September 2017 № 642-r, which provides for the increase of tariffs for domestic cargo transportation by 22.5% since 1 October 2017, no indexation of tariffs for domestic transportation of passengers and baggage is scheduled.

### 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 over the past three years, the current political and economic situation in Ukraine remains unstable. Amid embittered bilateral relations with the Russian Federation over its role in the temporary occupation of Autonomous Republic of Crimea in April 2014 and continuing armed confrontation with separatists over the certain parts of the Donetsk and Lugansk regions (anti-terrorist operation), the Ukrainian government yet attempts 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 remaining weakness of the national currency (UAH) combined with negative external trade balance, substantial dependence on the continued financial support from IMF and other international donors, which stays conditional upon the referred above structural reforms sustaining momentum, weak government finances and low level of internal demand and consumption 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 known and estimable effects of the above factors on the financial position and performance of the Group in the reporting period have been taken into account in preparing the interim condensed consolidated financial statements.

Following the temporary occupation of the Autonomous Republic of Crimea by the Russian Federation in April 2014, the Group ceased its operations in the region. As at 30 June 2017 and 31 December 2016 the carrying value of the Group’s assets and liabilities located in or otherwise associated with the temporarily occupied territory of the Autonomous Republic of Crimea (including customers, borrowers, etc.) was UAH 1,182,515 thousand and 185,104 thousand, respectively. There were no income and/or expenses related to Crimea recorded in the Group’s financial statements for the six-month periods ended 30 June 2017 and 2016. As a result of the Reorganisation, the assets and liabilities related to the temporarily occupied Autonomous Republic of Crimea were transferred to the Company at the carrying values as at 31 March 2014 (Note 7).

## **NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**for the six months ended 30 June 2017**

*(in thousands of Ukrainian Hryvnia, unless otherwise indicated)*

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

In the second half of 2014 as a result of the armed confrontations the Ukrainian authorities lost control over certain territories of Donetsk and Lugansk regions where some structural units of State Enterprise “Donetsk Railway” operated. As a result of the Reorganisation the assets and liabilities of structural units of SE “Donetsk Railway” located on the uncontrolled territory of Donetsk and Luhansk regions were transferred to the Company at the carrying values as per related separate financial statements as at 30 June 2014 (Note 7), that corresponds to regulatory requirements under the Reorganisation.

Due to the lack of updated official financial information from the above structural units no adjustments were made to actualise the carrying values of related non-monetary assets and liabilities and some monetary assets and liabilities as at 30 June 2017 and 31 December 2016. Financial liabilities, such as interest-bearing loans and borrowings, as well as finance lease liabilities in which the Group acts as a party to the contractual relationship or has sufficient historic information, were adjusted to actualise the carrying values as at 1 January 2016. No subsequent adjustments to the above financial liabilities were made after this date (Note 8).

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 armed confrontations on the uncontrolled territory.

Upon cessation of the temporary occupation of Autonomous Republic of Crimea and after regaining control over the uncontrolled territories of Donetsk and Luhansk regions the assets and liabilities relating to the above regions will be revalued and contributed to the Company’s Charter capital, except for a portion of property, plant and equipment, that will be transferred under the title of operating control.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the six months ended 30 June 2017

(in thousands of Ukrainian Hryvnia, unless otherwise indicated)

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

The summarised financial information of Regional division “Donetsk Railway” of JSC “Ukrzaliznytsia” (before the Reorganisation – State Enterprise “Donetsk Railway”) included into the interim condensed consolidated financial statements of the Group as at and for the six months ended 30 June 2017 is presented below:

#### Assets and liabilities of RD “Donetsk Railway”

	30 June 2017	31 December 2016
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment	12,060,115	12,147,230
Intangible assets	–	185
Financial assets	34,265	34,302
Prepaid income tax	29,625	29,519
	<u>12,124,005</u>	<u>12,211,236</u>
<b>Current assets</b>		
Inventories	790,383	696,190
Trade and other receivables	1,424,715	1,542,722
Trade and other receivables from Group entities	1,852	5,614
Prepayments	35,737	28,260
Taxes receivable, other than income tax	40,044	12,824
Cash and cash equivalents	103,805	108,686
	<u>2,396,536</u>	<u>2,394,296</u>
<b>Total assets</b>	<u>14,520,541</u>	<u>14,605,532</u>
<b>Non-current liabilities</b>		
Finance lease liability	–	6,014
Employee benefit liability	310,930	310,930
	<u>310,930</u>	<u>316,944</u>
<b>Current liabilities</b>		
Interest-bearing loans and borrowings	3,719,342	3,909,603
Finance lease liability	628,460	622,444
Trade and other payables	902,024	978,231
Trade and other payables to Group entities	1,814,863	1,175,369
Advances from customers	230,934	171,507
Income tax payable	18	–
Taxes payable, other than income tax	158,259	119,818
	<u>7,453,900</u>	<u>6,976,972</u>
<b>Total liabilities</b>	<u>7,764,830</u>	<u>7,293,916</u>
<b>Net assets</b>	<u>6,755,711</u>	<u>7,311,616</u>

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)****for the six months ended 30 June 2017***(in thousands of Ukrainian Hryvnia, unless otherwise indicated)***2. Operating environment, risks and economic conditions in Ukraine (continued)*****Comprehensive income of RD “Donetsk Railway”***

	<i>For the six months 2017</i>	<i>For the six months 2016</i>
<b>Revenues</b>		
Cargo revenues	1,966,418	1,582,368
Passenger revenues	56,416	41,940
Other revenues	108,512	102,396
Net intercompany revenue	–	210,898
<b>Total revenues</b>	<u>2,131,346</u>	<u>1,937,602</u>
<b>Operating expenses</b>		
Staff costs	(1,475,439)	(1,140,255)
Fuel	(394,140)	(256,281)
Maintenance	(243,252)	(328,118)
Depreciation	(192,501)	(193,047)
Electricity	(143,956)	(182,815)
Taxes, other than income tax	(43,080)	(24,776)
Social expenses	(18,829)	(11,555)
Other income	16,051	33,158
Other expenses	(17,028)	(8,414)
<b>Total operating expenses</b>	<u>(2,512,174)</u>	<u>(2,112,103)</u>
<b>Operating loss</b>	(380,828)	(174,501)
Finance income	289	725
Finance costs	(16,420)	(352,906)
Foreign exchange gain/(loss), net	139,812	(91,885)
<b>Loss before income tax</b>	(257,147)	(618,567)
Income tax expense	–	–
<b>Loss for the period</b>	<u>(257,147)</u>	<u>(618,567)</u>
Other comprehensive income for the period, net of tax	–	–
<b>Total comprehensive loss for the period, net of tax</b>	<u><u>(257,147)</u></u>	<u><u>(618,567)</u></u>

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)****for the six months ended 30 June 2017***(in thousands of Ukrainian Hryvnia, unless otherwise indicated)***2. Operating environment, risks and economic conditions in Ukraine (continued)****Cash flows of RD “Donetsk Railway”**

	<i>For the six months 2017</i>	<i>For the six months 2016</i>
<b>Cash flows from operating activities</b>		
<b>Loss before income tax</b>	(257,147)	(618,567)
<i>Adjustments to reconcile loss before income tax to net cash provided by operations</i>		
Depreciation	192,501	193,047
Finance costs, net	16,131	352,181
Movements in provisions and pensions	–	1,743
Unrealised foreign exchange (gain)/loss, net	(139,812)	91,885
<b>Operating (loss)/profit before working capital changes</b>	(188,327)	20,289
<i>Changes in working capital</i>		
Trade and other receivables	129,511	40,782
Prepayments	(7,477)	31,619
Inventories	(92,158)	(564,249)
Taxes receivable and prepaid	(27,220)	(226)
Trade and other payables	326,263	557,406
Advances from customers	59,614	(54,992)
Taxes payable, other than income tax	38,441	5,494
<b>Cash generated from operating activity</b>	238,647	36,123
Income tax refunded	18	–
Interest paid	(16,420)	–
<b>Net cash flows from operating activities</b>	222,245	36,123
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	(37,154)	(34,764)
Proceeds from disposal of property, plant and equipment	–	1,179
Interest received	289	725
<b>Net cash flows used in investing activities</b>	(36,865)	(32,860)
<b>Cash flows from financing activities</b>		
Repayment of Interest-bearing loans	(190,261)	–
<b>Net cash flows used in financing activities</b>	(190,261)	–
<b>Net (decrease)/increase in cash and cash equivalents</b>	(4,881)	3,263
Cash and cash equivalents at 1 January	108,686	112,683
<b>Cash and cash equivalents at 30 June</b>	103,805	115,946

Despite the anti-terrorist operation management was able to assure railway transportation involving the non-government controlled areas during 2016 and 2015 years. Cargo transportation with the non-government controlled areas was halted on 15 March 2017. By the Decree of the President of Ukraine No. 62/2017 of 15 March 2017, the decision of the National Security and Defense Council of Ukraine *On Urgent Additional Measures to Counter Hybrid Threats to the National Security of Ukraine* was enacted, which provides for the implementation of measures to stop the movement of goods through the collision line within Donetsk and Luhansk regions, with a few exceptions. As a result of the measures taken, the freight railroad service with the temporarily occupied territories of Donetsk and Luhansk region was completely suspended. Management believes that the negative impact of these events on the results of the Group’s activities will not be material. Management shares the official position of the Ukrainian authorities that the non-government controlled areas will be reintegrated to Ukraine.

## **NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**for the six months ended 30 June 2017**

*(in thousands of Ukrainian Hryvnia, unless otherwise indicated)*

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

#### ***Going concern***

The net profit for the Group for the six months ended 30 June 2017 was UAH 122,514 thousand, the Group recorded net loss of UAH 3,794,466 thousand for the six months ended 30 June 2016. As at 30 June 2017, current liabilities of the Group exceeded current assets by UAH 14,633,548 thousand (31 December 2016: UAH 13,445,162 thousand).

As at 30 June 2017 and 31 December 2016, the breach of certain obligations under long-term loan agreements was continuing. This violation caused a cross-default under certain other borrowings. During 2016 and six months ended 30 June 2017, the Group has rectified certain violations and intends to rectify the remaining violations by 31 December 2017. However, there are circumstances in which the Group may not be able to rectify a potential breach under USD 500,000 thousand loan received as a result of Eurobonds placement performed by Shortline plc (Note 8). In this case, the long-term loan may be claimed from the Group before maturity in 2018. The Group plans to initiate negotiations with Shortline plc and holders of Eurobonds in order to resolve possible breaches. The Group expects to reach a compromise resolution of this matter, but it is not possible to assess the timing of such a resolution.

However, management believes that the Group will have sufficient funds for a possible early repayment of long-term commitments that are subject to a breach or which may be violated within the next year. This will be facilitated by the indexation of freight tariffs by 22.5% starting from 1 October 2017, and the introduction of cost optimisation measures, which will result in a significant increase in operating income before the end of 2017 and during subsequent periods.

As at the end of the reporting period, the undrawn loan facilities available to the Group was UAH 6,369,554 thousand, and after the reporting period the Group expects a final confirmation from Ukrainian banks regarding additional long-term loans in the amount of UAH 10,000,000 thousand. In addition, there is an active preparation for the issue of domestic bonds for the total amount of UAH 2,000,000 thousand by the end of 2017. The possibility of a new issue of Eurobonds in the near future is also under consideration.

If necessary, the Group will be able to re-direct the cash flows between capital investments and repayment of financial liabilities without creating short-term adverse conditions for operating activities.

Despite the existence of significant uncertainty about future events, management believes that the above expectations and measures are realistic and feasible. If necessary, the Group will be able to repay its obligations and continue its activities on an going concern basis.

### **3. Basis of preparation**

These interim condensed consolidated financial statements for the six months ended 30 June 2017 have been prepared in accordance with IAS 34 *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2016, prepared in accordance with International Financial Reporting Standards (“IFRS”).

#### ***Functional and presentation currencies***

Functional and presentation currency of each of the Group's entities is Ukrainian Hryvnia (“UAH”).

These interim condensed consolidated financial statements are presented in UAH thousands and all values are rounded off to the nearest thousand except where otherwise indicated.

## **NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**for the six months ended 30 June 2017**

*(in thousands of Ukrainian Hryvnia, unless otherwise indicated)*

### **3. Basis of preparation (continued)**

#### *Basis of consolidation and combination*

Financial statements of entities of the Group were prepared on the same reporting period using consistent accounting policies. Adjustments are made to align any dissimilar accounting policies that may exist. 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.

### **4. Changes in accounting policy**

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2016, except for the adoption of new standards and interpretations effective as of 1 January 2017. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below. Although these new standards and amendments apply for the first time in 2017, they do not have a material impact on the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group. The nature and the impact of each new standard or amendment is described below.

#### *IAS 7 Statement of Cash Flows: Disclosure Initiative*

The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendment, entities are not required to provide comparative information for preceding periods. The Group is not required to provide additional disclosures in its condensed interim consolidated financial statements, but will disclose additional information in its annual consolidated financial statements for the year ended 31 December 2017.

#### *IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrecognised Losses*

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact.



## **NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**for the six months ended 30 June 2017**

*(in thousands of Ukrainian Hryvnia, unless otherwise indicated)*

### **4. Changes in accounting policy (continued)**

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. Early application is permitted. If an entity applies the amendments for an earlier period, it must disclose that fact. The amendments are effective for annual periods beginning on 1 January 2017, established by IASB. These amendments do not have significant impact on the Group's consolidated financial statements.

#### ***Annual Improvements Cycle - 2014-2016***

These improvements are effective for annual periods beginning on or after 1 January 2017. They include:

##### ***IFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12***

The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10–B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

These improvements do not have significant impact on the Group's consolidated financial statements.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)****for the six months ended 30 June 2017***(in thousands of Ukrainian Hryvnia, unless otherwise indicated)***5. Segment reporting**

For management purposes, the Group is organised into business units based on their services, and has five reportable operating segments:

<i>For the six months 2017 (unaudited)</i>	<i>Cargo</i>	<i>Long-distance passenger</i>	<i>Suburban passenger</i>	<i>Auxiliary activity</i>	<i>All other segments</i>	<i>Unallocated</i>	<i>Eliminations (A)</i>	<i>Adjustments (B)</i>	<i>Total</i>
Sales to third parties	29,335,833	3,124,665	270,413	2,973,460	6,597	–	–	(438,499)	35,272,469
Inter-segment sales	–	–	–	3,746,556	697,150	–	(4,443,706)	–	–
<b>Total revenues</b>	<b>29,335,833</b>	<b>3,124,665</b>	<b>270,413</b>	<b>6,720,016</b>	<b>703,747</b>	<b>–</b>	<b>(4,443,706)</b>	<b>(438,499)</b>	<b>35,272,469</b>
Staff costs	(7,936,052)	(2,429,306)	(1,212,218)	(2,004,409)	(283,733)	(1,226,561)	–	126,070	(14,966,209)
Depreciation	(5,608,637)	(848,879)	(469,083)	(724,465)	(18,399)	(17,034)	–	–	(7,686,497)
Electricity	(2,668,859)	(607,213)	(384,728)	(266,605)	(29,635)	(2,589)	–	–	(3,959,629)
Fuel	(2,333,761)	(468,934)	(295,956)	(389,176)	(28,277)	(5,375)	–	–	(3,521,479)
<b>Segment result</b>	<b>10,788,524</b>	<b>(1,229,667)</b>	<b>(2,091,572)</b>	<b>3,335,361</b>	<b>343,703</b>	<b>(1,251,559)</b>	<b>(4,443,706)</b>	<b>(312,429)</b>	<b>5,138,655</b>

  

<i>For the six months 2016 (unaudited)</i>	<i>Cargo</i>	<i>Long-distance passenger</i>	<i>Suburban passenger</i>	<i>Auxiliary activity</i>	<i>All other segments</i>	<i>Unallocated</i>	<i>Eliminations (A)</i>	<i>Adjustments (B)</i>	<i>Total</i>
Sales to third parties	25,621,301	2,909,720	240,223	1,888,542	518,125	–	–	(582,274)	30,595,637
Inter-segment sales	–	–	–	3,257,828	–	–	(3,257,828)	–	–
<b>Total revenues</b>	<b>25,621,301</b>	<b>2,909,720</b>	<b>240,223</b>	<b>5,146,370</b>	<b>518,125</b>	<b>–</b>	<b>(3,257,828)</b>	<b>(582,274)</b>	<b>30,595,637</b>
Staff costs	(5,816,135)	(1,847,762)	(917,728)	(1,229,595)	(443,985)	(776,623)	–	(188,502)	(11,220,330)
Depreciation	(6,594,186)	(1,161,252)	(491,356)	(842,390)	(18,773)	(129,102)	–	–	(9,237,059)
Electricity	(2,273,927)	(578,654)	(327,626)	(116,073)	(59,660)	(28,653)	–	–	(3,384,593)
Fuel	(1,696,639)	(325,271)	(245,357)	(313,059)	(22,903)	(2,500)	–	–	(2,605,729)
<b>Segment result</b>	<b>9,240,414</b>	<b>(1,003,219)</b>	<b>(1,741,844)</b>	<b>2,645,253</b>	<b>(27,196)</b>	<b>(936,878)</b>	<b>(3,257,828)</b>	<b>(770,776)</b>	<b>4,147,926</b>

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)****for the six months ended 30 June 2017***(in thousands of Ukrainian Hryvnia, unless otherwise indicated)***5. Segment reporting (continued)**

- (A) Inter-segment revenue are eliminated on consolidation.
- (B) The operating results of each operating segment does not include the following adjustments representing differences between management accounts and interim condensed consolidated financial statements prepared in accordance with IAS 34 for the six months ended 30 June 2017 and 2016:

	<i>For the six months 2017 (unaudited)</i>	<i>For the six months 2016 (unaudited)</i>
Recognition of revenue in appropriate period	–	(163,404)
Settlements with foreign railways	(438,499)	(418,870)
	<u>(438,499)</u>	<u>(582,274)</u>
Correction of bonuses and unused vacation expenses accrual	–	(99,176)
Defined benefits obligation expenses	126,070	(101,431)
Recognition of expenses in appropriate period	–	12,105
	<u>126,070</u>	<u>(188,502)</u>
<b>Total adjustments to segment result</b>	<u>(312,429)</u>	<u>(770,776)</u>

***Reconciliation of profit***

	<i>For the six months 2017 (unaudited)</i>	<i>For the six months 2016 (unaudited)</i>
<b>Segment results</b>	11,146,349	9,113,408
Total adjustments due to differences in accounting policies adopted for management accounts and IFRS	(312,429)	(770,776)
Total unallocated amounts	(1,251,559)	(936,878)
Inter-segment sales (elimination)	(4,443,706)	(3,257,828)
<b>Items not included in segment expenses</b>		
Maintenance	(2,550,006)	(2,446,665)
Taxes, other than income tax	(897,506)	(543,642)
Change in provisions	(1,056,756)	(174,811)
Social expenses	(191,725)	(149,965)
Other income	1,074,220	342,790
Other expenses	(392,402)	(591,935)
Finance income	279,631	9,435
Finance costs	(2,017,728)	(2,870,005)
Foreign exchange gain/(loss), net	1,427,755	(1,400,925)
Share of (loss)/profit an associate	(207,109)	31,874
<b>Group loss before tax</b>	<u>607,029</u>	<u>(3,645,923)</u>

**6. Property, plant and equipment*****Revaluation***

When state enterprise is reorganised into a joint stock company its assets, including property, plant and equipment, and liabilities have to be valued at fair value. Property, plant and equipment were revalued by an independent appraiser as at 31 July 2014 in accordance with statutory requirements for the formation of the Charter capital. The effect of the revaluation was recognised as at 30 November 2015, the date of the completion of the Reorganisation, 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.

## **NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**for the six months ended 30 June 2017**

*(in thousands of Ukrainian Hryvnia, unless otherwise indicated)*

### **6. Property, plant and equipment (continued)**

#### ***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. The title of operating control allows to possess and use the assets, disposal of the assets should be authorised by the owner (the State).

Carrying value of the assets assigned under the title of operating control was UAH 100,696,209 thousand as at 30 June 2017 (31 December 2016: UAH 102,211,984 thousand).

#### ***Acquisitions and disposals***

During the six months ended 30 June 2017, the Group acquired assets with a cost of UAH 3,827,990 thousand (for the six months ended 30 June 2016: UAH 2,664,567 thousand).

No assets were disposed of by the Group during the six months ended 30 June 2017 (for the six months ended 30 June 2016: UAH 62,581 thousand).

#### ***Capitalised depreciation charge***

The Group capitalised UAH 90,030 thousand of depreciation charge for the six months ended 30 June 2017 into construction in progress (for the six months ended 30 June 2016: UAH 36,952 thousand).

### **7. Equity**

#### ***Charter capital and not contributed portion***

Since the date of registration of the Company to 30 June 2017 the charter capital of the Company 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 30 June 2017 and 31 December 2016 100% of the shares of PJSC “Transsignal Kyiv Electrical Engineering Plant” were not contributed to the charter capital. Respective receivable on the outstanding contribution in the amount of UAH 103,481 thousand was reflected as trade and other receivables in the consolidated statement of financial position.

The Company has registered its ownership for the corporate rights of PJSC “Transsignal Kyiv Electrical Engineering Plant” in July 2017. Thus, the charter capital became fully contributed and in accordance with the respective Ukrainian legislation the issuance of the Company’s shares was registered on 7 September 2017.

#### ***The Group Reorganisation, formation of Charter capital, 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”*.

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 “Ukrzaliznytsia” is a legal successor of the State Administration of Railway Transport of Ukraine as well as public service railway enterprises and institutions, which were reorganised through the merger according to the Decree of the Cabinet of Ministers of Ukraine dated 25 June 2014 No. 200 *On Establishment of Public Joint Stock Company “Ukrainian Railway”*.

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the six months ended 30 June 2017

(in thousands of Ukrainian Hryvnia, unless otherwise indicated)

### 7. Equity (continued)

Due to objective inability to conduct all necessary standard reorganisation procedures (inventory of assets and liabilities and signing of acceptance acts), 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.

At the beginning of 2016 JSC “Ukrzaliznytsia” obtained legal title for 65.62% interest in corporate rights 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 14,502 thousand and UAH 14,854 thousand as at 30 June 2017 and 31 December 2016 respectively. For the six months ended 30 June 2017 the subsidiary contributed UAH 22 thousand of net profit to Group's total comprehensive profit for the period (for the six months ended 30 June 2016 the subsidiary contributed UAH 12 thousand of net profit to 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.

#### *Distribution of portion of net profit (dividends) to the State*

During the six months ended 30 June 2017 the subsidiaries of JSC “Ukrzaliznytsia” paid a portion of their net profit in the amount of UAH 6,372 thousand directly to the state budget.

### 8. Interest-bearing loans and borrowings

As at 30 June 2017 and 31 December 2016 interest-bearing loans and borrowings consisted of the following:

	30 June 2017 (unaudited)	31 December 2016 (audited)
Interest-bearing bank loans	21,589,122	23,804,004
Eurobonds issued	13,588,748	14,205,504
Bonds issued in domestic markets	1,380,676	2,093,421
Other borrowings	443,788	408,818
	<u>37,002,334</u>	<u>40,511,747</u>

In March 2016 the Group has completed the reprofiling of the financial facility of USD 500,000 thousand received as a result of Eurobonds placement performed by Shortline plc. The maturity of the facility 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.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the six months ended 30 June 2017

(in thousands of Ukrainian Hryvnia, unless otherwise indicated)

### 8. Interest-bearing loans and borrowings (continued)

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 from domestic banks. Before 31 December 2016, the Group has corrected the violation and received the consent to refuse to advance the loan by reaching the agreement with Shortline plc and the bondholders to exclude from the list of default circumstances a part of the domestic loans that were previously provided to SE “Donetsk Railway”, and extend the restructurings of the remaining domestic loans until 31 December 2017. As at the date of authorisation of these financial statements, there is uncertainty about the timely completion of debt restructuring, as a domestic bank decided to resolve disagreements regarding the terms of restructuring in the court, and the final court decision may not be adopted by 31 December 2017. Management believes that the Group will be able to resolve this potential breach with Shortline plc and the bondholders, and will be able to repay the liabilities in case of such request (Note 2).

Bonds issued in domestic markets are issued and placed in Ukraine. They are denominated in UAH, bear interest of 18%-23.5% and mature in 2017.

As disclosed in Note 2 the Group recorded the liabilities of State Enterprise “Donetsk Railway” on its balance sheet. In 2016, majority of bank 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 2016 and in 2017, 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. In addition, in December 2016, changes were made to legislation that introduced a moratorium on the recovery of debtors’ assets under the obligations of rail transport enterprises, whose property is located on the territory of the anti-terrorist operation. The Group considered this sufficient for non-recognition of related finance costs in the amount of UAH 247,378 thousand and foreign exchange gain in the amount UAH 135,485 thousand for the six months ended 30 June 2017.

Comparative information contains finance costs in the amount of UAH 242,984 thousand and foreign exchange loss in the amount UAH 247,378 thousand recorded for six months ended 30 June 2016, but subsequently not recognised in the annual financial statements for the year ended 31 December 2016 due to the change in estimates and assumptions as for the legal succession of the loans of State Enterprise “Donetsk Railway” as discussed above.

Should the Group continue to recognise the finance costs and foreign exchange differences on the loans of State Enterprise “Donetsk Railway” the carrying amount of the loans would increase by UAH 1,016,108 thousand as at 30 June 2017.

Some of the loan agreements provide for financial and non-financial covenants, which impose restrictions on certain transactions and financial ratios, including restrictions of the amount of outstanding debt and profitability of the Group.

As at 31 December 2016 as well as at 30 June 2017 the Group was not in compliance with certain undertakings under its long-term bank 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 4,022,145 thousand as at 30 June 2017 (31 December 2016: UAH 4,549,891 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 3,170,829 thousand as at 30 June 2017 were reported in these interim condensed consolidated financial statements within current liabilities (31 December 2016: UAH 3,649,075 thousand). The Group has completed the restructuring negotiations with certain lenders during 2015 and 2016. Management expects that the restructuring negotiations with the remaining banks will be completed, or the debt refinanced by 31 December 2017.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the six months ended 30 June 2017

(in thousands of Ukrainian Hryvnia, unless otherwise indicated)

### 8. Interest-bearing loans and borrowings (continued)

As at 30 June 2017 and 31 December 2016, effective interest rates and currency split for borrowings were as follows:

	<i>Interest rate</i>	<i>30 June 2017 (unaudited)</i>	<i>Interest rate</i>	<i>31 December 2016 (audited)</i>
<b>USD</b>				
Floating rate	LIBOR 6 month + 1%-6%	4,501,956	LIBOR 6 month + 1%-6%	5,363,114
Fixed rate	9.875%-12%	28,701,051	9.5%-12%	30,652,598
		33,203,007		36,015,712
<b>EUR</b>				
Floating rate	EURIBOR 6m + 0.4%	1,042,537	EURIBOR 6m + 0.4%	994,791
		1,042,537		994,791
<b>UAH</b>				
Fixed rate	17.4%-23.5%	2,756,790	17.4%-23.5%	3,501,244
		2,756,790		3,501,244
<b>Total interest-bearing loans and borrowings</b>		37,002,334		40,511,747
Less: current portion		(18,771,267)		(16,679,238)
<b>Interest-bearing loans and borrowings, non-current</b>		18,231,067		23,832,509

As at 30 June 2017 undrawn loan facilities available to the Group were of UAH 6,369,554 thousand (31 December 2016: UAH 6,468,685 thousand). Following the breaches of undertakings as at 30 June 2017 the access to certain undrawn loan facilities may be restricted. Assuming there was no breach, undrawn loan facilities available to the Group would comprise UAH 6,965,289 thousand as at 30 June 2017 (31 December 2016: UAH 7,037,137 thousand).

As at 30 June 2017 and 31 December 2016 interest-bearing loans and borrowings were secured as follows:

	<i>30 June 2017 (unaudited)</i>	<i>31 December 2016 (audited)</i>
<b>Type of collateral</b>		
Property and equipment	244,575	249,424
Inventories	111,251	111,251
Future proceeds from revenue	22,616,662	22,984,535

### 9. Finance lease liability

The Group leases railway cars, locomotives, electric trains and equipment. The majority of lease payments are pegged to USD; the remaining lease term is 5 years. As at 30 June 2017 the interest rates implicit in the lease were within the range of 11.0%-17.0% per annum. Principal repayments under finance lease to Ukrainian lessors (unlike foreign lessors) is subject to 20% VAT levied at the payment date. Finance charge is not VAT taxable.

During the six months ended 30 June 2017 and 30 June 2016, the Group did not acquire assets under finance lease agreement.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the six months ended 30 June 2017

(in thousands of Ukrainian Hryvnia, unless otherwise indicated)

### 9. Finance lease liability (continued)

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

	<i>Minimum lease payments</i>		<i>Present value of finance lease liability</i>	
	<i>30 June 2017</i> <i>(unaudited)</i>	<i>31 December 2016</i> <i>(audited)</i>	<i>30 June 2017</i> <i>(unaudited)</i>	<i>31 December 2016</i> <i>(audited)</i>
<b>Amounts payable under finance leases</b>				
Within one year	1,207,109	1,307,690	1,126,153	1,186,599
After one year but not more than five years	332,747	521,645	303,549	459,852
<b>Total minimum lease payments</b>	<b>1,539,856</b>	<b>1,829,335</b>	<b>1,429,702</b>	<b>1,646,451</b>
Less: future finance charges	(110,154)	(182,884)	—	—
<b>Present value of minimum lease payments</b>	<b>1,429,702</b>	<b>1,646,451</b>	<b>1,429,702</b>	<b>1,646,451</b>
<b>Classified as:</b>				
Current	1,126,153	1,186,599	1,126,153	1,186,599
Non-current	303,549	459,852	303,549	459,852

### 10. Provisions

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

<b>At 31 December 2016 (audited)</b>	1,220,425
Arisen during the period	1,056,756
Amounts used	(60,000)
Foreign exchange difference	(25,673)
<b>At 30 June 2017 (unaudited)</b>	<b>2,191,508</b>

In the normal course of business, the Group is subject to various routine litigation and arbitration related matters. Provision for litigations represents management assessment of the probable outflow of the Group's resources arising from a negative (adverse) outcome of the court and arbitration procedures with foreign and domestic contractors and public authorities. The Group's provisions mostly consists of provision for litigations. As at 30 June 2017 the Group recognised a provision in foreign currency for the court decision in respect of a breach of the construction contract with a foreign contractor in the amount of UAH 727,191 thousand (31 December 2016: UAH 752,864 thousand).

During the six months ended 30 June 2017, the Group paid UAH 60,000 thousand in favour of domestic contractor a settlement for legal claims (during the six months ended 30 June 2016, the Group did not make such payments).

### 11. Other income

Other income for the six months ended 30 June 2017 includes income from reversal of accrual for bonuses in the amount of UAH 663,393 thousand. The reversal related to the portion of accrual created as at 31 December 2016, which will not be realized in the future due to change in estimates regarding the actual amount of the bonuses. The reversal of accrual for bonuses was material and unusual, therefore, it was included in other income.



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the six months ended 30 June 2017

(in thousands of Ukrainian Hryvnia, unless otherwise indicated)

### 12. Income tax

The components of income tax expense were as follows:

	<i>For the six months 2017 (unaudited)</i>	<i>For the six months 2016 (unaudited)</i>
Current income tax charge	384,516	380,411
Deferred income tax expense/(benefit)	99,999	(231,868)
<b>Income tax expense</b>	<b>484,515</b>	<b>148,543</b>

During the six months ended 30 June 2017, the statutory income tax rate in Ukraine was 18% (during the six months ended 30 June 2016: 18%).

Current income tax charge for the six months ended 30 June 2017 was reduced by UAH 1,933 thousand as a result of the revision of tax declarations for the prior periods (for the six months ended 30 June 2016: UAH 3,952 thousand).

### 13. 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.

#### *Results of tax inspections of entities of the Group*

As a result of the Reorganisation, the discontinued entities were subject to tax audits with the purpose of confirmation of tax position before cancellation of their tax registration. Such tax audits have been finished as at 30 September 2016 for majority of the entities. Based on the tax audits, tax authorities have charged the entities with additional taxes and fines in the total amount of UAH 1,862,527 thousand. The majority of additional charges result from the absence of documents supporting operations related the temporarily occupied territory of Autonomous Republic of Crimea. Therefore, Management does not agree with the amounts charged as the Group has no access to the above documents due to the objective reasons, management challenges the charges within relevant administrative procedure or in the court.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the six months ended 30 June 2017

(in thousands of Ukrainian Hryvnia, unless otherwise indicated)

### 13. Contingencies and commitments (continued)

#### Litigations

In the normal course of business, the Group is subject to various routine litigation and arbitration related matters. As at 30 June 2017 the Group was involved in litigations with tax authorities with respect to additional accrual of tax liabilities for corporate income tax, VAT and other taxes in total amount of UAH 2,867,447 thousand, including additional charges and penalties (31 December 2016: UAH 1,042,709 thousand). As at 30 June 2017 the Group's possible exposure to the ascertained third parties' claims was UAH 884,855 thousand (31 December 2016: UAH 388,796 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 interim condensed consolidated financial statements. Provisions were recognised for obligations with probable outflow of resources embodying economic benefits (Note 10).

#### Capital commitments

As at 30 June 2017 the Group's outstanding commitment in respect of purchase of property and equipment amounted to UAH 2,111,978 thousand (31 December 2016: UAH 4,105,722 thousand).

### 14. 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 interim condensed consolidated statements of financial position:

	Fair value		Carrying value	
	30 June 2017 (unaudited)	31 December 2016 (audited)	30 June 2017 (unaudited)	31 December 2016 (audited)
<b>Financial assets</b>				
Trade and other receivables	2,637,397	2,043,899	2,637,397	2,043,899
Other financial assets	152,768	178,882	152,768	178,882
Cash and cash equivalents	6,627,914	6,419,746	6,627,914	6,419,746
<b>Financial liabilities</b>				
Interest-bearing loans and borrowings	36,678,791	39,185,208	37,002,334	40,511,747
Finance lease liability	1,429,702	1,646,451	1,429,702	1,646,451
Trade and other payables	5,712,809	6,912,116	5,712,809	6,912,116

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 face values of financial assets and liabilities with a maturity of less than one year, less any estimated credit adjustments, are assumed to be their fair values.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)****for the six months ended 30 June 2017***(in thousands of Ukrainian Hryvnia, unless otherwise indicated)***14. Fair value of financial instruments (continued)*****Fair value hierarchy***

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

- Level 1 – quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 – valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Fair value of financial assets and liabilities at 30 June 2017 and 31 December 2016 as follows:

<i>30 June 2017</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
<b>Financial assets carried at amortised cost</b>				
Trade and other receivables	–	–	2,637,397	2,637,397
Other financial assets	–	–	152,768	152,768
<b>Financial assets carried at fair value</b>				
Cash and cash equivalents	6,627,914	–	–	6,627,914
<b>Financial liabilities carried at amortised cost</b>				
Interest-bearing loans and borrowings	–	14,645,881	22,032,910	36,678,791
Finance lease liability	–	–	1,429,702	1,429,702
Trade and other payables	–	–	5,712,809	5,712,809
<i>31 December 2016</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
<b>Financial assets carried at amortised cost</b>				
Trade and other receivables	–	–	2,043,899	2,043,899
Other financial assets	–	–	178,882	178,882
<b>Financial assets carried at fair value</b>				
Cash and cash equivalents	6,419,746	–	–	6,419,746
<b>Financial liabilities carried at amortised cost</b>				
Interest-bearing loans and borrowings	–	14,972,506	24,212,702	39,185,208
Finance lease liability	–	–	1,646,451	1,646,451
Trade and other payables	–	–	6,912,116	6,912,116

There were no transfers between Level 1 and Level 2 fair value measurements during the period, and no transfers into or out of Level 3 fair value measurements during the six-month period ended 30 June 2017.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the six months ended 30 June 2017

(in thousands of Ukrainian Hryvnia, unless otherwise indicated)

## 15. Related party disclosure

The outstanding balances and transaction with related parties comprised:

	30 June 2017 (unaudited)	31 December 2016 (audited)
<b>Entities under common control of the State</b>		
Prepayments for property, plant and equipment	–	2
Other financial assets	–	9,537
Trade and other receivables	86,284	73,195
Prepayments	13,352	101,202
Cash and cash equivalents	6,454,532	6,140,126
Trade and other payables, other than dividends	15,254	12,402
Advances received	22,498	26,916
Interest-bearing loans and borrowings	483,809	448,859
<b>Associate</b>		
Finance lease liability	452,923	520,512
	<i>For the six months 2017 (unaudited)</i>	<i>For the six months 2016 (unaudited)</i>
<b>Entities under common control of the State</b>		
Cargo revenues	231,155	88,935
Electricity	(3,959,629)	(3,384,593)
Maintenance	(8,569)	(12,142)
Finance income	206,277	9,435
Finance costs	(3,749)	(6,833)
Other expenses	(13,331)	(241,470)
<b>Associate</b>		
Finance costs	(40,359)	(54,224)

### 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 reporting date are unsecured, interest-free and settlements occur in cash. There have been no guarantees provided or received for any related party receivables or payables. During the six months ended 30 June 2017 the Group has recorded impairment of other financial assets from Lviv Oblavtodor. Loss on impairment of UAH 9,537 thousand was included to other expenses in interim condensed consolidated statement of comprehensive income.

### Guarantees issued by the State of Ukraine

The Group's interest bearing loans with carrying value of UAH 5,544,493 thousand (31 December 2016: UAH 6,357,905 thousand) were guaranteed by the State of Ukraine.

### Compensation of key management personnel

The Management Board and the Supervisory Board of JSC “Ukrzaliznytsia” were considered as key management personnel comprising 7 and 11 members, respectively. For the six months ended 30 June 2017 and 2016, total compensation which mostly included payroll and payroll related taxes amounted to UAH 17,500 thousand and UAH 886 thousand, respectively. The members of the Supervisory Board are not entitled to compensation.

## **NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**for the six months ended 30 June 2017**

*(in thousands of Ukrainian Hryvnia, unless otherwise indicated)*

### **15. Related party disclosure (continued)**

#### ***Dividends to the State***

Distribution of dividends of a public joint stock company is declared based on the annual results of operations as approved by the general shareholders meeting (the sole shareholder of JSC “Ukrzaliznytsia” is the State of Ukraine represented by the Cabinet of Ministers of Ukraine). Dividends were not declared during the six months ended 30 June 2017 and 2016.

As at 30 June 2017, portion of net profit (dividends) prepaid to the State by certain subsidiaries in the amount of UAH 7,757 thousand was included in prepayments (31 December 2016: UAH 7,657 thousand). Portion of net profit (dividends) payable to the State by other subsidiaries in the amount of UAH 353 thousand as at 30 June 2017 (31 December 2016: UAH 201 thousand) was included in trade and other payables.

#### ***Government subsidies***

The Group receives subsidies from the State for carriage of certain categories of preferential passengers. During the six months ended 30 June 2017 such subsidies of UAH 30,615 thousand (six months ended 30 June 2016: UAH 10,029 thousand) were included into passenger revenues.

### **16. Events after the reporting period**

In July 2017, the Company has registered its ownership for the corporate rights of PJSC “Transsignal Kyiv Electrical Engineering Plant”. Thus, the charter capital became fully contributed and in accordance with the respective Ukrainian legislation the issuance of the Company’s shares was registered on 7 September 2017.

Supplementary financial information

**BALANCE SHEET**  
**as at 30 June 2017**

Entity: JSC "Ukrzaliznytsia"  
Location: Ukraine  
Ownership: Public Joint Stock Company  
Type of activity: Freight railroad transport  
Average quantity of employees: 285,492  
Address, telephone: 03150, Kyiv, Tverska Str., phone 465-05-52

Date (year, month, date)	<b>2017   06   30</b>
Per EDRPOU	<b>40075815</b>
Per KOATUU	<b>8038200000</b>
Per KOPFG	<b>230</b>
Per KVED	<b>49.20</b>

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

<b>V</b>

Form # 1 Per DKUD 1801001

Assets	Line code	As at 31 December 2016	As at 30 June 2017
1	2	3	4
<b>I. Non-current assets</b>			
Intangible assets:	1000	45,787,645	45,778,196
historical cost	1001	45,948,287	45,951,072
accumulated amortization	1002	(160,642)	(172,876)
Capital investments in progress	1005	5,986,579	7,038,307
Property, plant and equipment:	1010	196,247,811	191,158,882
historical cost	1011	643,539,578	646,238,970
accumulated depreciation	1012	(447,291,767)	(455,080,088)
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	577,143
other financial investments	1035	128,383	104,187
Non-current receivables	1040	50,499	48,581
Deferred tax assets	1045	555,722	455,479
Other non-current assets	1090	1,591,317	1,545,955
<b>Total section I</b>	<b>1095</b>	<b>251,108,547</b>	<b>246,706,730</b>
<b>II. Current assets</b>			
Inventories:	1100	6,125,854	6,778,202
production inventories	1101	5,575,396	5,793,324
work in progress	1102	–	35,114
finished goods	1103	478,420	846,469
commodities	1104	72,038	103,295
Current biological assets	1110	–	–
Accounts receivable for goods, works and services	1125	442,189	635,791
Accounts receivable on settlements:			
on prepayments made	1130	260,491	5,595
with budget	1135	832,204	83,884
including income tax	1136	274,579	9,262
Accounts receivable on intercompany settlements	1145	–	–
Other current accounts receivable	1155	1,430,559	1,690,840
Current financial investments	1160	–	–
Cash and cash equivalents:	1165	6,419,746	6,627,914
cash in hand	1166	734	780
cash at banks	1167	6,419,012	6,613,595
Deferred expenses	1170	61,275	62,067
Other current assets	1190	171,151	248,699
<b>Total section II</b>	<b>1195</b>	<b>15,743,469</b>	<b>16,132,992</b>
<b>III. Assets classified as held for distribution</b>	<b>1200</b>	<b>–</b>	<b>–</b>
<b>Balance</b>	<b>1300</b>	<b>266,852,016</b>	<b>262,839,722</b>

Supplementary financial information

Liabilities and equity	Line code	As at 31 December 2016	As at 30 June 2017
1	2	3	4
<b>I. Equity</b>			
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	(38,668,315)	(38,552,225)
Unpaid capital	1425	–	–
Treasury shares	1430	–	–
Non-controlling interests	1490	4,889	4,828
<b>Total section I</b>	<b>1495</b>	<b>210,813,119</b>	<b>210,929,148</b>
<b>II. Non-current liabilities and provisions</b>			
Deferred tax liabilities	1500	24,948	24,704
Non-current bank loans	1510	9,612,584	5,022,953
Other non-current liabilities	1515	14,679,777	13,511,663
Other non-current provisions	1520	2,532,957	2,584,714
Non-current provisions for staff expenses	1521	2,532,957	2,584,648
Special purpose financing	1525	–	2,640
<b>Total section II</b>	<b>1595</b>	<b>26,850,266</b>	<b>21,146,674</b>
<b>III. Current liabilities and provisions</b>			
Short-term bank loans	1600	–	–
Current liabilities for:			
current portion of non-current liabilities	1610	16,679,238	19,223,521
for goods, works and services	1615	3,539,654	1,994,628
with budget	1620	473,413	1,049,323
with Income tax	1621	84	11,113
social insurance	1625	273,204	310,995
wages	1630	1,013,936	1,110,659
Current liabilities on advances received	1635	2,675,316	1,915,833
Current liabilities on intercompany settlements	1645	–	–
Other provisions	1660	3,307,087	3,960,632
Deferred income	1665	40,184	46,862
Other current liabilities	1690	1,186,599	1,151,447
<b>Total section III</b>	<b>1695</b>	<b>29,188,631</b>	<b>30,763,900</b>
<b>IV. Liabilities directly associated with the assets classified as held for distribution</b>	<b>1700</b>	<b>–</b>	<b>–</b>
<b>Balance</b>	<b>1900</b>	<b>266,852,016</b>	<b>262,839,722</b>

Supplementary financial information

Entity: JSC "Ukrzaliznytsia"

Date (year, month, date)  
per EDRPOU

CODE		
2017	06	30
40075815		

**STATEMENT OF FINANCIAL RESULTS (STATEMENT OF COMPREHENSIVE INCOME)**  
**for the six months ended 30 June 2017**

Form # 2

Per DKUD

1801001

**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	35,272,469	30,595,637
Cost of goods (merchandise, works, services) sold	2050	(32,362,905)	(29,376,649)
<b>Gross:</b>			
<b>Profit</b>	<b>2090</b>	<b>2,909,564</b>	<b>1,218,988</b>
<b>Loss</b>	<b>2095</b>	–	–
Other operating income	2120	2,683,463	688,848
Administrative expenses	2130	(550,434)	(319,749)
Selling expenses	2150	(66,089)	(37,179)
Other operating expenses	2180	(2,171,344)	(2,145,121)
<b>Financial results from operating activities:</b>			
<b>Profit</b>	<b>2190</b>	<b>2,805,160</b>	–
<b>Loss</b>	<b>2195</b>	–	<b>(594,213)</b>
Income from investments accounted for under the equity method	2200	5	31,874
Other finance income	2220	65,552	41
Other income	2240	60,635	361,877
Finance costs	2250	(2,017,728)	(3,110,425)
Losses from investments accounted for under the equity method	2255	(207,114)	–
Other expenses	2270	(99,481)	(335,077)
<b>Financial results before taxation:</b>			
<b>Profit</b>	<b>2290</b>	<b>607,029</b>	–
<b>Loss</b>	<b>2295</b>	–	<b>(3,645,923)</b>
Income tax expense	2300	(484,515)	(148,543)
Income (loss) from discontinued operations after tax	2305	–	–
<b>Net financial result:</b>			
<b>Profit</b>	<b>2350</b>	<b>122,514</b>	–
<b>Loss</b>	<b>2355</b>	–	<b>(3,794,466)</b>

**II. COMPREHENSIVE INCOME**

Description	Line code	For the reporting period	For the previous period
1	2	3	4
Revaluation of non-current assets	2400	–	–
Revaluation of financial instruments	2405	–	–
Accumulated foreign exchange rate differences	2410	–	–
Share of other comprehensive income of associates and joint ventures	2415	–	–
Other comprehensive income	2445	–	–
<b>Other comprehensive income before tax</b>	<b>2450</b>	–	–
Income tax related to other comprehensive income	2455	–	–
<b>Other comprehensive income after tax</b>	<b>2460</b>	–	–
<b>Comprehensive profit/(loss) (sum lines 2350, 2355 and 2460)</b>	<b>2465</b>	<b>122,514</b>	<b>(3,794,466)</b>



Supplementary financial information

**III. ELEMENTS OF OPERATING EXPENSES**

<b>Description</b>	<b>Line code</b>	<b>For the reporting period</b>	<b>For the previous period</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
Cost of materials	2500	9,737,035	8,349,085
Labour costs	2505	11,537,201	8,690,945
Social security charges	2510	2,562,668	1,962,613
Depreciation and amortization	2515	7,686,497	9,403,284
Other operating expenses	2520	2,573,061	5,932,040
<b>Total</b>	<b>2550</b>	<b>34,096,462</b>	<b>34,337,967</b>

**IV. CALCULATION OF EARNINGS PER SHARE**

<b>Description</b>	<b>Line code</b>	<b>For the reporting period</b>	<b>For the previous period</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
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		
2017	06	30
40075815		

**STATEMENT OF CASH FLOWS (INDIRECT METHOD)**  
**for the six months ended 30 June 2017**

		Form # 3	DKUD code	1801001	
Description 1	Line code 2	For the reporting period		For the previous period	
		Proceeds 3	Expense 4	Proceeds 3	Expense 4
<b>I. Cash flows from operating activities</b>					
Profit (loss) from ordinary activities before tax	3500	607,029	–	–	3,645,923
Corrections on:					
depreciation of fixed assets	3505	7,686,497	–	9,237,059	–
increase (decrease) in provisions	3510	705,302	–	73,380	–
loss (profit) on unrealized exchange differences	3515	–	3,039	1,404,259	–
loss (profit) from non-operating activities and other non-cash transactions	3520	180,403	–	106,910	–
Financial expenses	3540	2,017,728	–	2,860,570	–
<b>Decrease (increase) in current assets</b>	<b>3550</b>	<b>–</b>	<b>181,355</b>	<b>762,328</b>	<b>1,426,981</b>
Increase (decrease) in inventories	3551	–	652,348	732,809	–
Decrease (increase) in accounts receivable for products, goods, works, services	3553	–	193,602	–	1,069,232
decrease (increase) in other current receivables	3554	742,935	–	29,519	–
decrease (increase) in future periods expenditures	3556	–	792	–	–
decrease (increase) in other current assets	3557	–	77,548	–	357,749
<b>Increase (decrease) in current liabilities, including:</b>	<b>3560</b>	<b>–</b>	<b>2,310,594</b>	<b>64,226</b>	<b>617,233</b>
increase (decrease) in current accounts payable for goods and services	3561	–	1,545,026	–	429,332
increase (decrease) in current budget settlements	3562	575,910	–	64,226	–
increase (decrease) in current insurance settlements	3563	37,791	–	–	188,112
increase (decrease) in current salary settlements	3564	96,723	–	–	31,836
increase (decrease) in future periods income	3566	6,678	–	–	–
Increase (decrease) in other current payables	3567	–	1,482,670	–	187,901
<b>Cash from operating activities</b>	<b>3570</b>	<b>8,701,971</b>	<b>–</b>	<b>8,818,595</b>	<b>–</b>
Income tax paid	3580	–	116,182	–	72,549
Borrowings interest paid	3585	–	1,745,790	–	1,807,916
<b>Net cash flow from operating activities</b>	<b>3195</b>	<b>6,839,999</b>	<b>–</b>	<b>6,938,130</b>	<b>–</b>
<b>II. Cash flows from investing activities</b>					
Proceeds from sale of:					
financial investments	3200	–	–	–	–
Fixed assets	3205	–	–	910	–
Proceeds from received:					
interests	3215	226,007	–	–	–
dividends	3220	7,988	–	–	–
proceeds from derivatives	3225	–	–	–	–
other proceeds	3250	–	–	10,275	–
Payments on acquisition:					
financial investments	3255	–	–	–	–
fixed assets	3260	–	2,622,328	–	2,890,217
payments for derivatives	3270	–	–	–	–
other payments	3290	–	1,772,061	–	165,667
<b>Net cash flows from investing activities</b>	<b>3295</b>	<b>–</b>	<b>4,160,394</b>	<b>–</b>	<b>3,044,699</b>
<b>III. Cash flows from financing activities</b>					
Proceeds from share capital	3300	–	–	–	–
Proceeds from borrowings	3305	–	–	417,857	–
Other proceeds	3340	–	–	–	–
Payments for:					
own securities	3345	–	–	–	–
repayment of borrowings	3350	–	2,222,800	–	1,696,864
dividends paid	3355	–	–	–	–
Borrowings interest paid	3360	–	–	–	–
Finance lease interests paid	3365	–	251,615	–	440,091
Other payments	3390	–	61	–	–
<b>Net cash flows from financing activities</b>	<b>3395</b>	<b>–</b>	<b>2,474,476</b>	<b>–</b>	<b>1,719,098</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>3400</b>	<b>205,129</b>	<b>–</b>	<b>2,174,333</b>	<b>–</b>
Cash balance at the beginning of the year	3405	6,419,746	–	4,884,908	–
Net foreign exchange difference	3410	3,039	–	2,291	–
Cash balance at the end of the year	3415	6,627,914	–	7,061,532	–

Supplementary financial information

Entity: JSC "Ukrzaliznytsia"

Date (year, month, date)  
per EDRPOU

CODE		
2017	06	30
40075815		

**STATEMENT OF CHANGES IN EQUITY**  
**for the six months ended 30 June 2017**

Form # 4      DKUD code      1801001

Description	Line code	Share capital	Capital in revaluation	Additional capital	Reserve fund	Retained earnings (accumulated deficit)	Unpaid capital	Treasury capital	Total	Non-controlling interests	Total
1	2	3	4	5	6	7	8	9	10	11	12
<b>Balance at the beginning of the year</b>	<b>4000</b>	<b>229,879,115</b>	<b>–</b>	<b>19,597,430</b>	<b>–</b>	<b>(38,668,315)</b>	<b>–</b>	<b>–</b>	<b>210,808,230</b>	<b>4,889</b>	<b>210,813,119</b>
<b>Adjustments:</b>											
Changes in accounting policies	4005	–	–	–	–	–	–	–	–	–	–
Correction of errors	4010	–	–	–	–	–	–	–	–	–	–
Other adjustments	4090	–	–	–	–	–	–	–	–	–	–
<b>Adjusted balance at the beginning of the year</b>	<b>4095</b>	<b>229,879,115</b>	<b>–</b>	<b>19,597,430</b>	<b>–</b>	<b>(38,668,315)</b>	<b>–</b>	<b>–</b>	<b>210,808,230</b>	<b>4,889</b>	<b>210,813,119</b>
<b>Net profit (loss) for the reporting period</b>	<b>4100</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>122,514</b>	<b>–</b>	<b>–</b>	<b>122,514</b>	<b>–</b>	<b>122,514</b>
<b>Other comprehensive income for the current period including</b>	<b>4110</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
Revaluation (disposal) of fixed assets	4111	–	–	–	–	–	–	–	–	–	–
Other comprehensive income	4116	–	–	–	–	–	–	–	–	–	–
<b>Distribution of profit:</b>											
Payments to shareholders (dividends)	4200	–	–	–	–	6,424	–	–	6,424	–	6,424
Distribution to share capital	4205	–	–	–	–	–	–	–	–	–	–
Distribution to the reserve fund	4210	–	–	–	–	–	–	–	–	–	–
Total net profit, due to the budget in accordance with the law	4215	–	–	–	–	–	–	–	–	–	–
Total net income for the establishment of special (earmarked) funds	4220	–	–	–	–	–	–	–	–	–	–
Total net profit on financial incentives	4225	–	–	–	–	–	–	–	–	–	–
<b>Contributions made by shareholders:</b>											
Contributions to capital	4240	–	–	–	–	–	–	–	–	–	–
Repayment of debts from equity	4245	–	–	–	–	–	–	–	–	–	–
<b>Withdrawal of capital:</b>											
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	–	–	–	–	–	–	–	–	(61)	(61)
<b>Total changes in equity</b>	<b>4295</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>116,090</b>	<b>–</b>	<b>–</b>	<b>116,090</b>	<b>(61)</b>	<b>116,029</b>
<b>Balance at the end of the period</b>	<b>4300</b>	<b>229,879,115</b>	<b>–</b>	<b>19,597,430</b>	<b>–</b>	<b>(38,552,225)</b>	<b>–</b>	<b>–</b>	<b>210,924,320</b>	<b>4,828</b>	<b>210,929,148</b>