

Public joint stock company
“Ukrainian Railway”

Unaudited interim condensed consolidated
financial statements

As at 30 June 2018

Contents

Report on review of interim condensed consolidated financial statements.....	i
---	----------

Interim condensed consolidated financial statements

Interim consolidated statement of financial position.....	1
Interim consolidated statement of comprehensive income	2
Interim consolidated statement of changes in equity	3
Interim consolidated statement of cash flows	4

Notes to the interim condensed consolidated financial statements

1. Description of business and the Group’s structure	5
2. Operating environment, risks and economic conditions in Ukraine	6
3. Basis of preparation of financial statements	11
4. Changes in accounting policy	12
5. Segment reporting.....	16
6. Property, plant and equipment	17
7. Equity.....	18
8. Interest-bearing loans and borrowings	18
9. Finance lease liability	20
10. Provisions	20
11. Revenues.....	21
12. Other income	21
13. Income tax	22
14. Contingencies and commitments	22
15. Fair value of financial instruments	23
16. Related party disclosure.....	24

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 2018, 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 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 and liabilities of the Group are located in, or otherwise associated with the Autonomous Republic of Crimea and certain territories of Donetsk and Lugansk regions temporarily not controlled by the Ukrainian authorities. In addition, the Group is not considered the legal successor for these assets and liabilities before completion of required statutory legal succession proceedings. There is an uncertainty in respect of timing of the legal succession and the ultimate valuation of the assets and liabilities to be succeeded to the Group as a result of that statutory legal proceedings. We were unable to complete our review of the assets of UAH 16,854,185 thousand and UAH 16,611,478 thousand and liabilities of UAH 8,403,387 thousand and UAH 7,705,925 thousand as at 30 June 2018 and 31 December 2017, respectively, revenues of UAH 2,322,146 thousand and UAH 2,131,346 thousand, share of profit of an associate of UAH 31,859 thousand and share of loss of an associate UAH 207,109 thousand, and loss of UAH 422,675 thousand and UAH 257,147 thousand for the six-month periods ended 30 June 2018 and 2017, respectively.

(continued on the next page)



- (ii) 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 International Financial Reporting Standards on the carrying amounts of property, plant and equipment, related deferred tax balances as at 30 June 2018 and 31 December 2017, depreciation and impairment charges and deferred tax charges for the six-month periods ended 30 June 2018 and 2017 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 matter described in paragraph (ii) 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, *Interim Financial Reporting*.

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 matter described in paragraph (ii) 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.

Ernst & Young Audit Services LLC

Kyiv, Ukraine

27 September 2018

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2018

(in thousands of Ukrainian Hryvnia)

	Notes	30 June 2018 (unaudited)	31 December 2017 (audited)
Assets			
Non-current assets			
Property, plant and equipment	6	235,453,426	235,741,862
Investment in associates		661,590	632,366
Financial assets		93,135	93,247
Taxes receivable, other than income tax		848,546	849,024
Prepaid income tax		566,082	590,618
Deferred tax asset		383,009	376,484
Assets of uncontrolled territories	2	10,802,395	10,795,149
		<u>248,808,183</u>	<u>249,078,750</u>
Current assets			
Inventories		8,691,795	8,417,920
Trade and other receivables		972,889	879,122
Prepayments		162,781	203,999
Prepaid income tax		93,023	215,752
Taxes receivable, other than income tax		410,495	460,132
Cash and cash equivalents		1,539,083	5,188,988
		<u>11,870,066</u>	<u>15,365,913</u>
Total assets		<u>260,678,249</u>	<u>264,444,663</u>
Equity and liabilities			
Equity			
Contributed capital	7	229,879,115	229,879,115
Additional capital	7	18,899,383	18,899,383
Accumulated deficit		(37,583,288)	(38,006,503)
		<u>211,195,210</u>	<u>210,771,995</u>
Non-controlling interests	7	4,815	4,983
		<u>211,200,025</u>	<u>210,776,978</u>
Non-current liabilities			
Interest-bearing loans and borrowings	8	16,437,958	22,620,904
Finance lease liability	9	36,697	116,087
Defined benefit liability		2,228,106	2,232,420
Deferred tax liability		27,449	24,772
Liabilities of uncontrolled territories	2	4,974,093	4,972,904
		<u>23,704,303</u>	<u>29,967,087</u>
Current liabilities			
Interest-bearing loans and borrowings	8	14,414,238	10,890,635
Finance lease liability	9	464,738	605,292
Trade and other payables		6,720,752	7,791,010
Contract liabilities	4	2,013,746	—
Advances from customers		—	2,467,817
Income tax payable		34	630
Taxes payable, other than income tax		910,869	656,425
Provisions	10	1,249,544	1,288,789
		<u>25,773,921</u>	<u>23,700,598</u>
Total liabilities		<u>49,478,224</u>	<u>53,667,685</u>
Total equity and liabilities		<u>260,678,249</u>	<u>264,444,663</u>

Signed and authorised for release on behalf of Public joint stock company "Ukrainian Railway" on 27 September 2018:

Acting Chief Executive Officer

Yevgen P. Kravtsov

Member of the board

Remigiusz I. Paszkiewicz

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 2018***(in thousands of Ukrainian Hryvnia)*

	Notes	For the six months 2018 (unaudited)	For the six months 2017 (unaudited)
Revenues			
Cargo revenues		32,730,991	28,987,593
Passenger revenues		3,725,013	3,392,066
Other revenues		3,513,278	2,892,810
Total revenues	11	39,969,282	35,272,469
Operating expenses			
Staff costs		(19,978,422)	(14,966,209)
Depreciation		(6,951,662)	(7,686,497)
Electricity		(4,487,223)	(3,959,629)
Fuel		(4,413,165)	(3,521,479)
Maintenance		(3,499,282)	(2,550,006)
Taxes, other than income tax		(500,829)	(897,506)
Change in provisions	10	(13,811)	(1,056,756)
Social expenses		(248,350)	(191,725)
Other income	12	520,680	1,074,220
Other expenses		(297,536)	(392,402)
Total operating expenses		(39,869,600)	(34,147,989)
Operating profit		99,682	1,124,480
Finance income		140,349	279,631
Finance costs		(1,831,599)	(2,017,728)
Foreign exchange gain, net		2,298,942	1,427,755
Share of (loss)/profit of associates		29,224	(207,109)
Profit before income tax		736,598	607,029
Income tax expense	13	(268,236)	(484,515)
Profit for the period		468,362	122,514
Attributable to:			
Equity holder of the parent		468,437	122,514
Non-controlling interests		(75)	—
		468,362	122,514
Other comprehensive income for the period, net of tax		—	—
Total comprehensive income for the period, net of tax		468,362	122,514
Attributable to:			
Equity holder of the parent		468,437	122,514
Non-controlling interests		(75)	—
Total comprehensive income for the period, net of tax		468,362	122,514

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 2018***(in thousands of Ukrainian Hryvnia)*

	<i>Notes</i>	<i>Contributed capital</i>	<i>Other additional capital</i>	<i>Accumulated deficit</i>	<i>Total</i>	<i>Non-controlling interests</i>	<i>Total equity</i>
As at 1 January 2018 (audited)		229,879,115	18,899,383	(38,006,503)	210,771,995	4,983	210,776,978
Profit for the period		–	–	468,437	468,437	(75)	468,362
Total comprehensive income		–	–	468,437	468,437	(75)	468,362
Dividends	7	–	–	(45,222)	(45,222)	–	(45,222)
Dividends paid to non-controlling interests		–	–	–	–	(93)	(93)
At 30 June 2018 (unaudited)		<u>229,879,115</u>	<u>18,899,383</u>	<u>(37,583,288)</u>	<u>211,195,210</u>	<u>4,815</u>	<u>211,200,025</u>

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>Accumulated deficit</i>	<i>Total</i>	<i>Non-controlling interests</i>	<i>Total equity</i>
As at 1 January 2017 (audited)		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
Total comprehensive income		–	–	122,514	122,514	–	122,514
Dividends	7	–	–	(6,424)	(6,424)	–	(6,424)
Dividends paid to non-controlling interests		–	–	–	–	(61)	(61)
At 30 June 2017 (unaudited)		<u>229,879,115</u>	<u>19,597,430</u>	<u>(38,552,225)</u>	<u>210,924,320</u>	<u>4,828</u>	<u>210,929,148</u>

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

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS**for the six months ended 30 June 2018***(in thousands of Ukrainian Hryvnia)*

	Notes	For the six months 2018 (unaudited)	For the six months 2017 (unaudited)
Cash flows from operating activities			
Profit before income tax		736,598	607,029
<i>Adjustments to reconcile profit before income tax to net cash provided by operations</i>			
Depreciation		6,951,662	7,686,497
Finance costs, net		1,691,250	1,738,097
Movements in defined benefit liability and provisions		71,913	930,752
Allowance for estimated irrecoverable amounts		121,289	241,534
Unrealised foreign exchange gain		(2,284,571)	(1,430,794)
Share in (profit)/loss of associates		(29,224)	207,109
Operating profit before working capital changes		7,258,917	9,980,224
<i>Changes in working capital</i>			
Trade and other receivables		(216,064)	(714,960)
Prepayments		40,870	335,720
Inventories		(273,875)	(652,348)
Taxes receivable and prepaid, other than income tax		74,651	495,931
Trade and other payables		(428,178)	(443,242)
Contract liabilities		(807,534)	–
Advances from customers		–	(790,668)
Taxes payable, other than income tax		253,847	557,686
Cash generated from operating activity		5,902,634	8,768,343
Income tax paid		(149,736)	(116,182)
Interest paid		(1,464,890)	(1,745,790)
Dividends paid	7	(45,222)	(6,372)
Dividends paid to non-controlling interests		(93)	(61)
Repayment of provisions	10	(54)	(60,000)
Net cash flows from operating activities		4,242,639	6,839,938
Cash flows from investing activities			
Acquisition of property, plant and equipment		(7,172,983)	(4,394,389)
Interest received		136,279	226,007
Dividends received from associates		–	7,988
Net cash flows used in investing activities		(7,036,704)	(4,160,394)
Cash flows from financing activities			
Proceeds from interest-bearing loans and borrowings		5,250,474	–
Repayment of interest-bearing loans and borrowings		(5,901,763)	(1,602,800)
Repayment of domestic bonds		–	(620,000)
Repayment of finance lease obligations		(190,180)	(251,615)
Net cash flows used in financing activities		(841,469)	(2,474,415)
Net increase in cash and cash equivalents		(3,635,534)	205,129
Net foreign exchange difference		(14,371)	3,039
Cash and cash equivalents at 1 January		5,188,988	6,419,746
Cash and cash equivalents at 30 June		1,539,083	6,627,914

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 2018

(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 on 1 December 2015.

JSC “Ukrzaliznytsia” was created as a result of reorganisation through merger of public service railway enterprises and institutions (“the Reorganisation”). Almost all assets and liabilities of entities previously subordinated to and effectively controlled by the State Administration of Railway Transport of Ukraine were transferred to the Company.

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 in this note.

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

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

Corporate information

The sole shareholder of JSC “Ukrzaliznytsia” is the State of Ukraine represented by the Cabinet of Ministers of Ukraine acting in capacity of the sole shareholder of the Company.

The registered address of JSC “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:

	<i>Share as at 30 June 2018</i>	<i>Share as at 31 December 2017</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 Elektric 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 “Transsignal Kyiv Electrical Engineering Plant” (Note 7)	100%	100%
9 Private joint-stock company “Insurance Company “Tast Garantiya”	65.62%	65.62%

JSC “Ukrzaliznytsia” comprises six regional branches and 28 other branches. The Company continues its internal reorganisation and forms its target organisational structure through segregation of market-oriented branches.

Pricing policy

Cargo and passenger railway transportation in Ukraine is a regulated by government prices and some services that connected with transportation is provided with free market prices. Cargo and passenger transportation is subject to the following tariffs regulations:

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the six months ended 30 June 2018

(in thousands of Ukrainian Hryvnia, unless otherwise indicated)

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

Tariffs for domestic cargo transportation – approved by the Ministry of Infrastructure of Ukraine as agreed with the Ministry of Economic Development and Trade of Ukraine and the Ministry of Finance of Ukraine (except carriage part of tariff for carriages that belong to shipping company JSC “Ukrzaliznytsia” from 19 February 2018). In accordance with Order No. 425 from 12 December 2017 of the Ministry of Infrastructure of Ukraine, process of deregulation of carriage part of tariff for fleet carriages that belong to JSC “Ukrzaliznytsia” is finished and company has been determining fee for usage the Company’s carriages since 19 February 2018. The tariffs are denominated in UAH and are generally subject to changes in cost of transportations and producer price index, which flatten out the level of devaluation of UAH against US dollar and euro, which expresses the Group's loan portfolio. Tariffs for cargo transportation that are regulated by government were not increased during the six months ended 30 June 2018. There was increased in the tariffs for domestic cargo transportation during 2017 by 15% from 31 October.

Since 28 July 2018 in accordance with resolution of Management Board of JSC “Ukrzaliznytsia”, tariffs for usage of company’s carriage has been updated.

Tariffs for domestic transportation of passengers and baggage – approved by the Ministry of Infrastructure of Ukraine as agreed with the Ministry of Economic Development and Trade of Ukraine (except suburban transportation and transportation with high-speed trains Intercity+ in the first class cars). The tariffs are denominated in Ukrainian Hryvnia. During the six months ended 30 June 2018 there was an increase in tariffs for domestic transportation of passengers and baggage by 12% from 1 June 2018 in accordance with Order No. 184 dated 20 April 2018. During 2017, there was no increase in tariffs, except for a minor adjustment on tariffs for some suburban destinations.

In accordance with Order No. 184 from 20 April 2018 tariffs for domestic transportation of passengers and baggage will be adjust on 12% since 1 October 2018.

Tariffs for international cargo transportation – regulated by special Tariff Policy annually approved by the Ministry of Infrastructure of Ukraine based on intergovernmental agreements. Tariffs are denominated in Swiss Francs, US dollars or Euro. There were no adjustments to the above tariffs during the six months ended 30 June 2018 and during 2017.

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 during the six months ended 30 June 2018 and during 2017.

2. Operating environment, risks and economic conditions in Ukraine

Primarily, 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. 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 (United forces 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the six months ended 30 June 2018

(in thousands of Ukrainian Hryvnia, unless otherwise indicated)

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

The weakness of the national currency (UAH), which experienced triple devaluation against US dollar and 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, high inflation and considerable external debt represent key risks to the stabilisation of the Ukrainian operating environment in the near future. The continued support from the International Monetary Fund (“IMF”) and other international lenders, which would allow for more opportunities of macroeconomic stability and external debt management, is contingent upon the mentioned above structural reforms sustaining momentum.

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. Management is monitoring the developments in the current environment and taking actions, where appropriate, to minimise 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.

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 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. As at 30 June 2018 and 31 December 2017 the carrying value of the Group’s assets located in or otherwise associated with the temporarily occupied territory of the Autonomous Republic of Crimea was UAH 2,050,291 thousand and 2,044,401 thousand, respectively.

In the second half of 2014 as a result of the armed confrontations the Ukrainian authorities temporarily lost control over certain territory of Donetsk and Lugansk regions where some structural units of State Enterprise “Donetsk Railway” (SE “Donetsk Railway”) operated. As a result of the Reorganisation the assets and liabilities of structural units of SE “Donetsk Railway” located on the 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 and were recorded on the balance sheet of Regional branch “Donetsk Railway” (RB “Donetsk Railway”).

As at 31 December 2017, management completed the segregation of assets and liabilities of RB “Donetsk Railway” to the controlled and uncontrolled parts. Assets and liabilities of the uncontrolled territory were included in the following lines of the consolidated statement of financial position: assets of uncontrolled territories and liabilities of uncontrolled territories within non-current assets and long-term liabilities, respectively. Assets and liabilities associated with Autonomous Republic of Crimea were also included in the above lines. This approach provides more transparent presentation of the Group’s assets and liabilities. The Group considers it impractical to reclassify comparative information, as in previous periods, business operations were carried out with the involvement of uncontrolled territory, as well as the collision line of the armed confrontations was moving.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the six months ended 30 June 2018

(in thousands of Ukrainian Hryvnia, unless otherwise indicated)

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

The summarised financial information of Regional branch “Donetsk Railway” included into the interim condensed consolidated financial statements of the Group as at 30 June 2018 is presented below:

Assets and liabilities of RB “Donetsk Railway”

	30 June 2018	31 December 2017
Assets		
Non-current assets		
Property, plant and equipment	4,832,417	4,647,805
Financial assets	6,738	8,424
Assets of uncontrolled territories	8,752,104	8,750,748
	<u>13,591,259</u>	<u>13,406,977</u>
Current assets		
Inventories	602,454	596,411
Trade and other receivables	32,309	11,205
Trade and other receivables from Group entities	4,265	–
Prepayments	1,049	4,059
Taxes receivable, other than income tax	8,076	16,220
Cash and cash equivalents	2,226	1,807
	<u>650,379</u>	<u>629,702</u>
Total assets	<u>14,241,638</u>	<u>14,036,679</u>
Non-current liabilities		
Employee benefit liability	169,125	174,456
Liabilities of uncontrolled territories	4,974,093	4,972,904
	<u>5,143,218</u>	<u>5,147,360</u>
Current liabilities		
Finance lease liability	74,793	74,793
Trade and other payables	389,615	434,859
Trade and other payables to Group entities	2,726,559	1,986,656
Contract liabilities	11,918	–
Advances from customers	–	6,026
Taxes payable, other than income tax	57,284	56,231
	<u>3,260,169</u>	<u>2,558,565</u>
Total liabilities	<u>8,403,387</u>	<u>7,705,925</u>
Net assets	<u>5,838,251</u>	<u>6,330,754</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**for the six months ended 30 June 2018***(in thousands of Ukrainian Hryvnia, unless otherwise indicated)***2. Operating environment, risks and economic conditions in Ukraine (continued)*****Comprehensive income of RB “Donetsk Railway”***

	<i>For the six months 2018</i>	<i>For the six months 2017</i>
Revenues		
Cargo revenues	2,204,695	1,966,418
Passenger revenues	26,475	56,416
Other revenues	90,976	108,512
Total revenues	<u>2,322,146</u>	<u>2,131,346</u>
Operating expenses		
Staff costs	(1,598,353)	(1,475,439)
Fuel	(487,085)	(394,140)
Maintenance	(212,712)	(243,252)
Depreciation	(184,418)	(192,501)
Electricity	(212,151)	(143,956)
Taxes, other than income tax	(19,428)	(43,080)
Social expenses	(15,001)	(18,829)
Other income	10,297	16,051
Other expenses	(14,244)	(17,028)
Total operating expenses	<u>(2,733,095)</u>	<u>(2,512,174)</u>
Operating loss	<u>(410,949)</u>	<u>(380,828)</u>
Finance income	153	289
Finance costs	(11,737)	(16,420)
Foreign exchange gain/(loss), net	(142)	139,812
Loss before income tax	<u>(422,675)</u>	<u>(257,147)</u>
Income tax expense	—	—
Loss for the period	<u>(422,675)</u>	<u>(257,147)</u>
Other comprehensive income for the period, net of tax	—	—
Total comprehensive loss for the period, net of tax	<u>(422,675)</u>	<u>(257,147)</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**for the six months ended 30 June 2018***(in thousands of Ukrainian Hryvnia, unless otherwise indicated)***2. Operating environment, risks and economic conditions in Ukraine (continued)****Cash flows of RB “Donetsk Railway”**

	<i>For the six months 2018</i>	<i>For the six months 2017</i>
Cash flows from operating activities		
Loss before income tax	(422,675)	(257,147)
<i>Adjustments to reconcile loss before income tax to net cash provided by operations</i>		
Depreciation	184,418	192,501
Finance costs, net	11,584	16,131
Movements in provisions and pensions	3,864	–
Unrealised foreign exchange (gain)/loss, net	153	(139,812)
Operating loss before working capital changes	(222,656)	(188,327)
<i>Changes in working capital</i>		
Trade and other receivables	(22,327)	129,511
Prepayments	3,010	(7,477)
Inventories	(6,043)	(92,158)
Taxes receivable and prepaid	8,144	(27,220)
Trade and other payables	604,200	326,263
Contract liabilities	1,237	–
Advances from customers	–	59,614
Taxes payable, other than income tax	1,053	38,441
Cash generated from operating activity	366,618	238,647
Income tax refunded	–	18
Interest paid	–	(16,420)
Net cash flows from operating activities	366,618	222,245
Cash flows from investing activities		
Acquisition of property, plant and equipment	(366,199)	(37,154)
Interest received	–	289
Net cash flows used in investing activities	(366,199)	(36,865)
Cash flows from financing activities		
Repayment of Interest-bearing loans	–	(190,261)
Net cash flows used in financing activities	–	(190,261)
Net (decrease)/increase in cash and cash equivalents	419	(4,881)
Cash and cash equivalents at 1 January	1,807	108,686
Cash and cash equivalents at 30 June	2,226	103,805

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the six months ended 30 June 2018

(in thousands of Ukrainian Hryvnia, unless otherwise indicated)

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

Liquidity

As at 30 June 2018, the Group’s current liabilities exceeded its current assets by UAH 13,903,855 thousand (31 December 2017: UAH 8,334,685 thousand).

Management monitors the maturity profile of its liabilities and undertakes measures to improve the net liability position. The Group has initiated the process of placement of loan participation notes on a foreign stock exchange in order to partially refinance the existing debt portfolio and get a lower interest rate as compared to domestic market. Management continues restructuring negotiations on defaulted loan facilities (Note 8) and expects to finalise the restructuring in the nearest future. Certain state-owned banks expressed their readiness to provide significant financing to the Group in case needed.

Management expects to improve its operating cash inflows by matching the increased costs with further indexation of tariffs for cargo and passenger transportation. 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 effect on the operating activities.

Despite the uncertainty about future events and circumstances, management believes that through twelve months after the date of authorisation of these interim condensed consolidated financial statements, the Group will be able to timely repay its obligations and continue its normal operating activities.

3. Basis of preparation of financial statements

The interim condensed consolidated financial statements for the six months ended 30 June 2018 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 consolidated financial statements as at 31 December 2017 prepared in accordance with International Financial Reporting Standards (“IFRS”).

Functional and presentation currencies

Ukrainian Hryvnia (“UAH”) is the Group’s presentation currency and the functional currency of the Company and the subsidiaries.

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.

Basis of consolidation and combination

Financial statements of entities of the Group were prepared for the same reporting period using consistent accounting policies. Adjustments were 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 were 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the six months ended 30 June 2018

(in thousands of Ukrainian Hryvnia, unless otherwise indicated)

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 2017, except for the adoption of new standards and interpretations effective as of 1 January 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below. Although these new standards and amendments apply for the first time in 2018, they do not have a material impact on the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group. The nature and the impact of each new standard or amendment is described below.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 Revenue from Contracts with Customers supersedes IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. The fundamental principle of the new standard provides for recognition of the revenues in the financial statements in such a way as to show the transfer of goods or services to customers in the amount that reflects the amount of the remuneration (i.e. payment) which the Group expects to receive in return for such goods or services.

The standard requires entities to exercise judgment taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly relating to fulfilling a contract.

Clarifications to IFRS 15 Revenue from Contracts with Customers are applicable to annual periods beginning on 1 January 2018 or afterwards. The improvement has provided additional clarifications concerning certain requirements and has introduced an additional exemption for entities introducing IFRS 15 Revenue from Contracts with Customers.

New terms and definitions introduced by IFRS 15 and applied by the Group during the preparation of these interim condensed financial statements preparation are as follows:

Contract asset represents a right to consideration in exchange for goods or services that the Group has transferred to a customer when that right is conditioned on something other than the passage of time. As at 30 June 2018 and 31 December 2017, amount of such assets are insignificant and presented within Trade and other receivables of the consolidated statement of financial position.

Contract liability represents an obligation to transfer goods or services to a customer for which the Group has received consideration (or the amount of consideration is due) from the customer. As at 31 December 2017, such liabilities presented within Advances from customers of the consolidated statement of financial position.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the six months ended 30 June 2018

(in thousands of Ukrainian Hryvnia, unless otherwise indicated)

4. Changes in accounting policy (continued)

As required for the condensed interim financial statements, the Group disaggregated revenue recognized from contracts with customers into categories that depict how the amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The Group also disclosed information about the relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment. (Notes 5 and 11)

The standard is applied retrospectively with the cumulative effect of initially applying this Standard recognized at the date of initial application. The Group has carried out an analysis of the impact of the standard, interpretations and clarification to the standard on the accounting policy applied by the Group and in the opinion of the Management of the Group, they do not have any material impact on the currently applied accounting policy.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

The Group has applied IFRS 9 retrospectively, with the initial application date of 1 January 2018.

Classification and measurement

Under IFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through other comprehensive income. The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The new classification and measurement of the Group's debt financial assets are, as follows:

- 1) Debt instruments at amortised cost for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. This category includes the Group's Trade and other receivables, and Loans due from employees included under Financial assets.
- 2) Financial assets measured at FVPL comprise financial assets which do not meet the criteria to be measured at amortized costs or at FVOCI. These financial assets comprise equity instruments which the Group had not irrevocably elected to classify as FVOCI. These categories include the Group's equity instruments of another entities included in financial assets.

The assessment of the Group's business models was made as of the date of initial application, 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The accounting for the Group's financial liabilities remains largely the same as it was under IAS 39.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the six months ended 30 June 2018

(in thousands of Ukrainian Hryvnia, unless otherwise indicated)

4. Changes in accounting policy (continued)

Impairment

The adoption of IFRS 9 has changed the Group’s accounting for impairment losses for financial assets by replacing IAS 39 incurred loss approach with a forward-looking expected credit loss approach. IFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at fair value through profit or loss.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset’s original effective interest rate.

The Group disaggregated financial assets based on common credit risk characteristics, such as financial instrument type, credit risk rating, debtor or issuer type, date of financial asset initial recognition, and established a provision based on the Group’s historic default percentage on adjusted for forward looking factors specific to the debtors and the economic environment.

For the trade receivables and contract assets, the Group has applied the standard’s simplified approach and has calculated expected credit losses based on lifetime expected credit losses.

The adoption of the standard did not have material impact on the Group’s interim condensed consolidated financial statements.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Considerations

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.

The amendment is effective for annual periods beginning on or after 1 January 2018 with early application permitted. The Group had always applied the abovementioned approach, thus this amendment didn’t have impact on the Group’s financial statements or accounting policies.

Amendments to IAS 40 Transfers of Investment Property

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management’s intentions for the use of a property does not provide evidence of a change in use. These amendments didn’t have any impact on the Group’s interim condensed consolidated financial statements.

Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The Group has no share-based payment transaction. Therefore, these amendments didn’t have any impact on the Group’s consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the six months ended 30 June 2018

(in thousands of Ukrainian Hryvnia, unless otherwise indicated)

4. Changes in accounting policy (continued)

Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

The amendments address concerns arising from implementing the new financial instruments standard, IFRS 9, before implementing IFRS 17 Insurance Contracts, which replaces IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach. These amendments are not relevant to the Group.

Amendments to IAS 28 Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice

The amendments clarify that an entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss.

If an entity, that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which: (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. These amendments do not have any impact on the Group's consolidated financial statements.

Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters

Short-term exemptions in paragraphs E3–E7 of IFRS 1 were deleted because they have now served their intended purpose. These amendments do not have any impact on the Group's consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**for the six months ended 30 June 2018***(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 2018</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	32,730,991	3,440,246	284,767	3,508,485	4,793	–	–	–	39,969,282
Inter-segment sales	–	–	–	4,218,630	909,537	–	(5,128,167)	–	–
Total revenues	32,730,991	3,440,246	284,767	7,727,115	914,330	–	(5,128,167)	–	39,969,282
Staff costs	(10,540,113)	(3,369,708)	(1,572,028)	(2,704,652)	(366,743)	(1,425,178)	–	–	(19,978,422)
Depreciation	(5,250,669)	(781,924)	(403,012)	(479,947)	(17,630)	(18,480)	–	–	(6,951,662)
Electricity	(2,919,643)	(757,774)	(430,688)	(4,524,535)	(31,753)	(1,929)	4,179,099	–	(4,487,223)
Fuel	(2,932,223)	(608,969)	(361,754)	(474,702)	(29,185)	(6,332)	–	–	(4,413,165)
Maintenance	(2,215,694)	(423,171)	(336,337)	(615,440)	(593,213)	(264,495)	949,068	–	(3,499,282)
Segment result	8,872,649	(2,501,300)	(2,819,052)	(1,072,161)	(124,194)	(1,716,414)	–	–	639,528
<i>For the six months 2017</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)	–	–
Total revenues	29,335,833	3,124,665	270,413	6,720,016	703,747	–	(4,443,706)	(438,499)	35,272,469
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)	(3,973,254)	(29,635)	(2,589)	3,706,649	–	(3,959,629)
Fuel	(2,333,761)	(468,934)	(295,956)	(389,176)	(28,277)	(5,375)	–	–	(3,521,479)
Maintenance	(1,634,639)	(400,036)	(240,889)	(205,365)	(506,380)	(299,754)	737,057	–	(2,550,006)
Segment result	9,153,885	(1,629,703)	(2,332,461)	(576,653)	(162,677)	(1,551,313)	–	(312,429)	2,588,649

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the six months ended 30 June 2018

(in thousands of Ukrainian Hryvnia, unless otherwise indicated)

5. Segment reporting (continued)

- (A) Inter-segment revenue are eliminated on consolidation.
 (B) For the six months ended 30 June 2018 and 2017, the Group aligned segment reporting with IFRS. The operating results of each operating segment did 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 2018	For the six months 2017
Settlements with foreign railways	–	(438,499)
Defined benefits obligation expenses	–	126,070
Total adjustments to segment result	–	(312,429)

Reconciliation of profit

	For the six months 2018	For the six months 2017
Segment results	2,355,942	4,452,391
Total adjustments due to differences in accounting policies adopted for management accounts and IFRS	–	(312,429)
Total unallocated amounts	(1,716,414)	(1,551,313)
Items not included in segment expenses		
Taxes, other than income tax	(500,829)	(897,506)
Change in provisions	(13,811)	(1,056,756)
Social expenses	(248,350)	(191,725)
Other income	520,680	1,074,220
Other expenses	(297,536)	(392,402)
Finance income	140,349	279,631
Finance costs	(1,831,599)	(2,017,728)
Foreign exchange gain, net	2,298,942	1,427,755
Share of (loss)/profit of associates	29,224	(207,109)
Group loss before tax	736,598	607,029

During the six months ended 30 June 2018, maintenance were included in segment expenses, which resulted in changes in presentation of comparative information for the six months ended 30 June 2017.

6. Property, plant and equipment

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 95,894,136 thousand as at 30 June 2018 (31 December 2017: UAH 98,640,070 thousand).

Acquisitions and disposals

During the six months ended 30 June 2018, the Group acquired assets with a cost of UAH 6,668,976 thousand (for the six months ended 30 June 2017: UAH 3,827,990 thousand). There were no disposals during the six months ended 30 June 2018 and six months ended 30 June 2017.

Capitalised depreciation charge

For the six months ended 30 June 2018, the Group capitalised UAH 108,206 thousand of depreciation charge into construction in progress (for the six months ended 30 June 2017: UAH 90,030 thousand).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the six months ended 30 June 2018

(in thousands of Ukrainian Hryvnia, unless otherwise indicated)

7. Equity

Charter capital

Since the date of registration of the Company to 30 June 2018 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.

In July 2017, the Company has registered its ownership for the corporate rights of PJSC “Transsignal Kyiv Electrical Engineering Plant” in the amount of UAH 103,481 thousand. Thus, the charter capital became fully contributed and in accordance with the respective Ukrainian legislation the issuance of the Company’s shares was registered on 7 September 2017.

Dividends to the State

Distribution of dividends by 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 declared and paid during the six months ended 30 June 2018 in the amount of UAH 33,159 thousand (six months ended 30 June 2017: were not declared and paid).

For the six months ended 30 June 2018 the subsidiaries of JSC “Ukrzaliznytsia” paid a portion of their net profit (dividends) in the amount of UAH 12,063 thousand directly to the state budget (the six months ended 30 June 2017: UAH 6,372 thousand).

8. Interest-bearing loans and borrowings

As at 30 June 2018 and 31 December 2017 interest-bearing loans and borrowings comprised:

	30 June 2018	31 December 2017
Interest-bearing bank loans	16,775,300	18,446,029
Eurobonds issued	13,576,896	14,583,106
Other borrowings	500,000	482,404
	<u>30,852,196</u>	<u>33,511,539</u>

As disclosed in Note 2 the Group recorded the liabilities of State Enterprise “Donetsk Railway” on its balance sheet with further division of the balances to controlled and uncontrolled parts. In 2016, majority of lenders of SE “Donetsk Railway” filed court suits with the purpose to recognise JSC “Ukrzaliznytsia” as a legal successor of the enterprise and recover the debt. In February 2017, some changes to the legislation on the Reorganisation were enacted providing moratorium on foreclosure of assets and enforcement of liabilities of SE “Donetsk Railway” until cessation of united forces operation and completion of legal succession proceedings (inventory of underlying assets and liabilities, their valuation and formal transfer and acceptance by the Company). The court decisions subsequent to the changes in the legislation ruled for non-recognition of the Group as a legal successor for loans and borrowings of State Enterprise “Donetsk Railway” based on the above considerations.

Since 1 January 2016, the Group ceased to recognise finance costs and foreign exchange losses related to the above loans and borrowings and as at 31 December 2017, reclassified them into liabilities of uncontrolled territories (Note 2). As such, as at 30 June 2018 (and 31 December 2017), the liabilities of uncontrolled territories comprised interest-bearing loans and borrowings denominated in the United States dollars in the amount of USD 116,340 thousand with a fixed interest rate of 10.65% - 12.0% per annum, and interest-bearing loans and borrowings denominated in Hryvnia in the amount of UAH 932,725 thousand with a fixed interest rate of 17.4% - 18.0%.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the six months ended 30 June 2018

(in thousands of Ukrainian Hryvnia, unless otherwise indicated)

8. Interest-bearing loans and borrowings (continued)

As at 30 June 2018 and 31 December 2017, effective interest rates and currency split for borrowings were as follows:

	<i>Interest rate</i>	<i>30 June 2018</i>	<i>Interest rate</i>	<i>31 December 2017</i>
USD				
Floating rate	LIBOR 6m + 1% - 6%	3,203,575	LIBOR 6m + 1% - 6%	4,132,705
Fixed rate	9.9%-12%	25,417,506	9.9%-12%	27,507,731
		<u>28,621,081</u>		<u>31,640,436</u>
EUR				
Floating rate	EURIBOR 6m + 0.3%	1,504,277	EURIBOR 6m + 0.3%	1,172,340
		<u>1,504,277</u>		<u>1,172,340</u>
UAH				
Fixed rate	18.9%-20.75%	726,838	18.9%-20.75%	698,763
		<u>726,838</u>		<u>698,763</u>
Total interest-bearing loans and borrowings		30,852,196		33,511,539
Less: current portion		<u>(14,414,238)</u>		<u>(10,890,635)</u>
Interest-bearing loans and borrowings, non-current		<u>16,437,958</u>		<u>22,620,904</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.

As at 30 June 2018, loans and borrowings with the carrying amount of UAH 4,920,430 thousand (31 December 2017: UAH 4,493,811 thousand) were in default. This resulted in a cross-default and the lenders became entitled to request accelerated repayment of other loans with carrying value of UAH 3,646,938 thousand as at 30 June 2018 (31 December 2017: UAH 3,926,119 thousand). Pursuant to the requirements of IAS 1 Presentation of Financial Statements the non-current portion of loans in cross-default in the amount of UAH 2,779,219 thousand was reported within current liabilities as at 30 June 2018 (31 December 2017: UAH 3,003,375 thousand). Management expects to complete the restructuring negotiations and rectify the above breaches in the near future.

As at 30 June 2018, undrawn loan facilities available to the Group were of UAH 1,500,000 thousand (31 December 2017: UAH 6,548,251 thousand). Following the breaches of undertakings 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 1,683,408 thousand as at 30 June 2018 (31 December 2017: UAH 7,218,160 thousand).

As at 30 June 2018 and 31 December 2017 interest-bearing loans and borrowings were secured as follows:

	<i>30 June 2018</i>	<i>31 December 2017</i>
Type of collateral		
Property, plant and equipment	234,877	239,726
Inventories	111,251	111,251
Proceeds from future revenue	19,803,662	18,042,411
Guarantees issued by the State of Ukraine	4,313,540	4,813,240

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the six months ended 30 June 2018

(in thousands of Ukrainian Hryvnia, unless otherwise indicated)

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 7 years. As at 30 June 2018 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 2018 and 30 June 2017, the Group did not acquire additional assets under finance lease agreement.

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 2018</i>	<i>31 December 2017</i>	<i>30 June 2018</i>	<i>31 December 2017</i>
Amounts payable under finance leases				
Within one year	489,275	654,892	464,738	605,292
After one year but not more than five years	41,591	129,197	36,697	116,087
Total minimum lease payments	530,866	784,089	501,435	721,379
Less: future finance charges	(29,431)	(62,710)	–	–
Present value of minimum lease payments	501,435	721,379	501,435	721,379
Classified as:				
Current	464,738	605,292	464,738	605,292
Non-current	36,697	116,087	36,697	116,087

In February 2018, the Group entered into a finance lease agreement with a Ukrainian state-owned bank JSC “Ukreximbank” for lease of 30 diesel locomotives produced by General Electric Company (USA). The amount of the agreement is USD 140,400 thousand (including VAT), interest rate is 17%, lease term ends in February 2026. The locomotives will be supplied to the Group in installments during November 2018 – February 2019. At the inception of the lease in February 2018, the Group prepaid the lessor 30% of the amount of agreement and recorded respective amount of UAH 1,129,048 thousand within prepayments for property, plant and equipment. In addition to the prepayment the Group is required to pay the lessor the interest on remaining 70% from inception of the lease till commencement of the lease. The lessor invoiced UAH 153,961 thousand of interest for the period from inception of the lease to 30 June 2018, unpaid interest in the amount of UAH 44,172 thousand was included in trade and other payables as at 30 June 2018.

10. Provisions

Movement in the provisions was as follows:

At 31 December 2017	1,288,789
Accrued during the period	13,811
Amounts used	(54)
Foreign exchange difference	(53,002)
At 30 June 2018	1,249,544

The Group’s provisions mostly consists of provision for litigations. 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the six months ended 30 June 2018

(in thousands of Ukrainian Hryvnia, unless otherwise indicated)

11. Revenues

Revenue from contracts with customers for the six months ended 30 June 2018 comprised the following:

<i>Segments</i>	<i>Cargo</i>	<i>Long-distance passenger</i>	<i>Suburban passenger</i>	<i>Auxiliary activity</i>	<i>All other segments</i>	<i>Total</i>
Cargo revenues	32,730,991	–	–	–	–	32,730,991
Passenger revenues	–	3,440,246	284,767	–	–	3,725,013
Other revenues	–	–	–	3,508,485	4,793	3,513,278
Total revenue from contracts with customers	32,730,991	3,440,246	284,767	3,508,485	4,793	39,969,282
Timing of revenue recognition						
At a point in time	–	–	–	1,191,880	–	1,191,880
Over time	32,730,991	3,440,246	284,767	2,316,605	4,793	38,777,402
Total revenue from contracts with customers	32,730,991	3,440,246	284,767	3,508,485	4,793	39,969,282

Revenue from contracts with customers for the six months ended 30 June 2017 comprised the following:

<i>Segments</i>	<i>Cargo</i>	<i>Long-distance passenger</i>	<i>Suburban passenger</i>	<i>Auxiliary activity</i>	<i>All other segments</i>	<i>Total</i>
Cargo revenues	28,987,593	–	–	–	–	28,987,593
Passenger revenues	–	3,121,653	270,413	–	–	3,392,066
Other revenues	–	–	–	2,886,213	6,597	2,892,810
Total revenue from contracts with customers	28,987,593	3,121,653	270,413	2,886,213	6,597	35,272,469
Timing of revenue recognition						
At a point in time	–	–	–	1,000,396	–	1,000,396
Over time	28,987,593	3,121,653	270,413	1,885,817	6,597	34,272,073
Total revenue from contracts with customers	28,987,593	3,121,653	270,413	2,886,213	6,597	35,272,469

12. 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 of the accrual for bonuses related to the portion of accrual made as at 31 December 2016, which were not realised due to change in estimates regarding the actual amount of the bonuses.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the six months ended 30 June 2018

(in thousands of Ukrainian Hryvnia, unless otherwise indicated)

13. Income tax

The components of income tax expense were as follows:

	<i>For the six months 2018</i>	<i>For the six months 2017</i>
Current income tax charge	271,804	384,516
Adjustments in respect of current income tax charges	280	–
Deferred income tax expense/(benefit)	(3,848)	99,999
Income tax expense	268,236	484,515

During the six months ended 30 June 2018, the statutory income tax rate in Ukraine was 18% (during the six months ended 30 June 2017: 18%).

14. Contingencies and commitments

Tax matters

The Group carries out most of its transactions in Ukraine and therefore has to comply with the requirements of Ukrainian tax law. Ukrainian legislation and regulations regarding taxation and other operational matters, including currency exchange control and custom regulations, continue to evolve. Legislation and regulations are not always clearly written and are subject to varying interpretations by local and national authorities, and other governmental bodies. Instances of inconsistent interpretations are not unusual. Management believes that its interpretation of the relevant legislation is appropriate and that the Group has complied with all regulations, and paid or accrued all taxes and withholdings that are applicable.

Management believes that there are strong arguments to successfully defend any such challenge and does not believe that the risk is any more significant than those of similar enterprises in Ukraine. When it is not considered probable that a material claim will arise, no provision has been established in these financial statements.

14. 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 2018 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 1,882,313 thousand, including additional charges and penalties (31 December 2017: UAH 2,860,911 thousand). As at 30 June 2018 the Group's possible exposure to the ascertained third parties' claims was UAH 846,369 thousand (31 December 2017: UAH 752,968 thousand).

Management believes that the Group's position in the litigations stated above has sustainable legal merits, and therefore the ultimate resolution of these litigations will not have an adverse effect on the Group's financial position, or the results of its future operations, accordingly, no corresponding provisions were recognised in these 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 2018 the Group's outstanding commitment in respect of purchase of property and equipment amounted to UAH 3,589,055 thousand (31 December 2017: UAH 3,701,998 thousand).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the six months ended 30 June 2018

(in thousands of Ukrainian Hryvnia, unless otherwise indicated)

15. 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:

	<i>Fair value</i>		<i>Carrying value</i>	
	<i>30 June 2018</i>	<i>31 December 2017</i>	<i>30 June 2018</i>	<i>31 December 2017</i>
Financial assets				
Trade and other receivables	972,889	879,122	972,889	879,122
Other financial assets	93,135	93,247	93,135	93,247
Cash and cash equivalents	1,539,083	5,188,988	1,539,083	5,188,988
Financial liabilities				
Interest-bearing loans and borrowings	30,612,133	33,884,246	30,852,196	33,511,539
Finance lease liability	475,370	721,379	501,435	721,379
Trade and other payables	6,720,752	7,791,010	6,720,752	7,791,010

In assessing the fair value of financial instruments, the Group uses a variety of methods and makes assumptions based on market conditions existing at the end of the reporting period. Quoted market prices or dealer quotes for the specific or similar instruments or the discounted value of future cash flows are used for financial assets. The fair value of unquoted instruments, other financial assets, interest bearing loans and borrowings, finance lease liability is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

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 as at 30 June 2018 and 31 December 2017 as follows:

<i>30 June 2018</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Financial assets carried at amortised cost				
Trade and other receivables	–	–	972,889	972,889
Financial liabilities carried at amortised cost				
Interest-bearing loans and borrowings	13,336,835	–	17,275,298	30,612,133
Finance lease liability	–	–	475,370	475,370
Trade and other payables	–	–	6,720,752	6,720,752
<i>31 December 2017</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Financial assets carried at amortised cost				
Trade and other receivables	–	–	879,122	879,122
Financial liabilities carried at amortised cost				
Interest-bearing loans and borrowings	14,953,936	–	18,930,310	33,884,246
Finance lease liability	–	–	721,379	721,379
Trade and other payables	–	–	7,791,010	7,791,010

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 2018.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the six months ended 30 June 2018

(in thousands of Ukrainian Hryvnia, unless otherwise indicated)

16. Related party disclosure

The outstanding balances and transaction with related parties comprised:

	30 June 2018	31 December 2017
Entities under common control of the State		
Prepayments for property, plant and equipment	2,888	2,712
Trade and other receivables	147,928	24,977
Prepayments, other than dividends	117,904	140,119
Cash and cash equivalents	1,370,355	5,080,382
Trade and other payables, other than dividends	26,953	8,501
Contract liabilities	49,208	—
Advances received	—	31,166
Interest-bearing loans and borrowings	40,083	238,506
Associate		
Finance lease liability	190,349	336,274
	<i>For the six months 2018</i>	<i>For the six months 2017</i>
Entities under common control of the State		
Cargo revenues	2,320,313	231,155
Electricity	4,487,223	3,959,629
Maintenance	40,390	8,569
Finance income	137,717	206,277
Finance costs	20,537	6,833
Other expenses	36,002	13,331
Associate		
Finance costs	7,091	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.

Guarantees issued by the State of Ukraine

As at 30 June 2018, the Group's interest bearing loans with carrying value of UAH 4,313,540 thousand (31 December 2017: UAH 4,813,240 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 7 members, respectively. For the six months ended 30 June 2018 and 2017, total compensation which mostly included payroll and payroll related taxes amounted to UAH 21,148 thousand and UAH 17,500 thousand, respectively. No compensation for the members of the Supervisory Board was accrued for six month 2018. In 2017, the members of the Supervisory Board were not entitled to compensation.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the six months ended 30 June 2018

(in thousands of Ukrainian Hryvnia, unless otherwise indicated)

16. Related party disclosure (continued)

Dividends to the State

The information on dividends to the State is provided in Note 7.

Government subsidies

The Group receives subsidies from the State for carriage of certain categories of preferential passengers. During the six months ended 30 June 2018 such subsidies of UAH 31,630 thousand (six months ended 30 June 2017: UAH 30,615 thousand) were included into passenger revenues.

Supplementary financial information

BALANCE SHEET
as at 30 June 2018

Entity: JSC "Ukrzaliznytsia"
Location: Ukraine
Ownership: Public Joint Stock Company
Type of activity: Freight railroad transport
Average quantity of employees: 268,167
Address, telephone: 03150, Kyiv, Tverska Str., phone 465-05-52

Date (year, month, date)
Per EDRPOU
Per KOATUU
Per KOPFG
Per KVED

2018 06 30
40075815
8038200000
230
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

1801001

Assets	Line code	As at 31 December 2017	As at 30 June 2018
1	2	3	4
I. Non-current assets			
Intangible assets:	1000	45,809,551	45,796,955
historical cost	1001	45,966,150	45,973,034
accumulated amortization	1002	(156,599)	(176,079)
Capital investments in progress	1005	7,065,043	9,888,648
Property, plant and equipment:	1010	182,867,268	179,767,823
historical cost	1011	447,634,905	451,496,604
accumulated depreciation	1012	(264,767,637)	(271,728,781)
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	632,366	661,590
other financial investments	1035	73,546	73,546
Non-current receivables	1040	19,691	19,589
Deferred tax assets	1045	376,484	383,009
Other non-current assets	1090	12,234,801	12,217,023
Total section I	1095	249,078,750	248,808,183
II. Current assets			
Inventories:	1100	8,417,920	8,691,795
production inventories	1101	7,522,255	7,694,846
work in progress	1102	253,564	316,443
finished goods	1103	629,925	670,956
commodities	1104	12,176	9,550
Current biological assets	1110	–	–
Accounts receivable for goods, works and services	1125	461,606	496,414
Accounts receivable on settlements:			
on prepayments made	1130	203,999	162,781
with budget	1135	230,980	137,463
including income tax	1136	215,737	93,023
Accounts receivable on intercompany settlements	1145	–	–
Other current accounts receivable	1155	398,082	452,193
Current financial investments	1160	–	–
Cash and cash equivalents:	1165	5,188,988	1,539,083
cash in hand	1166	812	1,121
cash at banks	1167	5,136,880	1,392,340
Deferred expenses	1170	18,985	23,358
Other current assets	1190	445,353	366,979
Total section II	1195	15,365,913	11,870,066
III. Assets classified as held for distribution	1200	–	–
Balance	1300	264,444,663	260,678,249

Supplementary financial information

Liabilities and equity	Line code	As at 31 December 2017	As at 30 June 2018
1	2	3	4
I. Equity			
Share capital	1400	229,879,115	229,879,115
Capital in revaluation	1405	–	–
Additional capital	1410	18,899,383	18,899,383
Reserve fund	1415	–	–
Retained earnings (accumulated deficit)	1420	(38,006,503)	(37,583,288)
Unpaid capital	1425	–	–
Treasury shares	1430	–	–
Non-controlling interests	1490	4,983	4,815
Total section I	1495	210,776,978	211,200,025
II. Non-current liabilities and provisions			
Deferred tax liabilities	1500	24,772	27,449
Non-current bank loans	1510	8,445,213	7,176,595
Other non-current liabilities	1515	19,270,500	14,280,503
Other non-current provisions	1520	2,232,420	2,228,106
Non-current provisions for staff expenses	1521	2,232,420	2,228,106
Special purpose financing	1525	11,409	10,984
Total section II	1595	29,984,314	23,723,637
III. Current liabilities and provisions			
Short-term bank loans	1600	–	–
Current liabilities for:			
current portion of non-current liabilities	1610	10,749,315	13,939,810
for goods, works and services	1615	4,103,338	2,155,882
with budget	1620	641,015	892,797
with Income tax	1621	630	34
social insurance	1625	364,457	379,357
wages	1630	1,361,350	1,413,429
Current liabilities on advances received	1635	2,433,130	1,660,281
Current liabilities on intercompany settlements	1645	–	–
Other provisions	1660	2,982,525	3,565,117
Deferred income	1665	26,517	50,744
Other current liabilities	1690	1,021,724	1,697,170
Total section III	1695	23,683,371	25,754,587
IV. Liabilities directly associated with the assets classified as held for distribution	1700	–	–
Balance	1900	264,444,663	260,678,249

Supplementary financial information

Entity: JSC "Ukrzaliznytsia"

Date (year, month, date)
per EDRPOU

CODE		
2018	06	30
40075815		

STATEMENT OF FINANCIAL RESULTS (STATEMENT OF COMPREHENSIVE INCOME)
for the six months ended 30 June 2018

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	39,969,282	35,272,469
Cost of goods (merchandise, works, services) sold	2050	(38,544,528)	(32,362,905)
Gross:			
Profit	2090	1,424,754	2,909,564
Loss	2095	–	–
Other operating income	2120	2,740,506	2,683,463
Administrative expenses	2130	(362,601)	(550,434)
Selling expenses	2150	(64,551)	(66,089)
Other operating expenses	2180	(1,336,220)	(2,171,344)
Financial results from operating activities:			
Profit	2190	2,401,888	2,805,160
Loss	2195	–	–
Income from investments accounted for under the equity method	2200	31,859	5
Other finance income	2220	140,349	65,552
Other income	2240	81,023	60,635
Finance costs	2250	(1,831,599)	(2,017,728)
Losses from investments accounted for under the equity method	2255	(2,635)	(207,114)
Other expenses	2270	(84,287)	(99,481)
Financial results before taxation:			
Profit	2290	736,598	607,029
Loss	2295	–	–
Income tax expense	2300	(268,236)	(484,515)
Income (loss) from discontinued operations after tax	2305	–	–
Net financial result:			
Profit	2350	468,362	122,514
Equity holder of the parent	2351	468,437	122,514
Non-controlling interests	2352	(75)	–
Loss	2355	–	–

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	–	–
Other comprehensive income before tax	2450	–	–
Income tax related to other comprehensive income	2455	–	–
Other comprehensive income after tax	2460	–	–
Comprehensive profit/(loss) (sum lines 2350, 2355 and 2460)	2465	468,362	122,514

III. ELEMENTS OF OPERATING EXPENSES

Description	Line code	For the reporting period	For the previous period
1	2	3	4
Cost of materials	2500	11,778,305	9,737,035
Labour costs	2505	16,534,514	11,537,201
Social security charges	2510	3,443,908	2,562,668
Depreciation and amortization	2515	6,951,662	7,686,497
Other operating expenses	2520	1,090,576	2,573,061
Total	2550	39,798,965	34,096,462

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	229,879,115	–
Adjusted annual average number of ordinary shares	2605	229,879,115	–
Net income per ordinary share	2610	2.04	–
Adjusted net income per ordinary share	2615	2.04	–
Dividends per ordinary share	2650	–	–

Supplementary financial information

Entity: JSC "Ukrzaliznytsia"

Date (year, month, date)
per EDRPOU

CODE		
2018	06	30
40075815		

STATEMENT OF CASH FLOWS (INDIRECT METHOD)
for the six months ended 30 June 2018

Description 1	Line code 2	Form # 3 DKUD code 1801001			
		For the reporting period		For the previous period	
		Proceeds 3	Expense 4	Proceeds 3	Expense 4
I. Cash flows from operating activities					
Profit (loss) from ordinary activities before tax	3500	736,598	–	607,029	–
Corrections on:					
depreciation of fixed assets	3505	6,951,662	–	7,686,497	–
increase (decrease) in provisions	3510	–	150,614	705,302	–
loss (profit) on unrealized exchange differences	3515	–	2,273,168	–	3,039
loss (profit) from non-operating activities and other non-cash transactions	3520	–	11,871	180,403	–
Financial expenses	3540	1,691,250	–	2,017,728	–
Decrease (increase) in current assets	3550	–	247,575	–	181,355
Increase (decrease) in inventories	3551	–	273,875	–	652,348
Decrease (increase) in accounts receivable for products, goods, works, services	3553	–	34,808	–	193,602
decrease (increase) in other current receivables	3554	–	12,893	742,935	–
decrease (increase) in future periods expenditures	3556	–	4,373	–	792
decrease (increase) in other current assets	3557	78,374	–	–	77,548
Increase (decrease) in current liabilities, including:	3560	–	793,699	–	2,310,594
increase (decrease) in current accounts payable for goods and services	3561	–	1,302,623	–	1,545,026
increase (decrease) in current budget settlements	3562	222,951	–	575,910	–
increase (decrease) in current insurance settlements	3563	14,900	–	37,791	–
increase (decrease) in current salary settlements	3564	52,079	–	96,723	–
increase (decrease) in future periods income	3566	24,227	–	6,678	–
Increase (decrease) in other current payables	3567	194,767	–	–	1,482,670
Cash from operating activities	3570	5,902,583	–	8,701,971	–
Income tax paid	3580	–	149,736	–	116,182
Borrowings interest paid	3585	–	–	–	1,745,790
Net cash flow from operating activities	3195	5,752,847	–	6,839,999	–
II. Cash flows from investing activities					
Proceeds from sale of:					
financial investments	3200	–	–	–	–
Fixed assets	3205	–	–	–	–
Proceeds from received:					
interests	3215	–	–	226,007	–
dividends	3220	–	–	7,988	–
proceeds from derivatives	3225	–	–	–	–
other proceeds	3250	136,276	–	–	–
Payments on acquisition:					
financial investments	3255	–	–	–	–
fixed assets	3260	–	3,304,400	–	2,622,328
payments for derivatives	3270	–	–	–	–
other payments	3290	–	3,868,583	–	1,772,061
Net cash flows from investing activities	3295	–	7,036,707	–	4,160,394
III. Cash flows from financing activities					
Proceeds from share capital	3300	–	–	–	–
Proceeds from borrowings	3305	5,250,474	–	–	–
Other proceeds	3340	–	–	–	–
Payments for:					
own securities	3345	–	–	–	–
repayment of borrowings	3350	–	5,901,763	–	2,222,800
dividends paid	3355	–	45,315	–	–
Borrowings interest paid	3360	–	1,227,333	–	–
Finance lease interests paid	3365	–	219,977	–	251,615
Other payments	3390	–	207,760	–	61
Net cash flows from financing activities	3395	–	2,351,674	–	2,474,476
Net (decrease)/increase in cash and cash equivalents	3400	–	3,635,534	205,129	–
Cash balance at the beginning of the year	3405	5,188,988	–	6,419,746	–
Net foreign exchange difference	3410	–	14,371	3,039	–
Cash balance at the end of the year	3415	1,539,083	–	6,627,914	–

Supplementary financial information

Entity: JSC "Ukrzaliznytsia"

Date (year, month, date)
per EDRPOU

CODE		
2018	06	30
40075815		

STATEMENT OF CHANGES IN EQUITY
for the six months ended 30 June 2018

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
Balance at the beginning of the year	4000	229,879,115	–	18,899,383	–	(38,006,503)	–	–	210,771,995	4,983	210,776,978
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	–	18,899,383	–	(38,006,503)	–	–	210,771,995	4,983	210,776,978
Net profit (loss) for the reporting period	4100	–	–	–	–	468,437	–	–	468,437	(75)	468,362
Other comprehensive income for the current period including	4110	–	–	–	–	–	–	–	–	–	–
Revaluation (disposal) of fixed assets	4111	–	–	–	–	–	–	–	–	–	–
Other comprehensive income	4116	–	–	–	–	–	–	–	–	–	–
Distribution of profit:											
Payments to shareholders (dividends)	4200	–	–	–	–	(45,222)	–	–	(45,222)	(93)	(45,315)
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	–	–	–	–	–	–	–	–	–	–
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	–	–	–	–	–	–	–	–	–	–
Total changes in equity	4295	–	–	–	–	423,215	–	–	423,215	(168)	423,047
Balance at the end of the period	4300	229,879,115	–	18,899,383	–	(37,583,288)	–	–	211,195,210	4,815	211,200,025