

**Joint stock company
“Ukrainian railways”**

Unaudited interim condensed consolidated
financial statements

As at 30 June 2020

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REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of joint stock company "Ukrainian railways" and its subsidiaries (collectively referred to as "the Group"), which comprise the interim consolidated statement of financial position as at 30 June 2020, the interim consolidated statement of comprehensive income, the interim consolidated statement of changes in equity and the interim consolidated statement of cash flows 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 uncontrolled territories of UAH 13,660,932 thousand and liabilities of uncontrolled territories of UAH 5,207,728 thousand as at 30 June 2020 (31 December 2019: UAH 13,661,086 thousand and UAH 5,207,728 thousand, respectively) disclosed in Note 2 to the interim condensed consolidated financial statements.

- (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 2020 and 31 December 2019, depreciation and impairment charges and deferred tax charges for the six-month periods ended 30 June 2020 and 2019 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.


Kyiv, Ukraine
15 October 2020 

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

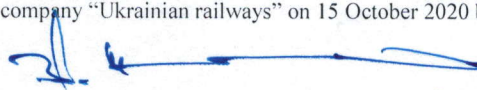
as at 30 June 2020

(in thousands of Ukrainian Hryvnia)

	Notes	30 June 2020 (unaudited)	31 December 2019 (audited)
Assets			
Non-current assets			
Property, plant and equipment	6	230,383,793	234,555,159
Investment in associates		708,635	737,122
Financial assets		87,340	84,326
Taxes receivable, other than income tax		163,972	164,064
Prepaid income tax		58,445	70,661
Deferred tax asset		167,287	129,813
Assets of uncontrolled territories	2	13,660,932	13,661,086
		<u>245,230,404</u>	<u>249,402,231</u>
Current assets			
Inventories		8,257,596	9,129,068
Trade and other receivables		851,522	656,540
Prepayments		170,057	332,981
Prepaid income tax		114,663	113,272
Taxes receivable, other than income tax		254,696	379,881
Financial assets		—	2,014,715
Cash and cash equivalents		3,546,653	6,981,236
		<u>13,195,187</u>	<u>19,607,693</u>
Total assets		<u>258,425,591</u>	<u>269,009,924</u>
Equity and liabilities			
Equity			
Contributed capital	7	229,879,115	229,879,115
Additional capital	7	18,905,984	18,906,066
Accumulated deficit		(45,797,367)	(36,999,362)
		<u>202,987,732</u>	<u>211,785,819</u>
Non-controlling interests	7	28,032	30,384
		<u>203,015,764</u>	<u>211,816,203</u>
Non-current liabilities			
Interest-bearing loans and borrowings	8	18,991,312	18,149,798
Lease liability	9	1,736,135	1,931,848
Defined benefit liability		3,174,944	3,186,892
Deferred tax liability		19,630	19,630
Liabilities of uncontrolled territories	2	5,207,728	5,207,728
		<u>29,129,749</u>	<u>28,495,896</u>
Current liabilities			
Interest-bearing loans and borrowings	8	15,574,577	14,498,640
Lease liability	9	432,348	434,396
Trade and other payables		6,682,988	9,714,077
Contract liabilities		1,091,126	1,936,973
Income tax payable		1,890	7,857
Taxes payable, other than income tax		1,195,863	888,779
Provisions	10	1,301,286	1,217,103
		<u>26,280,078</u>	<u>28,697,825</u>
Total liabilities		<u>55,409,827</u>	<u>57,193,721</u>
Total equity and liabilities		<u>258,425,591</u>	<u>269,009,924</u>

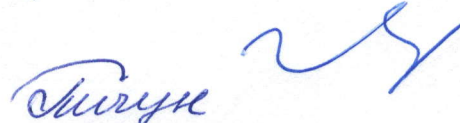
Signed and authorised for release on behalf of joint stock company "Ukrainian railways" on 15 October 2020 by:

Chairman of the Management Board



Volodymyr Zhmak

Member of the Management Board



Ivan Yuryk

Chief Accountant



Tamara Ryabchun

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2020

(in thousands of Ukrainian Hryvnia)

		For the six months 2020 (unaudited)	For the six months 2019 (unaudited)
	Notes		
Revenues			
Cargo revenues		30,653,071	36,065,647
Passenger revenues		1,912,378	4,395,986
Other revenues		3,057,837	3,745,778
Total revenues	11	35,623,286	44,207,411
Operating expenses			
Staff costs		(20,767,695)	(21,663,168)
Depreciation		(6,597,225)	(5,729,331)
Electricity		(3,511,123)	(4,495,993)
Fuel		(2,768,165)	(4,377,770)
Materials, maintenance and repairs		(2,997,214)	(2,894,661)
Taxes, other than income tax		(1,829,778)	(2,146,275)
Change in provisions	10	(29,639)	(96,102)
Change in finished goods and work in progress		77,907	138,360
Social expenses		(186,928)	(351,150)
Other operating income		302,710	442,446
Other operating expenses		(929,251)	(1,401,440)
Total operating expenses		(39,236,401)	(42,575,084)
Operating profit / (loss)		(3,613,115)	1,632,327
Finance income		108,645	74,081
Finance costs		(2,029,188)	(1,869,418)
Other income		146,089	38,736
Other expenses		(15)	(13,962)
Foreign exchange gain / (loss), net		(3,414,120)	1,677,242
Share of profit / (loss) of an associates		(24,312)	52,862
Profit / (loss) before income tax		(8,826,016)	1,591,868
Income tax expense	12	34,001	(526,831)
Profit / (loss) for the period		(8,792,015)	1,065,037
Attributable to:			
Equity holder of the parent		(8,789,813)	1,065,046
Non-controlling interests		(2,202)	(9)
		(8,792,015)	1,065,037
Other comprehensive loss			
<i>Other comprehensive loss not to be reclassified to profit or loss in subsequent periods (net of tax)</i>			
Share of other comprehensive loss of associates		(4,175)	—
Other comprehensive loss for the period		—	(18,055)
Total comprehensive loss for the period, net of tax		(4,175)	(18,055)
Attributable to:			
Equity holder of the parent		(8,793,988)	1,046,991
Non-controlling interests		(2,202)	(9)
Total comprehensive income / (loss) for the period, net of tax		(8,796,190)	1,046,982

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2020

(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>
At 1 January 2020 (audited)		229,879,115	18,906,066	(36,999,362)	211,785,819	30,384	211,816,203
Loss for the period		–	–	(8,789,813)	(8,789,813)	(2,202)	(8,792,015)
Other comprehensive loss		–	–	(4,175)	(4,175)	–	(4,175)
Total comprehensive loss		–	–	(8,793,988)	(8,793,988)	(2,202)	(8,796,190)
Dividends	7	–	–	(4,099)	(4,099)	–	(4,099)
Dividends accrued to non-controlling interests		–	–	–	–	(150)	(150)
Other changes		–	(82)	82	–	–	–
At 30 June 2020 (unaudited)		<u>229,879,115</u>	<u>18,905,984</u>	<u>(45,797,367)</u>	<u>202,987,732</u>	<u>28,032</u>	<u>203,015,764</u>

for the six months ended 30 June 2019

(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>
At 1 January 2019 (audited)		229,879,115	18,894,521	(38,660,688)	210,112,948	4,978	210,117,926
Profit for the period		–	–	1,065,046	1,065,046	(9)	1,065,037
Other comprehensive loss		–	–	(18,055)	(18,055)	–	(18,055)
Total comprehensive income		–	–	1,046,991	1,046,991	(9)	1,046,982
Dividends	7	–	–	(3,548)	(3,548)	–	(3,548)
Dividends accrued to non-controlling interests		–	–	–	–	(65)	(65)
Acquisition of a subsidiary		–	–	–	–	25,793	25,793
Other changes		–	(95)	(3,482)	(3,577)	–	(3,577)
At 30 June 2019 (unaudited)		<u>229,879,115</u>	<u>18,894,426</u>	<u>(37,620,727)</u>	<u>211,152,814</u>	<u>30,697</u>	<u>211,183,511</u>

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**for the six months ended 30 June 2020***(in thousands of Ukrainian Hryvnia)*

		<i>For the six months 2020 (unaudited)</i>	<i>For the six months 2019 (unaudited)</i>
	<i>Notes</i>		
Cash flows from operating activities			
Profit / (loss) before income tax		(8,826,016)	1,591,868
<i>Adjustments to reconcile profit before income tax to net cash flow provided by operations</i>			
Depreciation		6,597,225	5,729,331
Finance costs, net		1,920,543	1,795,337
(Income) / loss from disposal of property, plant and equipment		(123,935)	12,877
Movements in defined benefit liability and provisions		(168,789)	(111,104)
Allowance for estimated irrecoverable amounts		112,665	1,281,226
Unrealised foreign exchange (gain) / loss, net		3,114,372	(1,672,132)
Share in (profit) / loss of associates		24,312	(52,862)
Operating profit before working capital changes		2,650,377	8,574,541
<i>Changes in working capital</i>			
Trade and other receivables		(317,406)	(560,431)
Prepayments		162,924	68,344
Inventories		1,290,880	1,024,948
Taxes receivable and prepaid, other than income tax		141,352	222,827
Trade and other payables		(1,892,541)	(765,061)
Contract liabilities		(845,847)	(376,619)
Taxes payable, other than income tax		307,309	909,487
Cash generated from operating activity		1,497,048	9,098,036
Income tax paid		(14,690)	(225,180)
Repayment of provisions	10	(31,850)	(3,278)
Net cash flows from operating activities		1,450,508	8,869,578
Cash flows from investing activities			
Acquisition of property, plant and equipment		(3,425,144)	(3,852,666)
Proceeds from disposal of property, plant and equipment		21,125	–
Proceeds from deposits		2,186,701	–
Interest received		118,670	71,984
Net cash flows used in investing activities		(1,098,648)	(3,780,682)
Cash flows from financing activities			
Proceeds from interest-bearing loans and borrowings		10,926,624	15,373,600
Repayment of interest-bearing loans and borrowings		(13,239,724)	(17,639,795)
Repayment of lease obligations		(197,103)	(225,254)
Interest paid		(1,566,011)	(1,562,630)
Dividends paid to equity holders of the parent	7	(9,915)	(111,686)
Dividends paid to non-controlling interests		(62)	(52)
Net cash flows used in financing activities		(4,086,191)	(4,165,817)
Net increase/(decrease) in cash and cash equivalents		(3,734,331)	923,079
Acquisition of a subsidiary		–	31,669
Net foreign exchange difference		299,748	(5,110)
Cash and cash equivalents at 1 January		6,981,236	1,251,826
Cash and cash equivalents at 30 June		3,546,653	2,201,464

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 2020

(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

Joint stock company “Ukrainian railways” (JSC “Ukrainian railways” or “the Company”) is a private joint stock company organised under the laws of Ukraine. Prior to 31 October 2018, the Company’s name was Public joint stock company “Ukrainian railways”, which was registered on 21 October 2015. The Company was created as a result of reorganisation through merger of public service railway enterprises and institutions (“the Reorganisation”) and started economic activities since 1 December 2015. All assets and liabilities of entities previously subordinated to and effectively controlled by State Administration of Railway Transport of Ukraine were transferred to the Company.

The interim condensed consolidated financial statements include financial statements of JSC “Ukrainian railways” and its subsidiaries (together – “The Group”). The list of entities included in the Group is presented further.

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

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

Corporate information

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

The registered address of JSC “Ukrainian railways” is 5, Jerzy Giedroyc St., Kyiv 03150, Ukraine.

Entities included in the interim condensed consolidated financial statements

Below is presented the information on the entities financial statements of which are included in the interim condensed consolidated financial statements:

	Share as at 30 June 2020	Share as at 31 December 2019
1 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 “Transsignal Kyiv Electrical Engineering Plant”	100%	100%
9 LLC “UZ Cargo Wagon”	100%	100%
10 LLC “Enerho Zbut Trans”	100%	100%
11 Private joint-stock company “Insurance Company “Tast Garantiya”	65.62%	65.62%
12 Private joint-stock company “Insurance Company “Inter-Policy”	50.0046%	50.0046%

JSC “Ukrainian railways” comprises six regional branches and 31 other branches included in the interim condensed consolidated financial statements. The Company continues its internal reorganisation and forms its target organisational structure through segregation of market-oriented branches.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the six months ended 30 June 2020

(in thousands of Ukrainian Hryvnia, unless otherwise indicated)

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

Pricing policy

Cargo and passenger railway transportation in Ukraine is regulated by government prices and some services, that connected with transportation are provided with free market prices. At the same time JSC “Ukrainian railways” in the course of its business activity provides a wide range of auxiliary services and works, manufactures and sells products at unregulated prices. Cargo and passenger transportation is subject to the following tariffs regulations:

Tariffs for domestic cargo transportation – approved by the Ministry of Infrastructure of Ukraine as agreed with the Ministry for Development of Economy, Trade and Agriculture of Ukraine and the Ministry of Finance of Ukraine (except carriage part of tariff for carriages that belong to shipping company JSC “Ukrainian railways” from 19 February 2018). The tariffs for carriages that belong to shipping company JSC “Ukrainian railways” 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.

For the six months ended 30 June 2020, tariffs for domestic, export and import cargo services did not change. During the six months ended 30 June 2019, tariffs have been increased on 14.2% since 30 March 2019 according to Order No. 205 “About changes in indexes that applied for tariffs from Listing of tariffs for domestic cargo transportation by railroad and related services” dated 22 March 2019, issued by the Ministry of Infrastructure of Ukraine.

During the six months ended 30 June 2020, the tariffs for carriages that belong to shipping company JSC “Ukrainian railways” have not been updated. In 2019 in accordance with the decision of the Management Board of JSC “Ukrainian railways” dated 17 April 2019 (effective from 20 May 2019) and 6 September 2019 (effective from 13 October 2019), the tariffs for carriages that belong to shipping company JSC “Ukrainian railways” have been updated.

Tariffs for domestic transportation of passengers and baggage – approved by the Ministry of Infrastructure of Ukraine as agreed with the Ministry for Development of Economy, Trade and Agriculture 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 that ended 30 June 2020 and 2019 there were no changes in tariffs for domestic transportation of passengers and baggage.

Tariffs for international cargo transportation – regulated by Tariff Policy annually approved by Tariff Conferences based on intergovernmental agreements. Tariffs are denominated in Swiss Francs and appointed by the order of the Ministry of Infrastructure of Ukraine. There were no adjustments to the above tariffs during the six months ended 30 June 2020 and during 2019.

Tariffs for international transportation of passengers and baggage – approved by the Ministry of Infrastructure of Ukraine on the basis of certain intergovernmental agreements, denominated in Swiss Francs for the countries of the Commonwealth of Independent States, Latvia, Lithuania, Estonia and in Euro for transportation in other countries. During the six months that ended 30 June 2019 there were adjustment of indexes of base cost of tickets for interstate passengers’ tariffs for the year according to Order No.208 “About changes of tariffs for transportation of passengers and baggage by railroad for interstate transportation” dated 25 March 2019 issued by the Ministry of Infrastructure of Ukraine, for the six months ended 30 June 2020, there was no increase in these tariffs.

2. Operating environment in Ukraine and sustainable operating activities

Operating environment in Ukraine

The Group conducts its operations in Ukraine. During last years, the Ukrainian economy started to demonstrate certain signs of recovery and growth following the significant decline in 2014-2016. Until the breakout of the coronavirus disease (COVID-19) in the first quarter 2020, the real GDP has been growing by 2.4-3.4% annually, and annual inflation has been decreased from 9.8% in 2018 to 4.1% in 2019.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the six months ended 30 June 2020

(in thousands of Ukrainian Hryvnia, unless otherwise indicated)

2. Operating environment in Ukraine and sustainable operating activities (continued)

Simultaneously, the National Bank of Ukraine (“NBU”) implements currency liberalization measures to boost the economic growth. In 2018-2019, the national currency – Ukrainian hryvnia (“UAH”) – has strengthened, particularly, against US dollar (“USD”) and Euro. Further, the NBU has gradually decreased its key interest rate from 18% p.a. in September 2018 to 6% p.a. in June 2020.

Nevertheless, main risks affecting the sustainability of the economic growth are represented by the continuing tensions in geopolitical relations with the Russian Federation; lack of the clear consensus as to the directions of the institutional reforms and low level of capital inflow.

In March 2020, Ukraine and other countries have taken quarantine and other measures to prevent the coronavirus outbreak, which had a significant effect on the overall business scale. In particular, during the first half year 2020, the industrial output in Ukraine dropped by 8.3% comparing to the first half year 2019. The worsening of the economic situation in Ukraine, among other things due to the COVID-19 outbreak led to UAH devaluation against the foreign currencies: the official exchange rate as at 30 June 2020 was USD/UAH 26.6922 comparing to USD/UAH 23.6862 as at 31 December 2019 (30 June 2019: USD/UAH 26.1664; 31 December 2018: USD/UAH 27.6883). During July-September 2020, hryvnia continues its devaluation against USD and Euro.

There have been specific measures implemented in March 2020, which have direct impact on the Group’s operations, namely:

- According to the order of the Cabinet of Ministers of Ukraine №288-r, since 17 March 2020, the Company temporarily suspended international railways passenger traffic. Under this order, certain state border crossing points have been temporarily closed.
- According to the Order of the Cabinet of Ministers of Ukraine №215, since 18 March 2020, the Company temporarily suspended domestic passenger railways traffic of all types (suburban, urban, regional and long-distance).

The Company resumed its passenger traffic on 1 June 2020. The suspension of the passenger traffic during the mentioned period led to decline in total passenger turnover in Ukraine for the first half year 2020 by 55.9% comparing to the first half year 2019 and to decrease in the Group’s passenger revenues accordingly.

The outbreak of COVID-19 and the established prevention measures led to decrease in total cargo turnover in Ukraine for the first half year 2020 by 19.6% comparing to the first half-year 2019.

Further results of the Group's activities will depend on the future development of the situation with the COVID-19 spread and the timeline of the economic recovery in Ukraine. The Group management monitors the developments of these events and takes measures to prevent any negative impact to the extent possible.

Assets and liabilities of uncontrolled territories

Following the temporary occupation of the Autonomous Republic of Crimea by the Russian Federation as a result of military aggression in April 2014, the Group ceased its operations in the region. As a result of the Reorganisation, the assets and liabilities related to the temporarily occupied Autonomous Republic of Crimea were transferred to the Company at the carrying values as at 31 March 2014 and continued to be carried at these values as at 30 June 2020 and 31 December 2019. There were no income and/or expenses related to the assets and liabilities related to Autonomous Republic of Crimea recorded in the Group’s financial statements for the six months ended 30 June 2020 and 31 December 2019.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the six months ended 30 June 2020

(in thousands of Ukrainian Hryvnia, unless otherwise indicated)

2. Operating environment in Ukraine and sustainable operating activities (continued)

In the second half of 2014 as a result of military aggression of Russian Federation the Ukrainian authorities temporarily lost control over certain territory of Donetsk and Luhansk regions where some structural units of State Enterprise “Donetsk Railway” (SE “Donetsk Railway”) operated. As a result of the Reorganisation the assets and liabilities of structural units of SE “Donetsk Railway” located on the temporary occupied territory of Donetsk and Luhansk regions were transferred to the Company at the carrying values as at 30 June 2014 and, for the most part, continued to be carried at these values as at 30 June 2020 and 31 December 2019 on the balance sheet of Regional branch “Donetsk Railway” (RB “Donetsk Railway”). The Group had only adjusted interest-bearing loans and borrowings, as well as lease liabilities of the uncontrolled territory as at 1 January 2016. No subsequent adjustments to the above financial liabilities were made after this date.

Despite the loss of control over the assets and liabilities of the temporarily occupied territories related to temporarily occupied territories introduced by the Law, the Group continues to record them in the interim condensed consolidated statement of financial position, as this complies with the regulatory requirements pertaining to the Reorganisation, and this corresponds to the official position of the Ukrainian authorities will regain control over the occupied territories. Upon cessation of the temporary occupation of Autonomous Republic of Crimea and a portion of territory of Donetsk and Luhansk regions (together – “the uncontrolled territories”) the assets and liabilities relating to the above regions will be revalued and contributed to the Company’s Charter capital, within a legal succession procedure, apart from a portion of property, plant and equipment, that will be transferred under the title of operating control.

Despite the military aggression the Group was able to assure railway transportation involving the temporarily occupied territories of Donetsk and Luhansk by 15 March 2017. According to the Decree of the President of Ukraine No. 62/2017 of 15 March 2017, the decision of the National Security and Defense Council of Ukraine “On Urgent Additional Measures to Counter Hybrid Threats to the National Security of Ukraine” was enacted, which provides for the implementation of measures to stop the movement of goods through the collision line within Donetsk and Luhansk regions, with a few exceptions. As a result of the measures taken, the railroad transportation with the temporarily occupied territory of Donetsk and Luhansk region was completely suspended.

As at 31 December 2017, management performed the segregation of assets and liabilities of RB “Donetsk Railway” to a controlled and uncontrolled parts. Assets and liabilities of the uncontrolled territory were included in the following lines of the interim condensed consolidated statement of financial position: assets of uncontrolled territories and liabilities of uncontrolled territories within non-current assets and long-term liabilities, respectively. Assets and liabilities associated with Autonomous Republic of Crimea were also included in the above lines. This approach provides more transparent presentation of the Group’s assets and liabilities. There were no significant changes in the composition of assets and liabilities of uncontrolled territories during the six months ended 30 June 2020.

Thus, as at 30 June 2020, the value of assets and liabilities of uncontrolled territories amounted to UAH 13,660,932 thousand and UAH 5,207,728 thousand respectively (31 December 2019: UAH 13,661,086 thousand and UAH 5,207,728 thousand, respectively). At the same time, a significant part of the liabilities of uncontrolled territories were interest-bearing loans and borrowings in the amount of UAH 3,663,995 thousand, as well as liabilities under lease agreements in the amount of UAH 802,158 thousand.

Ensuring sustainable operating activities of the Group in the foreseeable future

Management believes that the Group will continue its regular operating activities on a going concern basis being a key component of Ukraine's transport infrastructure and systemically important company for the whole economy of the country. For six months ended 30 June 2020 and 2019, rail cargo transportation turnover amounted to about 79.3% and 78.7% of the total cargo traffic in Ukraine (excluding pipelines); railway passenger transportation turnover amounted to 21% and 27.7% of the total passenger turnover, respectively. The Group expects to obtain on Government support, if required, which may include, but is not limited to, additional increase in tariffs, facilitation of granting the state guarantees for new loans, obtaining loans from state-owned banks, additional contributions to the statutory capital of the Company, etc.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the six months ended 30 June 2020

(in thousands of Ukrainian Hryvnia, unless otherwise indicated)

2. Operating environment in Ukraine and sustainable operating activities (continued)

Management is committed to improving financial performance and the adequacy of cash flows from the core services provided by the Group to ensure timely and complete serving its financial obligations that is a key factor in ensuring its sustainable operating activities in the foreseeable future.

In this regard, management points out that as at 30 June 2020, the Group's current liabilities exceeded current assets by UAH 13,084,891 thousand (31 December 2019: UAH 9,090,132 thousand). This condition is caused by the upcoming current portions of long-term Interest-bearing loans and borrowings maturity and UAH devaluation against the foreign currencies caused by the economic downturn in the first 6 months 2020 as described above. As at 30 June 2020 and 31 December 2019, the carrying amount of current interest-bearing loans and borrowings comprised UAH 15,574,577 thousand and UAH 14,498,640 thousand, respectively.

In July 2020, the Group restructured a loan with the carrying value of UAH 5,450,282 thousand, presented within short-term loans and borrowings as at 30 June 2020, with one of the banks. According to the restructuring terms, the settlement terms were prolonged and the latest payment will occur in July 2023 according to a new payment schedule.

Simultaneously, in September 2020, the Group repaid timely and in full the portion of the Eurobonds' principal in the amount of USD 50 million and paid the coupon income respectively according to the scheduled settlement terms.

To improve the financial results of the Group's activities, the measures are taken by management as follows:

- Starting from July 2020, a part-time four-day working week has been introduced for the certain Group's employees to reduce staff costs.
- The amount of management salaries is limited to a level not exceeding UAH 47,230 for the period starting from April 2020 till the quarantine ends as established by the relevant resolution of the Cabinet of Ministers of Ukraine.
- Measures are held for operating costs optimization by organizing the procurement of materials, goods and services through the system of transparent and competitive online auctions, as well as prioritising the Group's expenditures.
- Management develops initiatives regarding the tariff system improvement, in particular, related to the automatic indexation of the part of the regulated tariff for the rail freight adjusted by the producer price index. Measures are also held to reduce the land tax burden on the Group.
- Developing the plans of the scrap metal and non-core property surplus sales in order to obtain additional cash inflows.

Debt management combined with new funds raising and measures to improve operating results will further have positive impact on timely obligations settlements, enable capital investments and maintain sustainability of the Group's operating activities in the foreseeable future.

3. Basis of preparation of financial statements

The interim condensed consolidated financial statements for the six months ended 30 June 2020 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 2019 prepared in accordance with International Financial Reporting Standards (“IFRS”).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the six months ended 30 June 2020

(in thousands of Ukrainian Hryvnia, unless otherwise indicated)

3. Basis of preparation of financial statements (continued)

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

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.

Changes in accounting policy

The Group has re-assessed its accounting policy for presentation of interest paid and dividends paid in the interim condensed consolidated statement of cash flows. The Group has previously presented the interests paid and dividends paid within cash flows from operating activities. Starting from 1 January 2020, the Group elected to change the presentation of interest paid and dividends paid in the consolidated statement of cash flows and to present these payments within cash flows from financing activities.

The Group believes that such presentation provides more relevant information to the users of the consolidated financial statements as it is more aligned to practices adopted by the companies within the railway industry and the Ukrainian state-owned companies.

The Group has applied this change in presentation retrospectively. The change in the presentation was corrected by recalculation of line items affected of the interim condensed consolidated statement of cash flows for the previous period as follows:

Line	For six months ended 30 June 2019 as previously reported	Effect of the voluntary change in presentation	For six months ended 30 June 2019
Cash flows from operating activities			
Interests paid	(1,562,630)	1,562,630	–
Dividends paid to equity holders of the parent	(111,686)	111,686	–
Dividends paid to non-controlling interests	(52)	52	–
Net cash flows from operating activities	7,195,210	1,674,368	8,869,578
Cash flows from financing activities			
Interests paid	–	(1,562,630)	(1,562,630)
Dividends paid to equity holders of the parent	–	(111,686)	(111,686)
Dividends paid to non-controlling interests	–	(52)	(52)
Net cash flows from financing activities	(2,491,449)	(1,674,368)	(4,165,817)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the six months ended 30 June 2020

(in thousands of Ukrainian Hryvnia, unless otherwise indicated)

4. New standards, interpretations and amendments adopted by the Group

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 2019, except for the adoption of new standards effective as of 1 January 2020, and changes in the presentation of interest paid and dividends paid in the consolidated statement of cash flows as described in Note 3. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Although these new standards and amendments apply for the first time in 2020, they do not have a material impact on the interim condensed consolidated financial statements of the Group.

<i>Standards and amendments</i>	<i>Effective date</i>
Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39 and IFRS 7	1 January 2020
Definition of a Business – Amendments to IFRS 3	1 January 2020
Definition of Material – Amendments to IAS 1 and IAS 8	1 January 2020
The Conceptual Framework for Financial Reporting	1 January 2020

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**for the six months ended 30 June 2020***(in thousands of Ukrainian Hryvnia, unless otherwise indicated)***5. Segment reporting**

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

<i>For the six months ended 30 June 2020</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>
	<i>Total segment, including:</i>	<i>Infrastructure component</i>	<i>Wagon component</i>	<i>Total segment, including:</i>	<i>Infrastructure component</i>	<i>Wagon component</i>							
Sales to third parties	30,898,032	28,541,647	2,356,385	1,716,823	764,471	952,352	201,714	2,655,020	389,245	–	–	(237,548)	35,623,286
Inter-segment sales	–	–	–	–	–	–	–	726,168	3,817,188	–	(4,543,356)	–	–
Total revenue	30,898,032	28,541,647	2,356,385	1,716,823	764,471	952,352	201,714	3,381,188	4,206,433	–	(4,543,356)	(237,548)	35,623,286
Staff costs	(12,980,145)	(12,837,335)	(142,810)	(3,092,800)	(1,458,197)	(1,634,603)	(1,455,482)	(2,948,407)	(413,395)	(412,563)	231,339	303,758	(20,767,695)
Depreciation	(4,559,375)	(3,360,408)	(1,198,967)	(962,013)	(510,359)	(451,654)	(321,797)	(479,784)	(27,908)	(286,308)	15,956	24,004	(6,597,225)
Electricity	(2,713,661)	(2,705,122)	(8,539)	(436,128)	(403,710)	(32,418)	(249,898)	(478,097)	(3,205,350)	(21,461)	3,521,471	72,001	(3,511,123)
Fuel	(2,076,568)	(2,068,195)	(8,373)	(275,368)	(237,326)	(38,042)	(150,967)	(301,883)	(18,517)	(10,860)	11,470	54,528	(2,768,165)
Materials, maintenance and repairs	(2,376,460)	(2,236,588)	(139,872)	(476,218)	(259,797)	(216,421)	(237,389)	(150,385)	(503,097)	(100,040)	1,235,545	(389,170)	(2,997,214)
Other operating expenses	(2,418,035)	(2,350,390)	(67,645)	(415,962)	(196,315)	(219,647)	(234,520)	(666,739)	(65,075)	(4,370,424)	1,607,428	5,634,076	(929,251)
Inter-segment expenses	–	–	–	–	–	–	–	2,079,853	–	–	(2,079,853)	–	–
Segment result	3,773,788	2,983,609	790,179	(3,941,666)	(2,301,233)	(1,640,433)	(2,448,339)	435,746	(26,909)	(5,201,656)	–	5,461,649	(1,947,387)

<i>For the six months ended 30 June 2019</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>
	<i>Total segment, including:</i>	<i>Infrastructure component</i>	<i>Wagon component</i>	<i>Total segment, including:</i>	<i>Infrastructure component</i>	<i>Wagon component</i>							
Sales to third parties	36,686,765	31,090,749	5,596,016	4,077,816	1,557,558	2,520,258	332,931	3,532,679	179,597	–	–	(602,377)	44,207,411
Inter-segment sales	–	–	–	–	–	–	–	682,359	4,379,385	–	(5,061,744)	–	–
Total revenue	36,686,765	31,090,749	5,596,016	4,077,816	1,557,558	2,520,258	332,931	4,215,038	4,558,982	–	(5,061,744)	(602,377)	44,207,411
Staff costs	(11,627,234)	(11,497,054)	(130,180)	(3,818,436)	(2,030,673)	(1,787,763)	(1,773,145)	(2,963,230)	(299,349)	(493,711)	341,894	(1,029,957)	(21,663,168)
Depreciation	(4,147,828)	(3,325,931)	(821,897)	(723,723)	(356,737)	(366,986)	(336,062)	(462,060)	(25,716)	(92,823)	187	58,694	(5,729,331)
Electricity	(2,956,076)	(2,945,232)	(10,844)	(873,846)	(816,319)	(57,527)	(426,101)	(502,359)	(3,920,944)	–	4,134,502	48,831	(4,495,993)
Fuel	(2,942,024)	(2,929,506)	(12,518)	(620,185)	(557,706)	(62,479)	(369,523)	(493,026)	(16,971)	(159)	–	64,118	(4,377,770)
Materials, maintenance and repairs	(1,695,488)	(1,536,324)	(159,164)	(622,746)	(276,990)	(345,756)	(322,598)	(197,730)	(350,641)	(8,128)	603,919	(301,249)	(2,894,661)
Other operating expenses	(3,266,210)	(3,198,680)	(67,530)	(1,053,562)	(563,183)	(490,379)	(436,056)	(968,815)	(70,126)	(1,773,751)	2,421,268	3,745,812	(1,401,440)
Inter-segment expenses	–	–	–	–	–	–	–	2,440,026	–	–	(2,440,026)	–	–
Segment result	10,051,905	5,658,022	4,393,883	(3,634,682)	(3,044,050)	(590,632)	(3,330,554)	1,067,844	(124,765)	(2,368,572)	–	1,983,872	3,645,048

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the six months ended 30 June 2020

(in thousands of Ukrainian Hryvnia, unless otherwise indicated)

5. Segment reporting (continued)

The Group has detailed the presentation of segment information in 2019, supplementing it by dividing the revenues and expenses by the infrastructure and wagon components, where practically applicable. The presentation of segment information for the six months 2019 has been detailed accordingly to ensure its comparability.

- (A) Inter-segment revenue and margin are eliminated on consolidation.
- (B) For the six months ended 30 June 2020 and 2019, the operating results of each operating segment did not include adjustments representing differences between the basis of preparation of management accounts and the Group's IFRS accounting policies.

Reconciliation of profit

	For the six months 2020	For the six months 2019
Segment results	(2,207,380)	4,029,748
Total adjustments due to differences in accounting policies adopted for management accounts and IFRS	5,461,649	1,983,872
Total unallocated amounts	(5,201,656)	(2,368,572)
Items not included in segment expenses		
Taxes, other than income tax	(1,829,778)	(2,146,275)
Social expenses	(186,928)	(351,150)
Change in provisions	(29,639)	(96,102)
Other operating income	302,710	442,446
Change in finished goods and work in progress	77,907	138,360
Other expenses	(15)	(13,962)
Other income	146,089	38,736
Finance income	108,645	74,081
Finance costs	(2,029,188)	(1,869,418)
Foreign exchange gain / (loss), net	(3,414,120)	1,677,242
Share of profit / (loss) of an associates	(24,312)	52,862
Group income / (loss) before tax	(8,826,016)	1,591,868

6. Property, plant and equipment

Revaluation

When state enterprise was reorganised into a joint stock company its assets, including property, plant and equipment, and liabilities have to be valued at fair value. Property, plant and equipment were revalued by an independent appraiser as at 31 July 2014 in accordance with statutory requirements for the formation of the charter capital. The effect of the revaluation was recognised as at 30 November 2015, the date of the completion of the reorganisation for the purposes of preparation of the consolidated financial statements, as adjusted by taking into account the effect of the depreciation of property, plant and equipment before revaluation for the period from 31 July 2014 to 1 December 2015, and movements of property, plant and equipment for the above period.

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). As at 30 June 2020, carrying value of the assets assigned under the title of operating control was UAH 90,884,793 thousand (31 December 2019: UAH 93,065,868 thousand).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the six months ended 30 June 2020

(in thousands of Ukrainian Hryvnia, unless otherwise indicated)

6. Property, plant and equipment (continued)

Acquisitions and disposals

During the six months ended 30 June 2020, the Group acquired assets with a cost of UAH 2,819,427 thousand (for the six months ended 30 June 2019: UAH 4,301,535 thousand). There were disposals of assets in the amount of UAH 322,922 thousand during the six months ended 30 June 2020 (for the six months ended 30 June 2019: UAH 15,858 thousand).

Capitalised depreciation charge

For the six months ended 30 June 2020, the Group capitalised UAH 70,646 thousand of depreciation charge into construction in progress (for the six months ended 30 June 2019: UAH 120,421 thousand).

7. Equity

Charter capital

Since the date of registration of the Company to 30 June 2020 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.

Profit distribution and dividends

According to the Law of Ukraine “On Managing State-Owned Entities” No. 185-V dated 21 September 2006, the entities, with state ownership in their share capital, by 1st May of the year after the reporting year, shall approve a relevant decision on declaration of dividends in amount of at least 30% of net profit. As at 31 December 2019, the Company has recognized respective liability on dividend payments for 2019 in amount of UAH 749,205 thousand, which will be payables to the State budget of Ukraine. According to the Ukrainian legislation, General meeting of the Company, which are held no later than 30 April, after the reporting year, is obliged to decide on profit distribution and declare dividends for 2019.

According to the Law of Ukraine “On amendments to certain legislative Acts of Ukraine aimed at providing additional social and economic guarantees in connection with the spread of coronavirus disease (COVID-19)” No. 540 dated 30 March 2020 decision on declare dividends for 2019 financial year may be accepted by the general meeting of shareholders no later than three months after the end of quarantine.

For the six months ended 30 June 2020, no decision was made by the general meeting and, accordingly, no dividends were paid. For the six months ended 30 June 2019, dividends for 2018 were declared and paid in the amount of UAH 103,101 thousand.

Dividends paid to the State

For the six months ended 30 June 2020 the subsidiaries of JSC “Ukrainian railways” paid a portion of their net profit (dividends) in the amount of UAH 9,915 thousand directly to the state budget (for the six months ended 30 June 2019: UAH 8,585 thousand).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the six months ended 30 June 2020

(in thousands of Ukrainian Hryvnia, unless otherwise indicated)

8. Interest-bearing loans and borrowings

As at 30 June 2020 and 31 December 2019 interest-bearing loans and borrowings comprised:

	<u>30 June 2020</u>	<u>31 December 2019</u>
Interest-bearing bank loans	13,385,112	12,596,263
Eurobonds issued	20,678,547	19,550,901
Other borrowings	<u>502,230</u>	<u>501,274</u>
	<u>34,565,889</u>	<u>32,648,438</u>

Eurobonds pertain to the remaining loan of USD 500,000 thousand received as a result of loan participation notes (Eurobonds) placed by Shortline plc on Irish Stock Exchange in May 2013. In March 2016 the Group has reprofiled the loan, the maturity was extended to 15 September 2021, annual interest rate increased from 9.5% to 9.875% starting from 21 November 2015 and the principal repayment schedule changed as follows: 60% to be paid in 2019, 20% – in 2020 (10% in the second half of 2020) and 20% in 2021. During six month ended 30 June 2020, the Group timely paid the part of 10% of its Eurobonds placed by Shortline plc.

And Eurobonds pertain to the loan of USD 500,000 thousand and USD 94,902 thousand received as a result of loan participation notes (Eurobonds) placed by Rail Capital Markets plc on Irish Stock Exchange in July and September 2019 with maturity date July 2024.

As disclosed in Note 2 the Group recorded the liabilities of State Enterprise “Donetsk Railway” on its balance sheet with further division of the balances to controlled and uncontrolled parts. In 2016, majority of lenders of SE “Donetsk Railway” filed court suits with the purpose to recognise JSC “Ukrainian railways” as a legal successor of the enterprise and recover the debt. In February 2017, some changes to the legislation on the Reorganisation were enacted providing moratorium on foreclosure of assets and enforcement of liabilities of SE “Donetsk Railway” until cessation of 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 2020 (and 31 December 2019), the liabilities of uncontrolled territories comprised interest-bearing loans and borrowings in the amount of UAH 3,663,995 thousand, which are denominated in USD 116,340 thousand with a fixed interest rate of 10.65% - 12% per annum, and interest-bearing loans and borrowings denominated in Hryvnia in the amount of UAH 871,725 thousand with a fixed interest rate of 17.4% - 18%.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the six months ended 30 June 2020

(in thousands of Ukrainian Hryvnia, unless otherwise indicated)

8. Interest-bearing loans and borrowings (continued)

As at 30 June 2020 and 31 December 2019, effective interest rates and currency split for borrowings were as follows:

	<i>Interest rate</i>	<i>30 June 2020</i>	<i>Interest rate</i>	<i>31 December 2019</i>
USD				
Floating rate	LIBOR 6 month + 1%-6%	804,672	LIBOR 6 month + 1%-6%	1,213,524
Fixed rate	8.68%-12%	31,410,483	8.68%-12%	29,279,558
		<u>32,215,155</u>		<u>30,493,082</u>
EUR				
Floating rate	EURIBOR 6m + 0,3%	1,640,551	EURIBOR 6m + 0.3%	1,447,188
		<u>1,640,551</u>		<u>1,447,188</u>
UAH				
Fixed rate	10.46%-20.75%	710,183	10.46%-20.75%	708,168
		<u>710,183</u>		<u>708,168</u>
Total interest-bearing loans and borrowings		34,565,889		32,648,438
Less: current portion		<u>(15,574,577)</u>		<u>(14,498,640)</u>
Interest-bearing loans and borrowings, non-current		<u>18,991,312</u>		<u>18,149,798</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 2020 and 31 December 2019, a breach of undertakings was continuing under long-term loan agreements that the Group was not able to timely restructure for an outstanding amount of UAH 5,397,608 thousand and UAH 4,591,533 thousand, respectively. In prior periods the breach caused a cross-default under certain other borrowings. During 2019, the cross-default was rectified before the end of the year as respective lenders provided written letters waiving the right for accelerated repayment of debt and accrual of fines related to the breach. Management undertakes measures to rectify the breach.

As at 30 June 2020, undrawn loan facilities available to the Group were of UAH 4,225,882 thousand (31 December 2019: UAH 5,532,863 thousand).

As at 30 June 2020 and 31 December 2019 interest-bearing loans and borrowings were secured as follows:

	<i>30 June 2020</i>	<i>31 December 2019</i>
Type of collateral		
Property, plant and equipment	210,065	215,607
Inventories	111,251	111,251
Proceeds from future revenue	21,954,851	19,091,351
Guarantees issued by the State of Ukraine (Note 15)	2,311,674	2,482,475

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the six months ended 30 June 2020

(in thousands of Ukrainian Hryvnia, unless otherwise indicated)

9. Lease liability

Lease liability is represented by amounts due under agreements for lease of diesel locomotives, electric multiple unit train, equipment and car. Some of lease payments are pegged to USD; the average lease term is 7 years. As at 30 June 2020 and 31 December 2019 the interest rates implicit in the lease were within the range from 14% to 19% per annum.

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

The Group reclassified to liabilities of uncontrolled territories, liabilities under lease agreements of RB “Donetsk Railway” (Note 2). Thus, as of 30 June 2020 and 31 December 2019, the liabilities of uncontrolled territories included liabilities under lease agreements in the amount of UAH 802,158 thousand with a fixed interest rate of 17% per annum.

Set out below, are the carrying amounts of the Group’s right-of-use assets and lease liabilities and the movements during the period:

	<i>Right of use assets</i>					<i>Lease Liabilities</i>
	<i>Buildings, constructions and infra-structure</i>	<i>Locomotives</i>	<i>Vehicles</i>	<i>Plant, equipment, tools and other</i>	<i>Total</i>	
At 1 January 2020	596	3,570,645	811	727	3,572,779	2,366,244
Addition/(transfer), net	2	–	–	–	2	2
Depreciation	(388)	(48,036)	(59)	–	(48,483)	–
Lease expense	–	–	–	–	–	210,511
Foreign exchange difference, net	–	–	–	–	–	3,456
Payments	–	–	–	–	–	(411,730)
Reclassification	727	–	–	(727)	–	–
At 30 June 2020	<u>937</u>	<u>3,522,609</u>	<u>752</u>	<u>–</u>	<u>3,524,298</u>	<u>2,168,483</u>

10. Provisions

Movement in the provisions was as follows:

	<i>For the six months 2020</i>	<i>For the six months 2019</i>
At 1 January	1,217,103	1,732,270
Accrued during the period	29,639	96,102
Amounts used	(31,850)	(3,278)
Foreign exchange difference	86,394	(42,302)
At 30 June	<u>1,301,286</u>	<u>1,782,792</u>

The Group’s provisions mostly consist 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 2020

(in thousands of Ukrainian Hryvnia, unless otherwise indicated)

11. Revenues

Revenue from contracts with customers for the six months ended 30 June 2020 comprised the following:

Segments	Cargo	Long-distance passenger	Suburban passenger	Auxiliary activity	All other segments	Total
Cargo revenues	30,653,071	–	–	–	–	30,653,071
Passenger revenues	–	1,710,664	201,714	–	–	1,912,378
Other revenues	–	–	–	2,668,592	389,245	3,057,837
Total revenue from contracts with customers	30,653,071	1,710,664	201,714	2,668,592	389,245	35,623,286
Timing of revenue recognition						
At a point in time	–	–	–	749,632	15,203	764,835
Over time	30,653,071	1,710,664	201,714	1,918,960	374,042	34,858,451
Total revenue from contracts with customers	30,653,071	1,710,664	201,714	2,668,592	389,245	35,623,286

Revenue from contracts with customers for the six months ended 30 June 2019 comprised the following:

Segments	Cargo	Long-distance passenger	Suburban passenger	Auxiliary activity	All other segments	Total
Cargo revenues	36,065,647	–	–	–	–	36,065,647
Passenger revenues	–	4,063,055	332,931	–	–	4,395,986
Other revenues	–	–	–	3,566,181	179,597	3,745,778
Total revenue from contracts with customers	36,065,647	4,063,055	332,931	3,566,181	179,597	44,207,411
Timing of revenue recognition						
At a point in time	–	–	–	1,702,101	–	1,702,101
Over time	36,065,647	4,063,055	332,931	1,864,080	179,597	42,505,310
Total revenue from contracts with customers	36,065,647	4,063,055	332,931	3,566,181	179,597	44,207,411

Seasonal fluctuations

The Group's activities are characterised by the absence of significant seasonal fluctuations. Cargo revenues are generally stable throughout the year, however, due to some seasonality of passenger traffic due to summer vacations, passenger revenues may increase in the second half of the year compared to the first. Quarantine measures to prevent the spread of coronavirus (COVID-19) in Ukraine in the first half of 2020 had a significant impact on the volume of passenger revenues.

12. Income tax

The components of income tax expense were as follows:

	For the six months 2020	For the six months 2019
Current income tax charge	3,473	676,785
Deferred income tax benefit	(37,474)	(149,954)
Income tax (benefit) / expense	(34,001)	526,831

During the six months ended 30 June 2020, the statutory income tax rate in Ukraine was 18% (during the six months ended 30 June 2019: 18%).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the six months ended 30 June 2020

(in thousands of Ukrainian Hryvnia, unless otherwise indicated)

13. 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 interim condensed consolidated financial statements.

Litigations

In the normal course of business, the Group is subject to various routine litigation and arbitration related matters. As at 30 June 2020 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 1,559,012 thousand, including additional charges and penalties (31 December 2019: UAH 1,585,399 thousand). As at 30 June 2020 the Group's possible exposure to the ascertained third parties' claims was UAH 4,496,147 thousand (31 December 2019: UAH 2,950,348 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 2020 the Group's outstanding commitment in respect of purchase of property and equipment amounted to UAH 1,701,063 thousand (31 December 2019: UAH 2,411,932 thousand).

Other matters

In the first half of 2019 the Company timely fulfilled its obligations on dividends payments for its financial results for 2018 (Note 7) following the relevant decision of the General Meeting of Shareholders. However, starting from December 2019 and up to the date of these financial statements, the governmental authorities of Ukraine considered the matter to recognize additional liability on the dividends payments for 2018 in the amount of UAH 206,203 thousand. As at the date of approval of these financial statements, the relevant decision of the General Meeting of Shareholders has not been made in respect of this matter. The Company is taking steps to resolve this matter.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the six months ended 30 June 2020

(in thousands of Ukrainian Hryvnia, unless otherwise indicated)

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:

	<i>Fair value</i>		<i>Carrying value</i>	
	<i>30 June 2020</i>	<i>31 December 2019</i>	<i>30 June 2020</i>	<i>31 December 2019</i>
Financial assets				
Trade and other receivables	851,522	656,540	851,522	656,540
Financial assets (non-current)	87,340	84,326	87,340	84,326
Financial assets (current)	–	2,014,715	–	2,014,715
Cash and cash equivalents	3,546,653	6,981,236	3,546,653	6,981,236
Financial liabilities				
Interest-bearing loans and borrowings	34,283,652	32,804,165	34,565,889	32,648,438
Lease liability	2,246,864	2,332,731	2,168,483	2,366,244
Trade and other payables	6,682,988	9,714,077	6,682,988	9,714,077

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

Fair value hierarchy

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

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

For assets and liabilities that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

There were no changes in the Group’s valuation processes, valuation techniques, and types of inputs used in the fair value measurements during the six-month period ended 30 June 2020.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the six months ended 30 June 2020

(in thousands of Ukrainian Hryvnia, unless otherwise indicated)

14. Fair value of financial instruments (continued)

Fair value of financial assets and liabilities as at 30 June 2020 and 31 December 2019 as follows:

<i>30 June 2020</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	–	–	851,522	851,522
Financial liabilities carried at amortised cost				
Interest-bearing loans and borrowings	20,396,310	–	13,887,342	34,283,652
Lease liability	–	–	2,246,864	2,246,864
Trade and other payables	–	–	6,682,988	6,682,988
<i>31 December 2019</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	–	–	656,540	656,540
Financial liabilities carried at amortised cost				
Interest-bearing loans and borrowings	19,706,627	–	13,097,538	32,804,165
Lease liability	–	–	2,332,731	2,332,731
Trade and other payables	–	–	9,714,077	9,714,077

There were no transfers between Level 1 and Level 2 fair value measurements during the period, and no transfers into or out of Level 3 fair value measurements during the six-month period ended 30 June 2020.

15. Related party disclosure

The outstanding balances and transaction with related parties comprised:

	<i>30 June 2020</i>	<i>31 December 2019</i>
Entities under common control of the State		
Prepayments for property, plant and equipment	6,396	171
Trade and other receivables	642,141	195,540
Prepayments, other than dividends	20,354	83,202
Cash and cash equivalents	3,393,302	6,684,694
Trade and other payables, other than dividends	110,707	78,750
Contract liabilities	28,383	6,829
Interest-bearing loans and borrowings	531,187	529,331
Lease liability	2,142,822	2,335,098
Financial assets	–	2,014,715
	<i>For the six months 2020</i>	<i>For the six months 2019</i>
Entities under common control of the State		
Cargo revenues	1,004,566	1,021,359
Passenger revenues	5,383	5,468
Other revenues	223,968	84,305
Electricity	(1,104,676)	(4,495,993)
Materials. maintenance and repairs	105,678	108,336
Finance income	103,714	23,886
Finance costs	268,277	105,956
Other expenses	–	26,735

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the six months ended 30 June 2020

(in thousands of Ukrainian Hryvnia, unless otherwise indicated)

15. Related party disclosure (continued)

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made at regular prices, broadly similar to those with other non-related customers and suppliers. Outstanding balances at the 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 2020, the Group's interest bearing loans with carrying value of UAH 2,311,674 thousand (31 December 2019: UAH 2,482,475 thousand) were guaranteed by the State of Ukraine.

Compensation of key management personnel

Key management personnel is considered to be the Management Board of JSC “Ukrainian Railways” comprising 5 members and the Supervisory Board comprising 7 members as at 30 June 2020.

For the six months ended 30 June 2020 and 2019, total compensation to the Management Board mostly included payroll, payroll related taxes and bonuses amounted to UAH 26,417 thousand and UAH 31,220 thousand, respectively. For the six months ended 30 June 2020 total compensation to the members of the Supervisory Board was UAH 14,380 thousand. For the six months ended 30 June 2019 total compensation to the members of the Supervisory Board was UAH 21,225 thousand.

Dividends to the State

As at 30 June 2020 dividends payable to the State in the amount of UAH 749,205 thousand were included in trade and other payables (31 December 2019: UAH 755,021 thousand). For the six months ended 30 June 2020 dividends were accrued in amount of UAH 4,099 thousand (for the six months ended 30 June 2019: UAH 3,548 thousand). The information on dividends to the State is provided in Note 7.

Compensation for transportation of preferential passengers

The state budget and local budgets should compensate the Group for transportation of certain categories of preferential passengers. The compensation in the amount of UAH 24,061 thousand during the six months ended 30 June 2020 (six months ended 30 June 2019: UAH 43,973 thousand) were included into passenger revenues.

16. Events after reporting period

Management of interest-bearing loans and borrowings after the reporting date

In July 2020, the Group restructured short-term debt in the amount of UAH 5,450 million (book value of debt at the official exchange rate of the National Bank of Ukraine as at 30 June 2020), which denominated in US dollars in the amount of USD 198 million and denominated in hryvnia in the amount of UAH 175 million, according to agreements with one of the creditors. The restructuring mainly consisted of extending the terms of repayment of foreign currency debt until July 2023, hryvnia debt – until February 2021 and provided the possibility of early repayment.

In addition, the limit for one of the revolving multicurrency credit lines was increased from USD 20 million to USD 30 million, the list of lending currencies was expanded and lending conditions were improved in terms of lower interest rates on this credit line.

For one of the revolving credit lines, denominated in hryvnia in the amount of UAH 1,385 million, starting from September 2020, the interest rate on the loan was reduced from 19% to 16.4%, as well as extended the term of use until April 30, 2023. Starting from June 2021, the interest rate will change depending on the size of the Ukrainian index of interest rates on retail deposits (UIRD 12m) in hryvnia.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the six months ended 30 June 2020

(in thousands of Ukrainian Hryvnia, unless otherwise indicated)

16. Events after reporting period (continued)

On another revolving credit line, denominated in hryvnia, in October 2020 the limit was increased from UAH 2,300 million to UAH 3,000 million.

As at 11 September 2020, the Company repaid a portion of the Eurobonds placed by Shortline plc in the amount of USD 50 million or the equivalent of UAH 1,392 million (translated using the official exchange rate of the National Bank of Ukraine at the payment date) and paid the next coupon on its Eurobonds according to the payment schedule.

The spread of coronavirus disease

Due to the reduction of quarantine restrictions in Ukraine, starting from June 2020, the Group has gradually resumed passenger and increased its freight traffic. In July-August 2020, freight turnover exceeded the same figure in July-August 2019 by almost 5%. During July-August 2020, there was a further resumption of passenger traffic: passenger traffic increased to 44% of passenger traffic in the corresponding period of 2019 against passenger traffic in June 2020, which amounted to 20% of passenger traffic of June 2019.

Supplementary financial information

CONSOLIDATED BALANCE SHEET (CONSOLIDATED STATEMENT OF FINANCIAL POSITION)
as at 30 June 2020

Entity: JSC "Ukrainian railways"
Location: Ukraine
Ownership: Joint Stock Company
Type of activity: Freight railroad transport
Average quantity of employees: 251465
Address, telephone: 03150, Kyiv, Jerzy Giedroyc St., phone 465-05-52

Date (year month date)	2020 06 30
Per EDRPOU	40075815
Per KOATUU	8038200000
Per KOPFG	230
Per KVED	49.20

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

V

Form № 1-c Per DKUD 1801007

Assets	Line code	As at 31 December 2019	As at 30 June 2020
1	2	3	4
I. Non-current assets			
Intangible assets:	1000	45,859,324	45,832,336
historical cost	1001	46,105,689	46,102,915
accumulated amortization	1002	246,365	270,579
Capital investments in progress	1005	6,334,442	6,512,494
Property, plant and equipment:	1010	182,361,393	178,038,963
historical cost	1011	475,036,834	477,143,252
accumulated depreciation	1012	292,675,441	299,104,289
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	737,122	708,635
other financial investments	1035	62,319	62,319
Non-current receivables	1040	13,905	13,441
Deferred tax assets	1045	129,813	167,287
Other non-current assets	1090	13,903,913	13,894,929
Total section I	1095	249,402,231	245,230,404
II. Current assets			
Inventories:	1100	9,129,005	8,257,540
production inventories	1101	8,276,737	7,331,164
work in progress	1102	441,940	547,534
finished goods	1103	399,865	372,178
Commodities	1104	10,463	6,664
Current biological assets	1110	63	56
Accounts receivable for goods, works and services	1125	354,330	644,651
Accounts receivable on settlements:			
on prepayments made	1130	332,981	170,057
with budget	1135	209,752	214,518
including income tax	1136	113,272	114,663
Accounts receivable on intercompany settlements	1145	–	–
Other current accounts receivable	1155	229,706	182,874
Current financial investments	1160	2,014,715	–
Cash and cash equivalents:	1165	6,981,236	3,546,653
cash in hand	1166	379	216
cash at banks	1167	5,872,912	3,496,247
Deferred expenses	1170	21,979	18,551
Other current assets	1190	333,926	160,287
Total section II	1195	19,607,693	13,195,187
III. Assets classified as held for distribution	1200		
Balance	1300	269,009,924	258,425,591

Supplementary financial information

Liabilities and equity	Line code	As at 31 December 2019	As at 30 June 2020
1	2	3	4
I. Equity			
Share capital	1400	229,879,115	229,879,115
Capital in revaluation	1405	–	–
Additional capital	1410	18,906,066	18,905,984
Reserve fund	1415	–	–
Retained earnings (accumulated deficit)	1420	(36,999,362)	(45,797,367)
Unpaid capital	1425	–	–
Treasury shares	1430	–	–
Non-controlling interests	1490	30,384	28,032
Total section I	1495	211,816,203	203,015,764
II. Non-current liabilities and provisions			
Deferred tax liabilities	1500	19,630	19,630
Non-current bank loans	1510	1,660,876	1,757,409
Other non-current liabilities	1515	23,629,802	24,179,260
Other non-current provisions	1520	3,186,892	3,174,944
Non-current provisions for staff expenses	1521	3,186,892	3,174,944
Special purpose financing	1525	16,672	19,932
Total section II	1595	28,513,872	29,151,175
III. Current liabilities and provisions			
Short-term bank loans	1600	–	–
Current liabilities for:			
current portion of non-current liabilities	1610	13,178,929	13,824,273
for goods, works and services	1615	4,664,898	1,551,408
with budget	1620	866,453	1,159,338
with Income tax	1621	7,857	1,890
social insurance	1625	443,538	356,476
wages	1630	1,712,587	1,335,698
Current liabilities on advances received	1635	1,936,973	1,091,126
Current payables to settlements with participants	1640	756,695	750,967
Current liabilities on intercompany settlements	1645	–	–
Other provisions	1660	2,994,373	3,713,226
Deferred income	1665	26,814	20,144
Other current liabilities	1690	2,098,589	2,455,996
Total section III	1695	28,679,849	26,258,652
IV. Liabilities directly associated with the assets classified as held for distribution	1700		
Balance	1900	269,009,924	258,425,591

Supplementary financial information

Entity: JSC "Ukrainian railways"

Date (year, month, date)
per EDRPOU

CODE		
2020	06	30
40075815		

CONSOLIDATED STATEMENT OF FINANCIAL RESULTS
(STATEMENT OF COMPREHENSIVE INCOME)
FOR THE SIX MONTHS ENDED 30 JUNE 2020

Form № 2-c

Per DKUD

1801008

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	35,623,286	44,207,411
Cost of goods (merchandise, works, services) sold	2050	(37,303,644)	(39,649,457)
Gross:			
Profit	2090		4,557,954
Loss	2095	(1,680,358)	
Other operating income	2120	302,710	2,133,283
Administrative expenses	2130	(412,616)	(433,106)
Selling expenses	2150	(35,315)	(48,039)
Other operating expenses	2180	(5,201,656)	(2,800,006)
Financial results from operating activities:			
Profit	2190		3,410,086
Loss	2195	(7,027,235)	
Income from investments accounted for under the equity method	2200		52,862
Other finance income	2220	108,645	74,081
Other income	2240	146,089	41,253
Finance costs	2250	(2,029,188)	(1,869,418)
Losses from investments accounted for under the equity method	2255	(24,312)	
Other expenses	2270	(15)	(116,996)
Financial results before taxation:			
Profit	2290		1,591,868
Loss	2295	(8,826,016)	
Income tax expense	2300	34,001	(526,831)
Income (loss) from discontinued operations after tax	2305		
Net financial result:			
Profit	2350		1,065,037
Loss	2355	(8,792,015)	

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 loss of associates and joint ventures	2415	(4,175)	
Other comprehensive loss	2445		
Other comprehensive loss before tax	2450	(4,175)	
Income tax related to other comprehensive income	2455		(18,055)
Other comprehensive loss after tax	2460	(4,175)	(18,055)
Comprehensive loss (sum lines 2350, 2355 and 2460)	2465	(8,796,190)	1,046,982
Net financial result attributable to:			
Equity holder of the parent	2470	(8,789,813)	1,065,046
Non-controlling interests	2475	(2,202)	(9)
Comprehensive (loss)/income attributable to:			
Equity holder of the parent	2480	(8,793,988)	1,046,991
Non-controlling interests	2485	(2,202)	(9)

Supplementary financial information

III. ELEMENTS OF OPERATING EXPENSES

Description	Line code	For the reporting period	For the previous period
1	2	3	4
Cost of materials	2500	8,831,147	11,306,251
Labour costs	2505	17,082,338	17,933,826
Social security charges	2510	3,685,357	3,851,409
Depreciation and amortization	2515	6,597,225	5,737,137
Other operating expenses	2520	6,835,071	3,841,065
Total	2550	43,031,138	42,669,688

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	229,879,115
Adjusted annual average number of ordinary shares	2605	229,879,115	229,879,115
Net income per ordinary share	2610	(38.25)	4.63
Adjusted net income per ordinary share	2615	(38.25)	4.63
Dividends per ordinary share	2650	—	—

Supplementary financial information

Entity: JSC "Ukrainian railways"

Date (year, month, date)
per EDRPOU

CODE		
2020	06	30
40075815		

CONSOLIDATED STATEMENT OF CASH FLOWS (indirect method) FOR THE SIX MONTHS ENDED 30 JUNE 2020

Form № 3-ci

DKUD code

1801010

Description 1	Line code 2	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		8,826,016	1,591,868	–
Corrections on:					
depreciation of fixed assets	3505	6,597,225		5,737,137	–
increase (decrease) in provisions	3510	434,031		776,293	
loss (profit) on unrealized exchange differences	3515	3,114,372		–	1,688,274
loss (profit) from non-operating activities and other non-cash transactions	3520		230,407	1,663,875	–
Financial expenses	3540	2,029,188		1,795,337	–
Decrease (increase) in current assets	3550	1,385,800		714,048	–
increase (decrease) in inventories	3551	1,294,637		1,019,329	–
decrease (increase) in accounts receivable for products, goods, works, services	3553		290,321	–	614,447
decrease (increase) in other current receivables	3554	198,024		–	11,972
decrease (increase) in deferred expenses	3556	3,427		–	5,222
decrease (increase) in other current assets	3557	180,033		326,360	–
Increase (decrease) in current liabilities, including:	3560		3,038,995	–	1,472,320
increase (decrease) in current accounts payable for goods and services	3561		2,475,605	–	1,901,006
increase (decrease) in current budget settlements	3562	304,102		900,227	–
increase (decrease) in current insurance settlements	3563		87,062	14,176	–
increase (decrease) in current salary settlements	3564		376,889	79,495	–
increase (decrease) in deferred income	3566		6,670	69,137	–
Increase (decrease) in other current payables	3567		396,871	–	634,349
Cash from operating activities	3570	1,465,198		9,117,964	–
Income tax paid	3580		14,690	–	216,714
Borrowings interest paid	3585			–	–
Net cash flow from operating activities	3195	1,450,508		8,901,250	–
II. Cash flows from investing activities					
Proceeds from sale of:					
financial investments	3200	2,186,701		–	–
Fixed assets	3205	21,125		–	–
Proceeds from received:					
interests	3215	35,519		–	–
dividends	3220			–	–
proceeds from derivatives	3225			–	–
other proceeds	3250	83,151		71,984	–
Payments on acquisition:					
financial investments	3255			–	–
fixed assets	3260		3,425,144	–	847,797
payments for derivatives	3270			–	–
other payments	3290			–	3,004,869
Net cash flows from investing activities	3295		1,098,648	–	3,780,682
III. Cash flows from financing activities					
Proceeds from share capital	3300			–	–
Proceeds from borrowings	3305	10,926,624		15,373,600	–
Other proceeds	3340			–	–
Payments for:					
own securities	3345			–	–
repayment of borrowings	3350		13,239,724	–	17,639,795
dividends paid	3355		9,977	–	111,738
Borrowings interest paid	3360		1,269,623	–	1,323,217
Finance lease interests paid	3365		411,730	–	384,290
Other payments	3390		81,761	–	80,380
Net cash flows from financing activities	3395		4,086,191	–	4,165,820
Net (decrease)/increase in cash and cash equivalents	3400		3,734,331	954,748	–
Cash balance at the beginning of the year	3405	6,981,236		1,251,826	–
Net foreign exchange difference	3410	299,748		–	5,110
Cash balance at the end of the year	3415	3,546,653		2,201,464	–

Entity: JSC "Ukrainian railways"

Date (year, month, date)
per EDRPOU

CODE		
2020	06	30
40075815		

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2020

Form № 4-c

DKUD code

1801011

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 changes in equity
1	2	3	4	5	6	7	8	9	10	11	12
Balance at the beginning of the period	4000	229,879,115	–	18,906,066	–	(36,999,362)	–	–	211,785,819	30,384	211,816,203
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		18,906,066		(36,999,362)			211,785,819	30,384	211,816,203
Net profit (loss) for the reporting period	4100					(8,789,813)			(8,789,813)	(2,202)	(8,792,015)
Other comprehensive income for the current period including:	4110					(4,175)			(4,175)		(4,175)
Revaluation (disposal) of fixed assets	4111										
Other comprehensive income	4116					(4,175)			(4,175)		(4,175)
Distribution of profit:											
Payments to shareholders (dividends)	4200					(4,099)			(4,099)	(150)	(4,249)
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			(82)		82					
Total changes in equity	4295			(82)		(8,798,005)			(8,798,087)	(2,352)	(8,800,439)
Balance at the end of the period	4300	229,879,115		18,905,984		(45,797,367)			202 987,732	28,032	203 015 764