Brunswick Rail Limited and its subsidiary companies

Interim Condensed Consolidated Financial Information (unaudited) for the three months ended 31 March 2013

Brunswick Rail Limited and its subsidiary companies

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Management Commentary

Rail freight volumes which softened notably during the fourth quarter of 2012 have continued their downward trend during the first quarter of 2013, declining by 7,9 per cent compared to the previous quarter and by 4,0 per cent compared to the corresponding quarter last year. Weak commodity markets coupled with abnormally cold weather in Russia affecting the construction industry have all contributed to negative market sentiment during the winter months.

Railcar prices and spot rental rates for gondolas were flat relative to recent months' indications, remaining at approximately US$55 thousand per railcar - just above the average cost of production - and RUB550-600 per day (US$18-20 per day), respectively. Average cash yields for new gondolas have now decreased from approximately 24 per cent in early 2012 to approximately 11-13 per cent at the end of the first quarter of 2013.

The slower rate of new railcar production witnessed at the end of 2012 has continued into the first quarter of 2013. Monthly production levels remain at just over 7.000 units and management expects this to slow further to 5.000-6.000 units/month. The 2013 forecast production level based on the Group's management estimates is 70.000-75.000 railcars for CIS countries, approximately 40 per cent below the 2012 level. At the same time railcar producers are shifting output to specialized types of railcars where demand is strong and the market for specialized railcars has continued to benefit from stable railcar prices and rental rates.

The total delivered fleet of Brunswick Rail Limited Group, ("Group") as at 31 March 2013 was 23.955 railcars. During the first quarter of 2013 the Group took delivery of 1.736 new railcars of which 992 railcars were leased out to new customers, 618 railcars leased to existing customers and the remaining 126 railcars were leased out in April. Another 234 railcars which were contracted have not been delivered as at 31 March 2013, taking the total contracted fleet to 24.189 railcars. A total of 169 railcars were transferred during the period from operating leases to the transportation business which, as at 31 March 2013, deploys 2.421 railcars.

In 2013 the Group voluntarily changed its accounting policy in relation to accounting for equipment subsequent to initial recognition, moving from a revaluation model to a cost model. The change was deemed necessary by the Group's management with the aim of making the Group's financial position and performance more consistent with common practices of Russian and international rail market peers, and therefore more comparable. The change has been applied retrospectively and, as a result, the comparative financial information for 2012 has been restated (Note 2).

Due to the change in accounting policy and a 2,3 per cent depreciation of the Rouble against the US dollar in the first quarter of 2013, the net book value of the railcar fleet under the historical cost basis on 31 March 2013 is US$1,2 billion compared to the fair market value of the fleet at the year-end of US$1,4 billion (Note 12).

In terms of the Group's fleet portfolio as of 31 March 2013, 21.326 railcars are leased out under operating leases or short-term rentals, 208 railcars are under finance leases and 2.421 railcars are utilised in the Group's transportation business, for the shipment of various cargos, mainly metal scrap. The fleet is comprised of 12.825 (60%) gondolas, 4.100 tank cars (19%), 3.341 (16%) mineral hoppers and 1.060 (5%) other railcars, including box cars and universal platforms.

In terms of portfolio performance, Group management's top priority continues to be client retention and 100 per cent fleet utilization. As at 31 March 2013, the Group's management team has completed 87 per cent of contract renegotiations for the Group's gondola fleet, including planned remarketing. Renegotiations have been done on a case-by-case basis. Any temporary rate decreases were made at rates still higher than the decreased spot market rates. In exchange for the lower rates, the tenors of initial lease contracts were extended or indexation options or other benefits in favour of the Group were added to the contracts.

Overall clients' payment performance remains strong, except for a single client with total receivables as of 31 March 2013 of approximately US$14,6 million incl. VAT on which an impairment of 50 per cent was recorded in the income statement.

The increase in VAT recoverable relates to VAT paid on the acquisition of new railcars during the first quarter of 2013 (Note 12).

Operating lease revenues decreased compared to the prior corresponding period, as a result of the gondola spot market daily rate decreasing from US$50 per day during the corresponding period last year to US$18 per day in the first quarter of 2013 driven by empty run tariff unification at the end of 2012, continuing weak transportation volumes and lost revenue as a result of 1.000 railcars being temporarily suspended by the Russian railcar regulator.

The increase in cost of services compared to the corresponding period last year is mainly due to (i) depot repairs and (ii) other transportation services expenses. The increase in the Group's railcar fleet, combined with the shift towards a larger share of full service lease contracts, the ageing of the Group's fleet, the increase of depot repair prices and the repairs of the aforementioned suspended railcars contributed to the increase in depot repair costs compared to prior periods. The increase in other transportation services expenses relates mainly to the increase in empty-run costs for the transport operating business as well as on-going weak transportation volumes.

The increase in other operating expenses is represented mainly by the provision for bad debts recorded in the first quarter of 2013 as previously mentioned.

The Group's management monitors run-rate revenue and Adjusted EBITDA based on signed contracts, as important performance indicators for the Group. Adjusted EBITDA is defined as earnings before interest, tax, depreciation and amortisation and other non-cash charges, exceptional and non-recurring items. This enables annualised Adjusted EBITDA and revenue to be calculated at any time during the reporting period, and the Group's management considers these metrics to more accurately reflect the underlying earnings capacity of the business based on the Group's current railcar fleet. Based on the fleet as of 31 March 2013, the Group's run-rate revenue and run-rate Adjusted EBITDA are US$248 million and US$193 million respectively.

The Group intends to continue its growth strategy in 2013, relying on its ability to grow organically as well as through acquisitions, with the aim of strengthening its position as the leading private provider of railcar operating leasing services in Russia.

A dividend of US$10 million (US$0,045650798 per share) declared by the Board on 15 February 2013 was paid out in March 2013.

Brunswick Rail Limited and its subsidiary companies

Interim Condensed Consolidated Income Statement for the three months ended 31 March 2013

	Note	**31 March 2013 US$000**	31 March 2012 Restated US$000
Revenue	3	**67.683**	73.736
Cost of services	5	**(8.301)**	(3.718)
Property tax		**(4.160)**	(4.202)
Staff compensation, excluding share based compensation		**(3.185)**	(2.473)
Other operating expenses	6	**(5.682)**	(1.683)
Other operating income		**22**	13
Operating profit before share based compensation and depreciation		**46.377**	61.673
Share based compensation	7	**(3.646)**	(1.917)
Depreciation	12	**(18.274)**	(17.180)
Operating profit		**24.457**	42.576
Finance costs	8	**(16.184)**	(14.967)
Finance income	8	**279**	252
Losses on embedded derivatives on mezzanine loan	19	**-**	(8.469)
Net foreign exchange translation (losses) / gains		**(1.392)**	54.949
Profit before income tax		**7.160**	74.341
Income tax expense	10	**(3.247)**	(17.266)
Profit for the period		**3.913**	57.075
Profit attributable to:			
Owners of the Company		**3.913**	56.951
Non-controlling interest		**-**	124
		3.913	57.075

Earnings per share attributable to the owners of the Company during the period:

	Note	**US$ per share**	Restated US$ per share
Basic earnings per share	11	**0,018**	0,261
Diluted earnings per share	11	**0,018**	0,240

The notes on pages 8 to 31 are an integral part of the interim condensed consolidated financial information.

Brunswick Rail Limited and its subsidiary companies

Interim Condensed Consolidated Statement of Comprehensive Income for the three months ended 31 March 2013

	Note	31 March 2013 US$000	31 March 2012 Restated US$000
Profit for the period		**3.913**	57.075
Other comprehensive income:			
Cash flow hedge (derivatives):			
- Fair value losses on hedging reserve	15	**-**	(702)
- Transfers to income statement	15	**-**	1.848
Cash flow hedge (non-derivatives):			
- Exchange differences deferred to equity net of tax	9, 15	**(11.451)**	-
- Exchange differences recycled to income statement, net of tax	9, 15	**(1.078)**	-
Currency translation differences		**(8.580)**	32.179
Other comprehensive (loss)/income for the period, net of tax		**(21.109)**	33.325
Total comprehensive (loss)/income for the period		**(17.196)**	90.400
Attributable to:			
Owners of the Company		**(17.196)**	90.083
Non-controlling interest		**-**	317
Total comprehensive (loss)/income for the period		**(17.196)**	90.400

Items in the statement above are disclosed net of tax.

The notes on pages 8 to 31 are an integral part of the interim condensed consolidated financial information.

Interim Condensed Consolidated Balance Sheet as at 31 March 2013

Assets	Note	31 March 2013 US$000	31 December 2012 Restated US$000
Non-current assets			
Equipment	12	**1.160.315**	1.080.568
Finance leases receivable	13	**10.093**	10.464
Deferred income tax asset		**5.259**	2.767
Prepayment for acquisition of railcars		**13.804**	68.391
		1.189.471	1.162.190
Current assets			
VAT recoverable		**21.838**	12.690
Advances to customs		**1.019**	3.405
Advances paid for rail tariffs		**667**	2.979
Trade and other receivables	16	**19.111**	14.051
Finance leases receivable	13	**1.112**	1.047
Current income tax prepayment		**615**	523
Cash and cash equivalents		**29.136**	71.975
		73.498	106.670
Total assets		**1.262.969**	1.268.860
Equity and liabilities			
Capital and reserves			
Share capital	14	**211.088**	211.088
Share premium	14	**142.290**	142.290
Treasury shares	14	**(6.079)**	(6.467)
Other reserves	15	**(60.927)**	(42.421)
Retained earnings		**77.384**	83.193
Total equity		**363.756**	387.683
Non-current liabilities			
Borrowings	17	**722.893**	734.658
Mezzanine loan	18	**67.016**	64.624
Derivative financial instruments	19	**12.405**	12.405
Deferred income tax liabilities		**36.543**	35.018
		838.857	846.705
Current liabilities			
Trade and other payables	20	**25.312**	13.489
Current income tax liabilities		**65**	638
VAT payable		**5.064**	7.133
Taxes payable other than income tax		**4.079**	4.284
Borrowings	17	**25.836**	8.928
		60.356	34.472
Total liabilities		**899.213**	881.177
Total equity and liabilities		**1.262.969**	1.268.860

The notes on pages 8 to 31 are an integral part of the interim condensed consolidated financial information.

Brunswick Rail Limited and its subsidiary companies

Interim Condensed Consolidated Statement of Changes in Equity for the three months ended 31 March 2013

	Note	Share capital/ share premium/treasury shares Restated US$000	Retained earnings Restated US$000	(Accumulated losses) / other reserves Restated US$000	Total Restated US$000	Non-controlling interest Restated US$000	Total equity Restated US$000
		Attributable to the owners of the Company					
Balance at 1 January 2012 (as previously reported)		**361.651**	**(11.390)**	**265.848**	**616.109**	**1.027**	**617.136**
Prior year adjustments		-	33.752	(349.312)	(315.560)	(1.225)	(316.785)
Balance at 1 January 2012 (restated)		**361.651**	**22.362**	**(83.464)**	**300.549**	**(198)**	**300.351**
Comprehensive income:							
Profit for the period		-	56.951	-	56.951	124	57.075
Other comprehensive income:							
Currency translation differences		-	-	31.986	31.986	193	32.179
Cash flow hedge:							
-Fair value losses in the period	15	-	-	(702)	(702)	-	(702)
-Transfer to income statement	15	-	-	1.848	1.848	-	1.848
Total other comprehensive income		-	-	33.132	33.132	193	33.325
Total comprehensive income		-	56.951	33.132	90.083	317	90.400
Transactions with owners							
Shares buyback		(14.740)	-	-	(14.740)	-	(14.740)
Total contribution from and distribution to owners of the Company		(14.740)	-	-	(14.740)	-	(14.740)
Balance at 31 March 2012		**346.911**	**79.313**	**(50.332)**	**375.892**	**119**	**376.011**
Balance at 1 January 2013		**346.911**	**83.193**	**(42.421)**	**387.683**	**-**	**387.683**
Comprehensive income:							
Profit for the period		-	3.913	-	3.913	-	3.913
Other comprehensive income:							
Cash flow hedge (non-derivatives):							
-Exchange differences deferred to equity	15	-	-	(11.451)	(11.451)	-	(11.451)
-Currency translation differences	15	-	-	(8.580)	(8.580)	-	(8.580)
-Exchange differences recycled to income statement, net of tax	15	-	-	(1.078)	(1.078)	-	(1.078)
Total other comprehensive income		-	-	(21.109)	(21.109)	-	(21.109)
Total comprehensive income		-	3.913	(21.109)	(17.196)	-	(17.196)
Transactions with owners							
Share-based payment	7	-	-	2.991	2.991	-	2.991
Issue of shares to employees	14	388		(388)	-		-
Dividends declared		-	(9.722)	-	(9.722)	-	(9.722)
Total contribution from and distribution to owners of the Company		388	(9.722)	2.603	(6.731)	-	(6.731)
Balance at 31 March 2013		**347.299**	**77.384**	**(60.927)**	**363.756**	**-**	**363.756**

The notes on pages 8 to 31 are an integral part of the interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Cash Flows for the three months ended 31 March 2013

	Note	Three months ended 31 March 2013 US$000	31 March 2012 Restated US$000
Cash flows from operating activities			
Profit before tax		**7.160**	74.341
Adjustments for:			
-Depreciation of equipment	12	**18.274**	17.180
-Provision for bad debts		**3.639**	-
-Interest income accrued	8	**(279)**	(252)
-Interest expense and other borrowing costs accrued		**16.180**	13.020
-Fair value gain on interest rate swap	8	**-**	1.848
-Hedging with non-derivatives effect	9	**(1.381)**	-
-Fair value losses on embedded derivatives		**-**	8.469
-Net foreign exchange translation losses / (gains)		**1.392**	(54.949)
-Share-based compensation	7	**3.646**	1.917
		48.631	61.574
Changes in working capital:			
-Trade and other receivables		**(5.852)**	(6.361)
-Finance leases receivable		**(327)**	3.221
-Trade and other payables		**2.603**	2.401
-Taxes payable other than income tax		**(24)**	(795)
-VAT received		**1.624**	8.333
Cash generated from operations		**46.655**	68.373
Income tax paid		**(696)**	(1.184)
Net cash from operating activities		**45.959**	67.189
Cash flows from investing activities			
Purchase of equipment including prepayments for equipment		**(60.978)**	(16.718)
Deferred consideration paid on past business combination		**-**	(2.000)
Interest received	8	**279**	252
VAT received from VAT authorities		**-**	11.498
Advances to customs / VAT paid on railcars		**(10.977)**	(1.232)
Net cash used in investing activities		**(71.676)**	(8.200)
Cash flows from financing activities			
Repayments of bank borrowings		**-**	(39.000)
Proceeds from shareholder loan		**-**	14.740
Transaction costs paid on borrowings		**-**	(11)
Interest and commitment fees paid on borrowings		**(186)**	(5.981)
Amounts paid on derivative financial instruments		**-**	(1.891)
Finance leases liabilities – principal repayments		**(6.362)**	(4.666)
Dividends paid		**(9.705)**	-
Net cash used in financing activities		**(16.253)**	(36.809)
Net (decrease)/increase in cash and cash equivalents		**(41.970)**	22.180
Cash and cash equivalents at beginning of the period		**71.975**	50.847
Exchange losses on cash and cash equivalents		**(869)**	(786)
Cash and cash equivalents at end of the period (1)		**29.136**	72.241

(1) At 31 March 2012 there is an amount of US$15.95 million that relates to restricted cash which is not available for general use by the Group and has therefore been excluded from cash and cash equivalents above.

The notes on pages 8 to 31 are an integral part of the interim condensed consolidated financial information.

Brunswick Rail Limited and its subsidiary companies

Notes to the interim condensed consolidated financial information

1 General information

Introduction

The interim condensed financial information consolidated the financial information of Brunswick Rail Limited (the “Company”) and its subsidiaries (the “Group”), for the three months ended 31 March 2013.

The interim condensed consolidated financial information for the three months ended 31 March 2013 has not been audited by the Group’s external independent auditors. The Group’s external independent auditors have conducted a review in accordance with the International Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”.

Country of incorporation

The Company is incorporated in Bermuda as a private limited liability company in accordance with the provisions of the section 14 of the Companies Act 1981. Its registered office is at Wessex House, 2nd Floor, 45 Reid Street, Hamilton HM 12 Bermuda.

Principal activities

The Group’s principal activity which is unchanged from last year is to engage in the purchase, sale, financing and leasing of railcars in the “1520 gauge territory” (the railway territory of Russian Federation and CIS), and all ancillary activities thereto. Following the acquisition of ZAO ProfTrans group (“PT Group”), the Group is engaged in the shipment of various cargos, mainly metal scrap, within Russian Federation territory using both own and leased railcars as well as railcars provided by third party carriers.

Basis of preparation

This interim condensed consolidated financial information for the three months ended 31 March 2013 has been prepared in accordance with International Accounting Standard 34, ‘Interim Financial Reporting’ as issued by the International Accounting Standards Board. The interim condensed consolidated financial information should be read in conjunction with the Group’s annual audited report and consolidated financial statements for the year ended 31 December 2012, which have been prepared in accordance with IFRSs.

2 Accounting policies

The accounting policies and methods of computation adopted are consistent with those of the Group’s annual audited report and consolidated financial statements for the year ended 31 December 2012 as described therein except for the voluntary and other changes which have been discussed below.

2 Accounting policies (continued)

Consolidation of subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies and is exposed or has rights to variable returns from involvement in the entities and has the ability to affect the returns through the power over the entities which is generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible and all other relevant facts and circumstances are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

The Group measures non-controlling interest that represents present ownership interest and entitles the holder to a proportionate share of net assets in the event of liquidation on a transaction by transaction basis, either at: (a) fair value, or (b) the non-controlling interest's proportionate share of net assets of the acquiree. Non-controlling interests that are not present ownership interests are measured at fair value.

The consideration transferred for the acquiree is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed, including fair value of assets or liabilities from contingent consideration arrangements, but excludes acquisition related costs such as advisory, legal, valuation and similar professional services. Transaction costs incurred for issuing equity instruments are deducted from equity; transaction costs incurred for issuing debt are deducted from its carrying amount and all other transaction costs associated with the acquisition are expensed.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interest is that part of the net results and of the equity of a subsidiary attributable to interests which are not owned, directly or indirectly, by the Company. Non-controlling interest forms a separate component of the Group’s equity.

Adoption of New or Revised Standards and Interpretations

The following new standards and interpretations became effective for the Group from 1 January 2013:

IFRS 10 “Consolidated Financial Statements“(issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), replaces all of the guidance on control and consolidation in IAS 27 “Consolidated and separate financial statements” and SIC-12 “Consolidation - special purpose entities”. IFRS 10 changes the definition of control so that the same criteria are applied to all entities to determine control. This definition is supported by extensive application guidance.

2 Accounting policies (continued)

Adoption of New or Revised Standards and Interpretations (continued)

IFRS 12 "Disclosure of Interests in Other Entities", (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. It replaces the disclosure requirements currently found in IAS 28 "Investments in associates". IFRS 12 requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. To meet these objectives, the new standard requires disclosures in a number of areas, including significant judgements and assumptions made in determining whether an entity controls, jointly controls, or significantly influences its interests in other entities, extended disclosures on share of non-controlling interests in group activities and cash flows, summarised financial information of subsidiaries with material non-controlling interests, and detailed disclosures of interests in unconsolidated structured entities.

IFRS 13 "Fair Value Measurement", (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), aims to improve consistency and reduce complexity by providing a revised definition of fair value, and a single source of fair value measurement and disclosure requirements for use across IFRSs.

IAS 27 "Separate Financial Statements", (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013), was changed and its objective is now to prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The guidance on control and consolidated financial statements was replaced by IFRS 10 "Consolidated Financial Statements".

IAS 28 "Investments in Associates and Joint Ventures", (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013). The amendment of IAS 28 resulted from the Board's project on joint ventures. When discussing that project, the Board decided to incorporate the accounting for joint ventures using the equity method into IAS 28 because this method is applicable to both joint ventures and associates. With this exception, other guidance remained unchanged.

Amendments to IAS 1 "Presentation of Financial Statements" (issued in June 2011, effective for annual periods beginning on or after 1 July 2012), changes the disclosure of items presented in other comprehensive income. The amendments require entities to separate items presented in other comprehensive income into two groups, based on whether or not they may be reclassified to profit or loss in the future. The suggested title used by IAS 1 has changed to 'statement of profit or loss and other comprehensive income'.

Amended IAS 19 "Employee Benefits" (issued in June 2011, effective for periods beginning on or after 1 January 2013), makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. The standard requires recognition of all changes in the net defined benefit liability (asset) when they occur, as follows: (i) service cost and net interest in profit or loss; and (ii) remeasurements in other comprehensive income.

2 Accounting policies (continued)

Adoption of New or Revised Standards and Interpretations (continued)

Disclosures—Offsetting Financial Assets and Financial Liabilities – Amendments to IFRS 7 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2013). The amendment requires disclosures that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off.

Improvements to International Financial Reporting Standards (issued in May 2012 and effective for annual periods beginning 1 January 2013). The improvements consist of changes to five standards. IFRS 1 was amended to (i) clarify that an entity that resumes preparing its IFRS financial statements may either repeatedly apply IFRS 1 or apply all IFRSs retrospectively as if it had never stopped applying them, and (ii) to add an exemption from applying IAS 23, *Borrowing costs,* retrospectively by first-time adopters. IAS 1 was amended to clarify that explanatory notes are not required to support the third balance sheet presented at the beginning of the preceding period when it is provided because it was materially impacted by a retrospective restatement, changes in accounting policies or reclassifications for presentation purposes, while explanatory notes will be required when an entity voluntarily decides to provide additional comparative statements. IAS 16 was amended to clarify that servicing equipment that is used for more than one period is classified as property, plant and equipment rather than inventory. IAS 32 was amended to clarify that certain tax consequences of distributions to owners should be accounted for in the income statement as was always required by IAS 12. IAS 34 was amended to bring its requirements in line with IFRS 8. IAS 34 will require disclosure of a measure of total assets and liabilities for an operating segment only if such information is regularly provided to chief operating decision maker and there has been a material change in those measures since the last annual financial statements.

Transition Guidance Amendments to IFRS 10, IFRS 11 and IFRS 12 (issued on 28 June 2012 and effective for annual periods beginning 1 January 2013). The amendments clarify the transition guidance in IFRS 10 *Consolidated Financial Statements.* Entities adopting IFRS 10 should assess control at the first day of the annual period in which IFRS 10 is adopted, and if the consolidation conclusion under IFRS 10 differs from IAS 27 and SIC 12, the immediately preceding comparative period (that is, year 2012 for a calendar year-end entity that adopts IFRS 10 in 2013) is restated, unless impracticable. The amendments also provide additional transition relief in IFRS 10, IFRS 11, *Joint Arrangements,* and IFRS 12, *Disclosure of Interests in Other Entities*, by limiting the requirement to provide adjusted comparative information only for the immediately preceding comparative period. Further, the amendments will remove the requirement to present comparative information for disclosures related to unconsolidated structured entities for periods before IFRS 12 is first applied.

New Accounting Pronouncements

Since the Group published its last annual financial statements, there have been no new standards or interpretations published that would be mandatory for the Group's accounting periods beginning on or after 1 January 2014.

2 Accounting policies (continued)

Comparatives and prior year adjustments

In the first quarter of 2013 the Group voluntarily changed its accounting policy in respect of accounting for equipment subsequent to initial recognition from the revaluation model to the cost model. The Group's management believes that the change results in the financial statements becoming more reliable and relevant with regard to the Group's financial position and performance, in line with best practices of Russian and international industry peers and therefore more comparable.

A further rationale for the change lies in the Group's main business which is the leasing of railcars and transportation on a long term basis. The Group is not engaged in the speculative buying and selling of railcars to profit from such transactions as part of its ordinary activities. As a result, the asset price volatility of the railcar portfolio resulting from quarterly changes in the fair market value of owned railcars is not a key metric for the Group's management or investors using the financial statements of the Group.

As part of the adjustment, net cumulative impairment losses of US$19.743 thousand recognised in prior periods up to 31 December 2012 have been reversed. In contrast to the previous policy applied where impairment was based on an individual railcar unit, based on the new accounting policy the management assessed the impairment taking the entire fleet portfolio as a single cash generated unit. Following its assessment for the period ended 31 March 2013 Group management have not identified any indicators of impairment for the cash generating unit.

The change in accounting policy was applied retrospectively in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. The effect on the interim condensed consolidated balance sheet, interim condensed consolidated income statement and interim condensed consolidated statement of comprehensive income for prior periods is as follows:

Balance sheet as at 31 December 2012

In USD thousand	Reported	Adjustments	Restated
Equipment–railcars cost [1]	1.796.645	(532.299)	1.264.346
Equipment– railcars accumulated depreciation [1]	(369.496)	184.617	(184.879)
Deferred income tax liabilities [4]	(105.249)	70.231	(35.018)
Total effect on assets and liabilities		**(277.451)**	
Revaluation reserve [3]	355.759	(355.759)	-
Translation reserve [5]	(8.067)	3.384	(4.683)
Retained earnings [2]	8.269	74.924	83.193
Total effect on equity		**(277.451)**	

[1] Reversal of gross cumulative revaluation allocated to cost and depreciation up to 31 December 2012;
[2] Reversal of impairment gains / (losses) recognized in income statement and depreciation charge adjustments reflecting the historical cost basis up to 31 December 2012;
[3] Reversal of cumulative revaluation gains recorded in other comprehensive income up to 31 December 2012, net of tax;
[4] Related deferred income tax liabilities calculated on the reversal of cumulative revaluation up to 31 December 2012;
[5] Related translation reserve effect calculated on the reversal of cumulative revaluation up to 31 December 2012;

2 Accounting policies (continued)

Comparatives and prior year adjustments (continued)

Interim Condensed Consolidated Income Statement
for the three months ended 31 March 2012

In USD thousand	Reported	Adjustments	Restated
Railcar depreciation	(25.970)	8.849	(17.121)
Reversal of impairment on revaluation of railcars	331	(331)	-
Income tax expense	(15.562)	(1.704)	(17.266)
Total effect on profit for the period		**6.814**	
Profit attributable to the owners of the Company	50.091	6.860	56.951
Profit attributable to non-controlling interest	170	(46)	124
Earnings per share:			
-Basic earnings per share:	0,230	0,031	0,261
-Diluted earnings per share:	0,213	0,027	0,240

Interim Condensed Consolidated Statement of Comprehensive income
for the three months ended 31 March 2012

In USD thousand	Reported	Adjustments	Restated
Profit for the period	50.261	6.814	57.075
Currency translation differences	62.936	(30.757)	32.179
Gains on revaluation of railcars	23.368	(23.368)	-
Total effect on comprehensive income		**(47.311)**	

Balance sheet as at 31 March 2012

In USD thousand	Reported	Adjustments	Restated
Equipment–railcars cost	1.863.540	(636.462)	1.227.078
Equipment– railcars accumulated depreciation	(318.478)	181.093	(137.385)
Deferred income tax asset/liabilities	(115.580)	91.272	(24.308)
Total effect on assets and liabilities		**(364.097)**	
Revaluation reserve	394.921	(394.921)	-
Translation reserve	13.248	(8.243)	5.005
Retained earnings	38.701	40.612	79.313
Non-controlling interest	1.663	(1.545)	118
Total effect on equity		**(364.097)**	

The tax effect of the adjustment as a result of the change of the accounting policy on Other Comprehensive Income for the period ended 31 March 2012 is as follows:

In USD thousand	
Opening deferred tax adjustments	79.421
Deferred tax on depreciation adjustment for the period	(1.824)
Deferred tax on reversal of revaluation reserve movement for the period	5.908
Currency translation differences	7.766
Deferred tax effect as of 31 March 2012	**91.272**

2 Accounting policies (continued)

Change in presentation of income statement

In the first quarter of 2013 the Group voluntarily changed the presentation of its income statement as management believes that (i) the simplified presentation will be more appropriate for the Group following its Eurobond listing in November 2012 as it provides information that is more reliable and relevant to the users of its financial statements and (ii) the change will result in the income statement being more comparable with the Group's Russian and international industry peers. The Group has reclassified the comparative information for the period ended 31 March 2012 to conform to the presentation of the current interim period.

The table below presents the previous and the new income statement for the three months ended 31 March 2012:

<table>
<tr><th colspan="2">Income statement as previously presented</th><th colspan="2">Income statement - new presentation</th></tr>
<tr><td>In USD thousand</td><td>Restated</td><td>In USD thousand</td><td>Restated</td></tr>
<tr><td>Operating lease income</td><td>64.792</td><td rowspan="4">Revenue</td><td rowspan="4">73.736</td></tr>
<tr><td>Finance lease income</td><td>574</td></tr>
<tr><td>Transportation income - operator's services</td><td>8.370</td></tr>
<tr><td>Revenue</td><td>73.736</td></tr>
<tr><td>Depot repairs</td><td>(1.674)</td><td rowspan="5">Cost of services</td><td rowspan="5">(3.718)</td></tr>
<tr><td>Transportation services subcontracted</td><td>(1.078)</td></tr>
<tr><td>Other transportation services expenses</td><td>(738)</td></tr>
<tr><td>Railcar insurance</td><td>(51)</td></tr>
<tr><td>Other railcar expenses</td><td>(177)</td></tr>
<tr><td>Property tax</td><td>(4.202)</td><td>Property tax</td><td>(4.202)</td></tr>
<tr><td>Staff costs</td><td>(2.473)</td><td>Staff compensation, excluding share based compensation</td><td>(2.473)</td></tr>
<tr><td>Professional fees</td><td>(729)</td><td rowspan="2">Other operating expenses</td><td rowspan="2">(1.683)</td></tr>
<tr><td>Other operating expenses</td><td>(954)</td></tr>
<tr><td>Other income</td><td>13</td><td>Other operating income</td><td>13</td></tr>
<tr><td>Line item not previously presented</td><td>-</td><td>Operating profit before share based compensation and depreciation</td><td>61.673</td></tr>
<tr><td>Share based compensation</td><td>(1.917)</td><td>Share based compensation</td><td>(1.917)</td></tr>
<tr><td>Depreciation</td><td>(17.180)</td><td>Depreciation</td><td>(17.180)</td></tr>
<tr><td>Line item not previously presented</td><td>-</td><td>Operating profit</td><td>42.576</td></tr>
<tr><td>Finance costs</td><td>(14.967)</td><td>Finance costs</td><td>(14.967)</td></tr>
<tr><td>Finance income</td><td>252</td><td>Finance income</td><td>252</td></tr>
<tr><td>Losses on embedded derivatives on mezzanine loan</td><td>(8.469)</td><td>Losses on embedded derivatives on mezzanine loan</td><td>(8.469)</td></tr>
<tr><td>Net foreign exchange translation gains</td><td>54.949</td><td>Net foreign exchange translation gains</td><td>54.949</td></tr>
<tr><td>Profit before income tax</td><td>74.341</td><td>Profit before income tax</td><td>74.341</td></tr>
<tr><td>Income tax expense</td><td>(17.266)</td><td>Income tax expense</td><td>(17.266)</td></tr>
<tr><td>Profit for the period</td><td>57.075</td><td>Profit for the period</td><td>57.075</td></tr>
</table>

3 Segment information

The information on types of leases provided to the Board of Directors for the three months ended 31 March 2013 and 31 March 2012 is as follows:

	Three months ended 31 March 2013 US$000	31 March 2012 Restated US$000
Full service operating leases	**40.798**	36.934
Triple-net operating leases	**18.695**	27.858
Finance leases	**385**	574
Transportation services income	**6.424**	8.370
Total external revenue pre hedging	**66.302**	73.736
Hedging with non-derivatives effect (Note 9)	**1.381**	-
Total external revenue post hedging	**67.683**	73.736

Revenues of approximately US$9.855 thousand (3 months ended 31 March 2012: US$9.205 thousand) are derived from a single external customer. These revenues are attributable to operating lease contracts under both full-service and triple-net leases.

The revenue from external customers is derived only from the business activities carried out in the Russian Federation. No revenue is derived in Bermuda which is the Company's country of domicile.

The revenue from external parties reported to the Board of Directors is measured in a manner consistent with that in the income statement. The breakdown of the major components of revenue is disclosed above.

	Three months ended 31 March 2013		
	Leases US$000	**Transportation US$000**	**Total US$000**
Revenues	**63.631**	**6.424**	**70.055**
Revenues inter-segmental	(3.753)	-	**(3.753)**
Revenues from external customers	**59.878**	**6.424**	**66.302**
Cost of services	(9.769)	(6.445)	**(16.214)**
Cost of services inter-segmental	-	3.753	**3.753**
Cost of services – third parties	**(9.769)**	**(2.692)**	**(12.461)**
Other operating expense	(8.812)	(55)	**(8.867)**
Other operating income	20	2	**22**
Adjusted EBITDA	**41.317**	**3.679**	**44.996**
Depreciation			**(18.274)**
Finance income			**279**
Finance costs			**(16.184)**
Net foreign exchange translation losses			**(1.392)**
Share-based compensation			**(3.646)**
Hedging with non-derivatives effect			**1.381**
Profit before tax			**7.160**

3 Segment information (continued)

	Three months ended 31 March 2012 Restated		
	Leases US$000	**Transportation US$000**	**Total US$000**
Revenues	67.676	9.153	76.829
Revenues inter-segmental	(3.093)	-	(3.093)
Revenues from external customers	64.583	9.153	73.736
Cost of services	(5.942)	(5.071)	(11.013)
Cost of services inter-segmental	-	3.093	3.093
Cost of services – third parties	(5.942)	(1.978)	(7.920)
Other operating expenses	(4.075)	(81)	(4.156)
Other operating income	13	-	13
Adjusted EBITDA	54.579	7.094	61.673
Depreciation			(17.180)
Finance income			252
Finance costs			(14.967)
Net foreign exchange translation gains			54.949
Share-based compensation			(1.917)
Losses on embedded derivatives on mezzanine loan			(8.469)
Profit before tax			74.341

The amounts provided to the Board of Directors with respect to total assets are measured in a manner consistent with that of the financial statements.

	31 March 2013		
	Leases US$000	**Transportation US$000**	**Total US$000**
Total segment assets	**1.074.261**	**132.548**	**1.206.809**
Total segment assets include:			
Equipment – railcars under operating leases	**1.027.447**	**131.848**	**1.159.295**
Finance leases receivables	**11.205**	**-**	**11.205**
VAT recoverable	**21.805**	**33**	**21.838**
Prepayment for acquisition of railcars	**13.804**	**-**	**13.804**
Advances paid to RZD tariffs	**-**	**667**	**667**

	31 December 2012 Restated		
	Leases US$000	**Transportation US$000**	**Total US$000**
Total segment assets	1.034.780	140.258	1.175.038
Total segment assets include:			
Equipment – railcars under operating leases	942.217	137.250	1.079.467
Finance leases receivable	11.511	-	11.511
VAT recoverable	12.661	29	12.690
Prepayment for acquisition of railcars	68.391	-	68.391
Advances paid to RZD tariffs	-	2.979	2.979

3 Segment information (continued)

Reportable segments' assets are reconciled to total assets as follows:

	31 March 2013	31 December 2012 Restated
	US$000	US$000
Segment assets for reportable segments	**1.206.809**	1.175.038
Unallocated:		
Other tangible assets	**1.019**	1.100
Intangible assets	**1**	1
Deferred income tax asset	**5.259**	2.767
Other receivables	**20.745**	17.979
Cash and cash equivalents	**29.136**	71.975
Total assets per balance sheet	**1.262.969**	1.268.860

Non-current assets (excluding deferred tax assets) of US$1.184.212 thousand (as at 31 December 2012: US$1.159.423 thousand) are located in the Russian Federation. None of the non-current assets are located within Bermuda, which is the Company's country of domicile.

The Group's interest-bearing liabilities are not considered to be segment liabilities but rather are managed by the Group's treasury function.

The Company's Board utilises an internal reporting system to assess the profitability of the Group, whereby they adjust profit/(loss) after tax for items management believes are non-recurring or not directly embedded within the core operating business cycle of the entity. This internal reporting measure was as follows:

	Three months ended 31 March 2013	**Three months ended** 31 March 2012 Restated
	US$000	US$000
Profit for the period	**3.913**	57.075
(i) Share based compensation	**3.646**	1.917
(ii) Losses on embedded derivatives on mezzanine loan	**-**	8.469
(iii) Net foreign exchange translation losses/(gains)	**1.392**	(54.949)
(iv) Hedging with non-derivatives effect	**(1.381)**	-
(v) Related tax effect	**256**	10.483
Adjusted profit for the period	**7.826**	22.995

The Board only assess the above measure for the Group as the whole.

4 Critical accounting estimates and judgements

The preparation of interim condensed consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing the interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual audited report and consolidated financial statements for the year ended 31 December 2012. The fair value of the Company's shares used in the valuation of the embedded derivatives and the share-based management compensation payment has been estimated using a discounted cash flow valuation model which assumes amongst other a six-year projection period and a terminal value.

5 Cost of services

	Three months ended **31 March 2013** **US$000**	31 March 2012 Restated US$000
Depot repairs	**5.687**	1.674
Other transportation services expenses	**1.667**	738
Transportation services subcontracted	**753**	1.078
Other railcar expenses	**125**	177
Railcar insurance	**69**	51
Total cost of services	**8.301**	3.718

6 Other operating expenses

	Three months ended **31 March 2013** **US$000**	31 March 2012 Restated US$000
Provision for bad debts (Note 16)	**3.639**	-
Directors' fees (Note 23)	**350**	66
Rent expense	**322**	280
Other operating expenses	**254**	277
Travelling, accommodation and entertainment	**230**	181
Auditor's remuneration	**215**	152
Legal fees	**214**	182
Other professional fees	**145**	88
Consultancy fees	**111**	307
Advertising and marketing	**87**	36
Information technology costs	**68**	55
Communication costs	**47**	52
Leasehold repairs	**-**	7
Total other operating expenses	**5.682**	1.683

7 Share-based compensation

Exit Bonus Agreements ("EBAs")

In 2012 the EBAs were modified (the overall modified plan further referred to as "MEP") and Group management were offered new bonuses partly settled in the form of 2.219.662 ordinary shares of the Company which vest in tranches. The fair value of each tranche of the shares is expensed over the expected service period of the applicable managers. A corresponding credit is recognized in equity to a share based compensation reserve which will be transferred to retained earnings when the shares ultimately vest. The Group accrued an expense of US$1.328 thousand related to MEP for the period ended 31 March 2013 with a corresponding credit to a share based compensation reserve in equity.

The number of share awards outstanding at the beginning of the period and on 31 March 2013 equals to 2.219.662. No share awards were exercised, forfeited or expired during the period. The fair value of the share awards, which have a nil exercise price, was determined by reference to a discounted cash flow valuation model (Note 4).

Long term incentive plan ("LTIP")

In 2012 a Long Term Incentive Plan ("LTIP") was set up for top managers based on which Company shares will be awarded in respect of each calendar year for the period from 2012 to 2017. The shares awarded for each year have separate performance conditions which are set individually each year.

The services obtained by the Group are measured by reference to the fair value of the Company shares granted as consideration. The fair value of the share awards, which have a nil exercise price, was calculated at US$3,59 and was determined by reference to a discounted cash flow valuation model (Note 4). The Group accrued an expense of US$1.180 thousand for the LTIP in 2013 with a corresponding credit to a share based compensation reserve in equity.

In 2013 the plan was amended with respect to the shares related to 2013 services. The amendment waived the performance conditions for the majority of the 2013 share award (for which part the grant date is deemed to have been met) and set aside the remainder of the 2013 awards to be awarded subject to Board discretion (for which the grant date is not deemed to be achieved).

Following these changes and based on (i) an 80 per cent probability of meeting the performance metrics and (ii) a 90 per cent probability of employee retention for the remainder of the plan (i.e. the awards for the years 2014 – 2017), the number of LTIP shares available for award and outstanding as at 31 March 2013 equals to 3.105.437. The awards have a nil exercise price. Based on the plan 388.041 shares relating to 2012 were issued to top managers (Note 14).

Chief Executive Officer ("CEO") plan

On 8 March 2013, the Board approved the terms of the CEO's LTIP. The LTIP is effective from 1 July 2012. The relevant agreement was signed on 12 March 2013, which is the grant date of the plan.

The LTIP plan is interpreted by the Group's management to be a compound instrument under IFRS 2 as it includes both a "cash-settled" and an "equity-settled" share based element. The overall value of the services obtained by the Group will be measured by reference to the fair value of the Company's shares granted as consideration.

7 Share-based compensation (continued)

CEO plan (continued)

The “cash-settled” share-based payment stems from the terms of the plan where the Company has granted the CEO a right to sell the shares to the Company at the CEO’s discretion at a specific price over a sequence of pre-defined quarterly instalments.

The “equity-settled” part will be valued by considering that the CEO would have to give up the “cash-settled’’ part in order to retain equity; hence it was estimated by deducting the liability from the overall value of the plan at the grant date.

The shares under the plan will vest quarterly from April 2013 to October 2014. The estimated number of shares to be awarded under the plan equals to 1.177.949. As at the balance sheet date none of them vested.

The estimated grant date fair value of the Company’s share was calculated at US$3,59 and was determined by reference to a discounted cash flow valuation model (Note 4). The Group accrued an expense of US$678 thousand for the 2013 LTIP during the first quarter of 2013.

Other equity-settled bonuses

During the first quarter of 2013 certain Group managers were granted Company shares relating to their year 2012 personal performance. No vesting conditions were attached to these shares. The Group recognized the full expense of US$460 thousand in the first quarter of 2013 with a corresponding credit to a share based compensation reserve in equity.

The total share-based compensation expense in the income statement was calculated as follows:

	Three months ended	
	31 March 2013	31 March 2012 Restated
	US$000	US$000
Equity-settled:		
MEP	**1.328**	-
Long term incentive plan	**1.180**	-
Other equity-settled bonuses	**460**	-
CEO plan	**34**	-
Total equity-settled	**3.002**	-
Cash-settled:		
Cash settlement on share-based payment	**-**	1.917
CEO plan (Note 20)	**644**	-
Total cash-settled	**644**	1.917
Total share-based compensation expense	**3.646**	1.917

7 Share-based compensation (continued)

The share-based compensation reserve balance included on the balance sheet under the heading "Other reserves" (Note 15) is analysed as follows:

	31 March 2013 **US$000**	31 December 2012 Restated US$000
Opening balance	**8.449**	-
Share-based compensation	**2.991**	8.375
Issue of shares to employees (Note 14)	**(388)**	-
Currency translation differences	**-**	74
Closing balance	**11.052**	8.449

8 Finance costs and income

	Three months ended	
	31 March 2013 **US$000**	31 March 2012 Restated US$000
Finance costs		
Interest expense – Eurobond	(10.206)	-
Interest expense – finance lease payables	(3.381)	(3.563)
Interest expense – mezzanine loan	(2.406)	(2.292)
Other borrowing costs	(163)	(55)
Interest expense – syndicated bank loans	-	(7.167)
	(16.156)	(13.077)
Bank charges	(28)	(42)
Fair value loss on interest rate swap – cash flow hedge, transfer from other comprehensive income (Note 15)	-	(1.848)
	(16.184)	(14.967)
Finance income		
Interest income on bank balances	279	252
	279	252
Net finance costs	**(15.905)**	(14.715)

9 Hedging with non-derivatives

During the second quarter of 2012 the Group adopted the provisions of IAS 39 and applied hedge accounting with non-derivative financial liabilities to mitigate its exposure to foreign currency risk and the volatility of the Group's earnings over the years as a result of substantial foreign exchange gains / (losses) recorded in income statement. The Group's functional currency is the Russian Rouble (RUB) and it is exposed to a foreign currency risk arising from rental income denominated in United States Dollars (USD). The future revenues are hedged by borrowings denominated in USD.

The effect of applying hedge accounting on both income statement and balance sheet is presented below:

Income statement	Three months ended 31 March 2013 US$000
Loss for the period – pre hedging with non-derivatives	**(8.852)**
Net foreign exchange gains / (losses) deferred to other comprehensive income	14.575
Revenue – exchange differences recycled from other comprehensive income	1.381
Tax charge – related deferred taxes	(3.191)
Net effect on profit / (loss) after tax	12.765
Profit for the period – post hedging with non-derivatives	**3.913**
Total equity – pre hedging with non-derivatives	**363.756**
Hedging reserve – exchange differences deferred from income statement	(6.753)
Retained earnings – exchange differences deferred to hedging reserve	5.763
Translation reserve effect	990
Total effect on equity	-
Total equity – post hedging with non-derivatives	**363.756**

10 Income tax

Income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year.

The significant increase of the effective tax rate in the first quarter of 2013 is mainly due to certain significant expenses accounted for by the Group's Bermudan entities, which are tax exempt until March 3, 2035.

11 Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the period.

	Three months ended	
	31 March 2013	31 March 2012 Restated
Profit for the period attributable to the owners of the Company (US$000)	**3.913**	56.951
Weighted average number of shares in issue	**212.726.353**	218.095.722
Earnings per share (expressed in US$ per share)	**0,018**	0,261

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of the dilutive potential ordinary shares in relation to conversion of the mezzanine loan to equity. The mezzanine loan is assumed to have been converted into ordinary shares at the beginning of the period and profit attributable to the owners of the Company is therefore adjusted to eliminate the interest expense on mezzanine loan, the fair value loss on embedded derivatives and any foreign exchange gains/(losses) attributable to the mezzanine loan. Equity-based remuneration plans do not have a material dilutive impact.

There are no significant dilutive potential ordinary shares as of 31 March 2013 therefore the diluted earnings per share equal the basic earnings per share. Diluted earnings per share for the three months ended 31 March 2012 is presented in the table below:

	Three months ended 31 March 2012 Restated US$000
Profit for the period attributable to the owners of the Company	56.951
Interest expense on mezzanine loan (Note 8)	2.292
Fair value loss on embedded derivatives	8.469
Net foreign exchange translation gains	(5.978)
Profit used to determine diluted earnings per share	61.734
Weighted average number of ordinary shares in issue	218.095.722
Adjustments for:	
Assumed conversion of mezzanine loan (weighted average)	39.080.152
Weighted average number of shares for diluted earnings per share	257.175.874
Earnings per share (expressed in US$ per share)	0,240

12 Equipment

	Rail cars Restated US$000	Furniture, fittings & office equipment Restated US$000	**Total Restated US$000**
As at 1 January 2013			
Cost	1.264.346	1.693	**1.266.039**
Accumulated depreciation	(184.879)	(593)	**(185.472)**
Net book amount	1.079.467	1.100	**1.080.567**
Three-month period ended 31 March 2013			
Opening net book amount	1.079.467	1.100	**1.080.567**
Additions	122.325	29	**122.354**
Disposals / retirement of assets	-	(18)	**(18)**
Depreciation charge	(18.207)	(67)	**(18.274)**
Exchange differences on cost	(28.908)	(39)	**(28.947)**
Exchange differences on depreciation	4.618	14	**4.632**
Closing net book amount	1.159.295	1.019	**1.160.314**
As at 31 March 2013			
Cost	1.357.763	1.628	**1.359.391**
Accumulated depreciation	(198.468)	(609)	**(199.077)**
Net book amount	1.159.295	1.019	**1.160.314**
As at 1 January 2012			
Cost	1.094.672	1.153	**1.095.825**
Accumulated depreciation	(109.073)	(361)	**(109.434)**
Net book amount	985.599	792	**986.391**
Year ended 31 December 2012			
Opening net book amount	985.599	792	**986.391**
Additions	104.106	469	**104.575**
Disposals / retirement of assets	(146)	-	**(146)**
Depreciation charge	(67.758)	(266)	**(68.024)**
Depreciation on disposal	23	62	**85**
Exchange differences on cost	65.714	71	**65.785**
Exchange differences on depreciation	(8.071)	(28)	**(8.099)**
Closing net book amount	1.079.467	1.100	**1.080.567**
As at 31 December 2012			
Cost	1.264.346	1.693	**1.266.039**
Accumulated depreciation	(184.879)	(593)	**(185.472)**
Net book amount	1.079.467	1.100	**1.080.567**

During the period ended 31 March 2013 the Group took delivery of 1.736 railcars. Equipment includes 23.747 railcars (31 December 2012: 22.011 railcars) which are held by the sub-subsidiary companies. From the total equipment, 21.326 railcars are leased out under operating leases and short term rentals and 2.421 are used for shipment of various cargos, mainly metal scrap.

If the railcar fleet was stated at fair market value its value would be US$1.385.137 thousand (31 December 2012: US$1.427.149 thousand).

13 Finance leases receivable

	31 March 2013	31 December 2012 Restated
	US$000	US$000
Non-current receivables		
Finance leases – gross receivables	**13.814**	14.524
Unearned finance income	**(3.721)**	(4.060)
	10.093	10.464
Current receivables		
Finance leases – gross receivables	**2.879**	2.879
Unearned finance income	**(1.446)**	(1.492)
Lease payments received in advance	**(321)**	(340)
	1.112	1.047
The net investment in finance leases may be analysed as follows:		
Not later than 1 year	**1.112**	1.047
Later than 1 year and not later than 5 years	**7.407**	7.393
Later than 5 years	**2.686**	3.071
	11.205	11.511

As of 31 March 2013 the net investment in finance leases was 208 railcars (31 December 2012: 208 railcars).

14 Share capital and share premium

	Number of shares	Share capital US$000	Share premium US$000	Treasury shares US$000	Total US$000
At 1 January 2012	**222.279.641**	**211.321**	**150.330**	**-**	**361.651**
Issue of share capital	6.467.389	6.467	**-**	**-**	6.467
Treasury shares	(6.467.389)	-	-	(6.467)	(6.467)
Shares buyback and cancellation	(6.700.000)	(6.700)	(8.040)	-	(14.740)
Shares buyback and cancellation – acquisition of subsidiary	(2.992.808)	-	-	-	-
At 31 December 2012	**212.586.833**	**211.088**	**142.290**	**(6.467)**	**346.911**
Issue of shares to employees (Note 7)	388.041	-	-	388	388
At 31 March 2013	**212.974.874**	**211.088**	**142.290**	**(6.079)**	**347.299**

On 15 March 2012 the Company signed an agreement with one of its shareholders to buy back 6,7 million shares at a price of US$2,20 per share for a total consideration of US$14,74 million.

The agreement constituted a forward contract to buy a fixed number of shares with settlement in cash and therefore needed to be recognized as a financial liability at the date of the agreement. The buyback was completed on 3 April 2012.

The shares issued to employees during the period relate to the LTIP shares awarded for the year 2012 which were transferred to top management during the first quarter of 2013.

15 Other reserves

	Hedging reserve Restated US$000	Translation reserve Restated US$000	Share-based compensation reserve Restated US$000	Share swap reserve Restated US$000	Total Restated US$000
Balance at 1 January 2012	**947**	**(26.982)**	**-**	**(57.428)**	**(83.463)**
Cash flow hedge:					
-Fair value losses	(702)	-	-	-	(702)
-Transfers to income statement	1.848	-	-	-	1.848
Currency translation differences	-	31.986	-	-	31.986
Balance at 31 March 2012	**2.093**	**5.004**	**-**	**(57.428)**	**(50.331)**
Balance at 1 January 2013	**11.241**	**(4.683)**	**8.449**	**(57.428)**	**(42.421)**
Cash flow hedge:					
-Exchange differences deferred to equity net of tax	(11.451)	-	-	-	(11.451)
-Exchange differences recycled to income statement, net of tax	(1.078)	-	-	-	(1.078)
Currency translation differences	(135)	(8.445)	-	-	(8.580)
Issue of shares to employees	-	-	(388)	-	(388)
Share-based payment	-	-	2.991	-	2.991
Balance at 31 March 2013	**(1.423)**	**(13.128)**	**11.052**	**(57.428)**	**(60.927)**

The translation, hedging and share-based compensation reserves are non-distributable.

16 Trade and other receivables

	31 March 2013 US$000	31 December 2012 Restated US$000
Operating lease income receivables	**8.947**	6.696
Transportation income receivables	**2.208**	2.583
Other receivables and prepayments	**7.956**	4.772
	19.111	14.051

Other than the debtor balances for which a specific provision for impairment of receivables was recognized at the amount of US$7.505 thousand (2012: US$3.994 thousand) no other trade and other receivables balance is considered impaired (Note 6).

The fair value of trade and other receivables which are due within one year approximates their carrying amount at the balance sheet date.

17 Borrowings

	31 March 2013	31 December 2012 Restated
	US$000	US$000
Non-current borrowings		
Eurobond	**585.938**	592.044
Finance lease liabilities	**122.215**	127.874
Other borrowings	**14.740**	14.740
	722.893	734.658
Current borrowings		
Eurobond	**16.250**	-
Finance lease liabilities	**9.586**	8.928
	25.836	8.928
Total borrowings	**748.729**	743.586

	31 March 2013	31 December 2012 Restated
	US$000	US$000
Maturity of non-current borrowings (excluding finance lease liabilities)		
Between 1 and 2 years	**14.740**	14.74
Between 3 and 5 years	**585.938**	592.04
	600.678	606.78

<u>Finance lease liabilities</u>

	31 March 2013	31 December 2012 Restated
	US$000	US$000
Maturity of non-current liabilities from finance leases		
Between 1 and 2 years	**115.156**	120.247
Between 3 and 5 years	**3.539**	3.758
Over 5 years	**3.520**	3.869
Net finance lease liabilities	**122.215**	127.874

18 Mezzanine loan

In 2011 the Group drew down the US$60 million mezzanine loan facility and as a result the liability is recognized on the balance sheet. The Group incurred borrowing costs in obtaining the loan which are amortized over the period of the loan. The loan facility is accounted for at amortized cost using the effective interest method.

The mezzanine loan movement is as follows:

	31 March 2013	31 December 2012 Restated
	US$000	US$000
At the beginning of the period	**64.624**	64.432
Interest charged	**2.508**	10.108
Interest paid	**-**	(10.145)
Unamortised borrowing costs under the effective interest method	**(102)**	183
Currency translation differences	**(14)**	46
At the end of the period	**67.016**	64.624

19 Derivative financial instruments

	31 March 2013	31 December 2012 Restated
	US$000	US$000
Non-current derivative financial instruments		
Liability-embedded derivatives on mezzanine loan	12.405	12.087
Currency translation differences	-	318
	12.405	12.405
Total derivative financial instruments	12.405	12.405

The embedded derivatives relate to certain derivatives identified in the US$60 million mezzanine loan facility agreement which are (i) a right for the holder of the loan to request a conversion of the outstanding balance of the loan into shares in the Company within 5 years from the date of the agreement, subject to occurrence of certain events triggering conversion and (ii) a prepayment option for the issuer (the Company) under which the Company can, under certain conditions, elect to prepay the loan.

On the occurrence of a qualifying IPO, or change of control, the Group may need to exchange a variable number of shares (as the number of shares is derived by reference to the principal/outstanding amount of the loan) for a variable amount of cash (as the amount payable on conversion is denominated in USD which is not the Company’s functional currency). Therefore, as the fixed-for-fixed criterion is not met the conversion option does not meet the definition of an equity instrument, and it is a derivative financial liability.

The embedded derivatives are fair valued at each reporting date. Based on the valuation as at 31 March 2013 no fair value losses on the embedded derivatives were recognized in the income statement (31 March 2012: US$8.469 thousand) (refer to Note 4).

20 Trade and other payables

	31 March 2013	31 December 2012 Restated
	US$000	US$000
Other trade payables and accrued expenses	**6.512**	7.775
Railcar creditors	**9.040**	-
Advances from customers	**7.739**	4.329
Liability arising on cash-settled share based payment transactions (Note 7)	**2.021**	1.385
	25.312	13.489

The fair value of trade and other payables which are due within one year approximates their carrying amount at the balance sheet date.

21 Contingencies, commitments and operating risks

Tax legislation

Russian tax and customs legislation which was enacted or substantively enacted at the end of the reporting period, is subject to varying interpretations when being applied to the transactions and activities of the Group. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be successfully challenged by relevant authorities. Russian tax administration is gradually strengthening, including the fact that there is a higher risk of review of tax transactions without a clear business purpose or with tax incompliant counterparties. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

Amended Russian transfer pricing legislation is effective from 1 January 2012. These transfer pricing rules appear to be more technically elaborate and, to a certain extent, better aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development. The legislation provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controlled transactions (transactions with related parties and some types of transactions with unrelated parties), provided that the transaction price is not on an arm’s length basis.

Management believes that its pricing policy is at arm’s length and it has implemented internal controls to be in compliance with the new transfer pricing legislation. Given that the practice of implementation of the new Russian transfer pricing rules has not yet developed, the impact of any challenge of the Group’s transfer prices cannot be reliably estimated; however, it may be significant to the financial conditions and/or the overall operations of the Group.

The transfer pricing legislation that is applicable to transactions on or prior to 31 December 2011, also provided the possibility for tax authorities to make transfer pricing adjustments and to impose additional tax liabilities in respect of all controllable transactions, provided that the transaction price differs from the market price by more than 20 per cent. Controllable transactions included transactions with interdependent parties, as determined under the Russian Tax Code, all cross-border transactions (irrespective of whether performed between related or unrelated parties), transactions where the price applied by a taxpayer differed by more than 20 per cent from the price applied in similar transactions by the same taxpayer within a short period of time, and barter transactions. Significant difficulties exist in interpreting and applying that transfer pricing legislation in practice.

Any prior existing Russian court decisions may provide guidance, but are not legally binding for decisions by other, or higher level, Russian courts in the future.

Tax liabilities arising from transactions between companies are determined using actual transaction prices. It is possible, with the evolution of the interpretation of the transfer pricing rules, that such transfer prices could be challenged. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Group.

The Group includes companies incorporated outside of Russia. The tax liabilities of the Group are determined on the assumption that these companies are not subject to Russian profits tax, because they do not have a permanent establishment in Russia. This interpretation of relevant legislation may be challenged but the impact of any such challenge cannot be reliably estimated currently; however, it may be significant to the financial position and/or the overall operations of the Group.

21 Contingencies, commitments and operating risks (continued)

Tax legislation (continued)

As Russian tax legislation does not provide definitive guidance in certain areas, the Group adopts, from time to time, interpretations of such uncertain areas that reduce the overall tax rate of the Group. While Group management currently estimates that the tax positions and interpretations that it has taken can reasonably be sustained, there is a possible risk that outflow of resources will be required should such tax positions and interpretations be challenged by the relevant authorities. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Group.

As at 31 March 2013 it is estimated that none of the Group's subsidiaries have possible tax obligations arising from exposure other than remote tax risks (as at 31 December 2012: none).

22 Operating lease commitments

The future aggregate minimum rentals receivable under non-cancellable operating leases are as follows:

	31 March 2013	31 December 2012 Restated
	US$000	US$000
Not later than 1 year	**27.485**	30.769
Later than 1 year but not later than 5 years	**50.665**	50.303
	78.150	81.072

The future aggregate total rentals receivable under cancellable operating leases, excluding fines for early termination, are as follows:

	31 March 2013	31 December 2012 Restated
	US$000	US$000
Not later than 1 year	**211.514**	223.752
Later than 1 year but not later than 5 years	**480.148**	421.575
Later than 5 years	**51.520**	63.694
	743.182	709.021

23 Related party transactions

There is no single ultimate controlling party which exercises control over the affairs of the Group.

Transactions with related parties are as follows:

Key management compensation

	Three months ended	
	31 March 2013	31 March 2012 Restated
	US$000	US$000
Share-based payment (Note 7)	**3.186**	1.917
Salaries and other benefits	**1.172**	750
Directors fees	**350**	66
Bonuses	**5**	7
	4.713	2.740

Shareholder loan

	31 March 2013	31 December 2012 Restated
	US$000	US$000
At the beginning of the period	**14.740**	-
Advances (Note 17)	**-**	14.740
Interest charged	**123**	392
Interest paid	**(121)**	(391)
Currency translation difference	**(2)**	(1)
At the end of the period	**14.740**	14.740

On 15 March 2012, the Company signed an agreement with one of its shareholders to buy back 6,7 million shares at a price of US$2,20 per share for a total consideration of US$14,74 million. On the same day, the Company signed an agreement for a three-year loan from the shareholder to finance the acquisition of the shares. The loan is unsecured and carries an interest rate of 3-month USD LIBOR + 300 basis points. The loan was disbursed on 28 March 2012 and the buyback of the shares was completed in early April 2012.

24 Events after the balance sheet date

The lease contract with the client for which a specific provision for bad debts was recorded in the income statement was terminated in April 2013 and Group's management signed an agreement with a new client to whom the railcars are currently being transferred. In parallel, management initiated court proceedings to recover the receivables outstanding.

In May 2013 OOO Brunswick Trans, a Group subsidiary entity, received a VAT refund from the tax authorities for a total amount of US$4.100 thousand.

Other than the above, there were no other material post balance sheet events which have a bearing on the understanding of the financial statements.