Brunswick Rail Limited and its subsidiary companies

Interim Condensed Consolidated Financial Information for the six months ended 30 June 2016

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INDEPENDENT AUDITOR'S REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

To the Shareholders and Board of Directors of Brunswick Rail Limited

Introduction

We have reviewed the accompanying interim condensed consolidated balance sheet of Brunswick Rail Limited and its subsidiaries (collectively – the "Group") as at 30 June 2016 and the related interim condensed consolidated statements of income and comprehensive income, changes in equity and cash flows for the three- and six-month periods then ended and other explanatory notes as presented on the pages 4 to 20 of the accompanying document. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

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 financial information 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with IAS 34, Interim Financial Reporting.

Emphasis of matter

As explained in Note 2, the Group is required to repay the US$600.000 thousand Eurobond in November 2017. The Group’s current financial position, including negative net assets of US$262.161 thousand and total assets of US$497.581 thousand as at 30 June 2016, raises substantial doubt about its ability to repay the Eurobond on maturity and, consequently, continue as a going concern. Management's plans concerning this matter are also discussed in Note 2. The interim condensed consolidated financial information does not include any adjustments that might result from the outcome of this uncertainty. Our conclusion is not qualified in respect of this matter.

Deloitte & Touche

26 August 2016
Moscow, Russian Federation

Interim Condensed Consolidated Income Statement for the six and three months ended 30 June 2016

	Note	**Six months ended 30 June 2016 US$000**	Six months ended 30 June 2015 US$000	**Three months ended 30 June 2016 US$000**	Three months ended 30 June 2015 US$000
Revenue	5	**56.674**	71.601	**29.438**	37.360
Cost of services	6	**(10.908)**	(10.615)	**(5.290)**	(5.544)
Property tax		**(2.820)**	(4.494)	**(1.474)**	(2.426)
Staff compensation, excluding share-based compensation		**(3.103)**	(4.803)	**(1.645)**	(2.493)
Other operating expenses	7	**(2.703)**	(11.471)	**(768)**	(5.753)
Other operating income	11	**1.515**	189	**1.371**	(26)
Operating profit before share-based compensation and depreciation		**38.655**	40.407	**21.632**	21.118
Share-based compensation		**-**	(263)	**-**	(54)
Depreciation and amortisation	10	**(10.048)**	(18.850)	**(5.343)**	(10.221)
Operating profit		**28.607**	21.294	**16.289**	10.843
Finance costs	8	**(32.841)**	(34.485)	**(16.413)**	(17.980)
Finance income	8	**2.322**	2.534	**1.052**	2.014
Revaluation of embedded derivatives on mezzanine		**-**	281	**-**	322
Net foreign exchange gains	14	**84.100**	6.593	**33.633**	31.216
Profit/(loss) before income tax		**82.188**	(3.783)	**34.561**	26.415
Income tax (expense)/credit	9	**(6.468)**	689	**(2.720)**	(4.807)
Profit/(loss) for the period attributable to the owners of the Company		**75.720**	(3.094)	**31.841**	21.608

The notes on pages 9 to 20 are an integral part of the interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Comprehensive Income for the six and three months ended 30 June 2016

	Note	**Six months ended 30 June 2016 US$000**	Six months ended 30 June 2015 US$000	**Three months ended 30 June 2016 US$000**	Three months ended 30 June 2015 US$000
Profit/(loss) for the period		**75.720**	(3.094)	**31.841**	21.608
Other comprehensive loss:					
Items that may be reclassified subsequently to profit or loss					
Cash flow hedge (derivatives):					
- Fair value losses on hedging reserve	13	-	(408)	-	(429)
- Transfers to income statement	13	-	(946)	-	(576)
Currency translation differences		**(36.154)**	(2.017)	**(13.376)**	(3.167)
Total items that may be reclassified subsequently to profit or loss		**(36.154)**	(3.371)	**(13.376)**	(4.172)
Other comprehensive loss for the period, net of tax		**(36.154)**	(3.371)	**(13.376)**	(4.172)
Total comprehensive income/(loss) for the period		**39.566**	(6.465)	**18.465**	17.436
Attributable to:					
Owners of the Company		**39.566**	(6.465)	**18.465**	17.436

Items in the statement above are disclosed net of tax.

The notes on pages 9 to 20 are an integral part of the interim condensed consolidated financial information.

Interim Condensed Consolidated Balance Sheet as at 30 June 2016

Assets	Note	30 June 2016 US$000	31 December 2015 US$000
Non-current assets			
Equipment	10	**337.340**	302.643
Finance leases receivable		**3.854**	4.980
Deferred income tax asset		**70.316**	66.913
Other non-current assets		**14.291**	4.474
		425.801	379.010
Current assets			
VAT recoverable		**654**	396
Advances paid for rail tariffs		**571**	861
Trade and other receivables	11	**12.916**	13.453
Finance leases receivable		**1.941**	1.827
Current income tax prepayment		**362**	243
Cash and cash equivalents		**55.336**	67.315
		71.780	84.095
Total assets		**497.581**	463.105

Equity deficit and liabilities	Note	30 June 2016 US$000	31 December 2015 US$000
Capital and reserves			
Share capital	12	**275.588**	271.895
Share premium	12	**121.025**	120.880
Treasury shares	12	**(12.199)**	(12.199)
Other reserves	13	**(229.553)**	(193.399)
Accumulated losses		**(417.022)**	(489.049)
Total equity deficit		**(262.161)**	(301.872)
Non-current liabilities			
Borrowings	14	**611.809**	599.236
Mezzanine	18	**93.312**	86.768
		705.121	686.004
Current liabilities			
Trade and other payables	15	**7.901**	6.316
Current income tax liabilities		**55**	85
VAT payable		**2.507**	3.568
Other taxes payable		**1.513**	1.633
Borrowings	14	**42.645**	67.371
		54.621	78.973
Total liabilities		**759.742**	764.977
Total equity deficit and liabilities		**497.581**	463.105

On 26 August 2016, the Board of Directors of Brunswick Rail Limited ("the Board") authorised the interim condensed consolidated financial information for issue.

Paul Ostling, Director

Anders Lidefelt, Director

The notes on pages 9 to 20 are an integral part of the interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Changes in Equity for the six months ended 30 June 2016

		Attributable to owners of the parent			
	Note	Share capital/ share premium/ treasury shares US$000	Other reserves US$000	Accumulated Losses US$000	Total US$000
Balance at 1 January 2015		**372.481**	**(211.714)**	**(183.203)**	**(22.436)**
Comprehensive loss:					
Loss for the period		-	-	(3.094)	(3.094)
Total other comprehensive loss		-	(3.371)	-	(3.371)
Total comprehensive loss		-	(3.371)	(3.094)	(6.465)
Transactions with owners					
Issue of preference deferral share capital[1]	12	3.193	-	(3.193)	-
Share-based payment		-	257	-	257
Total contribution from and distribution to owners of the Company		3.193	257	(3.193)	257
Balance at 30 June 2015		**375.674**	**(214.828)**	**(189.490)**	**(28.644)**
Balance at 1 January 2016		**380.576**	**(193.399)**	**(489.049)**	**(301.872)**
Comprehensive income:					
Profit for the period		-	-	**75.720**	**75.720**
Total other comprehensive loss		-	**(36.154)**	-	**(36.154)**
Total comprehensive (loss)/income		-	**(36.154)**	**75.720**	**39.566**
Transactions with owners					
Issue of preference deferral share capital[1]	12	**3.693**	-	**(3.693)**	-
Amendment in reallocation of CEO's loan	12	**145**	-	-	**145**
Total contribution from and distribution to owners of the Company		**3.838**	-	**(3.693)**	**145**
Balance at 30 June 2016		**384.414**	**(229.553)**	**(417.022)**	**(262.161)**

[1] The cumulative dividend of approximately US$3.693 thousand (30 June 2015: US$3.193 thousand) in respect of outstanding Preference Shares and Deferral Shares, was deferred and capitalised through an issuance of 3,692,859 Deferral Shares (30 June 2015: 3,192,827 Deferral Shares)

The notes on pages 9 to 20 are an integral part of the interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Cash Flows for the six months ended 30 June 2016

	Note	Six months ended 30 June 2016 US$000	30 June 2015 US$000
Cash flows from operating activities			
Profit/(loss) before tax		**82.188**	(3.783)
Adjustments for:			
Depreciation and amortisation	10	**10.048**	18.850
Provision for bad debts	7	**102**	9.046
Profit on disposal of assets		**(297)**	(184)
Finance income	8	**(2.322)**	(2.534)
Finance costs	8	**32.841**	34.485
Revaluation of embedded derivatives on mezzanine		-	(281)
Net foreign exchange gains		**(84.100)**	(6.593)
Share-based compensation		-	263
		38.460	49.269
Changes in working capital:			
Trade and other receivables		**(804)**	(14.385)
Finance leases receivable		**1.012**	846
Trade and other payables		**1.104**	1.890
Taxes payable other than income tax and VAT		**(340)**	2.283
VAT received/(paid), net		**1.125**	(85)
Cash generated from operations		**40.557**	39.818
Income tax paid		**(379)**	(300)
Net cash generated by operating activities		**40.178**	39.518
Cash flows from investing activities			
Purchase of other tangible assets		**(4)**	(16)
Purchase of wheelsets		**(2.418)**	(1.603)
VAT paid on purchase of wheel sets		**(435)**	(250)
Proceeds from disposal of assets		**743**	217
Interest received		**2.317**	1.272
Net cash from/(used) in investing activities		**203**	(380)
Cash flows from financing activities			
Repayments of bank and other borrowings	14, 18	**(51.677)**	(5.000)
Interest and commitment fees paid on borrowings		**(25.539)**	(26.683)
Capital review project costs capitalised [1]		**(8.676)**	-
Proceeds from sale and lease back transaction, incl. VAT	14	**50.969**	-
Finance leases liabilities – principal repayments		**(10.364)**	(507)
VAT paid on finance lease liabilities		**(2.642)**	(155)
VAT paid to the budget		**(8.007)**	-
Net cash used in financing activities		**(55.936)**	(32.345)
Net decrease/increase in cash and cash equivalents		**(15.555)**	6.793
Cash and cash equivalents at beginning of the period		**67.315**	72.910
Exchange gains/(losses) on cash and cash equivalents		**3.576**	(2.557)
Cash and cash equivalents at end of the period		**55.336**	77.146

[1] Costs include amounts paid to legal and financial advisers.

The notes on pages 9 to 20 are an integral part of the interim condensed consolidated financial information.

BRUNSWICK RAIL

Notes to the interim condensed consolidated financial information

1. General information

Introduction

The interim condensed consolidated financial information is prepared by consolidating the standalone financial information of Brunswick Rail Limited (the "Company") and its subsidiaries (the "Group"), for the six months ended 30 June 2016.

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 is leasing of railcars and transportation services in the "1520 gauge territory" (the railway territory of Russian Federation and CIS).

2. Basis for preparation

(a) Statement of compliance

This interim condensed consolidated financial information of the Group has been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" as issued by the International Accounting Standards Board ("IASB").

This interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements. The Group omitted disclosures which would substantially duplicate the information contained in its audited annual consolidated financial statements for 2015 prepared in accordance with International Financial Reporting Standards ("IFRS"), such as accounting policies and details of accounts which have not changed significantly in amount or composition.

The interim condensed consolidated financial information has been prepared under the historical cost convention. Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency") which is the Russian Rouble ("RUB"). The interim condensed consolidated financial information is presented in US Dollar ("USD") which is the Group's presentation currency as this is the currency considered most appropriate by the Group's investors.

The preparation of financial information in conformity with IAS 34 requires the use of certain critical accounting estimates and requires Management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial information are disclosed in Note 4.

(b) Going concern

During the first half of 2016, the market environment continued to be challenging and operating lease spot daily rates remained depressed overall. Although the rates for gondolas showed an improvement during the second quarter, the rates for certain specialized railcars are under substantial pressure, specifically oil tanks and mineral hoppers. While the Group's contracts denominated in USD are currently at 34 percent of total revenues, Management expects the revenues to be almost 100 percent denominated in RUB in the next two years as USD-denominated contracts expire.

Clients' payment discipline improved during the reporting period, however a number of clients continued to seek to renegotiate contractual terms, including, in certain cases, on the threat of default. Clients' willingness to enter into new multi-year operating leases on terms acceptable to the Group also remained strained. A substantial part of outstanding lease contracts with contractual rates above operating lease spot rates as of the date of this interim condensed consolidated financial information remains set to expire during 2016 (approximately 5.3 thousand railcars, ca. 21 percent of the Group's fleet).

2. Basis for preparation (continued)

(b) Going concern (continued)

The Group generated a net profit for the six months ended 30 June 2016 of approximately US$75.7 million compared to a loss of approximately US$3.1 million in the corresponding period in 2015. This was primarily a result of net foreign exchange gains of ca. US$84.1 million due to the appreciation of the RUB against the USD during the period. Adjusted EBITDA for the six months ended 30 June 2016 was approximately US$38.7 million, ca. 4 percent lower than the corresponding period in 2015.

The continued weak operating performance in US Dollar terms means that the Group's ability to sustain its current capital structure, particularly the ability to maintain significant US dollar denominated debt, remains impaired. The Group's Eurobonds which require a bullet repayment at their November 2017 maturity, as well as its other US dollar denominated debt, give rise to particular concerns in the present environment as the Group is not expected to generate sufficient cash flows to repay its debt.

Negotiations with the bondholders are ongoing; if, however, no agreement is reached with the bondholders on restructuring the Group's Eurobonds by 31 October 2016, the Eurobonds will be reclassified as current liabilities and the Board will be required to consider alternatives, including the option of initiating a liquidation process.

The Group has prepared a base case cash flow forecast which indicates that the Group's liquidity position will allow it to discharge its obligations in due course during the twelve months that began on 1 July 2016. The following key assumptions were used:

- a RUB/USD exchange rate of 70.0 RUB/USD;
- the ability of all of the Group's clients to settle their obligations in due course based on their current contractual terms; and
- the contract terms with the Group's clients not substantially changing compared to such terms as of 30 June 2016 and no such contracts being cancelled or renegotiated (other than certain potential cancellations or renegotiations already incorporated in the cash flow forecast).

The cash flow forecast has demonstrated high level of sensitivity to the above assumptions. The cash flow forecast is particularly sensitive to changes in exchange rates, liquidity of customers and management's ability to renegotiate contracts when they expire. The Group may face liquidity problems if experience significantly diverges from the above assumptions.

Management believes that the base case scenario represents the most probable outcome and accordingly this interim condensed consolidated financial information was prepared on a going concern basis.

3. Accounting policies

The accounting policies and methods of computation adopted in the preparation of this interim condensed consolidated financial information are consistent with those applied in preparation of the annual consolidated financial statements for the year ended 31 December 2015 as described therein. Additionally the following accounting policy was applied for the preparation of this interim condensed consolidated financial information:

Sale and leaseback

A sale and leaseback transaction involves the sale of an asset and the leasing back of the same asset. If a sale and leaseback transaction results in a finance lease, any excess of sales proceeds over the carrying amount is deferred and amortised over the lease term.

If a sale and leaseback transaction results in an operating lease any profit or loss will be recognised immediately. If the sale price is below fair value any profit or loss will be recognised immediately except that, if the loss is compensated for by future lease payments at below market price, it is deferred and amortised in proportion to the lease payments over the period for which the asset is expected to be used. If the sale price is above fair value, the excess over fair value is deferred and amortised over the period for which the asset is expected to be used.

As described in Note 14, the Group entered into a sale and leaseback transaction with Alfa-Leasing LLC and as a result the new accounting policy was applied.

3. Accounting policies (continued)

Adoption of New or Revised Standards and Interpretations

In the current period, the following new and revised Standards and Interpretations have been adopted:

- Amendments to IFRS 11 – *Accounting for Acquisition of Interests in Joint Operations*;
- Amendments to IAS 1 – *Disclosure Initiative*;
- Amendments to IAS 16 and IAS 38 – *Clarification of Acceptable Methods of Depreciation and Amortisation*;
- Amendments to IAS 16 and IAS 41 – *Agriculture: Bearer Plants*;
- Amendments to IFRS 10, IFRS 12 and IAS 28 – *Investment Entities: Applying the Consolidation Exception;*
- IFRS 14 *Regulatory Deferral Accounts*;
- Amendments to IAS 27 – *Equity Method in Separate Financial Statements*;
- Annual Improvements to IFRSs 2012-2014 Cycle.

The adoption of these new and revised standards and interpretations did not have a significant effect on the Group's interim condensed consolidated financial information.

New and revised IFRSs in issue but not yet effective

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

- IFRS 9 *Financial Instruments*[2];
- IFRS 15 *Revenue from Contracts with Customers*[2];
- *IFRS 16 Leases*[3];
- Amendments to IFRS 10 and IAS 28 - *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4];
- Amendments to IAS 12 – *Recognition of Deferred Tax Assets for Unrealised Losses*[1].

[1] Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.
[2] Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
[3] Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.
[4] The amendment was initially issued in September 2014 with the effective date on 1 January 2016. In December 2015 the IASB deferred the effective date of the amendments indefinitely until the research project on the equity method has been concluded.

Early adoption is permitted for all new or amended standards and interpretations. IFRS 16 can be early adopted if IFRS 15 Revenue from Contracts with Customers has also been applied.

Management is currently considering the potential impact of the adoption of these Standards and amendments. However, it is not practicable to provide a reasonable estimate of their effect until a detailed review has been completed.

4. Critical accounting estimates and judgments

The preparation of interim condensed consolidated financial information requires Management to make judgments, 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 judgments 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 consolidated financial statements for the year ended 31 December 2015.

5. Revenue

	Six months ended		Three months ended	
	30 June 2016	30 June 2015	**30 June 2016**	30 June 2015
	US$000	US$000	**US$000**	US$000
Full service operating leases	**33.955**	47.003	**17.708**	24.669
Triple-net operating leases	**11.363**	15.080	**5.757**	7.787
Transportation services income	**10.922**	8.960	**5.765**	4.631
Finance leases	**434**	558	**208**	273
Total external revenue	**56.674**	71.601	**29.438**	37.360

The revenue decrease compared to the prior corresponding period was primarily driven by (i) remarketing of railcars at the conclusion of operating leases to closer to prevailing operating lease spot rates levels denominated in RUB, which were significantly lower compared to the corresponding period last year, (ii) the sharp decline in the value of RUB against the USD in 2015 which, in response to client pressure, led to the majority of USD-denominated contracts being renegotiated and switched to RUB-denominated leases, (iii) remaining USD-denominated client contracts renegotiated at significantly lower operating lease daily rates and (iv) the higher average exchange rate of USD to RUB during the first half of 2016 compared to 2015.

6. Cost of services

	Six months ended		Three months ended	
	30 June 2016	30 June 2015	**30 June 2016**	30 June 2015
	US$000	US$000	**US$000**	US$000
Depot repairs	**5.280**	4.915	**2.565**	2.580
Other transportation services expenses	**4.957**	4.408	**2.380**	2.207
Other railcar expenses	**568**	1.151	**290**	680
Railcar insurance	**94**	141	**49**	77
Transportation services subcontracted	**9**	-	**6**	-
Total cost of services	**10.908**	10.615	**5.290**	5.544

The increase in cost of services was primarily due to an increase in depot repairs costs and other transportation services expenses partly offset by lower other railcar expenses.

The higher depot repair costs are attributable to a substantially higher number of depot repairs which took place during the current period, despite the decrease in average depot repair costs per railcar in USD terms of ca. 14.2% compared to the corresponding period last year.

The increase in other transportation expenses represents mainly an increase in rail tariffs for empty-run driven by (i) an annual increase in railway tariffs and (ii) an increased proportion of long-haul export transportation of coal during the first half of 2016.

The decrease in other railcar expenses is attributable to lower transportation costs incurred during the period, remarketing of railcars and moving railcars to and from clients.

7. Other operating expenses

	Six months ended		Three months ended	
	30 June 2016 US$000	30 June 2015 S$000	**30 June 2016 US$000**	30 June 2015 S$000
Legal and other professional fees	**768**	406	**551**	121
Directors' fees and expenses (Note 18)	**448**	660	**232**	321
Rent and related expenses	**375**	572	**107**	285
Other operating expenses	**361**	110	**298**	48
Travelling, accommodation and entertainment	**262**	206	**146**	104
Auditor's remuneration	**210**	176	**106**	93
Provision for bad debts	**102**	9.046	**(772)**	4.630
Information technology costs	**61**	56	**33**	29
Consultancy fees	**51**	105	**26**	23
Advertising and marketing	**44**	104	**31**	86
Communication costs	**21**	30	**10**	13
Total other operating expenses	**2.703**	11.471	**768**	5.753

8. Finance costs and income

	Six months ended		Three months ended	
	30 June 2016 US$000	30 June 2015 US$000	**30 June 2016 US$000**	30 June 2015 US$000
Finance costs				
Interest expenses – Eurobond	**20.574**	21.021	**10.450**	10.702
Interest expenses – mezzanine facility	**6.404**	5.727	**3.282**	2.922
Interest expenses – finance lease payables	**4.252**	377	**2.385**	288
Interest expenses – syndicated bank loans	**1.019**	6.378	**-**	3.558
Other borrowing costs	**550**	952	**281**	496
	32.799	34.455	**16.398**	17.966
Bank charges	**42**	30	**15**	14
	32.841	34.485	**16.413**	17.980
Finance income				
Interest income on bank balances and other interest income	**(2.322)**	(1.588)	**(1.052)**	(1.438)
Fair value gains on interest rate swap – cash flow hedge, transfer from other comprehensive income	**-**	(946)	**-**	(576)
	(2.322)	(2.534)	**(1.052)**	(2.014)
Net finance costs	**30.519**	31.951	**15.361**	15.966

9. Income tax expense

Interim period income tax is accrued based on the estimated average annual effective income tax rate of 8.0 per cent (30 June 2015: 18 per cent). The change in effective tax rate is caused mainly by expenses to be incurred in jurisdictions which are exempt from taxation and therefore excluded from the calculation of the income tax base used for estimating the average annual effective tax rate.

As at 30 June 2016 it is estimated that none of the Group's subsidiaries have contingent tax liabilities arising from exposure other than remote tax risks (as at 31 December 2015: none).

10. Equipment

	Railcars US$000	Furniture, fittings & office equipment US$000	**Total US$000**
As at 1 January 2016			
Cost	634.485	521	**635.006**
Accumulated depreciation and impairment losses	(332.095)	(352)	**(332.447)**
Net book amount	302.390	169	**302.559**
Six-month period ended 30 June 2016			
Opening net book amount	302.390	169	**302.559**
Additions	6.569	4	**6.573**
Disposals / retirement of assets	(4.119)	(1)	**(4.120)**
Depreciation charge	(9.986)	(47)	**(10.033)**
Depreciation on disposal	1.915	-	**1.915**
Exchange differences on cost	85.631	70	**85.701**
Exchange differences on depreciation	(45.284)	(52)	**(45.336)**
Closing net book amount	337.116	143	**337.259**
As at 30 June 2016			
Cost	722.566	594	**723.160**
Accumulated depreciation and impairment losses	(385.450)	(451)	**(385.901)**
Net book amount	337.116	143	**337.259**
As at 1 January 2015			
Cost	803.277	667	**803.944**
Accumulated depreciation and impairment losses	(166.466)	(376)	**(166.842)**
Net book amount	636.811	291	**637.102**
Six-month period ended 30 June 2015			
Opening net book amount	636.811	291	**637.102**
Additions	5.832	25	**5.857**
Disposals / retirement of assets	(2.872)	-	**(2.872)**
Depreciation charge	(18.776)	(57)	**(18.833)**
Depreciation on disposal	912	-	**912**
Exchange differences on cost	10.987	9	**10.996**
Exchange differences on depreciation	(2.676)	(6)	**(2.682)**
Closing net book amount	630.218	262	**630.480**
As at 30 June 2015			
Cost	817.224	701	**817.925**
Accumulated depreciation and impairment losses	(187.006)	(439)	**(187.445)**
Net book amount	630.218	262	**630.480**

During the six months ended 30 June 2016 the Group's fleet has been increased by 90 railcars. The Group's assets include 25,638 railcars (31 December 2015: 25,548 railcars) which are held by the Group's subsidiary companies, out of which 6,098 railcars, with a net book value of US$80.266 thousand, are held under finance lease pursuant to the sale and leaseback transaction with Alfa-Leasing LLC (31 December 2015: nil) (Note 14).

At the reporting date, out of the total equipment, 21,736 railcars (31 December 2015: 20,920 railcars) are leased out under operating leases and short-term rentals and 3,902 (31 December 2015: 4,628 railcars) are used in the Group's transportation business.

10. Equipment (continued)

Equipment pledged as collateral

As at 30 June 2016 no railcars were pledged as collateral (31 December 2015: 3.398 railcars) as the syndicated loan facility was fully repaid on 18 January 2016 (Note 14).

11. Trade and other receivables

	30 June 2016 US$000	31 December 2015 US$000
Other receivables and prepayments	**5.855**	4.598
Transportation income receivables	**3.559**	2.386
Operating lease income receivables	**3.502**	6.469
	12.916	13.453

Trade and other receivables balances in the amount of US$25.058 thousand, were impaired and provided for as of 30 June 2016 (31 December 2015: US$22.172 thousand).

In June 2016 a settlement agreement was signed with a client based on which the client assumed certain penalties and fines in the amount of US$2.412 thousand. Management considered prudent to recognise a 50 percent provision on the receivable. As a result the amount of US$1.206 thousand was recognised in income statement as part of 'Other operating income'.

12. Share capital, share premium and treasury shares

	30 June 2016 US$000	31 December 2015 US$000
Share capital	**275.588**	271.895
Share premium	**121.025**	120.880
Treasury shares	**(12.199)**	(12.199)
	384.414	380.576

	30 June 2016			31 December 2015		
	Share capital US$000	Share premium US$000	Treasury shares US$000	Share capital US$000	Share premium US$000	Treasury shares US$000
Ordinary shares	**212.198**	**123.747**	**(12.199)**	212.198	123.602	(12.199)
Convertible preference shares	**50.000**	**(2.722)**	-	50.000	(2.722)	-
Redeemable deferral shares	**13.390**	-	-	9.697	-	-
	275.588	**121.025**	**(12.199)**	271.895	120.880	(12.199)

12. Share capital, share premium and treasury shares (continued)

Ordinary share capital

	Number of shares	Share capital US$000	Share premium US$000	Treasury shares US$000	Total US$000
At 1 January 2015 and 30 June 2015	**203.449.579**	**212.198**	**122.817**	**(12.837)**	**322.178**
At 1 January 2016	**204.088.504**	**212.198**	**123.602**	**(12.199)**	**323.601**
Amendment in reallocation of CEO's loan	63.439	-	145	-	145
At 30 June 2016	**204.151.943**	**212.198**	**123.747**	**(12.199)**	**323.746**

Redeemable deferral shares

	Number of shares	Share capital US$000	Share premium US$000	Total US$000
At 1 January 2015	**3.024.658**	**3.025**	**-**	**3.025**
Issue of share capital	3.192.827	3.193	-	3.193
At 30 June 2015	**6.217.485**	**6.218**	**-**	**6.218**
At 1 January 2016	**9.696.615**	**9.697**	**-**	**9.697**
Issue of share capital	3.692.859	3.693	-	3.693
At 30 June 2016	**13.389.474**	**13.390**	**-**	**13.390**

The cumulative dividend of approximately US$3.693 thousand as at 30 June 2016 (30 June 2015: US$3.193 thousand) in respect of outstanding Preference Shares and Deferral Shares, was deferred and capitalised through an issuance of 3,692,859 Deferral Shares (30 June 2015: 3,192,827 deferral shares).

13. Other reserves

	Hedging reserve US$000	Translation reserve US$000	Share-based compensation reserve US$000	Share swap reserve US$000	Total US$000
Balance at 1 January 2015	**1.511**	**(158.556)**	**2.759**	**(57.428)**	**(211.714)**
Cash flow hedge (derivatives):					
- Cash flow losses on hedging reserve	(408)	-	-	-	(408)
- Transfers to income statement	(946)	-	-	-	(946)
Currency translation differences	-	(2.017)	-	-	(2.017)
Share-based payment	-	-	257	-	257
Balance at 30 June 2015	**157**	**(160.573)**	**3.016**	**(57.428)**	**(214.828)**
Balance at 1 January 2016	**-**	**(138.987)**	**3.016**	**(57.428)**	**(193.399)**
Currency translation differences	-	(36.154)	-	-	(36.154)
Balance at 30 June 2016	**-**	**(175.141)**	**3.016**	**(57.428)**	**(229.553)**

14. Borrowings

	30 June 2016 US$000	31 December 2015 US$000
Non-current borrowings		
Eurobond	**595.194**	593.665
Finance lease payables	**13.275**	2.231
Other borrowings (Note 18)	**3.340**	3.340
	611.809	599.236
Current borrowings		
Eurobond	**6.500**	6.500
Finance lease payables	**31.072**	1.235
Other borrowings (Note 18)	**5.073**	5.074
Bank borrowings	**-**	54.562
	42.645	67.371
Total borrowings	**654.454**	666.607

	30 June 2016 US$000	31 December 2015 US$000
Maturity of non-current borrowings (excluding finance lease liabilities)		
Later than 1 year and not later than 3 years	**598.534**	597.005
	598.534	597.005

<u>Finance lease liabilities</u>

	30 June 2016 US$000	31 December 2015 US$000
Maturity of non-current liabilities from finance leases		
Later than 1 year and not later than 3 years	**12.576**	1.440
Later than 3 years and not later than 5 years	**699**	791
	13.275	2.231

In December 2015, OOO Brunswick Rail, the Group's Russian subsidiary, and Alfa-Leasing LLC signed a term sheet for the provision of up to RUB 4 billion of financing pursuant to two new sale and leaseback facilities (with respect to 3,398 and 2,700 railcars, respectively). As part of the above financing plan, OOO Brunswick Rail signed the first agreement with Alfa-Leasing LLC for the provision of RUB 2.3 billion (incl. VAT) of financing under a new sale and leaseback facility on 28 December 2015 and the transaction was completed, followed by the drawdown, on 18 January 2016. On the same day OOO Brunswick Rail used the proceeds of this sale and leaseback facility, together with its own cash to repay fully its existing syndicated facility.

On 26 January 2016, OOO Brunswick Rail signed the agreement for the second sale and leaseback facility in the amount of ca. RUB 1.6 billion (incl. VAT); the transaction was completed, followed by the drawdown on the same day. The second Alfa-Leasing tranche (which is without additional fees, and can be repaid at any time without penalty) was intended to provide liquidity in the event of a further market downturn.

No gain or loss was recognised as a result of these transactions.

Pursuant to the sale and leaseback transactions, OOO Brunswick Rail simultaneously leased back all railcars sold. The leases have a term that ends in January 2018, and an interest rate of 16%, plus customary fees charged over the life of the facility. OOO Brunswick Rail has an option to repurchase leased railcars at any time during the lease term at a price determined in the finance lease agreement.

The fair value of 'Finance lease payables' and 'Other borrowings' approximates their carrying value at the balance sheet date. The fair value of the Eurobond amounts to US$291.000 thousand and is based on a price on 30 June 2016 obtained from Bloomberg financial data service. The Eurobond is denominated in USD.

14. Borrowings (continued)

As a result of the RUB appreciation against the USD during the period ended 30 June 2016, net foreign exchange gains in the amount of US$84.100 thousand were recognized in the income statement, mostly attributable to the USD-denominated borrowings.

On 5 April 2016, OOO Brunswick Rail and PJSC VTB Bank signed a facility agreement for the provision of up to RUB 20 billion towards funding the potential restructuring of the Group's existing debt. The terms of the secured facility contemplate a 6.5% per annum margin over the current Central Bank of Russia key rate and a five-year maturity from the date on which the agreement enters into force. The facility would be guaranteed by Brunswick Rail Finance Ltd (Ireland), OOO Proftrans, Brunswick Rail Holding Ltd (Cyprus) and the Company, and secured by substantially all of the unencumbered assets of OOO Brunswick Rail and OOO Proftrans.

15. Trade and other payables

	30 June 2016 US$000	31 December 2015 US$000
Trade payables and accrued expenses	**6.354**	4.912
Advances from customers	**1.547**	1.404
	7.901	6.316

16. Contingencies, commitments and operating risks

Operating Environment

Emerging markets such as Russia are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Russia continue to change rapidly; tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Russia is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

Because Russia produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market. During 2014 and 2015 the Russian economy was negatively impacted by the substantial decrease in oil prices and the Russian Rouble exchange rate. Oil prices and the Russian Rouble exchange rate have increased somewhat in the first half of 2016 but remain low and continue to negatively affect the Russian economy.

Starting from 2014, sanctions have been imposed in several packages by the U.S. and the E.U. on certain Russian officials, businessmen and companies. In the first quarter of 2015 two international credit agencies downgraded Russia's long-term foreign currency sovereign rating to the speculative level with the negative outlook.

The above mentioned events have led to reduced access of the Russian businesses to international capital markets, relatively high inflation, economic recession and other negative economic consequences. The impact of further economic developments on future operations and financial position of the Group is at this stage difficult to determine.

17. Operating lease commitments

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

	30 June 2016 US$000	31 December 2015 US$000
Not later than 1 year	**10.377**	14.389
Later than 1 year but not later than 5 years	**2.183**	6.212
	12.560	20.601

The Group leases out all railcars under operating lease arrangements for a period of 1 – 6 years.

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

	30 June 2016 US$000	31 December 2015 US$000
Not later than 1 year	**66.262**	68.920
Later than 1 year but not later than 5 years	**82.668**	110.396
Later than 5 years	**969**	6.622
	149.899	185.938

18. 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

	Six months ended		**Three months ended**	
	30 June 2016 US$000	30 June 2015 US$000	**30 June 2016 US$000**	30 June 2015 US$000
Salaries and other benefits	**1.369**	2.407	**694**	1.227
Directors' fees and expenses (Note 7)	**448**	660	**232**	321
Bonuses	**9**	25	**5**	3
Share-based payment	**-**	263	**-**	54
	1.826	3.355	**931**	1.605

Shareholder loan

	30 June 2016 US$000	31 December 2015 US$000
Balance at beginning of period/year	**8.414**	14.740
Principal repayment	**-**	(6.350)
Interest charged	**274**	569
Interest paid	**(281)**	(535)
Currency translation differences	**6**	(10)
Balance at end of period/year	**8.413**	8.414
Current portion	**5.073**	5.074
Non-current portion	**3.340**	3.340
Total shareholder loan	**8.413**	8.414

19. Related party transactions (continued)

Mezzanine

	30 June 2016 US$000	31 December 2015 US$000
Balance at beginning of period/year	**86.768**	75.026
Interest accrued	**6.553**	11.924
Unamortised borrowing costs under the effective interest method	**(149)**	5
Currency translation differences	**140**	(187)
Balance at end of period/year	**93.312**	86.768

The fair value of the mezzanine approximates the carrying amount of the instrument at the balance sheet date.

19. Non-IFRS measures (unreviewed)

The table below represents a reconciliation of the IFRS profit/loss for the period ended 30 June 2016 and 2015 to Adjusted EBITDA which is not defined by IFRS and used by Management for decision-making purposes as part of the analysis of the Group's results:

	Six months ended		**Three months ended**	
	30 June 2016 US$000	30 June 2015 US$000	**30 June 2016 US$000**	30 June 2015 US$000
Profit/(loss) for the period	**75.720**	(3.094)	**31.841**	21.608
plus/(minus):				
Income tax expense/(credit)	**6.468**	(689)	**2.720**	4.807
Net foreign exchange gains	**(84.100)**	(6.593)	**(33.633)**	(31.216)
Revaluation gains of embedded derivatives on mezzanine	**-**	(281)	**-**	(322)
Finance income	**(2.322)**	(2.534)	**(1.052)**	(2.014)
Finance costs	**32.841**	34.485	**16.413**	17.980
Depreciation and amortisation	**10.048**	18.850	**5.343**	10.221
Share-based compensation	**-**	263	**-**	54
Adjusted EBITDA	**38.655**	40.407	**21.632**	21.118

20. Events after the balance sheet date

On 13 July 2016, the Group signed with Lavender Tankers Inc., an affiliate of the Group's shareholder – Sumitomo Corporation, an amendment agreement relating to the amended and restated loan agreement with the outstanding balance of US$8.3 million as of the reporting date. This amendment agreement will postpone until 31 December 2016 the next amortization payment under the loan repayment schedule.