Brunswick Rail Limited and its subsidiary companies

Interim Condensed Consolidated Financial Information for the nine months ended 30 September 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 September 2016 and the related interim condensed consolidated statements of income and comprehensive income, changes in equity and cash flows for the three- and nine-month periods then ended and other explanatory notes as presented on the pages 4 to 22 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 equity deficit of US$264.047 thousand and total assets of US$503.633 thousand as at 30 September 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

28 November 2016
Moscow, Russian Federation

Interim Condensed Consolidated Income Statement for the nine and three months ended 30 September 2016

	Note	**Nine months ended 30 September 2016 US$000**	Nine months ended 30 September 2015 US$000	**Three months ended 30 September 2016 US$000**	Three months ended 30 September 2015 US$000
Revenue	5	**87.542**	102.445	**30.868**	30.844
Cost of services	6	**(16.203)**	(15.666)	**(5.295)**	(5.051)
Property tax		**(4.295)**	(6.515)	**(1.475)**	(2.021)
Staff compensation, excluding share-based compensation		**(4.529)**	(6.249)	**(1.426)**	(1.446)
Other operating expenses	7	**(2.909)**	(14.157)	**(206)**	(2.686)
Other operating income / (loss)	12	**1.368**	427	**(147)**	238
Operating profit before share-based compensation and depreciation		**60.974**	60.285	**22.319**	19.878
Share-based compensation		**-**	(263)	**-**	-
Depreciation and amortisation	10	**(15.508)**	(27.407)	**(5.460)**	(8.557)
Operating profit		**45.466**	32.615	**16.859**	11.321
Finance costs	8	**(49.484)**	(51.571)	**(16.643)**	(17.086)
Finance income	8	**3.469**	4.159	**1.147**	1.625
Revaluation of embedded derivatives on mezzanine		**-**	13	**-**	(268)
Net foreign exchange gains/(losses)	15	**95.702**	(108.899)	**11.602**	(115.492)
Profit/(loss) before income tax		**95.153**	(123.683)	**12.965**	(119.900)
Income tax (expense)/credit	9	**(17.223)**	22.510	**(10.755)**	21.821
Profit/(loss) for the period attributable to the owners of the Company		**77.930**	(101.173)	**2.210**	(98.079)

The notes on pages 9 to 22 are an integral part of the interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Comprehensive Income for the nine and three months ended 30 September 2016

	Note	**Nine months ended 30 September 2016 US$000**	Nine months ended 30 September 2015 US$000	**Three months ended 30 September 2016 US$000**	Three months ended 30 September 2015 US$000
Profit/(loss) for the period		**77.930**	(101.173)	**2.210**	(98.079)
Other comprehensive (loss)/income:					
Items that may be reclassified subsequently to profit or loss					
Cash flow hedge (derivatives):					
- Fair value losses on hedging reserve	14	**-**	(414)	**-**	(6)
- Transfers to income statement	14	**-**	(1.097)	**-**	(151)
Currency translation differences	14	**(40.250)**	6.907	**(4.096)**	8.924
Total items that may be reclassified subsequently to profit or loss		**(40.250)**	5.396	**(4.096)**	8.767
Other comprehensive (loss)/income for the period, net of tax		**(40.250)**	5.396	**(4.096)**	8.767
Total comprehensive income/(loss) for the period		**37.680**	(95.777)	**(1.886)**	(89.312)
Attributable to:					
Owners of the Company		**37.680**	(95.777)	**(1.886)**	(89.312)

Items in the statement above are disclosed net of tax.

The notes on pages 9 to 22 are an integral part of the interim condensed consolidated financial information.

Interim Condensed Consolidated Balance Sheet as at 30 September 2016

Assets	Note	30 September 2016 US$000	31 December 2015 US$000
Non-current assets			
Equipment	10	**339.713**	302.643
Finance leases receivable		**3.452**	4.980
Deferred income tax asset		**60.768**	66.913
Other non-current assets	11	**16.537**	4.474
		420.470	379.010
Current assets			
VAT recoverable		**657**	396
Advances paid for rail tariffs		**350**	861
Trade and other receivables	12	**10.305**	13.453
Finance leases receivable		**1.978**	1.827
Current income tax prepayment		**324**	243
Cash and cash equivalents		**69.549**	67.315
		83.163	84.095
Total assets		**503.633**	463.105
Equity deficit and liabilities			
Capital and reserves			
Share capital	13	**275.588**	271.895
Share premium	13	**121.025**	120.880
Treasury shares	13	**(12.199)**	(12.199)
Other reserves	14	**(233.649)**	(193.399)
Accumulated losses		**(414.812)**	(489.049)
Total equity deficit		**(264.047)**	(301.872)
Non-current liabilities			
Borrowings	15	**604.039**	599.236
Mezzanine	19	**96.767**	86.768
		700.806	686.004
Current liabilities			
Trade and other payables	16	**8.494**	6.316
Current income tax liabilities		**30**	85
VAT payable		**2.431**	3.568
Other taxes payable		**1.510**	1.633
Borrowings	15	**54.409**	67.371
		66.874	78.973
Total liabilities		**767.680**	764.977
Total equity deficit and liabilities		**503.633**	463.105

On 28 November 2016, the Board of Directors of Brunswick Rail Limited (the "Board") authorized the interim condensed consolidated financial information for issue.

Martin Andersson, Director

Nicolas Pascault, Director

The notes on pages 9 to 22 are an integral part of the interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Changes in Equity for the nine months ended 30 September 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		-	-	(101.173)	(101.173)
Total other comprehensive income		-	5.396	-	5.396
Total comprehensive income/(loss)		-	5.396	(101.173)	(95.777)
Transactions with owners					
Issue of preference deferral share capital [1]	13	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 September 2015		**375.674**	**(206.061)**	**(287.569)**	**(117.956)**
Balance at 1 January 2016		**380.576**	**(193.399)**	**(489.049)**	**(301.872)**
Comprehensive income:					
Profit for the period		-	-	**77.930**	**77.930**
Total other comprehensive loss		-	**(40.250)**	-	**(40.250)**
Total comprehensive (loss)/income		-	**(40.250)**	**77.930**	**37.680**
Transactions with owners					
Issue of preference deferral share capital [1]	13	**3.693**	-	**(3.693)**	-
Amendment in reallocation of CEO's loan	13	**145**	-	-	**145**
Total contribution from and distribution to owners of the Company		**3.838**	-	**(3.693)**	**145**
Balance at 30 September 2016		**384.414**	**(233.649)**	**(414.812)**	**(264.047)**

[1] The cumulative dividend of approximately US$3.693 thousand declared on 30 June 2016 (30 June 2015: US$3.193 thousand) in respect of outstanding Preference Shares and Deferral Shares, was deferred and capitalized through an issuance of 3,692,859 Deferral Shares (30 June 2015: 3,192,827 Deferral Shares)

The notes on pages 9 to 22 are an integral part of the interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Cash Flows for the nine months ended 30 September 2016

	Note	**Nine months ended 30 September 2016 US$000**	Nine months ended 30 September 2015 US$000
Cash flows from operating activities			
Profit/(loss) before income tax		**95.153**	(123.683)
Adjustments for:			
Depreciation and amortisation	10	**15.508**	27.407
(Reversal of)/provision for bad debts	7	**(564)**	10.589
Profit on disposal of assets		**(169)**	(367)
Finance income	8	**(3.469)**	(4.159)
Finance costs	8	**49.484**	51.571
Revaluation of embedded derivatives on mezzanine		**-**	(13)
Net foreign exchange (gains)/losses		**(95.702)**	108.899
Share-based compensation		**-**	263
		60.241	70.507
Changes in working capital:			
Trade and other receivables		**1.149**	(15.593)
Finance leases receivable		**1.377**	1.311
Trade and other payables		**2.233**	1.946
Taxes payable other than income tax and VAT		**(374)**	1.898
VAT received/(paid), net		**3.788**	(593)
Cash generated from operations		**68.414**	59.476
Income tax paid		**(419)**	(474)
Net cash generated by operating activities		**67.995**	59.002
Cash flows from investing activities			
Purchase of other tangible assets		**(5)**	(34)
Purchase of wheelsets		**(3.353)**	(2.409)
VAT paid on purchase of wheel sets		**(604)**	(336)
Proceeds from disposal of assets		**1.518**	561
Interest received		**3.423**	2.796
Net cash from investing activities		**979**	578
Cash flows from financing activities			
Repayments of bank and other borrowings	15, 19	**(51.677)**	(6.350)
Interest and commitment fees paid on borrowings		**(28.147)**	(30.074)
Capital review project costs capitalized [1]		**(11.072)**	-
Proceeds from sale and lease back transaction, incl. VAT	15	**50.969**	-
Finance leases liabilities – principal repayments		**(17.558)**	(761)
VAT paid on finance lease liabilities		**(4.323)**	(229)
VAT on sale and leaseback transaction paid to the budget		**(9.128)**	-
Net cash used in financing activities		**(70.936)**	(37.414)
Net (decrease)/increase in cash and cash equivalents		**(1.962)**	22.166
Cash and cash equivalents at beginning of the period		**67.315**	72.910
Exchange gains/(losses) on cash and cash equivalents		**4.196**	(15.969)
Cash and cash equivalents at end of the period		**69.549**	79.107

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

The notes on pages 9 to 22 are an integral part of the interim condensed consolidated financial information.

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 nine months ended 30 September 2016.

Country of incorporation

The Company is incorporated in Bermuda as a private limited liability company in accordance with the provisions of 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 consolidated 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 Dollars ("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 nine months of 2016, the railcar leasing market environment has shown signs of improvement and stabilization. Starting in the second quarter, the spot rates for gondolas improved from ca. 600 RUB/day to ca. 800 RUB/day at the end of the reporting period. However, the rates for certain specialized railcars remain under substantial pressure, specifically oil tanks and mineral hoppers.

While the Group's contracts denominated in USD represented 28 percent of total revenues in the period, 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 and certain doubtful receivables were collected.

2. Basis for preparation (continued)

(b) Going concern (continued)

The Group generated a net profit for the nine months ended 30 September 2016 of approximately US$77.9 million compared to a loss of approximately US$101.2 million in the corresponding period in 2015. This was primarily a result of the RUB appreciation against the USD where net foreign exchange gains of ca. US$95.7 million were recognized in profit or loss during the period, compared to net foreign exchange losses of US$108.9 million recognized during the corresponding period last year. Adjusted EBITDA for the nine months ended 30 September 2016 was approximately US$61.1 million, ca. 1.4 percent higher than the corresponding period in 2015.

At the same time, 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 US$600,000,000 6.5% Guaranteed Notes (the "Notes") 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 at maturity.

Negotiations with the bondholders committee, which represents approximately 50% of the Notes, are ongoing; if, however, no agreement is reached with the bondholders on restructuring the Notes, the Board will be required to consider alternatives to a voluntary restructuring, including the option of initiating a liquidation process.

The Company was informed that in light of the present inability to reach a consensual transaction with the bondholders, an ad-hoc shareholders committee (the "Committee"), comprising six parties and representing approximately 48% of outstanding shares was formed. The Committee has retained legal and financial advisors in connection with the proposed sale of their equity interests in the Company. As advised by the Chairman of the Committee, the Committee has launched a bid process that requires the submission of binding bids by investors, including existing shareholders and creditors, interested in acquiring up to 100% of the Company's equity by 25 November 2016, following which negotiations would begin with the highest bidder on an exclusive basis during an exclusivity period. The Company has understood from the Committee that it expects to be committed to enter into binding sale documentation with the successful bidder during the exclusivity period.

The sale of a majority of the Company's equity interests is likely to trigger a change of control under the Notes that would give rise to a change of control put option requiring the issuer to redeem all or any part of the Notes at 101% of their principal amount together with accrued and unpaid interest and step-up interest.

Setting aside the impact of the sales process mentioned above and a potential change of control, 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 October 2016. The following key assumptions were used:

- a RUB/USD exchange rate of 65.0 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 September 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 a 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.

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 to the seller. If a sale and leaseback transaction results in a finance lease, any excess of sales proceeds over the carrying amount is deferred and amortized over the lease term.

When the overall economic effect of a sale and leaseback transaction cannot be understood without reference to the series of transactions as a whole (i.e. when the series of transactions are closely interrelated, negotiated as a single transaction, and take place concurrently or in a continuous sequence) the transaction is accounted for as one transaction, usually a collateralized borrowing.

As described in Note 15, the Group entered into a sale and leaseback transaction with Alfa-Leasing LLC and as a result the new accounting policy was applied.

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];
- IFRS 2 – *Classification and Measurement of Share-based Payment Transactions*;
- 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 Unrealized Losses*[1];
- Amendments to IAS 7 – *Disclosure Initiative;*
- Amendments to IFRS 4 – *Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts'*;
- Clarifications to IFRS 15 *Revenue from Contracts with Customers*.

[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 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 consolidated financial statements for the year ended 31 December 2015, except as detailed below.

Impairment of equipment

The current lease rate trends disclosed in Note 2 will be re-assessed at the 2016 year-end closing when the Group will carry out a review of the recoverable amount of its equipment.

Management will consider whether the trend in increasing gondola rates, primarily driven by (i) railcar scrappings which during the first nine months of 2016 amounted to ca. 99,000 units and (ii) increase in coal prices, the main commodity delivered in gondolas, is able to justify a reversal of previously recognized impairment losses on railcars.

Management will also consider whether additional impairment losses should be recognized on oil tank cars. Oil tank rates were negatively affected in the reporting period by (i) transportation volumes switching from rail to pipelines because of the development of pipeline infrastructure and (ii) deteriorating economic conditions for oil refineries for which tax changes launched in 2015 coupled with the decline in crude oil prices has negatively impacted the financial performance.

5. Revenue

	Nine months ended		Three months ended	
	30 September 2016 US$000	30 September 2015 US$000	**30 September 2016 US$000**	30 September 2015 US$000
Full service operating leases	**53.122**	66.026	**19.167**	19.023
Triple-net operating leases	**17.002**	21.757	**5.639**	6.677
Transportation services income	**16.790**	13.842	**5.868**	4.882
Finance leases	**628**	820	**194**	262
Total external revenue	**87.542**	102.445	**30.868**	30.844

The revenue for the nine month period ended 30 September 2016 decreased compared to the prior corresponding period, primarily driven by the higher average exchange rate of USD to RUB for the period (RUB 68.37 for 1 USD compared to RUB 59.28 for 1 USD in 2015). The operating lease revenue in RUB terms decreased due to (i) leasing railcars (upon expiry or termination of the existing operating lease) at rates closer to prevailing operating lease spot rate levels denominated in RUB, (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, and (iii) remaining USD-denominated client contracts renegotiated at significantly lower operating lease daily rates. The decrease in operating lease revenue was partially offset by higher transportation services income in RUB terms due to higher transportation rates earned during the period as well as an increase in the proportion of long-haul export transportation of coal during the first nine months of 2016.

6. Cost of services

	Nine months ended		Three months ended	
	30 September 2016 US$000	30 September 2015 US$000	**30 September 2016 US$000**	30 September 2015 US$000
Railcar repair costs	**7.676**	7.145	**2.396**	2.230
Other transportation services expenses	**7.269**	6.499	**2.312**	2.091
Other railcar expenses	**1.022**	1.807	**454**	656
Railcar insurance	**145**	206	**51**	65
Transportation services subcontracted	**91**	9	**82**	9
Total cost of services	**16.203**	15.666	**5.295**	5.051

The increase in the cost of services was primarily due to an increase in (i) railcar repair costs (including depot, capital and current repairs) and (ii) other transportation services expenses. The increase was partly offset by lower other railcar expenses as well as the effect of a higher average exchange rate of USD to RUB during the first nine months of 2016 (RUB 68.37 for 1 USD) compared to 2015 (RUB 59.28 for 1 USD).

The overall higher railcar repair costs are attributable to a ca. 19% increase in the total number of depot, capital and current repairs which took place during the current period, despite the decrease in average railcar repair costs in USD terms of ca. 12% compared to the corresponding period last year.

The increase in other transportation services expenses represents mainly an increase in rail tariffs for empty-run driven by (i) an annual increase in railway tariffs, (ii) an increase in the proportion of long-haul export transportation of coal during the period and (iii) non-refundable VAT on transportation commenced and completed outside of Russia.

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

	Nine months ended		Three months ended	
	30 September 2016 US$000	30 September 2015 S$000	**30 September 2016 US$000**	30 September 2015 S$000
Legal and other professional fees	**1.105**	623	**337**	217
Directors' fees and expenses (Note 19)	**682**	980	**234**	320
Rent and related expenses	**546**	816	**171**	244
Travelling, accommodation and entertainment	**377**	267	**115**	61
Auditor's remuneration	**299**	327	**89**	151
Other operating expenses (income)	**225**	194	**(136)**	84
Information technology costs	**92**	86	**31**	30
Advertising and marketing	**59**	117	**15**	13
Consultancy fees	**56**	114	**5**	9
Communication costs	**32**	44	**11**	14
(Reversal of)/provision for bad debts	**(564)**	10.589	**(666)**	1.543
Total other operating expenses	**2.909**	14.157	**206**	2.686

8. Finance costs and income

	Nine months ended		Three months ended	
	30 September 2016 US$000	30 September 2015 US$000	**30 September 2016 US$000**	30 September 2015 US$000
Finance costs				
Interest expenses – Eurobond	**31.325**	31.804	**10.751**	10.783
Interest expenses – mezzanine facility	**9.879**	8.758	**3.475**	3.031
Interest expenses – finance lease payables	**6.352**	535	**2.100**	158
Interest expenses – syndicated bank loans	**1.019**	9.146	**-**	2.768
Other borrowing costs	**849**	1.283	**299**	331
	49.424	51.526	**16.625**	17.071
Bank charges	**60**	45	**18**	15
	49.484	51.571	**16.643**	17.086
Finance income				
Interest income on bank balances and other interest income	**(3.469)**	(3.062)	**(1.147)**	(1.474)
Fair value gains on interest rate swap – cash flow hedge, transfer from other comprehensive income	**-**	(1.097)	**-**	(151)
	(3.469)	(4.159)	**(1.147)**	(1.625)
Net finance costs	**46.015**	47.412	**15.496**	15.461

9. Income tax expense

Interim period income tax is accrued based on the estimated average annual effective income tax rate of 18 per cent (30 September 2015: 18 per cent). The change in the effective tax rate, compared to the six-month period ended 30 June 2016, is a result of the refinement of the Company's jurisdictional approach to estimating its annual effective tax rate.

As at 30 September 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 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**
Nine-month period ended 30 September 2015			
Opening net book amount	636.811	291	**637.102**
Additions	7.619	33	**7.652**
Disposals / retirement of assets	(4.112)	-	**(4.112)**
Depreciation charge	(27.300)	(82)	**(27.382)**
Depreciation on disposal	1.412	-	**1.412**
Exchange differences on cost	(121.241)	(104)	**(121.345)**
Exchange differences on depreciation	27.993	66	**28.059**
Closing net book amount	521.182	204	**521.386**
As at 30 September 2015			
Cost	685.543	596	**686.139**
Accumulated depreciation and impairment losses	(164.361)	(392)	**(164.753)**
Net book amount	521.182	204	**521.386**
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**
Nine-month period ended 30 September 2016			
Opening net book amount	302.390	169	**302.559**
Additions	10.112	5	**10.117**
Disposals / retirement of assets	(8.930)	(1)	**(8.931)**
Depreciation charge	(15.412)	(74)	**(15.486)**
Depreciation on disposal	5.220	-	**5.220**
Exchange differences on cost	98.188	80	**98.268**
Exchange differences on depreciation	(52.049)	(59)	**(52.108)**
Closing net book amount	339.519	120	**339.639**
As at 30 September 2016			
Cost	733.855	605	**734.460**
Accumulated depreciation and impairment losses	(394.336)	(485)	**(394.821)**
Net book amount	339.519	120	**339.639**

During the nine months ended 30 September 2016 the Group's fleet has been increased by 47 railcars. The Group's assets include 25,595 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$80.138 thousand, are held under finance leases pursuant to the sale and leaseback transaction with Alfa-Leasing LLC (31 December 2015: nil) (Note 15).

At the reporting date, out of the total equipment, 23,110 railcars (31 December 2015: 20,920 railcars) are leased out under operating leases and short-term rentals and 2,485 (31 December 2015: 4,628 railcars) are used in the Group's transportation business.

Equipment pledged as collateral

As at 30 September 2016 no railcars were pledged as collateral (31 December 2015: 3.398 railcars), as the syndicated loan facility, under which certain railcars had been pledged as collateral, was fully repaid on 18 January 2016 (Note 15).

11. Other non-current assets

Other non-current assets comprise primarily fees paid to legal, financial and other advisers incurred on a number of projects which have been capitalized as they form part of the overall Group's capital structure strategic review project, including the on-going restructuring of the Group's Notes. Depending upon the final form of the restructuring transaction achieved, any costs capitalized that are found to be non-directly attributable to the specific transaction will be expensed in profit or loss at the year-end closing.

12. Trade and other receivables

	30 September 2016 US$000	31 December 2015 US$000
Other receivables and prepayments	**3.980**	4.598
Operating lease income receivables	**3.279**	6.469
Transportation income receivables	**3.046**	2.386
	10.305	13.453

Trade and other receivables balances in the amount of US$17.493 thousand, were impaired and provided for as at 30 September 2016 (31 December 2015: US$22.172 thousand).

In June 2016, a settlement agreement was signed with a client pursuant to which the client assumed certain penalties and fines in the amount of US$2.479 thousand. Management considered that amounts receivable during the first two years from the date of signing of the settlement agreement are recoverable and deemed it appropriate to recognise a bad debt provision for probable losses on all receivables falling due thereafter. As a result, the amount of US$864 thousand was recognized in the income statement as part of 'Other operating income'.

13. Share capital, share premium and treasury shares

	30 September 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 September 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)

13. 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 September 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	63.116	-	145	-	145
At 30 September 2016	**204.151.620**	**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 September 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 September 2016	**13.389.474**	**13.390**	**-**	**13.390**

During the reporting period, a cumulative dividend of approximately US$3.693 thousand was declared on 30 June 2016 (30 June 2015: US$3.193 thousand) in respect of outstanding Preference Shares and Deferral Shares. The dividend was deferred and capitalized through an issuance of 3,692,859 Deferral Shares (30 June 2015: 3,192,827 deferral shares).

14. 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	(414)	-	-	-	(414)
- Transfers to income statement	(1.097)	-	-	-	(1.097)
Currency translation differences	-	6.907	-	-	6.907
Share-based payment	-	-	257	-	257
Balance at 30 September 2015	**-**	**(151.649)**	**3.016**	**(57.428)**	**(206.061)**
Balance at 1 January 2016	**-**	**(138.987)**	**3.016**	**(57.428)**	**(193.399)**
Currency translation differences	-	(40.250)	-	-	(40.250)
Balance at 30 September 2016	**-**	**(179.237)**	**3.016**	**(57.428)**	**(233.649)**

15. Borrowings

	30 September 2016 US$000	31 December 2015 US$000
Non-current borrowings		
Eurobond	**596.126**	593.665
Finance lease payables	**4.573**	2.231
Other borrowings (Note 19)	**3.340**	3.340
	604.039	599.236
Current borrowings		
Eurobond	**16.250**	6.500
Finance lease payables	**33.227**	1.235
Other borrowings (Note 19)	**4.932**	5.074
Bank borrowings	**-**	54.562
	54.409	67.371
Total borrowings	**658.448**	666.607

	30 September 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	**599.466**	597.005
	599.466	597.005

<u>Finance lease liabilities</u>

	30 September 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	**3.968**	1.440
Later than 3 years and not later than 5 years	**605**	791
	4.573	2.231

In December 2015, OOO Brunswick Rail, the Group's principal Russian operating 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 was intended to provide liquidity in the event of a further market downturn.

No gain or loss was recognized 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 accordance with the finance lease agreement.

15. Borrowings (continued)

The fair values of 'Finance lease payables' and 'Other borrowings' approximates their carrying value at the balance sheet date. The fair value of the Notes amounts to US$326.982 thousand and is based on a price on 30 September 2016 obtained from Bloomberg financial data service. The Notes are denominated in USD.

As a result of the RUB appreciation against the USD during the nine-month period ended 30 September 2016, net foreign exchange gains in the amount of US$95.702 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 Designated Activity Company (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.

16. Trade and other payables

	30 September 2016 US$000	31 December 2015 US$000
Trade payables and accrued expenses	**6.880**	4.912
Advances from customers	**1.614**	1.404
	8.494	6.316

17. 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; therefore, 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 nine months 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. (among others) 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 negative outlook. In September 2016, one of such agency returned the outlook for Russia's long-term foreign currency sovereign rating to stable.

The above mentioned events have led to reduced access of 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 the financial position of the Group is at this stage difficult to determine.

18. Operating lease commitments

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

	30 September 2016 US$000	31 December 2015 US$000
Not later than 1 year	**7.051**	14.389
Later than 1 year but not later than 5 years	**1.872**	6.212
	8.923	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 September 2016 US$000	31 December 2015 US$000
Not later than 1 year	**71.122**	68.920
Later than 1 year but not later than 5 years	**79.407**	110.396
Later than 5 years	**460**	6.622
	150.989	185.938

19. 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

	Nine months ended		**Three months ended**	
	30 September 2016 US$000	30 September 2015 US$000	**30 September 2016 US$000**	30 September 2015 US$000
Salaries and other benefits	**2.052**	2.878	**683**	471
Directors' fees and expenses (Note 7)	**682**	980	**234**	320
Bonuses	**12**	29	**3**	4
Share-based compensation	**-**	263	**-**	-
	2.746	4.150	**920**	795

Shareholder loan

	For the nine month period ended 30 September 2016 US$000	For the year ended 31 December 2015 US$000
Balance at beginning of period/year	**8.414**	14.740
Principal repayment	**-**	(6.350)
Interest charged	**417**	569
Interest paid	**(564)**	(535)
Currency translation differences	**5**	(10)
Balance at end of period/year	**8.272**	8.414

19. Related party transactions (continued)

Shareholder loan (continued)

	30 September 2016 US$000	31 December 2015 US$000
Current portion	**4.932**	5.074
Non-current portion	**3.340**	3.340
Total shareholder loan	**8.272**	8.414

On 13 July 2016, the Group signed an amendment agreement to the amended and restated loan agreement with Lavender Tankers Inc., an affiliate of the Group's shareholder – Sumitomo Corporation. As at 30 September 2016, the outstanding balance owed to Lavender Tankers Inc. was US$8.3 million. This amendment agreement postponed the next amortization payment under the loan repayment schedule from 30 June 2016 to 31 December 2016.

Mezzanine credit facility

	For the nine month period ended 30 September 2016 US$000	For the year ended 31 December 2015 US$000
Balance at beginning of period/year	**86.768**	75.026
Interest accrued	**9.960**	11.924
Unamortized borrowing costs under the effective interest method	**(81)**	5
Currency translation differences	**120**	(187)
Balance at end of period/year	**96.767**	86.768

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

20. Non-IFRS measures (unreviewed)

The table below represents a reconciliation of the IFRS profit/loss for the periods ended 30 September 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:

	Nine months ended		Three months ended	
	30 September 2016 US$000	30 September 2015 US$000	30 September 2016 US$000	30 September 2015 US$000
Profit/(loss) for the period	**77.930**	(101.173)	**2.210**	(98.079)
plus/(minus):				
Income tax expense/(credit)	**17.223**	(22.510)	**10.755**	(21.821)
Net foreign exchange (gains)/losses	**(95.702)**	108.899	**(11.602)**	115.492
Revaluation of embedded derivatives on mezzanine	-	(13)	-	268
Finance income	**(3.469)**	(4.159)	**(1.147)**	(1.625)
Finance costs	**49.484**	51.571	**16.643**	17.086
Depreciation and amortisation	**15.508**	27.407	**5.460**	8.557
Share-based compensation	-	263	-	-
Professional services associated with litigation process	**144**	-	**144**	-
Adjusted EBITDA	**61.118**	60.285	**22.463**	19.878

21. Events after the balance sheet date

In October 2016, the Group terminated the contracts of a finance lease client who failed to make payments in accordance with contract terms. The client leased 110 railcars (out of the total 208 railcars currently on finance lease) and the balance outstanding at 30 September 2016 was US$4.8 million. In accordance with the termination provisions of the finance lease, the Group expects to repossess the 110 railcars, which are still in the client's possession, by the end of the year. The recoverable amount of the railcars to be repossessed approximates the amount of the balance outstanding with the client.

On 14 November 2016, the Company announced a number of changes to its Board effective from 13 November 2016. The newly reconstituted Board, which now consists of six directors, has appointed a new CEO of the Company and a new General Director of the Russian entities.

On 24 November 2016, an agreement (the "Equalisation Agreement") between European Bank for Reconstruction and Development ("EBRD"), certain ordinary shareholders of the Company (the "Participating Ordinary Shareholders") and the Company (acting in an administrative capacity) has come into force. As of 25 November 2016, the Participating Ordinary Shareholders hold approximately 54.7% of the Company's issued ordinary shares.

The Equalisation Agreement provides that if holders of more than 85% of the ordinary shares accede to the Equalisation Agreement on or before 29 December 2016 (which date is extendable by EBRD but not beyond 31 March 2017 (the "**Long Stop Date**")) and provided that no Agreed Sale (as further described below) has then been agreed, EBRD and the Participating Ordinary Shareholders will take such steps as are necessary to convert all the Preferred Securities into ordinary shares representing 13.27% of the outstanding ordinary shares post-conversion ("**Voluntary Conversion**"). If, however, Voluntary Conversion has not occurred on or before 31 March 2017, but a sale of all EBRD's Preference Shares and more than 50% of the ordinary shares has been completed on or before that date (an "**Agreed Sale**"), then, under the terms of the Equalisation Agreement, EBRD has agreed to share certain surplus consideration (if any) in respect of its Preferred Securities with those Participating Ordinary Shareholders who voluntarily sold their shares in that Agreed Sale.