

**BRUNSWICK RAIL LIMITED**  
**FULL YEAR 2015 RESULTS**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**April 15<sup>th</sup>, 2016**

Management's discussion and analysis of financial conditions and results of operations is based on the audited consolidated financial statements of Brunswick Rail Limited ("the Company") and its subsidiaries (together "the Group") prepared in accordance with International Financial Reporting Standards ("IFRS").

**Financial Highlights**

- Gross revenue in 2015 declined by 34.6% from US\$ 204.2m in 2014 to US\$ 133.5m in 2015
- Adjusted EBITDA declined by 47.6% from US\$ 153.4m in 2014 to US\$ 80.4m in 2015
- Adjusted EBITDA margin decreased to 60.2% in 2015 from 75.1% in 2014
- Impairment provision for tangible assets in the amount of US\$ 165m is accounted for in 2015
- Net loss in 2015 amounted to US\$ 299.2m compared to net loss of US\$ 275.5m in 2014
- Net cash from operating activities in 2015 was US\$ 81.6m compared to US\$ 166.8m in 2014
- Capital expenditures in 2015 amounted to US\$ 3.4m, which related primarily to railcar maintenance
- In January 2016, syndicated facility refinanced and additional RUB 1.6 billion (incl. VAT) of financing obtained through Alfa sale and leaseback facility

**Operational Highlights**

- The total fleet as of 31 December 2015 stood at 25,756 railcars, including 208 railcars on financial lease
- During the year the Group took delivery of 204 railcars as part of in-kind settlement of outstanding receivables from clients, while writing off 10 damaged railcars
- The share of gondolas in the Group's portfolio as of 31 December 2015 was 58%, unchanged compared to 31 December 2014
- The fleet utilization rate remained at 100%
- Average remaining lease tenor is around 2.0 years (31 December 2014: 3.0 years); average fleet age is 6.4 years (31 December 2014: 5.4 years), still one of the youngest fleets in the market
  
- After 31 December 2015, the Company began a strategic review of the capital structure, as announced on 4 January 2016. In addition, on 18 January 2016, the Company announced refinancing of the secured facility.
- In connection with the Company's strategic review of the capital structure, the Company is today publishing a Presentation that it plans to share with representatives of the ad hoc Bondholder Committee (the "Presentation"), after the release of this Management Discussion and Analysis and the release of the Presentation. The Presentation can be accessed via the following link:

[http://eng.brunswickrail.com/doc/investors/investor\\_news/2019/](http://eng.brunswickrail.com/doc/investors/investor_news/2019/)

**About Brunswick Rail:**

Brunswick Rail is a private railcar operating lessor providing freight railcars to large corporate clients in Russia. Established in 2004, Brunswick Rail currently owns a fleet of ca. 25.8 thousand railcars (as of 31 December 2015), which represents approximately 2% of the total Russian railcar fleet. For the year ended 31 December 2015, the Group generated gross revenue of US\$ 133.5m and Adjusted EBITDA of US\$ 80.4m.

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**Forward-Looking Statements**

These materials, including the Presentation released at the same time as the Management Discussion and Analysis, may contain forward-looking statements regarding future events or the future financial performance of Brunswick Rail (the “Company”). You can identify forward looking statements by terms such as “expect”, “believe”, “estimate”, “anticipate”, “intend”, “will”, “could”, “may”, or “might”, the negative of such terms or other similar expressions. These forward-looking statements include matters that are not historical facts and statements regarding the Company’s intentions, beliefs or current expectations concerning, among other things, the Company’s results of operations, financial condition, liquidity, prospects, growth, strategies, and the industry in which the Company operates. By their nature, forward-looking statements involve risks and uncertainties, because they relate to events and depend on circumstances that may or may not occur in the future. The Company cautions you that forward-looking statements are not guarantees of future performance and that the Company’s actual results of operations, financial condition, liquidity, prospects, growth, strategies and the development of the industry in which the Company operates may differ materially from those described in or suggested by the forward-looking statements contained in these materials. In addition, even if the Company’s results of operations, financial condition, liquidity, prospects, growth, strategies and the development of the industry in which the Company operates are consistent with the forward-looking statements contained in these materials, those results or developments may not be indicative of results or developments in future periods. The Company does not intend to update these statements to reflect events and circumstances occurring after the date hereof or to reflect the occurrence of unanticipated events. Many factors could cause the actual results to differ materially from those contained in forward-looking statements of the Company, including, among others, general economic conditions, the competitive environment, risks associated with operating in Russia, market change in the Russian freight rail market, as well as many other risks specifically related to the Company and its operations, including those discussed in these materials.

## Financial results – IFRS financial measures

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 Group’s consolidated financial statements are presented in US Dollar (“USD”) which is the Group’s presentation currency.

The results and financial position of the Group’s entities have been translated from functional currency into presentation currency at rates established by the Central Bank of the Russian Federation. The closing rates used are the exchange rates, effective at each balance sheet date. For income and expenses the transactions are being recalculated into USD, using the average monthly rate of exchange. The exchange rates effective at 31 December 2015 and 2014 were RUB 72.88 for 1 USD and RUB 56.26 for 1 USD respectively. The annual average exchange rates for the years 2015 and 2014 were RUB 60.96 for 1 USD and RUB 38.42 for 1 USD respectively.

### Consolidated income statement

The following table sets forth each of the Group’s consolidated income statement line items for the year ended 31 December 2015 and 2014:

	<u>2015</u>	<u>2014</u>
	<i>(in US\$ thousand)</i>	
<b>Gross revenue</b> .....	<b>133,534</b>	<b>204,174</b>
Hedging with non-derivatives effect .....	-	(22,976)
<b>Net revenue</b> .....	<b>133,534</b>	<b>181,198</b>
Cost of services.....	(22,078)	(24,640)
Property tax .....	(8,327)	-
Staff compensation, excluding share-based compensation .....	(8,817)	(12,118)
Other operating expenses.....	(15,989)	(18,480)
Other operating income .....	849	2,865
<b>Operating profit before share-based compensation and depreciation</b> .....	<b>79,172</b>	<b>128,825</b>
Share-based compensation .....	(263)	(517)
Impairment losses on railcars .....	(165,043)	(14,229)
Depreciation and amortisation.....	(35,521)	(56,148)
<b>Operating (loss)/profit</b> .....	<b>(121,655)</b>	<b>57,931</b>
Finance costs .....	(68,644)	(68,308)
Finance income.....	5,714	1,083
Revaluation of embedded derivatives on mezzanine.....	300	(3,586)
Net foreign exchange losses .....	(173,990)	(183,475)
Net foreign exchange differences reclassified on de-designation of hedge .....	-	(129,155)
<b>Loss before income tax</b> .....	<b>(358,275)</b>	<b>(325,510)</b>
Income tax credit .....	59,101	49,997
<b>Loss for the year</b> .....	<b>(299,174)</b>	<b>(275,513)</b>

## Revenue

The following table sets forth the breakdown of the Group's total revenue for the year ended 31 December 2015 and 2014:

	<u>2015</u>	<u>2014</u>
	<i>(in US\$ thousand)</i>	
Full service operating leases.....	83,430	134,151
Triple-net operating leases.....	28,500	50,424
<b>Operating lease income .....</b>	<b>111,930</b>	<b>184,575</b>
Transportation services income .....	20,540	18,306
Finance leases.....	1,064	1,293
<b>Gross revenue.....</b>	<b>133,534</b>	<b>204,174</b>

The total fleet of the Group as at 31 December 2015 stood at 25,756 railcars. During 2015 the Group took delivery of 204 railcars (including 30 grain hoppers and 174 gondolas) as part of in-kind settlement of outstanding receivables from clients. In addition, 10 damaged railcars (including 9 gondolas and 1 oil tank car) were retired from service following the receipt of insurance proceeds. A total of 503 railcars were transferred during the year from operating leases to the transportation business which, as of 31 December 2015, deployed 4,628 railcars.

During 2015 there was a continued deterioration in the market environment due to the lingering effects of railcar overproduction and inadequate write-offs in recent years, as well as the impact of falling rail transportation volumes. As a result, spot daily rates reached unprecedented lows during the reporting period.

The Group's share of USD contracts has substantially decreased from 52 percent during 2014 to 32 percent in December 2015 with an increasing number of clients seeking to renegotiate contractual terms, including renegotiating lease rates to closer to prevailing spot rates levels denominated in Roubles, on the threat of non-payment. The Group has therefore become a primarily RUB-revenue generating business and the Management expects revenues to become almost entirely RUB-denominated over the next two years as USD-denominated contracts expire.

Operating lease income decreased by 72,645 thousand, or 39.4%, from US\$ 184,575 thousand in 2014 to US\$ 111,930 thousand in 2015. Revenue from full service operating leases decreased by US\$ 50,721 thousand, or 37.8%, from US\$ 134,151 thousand in 2014 to US\$ 83,430 thousand in 2015. Revenue from triple-net operating leases decreased by US\$ 21,924 thousand, or 43.5% from US\$ 50,424 thousand in 2014 to US\$ 28,500 thousand in 2015. The decrease in both full service and triple-net operating leases is primarily explained by the sharp depreciation of RUB against the USD as well as the lease rate decreases in 2015 discussed above.

Transportation income increased by US\$ 2,234 thousand, or 12.2%, from US\$ 18,306 thousand in 2014 to US\$ 20,540 thousand in 2015 reflecting primarily the higher average number of railcars deployed in the transportation business during the year.

## Cost of services

The following table sets forth the breakdown of the Group's cost of services for the year ended 31 December 2015 and 2014:

	<u>2015</u>	<u>2014</u>
	<i>(in US\$ thousand)</i>	
Depot repairs .....	10,223	15,435
Other transportation services expenses.....	9,278	6,094
Other railcar expenses .....	2,298	2,709
Railcar insurance .....	268	210
Transportation services subcontracted.....	11	192
<b>Total cost of services.....</b>	<b>22,078</b>	<b>24,640</b>

### (i) Depot repairs

Depot repairs decreased by US\$ 5,212 thousand, or 33.8%, from US\$ 15,435 thousand in 2014 to US\$ 10,223 thousand in 2015. The decrease was driven by: (i) higher average exchange rate of US\$ to RUB during 2015 compared to 2014 and (ii) lower depot repairs costs in Roubles, where on average depot repair costs per railcar have decreased by 7% compared to the corresponding period last year.

*(ii) Other transportation services expenses*

Other transportation expenses increased by US\$ 3,184 thousand, or 52.2%, from US\$ 6,094 thousand in 2014 to US\$ 9,278 thousand in 2015. Other transportation expenses represent primarily the rail tariffs for empty-run. Empty-run costs have increased in 2015 as higher average number of railcars deployed in the transportation business compared to 2014 and due to an annual increase in RZD tariff.

*(iii) Other railcar expenses*

Other railcar expenses in 2015 amounted to US\$2,298 thousand compared to US\$ 2,709 thousand in 2014. The decrease of US\$ 411 thousand was primarily due to one-off registration costs in the amount of US\$ 1,063 thousand incurred in 2014 as a result of the simplification of the corporate structure project, partly offset by higher net transportation costs in the amount of US\$ 739 thousand incurred in 2015 on remarketing of railcars, moving railcars to and from clients.

*(iv) Transportation services subcontracted*

During 2015 the Group incurred expenses on transportation services subcontracted in the amount of US\$ 11 thousand in comparison with US\$ 192 thousand spent in 2014. The decrease in expenses relates to the increase of own railcars deployed in the transportation business from 4,125 railcars as at 31 December 2014 to 4,628 railcars as at 31 December 2015.

**Property tax**

Following changes to Russian Tax Code that are effective from 1 January 2015, movable property acquired from 1 January 2013 is exempted from taxation, except for property which was recorded on a company's balance sheet as a result of the company's reorganization, liquidation or purchase from related parties. As a result property tax in the amount of US\$8,327 thousand was charged to the income statement in 2015. The aforementioned changes to legislation did not have a retrospective effect. The Group was exempted from property tax throughout 2014.

**Staff compensation, excluding share-based compensation**

Staff compensation decreased by US\$ 3,301 thousand, or 27.2%, from US\$ 12,118 thousand in 2014 to US\$ 8,817 thousand in 2015. The decrease is explained by a reduction in headcount to achieve efficiencies as part of the reorganization project of the Group. In addition, in September 2015 the Group suspended and subsequently terminated the employment of the former CEO and 9 other senior staff members following a review of management practices and operations initiated by the Board, which also contributed to the decrease in staff costs.

**Other operating expenses**

Other operating expenses decreased by US\$ 2,491 thousand, or 13.5%, from US\$ 18,480 thousand in 2014 to US\$15,989 thousand in 2015. Due to the weak market environment, clients' payment discipline also continued to deteriorate, with an increasing number of clients seeking to renegotiate contractual terms, including to renegotiate lease rates to closer to prevailing spot rates levels denominated in Roubles, on the threat of non-payment. These challenges were further complicated by failures of certain members of the management team who are no longer with the Group to adhere to the Group's Credit Policy, as well as to take effective steps to reclaim railcars and prevent further loss under defaulted contracts. On 29 September 2015, the Group announced changes in its key management. Following these changes, the Management has renewed its attention on negotiating the recoverability of certain transportation services and lease income receivables, monitoring closely the developments and in cases where there were inadequate payments from the clients and a negotiated outcome was not achievable, initiated legal proceedings. Bad debt provision of US\$9,207 thousand recognised in income statement in 2015 is in line with Management's expectations on the recoverability of outstanding receivables. All other expenses including director fees and expenses, rent and related expenses and consultancy fees are lower than in 2014 reflecting the implementation of cost efficiency programs during 2015. The decrease was partly offset by an increase in legal and other professional fees reflecting costs associated with forensic review, sanctions related matters and syndicated loan refinancing.

**Other operating income**

Other operating income decreased by US\$ 2,016 thousand, or 70.4%, from US\$ 2,865 thousand in 2014 to US\$ 849 thousand in 2015. The decrease relates primarily to gains of US\$ 1,596 thousand on the sale of a doubtful receivable and US\$ 1,347 thousand from the sale of railcars that were recognised by the Group in 2014.

### **Impairment losses on railcars**

Due to a continuing market downturn in 2015, the significant drop in spot lease rates, the significant depreciation of the RUB against the USD and renegotiation of contracts from USD to RUB, the Group carried out a review of the recoverable amount of equipment. As a result of the equipment's review for impairment as of 31 December 2015, the Group determined that the carrying value of certain type of assets exceeded the recoverable amount of these assets (determined using their value in use) and as a result, impairment losses in the amount of US\$165,043 thousand were recorded in profit or loss, substantially higher than the impairment losses of US\$14,229 thousand recognised in 2014.

### **Depreciation and amortisation**

Depreciation decreased by US\$ 20,627 thousand, or 36.7%, from US\$ 56,148 thousand in 2014 to US\$ 35,521 thousand in 2015. The decrease is mainly explained by the retranslation effect from functional to presentation currency.

### **Finance costs**

Finance costs in 2015 amounted to US\$ 68,644 thousand, slightly higher than the finance costs of US\$ 68,308 thousand recorded in 2014.

### **Finance income**

Interest income has increased by US\$ 4,631 thousand, from US\$ 1,083 thousand in 2014 to US\$ 5,714 thousand in 2015. The increase is mostly explained by fair value gains on interest rate swaps recycled to profit or loss from other comprehensive income on maturity of the swaps and by higher interest earned on RUB cash balances placed on deposit during the year.

### **Net foreign exchange losses**

Net foreign exchange losses in the amount of US\$173,990 thousand were recognized in 2015, mostly attributable to the USD-denominated Eurobond, which remained unhedged following the de-designation of hedge in 2014. This is a decrease compared to foreign exchange losses of US\$ 312,630 thousand recognised in 2014 (including foreign exchange differences reclassified on de-designation of hedge).

### **Loss before income tax**

The Group's loss before income tax for 2015 of US\$ 358,275 thousand is mainly attributable to the impairment losses on railcars and net foreign exchange losses described above.

### **Income tax credit**

The Group includes companies incorporated in Bermuda, Cyprus, Ireland and Russia with income tax rates of 0%, 12.5%, 25% and 20%, respectively. The Group's income tax credit for 2015 amounted to US\$ 59,101 thousand. The Group's income tax is in line with the Group's results for 2015.

### **Loss for the year**

The Group's loss for the year 2015 amounted to US\$ 299,174 thousand.

## Financial results – non-IFRS financial measures

The following table sets forth the Group's non-IFRS financial measures for the year ended 31 December 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Adjusted EBITDA (in US\$ thousand) .....	80,432	153,432
Gross revenue (in US\$ thousand) .....	133,534	204,174
Adjusted EBITDA Margin (in %) .....	60,2	75,1

### Adjusted EBITDA

Adjusted EBITDA is a measure used by the Board and the Management to assess the performance of the Group; adjusted EBITDA is defined as earnings before interest, tax, depreciation and amortisation and other non-cash charges, exceptional and non-recurring items.

	<u>2015</u>	<u>2014</u>
	<i>(in US\$ thousands)</i>	
<b>Loss for the year</b> .....	<b>(299,174)</b>	<b>(275,513)</b>
plus / (minus)		
Income tax credit .....	(59,101)	(49,997)
Net foreign exchange differences reclassified on de-designation of hedge.....	-	129,155
Net foreign exchange losses .....	173,990	183,475
Revaluation losses/(gains) of embedded derivatives on mezzanine.....	(300)	3,586
Finance income.....	(5,714)	(1,083)
Finance costs .....	68,644	68,308
Depreciation and amortisation .....	35,521	56,148
Impairment losses on railcars .....	165,043	14,229
Share-based compensation .....	263	517
Professional services associated with preparation to a potential IPO process .....	-	568
Railcars re-registration costs.....	-	1,063
Professional services associated with forensic review and sanction related matters	1,260	-
Hedging with non-derivatives effect .....	-	22,976
<b>Adjusted EBITDA</b> .....	<b><u>80,432</u></b>	<b><u>153,432</u></b>

Adjusted EBITDA decreased by US\$ 73,000 thousand or 47.6% from US\$ 153,432 thousand in 2014 to US\$ 80,432 thousand in 2015. The decrease is driven by the revenue decline, as a result of the lease rate decreases and the sharp depreciation of RUB against the USD in 2015. The decrease was only partially offset by a decrease in cost of services and staff compensation. Additionally, in 2015 the Group has paid property tax while it was not subject to this tax in 2014.

### Adjusted EBITDA Margin

Adjusted EBITDA Margin is a measure used by the Board and the Management to assess the operating profitability of the Group. Adjusted EBITDA Margin is defined as Adjusted EBITDA divided by gross revenue, expressed as a percentage. Adjusted EBITDA Margin shows the cost efficiency of the Group and shows its ability to cover long term debts. Adjusted EBITDA Margin decreased from 75.1% in 2014 to 60.2% in 2015.

## Liquidity and Capital Resources

### *Capital expenditures*

In 2015 the Group incurred capital expenditures on railcar maintenance in the amount of US\$ 3,327 thousand, related predominantly to the replacement of wheelsets. These were lower compared to the US\$ 5,128 thousand incurred in 2014. Capital expenditures on railcar maintenance were not significant in the years under review due to the young age of most of the Group's fleet; however this is expected to increase in line with the age of the fleet.

There were no capital expenditures on acquisition of rolling stock in 2015 compared to the US\$ 89,338 thousand incurred in 2014. This reflected the change in the Group's strategy from growth to cash preservation that took into consideration the market and geopolitical conditions for 2015.

### *Cash flows*

The following table sets forth the principal components of the Group's consolidated statement of cash flows for the year ended 31 December 2015 and 2014:

	<u>2015</u>	<u>2014</u>
	<i>(in US\$ thousands)</i>	
Net cash generated by operating activities .....	81,645	166,752
Net cash from/(used in) investing activities .....	1,427	(83,448)
Net cash used in financing activities .....	(64,072)	(64,459)
<b>Net increase in cash and cash equivalents .....</b>	<b>19,000</b>	<b>18,845</b>
Cash and cash equivalents at beginning of the year .....	72,910	62,626
Exchange losses on cash and cash equivalents .....	(24,595)	(8,561)
<b>Cash and cash equivalents at end of year .....</b>	<b>67,315</b>	<b>72,910</b>

### *Net cash from operating activities*

Net cash from operating activities decreased by US\$ 85,107 thousand, or 51.0%, from US\$ 166,752 thousand in 2014 to US\$ 81,645 thousand in 2015.

### *Net cash from/(used in) investing activities*

Net cash from/(used in) investing activities increased by US\$ 84,875 thousand, or 101.7%, from a net outflow of US\$ 83,448 thousand in 2014 to a net inflow US\$ 1,427 thousand in 2015. This reflected the change in the Group's strategy from growth to cash preservation.

### *Net cash used in financing activities*

Net cash used in financing activities for 2015 and 2014 amounted to US\$ 64,072 thousand and US\$ 64,459 thousand respectively.

### *Capital resources*

#### Unicredit syndicated loan

During the reporting period, the Group breached certain financial and non-financial covenants under its syndicated loan facility for which it was unable to obtain (or retain initially granted) waivers. In view of this challenging situation, in December 2015, OOO Brunswick Rail, the Group's Russian subsidiary, and Alfa-Leasing LLC signed a term sheet for the provision of two new sale and leaseback facilities. The agreement for the first sale and leaseback facility was signed 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 (RUB 2.3 billion, incl. VAT), together with its own cash to repay fully its existing syndicated facility. There was consequently no acceleration of the syndicated loan facility. As a result no cross-default event of default was triggered under the Eurobonds or the Group's other indebtedness.



### Revolving credit facility

In 2014 the Group extended an agreement with ZAO ING Bank in relation to a revolving credit facility of US\$20,000 thousand with a maturity date of 14 August, 2015. The facility bore interest of USD monthly LIBOR plus 3.95 per cent margin and could have been used for general corporate purposes. The agreement was terminated on 30 June 2015.

The following table sets forth the maturity profile of the Group's debt as of 31 December 2015 and 2014, excluding finance lease payables:

	<u>2015</u>	<u>2014</u>
	<i>(in US\$ thousands)</i>	
<b>Maturity of borrowings, excluding finance lease payables</b>		
Less than 1 year .....	66,136	22,472
Later than 1 year and not later than 3 years .....	597,005	659,757
<b>Total.....</b>	<b>663,141</b>	<b>682,229</b>

The following table sets forth the maturity profile of the Group's finance leases as of 31 December, 2015 and 2014.

	<u>2015</u>	<u>2014</u>
	<i>(in US\$ thousands)</i>	
<b>Maturity of finance lease payables</b>		
Not later than 1 year .....	1,235	1,079
Later than 1 year and not later than 3 years .....	1,440	2,448
Later than 3 years and not later than 5 years .....	791	870
Over 5 years.....	-	554
<b>Total.....</b>	<b>3,466</b>	<b>4,951</b>

The balance of the mezzanine facility at 31 December 2015 and 2014 was US\$ 86,768 thousand and US\$ 75,026 thousand respectively.

### Additional Capital Resources

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) will provide liquidity in the event of a further market downturn.

### Review of the Capital Structure

On 4 January 2016 the Group announced that it was undertaking a strategic review of the Group's capital structure in light of continuing deterioration in the Company's operating environment due to a market wide decline in lease rates and the impact of Rouble devaluation which has caused many of the Company's clients to transition away from US dollar based contracts. The effect of this decline in operating performance in US Dollar terms has meant that the Group's ability to sustain its current capital structure, particularly the ability to maintain significant US dollar denominated debt, has been impaired. The Eurobonds issued in November 2012, which comprise approximately 90% of the Company's borrowings and require a bullet repayment at their 2017 maturity, as well as its other US dollar denominated debt, give rise to particular concerns in the present environment.

The Management believes that it is in the best interests of all stakeholders to address the current capital structure in a manner that reflects the fundamental and permanent changes to the Group's operating environment and business model, as the present capital structure appears increasingly ill-suited to the changed environment, and is believed to be vulnerable to further macroeconomic, geopolitical and industry-specific shocks.

As part of the capital structure review, the Company's subsidiary, Brunswick Rail Finance Limited, launched a Consent Solicitation on 19 February 2016 to, among other things, seek an amendment to certain terms and conditions with respect to its US\$ 600,000,000 6.50 per cent. Guaranteed Notes due 2017. The Consent Solicitation was successfully concluded on 16 March 2016. On 15 April, the Company's representatives will meet with representatives of the ad hoc Bondholder Committee and provide them with a Presentation that is being published together with this Management Discussion and Analysis.

### **Working capital**

The table below sets forth the components of the Group's working capital for the year ended 31 December 2015 and 2014:

	<u>2015</u>	<u>2014</u>
	<i>(in US\$ thousands)</i>	
<b>Current assets</b> .....		
Cash and cash equivalents .....	67,315	72,910
Trade and other receivables .....	13,453	13,899
Finance lease receivables.....	1,827	1,524
Advances paid for rail tariffs .....	861	389
Current income tax prepayments .....	243	323
<b>Current liabilities</b> .....		
Trade and other payables .....	(6,316)	(5,566)
VAT payable .....	(3,568)	(5,089)
Other taxes payable .....	(1,633)	(18)
Current income tax liabilities.....	(85)	(118)
<b>Working capital</b> .....	<b>72,097</b>	<b>78,254</b>

Working capital decreased by US\$ 6,157 thousand or 7.9% from US\$ 78,254 thousand in 2014 to US\$ 72,097 thousand in 2015 reflecting primarily the decrease in cash and cash equivalents during the year.

### **Off-balance sheet arrangements**

As at 31 December 2015 the Group had no material off-balance sheet arrangements.

## **Contractual obligations and commercial commitments**

As at 31 December 2015, no member of the Group had any material obligation as a guarantor or surety of the obligation of any person, not being a member of the Group, which is not reflected on the balance sheet.

As at 31 December 2015 the Management was not aware of any contingent tax, litigation or other liabilities, which could have a material effect on the result of operations or financial position of the Group and which have not been accrued or disclosed in the Group's audited consolidated financial statements.

## **Critical Accounting Estimates and Judgments**

Critical accounting estimates and judgments are those that require the application of management's most challenging, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain and may change in subsequent periods. Critical accounting policies involve judgments and uncertainties that are sufficiently sensitive to result in materially different results under different assumptions and conditions.

The main critical accounting estimates and judgments were applied to impairment of equipment, provision for doubtful debts and deferred income tax asset recognition. A detailed description of the critical accounting estimates and judgments used in preparing the Group's audited consolidated financial statements is set out in Note 6 of the Group's audited consolidated financial statements.