Brunswick Rail Limited and its subsidiary companies

Interim Condensed Consolidated Financial Information for the nine months ended 30 September 2014

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Management Commentary

Rail freight volumes continued to track at lower levels during the first nine months of 2014 declining by 1,2 per cent compared to the corresponding period last year. The decline in transportation volumes was primarily due to low traffic of construction materials.

Railcar prices and spot lease rates for gondolas have remained weak and decreased in USD terms during the first nine months of 2014, with current prices of around US$38 thousand per railcar (RUB 1.5 million) and lease rates at US$ 10- 11 per day (RUB 400 – 450 per day), respectively using 30 September 2014 RUB/USD exchange rate. Railcar production levels remain significantly above the sustainable level of demand; manufacturers maintain production levels by placing railcars into their affiliated captive operators, thus further increasing market overhang.

Railcar production volumes in CIS countries have decreased from around 7,0-7,5 thousand units per month in 2013 to an average of 5,7 thousand units per month during the first nine months of 2014, with a production output at ca. 5 thousand units per month during the third quarter. The overall decrease in CIS railcar output is mainly driven by lower production of specialized railcars (36% lower compared to the corresponding period last year) and by lower production of Ukrainian plants due to the political, social and economic crisis in Ukraine (3,9 times lower compared to the corresponding period last year).

The total delivered fleet of Brunswick Rail Limited Group ("Group") as at 30 September 2014 was 25.474 railcars. During the first nine months of 2014 the Group continued to diversify the fleet and took delivery of 1.813 new semi-specialized railcars. There were 46 contracted but not delivered railcars as of 30 September 2014. The railcars acquired include 420 grain hoppers, 100 cement hoppers, 150 box cars, 270 universal platforms, 866 tank cars and 7 acid tank cars. During the first nine months of 2014, 165 old gondolas and 200 mineral hoppers were sold to customers as part of the Group's fleet management program to (i) reduce the fleet age and (ii) diversify the fleet into semi-specialized cars. In addition 13 damaged railcars were retired from service following the receipt of the insurance proceeds. A total of 677 railcars were transferred during the period from operating leases to the transportation business which, as at 30 September 2014, deploys 3.326 railcars.

In terms of the Group's fleet portfolio as of 30 September 2014, 21.940 railcars are leased out under operating leases or short-term rentals, 208 railcars are under finance leases and 3.326 railcars are utilised in the Group's transportation business, for the shipment of various cargos. The total fleet is comprised of 14.719 (58%) gondolas, 5.197 (20%) tank cars, 3.790 (15%) hoppers and 1.768 (7%) other railcars, including box cars and universal platforms. During the period the Group maintained a 100 per cent fleet utilization.

As a result of the 20 per cent depreciation of the ruble against the US Dollar compared to year end 2013, the net book value of the railcar fleet on the historical cost basis on 30 September 2014 is US$0,9 billion compared to the fair market value of the fleet as of this date of US$1,0 billion (Note 12).

In this challenging environment, overall clients' payment performance remains stable, except for several clients with whom management is working proactively to negotiate the payment schedules. However, the spot market daily rates have decreased significantly to the extent that it becomes economically justifiable for clients to terminate the contract, pay penalties and lease railcars at spot rate in RUB. As the economic situation deteriorates, the Group faces risk of increase of accounts receivable and client non-payment.

The revenue decrease compared to the prior corresponding period was primarily driven by remarketing of railcars to lower spot rates, renegotiation with clients and a significant RUB depreciation over the last nine months.

The decrease in revenues has been partly compensated by a decrease in property tax, other operating expenses and costs of services. In respect of property tax there was a change in tax legislation in relation to movable property (including railcars) which is exempted from taxation.

Management Commentary (continued)

The decrease in other operating expenses is represented mainly by the reversal of the provision for bad debts recorded in 2013 as well as cost cutting and efficiency programmes. Due to geopolitical events affecting Ukraine in Q3'14 a provision for bad debts in the amount of US$4,1 million was recognized during the nine months ended 30 September 2014 on certain prepayments and receivables from suppliers of railcars located in Ukraine.

Management successfully settled the doubtful receivable at a lower than originally anticipated discount resulting in a net IFRS gain of US$1,6 million presented within other operating income. In addition a US$1,4 million gain from the aforementioned sale of railcars was recorded within total other operating income out of US$2,8 million recognized during the period.

The decrease in cost of services compared to the corresponding period last year was primarily due to (i) lower depot repairs costs, where on average depot repair costs per railcar have decreased by 15% in the first nine months of 2014 compared to 2013 as a result of management's success in achieving higher purchase efficiency and (ii) lower transportation services subcontracted, which related to the decline of demand for freight transportation as well as the increase of own railcars deployed in the transportation business. The decrease was partly offset by one-off registration costs incurred during the period in the amount of US$1,1 million as a result of the simplification of the corporate structure project.

The closing of the transaction with the European Bank for Reconstruction and Development ("EBRD") to raise up to US$150 million through the issue of Preference Shares took place on 26 March 2014 and the first tranche in the amount of US$50 million was drawn down on 28 March 2014. Part of the proceeds was used to refinance the revolving facility with ING (US$26 million). A cumulative preferred dividend of US$1,6 million was paid in respect of the Preference Shares on 30 June 2014.

A dividend of US$14 million (US$0,063725225 per share) declared by the Board in March 2014 in respect of ordinary shares was paid out in April 2014.

In July 2014 the Group signed a syndicated loan facility for over RUB 8 billion with a group of international banks (Note 17). On 15 August 2014 the Group drew down part of the proceeds to early refinance the VTB Leasing finance lease obligations in the amount of approximately RUB 4 billion.

The continuing market downturn in Q3 2014, the on-going geopolitical instability and the US and EU sector sanctions imposed in July 2014 resulted in a significant decrease in forecasted USD denominated revenue at 30 September 2014 which led to hedge ineffectiveness. As a consequence, a restructuring of the hedge was required to ensure that the hedging relationship remains effective whereby part of the hedging reserve in the amount of US$70,8 million was proportionately written off to profit or loss.

As a result of the aforementioned ruble depreciation, foreign exchange translation losses (a non-cash item) of US$16,2 million were recycled from other comprehensive income as part of the hedging with non-derivatives effect during the nine months ended 30 September 2014 (Note 9).

Interim Condensed Consolidated Income Statement for the nine and three months ended 30 September 2014 (unaudited)

	Note	**Nine months ended 30 September 2014 US$000**	Nine months ended 30 September 2013 US$000	**Three months to 30 September 2014 US$000**	Three months to 30 September 2013 US$000
Revenue before hedging with non-derivatives effect	4	**160.603**	196.902	**52.842**	60.428
Hedging with non-derivatives effect	9	**(16.174)**	(3.057)	**(4.587)**	(3.465)
Revenue after hedging with non-derivatives effect		**144.429**	193.845	**48.255**	56.963
Cost of services	5	**(20.391)**	(26.622)	**(5.038)**	(6.311)
Property tax		**-**	(11.895)	**-**	(3.778)
Staff compensation, excluding share-based compensation		**(6.957)**	(9.070)	**(2.099)**	(2.919)
Other operating expenses	6	**(9.714)**	(13.832)	**(6.011)**	(2.238)
Other operating income		**2.826**	2.133	**5**	1.761
Operating profit before share-based compensation and depreciation		**110.193**	134.559	**35.112**	43.478
Share-based compensation	7	**(2.033)**	(8.479)	**(548)**	(3.290)
Depreciation and amortisation	12	**(44.669)**	(54.037)	**(14.778)**	(17.478)
Operating profit		**63.491**	72.043	**19.786**	22.710
Finance costs	8	**(50.485)**	(49.193)	**(18.057)**	(16.496)
Finance income	8	**689**	1.063	**348**	554
Revaluation of embedded derivatives on mezzanine	13	**1.194**	16.130	**-**	(922)
Net foreign exchange translation (losses)/gains		**(7.929)**	(3.399)	**(12.238)**	1.383
Net foreign exchange differences reclassified on de-designation of hedge accounting	9	**(70.794)**	-	**(70.794)**	-
(Loss)/profit before income tax		**(63.834)**	36.644	**(80.955)**	7.229
Income tax credit/(expense)	10	**19.151**	(10.605)	**24.287**	(4.455)
(Loss)/profit for the period		**(44.683)**	26.039	**(56.668)**	2.774
(Loss)/profit attributable to:					
Owners of the Company		**(44.683)**	26.039	**(56.668)**	2.774
		(44.683)	26.039	**(56.668)**	2.774

(Loss)/earnings per share attributable to the owners of the Company during the period:

		US$ per share	US$ per share	**US$ per share**	US$ per share
Basic and diluted (loss)/earnings per share	11	**(0.226)**	0,122	**(0.278)**	0,013

The notes on pages 9 to 27 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 2014 (unaudited)

	Note	**Nine months ended 30 September 2014 US$000**	Nine months ended 30 September 2013 US$000	**Three months to 30 September 2014 US$000**	Three months to 30 September 2013 US$000
Profit/(loss) for the period		**(44.683)**	26.039	**(56.668)**	2.774
Other comprehensive (loss)/income:					
Items that may be reclassified subsequently to profit or loss					
Cash flow hedge (non-derivatives):					
- Exchange differences deferred to equity, net of tax	9, 16	**(89.969)**	(30.668)	**(73.385)**	4.251
- Net foreign exchange differences reclassified on de-designation of hedge accounting, net of tax	9, 16	**56.635**	-	**56.635**	-
- Exchange differences recycled to income statement, net of tax	9, 16	**12.939**	2.544	**3.669**	2.810
Currency translation differences		**(53.288)**	(23.523)	**(46.611)**	4.314
Total items that may be reclassified subsequently to profit or loss		**(73.683)**	(51.647)	**(59.692)**	11.375
Other comprehensive (loss)/income for the period, net of tax		**(73.683)**	(51.647)	**(59.692)**	11.375
Total comprehensive (loss)/income for the period		**(118.366)**	(25.608)	**(116.360)**	14.149
Attributable to:					
Owners of the Company		**(118.366)**	(25.608)	**(116.360)**	14.149

Items in the statement above are disclosed net of tax.

The notes on pages 9 to 27 are an integral part of the interim condensed consolidated financial information.

Interim Condensed Consolidated Balance Sheet as at 30 September 2014 (unaudited)

Assets	Note	30 September 2014 US$000	31 December 2013 US$000
Non-current assets			
Equipment	12	939.364	1.081.118
Finance leases receivable		7.545	8.878
Derivative financial instruments	13	4.440	3.219
Deferred income tax asset		1.522	318
Prepayment for acquisition of railcars		2.190	2.515
Loans receivable		2.238	-
		957.299	1.096.048
Current assets			
VAT recoverable		8.797	10
Advances paid for rail tariffs		179	555
Trade and other receivables	14	28.708	36.300
Finance leases receivable		1.463	1.268
Current income tax prepayment		500	544
Cash and cash equivalents		54.438	62.626
		94.085	101.303
Total assets		1.051.384	1.197.351
Equity and liabilities			
Capital and reserves			
Share capital	15	262.198	211.727
Share premium	15	121.625	142.130
Treasury shares	15	(12.638)	(4.323)
Other reserves	16	(184.967)	(112.617)
Retained earnings		49.269	108.905
Total equity		235.487	345.822
Non-current liabilities			
Borrowings	17	693.792	611.344
Mezzanine	18	72.348	64.872
Deferred income tax liabilities		8.947	33.940
		775.087	710.156
Current liabilities			
Trade and other payables	19	6.819	18.071
Current income tax liabilities		3	353
VAT payable		431	4.868
Other taxes payable		4	1.345
Borrowings	17	33.553	116.736
		40.810	141.373
Total liabilities		815.897	851.529
Total equity and liabilities		1.051.384	1.197.351

On 17 November 2014, 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 27 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 2014 (unaudited)

	Note	Attributable to the owners of the Company			
		Share capital/ share premium/ treasury shares US$000	Other reserves US$000	Retained earnings US$000	Total equity US$000
Balance at 1 January 2013		**346.911**	**(42.421)**	**83.193**	**387.683**
Comprehensive income:					
Profit for the period		-	-	26.039	26.039
Total other comprehensive (loss)/income		-	(56.976)	5.329	(51.647)
Total comprehensive (loss)/income		-	(56.976)	31.368	(25.608)
Transactions with owners					
Issue of share capital		319	-	-	319
Shares buyback		(319)	-	-	(319)
Share-based payment	7, 16	-	2.987	-	2.987
Transfer of treasury shares to employees	15, 16	517	(517)	-	-
Transfer to retained earnings upon vesting		-	(68)	68	-
Dividends declared		-	-	(14.587)	(14.587)
Total contribution from and distribution to owners of the Company		517	2.402	(14.519)	(11.600)
Balance at 30 September 2013		**347.428**	**(96.995)**	**100.042**	**350.475**
Balance at 1 January 2014		**349.534**	**(112.617)**	**108.905**	**345.822**
Comprehensive income:					
Loss for the period		-	-	(44.683)	(44.683)
Total other comprehensive loss		-	(73.683)	-	(73.683)
Total comprehensive (loss)/income		-	(73.683)	(44.683)	(118.366)
Transactions with owners					
Issue of preference share capital	15	50.000	-	-	50.000
Transactions costs attributable to issue of preference shares	15	(2.711)	-	-	(2.711)
Share-based payment	7, 16	-	1.838	-	1.838
Issue of treasury shares	15, 16	259	(259)	-	-
Shares acquired for the CEO and Chairman plan	15	(25.897)	-	-	(25.897)
Transfer of share-based compensation reserve to retained earnings upon vesting	7, 16	-	(246)	246	-
Dividends declared [1,2]		-	-	(15.199)	(15.199)
Total contribution from and distribution to owners of the Company		21.651	1.333	(14.953)	8.031
Balance at 30 September 2014		**371.185**	**(184.967)**	**49.269**	**235.487**
		==========	==========	==========	==========

[1] Out of the US$14 million dividend declared, an amount of approximately US$269 thousand related to a subsidiary entity which holds the LTIP shares.

[2] Includes a cumulative preferred dividend of approximately US$1.562 thousand.

The notes on pages 9 to 27 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 2014 (unaudited)

	Note	Nine months ended 30 September 2014 US$000	30 September 2013 US$000
Cash flows from operating activities			
(Loss)/profit before income tax		**(63.834)**	36.644
Adjustments for:			
Depreciation and amortisation	12	**44.669**	54.037
Accrual of provision for bad debts		**2.498**	6.934
Gain on disposal of assets		**(1.215)**	-
Professional services associated with preparation to a potential IPO process		**564**	-
Finance income	8	**(689)**	(1.063)
Finance costs	8	**50.485**	49.193
Hedging with non-derivatives effect	9	**16.174**	3.057
Revaluation of embedded derivatives on mezzanine	13	**(1.194)**	(16.130)
Net foreign exchange translation losses		**7.929**	3.399
Net foreign exchange differences reclassified on de-designation of hedge accounting	9	**70.794**	-
Share-based compensation	7	**2.033**	8.479
		128.214	144.550
Changes in working capital:			
Trade and other receivables		**(12.244)**	(17.204)
Finance leases receivable		**1.166**	1.009
Trade and other payables		**(2.652)**	3.452
Taxes payable other than income tax and VAT		**(1.204)**	(202)
VAT received		**18.273**	4.923
Cash generated from operations		**131.553**	136.528
Income tax paid		**(556)**	(867)
Net cash generated by operating activities		**130.997**	135.661
Cash flows from investing activities			
Purchase of railcars including prepayments		**(89.293)**	(71.981)
Purchase of wheel sets and maintenance CAPEX		**(4.984)**	(7.038)
VAT received from VAT authorities		**2.591**	14.353
VAT paid on purchase of railcars, wheel sets and maintenance CAPEX		**(16.581)**	(14.540)
Proceeds from disposal of assets		**13.572**	-
Refund and penalty received from supplier		**-**	2.400
Interest received	8	**640**	1.063
Net cash used in investing activities		**(94.055)**	(75.743)
Cash flows from financing activities			
Issuance of preference shares		**50.000**	-
Transaction costs attributable to issue of preference shares		**(2.155)**	-
Shares buyback		**(3.118)**	(1.090)
Loans granted to CEO and Chairman as part of a long term incentive plan	7	**(28.775)**	-
Repayment of loans granted to CEO and Chairman as part of a long term incentive plan	7	**567**	-
Proceeds from bank borrowings		**151.831**	-
Repayments of bank borrowings		**(42.000)**	-
Transaction costs paid on borrowings		**(2.083)**	
Interest and commitment fees paid on borrowings		**(28.336)**	(30.047)
Finance leases liabilities – principal repayments	17	**(101.976)**	(6.005)
VAT paid on finance lease liabilities	17	**(19.784)**	(2.834)
Dividends paid		**(15.292)**	(9.722)
Net cash used in financing activities		**(41.121)**	(49.698)
Net (decrease)/increase in cash and cash equivalents		**(4.179)**	10.220
Cash and cash equivalents at beginning of the period		**62.626**	71.975
Exchange losses on cash and cash equivalents		**(4.009)**	(1.084)
Cash and cash equivalents at end of the period		**54.438**	81.111

The notes on pages 9 to 27 are an integral part of the interim condensed consolidated financial information.

Notes to the interim condensed consolidated financial information (unaudited)

1. General information

Introduction

The interim condensed financial information consolidated the unaudited financial information of Brunswick Rail Limited (the "Company") and its subsidiaries (the "Group"), for the nine and three months ended 30 September 2014.

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 to engage in the purchase and leasing of railcars in the "1520 gauge territory" (the railway territory of Russian Federation and CIS), and all ancillary activities thereto, itself or through its subsidiaries. Following the acquisition of OOO ProfTrans group, the Group is engaged in the shipment of iron scrap and other freights mainly within Russian Federation territory using both own and leased railcars as well as railcars provided by third party carriers.

Basis of preparation

This interim condensed consolidated financial information for the nine and three months ended 30 September 2014 has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting' as issued by the International Accounting Standards Board (IASB). The interim condensed consolidated financial information should be read in conjunction with the Group's audited annual consolidated financial statements for the year ended 31 December 2013, which have been prepared in accordance with International Financial Reporting Standards (IFRSs).

2. Accounting policies

New and revised IFRSs adopted by the Group in 2014

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 annual consolidated financial statements for the year ended 31 December 2013 as described therein, except for the adoption of the following new or amended standards and interpretations effective from 1 January 2014:

Amendments to IFRS 10, IFRS 12 and IAS 27 - Investment Entities

The amendments to IFRS 10 introduce an exception from the requirement to consolidate subsidiaries for an investment entity. Instead, an investment entity is required to measure its interests in subsidiaries at fair value through profit or loss. The exception does not apply to subsidiaries of investment entities that provide services that relate to the investment entity's investment activities

To qualify as an investment entity, a reporting entity is required to:

- Obtain funds from one or more investors for the purpose of providing them with professional investment management services;
- Commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- Measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to IFRS 12 and IAS 27 to introduce new disclosure requirements for investment entities.

Investment entities amendments have no effect on the Group's interim condensed consolidated financial information as none of the Group's entities is an investment entity.

2. Accounting policies (continued)

New and revised IFRSs adopted by the Group in 2014 (continued)

Amendments to IAS 32 - Offsetting Financial Assets and Financial Liabilities

The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of ‘currently has a legally enforceable right of set-off’ and ‘simultaneous realization and settlement’.

These amendments do not have any impact on the Group's interim condensed consolidated financial information as the Group does not have any financial assets and financial liabilities that qualify for offset.

Amendments to IAS 36 - Recoverable Amount Disclosures for Non-Financial Assets

The amendments to IAS 36 restrict the requirement to disclose the recoverable amount of an asset or cash-generating unit to periods in which an impairment loss has been recognized or reversed. In addition, they expand and clarify the disclosure requirements applicable when recoverable amount has been determined on the basis of fair value less costs of disposal.

The amendments may affect the disclosures to be made by the Group in its annual consolidated financial statements for the year end 31 December 2014.

Amendments to IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting

These amendments allow the continuation of hedge accounting when a derivative is novated to a clearing counterparty and certain conditions are met.

These amendments have no impact to the Group as the Group has no hedging derivative instruments during the current period.

IFRIC 21 Levies

The interpretation is applicable to all payments imposed by governments under legislation, other than income taxes that are within the scope of IAS 12 and fines and penalties for breaches of legislation. The interpretation clarifies that a liability to pay a levy should only be recognised when an obligating event has occurred and provides guidance on how to determine whether a liability should be recognized progressively over specific period or in full at a specific date. The same principles should be applied in interim financial statements.

In general, the application of IFRIC 21 has not had any impact on the amounts recognised in the interim condensed consolidated financial information.

The Group did not early adopt any other standard, amendment or interpretation that has been issued and is not yet effective.

3. 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 2013. The fair value of the Company’s shares used in the valuation of the embedded derivatives and the share-based management compensation payment, where applicable, has been estimated using a discounted cash flow valuation model which assumes amongst other a five-year projection period and a terminal value.

In addition to those critical accounting judgements and key sources of estimation uncertainty the management of the Group made the following significant judgements:

Revision of useful life of wheel sets

A technical study was performed by the Group based on which the useful life of wheelsets was revised prospectively with effect from 1 January 2014.

4. Segment information

The information on types of leases provided to the Board for the nine and three months ended 30 September 2014 and 30 September 2013 is as follows:

	Nine months ended		Three months ended	
	30 September 2014 US$000	30 September 2013 US$000	**30 September 2014 US$000**	30 September 2013 US$000
Full service operating leases	**104.643**	111.884	**36.563**	31.751
Triple-net operating leases	**40.800**	62.890	**10.763**	22.925
Transportation services income	**14.173**	20.994	**5.197**	5.381
Finance leases	**987**	1.134	**319**	371
Total external revenue pre hedging	**160.603**	196.902	**52.842**	60.428
Effect of hedging with non-derivatives (Note 9)	**(16.174)**	(3.057)	**(4.587)**	(3.465)
Total external revenue post hedging	**144.429**	193.845	**48.255**	56.963

Revenues of approximately US$19.954 thousand (nine months ended 30 September 2013: US$27.889 thousand) are derived from a single external customer. These revenues are attributable to the operating lease contracts under both full-service and triple-net leases.

The revenue from external customers is derived only from the business activities carried out in the Russian Federation. No revenue is derived in Bermuda which is the country of domicile or other jurisdictions.

The revenue from external customers reported to the Board is measured in a manner consistent with that in the income statement.

In its own analysis of the Group's results, the Group uses key performance indicators which are not measures determined in accordance with IFRS. The Group believes that Adjusted net profit and Adjusted EBITDA[1] are meaningful indicators of its profitability and performance. This measure should not be considered as an alternative to profit for the period and operating cash flows based on IFRS.

Inter-segmental transactions are based on similar conditions as transactions with third parties.

	Nine months ended 30 September 2014		
	Leases US$000	**Transportation US$000**	**Total US$000**
Revenues	**157.525**	**14.172**	**171.697**
Revenues inter-segmental	(11.094)	-	**(11.094)**
Revenues from external customers	**146.431**	**14.172**	**160.603**
Cost of services	(13.415)	(17.007)	**(30.422)**
Cost of services inter-segmental	-	11.094	**11.094**
Cost of services – third parties	**(13.415)**	**(5.913)**	**(19.328)**
Other operating expenses (including staff costs)	(15.062)	(1.044)	**(16.106)**
Other operating income	2.796	30	**2.826**
Adjusted EBITDA [1]	**120.750**	**7.245**	**127.995**

[1] The Group defines Adjusted EBITDA as earnings before interest, tax, depreciation and amortisation and other non-cash charges, exceptional and non-recurring items.

4. Segment information (continued)

A reconciliation of the Group's Adjusted EBITDA to the loss for the nine months ended 30 September 2014 is presented below:

Loss for the period	**(44.683)**
plus/(minus):	
Income tax credit	(19.151)
Net foreign exchange differences reclassified on de-designation of hedge accounting	70.794
Net foreign exchange translation losses	7.929
Revaluation of embedded derivatives on mezzanine	(1.194)
Finance income	(689)
Finance costs	50.485
Depreciation and amortisation	44.669
Share-based compensation	2.033
Professional services associated with preparation to a potential IPO process	564
Railcars re-registration costs	1.064
Hedging with non-derivatives effect	16.174
Adjusted EBITDA	**127.995**

	Nine months ended 30 September 2013		
	Leases US$000	**Transportation US$000**	**Total US$000**
Revenues	**187.693**	**20.994**	**208.687**
Revenues inter-segmental	(11.785)	-	(11.785)
Revenues from external customers	**175.908**	**20.994**	**196.902**
Cost of services	(18.195)	(20.212)	(38.407)
Cost of services inter-segmental	-	11.785	11.785
Cost of services – third parties	**(18.195)**	**(8.427)**	**(26.622)**
Other operating expenses (including staff costs)	(21.236)	(1.666)	(22.902)
Other operating income	2.131	2	2.133
Adjusted EBITDA	**138.608**	**10.903**	**149.511**

A reconciliation of the Group's Adjusted EBITDA to the profit for the nine months ended 30 September 2013 is presented below:

	US$000
Profit for the period	26.039
plus/(minus):	
Income tax expense	10.605
Net foreign exchange translation losses	3.399
Revaluation of embedded derivatives on mezzanine	(16.130)
Finance income	(1.063)
Finance costs	49.193
Depreciation and amortisation	54.037
Share-based compensation	8.479
Property tax	11.895
Hedging with non-derivatives effect	3.057
Adjusted EBITDA	149.511

4. Segment information (continued)

	Three months to 30 September 2014		
	Leases US$000	Transportation US$000	Total US$000
Revenues	**49.627**	**5.196**	**54.823**
Revenues inter-segmental	(1.981)	-	**(1.981)**
Revenues from external customers	**47.646**	**5.196**	**52.842**
Cost of services	(3.075)	(3.937)	**(7.012)**
Cost of services inter-segmental	-	1.981	**1.981**
Cost of services – third parties	**(3.075)**	**(1.956)**	**(5.031)**
Other operating expenses (including staff costs)	(7.707)	(402)	**(8.109)**
Other operating (loss)/income	(30)	35	**5**
Adjusted EBITDA	**36.834**	**2.873**	**39.707**

A reconciliation of the Group's Adjusted EBITDA to the loss for the period is presented below:

Loss for the period	**(56.668)**
plus/(minus):	
Income tax credit	(24.287)
Net foreign exchange differences reclassified on de-designation of hedge accounting	70.794
Net foreign exchange translation losses	12.238
Finance income	(348)
Finance costs	18.057
Depreciation and amortisation	14.778
Share-based compensation	548
Railcars re-registration costs	8
Hedging with non-derivatives effect	4.587
Adjusted EBITDA	**39.707**

	Three months to 30 September 2013		
	Leases US$000	Transportation US$000	Total US$000
Revenues	**59.073**	**5.381**	**64.454**
Revenues inter-segmental	(4.026)	-	(4.026)
Revenues from external customers	**55.047**	**5.381**	**60.428**
Cost of services	(4.793)	(5.544)	(10.337)
Cost of services inter-segmental	-	4.026	4.026
Cost of services – third parties	**(4.793)**	**(1.518)**	**(6.311)**
Other operating expenses (including staff costs)	(4.710)	(447)	(5.157)
Other operating income	1.761	-	1.761
Adjusted EBITDA	**47.305**	**3.416**	**50.721**

A reconciliation of the Group's Adjusted EBITDA to the profit for the period is presented below:

	US$000
Profit for the period	2.774
plus/(minus):	
Income tax expense	4.455
Net foreign exchange translation gains	(1.383)
Revaluation of embedded derivatives on mezzanine	922
Finance income	(554)
Finance costs	16.496
Depreciation and amortisation	17.478
Share-based compensation	3.290
Property tax	3.778
Hedging with non-derivatives effect	3.465
Adjusted EBITDA	50.721

4. Segment information (continued)

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

	30 September 2014		
	Leases US$000	Transportation US$000	Total US$000
Total segment assets	**820.684**	**138.363**	**959.047**
Total segment assets include:			
Equipment – railcars	800.823	138.050	938.873
Finance leases receivables	9.008	-	9.008
Prepayment for acquisition of railcars	2.190	-	2.190
VAT recoverable	8.663	134	8.797
Advances paid for rail tariffs	-	179	179

	31 December 2013		
	Leases US$000	Transportation US$000	Total US$000
Total segment assets	**955.955**	**137.670**	**1.093.625**
Total segment assets include:			
Equipment – railcars	943.294	137.105	1.080.399
Finance leases receivable	10.146	-	10.146
VAT recoverable	-	10	10
Prepayment for acquisition of railcars	2.515	-	2.515
Advances paid for rail tariffs	-	555	555

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

	30 September 2014 US$000	31 December 2013 US$000
Segment assets for operating segments	**959.047**	1.093.625
Unallocated:		
Cash and cash equivalents	**54.438**	62.626
Trade and other receivables and current income tax prepayment	**29.208**	36.844
Derivative financial instruments	**4.440**	3.219
Loans receivable	**2.238**	-
Deferred income tax asset	**1.522**	318
Other tangible assets	**486**	713
Intangible assets	**5**	6
Total assets per balance sheet	**1.051.384**	1.197.351

Non-current assets (excluding deferred income tax asset, loans receivable and derivative financial instruments) of US$949.099 thousand (as at 31 December 2013: US$1.092.511 thousand) are located in the Russian Federation. None of the non-current assets are located in Bermuda, which is the country of domicile.

5. Cost of services

	Nine months ended		Three months ended	
	30 September 2014 US$000	30 September 2013 US$000	**30 September 2014 US$000**	30 September 2013 US$000
Depot repairs	**12.921**	17.887	**2.915**	4.692
Other transportation services expenses	**4.709**	3.667	**1.613**	1.030
Other railcar expenses	**2.417**	910	**447**	291
Transportation services subcontracted	**180**	3.949	**6**	229
Railcar insurance	**164**	209	**57**	69
Total cost of services	**20.391**	26.622	**5.038**	6.311

6. Other operating expenses

	Nine months ended		Three months ended	
	30 September 2014 US$000	30 September 2013 US$000	**30 September 2014 US$000**	30 September 2013 US$000
Provision for bad debts (Note 14)	**4.088**	6.934	**4.078**	-
Rent and related expenses	**1.199**	1.034	**397**	402
Directors' fees and expenses (Note 22)	**1.061**	1.366	**312**	513
Professional services associated with preparation to a potential IPO process	**564**	-	**-**	-
Consultancy fees	**514**	570	**371**	438
Travelling, accommodation and entertainment	**392**	695	**148**	111
Auditor's remuneration	**386**	630	**145**	131
Other professional fees	**384**	783	**211**	99
Other operating expenses	**363**	496	**122**	177
Legal fees	**275**	570	**88**	171
Advertising and marketing	**266**	403	**62**	77
Information technology costs	**123**	190	**41**	61
Communication costs	**99**	161	**36**	58
Total other operating expenses	**9.714**	13.832	**6.011**	2.238

7. Share-based compensation

During the first nine months of 2014 the following share-based compensation plans were introduced in addition to the plans already established in 2013:

CEO plan

The Group signed a share-based plan with the CEO of the Group on 24 January 2014, which is the grant date of the plan. The plan is based on the acquisition of approximately 8,5 million of the Company's shares by the CEO (indirectly) from existing shareholders of the Group funded by both recourse and non-recourse loans granted by the Group. The plan is interpreted by the Group's management to be an "equity-settled" share-based plan under IFRS 2.

The respective amounts for the recourse and non-recourse loans were US$1.898 thousand and US$17.080 thousand based on loan agreements signed on 24 January 2014. Both loans are interest-bearing with a maturity date of five years from the date of the agreement. The non-recourse loan is secured by the shares acquired by the CEO and the Group has recourse only to these shares pledged as collateral for the loan.

The arrangement in substance represents an option to buy shares of the Company which is assumed to be exercised on 24 January 2015 and 1 June 2015 subject to the CEO continuing to be employed by the Group as at each of these vesting dates. The share-based plan was therefore valued using an option pricing model and the option values calculated on each exercise date represent the fair value of the benefit. The detailed assumptions used in the option pricing model are presented below:

Option exercise date	**24 January 2015**	**1 June 2015**
Estimated grant date fair value (US$)	1,60	1,60
Exercise price (US$)	2,33	2,37
Risk-free rate for option period (%)	0,10	0,20
Expected volatility of share price (%)	27	27
Time to option expiration (years)	1	1,4

The Group accrued an expense of US$112 thousand for the CEO's plan for the nine months ended 30 September 2014 with a corresponding credit to a share-based compensation reserve in equity. The amount recognized as an expense was allocated over the two periods starting from the date of signing the agreement and ending on each assumed option exercise date on a time-apportioned basis.

Chairman plan

The Group signed a share-based plan with the Chairman of the Board on 24 January 2014, which is the grant date of the plan. The plan is based on the acquisition of approximately 4,3 million of the Company's shares by the Chairman (indirectly) from existing shareholders of the Group funded by both recourse and non-recourse loans granted by the Group. The plan is interpreted by the Group's management to be an "equity-settled" share-based plan under IFRS 2.

The respective amounts for the recourse and non-recourse loans were US$980 thousand and US$8.817 thousand based on loan agreements signed on 24 January 2014. Both loans are interest-bearing with a maturity date of five years from the date of the agreement. The non-recourse loan is secured by the shares acquired by the Chairman and the Group has recourse only to these shares pledged as collateral for the loan.

The arrangement in substance represents an option to buy shares of the Company which is assumed to be exercised on 24 January 2015 subject to the Chairman continuing to be a director of the Group as at the vesting date. The share-based plan was therefore valued using an option pricing model and the option value calculated on the exercise date represents the fair value of the benefit. The detailed assumptions used in the option pricing model are presented below:

Option exercise date	**24 January 2015**
Estimated grant date fair value (US$)	1,60
Exercise price (US$)	2,41
Risk-free rate for option period (%)	0,10
Expected volatility of share price (%)	27
Time to option expiration (years)	1

7. Share-based compensation (continued)

Chairman plan (continued)

The Group accrued an expense of US$42 thousand for the Chairman's plan for the nine months ended 30 September 2014 with a corresponding credit to a share-based compensation reserve in equity. The amount recognized as an expense was allocated over the period starting from the date of signing the agreement and ending on the assumed option exercise date on a time-apportioned basis.

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

	Nine months ended		**Three months to**	
	30 September 2014 US$000	30 September 2013 US$000	**30 September 2014 US$000**	30 September 2013 US$000
Equity-settled:				
Long term incentive plan ("LTIP")	**652**	2.301	**227**	880
Management incentive plan ("MIP")	**603**	2.910	**205**	791
Other equity-settled bonuses	**446**	770	**58**	310
CEO plan	**112**	-	**42**	-
Chairman plan	**42**	(319)	**16**	-
Former CEO	**-**	34	**-**	-
Total equity-settled	**1.855**	5.696	**548**	1.981
Cash-settled:				
Former CEO	**178**	2.783	-	1.309
Total cash-settled	**178**	2.783	-	1.309
Total share-based compensation expense	**2.033**	8.479	548	3.290

The share-based compensation reserve balance included on the balance sheet under the heading "Other reserves" (Note 16) is analyzed as follows:

	30 September 2014 US$000	30 September 2013 US$000
Opening balance	**4.766**	8.449
Share-based compensation	**1.855**	3.000
Transfer of treasury shares to employees (Note 15)	**(259)**	(517)
Transfer to retained earnings upon vesting (Note 16)	**(246)**	(68)
Currency translation differences	**(17)**	(13)
Closing balance	**6.099**	10.851

8. Finance costs and income

	Nine months ended		Three months to	
	30 September 2014 US$000	30 September 2013 US$000	**30 September 2014 US$000**	30 September 2013 US$000
Finance costs				
Interest expense – Eurobond	**(31.715)**	(31.274)	**(10.906)**	(10.535)
Interest expense – finance lease payables	**(7.938)**	(9.739)	**(2.172)**	(3.113)
Interest expense – mezzanine facility	**(7.582)**	(7.481)	**(2.663)**	(2.575)
Interest expense – syndicated bank loans	**(1.889)**	-	**(1.635)**	-
Other borrowing costs	**(1.311)**	(613)	**(666)**	(232)
	(50.435)	(49.107)	**(18.042)**	(16.455)
Bank charges	**(50)**	(86)	**(15)**	(41)
	(50.485)	(49.193)	**(18.057)**	(16.496)
Finance income				
Interest income on bank balances	**689**	1.063	**348**	554
	689	1.063	**348**	554
Net finance costs	**(49.796)**	(48.130)	**(17.709)**	(15.942)

The fees paid on the refinancing of VTB Leasing finance lease obligations in the amount of US$746 thousand are recorded within interest expense on finance lease payables (Note 17).

9. Hedging with non-derivatives

The effect of applying hedge accounting with non-derivative financial instruments on both interim condensed consolidated income statement and balance sheet is presented below:

Income statement	**Nine months ended 30 September 2014 US$000**	Nine months ended 30 September 2013 US$000
Net loss for the period – pre hedging with non-derivatives	**(65.078)**	(3.109)
Net foreign exchange losses deferred to other comprehensive income	112.462	39.492
Net foreign exchange differences reclassified on de-designation of hedge accounting	(70.794)	-
Revenue – foreign exchange losses recycled from other comprehensive income	(16.174)	(3.057)
Tax charge – related deferred taxes	(5.099)	(7.287)
Net effect on loss after tax	20.395	29.148
(Loss)/profit for the period – post hedging with non-derivatives	**(44.683)**	26.039
Total equity – pre hedging with non-derivatives	**235.487**	350.475
Hedging reserve – exchange differences deferred from income statement	(35.206)	(22.573)
Retained earnings – exchange differences deferred to hedging reserve	47.196	22.145
Translation reserve effect	(11.990)	428
Total effect on equity	-	-
Total equity – post hedging with non-derivatives	**235.487**	350.475

9. Hedging with non-derivatives (continued)

In accordance with the Group's hedging strategy, a cash flow hedge relationship was designated as of 1 November 2012 using outstanding (Eurobonds) and forecasted issuances of the USD denominated liabilities as a hedging instrument and the highly probable forecasted revenue of the Group, not covered by other hedges, as hedged item to mitigate foreign currency risk.

To ensure that a highly effective hedging relationship exists both prospectively and retrospectively which would allow the Group to apply hedge accounting, the Group adopted a "dynamic rollover" strategy whereby the hedging instrument may be adjusted on a quarterly basis. The ineffective portion that arises from the cash flow hedge is recognized in the profit or loss.

Due to a continuing market downturn in Q3 2014, the on-going geopolitical instability and the US and EU sector sanctions imposed in July 2014, the proportion of USD denominated revenue designated in the hedge relationship as hedged item, is decreasing as more customers are re-negotiating their contracts in ruble or switch from US Dollar to ruble contracts. Furthermore, customers require decreases in USD daily rates due to the depreciation of the ruble against the US Dollar.

The significant decrease in forecasted USD denominated revenue at 30 September 2014 resulted in hedge ineffectiveness. Consequently a restructuring of the hedge, in the form of a reduction in hedging instrument designated in hedging relationship, was required to match the revised USD denominated forecasted revenues and ensure that the hedging relationship remains effective.

In accordance with the Group's hedging documentation, when the forecasted transaction is no longer expected to occur, the cumulative amount of the foreign exchange translation losses on the borrowings recognised in OCI (hedging reserve) will be reclassified from OCI to profit or loss immediately. As a result, a part of the hedging reserve in the amount of US$70.8 million was proportionately written off to profit or loss reflecting the ineffective portion of the hedge instrument.

10. Income tax

Interim period income tax is accrued based on the estimated average annual effective income tax rate of 30 per cent (30 September 2013: 29 per cent). As at 30 September 2014 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 2013: none). The decrease in deferred income tax liabilities relates mainly to the repayment of VTB Leasing finance lease obligations (Note 17).

11. Loss/Earnings per share

Basic loss/earnings per share are calculated by dividing the net loss/profit attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the period. The net loss/profit attributable to the owners of the Company is adjusted for the after-tax amount of preference dividends declared or paid, in respect of preference shares classified as equity, during the period.

There are no significant dilutive potential ordinary shares therefore the diluted loss/earnings per share equal the basic loss/earnings per share.

	Nine months ended		**Three months to**	
	30 September 2014 US$000	30 September 2013 US$000	**30 September 2014 US$000**	30 September 2013 US$000
(Loss)/profit for the period attributable to the owners of the Company	**(44.683)**	26.039	**(56.668)**	2.774
Preferred dividend paid during the period	**(1.562)**	-	**-**	-
(Loss)/profit used in calculation of basic (loss)/earnings per share	**(46.245)**	26.039	**(56.668)**	2.774
Weighted average number of shares in issue	**204.898.553**	213.148.582	**203.968.084**	213.670.294
(Loss)/earnings per share (US$ per share)	**(0,226)**	0,122	**(0,278)**	0,013

12. Equipment

	Railcars US$000	Furniture, fittings & office equipment US$000	**Total US$000**
As at 1 January 2014			
Cost	1.311.917	1.402	**1.313.319**
Accumulated depreciation	(231.518)	(689)	**(232.207)**
Net book amount	1.080.399	713	**1.081.112**
Nine-month period ended 30 September 2014			
Opening net book amount	1.080.399	713	**1.081.112**
Additions	101.951	33	**101.984**
Disposals / retirement of assets	(20.798)	(113)	**(20.911)**
Depreciation charge	(44.515)	(153)	**(44.668)**
Depreciation on disposal	8.736	113	**8.849**
Exchange differences on cost	(229.511)	(227)	**(229.738)**
Exchange differences on depreciation	42.611	120	**42.731**
Closing net book amount	938.873	486	**939.359**
As at 30 September 2014			
Cost	1.163.559	1.095	**1.164.654**
Accumulated depreciation	(224.686)	(609)	**(225.295)**
Net book amount	938.873	486	**939.359**
As at 1 January 2013			
Cost	1.264.346	1.693	**1.266.039**
Accumulated depreciation	(184.879)	(593)	**(185.472)**
Net book amount	1.079.467	1.100	**1.080.567**
Nine-month period ended 30 September 2013			
Opening net book amount	1.079.467	1.100	**1.080.567**
Additions	140.672	135	**140.807**
Disposals / retirement of assets	(5.070)	(17)	**(5.087)**
Depreciation charge	(53.840)	(197)	**(54.037)**
Depreciation on disposal	301	-	**301**
Exchange differences on cost	(77.056)	(141)	**(77.197)**
Exchange differences on depreciation	12.542	77	**12.619**
Closing net book amount	1.097.016	957	**1.097.973**
As at 30 September 2013			
Cost	1.322.892	1.670	**1.324.562**
Accumulated depreciation	(225.876)	(713)	**(226.589)**
Net book amount	1.097.016	957	**1.097.973**

During the nine months ended 30 September 2014 the Group's fleet was increased by 1.435 railcars. Equipment includes 25.266 railcars (31 December 2013: 23.831 railcars, 30 September 2013: 24.021 railcars) which are held by the Group's subsidiary companies. Out of the total equipment, 21.940 railcars are leased out under operating leases and short-term rentals and 3.326 are used for shipment of iron scrap and other freights.

If the railcar fleet was stated at fair market value its value would be US$1.045.194 thousand (31 December 2013: US$1.218.458 thousand, 30 September 2013: US$1.195.932 thousand).

Intangible assets in the amount of US$5 thousand are included within the Equipment balance sheet amount at 30 September 2014 (31 December 2013: US$6 thousand, 30 September 2013: US$1 thousand). The amortization charge for the period amounts to US$1 thousand (30 September 2013: nil).

13. Derivative financial instruments

	30 September 2014 US$000	30 September 2013 US$000
Non-current derivative financial assets/(liabilities)		
Balance at beginning of period	**3.219**	(12.405)
Revaluation of embedded derivatives on mezzanine	**1.194**	16.130
Currency translation differences	**27**	(232)
Balance at end of period	**4.440**	3.493

The embedded derivatives are fair valued at each reporting date.

Based on the valuation as at 30 September 2014, fair value gains of US$1.194 thousand were recognised in the interim condensed consolidated income statement (30 September 2013: US$16.130 thousand fair value gains). The valuation takes into account the fair value of the Company's share, a key factor in the valuation of the conversion option. The fair value of the Company's shares has been estimated using a discounted cash flow valuation model which assumes amongst other a five-year projection period and a terminal value (Note 3).

Based on above-mentioned description of inputs used for the measurement, fair value of embedded derivatives relates to Level 3 of the fair value hierarchy as at 30 September 2014 (31 December 2013: Level 3) as the most significant input, the fair value of the Company's share, is not based on observable market data.

14. Trade and other receivables

	30 September 2014 US$000	31 December 2013 US$000
Operating lease income receivables	**14.956**	13.819
Transportation income receivables	**2.169**	1.420
Other receivables and prepayments	**11.583**	21.061
	28.708	36.300

Other than the debtor balances for which a specific provision for impairment of receivables was recognized at the amount of US$3.491 thousand (31 December 2013: US$12.220 thousand), no other trade and other receivables balance is considered impaired. The 'Other receivables and prepayments' balance includes an amount of US$9.636 which relates to the sale of 921 railcars during the first half of 2014 and fourth quarter of 2013 (2013: US$14.637 thousand which related to the sale of 672 railcars).

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

15. Share capital and share premium

	30 September 2014 US$000	31 December 2013 US$000
Share capital	**262.198**	211.727
Share premium	**121.625**	142.130
Treasury shares	**(12.638)**	(4.323)
	371.185	349.534

	30 September 2014			31 December 2013		
	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**	**124.336**	**(12.638)**	211.727	142.130	(4.323)
Preference shares	**50.000**	**(2.711)**	**-**	-	-	-
	262.198	**121.625**	**(12.638)**	211.727	142.130	(4.323)

Ordinary share capital

	Number of shares	Share capital US$000	Share premium US$000	Treasury shares US$000	Total US$000
At 1 January 2013	**212.586.833**	**211.088**	**142.290**	**(6.467)**	**346.911**
Transfer of treasury shares to employees (1)	517.390	-	-	517	517
Issue of share capital (2)	639.000	639	(320)	-	319
Share buyback (2)	(319.500)	-	-	(319)	(319)
At 30 September 2013	**213.423.723**	**211.727**	**141.970**	**(6.269)**	**347.428**
At 1 January 2014	**215.369.781**	**211.727**	**142.130**	**(4.323)**	**349.534**
Shares buyback (2)	(159.750)	-	160	(160)	-
Shares acquired for the CEO and Chairman plans (3)	(11.500.643)	-	(17.954)	(7.943)	(25.897)
Issue of share capital (4)	470.831	471	-	-	471
Treasury shares (4)	(470.831)	-	-	(471)	(471)
Transfer of treasury shares to Employees (1)	258.696	-	-	259	259
At 30 September 2014	**203.968.084**	**212.198**	**124.336**	**(12.638)**	**323.896**

(1) The treasury shares transferred to employees during the period relate to the LTIP shares and other equity-settled bonuses awarded for the years 2012 and 2013.

(2) The shares issued and the share buyback relate to the former CEO LTIP. The former CEO exercised his option and sold back to the Group 319.500 shares in September 2013 and 159.750 shares in January 2014.

(3) The transfer to treasury shares relates to the CEO's and Chairman's share-based plans (Note 7). The amount of US$25.897 thousand represents the non-recourse loans granted to the CEO and Chairman by the Group to fund the acquisition of shares from existing shareholders in January 2014. Out of the 12.778.493 shares acquired by the CEO and the Chairman, 11.500.643 are allocated to the non-recourse loans and treated as treasury shares until the full settlement of the non-recourse loans.

(4) The issue of shares relates to shares issued to replenish the pool of shares set aside for the purpose of the LTIP.

15. Share capital and share premium (continued)

Convertible preference shares

	Number of shares	Share capital US$000	Share premium US$000	Total US$000
At 30 September 2013	**-**	**-**	**-**	**-**
	==========	==========	==========	==========
Issue of share capital	50.000.000	50.000	-	50.000
Transactions costs attributable to issue of preference shares	-	-	(2.711)	(2.711)
At 30 September 2014	**50.000.000**	**50.000**	**(2.711)**	**47.289**
	==========	==========	==========	==========

In February 2014 the Company's Board approved the issue of up to US$150 million of cumulative redeemable convertible preference shares (the "Preference Shares"). Concurrent with this, the Company established an equity facility with the European Bank for Reconstruction and Development ("EBRD") whereby upon request by the Company, the EBRD agrees to subscribe for up to US$150 million in Preference Shares (the "EBRD Facility"). On 28 March 2014 US$50 million fully paid Preference Shares of par value US$1,00 each were issued by the Company to EBRD under the EBRD Facility.

Dividends on the EBRD Preference Shares accrue semi-annually at the annual rate of 12% until 30 June 2017 and 14% from 1 July 2017; such dividends are payable in priority to any declaration or payment of dividend on ordinary shares. Unpaid cumulative dividends are converted into Redeemable Deferral Shares (the "Deferral Shares") which accrue dividends at 14,5% p.a., payable in priority to any dividend on Preference Shares or ordinary shares. No Deferral Shares were issued by the Company as at 30 September 2014. The decision as to whether to pay a dividend on the Preference Shares or to issue Deferral Shares is made at the discretion of the Board of Directors of the Company.

The Preference Shares and the equivalent Deferral Shares may only be converted into ordinary or other junior shares of the Company ("Junior Shares") on the occurrence of certain events, including the occurrence of an IPO or a third party sale. They may be redeemed for cash at the discretion of the Company at any time after five years of the date of issuance for cash. No such ordinary or other junior shares were issued by the Company as at 30 September 2014. The conversion and redemption prices are equal to the outstanding amounts plus a premium of up to 33,33%, depending on when the conversion or redemption event happens.

The Preference Shares and Deferral Shares are mandatorily convertible into ordinary shares on the date of completion of an Initial Public Offering ("IPO") at the IPO price. If an IPO has not occurred after 9 years from the issuance date, the Company shall convert all outstanding Preference Shares and Deferral Shares into fully paid ordinary shares at a ratio of 0,565% of the Company's post-conversion ordinary share capital for each US$1 million of outstanding Preference Shares and Deferral Shares.

A cumulative preferred dividend of US$1.562 thousand was paid in respect of the Preference Shares on 30 June 2014.

16. 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 2013	**11.241**	**(4.683)**	**8.449**	**(57.428)**	**(42.421)**
Cash flow hedge (non-derivatives):					
- Exchange differences deferred to Equity, net of tax	(30.668)	-	-	-	(30.668)
- Exchange differences recycled to income statement, net of tax	2.544	-	-	-	2.544
Currency translation differences	(361)	(23.162)	-	-	(23.523)
Transfer of treasury shares to employees	-	-	(517)	-	(517)
Transfer of hedging reserve to retained earnings	(5.329)	-	-	-	(5.329)
Transfer to retained earnings upon vesting	-	-	(68)	-	(68)
Share-based payment	-	-	2.987	-	2.987
Balance at 30 September 2013	**(22.573)**	**(27.845)**	**10.851**	**(57.428)**	**(96.995)**
Balance at 1 January 2014	**(26.981)**	**(32.974)**	**4.766**	**(57.428)**	**(112.617)**
Cash flow hedge (non-derivatives):					
- Exchange differences deferred to Equity, net of tax	(89.969)	-	-	-	(89.969)
- Net foreign exchange differences reclassified on de-designation of hedge accounting, net of tax	56.635	-	-	-	56.635
- Exchange differences recycled to income statement, net of tax	12.939	-	-	-	12.939
Currency translation differences	12.170	(65.458)	-	-	(53.288)
Issue of treasury shares	-	-	(259)	-	(259)
Transfer of share-based compensation reserve to retained earnings upon vesting	-	-	(246)	-	(246)
Share-based payment	-	-	1.838	-	1.838
Balance at 30 September 2014	**(35.206)**	**(98.432)**	**6.099**	**(57.428)**	**(184.967)**

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

17. Borrowings

	30 September 2014 US$000	31 December 2013 US$000
Non-current borrowings		
Eurobond	**589.871**	587.846
Finance lease payables	**5.154**	8.758
Bank borrowings	**98.767**	-
Other borrowings (Note 22)	**-**	14.740
	693.792	611.344
Current borrowings		
Eurobond	**16.250**	6.500
Finance lease payables	**994**	110.236
Bank borrowings	**1.569**	-
Other borrowings (Note 22)	**14.740**	-
	33.553	116.736
Total borrowings	**727.345**	728.080

17. Borrowings (continued)

	30 September 2014 US$000	31 December 2013 US$000
Maturity of non-current borrowings (excluding finance lease liabilities)		
Later than 1 year and not later than 3 years	**98.767**	14.740
Later than 3 years and not later than 5 years	**589.871**	587.846
	688.638	602.586

The other borrowings relate to a loan from a related party disbursed during 2012 (Note 22).

In July 2014 the Group signed a syndicated loan facility for over RUB 8 billion with a group of international banks. On 15 August 2014 the Group drew down part of the proceeds to refinance the VTB Leasing finance lease obligations in the amount of approximately RUB 4 billion slightly ahead of the original schedule, in order to avoid the risk of possible forthcoming sanctions that could restrict future Credit Facility drawdowns. This financing has an availability period of twelve months with a commitment fee of 50bp and complements a recent equity placement with EBRD of up to US$150 million. The two-year loan facility will bear interest of three-month MosPrime plus 2,2 per cent margin in year one and 2,7 per cent margin in year two. The facility is secured by way of a pledge on equipment.

Finance lease liabilities

	30 September 2014 US$000	31 December 2013 US$000
Maturity of non-current liabilities from finance leases		
Later than 1 year and not later than 3 years	**2.823**	3.347
Later than 3 years and not later than 5 years	**1.362**	2.869
Over 5 years	**969**	2.542
	5.154	8.758

18. Mezzanine

The mezzanine transactions and balances are as follows:

	30 September 2014 US$000	31 December 2013 US$000
Balance at beginning of period	**64.872**	64.624
Interest accrued	**7.675**	10.161
Interest paid	**-**	(10.117)
Unamortised borrowing costs under the effective interest method	**(93)**	248
Currency translation differences	**(106)**	(44)
Balance at end of period	**72.348**	64.872

19. Trade and other payables

	30 September 2014 US$000	31 December 2013 US$000
Advances from customers	**3.931**	3.134
Railcar creditors	**17**	3.034
Liability arising on cash-settled share-based payment transactions (Note 7)	**-**	2.942
Other trade payables and accrued expenses	**2.871**	8.961
	6.819	18.071

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

20. 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, 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.

Starting from March 2014, sanctions have been imposed in several packages by the U.S. and the E.U. on certain Russian officials, businessmen and companies. In April 2014, an international credit agency Standard & Poor's downgraded Russia's long-term foreign currency sovereign rating from BBB to BBB- with a negative outlook. Fitch credit agency has also revised Russia's creditworthiness outlook from stable to negative.

In July 2014 sector sanctions have been imposed by the U.S. and the E.U. on five state Russian banks limiting the access to European capital market: banks and their subsidiaries excluding those registered in EU are not permitted to attract EU debt or equity capital for periods exceeding 90 days. On 6 August the President of Russian Federation approved the return sanctions to prohibit or limit import of certain types of agricultural products, raw materials and food to Russian Federation from countries joined to sanctions against Russian Federation. These developments, particularly if sanctions are further extended, may result in reduced access of the Russian businesses to international capital and export markets, capital flight, weakening of the ruble and other negative economic consequences. The impact of these developments on future operations and financial position of the Group is at this stage difficult to determine.

21. Operating lease commitments

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

	30 September 2014 US$000	31 December 2013 US$000
Not later than 1 year	**23.323**	23.907
Later than 1 year but not later than 5 years	**35.118**	53.271
Later than 5 years	-	256
	58.441	77.434

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

	30 September 2014 US$000	31 December 2013 US$000
Not later than 1 year	**150.691**	169.042
Later than 1 year but not later than 5 years	**343.579**	432.117
Later than 5 years	**35.986**	48.287
	530.256	649.446

The Group leases out all railcars under operating lease arrangements for a period of 1 – 7 years.

22. 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 to	
	30 September 2014 US$000	30 September 2013 US$000	**30 September 2014 US$000**	30 September 2013 US$000
Salaries and other benefits	**2.377**	3.495	**706**	1.077
Share-based payment (Note 7)	**1.587**	7.709	**490**	2.980
Directors fees and expenses	**1.061**	1.366	**312**	513
Bonuses	**21**	235	**12**	159
	5.046	12.805	**1.520**	4.729

Shareholder loan

	30 September 2014 US$000	31 December 2013 US$000
Balance at beginning of period	**14.740**	14.740
Interest charged	**367**	490
Interest paid	**(362)**	(492)
Currency translation differences	**(5)**	2
Balance at end of period	**14.740**	14.740

23. Events after the balance sheet date

Subsequently to the reporting date the Russian Ruble has fallen significantly against the USD and Euro. As at 30 September RR/USD exchange rate was 39.38 RR/USD. At 15 November 2014 it increased to 47.39 RR/USD. Also in October – November FX market in Russia was very volatile and continues to be volatile as at the date of these financial statements. This may have a significant adverse impact on the financial results of the Group for the year ending 31 December 2014. As a part of the Group's revenue is contracted in USD, further weakening of Russian Ruble would be likely to lead to a decrease in the revenue of the Group. As a substantial amount of our financial obligations are denominated in dollars, a further weakening of the Russian Rouble is likely to have an adverse impact on our financial results. This risk is exacerbated by the falling proportion of our revenues denominated in dollars.