BRUNSWICK RAIL LIMITED
FULL YEAR 2012 RESULTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
26 MARCH 2013

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

SUMMARY

Brunswick Rail Limited is Russia's leading privately owned freight railcar operating lessor.

In 2012 the Group continued the steady growth of its fleet (further "railcar fleet") which increased by 2,430 railcars or 11% from 21,759 railcars as at 31 December 2011 to 24,189 railcars, including undelivered railcars as at 31 December 2012. The Group acquired and contracted 3,295 new railcars from manufacturers in 2012, of which 87% were specialized railcars, such as tank cars, LPG carries and box cars. The remaining 13% of purchased railcars were gondolas. All newly acquired railcars were successfully placed with clients on long term contracts. Among 865 railcars disposed of in the reporting period, 862 railcars were through finance lease maturity and finance lease early termination, while 3 railcars were disposed of following accidents. All acquisitions of the Group during 2011 were successfully integrated into the Group in 2012.

The Group's well balanced and modern fleet, solid diversified client base, strong relations with core clients, as well as improved cost efficiency, positively impacted the Group's Adjusted EBITDA, which increased by 72.5% from US$ 139.6 million in 2011 to US$ 240.9 million in 2012. The Group's Adjusted EBITDA Margin increased from 75.9% in 2011 to 78.7% in 2012.

Key highlights

- Brunswick Rail sustained its position as one of the largest privately owned operating lessor of freight railcars in Russia by number of railcars according to INFOLine data.
- As at December 31, 2012, the average length of outstanding lease contracts was 2.9 years. The Group has successfully renewed over 88% of its operating leases in terms of the number of railcars with the same clients. Utilization rate of the Group's fleet maintained at 100% throughout 2012.
- In the course of 2012, the Group entered into agreements with four new clients with a total lease portfolio of 1,625 railcars what led to reducing the concentration of the customer base.
- In 2012 the Group followed market changes and aimed to align its fleet structure with the demand of its clients. As at 31 December 2012, gondolas represented 63% of the fleet, tank cars and LPG carries made up 18%, and mineral hoppers accounted for 14%, as compared to 72%, 8%, 16% respectively at 31 December 2011.
- Gross revenue increased by 66.5% from US$ 183.9 million in 2011 to US$ 306.2 million in 2012.
- Adjusted EBITDA Margin increased from 75.9% in 2011 to 78.7% in 2012. The Group's Adjusted EBITDA increased by 72.5% from US$ 139.6 million to US$ 240.9 million for the same period.
- Net profit / (loss) for the year increased from US$ 18.8 million loss in 2011 to US$ 20.1 million profit in 2012. Adjusted net profit increased from US$ 23.0 million in 2011 to US$ 53.9 million in 2012.
- Net cash from operating activities increased from US$ 166.1 million in 2011 to US$ 241.7 million in 2012.
- Debt to Adjusted EBITDA ratio was 3.1x EBITDA as at 31 December 2012 down from 5.0x as at 31 December 2011.
- In 2012 the Group invested US$ 160.4 million in acquisition and prepayment of new railcars.

- To manage the Group's US dollar-denominated borrowing exposure and to mitigate volatility of net income due to foreign exchange differences, the Group adopted hedge accounting with non-derivative financial liabilities in accordance with IAS 39 “Financial Instruments: Recognition and Measurement” from the second quarter of 2012.
- In February 2013 the Board of Directors declared its first ever dividend of US$ 10.0 million, which subsequently was paid out in March 2013.
- The issue of Brunswick Rail’s debut Eurobond (selected as Deal of the Year for Central and Eastern Europe by Euromoney Magazine) allowed the Group to significantly improve its capital structure, liquidity position and leverage ratio as a result of the repayment of all secured, amortizing syndicated loans.

Commenting on the 2012 results, Brunswick Rail CEO and Chairman of the Board’s Strategy Committee Vladimir Lelekov said:

“2012 was a year of many accomplishments for Brunswick Rail. Not only did we grow our fleet and achieve record revenues and profitability, but we also laid down a firm foundation for the Company’s development going forward.

“Our goal is to be one of the best performing companies in our industry in terms of growth rate, profitability and cost efficiency. In 2012 we maintained our leading position in each of these areas. Additionally, thanks to our prudent fleet expansion, we kept our market share at 11% of the Russian operating lease market and 2.1% of the total freight railcar fleet in Russia.

“In our business it is critical to maintain high utilization rates. In 2012, we successfully deployed all additions to our fleet with our clients on long-term contracts, resulting in an ongoing fleet utilization rate of 100%. At the same time, we managed to diversify our client portfolio by winning several new clients, thereby reducing the concentration of our customer base.

“Our well balanced modern fleet, solid diversified client base, strong relations with core clients as well as improved cost efficiency all had a positive impact on our financial performance during the year. We are confident that these factors, combined with our experienced management team position us well for another successful year in 2013.”

Nicolas Pascault, CFO of Brunswick Rail added:

“In 2012 the Group delivered a solid financial performance with adjusted net profit reaching US$53.9 million and net cash from operating activities increasing by 46% to US$241.7 million. This was driven primarily by the full utilization of railcars acquired during the previous year, increases in daily operating lease rates at contract renewals, and the further growth of our railcar fleet.

“A key focus in 2012 was to enhance our capital structure, thereby placing us in a stronger position to pursue growth opportunities going forward. Our debut Eurobond issue did precisely that, raising a total of US$ 600 million, improving our capital structure and liquidity position.

“The success that we achieved in 2012 put Brunswick Rail in a strong financial position to take advantage of various opportunities in our market during 2013.”

Financial results – IFRS financial measures

The following discussion is based on, and should be read in conjunction with, the Group's consolidated financial statements for the year ended 31 December 2012 which are available at www.brunswickrail.com.

The following table sets forth each of the Group's consolidated income statement line items for the years ended 31 December 2012 and 2011:

	2012	2011
	(in US$ thousands)	
Operating lease income	264,954	159,083
Finance lease income	1,985	5,360
Transportation income – operator's services	39,293	19,467
Gross revenue	**306,232**	**183,910**
Effect of hedging with non-derivatives	(2,326)	—
Net revenue	**303,906**	**183,910**
Railcar depreciation	(105,674)	(66,393)
Property tax	(16,419)	(13,592)
Depot repairs	(9,414)	(2,847)
Transportation services subcontracted	(10,484)	(9,899)
Other transportation service expenses	(2,449)	(617)
Railcar insurance	(208)	(214)
Other railcar expenses	(588)	(698)
Professional fees	(3,496)	(3,583)
Staff costs	(12,933)	(9,477)
Share based compensation	(12,484)	(3,052)
Other operating expenses	(6,041)	(5,540)
Provisions for bad debts	(3,894)	-
Other income	330	2,018
(Impairment loss)/ reversal of impairment on revaluation of railcars	(12,918)	2,169
Losses on embedded derivatives on mezzanine loan	(12,087)	
Gain on acquisition of subsidiary	-	10,421
Finance income	1,365	338
Finance costs	(85,255)	(41,086)
Net foreign exchange translation gains /(losses)	26,342	(61,481)
Profit/(loss) before income tax	**37,599**	**(19,623)**
Income tax (expense)/credit	(17,534)	826
Net profit/(loss) for the year	**20,065**	**(18,797)**

Revenue

The following table sets forth the breakdown of the Group's total revenue for the years ended December 31, 2012 and 2011:

	2012	2011
	(in US$ thousands)	
Full service operating leases	151,579	62,298
Triple-net operating leases	113,375	96,785
Operating lease income	**264,954**	**59,535**
Finance lease	1,985	5,360
Transportation services income	39,293	19,467
Gross revenue	**306,232**	**183,910**
Effect of hedging with non-derivatives	(2,326)	—
Net revenue	**303,906**	**183,910**

Total net revenue increased by US$ 119,996 thousand, or 65.2% from US$ 183,190 thousand in 2011 to US$ 303,906 thousand in 2012. This increase was primarily due to (i)full year utilization of railcars acquired in 2011, (ii) the increase in daily operating lease rates during contract renewal in January 2012 compared with 2011 following positive market conditions, (iii) further growth of the railcar fleet in 2012.

Revenue from full-service operating leases grew by 143.3% from US$ 62,298 thousand to US$ 151,579 thousand while at the same time revenue from triple-net operating leases grew by 17.1% from US$ 96,785 thousand to US$ 113,375 thousand. These results are in line with the Group's strategy to focus on full-service leases as its principal product.

Finance lease income decreased by 63.0% from US$ 5,360 thousand to US$ 1,985 thousand mostly due to maturity of finance lease contracts for 833 railcars in 2012 and earlier termination of finance lease for 29 railcars in 2012. No new finance lease contracts were signed starting from 2010 which is consistent with the Group's strategy to discontinue offering this product to its clients. As of 31 December 2012 the Group has only 208 railcars in finance lease with maturity ranging from 2017 to 2019.

Transportation income is generated by ZAO ProfTrans, acquired by the Group in August 2011, which is engaged in the transportation of iron scrap and other freights. As at 31 December 2012 there were 2,252 railcars in transportation segment of the Group compared to 1,481 as at 31 December 2011 where 771 new railcars used in transportation were deployed from the Group’s operating lease segment.

The Group’s net revenues were adjusted by US$ 2,326 thousand for the effect of hedging with non-derivatives financial liabilities in accordance with IAS 39 which the Group started to apply from the second quarter of 2012. The application of hedge accounting minimizes the impact of foreign exchange differences on US$-denominated revenue and thus reduces volatility of earnings.

Railcar depreciation

Railcar depreciation increased by US$ 39,281 thousand, or 59.2%, from US$ 66,393 thousand in 2011 to US$ 105,674 thousand in 2012. The increase was due to (i) an increase in fair market value of the Group's railcars during 2012 as the Group revalued its fleet on quarterly basis, (ii) full year utilization of railcars acquired in 2011, (iii) further growth of railcar fleet in 2012.

Property tax

Property tax increased by US$ 2,827 thousand, or 20.8%, from US$ 13,592 thousand in 2011 to US$ 16,419 thousand in 2012. The increase was due to the increase in the size of the Group's railcar fleet in 2012 and full year utilization of railcars acquired in 2011.

Depot repairs

Depot repairs increased by US$ 6,567 thousand, or 230.6%, from US$ 2,847 in 2011 to US$ 9,414 in 2012. The increase was due to a) ageing of the Group’s fleet, b) the increase of the share of full service operating leases of the Group, c) increase of depot repair prices.

Transportation services subcontracted

During 2012 the Group incurred expenses on the transportation services subcontracted in the amount of US$ 10,484 thousand in comparison with US$ 9,899 spent in 2011. These expenses relate to fees paid by ZAO Proftrans to third party providers of railcars that ZAO Proftrans used to render transportation services in the instance of a shortage of its own fleet.

Other transportation services expenses

During 2012, other expenses relating to transportation services amounted to US$ 2,449 thousand in comparison with US$ 617 in 2011. These expenses mainly represent Russian Railways rail tariffs for idle time.

Railcar insurance

Railcar insurance decreased by US$ 4 thousand, or 1.9%, from US$ 214 thousand in 2011 to US$ 208 thousand in 2012. The decrease was due to reduction in insurance premiums related to good insurance history and economy of scale for large number of railcars.

Other railcar expenses

Other railcar expenses decreased by US$ 110 thousand, or 15.8%, from US$ 698 thousand in 2011 to US$ 588 thousand in 2012. In 2011 other railcar expenses are mainly related to cleaning services expenses which were incurred with the acquisition of 1,000 railcars from NTS in July 2011 and expenses for initial railcar relocation for several operating lease clients. In 2012 the majority of other railcar expenses is represented by fee for access to the Russian Railways database, expenses for initial railcar relocation for several operating lease clients and registration costs.

Professional fees

Professional fees decreased by US$ 87 thousand, or 2.4%, from US$ 3,583 thousand in 2011 to US$ 3,496 thousand in 2012. In 2011 professional fees are mainly represented by M&A and equity transaction costs, auditor's remuneration. In 2012 professional fees are mainly related to consultancy fees for the analysis of transportation market and forecast, legal and HR fee for working out and assessment of long-term incentive plan for management of the Group.

Staff costs

Staff costs increased by US$ 3,456 thousand, or 36.5%, from US$ 9,477 thousand in 2011 to US$ 12,933 thousand in 2012. The increase was mostly due to the increase of personnel followed by the acquisition of ZAO Proftrans resulted in 38 joined employees, the Group's organic growth and salary indexation from 1 January 2012.

Share based compensation

Share-based compensation increased by US$ 9,432 thousand, or 309.0%, from US$ 3,052 thousand in 2011 to US$ 12,484 thousand in 2012. The increase is due to the introduction of new long term incentive plan for the management of the Group in the second half of 2012.

Other operating expenses

Other operating expenses increased by US$ 501 thousand, or 9.0%, from US$ 5,540 thousand in 2011 to US$ 6,041 thousand in 2011. The increase resulted from the acquisition of ZAO Proftrans and organic growth of the Group as well as an increase in the Parent's Board of Directors' fees and travelling and accommodation expenses related to attracting financing of the Group.

Provisions for Bad Debt

In 2012 the Group created specific provision for impairment of receivables in the amount of US$ 3,894 thousand. The provision mostly related to operating lease income receivables reflecting the worsening financial position of the client. The Group undertakes all efforts to settle the doubtful receivables and considers that the provision created is sufficient to cover them. No other trade and other receivables are considered impaired.

Other income

Other income was US$ 2,018 thousand in 2011 and US$ 330 thousand in 2012. Other income in 2011 consisted of from the sale of doubtful receivables of OAO Baikal Pulp and Paper Plant to a third party in the amount of US$ 373 thousand and earlier termination of the finance lease for 550 railcars where the Group fixed income in the amount of US$ 1,602 thousand. In 2012 other income was generated from finance lease operations due to maturity of finance lease contracts for 833 railcars and earlier termination of finance lease contracts for 29 railcars.

Impairment loss on revaluation of railcars

Worsening market conditions on transportation market in the end of 2012 resulted in a decrease of railcar prices and recognition of impairment loss by the Group in the amount of US$ 12,918 thousand in 2012.

Losses on embedded derivatives on mezzanine loan

The embedded derivatives relate to certain derivatives identified in the US$ 60 million mezzanine loan facility agreement. The embedded derivatives are fair valued at each reporting dates using option pricing models based on the Black-Scholes model. As at 31 December 2012 the Group recognized fair value losses in the amount of US$ 12,087 thousand.

Gain on acquisition of subsidiary

In 2011 the gain on acquisition of subsidiaries was US$ 10,421 thousand in comparison with nil in 2012. The gain on acquisition is resulted primary on the difference between the price paid by the Group for the railcar fleet of ZAO ProfTrans and the fair market value of those railcars on the date of acquisition.

Finance income

Finance income increased by US$ 1,027 thousand, or 303.8%, from US$ 338 in 2011 to US$ 1,365 thousand in 2012. The increase was primarily due to an increase in bank deposits.

Finance costs

Finance costs increased by US$ 44,169 thousand, or 107.5%, from US$ 41,086 thousand in 2011 to US$ 85,255 thousand in 2012. The increase primarily resulted from the early repayment of the syndicated banks loans using the Eurobond proceeds and related expenses in the amount of US$ 22,228 thousand. These expenses are mostly non-cash except prepayment fees and unwinding costs. The expenses are represented by (i) unamortized borrowing costs written off to the income statement, (ii) discontinue of hedge accounting for interest rate swaps related to syndicated loans (iii) prepayment fees for syndicated loans and unwinding costs for early termination of interest rate swaps which were related to these syndicated loans. In addition, finance costs in 2012 increased by US$ 11,308 thousand from interest expenses on finance lease payables from VTB Leasing attracted in November 2011.

Net foreign exchange translation gains/ (losses)

In 2012 the Group recognized net foreign exchange translation gains in the amount US$ 26,342 thousand in comparison with net foreign exchange translation loss in 2011 in the amount of US$ 61,481 thousand. Loss in 2011 was due to the depreciation of the Rouble against the US dollar. The Group recognizes foreign exchange translation losses if the Rouble depreciates against US dollar. Starting from the second quarter 2012 the Group applied hedge accounting with non-derivatives pursuant to IAS 39 to mitigate the exposure to foreign currency risk.

Profit/ (loss) before tax

Profit before tax increased by US$ 57,222 thousand, or 291.6%, from a loss of US$ 19,623 thousand in 2011 to a profit of US$ 37,599 thousand in 2012. The increase was primarily due to significant increase in gross revenue and net foreign exchange translation gains due to the application of hedge accounting with non-derivatives.

Income tax expense

The Group includes companies incorporated in Bermuda, Cyprus, Ireland and Russia with income tax rates of 0%, 10%, 25% and 20%, respectively. The Group's income tax expense increased by US$ 18,360 thousand from tax credit of US$ 826 thousand in 2011 to tax expense of US$ 17,534 thousand in 2012. The increase in the Group's tax charge was due to the increase in profitability of the Group in 2012 and the increase of expenses in Bermuda entities which are exempt from taxation. These expenses relate mainly to share-based compensation and fair value losses on embedded derivatives.

Net profit/ (loss) for the period

The Group had a net loss of US$ 18,797 thousand in 2011 and a net profit of US$ 20,065 thousand in 2012, The increase in the Group’s profitability was due primarily to the factors discussed above.

Financial results – non-IFRS financial measures

The following discussion is based on, and should be read in conjunction with, the Group's consolidated financial statements for the reporting period.

The following table sets forth each of the Group's non-IFRS financial measures for the years ended 31 December 2012 and 2011:

	2012	2011
Adjusted EBITDA (in US$ thousand)	240,902	139,634
Adjusted EBITDA Margin (in %)	78.7	75.9
Adjusted Net Profit (in US$ thousand)	53,911	22,982

Adjusted EBITDA

Adjusted EBITDA is a measure used by the Board to assess the performance of operating segments of the Group, since Adjusted EBITDA is a key performance indicator in terms of how the business is perceived by investors and how much cash it is generating. Adjusted EBITDA is defined as the profit/(loss) before tax of the Group before taking into account finance costs, finance income, net foreign exchange translation gains and losses, depreciation and amortization, impairment gains and losses on revaluation of railcars, share-based compensation, gain on acquisition of subsidiary, fair value losses on embedded derivatives and hedging with non-derivatives effect.

	2012	2011
	(in US$ thousands)	
Profit/ (loss) before income tax	**37,599**	**(19,623)**
Depreciation and amortization	105,940	66,566
Finance income	(1,365)	(338)
Finance costs	85,255	41,086
Net foreign exchange translation gains/(losses)	(26,342)	61,481
Share-based compensation	12,484	3,052
Gain on acquisition of subsidiary	-	(10,421)
Fair value losses on embedded derivatives	12,087	-
Reversal of impairment /(impairment loss) on revaluation of railcars	12,918	(2,169)
Hedging with non-derivatives effect	2,326	-
Adjusted EBITDA	**240,902**	**139,634**

Adjusted EBITDA increased by US$ 101,268 thousand or 72.5% from US$ 139,634 thousand in 2011 to US$ 240,902 thousand in 2012. The increase is mainly due to the increase in gross revenue due to the growth of railcar fleet and increase in daily rates in 2012 in comparison with 2011.

Adjusted EBITDA Margin

Adjusted EBITDA Margin is a measure used by the Board 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 the ability to cover long term debts. Adjusted EBITDA Margin increased from 75.9% in 2011 to 78.7% in 2012.

Adjusted Net Profit

Adjusted net profit is a measure used by the Board to assess the inherent profitability of the Group. It is defined as the profit/(loss) after tax before taking into account items (mostly non cash) management believes are non-recurring and non-operating items.

	2012	2011
	(in US$ thousands)	
Net profit/ (loss) for the year	**20,065**	**(18,797)**
Gain on acquisition of subsidiary	-	(10,421)
Finance costs incurred on loan prepayments and refinancing	22,228	-
Share-based compensation	12,484	3,052
Reversal of impairment /(impairment loss) on revaluation of railcars	12,918	(2,169)
Fair value losses on embedded derivatives	12,087	-
Net foreign exchange translation gains/(losses)	(26,342)	61,481
Hedging with non-derivatives effect	2,326	-
Related tax effect	(1,855)	(10,164)
Adjusted Net Profit	**53,911**	**22,982**

Adjusted Net Profit increased by US$ 30,929 thousand or 134.6% from US$ 22,982 thousand in 2011 to US$ 53,911 thousand in 2012 which demonstrates the solid financial performance of the Group.

Liquidity and Capital Resources

Capital expenditures

The Group's capital expenditures have principally been incurred to fund the acquisition of rolling stock. Capital expenditures on railcar maintenance are currently negligible due to the young age for most of the Group's fleet. These are expected to increase in line with the age of the Group's railcars. In 2012 capital expenditures equaled US$ 160,359 thousand which were spent for acquisition of 3,295new railcars.

Cash flows

The following table sets forth the principal components of the Group's consolidated statement of cash flows for 2012 and 2011:

	2012	2011
	(in US$ thousands)	
Net cash from operating activities	241,695	166,069
Net cash used in investing activities	(176,879)	(518,036)
Net cash (used in)/ from financing activities	(43,209)	298,919
Net increase/ (decrease) in cash and cash equivalents	21,607	(53,048)
Cash and cash equivalents at the beginning of the year	50,847	104,500
Exchange losses on cash and cash equivalents	(479)	(605)
Cash and cash equivalents at the end of year (1)	71,975	50,847

(1) At 31 December 2011 an amount of US$15.95 million related to restricted cash balances were not available for general use by the Group and has therefore been excluded from cash and cash equivalents above. There are no restricted cash balances at 31 December 2012.

Net cash from operating activities

Net cash from operating activities increased by US$ 75,626 thousand, or 45.5%, from US$ 166,069 thousand in 2011 to US$ 241,695 thousand in 2012. This increase was primarily due to the increase of operating lease income resulting from the increase of the size of the Group's railcar fleet in 2012 and increase in daily rates since January 2012.

Net cash used in investing activities

Net cash used in investing activities decreased by US$ 341,157 thousand, or 65.9%, from US$ 518,036 thousand in 2011 to US$ 176,879 thousand in 2012. This decrease was primarily due to the decline in railcar purchases in 2012 in comparison with 2011.

Net cash from/ (used in) financing activities

In 2012 the Group used net cash in financing activities in the amount of US$ 43,209 thousand mainly for interest payments.

Capital resources

On 1 November 2012 the Group issued a five-year US$600 million Reg S/144A Eurobond with a 6.5 per cent coupon. Out of the US$600 million proceeds, approximately US$270 million were used to repay the EBRD-IFC syndicated loan and US$225 million to repay the IFC syndicated loan. The remaining US$105 million are being used to expand the Group's railcar fleet. As a result, the Group significantly improved its debt structure. As at 31 December 2012 the Group's debt consisted of the unsecured Eurobond, the finance lease payables and a shareholder loan in the total amount of US$ 743,586 thousand. No new finance lease contracts were signed in 2012.

Pledges of rolling stock and shares in certain Group companies, assignments of certain contractual rights under lease and supply contracts under syndicated loans were removed due to loans repayment.

As at 31 December 2012 the Group's borrowings had fixed interest rates except for the shareholder's loan.

The following table sets forth the maturity profile of the Group's debt as of 31 December 2012, excluding finance lease payables:

	2012	2011
Maturity of borrowings, excluding finance lease payables	*(in US$ thousands)*	
Less than 1 year	-	236,254
Between 1 and 2 years	14,740	161,581
Between 3 and 5 years	592,044	87,108
Over 5 years	-	77,261
Total	**606,784**	**562,204**

The following table sets forth the maturity profile of the Group's finance leases as of 31 December, 2012.

	2012	2011
Maturity of finance lease payables	*(in US$ thousands)*	
Less than 1 year	8,928	3,212
Between 1 and 2 years	120,247	120,251
Between 3 and 5 years	3,758	3,392
Over 5 years	3,869	5,533
Total	**136,802**	**132,388**

Mezzanine facility issued by MRIF Luxemburg Restructures S.A.R.L and MRIF Bermuda investments (together "MRIF") was fully drawdown in 2011. As at 31 December 2012 mezzanine facility consisted of US$ 64,624 thousand. Mezzanine facility is fully subordinated to Eurobond based on Notice on subordination dated 15 October 2012.

As at 31 December 2012 the Group doesn't have credit facilities.

Working capital

The table below sets forth the components of the Group's working capital for 2012 and 2011:

	2012	2011
	(in US$ thousands)	
Current assets		
Cash and cash equivalents	71,975	66,797
Advances to customs	3,405	194
Advances paid for rail tariffs	2,979	1,332
Trade and other receivables	14,051	3,596
Finance lease receivables	1,047	8,082
Current income tax prepayments	523	–
Current liabilities		
Trade and other payables	(13,489)	(12,887)
Current income tax liabilities	(638)	(152)
VAT payable	(7,133)	(5,438)
Taxes payable other than income	(4,284)	(4,686)
Working capital	**68,436**	**56,838**

Working capital increased by US$ 11,598 thousand or 20.4% from US$ 56,838 thousand as of 31 December 2011 to US$ 68,436 thousand as of 31 December 2012. The increase was mainly due to an increase of trade and other receivables of US$ 10,455 thousand primarily relating to operating lease receivables and transportation income receivables which were repaid in 2013.

Off-balance sheet arrangements

As at 31 December 2012 the Group had no material off-balance sheet arrangements.

Contractual obligations and commercial commitments

As at 31 December 2012, 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 2012, the Group 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 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 are applied to valuation of railcars, valuation of the embedded derivatives and share-based compensation. A detailed description of the critical accounting estimates and judgments used in preparing the Group's Financial Statements is set out in the Group's audited consolidated financial statements.