Brunswick Rail

Q1 2013 financial and operational results

30 May 2013

BRUNSWICK RAIL

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Presentation of information

The financial information presented in this presentation is derived from the Interim Condensed Consolidated Financial Information for the three months ended 31 March 2013, prepared in accordance with International Financial Reporting Standards.

The Group's consolidated financial statements for the reporting period are available at Brunswick Rail corporate website (www.brunswickrail.com).

The consolidated financial statements are presented in US Dollars, which the Group's management believes to be better understood by the principal users of the financial statements. The functional currency of the Company and its subsidiaries is the Rouble. The balance sheets of the Group's companies are translated into US Dollars, at the exchange rate prevailing at the date of the relevant balance sheet, whereas income and expense items are translated into US Dollars at the average monthly exchange rates using the official exchange rates of the Central Bank of the Russian Federation, which approximate the exchange rate existing at the date of the transactions, in accordance with IAS 21 ''The Effects of Changes in Foreign Exchange Rates''. All resulting foreign currency exchange rate differences are recognized in other comprehensive income.

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The Group has obtained certain statistical, market and pricing information that is presented in this presentation on such topics as the Russian freight rail transportation market, and related subjects from the following third-party sources: Federal State Statistics Service of Russian Federation ("Rosstat"), OJSC Russian Railways ("RZD"), publicly available industry researches published by industry consulting firms (including, INFOLine and Industrial Cargoes magazine). The Group has accurately reproduced such information and, as far as it is aware and is able to ascertain from information published by such third party sources, no facts have been omitted that would render the reproduced information inaccurate or misleading. The Group has not independently verified this third-party information. In addition, the official data published by Russian governmental agencies may be substantially less complete or researched than that of more developed countries.

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Presenting team

Paul Ostling
Chairman of the Board of Directors

Alex Genin
CEO

Nicolas Pascault
Managing Director / CFO

Key highlights in Q1 2013

Market trends

- Transportation volumes softened toward the end of year and remained weak in Q1'13 continuing to track below comparable period of 2012
- Gondola daily lease rates, at their recent lows to start the year, are now showing signs of gradual recovery, with spot rates recovering to 650 RUR (21 USD) in May'13 from 500-550 RUR (16-18 USD) in Q1'13
- Gondola spot rates for Q1'13 are now 60% below the highs seen in Q2 of last year
- Daily lease rates for tank cars and other specialized wagon types have remained fairly steady

Financial highlights

- Gross revenue in 1Q'13 declined by 10% versus 1Q'12 to USD 66.3m
- Adjusted EBITDA declined by 27% from USD 61.7m in Q1'12 to USD 45.0m in Q1'13
- Adjusted EBITDA, normalized for one-off factors and with full lease effect of new railcars, declined by 15% vs Q1'12 to USD 52.7m in Q1'13
- A committed unutilized revolving credit line for USD 20m was signed on 10/01/2013 with ING Bank

Continued growth of fleet

- During Q1'13 the Company continued to diversify the fleet and took delivery of 1 736 railcars, 95% of which were tank cars
- Portfolio Utilization Rate maintained at 100%, including all newly acquired railcars
- Overall clients' payment performance remained strong with the exception of a single client where provisions have been made for doubtful receivables. These railcars have been leased out at the prevailing spot rate and are currently being transferred to a new client
- In this challenging market, the Company sees exciting opportunities for both organic growth and M&A

Accounting changes

- The Company changed accounting policy for railcars from the fair value model to historical cost, in line with global best practices

New CEO, Board additions

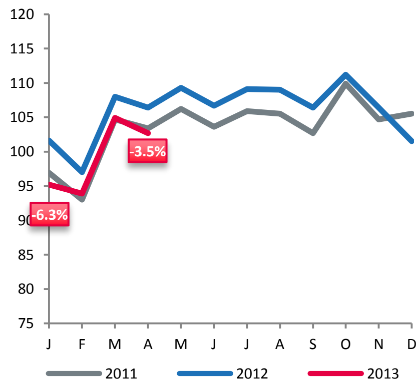
- Alex Genin has joined the Company as CEO
- Vladimir Lelekov remains on the Board as Chair the Strategy Committee
- The Board intends to appoint a 3rd INED in the near term

Latest market trends

Rail transportation volumes still soft in Q1-Q2'13

- Slowdown in construction and decline in demand for natural resources on the domestic and foreign markets, in Apr'13 rail transportation was down 3.5% vs Apr'12
- Main drivers of decline in freight volumes in Apr'13 were lower transportation of oil products, grain and ferrous metals
- RZD made downward adjustment to its freight traffic forecast for FY'13: -2.4% vs FY'12

Rail transportation in Russia, mln t

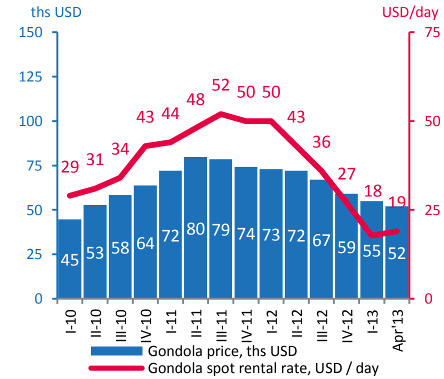


Source: Rosstat, RZD

Gondola rental rates have started to recover…

- Gondola spot market daily rate increased from RUR 500-550 (USD 16-18) per day in Q1'13 to RUR 600 (USD 19) per day in Apr'13
- This recovery continued in May'13, gondola rate reached RUR 650 (21 USD) per day
- Gondola prices came closer to the average cost of production at USD 52 ths per railcar

Gondola spot market daily rate and average new gondola price

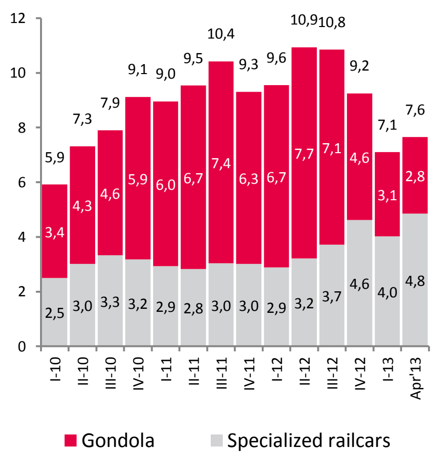


Source: Industrial Cargoes, INFOLine

Railcar production downshifts as orders remain slow

- Apr'13 railcar production showed signs of recovery compared to Q1'13
- Production grew mainly due to specialized railcars: tank cars, cement hoppers, box cars
- Production of gondolas is still decreasing due to weak demand
- Russian government is supporting railcar producers with legislation limiting railcar lifetime extension to only 1 year (previously up to 12)

Average monthly railcar production in CIS, ths units

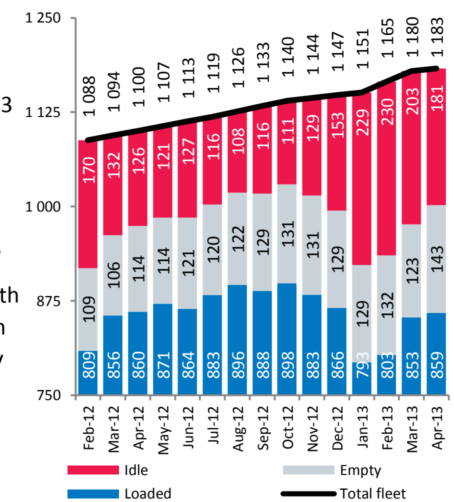


Source: Industrial Cargoes

…while the railcar surplus has started to shrink

- Idle fleet fell by 50 ths units in Apr'13 vs Q1'13:
  - Railcar operators commit idle railcars to transportation operations to avoid parking fees
  - More railcars required in line with seasonal transportation needs in Apr'13 vs Q1'13 as the efficiency of railcar usage stays constant

Russian railcar fleet structure, ths units



Source: INFOLine

Operational highlights and fleet update

BR proactively remarketed and renegotiated gondola lease contracts

- At end of Q1'13 71% of gondola lease portfolio remarketed or proactively renegotiated with clients. In exchange, BR obtained extensions of lease tenor and favorable indexation options
- Average BR gondola portfolio lease rate declined 18% relative to Q1'12 vs. a 60% drop in market spot rate over the same period
- Share of full-service leases increased from 52.2% to 60.2% in process of contract remarketing and renegotiations
- Contract with one non-paying client for 2 124 gondolas was terminated in current quarter and railcars are being transferred to a new client. We have made USD 7.3m balance sheet provision and initiated court proceedings to recover receivables outstanding
- 100% fleet utilization maintained throughout Q1'13
- Rental rates on specialized railcars fairly steady

Improved portfolio indicators

- Average Remaining Lease Tenor increased to 3.1 years
- Average Fleet Age lowered to 4.9 years
- Overall number of clients steady

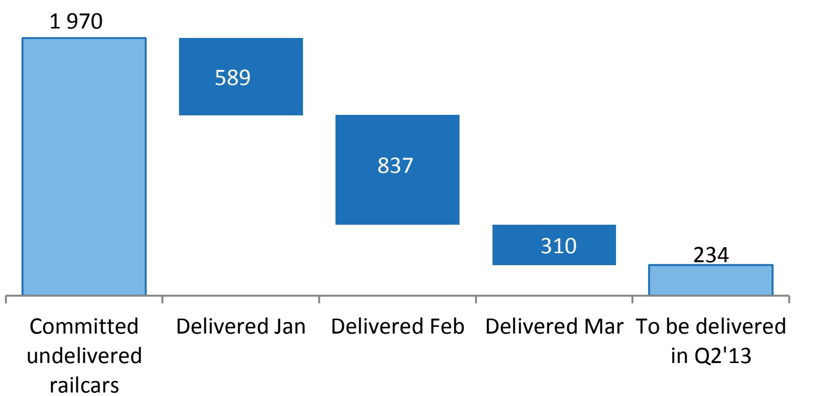
CAPEX

- CAPEX for contracted fleet amounted to USD 138.4m:
  - Advances paid in 2012 USD 68.4m
  - Paid in Q1 2013 USD 61.0m
  - To be paid after 01/04/2013 USD 9.0m

Operational KPIs

	End 2012	Q1 2013
Operating Lease Fleet	19 759	21 326
Finance Lease Fleet	208	208
Transportation Fleet	2 252	2 421
Total Existing Fleet	22 219	23 955
Committed undelivered railcars	1 970	234
Total Fleet	**24 189**	**24 189**
Operating Lease Fleet metrics		
Number of lease clients	28	28
Average Remaining Lease Tenor (years)	2.9	3.1
Retention Rate	88.3%	92.2%
Utilization Rate	100%	100%
Share of contracts in USD (by railcars)	79%	73%
Full-service Lease share (by railcars)	52.2%	60.2%
Triple-net Lease share (by railcars)	47.8%	39.8%
Total Fleet Average Age (years)	5.0	4.9

Railcars delivered, units



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Impact of one-off events on Adjusted EBITDA

Suspension by regulator results in lost revenue and unplanned repairs

- Late 2012 1 000 of Company’s tank cars were suspended from service pending inspection and required repairs due to manufacturer's defects
- Resulted in a USD 3.8m drop in EBITDA due to:
  - one-off repair expenses of USD 1.5m
  - lost revenues with EBITDA effect of USD 2.3m
- Suspended railcars will be back in service in full by the end of May’13

Manufacturer to compensate for permanent suspension of 70 NGRs

- In Jan’13, 70 new generation gondolas (NGRs) owned by the Company were permanently suspended by regulator resulting in USD 0.3m lost EBITDA
- Company will receive 100 gondolas as compensation from the manufacturer Promtraktor

Lower revenue from delays in delivery of 1 970 contracted railcars

- Of 1 970 contracted new railcars, 1 736 delivered by end of Q1’13; if all railcars were fully included in revenue for quarter, EBITDA would increase by USD 3.6m to USD 6.6m

Effect of one-off events and full lease revenue inclusion of contracted railcars in Q1’13 on Adjusted EBITDA (USD’000)

Adjusted EBITDA (actual)	44 996
Tank Cars suspended pending inspection	3 832
- lost revenue (1 000 railcars)	2 283
- unscheduled repairs (510 railcars)	1 549
70 NGRs permanently suspended	306
Total one-off events	**4 138**
Full inclusion of contracted railcars	3 600
Normalized Adjusted EBITDA	**52 734**

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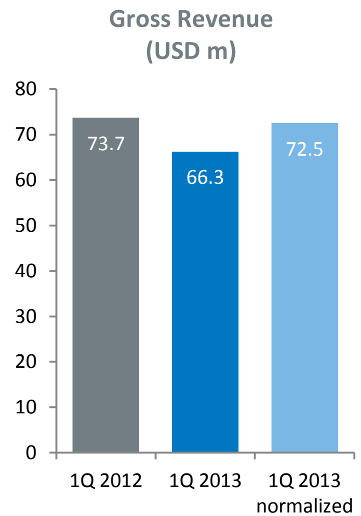
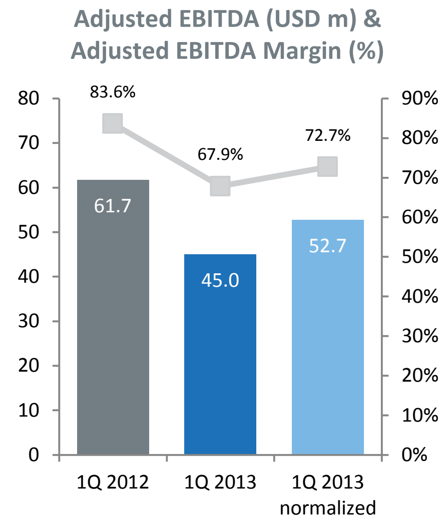
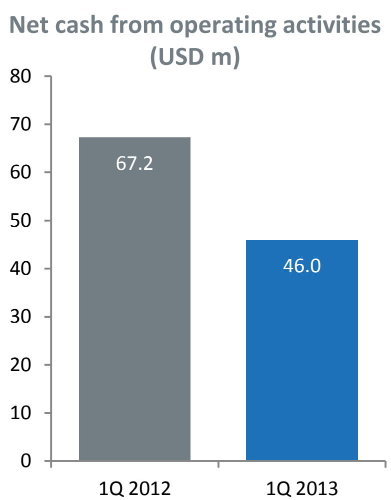
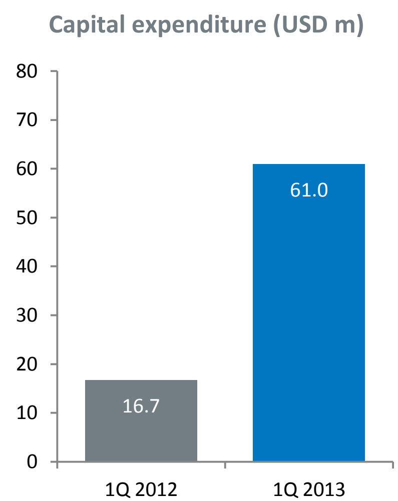
Summary of financial results





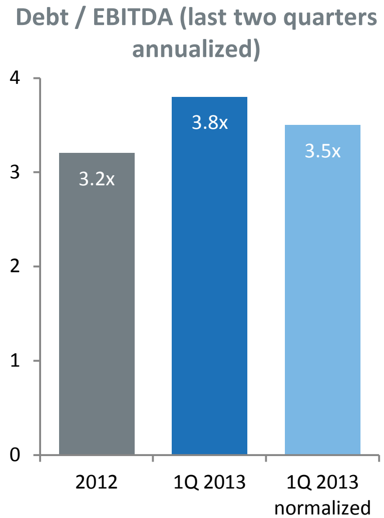


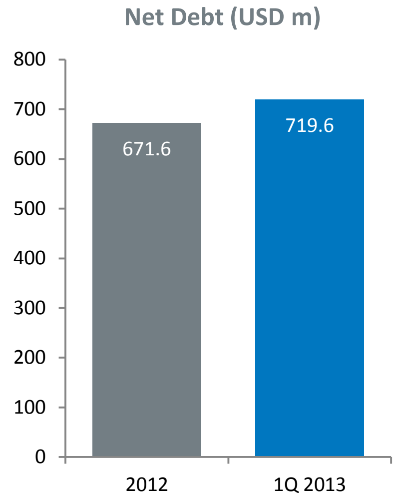


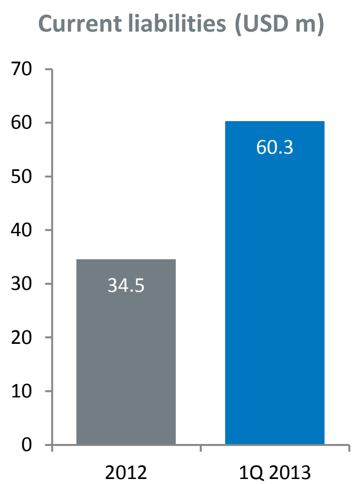
(USD m)	1Q 2013	1Q 2012 restated
Gross revenue	66.3	73.7
Hedging with non-derivatives effect	1.4	-
Revenue	67.7	73.7
Cost of services	(8.3)	(3.7)
Property tax	(4.2)	(4.2)
Staff compensation, excluding share based compensation	(3.2)	(2.4)
Bad debt provision	(3.6)	-
Other operating expenses	(2.0)	(1.7)
Other operating income	0.0	0.0
Share based compensation	(3.6)	(1.9)
Depreciation	(18.3)	(17.2)
Operating profit	24.5	42.6
Finance costs	(16.2)	(15.0)
Finance income	0.3	0.3
Losses on embedded derivatives on mezzanine loan	-	(8.5)
Net foreign exchange translation (losses) / gains	(1.4)	54.9
Profit before income tax	7.2	74.3
Income tax expense	(3.3)	(17.2)
Profit for the period	3.9	57.1
Adjusted EBITDA	45.0	61.7

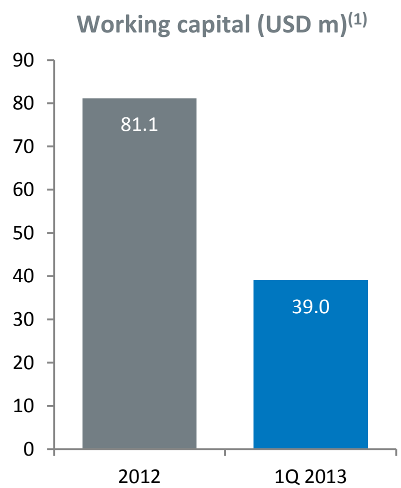
Source: Company's IFRS financial statements

Summary of financial results (continued)









(1) Including cash

Balance sheet items, (USD m)	31/03/2013	31/12/2012 (restated)
Equipment	1 160.3	1 080.6
Prepayments	13.8	68.4
Other non-current assets	15.4	13.2
Cash and cash equivalents	29.1	72.0
Other current assets	44.4	34.7
Total assets	**1 263.0**	**1 268.9**
Mezzanine	67.0	64.6
Non-current borrowings	722.9	734.7
Other non-current liabilities	49.0	47.4
Current borrowings	25.8	8.9
Other current liabilities	34.5	25.6
Total liabilities	**899.2**	**881.2**
Total equity	**363.8**	**387.7**
Total equity and liabilities	**1 263.0**	**1 268.9**

Adjusted EBITDA (last two quarters annualized)	198.4	233.3

Source: Company's IFRS financial statements

Change in accounting for fixed assets: from revaluation to historical cost

Reasons for change to historical cost for valuing the fleet

- BR's financial statements in line with best global practices of industry peers and therefore more comparable
- Historically BR has used fair value accounting to comply with requirements of syndicated loans
- Since BR is not engaged in the business of buying and selling of railcars, mark to market valuation is not a key metric for management or investors looking at the financial statements of BR
- Switching to historical cost results in a lower volatility of earnings due to:
  - smoother depreciation charges
  - elimination of impairment (losses)/reversals
- BR equity has decrease as a result of the change from USD 665m as at 31 December 2012 to USD 388m

Eurobond's covenants are not affected

- BR's target Debt/EBITDA leverage ratio is not linked to the fair value of its railcar fleet or amount of equity

Effect of the change on balance sheet in USD'000 as at 31 December 2012

	Reported	Adj.	Restated
Equipment–railcars cost	1 796 645	(532 299)	1 264 346
Equipment– railcars accumulated depreciation	(369 496)	184 617	(184 879)
Deferred income tax liabilities	(105 249)	70 231	(35 018)
Total effect on assets and liabilities		**(277 451)**	
Total equity	**665 134**	**(277 451)**	**387 683**
- Revaluation reserve	355 759	(355 759)	-
- Translation reserve	(8 067)	3 384	(4 683)
- Retained earnings	8 269	74 924	83 193

Effect of the change on income statement in USD'000 for YE2012

Profit for the year - REPORTED	**20 065**
Restatement for:	
- impairment of railcars	12 918
- depreciation at "fair market value"	105 674
- depreciation at "cost"	(67 758)
- related tax effect	(9 662)
Profit for the year - RESTATED	**61 237**

Corporate governance

Alex Genin appointed as CEO

- Over twenty years of management-level experience in Private Equity, M&A and Financial Management across various sectors in Europe, Asia and countries of the former Soviet Union
- During 2000–2011 with Access Industries, Inc. Served as CEO of Access-CIS from 2007–2011
- Chairman of the Supervisory Board of RBS Global Limited (2011-2013), a Russia-based M&A and Corporate Finance advisory firm
- Special Investment Advisor to General Atlantic LLC
- Graduate of Harvard Business School

Other governance developments

- The Company intends to further strengthen the Board in the near term with the appointment of a third independent non-executive director
- The Company is focused on improving risk management, internal audit and ERM. It has hired one of the big four accounting firms to help with becoming SOX compliant in preparation for a potential listing

Q&A

Appendix

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Definitions for operational metrics

Adjusted EBITDA is defined as net profit/(loss) of the Company before taking into account finance costs, finance income, income tax expense/(credit), 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 and hedging with non-derivatives effect.

Adjusted EBITDA Margin is calculated as Adjusted EBITDA divided by gross revenue.

Average Fleet Age is the average age of the Existing Fleet from the production date of the railcars.

Average Remaining Lease Tenor is the average time to the expiry of the operating lease contract in the Operating Lease Fleet.

Debt is defined as total borrowings, including the current portion.

Finance Lease Fleet is the part of Existing Fleet which was leased under finance lease contracts.

Full-service Lease is the operating lease contract where the Company is responsible for depot repairs, wheel set replacements, and capital repairs. Current repairs are still performed by the lessee.

Gross Revenue is the revenue of the Company before any adjustment for hedging with non-derivatives effect, after which the Company derives Revenue. The Company has adopted the hedge accounting with non-derivatives financial liabilities since 2Q 2012.

Net Debt is defined as total borrowings less Cash and cash equivalents.

Normalized Revenue is the revenue after deduction of one-off events and full inclusion of contracted railcars in the reporting period.

Operating Lease Fleet is the part of Existing Fleet of the Company which is used for leasing under operating lease contracts.

Retention Rate is the share of operating lease contracts which at the expiry of the operating lease contract was extended with the same client.

Total Existing Fleet is the total fleet delivered to Brunswick Rail at specific date. Brunswick Rail leases the fleet under operating and finance lease and uses the fleet in the transportation arm.

Total Fleet is the Total Existing Fleet of Brunswick Rail plus any railcars which have been contracted, but not yet delivered to the Company.

Transportation Fleet is the part of Existing Fleet of the Company deployed in the Company's transportation business in subsidiary Proftrans.

Triple-net Lease is the operating lease contract where the lessee is responsible for current and depot repairs. Capital repairs and wheel set replacement can still be obligation of the lessor.

Utilization Rate is the share of Operating Lease Fleet which is leased under operating lease contracts.

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