BRUNSWICK RAIL LIMITED
FULL YEAR 2014 RESULTS
MANAGEMENT DISCUSSION AND ANALYSIS
15 April 2015

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

Financial Highlights

- Revenue before hedging with non-derivatives ("Gross Revenue") declined by 20.0% from US$ 255.3m in 2013 to US$ 204.2m in 2014
- Adjusted EBITDA declined by 21.2% from US$ 194.7m in 2013 to US$ 153.4m in 2014
- Adjusted EBITDA margin decreased to 75.1% in 2014 from 76.3% in 2013
- Net loss in 2014 was US$ 275.5m as against net profit of US$ 28.0m in 2013, largely driven by net foreign exchange losses
- Net cash from operating activities in 2014 was US$ 166.8m compared to US$ 182.6m in 2013
- Capital expenditures in 2014 were US$ 94.5m, of which US$ 89.3m was directed toward discretionary growth

Operational Highlights

- The total fleet stood at 25,562 railcars as of 31 December 2014, including 208 railcars on financial lease
- The Group continued to diversify its fleet and took delivery of 1,903 new railcars, while selling 165 old gondolas and 200 old mineral hoppers as part of its fleet management programme to reduce the age of the fleet and diversify the fleet into specialized cars
- The combined effects of these measures reduced the share of gondolas in the Group's portfolio from 60% as of 31 December 2013 to 58% as of 31 December 2014
- The fleet utilization rate remained at 100%
- Average remaining lease tenor is around 3.0 years (31 December 2013: 3.4 years), and average fleet age is 5.4 years (31 December 2013: 4.9 years), one of the youngest fleets in the market

Commenting on the 2014 results, Brunswick Rail CEO Alex Genin said:

"Throughout 2014 and into 2015, we have seen a continued deterioration in the market environment. Transportation volumes have declined steadily, and an oversupply of railcars in the market has maintained strong downward pressure on rates, with spot rates in US dollar terms falling by more than 50% over the course of the year.

"In addition, the sharp decline in the rouble against the dollar led to us having to re-negotiate a number of contracts from dollars into roubles, leaving our rouble revenue at a disproportionately high level relative to our liabilities.

"We expect that our adjusted EBITDA (for the purposes of our syndicated loan facility) for Q1 2015 (which we preliminarily estimate in the range of US$ 19m to US$ 23m, while we plan to report our full Q1 2015 numbers in May) will be at levels that would lead to non-compliance with our maintenance covenants. Accordingly, we have initiated the process of negotiating amendments to our syndicated loan facility, including to modify its financial covenants to more sustainable levels and/or to obtain a waiver of potential covenant violations before such violations occur. There can be no assurance that these discussions will result in amendments that would allow us to comply with the financial covenants. Further, while these discussions are ongoing, they have enabled us to prepare our financial statements on a going-concern basis, although the audit opinion has been issued with an emphasis of matter. In light of this we may be required to use our own cash reserves to prepay or repay our syndicated loan facility. Although we currently have sufficient own cash to do so, it is important to stress that the use of our own cash in this manner would, without additional long-term financing, severely strain our liquidity.

"Our current capital structure also appears increasingly ill-suited to the new environment, and we believe vulnerable to further macroeconomic, geopolitical and industry-specific shocks. The Eurobonds issued in November 2012, which comprise approximately 87% of our borrowings and require a bullet repayment at their 2017 maturity, as well as our other US$ denominated debt, give rise to particular concerns in the present environment (in which the timeline for recovery in revenues, cash flow and profitability is uncertain, revenues have become increasingly RUR-denominated and in which access to Western finance and international capital markets for Russian corporate groups has been reduced). We are considering multiple options to optimize our capital structure, but have not yet made any decisions in this regard.

"Despite this extremely challenging market situation, our operational performance in 2014 was strong. We were once again able to maintain fleet utilization of 100% and our portfolio rates were still well above the market average. The impact of remarketing and/or renegotiating existing contracts in 2014 amidst sharply reduced spot rates was, however, only partially felt in 2014. The effect of those historic actions (many of which, in the case of renegotiations, took place in Q4 2014), will be much more pronounced in 2015. We also further optimized our rail fleet in 2014, including by selling off some of our older cars, meaning that Brunswick Rail still has one of the youngest fleet in our industry.

"Going forward, we will continue to focus on cash management and client retention until market visibility improves, while at the same time seeking to optimize our client portfolio to focus on large companies with good credit ratings and strong payment discipline.

"We are confident that this is the right strategy to pursue in this difficult environment."

Nicolas Pascault, Managing Director and Deputy CEO of Brunswick Rail, added:

"Our financial results for 2014 are a clear reflection of the state of the market. As a result of the deteriorating environment, our gross revenue was down by 20%, from US$ 255m in 2013 to US$ 204m in 2014. While the Adjusted EBITDA margin remained high at 75%, Adjusted EBITDA for the year declined by 21% to US$ 153m, and we posted a net loss of US$ 276m for the year, which was primarily a result of net foreign exchange losses.

"The sector has been substantially affected by the depreciation of the rouble which fell by more than 70% during 2014. The dollar-denominated leasing market contracted sharply towards the end of the year, as clients demanded a shift to rouble-denominated rates. As a result, we effectively lost our natural hedge against FX-denominated debt and after a significant decrease in expected dollar revenue, IFRS required us to de-designate the hedge. In total, during 2014, we recognized a loss of US$ 129m in our income statement due to hedge ineffectiveness.

"We reduced our capital expenditure from US$ 106m in 2013 to US$ 95m for 2014, with the majority of this having been invested in the first quarter of the year. This was in line with our strategy to defer our ambitious growth plans and instead to focus on cash preservation, cost cutting and maximizing operational efficiency.

"We will continue to analyze closely and seek to respond to the rapidly changing market environment with a view to effectively mitigating risks as we navigate through what will undoubtedly be another challenging year for our sector."

About Brunswick Rail:

Brunswick Rail is a private railcar operating lessor providing freight railcars to large corporate clients in Russia. Established in 2004, Brunswick Rail currently owns a fleet of ca. 25.6 thousand railcars (as of 31 December 2014), which represents approximately 2% of the total Russian railcar fleet. For the year ended 31 December 2014, the Group generated gross revenue of US$ 204.2m and Adjusted EBITDA of US$ 153.4m.

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Forward-Looking Statements

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

Financial results – IFRS financial measures

The following table sets forth each of the Group's consolidated income statement line items for the years ended 31 December 2014 and 2013:

	2014	2013
	(in US$ thousand)	
Gross revenue	**204,174**	**255,274**
Hedging with non-derivatives effect	(22,976)	(5,835)
Net revenue	**181,198**	**249,439**
Cost of services	(24,640)	(27,432)
Property tax	-	(13,233)
Staff compensation, excluding share-based compensation	(12,118)	(14,847)
Other operating expenses	(18,480)	(18,348)
Other operating income	2,865	101
Operating profit before share-based compensation and depreciation	**128,825**	**175,680**
Share-based compensation	(517)	(11,806)
Impairment losses on railcars	(14,229)	-
Depreciation and amortisation	(56,148)	(71,644)
Operating profit	**57,931**	**92,230**
Finance costs	(68,308)	(66,015)
Finance income	1,083	1,657
Revaluation of embedded derivatives on mezzanine	(3,586)	15,858
Net foreign exchange translation losses	(183,475)	(1,729)
Net foreign exchange differences reclassified on de-designation of hedge	(129,155)	-
(Loss)/ profit before income tax	**(325,510)**	**42,001**
Income tax credit/ (expense)	49,997	(13,983)
(Loss)/profit for the year	**(275,513)**	**28,018**

Revenue

The following table sets forth the breakdown of the Group's total revenue for the years ended 31 December 2014 and 2013:

	2014	2013
	(in US$ thousand)	
Full service operating leases	134,151	141,231
Triple-net operating leases	50,424	86,322
Operating lease income	**184,575**	**227,553**
Transportation services income	18,306	26,228
Finance leases	1,293	1,493
Gross revenue	**204,174**	**255,274**

The total fleet of the Group as at 31 December 2014 was 25,562 railcars. During 2014, the Group continued to diversify the fleet and took delivery of 1,903 new specialized railcars. The railcars acquired include 420 grain hoppers, 100 cement hoppers, 150 box cars, 270 universal platforms, 866 tank cars, 13 acid tank cars and 84 gondolas. During 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 specialized cars. In addition, 15 damaged railcars were retired from service following the receipt of insurance proceeds. A total of 1,476 railcars were transferred during the year from operating leases to the transportation business which, as at 31 December 2014, deployed 4,125 railcars.

Operating lease income decreased by US$ 42,978 thousand, or 18.9%, from US$ 227,553 thousand in 2013 to US$ 184,575 thousand in 2014. This decrease was primarily driven by sharply reduced rates in US$ terms, primarily due the significant RUR depreciation over the year, which required us to redenominate ongoing operating leases from US$ to RUR at lower rates in response to client pressure as well as to remarket railcars at the conclusion of operating leases to lower spot rates. As most of our leasing contracts were renegotiated during the fourth quarter of 2014, we are not expecting significant further renegotiations or rate decreases in 2015. Though further negotiations resulting in further adverse changes cannot be ruled out, most of our remaining clients have solid credit and demonstrate good payment discipline. The impact of remarketing expiring and/or renegotiating existing contracts in 2014 amidst sharply reduced spot rates was, however, only partially felt in 2014. The effect of those historic actions (many of which, in the case of renegotiations, took place in Q4 2014), will be much more pronounced in 2015.

Revenue from full service operating leases decreased by US$ 7,080 thousand, or 5.0%, from US$ 141,231 thousand in 2013 to US$ 134,151 thousand in 2014. Revenue from triple-net operating leases decreased by US$ 35,898 thousand, or 41.6% from US$ 86,322 thousand in 2013 to US$ 50,424 thousand in 2014. Revenue from triple-net operating leases decreased more than revenue from full service operating leases, which is in line with the Group's strategy to focus on full-service leases as its principal product.

Transportation income decreased by US$ 7,922 thousand, or 30.2%, from US$ 26,228 thousand in 2013 to US$ 18,306 thousand in 2014 as a result of on-going weak transportation market in Russia and further decrease in spot prices in 2014.

Finance lease income hasn’t decreased significantly in 2014 in comparison with 2013. No new finance lease contracts were signed, being consistent with the Group's strategy to discontinue offering this product to its clients.

The Group’s gross revenue was adjusted by US$ 22,976 thousand for the effect of hedging with non-derivatives financial liabilities in accordance with IAS 39 which the Group has applied from 2012. Hedging with non-derivative losses relate to non-cash FX translation losses recycled from other comprehensive income as a result of the ruble depreciation against the US Dollar which are presented below in Adjusted EBITDA. The hedge was de-designated on 31 December 2014.

Cost of services

	2014	2013
	(in US$ thousand)	
Depot repairs	15,435	16,545
Other transportation services expenses	6,094	5,090
Other railcar expenses	2,709	1,217
Transportation services subcontracted	192	4,300
Railcar insurance	210	280
Total cost of services	**24,640**	**27,432**

Depot repairs

Depot repairs decreased by US$ 1,110 thousand, or 6.7%, from US$ 16,545 in 2013 to US$ 15,435 in 2014. The decrease was mainly due to lower average depot repair costs per railcar which decreased by 15% in 2014 compared to 2013 as a result of management’s success in achieving higher purchase efficiency.

Other transportation services expenses

Other transportation expenses increased by US$ 1,004 thousand, or 19.7%, from US$ 5,090 thousand in 2013 to US$ 6,094 thousand in 2014. Other transportation expenses represent the rail tariffs for empty-run. On the back of weak transportation market, empty-run costs increased.

Other railcar expenses

Other railcar expenses increased by US$ 1,492 thousand, or 122.6%, from US$ 1,217 thousand in 2013 to US$ 2,709 thousand in 2014. The main increase is due to one-off railcar re-registration costs in the amount of US$ 1,063 thousand incurred as a result of the merger of Russian operating companies at the end of 2013.

Transportation services subcontracted

During 2014 the Group incurred expenses on transportation services subcontracted in the amount of US$ 192 thousand in comparison with US$ 4,300 thousand spent in 2013. The decrease in expenses relates to the decline of demand for freight transportation as well as the increase of own railcars deployed in the transportation business from 2,649 railcars as at 31 December 2013 to 4,125 railcars as at 31 December 2014.

Railcar insurance

Railcar insurance decreased by US$ 70 thousand, or 25.0%, from US$ 280 thousand in 2013 to US$ 210 thousand in 2014 due to negotiation of lower premiums with insurance companies.

Property tax

Property tax decreased by US$ 13,233 thousand, or 100.0% in 2014 due to a change in tax legislation in respect of movable property (including railcars) which was exempted from property tax.

Staff compensation, excluding share-based compensation

Staff compensation decreased by US$ 2,729 thousand, or 18.4%, from US$ 14,847 thousand in 2013 to US$ 12,118 thousand in 2014. The decrease was mostly due to a reduction in headcount to achieve efficiencies as part of the reorganization project of the Group.

Other operating expenses

Other operating expenses in the amount of US$ 18,480 are close to 2013 level. A provision for bad debts in the amount of US$ 11,111 thousand is included therein, that is higher than the US$ 9,008 thousand included in 2013, due in part to weak market environment and the resulting difficult financial positions of certain of our clients, and in part, with respect to certain railcar manufacturers located in Ukraine, due to geopolitical events. Other expenses including office rent, director fees and consultancy fees are comparable or lower than 2013 reflecting the implementation of cost efficiency programs during 2014.

Other operating income

Other operating income increased by US$ 2,764 thousand, from US$ 101 thousand in 2013 to US$ 2,865 thousand in 2014. The Group successfully closed the sale of a doubtful receivable for which a provision had been recognized in 2013 and this resulted in a net gain of US$ 1,590 thousand being recognized in 2014. In addition a US$ 1,347 thousand gain from the aforementioned sale of railcars was recorded within other operating income.

Share-based compensation

Share-based compensation decreased by US$ 11,289 thousand, or 95.6%, from US$ 11,806 thousand in 2013 to US$ 517 thousand in 2014. The decrease relates primarily to shares granted to management which vested during 2013, changes where applicable in the valuation of the plans and reversal of expenses recognized in prior years relating to share awards that have not been vested in 2014.

Impairment losses on railcars

Due to a continuing market downturn in the second half of the year, the significant drop in spot lease rates (for the reasons described above, including, primarily, the significant depreciation of the RUR against the USD and renegotiation of contracts from USD to RUR), the Group carried out a review of the recoverable amount of railcars. The review led to the recognition of an impairment loss of US$ 14,229 thousand on one type of railcars, which has been recognized in profit or loss. However, total fair market value of the railcar fleet exceeds the fleet’s carrying amount by US$ 46,869 thousand as at 31 December 2014.

Depreciation and amortisation

Depreciation decreased by US$ 15,496 thousand, or 21.6%, from US$ 71,644 thousand in 2013 to US$ 56,148 thousand in 2014. The decrease is explained by two factors: (i) the retranslation effect from functional to presentation currency due to an increase in the average foreign exchange rate in 2014 (38.42 RUR per US$) compared to the foreign exchange rate for 2013 (31.84 RUR per US$) and (ii) a prospective revision of the useful life of wheelsets.

Finance costs

Finance costs increased by US$ 2,293 thousand, or 3.5%, from US$ 66,015 thousand in 2013 to US$ 68,308 thousand in 2014.

In July 2014 the Group signed a syndicated loan facility for over RUR 8 billion with a group of international banks. The two-year loan facility bears interest of three-month MosPrime plus 2.2% margin in year one and 2.7% margin in year two. The facility is secured by way of a pledge on the Group’s equipment.

In August 2014 the Group drew down the first tranche of the new syndicated loan facility to refinance the VTB Leasing finance lease obligation in the amount of approximately RUR 4 billion.

Finance income

Interest income decreased by US$ 574 thousand, or 34.6%, from US$ 1,657 thousand in 2013 down to US$ 1,083 thousand in 2014. This change was primarily due to a decrease in bank deposits.

Revaluation of embedded derivatives on mezzanine

The Group’s US$ 60 m mezzanine facility contains certain embedded derivatives which are measured at fair value on each reporting date using an option pricing model. As a result of a change in estimates, the fair value losses recognized on these embedded derivatives during 2014 amount to US$ 3,586 thousand in comparison with the fair value gains of US$ 15,858 thousand recorded in 2013.

Net foreign exchange translation losses

In 2014 the Group recognized net FX translation losses in the amount of US$ 183,475 thousand in comparison with net FX translation losses in 2013 in the amount of US$ 1,729 thousand. FX losses recognized mainly in Q4 2014 are due to partial de-designation of hedge on 30 September 2014. Following de-designation the major part of Eurobond remained unhedged which resulted in significant FX translation losses recorded in income statement due to substantial depreciation of RUR against USD during Q4 2014.

Net foreign exchange differences reclassified on de-designation of hedge

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 which led to hedge ineffectiveness at September 30, 2014. As a consequence, a restructuring of the hedge was performed to ensure that the hedging relationship remained effective. During Q4 2014 the situation remained unchanged and the fall in the value of RUR against USD was exacerbated by the falling proportion of the Group’s USD-denominated revenues. This led to a full de-designation of hedge on 31 December 2014 and foreign exchange losses in the amount of US$ 129,155 thousand were reclassified from OCI to the income statement.

Loss before income tax

The Group’s loss before income tax for 2014 amounted to US$ 325,510 thousand, mainly as a result of the net foreign exchange translation losses described above, including the aforementioned de-designation of hedge.

Income tax credit

The Group includes companies incorporated in Bermuda, Cyprus, Ireland and Russia with income tax rates of 0%, 12.5%, 25% and 20%, respectively. The Group's income tax credit for 2014 amounted to US$ 49,997 thousand. The Group's income tax is in line with the Group’s results for 2014.

Loss for the year

The Group’s loss for 2014 amounted to US$ 275,513 thousand. The Group generated a loss due to factors discussed above.

Financial results – non-IFRS financial measures

The following table sets forth each of the Group's non-IFRS financial measures for the years ended 31 December 2014 and 2013:

	2014	2013
Adjusted EBITDA (in US$ thousand)	153,432	194,748
Adjusted EBITDA Margin (in %)	75,1	76,3

Adjusted EBITDA

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

	2014	2013
	(in US$ thousands)	
(Loss)/profit for the year	**(275,513)**	**28,018**
plus / (minus)		
Income tax (credit)/ expense	(49,997)	13,983
Net foreign exchange differences reclassified on de-designation of hedge	129,155	-
Net foreign exchange translation losses	183,475	1,729
Revaluation losses/ (gains) of embedded derivatives on mezzanine	3,586	(15,858)
Finance income	(1,083)	(1,657)
Finance costs	68,308	66,015
Depreciation and amortisation	56,148	71,644
Impairment losses on railcars	14,229	-
Share-based compensation	517	11,806
Professional services associated with preparation to a potential IPO process	568	-
Railcars re-registration costs	1,063	-
Property tax	-	13,233
Hedging with non-derivatives effect	22,976	5,835
Adjusted EBITDA	**153,432**	**194,748**

Adjusted EBITDA decreased by US$ 41,316 thousand or 21.2% from US$ 194,748 thousand in 2013 to US$ 153,432 thousand in 2014. The decrease is mainly due to the decrease in revenue for the reasons described above which was only partially offset by a decrease in cost of services and staff compensation.

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 its ability to cover long term debts. Adjusted EBITDA Margin is slightly lower in 2014 at 75.1% compared with 76.3% in 2013.

Liquidity and Capital Resources

Capital expenditures

The Group incurred capital expenditures in 2014 and 2013 predominantly to fund the acquisition of rolling stock. Capital expenditures on railcar maintenance were not significant in the years under review due to the young age of most of the Group's fleet; however this is expected to increase in line with the age of the fleet. In 2014 capital expenditures amounted to US$ 94,466 thousand. Capital expenditures are predominantly related to the acquisition of 1,903 new railcars in the amount of US$ 89,338 thousand and replacement of wheelsets in the amount of US$ 5,128 thousand.

Cash flows

The following table sets forth the principal components of the Group's consolidated statement of cash flows for 2014 and 2013:

	2014	2013
	(in US$ thousands)	
Net cash generated by operating activities	166,752	182,624
Net cash used in investing activities	(83,448)	(98,127)
Net cash used in financing activities	(64,459)	(91,943)
Net increase/ (decrease) in cash and cash equivalents	**18,845**	**(7,446)**
Cash and cash equivalents at beginning of the year	62,626	71,975
Exchange losses on cash and cash equivalents	(8,561)	(1,903)
Cash and cash equivalents at end of year	**72,910**	**62,626**

Net cash from operating activities

Net cash from operating activities decreased by US$ 15,872 thousand, or 8.7%, from US$ 182,624 thousand in 2013 to US$ 166,752 thousand in 2014. The decrease was primarily due to the decrease in revenue resulting from market downturn and drop in spot market daily rates in 2014.

Net cash used in investing activities

Net cash used in investing activities decreased by US$ 14,679 thousand, or 15.0%, from US$ 98,127 thousand in 2013 to US$ 83,448 thousand in 2014. This reflects the change in the Group's strategy from growth to cash preservation, taking into consideration the market and geopolitical conditions of 2014.

Net cash used in financing activities

Net cash used in financing activities decreased by US$ 27,484 thousand, or 29.9%, from US$ 91,943 thousand in 2013 to US$ 64,459 thousand in 2014.

In March 2014 the Company issued US$ 50,000 thousand fully paid Preference Shares of par value US$1.00 to EBRD. In August 2014 the Group drew down part of the RUR 8 billion syndicated loan facility to refinance the VTB Leasing finance lease obligations.

Capital resources

In July 2014 the Group signed a syndicated loan facility for over RUR 8 billion with a group of international banks, with Unicredit Bank AG as facility agent. 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 RUR 4 billion. This financing has an availability period of twelve months with a commitment fee of 50bp and complements the EBRD Facility. The two-year loan facility bears 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 (3 398 railcars).

On 25 July 2014 the Group extended an agreement with ZAO ING Bank in relation to a revolving credit facility of US$ 20,000 thousand with a maturity date of 14 August, 2015. The facility bears interest of USD monthly LIBOR plus

3.95 per cent margin and could be used for general corporate purposes. There is no outstanding balance relating to this credit facility at 31 December 2014.
The following table sets forth the maturity profile of the Group's debt as of 31 December 2014 and 2013, excluding finance lease payables:

	2014	2013
Maturity of borrowings, excluding finance lease payables	*(in US$ thousands)*	
Less than 1 year	22,472	6,500
Later than 1 year and not later than 3 years	69,103	14,740
Later than 3 years and not later than 5 years	590,654	587,846
Total	**682,229**	**609,086**

The following table sets forth the maturity profile of the Group's finance leases as of 31 December, 2014 and 2013.

	2014	2013
Maturity of finance lease payables	*(in US$ thousands)*	
Not later than 1 year	1,079	110,236
Later than 1 year and not later than 3 years	2,448	3,347
Later than 3 years and not later than 5 years	870	2,869
Over 5 years	554	2,542
Total	**4,951**	**118,994**

The balance of the mezzanine facility at 31 December 2014 and 2013 was US$ 75,026 thousand and US$ 64,872 thousand respectively. The mezzanine facility is fully subordinated to Eurobond based on a Notice on subordination dated 15 October 2012.

It is expected that the Company's adjusted EBITDA (for purposes of its syndicated loan facility) for Q1 2015 (which preliminarily estimated to be in the range of US$ 19m to US$ 23m and planned to be reported in May) is at levels that would lead to non-compliance with its maintenance covenants. Accordingly, the Company initiated the process of negotiating amendments to its syndicated loan facility, including to modify the financial covenants to more sustainable levels and/or to obtain a waiver of potential covenant violations before such violations occur. There can be no assurance, that these discussions will result in the amendments that would allow the Company to comply with its financial covenants. Further, while these discussions are ongoing, they have enabled the Company to prepare its financial statements on a going concern basis, although the audit opinion has been issued with an emphasis of matter. In light of this the Company may be required to use its own cash reserves to prepay or repay its syndicated loan facility. Although the Company currently has sufficient own cash to do so, it is important to stress that the use of own cash in this manner would, without additional long-term financing, severely strain its liquidity.

The Company's present capital structure also appears increasingly ill-suited to the changed environment, and is believed to be vulnerable to further macroeconomic, geopolitical and industry-specific shocks. The Eurobonds issued in November 2012, which comprise approximately 87% of the Company's borrowings and require a bullet repayment at their 2017 maturity, as well as its other US$ denominated debt, give rise to particular concerns in the present environment (in which the timeline for recovery in revenues, cash flow and profitability is uncertain, revenues have become increasingly RUR-denominated and in which access to Western finance and international capital markets for Russian corporate groups has reduced). The Company is considering multiple options to optimize its capital structure, but have not yet made any decisions in this regard.

Working capital

The table below sets forth the components of the Group's working capital for 2014 and 2013:

	2014	2013
	(in US$ thousands)	
Current assets		
Cash and cash equivalents	72,910	62,626
Trade and other receivables	13,899	36,300
Finance lease receivables	1,524	1,268
Advances paid for rail tariffs	389	555
Current income tax prepayments	323	544
Current liabilities		

Trade and other payables	(5,566)	(18,071)
VAT payable	(5,089)	(4,868)
Current income tax liabilities	(118)	(353)
Other taxes payable	(18)	(1,345)
Working capital	**78,254**	**76,656**

Working capital is slightly higher as at 31 December 2014 in comparison with 31 December 2013 and equals US$ 78,254 thousand and US$ 76,656 thousand respectively.

Off-balance sheet arrangements

As at 31 December 2014 the Group had no material off-balance sheet arrangements.

Contractual obligations and commercial commitments

As at 31 December 2014, 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 2014 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 recognition of deferred income tax, impairment of railcars, de-designation of hedge and provision for doubtful debts. A detailed description of the critical accounting estimates and judgments used in preparing the Group's Financial Statements is set out in Note 6 of the Group's audited consolidated financial statements.