

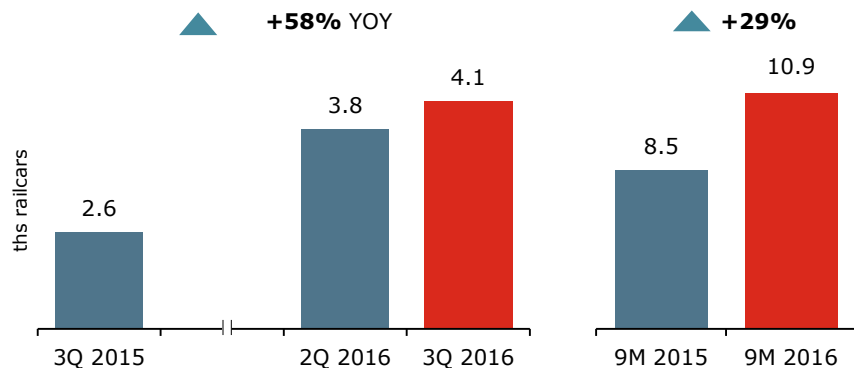
Research and production corporation “United Wagon Company”

Operational Results for 3Q and 9M of 2016

27 October 2016

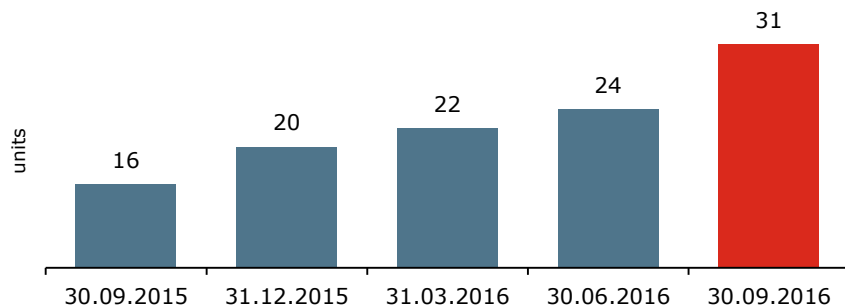
UWC Operational Results

Railcar production output¹



85% railcars sold to third parties over 9M 2016

Certified railcar models



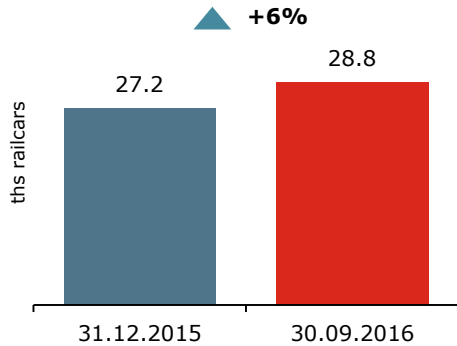
- In 3Q 2016, the Company manufactured 4.1 thousand railcars, a 58% increase compared with 3Q 2015. Over the 9 months of 2016, the production grew 29% year-over-year to reach 10.9 thousand railcars. The production grew spurred on by a larger demand and the enhancing production capacities of UWC's entities
- Over the 9 months of 2016, 85% of UWC's railcars were purchased by third parties. The ongoing recovery in railway business and technical and economic advantages of new generation railcars attracted larger demand from external customers
- The total number of certified models reached 31 in 3Q the following railcar models with 25 tf axle load were successfully certified:
 - Mineral Hopper, body space 120 m³
 - Ammonia Tank Car, 12 m, Tpr Dimension
 - LPG Tank Car, 12 m
 - 40-Ft Container Flat Car
 - 40-Ft Universal Container Flat Car
 - Timber Flat Car (2 modifications), 40-ft load length (manufacturer CJSC «TikhvinSpetsMash»)

Key events

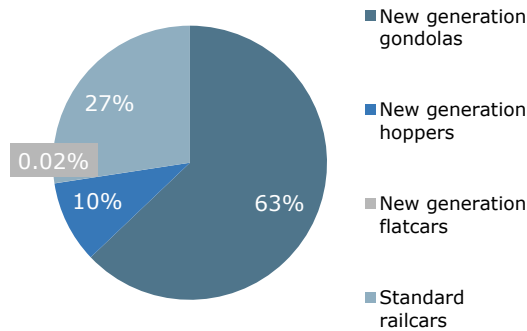
- In October UWC started to produce components from ADI. The annual production capacity is 30,000 railcar sets. The production capacity is enough to meet the needs of the UWC's railcar building facilities for the key wear resistant elements of a freight car bogie

Note: 1) Including production by TVSZ and TikhvinChemMash

Fleet owned and operated¹



Fleet owned and operated by railcar type

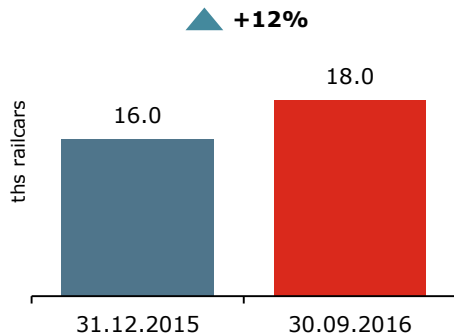


- The size of the fleet owned or controlled by UWC grew to 28.8 thousand railcars, a 6% growth compared to the start of the year. UWC's own fleet grew by 12% to 18 thousand railcars
- The customers of UWC's leasing and transport services subsidiaries include large cargo-generating companies, such as: SUEK, UMMC, Kuzbasskaya Toplivnaya Company, En+, SIBUR-Trans, Akron, URALCHEM, NefteTransService, Fintrans GL (Ilim Group), Eurosis SPb-Transportation Systems

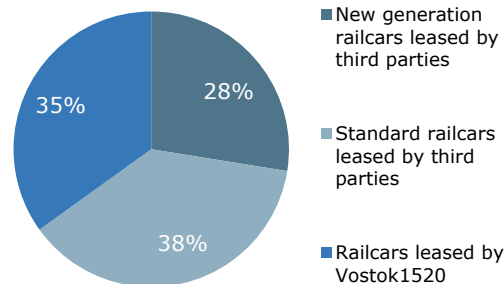
Key events

- TikhvinChemMash supplied to Khimprom, a large Russian chemical producer, a batch of tank cars for caustic soda and other chemicals
- The Company and United Grain Company signed a supply contract for 1.5 thousand grain hoppers with a body volume of 120 m³
- UWC incorporated Uniwagon North America Corp., its first subsidiary in the US, under the strategy of expanding its exports to North America and accessing a new sales channel

Fleet owned by UWC's subsidiaries²



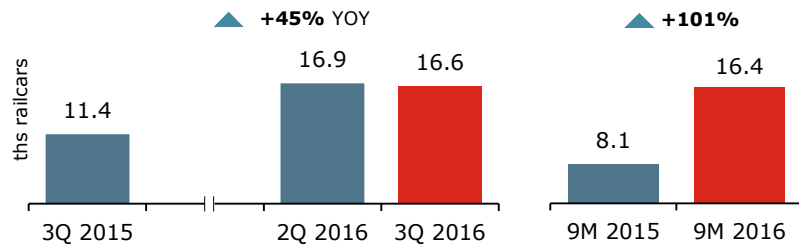
Fleet owned and under control by railcar type



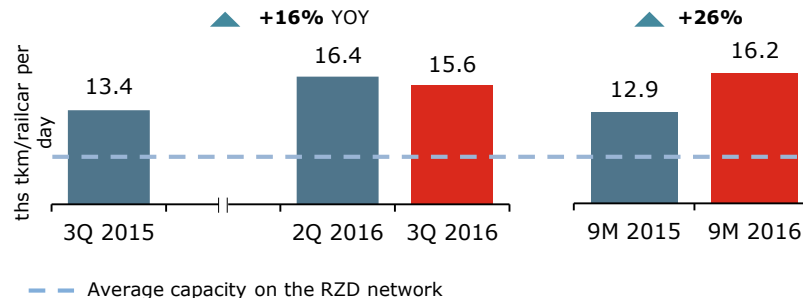
Notes:

- 1) Including the fleet controlled by Vostok1520 and the UWC's own fleet leased to third parties: 11.7 thousand railcars;
- 2) The following companies included: RAIL1520, RAIL1520 SERVICE, RAIL1520 LEASING, MRC1520 and TH "UWC"

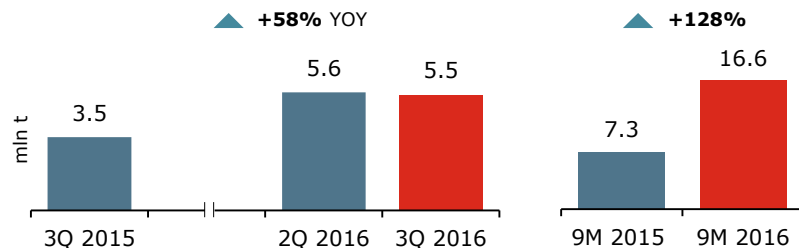
Average operated fleet



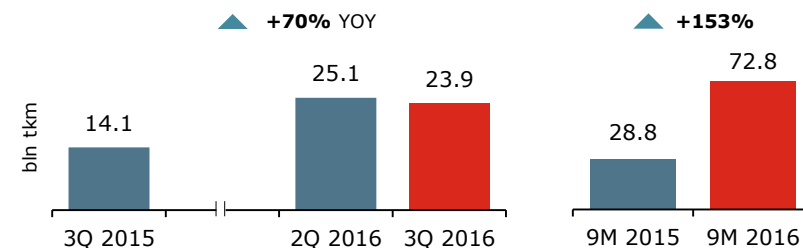
Capacity



Freight carried



Freight turnover



- Growing cargo base in 2016 brought along a larger demand for gondolas. Cargo shippers seeking to optimize their transportation costs ensured steady demand for new generation railcars, their strong economic and operational characteristics highly appreciated
- As a result, Vostok1520's daily average fleet size grew 45% year-over-year in 3Q, the average fleet size over the 9 months of 2016 growing twice
- Railcar efficiency increased over the year supported by a larger number of block trains shipments
- Owing to the high efficiency of Vostok1520 fleet, in Q3 and over the 9 months 2016 car loadings went noticeably up exceeding the growth rate of average fleet size - 58% and 128% YoY, respectively
- With larger volumes of long-distance freight shipments to the Far East, the quarterly turnover gained 70% YoY in Q3 and 153% over the 9 months of 2016

Statistics for current uncoupling repairs (CUR)¹

- 3.6** CUR of the TVSZ-made gondola per 1 mln km
- 34.1** CUR of the standard gondola per 1 mln km

The frequency of current uncoupling repairs of new generation gondolas was up to **10 times below** the network's average due to high operational efficiency of UWC's new generation railcars

Railcar repair shop

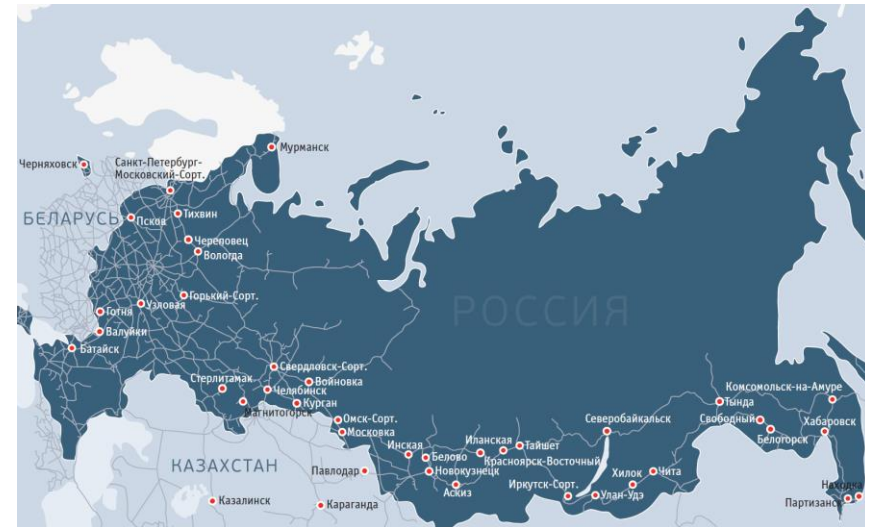


UWC's network of service and training centres

- 55** service centres
- 6** training centres

The Holding has an expanded service centre network operating at railcar repair shops in the CIS. As at the end of the reporting period, the UWC's service centre network comprised a total of **55 centres**. A new service centre in Omsk was launched in 3Q 2016

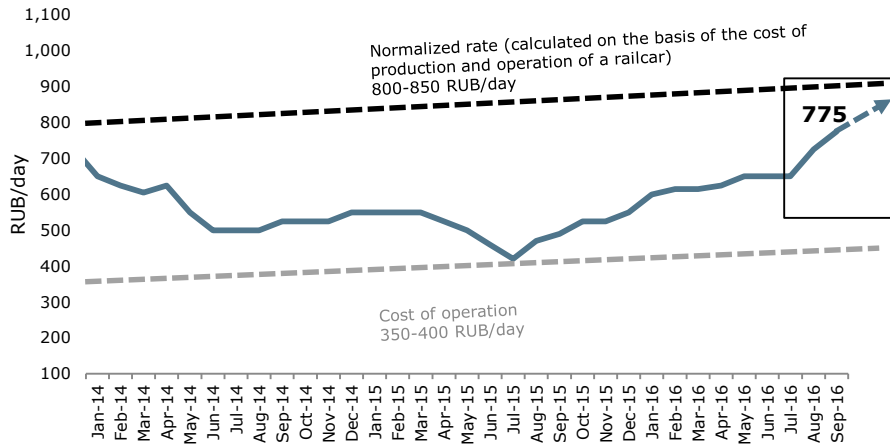
Service centres map



Note: 1) Current uncoupling repairs based on 1H 2016 statistics

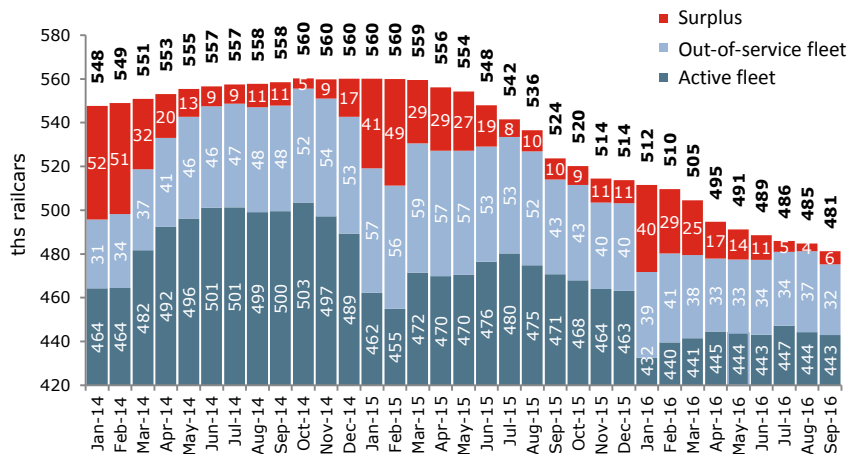
Freight Car Market

Rate of return for gondolas* keeps growing...



* Standard railcar on 18-100 bogie rental rate

...due to gondola fleet reaching its balance



Source: Industrial Cargoes, The Institute of Natural Monopolies Research (IPEM)

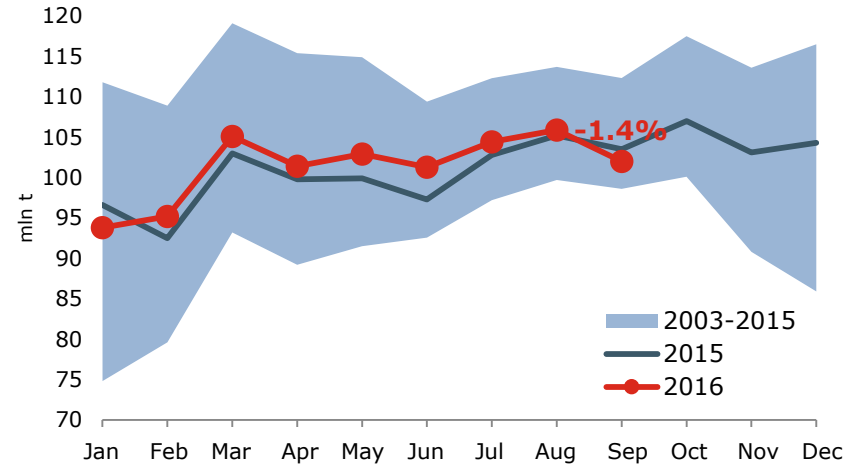
- The rolling stock market continues its recovery supported by:
 - Growing cargo turnover – 1,731.6 bln t-km (+1,2% year-over-year)
 - The number of old railcars written-off remains steadily large, being some 100 thousand units over the 12 months of 2015, and around 91 thousand units over the 9 months of 2016
 - A large size of out-of-service (commercially inoperable) fleet on the network - some 90 thousand units, the norm being 70-75 thousand units
 - Low railcar production levels: some 22 thousand units over 9 months of 2016 (+20% above the 2015 level)
- With equal transportation cost per ton, the gains from operating an innovative railcar are 600 RUB higher than those from operating a railcar equipped with 18-100 bogie
- Experts (INFOline’s analysts and the Institute of Natural Monopolies Research) estimate daily lease rates for gondolas to go up to RUB 800 by 2016 end

Loading performance depends on rolling stock availability

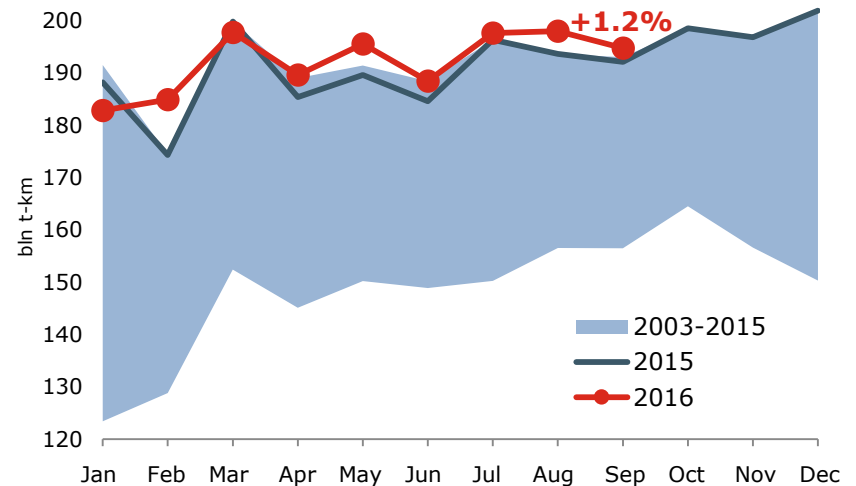
- Over the 9 months of 2016, car loadings amounted to 911.6 mln t, a 1.3% increase compared to the same period 2015
- Though growing in Feb-Aug 2016 (from +0.7% to +4.1% above the 2015 figures), in September loadings fell by 1.4% compared to September 2015 (102 mln t). The fall was due to a lack of gondolas: despite growing coal output (+10-15%), coal companies failed to perform their contractual shipments
- Over the 9 months of 2016, the total cargo turnover slightly declined to 1,731.6 bln t-km (+1.5%). In September 2016 the cargo turnover reached 194.7 bln t-km (+1.2%), a record high for that month. The above developments were a result of a fall in domestic loadings (-6%) contrasted by an ongoing growth in export shipments (+3%)

Cargo, mln t	9M 2016	YOY change
Coal	240.5	2.7%
Oil and petroleum products	174.8	-7.4%
Construction materials	111.1	14.6%
Iron and manganese ore	82.6	1.5%
Ferrous metals	52.8	-1.9%
Timber	32.2	7.6%
Fertilizers	39.4	3.2%
Cement	21.4	-5.4%
Non-ferrous ores	16.1	4.6%
Ferrous scrap	11.0	-3.7%
Grain and milling products	13.0	4.3%
Coke	8.7	3.5%
Other	108.0	1.2%
Total loading	911.6	1.3%

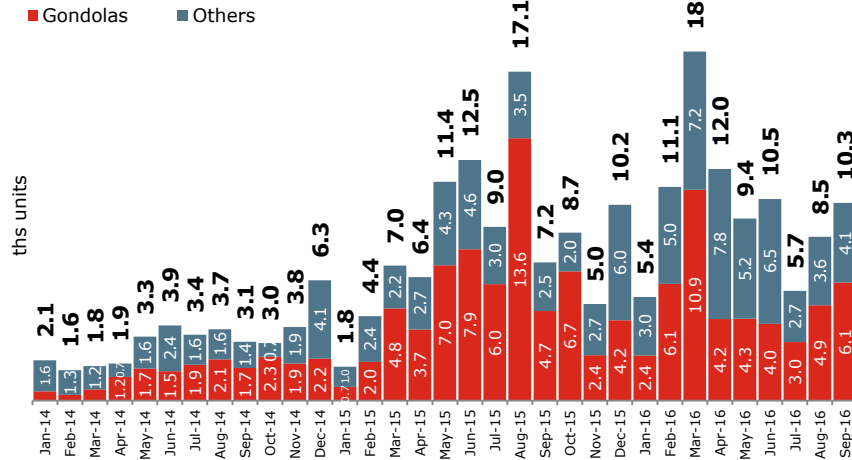
Cargo loading on RZD network



Cargo turnover on RZD network

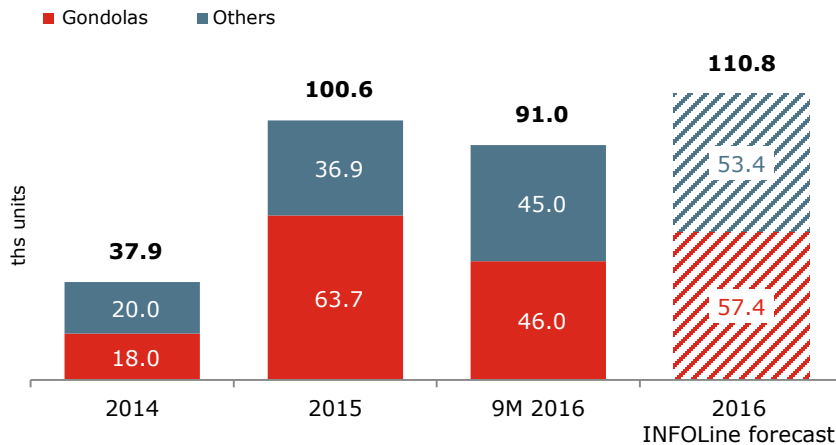


Monthly write-offs in Russia



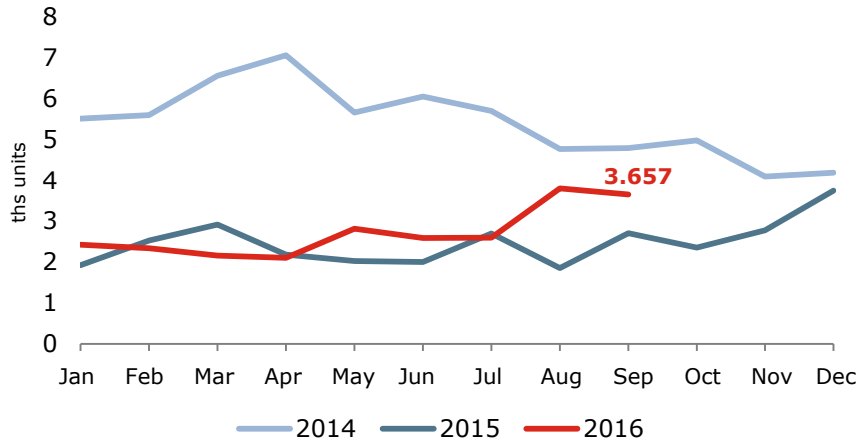
- In 3Q 24.5 thousand railcars were written off (whereof 14 thousand were gondolas)
- Total write-offs for the 9 months of 2016 were 91 thousand railcars (+19% compared to the same period 2015)
- As at the beginning of October 16, the out-of-service fleet reduced to 90.1 thousand units
- September write-offs in the CIS were 12.6 thousand units

Annual write-offs in Russia



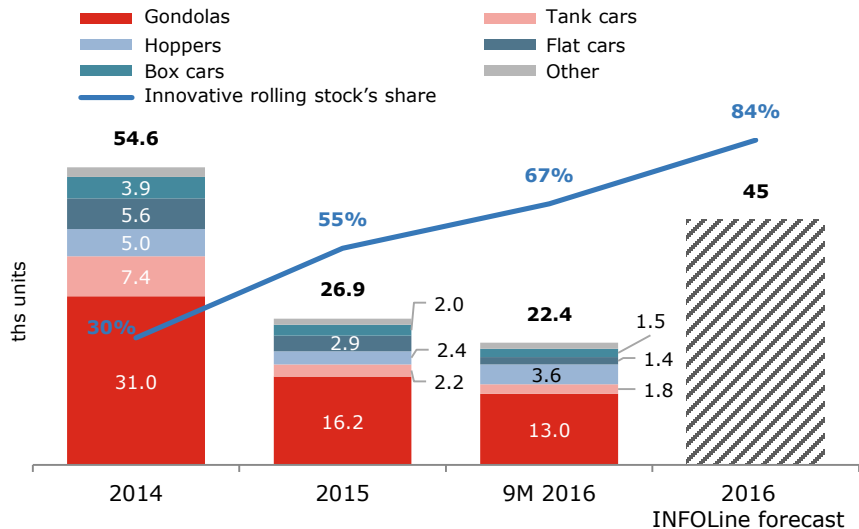
Production grew in August and September

Monthly railcar production in the CIS



- In 3Q 9.5 thousand railcars were produced, which is 1.5 times above production in 2Q 2016, and a 1.5-time increase over the same period last year
- Total production for the 9 months of 2016 was 22.4 thousand railcars (+20% compared to the same period last year)
- With low production levels since the start of the year, 4Q is likely to see the output grow to 4 thousand railcars per month, as forecasted by INFOLine

Annual railcar production in the CIS



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