

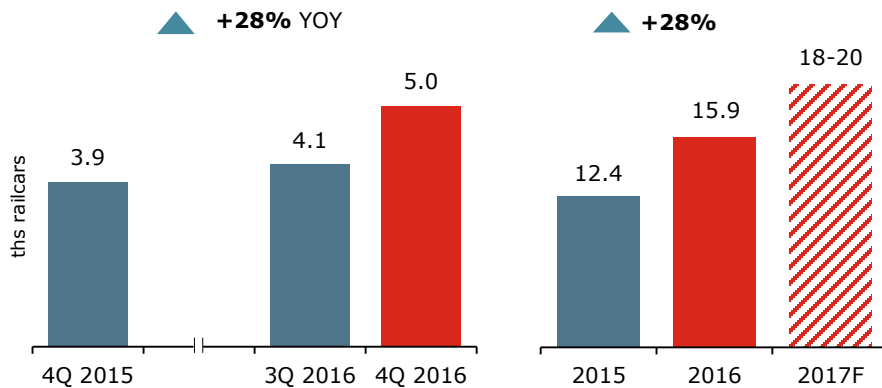
Research and production corporation “United Wagon Company”

Operational Results for 4Q and 12M of 2016

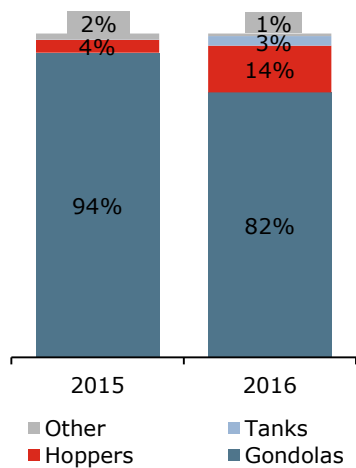
26 January 2017

UWC Operational Results

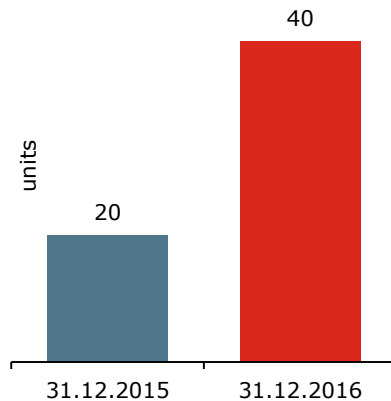
Railcar production^{1,2}



Production breakdown²



Certified railcar models and modifications



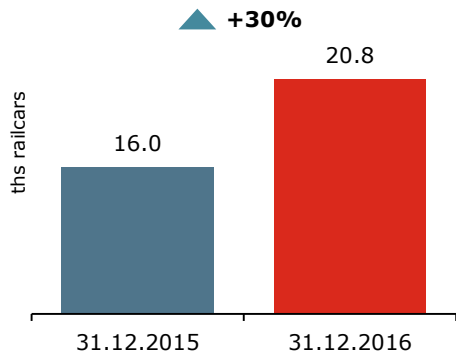
- In 2016, UWC’s production volume grew 28% to 15.9 thousand units, which meets the company’s production targets
- UWC sets its production target at 18-20 thousand railcars in 2017. The higher production goal will be reached through raising the capacity utilization rates of “Tikhvin Freight Car Building Plant” (TVSZ) and “TikhvinChemMash”, as well as expanding the production capacity of “TikhvinSpetsMash”. The demand for the whole production volume has been confirmed
- UWC diversified further its product line in the reporting year. Hopper production grew owing to large supplies of grain hoppers to United Grain Company and mineral hoppers to Uralkali. The share of tank cars reached 3% as the production capacity of “TikhvinChemMash” grew and was fully utilised after the plant’s launch in December 2015. Other railcars included container flat cars and timber flat cars. The share of this rolling stock will grow together with the increasing capacity of “TikhvinSpetsMash”
- The total number of certified models and modifications reached 40. In 4Q, the following railcar models and modifications were certified:
 - Gondola with hatches (1-BM dimension, 92 m³ body volume and 27 tf axle load)
 - Tank cars for: methanol (Tpr dimension), petroleum, molten sulfur, and chemicals with a corrosion-resistant steel body
 - Covered car (175 m³ body volume)

4Q key events

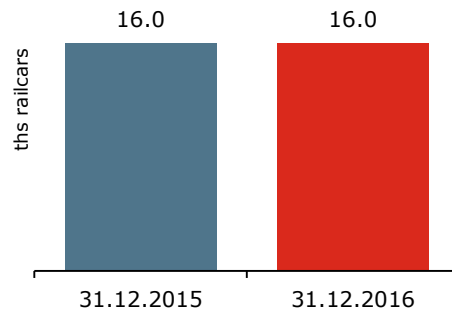
- UWC started to produce components made of ADI. The annual production capacity is 30,000 railcar sets.

70% railcars sold to third parties over 2016¹

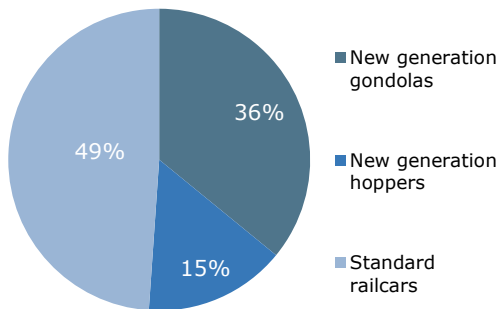
Owned fleet^{2,3}



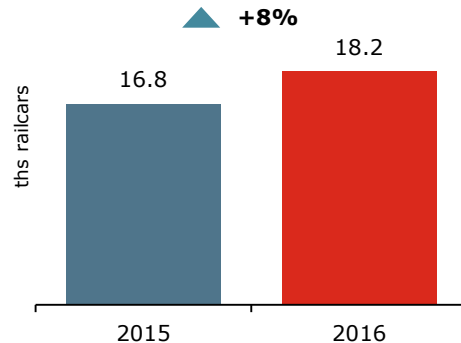
Owned fleet excluding railcars for sale¹



Owned fleet structure



Average owned fleet



Notes:

- 1) Excluding 4.8 thousand of the railcars purchased by TH "UWC" LLC in 2016 to be sold under the existing contracts in 2017. Therefore, 100% of railcars manufactured in 2016 will be sold to third parties
- 2) The following companies included: RAIL1520, RAIL1520 SERVICE, RAIL1520 LEASING, MRC1520 and TH "UWC"
- 3) For more details of the fleet pattern and dynamics see Slide 6

- 70% of railcars were sold to third parties in 2016. The largest customers included: Railway operator VM Trans, leasing company BUSINESS ALLIANCE, United Grain Company, Uralkali and Metafrax
- UWC's own fleet grew by 30% to 20.8 thousand railcars over the year. 4.8 thousand of the said railcars were accumulated by TH "UWC" LLC over the second half of 2016 to be sold under the existing contracts in 2017. These railcars were operated under operating lease scheme in the reporting period. The fleet size with them excluded remained unchanged from 2015 - 16 thousand railcars
- UWC intends to sell to third parties more than 80% of its railcars in 2017

4Q key events

- UWC and Bashkir Soda Company entered into a supply contract for 78 chemical tank cars
- UWC and BUSINESS ALLIANCE entered into their 3rd supply contract for 730 universal gondolas. As a result of the transaction, the customer's innovative fleet size with exceed 4.5 thousand units
- Lokotrans has accepted the first batch of timber flat cars made by "TikhvinSpetsMash". The total supply volume is 250 units
- UWC and Fintrans GL entered into a supply contract for 46 chemical tank cars

Statistics for current uncoupling repairs (CUR)¹

- 3.1** CUR of the TVSZ-made gondola per 1 mln km
- 27.4** 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



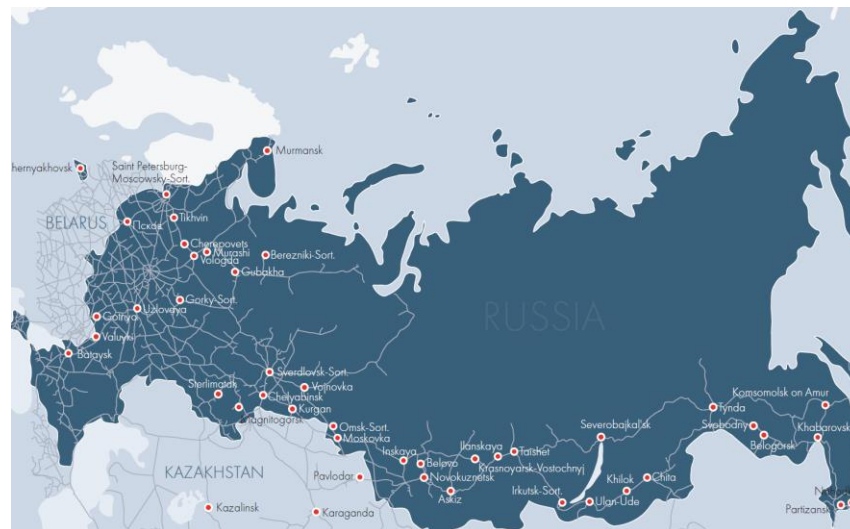
Note: 1) Current uncoupling repairs based on 12M 2016 UWC's statistics

UWC's network of service and training centres

- 58** 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 **58 centres**. 3 new service centers in private railcar repair shops of UWC's clients Uralkali, URALCHEM-TRANS and Metafrax were launched in 4Q

Service centres map



Production and owned fleet dynamics and structure

Railcar production, units	2015					2016				
	1Q	2Q	3Q	4Q	FY	1Q	2Q	3Q	4Q	FY
Gondolas	2,584	3,149	2,420	3,487	11,640	2,545	3,308	3,269	3,881	13,003
Hoppers	-	46	100	343	489	459	374	652	808	2,293
Tanks	-	-	-	12	12	43	69	189	159	460
Other*	53	65	86	28	232	2	3	8	117	130
TOTAL	2,637	3,260	2,606	3,870	12,373	3,049	3,754	4,118	4,965	15,886

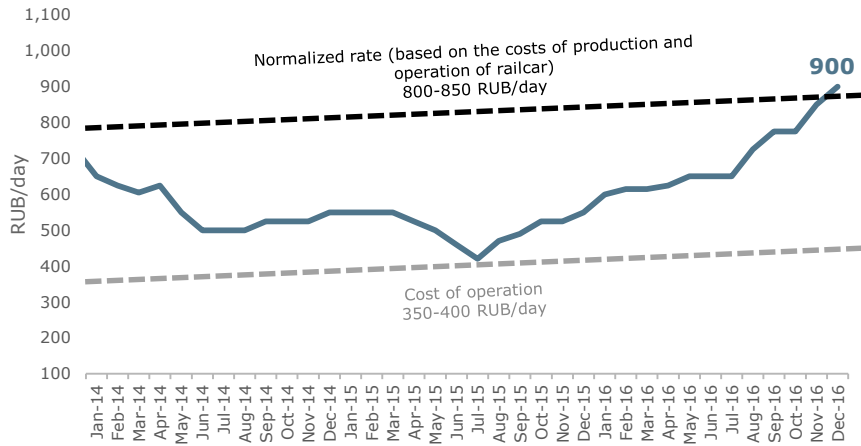
* Container and timber flat cars

Owned fleet, units (at the period end)	2015				2016			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
New generation railcars	8,304	9,014	8,016	8,016	10,020	10,155	10,150	13,008
Gondolas	5,870	6,580	5,582	5,582	7,586	7,721	7,716	10,574
Hoppers	2,428	2,428	2,428	2,428	2,428	2,428	2,428	2,428
Other*	6	6	6	6	6	6	6	6
Standard railcars	9,077	8,367	8,367	7,962	7,962	7,827	7,825	7,806
Gondolas	5,864	5,154	5,154	5,149	5,149	5,014	5,012	4,993
Hoppers	400	400	400	-	-	-	-	-
Tanks	2,270	2,270	2,270	2,270	2,270	2,270	2,270	2,270
Other*	543	543	543	543	543	543	543	543
ИТОГО	17,381	17,381	16,383	15,978	17,982	17,982	17,975	20,814

* Container flat cars, timber flat cars and box cars

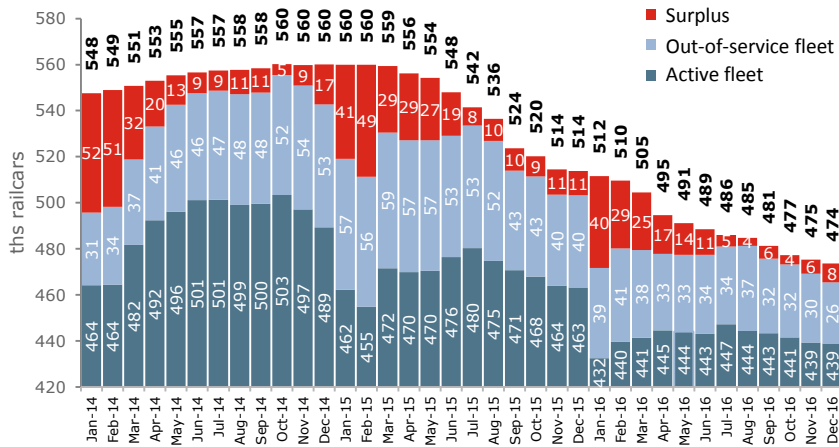
Freight Car Market

Gondola rental rate



* Standard railcar on 18-100 bogie rental rate

Gondola fleet balance



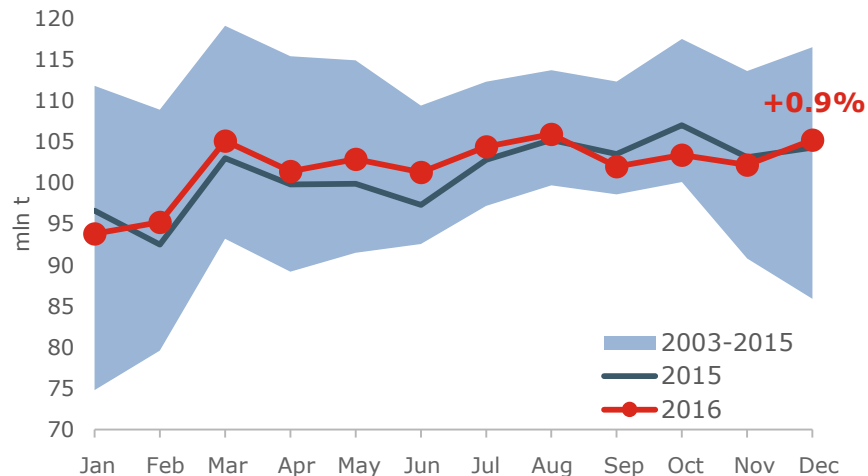
Source: Industrial Cargoes, The Institute of Natural Monopolies Research (IPEM)

- The rolling stock market has recovered supported by:
 - Growing cargo turnover - 2,342.3 billion tkm in 2016 (+1.6% from last year)
 - Large-scale write-offs of old railcars - some 100 thousand units over 2015, and around 112 thousand units in 2016
- Balancing the fleet structure raised the lease rate to 900 RUB/day. As a result:
 - The size of fleet out of order reduced to 80 thousand units, the norm being 70 thousand units
 - In 4Q 2016, railcar production grew almost twofold to 4.0 - 4.5 thousand units per month. In 2016, Russian manufacturers produced some 35 thousand railcars (+30% from 2015)
- 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

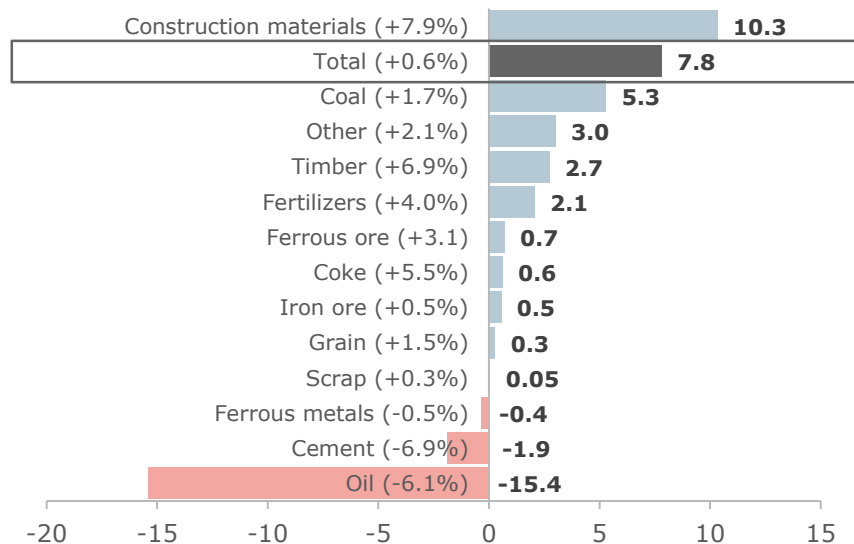
Carloadings returned to growth by the year end

- In 2016, carloadings gained +0.6% to reach 1,222 mn t
- The increase was mainly due to larger shipments of loose and bulk cargoes: construction materials, coal, timber, fertilizers, and ores
- Carloadings continued to grow in December 2016 (+0.9%) after a fall in autumn 2016. The growth restarted after the shortage of gondolas was remedied: the fleet was balanced in 4Q 2016 by way of increasing production of rolling stock
- In 2016, freight turnover gained +1.6% to reach 2,342 bln tkm Freight turnover grew as a result of both more export shipments and re-orientation of exports from Europe towards the Asia-Pacific Region, which increased the average shipment distance by +0.9% in 2016

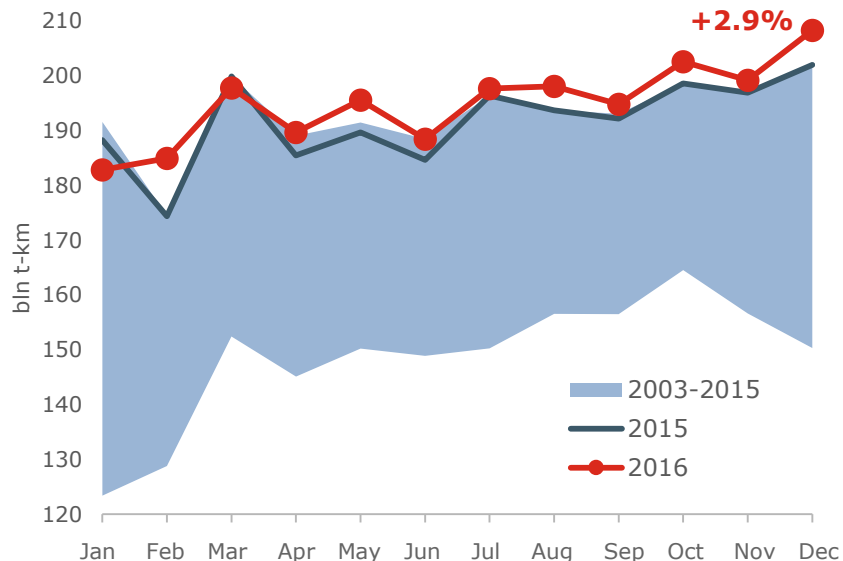
Cargo loading on RZD network



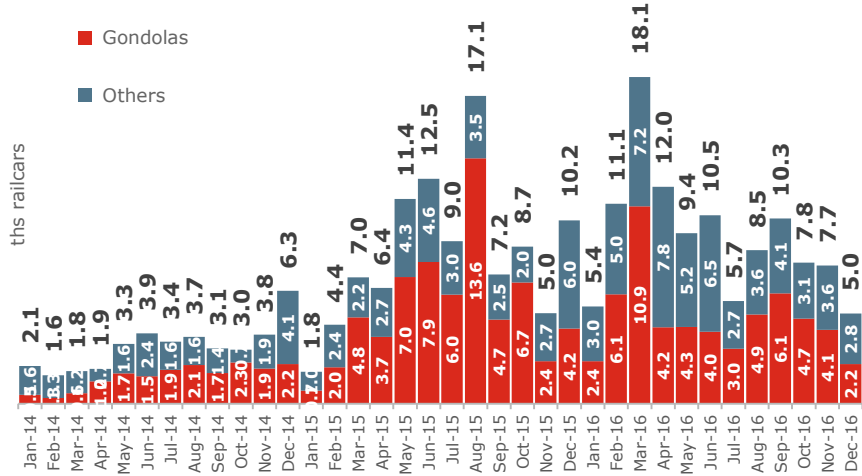
Changing of the payload structure to 2015, mln t



Cargo turnover on RZD network

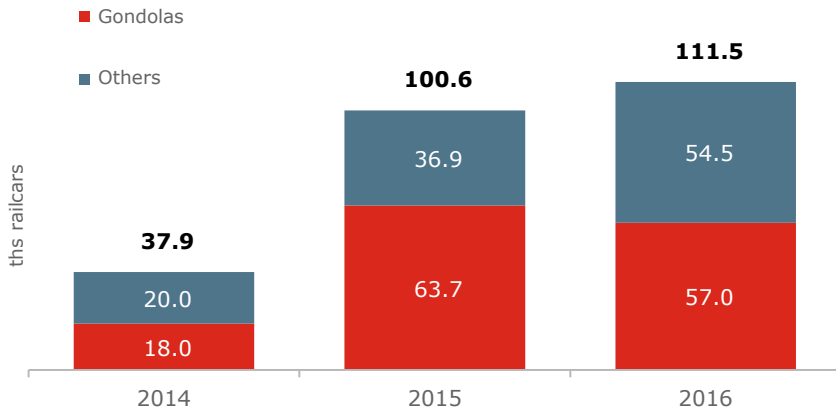


Railcar write-offs in Russia per month



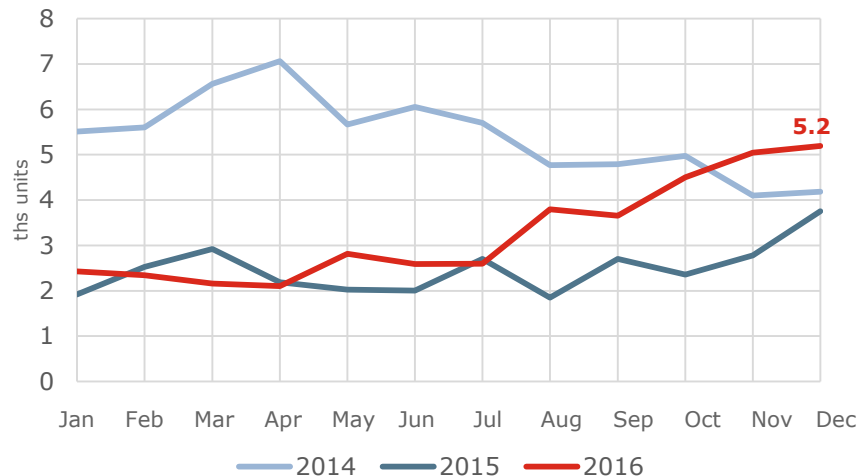
- In 3Q 24.5 thousand railcars were written off (whereof 14 thousand were gondolas)
- Total write-offs for the 9 months of 2016 were 91 thousand railcars (+19% compared to the same period 2015)
- As at the beginning of October 2016, the out-of-service fleet reduced to 90.1 thousand units
- September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

Annual write-offs in Russia



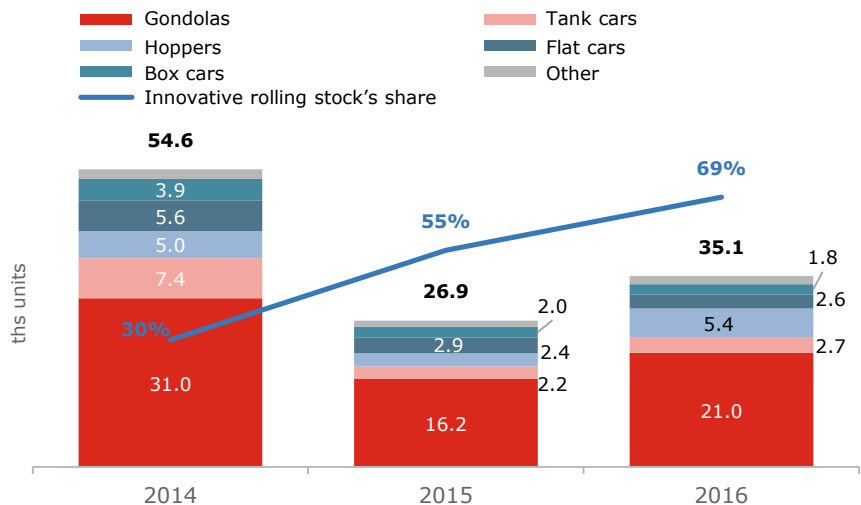
December production reached its highest for that month over the last 3 years

Railcar production in the CIS per month



- In 4Q 12.7 thousand railcars were produced, a 33% increase over production in 3Q 2016, and 1.5 times above the same period last year.
- Total 2016 production was 35.1 thousand railcars (+30% compared to the same period last year)

Railcar production in Russia per year



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