

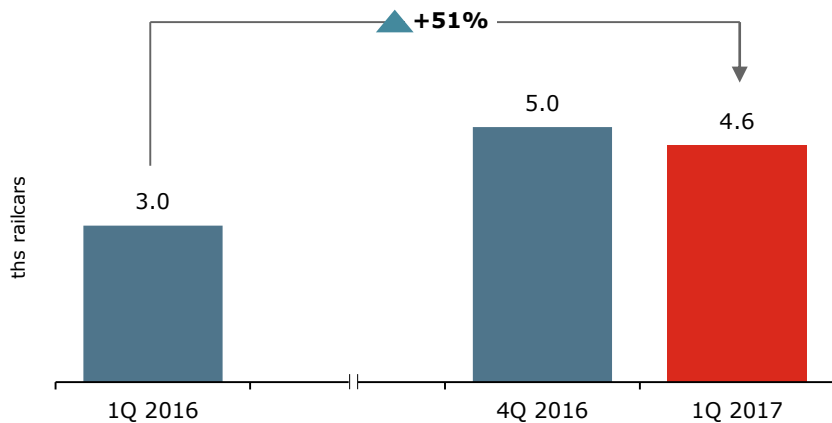
# Research and production corporation “United Wagon Company”

## Operational Results for 1Q 2017

18 April 2017

# **UWC Operational Results**

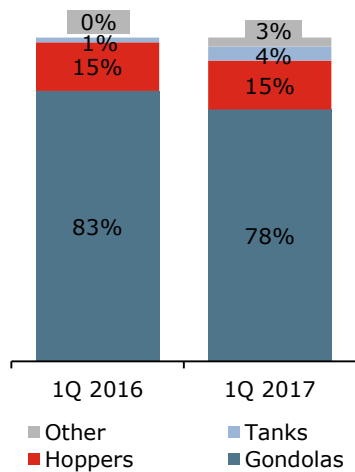
## Railcar production<sup>1,2</sup>



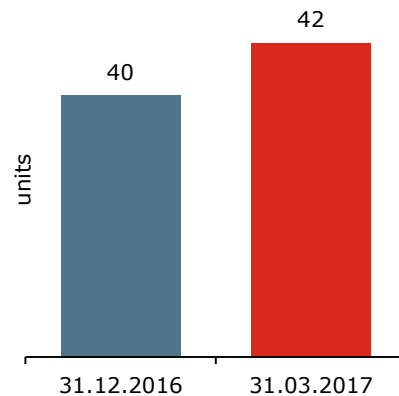
■ In 1Q 2017, the Company produced 4.6 thousand railcars, an increase of 51% compared to 1Q 2016. The production was increased to meet a larger external demand for UWC's railcars. However, compared to 4Q 2016, the production decreased due to a smaller number of business days in 1Q

■ UWC diversified further its product line in the reporting period. The share of tank cars in the production pattern was raised to 4% as the production capacity increased and "TikhvinChemMash" received more orders. Other railcars were well cars and timber flat cars. The share of this rolling stock to 3% propped up by growing production of flat cars by "TikhvinSpetsMash"

## Production breakdown<sup>2</sup>



## Certified railcar models and modifications



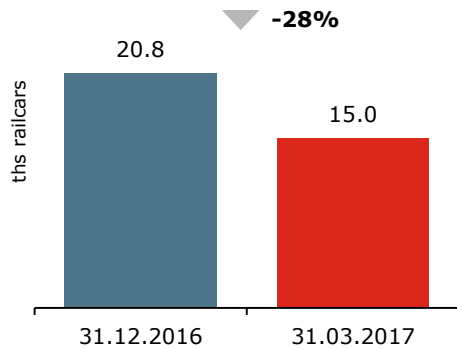
■ In the reporting period, the following 2 railcar models with 25 tf axle load were successfully certified:

- 80-Ft Container Flat Car
- Box car with 175 m<sup>3</sup> body volume

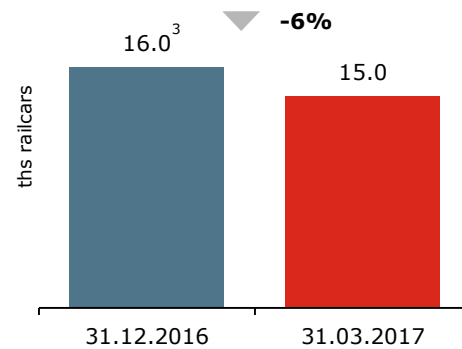
■ The total number of certified models reached 42

## 70% railcars sold to third parties in 1Q 2017<sup>1</sup>

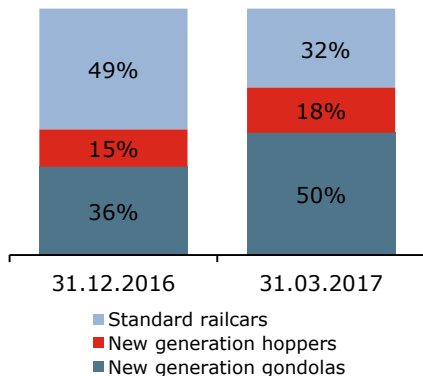
### Owned fleet<sup>1,2</sup>



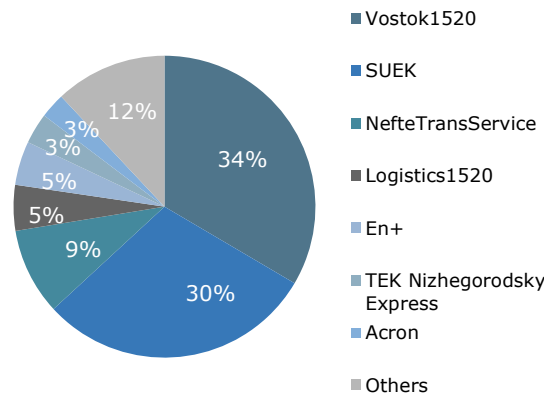
### Owned fleet excluding railcars for sale



### Owned fleet structure



### Owned fleet structure by client



- As at the end of 1Q, the size of UWC's own fleet reduced due to the sale of
  - 6.8 thousand railcars to GTLK
  - 3 thousand standard railcars to FGK
- UWC had been accumulating in its fleet 6.8 thousand railcars intended for sale to GTLK from the end of 2016 to 1Q 2017. Except for the sale of these railcars, there have been almost no changes to UWC's own fleet since the end of 2016.
- The sale of 3 thousand standard railcars was performed within the strategy of UWC's leasing companies. UWC's fleet still possesses 4.8 thousand standard railcars to be gradually sold
- In the reporting period, 30% of railcars were sold to the holding's leasing subsidiary to substitute the sold standard railcars with innovative rolling stock.

### Other key events

- KuibyshevAzot and UWC entered into a contract for the supply of 100 ammonia tank cars to KuibyshevAzot
- «TikhvinChemMash» has won a tender by UGMK for the supply 24 sulfuric acid tank cars
- A number of contracts have been signed for the supply of formaldehyde and methanol tank cars to Metafrax

#### Notes:

- The following companies included: RAIL1520, RAIL1520 SERVICE, RAIL1520 LEASING, MRC1520 and TH "UWC"
- For more details of the fleet pattern and dynamics see Slide 5
- Excluding 4.8 thousand of the railcars purchased by TH "UWC" LLC in 2016 sold under the existed contracts in 1Q 2017

# Production and owned fleet dynamics and structure

Railcar production, units	2015					2016					2017
	1Q	2Q	3Q	4Q	FY	1Q	2Q	3Q	4Q	FY	1Q
Gondolas	2,584	3,149	2,420	3,487	11,640	2,545	3,308	3,269	3,881	13,003	3,588
Hoppers	-	46	100	343	489	459	374	652	808	2,293	699
Tanks	-	-	-	12	12	43	69	189	159	460	199
Other*	53	65	86	28	232	2	3	8	117	130	129
<b>TOTAL</b>	<b>2,637</b>	<b>3,260</b>	<b>2,606</b>	<b>3,870</b>	<b>12,373</b>	<b>3,049</b>	<b>3,754</b>	<b>4,118</b>	<b>4,965</b>	<b>15,886</b>	<b>4,615</b>

\* Container and timber flat cars

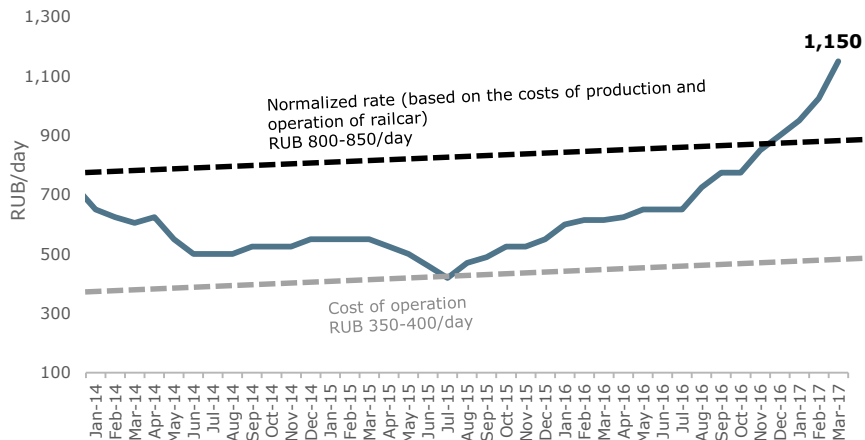
Owned fleet, units (At the period end)	2015				2016				2017
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
New generation railcars	8,304	9,014	8,016	8,016	10,020	10,155	10,150	13,008	10,247
Gondolas	5,870	6,580	5,582	5,582	7,586	7,721	7,716	10,574	7,471
Hoppers	2,428	2,428	2,428	2,428	2,428	2,428	2,428	2,428	2,769
Other*	6	6	6	6	6	6	6	6	7
Standard railcars	9,077	8,367	8,367	7,962	7,962	7,827	7,825	7,806	4,773
Gondolas	5,864	5,154	5,154	5,149	5,149	5,014	5,012	4,993	1,957
Hoppers	400	400	400	-	-	-	-	-	-
Tanks	2,270	2,270	2,270	2,270	2,270	2,270	2,270	2,270	2,273
Other*	543	543	543	543	543	543	543	543	543
<b>ИТОГО</b>	<b>17,381</b>	<b>17,381</b>	<b>16,383</b>	<b>15,978</b>	<b>17,982</b>	<b>17,982</b>	<b>17,975</b>	<b>20,814</b>	<b>15,020</b>

\* Container flat cars, timber flat cars, box cars and tank cars

# Freight Car Market Review

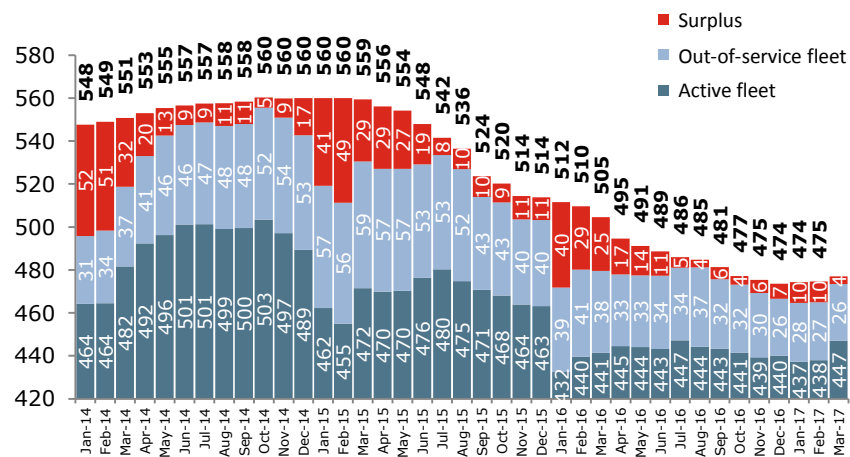
# As the fleet was balanced, lease rate continued growing

## Average lease rate for gondolas



\* Average lease rate for a standard gondola equipped with 18-100 bogie

## Railcar fleet balance, thousand units



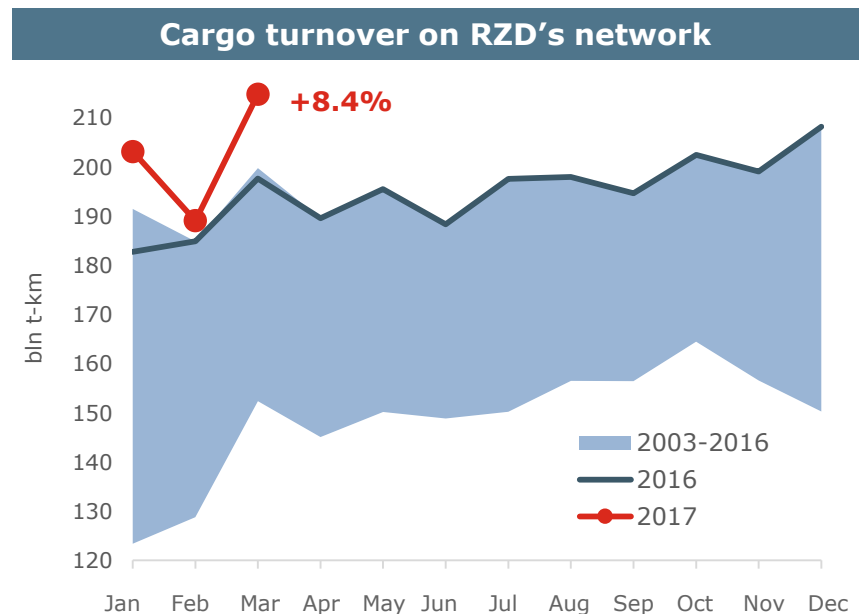
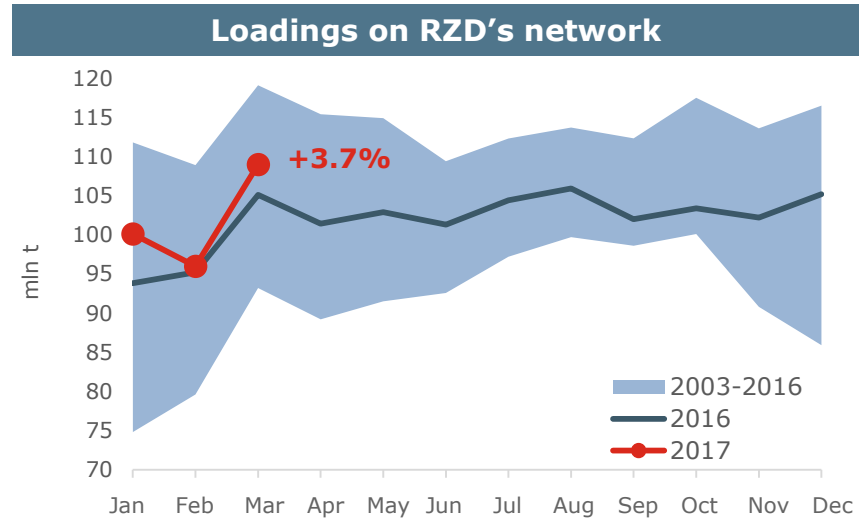
Source: The Industrial Cargoes; The Institute of Natural Monopolies Research

- 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 raised the lease rate to 1,200 RUB/day in 1Q 2017.
- The size of fleet out of order reduced to 80 thousand units, the norm being 70 thousand units
- Gondola surplus decreased to 4 thousand railcars (less than 1% of the fleet)
- The market expects the lease rates for gondolas grow by an average of 10 to 15% by June

# In 1Q 2017, loadings grew 3.8% YoY

- In 1Q 2017, loadings totalled 305.1 million t (+3.8% against the same period last year)
- There were increases in the total shipments of coal (+9.3%), iron ore (+0.2%), fertilizers (+5.1%), timber (+3.9%), ferrous scrap (+21.6%), coking coal (+3.9%), ferrous metals (+0.4%), and grains (+0.6%)
- There were, however, falls in the shipments of oil (-0.2%), construction freight (-3.2%), cement (-2.3%), and non-ferrous ores (-1.3%)
- Since the start of 2017, the total cargo turnover totalled 607.6 billion t-km (+7.3% to 1Q 2016)

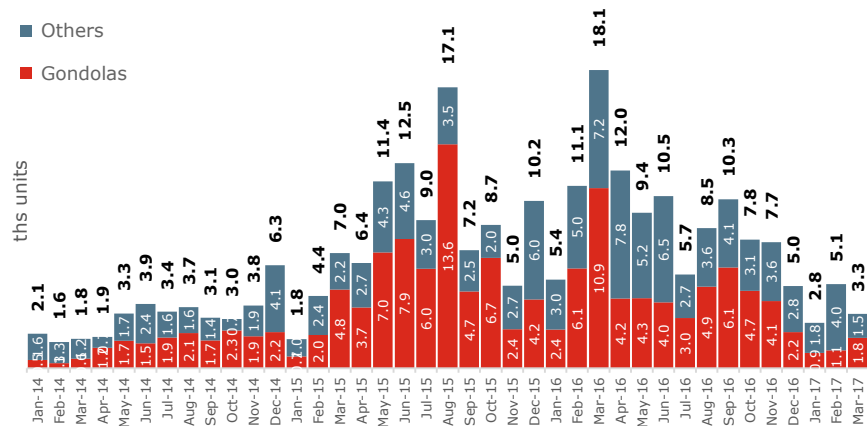
	1Q Fact	YOY
Black coal	91.1	9.3%
Oil and oil products	61.2	-0.2%
Construction freight	27.9	-3.2%
Iron and manganese ores	26.6	0.2%
Ferrous metals	17.8	0.4%
Timber	10.8	3.9%
Fertilizers	14.3	5.1%
Cement	4.6	-2.3%
Non-ferrous ore	5.0	-1.3%
Ferrous scrap	2.8	21.6%
Grains and milled products	5.0	0.6%
Coking coal	2.8	3.9%
<b>Total loadings</b>	<b>305.1</b>	<b>3.8%</b>





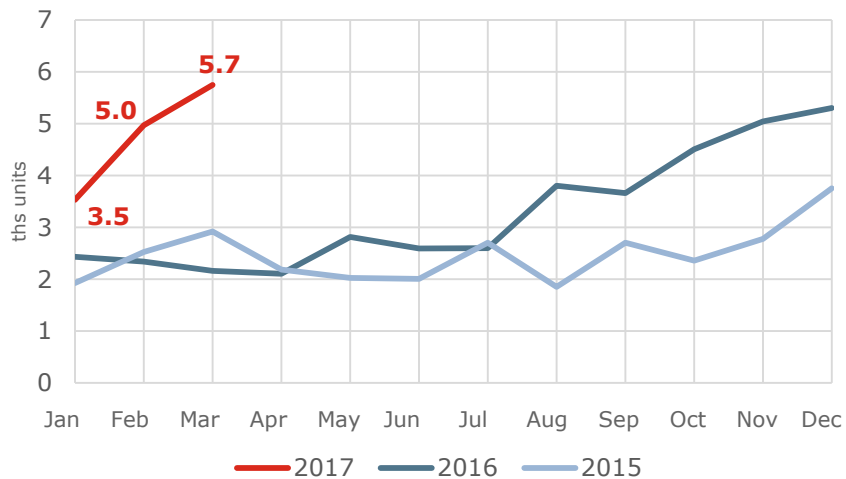
# Railcar production outpaces write-offs as the cargo base is growing

## Railcar write-offs in Russia per month



- In March 2017, **3.3 thousand railcars** (whereof 1.8 thousand were gondolas) were written off
- At the beginning of April 2017, the out-of-service fleet stands at a low of **79.4 thousand units**
- A total of **11.2 thousand units** have been written off since the start of 2017

## Railcar production in the CIS per month



- Over 1Q 2017, the CIS manufacturers sold a total of **14.2 thousand units**, a more than two-fold increase compared to 1Q 2016
- The growing demand for gondolas is mainly spurred by the increasing cargo base, rather than by railcar write-offs

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