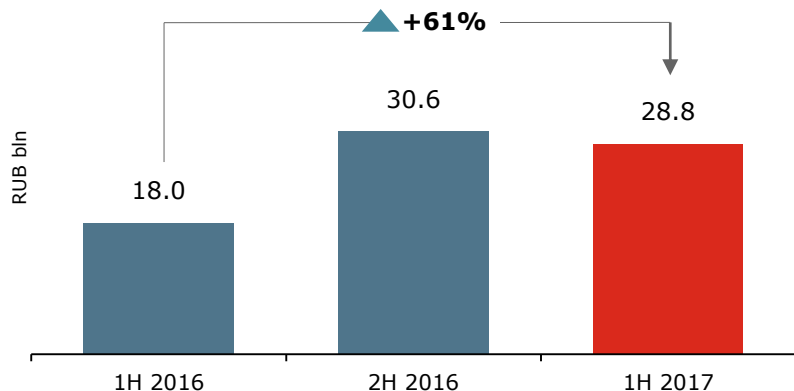


# Research and production corporation «United Wagon Company»

Financial Results for 1H 2017

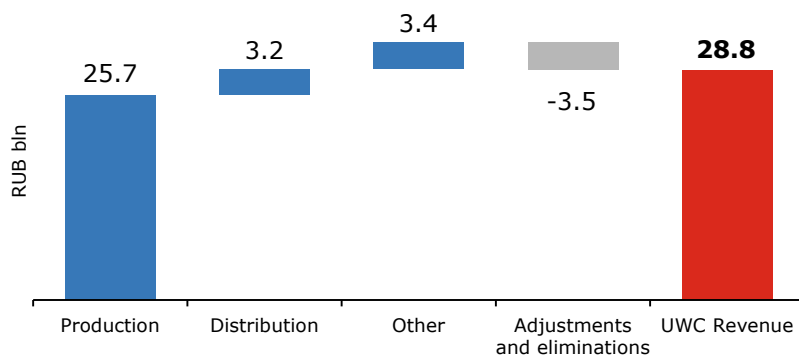
29 August 2017

## Revenue

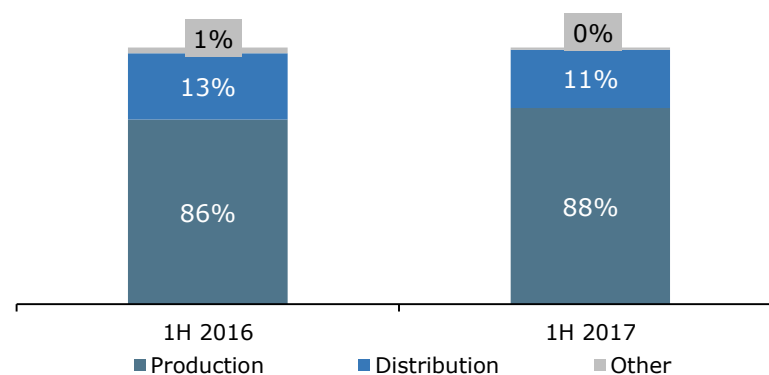


- The revenue growth in 1H 2017 versus 1H 2016 was due to the following factors:
  - Production and sales volumes increased
  - Prices for railcars and lease rates went up
  - 5.2 thousand railcars were sold from the company's fleet. The revenue received from the transaction was RUB 8.6 bln (shown in adjustments and eliminations)
- A decrease in the revenue compared to 2H 2016 was brought upon by the following factors:
  - The size of fleet intended for lease reduced as a result of sales of innovative railcars under the contract with GTLK and standard railcars
  - In the reporting period, 1.8 thousand railcars produced by TVSZ were sold to the company's own leasing subsidiary in order to substitute the standard railcars sold from the fleet earlier. The revenue from intra-group sales of railcars is not included in the consolidated results

## Consolidated revenue reconciliation



## Revenue structure by segment

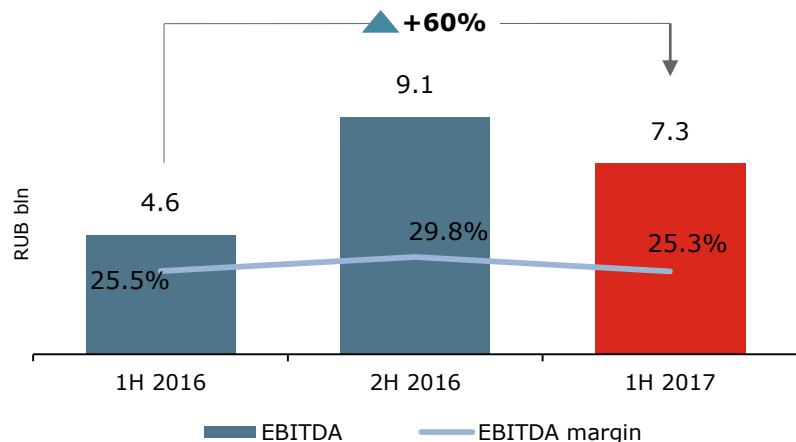


Source: Company's IFRS Statements

\* Production Segment - sales of railcars and castings; Distribution Segment - operational lease; Other - service maintenance, etc.

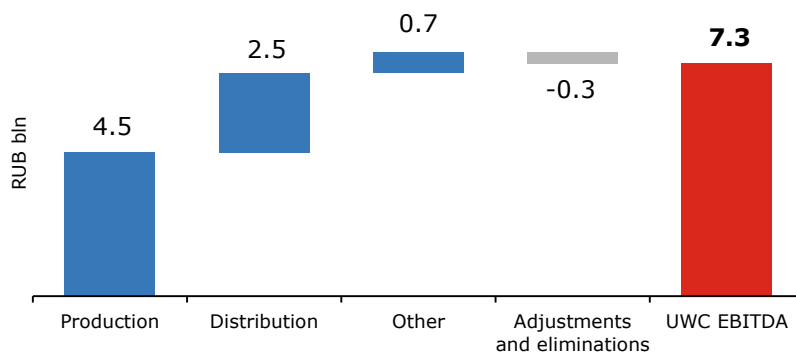
**Notes:** (1) 2H 2016 revenue does not include the performance of "Vostok1520" LLC sold in November 2016

## EBITDA



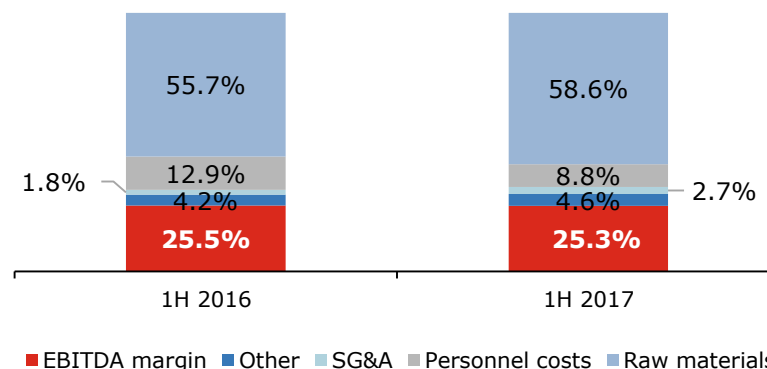
- The year-over-year EBITDA growth was due to increases in the revenue from the sales and lease of railcars. Besides, EBITDA resulting from the sale of 5.2 thousand standard railcars from the company's fleet was RUB 1.1 bln (shown in adjustments and eliminations)
- The decrease in the rate versus 2H 2016 was a result of smaller subsidy allocations. In the reporting period, the Company recognized RUB 1.1 bln, while in 2H 2016 the amount was RUB 3.2 bln. The larger part of subsidies allocated in the reporting period were spent on the railcars acquired into the own fleet. These subsidies were recognized in the property, plant and equipment, thus having no effect on EBITDA

## Consolidated EBITDA reconciliation



## Factor analysis of EBITDA margin

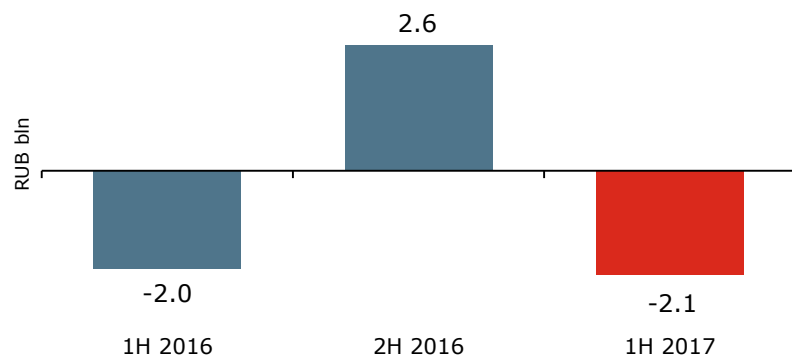
% of revenue



Source: Company's IFRS Statements

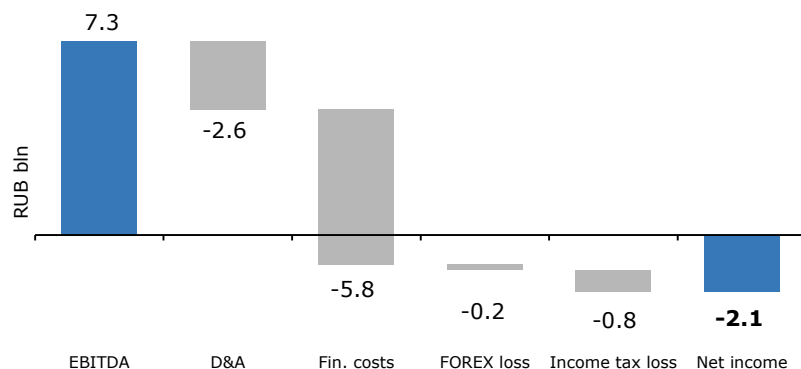
Notes: (1) H1 2016 EBITDA does not include the performance of "Vostok1520" LLC sold in November 2016

## Net profit/loss<sup>1</sup>



- ▀ In the reporting period UWC incurred a loss of profit compared with the profit of 2H 2016 caused by the following key factors:
  - ▀ Smaller subsidies were allocated
  - ▀ Vostok1520's performance, which was sold in late 2016, was excluded from the consolidated results. In 2016 the company's results were included in net profit as profit from discontinued operations
- ▀ The major contribution to the Company's final financial results was made by interest expenses on borrowings and bonds and non-monetary amortization expenses

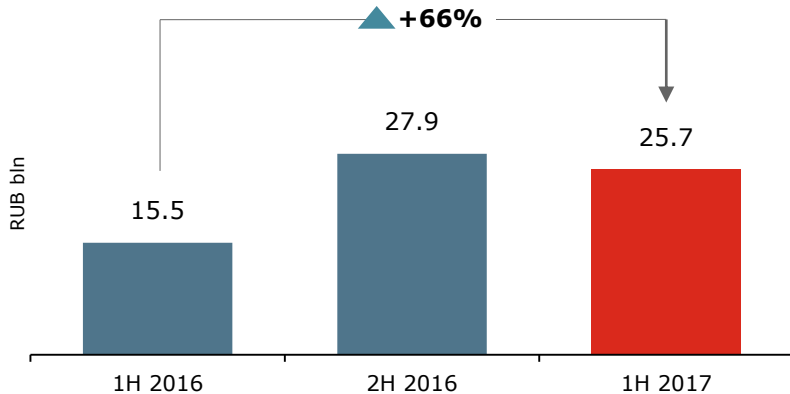
## Net loss reconciliation



Source: Company's IFRS Statements

**Notes:** (1) Including the profit from discontinued operations

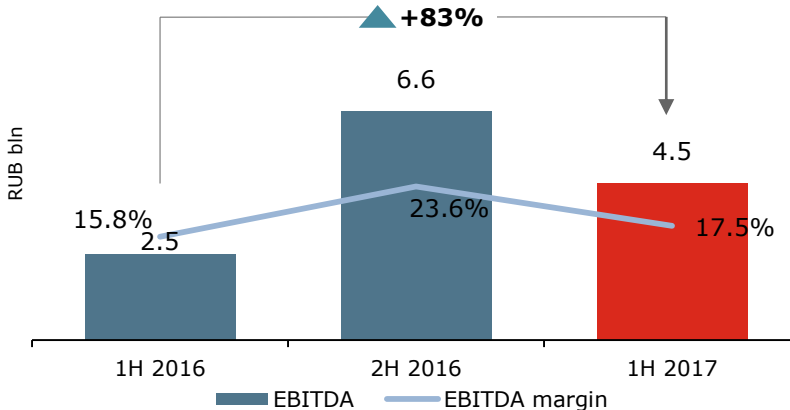
## Revenue



■ The revenue growth in the Production Segment versus 1H 2016 was due to the following factors:

- Railcar production and sales volumes increased
- Selling prices grew

## EBITDA

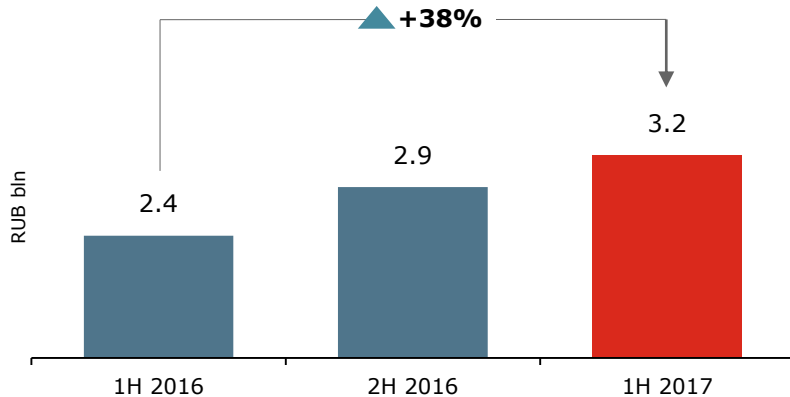


■ Both EBITDA and marginality grew due to:

- Increasing production capacity of UWC's facilities and its higher utilization
- Implementation of cost reduction policies

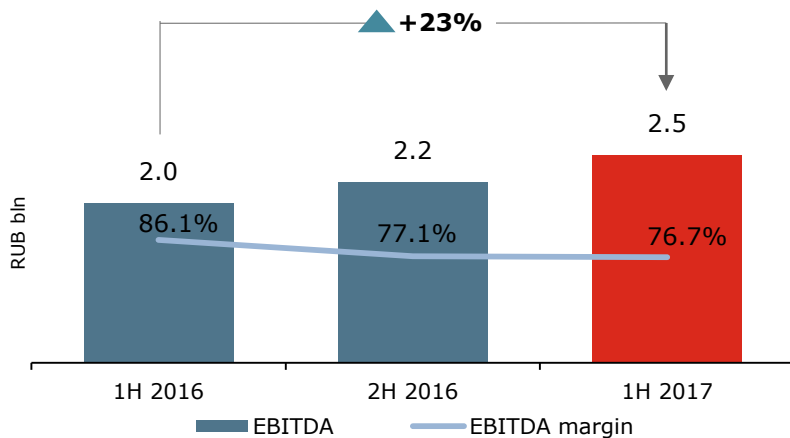
■ The dynamics was negative compared to the previous six months as the company received subsidies in 2H 2016 for its newly produced railcars and railcars acquired for «TH «UWC» LLC for a subsequent sale. As the allocation of subsidies to manufacturers ceased, no subsidies were disbursed to them in 2017. Subsidies disbursed to buyers were smaller

## Revenue



- Revenue in the operating lease Distribution Segment grew due to:
  - Increasing average size of UWC's own fleet
  - Growing lease rates

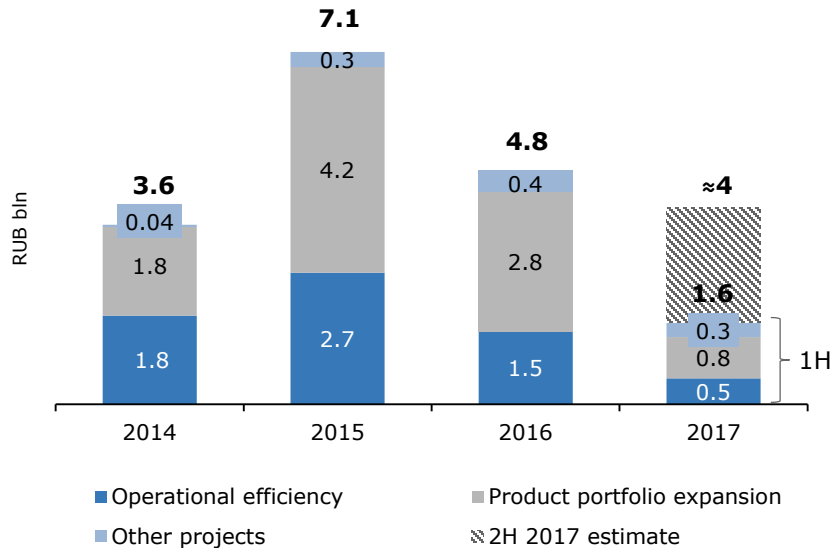
## EBITDA



- EBITDA growth was spurred by rising lease rates and widening gap between the cost of operation and profitability of railcars
- The margin was lower due to a single-time non-monetary income from the recovery of RUB 193 mln from a doubtful debt provision in 1H 2016

# UWC's Capital Expenditures<sup>1</sup>

## Structure and dynamics of capital expenditures <sup>2,3</sup>



Source: Company's Management Statements

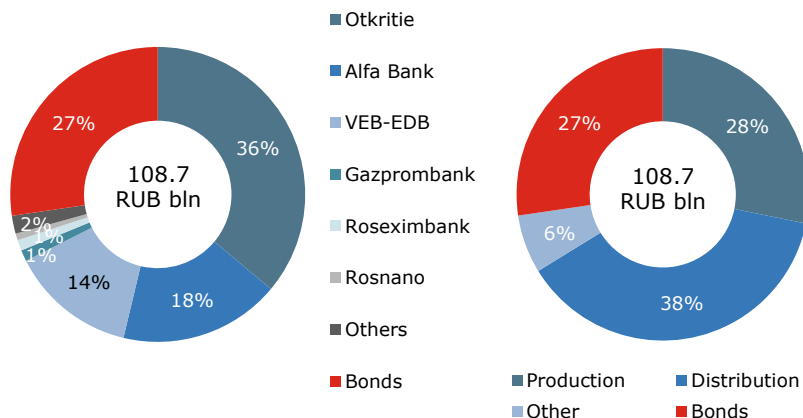
- In 2017, most projects aiming to diversify product lines and boost operation efficiency will be completed, and from the start of 2018 the larger part of investments will constitute supporting investments
- Foreign currency costs represent some 40% and relate mostly to the acquisition of fixed assets abroad. The remaining 60% represent construction and installation works denominated in rubles

**Notes:** (1) Excluding investments in acquisition of railcars in the Distribution segment; (2) The total investment expenditure is shown excluding VAT; (3) Excluding asset acquisition

## Debt portfolio structure

By lender

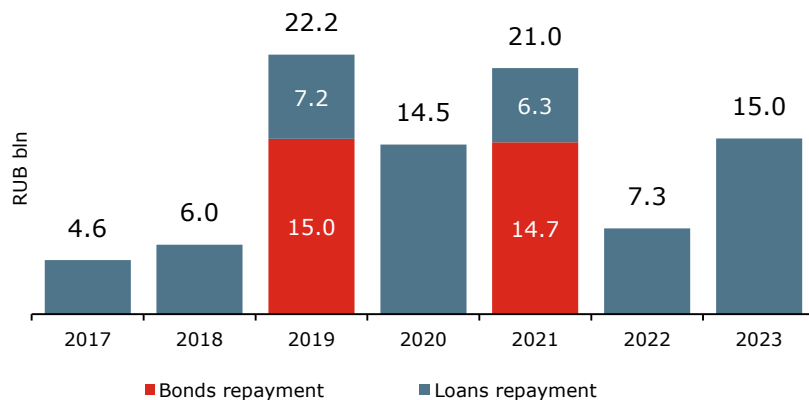
By segments



## Steps to optimize debt load

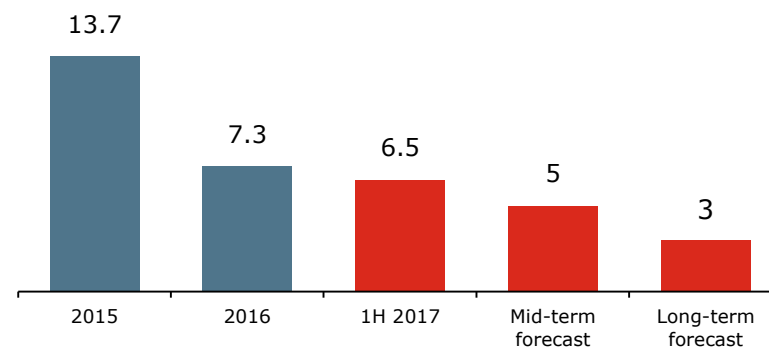
- In 1H 2016, upon the resolution passed by bond holders, the maturity of "UWC Finance" LLC's 01 Series bonds for a total amount of RUB 15 bln was shifted forward from 2016 to 2021
- In October 2016, Alfa-Bank disbursed UWC a loan used to repay its RUB 19.2 mln debt to Sebrbank and Otkritie Bank. The new loan has a better repayment schedule: most payments are due in 2022 and 2023
- While the company continues to work closely with its current lenders, it also develops cooperation with other large Russian and international banks

## Debt repayment schedule<sup>1</sup>



## Debt load decrease

Net debt/EBITDA\*, x



\* EBITDA for the last 12 months

Source: Company's Management Statements

**Note:** (1) Excluding working capital loans



## ■ Attachment

### ■ Financial Statements

# UWC's Profit and Loss Statement

10

RUB thousand	1H 2016	1H 2017
<b>Revenue</b>	<b>17,953,510</b>	<b>28,834,468</b>
Cost of production incl.	(15,461,586)	(23,219,582)
Raw materials used in production	(9,991,968)	(9,373,568)
Cost of production of railcars sold under the old fleet substitution policies	-	(7,519,085)
D&A	(2,278,980)	(2,561,572)
Payroll and social costs	(2,072,831)	(2,195,863)
Property tax	(328,042)	(107,778)
Railcar repairs and service maintenance	(112,765)	(78,628)
Other	(677,000)	(1,383,088)
<b>Gross profit</b>	<b>2,491,924</b>	<b>5,614,886</b>
Selling, general and administrative expenses	(581,926)	(1,133,363)
Share in profit/(loss) of associates and joint ventures	89,772	176,164
Other operating income	132,848	68,471
<b>Operating profit</b>	<b>2,132,618</b>	<b>4,726,158</b>
Finance income	445,653	1,256,464
Finance expenses	(5,447,954)	(7,086,141)
Foreign exchange (loss)/gain, net	610,544	(208,300)
<b>Profit/loss before tax</b>	<b>(2,259,139)</b>	<b>(1,311,819)</b>
Income tax	(266,520)	(818,959)
<b>Net profit/loss</b>	<b>(2,525,659)</b>	<b>(2,130,778)</b>
Profit from discontinued operations	531,057	-
<b>LOSS FOR THE PERIOD</b>	<b>(1,994 602)</b>	<b>(2,130,778)</b>

# UWC's Balance Sheet 1/2

RUB thousand	1H 2016	1H 2017
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, plant and equipment	83,629,661	82,754,284
Advances for acquisition of property, plant and equipment	894,609	488,340
Intangible assets	5,853,020	6,159,302
Goodwill	8,041,720	8,041,720
Deferred tax assets	3,687,885	3,269,143
Investments in associates and joint ventures	1,288,403	2 754 968
Loans granted	10,877,227	11,933,639
Finance lease receivables	223,775	212,554
Cash limited in use	1,923 482	4,862
Other non-current assets	202,668	178,411
<b>Total non-current assets</b>	<b>116,622,450</b>	<b>115,797,223</b>
<b>Current Assets</b>		
Inventories	10,959,629	13,411,597
Trade and other receivables	1,701,611	4,303,832
finance lease receivables	19,888	21,407
Refundable VAT	4,244,976	6,175,503
Advances to suppliers and other assets	3,892,981	4,463,629
Loans granted	2,999,867	243,649
Short-term bank deposits	5,000,000	5,020,959
Cash and cash equivalents	2,647,752	2,741,615
<b>Total current assets</b>	<b>31,466,704</b>	<b>36,382,191</b>
<b>TOTAL ASSETS</b>	<b>148,089,154</b>	<b>152,179,414</b>

RUB thousand	1H 2016	1H 2017
<b>EQUITY AND LIABILITIES</b>		
Share capital issued	113,424	115,997
Additional paid-in capital	21,168,572	22,984,777
Provision for revaluation of property, plant and equipment	9,192,862	9,192,862
Accumulated loss	(14,076,340)	(16,207,118)
<b>Total equity and reserves</b>	<b>16,398,518</b>	<b>16,086,518</b>
<b>Non-Current Liabilities</b>		
Long-term loans and borrowings	59,488,881	70,203,089
Bonds	29,869,430	29,699,430
Non-current finance lease liabilities	6,001	152,986
Deferred tax liabilities	2,422,937	1,646,058
Payables for acquisition of subsidiaries	4,104,000	-
<b>Total non-current liabilities</b>	<b>95,891,249</b>	<b>101,701,563</b>
<b>Current Liabilities</b>		
Short-term borrowings	12,609,341	8,918,978
Bonds	767,562	726,752
Trade and other payables	8,879,221	8,821,605
Advances received and other current liabilities	13,536,204	15,889,712
Current finance lease liabilities	7,059	34,286
<b>Total current liabilities</b>	<b>35,799,387</b>	<b>34,391,333</b>
<b>TOTAL LIABILITIES</b>	<b>131,690,636</b>	<b>136,092,896</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>148,089,154</b>	<b>152,179,414</b>

# UWC's Statement of Cash Flows

13

RUB thousand	1H 2016	1H 2017
<b>Operating activities</b>		
Profit/(loss) for the year	(1,994,602)	(2,130,778)
Income tax expenses	351,511	818,959
Amortization	2,298,887	2,578,871
Net financial expenses/(income)	5,000,000	5,829,677
Other	(895,977)	(1,178,319)
Changes in working capital	1,550,797	(3,358,011)
<b>Cash from operating activities</b>	<b>6,310,616</b>	<b>2,768,699</b>
Income tax paid	(254,222)	(1,868,142)
Financial expenses paid	(5,007,285)	(7,336,509)
Net cash from sales of railcars	-	184,988
<b>Net cash flow from operating activities</b>	<b>1,049,109</b>	<b>(6,250,964)</b>
<b>Investing activities</b>		
Acquisition of property, plant and equipment and intangible assets, net	(3,885,167)	(1,880,589)
Loans granted	(1,093,983)	(3,745,920)
Placement of short-term deposits	(10,000,000)	(5,000,000)
Proceeds from redemption of short-term deposits	-	5,000,000
Proceeds from repayment of loans granted	4,991,293	5,989,487
Interest received	531,363	657,851
Net cash outflow on acquisition of subsidiaries	-	(4,104,000)
Cash paid on acquisition and increase of investments in associates	(365,571)	(1,290,337)
<b>Net cash flow from investing activities</b>	<b>(9,822,065)</b>	<b>(4,373,508)</b>
<b>Financing activities</b>		
Shareholders' capital contribution, net	5,028,053	1,818,778
Proceeds from loans and borrowings	2,813,043	15,771,271
Repayment of loans and borrowings	(2,081,892)	(8,780,077)
Purchase/(sale) of own bonds	1,683,800	(172,500)
Other	(660)	2,106,185
<b>Net cash flow from financing activities</b>	<b>7,442,344</b>	<b>10,743,657</b>
<b>Total cash flow</b>	<b>(1,330,612)</b>	<b>119,185</b>

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