

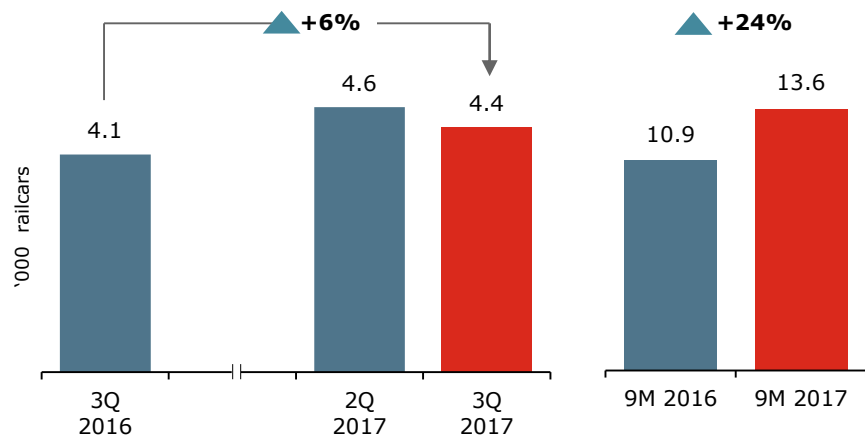
Research and production corporation “United Wagon Company”

Operational Results for 3Q 2017

26 October 2017

UWC Operational Results

Railcar production^{1,2}



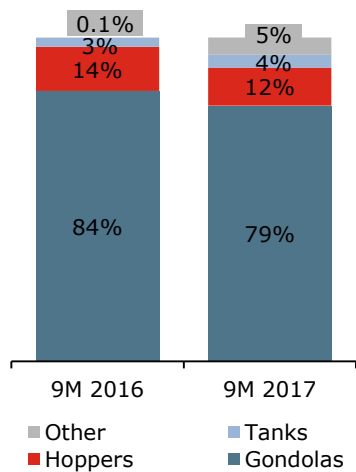
In 3Q 2017, the Company manufactured 4.4 thousand railcars, a 6% increase compared to 3Q 2016. Over the 9 months of 2017, the production grew 24% to reach 13.6 thousand railcars. The positive dynamics was due to a steadily growing demand for UWC’s railcars propped up by growing cargo base and their advantages over the rolling stock produced by other manufacturers

UWC diversified further its product line in the reporting period. The shares of tank cars and other types of rolling stock grew due to larger outputs of TikhvinChemMash and TikhvinSpetsMash

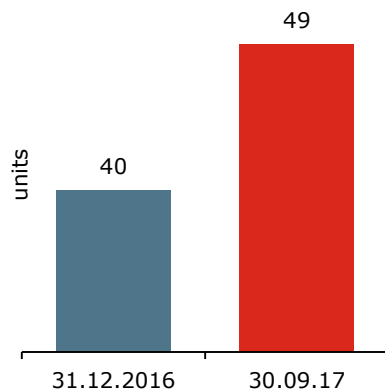
In 3Q, the following 4 railcar models were successfully certified:

- Ethanol tank car with a tank volume of 88 m³
- Container flat car available to carry tank containers with dangerous freight
- Grain hopper car with an aluminium alloy roof and a body volume of 120 m³
- 60-ft timber flat car

Production pattern²



Certified models and modifications

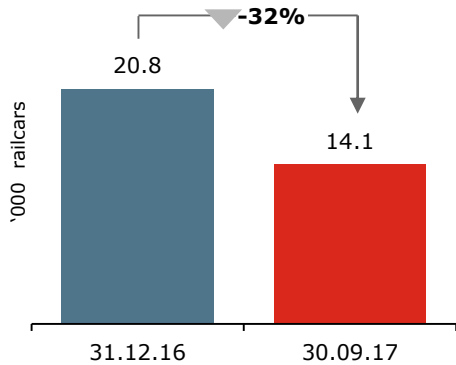


Other key events over the quarter

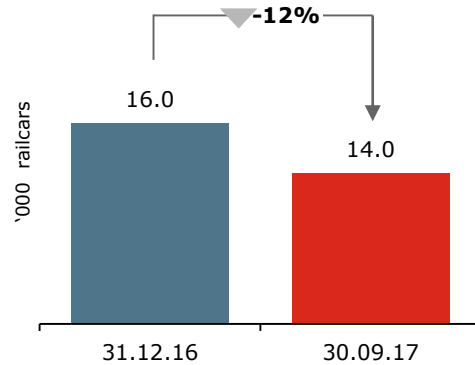
Tikhvin Freight Car Building Plant started to deliver its heavy railcar castings (Barber S-2-HD® bolsters and side frames) to Wabtec Corporation for them to be installed in American freight cars. TVSZ’s products have been approved for sale in the North American market by the country’s largest first-class railways. The projected supply volume is up to 5 thousand car sets of heavy castings per year. Prior to being released into the North American market, TVSZ’s car sets passed AAR certification

70% railcars sold to third parties over 9M 2017¹

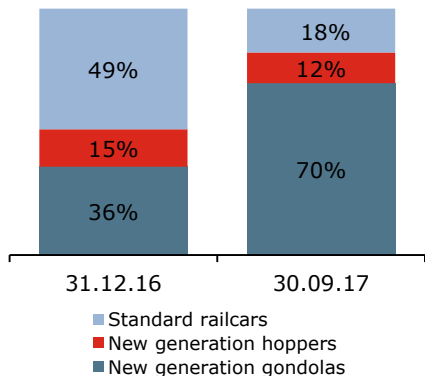
UWC's own fleet at the end of the period^{1,2}



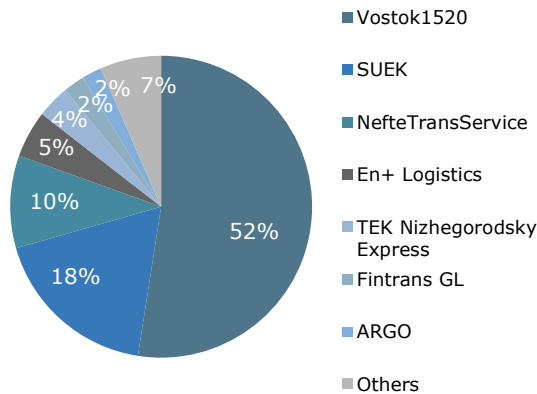
UWC's own fleet excluding the railcars for sale



Structure of own fleet



Structure of own fleet by client



- 70% of the new railcars sold over the 9 months were acquired by third parties. The major buyer was GTLK acquiring more than 10 thousand railcars from the start of the year (including 5.5 thousand railcars manufactured in 2017). In September, the Company started to deliver railcars to Alfa-Leasing, with a total of 1.3 thousand railcars delivered to the customer over the reporting period. The supplies will continue in the upcoming periods

Other key events over the quarter

- UNICON 1520 and URALCHEM-TRANS (a transportation subsidiary of URALCHEM) signed a contract for shipment of liquid cargoes in tank containers
- UWC initiated the delivery of a batch of 20 box cars to Kuchukterminal LLC
- UNICON 1520 and RZD Logistics, the CIS and Baltic's largest multi-modal logistics operator, entered into an agreement for collaboration in transportation and logistics
- UNICON 1520 and Avestra Group, a large supplier of Russian petrochemical products to international markets, entered into an agreement for collaboration in liquid chemicals and LPG transportation
- UWC and Kronospan, the world's leading manufacturer of wood-based panels, entered into a contract for the supply of 267 timber flat cars to be delivered prior to 2017 end

Notes:

1) Including the following companies: RAIL1520, RAIL1520 SERVICE, RAIL1520 LEASING, MRC 1520 and TH "UWC"
 2) For more details of fleet structures and dynamics, see Slide 5

Railcar production, units	2015					2016					2017			
	1Q	2Q	3Q	4Q	FY	1Q	2Q	3Q	4Q	FY	1Q	2Q	3Q	9M
Gondolas	2,584	3,149	2,420	3,487	11,640	2,545	3,308	3,269	3,881	13,003	3,588	3,914	3,219	10,721
Hoppers	-	46	100	343	489	459	374	652	808	2,293	699	214	682	1,595
Tank cars	-	-	-	12	12	43	69	189	159	460	199	241	102	542
Other*	53	65	86	28	232	2	3	8	117	130	129	211	381	722
TOTAL	2,637	3,260	2,606	3,870	12,373	3,049	3,754	4,118	4,965	15,886	4,615	4,580	4,384	13,580

* Container and timber flat cars

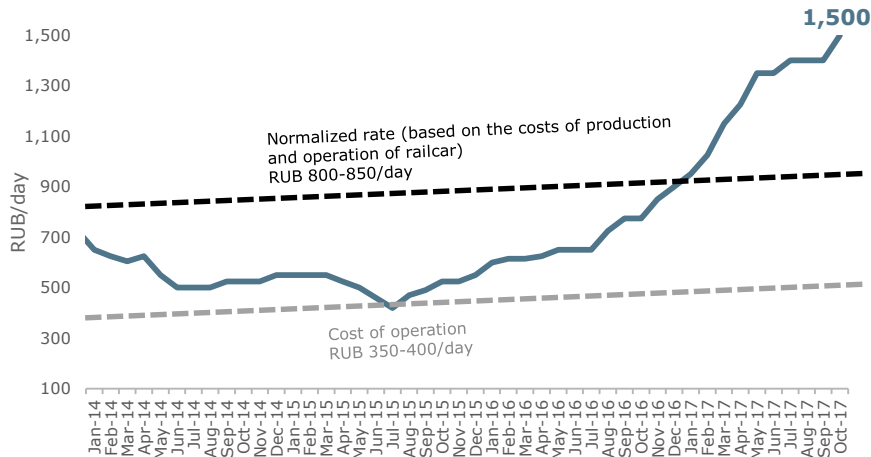
Railcar fleet, units (At the period end)	2015				2016				2017		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Innovative railcars	8,304	9,014	8,016	8,016	10,020	10,155	10,150	13,008	10,247	11,733	11,603
Gondolas	5,870	6,580	5,582	5,582	7,586	7,721	7,716	10,574	7,471	9,196	9,801
Hoppers	2,428	2,428	2,428	2,428	2,428	2,428	2,428	2,428	2,769	2,530	1,755
Other*	6	6	6	6	6	6	6	6	7	7	47
Standard railcars	9,077	8,367	8,367	7,962	7,962	7,827	7,825	7,806	4,773	2,567	2,497
Gondolas	5,864	5,154	5,154	5,149	5,149	5,014	5,012	4,993	1,957	121	51
Hoppers	400	400	400	-	-	-	-	-	-	-	-
Tank cars	2,270	2,270	2,270	2,270	2,270	2,270	2,270	2,270	2,273	1,903	543
Other*	543	543	543	543	543	543	543	543	543	543	1,903
TOTAL	17,381	17,381	16,383	15,978	17,982	17,982	17,975	20,814	15,020	14,300	14,100

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

Freight Car Market Overview

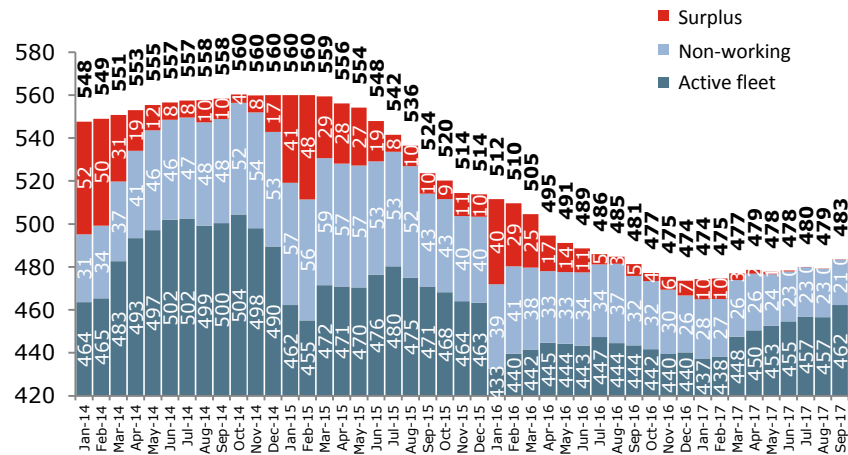
With fleet coming to balance, lease rates continued growing

Average gondola lease rate



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

Gondola fleet



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

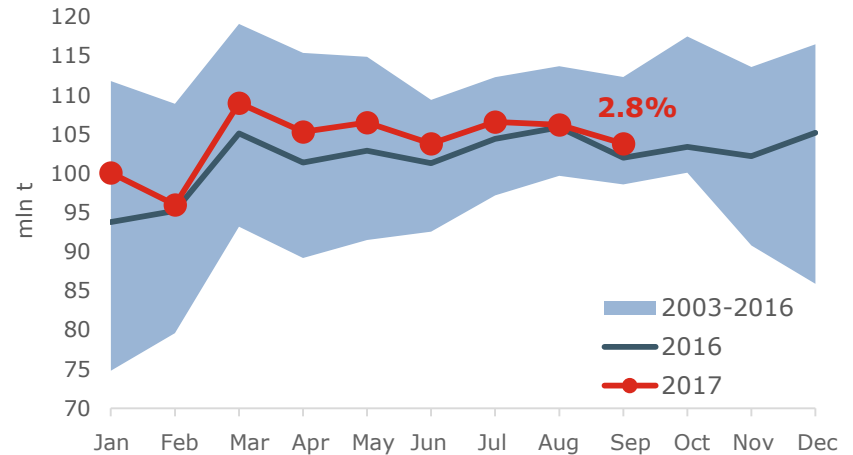
- The rolling stock market has been growing as a result of:
 - Growing cargo turnover - 1,845.9 billion tkm in 9 months (+6.6% from last year)
 - High write-off rates for railcars: a total of 45 thousand units of rolling stock written down since the start of 2017
- The fleet coming to balance raised the lease rate to 1,500 RUB/day in September 2017
- The non-working gondola fleet reduced to 21 thousand units
- No surplus in gondolas
- Market experts the lease rate for gondolas to go down to RUB 1,200/day before the year ends

Loadings grew by 2.8% over 9M 2017

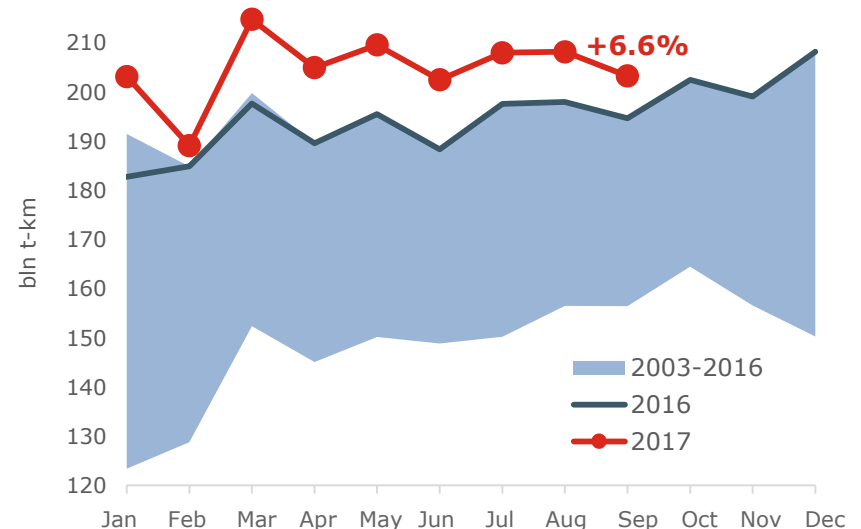
- In January - September 2017 loadings totalled 937.3 million t (+2.8% year-over-year)
- Increases were observed in loadings of coal (+9.3%), mineral fertilizers (+7.9%), timber (+3.8%), ferrous scrap (+4.1%), grains (+12.3%) and ferrous metals (+1.2%)
- Loadings of construction materials (-8.3%), cement (-0.7%), coking coal (-3.6%), non-ferrous ores (-4.9%) and ferrous ore (-0.2%) decreased
- Freight turnover over 9 months totalled 1,845.9 million t (+6.6% year-over-year)

	9M 2017	YoY
Black coal	263.0	9.3%
Oil and oil products	175.2	0.2%
Construction freight	101.9	-8.3%
Iron and manganese ores	82.4	-0.2%
Ferrous metals	53.5	1.2%
Timber	33.4	3.8%
Fertilizers	42.5	7.9%
Cement	21.2	-0.7%
Non-ferrous ores	15.3	-4.9%
Ferrous scrap	11.5	4.1%
Grains and milled products	14.6	12.3%
Coking coal	8.4	-3.6%
TOTAL	937.3	2.8%

Loadings on RZD's network

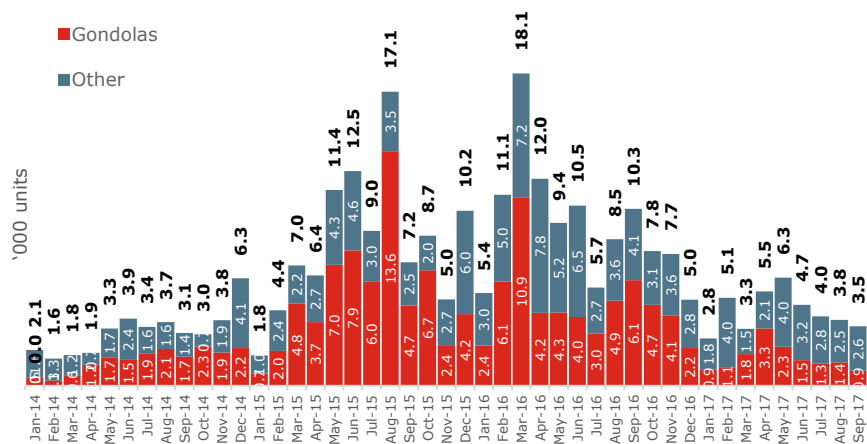


Freight turnover on RZD's network



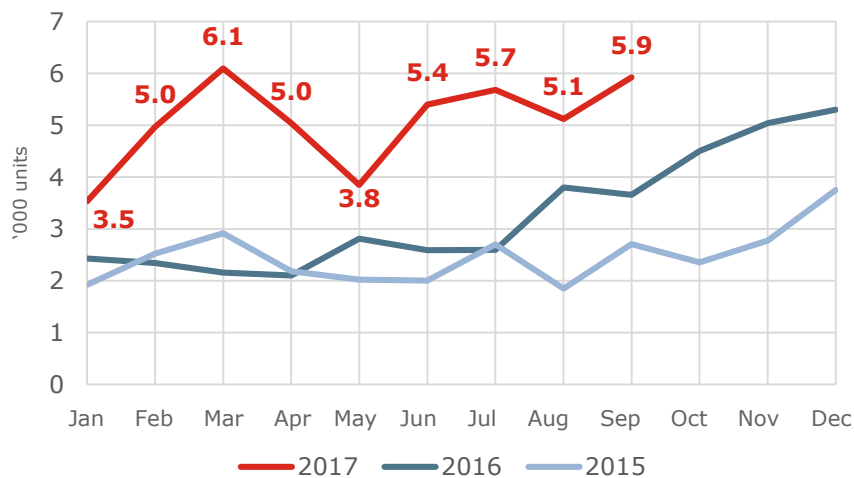
Railcar production outpaces write-offs due to growing cargo base

Railcar write-offs in Russia per month



- In September 2017, a total of **3.5 thousand railcars** (whereof 1.4 thousand were gondolas) were written off
- At the beginning of September 2017, the out-of-service fleet size stands at a low of **57.4 thousand units**
- A total of **39 thousand units** of rolling stock have been written off since the start of 2017

Railcar production in the CIS per month



- Over 9M 2017, the CIS manufacturers sold a total of **45.6 thousand units** which equates to an almost two-fold Y-o-Y increase
- The growing demand for gondolas is mainly spurred by the increasing cargo base, rather than by railcar write-offs

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