

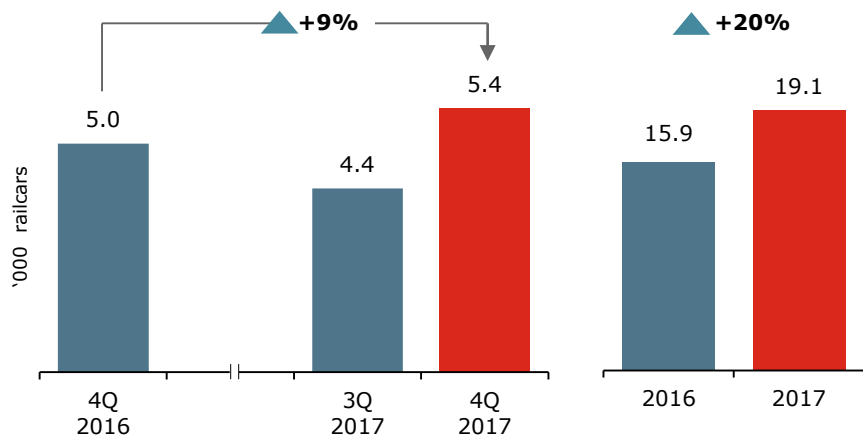
Research and production corporation “United Wagon Company”

Operational Results for 4Q and 12 Months of
2017

25 January 2018

UWC Operational Results

Railcar production¹

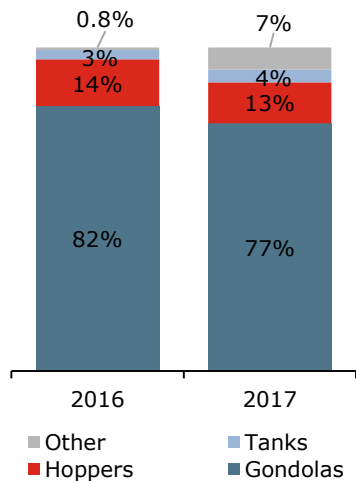


- In 4Q 2017, the Company manufactured 5.4 thousand railcars, a 9% increase compared to 4Q 2016. Over the 12 months of 2017, the production grew 20% to 19.1 thousand railcars. The Company achieved its 2017 production targets
 - The management estimates 2018 production to amount to 19-20 thousand railcars
 - UWC continued diversifying its product portfolio in 2017. The shares of tank cars and other types of rolling stock grew due to larger outputs produced by TikhvinChemMash and TikhvinSpetsMash. In 2018, the Company will further increase the share of specialized rolling stock in its production pattern: hopper cars, tank cars, flat cars, box cars, etc.
 - In 4Q, the following 2 railcar models were successfully certified:
 - Conventional flat car with a carrying capacity of 77.5 t fit to carry dangerous cargo tank containers
 - Tank car for concentrated nitric acid and other chemicals with a capacity of 75 t
- A total of 11 railcar models and modifications were certified over 2017

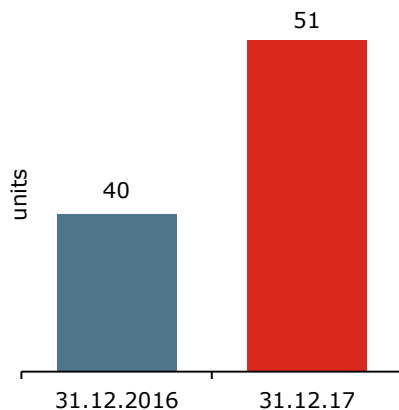
Other key events over the quarter

- TVSZ and TikhvinChemMash successfully passed the certification of compliance with International Quality Management System - Railway applications - ISO/TS 22163:2017. UWC's railcar building entities are among the first Russian transport machine builders holding such certificate

Production pattern



Certified models and modifications

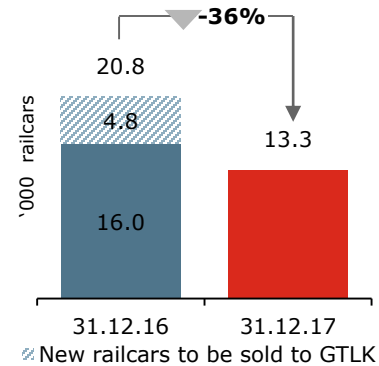


Notes: 1) Including production by TVSZ, TikhvinChemMash and TikhvinSpetsMash

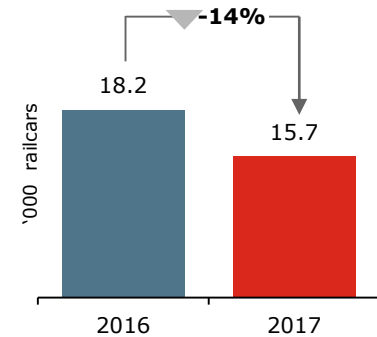
For more details on the production pattern and dynamics see Slide 5

76% railcars sold to third parties in 2017¹

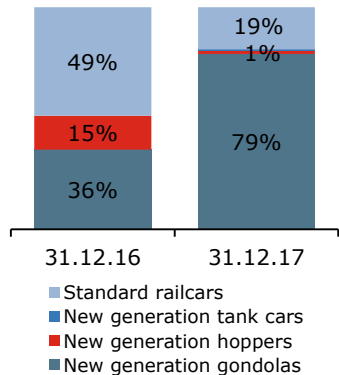
UWC's own fleet at the end of the period¹



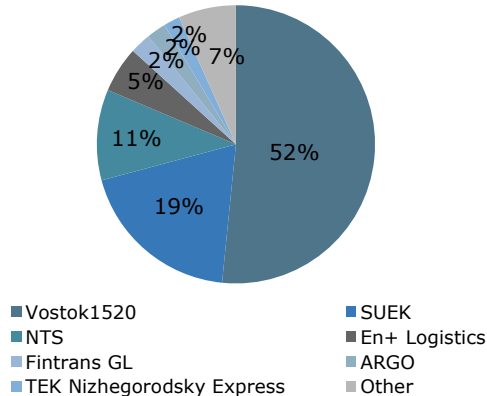
Average own fleet



Fleet structure by railcar type



Fleet structure by customer



Notes: 1) Including the following companies: RAIL1520, RAIL1520 SERVICE, RAIL1520 LEASING, MRC 1520 and TH "UWC"

- 76% of the new railcars were sold to third parties in 2017. The largest acquisition was made by GTLK: it purchased 8.2 thousand railcars produced in 2017 (more than 13 thousand railcars were delivered since 2016 totally). 1.4 thousand railcars of different types were delivered to Alfa-Leasing. The Company's third largest customer became United Grain Company acquiring 649 hopper cars manufactured in 2017 - the last batch delivered under the contract for the supply of 1,500 railcars executed in 2016. Large-size deliveries were made to Locotrans (more than 500 timber flat cars and box cars) and Rusagrotrans (500 hopper railcars)
- In 2017, to meet the growing demand, the Company sold a total of 7.8 thousand used railcars (4.9 thousand standard gondola cars to Federal Freight and 2.2 thousand hopper cars to Rusagrotrans) from its own fleet. In the reporting period, UWC acquired 4.4 thousand new railcars of its own manufacture to substitute the sold railcars
- As at the end of the reporting year, the fleet of UNICON 1520 consisted of 637 tank containers and 297 railcars including flat cars and tank cars. In 4Q, a total of 46 thousand ton of chemicals were shipped, a three-time increase compared to 3Q. Having started its activities in April 2017, the company shipped a total of 63.2 thousand ton of freight over 9 months of operation

Other key events over the quarter

- PhosAgro and Gazprombank Leasing entered into a lease contract for 500 hopper cars manufactured by UWC. The railcars are to be delivered to the lessor until the end of January 2018
- Over 1Q 2018, UWC will deliver over 200 timber flat cars to 5 industrial and transport companies (DV Real Trans Group, ARKHBUM Sibirsky Krai, Mondy and VIK)
- UNICON 1520 entered into a three-year partnership with Kuibyshevazot under which it shall carry 600 thousand ton of oleum for the latter company

UWC Production and Fleet: Dynamics and Patterns

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Railcar production, units	2015					2016					2017				
	1Q	2Q	3Q	4Q	FY	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	3,588	3,914	3,219	3,867	14,588
Hopper cars	-	46	100	343	489	459	374	652	808	2,293	699	214	682	822	2,417
Tank cars	-	-	-	12	12	43	69	189	159	460	199	241	102	205	747
Other railcars*	53	65	86	28	232	2	3	8	117	130	179	212	381	532	1,304
TOTAL	2,637	3,260	2,606	3,870	12,373	3,049	3,754	4,118	4,965	15,886	4,665	4,581	4,384	5,426	19,056

*Container flat cars and timber flat cars

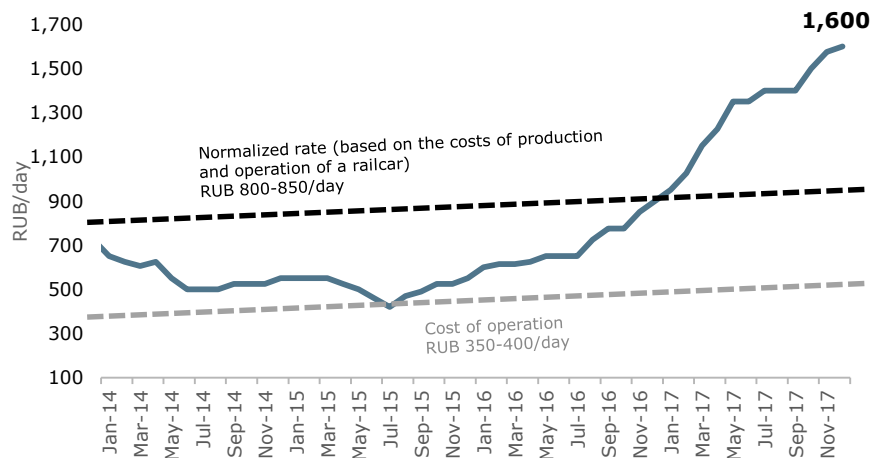
Railcar fleet, units (at the period end)	2015				2016				2017			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Innovative railcars	8,304	9,014	8,016	8,016	10,020	10,155	10,150	13,008	10,247	11,733	11,603	10,770
Gondola cars	5,870	6,580	5,582	5,582	7,586	7,721	7,716	10,574	7,471	9,196	9,801	10,481
Hopper cars	2,428	2,428	2,428	2,428	2,428	2,428	2,428	2,428	2,769	2,530	1,755	192
Tank cars									1	1	39	79
Other railcars*	6	6	6	6	6	6	6	6	6	6	8	18
Standard railcars	9,077	8,367	8,367	7,962	7,962	7,827	7,825	7,806	4,773	2,567	2,497	2,497
Gondola cars	5,864	5,154	5,154	5,149	5,149	5,014	5,012	4,993	1,957	121	51	51
Hopper cars	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	1,903	1,903
Other railcars*	543	543	543	543	543	543	543	543	543	543	543	543
TOTAL	17,381	17,381	16,383	15,978	17,982	17,982	17,975	20,814	15,020	14,300	14,100	13,267

*Container and conventional flat cars, box cars

Freight Car Market Overview

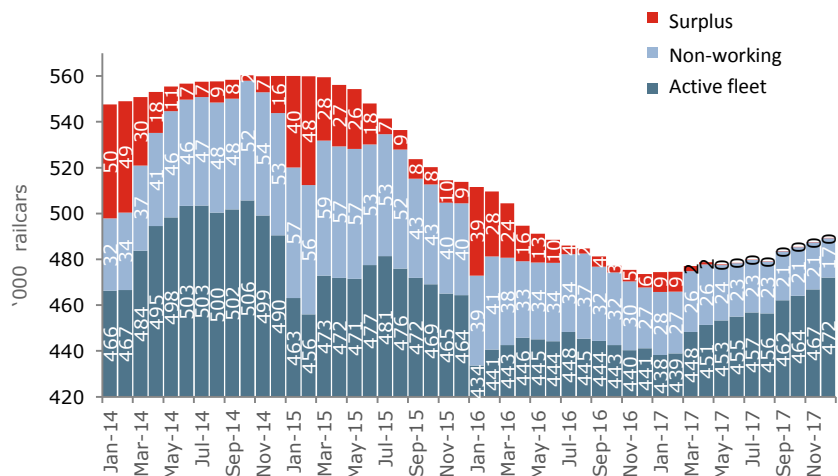
With fleet coming to balance, lease rates continued growing

Average lease rate for gondolas



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

Gondola fleet balance



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

- The demand in the rolling stock market has been growing driven by the following factors:

- Growing cargo base - 2017 freight turnover reached 2,491 bln t-km, being 6.4% above the 2016 level

- Railcar write-down rates still high: a total of 47.8 thousand units of rolling stock written down in 2017

- Driven up by the growing demand, the lease rate rose to 1,600 RUB/day in December 2017

- The gondola lease rate is forecast to fall to 1,200 RUB/day in 2Q 2018, when the market will be saturated with new gondola cars and local railcar shortages will diminish

In 2017, loadings grew by 3.2% and freight turnover by 6.4%

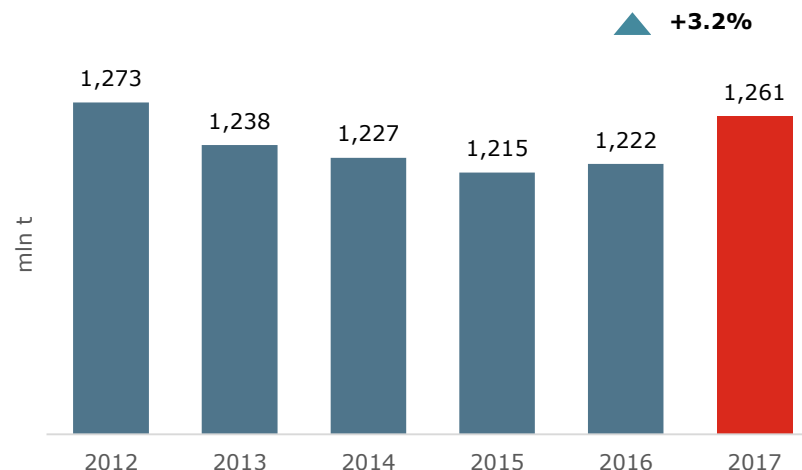
Loadings on RZD's network totalled

1,261 mln ton, 3.2% above the previous year's figure

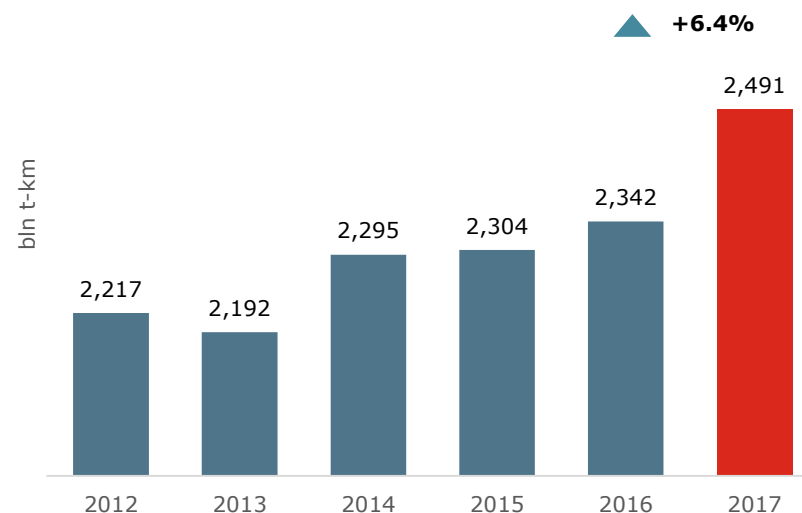
- Growth was observed in the shipments of coal (+9.1%), iron ore (+0.9%), ferrous metals (+2.8%), timber (+2.5%), fertilizers (+6.8%), cement (+0.6%), grain (+16.4%), and ferrous scrap (+4.8%)
- There were, however, falls in the shipments of crude oil and oil products (-0.2%), construction materials (-5.7%), non-ferrous ores (-4.1%), and coke (-4.7%)
- In 2017, freight turnover reached its record high of 2,491 bln tkm (+6.4% compared to 2016)

	Fact	vs 2016
Black coal	358.5	9.1%
Crude oil and oil products	235.5	-0.2%
Construction materials	132.9	-5.7%
Iron and manganese ores	110.5	0.9%
Ferrous metals	73.0	2.8%
Timber	43.3	2.5%
Fertilizers	57.1	6.8%
Cement	26.8	0.6%
Grains and milled products	22.1	16.4%
Non-ferrous ores	20.2	-4.1%
Ferrous scrap	15.7	4.8%
Coke	11.2	-4.7%
Other	154.5	6.6%
Total loadings	1,261.3	3.2%

Loadings on RZD's network

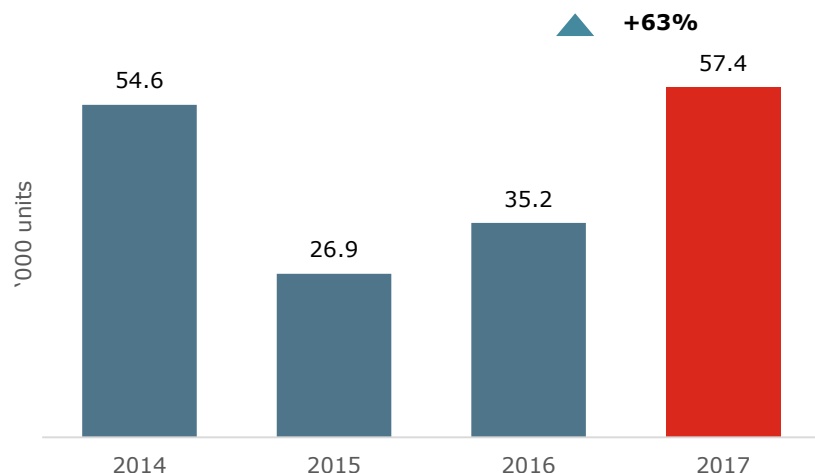


Freight turnover on RZD's network



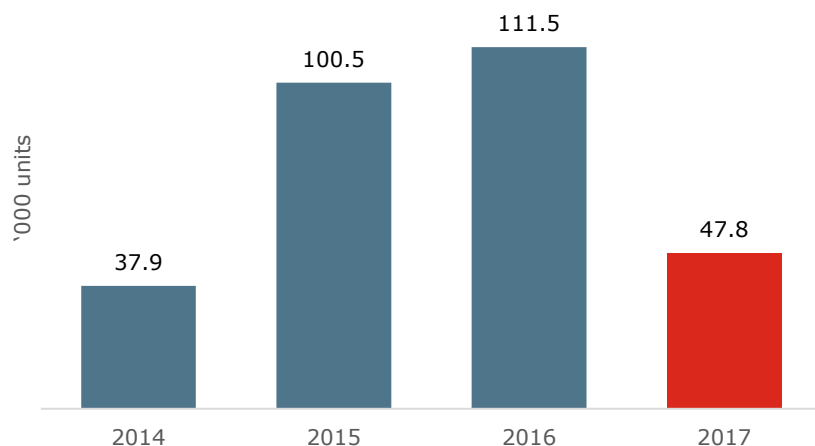
Railcar production outpaces write-downs due to growing cargo base

Railcar production in Russia



- In 2017 Russian manufacturers sold a total of **57.4 thousand units**, a 1.6-time increase against 2016
- The growing demand for gondolas is mainly spurred by the increasing cargo base, rather than by railcar write-downs
- UWC's share in railcar production in Russia amounted to 33%

Railcar write-downs in Russia



- A total of **47.8 thousand units** of rolling stock were written down in 2017
- As estimated by INFOLine, a total of 42 thousand units of rolling stock will be written down in 2018

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