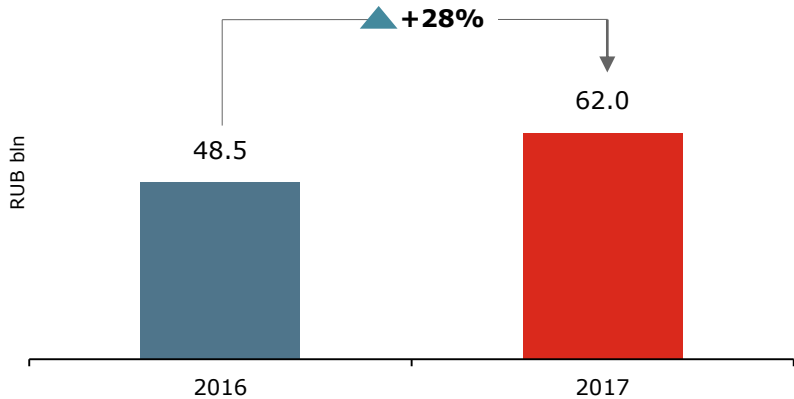


**Research and production corporation
«United Wagon Company»**

Full Year 2017 Financial Results

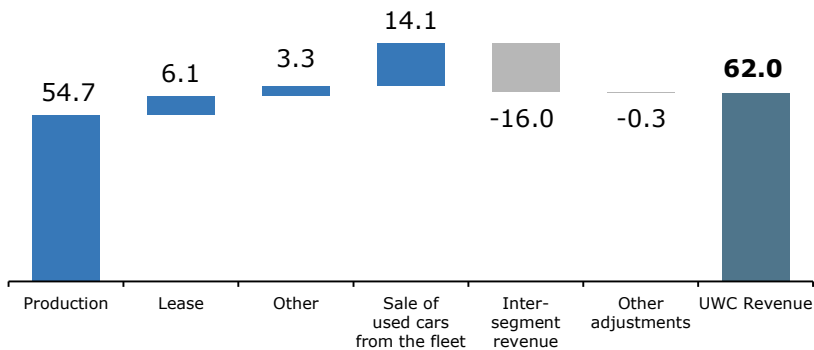
28 April 2018

Revenue¹

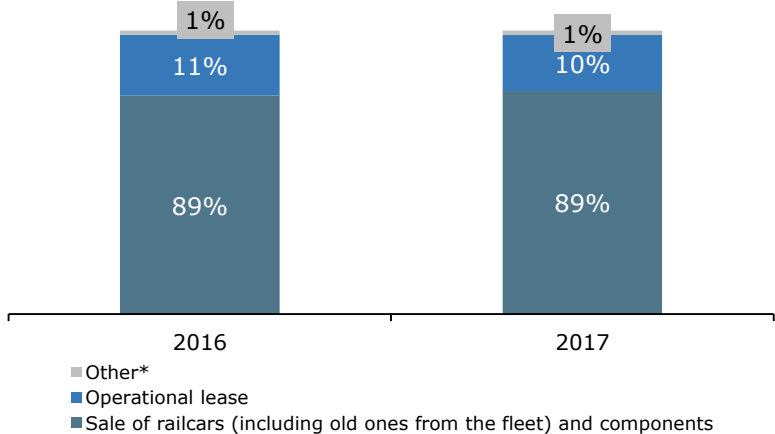


- The revenue growth was generated by:
 - Higher volumes of production and sales
 - Rising prices for railcars and lease rates
- In addition, the Company sold 7.8 thousand used railcars out of its own fleet. The revenue received from the operation was RUB 14.1 bln. Consolidating its revenues, the Holding eliminated RUB 16.0 bln of its inter-segment revenue, whereof the largest part (RUB 12.9 bln) was received as a result of the sale of 4.4 thousand new railcars to the Company's own lease subsidiary in order to substitute the used railcars sold earlier
- There have been no material changes to the revenue structure by income sources compared to the previous year, as the Company replaced the sold railcars with new railcars of its own manufacture

Consolidated revenue reconciliation



Revenue structure by source

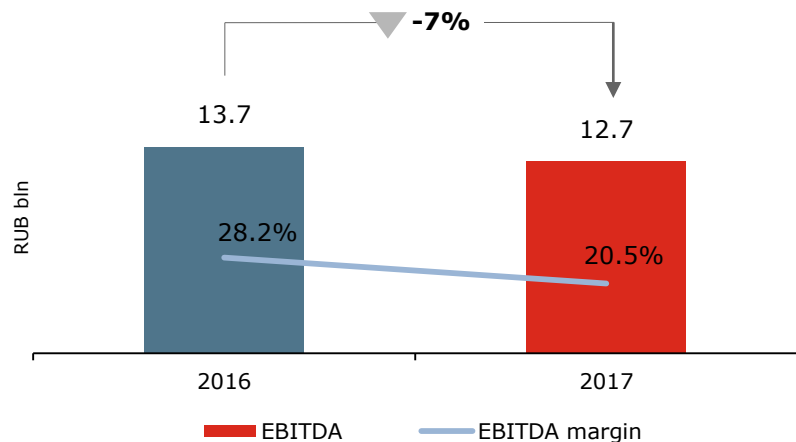


Source: IFRS Statements, Company's analysis

* Including sale of springs and transportation services

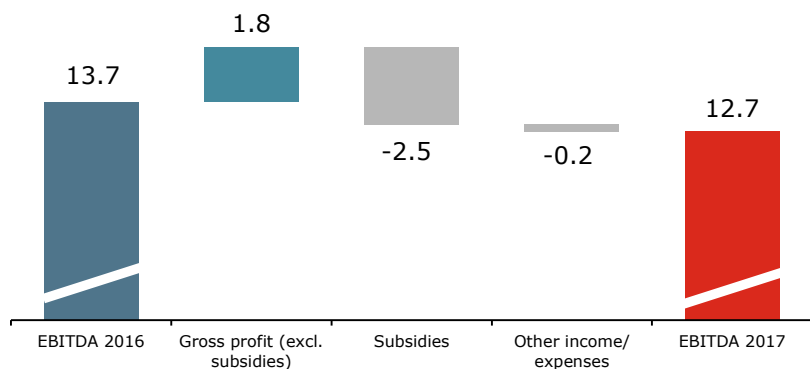
Notes: (1) 2016 revenue does not include the performance of "Vostok1520" LLC sold in November 2016

EBITDA¹

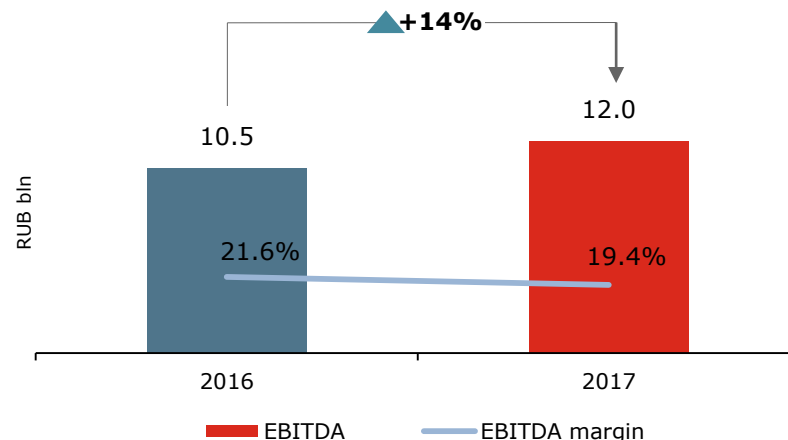


- In 2017, as the railway shipping industry recovered and the demand for innovative railcars leapt up, the government reduced subsidies payable to purchasers of innovative rolling stock and subsidies to manufacturers were abolished completely
- In the reporting year, UWC received subsidies for a total of RUB 1.7 bln, whereof RUB 0.7 bln were recognized in consolidated costs, and RUB 1 bln of subsidies received for the railcars purchased for the Company's own fleet, were eliminated to be subsequently recognized within fixed assets. In 2016, the subsidies received and recognised in consolidated costs of production totaled RUB 3.2 bln. The reduction of subsidies resulted brought down the EBITDA rate in the reporting year
- The Company's management believes that rich subsidy payments in 2016 were aimed at helping the industry get through the recovery, with the government unlikely to increase the allowances in the future. When analysing the dynamics of the EBITDA rate, subsidies factor can be reasonably deducted from the calculations
- With the subsidies excluded, EBITDA grew 14% to RUB 12 bln

Factor analysis of EBITDA dynamics



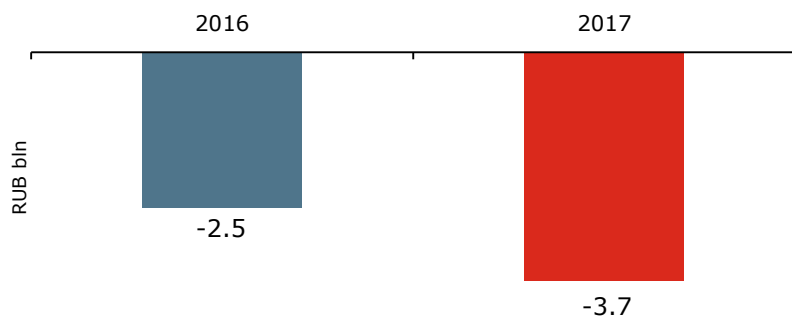
EBITDA net of subsidies



Source: IFRS Statements, Company's analysis

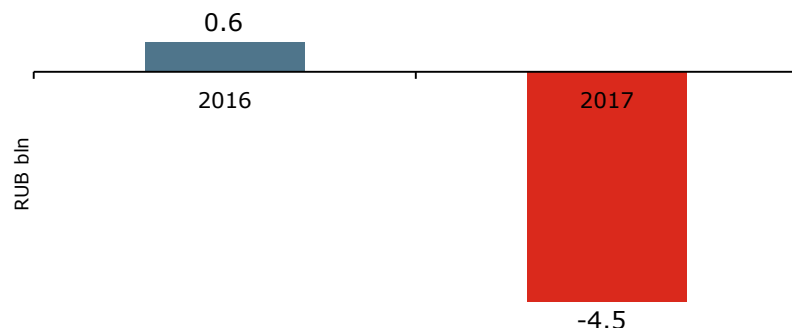
Notes: (1) 2016 EBITDA does not include the performance of "Vostok1520" LLC sold in November 2016

Loss before income tax

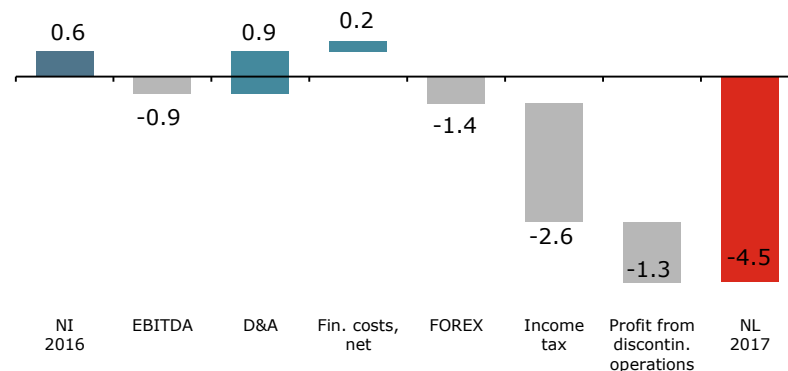


- The larger loss before tax was due to smaller subsidies received. Excluding the subsidies, the loss before tax decreased in 2017
- In 2017 UWC had a net loss compared to a profit of RUB 570 mln received in 2016. Key loss factors are:
 - In 2017, the Company recognised an income tax expense of RUB 875 mln, and in 2016 it recognised a non-monetary income tax gain of RUB 1.7 bln
 - In 2017, the Company's foreign exchange loss stood at RUB 154 mln, while in 2016 its foreign exchange gain was RUB 1.2 bln
 - In 2016, the profits from discontinued operations of Vostok1520 (UWC sold the company in November 2016) were RUB 1.3 bln. In 2017, there were no discontinued operations

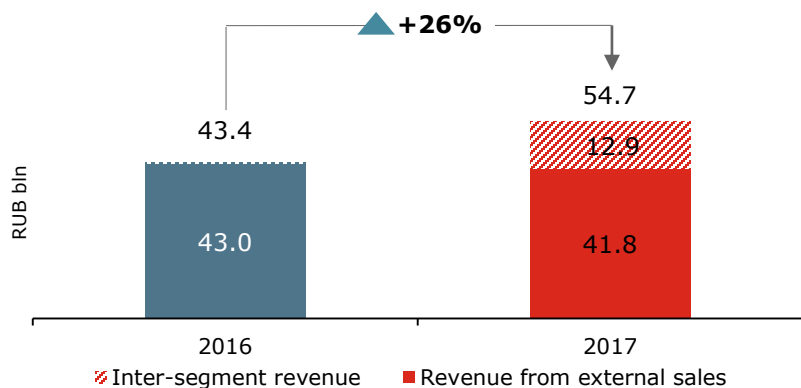
Net income/loss



Factor analysis of net income/loss dynamics

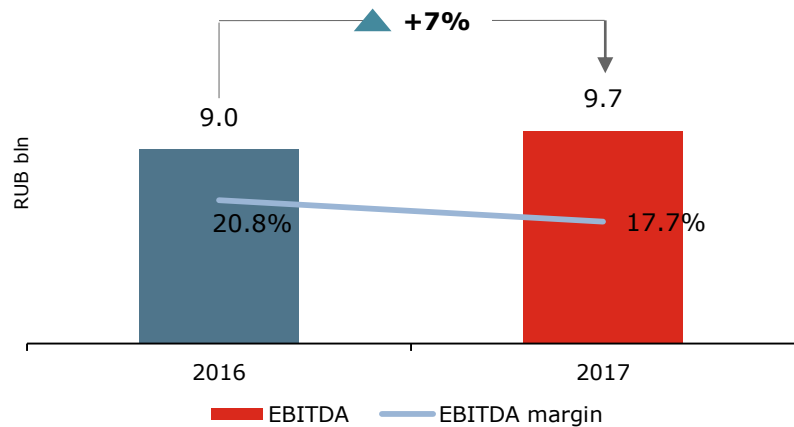


Revenue

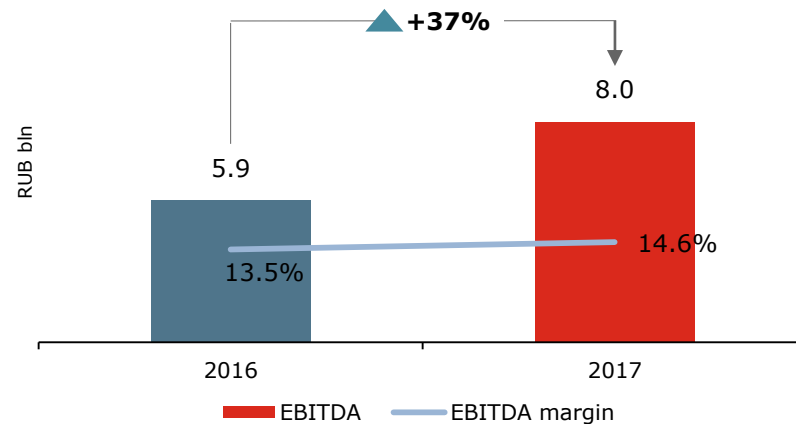


Operating performance	2016	2017	Change
Production, thous. railcars	15.9	19.1	+20%
Share of external sales	100%	76%	-24 pp

EBITDA

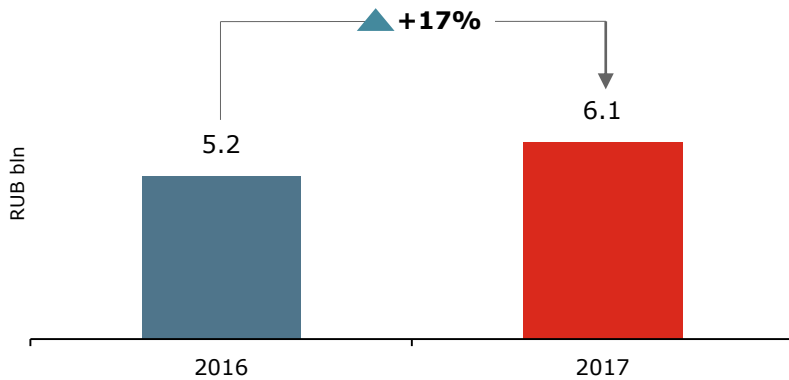


EBITDA net of subsidies



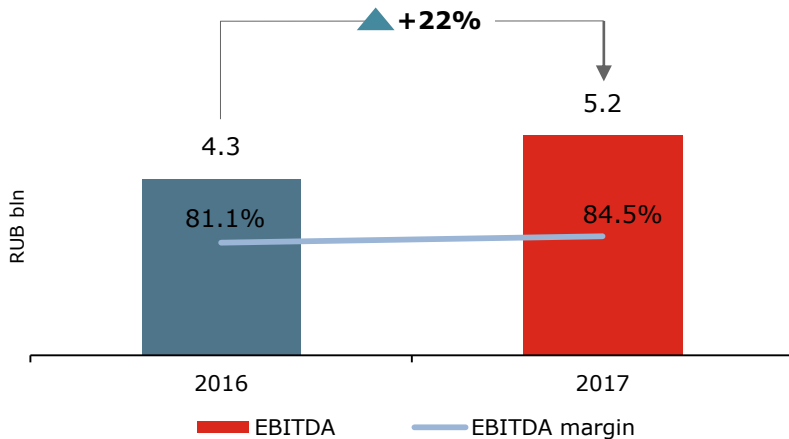
- The *Production* revenue increased due to:
 - Increasing railcar production and sales volumes
 - Growing selling prices
- In the reporting year, 4.4 thousand railcars were sold for a total of RUB 12.9 bln to the Company's own lease subsidiary to substitute used railcars sold earlier out of its fleet
- The reduction of subsidies affected the EBITDA performance of the division: In 2017, RUB 1.7 bln of subsidies were recognised in the costs of production of the division, while in 2016 - RUB 3.2 bln
- Excluding the subsidies, EBITDA grew by 37%

Revenue



Operating performance	2016	2017	Change
Average owned fleet, thousand railcars	18.2	15.7	-14%

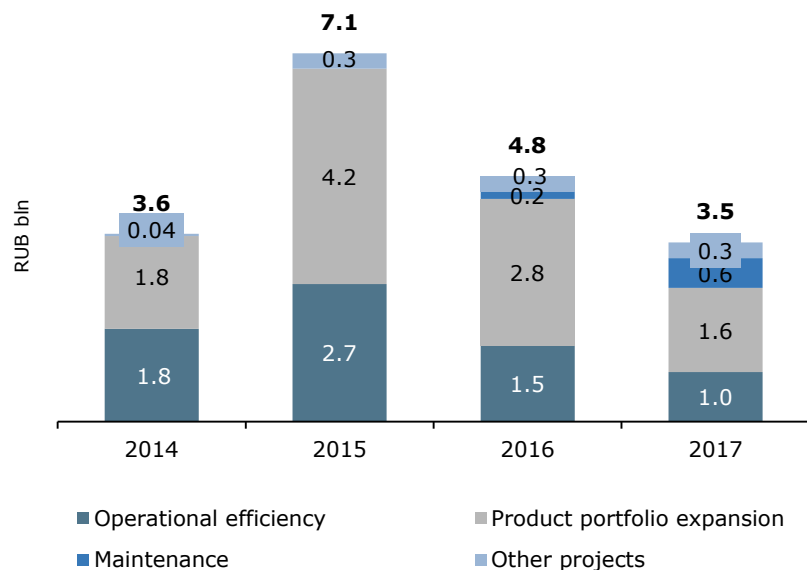
EBITDA



- In 2017, the average size of the Company's own fleet intended for lease reduced due to the sale of 4.8 thousand newly produced railcars to GTLK (accumulated in the fleet over 2H 2017 to be subsequently sold to the company) and 7.8 thousand used railcars to Federal Freight, Rusagrotrans, etc. The used railcars sold under the above transactions were replaced with 4.4 thousand new innovative railcars
- With the fleet size shrank, the revenue in the *Lease* grew by 34% due to the growth of the average lease rate
- The EBITDA margin and revenue grew due to:

 - Higher lease rates and growing gap between the cost of operation and profitability of railcars
 - Reduction in railcar ownership expenses resulting from the sale of old railcars

Structure and dynamics of capital expenditures ¹

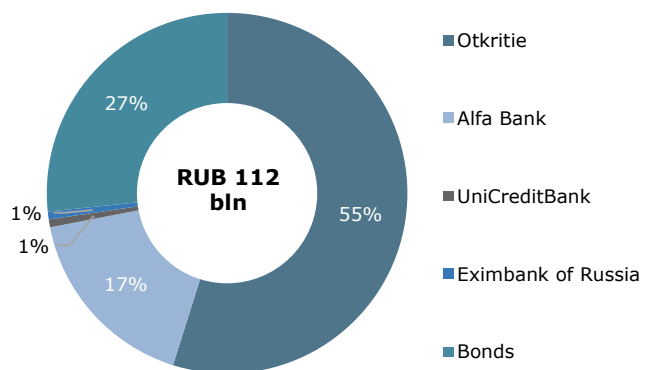


Source: Company's management accounts

- In the reporting year, the largest investments were directed towards the facilities of TikhvinChemMash and TikhvinSpetsMash and launching 27-tf railcars and bogies into production
- In 2018, most projects aiming to diversify product lines and boost operation efficiency will be completed, and from the start of 2019 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 Lease segment; (2) The total investment expenditure is shown excluding VAT; (3) Excluding M&A

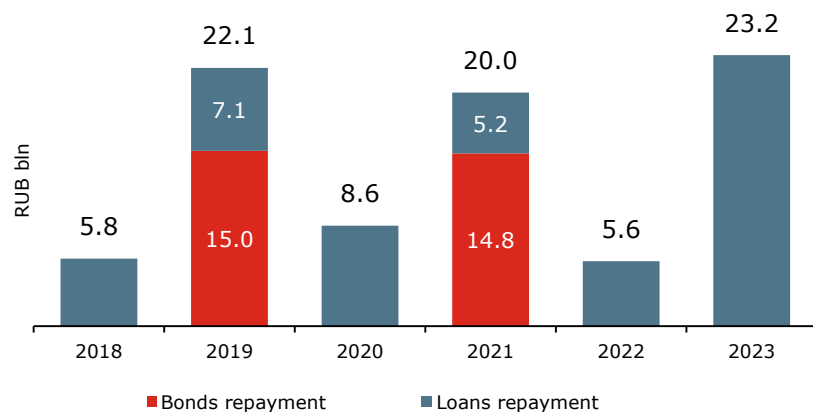
Debt portfolio structure



Debt load optimization initiatives

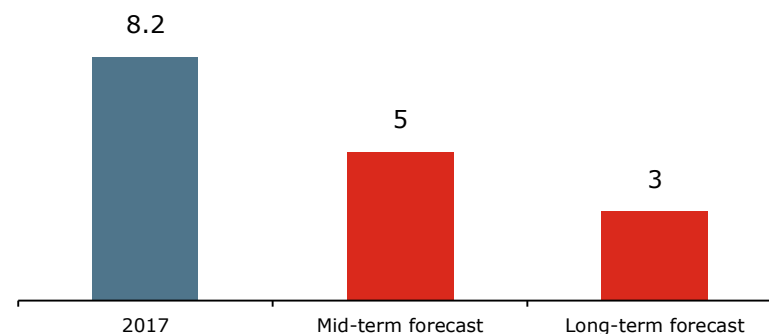
- In August 2017, UWC refinanced all loans borrowed by TVSZ for a total of RUB 20 bln through Otkritie bank to reduce interest burden and optimise the repayment scheme
- In November 2017, UWC refinanced the loan of RUB 0.8 bln borrowed from ROSNANO through UniCreditBank to reduce its interest burden
- While working with its current lenders, the Company develops partnerships with other large Russian and international banks

Debt repayment schedule¹



Debt load decrease

Net debt/EBITDA, x



Source: Company's management accounts

Note: (1) Excluding working capital loans in the amount of RUB 26.5 bln

- **Attachment**
 - **Financial Statements**

UWC's Profit and Loss Statement

10

RUB mln	2016	2017
Revenue	48,505	62,020
Cost of production incl.	(38,580)	(52,073)
Raw materials used in production	(22,989)	(25,226)
Cost of production of railcars sold under the old fleet substitution policies	-	(12,112)
Payroll and social costs	(5,953)	(5,268)
D&A	(5,690)	(4,949)
Property tax	(710)	(165)
Write off of inventories to net realizable value	(388)	(75)
Railcar repairs and service maintenance	(241)	(203)
Other	(2,609)	(4,075)
Gross profit	9,925	9,947
Selling, general and administrative expenses	(2,085)	(2,625)
Share in profit/(loss) of associates and joint ventures	(113)	370
Other operating income	215	38
PP&E impairment	(195)	-
Operating profit	7,747	7,730
Finance income	1,137	2,449
Finance expenses	(12,589)	(13,675)
Foreign exchange (loss)/gain, net	1,226	(154)
Profit/loss before tax	(2,479)	(3,650)
Income tax	1,726	(875)
Net profit/loss	(753)	(4,525)
Profit from discontinued operations	1,322	-
(LOSS)/PROFIT FOR THE PERIOD	569	(4,525)

RUB mln	31.12.2016	31.12.2017
ASSETS		
Non-Current Assets		
Property, plant and equipment	83,630	80,237
Advances for acquisition of property, plant and equipment	895	156
Intangible assets	5,853	6,732
Goodwill	8,042	8,042
Deferred tax assets	3,688	2,949
Investments in associates and joint ventures	1,288	1,175
Loans granted	10,877	12,503
Advance for acquisition of subsidiary	-	2,000
Long-term accounts receivables from sale of railcars		565
Finance lease receivables	224	201
Cash limited in use	1,923	-
Other non-current assets	202	672
Total non-current assets	116,622	115,232
Current Assets		
Inventories	10,960	12,118
Trade and other receivables	1,701	3,510
Finance lease receivables	20	23
Refundable VAT	4,245	6,847
Advances to suppliers and other assets	3,893	4,036
Investment in PTK-Holding JSC	-	1,773
Loans granted	3,000	56
Cash limited in use	-	807
Short-term bank deposits	5,000	5,038
Cash and cash equivalents	2,648	3,799
Total current assets	31,467	38,007
TOTAL ASSETS	148,089	153,239

RUB mln	31.12.2016	31.12.2017
EQUITY AND LIABILITIES		
Share capital issued	113	116
Additional paid-in capital	21,169	22,993
Provision for revaluation of property, plant and equipment	9,193	9,171
Accumulated loss	(14,076)	(18,579)
Total equity and reserves	16,399	13,701
Non-Current Liabilities		
Long-term loans and borrowings	59,489	75,215
Bonds	29,869	29,799
Non-current finance lease liabilities	6	156
Deferred tax liabilities	2,423	479
Accrued provisions for payment of fees to employees	-	156
Payables for acquisition of subsidiaries	4,104	-
Total non-current liabilities	95,891	105,805
Current Liabilities		
Short-term borrowings	12,609	6,962
Bonds	768	671
Trade and other payables	8,879	5,393
Advances received and other current liabilities	13,536	20,668
Current finance lease liabilities	7	39
Total current liabilities	35,799	33,733
TOTAL LIABILITIES	131,691	139,538
TOTAL EQUITY AND LIABILITIES	148,089	153,239

UWC's Statement of Cash Flows

13

RUB mln	2016	2017
OPERATING ACTIVITIES		
Operating profit before changes in working capital	15,164	10,677
Working capital change	6,661	(1,282)
Cash from operating activities	21,825	9,395
Cash from sale of railcars under fleet renewal program	-	14,088
Cash paid on purchase of new railcars under fleet renewal program	-	(9,556)
Income tax paid	(811)	(2,169)
Financial expenses paid	(12,101)	(15,258)
Net cash flow from operating activities	8,913	(3,500)
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment and intangible assets, net	(7,275)	(4,383)
Loans granted	(17,478)	(3,989)
Placement of short-term deposits	(5,000)	(5,000)
Proceeds from repayment of loans granted	9,920	6,311
Proceeds from redemption of short-term deposits		5,000
Interest received	1,087	1,184
Cash paid on acquisition and increase of investments in associates	(649)	(7,394)
Cash from sale of subsidiary	1,138	
Net cash flow from investing activities	(18,257)	(8,271)
FINANCING ACTIVITIES		
Shareholders' capital contribution, net	5,018	1,827
Proceeds from loans and borrowings	32,153	44,372
Repayment of loans and borrowings	(29,670)	(34,524)
Purchase/(sale) of own bonds	1,553	(70)
Other	(111)	1,266
Net cash flow from financing activities	8,943	12,871
Total cash flow	(401)	1,100
Cash and cash equivalents, end of the year	2,648	3,799

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