

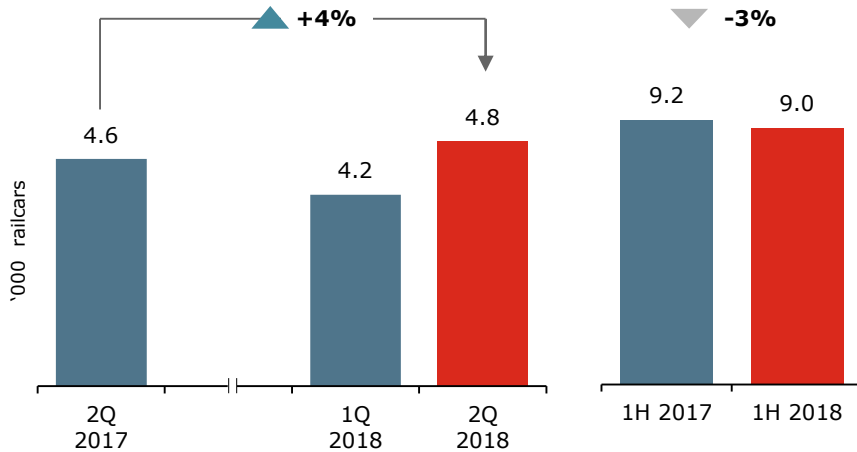
Research and Production Corporation “United Wagon Company”

Operational Results for 2Q 2018

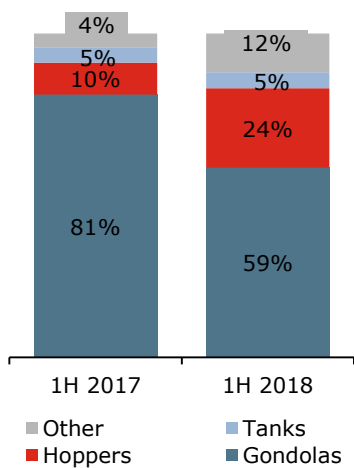
26 July 2018

UWC's Operational Results

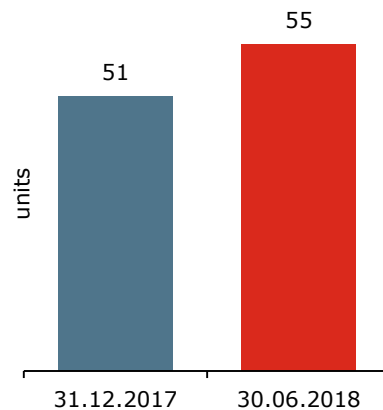
Railcar production^{1,2}



Production pattern²



Certified models and modifications

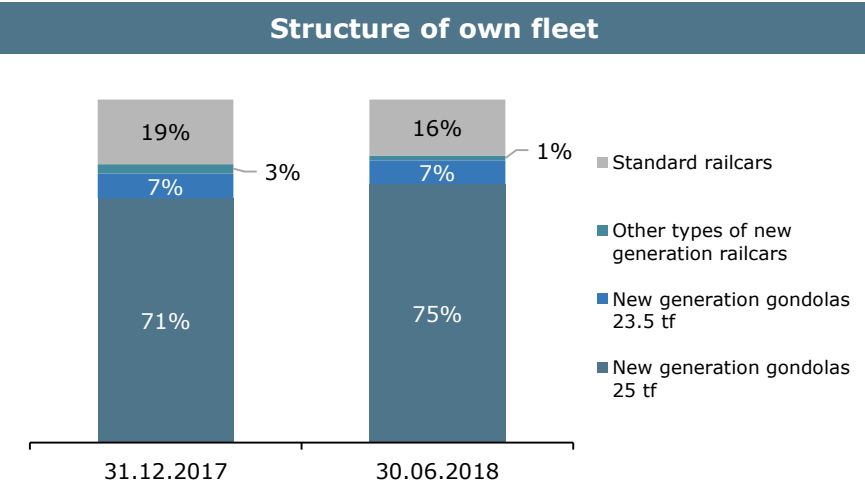
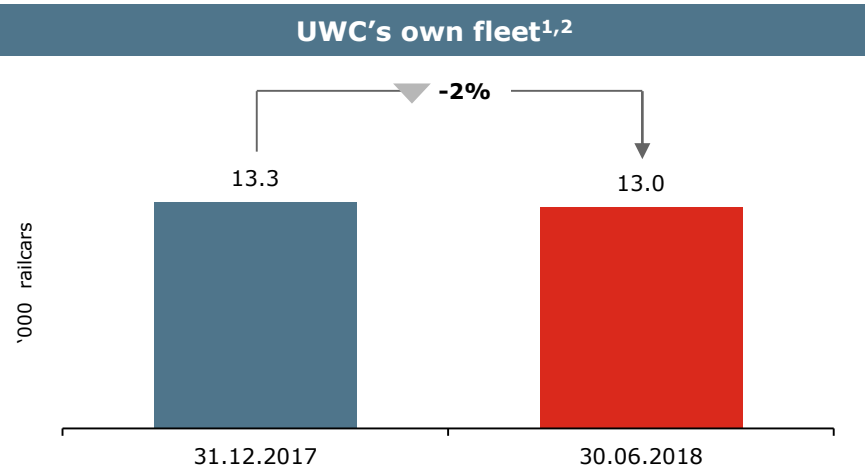


- In 2Q 2018, the company manufactured a total of 4.8 thousand railcars, an increase of 4% compared to the 2Q 2017 result. The 1H production reduced by 3% to 9 thousand railcars due to reconfiguration of one of TVSZ's assembly lines which affected production figures in 1Q. UWC maintains its annual production plan at a level of 19 to 20 thousand railcars
- UWC has substantially diversified its railcar production in the reporting period. In 2Q, there was a year-over-year upswing of 434% in the production of hopper cars, while in 1H the increase was 140% to 1.1 thousand and 2.2 thousand railcars, respectively. The production of other specialised railcars (flat cars and covered cars) grew by 188% in 2Q and by 175% in 1H, reaching 611 and 1,072 railcars, respectively. The production of tank cars gained 21% in 2Q and 1% in 1H, to 291 and 445 units, respectively. However, in light of the market trend of gradual demand shift to specialized railcars, the Company opted to reduce its production of gondola cars by 30% to 2.7 thousand in 2Q and 30% to 5.3 thousand in 1H
- In this reporting period, the following railcar model was successfully certified:

 - 120 m³ grain hopper car

The total number of certified models reached 55

97% railcars sold to third parties in 1H



Notes:

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

- In 1H, a total of 8.2 thousand railcars were sold to third parties. The largest supplies were made to GTLK (gondola and hopper cars), Rusagrotrans (hopper cars), Uralkali (hopper cars), Akron (hopper cars), and MKB-Leasing for subsequent export far abroad (gondola cars). These companies have acquired a total of 6.4 thousand railcars from the company since the year's start. The Company also supplied its railcars to a logistics company Operail (timber flat cars), Phosagro (hopper cars), wood firm Krasny Oktyabr (timber flat cars), international operator Rhenus Logistics (container flat cars), and Eurosib Spb-TS (container flat cars)
- In the reporting period, upon agreement of Mitsui and UWC the 330-railcar fleet of MRC 1520, their joint venture, comprised of both standard and 23.5 tf Barber railcars was fully replaced with 254 newly built gondola cars mounted on a 25-tf bogie made by TVSZ. The old railcars were sold to a third party
- At the 2Q end, UNICON 1520 managed a fleet of 908 tank containers (+17% over 31/03/2018) and 560 railcars including flat cars and tank cars (+43%). Shipments over the quarter totalled 64.4 thousand tons, an increase of 30% over the last quarter's result. In 1H, the company shipped a total of 113.8 thousand tons of chemicals

Other key events over the quarter

- Kronospan and UWC signed a supply contract for 80 wood chip gondola cars
- United Chemical Company "Shchekinoazot" and UWC entered into a supply contract for 295 tank cars for bulk chemicals
- UWC intends to deliver 64 covered cars to a number of Kazakh companies. It has already shipped the first batch to Asian Synergy Logistics
- UWC will supply to Karabashmed, a copper smelting plant, 50 sulphuric acid tank cars
- UWC and Volga, which ranks among Russia's largest wood and paper enterprises, entered into a supply contract for 80 flat cars timber and wood products, and 18 wood chip gondola cars
- Transles and UWC made a Letter of Intent for the supply of 200 timber flat cars

UWC's Fleet and Production: Dynamics and Patterns

Railcar production, units	2016					2017					2018		
	1Q	2Q	3Q	4Q	FY	1Q	2Q	3Q	4Q	FY	1Q	2Q	1H
Gondola Cars	2,545	3,308	3,269	3,881	13,003	3,588	3,914	3,219	3,867	14,588	2,510	2,740	5,250
Hopper Cars	459	374	652	808	2,293	699	214	682	822	2,417	1,051	1,143	2,194
Tank Cars	43	69	189	159	460	199	241	102	205	747	154	291	445
Other*	2	3	8	117	130	179	212	381	532	1,304	461	611	1,072
TOTAL	3,049	3,754	4,118	4,965	15,886	4,665	4,581	4,384	5,426	19,056	4,176	4,785	8,961

* Container flat cars, timber flat cars, covered cars and bauxite hoppers

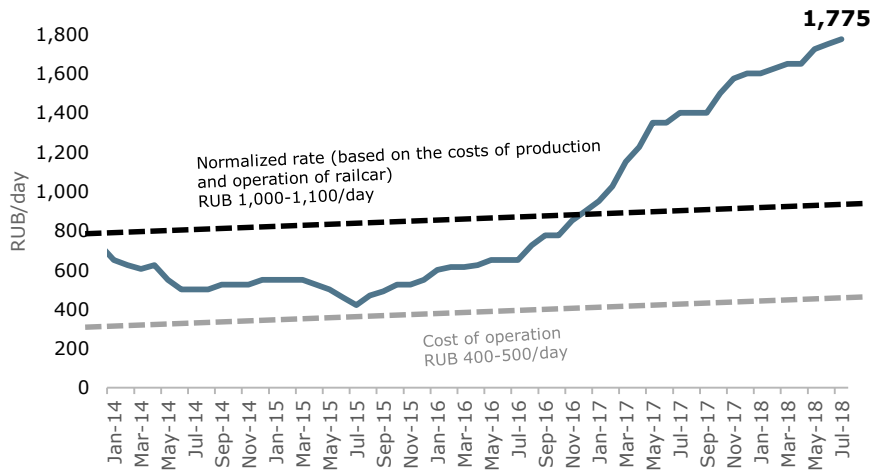
Railcar fleet, units (at the period end)	2016				2017				2018	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
Innovative railcars	10,020	10,155	10,150	13,008	10,247	11,733	11,603	10,770	10,780	10,838
Gondola Cars	7,586	7,721	7,716	10,574	7,471	9,196	9,801	10,481	10,481	10,735
Hopper Cars	2,428	2,428	2,428	2,428	2,769	2,530	1,755	192	192	
Tank Cars					1	1	39	79	28	24
Other*	6	6	6	6	6	6	8	18	79	79
Standard Railcars	7,962	7,827	7,825	7,806	4,773	2,567	2,497	2,497	2,272	2,122
Gondola Cars	5,149	5,014	5,012	4,993	1,957	121	51	51	51	1
Tank Cars	2,270	2,270	2,270	2,270	2,273	1,903	1,903	1,903	1,903	2,003
Other*	543	543	543	543	543	543	543	543	318	118
TOTAL	17,982	17,982	17,975	20,814	15,020	14,300	14,100	13,267	13,052	12,960

* Container flat cars, universal gondolas and covered cars

Overview of Freight Car Market

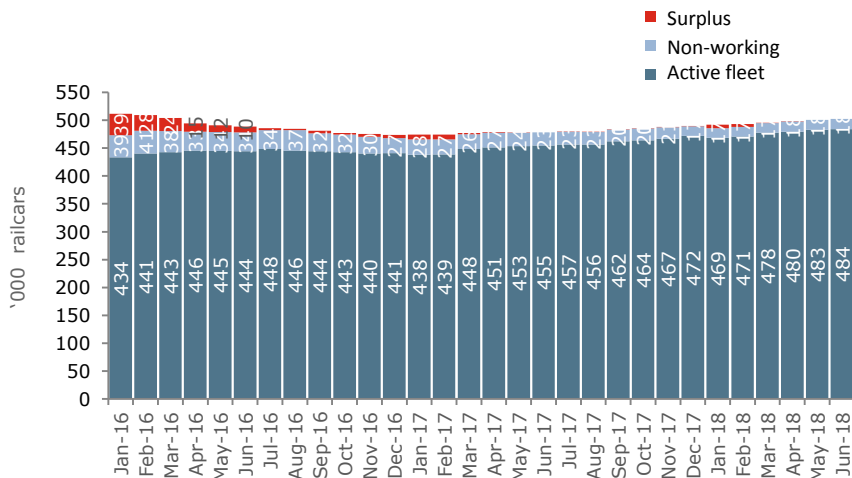
As the fleet comes to balance, lease rates continue growing

Average lease rate for gondolas*



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

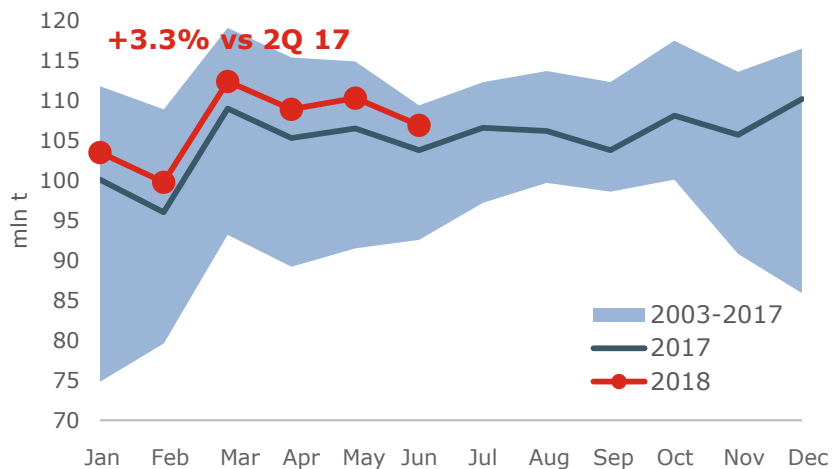
Gondola fleet balance



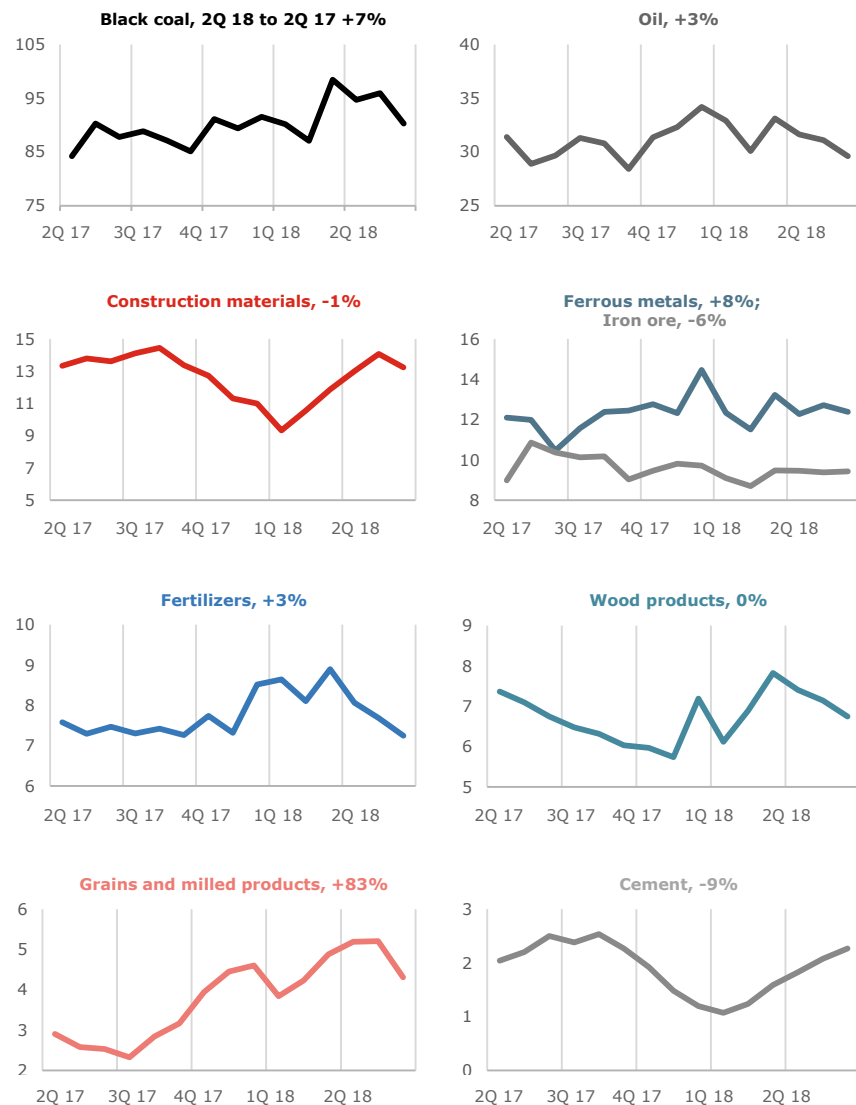
Source: The Industrial Cargoes

- Growing freight base supports high demand for rolling stock:
 - Over 2Q 2018, car loadings amounted to 326.1 million tons, a 3.3 % increase over 2Q 2017
 - In 2Q 2018, freight turnover amounted to 643.2 million ton-km, a 4.2% increase compared to the same period 2017
 - Since the year start, RZD’s network car loadings totalled 641.8 mln tons (+3.4% compared to 2017), while the turnover stood at 1,280.6 bln ton-km (+4.5% compared to 2017)
- With no surplus of gondola cars, lease rates continued growing, reaching RUB 1,775/day in July 2018

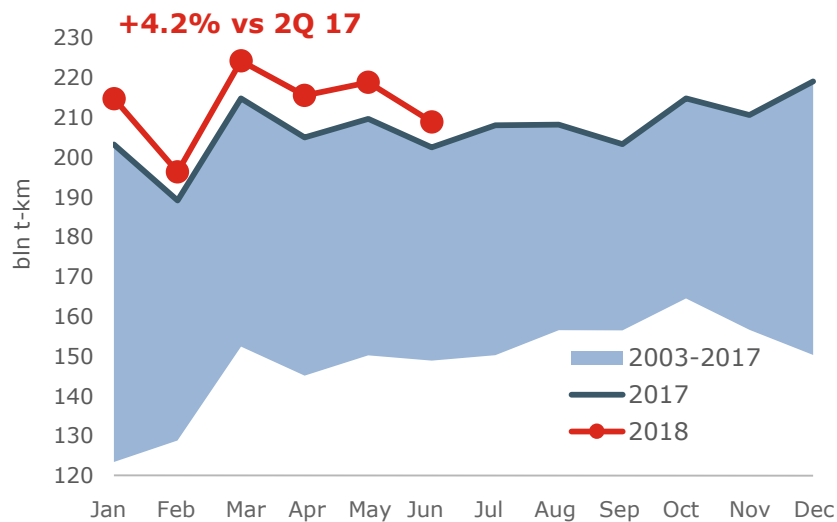
Loadings on RZD's network



Freight turnover by cargo, bln ton-km

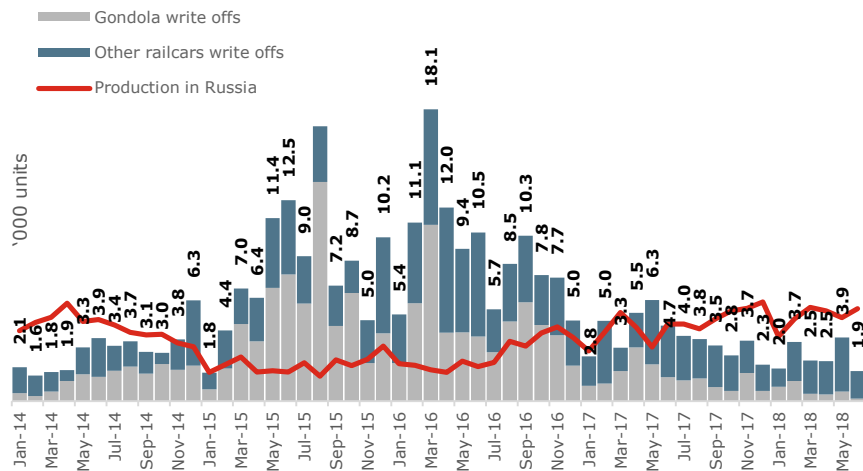


Freight turnover on RZD's network



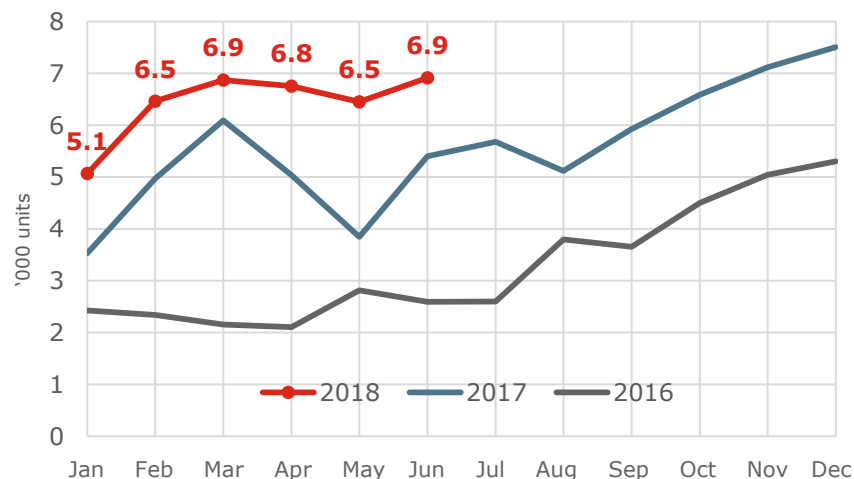
Railcar production outpaces write-offs due to growing cargo base

Railcar write-downs in Russia per month



- In 2Q 2018, a total of **8.3 thousand railcars** (whereof 1.1 thousand were gondolas) were written down
- A total of **16.5 thousand units** of rolling stock have been written down since the start of 2018
- At the beginning of July 2018, the out-of-service fleet size stands at a low of **53.4 thousand units**

Railcar production in the CIS per month



- Over 2Q 2018, the CIS manufacturers sold a total of **20.1 thousand units**, which constitutes an increase of 41% over the 2Q 2017 figures
- The total 1H 2018 railcar production stood at 38.5 thousand units (+33% compared to the same period in 2017)
- High demand for railcars will persist spurred by growing domestic and export shipments

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