

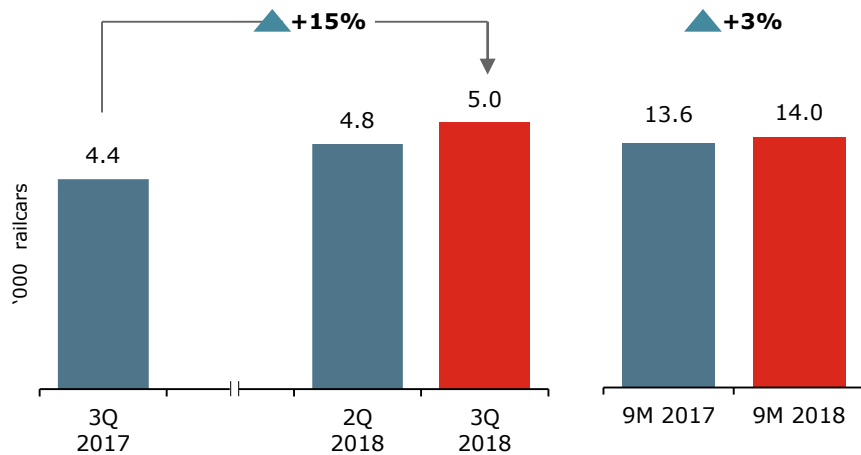
# Research and Production Corporation “United Wagon Company”

## Operational Results for 3Q 2018

25 October 2018

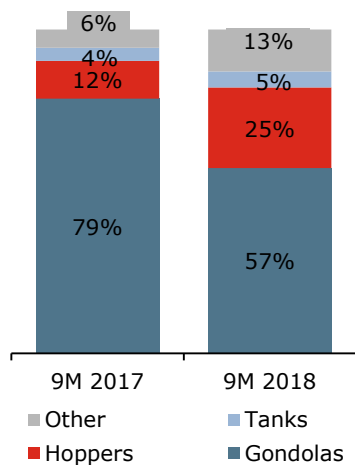
# **UWC's Operational Results**

## Railcar production<sup>1,2</sup>

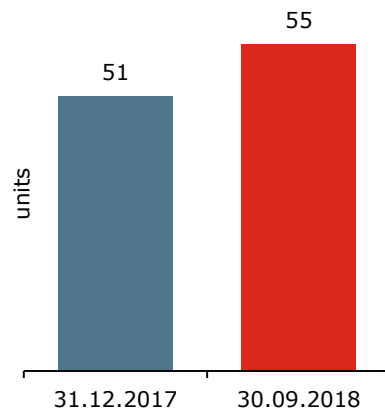


- In 3Q 2018, the Company manufactured 5.0 thousand railcars, a 15% increase compared to 3Q 2017. The 9-month production grew by 3% to 14.0 thousand railcars. UWC will build up its production volumes in 4Q keeping with the intended annual production level of 19-20 thousand railcars
- The key driver for the growth was increasing production of specialised rolling stock. The production of hopper cars soared by 88% in 3Q, and by 118% over the 9 months 2018 year-on-year, to 1.3 thousand units and 3.5 thousand units, respectively. The production of other types of specialized railcars (such as flat and box cars, etc.) in 3Q grew by 95% to 744 units, and over the 9 months, by 135% to 1.8 thousand units. The tank car production went up by 141% to 246 units in 3Q and by 27% to 691 units over the 9 months 2018

## Production pattern<sup>2</sup>



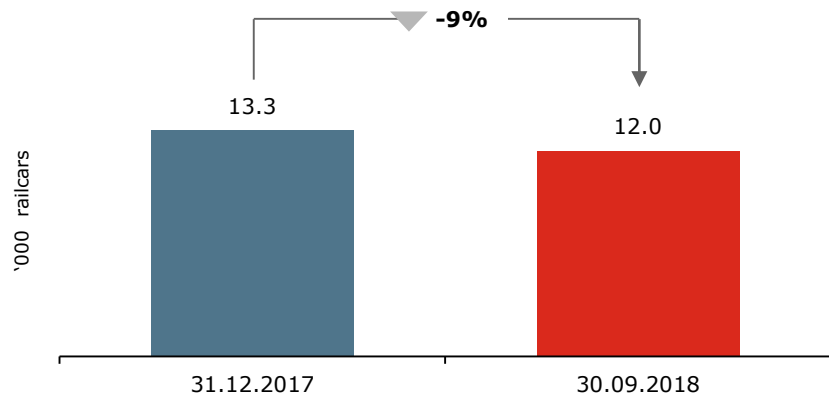
## Certified models and modifications



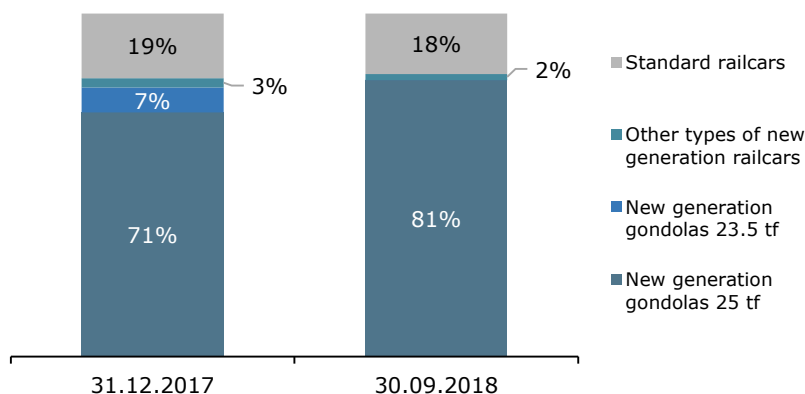
- Following the market's gradual switching to specialised rolling stock, gondola production reduced by 14% to 2.8 thousand in 3Q and by 25% to 8.0 thousand over the 9 months
- In 3Q, the Company has not certified any new railcar models. The total number of certified models stood at 55

**98%** railcars sold to third parties over 9M 2018

## UWC's owned and leased fleet<sup>1,2</sup>



## Structure of the fleet



### 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

- A total of 13.9 thousand railcars were sold to third parties since the year started. The largest supplies were made to GTLK (gondola, hopper and flat cars), Rusagrotrans (hopper cars), Uralkali (hopper cars), Logistics1520 (hopper cars), and NPO Azot (flat cars). These clients have acquired a total of 11.2 thousand railcars from since the year's start. The Company also supplied its railcars to Kronospan (timber flat cars), Akron (hopper cars), MKB-Leasing for subsequent exports to the far abroad (gondola cars), Fintrans GL (box cars), etc. The number of buyers over the 9 months of 2018 exceeded 25
- In 3Q, UWC's leasing companies acquired 40 newly built flat cars to be subsequently leased to UNICON 1520. Since the start of the year, UWC's leasing companies were delivered a total of 298 railcars
- In 3Q, UWC sold from its fleet 895 gondola cars mounted on 23.5-tf Barber bogies reducing the share of gondolas equipped with 23.5-tf Barber and standard bogies to 0%. A total of 1.7 thousand railcars have been sold from the fleet since the start of 2018
- In line with a leaseback transaction entered into 3Q, the Company sold 5.6 thousand railcars from its own fleet to Gazprombank Leasing. Prior to the year end, another 6.1 thousand railcars will be sold to the company
- At the 3Q end, UNICON 1520 managed a fleet of 1.1 tank containers (+21% compared to 30/06/2018), 557 flat cars (+16% compared to 30/06/2018) and 78 tank cars for chemicals (their number remained unchanged). Shipments over the quarter totalled 91.4 thousand tons, an increase of 42% over the last quarter's result. Over the 9 months 2018, the company shipped a total of 205.2 thousand tons of chemicals

### Other key events over the quarter

- UWC supplied to GATX Rail Vostok 20 tank cars for caustic soda and other chemicals
- UWC won an international tender for the supply of 200 heavy container flat cars to a Polish company Laude Smart Intermodal SA
- UWC successfully passed Deutsche Bahn's Qualification Audit becoming a supplier to DB
- UWC and TMH International AG, a subsidiary of TransMashHolding, signed a memorandum of cooperation aiming to develop freight railway shipments in Southern America
- Slavneft-YANOS and UWC signed a contract for the supply of 32 tank cars for molten sulfur and sulfuric acid

# 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	3Q	9M
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	2,754	8,004
Hopper Cars	459	374	652	808	2,293	699	214	682	822	2,417	1,051	1,143	1,281	3,475
Tank Cars	43	69	189	159	460	199	241	102	205	747	154	291	246	691
Other*	2	3	8	117	130	179	212	381	532	1,304	461	611	744	1,816
<b>TOTAL</b>	<b>3,049</b>	<b>3,754</b>	<b>4,118</b>	<b>4,965</b>	<b>15,886</b>	<b>4,665</b>	<b>4,581</b>	<b>4,384</b>	<b>5,426</b>	<b>19,056</b>	<b>4,176</b>	<b>4,785</b>	<b>5,025</b>	<b>13,986</b>

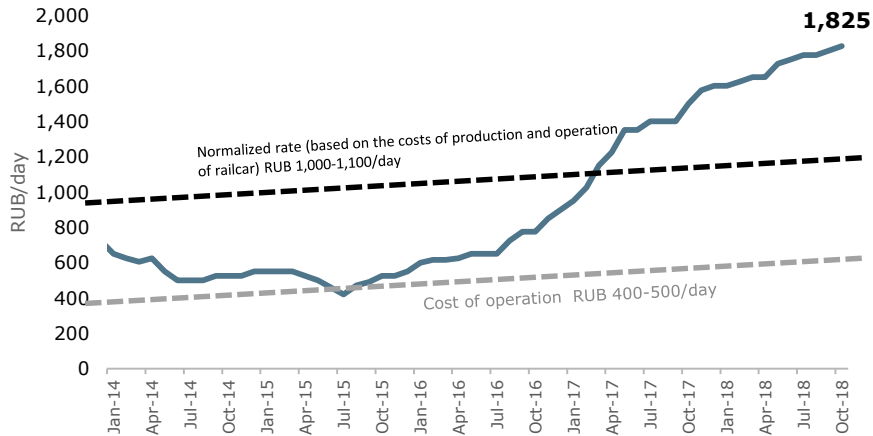
\* Container flat cars, timber flat cars, covered cars and bauxite hoppers

Railcar fleet, units (at the period end)	2016				2017				2018		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
<b>Innovative railcars</b>	<b>10,020</b>	<b>10,155</b>	<b>10,150</b>	<b>13,008</b>	<b>10,247</b>	<b>11,733</b>	<b>11,603</b>	<b>10,770</b>	<b>10,780</b>	<b>10,838</b>	<b>9,925</b>
Gondola Cars	7,586	7,721	7,716	10,574	7,471	9,196	9,801	10,481	10,481	10,735	9,782
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	64
Other*	6	6	6	6	6	6	8	18	79	79	79
<b>Standard Railcars</b>	<b>7,962</b>	<b>7,827</b>	<b>7,825</b>	<b>7,806</b>	<b>4,773</b>	<b>2,567</b>	<b>2,497</b>	<b>2,497</b>	<b>2,272</b>	<b>2,122</b>	<b>2,122</b>
Gondola Cars	5,149	5,014	5,012	4,993	1,957	121	51	51	51	1	1
Tank Cars	2,270	2,270	2,270	2,270	2,273	1,903	1,903	1,903	1,903	2,003	2,003
Other*	543	543	543	543	543	543	543	543	318	118	118
<b>TOTAL</b>	<b>17,982</b>	<b>17,982</b>	<b>17,975</b>	<b>20,814</b>	<b>15,020</b>	<b>14,300</b>	<b>14,100</b>	<b>13,267</b>	<b>13,052</b>	<b>12,960</b>	<b>12,047</b>

\* Container flat cars, universal gondolas and covered cars

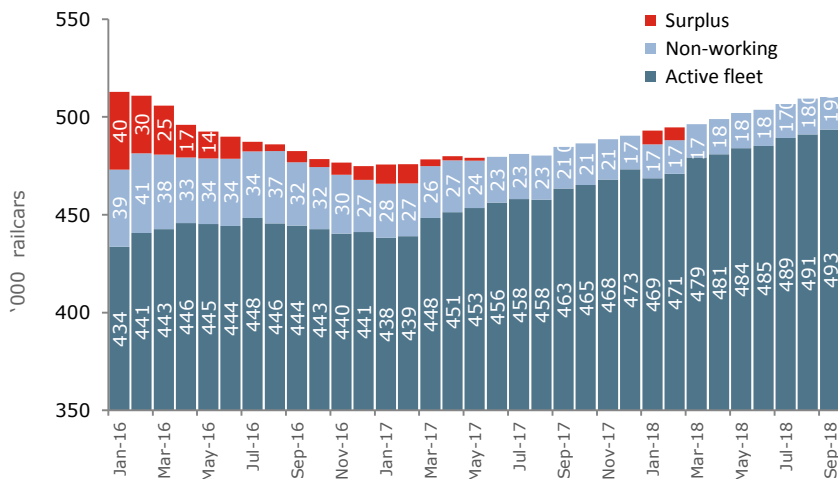
# Overview of Freight Car Market

## Average lease rate for gondolas\*



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

## Gondola fleet balance

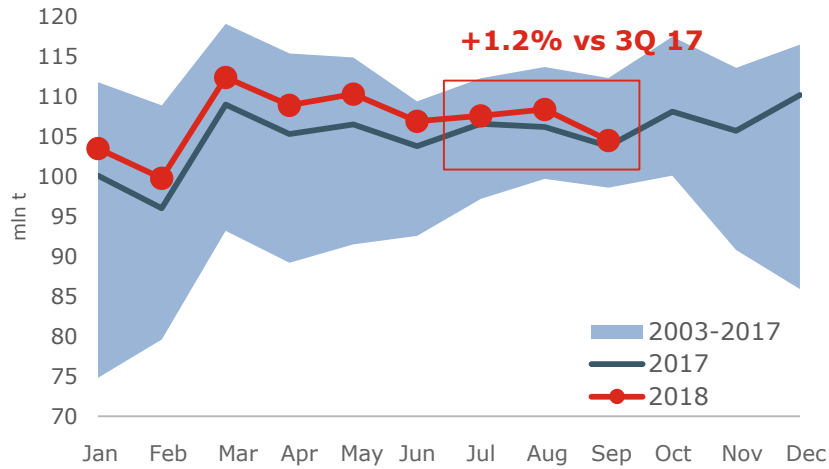


Source: The Industrial Cargoes

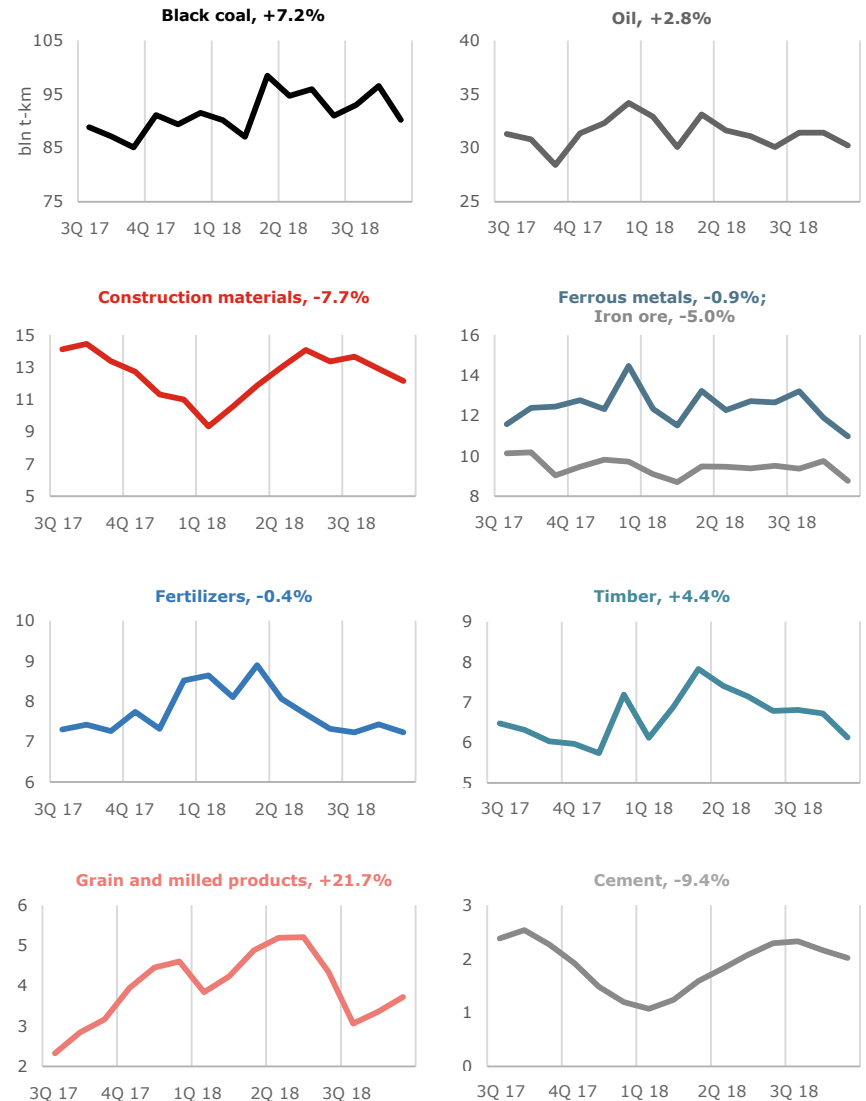
- The high demand for rolling stock is still driven mainly by growing shipments:
  - Over 3Q 2018, car loadings amounted to 320.5 million tons, a 1.2% increase over 3Q 2017
  - In 3Q 2018, freight turnover amounted to 646.7 million ton-km, a +4.4% increase compared to the same period in 2017
  - Since the year start, RZD's network car loadings totalled 962.3 mln tons (+2.7% compared to 2017), while the turnover stood at 1,928.4 bln ton-km (+4.4% compared to 2017)
- With no surplus of gondola cars, lease rates continued growing, reaching RUB1,825 /day in October 2018

# Turnover growth rates surpasses those of loadings

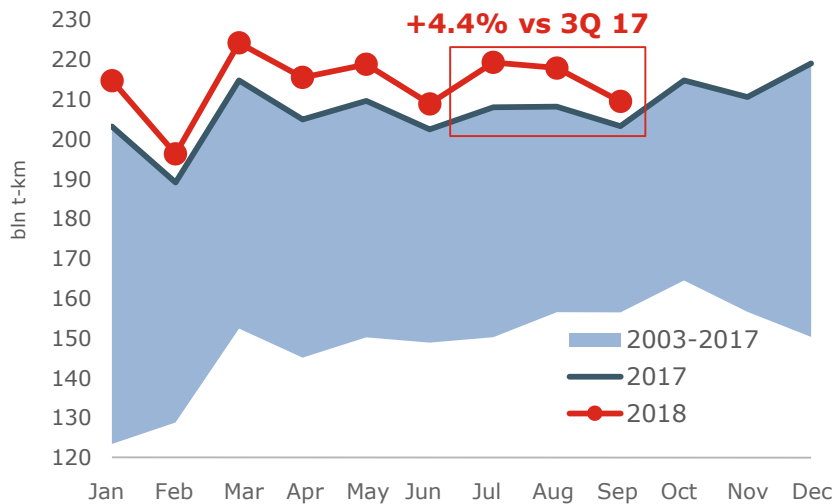
### Loadings on RZD's network



### Freight turnover by cargo (3Q 2018 vs 3Q 2017)



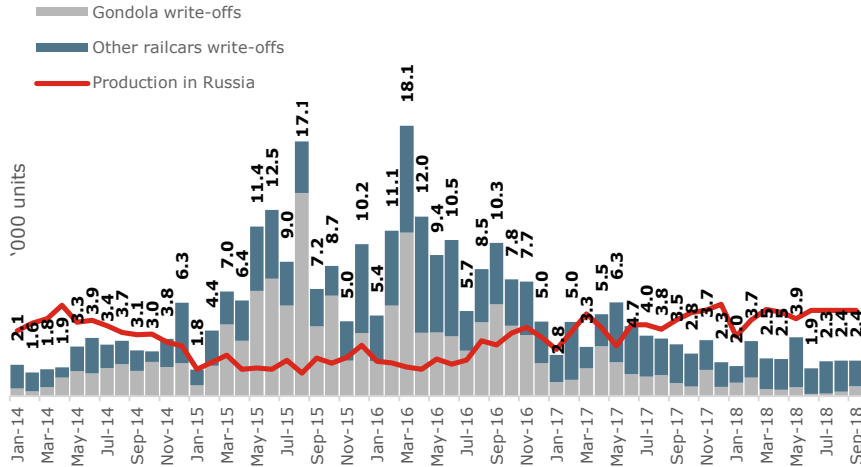
### Freight turnover on RZD's network





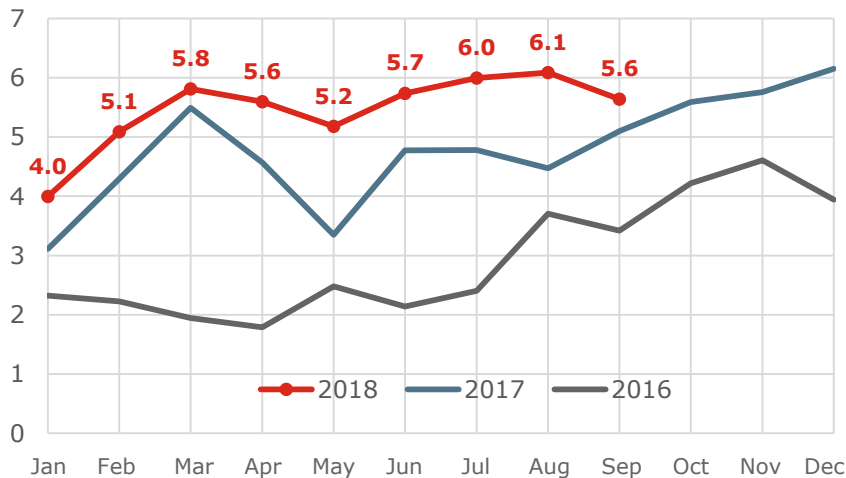
# Growth of demand for railcars is driven by expanding cargo base, rather than by write-offs

## Railcar write-offs in Russia



- In 3Q 2018, a total of 7.1 thousand railcars (whereof 1.1 thousand were gondolas) were written down
- A total of 23.5 thousand units of rolling stock have been written down since the start of 2018
- At the beginning of October 2018, the out-of-service fleet size stands at a low of 52.3 thousand units

## Railcar production in Russia



- In 3Q 2018, Russian manufacturers produced a total of 17.7 thousand railcars, with the total railcar production in the CIS at 21.3 thousand railcars, an increases of 23% and 27% compared to 3Q 2017, respectively
- Since the start of the year, a total of 49.1 thousand railcars have been sold in Russia (+23% compared to the same period in 2017), and 59.8 thousand railcars (+31%) in the CIS
- With domestic and export shipments growing stably, the demand for railcars remains high

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