

**Research and production corporation  
United Wagon Company -  
financial results  
for the first half of 2015**

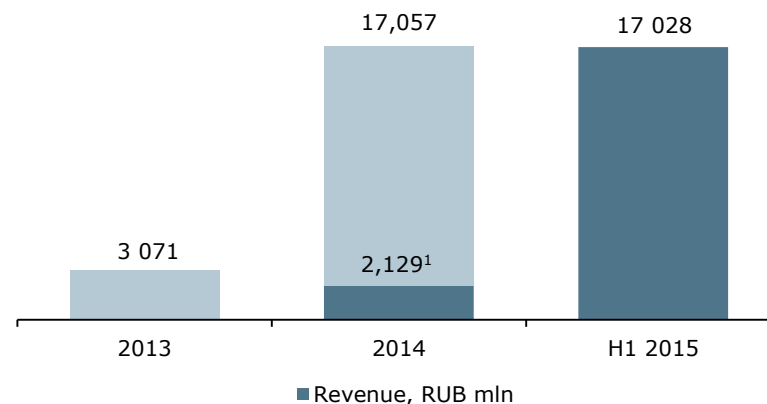
**Moscow  
2015**

# High growth dynamics for UWC

## Commentary

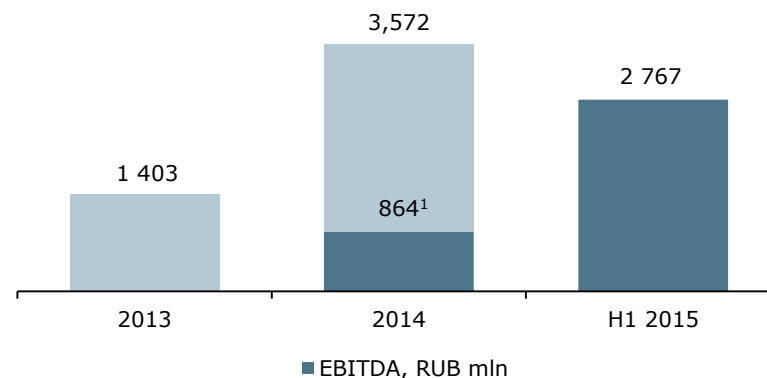
- Revenue increased by 8 times to RUB 17 billion in the first half of 2015
- This positive dynamic was driven by higher production levels, an increase in the share of railcar sales on the market and a corresponding rise in retail prices. The significant expansion of UWC's fleet was also a factor
- Taking into account the Company's approved development plan, revenue is expected to grow in the coming years due to increased production capacity and output
- EBITDA amounted to RUB 2.8 billion in the first half of 2015. The EBITDA margin decreased compared to 2014, as expected. This was due to the low-margin production division having a higher share of overall revenue and an increase in direct sales to market.

## Revenue dynamics



Source: The Company's IFRS accounts

## EBITDA dynamics



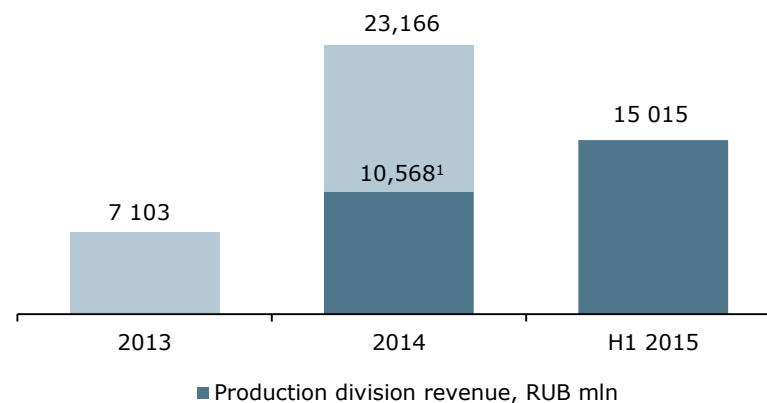
Source: The Company's IFRS accounts

# Financial results for the production division

## Commentary

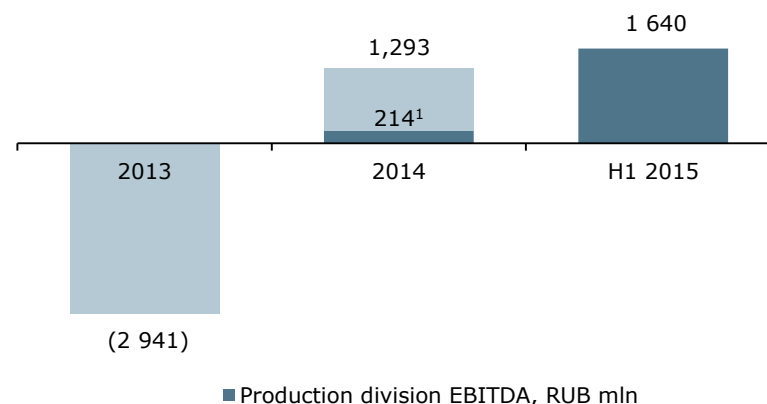
- Revenue grew by 1.5 times year-on-year to RUB 15 billion in the first half of 2015
- The production division achieved a profitable EBITDA level in the first half of 2014, which amounted to RUB 214 mln. In the H1 2015 EBITDA increased 6 times year-on-year to RUB 1.6bln. The EBITDA margin grew by 5.4 times year-on-year
- This was largely due to reaching planned production volumes and implementing cost reduction measures
- According to management, the EBITDA margin is expected to reach up to 25% subject to achieving production volume and cost targets
- This EBITDA margin target will primarily be achieved by:
  - Introducing versatile production technology to allow the Company to quickly adapt to changes in demand
  - Implementing projects to increase production capacity
  - Implementing cost reduction measures

## Revenue dynamics



Source: The Company's IFRS accounts

## EBITDA dynamics



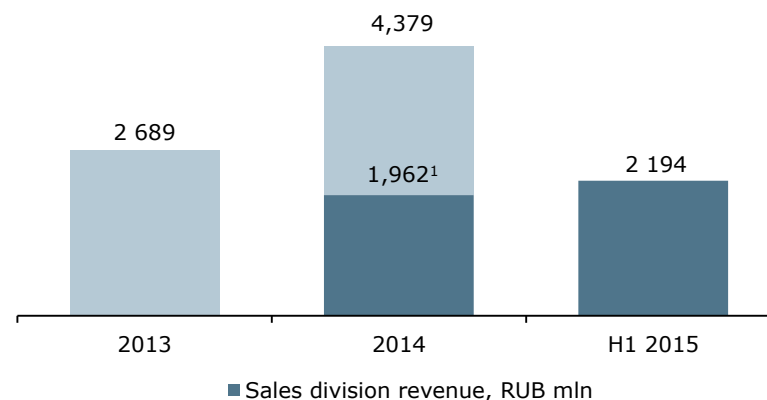
Source: The Company's IFRS accounts

# Financial results of the sales division

## Commentary

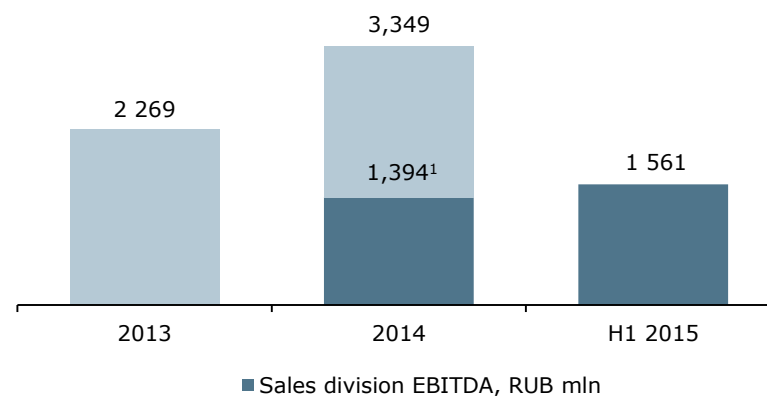
- Revenue demonstrates positive dynamics driven by fleet expansion
- The Company plans to expand its fleet to 60,000 railcars in the medium term
- In the first half of 2015, EBITDA amounted to RUB 1.5 billion, with the EBITDA margin remaining high and stable at 71%
- The Company tends to maintain the average EBITDA margin of this segment at the 80-85% level
- Maintaining this target EBITDA margin will primarily be achieved by increasing the amount of innovative railcars with enhanced technical and economic characteristics in the overall fleet under management. This includes modernising the railcars owned by UWC that are based on the 18-100 bogie

## Revenue dynamics



Source: The Company's IFRS accounts

## EBITDA dynamics



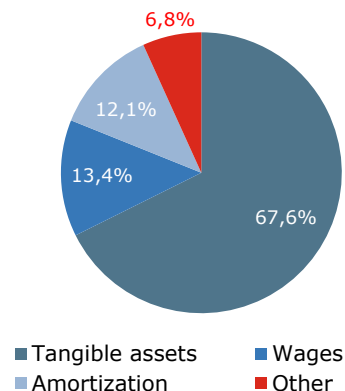
Source: The Company's IFRS accounts

# Cost structure of UWC's divisions

## Commentary

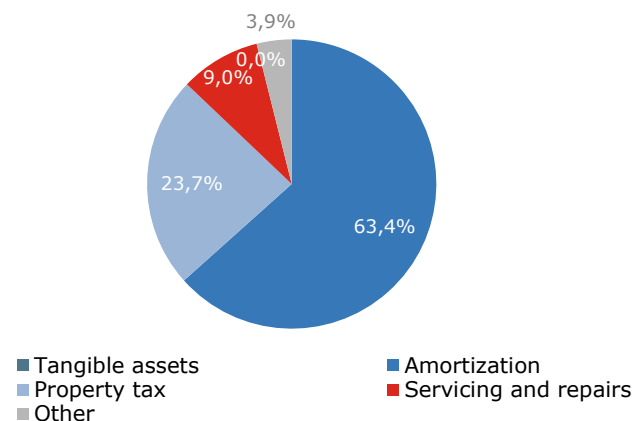
- The production division's cost segment was stable in the first half of 2015
- The main cost item in the production division was tangible assets, including rolled stock, railcar parts and components and brake equipment
- Amortisation of fixed assets was the largest cost in the sales segment. This was due to expansion of the fleet, which exceeded 24,000 railcars as of August 2015
- Foreign currency did not have a significant impact on the costs of either the production or sales divisions
- The Company plans to implement measures to optimise operating costs, which will lead to costs reducing from the current levels

## Cost structure of the production division in the first half of 2015



Source: The Company's IFRS accounts

## Cost structure of the sales division in the first half of 2015



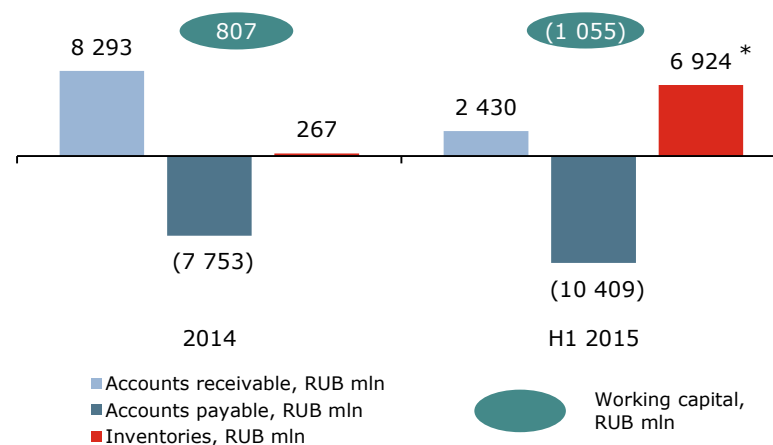
Source: The Company's IFRS accounts

# UWC's working capital

## Commentary

- (\*) The sharp growth in inventories was due to a change in the accounting methodology for tangible goods after shifting from sales within the company to direct sales to market
- Starting from 2014, there has been significant need for working capital due to increase in railcars and castings production. Due to the company's plans to expand production, the need for working capital will continue to rise, which is normal practice for large production companies
- Accounts payable consist largely of advances to customers and deferred payments on deliveries of inventory and equipment for investment projects
- Accounts receivable mainly consist of advance payments to some suppliers, as well as advances for delivering railcars
- As expected, accounts receivable decreased as a result of debts being recovered from railcar purchasers as of 31.12.2014
- Accounts payable grew slightly due to higher levels railcar production

## Working capital structure



Source: The Company's IFRS accounts

## Target turnover

<b>Inventories</b>	30-45 days
<b>Accounts receivable</b>	Up to 30 days
<b>Accounts payable</b>	60-90 days

Source: Company's data

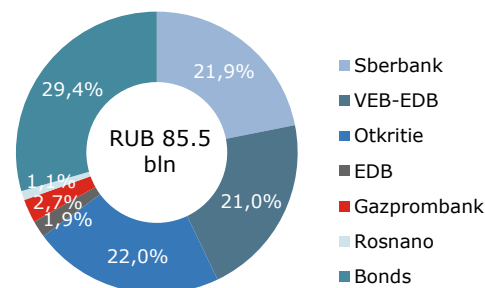
# UWC's debt portfolio as of 30.06.2015

## Commentary

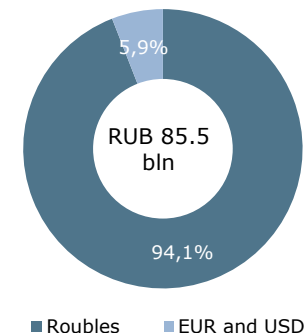
- At the end of the first half of 2015, the Company's debt amounted to RUB 85.5 billion with 5.9% denominated in foreign currency
- The Company's debt burden depends on market conditions and the share of railcars that are sold to third parties or leased
- The Company's programme to develop its own fleet under management will be partly funded through loans
- A comfortable net debt/EBITDA ratio should be no more than 3.0x according to the Company's management

## Structure of debt portfolio

### By creditors

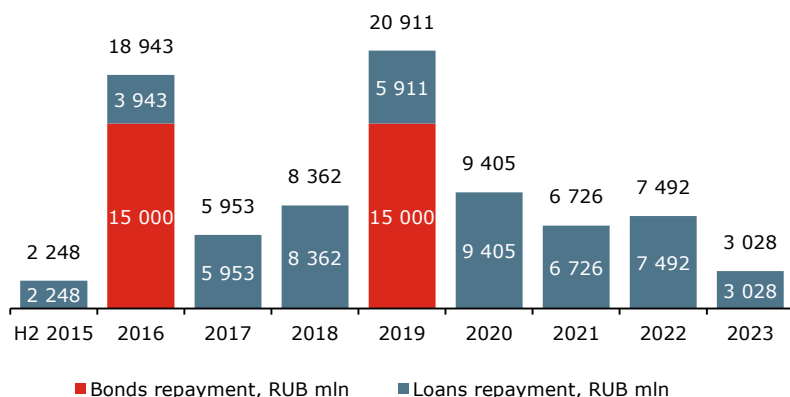


### By currency

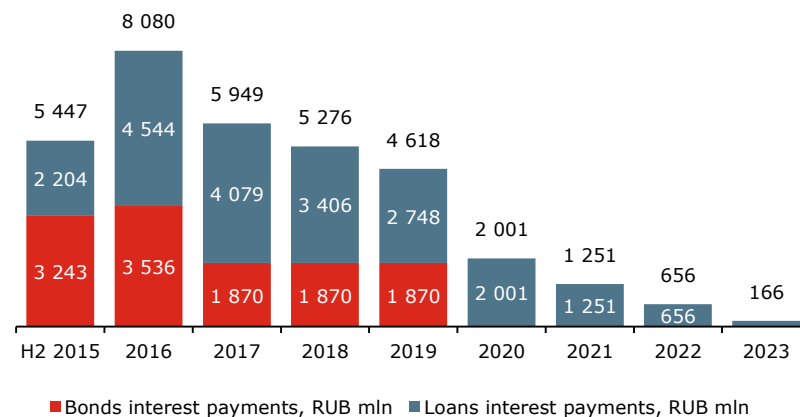


Source: The Company's IFRS accounts

## Repayment schedule for principal debt<sup>1,3</sup>



## Payment schedule for accrued interest<sup>1,2,3</sup>



Source: Management statements and the Company's analysis

Source: Management statements and the Company's analysis

**Notes:** (1) Excluding working assets of RUB 9 billion; (2) Including subsidies for paying interest on loans in accordance with the RF Government Decree No 262 from 30.09.2009; (3) Including the restructuring of Sberbank loans



# EBITDA Calculation

		UWC	Production division	Sales division	
+	Revenue	17,028	15,015	2,194	Consolidated revenue as per UWC Income Statement
-	Cost of Sales	15,456	14,221	1,357	Consolidated Cost of Sales as per UWC Income Statement
-	Other income/expenses	1,242	880	137	<ul style="list-style-type: none"> <li>Selling, general and administrative expenses (SG&amp;A)</li> <li>Other income and expenses</li> </ul>
+	Depreciation/amortization	2,437	1,726	860	<ul style="list-style-type: none"> <li>As part of Cost of Sales</li> <li>As part of Selling, general and administrative expenses (SG&amp;A)</li> </ul>
=	EBITDA	2,767	1,640	1,561	



# Income Statement

RUB mln	H1 2014	2014	H1 2015
<b>REVENUE</b>	<b>2,129</b>	<b>17,057</b>	<b>17,028</b>
Cost of Sales	(1,438)	(14,984)	(15,456)
Depreciation and Amortization	(698)	(3,087)	(2,414)
Property tax	(109)	(215)	(322)
Raw and other materials	(308)	(8,745)	(8,473)
Salaries and social security contributions	(68)	(1,861)	(1,665)
Repair and maintenance costs	(157)	(804)	(1,069)
Rent of rolling stock	-	-	(651)
Insurance	(3)	(8)	(5)
Other expenses	(95)	(264)	(857)
<b>GROSS PROFIT</b>	<b>691</b>	<b>2,073</b>	<b>1,572</b>
Selling, general and administrative expenses (SG&A)	(568)	(1,645)	(1,271)
Impairment loss		(27)	
Other operating income/expenses	19	23	29
<b>OPERATING PROFIT</b>	<b>142</b>	<b>424</b>	<b>330</b>
Financial income	157	647	586
Financial expenses	(2,595)	(6,516)	(4,626)
Profit/loss from foreign exchange and revaluations	6	4,605	(1,585)
<b>PROFIT/ (LOSS) BEFORE INCOME TAX</b>	<b>(2,290)</b>	<b>(840)</b>	<b>(5,295)</b>
Income tax expense	355	1,389	151
<b>NET PROFIT/ (LOSS)</b>	<b>(1,935)</b>	<b>549</b>	<b>(5,144)</b>

Source: Company's IFRS statements

# Balance Sheet 1/2

RUB mln	2014	June 30, 2015
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
Machinery and equipment	70,819	67,178
Long term deferred tax assets	1,852	2,080
Intangible assets	2,839	3,023
Investments in joint ventures	159	360
Long term loans issued	1,659	793
Finance lease receivables	261	252
Other accounts receivable	30	-
<b>TOTAL NON-CURRENT ASSETS</b>	<b>77,619</b>	<b>73,686</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	2,387	3,134
Accounts receivable	7,579	1,276
Reserves	267	6,924
Other accounts receivable	714	1,154
Short term loans issued	16,255	15,989
VAT recoverable	1,653	2,108
<b>TOTAL CURRENT ASSETS</b>	<b>28,855</b>	<b>30,585</b>
<b>TOTAL ASSETS</b>	<b>106,474</b>	<b>104,271</b>

# Balance Sheet 2/2

RUB mln	2014	June 30, 2015
<b>EQUITY</b>		
Authorised share capital	0	106
Unissued share capital	100	-
Additional paid-in capital	12,429	16,159
Non-controlling interests	1	1
Retained earnings/ losses	(4,969)	(10,113)
Reserves from foreign exchange revaluation	-	-
Effect of acquiring a related entity	-	-
<b>Total equity</b>	<b>7,560</b>	<b>6,153</b>
<b>Long term liabilities</b>		
Long term loans	72,385	68,556
Other long term liabilities	1,204	1,233
<b>Total long term liabilities</b>	<b>73,588</b>	<b>69,789</b>
<b>Current liabilities</b>		
Short term accounts payable	7,753	10,409
Short term loans	17,553	17,910
Advances received and other liabilities	19	10
<b>Total current liabilities</b>	<b>25,325</b>	<b>28,329</b>
<b>TOTAL LIABILITIES</b>	<b>98,914</b>	<b>98,118</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>106,474</b>	<b>104,271</b>

Source: Company's IFRS statements

# Cash Flow Statement

RUB mln	June 30, 2014	June 30, 2015
<b>Operating cash flow</b>	<b>(1,949)</b>	<b>5,106</b>
Profit/loss before tax	(2,290)	(5,295)
Depreciation and amortization	698	2,521
Profit/loss from foreign exchange and revaluations	(6)	1,585
Financial expenses	2,595	4,640
Financial income	(157)	(585)
Increase/(decrease) in working capital	(896)	6,576
Income tax paid	(10)	(40)
Financial expenses paid	(1,901)	(4,294)
Other	18	(2)
<b>Cash flow from investing activities</b>	<b>(18,451)</b>	<b>(4,199)</b>
Investment in fixed and intangible assets	(12,584)	(4,234)
Loans issued	(6,136)	13,768
Other	269	(13,733)
<b>Cash flow from financing activities</b>	<b>21,145</b>	<b>(158)</b>
Increase in borrowings	24,404	4,030
Payments on borrowings	(6,748)	(7,923)
Proceeds from shareholders	3,489	3,735
<b>TOTAL CASH FLOW</b>	<b>745</b>	<b>749</b>

Source: Company's IFRS statements