

Debt policy

Russian Railways uses borrowings to ensure financing of the Company's investment and operating activities. The Company uses long-term loans to fund strategically important and commercially viable investment projects, while short-term loans provide flexibility in managing the current liquidity.

Loan portfolio performance in 2017

In 2017, the Company's medium and long-term borrowings totalled RUB 244.8 bn. The loans were largely raised through unsecured public debt instruments held by Russian and foreign investors.

Russian Railways repaid a total of RUB 129.2 bn of medium- and long-term debt in the reporting year. The Company's loan portfolio was significantly impacted by the appreciation of the rouble causing revaluation of the FX-denominated debt and reduction in its rouble equivalent at year-end.

In addition, the Company drew down bilateral short-term (from several days to 1 year) bank loans throughout the reporting year for the day-to-day management of liquidity and refinancing of liabilities. As at the end of 2017, short-term liabilities stood at RUB 58.5 bn.

In the reporting year, the Company's total debt grew by 16.8% to RUB 1,075.5 bn, including a 17.1% increase in the principal debt to RUB 1,060.2 bn.

Loan portfolio structure and debt policy

As at 31 December 2017, the loan portfolio of Russian Railways was as follows:



Loan portfolio structure by currency, RUB bn

The share of FX loans in 2017 did not exceed the threshold set by the debt policy. With a view to cutting the weighted average cost of the loans and reducing the share of FX loans, Russian Railways completed a number of successful deals in the domestic and global capital markets. These measures coupled with the gradual appreciation of the rouble over the year resulted in the reduction of the share of FX-denominated loans to 35% by year-end.

The weighted average interest rate across the portfolio decreased from 7.7% to 6.2% (a 1.5 pp decline).



Loan portfolio structure by maturity, RUB bn

The major part of the loan portfolio is comprised of local bonds (49.8%). Some bond issues maturing in 3–20 years (23.7%) are held by market investors. Other bonds (26.1%) are sold to the state funds (the Pension Fund of the Russian Federation and the National Wealth Fund) in the form of long-term infrastructure bonds issued in 2013–2015 for a period of 15 to 30 years.

A substantial part (40.6%) is represented by 4–20 year Eurobonds in different currencies (RUB, USD, EUR, CHF, GBP).

As the maturity dates of the respective obligations approach, the Company replaces them with new long-term borrowings and determines their optimal maturity subject to the existing repayment schedule to keep the share of short-term liabilities below 15%.

As at the end of the reporting year, the average maturity across the Russian Railways' loan portfolio was approximately 8 years with payments evenly distributed over the long-term horizon, thus mitigating the refinancing risks.



Maturity schedule of the Russian Railways' loan

portfolio, RUB bn