

# DEBT AND SHARE CAPITAL

## Bonds

### Global capital markets

In 2017, Russian Railways made a number of significant transactions in global capital markets.

In late February, the Company successfully placed 7-year US dollar-denominated 4,375% Eurobonds in the amount of USD 500 m.

In the same month, it placed rouble-denominated 7-year 8.99% Eurobonds in the amount of RUB 15 bn. Global investment funds acquired almost 70% of the placement.

In March 2017, Russian Railways accessed the syndicated loan market for the first time in nine years, raising USD 420 m under a 5-year unsecured syndicated loan agreement. The record-low rates offered to the Company as compared to similar recent-year transactions testify to the Company's status of a first-class borrower.

With a number of international transactions in Q1, the Company completed the refinancing of its debut US dollar-denominated Eurobond issue (2010).

More activities in global capital markets followed in autumn 2017. In October, Russian Railways placed franc-denominated 6-year 2.1% Eurobonds for CHF 450 m. The rate was the lowest ever fixed by a Russian borrower for CHF instruments. The proceeds were raised to proportional repay the foreign currency part of the Company's loan portfolio as scheduled for Q1 2018. Having expanded the liquidity position, the placement did not have a negative impact on net debt.

In October, Russian Railways again entered the global market placing 7-year 7.9% bonds for RUB 15 bn. The rate was the lowest among Russian rouble-denominated global placements since January 2013. International investors, mostly from the UK, acquired 40% of the securities. This fourth placement of rouble-denominated Eurobonds increased the Company's rouble obligations in global capital markets up to RUB 82.5 bn.

As a result, it became Russia's largest corporate borrower in global markets attracting a significant number of international investors in rouble-denominated bonds.

In 2017, an equivalent of ca. RUB 110 bn was raised using global instruments.

### **Local capital market**

In 2017, the Company placed six successful rouble bond issues raising capital in the local market, with each placement consecutively achieving a lower rate. The weighted average rate for the new issues stood at 8.4%. The latest public transaction (Series 30 secondary placement) was made last November at 7.65%. In 2017, the Company placed a 9-year 8.5% issue for RUB 15 bn with one of the longest maturities.

The aggregate proceeds were partly used to replace costlier 11%+ bonds. The plans to replace the expensive securities issued amid the peak yields of 2015 prompted Russian Railways to exercise its right to buy back Series BO04 11.65% bonds for RUB 15 bn, Series BO08 11.44% bonds for RUB 20 bn and Series BO03 11.75% bonds for RUB 15 bn.

In 2017, the Company raised a total of ca. RUB 90 bn in the local capital market.

Full information on outstanding Eurobond and rouble bond issues is available in the Investor Relations section of Russian Railways' website at [↗ \(Eurobonds\)](#) and [↗ \(Rouble Bonds\)](#).

### **Share capital**

Russian Railways has been included in the list of strategically important companies approved by the Decree of the President of the Russian Federation No. 1009 dated 4 August 2004.

As at the end of 2017, the Company's charter capital amounted to RUB 2,212,238,725,000.

It is comprised of 2,162,238,725 ordinary registered shares with a nominal value of RUB 1,000 each and 50,000,000 preference registered shares with a nominal value of RUB 1,000 each.

In 2017, Russian Railways' charter capital was increased by a total of RUB 67,923,584,000, including RUB 24,981,693,000 contributed in December 2016 and RUB 42,941,891,000 contributed in 2017.

In 2017, a total of RUB 60,628,311,000 was contributed by the federal government, with an issue worth of RUB 42,941,891,000 registered in the same year. An issue for the remaining RUB 17,686,420,000, which were contributed in December 2017, was registered in 2018.

## **Dividend policy**

Russian Railways' dividend policy is based on the balance of interests of the Company and its shareholders and seeks to:

improve the Company's investment appeal,  
protect shareholder rights as prescribed by applicable Russian laws.

## **Distribution of the 2016 net profit**

In 2016, Russian Railways earned RUB 6.5 bn in net profit.

Pursuant to Clause 42, Section 6 of the Company's Charter, RUB 325 m, or 5% of net profit for the reporting period, were allocated to reserve capital.

The following amounts were allocated to dividend payments for 2016:

RUB 5 m, or 0.01% of the nominal value (RUB 50,000 m) of preference shares, payable to preference shareholders;

RUB 5,142 m, or 50% of the IFRS net profit, payable to ordinary shareholders.

## **Net profit distribution in 2012–2016, RUB bn**

### **Distribution guidance for the 2017 net profit**

In 2017, Russian Railways earned RUB 17.5 bn in net profit. Pursuant to Clause 42, Section 6 of the Company's Charter, RUB 875 m, or 5% of net profit for the reporting period, are to be allocated to reserve capital.

The ordinary shareholders will be paid dividends for 2017 in accordance with the Russian Government's directive. The preference shareholders will be paid RUB 5 m, or 0.01% of the nominal value (RUB 50,000 m) of preference shares, in dividends for 2017.

## **Rating agencies and investors**

In 2017, global rating agencies improved their outlook on Russia's sovereign ratings on the back of stronger macroeconomic data and growing international investor confidence in its economy. Standard & Poor's and Fitch revised their outlooks from "stable" to "positive", while Moody's improved its outlook from "negative" to "stable". In line with their policies, the agencies continued the sequence of positive rating actions reviewing the ratings of some quasi-sovereign issuers, including Russian Railways. In the reporting year, the Company's ratings were in line with Russia's sovereign ratings at "BB+" (Standard & Poor's, outlook positive), "Ba1" (Moody's, outlook stable) and "BBB-" (Fitch, outlook positive).

Aside from global agencies, in Q4 2017, ACRA and RAEX assigned Russian Railways the highest "AAA(RU)" and "ruAAA" ratings, respectively, both outlooks stable.

## **Russia's and Russian Railways' credit ratings as at the end of 2017**

In early 2018, Moody's and Standard & Poor's upgraded Russian Railways' ratings on the back of previous year's improvements in macroeconomic conditions and investment climate in Russia.

In 2017, the Company continued its dialogue with Russian and global financial investors at bilateral meetings and industry conferences. The landmark events of 2017 included the road shows arranged in February, September and October to promote four Eurobond placements (in dollars, roubles and francs). In addition, a traditional annual Investor Day was held in London in December 2017.