



DEBT POLICY

Debt portfolio performance in 2019

In 2019, the Company's medium and long-term debt totalled RUB 321.3 bn. The borrowed funds were largely raised through public debt instruments held by Russian investors as well as CHF-denominated bank loans.

Russian Railways repaid a total of RUB 133.8 bn in obligations in the reporting year. The Company's debt portfolio was significantly impacted by the rouble depreciation causing revaluation of the FX-denominated debt and an increase in its rouble equivalent at year-end. In relative terms, the share of the FX-denominated debt went down to 31% (vs 35% at the start of the year) after Russian Railways successfully redeemed part of its USD-denominated Eurobonds for ca. USD 461 m.

In addition, the Company drew down bilateral short-term (from several days to 1 year) bank and intra-group loans throughout the reporting year for the day-to-day management of liquidity and refinancing of liabilities. As at the end of 2019, short-term liabilities stood at RUB 231.8 bn.

In the reporting year, the Company's total debt stood at RUB 1,459.9 bn (excluding accrued interest).

As at the end of 2019, the long-term portion of the debt portfolio (maturing in more than 3 years) went down to 62% as the share of medium-term instruments increased.

The short-term (less than a year) debt increased from the beginning of the year to 21.7% as the Company was preparing to redeem the three series of local

bonds totalling RUB 55 bn in April 2020, and includes long-term debt maturing in 2020.

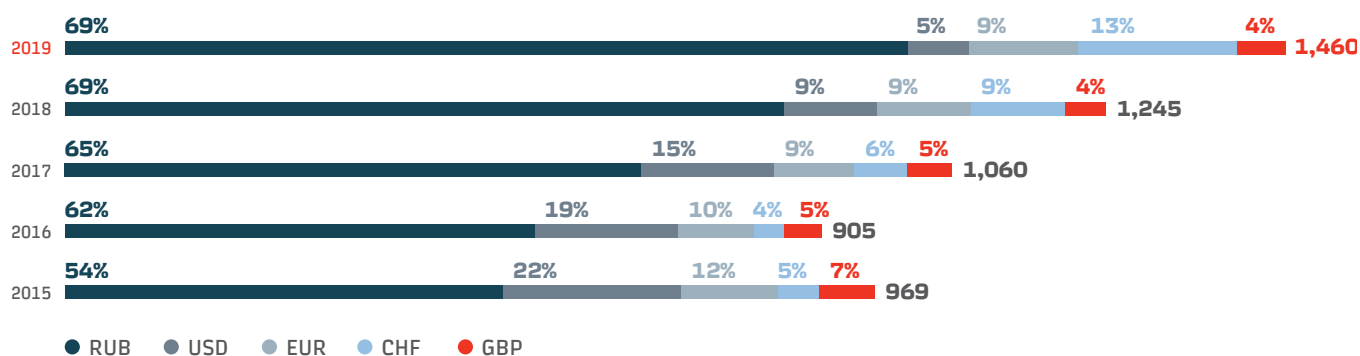
As the maturity dates of the relevant liabilities approach, the Company replaces them with new long-term borrowings, determines their maturity taking into account the existing repayment schedule and maintaining the share of short-term liabilities for the entire scheduled horizon at a level not exceeding 20%.

As at the end of 2019, the average maturity across the Russian Railways' debt portfolio (excluding short-term liquidity management tools) was approximately 7.5 years with payments evenly distributed over the long-term horizon, thus mitigating the refinancing risks.

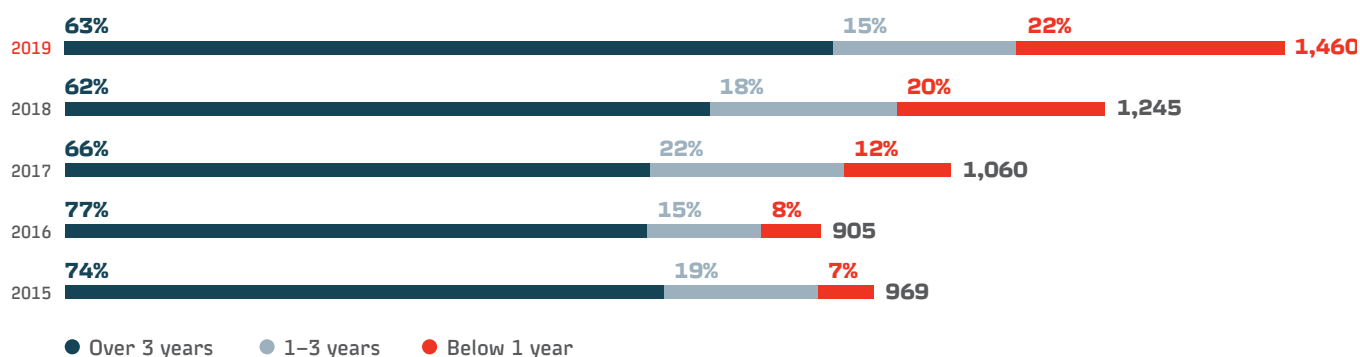
Russian Railways' debt portfolio

Items	2019 value indicator	Targets	Comments
Share of FX-denominated debt, %	30.6	No more than 40	FX-denominated debt in the Company's debt portfolio adds to its exposure to FX fluctuations. However, the interest rate on FX-denominated loans is much lower than on rouble loans. It is, therefore, the debt policy's primary objective to find balance between the FX and rouble-denominated loans
Short-term debt, %	15.9 ²	No more than 20	Short-term obligations in the debt portfolio offer greater flexibility in managing the portfolio
Average maturity ¹ , years	7.5	7	The Company works to increase and maintain the average maturity of the debt portfolio that would be consistent with the long payback period of the investment projects financed by such loans

Russian Railways' debt portfolio breakdown by currency³, RUB bn



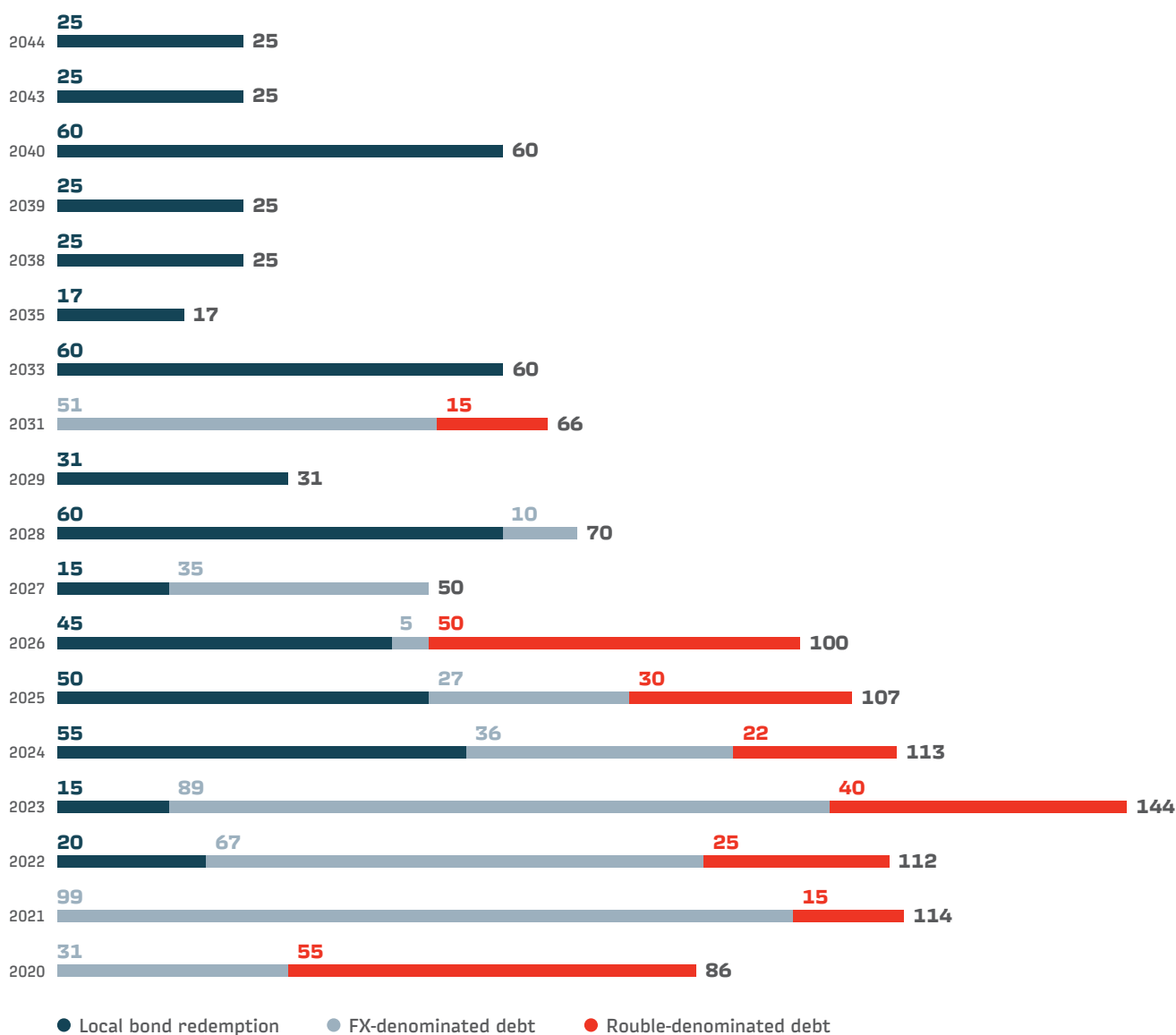
Russian Railways' debt portfolio breakdown by maturity³, RUB bn



¹ Excluding short-term liquidity management tools.

² Short-term bank and intra-group loans.

³ Principal debt only (principal debt less accrued interest) as at 31 December of the respective year. Rounded to whole numbers.

Russian Railways' debt portfolio breakdown by maturity⁴, RUB bn

⁴. Principal debt. Debt obligations as at 31 December 2019. FX payments calculated on the basis of the FX rates as at 31 December 2019.