Debt policy

Russian Railways uses debt to finance its investment and operating activities. The Company relies on long-term borrowings to fund its investment programme and refinance outstanding liabilities, while short-term borrowings provide flexibility in managing the current liquidity.

Debt portfolio performance in 2020

In 2020, Russian Railways raised a total of RUB 452.9 bn in long-term financing in the primary market, including RUB 313 bn as part of the perpetual bond issue supported by the Russian President. The Company also borrowed funds through public debt instruments offered to Russian and foreign investors and loans from international development institutions.

In 2020, Russian Railways repaid a total of RUB 88.5 bn of long-term debt (excluding local bond redemption). The Company's debt portfolio was negatively impacted by a dramatic rouble depreciation causing the revaluation of the FX-denominated debt and an increase in its rouble equivalent as at the year-end. In relative terms, the FX-denominated debt accounted for ca. 36% (within the limit stipulated by the debt policy) after Russian Railways had successfully redeemed part of its Eurobonds for EUR 250 m.

The Company drew down bilateral short-term (from several days to one year) bank and intra-group loans throughout the reporting year for the day-to-day management of liquidity and refinancing of liabilities. The reporting year also saw the Group significantly reduce its short-term liabilities by issuing perpetual bonds, with short-term loans and borrowings standing at RUB 92.3 bn as at the year-end.

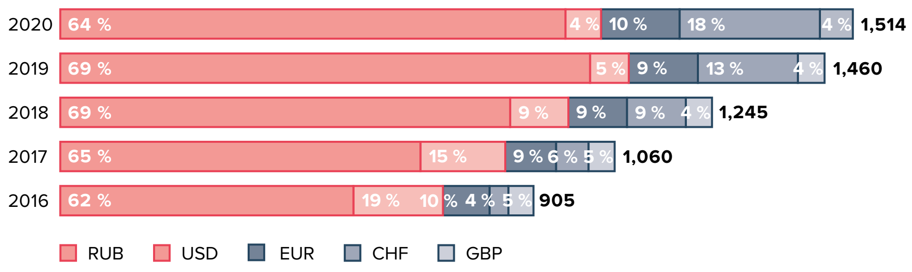
The Company's total outstanding debt excluding accrued interest stood at RUB 1,513.8 bn.

Russian Railways' debt portfolio as at 31 December 2020

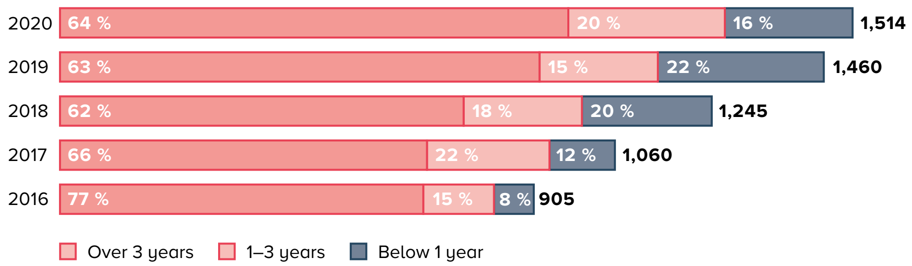
Indicator	2020	Target	Comments
Share of FX-denominated debt	36.3 %	At or below 40%	Foreign currency-denominated liabilities in the Company's debt portfolio add to its exposure to FX fluctuations. However, the interest rate on foreign currency-denominated borrowings is much lower than on rouble borrowings. Hence, one of the debt policy's primary objectives is to find balance between foreign currency- and rouble-denominated borrowings.
Short-term debt	16.1 %	At or below 20%	Short-term liabilities offer greater flexibility in managing the debt portfolio.
Average maturity[1]	6.7	7 years	The Company works to increase and maintain the average maturity of the debt portfolio that would be consistent with the long payback period of investment projects financed by such borrowings.

[1] Excluding short-term liquidity management tools

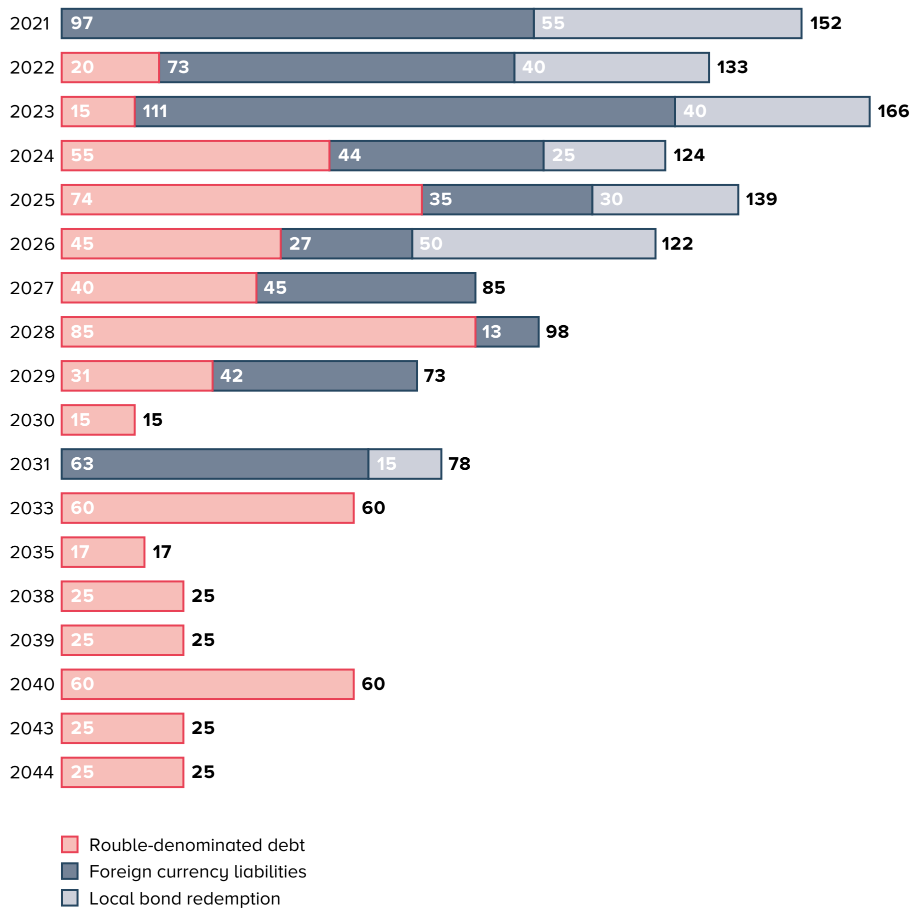
Russian Railways' debt portfolio breakdown by currency,[1] RUB bn



Russian Railways' debt portfolio breakdown by maturity,[1] RUB bn



Maturity schedule of Russian Railways' debt portfolio,[2] RUB bn



1 Principal debt. As at 31 December of the relevant year.

2 Principal debt. Debt obligations as at 31 December 2020. FX payments calculated on the basis of the FX rates as at 31 December 2020.

Key events of the year

- **The Group made three initial offerings of local bonds worth RUB 40 bn.**
- **Russian Railways placed perpetual bonds, a new instrument which has a unique feature of being classified as equity. In 2020, the Company placed seven bond issues worth RUB 313 bn, including a green RUB 100 bn issue named by Cbonds as the Deal of the Year in the ESG category.**
- **The second offering of 6-year 0.84% green Eurobonds worth CHF 250 m was successfully completed.**
- **The Company placed its first-ever RUB 25 bn social Eurobonds maturing in 7.25 years at 6.598%.**
- **Russian Railways received a prestigious international Green Bond Pioneer Award from the London Stock Exchange and Climate Bonds Initiative, a developer of environmental standards, as the first Russian company to enter the green financing market.**
- **The Company used loans from development banks as a new financing option (CHF 500 m from the New Development Bank and RUB 24 bn from the Asian Infrastructure Investment Bank).**
- **The Company redeemed its Eurobonds for EUR 250 m. As at the end of 2020, foreign currency-denominated borrowings accounted for 36% of the debt portfolio (within the 40% limit).**