

Securities

Bonds

Global capital markets

In April 2018, Russian Railways completed the refinancing of its USD 420 m loan with a new bilateral CHF 300 m loan securing a lower interest rate.

The Company tapped the global debt markets twice, in May and September 2018, and redeemed its USD-denominated Eurobonds for a total of USD 775 m, having refinanced them with rouble and franc-denominated instruments.

Russian Railways optimised the cost of its debt maintaining interest payments at a comfortable level. In 2018, an equivalent of ca. RUB 66 bn was raised using global instruments.

Local capital market

In 2018, the Company placed seven successful rouble bond issues in the local market along with secondary bond offerings. The proceeds from local bonds were partly used to replace its FX-denominated debt. The weighted average rate for the new issues stood at 7.8%.

Russian Railways placed a 5-year issue for RUB 15 bn at an even lower rate of 7.25%.

In June 2018, the Company successfully placed a 6-year 7.3% issue for RUB 10 bn. The bookbuilding resulted in the lowest ever spread to the yield on Russian government bonds.

of securities sold at a price above their face value. In August and November 2018, Russian Railways issued two series of debut bonds with a coupon rate linked to the yield on Russian federal loan bonds for a total of RUB 20 bn. The bonds have a tenor of 10 and 15 years.

Russian Railways first tapped the local market in February 2018 placing an 8-year 7.3% issue for RUB 20 bn. The rate was the lowest among the Company's local placements since 2006. In April 2018,

In September 2018, the Company offered as many as three series of its secondary bonds and successfully placed the entire volume in excess of RUB 22 bn, with the bulk

In 2018, the Company raised more than RUB 107 bn through primary and secondary bond offerings in the local capital market.

Share capital and dividends

Share capital

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

exercises shareholder powers on behalf of the Russian Federation. The founder contributed properties and assets of Russian federal railways to the Company's charter capital.

It is comprised of 2,204,029,003 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.

The Russian Federation is the founder and sole shareholder of Russian Railways. The Government of the Russian Federation

As at the end of 2018, the Company's charter capital amounted to RUB 2,254,029,003,000.

Dividend policy

In 2018, Russian Railways paid dividends on ordinary shares for 2017 pursuant to Order No. 1328-r of the Government of the Russian Federation dated 30 June 2018.

The following amounts were allocated to dividend payments for 2017:

- › RUB 5 m, or 0.01% of the nominal value (RUB 50,000 m) of preference shares, payable to preference shareholders;
- › RUB 8,750 m, or 50% of the RAS net profit, payable to ordinary shareholders.

Pursuant to Order No. 1328-r of the Government of the Russian Federation dated 30 June 2018, RUB 875 m was allocated to reserve capital in 2018. No other allocations were made.

Net profit distribution in 2013-2017, RUB bn

Items	2013	2014	2015	2016	2017
Net profit	0.740	-44.078	0.318	6.500	17.500
Reserve capital	0.037	0.000	0.016	0.325	0.875
Dividends accrued on	0.185	0.045	0.302	5.147	8.755
ordinary shares	0.185	0.045	0.297	5.142	8.750
preference shares	–	–	0.005	0.005	0.005

Distribution guidance for the 2018 net profit

In 2018, Russian Railways earned RUB 18.4 bn in net profit. Pursuant to Clause 42, Section 6 of the Company's Charter, RUB 918 m, or 5% of net profit for the reporting period, is to be allocated to reserve capital.

The ordinary shareholders will be paid dividends for 2018 in accordance with

the Russian Government's directive.

The preference shareholders will be paid RUB 7 m, or 0.01% of the nominal value (RUB 70,000 m) of preference shares (provided that the 2018 issue is registered in 2019), in dividends for 2018.

The Company's Long-Term Development Programme until 2025 approved by Order

No. 466-r of the Government of the Russian Federation dated 19 March 2019 provides for the payment of dividends on preference shares only, with the remaining net profit to be invested in accordance with the Comprehensive Plan for Upgrading and Expanding Core Infrastructure until 2024.