

# Landmark transactions of 2016

## International capital market

As part of measured implemented at the start of the year to reduce the volume of foreign-currency denominated debt, the Company held a tender for the early repayment of previously placed euro-denominated Eurobonds with scheduled maturity in 2021. Based on the applications that were satisfied, debt was reduced by EUR 98.5 mln with the buyback taking place at a price below their face value, providing an additional positive financial effect from the transaction.

In October of the reporting year, Russian Railways concluded a series of transactions for the early and partial redemption of foreign currency-denominated liabilities with their simultaneous refinancing through new placements in roubles and foreign currency. As a result of the transactions, short-term Eurobonds were redeemed with maturity within 6 months and 1.5 years for a total amount equivalent to approximately

USD 680 mln. The redeemed bonds were replaced with funds from the placement of USD 500 mln worth of new Eurobonds with maturity in 4 years and RUB 15 bln worth of Eurobonds with maturity in 7 years. The transactions were a key part of a programme being implemented by Russian Railways to optimise its loan portfolio whose goal is to reduce the volume and establish a balance schedule for the redemption of foreign-currency denominated liabilities.

The four-year USD 500-mln placement was made at the lowest rate for dollar-denominated Eurobonds in the Company's entire history – 3.45% p.a. The rate was set based on an eight-fold oversubscription of the bid book during the placement with a decrease by more than half of a percentage point of the initially announced rate of 4.0% p.a. The success of the transaction was marked by the high quality and diversification of the investors, among other things. Based

on the placement results, the geography of investors was distributed as follows: U.S. – 26%, UK – 21%, continental Europe and Russia – 17% each, Asia – 12% and investors from other regions – 7%.

The rouble-denominated placement of RUB 15 bln in Eurobonds was the first placement in the national currency by a corporate issuer since 2013. The 7-year placement period was the longest for a rouble-denominated Eurobond placement since 2012. During the book-building, the rate for which the benchmark was initially set at 9.5% was reduced to 9.2%, which is lower than the yield curve for Russian Railways bonds on the local market with a premium of less than 1% versus federal loan bonds (OFZ). Almost half of the placement was sold to major international funds and management companies, which purchased 48% of the Eurobonds

## Local capital market

In 2016, Russian Railways placed RUB 40 bln worth of long-term rouble-denominated market bonds, which replace financing from the National Wealth Fund intended to implement a programme to purchase traction rolling stock in 2016.

The funds from the National Wealth Fund were replaced in coordination with the Government of the Russian Federation in order to ease the burden on the state budget. The bonds were placed in favour of private pension funds.