

Tariff regulation risks

"Tariff regulation" risks may result in the possibility of a reduction in revenue for reasons unrelated to the business activities of JSC "RZD". They may occur in the event of:

- ▶ a change in the cargo turnover structure with regard to the range of cargo transported and tariff classes;
- ▶ insufficient compensation for a shortfall in income of JSC "RZD" if an established railway tariff ceiling is below the economically feasible limit;
- ▶ competitive expansion (intra-industry, inter-industry, inter-transport and international) during an accounting period of tariff regulation;
- ▶ implementation of international commitments made by the Russian Federation to join the WTO and establish the Eurasian Economic Union;
- ▶ a difference between real price increases for material and technical resources consumed by JSC "RZD" versus price inflation during the current tariff regulation period as set out in the forecast of social and economic development of the Russian Federation.

Risks related to a change in the cargo turnover structure and the difference between real price increases for material and technical resources consumed by JSC "RZD" versus price inflation during the current tariff regulation period as set out in the forecast of social and economic development of the Russian Federation may be partially mitigated by exercising JSC "RZD"'s rights of independent tariff setting within the price bands established by the Russian FST.