

External Risks of Russian Railways

Risk category	Risks
Macroeconomic risks	<ul style="list-style-type: none"> ▶ Reduction of originating traffic scope. ▶ Risk of unplanned fluctuations of transportation load exceeding the traffic carrying capacity of certain railroad sections. ▶ Deterioration of structure of industrial and agricultural production. ▶ Reduction of personal income. ▶ Price increase for goods and services consumed by Russian Railways Group. ▶ Restriction of Russian Railways tariffs. ▶ Weakening of investment and business activity.
Market risks	<ul style="list-style-type: none"> ▶ Reduction of Russian Railways Group share in highly profitable segments of the transport market. ▶ Increase of intrasectoral and intersectoral competition. ▶ Faster growth of alternative transport types including those that develop due to faster implementation of innovations. ▶ Growth of the share of other market participants due to Russian Railways Group. ▶ Technical and equipment lag of related transport types. ▶ Creation and starting to use the design capacity of international transport corridors bypassing the Russian territory. ▶ Deficit of production capacity of product suppliers for Russian Railways Group.
Financial risks	<ul style="list-style-type: none"> ▶ Risk of changing values of market parameters (interest rates, currency rates, security or goods value) and other parameters of financial instruments which are subjects of transactions concluded by Russian Railways Group. ▶ Credit risks. ▶ Risk of non-fulfillment or incomplete fulfillment of obligations of Russian Railways Group counterparty. ▶ Risk of unregulated price growth in conditions of strict government regulation of tariffs for main Russian Railways Group services.
Human resource risk	<ul style="list-style-type: none"> ▶ Reduction of human resources inflow starting from 2007 due to demographic crisis at the beginning of 1990s. ▶ Reduction of human resource quality. ▶ More disproportion in structure of human resources available in the market. ▶ Less able-bodied population in remote regions due to urbanisation development in the society. ▶ Risk of less attractiveness of professions in railway transport area. ▶ Lower education level at colleges and technical vocational schools.
Reputation risks	<ul style="list-style-type: none"> ▶ Weaker positions of Russian Railways in international agency's ratings. ▶ Weaker business reputation of Russian Railways due to not enough level of corporate culture of its employees. ▶ Less information transparency of Russian Railways Group.
Political risks	<ul style="list-style-type: none"> ▶ Continuing strict government regulation of tariffs. ▶ Strengthening environmental requirements. ▶ Law enforcement (transport, tax law, etc.). ▶ Deterioration of state-to-state relations. ▶ Local military actions.

Risk category	Risks
Reform risks	<ul style="list-style-type: none"> ▶ Price growth in subsidiaries and affiliated companies following sale of their shares to investors. ▶ Conversion and reprofiling of subsidiaries and affiliated companies' activity. ▶ Unfriendly merger of subsidiaries and affiliated companies.
Technogenic and environment risks	<ul style="list-style-type: none"> ▶ Accidents at industrial facilities related to support of Russian Railways Group activity. ▶ Technogenic accidents at related transportation modes (first of all, in sea harbour waters and main auto routes). ▶ Fires, natural disasters in the areas of the Group activity.
Scientific, research and technology risks	<ul style="list-style-type: none"> ▶ Application of new energy carriers and energy saving regimes at alternative modes of transport. ▶ Higher lifting capability of cars and ships.