

TARIFF REGULATION

Regulated Transportation Segment

The Tariff Guidelines approved by Decree No. 156-t/1 of the Federal Tariff Service (FTS of Russia) dated 27 July 2010 set the fares for travelling in third-class open-plan sleeping and fourth-class seating carriages on locomotive-hauled passenger and express trains, as well as first-, second- and third-class motorised carriages on express trains. The fares are indexed annually and depend on the train category, carriage type and travelling distance.

From 1 January 2022, fares in this transportation segment are indexed by 4.3% to the level of 2021 (Order of the Federal Anti-Monopoly Service (FAS of Russia) No. 1193/21 dated 28 October 2021).

From 1 October 2022, fares were additionally indexed by 6.52% (FAS of Russia Order No. 676/22 dated 23 September 2022).

It should be noted that with the additional indexation, the average annual increase in fares in the regulated transport segment was 6%.

Since 2003, applicable laws allow for tariff differentiation. To reduce seasonal fluctuations in demand, indexes differentiated by calendar periods are applied to base fares.

Since 2021, JSC FPC has been granted the right to establish calendar-period differentiated indices to the tariff rates with a maximum index of 1.2. The indices are calculated depending on demand changes at a level, which ensures that their average annual value does not exceed 1.0 (Order of the Federal Anti-Monopoly Service No. 1193/21 dated 28 October 2021), and approved by the Company's internal regulatory documents.

Starting from 2015, FPC can adjust tariffs for third-class open sleeping carriages within the set price limits, which enables various marketing promotions in the segment.

We continued to run marketing campaigns to generate demand for tickets in third-class open sleeping carriages and fourth-class seating carriages. Reduced fares for certain categories of seats and berths (depending on their location) has made passenger services more affordable for different passenger categories without exceeding the price limits set in Decree of FAS Russia No. 1193/21 dated 28 October 2021.

A zero VAT rate for long-distance public rail passenger services was set as from 2017 under Federal Law No. 401-FZ dated 30 November 2016 On Amendments to Parts One and Two of the Tax Code of the Russian Federation and Certain Legislative Acts of the Russian Federation.

Deregulated Transportation Segment

The Company may set the prices of fares for first-class and second-class sleeping carriages at its discretion in line with item 5 of the List of Services of Natural Rail Monopolies with Regulated Fares, Fees and Charges.

JSC FPC may also set the prices of fares for domestic public rail passenger services on higher-speed trains at its discretion. This right is set out in Decree No. 431-t/1 of the FTS of Russia dated 14 December 2010 On Changing State Regulation of Natural Monopolies in the Context of Domestic Public Rail Passenger Services, as well as Bed Linen Provision Service.

As a result, in the deregulated segment, FPC provides passenger services in the second- and first-class sleeping carriages, deluxe carriages, and in all types of carriages on higher-speed trains.

In this segment, FPC may set the prices of passenger fares at its discretion.

In the deregulated segment in 2022, the dynamic pricing system and numerous marketing campaigns served as the primary fare-setting instruments.

Dynamic Pricing System

Within the established timeframe, FPC replaced the dynamic pricing system (Sabre) with domestic software included in the Unified Register of Russian Computer Programmes and Databases.

The year-round domestic long-distance trains were transferred to the software named Dynamic Fare and Demand Management System – ACS Express-3 (hereinafter – DFDMS) from the date of sale – no later than 12 January 2023, from the date of departure – no later than 25 January 2023.

Dynamic pricing is a multi-factor tariff setting tool. Fares vary with train category, uneven demand (depending on time of year, day of week, departure and arrival times),

seat/berth category (upper or lower berth), depth of sales, etc. At the time of sale, dynamic pricing creates variable fares at the system level by taking into consideration both anticipated demand and a variety of environmental phenomena.

This helps ensure the balance between the demand for, and cost of, services, ultimately driving the demand for rail services.

FPC runs various marketing initiatives to stimulate consumer demand in both the deregulated and regulated segments and to defend the Company's position in the passenger market.

