

The Company continuously monitors political processes and follows the progress of the situation both in and beyond the Russian economic space. The Company assesses the significance level of these risks as below average. The main country risks affecting the Company are the risks of the Russian Federation. In accordance with changes in the political and economic situation and in order to improve the banking, judicial, tax, administrative, and legislative systems, the Government of the Russian Federation is carrying out a series of consistent reforms aimed at stabilising the modern Russian economy and its integration into the world system. While reforming of the business and legislative infrastructure is in process, the following risks remain: the inconvertibility of the national currency in foreign countries, low liquidity in the long-term lending and investment markets, and inflation in excess of inflation of developed nations.

Macroeconomic risks in Russia can be of significant impact. Stagnation in some sectors of the economy may interfere with the plans for the further development of the Company's business. The following factors can hamper further socio-economic development of the Russian Federation:

- ▶ overexposure of the budget to international energy prices;
- ▶ underdevelopment of political, legal, and economic institutions;
- ▶ immaturity of the judicial system;
- ▶ inconsistency and frequent changes in tax and currency laws.

Risks associated with possible military conflicts, the imposition of the state of emergency and strikes in Russia and in the region where the Company is registered as a tax payer are assessed as unlikely.

The risk of natural disasters, the possible termination of transport communication and other regional factors is minimal.

Most of the economic, political, and legal risks specified in this section, due to their global reach, are beyond the Company's control. In the event of significant political and economic instability in Russia or in the region, which can negatively affect the activities and revenues of the Company, it is expected that a number of anti-crisis measures will be taken to mobilise the business and minimise the potential negative impact of the political situation at the national and regional level on the Company's business.

There are no projections for negative changes that may adversely affect the activities and economic position of the Company in the near future. In the Company's opinion, the economic situation in the country (and region) is looking up, which is favourable to the Company's business and its ability to fulfil obligations.

The prospective actions of the Company in the event of a negative impact of changes in the situation in the country (countries) and the region on its activities: in the event of a negative impact of changes in the situation in the Russian Federation and other countries, as well as in the region of registration of the Company, the city of Moscow, on the Company's activities, it is planned:

- ▶ revise the Investment Programme;
- ▶ optimise the cost structure;
- ▶ change the structure of the provided services in order to maximise profits.

FINANCIAL RISKS

Historically the Company has relied exclusively on internal sources to fund its growth, reinvesting its net profit in development and not resorting to debt financing. Following this course, the Company assesses the impact of risks of changes in interest rates on its business activities as insignificant.

The Company operates in the Russian Federation, Kazakhstan, Uzbekistan, and in several other countries across the world. The bulk of the Company's contracts are in national currency. The cost of equipment, materials, services and employee salaries are denominated in roubles. A part of purchased equipment is imported. A small part of the Company's contracts is denominated in foreign currency. Even though the share of contracts in foreign currency does not exceed 3% of the total contractual base of the Company, a sharp change in the exchange rate of such a currency may affect its financial results. Changes in the exchange rate of foreign currencies mainly have a negligible effect on the activities of the Company (the Company is slightly exposed to currency risks).

The Company's activities depend on the rouble exchange rate and inflation rate. With the growth of foreign exchange rates against the rouble, the national currency will weaken. The weakening of the rouble will result in accelerated inflation, which could negatively affect the operational performance and the financial position of the Company. It is not possible to predict the critical inflation rate for the Company, since in addition to the level of consumer prices, it is necessary to take into account changes in the real purchasing power of the rouble, changes in the prices of raw materials (materials) used by the Company in its activities, the situation on the market of engineering and technological systems, and further government policy in this field.

In the Company's opinion, the economic situation in the country (and region) is looking up, which is favourable to its business and its ability to fulfil contractual obligations. In the event of a negative impact of changes in the exchange rate, inflation and interest rates on the Company's activities, it plans to conduct a risk analysis and make appropriate decisions in each case, including:

- ▶ revise the Investment Programme;
- ▶ optimise the cost structure;
- ▶ change the structure of the provided services in order to maximise profits.

LEGAL RISKS

Legal risks associated with the Company's operations (separately for domestic and international markets)

In the foreseeable future, the Company regards the risks associated with changes in currency, tax, customs and licensing legislation, which may entail a deterioration in the financial condition of the Company, as insignificant. In doing business, the Company relies on the strict compliance with tax, customs, currency, and licensing legislation, monitors and timely responds to relevant changes, and also seeks constructive dialogue with regulatory authorities when it comes to law enforcement practice.