

# Financial Results Review



In 2017, the Exchange reported record fee and commission income as MOEX continued to deliver on its strategy by launching new products and instruments and attracting more participants to its markets. Fee income as a proportion of operating income rose continuously during the year, reaching 60% in the last quarter and exceeding 55% for the year as a whole. Lower interest rates resulted in an expected decrease of 27.1% in interest income. Given these divergent trends, operating income decreased by 11.5% YoY.

Costs grew by 9.6% YoY. More than half of this was attributable to non-cash depreciation and amortisation expenses following large-scale capital expenditures in 2016 associated with the migration to a new data center and other measures to improve the reliability of the Exchange's trading and clearing platforms. Excluding D&A expenses, operating costs increased by just 5.2% YoY.

Changes in the cost and revenue structure led to a further reduction in the cost-to-income ratio, underscoring that greater operating efficiency was the key driver of higher fee income, rather than increased costs.

EBITDA contracted by 16.5% YoY; the EBITDA margin remained strong at 72.8%. Net profit declined 19.6% YoY. Basic earnings per share were RUB 9.02.

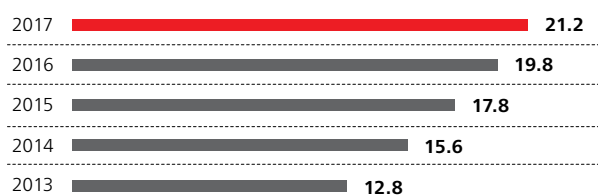
“We successfully executed on our strategy to increase fee and commission income. In 2017, we posted record financial performance in a number of areas. This was the result of hard work by the MOEX team and a particular focus on cost control. In 2018, we are continuing to strengthen the business by developing existing products and implementing new initiatives.

**Maxim Lapin**  
Chief Financial Office

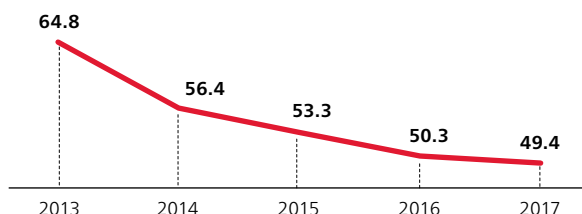
## Financial highlights, RUB mln

	2013	2014	2015	2016	2017	Δ 2017/2016
Operating Income	24,606.0	30,394.0	45,990.0	43,567.2	38,538.9	-11.5%
Fee and commission income	12,792.1	15,586.0	17,784.0	19,797.6	21,207.6	7.1%
Net interest and other finance income	11,754.9	14,279.4	28,084.9	23,695.0	17,285.3	-27.1%
Other operating income	58.9	528.7	121.1	74.6	46.0	-38.3%
Operating Expenses	9,857.0	10,373.3	11,271.9	12,259.4	13,431.8	9.6%
EBITDA	16,393.1	21,616.1	36,519.0	33,602.1	28,059.6	-16.5%
EBITDA margin, %	66.6	71.1	79.4	77.1	72.8	-4.3 p.p.
Operating Profit	14,749.0	20,020.8	34,718.1	31,307.8	25,107.1	-19.8%
Net Profit	11,581.7	15,993.2	27,852.1	25,182.6	20,255.2	-19.6%
Basic earnings per share, RUB	5.2	7.2	12.5	11.2	9.0	-19.6%

## Fee and commission income evolution , RUB bn



## Cost-to-income ratio<sup>1</sup>, %



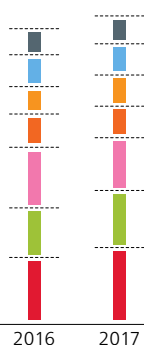
## Analysis of FY 2017 Financial Results

### Fee and Commission Income

In 2017, all but two of MOEX's markets reported growth of fee and commission income. Fee income decreased only on the FX and Derivatives Markets amid

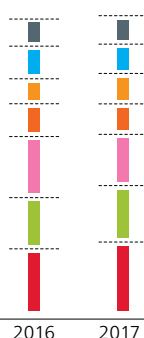
low volatility. The Money Market accounted for 27% of total fee and commission income, up from 24% in 2016. Depository and settlement services also increased its share of the total, from 18% to 20%. Despite this, fee and commission income remained well diversified.

### Fee and commission income structure , RUB mln



	2016	2017	Δ 2017/2016	Δ 2017/2016
▶ Money Market	4,836.2	5,650.0	813.8	16.8%
▶ Depository and Settlement Services	3,564.0	4,183.9	619.9	17.4%
▶ FX Market	4,344.9	3,827.0	-517.9	-11.9%
▶ Derivatives Market	2,052.3	2,012.0	-40.3	-2.0%
▶ Bond Market	1,483.0	1,982.5	499.5	33.7%
▶ Other fees and commissions <sup>2</sup> and listing fees	1,928.4	1,942.0	13.6	0.7%
▶ Equities Market	1,588.8	1,610.2	21.4	1.3%

### Fee and commission income structure, %



	2016	2017
▶ Money Market	24	27
▶ Depository & Settlement Services	18	20
▶ FX Market	22	18
▶ Derivatives Market	10	9
▶ Bond Market	7	9
▶ Other fees and commissions <sup>2</sup> and Listing	10	9
▶ Equities Market	8	8

<sup>1</sup> Operating costs excluding depreciation.

<sup>2</sup> Other fees and commissions include sale of software and technical services, information services and other fee income.

### SECURITIES (EQUITY & BOND) MARKET

Trading volumes on the Equities Market amounted to RUB 9.19 trln (compared to RUB 9.28 trln in 2016). Equity Market fee and commission income increased by 1.3% YoY to RUB 1.61 bln.

Bond Market turnover, exclusive of overnight bonds, was up 25.3% YoY to RUB 16.56 trln; inclusive of overnight bonds, turnover was up 79.4% to RUB 26.23 trln. Growth was driven by favourable macroeconomic conditions (as lower interest rates fueled bond offerings) and the Exchange's initiatives to facilitate access to the market. Bond Market fee and commission income increased 33.7% YoY to RUB 1.98 bln.

Listing and other service fees were RUB 392.3 mln, down 5.5% YoY, mostly due to a lower number of bond offerings, while the average bond issue size increased.

### FX MARKET

Total trading volumes on the FX Market increased by 5.4% YoY and reached RUB 347.67 trln. Spot trading volumes declined by 26.9% YoY, impacted by lower rouble volatility. Trading volumes in the swap and forward segment increased by 20.9% YoY. Swaps accounted for 77.5% of total FX Market trading volumes. Fee and commission income from the FX Market amounted to RUB 3.83 bln, down by 11.9% YoY, as the effective commission for swaps is lower than for spot trades.

### MONEY MARKET

Total Money Market trading volumes were up 13.0% YoY to RUB 377.14 trln. Fees and commissions from the Money Market increased by 16.8% YoY and reached an all-time high of RUB 5.65 bln.

### DERIVATIVES MARKET

Total trading volumes on the Derivatives Market declined by 26.7% YoY to RUB 84.50 trln, due to lower volatility in FX and the RTS Index, the underlying assets of the market's most heavily traded products. Commodity futures trading volumes continued to grow for the third consecutive year and were up 6.9% YoY to RUB 16.28 trln; options trading volumes also grew, rising 18.9% to RUB 6.87 trln. The product mix shifted to favour higher-fee products (commodity futures and options), supporting overall fees from the Derivatives Market (RUB 2.01 bln, down 2.0% YoY).

### DEPOSITORY AND SETTLEMENT SERVICES

Depository and Settlement Services contributed RUB 4.18 bln to operating income (+17.4% YoY) driven mainly by increased assets under custody (average assets were up 11.1% YoY to RUB 36.8 trln).

### OTHER FEE AND COMMISSION

Other fee and commission increased by 2.4% YoY to RUB 1.55 bln. Sales of data and information services brought in RUB 769.7 mln, up 2.4% YoY. Income from sales of software and technical services accounted for RUB 630.7 mln (down 0.9% YoY). Other fee and commission income was RUB 149.3 mln, up 19.4% YoY.

### Interest & other finance income

Net interest and other finance<sup>1</sup> income declined 27.1% YoY to RUB 17.29 bln due to lower RUB interest rates and a decline in funds available for investment. The average investment portfolio during the year was RUB 748.59 bln (2016: RUB 904.86 bln).

<sup>1</sup> Net interest and finance income is calculated as a sum of Interest and finance income, Net gain/(loss) on financial assets available-for-sale, FX gains less losses less Interest expense.

## Expenses

Operating costs were RUB 13.43 bln, up 9.6% YoY. Administrative and other operating expenses were up 15.3% YoY to RUB 7.28 bln, primarily due to higher costs on depreciation, amortization and maintenance of equipment (RUB 4.07 bln, up 24.9% YoY) that

were impacted by large-scale capital spending in 2016. Administrative expenses exclusive of costs on depreciation, amortization and maintenance of equipment grew by 5.1%. Personnel expenses rose by 3.5% YoY to RUB 6.15 bln.

### Expenses structure, RUB million

	2016	2017	Δ 2017/2016	Δ 2017/2016
Administrative and other operating expenses	6,312.3	7,278.9	966.6	15.3%
Depreciation of property and equipment	1,032.2	1,464.3	432.1	41.9%
Amortization of intangible assets	1,262.1	1,488.2	226.1	17.9%
Equipment and intangible assets maintenance	966.0	1,120.1	154.1	16.0%
Professional services	317.5	426.3	108.8	34.3%
Taxes (other than income tax)	476.1	540.0	63.9	13.4%
Market makers fees	477.1	522.2	45.1	9.5%
Other administrative and other expenses	280.5	308.5	28.0	10.0%
Registrar and foreign depository services	273.6	292.2	18.6	6.8%
Rent and office maintenance	479.8	475.3	-4.5	-0.9%
Communication services	132.8	123.3	-9.5	-7.2%
Information services	207.2	187.7	-19.5	-9.4%
Advertising costs	407.4	330.8	-76.6	-18.8%
Personnel expenses	5,947.1	6,152.9	205.8	3.5%
Employees benefits except for share-based payments	4,794.4	4,932.7	138.3	2.9%
Payroll related taxes	897.4	952.3	54.9	6.1%
Share-based payment expense on equity settled instruments	255.3	242.2	-13.1	-5.1%
Share-based payment expense on cash settled instruments	-	25.7	25.7	nm

### CAPITAL EXPENDITURES

Capex amounted to RUB 1.94 bln, all of which was spent on purchases of equipment and software as well as software development.

### CASH AND CASH EQUIVALENTS

The cash position<sup>2</sup> at year-end 2017 amounted to RUB 82.65 bln. The company had no debt as of 31 December 2017.

<sup>2</sup> Cash position is calculated as the sum of cash and cash equivalents, financial assets at fair value through profit and loss, due from financial institutions, investments available for sale less balances of market participants, distributions payable to holders of securities and margin account.