

About Moscow Exchange

Moscow Exchange Group manages Russia's main trading platform for equities, bonds, derivatives, currencies, money market instruments and commodities.

The Group comprises:

- ▶ PJSC Moscow Exchange MICEX-RTS, which operates the Equity & Bond Market, FX Market, Money Market, Derivatives Market and Precious Metals Market;
- ▶ NCO CJSC National Settlement Depository (NSD), the central securities depository;
- ▶ JSC Non-Banking Credit Institution – Central Counterparty National Clearing Center (CCP NCC, or NCC);
- ▶ JSC National Mercantile Exchange (NAMEX), which operates the Commodities Market;
- ▶ MOEX Innovations, which develops innovative technologies and works with fintech start-ups.

Moscow Exchange holds majority stakes in all key subsidiaries, including a 100% stake in NCC, a 99.997% stake in the NSD and a 65.08% stake in the NAMEX.

Moscow Exchange was formed in December 2011 from a merger of Russia's two main exchange groups: MICEX Group, the oldest domestic exchange and operator of the leading equities, bonds, foreign exchange and money markets in Russia; and RTS Group, which at that time operated Russia's leading derivatives market. This combination created a vertically integrated exchange for trading of all major asset classes. In February 2013, Moscow Exchange completed an initial public offering on its own platform (ticker: MOEX). As of 31 December 2018, the company's market capitalization was RUB 184.30 billion, and the free float was 57.6%.

Moscow Exchange Group



Business model

CLIENTS

26,500

Legal entities

699

Professional
brokerage
companies

2.0

mln

Retail investors

MARKETS

MARKET DATA

CLIENT SERVICES

EQUITY & BOND MARKET

- ▶ Russian and foreign shares
- ▶ Sovereign bonds (OFZ)
- ▶ Regional and corporate bonds
- ▶ Sovereign and corporate Eurobonds
- ▶ Depositary receipts
- ▶ Shares or investment units of mutual funds
- ▶ Mortgage participation certificates
- ▶ Exchange-traded funds (ETFs)
- ▶ Bank of Russia bonds
- ▶ Units of mutual funds and ETFs

DERIVATIVES MARKET

Futures and options on:

- ▶ Indices (MOEX Russia Index, RTS Index, RVI)
- ▶ Russian and foreign shares
- ▶ OFZ and sovereign Eurobonds
- ▶ Currency pairs
- ▶ Interest rates
- ▶ Oil and sugar
- ▶ Metals (gold, silver, platinum, palladium, copper, aluminum, zinc, nickel)

FX MARKET

- | | |
|-------------|-------------|
| ▶ USD – RUB | ▶ USD – CHF |
| ▶ EUR – RUB | ▶ TRY – RUB |
| ▶ CNY – RUB | ▶ USD – TRY |
| ▶ USD – CNY | ▶ BYN – RUB |
| ▶ HKD – RUB | ▶ KZT – RUB |
| ▶ GBP – RUB | ▶ USD – KZT |
| ▶ GBP – USD | ▶ EUR – USD |
| ▶ CHF – RUB | ▶ JPY – RUB |

MONEY MARKET

- ▶ Repo with the CCP
- ▶ GCC repo
- ▶ Inter-dealer repo
- ▶ Direct repo with the CBR
- ▶ Repo with collateral management system
- ▶ Deposit operations with the CCP
- ▶ Deposit and credit operations

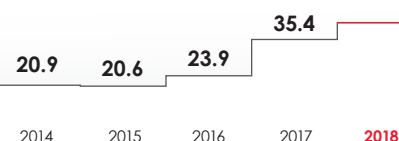
COMMODITIES MARKET

- | | |
|----------|-------------------|
| ▶ Gold | ▶ Corn |
| ▶ Silver | ▶ Soybean |
| ▶ Wheat | ▶ Sunflower seeds |
| ▶ Barley | ▶ Sugar |

OPERATING INCOME

Trading Volumes,
RUB trln

40.7



Advantages of cycle-protected business model. Fee & commission income:

Equity Market

Bond Market

2018
▲20.0%

2018
▲9.6%

2017
▲1.3%

2017
▲33.7%

2016
▼3.2%

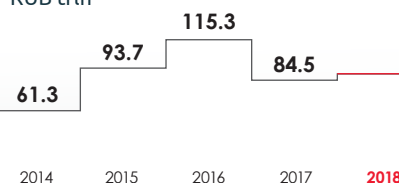
2016
▲25.4%

23,647.1
RUB mln

Fee & commission income

Trading Volumes,
RUB trln

89.3



2018
▲15.3%

2017
▼2.0%

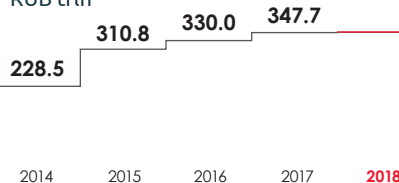
2016
▲39.5%

16,061.0
RUB mln

Interest and other
finance income

Trading Volumes,
RUB trln

348.4



2018
▲4.3%

2017
▼11.9%

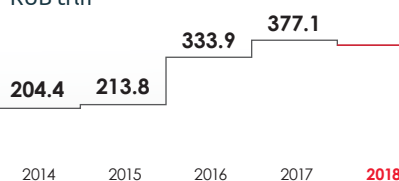
2016
▲0.4%

193.3
RUB mln

Other operating income

Trading Volumes,
RUB trln

364.2



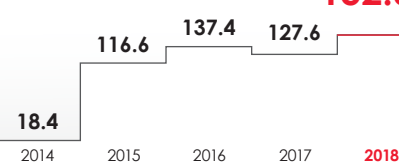
2018
▲13.1%

2017
▲16.8%

2016
▲24.8%

Trading Volumes,
RUB bln

152.3



Post-trading
Services

- Clearing (NCC)
- Depository and settlement services (NSD)

Depository and settlement
services

2018
▲8.3%

2017
▲17.4%

2016
▲2.9%

39,901.4
RUB mln

Total

Statement from the Chairman of the Supervisory Board



**Oleg
Viyugin,**

*Chairman
of the Supervisory Board*

A stylized, handwritten signature in black ink, consisting of a large, sweeping 'O' followed by a series of connected loops and a final horizontal stroke.

DEAR SHAREHOLDERS,

It is an honor as Chairman of the Supervisory Board to present the key results of Moscow Exchange for 2018.

For Moscow Exchange, 2018 was a year of significant achievements and important decisions. The key goals set by the Supervisory Board – namely growth of fee and commission income, expansion of the retail investor base, development of the corporate bond market and acceleration of project completion – were successfully achieved.

Fee and commission income increased by 11.5% year-on-year, accounting for a record high 59% of total operating income. Time-to-market for new products decreased by a third. The number of retail brokerage accounts increased by 50% in 2018.

Today, Moscow Exchange is the main platform for attracting public capital into the country's economy. Over the course of the year, Russian companies raised more than RUB 2.3 trillion from Russian and international investors via the Exchange, and the Russian government attracted RUB 1 trillion through offerings of government securities.

One of the important areas of focus for the Exchange is to build meaningful dialogue between Russian and foreign investors and market players using major industry conferences. The Exchange is a partner of the St. Petersburg International Economic Forum (SPIEF), the Finopolis forum for financial innovations and the International Financial Congress. It also holds its own investment conferences branded Moscow Exchange Forum in global financial centers Moscow, Shanghai, London and New York. These forums provide the business and investment communities an opportunity to learn about the Russian economy and financial market first-hand.

The Exchange has established active and direct communication with its customers – its market participants. Nineteen user committees and two expert committees have been established and work actively to discuss the latest issues for specific markets or specific groups of clients.

As part of the long-term effort to develop the financial markets of the Eurasian Economic Union, Moscow Exchange forged an agreement with Kazakhstan Stock Exchange (KASE) that contributes to harmonization of the regulatory framework and infrastructure of the Russian and Kazakh financial markets and enables issuers of our

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countries to effectively attract capital on the open market to finance their businesses and help investors unlock more opportunities.

Environmental, social and governance (ESG) criteria play an increasing role in investment decisions on international markets. Moscow Exchange is contributing to this trend by encouraging issuers to expand disclosure in this area and helping investors better assess companies' corporate social responsibility performance. Notably, Moscow Exchange joined the United Nations' Sustainable Stock Exchanges (SSE) initiative, which brings together more than 80 securities exchanges from around the world. The Exchange also penned a cooperation agreement with the Russian Union of Industrialists and Entrepreneurs (RSPP), to calculate sustainability indices based on ESG reporting. In order to facilitate financing of companies involved in environmental or social projects, a new Sustainability Sector is envisaged to enable precise positioning of issuers and investors with targeted investments.

Moscow Exchange also strives to adhere to best practice with regards to its own corporate governance. Seven of the 12 members of the Supervisory Board are independent directors and the Board audit, strategic planning, nomination and remuneration and technical policy committees are all chaired by independent directors. Active participation of independent directors on the Board helps to ensure transparent and effective corporate governance.

In order to make it more convenient for shareholders to participate in corporate actions, the Exchange implemented remote digital voting during general meetings of shareholders. The new platform created by the National Settlement Depository (NSD) enables more shareholders to participate in corporate governance and has seen strong demand among Russian issuers. For Moscow Exchange, this new technology has become particularly important given that in 2018 the number of individuals holding shares in the Exchange more than doubled to exceed 35,000.

The Supervisory Board remains committed to a policy of distributing the majority of profits to shareholders as dividends. The Exchange's approach to dividends is an important part of the company's investment case. Moscow Exchange is amongst the leaders in Russia and globally in terms of the percentage of net profit returned to shareholders in the form of dividends. The Board has recommended that 89% of 2018 net profit be paid out to shareholders as dividends.

Payment of dividends will be made based on full-year results, in line with the Exchange's dividend policy. The Supervisory Board recommended not to pay an interim dividend for the first half of the year in order to sustain a high capital adequacy level of the National Clearing Center (NCC). In the context of highly volatile financial markets, market participants increased volumes and their share of trading with the central counterparty, thus increasing pressure on its capital.

Taking into account the importance of balanced development of the Exchange as the central element of Russia's financial market infrastructure, the Supervisory Board acts in constant cooperation with the management team and is responsible for strategic oversight of the Exchange and its sustainable growth. We can already state that Moscow Exchange has implemented the key elements of its Strategy 2020 and achieved the financial and operational targets included in that strategy. In view of this, in 2018 the Supervisory Board began development of a new strategy and plans to present it to shareholders, the investor community and analysts in the near future.

This year, we will start delivering on our new 2019-2024 strategy that pursues a significant transformation of the company's business model. We also plan to release an updated dividend policy to ensure predictability and stability of dividend payments to our shareholders.

Finally, I would like to express my gratitude to the shareholders and the customers of Moscow Exchange for their trust and support and effective cooperation as we work together to further develop the Russian financial market. The Supervisory Board will continue its hard work aimed at ensuring operational reliability and adequate return on invested capital for our shareholders.

Statement from the Chief Executive Officer



**Alexander
Afanasiev,**

*Chief
Executive Officer*

A stylized, handwritten signature in black ink, consisting of a series of fluid, connected strokes that form a recognizable name.

DEAR SHAREHOLDERS,

I am pleased to report that in 2018 the Exchange once again delivered record fee and commission income, with trading volumes increasing across virtually all markets. An important factor in this achievement was the unprecedented growth in transactions by retail investors: In 2018, nearly 700 thousand individuals opened new brokerage accounts, and the number of retail investors reached almost 2 million during the year.

This suggests that the efforts of the Exchange and the entire financial community to develop the Russian investor base are delivering results. I am confident the active inflow of individual investors to exchange-based trading will continue thanks to ongoing projects to promote investment and improve financial literacy.

In 2018, the Exchange implemented online customer registration. As a result, individual investors are able to start trading just a few minutes after opening an account via a brokerage or bank web site. A project has been launched to create a marketplace for financial products that will allow individuals to view offers from Russian financial institutions online, and to compare and acquire them remotely. Specialist competitions for private investors (Invest Trial and Best Private Investor) are held annually, while the Moscow Exchange School gave around 40 thousand private investors the knowledge and skills they need for investment portfolio management in 2018. For the second year in a row, the Exchange organized FINFAIR, a large-scale event across Moscow, with around 7 thousand people taking part. In partnership with leading Russian brokerages, we are developing an online platform where any beginner investor can find information on the most popular exchange instruments and get access to the market.

The Exchange's most important mission is to promote Russia's economic growth by providing access to the capital market for both large companies and medium-sized businesses. In 2018, Russian issuers raised more than RUB 2 trillion on our platform to develop their businesses, mainly through bond placements.



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A new type of membership with direct access to trading has been introduced to allow Russian companies in the real sector of the economy to trade directly on MOEX's FX and Money Markets. This has stimulated the inflow of new liquidity to the market, while the companies themselves have been able to increase efficiency and hedge risks related to financial transactions due to the high degree of transparency of on-exchange trading and the presence of the central counterparty. To date, more than 100 companies have already become trading members. The distance between issuers and corporate investors is fading.

In 2018, the Unified Collateral Pool (UCP) – a large-scale cross-market project – was completed. As a result, trading members can now use a single trading account to manage collateral across all markets, with full netting in settlements and cross-margining between markets. This allows members to substantially reduce costs and free up significant cash. In 2018, 20% of the total volume of on-exchange trading was done using UCP accounts.

Higher levels of trading activity by customers suggest that the Exchange's products and services, as well as innovative solutions in clearing and collateral management, are in demand among trading members. We are successfully differentiating our product line, developing new asset classes and creating and introducing unique technologies for the convenience of our customers.

In 2018, trading was launched in new currency pairs, futures contracts for oil, gold and non-ferrous metals, and an index of international shares. Equity units of the first exchange-based mutual investment funds (EMIF) issued under Russian laws – the Russian equivalent of ETFs – also entered circulation. The grain market is gaining momentum, with trading volumes multiplying and the product range expanding all the time.

The Exchange is extending its services and technologies over the OTC market as well. In 2018, the OTC debt market system was launched, a project for access to global currency liquidity was implemented, and a system of indicative quotations put into operation. These projects will enable the Exchange to increase business volumes and to shift part of the OTC market to the Exchange's post-trade platform.

Despite the geopolitical environment, international investors are not reducing operational volumes on the Russian exchange market. This means that our growth strategy, the quality of our market infrastructure and the potential of the Russian market remain attractive to investors.

Because of the unique nature of its business, the Exchange works closely with universities and seeks to engage with up-and-coming talent: student financial competitions are supported, and funds are allocated for individual university projects. MOEX staff deliver lectures and conduct seminars at leading universities across Russia, and the best students are offered employment following internships with the Exchange.

In 2018, the Exchange was recognized as one of the world's most attractive employers for the second year in a row. The ranking compiled by Forbes includes 500 employers, and the Exchange was ranked #1 among Russian companies.

We believe it is important to help those in need and support educational projects, and we work with established charitable foundations. In 2018, around 30 million rubles were allocated to charity.

The trust of customers, investors and shareholders is an important success factor in achieving the goals we have set ourselves. I would like to thank you for your help, support and active involvement in the development of Russia's exchange infrastructure. The continued high-quality growth of our business gives us every reason to be optimistic regarding the Exchange's prospects in 2019.