

**Auditor's report on financial statements of  
Public Joint-Stock Company "Moscow Exchange MICEX-RTS" for 2016  
March 2017**

<b>Contents</b>	<b>Page</b>
Independent auditor's report	3
Appendices	
Financial statements of Public Joint-Stock Company "Moscow Exchange MICEX-RTS" for 2016:	
Balance sheet	5
Income statement	7
Appendices to the balance sheet and income statement	9

## **Independent auditor's report**

To the shareholders and the Supervisory Board  
of Public Joint-Stock Company  
"Moscow Exchange MICEX-RTS"

We have audited the attached accounting (financial) statements of Public Joint-Stock Company "Moscow Exchange MICEX-RTS" which comprise of the balance sheet as of 31 December 2016, the income statement for 2016 and appendices thereto.

### ***Audited entity's responsibility for financial statements***

Management of Public Joint-Stock Company "Moscow Exchange MICEX-RTS" is responsible for the preparation and fair presentation of these financial statements in accordance with rules on the preparation of financial statements established in the Russian Federation and for the internal control system relevant to the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

### ***Auditor's responsibility***

Our responsibility is to express an opinion on the fairness of these statements based on our audit.

We conducted our audit in accordance with the Federal Standards on Auditing effective in the Russian Federation and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The audit procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management of the audited entity, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements present fairly, in all material aspects, the financial position of Public Joint-Stock Company "Moscow Exchange MICEX-RTS" as of 31 December 2016, and its financial performance and cash flows for the year 2016 in accordance with Russian Accounting (Financial) Reporting Standards.

### ***Important circumstances***

Not changing our opinion on reliability of the financial statements, we draw attention to the information stated in item 3 "Reorganization in the form of accession" of Notes to financial statements and Financial statements Report, namely, that following the shareholders' resolution dated September 2, 2016 Public Joint-Stock Company "Moscow Exchange MICEX-RTS" was reorganized in the form of MICEX SE CJSC and MB Technologies, LLC accession on December 19, 2016.

### ***Other matters***

The accompanying financial statements are not intended to present the financial position and results of operations in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than the Russian Federation. Accordingly, the accompanying financial statements are not designed for those who are not informed about accounting principles, procedures and practices in the Russian Federation.

E.V. Zaichikova  
Partner  
Ernst & Young Vneshaudit LLC  
*/signed/*

15 March 2017

### ***Details of the audited entity***

Name: Public Joint-Stock Company "Moscow Exchange MICEX-RTS"  
Record made in the State Register of Legal Entities on 19 December 2011, State Registration Number 1027739387411.  
Address: 125009, 13, Bolshoy Kislovskiy per., Moscow, Russia

### ***Details of the auditor***

Name: Ernst & Young Vneshaudit LLC  
Record made in the State Register of Legal Entities on 4 February 2016; State Registration Number 1167746123478.  
Address: Russia 115035, Moscow, Sadovnicheskaya naberezhnaya, 77, building 1.  
Ernst & Young Vneshaudit LLC is a member of the Self-regulated organization of auditors "Russian Union of auditors" (Association)(RUA). Ernst & Young Vneshaudit LLC is included in the control copy of the register of auditors and audit organizations, main registration number 11603050953.

**Balance Sheet**  
as of 31 December 2016

Entity Public Joint-Stock Company "Moscow Exchange MICEX-RTS"  
 Taxpayer Identification Number \_\_\_\_\_  
 Type of economic activity Activity on organising the trading on financial markets  
 Form of incorporation/form of ownership Joint Russian and foreign / ownership  
 Measurement unit: RUB, thousand  
 Location (address) 13, Bolshoy Kislovsky per., Moscow, 125009

Code	
OKUD	###
Date (DDMMYY)	31
OKPO	538317
INN	2077840
OKVED	67.11
OKOPF/OKFS	47
OKEI	384

Notes	Item name	Code	As of 31 Dec 2016	As of 31 Dec 2015	As of 31 Dec 2014
	<b>ASSETS</b>				
	<b>I. NON-CURRENT ASSETS</b>				
1	Intangible assets	1110	365752	325 091	259 142
	R&D results	1120	-	-	-
	Intangible development assets	1130	-	-	-
	Tangible development assets	1140	-	-	-
2	Property, plant and equipment	1150	3 583 522	2 392 027	1 772 169
	Income-bearing investments in tangible assets	1160	-	-	-
3	Financial investments	1170	28 460 472	55 073 689	62 278 689
	Deferred tax assets	1180	228310	528	598
2.2	Other non-current assets	1190	787419	721 112	424 840
	Total for Section I	1100	33 425 475	59 312 427	64 735 418
	<b>II. CURRENT ASSETS</b>				
4	Inventories	1210	22043	10 905	7 876
	Value added tax on purchased assets	1220	13352	19 403	13 143
5	Accounts receivable	1230	729729	486 377	775 019
3	Financial investments (excluding cash equivalents)	1240	16038850	41 577	2 461 577
	Cash and cash equivalents	1250	4522753	3 590 691	849 519
	Other current assets	1260	270	104	6
	Total for Section II	1200	21 327 097	4 149 057	4 107 140
	<b>BALANCE</b>	1800	54 752 572	63 461 484	68 842 558

Notes	Item	Code	as of 31 Dec 2016	as of 31 Dec 2015	as of 31 Dec 2014
	<b>LIABILITIES</b>				
	<b>III. CAPITAL AND RESERVES</b>				
	Authorized capital (joint-stock capital, authorized fund, contributions of partners)	1310	2,278,636	2 278 636	2 278 636
	Treasury stock	1320	-236614	-	-
	Revaluation of non-current assets	1340	1488	1 660	1 722
	Capital surplus (excluding revaluation)	1350	18,589,623	43 159 127	43 159 127
	Reserve capital	1360	118924	118 924	118 924
	Retained earnings (uncovered loss)	1370	31,803,699	16 201 743	19 605 002
	Total for Section III	1300	52,555,456	61 760 090	65 163 411
	<b>IV. NON-CURRENT LIABILITIES</b>				
	Borrowings	1410		-	-
	Deferred tax liabilities	1420	124635	94 559	74 821
	Provisions for contingent liabilities	1430		-	-
	Other liabilities	1450		-	-
	Total for Section IV	1400	124635	94 559	74 821
	<b>V. CURRENT LIABILITIES</b>				
	Borrowings	1510		-	2 141 154
5	Accounts payable	1520	759972	413 559	325 323
	Unearned revenue	1530		-	-
7	Provisions for contingent liabilities	1540	1,311,241	1 187 434	1 134 793
	Other liabilities	1550	1268	5 842	3 056
	Total for Section V	1500	2,072,481	1 606 835	3 604 326
	<b>BALANCE</b>	1700	54,752,572	63 461 484	68 842 558

CEO \_\_\_\_\_  
(signature)

**Alexander Afanasiev**  
(printed name)

15 March 2017

**P&L statement**  
January – December 2016

Entity Public Joint-Stock Company "Moscow Exchange MICEX-RTS"  
 Taxpayer Identification Number \_\_\_\_\_  
 Type of economic activity Activity on organising the trading on financial markets  
 Form of incorporation/form of ownership Joint federal and / foreign ownership  
 Measurement unit RUB, thousand

OKUD  
 Date (DDMMYY)  
 OKPO  
 INN  
 OKVED  
 OKOPF /OKFS  
 OKEI

Notes	Item name	Code	Jan-Dec 2016	Jan-Dec 2015
	Revenue	2110	7,749,039	6 649 034
6	Cost of goods sold	2120	(6,543,979)	(5 665 577)
	Gross profit (loss)	2100	1,205,060	983 457
	Selling expenses	2210	-	-
	Administrative expenses	2220	-	-
	Profit (loss) on sales	2200	1,205,060	983 457
	Profit from interest in other entities	2310	31,692,441	5 071 291
	Interest receivable	2320	356	101 504
	Interest payable	2330		(7 225)
	Other income	2340	1,042,816	1 932 096
	Other expenses	2350	(2,654,965)	(2 435 784)
	Profit (loss) before taxes	2300	31,641,650	5 645 339
	Current income tax	2410	-218,145	(210 558)
	including permanent tax liabilities (assets)	2421	(6,307,887)	(898 704)
	Adjustment of deferred tax liabilities	2430	-30,076	(19 737)
	Adjustment of deferred tax assets	2450	227,778	(69)
	Other	2460	(-319)	27
	Net profit (loss)	2400	31,620,888	5 415 002

Notes	Item name	Code	Jan-Dec 2015	Jan-Dec 2016
	Result from revaluation of non-current assets, not included in the net profit (loss) of the period	2510	(62)	-172
	Result from other operations, not included in the net profit (loss) of the period	2520	-	
	Total profit/loss of the period	2500	5 414 940	31,620,716
	For reference			
	Basic earnings (loss) per share	2900	-	
	Diluted earnings (loss) per share	2910	-	

CEO

(подпись)

Alexander Afanasiev

(расшифровка подписи)

15 March 2017



**Statement of change in equity**  
for January-December 2016

Entity Public Joint-Stock Company "Moscow Exchange MICEX-RTS"

Taxpayer Identification Number

Type of economic

activity Activity on organising the trading on financial markets

Form of incorporation/form of ownership Joint federal and foreign

/ ownership

Measurement unit: RUB, thousand

Codes			
OKUD	0710003		
Date (DDMMYY)	31	12	2016
OKPO	11538317		
INN	7702077840		
OKVED	67.11		
OKOPF/OKFS	47	31	
OKEI	384		

**1. Capital flow**

Item name	Code	Authorised capital	Treasury stock	Additional capital	Reserve funds	Retained earnings (uncovered loss)	Total
Equity as of 31 Dec 2014	3100	2,278,636	-	43,160,849	118 924	19,605,002	65,163,411
for 2015							
Increase in equity - total:	3210	-	-	-	-	5,415,064	5,415,064
including:							
net profit	3211	X	X	X	X	5,415,002	5,415,002
asset revaluation	3212	X	X	-	X	62.0	62.0
earnings directly attributed to increase in equity	3213	X	X	-	X	-	-
additional issue of shares	3214	-	-	-	X	X	-
share par-value increase	3215	-	-	-	X	-	X
corporate restructuring	3216	-	-	-	-	-	-
	3217	-	-	-	-	-	-
Decrease in equity - total:	3220	-	-	-62	-	(8,818,323)	(8,818,385)
including:							
loss	3221	X	X	X	X	-	-
asset revaluation	3222	X	X	-62	X	-	-62
expenses directly attributable to decrease in equity	3223	X	X	-	X	-	-
share par-value decrease	3224	-	-	-	X	-	-
decrease in the number of shares	3225	-	-	-	X	-	-
corporate restructuring	3226	-	-	-	-	-	-
dividend	3227	X	X	X	X	(8,818,323)	(8,818,323)

Item name	Code	Authorised capital	Treasury stock	Additional capital	Reserve funds	Retained earnings (uncovered loss)	Total
Change in additional capital	3230	X	X	-	-	-	X
Change in reserve funds	3240	X	X	X	-	-	X
	3245	-	-	-	-	-	-
Equity as of 31 Dec 2015	3200	2 278 636	-	43,160,787	118 924	16,201,743	61,760,090
for 2016							
Increase in equity - total:	3310	-	-	-	-	31,803,061	31,803,061
including:							
net profit	3311	X	X	X	X	31,620,888	31,620,888
asset revaluation	3312	X	X	-	X	172.0	172.0
earnings directly attributed to increase in equity	3313	X	X	-	X	-	-
additional issue of shares	3314	-	-	-	X	X	-
share par-value increase	3315	-	-	-	X	-	X
corporate restructuring	3316	-	-	-	-	181,492	181,492
	3317	-	-	-	-	509.0	509.0
Decrease in equity - total:	3320	-	-236,914	(24,569,676)	-	(16,201,105)	(41,007,695)
including:							
loss	3321	X	X	X	X	-	-
asset revaluation	3322	X	X	-172	X	-	-172
expenses directly attributable to decrease in equity	3323	X	X	-	X	-	-
share par-value decrease	3324	-	-	-	X	-	-
decrease in the number of shares	3325	-	-236,914	-	X	-	-236,914
corporate restructuring	3326	-	-	(24,569,504)	-	-	(24,569,504)
dividend	3327	X	X	X	X	(16,201,105)	(16,201,105)
Change in additional capital	3330	X	X	-	-	-	X
Change in reserve funds	3340	X	X	X	-	-	X
	3345	-	-	-	-	-	-
Equity as of 31 Dec 2016	3300	2 278 636	-236,914	18,591,111	118 924	31,803,699	52,555,456

## 2. Adjustments due to changes in accounting policies and correction of errors

Item name	Code	as of 31 Dec 2014	Changes in equity for 2015		as of 31 Dec 2015
			attributable to net profit (loss)	attributable to other factors	
<b>Equity - total</b>					
before adjustments	3400	65,163,411	5,415,002	(8,818,323)	61,760,090
adjustments due to:					
changes in accounting policies	3410	-	-	-	-
correction of errors	3420	-	-	-	-
after adjustments	3500	65,163,411	5,415,002	(8,818,323)	61,760,090
Including:					
Retained earnings (uncovered loss):					
before adjustments	3401	19,605,002	5,415,002	(8,818,261)	16,201,743
adjustments due to:					
changes in accounting policies	3411	-	-	-	-
correction of errors	3421	-	-	-	-
after adjustments	3501	19,605,002	5,415,002	(8,818,261)	16,201,743
before adjustments	3402	-	-	-	-
adjustments due to:					
changes in accounting policies	3412	-	-	-	-
correction of errors	3422	-	-	-	-
after adjustments	3502	-	-	-	-

**3. Net assets**

Item name	Code	as of 31 Dec 2015	as of 31 Dec 2014	as of 31 Dec 2016
Net assets	3600	61 760 090	65 163 411	52,555,457

CEO \_\_\_\_\_  
(signature)**Alexander Afanasiev** \_\_\_\_\_  
(printed name)\_\_\_\_\_  
15 March 2017

**Cash flow statement**  
January-December 2015

Entity Public Joint-Stock Company "Moscow Exchange MICEX-RTS"  
 Taxpayer Identification Number \_\_\_\_\_  
 Type of economic activity Activity on organising the trading on financial markets  
 Form of incorporation/form of ownership Joint federal and foreign / ownership

Codes		
OKUD	0710004	
Date (DDMMYY)	31	12 2015
OKPO	11638317	
INN	7702077840	
OKVED	67.11	
OKOPF /OKFS	47	31
OKE	384	

Measurement unit: RUB, thousand

Item name	Code	Jan-Dec 2015	Jan-Dec 2016
<b>Cash flows from current operations</b>			
Cash inflows - total	4110	10 794 276	16 549 519
including:			
from sale of products, goods, works and services	4111	6 395 324	7 381 373
rent, license payments, royalty, fees and commissions, and other similar payments	4112	259 873	0
resale of financial investments	4113	-	-
from short-term financial investment repayment	4114	3 920 000	6 700 000
from interests on short-term financial investment	4115	192 376	220 232
other inflows	4119	26 603	2 010 755
Cash outflows - total	4120	(7 840 450)	(26 612 744)
including:			
suppliers (contractors) for feedstock, materials, works, services	4121	(2604178128)	(2 068 488)
employees' payroll	4122	(2 090 055)	(2 183 119)
interest on debt obligations	4123	(48 379)	-
corporate income tax	4124	(233 138)	(329 616)
payments of other taxes and levies	4125	(1 064 019)	(1 099 453)
acquisition of short-term financial investment	4126	(1 500 000)	(22 700 000)
other outflows	4129	(300 671)	(612 068)
Balance of cash flows from current operations	4100	2 953 826	(13 063 225)
<b>Cash flows from investment operations</b>			
Cash inflows - total	4210	11 309 959	31 785 948
including:			
from sale of non-current assets (except financial investments)	4211	6 338	2 544
sale of shares (participatory interests) in other entities	4212	6 232 330	85 877
repayment of loans granted, sale of debt securities (receivables from other persons)	4213	-	5 086
dividends, interest on debt financial investments, and similar inflows from participatory interests in other entities	4214	5 071 291	31 692 441
other inflows	4219	-	-
Cash outflows - total	4220	(771 351)	(1 483 176)
including:			
acquisition, creation, upgrading, reconstruction, and preparation for use of capital assets	4221	(771 351)	(1 366 564)
acquisition of shares (participatory interests) in other entities	4222	-	(116 612)
acquisition of debt securities (receivables from other persons), loans granted to other persons	4223	-	-
interest on debt obligations included into the cost of an investment asset	4224	-	-
other outflows	4229	-	-
Balance of cash flows from investment operations	4200	10 538 608	30 302 772

Item name	Code	Jan-Dec 2015	Jan-Dec 2016
<b>Cash flows from financial operations</b>			
Cash inflows – total	4310	100 000	162.750
including:			
loans and borrowings received	4311	100 000	
cash contributions by owners (members)	4312	-	-
issue of shares, increase in participatory interests	4313	-	-
issue of bonds, promissory notes, and other debt securities, etc.	4314	-	-
	4315	-	-
other inflows	4319	-	162.750
Cash outflows - total	4320	(11 018 323)	(16,188,111)
including:			
to owners (participants) due to the fact of share buy-back or cessation of membership	4321	-	(236.914)
dividend payments or other distribution to owners	4322	(8 818 323)	(15,951,197)
redemption (buy-back) of promissory notes and other debt securities, loan repayment	4323	(2 200 000)	-
	4324	-	-
other outflows	4329	-	-
Balance of cash flow from financial operations	4300	(10 918 323)	(16,025,361)
<b>Balance of cash flow for the reporting period</b>	4400	2 574 111	1,214,186
<b>Balance of cash and equivalents at the beginning of the reporting period</b>	4450	849 519	3,590,691
<b>Balance of cash and equivalents at the end of the reporting period</b>	4500	3 590 691	4,522,753
Effect of changes in the exchange rate of foreign currencies against ruble	4490	167 061	(282.124)

CEO \_\_\_\_\_  
(signature)

**Alexander Afanasiev**  
(printed name)

15 March 2017

## 1.3. Fully amortised intangible assets

Item name	Code	As of 31 Dec 2015	As of 31 Dec 2014	As of 31 Dec 2016
Total	5130	10 507	9 091	35,667
Including:				
Exclusive copyright for software and databases	5131	5 264	3 848	29,917
Exclusive owner rights for trademarks, service marks, and appellations of origin of goods	5132	5 243	5 243	5,750

## 1.4. Existence of, and changes in, R&amp;D products

Item name	Code	Period	year		Changes over the period			At end of reporting period	
			Initial cost	Expensed portion of the cost	In	Out		Initial cost	Expensed portion of the cost
						Initial cost	Expensed portion of the cost		
R&D products, total	5150	2015	-	-	-	-	-	-	-
	5140	2016	-	-	-	-	-	-	-
including:									
	5151	2015	-	-	-	-	-	-	-
	5141	2016	-	-	-	-	-	-	-





## 2.2. CAPEX in progress

Indicator	Code	Period	At beginning of reporting year	Changes for the period			At end of reporting period
				Spent for the period	Written-off	Entered into the books as change of PP&E value	
Construction in progress and pending transactions of PP&E acquisition, up-grade, etc. - total	5250	2015	36 922	1 216 918	(4 888)	(1 051 860)	197 092
	5240	2016	197 092	1 778 799	(51 121)	(1 874 260)	50 510
Including:							
Machinery and Equipment	5251	2015	36 922	1 216 918	(4 888)	(1 051 860)	197 092
	5241	2016	197 092	1 778 799	(51 221)	(1 874 260)	50 510

## 2.3. Change of PP&amp;E value resulting from finishing, fitting-out, alterations and partial liquidation

Indicator	Code	in 2015	in 2016
Increment in PP&E value resulting from finishing, fitting-out and alterations - total	5260	28 552	107 904
Including:			
Machinery and Equipment	5261	28 305	106 556
Other types of PP&E	5262	247	1 338
Decrease in PP&E value resulting from partial liquidation - total	5270	(7 926)	(1 235)
Including:			
Machinery and Equipment	5271	(6 305)	(1 235)
Other types of PP&E	5272	(1 621)	-

## 2.4. Other use of PP&amp;E

Indicator	Code	as of 31 Dec 2015	as of 31 Dec 2014	as of 31 Dec 2016
Leased PP&E accounted for in the books	5280	13 811	18 610	11.320
Leased off-balance PP&E	5281	-	-	-
Rented PP&E accounted for in the books	5282	-	-	-
Rented off-balance PP&E	5283	290 749	379 920	287.654
Property accepted for operation and actually operated currently under on-going state registration process	5284	-	-	-
Moth-balled PP&E	5285	-	-	-
Other use of PP&E (pledged, etc.)	5286	-	-	-
	5287	-	-	-

## 3. Financial investments

## 3.1. Existence of, and changes in, financial investments

Item name	Code	Period	Opening balance		In	Changes over the period				Closing balance	
			Initial coa	Accumulated adjustment		Out (repid)		Accrued interest (including bringing the initial cost to the nominal)	Current market value (impairment losses)	Initial cost	Accumulated adjustment
						Initial coa	Accumulated adjustment				
Long-term – total	5311	2015	62 278 660	-	111 112	(6 232 330)	-	-	(283 782)	56 157 451	(283 782)
	5301	2016	56,157,451	(283,782)	5,800	(27,670,271)	272,274	-	(21,000)	28,492,080	(32,508)
including:											
contributions to authorised (joint-stock) capital of other companies	5312	2015	62 278 660	-	111 112	(6 232 330)	-	-	(283 782)	56 157 451	(283 782)
	5302	2016	56,157,451	(283,782)	5,800	(27,670,271)	272,274	-	(21,000)	28,492,080	(32,508)
Short-term – total	5315	2015	2 461 577	-	1 500 000	(3 620 000)	-	-	-	41 577	-
	5305	2016	41,577	-	22,700,000	(8,705,316)	-	2,689	-	16,038,050	-
including:											
loans granted	5316	2015	41 577	-	-	-	-	-	-	41 577	-
	5306	2016	41 577	-	-	(5,318)	-	2,689	-	38,950	-
deposits	5317	2015	2 420 000	-	1 500 000	(3 620 000)	-	-	-	-	-
	5307	2016	-	-	22,700,000	(6,700,000)	-	-	-	16,000,000	-
Financial investments - total	5310	2015	64 740 246	-	1 611 112	(10 152 330)	-	-	(283 782)	56 199 028	(283 782)
	5300	2016	56,199,028	(283,782)	22,705,800	(34,375,887)	-	-	(21,000)	44,531,030	(32,508)

**3.2. Other uses of financial investments**

Item name	Code	as of 31 Dec 2016	as of 31 Dec 2015	as of 31 Dec 2014
Pledged financial investments - total	5320	-	-	-
including:				
	5321	-	-	-
Financial investments transferred to third parties (other than sale) - total	5325	-	-	-
including:				
	5326	*	*	*
Other uses of financial investments	5329	-	-	-



**4.2. Pledged inventories**

Item name	Code	As of 31 Dec 2016	As of 31 Dec 2015	As of 31 Dec 2014
Inventory not paid up at the reporting date - total	5440	-	-	-
Including:				
	5441	-	-	-
Inventory pledged under contract - total	5445	-	-	-
Including:				
	5446	-	-	-

**5. Accounts receivable and payable**  
**5.1. Existence of, and changes in, accounts receivable**

Item	Code	Period	At beginning of reporting			Changes for the period						At end of reporting period		
			Recognised in accordance with contractual terms	Bad debt provisions	Resulting from business transactions (amount outstanding under an operation, transaction)	In			Out			Transferred from payables to receivables	Recognised in accordance with contractual terms	
						Interest, fines and other charges receivable	Repaid	Written-off through profit and loss	Recovery of provisions	Transfers from long-term receivables to short-term receivables	Transfer from receivables to payables			Bad debt provisions
Long-term accounts receivable - total including:	5501	2016	-	-	-	-	-	-	-	-	-	-	-	-
	5521	2015	45	-	-	1	(46)	-	-	-	-	-	-	-
Settlements with buyers and customers	5502	2016	-	-	-	-	-	-	-	-	-	-	-	-
	5522	2015	-	-	-	-	-	-	-	-	-	-	-	-
Advance payments made	5503	2016	-	-	-	-	-	-	-	-	-	-	-	-
	5523	2015	-	-	-	-	-	-	-	-	-	-	-	-
Other	5504	2016	-	-	-	-	-	-	-	-	-	-	-	-
	5524	2015	45	-	-	1	(46)	-	-	-	-	-	-	-
Short-term accounts receivable - total including:	5505	2016	-	-	-	-	-	-	-	-	-	-	-	-
	5525	2015	-	-	-	-	-	-	-	-	-	-	-	-
Settlements with buyers and customers	5510	2016	492 745	(6 368)	12 734 320	342 460	-1 282 810	-	(5 298)	-	-	-	741 395	(11 666)
	5530	2015	780 064	(5 090)	17 800 868	129 203	(18 217 361)	(29)	(1 278)	-	-	-	492 745	(6 368)
Advance payments made	5511	2016	174 416	(5 332)	10 828 911	3 880	(10 788 900)	-	(5 310)	-	-	-	218 307	(10 642)
	5531	2015	145 866	(4 871)	9 607 980	36 246	(9 615 676)	-	(461)	-	-	-	174 416	(5 332)
Other	5512	2016	133 480	(1 036)	1 078 509	-	(1 023 073)	-	12	-	-	-	188 916	(1 024)
	5532	2015	448 042	(219)	1 185 518	-	(1 500 080)	-	(817)	-	-	-	133 480	(1 036)
Total	5513	2016	184 849	-	826 900	338 580	(1 016 157)	-	-	-	-	-	334 172	-
	5533	2015	186 156	-	7 007 370	92 957	(7 101 605)	(29)	-	-	-	-	184 849	-
Total	5514	2016	-	-	-	-	-	-	-	-	X	X	-	-
	5534	2015	-	-	-	-	-	-	-	-	X	X	-	-
Total	5500	2016	492 745	(6 368)	12 734 320	342 460	(12 828 130)	-	(5 298)	X	X	X	741 395	(11 666)
	5520	2015	780 109	(5 090)	17 800 868	129 204	(18 217 407)	(29)	(1 278)	X	X	X	492 745	(6 368)

## 5.2. Overdue accounts receivable

Item	Code	As of 31 Dec 2016		As of 31 Dec 2015		As of 31 Dec 2014	
		Recognised in accordance with contractual terms	Book value	Recognised in accordance with contractual terms	Book value	Recognised in accordance with contractual terms	Book value
Total	5540	-	-	-	-	-	-
including: settlements with buyers and customers	5541	-	-	-	-	-	-
settlements with suppliers and customers (to the extent of advance payments, prepayments)	5542	-	-	-	-	-	-
other	5543	-	-	-	-	-	-
	5544	-	-	-	-	-	-

## 5.3. Existence of, and changes in, accounts payable

Item	Code	Period	At beginning of reporting year	Changes over the period					Transfers from long-term receivables to short-term receivables	Transfer from receivables to payables	Transfer from payables to receivables	At end of reporting period
				In	Out	Resulting from business transactions (amount outstanding under an operation, transaction)	Interest, fines and other charges receivable	Repaid				
Long-term accounts receivable - total	5551	2016	-	-	-	-	-	-	-	-	-	-
including: credits	5571	2015	-	-	-	-	-	-	-	-	-	-
borrowings	5552	2016	-	-	-	-	-	-	-	-	-	-
other	5572	2015	-	-	-	-	-	-	-	-	-	-
	5553	2016	-	-	-	-	-	-	-	-	-	-
	5554	2016	-	-	-	-	-	-	-	-	-	-
	5574	2015	-	-	-	-	-	-	-	-	-	-
	5555	2016	-	-	-	-	-	-	-	X	X	-
	5560	2016	413 559	-	-	32 790 821	445	-324 469 470	-	X	X	759 972
	5580	2015	2 466 477	-	-	25 146 095	7 435	(27 206 248)	-	-	-	413 559
Short-term accounts receivable - total	5561	2016	183 532	95	-	5 133 857	-	-49 157 792 228	-	-	-	401 705
including: settlements with buyers and customers	5581	2015	211 268	210	-	3 948 703	-	(3 976 649)	-	-	-	183 532
advance payments made	5562	2016	4 079	-	-	2 349 357	-	(2 346 528)	-	-	-	6 908
taxes and contributions	5582	2015	4 428	-	-	1 640 079	-	(1 640 428)	-	-	-	4 079
	5563	2016	107 367	-	-	1 553 260	-	(1 472 812)	-	-	-	187 815
	5583	2015	99 606	-	-	1 104 221	-	(1 096 460)	-	-	-	107 367
credits	5564	2016	-	-	-	-	-	-	-	-	-	-
	5584	2015	-	-	-	-	-	-	-	-	-	-
borrowings	5565	2016	-	-	-	-	-	-	-	-	-	-
other	5585	2015	2 141 154	-	-	100 000	7 225	-22 483 794 52	-	-	-	-
	5566	2016	118 581	-	-	23 754 347	350	(23 709 576)	-	-	-	163 544
	5586	2015	10 021	-	-	18 353 092	-	(18 244 332)	-	-	-	118 581
	5567	2016	-	-	-	-	-	-	-	X	X	-
	5587	2015	-	-	-	-	-	-	-	X	X	-
Total	5550	2016	413 559	-	-	32 790 821	445	(32 444 695)	-	X	X	759 972
	5570	2015	2 466 477	-	-	25 146 095	7 435	(27 206 248)	-	X	X	413 559



**5.4. Overdue accounts payable**

Item name	Code	As of 31 Dec 2016	As of 31 Dec 2015	As of 31 Dec 2014
Total	5590	-	-	-
including:				
entitlements with suppliers and customers	5591	-	-	-
settlements with buyers and customers	5592	-	-	-
	5593	-	-	-

### 6. Production costs (costs to sell)\*

Item name	Code	2015	2016
Materials cost	5610	71 525	85.814
Payroll costs	5620	2 434 050	2,559,640
Deductions for social needs	5630	485 539	517,496
Amortization and depreciation	5640	468 724	805,775
Other costs	5650	2 205 739	2,575,254
Total by elements	5660	5 665 577	6,543,979
Actual cost of goods sold	5665	-	-
Changes in balances (increase [-]) of: work in progress, finished products, etc.	5670	-	-
Changes in balances (decrease [+]) of: work in progress, finished products, etc.	5680	-	-
Total expenses on ordinary activities	5600	5 665 577	6,543,979

\* Line 5665 on actual cost of goods sold was added for companies carrying out trading activities

## 7. Provisions

Item name	Code	Balance at beginning of reporting period	Recognised	Repaid	Written-off as surplus	Balance at end of reporting period
Provisions - total	5700	1,167,434	1,304,717	(1,072,634)	(108,276)	1,311,241
Including:						
Annual bonus provisions for 2013	5701	11,530		(8,993)	(2,537)	
Annual bonus provisions for 2014	5702	59,814		(22,359)	-	37,455
Annual bonus provisions for 2015	5703	990,235	13,838	(821,662)	(105,739)	78,672
Annual bonus provisions for 2016	5704		1,045,051			1,045,051
Provision for unused vacations	5705	125,855	204,492	(219,620)		152,083

**8. Collateral for obligations**

Item	KoA	As of 31 December 2016	As of 31 December 2015	As of 31 December 2014
Received - total	5800	-	-	-
including:				
	5801	-	-	-
Issued - total	5810	5 000 000	-	-
including:				
guarantee issued	5811	5 000 000	-	-

# **Notes to the Balance Sheet, and Income and Loss Statement of Public Joint Stock Company “Moscow Exchange MICEX-RTS” for 2016**

These Notes constitute an integral part of the Annual Accounting Statements of Public Joint-Stock Company “Moscow Exchange MICEX-RTS” for 2016 prepared in accordance with applicable laws of the Russian Federation.

All amounts are given in thousands of Russian rubles (RUB). Negative figures are shown in round brackets.

## **1. Background**

Public Joint-Stock Company “Moscow Exchange MICEX-RTS” (the “Moscow Exchange”) was established on 19 December 2011 through the reorganization by merger of RTS Stock Exchange OJSC with MICEX CJSC.

On 19 December 2016 MICEX Stock Exchange and MB Technologies LLC were consolidated with the Moscow Exchange

The Moscow Exchange brings together professional participants of FX Market, Securities Market, Derivatives Market and other segments of the Russian financial market. The Moscow Exchange provides the arrangement of trading in various financial instruments and the development of the financial market infrastructure.

Taxpayer Identification Number: INN (Taxpayer's Identification Number) 7702077840.

Registered address: 13, Bolshoy Kislovskiy per., Moscow, Russian Federation, 125009.

Moscow Exchange has isolated subdivisions: one representative office and five branches:

- Samara Representative Office at: 4A, ul. Moskovskoye shosse, bldg. 2, Samara, 443110;
- Volga Branch at: 10A, 5, Kholodny per., Nizhniy Novgorod, 603000;
- Ural Branch at: 3, ul. Kolmogorova, bldg. A2, 95, Yekaterinburg, 620034;
- Siberian Branch at: 27/29, 21, ul. Communisticheskaya, Novosibirsk, 630007;
- North-Western Branch at: office 201-a, bldg. 4A, per. Grivtsova, Saint Petersburg, 190000;
- Southern Branch at: 139/94, ul. Tekucheva, Rostov-on-Don, 344011.

As of 31 December 2016 the number of active employees amounted to 964 persons (861 persons as of 31 December 2015).

The Moscow Exchange carries out business activities under the License No. 077-001 of 29 August 2013 for carrying out the licensed activity as an organizer of trading.

Members of the Supervisory Board of the Moscow Exchange as of 31 December 2016 are listed in the table on the next page.

	<b>Name</b>	<b>Position</b>
1.	Alexey Kudrin	Moscow Exchange Supervisory Board Chairman
2.	Andrey Golikov	Moscow Exchange Executive Board Deputy Chairman
3.	Alexander Afanasiev	Moscow Exchange CEO, Executive Board Chairman
4.		Independent Director
5.	Sean Jan Glodek	Senior Adviser, RDIF
6.	Valery Goreglyad	Bank of Russia, Chief Auditor
7.	Maria Gordon	Independent Director
8.	Yuriy Denisov	Independent Director
9.	Bella Zlatkis	Sberbank of Russia, Deputy Chairman of the Executive Board
10.	Anatoly Karachinsky	<i>Independent Director</i> , IBS, LLC, Chairman of the Board
11.	Rainer Riess	<i>Independent Director</i>
12.	Duncan Paterson	<i>Independent Director</i>

Members of the Revision Commission are listed in the table below.

	<b>Name</b>	<b>Company</b>
1.	Olga Romantsova	Sberbank
2.	Vladislav Zimin	Bank of Russia
3.	Mikhail Kireev	RDIF

Members of the Executive Board of the Moscow Exchange are listed in the table below.

	<b>Name</b>	<b>Position</b>
1.	Alexander Afanasiev	Moscow Exchange CEO, Executive Board Chairman
2.	Anna Kuznetsova	Board Member, Managing Director
3.	Igor Marich	Board Member, Managing Director
4.	Sergei Poliakoff	Board Member, Moscow Exchange CIO
5.	Dmitry Shcheglov	Board Member, Moscow Exchange COO
6.	Evgeny Fetisov	Board Member, Moscow Exchange CFO

## **2. ACCOUNTING POLICY PRINCIPLES**

### **Basic approaches to annual accounting statements preparation**

Moscow Exchange maintains its accounting records in accordance with Federal Law No. 402-FZ of 6 December 2011 "On Accounting", Principals of Accounting and Reporting in the Russian Federation approved by the Order of the Russian Federation Ministry of Finance No. 34-H of 29 July 1998 (as amended on 30 December 1999; 24 March 2000; 18 September 2006; 26 March 2007; 25 October 2010 and 24 December 2010 and 8 July 2016), as well as applicable Principles of Accounting. The Accounting Statements for 2016 have been prepared in accordance with laws and regulations in effect.

The accounting of property, liabilities and business operations is carried out in Russian rubles, the currency of the Russian Federation.

When accounting business transactions performed in foreign currencies, the official rate of the Russian ruble set by the Central Bank of Russia effective on the date of the transaction shall apply. Monetary assets and liabilities denominated in foreign currencies are recorded in the accounting (financial) statements in amounts calculated based on the official exchange rate of the Russian ruble established by the Central Bank of the Russian Federation as of 31 December 2016 – RUB 60.6569 per USD 1 and 63.8111 per EUR 1; RUB 72.8827 per USD 1 and RUB 79.6972 per EUR 1 as of 31 December 2015; and RUB 56.2584 per USD 1 and RUB 68.3427 per EUR 1 as of 31 December 2014. The accounting of property, liabilities and business operations, accounting and reporting operations are documented and carried out in Russian. Accounting records are maintained based on source documents prepared under the forms approved by the Accounting Policy of the Moscow Exchange. Documents with forms not provided for in the Accounting Policy are accepted for accounting when they contain mandatory details provided by the Federal Law No.402-FZ "On Accounting" dated 6 December 2011.

Accounting records are computerized and maintained in 1C: Enterprise system.

### **Estimates Uncertainty**

Key assumptions concerning the future events and other key sources for estimates uncertainty at the end of the reporting period that carry the risk of material adjustments to the carrying amounts of assets and liabilities within the next financial year are outlined below:

- provision for doubtful debts;
- provisions for financial investments impairment;
- provision for inventory impairment;
- useful lives of intangible assets;

- provisions established due to the effects of contingencies.

### **Contingent Liabilities**

In the course of entity's financial and business operations, estimates of individual liabilities with an uncertain value or maturity may occur. The uncertainty of estimates shall arise from provisions of laws and other regulations, court decisions, agreements, as well as a result of the entity's actions when, by an established pattern of past practice or a statement, the entity has indicated to other parties that it assumes certain obligations.

Estimated liabilities are future expenses of the company that may arise as a result of compliance with legal requirements, fulfillment of agreements. Estimated liabilities shall occur when all three conditions are met:

- this or that obligation to be discharged occurs as a result of the entity's operations;
- the discharge of this obligation will lead to a reduction in economic benefits;
- the amount of expenses that is associated with the discharge of this obligation can be reasonably estimated.

Moscow Exchange forms provisions for estimated liabilities based on legal requirements, resolutions of the management bodies and evaluation of financial and business operations. Estimated liabilities comprise of provisions for future expenses on the payment of annual leaves, and year-end remuneration.

The amount of provisions on the payment of annual leaves is formed on the basis of unused annual leave days per employee considering their average salary and social security contributions.

Moscow Exchange generates provisions (provisions for estimated liabilities) for the payment of annual remuneration, inclusive of that payable to the members of the Supervisory Board based on the results of operations in the reporting year with due regard to social security contributions in accordance with resolution of HR Commission.

### **Intangible Assets**

In compliance with Item 6 of RAS 14/2007 "Accounting for Intangible Assets", intangible assets are recognized at their historical cost. The historical cost of intangible assets is defined as the amount calculated in monetary terms equal to the amount of payment in monetary or any other form or to the amount of accounts payable, paid or accrued by the entity at the acquisition, creation of the asset and while ensuring conditions for the use assets as planned.



Intangible assets include trademarks and acquired and (or) created intellectual deliverables and intellectual property items (exclusive rights) used in production for a long period of time (over 12 months). Intangible assets are depreciated through the straight-line method based on their estimated useful lives. The useful life is determined by the Commission within the range of 2 to 10 years during which the use of intangible assets brings economic benefits. For the purpose of accounting, intangible assets are accounted at their historical cost less depreciation accrued for the period of their useful lives. Intangible assets were not revaluated. During the reporting period, Moscow Exchange revealed no factors indicating the need to review the useful lives.

### **Property, Plant and Equipment (PP&E)**

In the accounting statements, the cost of PP&E is recorded at depreciated historical. No revaluation of property, plant and equipment was conducted.

In 2010 land plots being in the ownership and joint shared ownership (at 11, 13, Bolshoy Kislovskiy per.; 1/13, Sredniy Kislovskiy per., bldg. 4, bldg. 8) were included in PP&E. Land plots are not subject to depreciation.

The depreciation of property, plant and equipment shall be accrued by the straight-line method monthly on the last day of the month, the useful life of property, plant and equipment shall be established in accordance with the RF Government Decree, dated 1 January 2002 No. 1 "On the Classification of Property, Plant and Equipment included in Depreciation Groups". For the purposes of depreciation accrual, PP&E is divided into the following groups:

<b>PP&amp;E group</b>		<b>Useful life</b>
1	Hand-held building and installation tools,	1-2 years
2	Power-driven building and installation tools, computing machinery etc.	2-3 years
3	Photocopiers, elevators, telephones, vehicles with an engine capacity < 3.5 hp	3-5 years
4	Furniture, boards, windows, truck and etc.	5-7 years
5	Air conditioners, generator, radio communication, radio broadcasting and television equipment, vehicles with an engine capacity of > 3.5 hp	7-10 years
6	Communication facilities	10-15 years
7	Cable communications equipment, sewerage and etc.	15-20 years
8	Metal equipment for valuables safekeeping (cash-boxes, safes) etc.	20-25 years
10	Buildings	>30 years

Facilities that meet the requirements of Item 4 of RAS 6/01, with the value not exceeding RUB 40 thousand per unit, are recognized in inventories and written off on production expenses as they are released for production or operation.

Income and expense from disposal of property, plant and equipment are recognized in the income statement as other income and other expenses.

### **Financial investments**

Financial investments include securities, investments in subsidiaries and affiliated companies, as well as amounts of loans granted and deposits placed.

Investments in subsidiaries and affiliated companies are recognized at their actual cost of acquisition; in certain cases, investments in equities without current quotes on the organized securities market and obtained by the Exchange under agreements providing for the fulfillment of obligations in non-monetary form (equities obtained by the Exchange as a contribution to its authorized capital) are recognized at the cost by agreed shareholders, as determined by the Supervisory Board relying on the report of an independent appraiser.

Financial investments include deposits placed with banks on the terms and conditions defined by contractual relations. In the balance sheet, the accrued interest on deposits is recognized in current non-delinquent accounts receivable.

Financial investments denominated in foreign currencies are recognized in the accounting and reporting in the Russian ruble value. These assets are converted in Russian rubles at the closing exchange rate of the Central Bank of Russia.

Upon the disposal of the assets accounted for as financial investments for which current market value is determinable, their value is determined based on the last cost (purchase price). Upon disposal of the asset accounted for as financial investments for which no current market value is determinable, its value is determined based on the historical cost of each accounting item of financial investments.

For securities which market value is not determinable a check for sustained material reduction shall be conducted. Should a sustained reduction be confirmed, a reserve against the devaluation of financial investments shall be established.

### **Inventories**

In the accounting records, inventories are recognized in the total amount of actual costs incurred in connection with their acquisition. At the issue of inventories for production purposes and for other disposal, they are valued at the average cost (Accounting Principles 5/01).

At the end of the reporting period, inventories are recognized in the balance sheet at cost determined on the basis of the above mentioned valuation procedure.

### **Accounts Receivable**

As of the reporting date, the Moscow Exchange on a quarterly basis calculates accounts receivable in order to generate provisions for doubtful debts and attribute them to the financial result.

A doubtful debt is an outstanding account receivable that is not repaid within the period exceeding the contractual term by six months and is not secured by proper guarantees.

Should accounts receivable be recognized as doubtful for a period exceeding six months, provisions amounting to 100% of the debts are established.

Accounts receivable on settlements between member entities of the Moscow Exchange Group shall not be recognized as doubtful.

### **Cash and Cash Equivalents, Presentation of Cash Flows**

For the purposes of making the Cash Flow Statement, the Moscow Exchange includes cash equivalents, which mean short-term highly liquid financial investments in the overnight, in the amount of cash.

For the purposes of making the Balance Sheet, the Moscow Exchange includes cash equivalents in the amount of cash.

In the Cash Flow Statement cash flows with regard to indirect taxes included in cash receipts from buyers and customers, payments to suppliers and contractors, as well as payments of indirect taxes to the budget system of the Russian Federation or reimbursement payments from the same are presented on a net basis.

### **Authorized Capital**

The authorized capital is recognized at the nominal value of shares issued. Moscow Exchange recognizes treasury shares at the actual cost of their acquisition.

### **Capital Surplus**

The capital surplus includes the amount of the property, plant and equipment revaluation surplus, as well as the share premium created as the difference between the offer price of shares and their nominal value.

## **Reserve Capital**

Funds are established in accordance with requirements of federal laws and resolutions of the General Shareholders Meeting of the Moscow Exchange from its own funds.

Funds established by the resolution of the General Shareholders Meeting are recognized in the "Capital and Reserves" section under "Funds formed under constituent documents" subsection.

## **Revenue**

The revenue is recognized in the amount calculated in monetary terms equal to the amount of cash proceeds and other property and (or) the amount of accounts receivable (subject to provisions of Clause 3 of the Regulations on Accounting "Revenue of the Entity" RAS 9/99 (as amended on 30 December 1999, 30 March 2001, 18 September 2006, 27 November 2006, 25 October 2010, 27 April 2012 and 6 April 2015)). If proceeds cover only a portion of the revenue, the revenue recognized for accounting is defined as the sum of proceeds and accounts receivable (to the extent not covered by the proceeds). In the accounting records, the revenue is recognized when all the following conditions are met (Item 12 of RAS 9/99):

- the entity has the right to receive this revenue arising out of a particular agreement or confirmed in any other appropriate manner;
- the amount of revenue can be determined;
- there is confidence that a specific transaction will lead to the increase in economic benefits;
- the ownership (right to possess, use and dispose) of products (goods) was transferred from the entity to the buyer or the work was accepted by the customer (the service was rendered);
- expenses which are or will be paid for such transaction may be calculated.

Revenues from operating activities include the following:

- commissions charged in accordance with the exchange trading rules and other charges in accordance with internal documents of the Moscow Exchange;
- commissions for information technology services;
- implementation of information services and the exercise of property rights;
- revenue from property leasing (on a regular basis);
- implementation of other services.

The following is recognized as other income:

- bank interest on deposits placed;
- interest on loans granted;
- revenue from sales of securities;
- foreign exchange gains;
- revenue from the purchase and sale of foreign currency;
- fines, penalties received due to the failure of counterparties to meet the terms and conditions of concluded agreements;
- earnings from transactions of previous years revealed in the reporting period;
- other revenue.

### **Expenses**

In compliance with RAS 10/99 "Expenses of the entity", expenses are recognized in the accounting records regardless of the intent to get revenue, other income or regardless of the expense form (in monetary form, in kind and other forms). According to 18 of RAS 10/99 "Expenses of the entity", expenses are recorded in the accounting period when they are incurred, regardless of timing of actual cash payment and other form of settlements.

Expenses from ordinary activities include administrative and selling expenses, are formed by expense item on the balance sheet account No. 26 "General business expenses" and, at the end of the reporting quarter, are charged to debit of the balance sheet account No. 90.08.1 Administrative Expenses on Activities with the Basic Taxation System.

Other expenses comprise the following:

- interest on loans received;
- expenses on securities transactions;
- fines;
- losses from previous years;
- foreign currency losses;
- expenses in the form of bonuses paid due to the satisfaction of certain conditions specified in the trading rules;
- fee schedule; and
- other expenses.

### **Prepaid expenses**

The expenses incurred by the entity in the reporting period but also related to next reporting periods, shall be recognized in the balance sheet in accordance with general principles of assets recognition set forth by the accounting standards, and shall be written off in accordance with the procedure established for writing off assets of this type. These

expenses shall be recorded at Account No. 97 "Prepaid Expenses" and, if they are long-term, shall be classified as "Other Non-Current Assets" in the balance sheet except for the portion due within 12 months after the balance sheet date. The given expenses, as well as initially short-term expenses, shall be recorded in the balance sheet line "Accounts receivable".

### **Deferred Taxes**

In accordance with requirements of Russian Accounting Principles 18/02 "Accounting for Income Taxes", Moscow Exchange records the deferred income tax (deferred tax assets and deferred tax liabilities, permanent tax assets and liabilities), i.e. amounts that can affect the amount of current income tax in the future reporting periods, in the accounting and reporting. Amounts of deferred tax assets and deferred tax liabilities are recognized separately in non-current assets and non-current liabilities, respectively.

Deferred tax liabilities estimated in accordance with Russian Accounting Principles 18/02 "Accounting for Income Taxes" are accounted to the extent that it is probable that future taxable profits will be available against which, the deductible temporary difference will be utilized.

### **Changes in the Accounting Policy**

In 2016 Moscow Exchange introduced no amendments or alterations to its Accounting Policy. In 2017 changes in the Accounting Policy will be made in terms of accounting fixed assets, the cost of the item of fixed assets will be increased by at least 100 thousand rubles per unit, thus items with the price of less than 100 thousand rubles per unit will be recognized in inventories and charged to production costs as they are being released into operation,

## **3. DISCLOSURE OF MATERIAL INFORMATION**

### **Changes in the opening balance**

There are no changes in the opening balance due to error correction.

### **Reorganization in the form of affiliation**

On 05 September 2016 (Minutes No. 55) the EGM of Moscow Exchange approved the agreement on affiliation of MICEX Stock Exchange and MB Technologies LLC with Moscow Exchange, with the latter to acquire all the rights and obligations from MICEX Stock Exchange

and MB Technologies LLC against transfer certificates drafted on 30 June 2016 and approved on 2 September 2016.

On 19 December 2016 MICEX Stock Exchange and MB Technologies LLC terminated their activities, with records whereof made to the unified state register of legal entities.

Accounting (financial) statements of Moscow Exchange were drafted on the basis of the transfer certificate and line-by-line combination of figures in the final accounting statements of affiliated companies with regard to the transactions accounted by them before the date of registration and figures in the accounting statements of Moscow Exchange prepared as of the date of state registration ,of termination of businesses of affiliated companies, except for figures which reflect mutual settlements. However according to the terms and conditions of the affiliation agreement the negative difference between the balance cost of investments made by Moscow Exchange into MICEX Stock Exchange and balance cost of net assets owned by MICEX Stock Exchange in the amount of 24,569,504 thousand rubles was covered at the expense of the surplus capital of Moscow Exchange formed earlier during the exchange of shares by MICEX Stock Exchange for shares of Moscow Exchange at the expense of the positive difference between the exchange price and par value of shares. The negative difference between the balance cost of investments made by Moscow Exchange into MB Technologies LLC and balance cost of net assets owned by this company charged to the financial results of Moscow Exchange.

According to the affiliation agreement and decision of owners, the amount of the authorized capital and number of shares of Moscow Exchange is unchanged; thus, the authorized capital made up 2,278,636 thousand rubles.

Changes in property, rights and obligations from the date of the transfer certificate to the date of reorganization are shown in the table below:

#### **MICEX Stock Exchange**

	<b>30 June 2016</b>	<b>19 December 2016</b>
Deferred tax assets	70	-
Other noncurrent assets	107	4
Accounts receivable	34,159	23,564
Cash	1,169,573	1,828,619
Other current assets	132	325
Authorized capital	100,000	100,000
Reserve capital	5,000	5,000
Undistributed profits	859,654	1,527,361
Accounts payable	208,560	173,607
Estimated liabilities	30,827	46,543

**MB Technologies LLC**

	<b>30 June 2016</b>	<b>19 December 2016</b>
Intangible assets	5,632	45
Fixed assets	24,938	59,805
Investments	300	300
Deferred tax assets	307	4
Other noncurrent assets	41,952	672
Inventories	114	4
Value added tax on acquired assets	8,296	-
Accounts receivable	49,784	38,373
Cash and cash equivalents	72,073	173,603
Other current assets	155	
Authorized capital	55,372	55,372
Reserve capital	2,672	2,672
Undistributed profits	105,920	181,492
Deferred tax liabilities	421	
Accounts payable	28,169	17,941
Estimated liabilities	10,997	15,329

According to Order 44H of the Ministry of Finance of the Russian Federation, dated 20 May 2003, "On Approval of Methodological Guidelines for Preparation of Accounting in the Reorganization of Companies" comparable information is presented below, as if the said reorganization was made on 31 December 2014.

Indicator	Code	<b>As of 31 December 2016</b>	<b>As of 31 December 2015</b>	<b>As of 31 December 2014</b>
<b>ASSET</b>				
<b>I. NONCURRENT ASSETS</b>				
Intangible assets	1110	365,752	330,931	265,324
Fixed assets	1150	3,583,522	2,416,647	1,801,877
Investments	1170	28,460,472	28,560,957	34,965,957
Deferred tax assets	1180	220,458	753	822
Other deferred tax assets	1190	787,141	722,541	426,206
<b>Total section I</b>	<b>1100</b>	<b>33,417,345</b>	<b>32,031,828</b>	<b>37,460,185</b>
<b>II. CURRENT ASSETS</b>			0	0
Inventories	1210	22,043	11,018	7,982
Value added tax on acquired assets	1220	13,352	19,504	13,157
Accounts payable	1230	730,018	540,736	894,394
Investments (except for cash equivalents)	1240	16,038,950	41,577	4,111,577



Cash and cash equivalents	1250	4,522,753	5,682,558	1,186,977
Other current assets	1260	270	763	607
<b>Total section II</b>	<b>1200</b>	<b>21,327,385</b>	<b>6,296,155</b>	<b>6,214,694</b>
<b>BALANCE</b>	<b>1600</b>	<b>54,744,730</b>	<b>38,327,983</b>	<b>43,674,879</b>

#### LIABILITIES

III. CAPITAL AND PROVISIONS		As of 31 December 2016	As of 31 December 2015	As of 31 December 2014
Authorized capital (share capital, statutory fund, contributions of partners)	1310	2,278,636	2,434,009	2,434,009
Shares repurchased	1320	-236,914	0	0
Fixed assets revaluation	1340	1,488	1,660	1,722
Additional capital (without reevaluation)	1350	18,589,623	18,890,328	18,838,517
Reserve capital	1360	118,924	123,924	123,924
Undistributed profit (uncovered loss)	1370	31,835,113	14,998,889	18,454,495
<b>Total section III</b>	<b>1300</b>	<b>52,586,870</b>	<b>36,448,810</b>	<b>39,852,667</b>
<b>IV. LONG-TERM LIABILITIES</b>			0	0
Loans	1410	0	0	0
Deferred tax liabilities	1420	124,635	95,064	75,479
Estimated liabilities	1430	0	0	0
Other liabilities	1450	0	0	0
<b>Total section IV</b>	<b>1400</b>	<b>124,635</b>	<b>95,064</b>	<b>75,479</b>
<b>V. SHORT-TERM LIABILITIES</b>			0	0
Loans	1510	0	0	2,141,154
Accounts payable	1520	759,977	521,189	406,967
Prepaid income	1530	0	0	0
Estimated liabilities	1540	1,271,980	1,257,079	1,195,556
Other liabilities	1550	1,268	5,842	3,056
<b>Total section V</b>	<b>1500</b>	<b>2,033,225</b>	<b>1,784,110</b>	<b>3,746,733</b>
<b>BALANCE</b>	<b>1700</b>	<b>54,744,730</b>	<b>38,327,983</b>	<b>43,674,879</b>

#### Intangible assets

In 2016 Moscow Exchange's expenses included those related to acquiring exclusive rights to software and trademark registration. The flow of intangible assets during the reporting period is presented in Section 1.1 of the Notes to the Balance Sheet and Financial Statement. Section 1.2 of these Notes provides disclosures on items created on its own.

#### Property, Plant and Equipment (PP&E)

The property, plant and equipment (PP&E) availability and flow are presented in Section 2 of the Notes to the Balance Sheet and Financial Statement.

In the course of restructuring, Moscow Exchange accepted and recorded on its books the items of PP&E received from MB Technologies LLC following the affiliation of the latter. As of 31 December 2016 their residual cost was RUB 59,805 thousand of which the initial cost was RUB 102,077 thousand and accumulated amortization - RUB 42,272 thousand

In 2016 Moscow Exchange donated inventory items valued RUB 60 thousand.

In 2015 Moscow Exchange donated PP&E and inventory items valued RUB 2,148 thousand.

### **Inventories**

Information on the availability and flow of inventories during the reporting period is presented in Table 4.1. of the Notes to the Balance Sheet and Financial Statement.

### **Accounts receivable**

Accounts receivable amounted to RUB 729,729 thousand as of 31 December 2016, RUB 486,377 thousand as of 31 December 2015, and RUB 775,019 thousand as of 31 December 2014.

Information on accounts receivable and payable flow in 2015-2016 is represented in Tables 5.1-5.4 of the Notes to the Balance Sheet and Income Statement.

### **Provision for Doubtful Debts**

As of 31 December 2016 the size of provision for doubtful debts amounted to RUB 11,666 thousand as of 31 December 2015 it totaled RUB 6,368 thousand and RUB 5,090 thousand as of 31 December 2014. The size of provision grew mostly due to outstanding debts of banks those banking licenses were revoked by the regulator.

### **Financial investments**

As of 31 December 2016, the long-term financial investments comprise contributions to the authorized capital of subsidiaries and affiliated companies; they are accounted for at the acquisition price as the current market value of presented investment is not determined. The carrying value of investments is given in the table below.

*(RUB, thousand)*

<b>Company</b>	<b>31 Dec 2016</b>	<b>31 Dec 2015</b>	<b>31 Dec 2014</b>
NCC Clearing Bank	15,750,844	15,750,844	15,750,844
National Settlement Depository (NSD)	9,324,128	9,324,153	9,324,153
PFTS Stock Exchange	-	307,301	307,301

MB Technologies LLC	-	1,111,147	1,111,147
MICEX-Finance LLC	3,181,385	3,181,385	9,413,715
AKRA	111,112	111,112	-
Other	85,857	135,790	135,790
<b>Total value of financial investments before provision for impairment</b>	<b>28,492,980</b>	<b>56,157,451</b>	<b>62,278,669</b>
Provision for impairment	(32,508)	(283,782)	-
<b>Total value of financial investments before provision for impairment</b>	<b>28,460,472</b>	<b>55,873,669</b>	<b>62,278,669</b>

In 2016 the Moscow Exchange made investments for the impairment of which provisions totaling RUB 272,275 thousand were built up

During the audit of the Exchange financial investments impairment in 2016 it was found out that y the cost of net assets owned by JSC Moscow Energy Exchange (hereinafter the 'MOSENEX') decreased, losses remained according to the results of activities for the current and previous years. And information about that MOSENEX intended to refuse the license for activities related to the organized trades including power trade. Due to this Moscow Exchange created additional provisions for impairment of these investments totaling RUB 21,000 thousand. As of 31 December 2016 provisions for impairment of investments made by MOSENEX for the total amount of investments namely RUB 32,508 thousand.

In 2016 Moscow Exchange sold shares of companies registered in Ukraine. Losses from such shares sale were covered by the provision created in 2015.

Type of investment	Purchase price (RUB)	Number of shares purchased (pcs)	Cost of block of shares (RUB)	Provision size (RUB)
FSTS Stock Exchange	307,301,267	16,010	49,025,370	258,530,004
Ukrainian Exchange	21,045,578	5,611	19,406,511	2,243,510
Ukrainian Exchange Holding	28,790,156	135,000	17,004,134	501,185
INNEX Stock Exchange	60,697	10	26,298	
National Settlement Depository (NSD)	24,980	1	39,662	
<b>Total</b>	<b>357,226,678</b>		<b>85,501,975</b>	<b>272,274,699</b>

In 2014 no provision for impairment of investments was established due to lack of evidence of a sustained reduction in the historical cost of financial investments.

## Loans Granted

The Moscow Exchange did not provide loans in 2016-2015.

On 1 October 2013 Moscow Exchange redeemed the right of claim for loans from RTS Clearing Center, ETS Commodity Exchange (Kazakhstan) in the amount of RUB 41,577 thousand. The redeemed right included the principal under three loan agreements and interest accrued on the date of the right of claim transfer.

In 2016 ETS Commodity Exchange repaid a part of the principal in the amount of RUB 5,316 thousand. And accrued interest in the amount of RUB 1,258 thousand

As of 31 December 2016 the principal loan of ETS Commodity Exchange (Kazakhstan) was RUB 38,950 thousand plus interest accrued of RUB 8,645 thousand. This loan should be repaid by 31 March 2017 at interest rate of 5%.

## Deposits

The table below shows the breakdown of deposits at the end of 31 December 2016 and 31 December 2014. In 2015 the Moscow Exchange recorded no deposits.

*(RUB, thousand)*

Bank	31 December 2016			31 December 2014		
	Deposit amount	%	Maturity	Deposit amount	%	Maturity
Rosbank	-	-	-	400,000	10.50	26.03.15
	-	-	-	380,000	10.83	14.04.15
VTB	-	-	-	750,000	9.5	12.01.15
GPB	-	-	-	400,000	9.37	12.01.15
Russian Agricultural Bank	-	-	-	490,000	9.68	12.01.15
NCC Clearing Bank	10,000,000	9.55	16.02.17	-		
	3,000,000	9.61	19.01.17			
	3,000,000	9.61	19.01.17			
<b>Total</b>	<b>16,000,000</b>			<b>2,420,000</b>		

## Cash and Cash Equivalents

As of 31 December 2016, 31 December 2015 and 31 December 2014 cash equivalents were comprised of overnight deposits.

	31 Dec 2016	31 Dec 2015	31 Dec 2014
Cash on hand and at bank in RUB	3,944,428	3,053,040	466,553
Cash at bank in foreign currency	249,792	246,796	80,114

<b>Total cash as part of the accounting statements</b>	<b>4,194,220</b>	<b>3,299,836</b>	<b>546,667</b>
Cash equivalents	328,533	302,852	302,852
<b>Total cash and cash equivalents</b>	<b>4,522,753</b>	<b>3,590,691</b>	<b>849 519</b>

### Authorised capital

The number of shares outstanding with a par value of 1 ruble is as follows:

	Number of shares outstanding, pcs.	Number of repurchased shares, pcs	Authorised capital (thousand rubles.)	Treasury shares (thousand rubles)
<b>As of 31 Dec 2014</b>	<b>2,278,636,493</b>		<b>2,278,636</b>	
<b>As of 31 Dec 2015</b>	<b>2,278,636,493</b>		<b>2,278,636</b>	
<b>As of 31 Dec 2016</b>	<b>2,278,636,493</b>	<b>2,235,035</b>	<b>2,278,636</b>	<b>236,914</b>

In 2016 by decision of the Supervisory Board No. 8 as of 21 October 2016 own shares were repurchased from CITIBANK KOREA INC, SANLAM UNIVERSAL FUNDS PLC at the market price of RUB 106 per share.

### Additional capital

The amount of additional capital of Moscow Exchange as of 31 December 2016 was RUB 18,591,111: change in 2016 was due to the reorganization and affiliation of subsidiaries (see section Reorganization in the Forms of Affiliation).

In 2016 the Exchange decreased its additional capital by the amount of increased value of written off items of fixed assets equal to RUB 172 thousand by restoring the undistributed income.

The size of additional capital was RUB 43,160,787 thousand as of 31 December 2015; in 2015 no change were made.

The size of additional capital was RUB 43,160,849 thousand as of 31 December 2014.

### Reserve capital

The reserve capital of the Moscow Exchange as of 31 December 2016 and previous reporting dates was RUB 118,924 thousand.

### Profit allocation

By the decision of the annual general meeting of shareholders (Minutes No. 54 as of 27 April 2016) at the end of 2015 financial year Moscow Exchange paid dividends in the amount of RUB 16,201,105 thousand (RUB 7.11 per ordinary share).

In 2014 total profit of the Moscow Exchange was RUB 6,469,656 thousand. The Annual General Meeting of Shareholders (Minutes No.53 dated 28 April 2015) resolved to pay out dividend of RUB 8,818,323 (RUB 3.87 per ordinary share).

### **Borrowings**

As of 31 December 2016 and 31 December 2015, the Exchange reported no borrowings. As of 31 December 2014, borrowings were composed of the loan granted by MICEX Finance LLC for amount of RUB 2,100,000 thousand plus accrued interest of RUB 41,154 thousand.

There were no long-term borrowings.

### **Provisions for contingent liabilities**

Provisions for contingent liabilities established in 2016, 2015 and 2014 are presented in the table below.

*(RUB, thousand)*

	<b>Non-used annual leave</b>	<b>Year-end compensation, bonuses</b>	<b>Other</b>	<b>Total</b>
<b>31 December 2014</b>	<b>204,492</b>	<b>757,098</b>	<b>173,203</b>	<b>1,134,793</b>
Established in the reporting period	189,577	1,022,469	66,399	1,278,445
Cancelled	(244,920)	(784,387)	(173,203)	(1,202,510)
Recovered	(23,294)	–	–	(23,294)
<b>31 December 2015</b>	<b>125,855</b>	<b>995,180</b>	<b>66,399</b>	<b>1,187,434</b>
Established in the reporting period	245,828	985,283	73,606	1 304,717
Cancelled	(219,620)	(774,724)	(78,290)	(1,072,634)
Recovered	-	(106,329)	(1,947)	(108,276)
<b>31 December 2016</b>	<b>152,063</b>	<b>1,099,410</b>	<b>59,768</b>	<b>1,311,241</b>

### ***Provisions for Future Annual Leave Payments***

This provision has been established in respect of future expenses on the payment of employee annual leaves not used as of 31 December 2016. Moscow Exchange management believes that expenses on the payment of annual leaves will not exceed the established provision amount recorded as at 31 December 2016. This provision will be used throughout 2017.

### **Provisions for Remuneration**

When drawing up 2016 budget, the Supervisory Board resolved on payment of compensations based on the results of operations of Moscow Exchange in 2016 following the performance review and approval of financial statements; for these purposes, a provision for remuneration was established. As of 31 December 2016 the size of provision was RUB 985,283 thousand. After meeting the conditions of the Nomination and Remuneration Commission, the Executive Board members were paid the remaining portion of remuneration for 2013 in amount of RUB 11,530 thousand and partial remuneration for 2014 in the amount of RUB 22,359 thousand. Payment of remuneration out of generated provisions is expected in March 2017.

### **Other provisions**

Other provisions created to pay remuneration due to members of the Supervisory Board. The size was estimated based on Provisions on Remuneration and Compensation payable to members of the Supervisory Board approved by the AGM in 2016. The reserve is used upon the decision made by the Annual Meeting of Shareholders. It is planned to use the reserve in 2017.

### **Accounts payable**

In the reporting period the structure and flow of accounts payable is disclosed in Table № 5.3 of the Notes to the Balance Sheet and Income Statement. Accounts payable amounted to RUB 759,972 as of 31 December 2016, RUB 413,559 thousand as of 31 December 2015, RUB 325,323 as of 31 December 2014. The Exchange has no overdue accounts payable.

### **Disclosures on revenues and expenses**

The general structure of revenues making 5 per cent or more of total revenues for the reporting period is presented in the table below.

*(RUB, thousand)*

<b>№</b>	<b>Item</b>	<b>2016</b>	<b>2015</b>
	<b>Moscow Exchange revenue, including</b>	<b>7 749 039</b>	<b>6,649,043</b>
1	FX Market commission and fees	2,583,368	2,559,426
2	Derivatives market commission and fees	2,149,821	1,536,688
3	Securities market commission and fees	1,291,821	896,416
4	Information services	702,324	624,578
5	IT services	417,547	431,620
6	Money market commission	177,916	201,301
7	Revenue from software sale	156,667	157,520

8	Revenue from asset leasing	111,883	138,452
9	Other revenue	157,963	102,583
10	<b>Other income including:</b>	<b>33,091,555</b>	<b>7,104,891</b>
11	Dividends received	31,692,441	5,071,291
12	Sale of securities	85,500	-
13	Revenue from deposits placed and loans granted	356,298	101,504
14	Foreign exchange gains	560,839	1,861,505
15	Other income	396,477	70,591
	<b>Total</b>	<b>40,840,594</b>	<b>13,753,925</b>

The structure of revenue proves a steady revenue in certain markets and material increases in the forward contracts market and fund market in 2016. The highest volume-based fee income in the forward contracts market due to increase in trading volumes. In 2016 the Exchange retained residual currency position on the accounts due to the liabilities in the currency, however the ruble volatility was insignificant.

Under the Accounting Policy, Moscow Exchange's expenses are grouped into ordinary business expenses, and other expenses.

The table below shows the breakdown of significant expenses and other expenses under the following items: (in thousands of Russian rubles)

##	Item	2016	2015
	<b>General and administrative expenses</b>	<b>6,543,979</b>	<b>5 665,577</b>
1	Payroll expenses	2,559,640	2 434,050
2	Upkeep and maintenance of property, plant and equipment and software provision	913,977	713,324
3	Rental and maintenance of premises	486,551	438,703
4	Charges on payroll	517,496	485,539
5	Depreciation of property, plant and equipment and intangible assets	805,775	468,724
6	Information and consulting, auditing services	454,511	447,833
7	Market maker services	269,750	207,690
8	Communication services, post and courier services	110,241	115,479
9	Taxes	23,383	16,297
10	Trading services	13,597	13,396
11	Other expenses on exchange activities	389,058	324,542
	<b>Other expenses</b>	<b>2,654,965</b>	<b>2,443,009</b>
12	Loss from MB Technologies affiliation	1,053,103	-
13	Exchange rate difference (negative)	825,528	1,703,901
14	Securities transactions	359,423	-
15	Bonuses and rewards for participation in earmarked programs and competitions	93,243	40,932
16	Earmarked contributions to nonprofit organizations	50,700	39,493
17	Financial investment impairment	21,000	283,782



18	Penalties under business contracts	-	115,763
19	Other	251,968	259,138
	<b>Total:</b>	<b>9,198,944</b>	<b>8,108,586</b>

The bonus size due to the Chairman and members of the Moscow Exchange Executive Board shall be determined by the Supervisory Board depending on financial performance in the relevant financial year.

The compensation (salary, bonuses, reimbursement of expenses and other payments) paid to the Chairman of the Executive Board, members of the Executive Board and the Supervisory Board amounted to RUB 349,978 thousand in 2016 (RUB 267,284 thousand to members of the Executive Board and RUB 82,694 thousand to members of the Supervisory Board).

The compensation (salary, bonuses, reimbursement of expenses and other payments) paid to the Chairman of the Executive Board, members of the Executive Board and the Supervisory Board amounted to RUB 340,159 thousand in 2015 (RUB 294,172 thousand to members of the Executive Board and RUB 45,987 thousand to members of the Supervisory Board).

#### **Income tax**

Below is the table with details on accounting data adjustments for the income tax calculation purpose.

*(RUB, thousand)*

	2016	2015
Contingent expenses	6,350,269	1,268,687
Contingent income	(21,939)	(139,619)
Permanent tax asset	(6,307,887)	(898,704)
Differed tax assets	227,778	(69)
Differed tax liabilities	(30,076)	(19,737)
Income tax	218,145	210,558

#### **Basic earnings per share (basic EPS)**

Moscow Exchange's basic EPS amounted to 2 rubles 38 kopecks per share in 2015 and 13 rubles 88 kopecks per share in 2016. Average amount of shares with repurchased ones was 2,278,636,493 in 2015 and 2,278,450,240 shares in 2016

#### **Off-balance sheet accounts balance**

The statement of off-balance sheet items covers:

- cost of leased premises and other property equaling to rent amount of RUB 287,654 thousand in 2016 (RUB 379,930 thousand as of 31 December 2014) and RUB 290,749 thousand as of 31 December 2015;
- liabilities of Moscow Exchange to NCC as per the agreement on participation of Moscow Exchange in the Guarantee Fund established by NCC as of 31 December 2016 in amount of RUB 5,000,000 thousand.

### Related parties

In the course of its financial and business operations, Moscow Exchange executes related party transactions.

Related parties shall be:

- persons belonging to the group of persons that owns the given legal entity;
- subsidiaries and affiliated legal entities where Moscow Exchange is entitled to manage more than 20% of the total number of votes falling to voting shares;
- shareholders entitled to manage more than 20% of the total number of votes falling to voting shares of the Moscow Exchange;
- members of the Supervisory Board of the Moscow Exchange;
- members of the Executive Board of the Moscow Exchange;
- Chairman of the Executive Board of the Moscow Exchange.

	Name	Legal address	Share 2016 %	Share 2015, %
1	NCC Clearing Bank	13, Bolshoy Kislovskiy per., Moscow, 125009	100.00	100.00
2	Non-Banking Credit Organization Joint-Stock Company National Settlement Depository	12, ul. Spartakovskaya, Moscow, 125009	99.996	100.00
3	Joint-Stock Company National Mercantile Exchange	1/13, Sredniy Kislovskiy per., bldg. 4, Moscow, 125009	65.09	61.90
4	MICEX Finance LLC	13, Bolshoy Kislovskiy pereulok, Moscow, 125009	100.00	100.00
5	Joint-Stock Company Eurasian Trading System Commodity Exchange	136, pr. Dostyk, Almaty, Republic of Kazakhstan, 050051	60.81	60.81
6	ETS Clearing House Limited Liability Partnership	136, pr. Dostyk, Almaty, Republic of Kazakhstan, 050051	25.1	
7	Moscow Exchange International Ltd.	Butler & Co. Llp 126-134 Third Floor Baker Street London W1U 6UE England and Wales	100.00	100.00

## Related Party Transactions

In 2016 the Moscow Exchange executed a number of related transactions (mainly with companies of Moscow Exchange Group); types and amounts of significant transactions are presented in the table below.

(RUB, thousand)

Transaction type	2016	2015
<b>Sales</b>		
Information technology services, engineering services	417,546	509,304
Rental of premises and other property	106,223	156,480
Outsourcing agreements and the sale of information	69,146	61,694
Regional representative services	15,476	30,996
Interest receivable	337,548	3,097
<b>Purchase of goods, works and services</b>		
Rental of premises and other equipment, maintenance and support of the software and hardware complex, software, office equipment	12,425	13,408
Information, consultancy services, software use	115,800	127,592
Services for the organization of exchange activities, depository services, clearing services, communication	21,953	22,396
Interest on loans		7,225
Banking services	61	171
<b>Financial Transactions</b>		
Investments in authorized capitals/reduction of authorized capital		6,232,330

In 2016 dividends received from related parties amounted to RUB 31,692,441 thousand, in 2015, dividend was RUB 5,071,291 thousand, In 2016 cash funds in the form of short-term deposits amounted to RUB 22,700,000 thousand, cash repaid in the amount of 6,700,000, in 2015 no cash was deposited with related parties.

Balances on accounts with related parties:

	2016	2015	2014
Cash and cash equivalent	4,133,419	3,167,749	463,229

As part of its core business, the Moscow Exchange provides related parties with services on support of exchange trading with various financial instruments under general conditions. Settlements conducted by the Moscow Exchange as part of its core business are mostly performed through the accounts opened in its subsidiaries, i.e. National Settlement Depository and NCC Clearing Bank. The fee schedule for services is also set subject to general conditions.

Cost indicators on outstanding settlements are presented in the table below.

	2016	2015	2014
Accounts receivable	45,185	76,261	74,845
Accounts payable	3,661	40,730	12,215

Information on the amount of compensation paid to members of the Executive Board and the Supervisory Board is provided in Section "Disclosures on Revenues and Expenses".

### **Business environment**

The Moscow Exchange conducts its business in the Moscow Federal District of the Russian Federation, which is characterised by risks associated with political and economic situation in the country as a whole.

The stability of the Russian economy is largely dependent on the course of economic reforms, development of the legal, tax and regulatory frameworks as well as effectiveness of financial and monetary policy measures taken by the Government of the Russian Federation.

The political situation in the country is currently relatively stable, but the Russian economy is vulnerable to the negative effects of a significant decline in crude oil prices, and a devaluation of the Russian rouble, as well as the sanctions imposed on Russia by some countries.

Despite the stabilisation measures taken by the Government of the Russian Federation for the purposes of providing liquidity and debt refinancing for Russian banks and companies, the uncertainty continues regarding access to capital and cost of capital for the Moscow Exchange and its counterparties, which could affect the financial position, results of transactions and business prospects of the Moscow Exchange. The instability in the capital markets may lead to a significant deterioration of liquidity in the banking sector, and tighter credit conditions within the Russian Federation.

Overall, the Moscow Exchange has no significant impact on the economic situation in the country. However, should there be any negative impact of changes in the situation across the country or in a region of the Russian Federation where the Company operates; the

Company will take all necessary action to reduce the adverse effects on the financial position and financial performance of the Company.

## **Taxation**

Russian tax, currency and customs legislation provides different interpretations and is frequently amended. The interpretation of such legislation by the Company's management with respect to the Company's transactions and business activity may be challenged by relevant regional and federal regulators.

In 2015 amendments were made in the tax laws. These amendments entered into force in 2016 and were aimed at the prevention of low tax jurisdictions and aggressive structures of tax planning.

The said amendments and recent trends in the use and interpretation of certain provisions of the Russian tax laws show that the tax authorities tend to take a more assertive stance in their interpretation of laws and tax audits. As a result, the tax authorities may challenge the transactions and accounting methods for which they had no claims earlier. As a result significant taxes, fines and penalties may be accrued. It is impossible to determine the amounts of possible claims and assess unfavourable results. Tax audits may cover three calendar years immediately preceding the year of the tax authorities' decision to conduct a tax audit. Under certain circumstances, audits may cover earlier periods.

According to the management, as of 31 December 2016 the management interprets the relevant laws correctly; thus, there is a high probability that the Company will maintain its status quo in respect of tax, currency and tax laws.

In 2016, the Moscow Exchange had no legal and other claims against it.

## **Assessment of business risks**

In the conduct of its business, the Moscow Exchange is influenced by industry, regulatory and other internal and external factors (material conditions, events, circumstances, actions). In this regard, there are various risks that can materially affect the financial position and performance of the Company.

In the course of its activities, the Moscow Exchange is exposed to operational, regulatory, strategic and reputational risks.

## ***Risk management mechanism***

The management of the Moscow Exchange is in control of managing the above risks in order to minimise potential adverse effects on the financial position and financial performance of the Company. For the purposes of monitoring the Company risk management

process, the Company approved the Rules for Managing Risks Associated with Operations of Exchange Trading Organiser covering the Company's professional activities.

The Risk Management Commission of the Moscow Exchange monitors compliance with measures to mitigate risks associated with trading organisation activities.

### ***Operational risk***

Operational risk is a risk of expenses (losses) of the trade organiser related to activities stipulated by the Law on Organised Trading caused by disruptions in the regular operation of the trade organiser's structural units, normal operation of the trade organiser's software and hardware, rules and regulations on operations of the trade organiser, including due to error, fraud or wilful misconduct of the trade organiser's employees, technical failures, as well as through the impact of external factors.

Key operational risk control (minimisation) methods used by the Company include:

- development of the organisational structure, internal rules and procedures for operations, delimitation of authority, approval (agreement) and accountability for operations aimed at removing (minimising) the probability of operational risk occurrence;
- development of control measures based on statistical data analysis,
- identification of typical operational risks based on operational risk event recurrence;
- monitoring compliance with established rules and procedures;
- development of transaction and data protection automation technology;
- insurance, including both traditional types of property and personal insurance (insurance of buildings, other property against destruction, damage and loss caused by natural disasters and other random events, or through actions of third parties or employees; insurance of employees against accidents and injury to health), and insurance against occupation-specific risks, both comprehensive risk insurance and by individual risk;
- development of a system of measures to ensure continuity of financial and business operations, including contingency plans (business continuity plan and/or business recovery plan).

### ***Regulatory risk***

Regulatory risk is a risk of expenses (losses) of the trade organiser caused by the non-compliance of the trade organiser and its operations with the Law on Organized Trading and

its bylaws adopted by the federal financial market regulator, as well as with the charter and internal documents of the trade organiser related to activities of the trade organiser.

A regulatory risk arises from the direct or indirect possibility (caused by ambiguous wording) that a regulator may impose restrictions on the business processes based on some legal provision.

Regular monitoring of legislative information is in place, along with analysis of draft regulations, expert opinions of structural units responsible for government relations and strategy development.

### ***Strategic risk***

Strategic risk is a risk of expenses (losses) of the trade organiser caused by errors (deficiencies) in decision-making defining the strategy and development of the trade organiser.

Strategic risk mitigation measures include: defining in the internal documents, including the charter, the decision-making roles and responsibilities of the governing bodies; enforcement of decisions made by the governing bodies across organisations; defining internal procedure for approval of changes in documents and procedures related to the decision-making process; factor analysis of strategic risk impact on performance; monitoring resources, including financial, material, technical and human, for the implementation of strategic goals.

### ***Reputational risk***

Reputational risk is a risk of expenses (losses) of the trade organiser caused by reduced number of traders or decreased trading volume due to a negative public perception of the trade organiser's operational (technical) stability, quality of services or general nature of business.

The use of reputational risk control methods and tools, selection of responses to the reputational risk events is managed as part of the Company's overall strategy.

### **Events after reporting date**

On 19 January 2017 Moscow Exchange received USD 18,471 or RUB 1,093 thousand as dividends for 2012-2015 (ETS Clearing Centre (Kazakhstan)).

On 2 March 2017 the Supervisory Board made a decision to recommend the General Meeting of Shareholders to decrease the authorized capital of Moscow Exchange through redemption of 2,235,035 repurchased ordinary nominal uncertified shares of Moscow Exchange.

On 7 March 2017 the number of the Executive Board members of Moscow Exchange was reduced due to resignation of E.E. Fetisov, the CFO.

Chairman of the Executive Board

Moscow Exchange

15 March 2017

A.K. Afanasiev