

**To agenda item 3
for the Annual General Meeting of Shareholders
of the Moscow Exchange
27 April 2017**

**Distribution of the net profit of the Moscow Exchange, including payment (announcement)
of dividends based on the results of the 2016 reporting year**

Pursuant to the Federal Law “On Joint Stock Companies”, it is within competence of the General Shareholder Meeting (GSM) to resolve on the amount of dividend payable on Moscow Exchange shares and on a procedure for dividend payment. The Supervisory Board makes recommendations to the GSM on the size of dividend and payment procedures.

1. Rationale for the proposed dividend and assessment of dividend size compliance with the Dividend Policy.

The dividend is paid out of net profit according to company’s accounting statements.

Based on Moscow Exchange’s profit and loss statement for the fiscal year starting 1 January 2016 and ending 31 December 2016, the Moscow Exchange generated net profit totaling RUB 31,620,887,851.74.

Pursuant to the Moscow Exchange’s Dividend Policy approved by the Supervisory Board of the Moscow Exchange on 16 December 2015, the Moscow Exchange pays out dividends based on company’s net profit for the reporting fiscal year, but the size of dividends is calculated as a percentage of net profit of the Moscow Exchange Group according to IFRS according to consolidated financial statements of the Moscow Exchange according to IFRS for the same reporting fiscal year.

In determining the size of dividends as proposed to the AGM for decision making the Exchange shall proceed from the following principles.

1. Determining the capital adequacy for the current year on yearly basis and projecting capital requirements for the next following four years.
2. Ensuring Exchange’s attraction as investment for the shareholders and investors due to high, stable and foreseeable return on investments in Moscow Exchange’s capital.
3. Compliance of Exchange’s dividend with the size of dividend paid by peer companies.

Based on the aforesaid principles, the dividend policy provides that the size dividend proposed to the Moscow Exchange GSM for approval to be 55% of net profit according to IFRS financial statements of the Group.

According to IFRS consolidated financial statements, Moscow Exchange’s net profit in 2016 amounts to RUB 25,182,575 thousand. Pursuant to the Dividend Policy provisions, the minimum estimated dividend size for 2016 will be RUB 13,850,416 thousand (55% of net profit according to IFRS).

Given the principle areas for net profit allocation, including requirement to keep the required level of capital adequacy of the Moscow Exchange subsidiaries and to make the Exchange more attractive for investments, it is proposed that the dividend payout should be higher than the minimum target set in the dividend policy, and to approve the amount of dividend to be paid in 2016 totaling RUB 17,482,763,197.44, i.e. 69.4% of net profit according to IFRS. The remaining part of the net profit is proposed not to be distributed.

The total number of registered ordinary shares of the Moscow Exchange is 2,278,636,493; 2,235,035 of those are on the Moscow Exchange balance after their buyback due to Y2016 reorganization. No dividends are accrued on such redeemed shares. Thus, the number of shares entitling their holders to dividend is 2,276,401,458. The estimated dividend is to be RUB 7.68 per 1 share.

In view of the foregoing, the Supervisory Board recommended the AGM to approve that the size of dividend on the Moscow Exchange shares should be RUB 7.68 per 1 registered ordinary share before the dividend tax in accordance with subitem 1 of item 3 of Clause 284 of the Tax Code of the Russian Federation. Total dividend payable shall amount RUB 17,482,763,197.44.

The term for dividend payment depends on the date the shareholders eligible to dividend is drawn up. The General Shareholder Meeting resolves on this date based on recommendations of the Supervisory Board. The date of the list of shareholders may not be earlier than 10 days from the date the General Shareholder Meeting resolves on dividend payment and not later than 20 days from the date of such decision. Given that, it is proposed to determine that the record date should be 16 May 2017.

Dividend to the nominee holder and asset manager registered in the Register of Shareholders shall be paid within 10 business days as from the date of the list of shareholders eligible for dividend is drawn up.

Dividend to shareholders eligible for dividend and registered in the Register of Shareholders shall be paid within 25 business days as from the date of the list of shareholders entitled to dividend is drawn up.

Given that, it is proposed to determine that dividends to the nominee holder and the asset manager, a professional market participant, registered in the Moscow Exchange's Register of Shareholders, shall be paid no later than 29 May 2017, and dividends to other persons registered in the List of Shareholders shall be paid no later than 20 June 2017.

In accordance with the Dividend Policy of the Moscow Exchange, the main criteria for dividend payout shall be:

- no restrictions for dividend payout in the legislation of the Russian Federation;
- availability of net profit (under Russian Accounting Standards) in the period for which dividend is announced;
- dividend distribution and payout procedure compliance with the effective legislation of the Russian Federation;
- availability of the Moscow Exchange Supervisory Board recommendations to pay (declare) dividend, and on the size of dividend;
- availability of the Resolution of the Moscow Exchange General Shareholders Meeting to pay (declare) dividend.

The net profit distribution recommended by the Supervisory Board is complied with the Moscow Exchange Dividend Policy, including the abovementioned terms of dividend payment.

2. Special purpose funds information.

The Moscow Exchange (originally, CJSC MICEX Stock Exchange) was founded in 1992. Over the years of the Moscow Exchange operations, the General Meeting of Shareholders adopted resolutions on the establishment of the following special purpose funds:

- Exchange Development Fund
- FX Market Reserve Fund
- Securities Market Reserve Fund
- Standard Contracts Market Reserve Fund
- Securities Market Clearing Guarantee Fund
- Derivatives Market Clearing Guarantee Fund
- FX Market Clearing Guarantee Fund
- Standard Contracts Market Clearing Guarantee Fund
- Capital Construction Fund
- Contingency Fund
- Financial Risks Coverage Fund
- Social Development Fund.

As per resolutions of the Moscow Exchange General Meeting of Shareholders on allocation of net profits, money was allocated to the above reserve funds (mainly for the purpose of covering the risks arising from licenced activities and financial risks).

As long as the reserves allocated to these funds were not used in 2010-2016, based on the resolutions of the Moscow Exchange General Meeting of Shareholders the funds allocated thereto were reversed to unallocated profit of previous years and allocated for dividends.

At present, there is no money in the special purpose funds. Thanks to the changes in the relevant legislation and the creation of new risk insurance mechanisms maintaining the funds is no longer feasible.

In a view of the above, the Supervisory Board recommended the General Meeting of Shareholders to approve a resolution on the abolishment of the said funds.

Considering the recommendations of the Supervisory Board, the AGM is proposed to:

1. To allocate RUB 17,482,763,197.44 out of the Moscow Exchange Y2016 net profit for dividend payout; to define that the dividend size on the Moscow Exchange shares will be RUB 7,68 per one registered ordinary share (before dividend tax); not to distribute the rest part of net profit of the Moscow Exchange. To determine that the record date should be 16 May 2017.

2. To approve a resolution on the abolishment of the special purpose funds.

Draft resolution:

1. To approve the following distribution of the Moscow Exchange Y2016 net profit:

1.1. To pay out 2016 dividend on the Moscow Exchange shares (except for shares the ownership right to which passed to the Moscow Exchange) of RUB 17,482,763,197.44 in total.

1.2. Not to distribute the rest part of net profit of the Moscow Exchange.

2. To define that the dividend size on MOEX shares will be RUB 7,68 per one registered ordinary share (before dividend tax).
3. To set 16 May 2017 as the date of identifying persons eligible for dividend.
4. Define the form of dividend payout as follows: dividend on Moscow Exchange shares will be paid out in monetary terms by non-cash transfer.
5. Abolish the following special purpose funds created by resolutions of the Moscow Exchange General Meeting of Shareholders:
 - Exchange Development Fund
 - FX Market Reserve Fund
 - Securities Market Reserve Fund
 - Standard Contracts Market Reserve Fund
 - Securities Market Clearing Guarantee Fund
 - Derivatives Market Clearing Guarantee Fund
 - FX Market Clearing Guarantee Fund
 - Standard Contracts Market Clearing Guarantee Fund
 - Capital Construction Fund
 - Contingency Fund
 - Financial Risks Coverage Fund
 - Social Development Fund.