MOSCOW EXCHANGE

Q4 AND FY 2017 IFRS Results Conference Call

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Speakers:

- Alexander Afanasiev, CEO
- Maxim Lapin, CFO
- Anton Terentiev, Director of IR

Participants asking questions:

- Sergey Garamita, Raiffeisen Bank
- Andrzej Nowaczek, HSBC
- Olga Veselova, Bank of America Merrill Lynch
- Elena Tsareva, Sberbank
- Olga Naydenova, BCS
- Andrey Pavlov-Rusinov, Goldman Sachs
- Maria Semikhatova, Citigroup
- Svetlana Aslanova, VTB Capital

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Anton Terentiev – *Director of IR*

Good afternoon everyone, and welcome to MOEX FY 2017 IFRS results conference call. As usual, after the prepared remarks, we will have a Q&A session. Today we have on the call Alexander Afanasiev, CEO, and Maxim Lapin, CFO.

Before we start, I would like to remind you that certain statements in this presentation and during the Q&A session may relate to future events and expectations and, as such, constitute forward looking statements. Actual results may differ materially from those projections. The Company does not intend to update these statements to reflect the events occurring after the date of the call prior to the next conference call. By now, you should have received our press release containing the results for Q4 and FY 2017. Our management presentation is available on the Company's website in the IR section.

I will now hand the call over to Alexander Afanasiev. Mr Afanasiev, please go ahead.

Alexander Afanasiev – *CEO*

Ladies and gentlemen, as you may know, last week we announced the proposals to change the composition of the Supervisory Board – of course, subject to approval by the upcoming General Meeting of Shareholders in late April. During my meetings with many investors last year and over several years in the past, I have received suggestions that the presence of the Company's CEO in the Supervisory Board is not fully compatible with global best practices of corporate governance. In many Russian companies, the situation remains the same, but MOEX is always leading the continuous improvement of corporate governance among Russian companies, and Russian issuers. And we try to lead by example.

In that context, I decided to abstain from nomination for the Supervisory Board in 2018, giving way for an independent director to step in. I remain fully committed to my role as the CEO of MOEX and the fact that I will not be on the Supervisory Board will in no way affect my position as the Chairman of the Executive Board.

Now let me hand over the floor to Maxim Lapin.

Maxim Lapin – *CFO*

Thank you, Alexander. Thank you all for joining us today to discuss Moscow Exchange's financial results for 2017. Let us start with page 2 and talk about the key events of 2017. MOEX instituted semi-annual dividends in order to smooth cash flow to shareholders and reduce volatility in the share price around the ex-dividend date. The semi-annual dividend was RUB 2.49 per share, and today the Supervisory Board recommended dividends for the FY 2017 of RUB 7.96 per share, inclusive of the semi-annual dividends paid earlier this year.

The National Clearing Centre, our clearing subsidiary, obtained the status of a non-bank credit organisation-central counterparty. This change brings the regulation NCC is subject to in line with its business activity. It does not, however, result in immediate changes in NCC's regulatory capital, which stands at RUB 55 bln.

We also created the MOEX Innovations subsidiary, which focuses on collaboration with fintech start-ups and market data projects.

MOEX remained the main platform for Russian issuers to raise capital in the public markets, with 16 equity offerings and 260 bond issues throughout the year. The value of equity offerings almost doubled YoY. Volumes in the primary bond market, exclusive of overnight bonds, added more than 50% YoY. This means that equity and debt capital markets in Russia are fully functional.

It is also quite telling that Russia's largest company that had no local listing previously, the X5 Retail Group, recently started trading on Moscow Exchange.

MOEX continues to improve its infrastructure and services. By the end of last year, we completed the first stage of the Unified Collateral Pool. We will cover this topic a bit later. The Exchange granted Russian corporates direct access to the FX and Money Markets, and the results of this initiative are very encouraging so far.

National Settlement Depository finalised the development of the e-voting platform that enables shareholders of Russian companies to vote in general meetings electronically. Three publicly traded Russian companies have already given their shareholders this option. We view this as an important step forward in continually strengthening corporate governance.

SMA, or sponsored market access technology, was launched in the Equities and Fixed Income Markets. SMA was originally designed to address the needs of foreign market participants, but has proved attractive for some local investors as well.

The Growth Sector was created as a segment in the Equities and Fixed Income Markets to give SMEs, small and medium enterprises, easier access to capital.

MSCI started using closing auction prices for Russian securities traded on Moscow Exchange. This reflects improvements that had been made for the closing auctions as well as the increased liquidity. MSCI also replaced two DRs, in its Russia index, with local shares of companies listed on Moscow Exchange, which actually have the DRs outstanding. It is important to note that MSCI has chosen local Russian shares over DRs of the same company. We believe this will help support an active Equities Market.

Retail investors opened more than 250,000 new brokerage accounts on the Exchange in 2017, bringing the total to 1.9 million. The number of individual investment accounts at the end of 2017 exceeded 300,000 – an increase of more than 100,000 of individual accounts over the year.

In 2017, MOEX also launched the Marketplace, a website that aggregates offers of brokers and allows retail investors to compare them. We estimate that this website potentially targets an audience of 4 million clients.

On the product side, the Exchange launched a number of instruments such as new contracts on sugar and grain, new FX options, new maturities of RTS Index and USD/RUB options as well as FX fixing instruments.

Finally, NSD developed a commercial blockchain-based platform for distributing bonds.

The year 2017 featured the launch of two initiatives that allowed corporates to obtain direct access to the FX and Money Markets. 22 and 47 corporates, respectively, operate on the FX and Money Markets. We expect that we may well see a two-fold expansion of these metrics in 2018 as our team is seeking to attract another 30 to 50 corporates into each of the two markets. Less stringent criteria for corporates to access our markets should make the onboarding process easier.

We are also observing a gradual increase of corporate ADTV in the FX Market and very strong growth in the Money Market. The idea to put together liquidity of various market securities via the GCC mechanism and connect different tiers of Russian corporates, both financials and non-financials, through the Central Counterparty, has yielded a viable value-added service. We intend to build on this success in 2018 offering separate GCCs, general clearing certificates, for second-tier and FX-denominated securities.

On the unified collateral pool, the flagship project for 2017. The first phase was launched as planned, on 4 December 2017. It included the introduction of a single account for Equities, Fixed Income, FX and Derivatives Markets, unification of collateral management across markets and the start of settlement netting. So far, 15 market participants including some of the larger ones have signed up for this service. Twelve of them are actually trading on a daily basis. We are of course compiling data on unified collateral pool operations, but for now, any conclusions would be premature. It is likely that such data will offer meaningful interpretation towards the end of 2018.

The Company is fully on track to launch phase two of the unified collateral pool, which will allow cross margining as well in Q2 this year. This paves the way to the billing of the UCP service in Q3 this year; the first step of the increase in fees applies to UCP accounts only, while the second step applies universally to all accounts. The schedule effectively assumes a ten-month grace period to let market participants adjust their IT systems to take advantage of the UCP capabilities.

It is a strategic priority for Moscow Exchange to provide local clients exposure to relevant global financial instruments and, at the same time, build the most efficient infrastructure to bring global liquidity flows into local MOEX-listed instruments.

Using the successful example of Brent futures as a reference, we plan to expand the range of global financial instruments traded on MOEX in 2018. In the equities space, we believe there is sufficient demand for international stocks. Derivative products on some major benchmarks will support this initiative. On the FX side, it makes sense to provide our local market participants with an opportunity to access global pools of non-rouble liquidity via trading links. As for international clients, we see opportunities for further development of ICM and SMA services as we continue to create convenient trading infrastructure for global market participants across our markets.

Now, let us switch to fixed income. We use the word "bondisation" as a term for the promotion of fixed income instruments. In terms of fixed income, the year of 2017 saw two trends: increased penetration of the bond market alongside with strong growth of trading volumes and continued improvements in the market infrastructure that made the bond origination process a lot more user-friendly. Further steps are planned for 2018 when we intend to bring new technology into the OTC market. It will allow features not offered by an electronic order book and be based on the anonymous use of ownership data on nearly 16,000 securities kept by NSD. The idea is in line with the spirit of MiFID II regulation that favours electronic matching platforms thanks to better transparency compared to traditional OTC markets.

Now, to the Marketplace and Ecosystem project. It is important to highlight that MOEX's endeavours to develop the domestic retail investor base stand on a scalable online platform. In its current state, the Marketplace allows investors to make an educated choice of a broker as well as go through the remote registration process. The estimate of the maximum potential audience is 4 million clients, but in the future we are aiming to add other financial services, starting with bank deposits. This move takes advantage of MOEX's unique position as the cornerstone of Russia's financial infrastructure. There is simply no other suitable player. The ultimate goal is to develop this platform into the financial ecosystem that will target 25 million new clients and aim to create a RUB 4 bln market in terms of revenue.

Now, to financial results. In 2017, total operating income decreased by 11.5% YoY and was equal to RUB 38.5 bln. Fee and commission income increased by 7.1% YoY, while net interest and other finance income declined by 27% YoY. Fee income accounted for 55% of total revenue in 2017 and even more than 60% in Q4. Both are record highs. Operating expenses increased by 9.6% YoY, with more than half of the increase attributable to the increase of D&A (non-cash) expenses. EBITDA declined by 16.5% YoY, while the EBITDA margin remained solid at 72.8%. Net income decreased by 19.6% YoY. The basic EPS for FY 2017 was RUB 9.02 per share.

I would like to point out that fee growth was remarkably sustainable over the last several years despite the dramatic changes in the domestic and global market backdrop. It is important to see that this was achieved in a cost-efficient manner. The ratio of operating costs (ex D&A) to income – that is, to fee income – is something we can control. It has declined over the past three years.

All but two segments delivered growth in 2017. The Derivatives and FX Markets saw declines compared to 2016 due to lower volatility. The Money Market's share in total fees and commission income advanced from 24% to 27%. It remains our largest market. Depository and Settlement services climbed to the second place and now contribute 20% of total commissions compared to 18% last year. Still, fee and commission income remained well diversified.

Net interest and finance income declined by 27.1% in 2017. This was in part due to a lower average amount of funds available for investment, which declined by 17% YoY driven by rouble- and dollar-denominated funds, as market participants continued to optimize their positions. Normalizing rouble interest rates also contributed to the decline of interest income. By Q4 2017, the decline of funds available for investment slowed down compared to the first 9 months of 2017 to the level of 13.7% YoY. Net interest income for Q4 of 2017 was down 24.6% YoY. I would also like to note that so far in 2018 funds available for investment have slightly rebounded compared to Q4 2017.

In Q4, fees from the Equities Market went down 1.8% YoY while trading volumes declined 8% YoY. This was thanks to a positive mix effect with the volume distribution becoming more even across different tariff plans due to growing presence of traditional non-HFT institutional investors. Fees for the full year added 1.3% YoY while full-year trading volumes were flat. The market share vs LSE in dual-listed stocks was 58%, unchanged from the prior year. As MSCI started to choose local shares of Russian companies over corresponding DRs for index inclusion and fully-fledged sponsored access to the Equities Market was launched, we hope that our market share will see further support. MOEX's market share versus the onshore OTC market was virtually unchanged at 78%.

In 2017, we updated the methodology for our proprietary equity indices to account for stricter liquidity requirements. In particular, MOEX and RTS indices now include a variable number of securities.

The Fixed Income Market fees and commissions for Q4 2017 rose by 55.3% YoY due to the increase in trading volumes, which were 40% higher YoY, and especially, due to greater volumes of primary placements. Overnight bonds became less of a factor towards the end of the year, which resulted in improved blended fees.

Strong Q4 results together with very solid performance throughout the rest of the year helped achieve the record full-year fees and commissions and a growth of 33.7% YoY. It was achieved through a combination of supportive macro-environment with falling interest rates that spurred growth in primary placements and our initiatives aimed at simplifying access to the market and improving its structure. For instance, we increased the tick size in T+ OFZ order books, which attracted volumes from the negotiated deals trading mode into order books, improving liquidity.

Turning to the Derivatives Market, its fees and commissions in Q4 2017 were lower by 4.4% YoY. This happened despite the fall in the trading volumes of 21% on the back of lower volatility. The second stage of fee adjustment in October 2017 aimed to increase the turnover-supported fee income. The growth of the relative share in trading volumes of contracts that are more expensive to trade – like options and commodity and single-stock futures – contributed as well. On a full-year basis, fee and commission income was still down by 2% YoY.

In 2018, we will continue to develop the market by providing a new feature called the Indicative Quotation System (IQS). The idea behind it is to allow a participant to submit multiple quotes at which he is willing to enter a trade without the need to allocate a proportional amount of collateral. Only after a match with one of these quotes happens it becomes an order and the collateral is blocked. Right now, it may be costly in terms of allocated collateral to place orders for a number of illiquid contracts where the underlying asset is actually liquid. The IQS will resolve this issue, improving liquidity.

Money Market fees and commissions in Q4 grew by 21.3% YoY, although trading volumes declined due to a contraction in repo with the Bank of Russia. The share of repo with the Central Counterparty continued to grow in Q4, supported by the growth of GCC repo through the Central Counterparty. The shift to these higher priced repo segments, more even distribution of volumes across different tariff plans and accruals from some longer-term deals supported Money Market revenues. The strong performance of the Money Market throughout 2017 helped achieve record high full-year commissions.

Fee and commission income from the FX Market in Q4 declined by 7.7% YoY while trading volumes increased. The weaker financial performance despite higher volumes occurred due to an increased share of FX swaps vs spot, as spot volumes declined amid falling FX volatility.

Depository and Settlement grew by 17.9% YoY last quarter. The full-year increase was similar – 17.4%. The main driving factor was secular growth of assets under custody, which surpassed RUB 40 bln in January 2018. The growth in assets was universal across all classes. We also saw tangible growth in income from settlement and cash services as well as book entry transfers.

Income from listing grew by 11.8% in Q4 but declined on the full year basis. Our listing fees are more sensitive to the number of issues than to their size, so a decline in the number of longer-term bond issues coupled with the increase of the average size per issue combined to cause a decrease in listing fees over the quarter.

Sales of software and technical services were down by 9.3% in Q4 and flat YoY. Information services and market data sales increased by almost 21% YoY in Q4 and 2.4% for FY.

Operating expenses in Q4 increased by 8.3% YoY. Personnel costs grew by 3.1% and administrative costs advanced by 12.9% YoY driven by D&A expenses and IT maintenance. This makes our FY OPEX growth equal to 9.6%, slightly below the latest guidance of 11–13%. Cost savings mostly relate to personnel expenses and the strong rouble.

CAPEX and OPEX and guidance. CAPEX for 2017 was RUB 1,940 mln, below the beginning of the year guidance of RUB 2.5-3 bln. This happened due to three main reasons: considerable savings thanks to efficient procurement, reliability of our trading and clearance platforms that was achieved earlier and with lower investment and, finally, the rouble was stronger during the year compared to our original estimates (a substantial part of our CAPEX is denominated in USD). CAPEX for 2017 included additions of intangible assets of RUB 1.5 bln and fixed asset additions of RUB 0.5 bln.

We expect that 2018 CAPEX will be in the range of RUB 2.0–2.2 bln. 45% of that will go towards maintenance of existing equipment and software, and 55% will be allocated in new projects. Investments in the Ecosystem project require further assessment that will come on top, if approved. We expect OPEX in 2018 to grow at the rate of 7-9% YoY. Our expectation is that the part of OPEX growth that comes above the rate of inflation will be more than compensated by corresponding non-organic revenue growth. In other words, we aim to achieve positive operating jaws on that level.

We have devoted considerable time to new projects and initiatives in the course of this presentation. I would like to conclude my remarks with the statement, that we expect the majority of fee income growth in 2018 to be generated as a result of new projects.

Thank you. Let us proceed to the questions.

Operator

Thank you, ladies and gentlemen. If you wish to ask a question, please press "*1" on your telephone key pad and wait for your name to be announced. We have a question coming from the line of Sergey Garamita.

Sergey Garamita – *Raiffeisenbank*

Thank you for the presentation. I have a question relating to fees and commissions. In Q4 we saw a trading volume shift towards higher fee products, including in the Money Market. As a result, we saw a high effective fee in this segment as well. Is this a one-off effect or do we expect this higher effective fee throughout 2018? Also, another question on OPEX. What guidance could you give us regarding the OPEX excluding non-cash items, I mean the D&A for 2018? Thank you.

Maxim Lapin – *CFO*

Thank you. Let us start with the Money Market example. Yes, the average fees increased. There are several reasons for that. The share of higher-priced products is increasing and the repo with the CCP is priced higher than repo with the Central Bank. The market is maturing, we have been ramping up the share of the repo with the CCP. That is why the average fees are growing. The concentration in the market is decreasing, because new players are coming in. For example, the corporates that received access to the Money Market bring in additional volumes and the average fees get higher. As regards the OPEX guidance, let me say that our D&A projections are relatively flat in 2018 compared to 2017. Therefore, the 7-9% expectation mostly regards OPEX growth in cash terms. Thank you.

Operator

Thank you, the next question comes from the line of Andrzej Nowaczek. Please go ahead.

Andrzej Nowaczek – *HSBC*

Thank you for the presentation. I want to clarify your statement just a few seconds ago about positive jaws. Did you mean total revenues will grow faster than OPEX or was it just fees and commissions?

Maxim Lapin – *CFO*

We are talking about positive jaws on fees and commissions and OPEX.

Andrzej Nowaczek – *HSBC*

OK. Would you be willing to make a statement about total revenues vs total costs?

Maxim Lapin – *CFO*

Well, regarding total revenues vs total costs we are not that much in control of interest and finance income. We are talking about fees and commissions primarily. Therefore, let us keep it as it is.

Andrzej Nowaczek – *HSBC*

I understand. And as a follow-up on costs, I appreciate the comments you made about why the actual performance was better than the original guidance. Yet, the discrepancy was huge. We were looking first at close to 20% at the beginning of last year and it was just under 10%. Is there something else that may have happened other than those two things you mentioned, smaller headcount and stronger rouble?

Maxim Lapin – *CFO*

We have been extremely conservative at the beginning of the year. Yes, FX had a strong impact, but looking back into the beginning of the year and the initial guidance, it was much more on the safer side.

Andrzej Nowaczek – *HSBC*

I understand. Thank you very much.

Operator

Thank you, the next question comes from the line of Elena Tsareva. Please go ahead.

Elena Tsareva – *Sberbank*

Hi, thank you for the call. A bit more clarification on your OPEX guidance this year: just given the headline's 7 to 9% growth, does it mean staff cost will increase much higher than inflation?

Maxim Lapin – *CFO*

Our aim is to keep the staff costs in line with inflation, give or take.

Elena Tsareva – *Sberbank*

OK. Today a DPS recommendation was announced for the second half of the year, and according to your dividend policy, payout decisions depend on how much funds are allocated to CAPEX and to NCC capital. Can you provide the calculation behind this decision on DPS?

Maxim Lapin – *CFO*

Naturally. Let us step back a little. We have a formal dividend policy, whereby the minimum payout is set at 55%. We exceeded that policy last time when we paid out 70%. Then this year we have been looking into liquidity forecast, the cash we have on hand, and our revenue generation potential and our budget. During all those discussions within the Supervisory Board, we came to the conclusion that we are able not only to maintain the level of dividend that has been paid out earlier, but to provide a little inflationary hike on the dividend while still being able to have a substantial capital in our NCC and NSD subsidiaries and having ample opportunity to go with our CAPEX spending going forward. Therefore, logic behind RUB 7.96 is simple. We have profit, and we can share it. We have our plans going forward. We have CAPEX. We have adequate capital within our subsidiaries, therefore we are always trying to pay out the amount that we can in the form of dividends. Why shall we keep it? We return it to the shareholders. Thank you.

Operator

Thank you, the next question comes from the line of Olga Naydenova.

Olga Naydenova – *BCS*

Hello, Maxim and Alexander. Congratulations on the good result. I have just a follow-up question with regards to your Money Market commissions that you charge. Can you please disclose the average maturity of your Money Market contracts for Q4 vs Q3 and inform us to what extent the pricing increase that we observed is reflecting that and to what extent this is your achievement in diversifying your client base?

Anton Terentiev – *Director of IR*

Let me tell you that in the Money Market there is no effect from extension of the repo term. On average, it contracted a little bit on a QoQ basis from around 3.6 to 3.1 meaning Q4 vs Q3 2017. So, there were three factors that contributed to the rise of blended yield or blended fee in the Money Market, and the term was actually towards the negative side.

Olga Naydenova – *BCS*

Thank you very much, this is very good to hear. And as a broader question, if you will be willing to give us some colour or guidance as to how much we could expect from various initiatives in your UCP product. How much gain in your fee generation do you expect to get aside from the price hike you have already communicated?

Maxim Lapin – *CFO*

OK, let us do it step by step. The way the Unified Collateral Pool works is as follows: it allows more trading in the market with the same collateral. When we do the price hike with the UCP, we also expect at least the same amount of velocity in the market. Therefore, UCP revenues should be proportional: if you take the pricing for the UCP multiplied by volumes of the market on the annualised basis – that is how we are able to assess the impact of the Unified Collateral Pool on the returns of the Company.

Anton Terentiev – *Director of IR*

I can add one more thing. The logic behind the UCP is as follows: the tariff increase is supposed to cover the effect of declining collateral that inevitably happens in the second stage of the UCP. They will net each other out, and we expect that increasing trading volumes will bring us some positive effect.

But for now, like Maxim said in his speech, we are just collecting those statistics before we can make any firm conclusions. Our assumption is that it will work in our favour and we will see what numbers we can provide probably towards the end of the year.

Olga Naydenova – *BCS*

Thank you very much.

Operator

Thank you, there are no further questions.

Operator

We have a few more questions. The next one is from the line of Andrey Pavlov-Rusinov. Please go ahead.

Andrey Pavlov-Rusinov – *Goldman Sachs*

Thank you for the presentation and congratulations on good results and a nice dividend. I have a couple of questions. The first is on your net interest income. I would like to get a better understanding of whether you benefitted at all from the increasing trend in FX rates in the interbank market and whether you saw any increase in your average yield on FX assets in Q4 relative to Q3. In addition, it would be good to hear some thoughts from you on whether the dynamics of your rouble yields will from now on follow the dynamics of the interbank rouble yield and the central bank key rate. Thank you.

Maxim Lapin – *CFO*

Thank you for a good question. Let us say, for example, USD repos became pricier in Q4 over Q3 by a margin of 0.2 percentage points, and we made some money on that. Therefore, the answer to your first question is yes, we benefitted from FX rates in the interbank market.

As for the second question, there is a lag between the key rate, interbank rate, RUONIA, and our earning capacity because we buy fixed income instruments, and a third of our gains, our interest income for this year is already predefined by the structure of our portfolio. In fact, we locked in the higher rates that already took place. In other words, when the interbank rouble rate follows further cuts in the key rate by the Central Bank, we are still able to generate returns form the earlier purchases of higher-yielding instruments. There is a lag, but the follow-up is inevitable.

Andrey Pavlov-Rusinov – *Goldman Sachs*

Just as a follow-up, should we expect volatility in your rouble yield in certain quarters of this year, or should it be gradually coming down along with the rate in the market?

Maxim Lapin – *CFO*

There should be no volatility. It should be gradually following the trend with a lag.

Andrey Pavlov-Rusinov – *Goldman Sachs*

That is clear, thank you. I also have a question regarding your Ecosystem plans and Marketplace. It would be really nice if you could delve a bit into the assumptions used for calculating those potential revenues, RUB 4 bln, and into what you think about attracting new clients there. Any colour you could give at this point would be very much appreciated.

Maxim Lapin – *CFO*

Let me provide the logic behind the market size. There is a volume of deposits outstanding in Russia. If a fraction of these deposits could be contracted through the marketplace, then the structure of the total commissions would define the potential market size.

Andrey Pavlov-Rusinov – *Goldman Sachs*

In other words, it is primarily a marketplace for retail deposits, right?

Maxim Lapin – *CFO*

Not primarily. It is just that retail deposits represent one of the key ideas to be explored.

Andrey Pavlov-Rusinov – *Goldman Sachs*

OK. My last question is about the Unified Collateral Pool. Given that we already see the two-month data on your client funds volumes, do you have any better understanding or expectations of whether the implementation of the UCP will put pressure on your client funds, primarily in roubles, and of what the timing for that effect is? Will it be more skewed towards 2H 2018 or maybe 2019? Thanks.

Maxim Lapin – *CFO*

I would say that two months is too early to come to conclusions, because market participants are just starting to cast the IT infrastructure solution first.

Andrey Pavlov-Rusinov – *Goldman Sachs*

In other words, you are not in a position at the moment to give any insight into what the effect could be, if any, right?

Maxim Lapin – *CFO*

Yes, it is too early.

Andrey Pavlov-Rusinov – *Goldman Sachs*

Thank you.

Operator

Thank you. Your next question comes from the line of Maria Semikhatova. Please go ahead.

Maria Semikhatova – *Citigroup*

Hello and thank you for the presentation. I have two small clarifying questions. As regards the UCP, I do understand that it is too early to draw any conclusions, but I just want to check if you are in a position to adjust tariffs further if you see that the developments do not meet your expectations. My second question is about CAPEX. Thank you for providing guidance for 2018. Should we treat these numbers as the new normalised level? I believe that previously you mentioned up to RUB 3 bln as the normalised CAPEX. I just want to hear your views on longer-term CAPEX projections. Thank you.

Maxim Lapin – *CFO*

Let us start with the CAPEX. It seems like the new normal, but excluding the Ecosystem project. The Ecosystem project is not included in this normal, and it could be lengthy and require CAPEX. Excluding that, it is the new normal.

As regards the UCP, our calculations remain unchanged. We still view the project as almost fully implemented. There is not much to complete for us internally. The majority of the work that remains is IT links with IT solutions at the level of market participants, so that they can utilise the product. To summarise, the product is on schedule and the price changes have been agreed with the market. Everything is going as planned.

Maria Semikhatova – *Citigroup*

Do you have any estimate of CAPEX that the Ecosystem project might require? I do understand that the UCP is going according to the plan. The question is whether you can unilaterally adjust tariffs further if you see that client balances are reacting worse than you expected and the hikes that you have already agreed upon and disclosed are not sufficient to cover the lost revenues. That was my question.

Maxim Lapin – *CFO*

The UCP tariffs are negotiated with market participants. Therefore, as the majority player in the market, as the infrastructure service provider, we cannot unilaterally hike prices on a wide range of products. Therefore, an additional price hike on the UCP seems impossible.

The Ecosystem will not require material expenses this year. We will be looking into the prototype and pilot, and so, this is not something that will be noticeably different. Once the project begins to ramp up and we see that the prototype and pilot work, we will be disclosing the numbers. Thank you.

Maria Semikhatova – *Citigroup*

Thank you.

Operator

Thank you. Your next question comes from the line of Svetlana Aslanova. Please go ahead.

Svetlana Aslanova – *VTB Capital*

Hello. I have a follow-up question on the dividends. You have said that you implied some inflation on DPS for 2017. Shall we assume that you will try to keep dividends, in absolute terms, stable in the coming years?

Alexander Afanasiev – *CEO*

Definitely, it is our intention to carry on with the policy where the stock of Moscow Exchange is interesting to investors and shareholders. Of course, our goal will always be to keep our shareholders happy with the amount of dividends. Now, it is too early to tell any particular figures except for what is stated in the dividend policy. However, it is definitely our strong intention.

Svetlana Aslanova – *VTB Capital*

Thank you.

Operator

Thank you. That was your last question.

Anton Terentiev – *Director of IR*

All right, ladies and gentlemen, we can wait for one more minute, and if you have some follow-up questions, we will be happy to take them.

Operator

Once again, it is "*1" if you want to ask a question. There are no further questions coming through, sir.

Anton Terentiev – *Director of IR*

All right, then we can conclude our call. Thank you very much everyone for participating, and I hope to hear from you in May when we will be announcing our Q1 results. This is it. Thank you very much.