

# Mail.ru Group



Quarterly presentation (Q1 2020)

# COVID-19 impacts across revenue lines in Q1

## Online Advertising (42% of 2019 revenues)

- Adverse impact started in **mid-March**, with more pronounced negative effect so far in 2Q
- **Impacts vary significantly by sector.** Some of the worst hit verticals include: apparel/fashion, auto, luxury goods, travel, tourism, restaurants, entertainment. Other verticals have been relatively resilient or growing, including health and medicine, telco, dating, media services, eCommerce, Games, FMCG
- **SMEs are generally most impacted**, but we have relatively low exposure, at below 25% of advertising revenue
- **Performance is holding up better** than branded ads, with the vast majority of our ad revenues coming from performance formats
- **We do not have significant advertising revenue concentration.** Our largest verticals are FMCG and eCommerce, which have been relatively resilient. All other verticals account for less than 10% of total ad revenues each
- Although rising engagement leads to **temporary adverse impact on CPMs** and ad efficiency, we continue enhancing our advertising technologies to be able to continue to grow ad market share in a normalized macro environment

## MMO Games (32% of 2019 revenues)

- Being a purely online business, gaming has been among **relative beneficiaries from COVID-19**, with Gaming the largest entertainment segment globally
- Since the back end of March we started to see **positive impact from stay-at-home behavior on DAU and CCU**, especially in traditional home platforms like PC and Console. Trends have carried so far into 2Q
- Discretionary nature of gaming could adversely impact but we are focused on F2P and mobile, which makes us relatively well-positioned
- Our global diversification (69% of revenue in Q1 was international) helps **diversify macro risks** and allows to **benefit from FX weakness**

## Community IVAS (19% of 2019 revenues)

- Segment is **more resilient than advertising**, with stay-at-home behavior resulting in higher online engagement, including around exchange of stickers, gifts and social games
- **Music** subscription services continue to see **solid growth in subscriber numbers** (including trials)

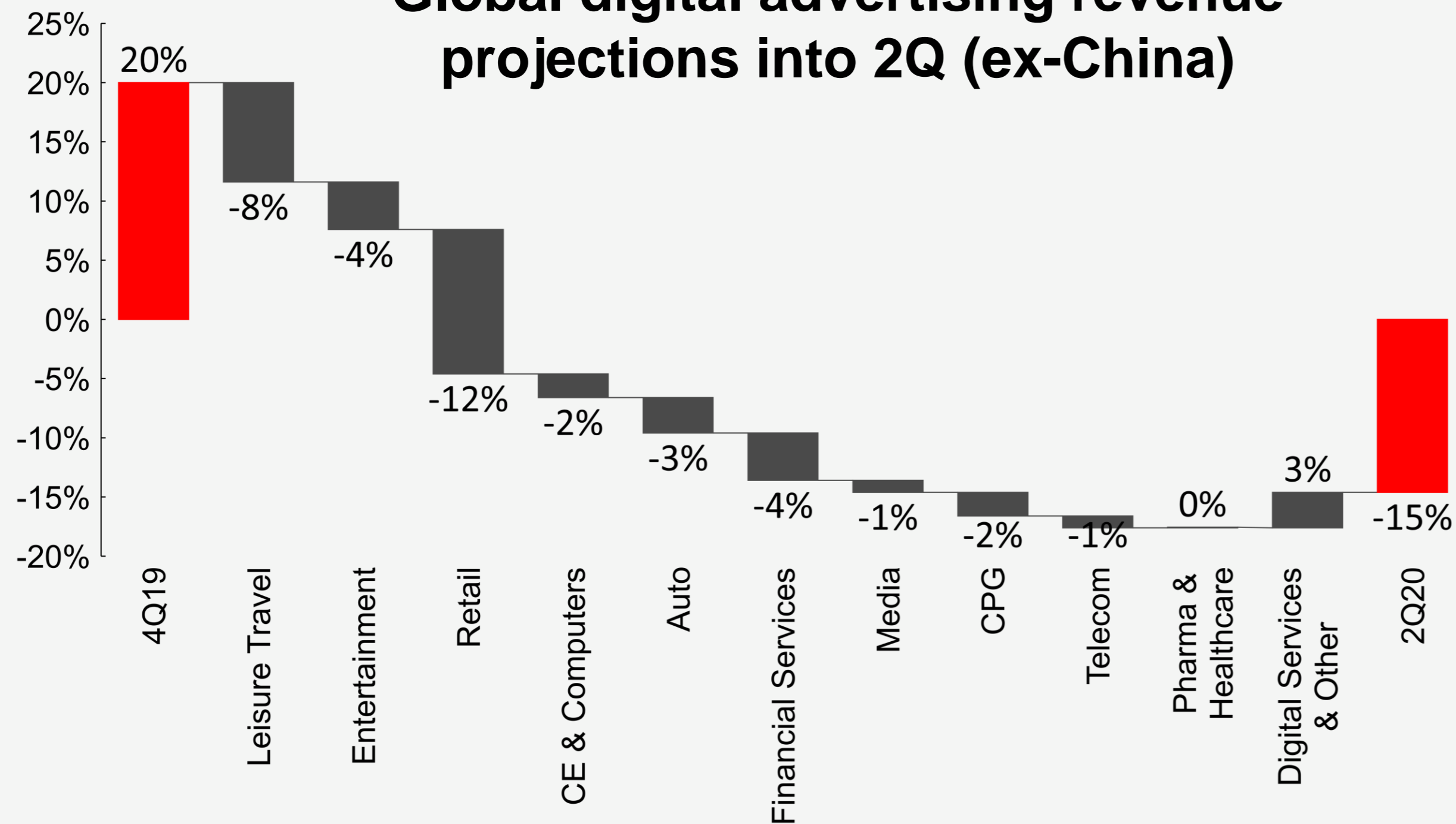
## Other (7% of 2019 revenues)

- **Edtech:** as a business with marginal offline component and given the stay-at-home mode for students and teachers, platforms have seen an increase in traffic. EdTech is now the largest revenue contributor within New Initiatives
- **B2B Cloud:** enhanced digitalization of industries and move to remote work should result in higher demand
- **Classifieds:** Business has been diversifying from advertising revenues towards listing and subscription revenue streams across several verticals. General classifieds is the largest vertical and it tends to be more resilient in a weak macro environment

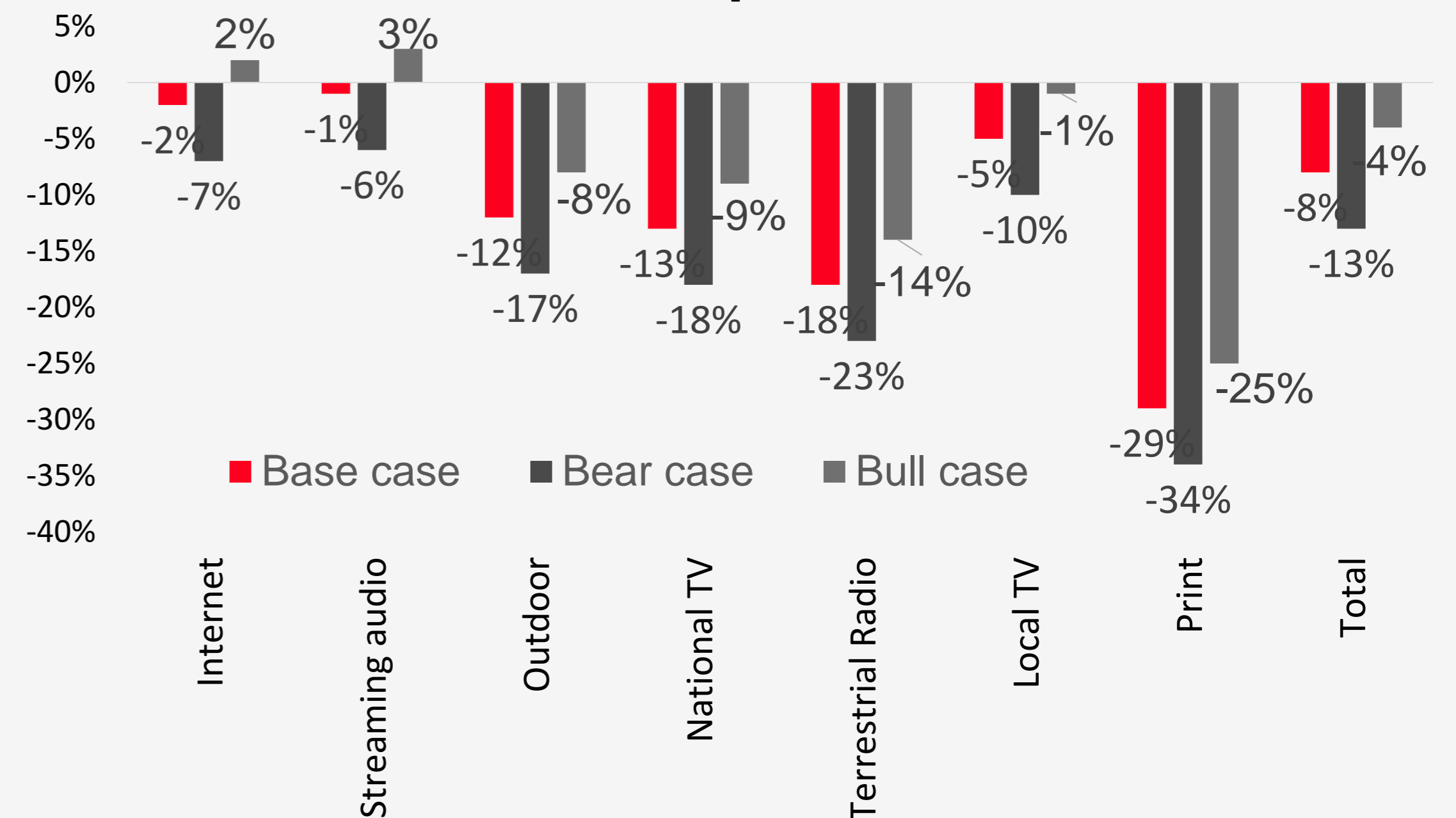
# Challenging global advertising backdrop into Q2

- **Advertising**, including digital, is a **function of GDP growth**, with COVID-19 developments suggesting that 2020 might be a recessionary year globally
- JPM expects global Internet ad spend to decline 6% in 2020 but increase by 15% in 2021 given the anticipated **growth recovery as lockdowns end**. MS thinks that US ad market will decline by 8% in 2020, with online ads declining by 2% (as much as -20%+ YoY in 2Q), followed by +10% growth in 2021
- Market and company commentary from China suggests that while ads could see 10-25% YoY impact in 1Q, the ad market has likely bottomed in early Feb, when lockdown ended, and there are positive signs on the demand side in the past weeks. Hence, while 2Q could be challenging for global ad markets (ex-China), there could be **at least partial normalization in 2H**

**Global digital advertising revenue projections into 2Q (ex-China)**



**US ad market expectations for 2020**

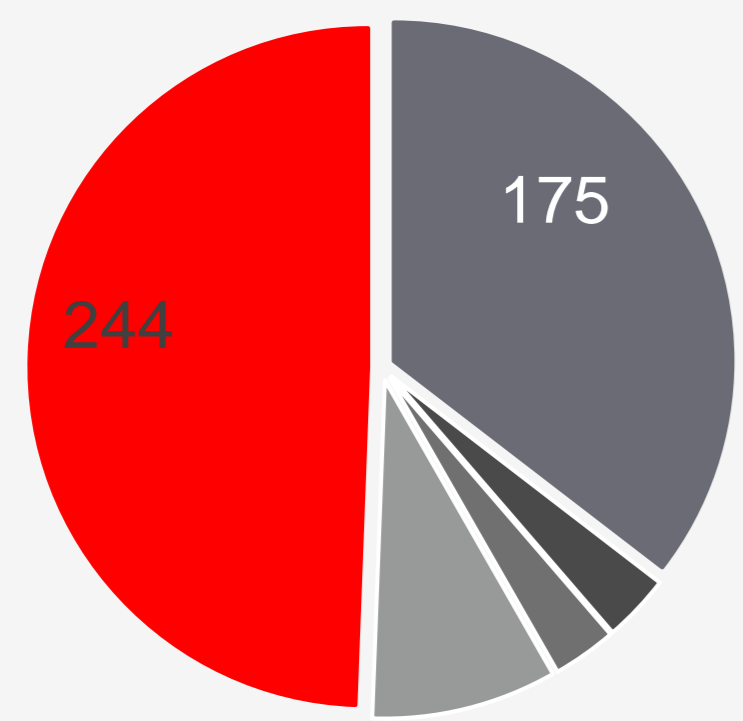


# Russia is not an exception, but we are well-diversified



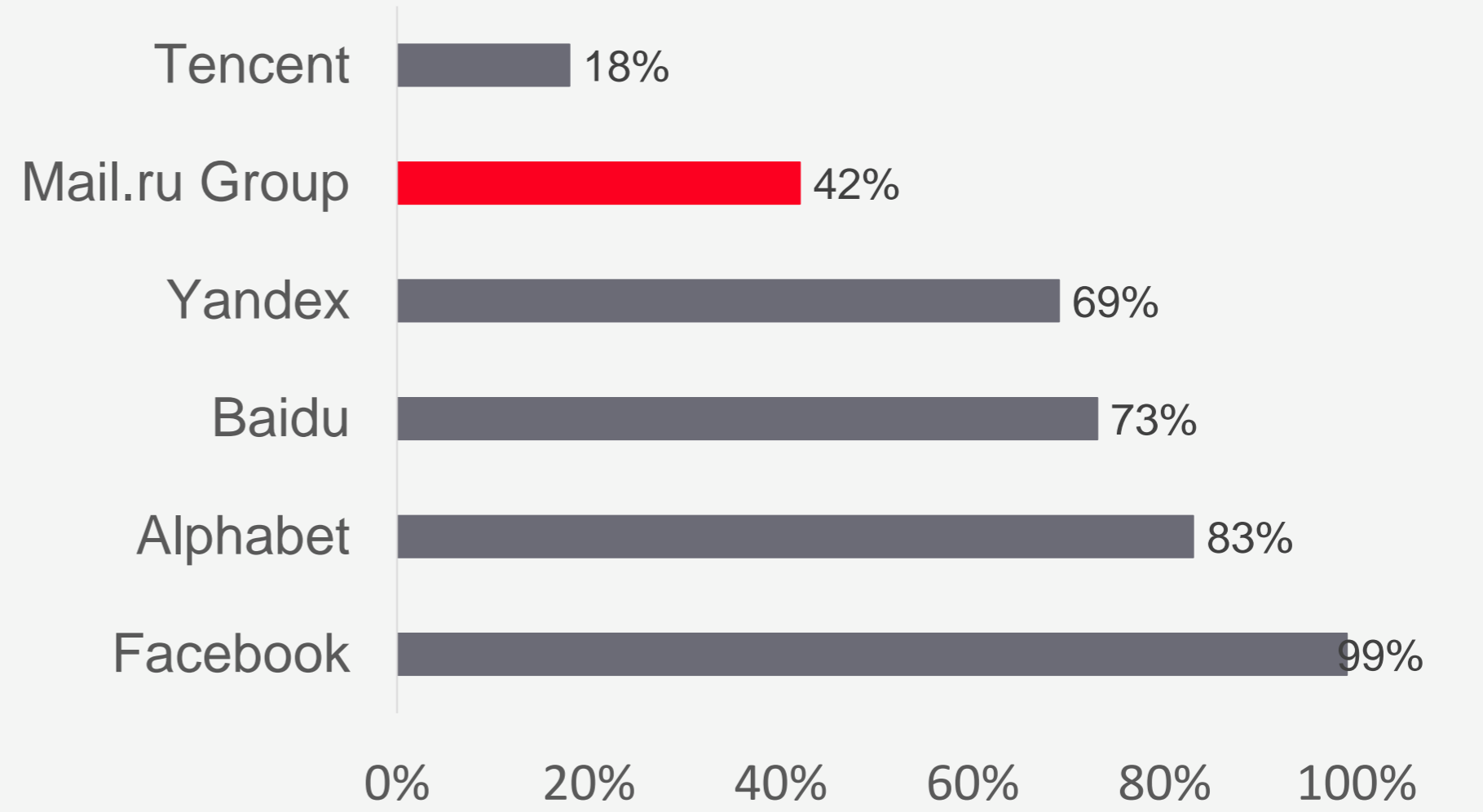
- Analysts estimate that **each week of lockdown decreases Russian 2020 GDP growth by ~0.5%**. In the past 10 years, Russian digital ad market has shown 0.85 correlation with GDP growth
- Digital has been the main advertising channel in Russia since 2018**, accounting for >49% of ad wallet in 2019. At the time of 2008-09 and 2014-15 shocks digital accounted for 6-9% and 25-32% of ad market respectively. Arguably, this should mean even higher correlation between digital advertising and GDP growth
- Businesses saw clear headwinds during previous recessions, but the effect was over the course of many months vs. COVID-19 forcing an immediate widespread business shut down. However, in many cases budgets are being deferred rather than cancelled, and hence stabilization in COVID-19/oil leaves room for utilization of these budgets in 2H
- In the short-run, business diversification into more defensive revenue streams helps, with **MMO Games, perceived as a net beneficiary from COVID-19** and related stay-at-home-behaviour, being our second largest revenue stream with a 32% revenue share in 2019 vs 42% for online advertising

**Russian advertising market split, 2019 (RUBbn)**



■ TV ■ Radio ■ Press ■ Out of home ■ Internet

**Share of advertising revenues, 2019 (% of total)**



Source: Internal data. IAB Russia, AKAR, VTB Capital, Citibank

# Q2 Outlook

- While the unprecedented current situation means that 2020 has started with some significant challenges, we feel relatively **well-positioned** given our **profitability, FCF generation** capacity and **well-diversified** revenue streams
  - ✓ **Online advertising** performance is expected to be weaker in Q2 vs Q1, with **negative growth** in our current base case
  - ✓ **IVAS** is expected to continue to hold up better than advertising, supported by high engagement across social games, ongoing music subscription growth as well as need for people to share emotions and support each other through gifts and stickers while maintaining physical distance. We expects IVAS to remain in **positive territory in Q2**
  - ✓ **MMO Games** are seeing support from engagement and our pipeline is on track, including planned launch of console version of Warface in Q2. We expect an **acceleration in Games revenues in Q2 vs 13.4% YoY growth in Q1, with growth of above 20% YoY seen in March**
  - ✓ **Other** revenues should continue to demonstrate solid double digit growth, with **EdTech being the key area of strength** (grew at triple digit rate in Q1), while this is the largest component of New Initiatives
- Although we are not yet in position to provide explicit updated guidance for the Group given lack of visibility around the ultimate duration of lockdowns, oil/RUB trajectory, magnitude of state support, in our current stress-test scenario, where we see return to growth in digital advertising only in 2021, we still expect **2020 to be a solid growth year for the Group**, albeit at the expense of **lower profitability** given the temporary shift in revenue mix towards structurally lower-margin Games segment<sup>(1)</sup>.

# Ongoing engagement strength – basis for future revenue growth

- In the meantime, ongoing lockdowns result in more engagement across all our key platforms:
  - ✓ PC, being the traditional home platform for online games, is seeing the strongest positive impact on engagement so far, with Warface growing CCU by 33% and DAU by 23% MoM on April 15. Skyforge was +55%/+49%, Conqueror's Blade +76%/+29% and Lost Ark +26%/+25% respectively. Mobile games are also seeing a boost, with **Hustle Castle, our top-3 title, reaching a new daily revenue record** of RUB128mn on April 15
  - ✓ **Gaming DAU on VK was +15% WoW**, with **OK's mobile games audience growing 27% YoY** during the first lockdown week
  - ✓ Our local #PlayAtHomeStandUnited Games campaign **streams received 2.3mn views** within three weeks, while **MY.GAMES Store saw traffic jump 25%** at the end of March
  - ✓ During the first 9 days of April, **VK saw daily calls rise by 35% vs mid-Feb**, with 20% growth in messages sent, **33% rise in video views, 48% increase in watched streams** and 17% for Stories
  - ✓ **VK Mini Apps DAU was +260% MoM** during the last week of March, with a 120% increase in the number of those looking through Mini Apps catalogue. **MAU has further grown from 27.6mn in March to 28.4mn so far in April**
  - ✓ Number of **group calls on OK grew by 70%** during the second half of March, with a 4x increase for calls with five+ participants. The number of sent messages increased during the first week of April by 37% YoY, with the number of confirmed **friend requests up 39.6%** and **video views up 28%**
  - ✓ **Geekbrains saw a 120% jump in new users**, 648% spike in portal registrations and 89% growth in new paid students MoM during the first two weeks of lockdown
  - ✓ **Skillbox saw a 33% increase in WAU** on April 12, with the share of active users rising to 21% from 17.6% and weekly homework submissions rising by 40% MoM
  - ✓ **DC saw a 60% spike in downloads**, 33% rise in DAU and **22% increase in restaurant orders** during the same period. Share of orders from **first-time users rose from <10% to 15%**
  - ✓ Our **e-mail service** moved into **top-5** most downloaded apps in Russia in **App Store and Google Play** at the end of March and remains within top-10

## Focus area

## Recent developments

## Key results

### SMB clients

**Goal:** Growth in overall SMB presence and their conversion to paying customers

- New product to promote **business pages in VK** with easy launch from mobile
- Tools for **campaign efficiency tracking**:
  - Tracker of messages coming from ads to VK business pages

- The new promotion product already takes **~15% of budgets** spent on VK's mobile ad platform
- # of SMBs paying for ads in VK increased by **21% YoY in March**

### Performance products

**Goal:** improve efficiency and increase usage of higher value-added products

- Strategies for ad optimization:
  - **New goal in oCPM model** – subscription to VK business pages. The model optimizes ad impressions in such a way as to maximize acquisition of new subscribers while keeping the cost of subscriber within the set target
- **Improvements in targeting algorithms & solutions**:
  - Even more sophisticated ML-based algorithm behind the VK target audience suggestor interface. The algorithm identifies similar communities and analyses their patterns and content in order to suggest the most relevant audience
  - **Contextual targeting** in myTarget got additional high-quality sources and simplified selection of contextual phrases
- New platform for **in-app ads verification**:
  - Third parties analytics on ad viewability metrics in MRG and within the partner networks' mobile apps

- **>50% of advertisers** interested in expanding their subscriber base have switched to the new oCPM model. Since the launch, average **cost of a new subscriber has been reduced by 58%**
- Overall contribution of the models with embedded optimization features continued to grow in Q1. Their share in ad budgets **increased by 80% YoY<sup>(1)</sup>**
- Improved algorithms in VK target audience suggestor brought **2x increase in CTR**
- **2.1x YoY in contextual targeting revenue vs Q1 2019<sup>(1)</sup>**. The product is being developed on the basis of search queries on MRG platforms, growing with social commerce and classifieds evolution

# AdTech – latest results across key focus areas (2/2)

## Focus area

## Recent developments

## Key results

### Ad network

**Goal:** Monetise ad inventory beyond Group's assets

- On the basis of myTarget platform and brand:
- Integration with one of the **top-3 largest mediation platforms**, which allows, among other things, to display myTarget ads on my.com games inventory
  - Additions of several largest **publishers**
  - Improvement of **site quality rating system**, which is used for discounting CPM rates and rebalancing traffic
  - SDK now supports **Playable ads** in **rewarded video** format

- 1.3x YoY in the ad network revenue in Q1'20. Its share in the **total ads revenue was ~9%**<sup>(1)</sup>
- # of partners providing ad inventory grew **1.2x YoY in March**

### OMNI-channel & New products

**Goal:** Strengthen already leading position in brand advertising by offering new products with cross-frequency reach and enter adjacent markets with new solutions

- **Partnership with Magnit**, the 2<sup>nd</sup> largest domestic retailer, for development of marketing technologies and O2O analytics:
  - Deeper targeting and O2O attribution of digital ad campaigns for advertisers
  - Narrower customer segmentation for the retailer
  - Employing the marketplace of external audience segments in myTarget
- Start of selling ad inventory across **Delivery Club** resources with O2O ad formats, including in-app advertising, and in-depth offline targeting.

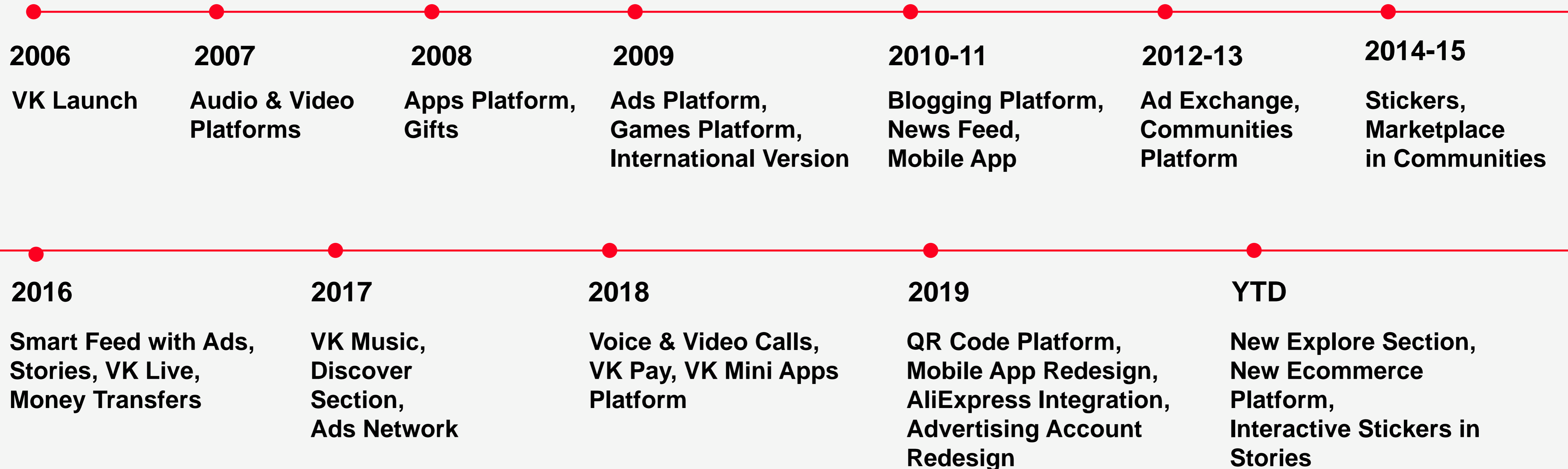
- Results to be evaluated later as partnership matures



# VK – the leading communication and entertainment platform in Russia and the CIS



- VK remains a strong leader among communication platforms in Russia, with **73.4m MAU (+4% YoY)**, including **67m on mobile (+9% YoY)** as of March
- VK is focused on continuously developing **new features** to **grow its user base**, **support engagement** and **increase time spent** on its platform



# VK – user engagement and time spent growth continues

- User engagement growth continues to boost total time spent, **+5.5% YoY** in Q1 to **38 minutes per day**, including **11% growth on mobile**
- VK's most active user category remains the **12–24 year-olds**, who spent on average **62 minutes per day** on the social network in February

Q1, YoY

**+16%**

Stories published monthly

**+24%**

Video / audio calls made monthly

**+44%**

Live streams posted daily

**+40%**

Messages delivered daily

## COVID-19 influence on user behavior:

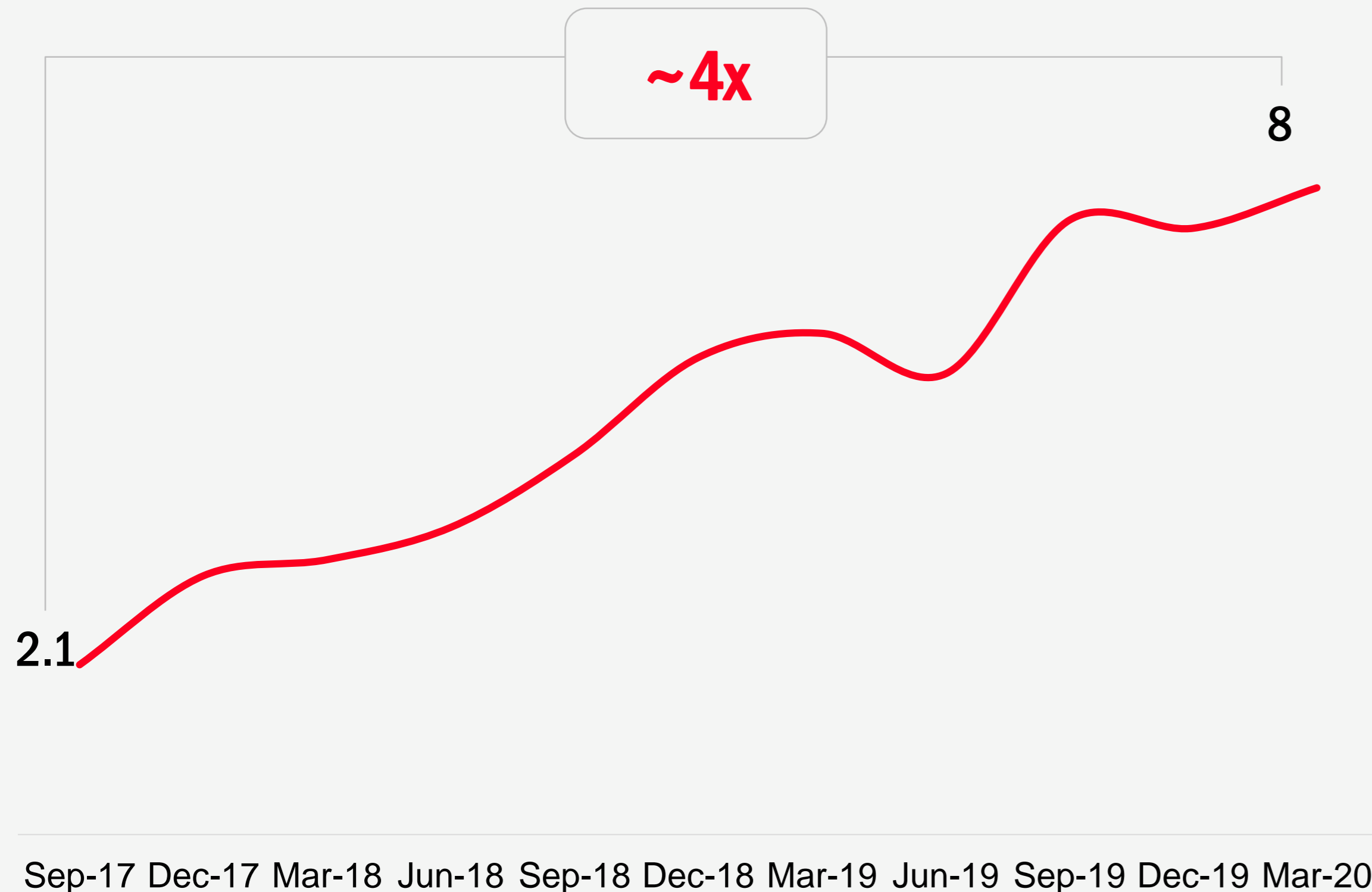
- Since Russia started to move into stay-at-home regime in light of COVID-19, VK started to experience an engagement boost (data for the first 9 days of April vs mid-February):
  - +35% in daily calls
  - +20% in messages sent
  - +33% in video views
  - +48% in live stream views
  - +17% in Story views
  - +15% in Gaming DAU

These behavior patterns have carried so far into Q2

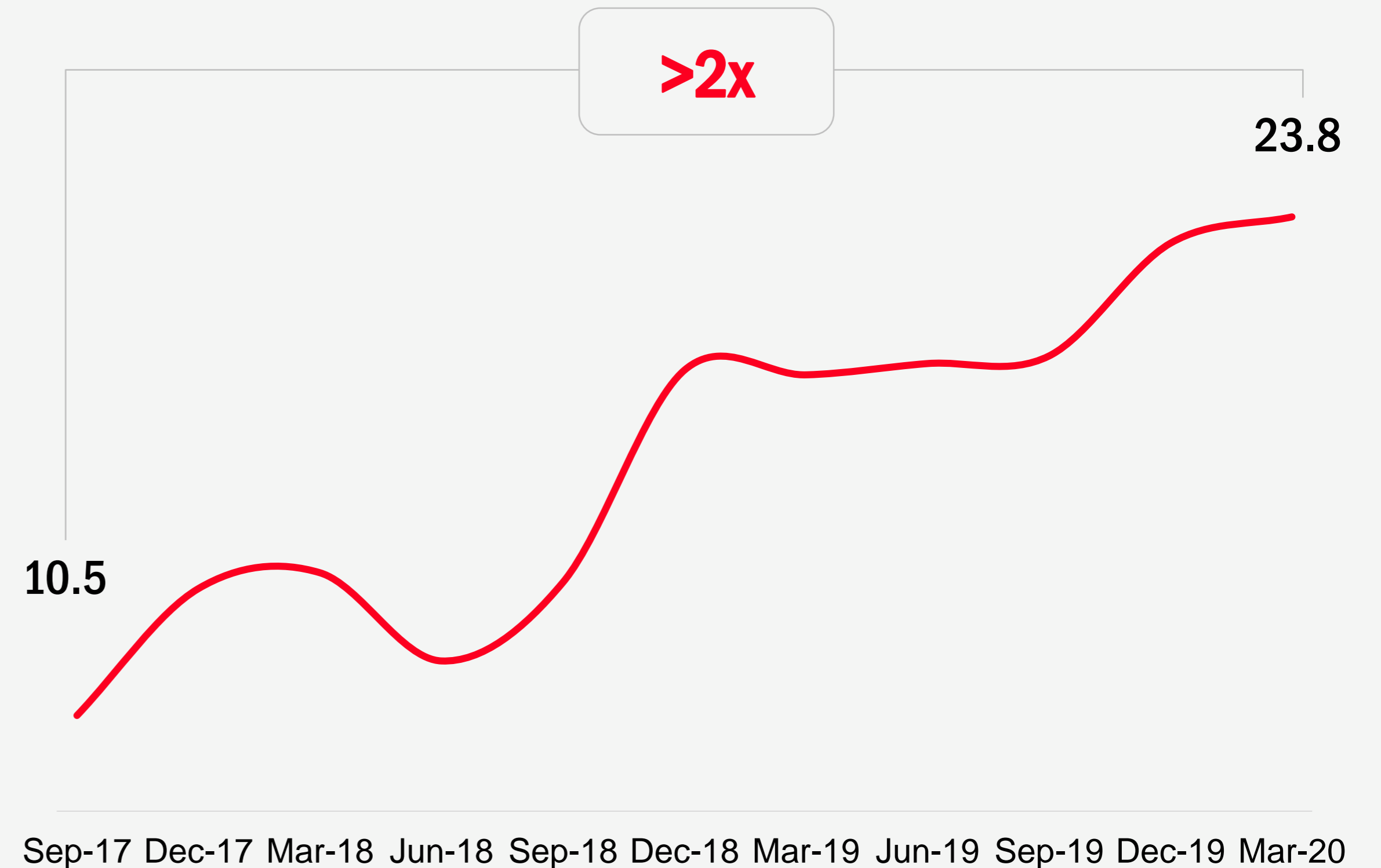
# VK remains competitive in key content consumption formats

- We are actively investing in our Stories and Video products, among others, in 2020 in order to continue to grow engagement even after lockdown is lifted in Russia

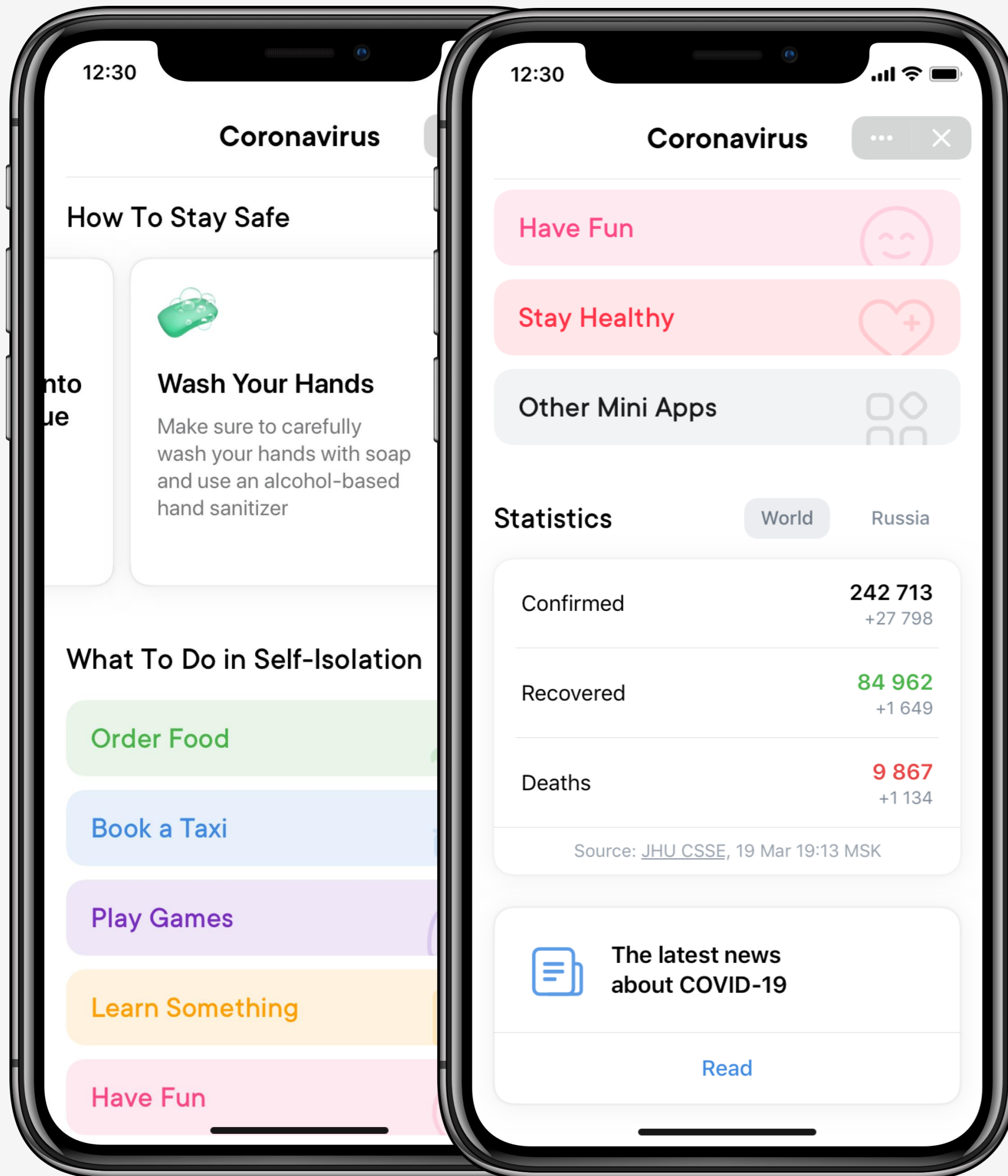
## Story Views (bn)



## Video Views (bn)



# Multiple COVID-19 and other initiatives



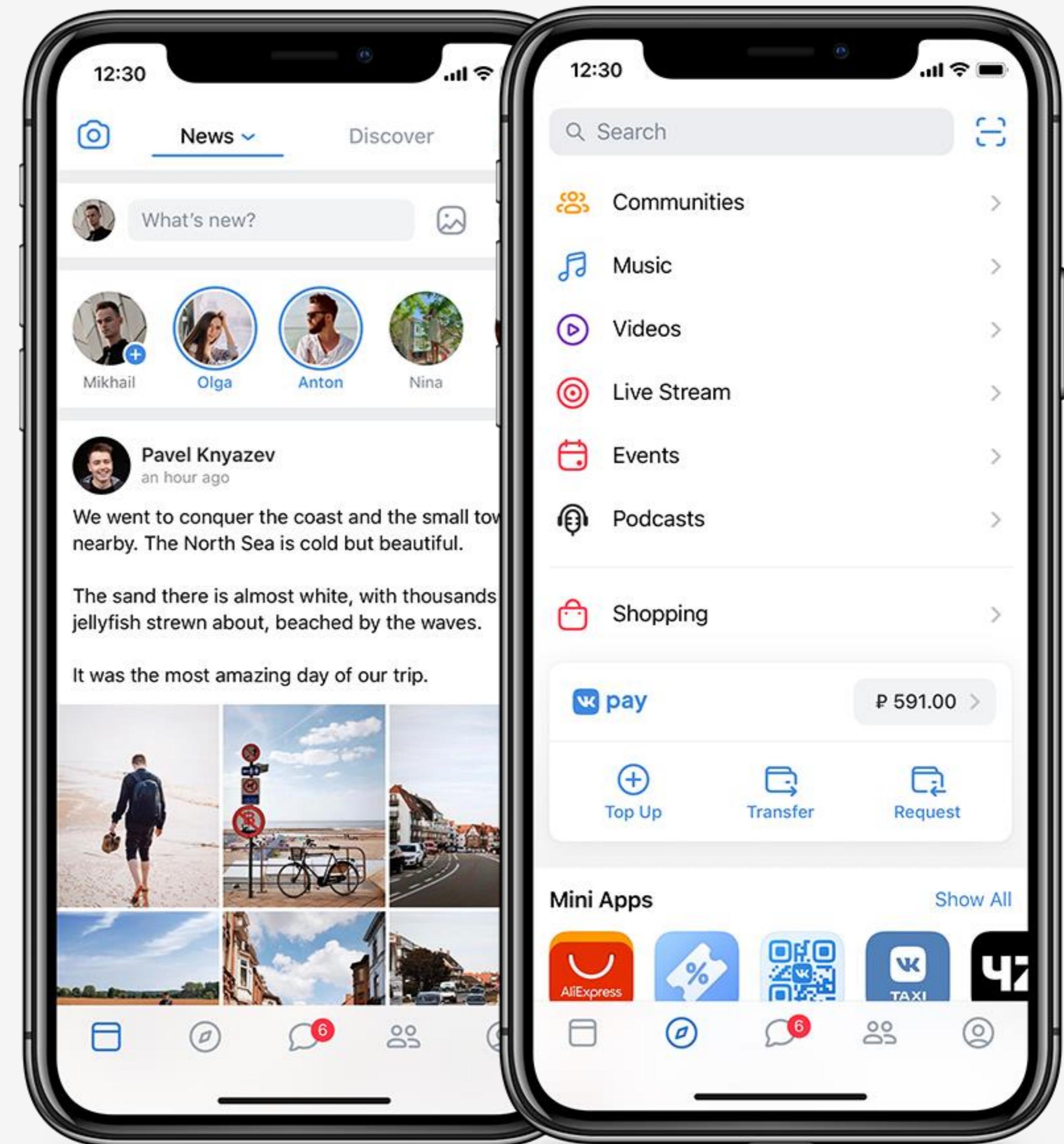
**Our goal is to support users and businesses in the current difficult environment with a safe way to communicate, learn, entertain and do business, while enjoying near-term engagement and audience growth and providing room for additional future monetization on the back of multiple ongoing product initiatives**

Outside multiple product updates, VK launched **over 50 initiatives** supporting users and businesses in light of ongoing COVID-19 influences in Russia:

- **Integration tools for schools**, universities and businesses to be able to carry online education and communication
- Temporary **doubling of advertising budgets** on SMEs' mobile accounts on VK and OK (until June 30)
- Limited-time special **music subscription trial offer** for just RUB1 (finished);
- **COVID-19 information center** and **newsfeed**, which not only offers related newsflow, but also various discounts for online services as well as ideas about how to productively spend quarantine, with **>20mn WAU in these services**
- **WHO** launched an official group in VK and together we issued an article about COVID-19
- Videos of **theatrical performances** to celebrate the day of theatre in Russia despite the lockdown as well as daily live concerts and reading club meetings. A new "Watch at Home" collection was added to the Videos section
- Various **flash mobs** to entertain and distract users from ongoing crisis

# New version of the VK mobile app went live

- New version of VK mobile app was **rolled out in Q1**, with changed navigation and design. Recommendations and newsfeed are now placed in first tab, followed by Mini Apps, VK Pay, Communities and streaming services, which is a reflection of focus of VK and basis for its ecosystem development in the coming years
- Goal is for **services to become increasingly integrated, native and personalized** while covering an increasingly broad set of users' online and offline needs with continued deep focus on communication and content
- In February, the first 100,000 users were invited to rate the new version of the app after several months of using it. 71% of those who voted said they liked the new version more than the previous one



# New Explore Section – shaping up the VK Super App



Source: Internal data

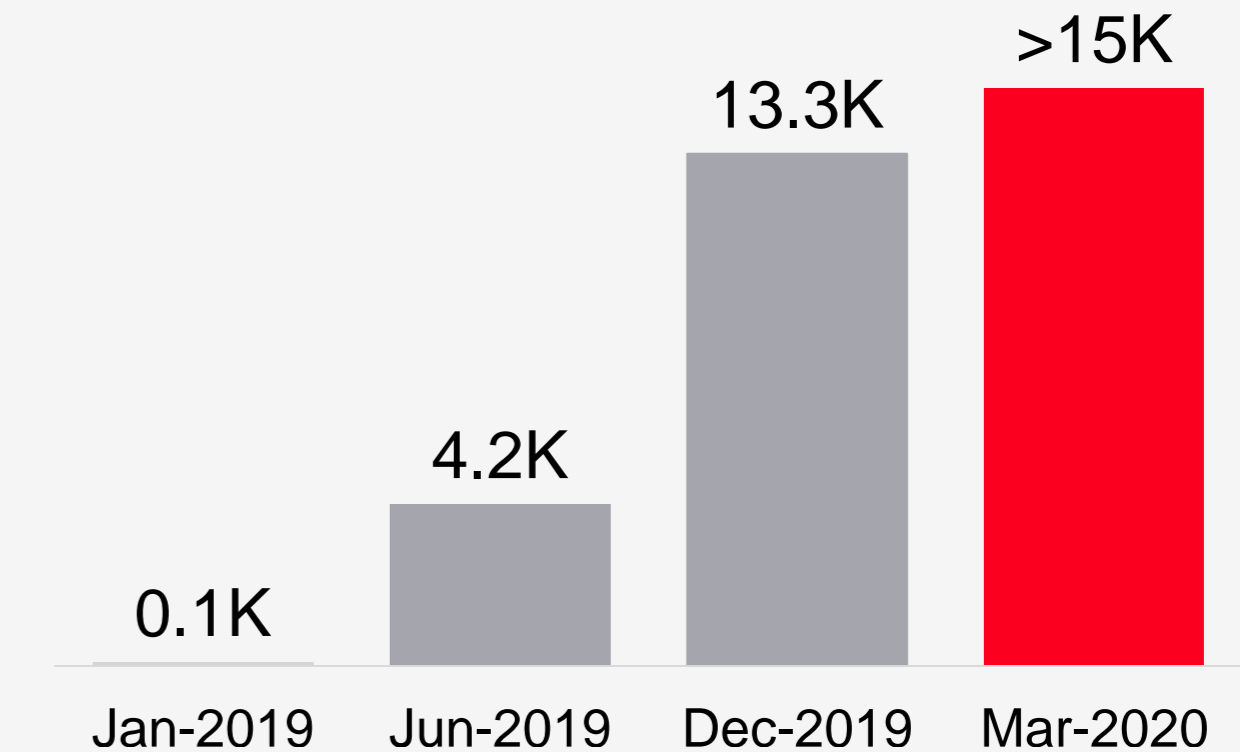
- VK consolidated the Super App's key services into a new section, Explore, situated in the second tab of the app
- **The Explore section became the center of the extensive VK ecosystem.** It helps users take care of a wide range of tasks while adapting to their interests and needs
- **Mini Apps take up the main part of the second tab.** They allow users to do almost anything, such as buy products, order food and services, check the weather and sports match results, make salon appointments, book a table at restaurants and even play games
- Some services are displayed as **interactive widgets**, providing useful features and the most up-to-date information. For example, there are widgets that show users their local weather or exchange rates

# VK Mini Apps – active growth continues

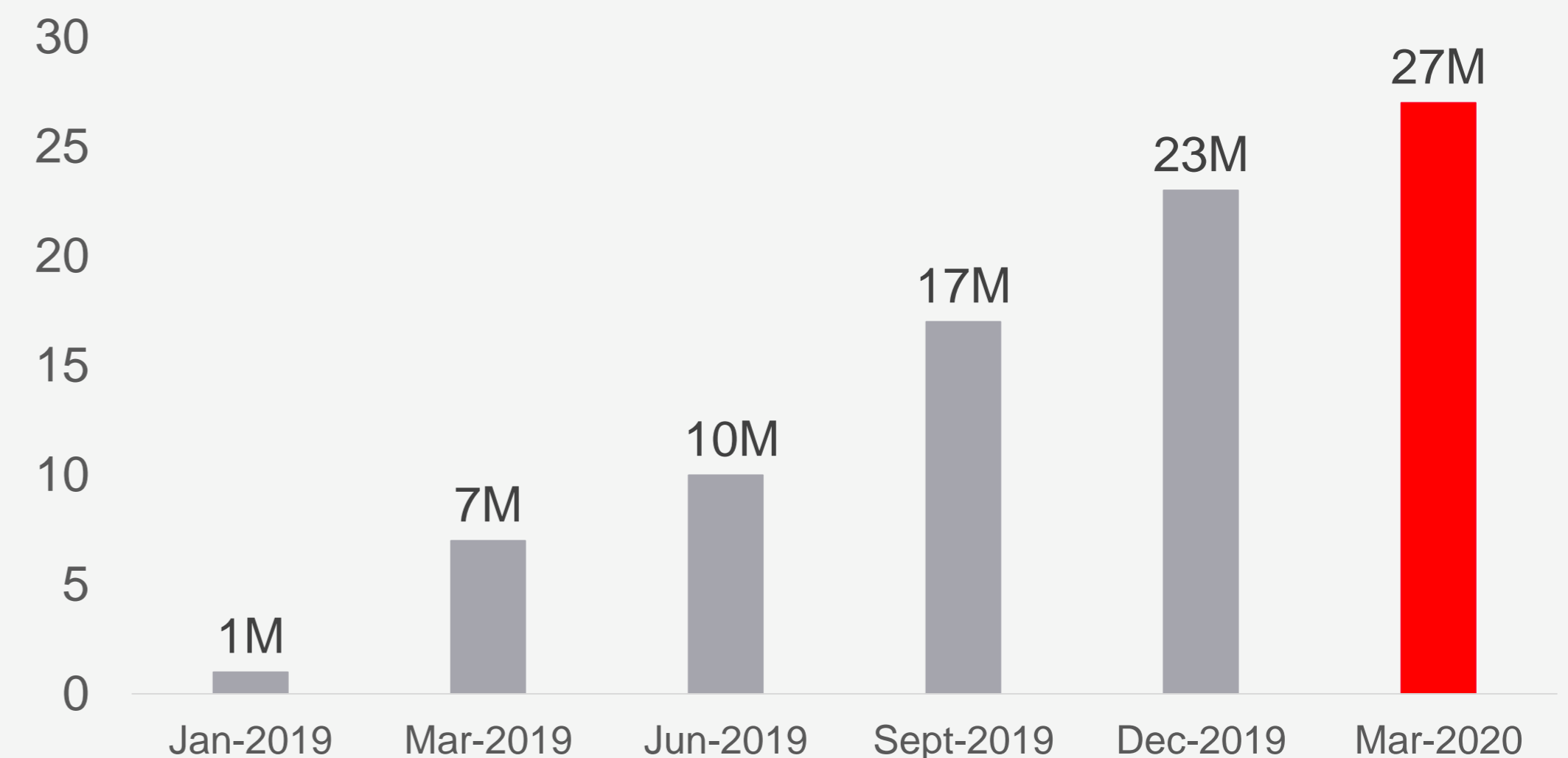
## The VK Mini Apps platform continues to grow:

- The number of active mini apps increased to **> 15,000 in Q1**, with a further increase to **16,000 in April**
- **MAU rose 4x YoY** to a new record of **27mn in March**, with a further increase to **31m in April**
- **Average DAU rose 6x YoY to 2.3mn in Q1**, including **+260% MoM growth in March**, with a 120% increase in the number of those looking through Mini Apps catalogue
  - ✓ In light of COVID-19 most popular categories have changed from “Entertainment” as top ranked, followed by “Shopping” and then “Lifestyle” in the past to “Lifestyle” in the lead as it includes a COVID-19 focused Mini App visited by 1mn people daily, among others. Second most popular category is now “Business”, followed by “Entertainment”
  - ✓ MRG services including AliExpress, Citymobil, Delivery Club, Worki are all available as mini apps, with further integrations to come
- Platform **will be scaled beyond VK this year**

## Active Mini Apps



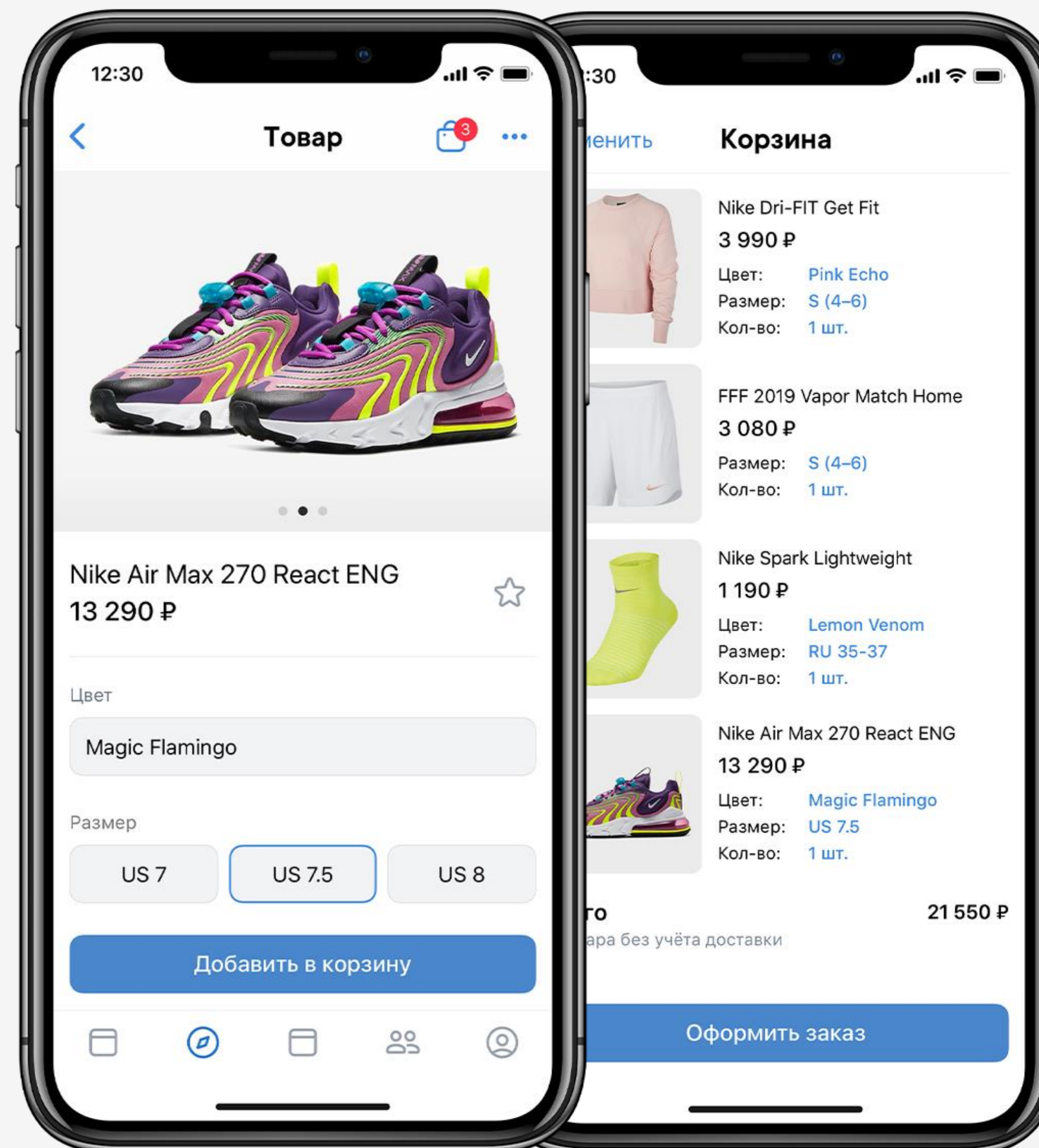
## VK Mini Apps – MAU dynamics



# New Ecommerce Platform

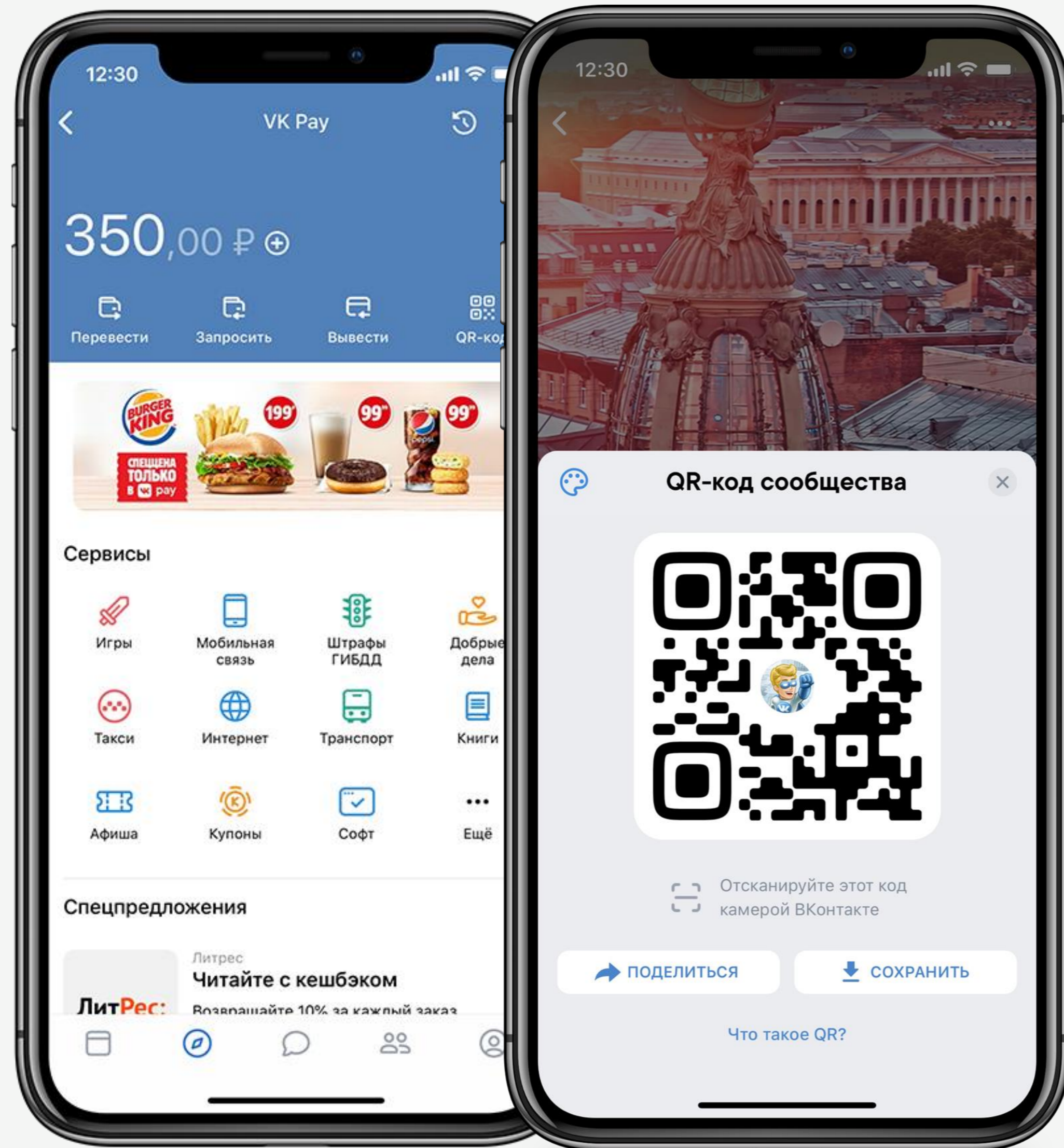
- In 2019, VK ranked **first in Russia in terms of B2C and C2C transactions** and first among social platforms in the **percentage of purchase-making users**. But we do not want to stop there

- ✓ VK introduced a new ecommerce platform – “**Store 2.0**”
  - ✓ All the tools needed to start selling goods are now in one place. To set up a store in a community, **users no longer have to enable various functions individually**
  - ✓ New features were introduced, such as descriptions of product characteristics, convenient order status tracking and quick access to Support
  - ✓ **All settings are available in one window**: from setting up the product display and managing the product description to selecting the currency and shipping zones
- This is just the first step in a **major update to the Store section**. In 2020, VK will create the best conditions for ecommerce on its platform





# Enhancing VK's payment offering



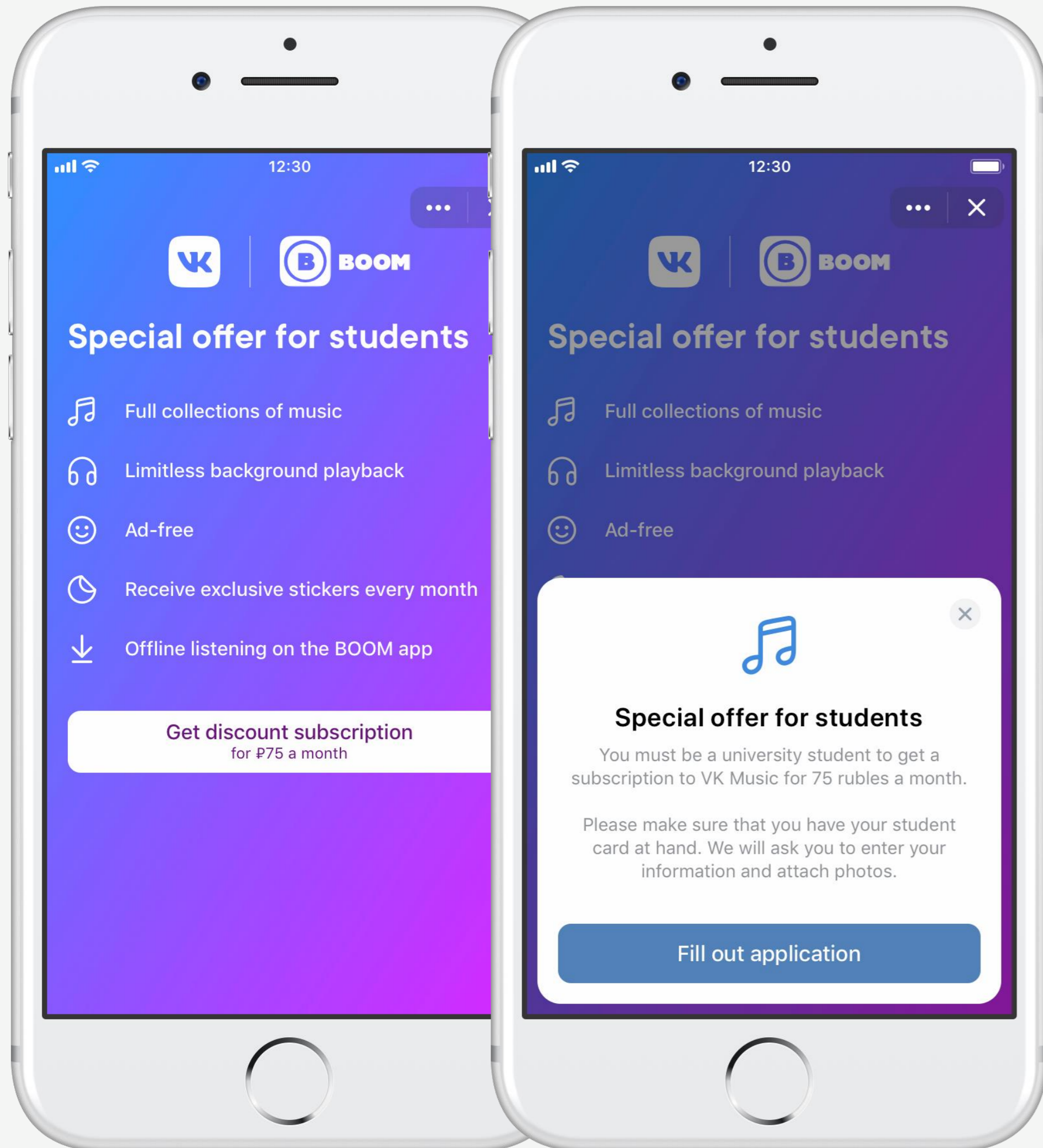
## Payments

- VK has **unified its payment solutions**, with the user not having to choose between payment methods, including VK Pay – VK offers the most convenient and cheapest transfer option depending on various parameters, including the sum, card's payment system, VK Pay accessibility and wallet balance
- **Functionality has expanded** as well: transfers can be done by just a click of a button while chatting in the messenger inside VK or on user's home page
- **Payment history** is visible within "Payment transfers"

## QR Codes

- QR code usage continues to increase. In Q1, users shared QR codes on the VK App over **113mn times, 2x more QoQ**
- Users can scan QR codes to launch mini apps, join communities, add friends, get cashback, etc

# Music – ongoing growth in subscribers



- **Our goal is to be the leader of the local music market in terms of subscribers, with ongoing investments into music recommendations and other tools for listening to music**
  - ✓ Our music offering on VK, OK and Boom has **>3.5mn in active paid and trial subscriptions**, albeit with a rise in the share of trials on the back of VK's limited-time special music subscription trial offer for just RUB1 in light of COVID-19 (finished)
  - ✓ VK is supporting musicians by offering them a platform on which they could start holding online concerts during the coronavirus
  - ✓ OK had a limited-time special music subscription trial offer for 3 months with a 100% cashback in the form of "oks", virtual currency that can be used for purchases within OK
  - ✓ Music was added to our Combo loyalty program in December, with student tariff also available

# OK — unique social and entertainment platform



- OK is one of the largest domestic social networks, with **43mn MAU in Q1**. **DAU grew by 2.8% YoY, including +11% on mobile**
- OK continues to differentiate itself as a communication services platform for **sharing true emotions with friends and family** through virtual gifts, friendship-related services, likes, calls, stickers, postcards etc
- 41% of Russian women (32mn) received virtual gifts through OK during Women’s Day, where **1bn gifts** were exchanged over a 3-day period. OK also registered a record of those sending stickers during the Women’s Day holidays – 11mn people
- Lockdown regime in Russia resulted in further engagement boost, with OK recording a **70% increase in group voice calls** over the last two weeks of March, with a **4x increase in the number of calls by groups of 5+**

**16 bn**

virtual gifts sent in Q1

**460 mn**

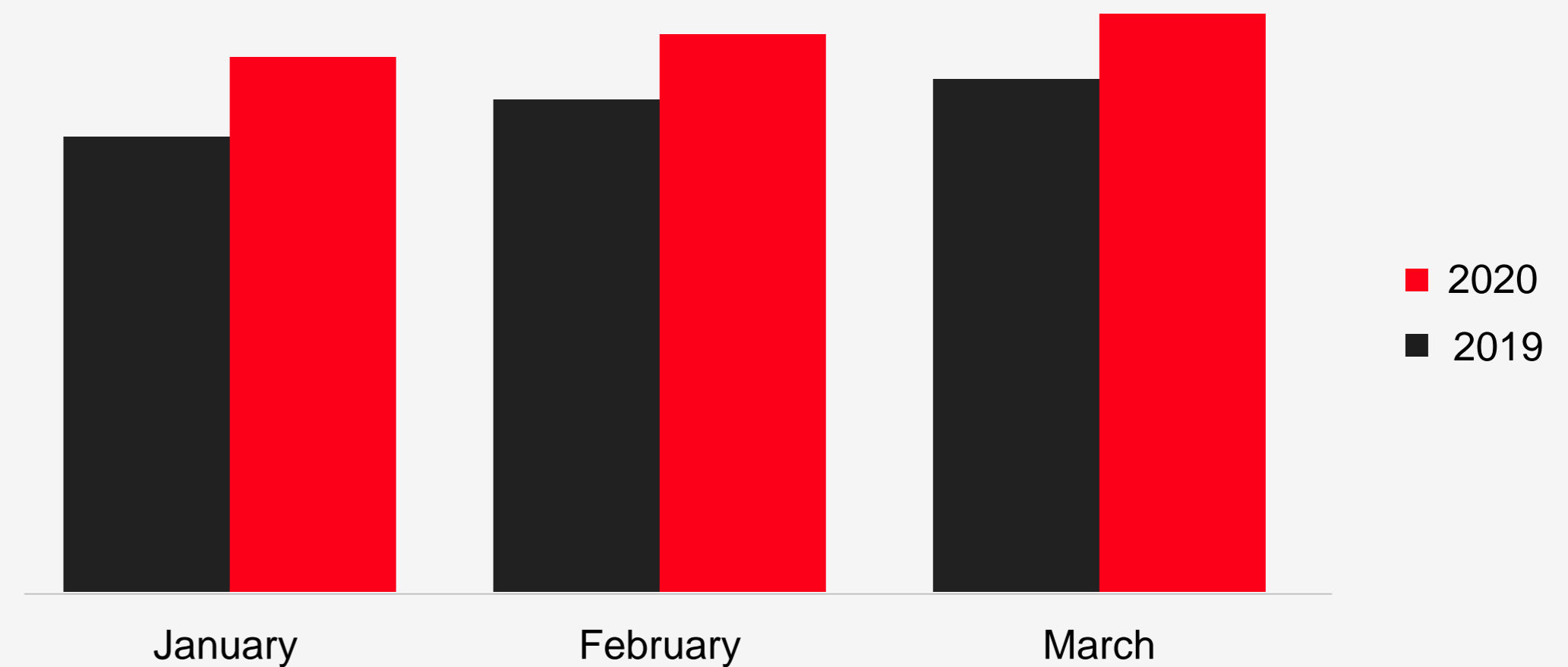
stickers sent in Q1

**59 mn**

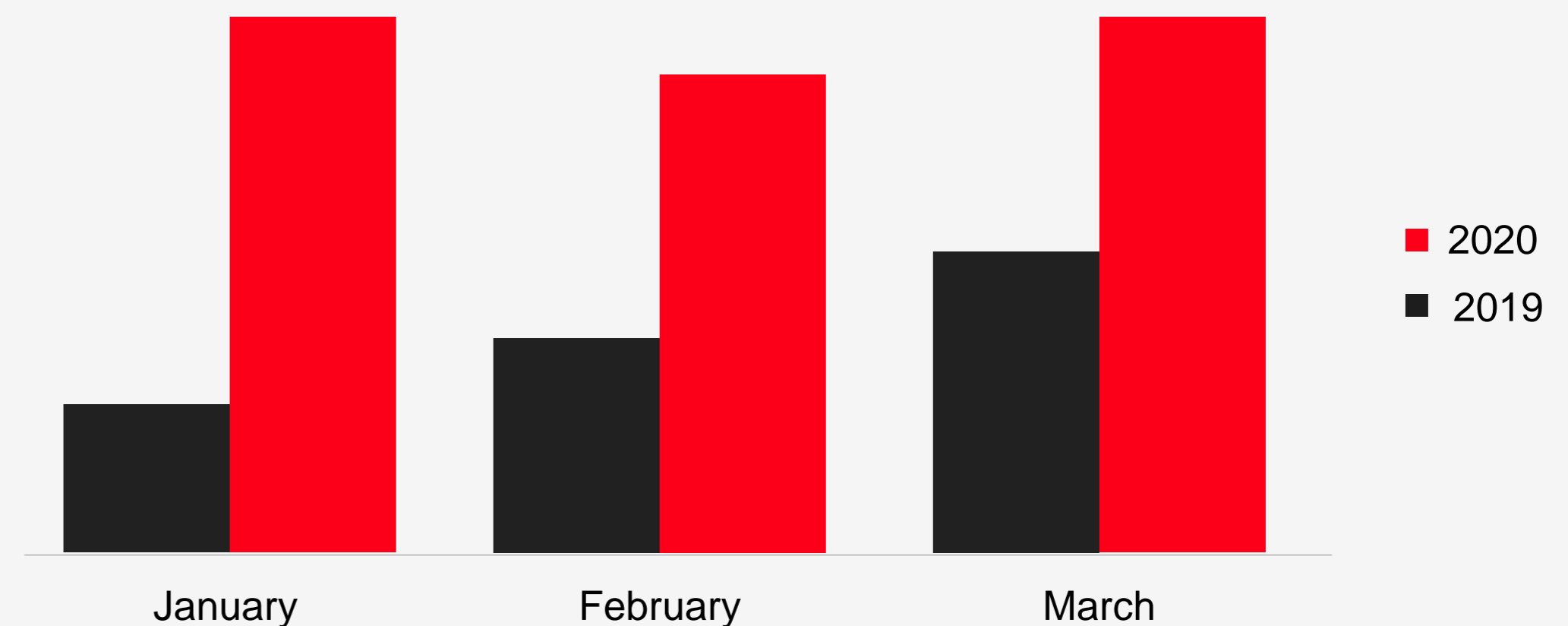
postcards sent in Q1

Source: Internal data

Mobile DAU, Russia

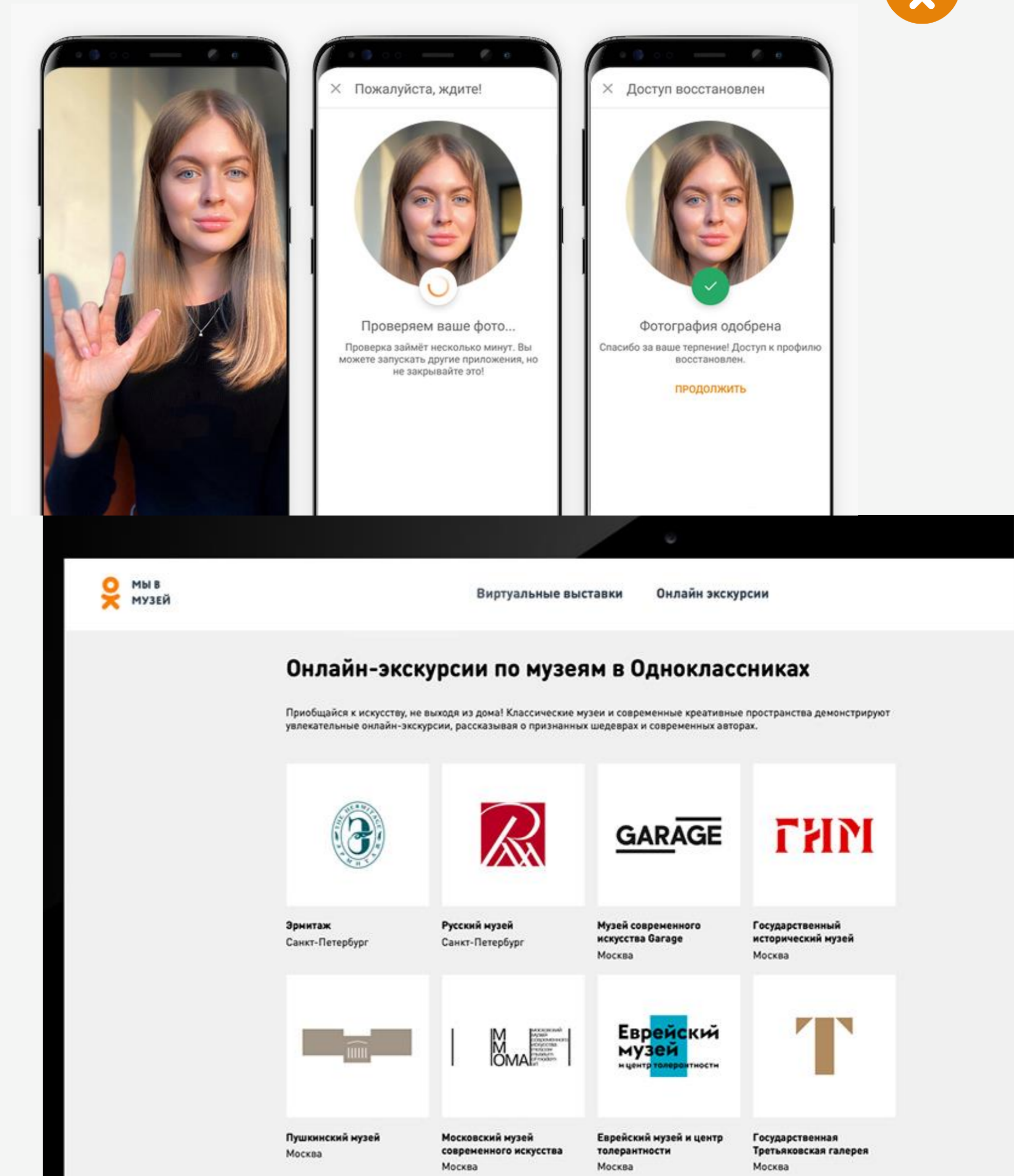


Presents sent on OK



# OK – focus on further engagement growth

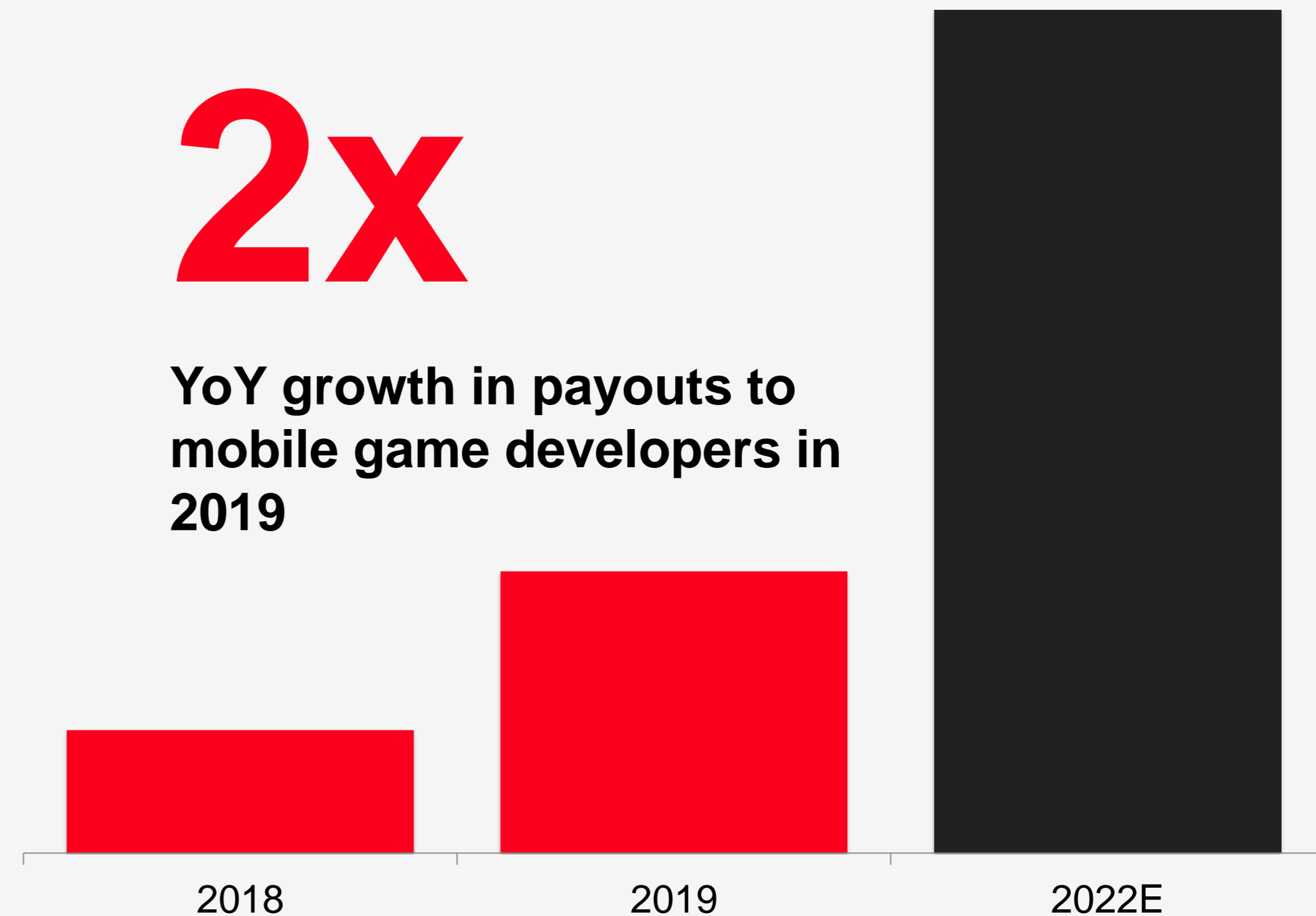
- OK improved algorithms in recommended videos. This led to **3x QoQ increase in total viewing duration** and **+80% in the number of views** of recommended videos
- OK's video platform now also features online virtual tours to Russia's top museums, broadcasts of theater shows as well as online music concerts and esports tournaments like OK Challenge. **Total daily video views reached a new record of 1 billion**
- OK users have been consuming significantly more content: the number of viewed newsfeed items has **risen by 14%**, number of unique users of the Recommendation newsfeed **grew by 22%**, video views **increased by 28%**
- OK launched several innovative services in 1Q20 to improve user experience. OK became the first social network to integrate with Russia's public services portal Gosuslugi
- OK also launched **new and enhanced verification tools**, which include the ability to recover user profiles using an AI-based facial recognition technology



# OK Games – new platform drivers

- OK is actively developing game monetization adding **in-game advertising** model along with **in-game purchases**. Payments to developers for in-game ads in their games in 2019 were +3x YoY
- Games became one of the services seeing higher demand in light of COVID-19, with OK's **mobile games audience growing 27% YoY in the first week of April**
- To support players for their efforts in social distancing, OK together with VK and MY.GAMES launched the #PlayAtHome campaign with 200 iPhones in giveaway prizes and other bonuses. OK also announced third tournament for mobile HTML5 game developers – Games Cup 2020 together with VK and Moi Mir
- Number of **mobile games grew 25% YoY**

## Payouts to mobile game developers



# More than just email – in the center of users' daily life



Our e-mail service remains the largest in Russia/CIS, with e-mail usage recently stimulated by COVID-19, with people working, studying and communicating remotely

## Three major strategic focus areas remain unchanged:

- **Smart**

- ✓ Subscription management
- ✓ Email sorting & categorization
- ✓ Smart reply

- **Useful**

- ✓ Payment center
- ✓ Money transfers
- ✓ Order tracking

- **Secure**

- ✓ One time code & QR logon
- ✓ Smart antyphishing
- ✓ Active sessions & actions list

**46<sup>mn</sup>**  
**MAU\***

**29<sup>mn</sup>**  
**Mobile MAU\***

**49<sup>%</sup>**  
**Total monthly coverage\***

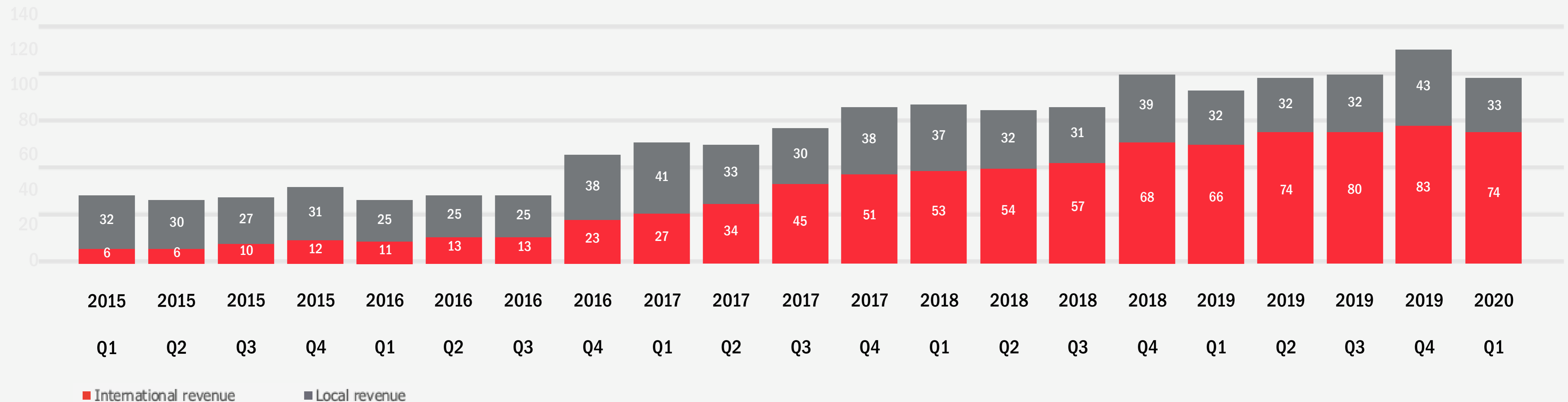
**+8<sup>%</sup>**  
**Mobile MAU, YoY\*\***

# MY.GAMES – driver of international revenues for MRG



- MRG was ranked among the top-3 European mobile app publishers in terms of revenues in 2019, being the only Co headquartered in Russia among the top-10. This progress was driven largely by the games segment, +26% in 2019
- Q1 growth of Games segment was **13.4% YoY (RUB 7.9bn)**, ahead of expected single digit growth, mainly given FX, with engagement uptick seen in late March and revenue growth accelerating to **above 20% in March**
- **International** gaming revenue share stood at **69%**, with **66%** of Q1 Games revenues coming from **mobile**

MRG gaming revenue, USDmn



# MY.GAMES – rising engagement in light of COVID-19

- Since self-isolation gained traction globally, MY.GAMES started to see a positive impact on engagement in terms of DAU and CCU, especially on traditional home platforms: PC and consoles
- We saw activity picking up in Russia during the fourth week of March. In Europe, this growth began one-two weeks earlier, depending on the country



## WARFACE



Warface franchise continues to expand across platforms

### MOBILE

- Warface: Global Operations (PvP shooter) — developed by in-house studio Whalekit (Left to Survive) was launched on Jan 14, with **>5.5mn installs** and **3.2mn MAU**, chosen as game of the month in the AppStore

### PC

- Warface is seeing a jump in daily audience numbers in Europe, with **DAU +45% WoW** during the last week of March

### CONSOLE

- Nintendo Switch version was launched in Feb, reaching 1m in installs 1.5 months since launch. The game's DAU was **+16% on the PlayStation 4** and **13% on Xbox One** during the last week of March compared to February



## CONQUEROR'S BLADE



Title continues to show strong potential for growth

### PC

- During the **last week of March DAU was +75%**
- **New registrations in March spiked by 267%**, reaching 2.6m



# MY.GAMES – additional portfolio highlights

- As of Q1, 66% of Games revenues came from mobile



## LEFT TO SURVIVE

Top-5 revenue generating title, with **>22mn installs** vs 19.4mn installs at the end of 2019 year



Mobile



## TACTICOOOL

Developed by recently acquired Panzerdog, with **>11mn installs**. Was chosen as one of the Best Competitive Games in 2019 in Google Play Store



Mobile



## LOVE SICK

Developed by SWAG MASHA, has shown a three-times growth since the end of 2019, hitting **12mn** downloads since its launch in February 2019.



Mobile



## AMERICAN DAD!

Developed in partnership with FOX Next. Launched on Oct 27, with **>4.5mn installs**. Had a big update “Crusade in March”



Mobile



## LOST ARK

Developed by Korean Smilegate RPG. in RU/CIS market. Has **1.8mn registered users** post launch on Oct 27



PC



## WAR ROBOTS

At **>150mn installs**, title is in a mature phase of its lifecycle and hence is showing EBITDA improvement, which is expected to continue throughout the year



Mobile



## HUSTLE CASTLE

At **58mn downloads** as of March, HC continues to be a strong margin generator. Product reached a **daily revenue record of RUB128mn** on April 15 and has a full pipeline of updates in 2020



Mobile

# MY.GAMES – publishing pipeline progress

- We operate a diversified portfolio of **>100 games**
- There are **>15 in the development pipeline**, with a packed pipeline for 2020
- To get to our set financial targets, MY.GAMES aims to launch 1-2 PC/Console titles per year and four mobile titles

## Q1 Releases:



**WORLD ABOVE**

Developed by  
IT Territory.  
Was released  
on **March 16**



**DINO SQUAD  
REMASTERED**

Developed by  
Pixonic studio.  
Was released  
on **April 20**



Mobile



Mobile

- In Q1 we acquired control in the Belngame Studio – developer of the mobile title Zero City with >9mn installs, experiment in a very trending post-apocalyptic zombie setting with 9.4mn installs
- We will continue expanding Warface footprint, including through the new console product within the franchise designed for PS4 and Xbox One. Launch of the **new game focusing on European and US is scheduled for Q2**

# MY.GAMES – COVID-19 Activities



- In March 2020 MY.GAMES launched collaboration with VK and OK, supporting people during self-isolation by offering bonuses and gifts in its games across multiple platforms worth ~RUB200m. MY.GAMES launched the #PlayAtHomeStandUnited campaign with >150,000 voiced their support one week post-launch
- MY.GAMES joined the Play Apart Together international campaign to fight the spread of COVID-19, joining the ranks of Activision Blizzard, Microsoft and Sega. Companies taking part in the campaign provide in-game bonuses and incentives to players, hold extra activities and use their online platforms to inform the community on methods of curbing the spread of coronavirus
- MY.GAMES Store launched a new messenger, multi-profile accounts. At the end of March there was a 25% jump in traffic on the MY.GAMES Store. Over **615,000** unique users have used the messenger since its launch on March 24, opening it **3.2m times**. More than a third of users tried the multi-profile function

- Coronavirus and social distancing forced the increase of interest in streaming. The number of **new streamers using DonationAlerts was +32%** in March vs January 2020



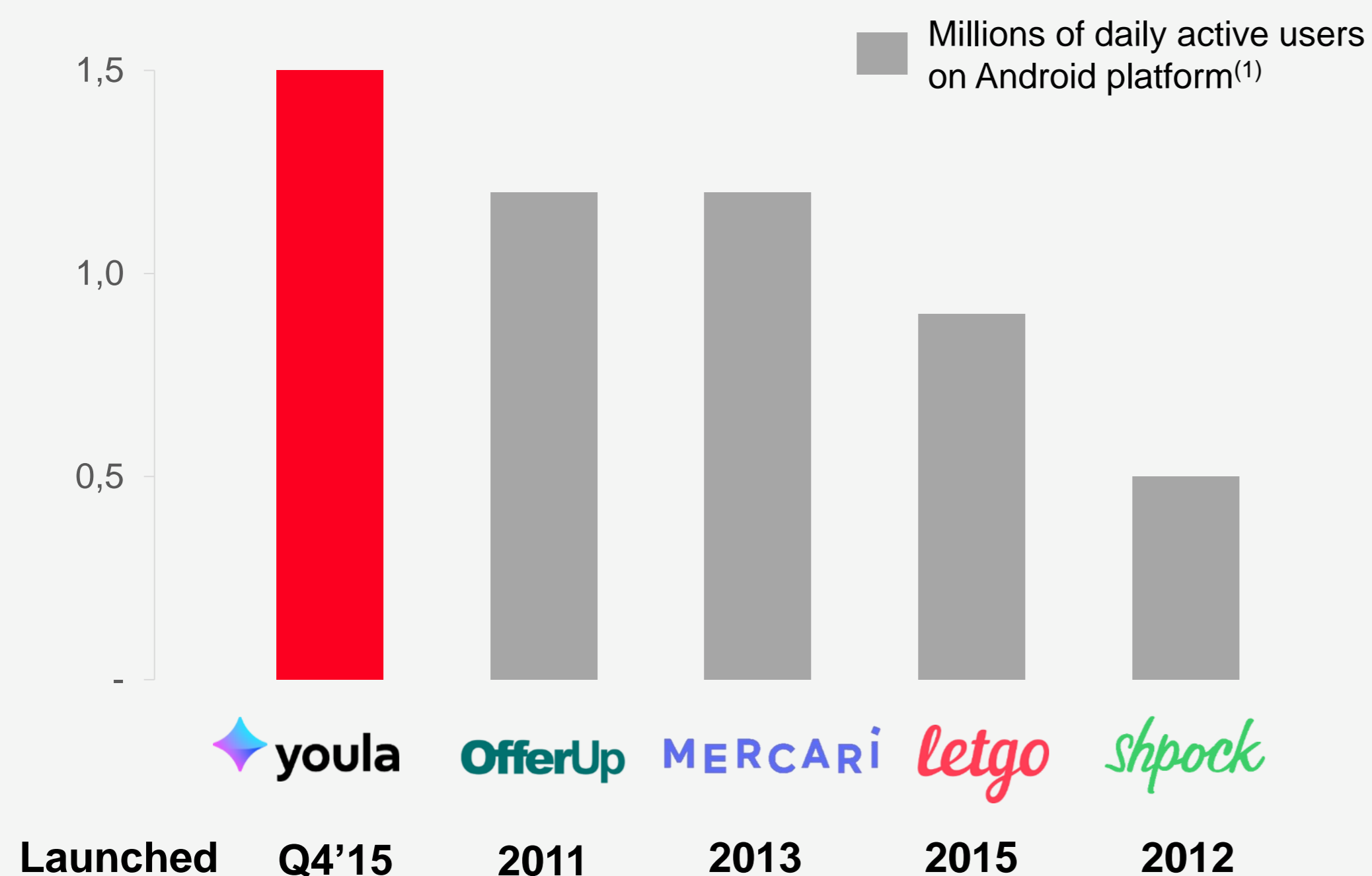
- Difficult times of economical instability pushed people to search for new earning tools and opportunities. As a result, membership platform Boosty.to saw **95% growth in new registrations and 56% in active creators in March** versus January 2020. Total revenue of Boosty.to increased 133% during the same period



# Youla – one of the world’s largest mobile-first classifieds platforms



## The world’s largest mobile-first platforms



- Launched in Q4 2015, Youla is already **one of the world’s largest mobile-first platforms<sup>(1)</sup>**
- Monthly audience stands at **26m users<sup>(2)</sup>** (MAU)
- Youla’s strategy is focused on offering a product-driven approach with **unique and first-to-market features**. Service has been the pioneer in launch of location-based search, escrow payments, gamification, C2C discounts, in-app P2P and video calls, and several other features
- Youla is focused on **safety & social features**, which serve a core for user retention & engagement
- Integration into the broader MRG ecosystem serves as a competitive advantage

Source: (1) AIM Group Marketplaces Report, May'19. SimilarWeb was provided as the original source for daily active users on Android platform in this report. The report does not contain any data on IOS platform. Letgo data is for US market only  
(2) Internal statistics on MAU at all platforms, Mar'20

# Youla – anti-crisis actions and relative positioning



## Actions in Generals and Services verticals

- **Increase in the # of listings** allowed for publication within free-of-charge limits
- **Free promotions** of listings in exchange for bonuses
- Promotion of **remote services** in Youla's main feed and through push notifications
- **Contactless delivery** in Moscow and Moscow region, which is free for sellers

## Actions in Jobs vertical (Worki)

- Bonus cash to the most impacted business accounts
- Extending the duration on pre-paid services with the possibility of using them at a later date
- Launch of **“Remote work” job category**

## Actions by 33 Slona – Digital real estate agency

- Temporarily waiving commissions in favor of realtors and agencies
- Launch of **interactive virtual 3D home tours**

## Internal strengths

- **Diversification of revenue** across several verticals
- **Large exposure to Generals** vertical (the largest by revenue), which has historically outperformed other segments during crisis environment. People tend to switch to second-hand and C2C goods, given pressure on disposable incomes
- **Solutions for remote interactions** between users:
  - ✓ In-app video calls for remote demonstration of goods
  - ✓ Delivery with escrow transactions
  - ✓ Interactive virtual 3D home tours
- **Access to internal sources of traffic** within MRG, which can replace external channels

# Youla – New C2C and B2B features

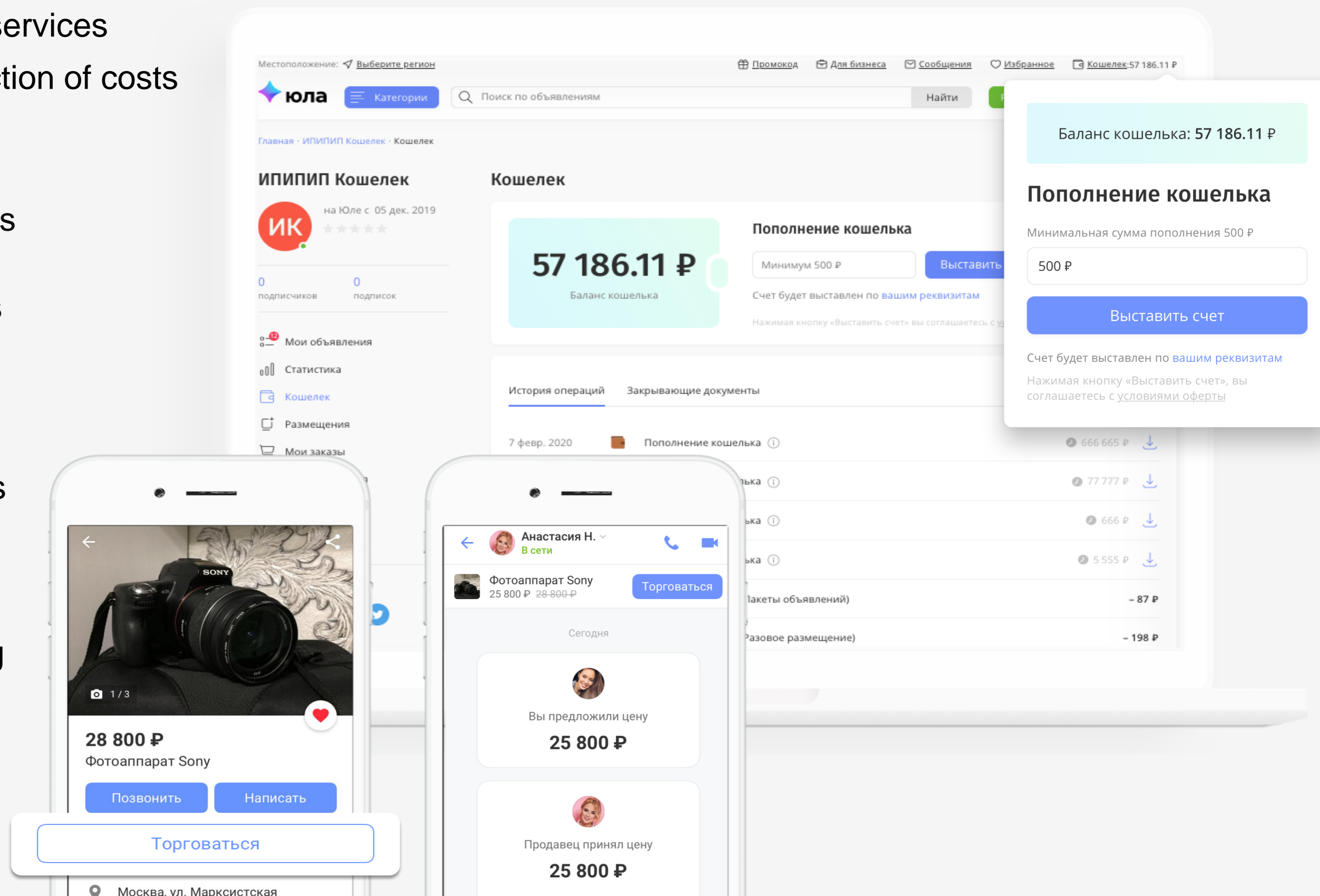
Youla continues to enhance its **B2B platform** via:

- Additional ways to pay for Youla's services
- Automations of workflow and reduction of costs for customers' sales departments:
  - ✓ Automated billing
  - ✓ Auto verification of legal entity's identification details
  - ✓ Download a list of transactions

Youla continues to **improve user experience on C2C side**:

- Users have natural need to discuss the price – up to 30% of all contacts are related to bargaining
- Thus, Youla enabled the platform with proper mechanics **simplifying the bargaining process**

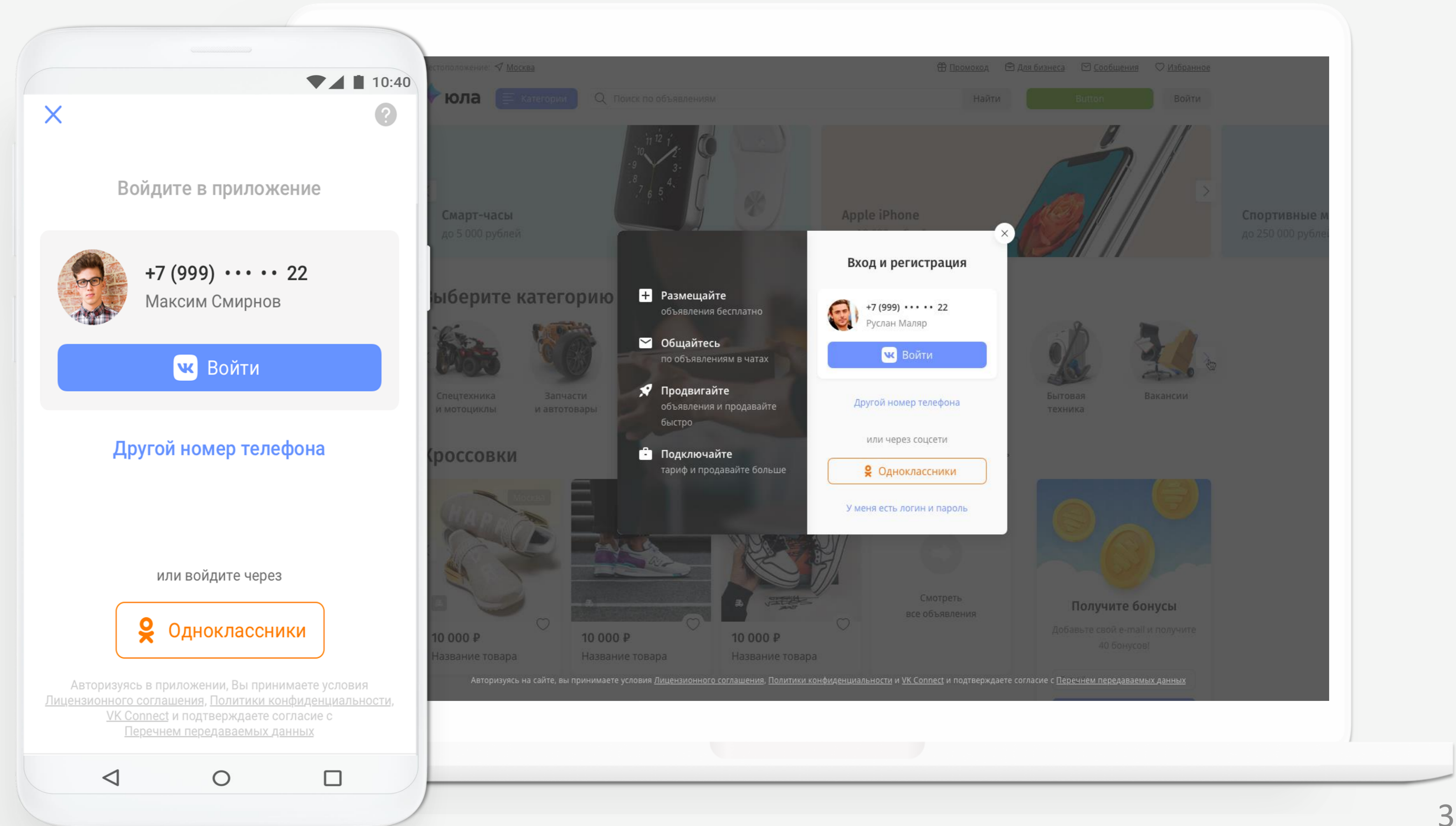
## Wallet for legal entities



# Youla – simplifying user journey through MRG ecosystem

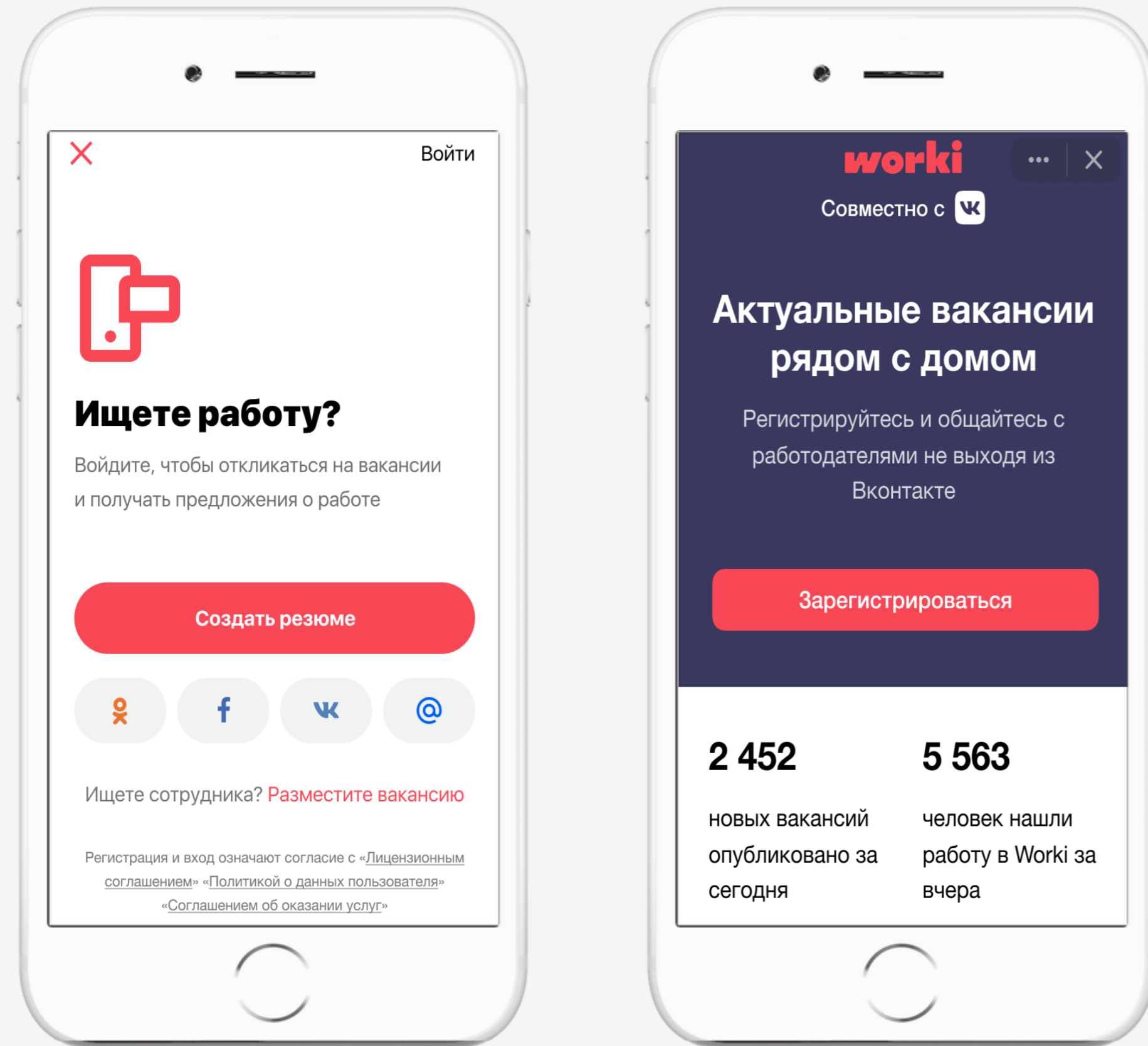
- As part of our strategic ecosystem development process and cross-selling across the group, we rolled out **authorization in Youla using VK Connect**, which allows to onboard new users in just **one click**

- Following the launch of new authorization method, **conversion to authorization exceeded 90%**
- Since launch, **20% of new authorizations used VK Connect** and we expect further growth



# Worki – example of execution in verticals & cross-selling with the Group

## VK & Mail ID authorization Mandatory registration inside VK



## In 1Q Worki added multiple new features for recruiters:

- **Generator of customized feeds:**
  - ✓ Vacancies of clients, who need larger application pull, are posted on other job aggregators
  - ✓ Faster closure of rare or mass hiring vacancies
  - ✓ Adds 20-40 applications per client daily
- **Recruiters' branded pages** on web platform
- **New monetization product** – access to CV database

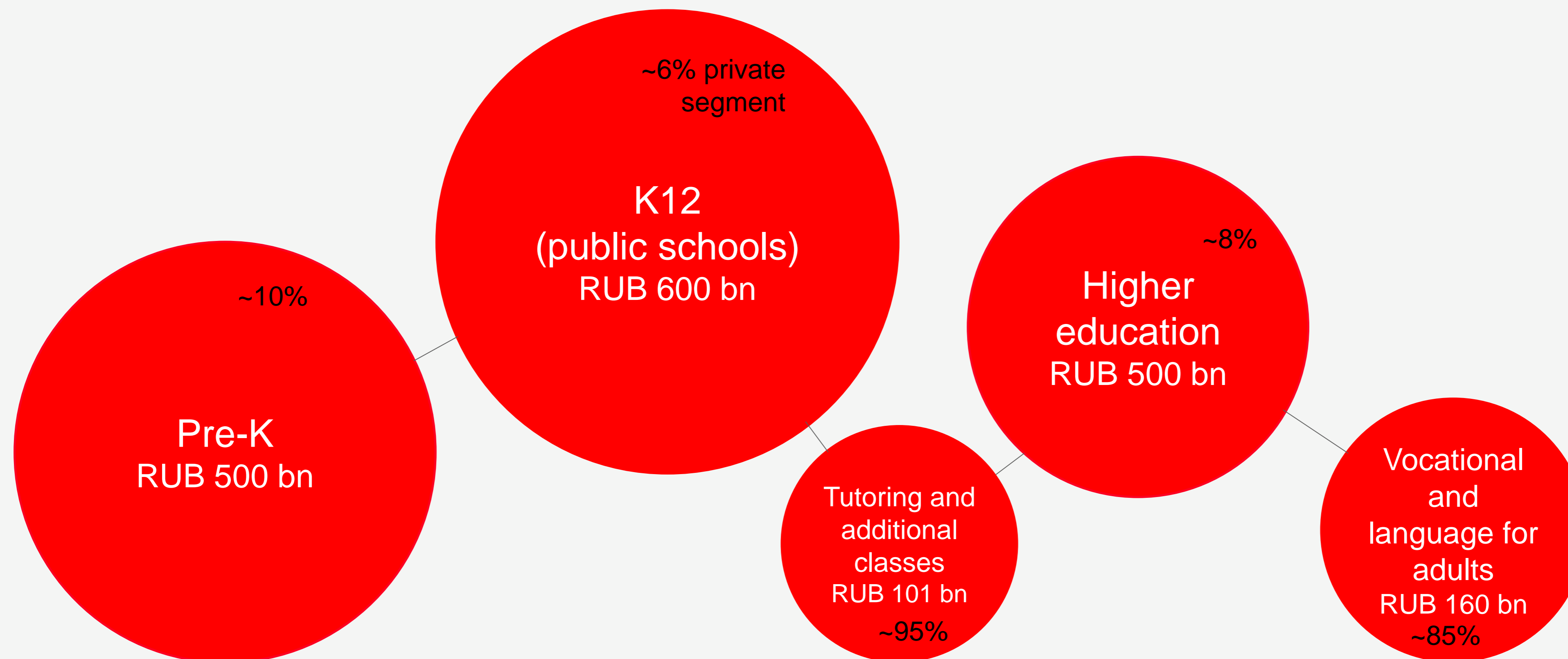
**The number of paying clients in Worki has grown 1.8x YoY in March**

- **30% of authorizations use social networks IDs**
- Simple mandatory registration by using VK profile data  
**(6x growth in conversion to registration in VK mini-app)**



# Russian education landscape

- Russian education is a **RUB 1.8tn market** with significant potential for new technology adoption and market disruption. Largest segments are K12 (RUB 600bn) and Pre-K (RUB500bn)
- Estimated **online education market size today is RUB 50bn or 2.8% of total education market** and hence our active involvement in its future digitalization, which should be further accelerated by ongoing COVID-19 lockdowns, with education moving fully online temporarily
- Private players are dominant in tutoring and vocational/language for adults verticals, with 95% and 85% respective shares



# Online education market may reach RUB 140bn in size by 2022

- Assuming K12, professional education and language learning maintain their 90% online share, while Russia follows the Chinese market development scenario, the total local online education market may reach **RUB 140bn by 2022**

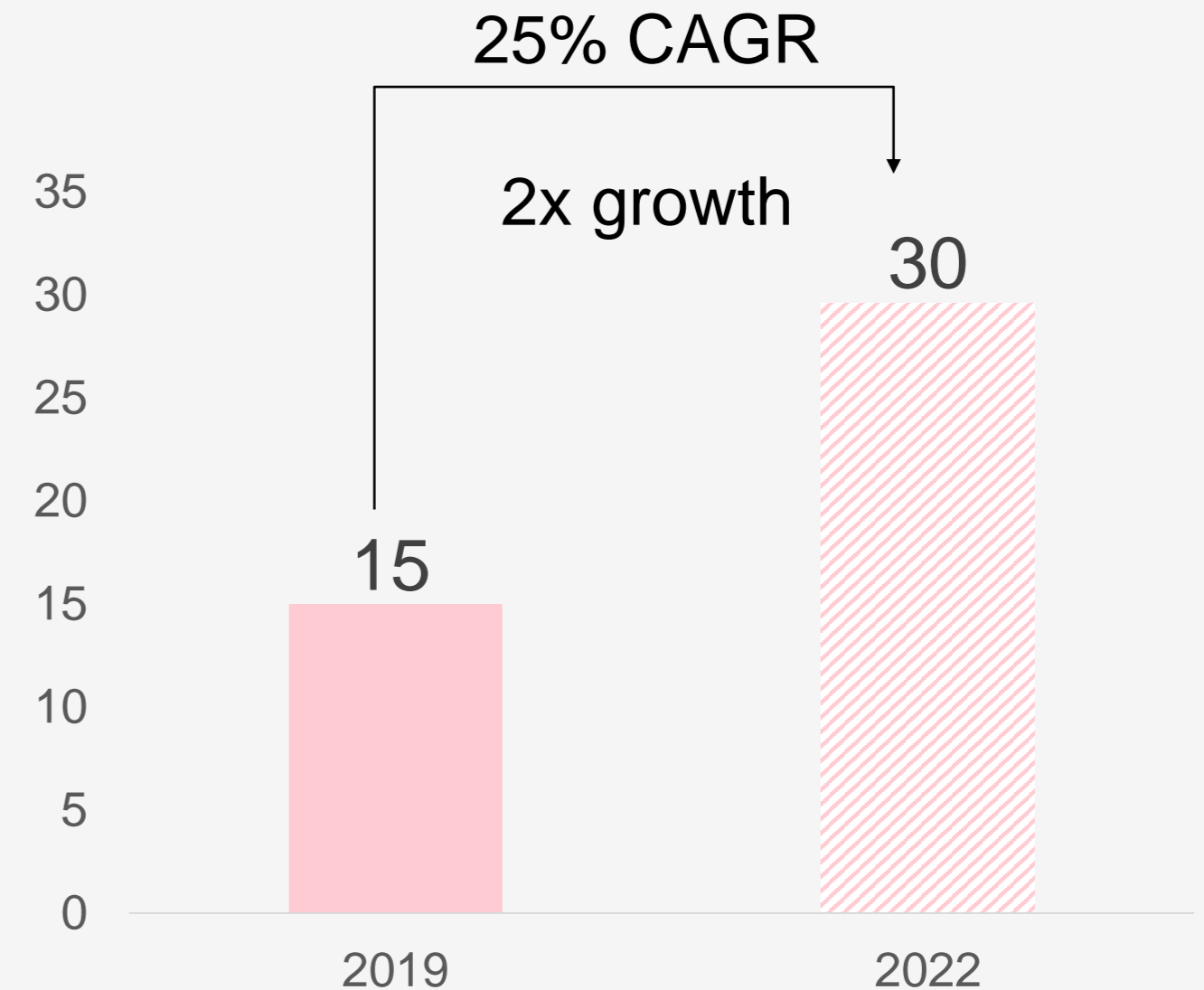
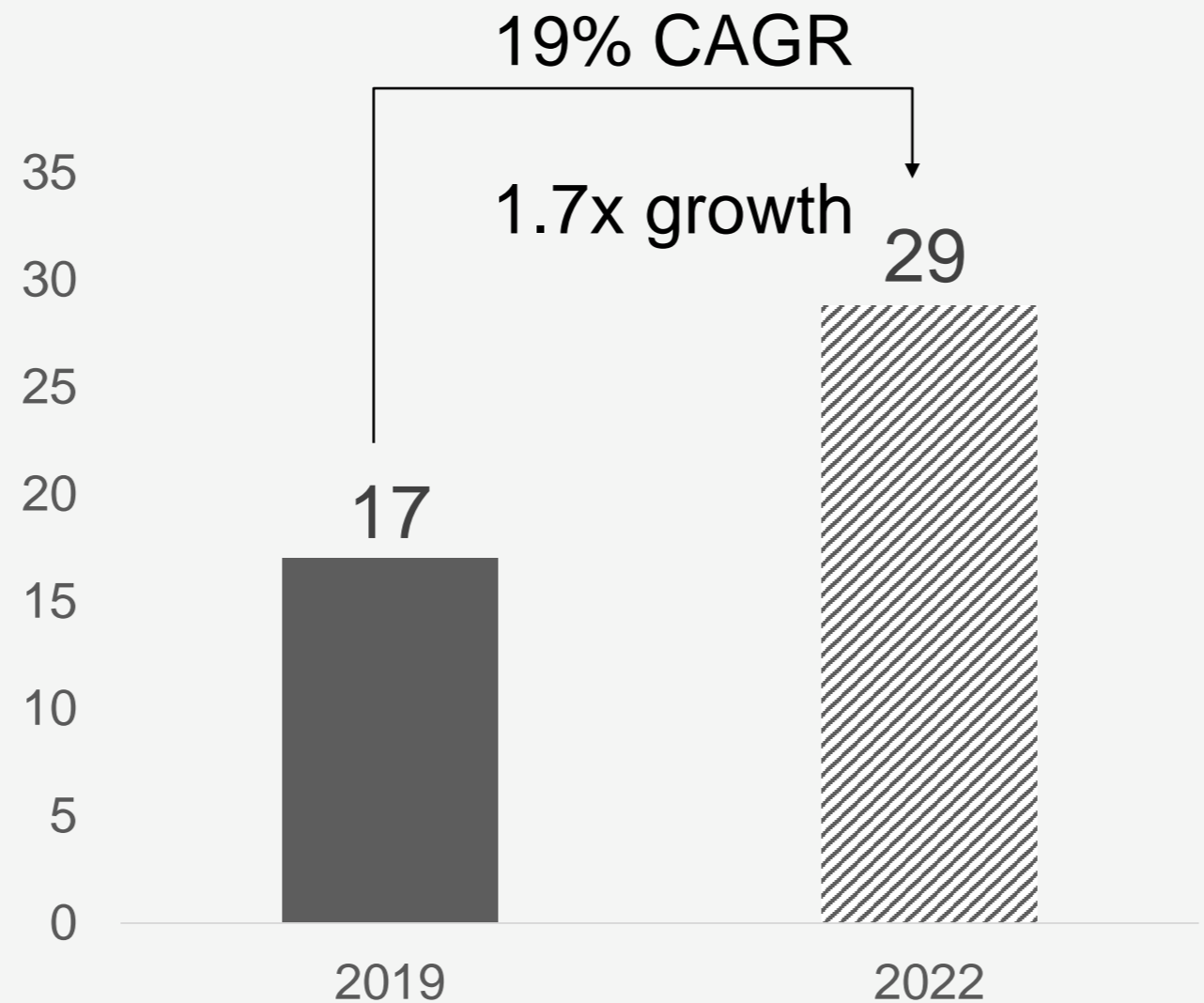
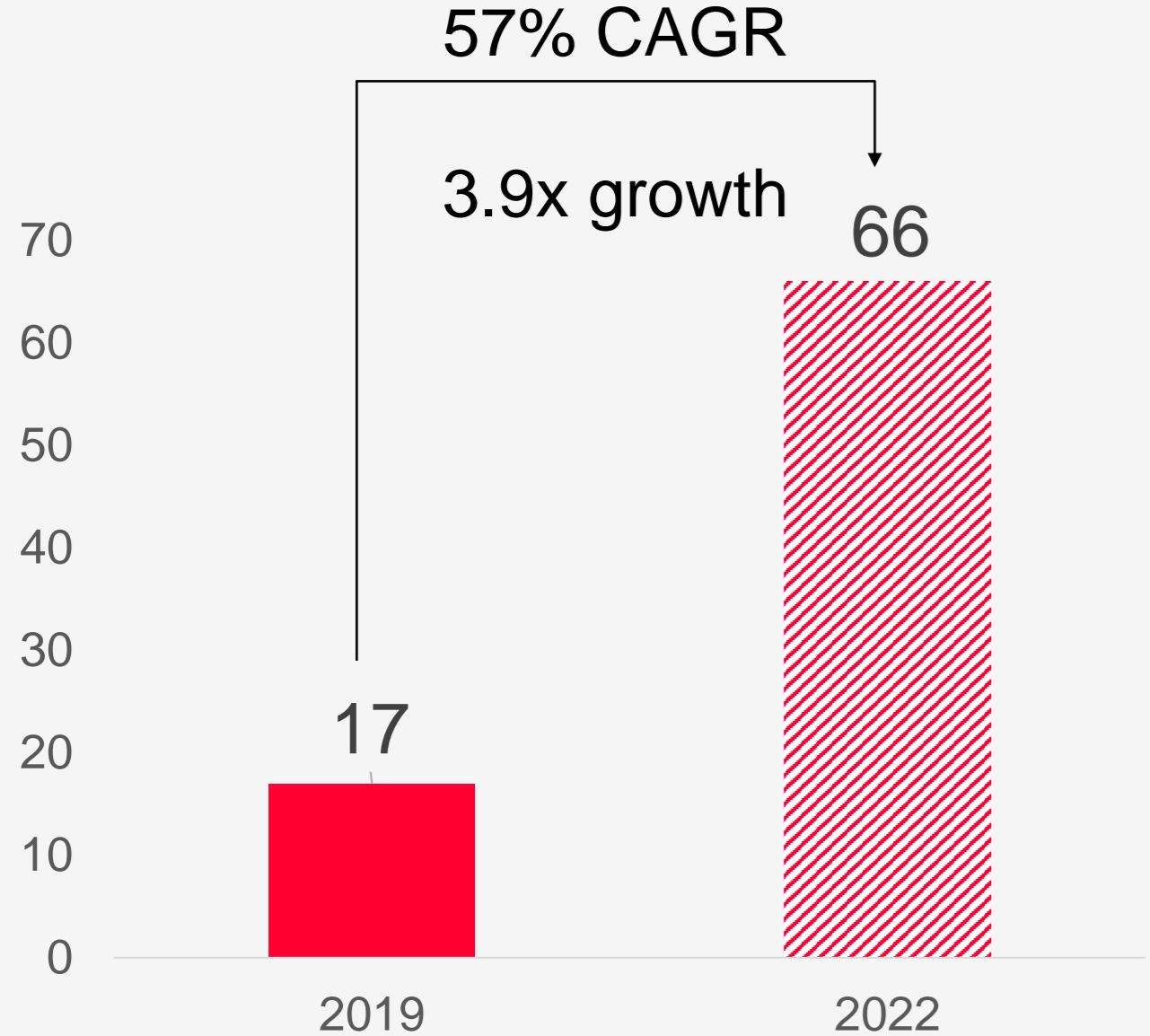
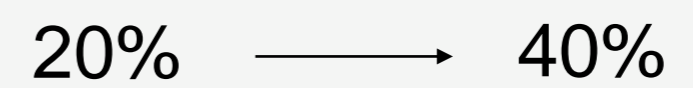
Penetration of online in K12 segment



Penetration of online in professional ed.



Penetration of online in language learning

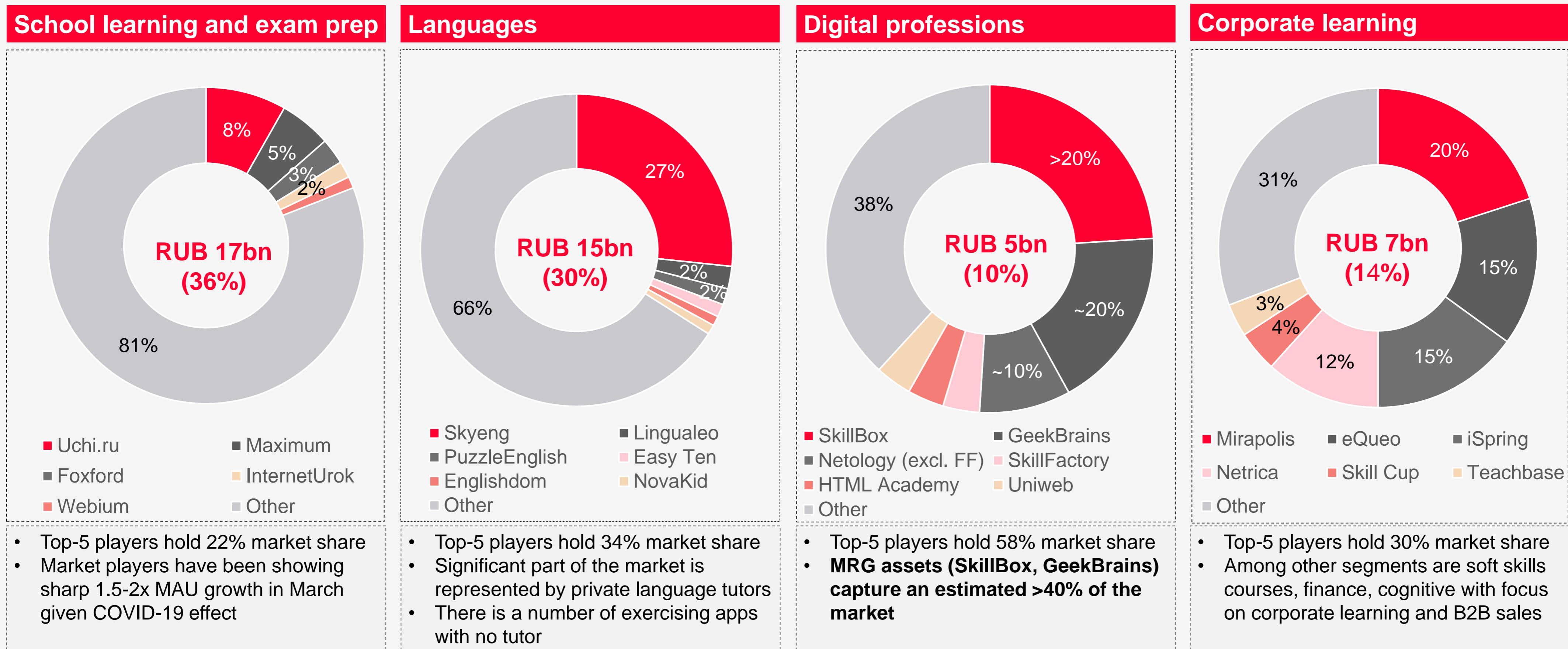


Sources: HolonIQ, INTERFAX, MRG estimations

# Present in segments, accounting for ~90% of online market



- Following consolidation of Skillbox in Q4, our online education products generated a combined **RUB 720mn** in revenues in Q1, growing at **triple digit rate YoY** despite the ongoing COVID-19 related initiatives, which assume provision of temporary free access to some of their services
- Our platforms are seen as capturing >40% market share within digital professions online segment

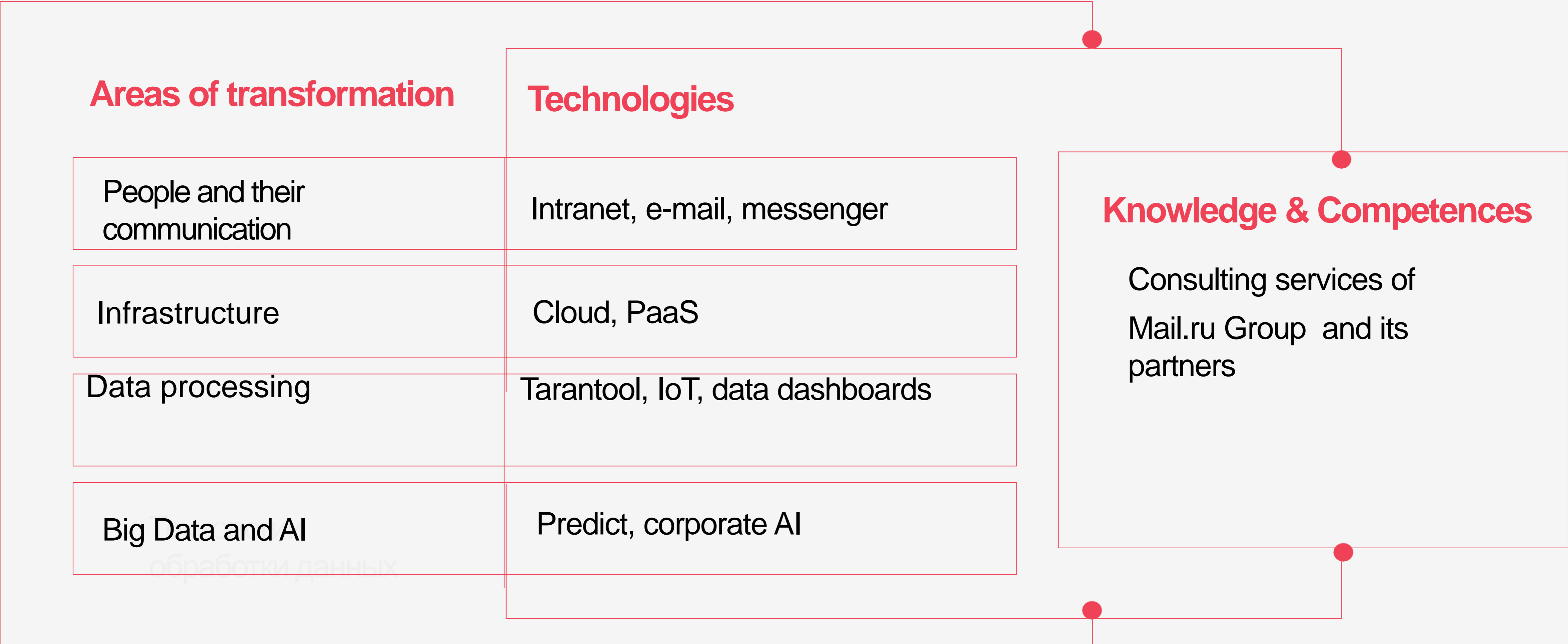


Sources: company data, SkyEng market research, Netology market research, Interfax data for 2019

# Driving digital transformation – our instruments



- We focus on **latest technologies**, applicable to a **broad pool of industries**, with the use of **open source, complex approach** and ability to **accommodate at any scale**
- COVID-19 has been supporting IaaS spending. We saw a **10% demand increase for Mail.ru Cloud Solutions in March**
- Our clients include: Aeroflot, Alfabank, Nokia, Rosatom, VEB RF, Rosseti, Burger-King



# MCS initiatives to support society in global COVID-19 fight

- In light of COVID-19, Mail.ru Cloud Solutions launched a **support program for SMEs** that provide socially useful free products / services
- As part of the **distance learning support program** in Russia Mail.ru Cloud Solutions provided cloud infrastructure for free to the Higher School of Economics and other Russian universities
- Mail.ru Cloud Solutions together with the HacktheCrisisRussia community supports an online hackathon to develop **solutions to minimize the effects of the pandemic**
- Mail.ru Cloud Solutions provided infrastructure for the all-Russian scaling of Botkin.ai (the **COVID-19 AI diagnostic platform**)



mail.ru  
cloud  
solutions



# Mail.ru for business – platform solution



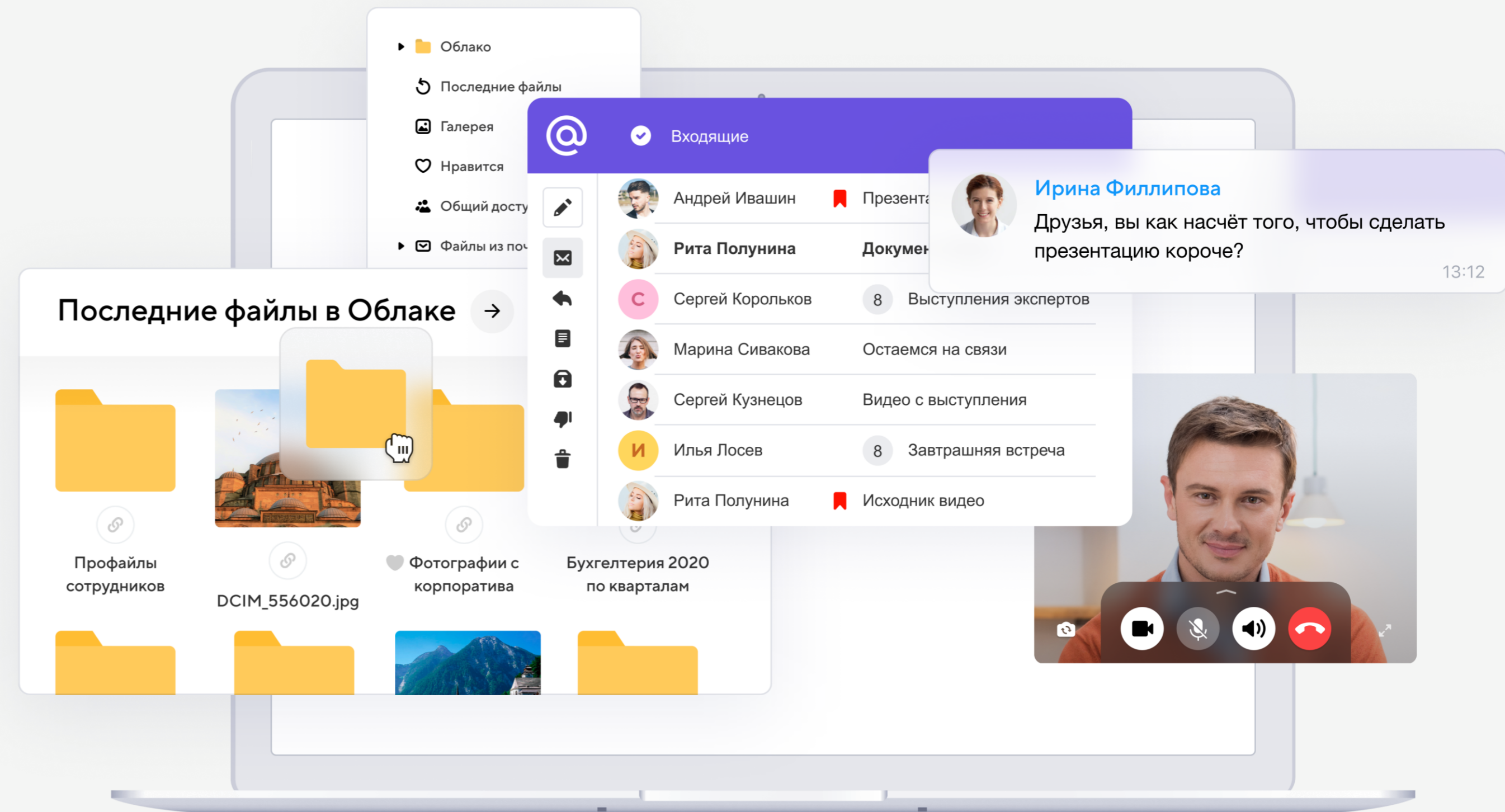
- Mail.ru for Business platform unites a number of SaaS solutions:

- **Unified communications for employees:**

- Corporate **Email Service**
- Myteam, **instant messaging**
- Teambox, **cloud storage** and collaboration

- **Services for business development:**

- **Marketing automation platform:** email, SMS, Viber
- **Online survey software:** research, testing and web-site forms

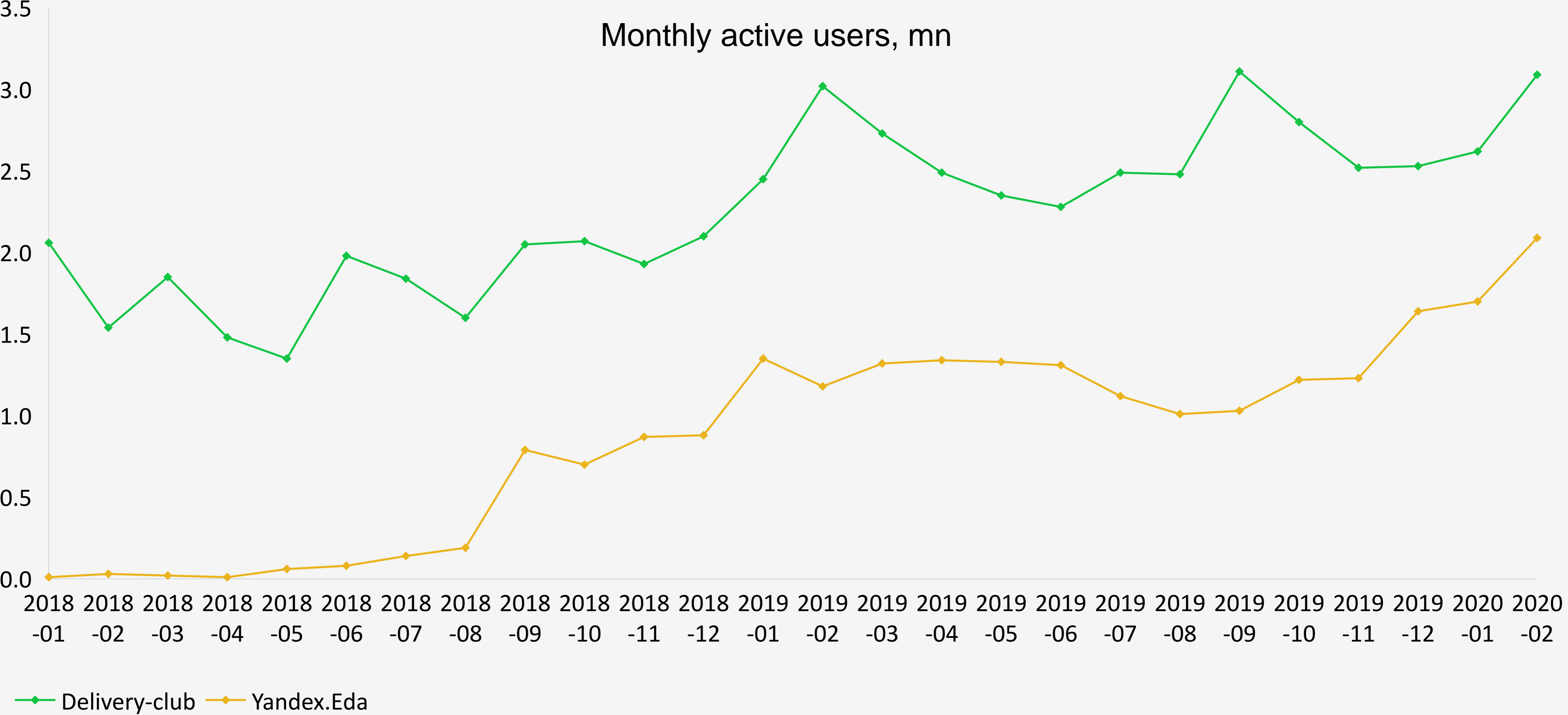


All solutions are suitable for SMEs and able to fully cover their communication and business development needs



- We can also offer secure **on-premises installation** of our unified communication solution, often required by large corporates

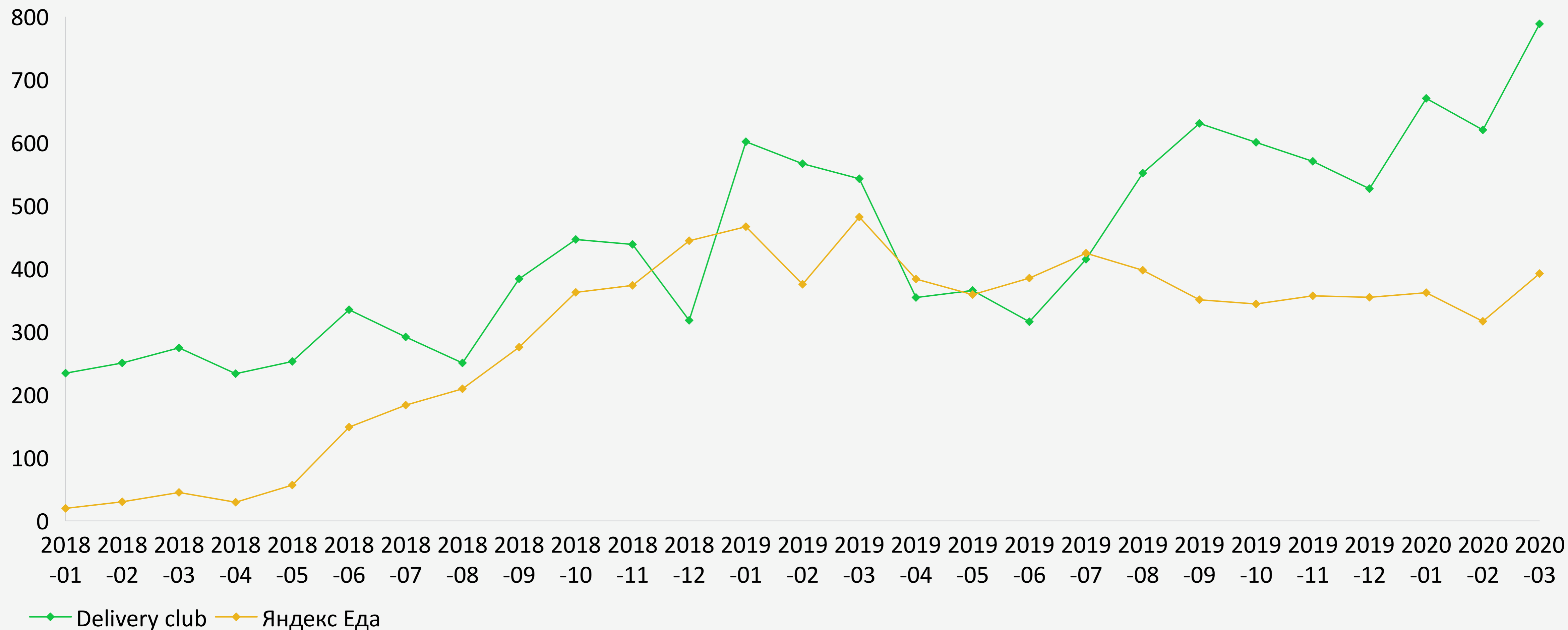
# DC is the food delivery market leader in terms of users...



Source: Mediascope, Russia, desktop and mobile, cities 100k+, age 12-64.

# ...and downloads

Downloads, iOS and Android combined, thousand





# COVID-19 measures and ongoing diversification



- O2O JVs foodtech vertical has taken multiple measures around supporting restaurant partners, couriers and customers in light of ongoing pandemic while further diversifying its business offer:
  1. DC has temporarily **waved commissions** charged to some of its smaller **marketplace partners and provided a temporary 20% discount** for their orders to help accelerate ramp-up;
  2. Commission for **1P sign-ups was temporarily set to 25%** (both in effect between March 15 and June 30);
  3. DC launched a hotline for restaurants and created a courier reserve in order to meet potentially higher demand while restaurants are closed for walk-ins as well as further automatized restaurant onboarding system with **onboarding period shortened to 1 day**;
  4. DC made **contactless and cashless delivery** as default options, with **tipping of couriers done through VK Pay**;
  5. DC launched **take-away**, which will be scaled during post quarantine period in order to support restaurants and reduce their costs;
  6. DC is looking to launch **deliveries of OTC pharmaceuticals** in partnerships with Mail.ru Group's "Vse Apteki" platform, which is connected to 46% of the local pharma market;
  7. All services have been providing their courier staff with masks, antiseptics and other protective tools, while office staff has been working remotely;
  8. Delivery club **launched mobile testing units to check couriers for COVID-19**;
  9. O2O JV signed a binding agreement to acquire control (75.6%) in Samokat, largest **express e-grocery** player in Russia, with 140 dark stores in Moscow and St Petersburg and >30,000 in daily orders in March, up >30% since January

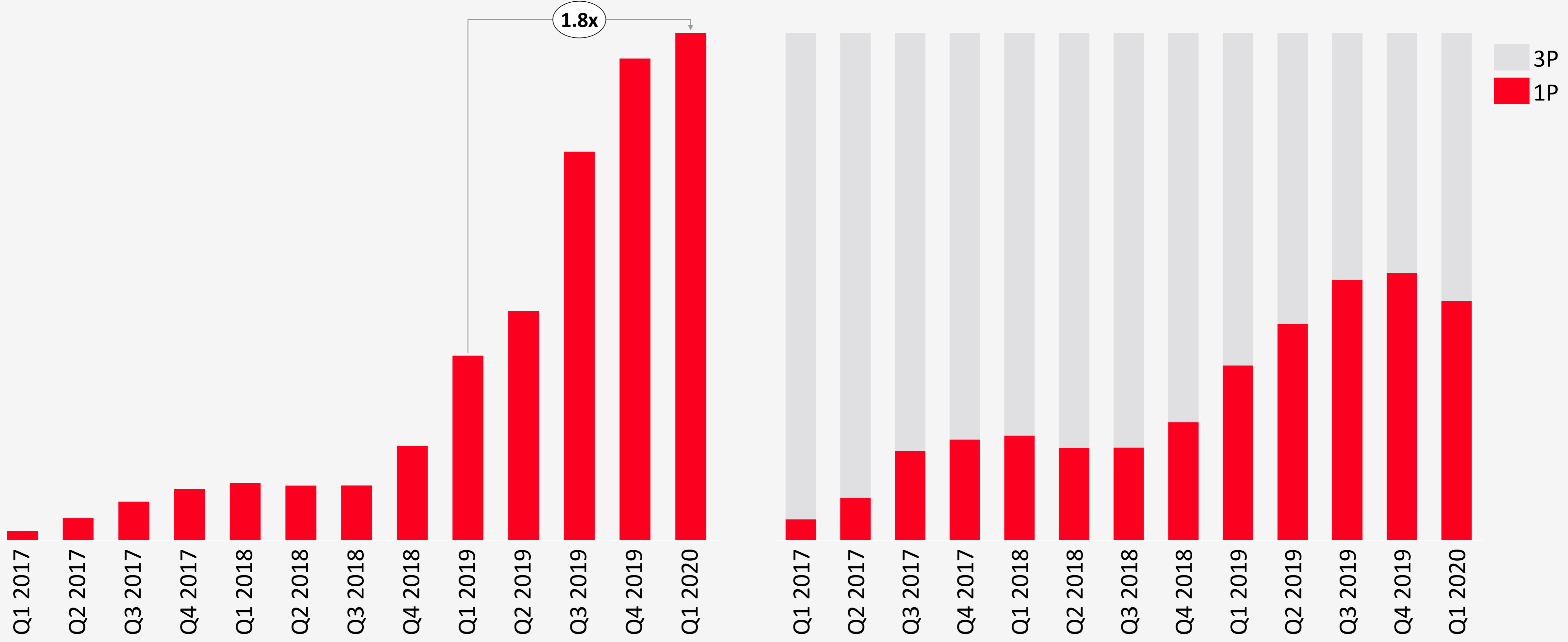
# New benchmark of 3.78mn orders achieved in March, with a balance between 3P and 1P



- **Weekly delivery record of 1mn restaurant orders** was reached in April

1P orders

1P/3P orders split



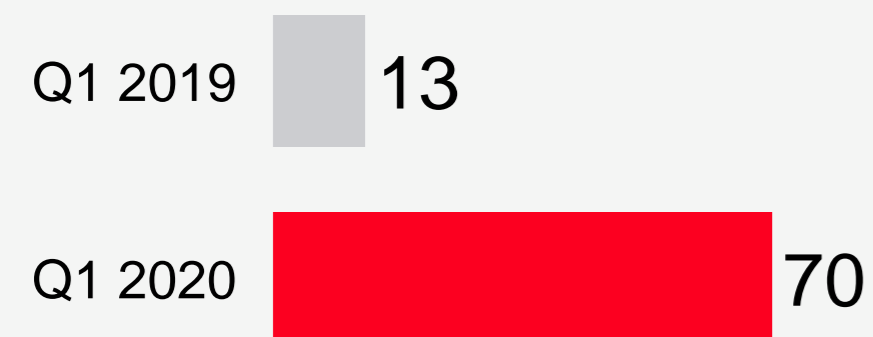
Source: Internal data

# In 2020 DC has significantly accelerated its growth

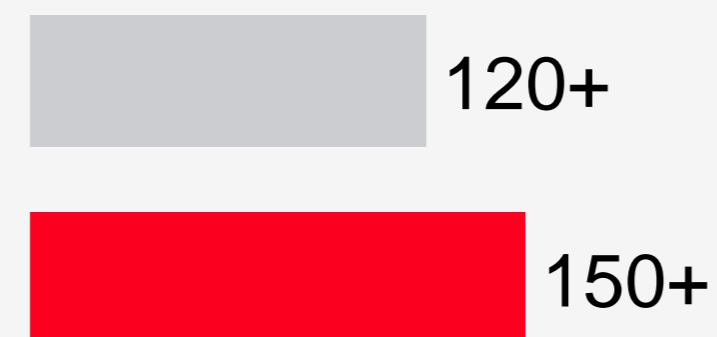


## Geographic expansion

Cities of operation, 1P<sup>1</sup>

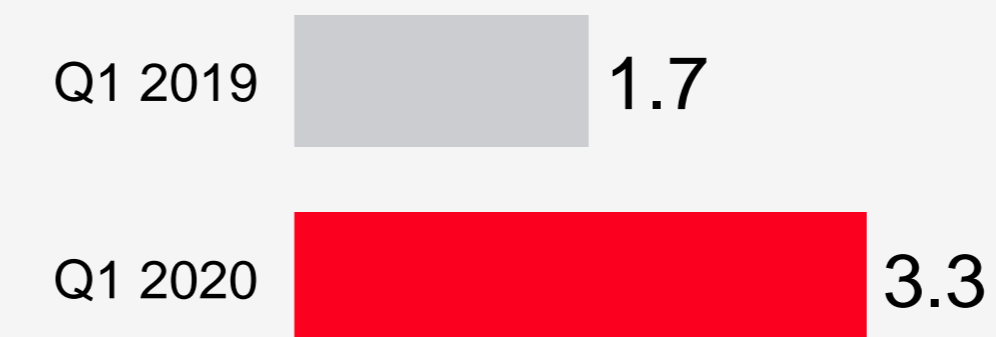


Cities of operation, 3P



## Active users

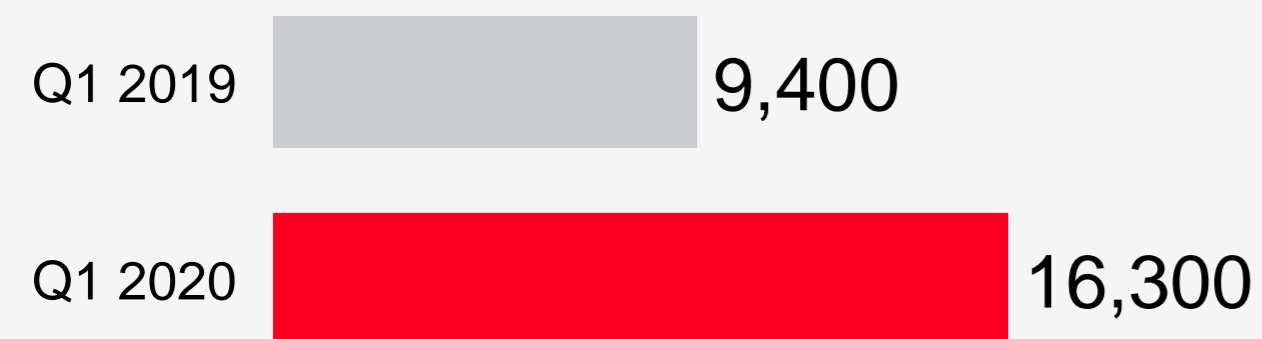
DC active users<sup>3</sup>, mln



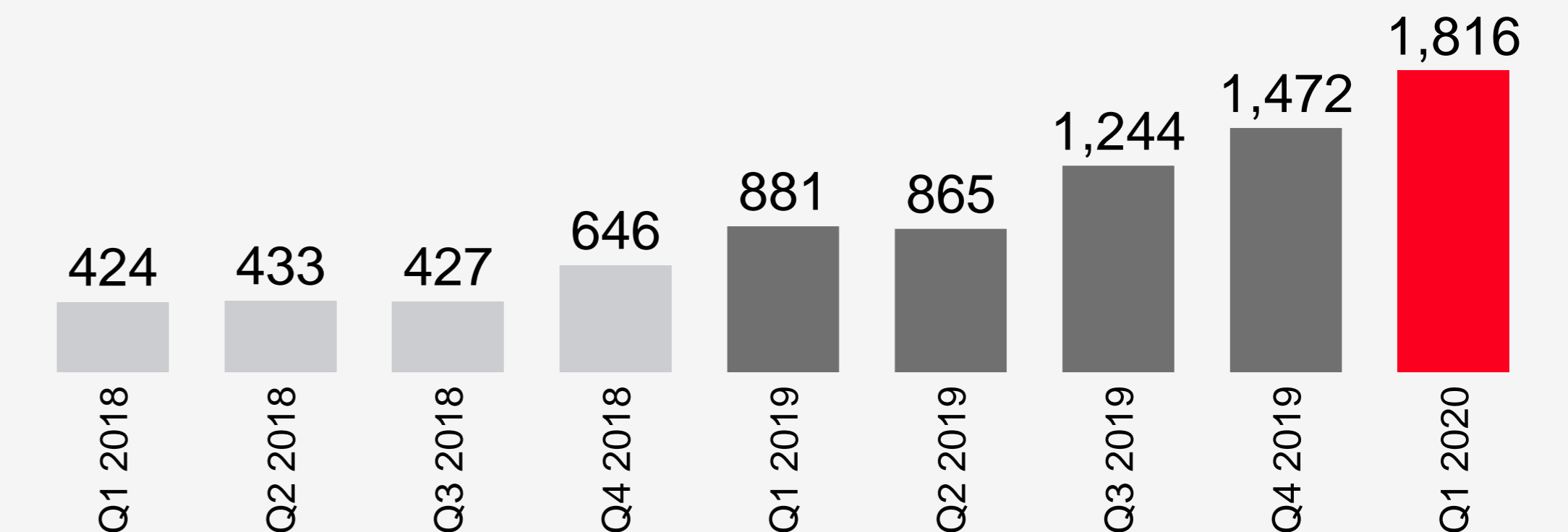
YoY  
**1.9x**

## Restaurants

Number of restaurants<sup>2</sup>



## Revenue (RUBmn)



1 – Moscow Region is counted as one city

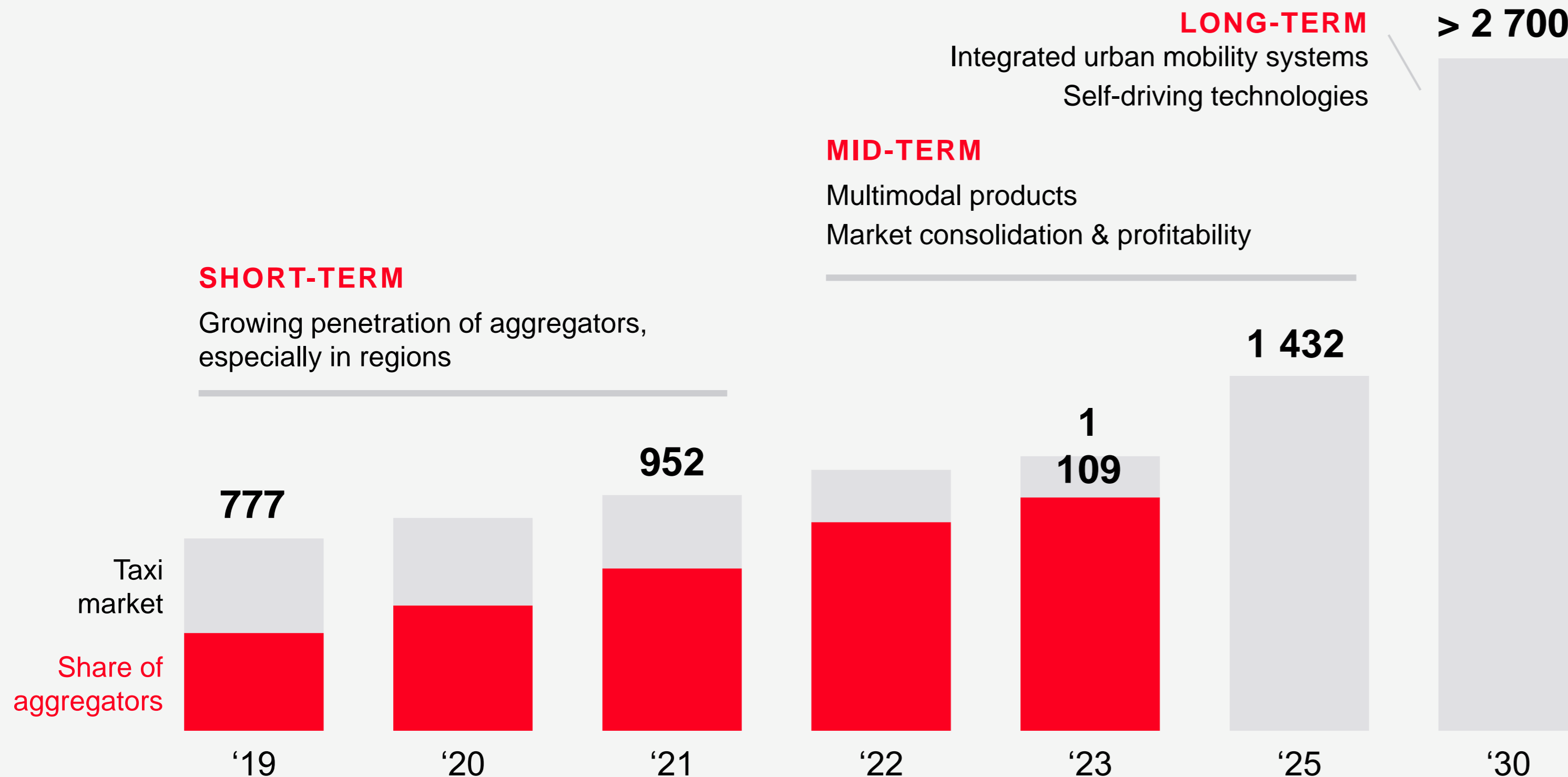
2 – Restaurants capable of taking orders during the last month of reporting period

3 – Users with at least 1 order during the period

# Ride-hailing market remains attractive

- Despite ongoing challenges, ride-hailing market of Russia is expected to expand further in the coming years through organic growth and in-market consolidation

Russian taxi market size and share of aggregators, 2019-2030, RUBbn<sup>1</sup>



CM is already strongly positioned on the local ride-hailing market

TOP-2

across 17/22 cities of operation & TOP-3 in all cities of operation

>30%<sup>2</sup>

In majority of regional 1M+ cities

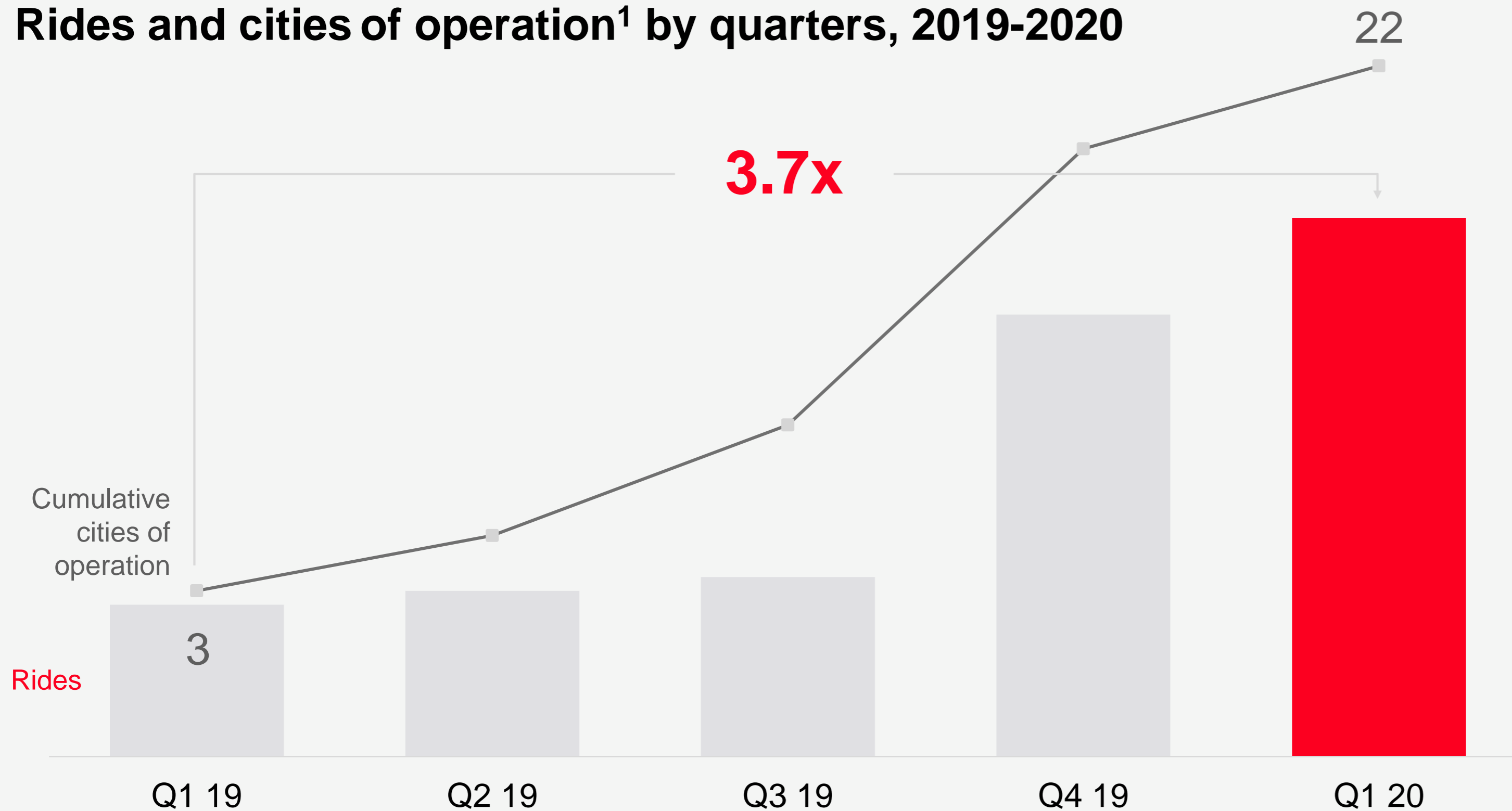
>550K

rides in peak days

# CM continued expansion and improved unit economics in Q1 despite COVID-19 challenges

- In Q1 CM has strengthened its status of a federal player having rolled out to 3 new 1M+ cities and a number of smaller ones

Rides and cities of operation<sup>1</sup> by quarters, 2019-2020



**Growth came amid positive unit economics in Moscow and substantial uplift across the entire platform**

**30%**

**Improvement in unit economics in Q1 2020 vs Q4 2019**

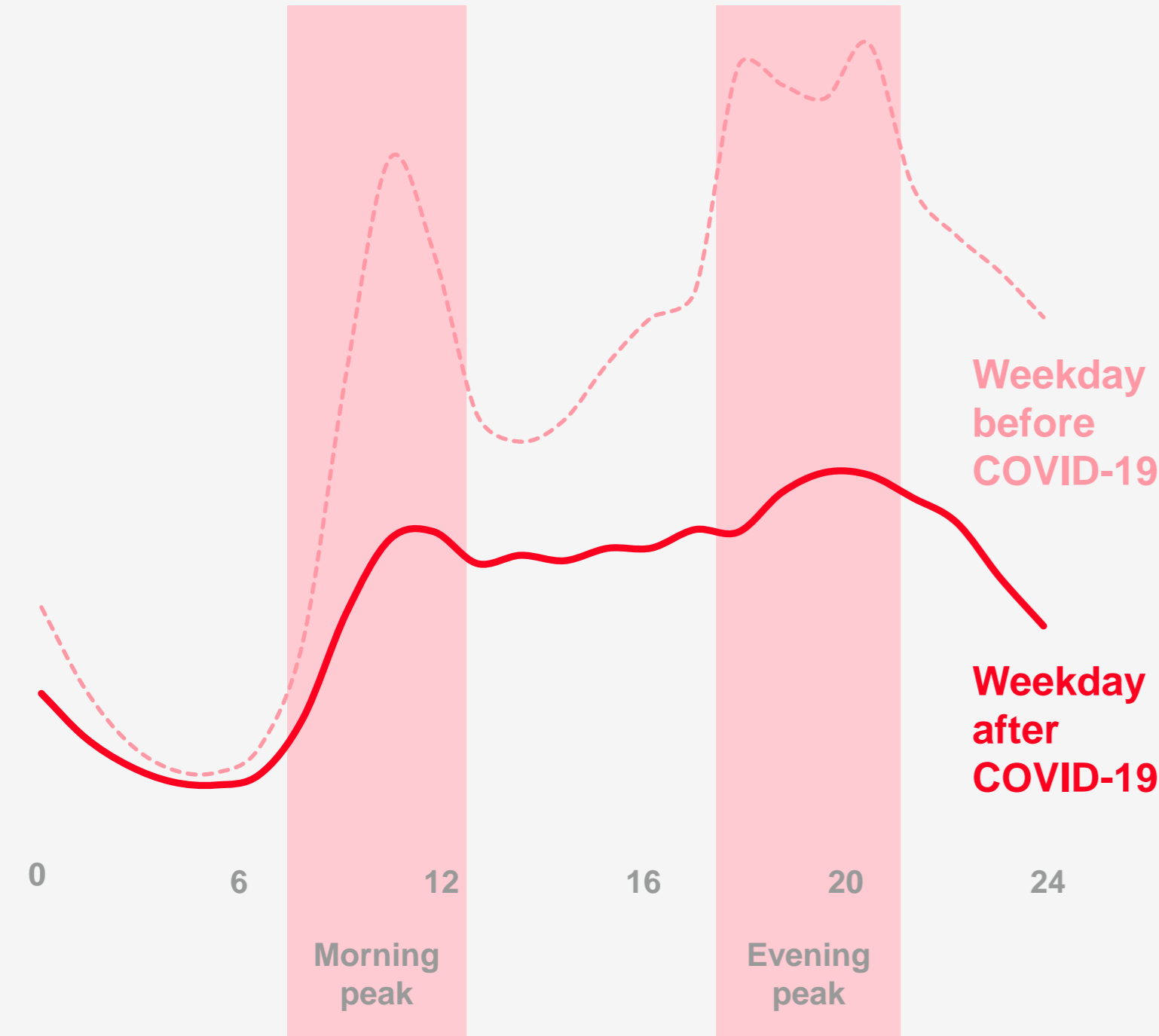
**Positive unit economics For 4 consecutive months in Moscow and Moscow Region**

**Approaching positive Unit economics in a few other markets**

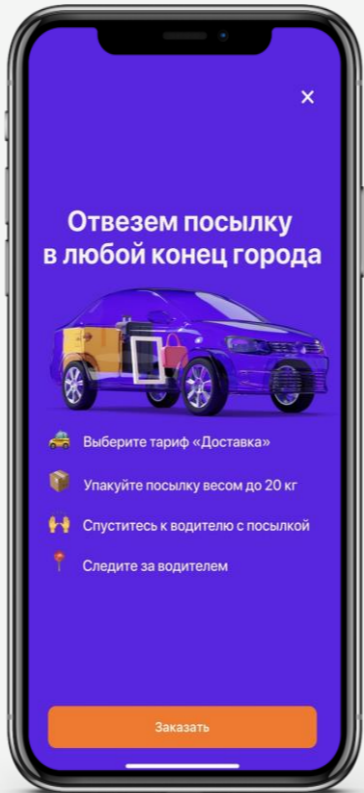
# Impact of COVID-19 is visible, but provides a field for new business opportunities

## COVID-19 impacts business activities in the short-term ...

Hourly views, workday peaks



## ... and provides a field for business opportunities ...



- Operating delivery tariff across all geographies
- Delivery integrations with partners across and outside of O2O-ecosystem in order to keep utilization of drivers at high levels

## ... and social responsibility



Providing free rides to doctors and blood donors



Managing a support fund for drivers diagnosed with COVID-19



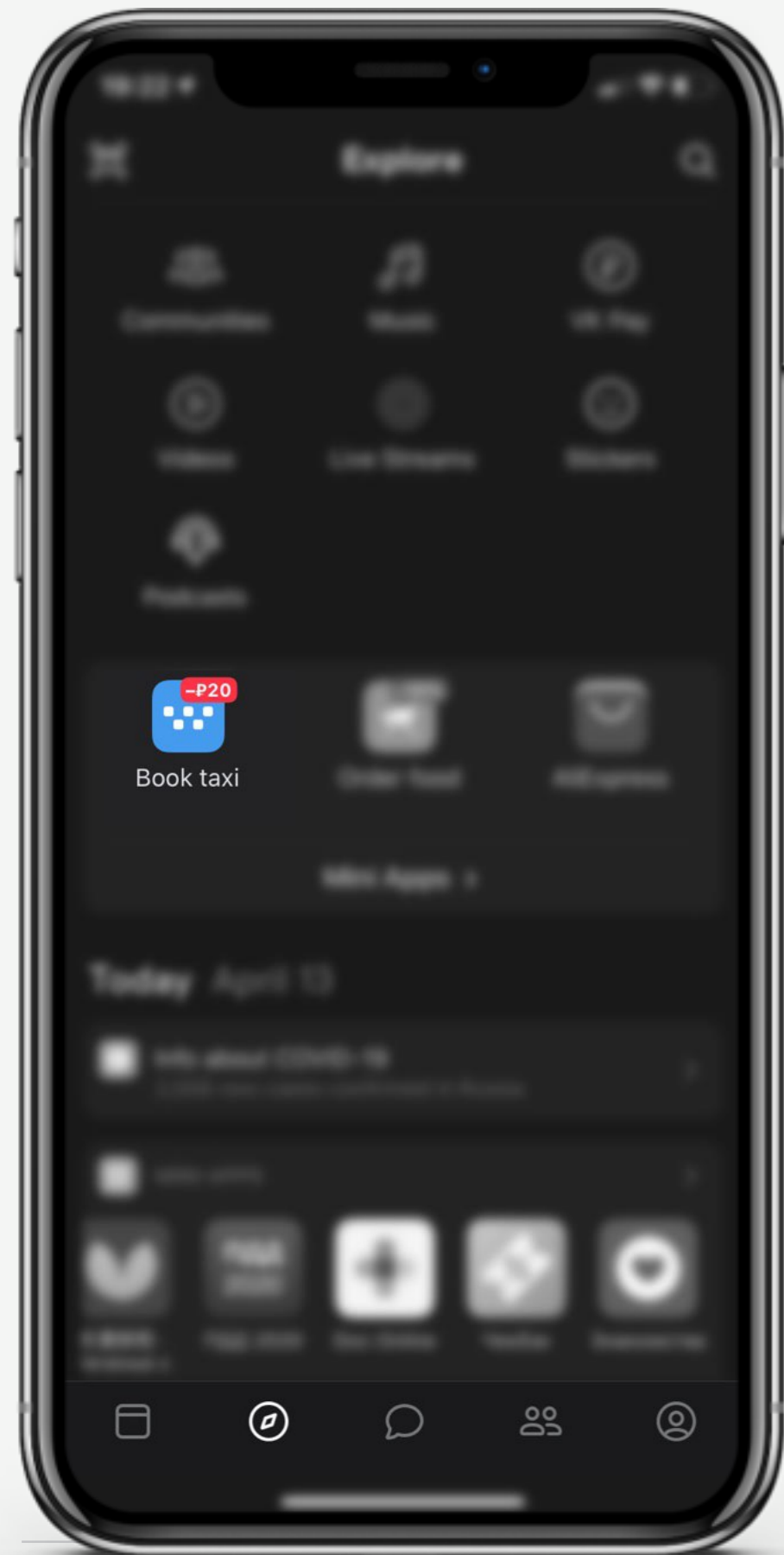
Installing plastic dividing fences in vehicles, operating sanitation stations and providing sanitizers and masks



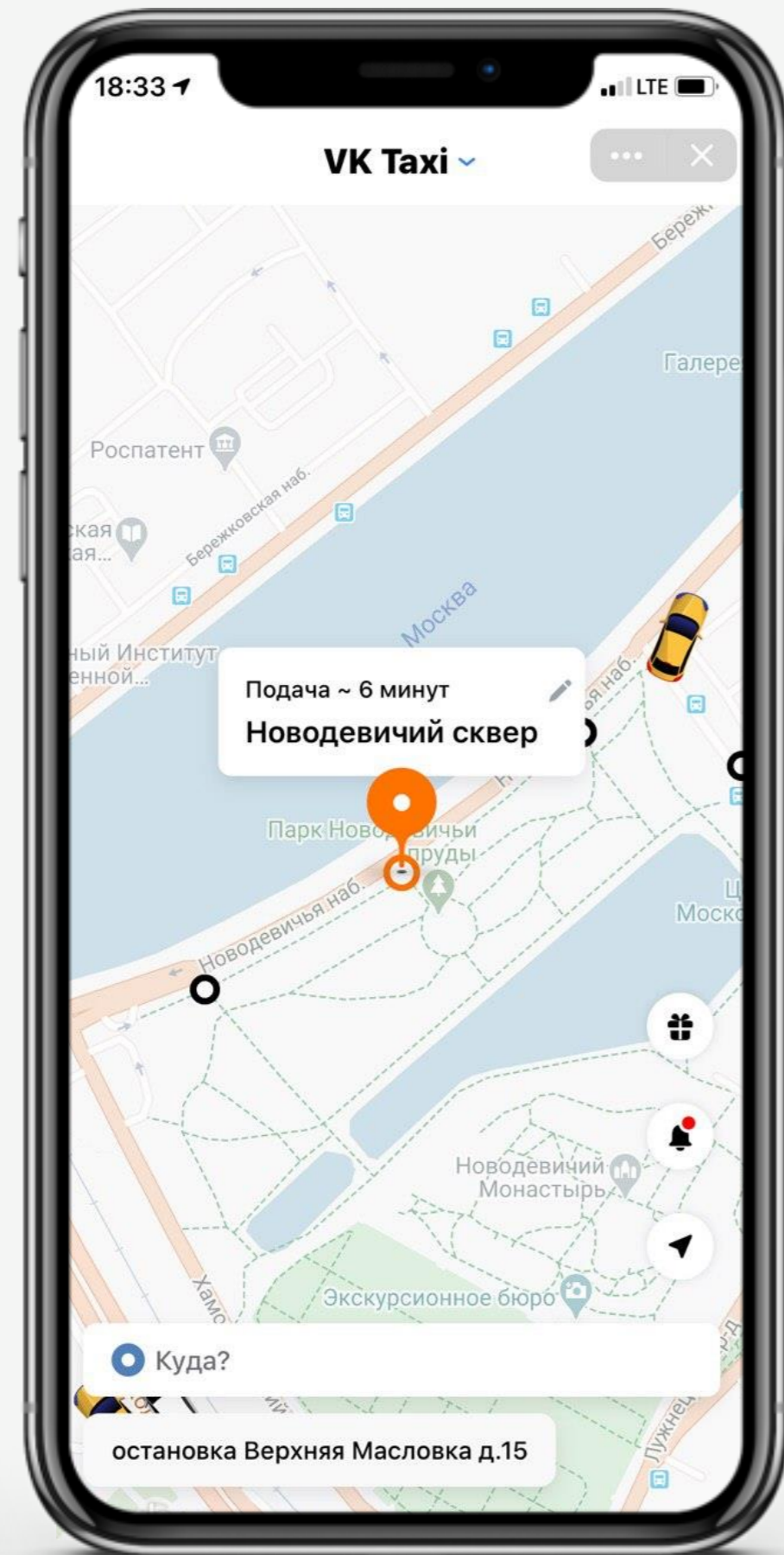
Giving out 30% discounts on rides to/from home

# VK Taxi strengthens its position of a growth driver for rides

- **VK Taxi mini app reached 1mn taxi ride bookings** milestone in early April

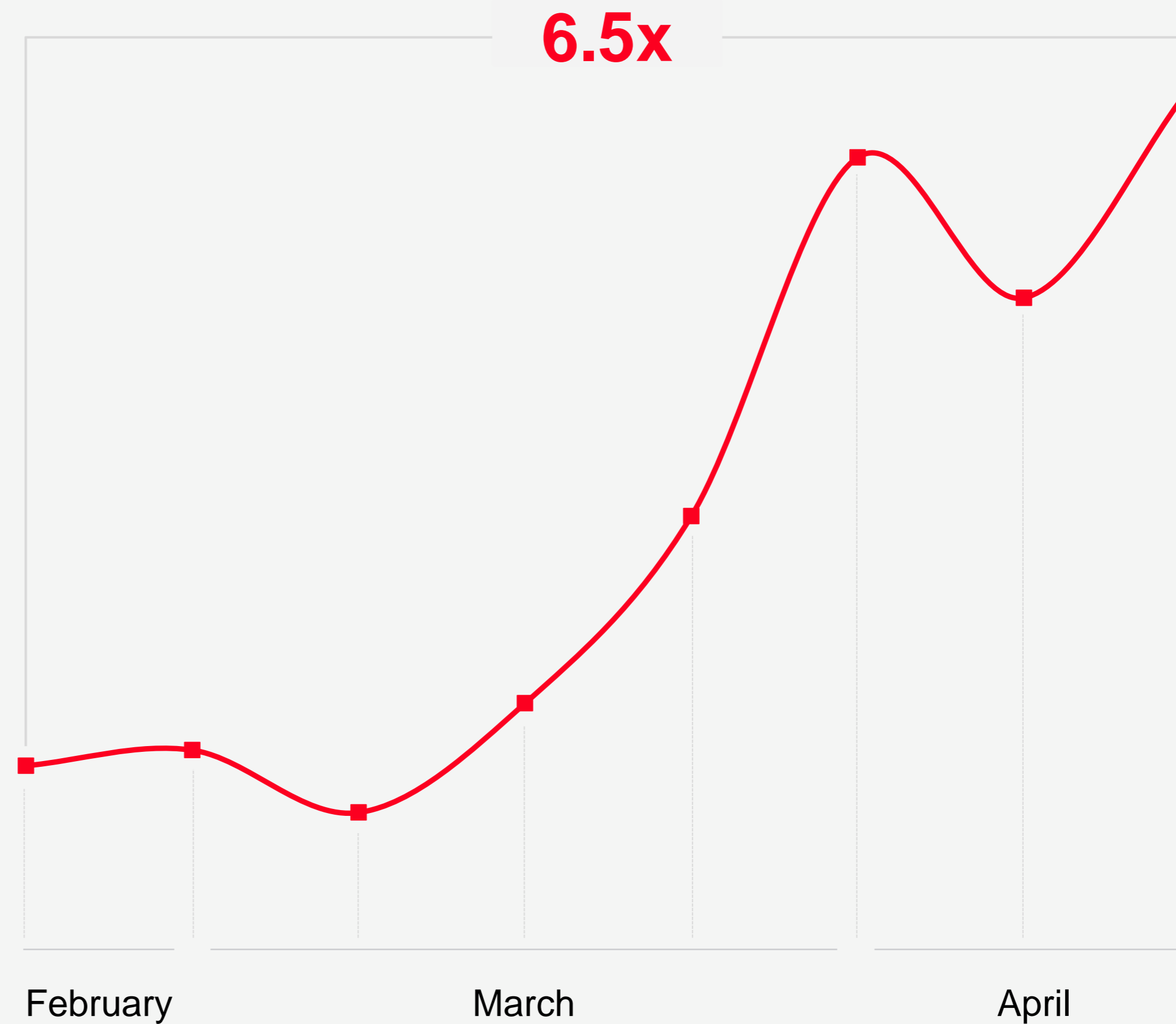


VK Taxi icon in the explore screen of VK app



Better and faster UI

## VK Taxi weekly rides, 2020



# CM in 2020 – growth, efficiency & O2O JV synergies

## Business priorities



### Scale

- Expanding market share in existing cities and launching of select new geographies
- Targeting solid #2 position in Russia
- Growing adjacent areas of business (e.g. delivery, B2B)



### Path to profitability

- Increasingly focusing on improvements in unit economics across all markets
- Targeting positive unit economics



### Synergies in the ecosystem

- New marketing & product synergies with both ecosystems
- Leveraging R&D capabilities of both ecosystems (e.g. AI, computer vision)
- Rolling out a new fleet product in collaboration with SberLeasing

## Key goals for 2020



# AER JV – ongoing cross-border and local business enhancements



- Enhancement of **cross-border** AliExpress platform and scaling the **domestic marketplace** are among the key strategic priorities for AER JV, along with **development of Social commerce**, primarily via the social networks of Mail.ru Group. COVID-19 has not derailed and rather accelerated some of the internal initiatives
- **Logistics in China have now fully normalized**, with AliExpress having serviced >11mn packages in March
- In order to support local businesses during COVID-19, AliExpress Russia has eliminated commissions for new **local sellers**, in effect for 6 months or for initial 100 orders since March 31. Commissions for other local sellers remain within an attractive 5-8% range. There are already **>1.5mn SKUs (+38x YoY)** from **>10,000 local sellers (>100x YoY)** on the platform with >RUB500mn in daily local GMV during March sales campaign, which is expected to scale significantly vs its **15% total GMV share in 2019**
- Expansion of the network of **pick-up points** continues, **at 12,000 in March**, with availability across 3,500 cities. Logistics are done through Cainiao as well as local players, including Russian Post, 5Post, DPD, PickPoint and others. The growing number of pick-up points resulted in nearly halving of the cross-border delivery period to up to 20 days and 10 days across cities with population of 1mn+. Goal is to **reduce delivery time to major Russian cities to 7-10 days**



# MRG and AER aim to create a new shopping experience for local social networking users



## Social commerce strategy:

- **Educate** Russians about how to be able to sell through AER JV, including through its access to MRG social networks
- **Integrate shopping experience into the social context** by involving users into engaging mechanics. AliExpress and VK are working on a launch of a referral program with VK users
- **Promote social shopping** as a lifestyle-enhancing experience
- **Make influencers and communities our partners** and give them tools to engage users in shopping by content creation. Bloggers and other opinion leaders could be on-boarded for the referral platform
- **Establish entry points 2-3 clicks from anywhere** inside the social networks
- **Make user journey as native as possible** and minimize friction in the shopping process = make shopping as simple and convenient as possible
- **Use social data, content interaction data, user social graph and ad reaction data to enrich user profile**
- **Provide integrations for merchants** and cover all businesses on the social platforms with easy-to-use tools to **increase their sales**

# Q1 2020 operating segments performance

- In Q1 **S&C segment grew by 8.8%** to RUB12.5bn, accounting for **56% of Group's total**. Growth has slowed QoQ vs >14% Q4, mainly due to the slowdown in online advertising, which expanded by 9.3% vs 10.6% growth in IVAS. EBITDA came at RUB6.7bn, with a **53.4% EBITDA margin**
- **Games segment expanded by 13.4%** (to RUB7.9bn, **35% of Group's total**) despite the base effect and relatively light launch pipeline for the quarter. **EBITDA margin was 6.6%**, with Q1 being a typical seasonal profitability bottom for our Games business – EBITDA margin for Games stood at -3% during Q1 2019
- **New Initiatives** continues its rapid expansion with **revenue growth of 80%**, driven by classifieds and online education, which are its largest components. Segment remains in investment phase, with an EBITDA loss of RUB1.5bn for the quarter, which means -74.5% margin, slightly below -65% margin in Q1 2019

Q1 2020 operating segments performance					
RUB MM	Communications and Social	Games	New initiatives	Eliminations	Group
<b>Total segment revenue</b>	<b>12,523</b>	<b>7,896</b>	<b>1,987</b>	<b>(75)</b>	<b>22,332</b>
<i>Y-o-Y growth</i>	8.8%	13.4%	80.3%	246.3%	14.3%
Total operating expenses*	5,833	7,376	3,468	(75)	16,603
<b>Segment EBITDA</b>	<b>6,690</b>	<b>520</b>	<b>(1,481)</b>	<b>(0)</b>	<b>5,729</b>
<i>EBITDA margin</i>	53.4%	6.6%	-74.5%		25.7%
<b>Net profit</b>					<b>2,203</b>
<i>Net profitability</i>					9.9%

Note 1: Group aggregate segment financial information for the three months ended March 31, 2019 has been retrospectively adjusted to account for pro-forma inclusion of Belngame studio and pro-forma exclusion of Delivery Club and ESforce.

# Q1 revenue and profitability update

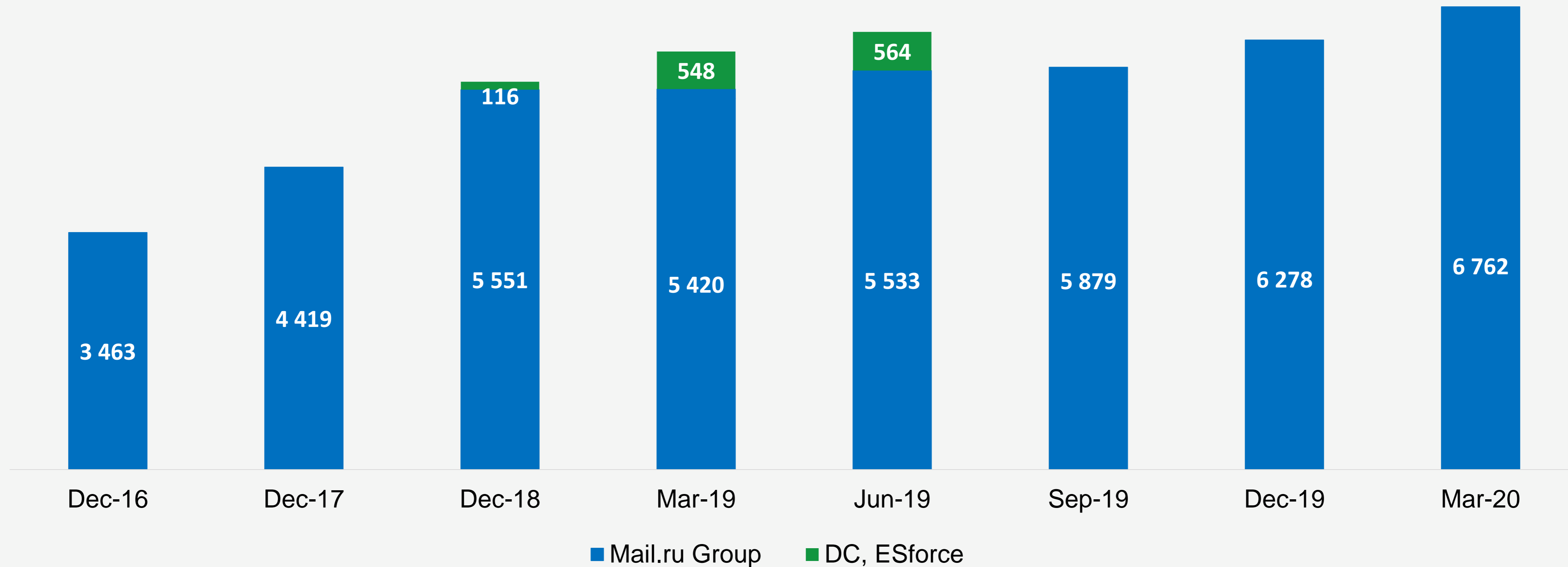
- **Revenue growth stood at 14.3% YoY in Q1 to RUB22.3bn**
- Online advertising started to see pressure in March, which lead to growth slowing to 9.3% YoY, while MMO Games performed above set target, with growth of 11.5% growth on the back of RUB weakness as well an uptick in engagement seen towards the end of March. These trends have carried into Q2 for both, ads and games. Community IVAS remains resilient, with 10.6% growth YoY in Q1
- **EBITDA margin stood at 25.7% in Q1** vs 28.2% a year ago, given ongoing investments, including around multiple COVID-19 initiatives
- Capex stood at 9.4% of revenues, in line with historical average despite the majority of capex being denominated in FX

Q1 revenue and profitability review			
RUB MN			
	Q1 2019	Q1 2020	Y-o-Y, %
<b>Revenue</b>	<b>19,544</b>	<b>22,332</b>	<b>14.3%</b>
Online advertising	7,827	8,553	9.3%
MMO games	6,431	7,173	11.5%
Community IVAS	4,202	4,646	10.6%
Other revenue*	1,084	1,960	80.8%
<b>EBITDA</b>	<b>5,503</b>	<b>5,729</b>	<b>4.1%</b>
<i>EBITDA margin, %</i>	28.2%	25.7%	-2.5%
<b>Net profit</b>	<b>2,833</b>	<b>2,203</b>	<b>-22.2%</b>
<i>Net profit margin, %</i>	14.5%	9.9%	-4.6%
<b>Capex</b>	<b>-1,493</b>	<b>-2,099</b>	<b>40.6%</b>
<i>% of revenue</i>	-7.6%	-9.4%	-1.8%

# Headcount evolution

- Following recent COVID-19 and oil shocks, we have not changed our approach to hiring across core units
- **Group's headcount reached ~6.8k as of Q1 2020** given organic expansion of the Group as well as recent M&A, mainly consolidation of Skillbox, completed in Q4 2019
- Headcount was reduced by 564 as of June 2019 due to reclassification of DC and ESForce as assets held for sale, with subsequent full deconsolidation of DC since and ESForce remaining as asset held for sale

**Total headcount, eop**

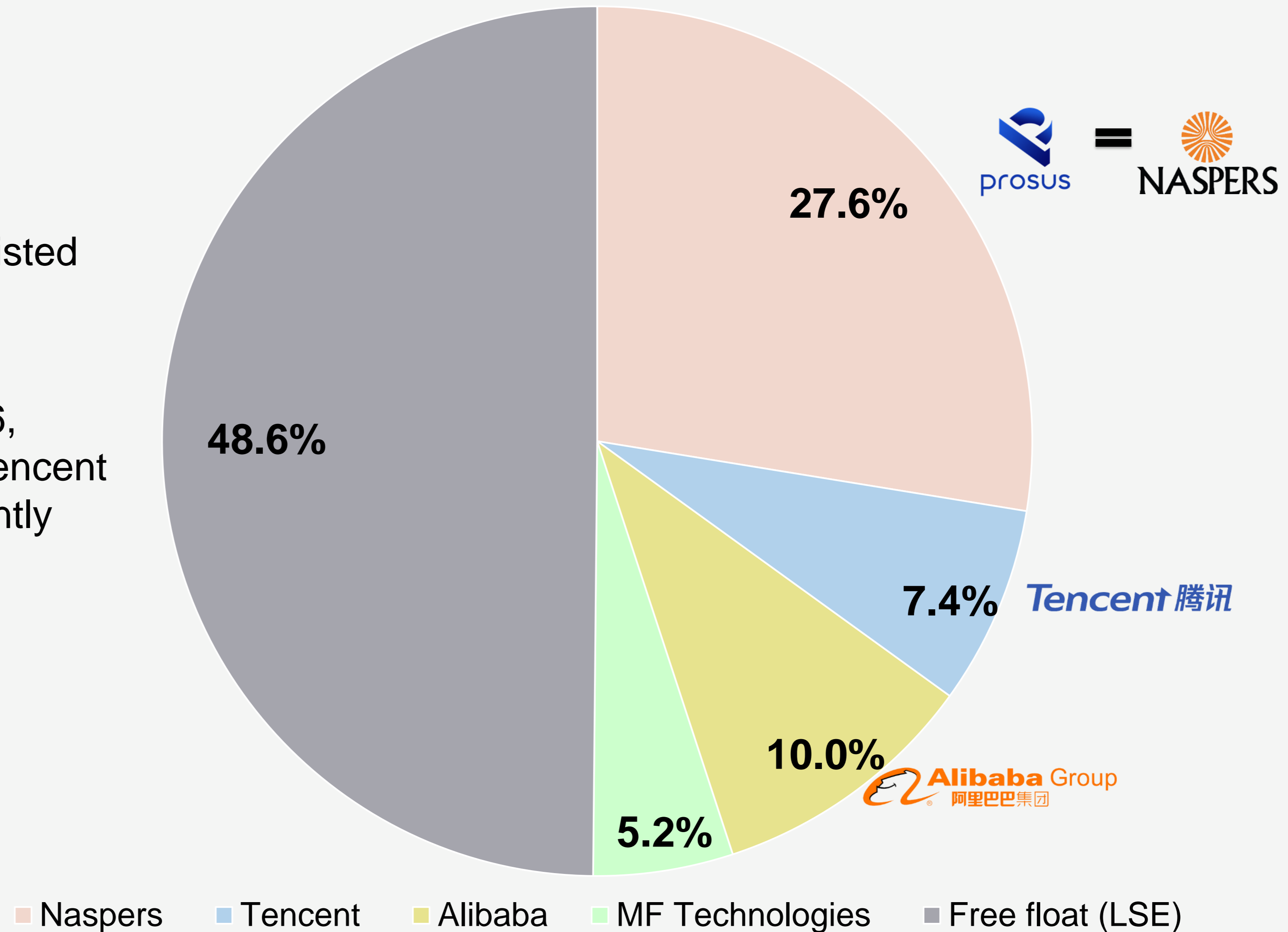


Source: Internal data




Note: Group's total is shown ex Pandao, Delivery Club, Esforce and Skillbox

# MRG is backed by leading global internet companies

- ~50% of Mail.ru GDRs are listed on LSE
- Blue-chip shareholder base includes Prosus (since 2006, initially through Naspers), Tencent (since 2010) and most recently Alibaba (since 3Q19)



# MRG shareholder structure details

	 prosus	 Alibaba Group 阿里巴巴集团	 Tencent 腾讯	MFT	Freefloat
<b>Economic</b>	27.6%	10.0%	7.4%	5.2%	49.8%
<b>Voting</b>	12.3%	4.4%	3.3%	58.3%*	21.7%

Source: Public data as of March 31, 2020, calculated on fully diluted basis, accounting for DRs sitting in employee benefit trust (non-voting)

Naspers holding is done through Prosus since 3Q19

\* USM/MegaFon votes (~54%) within MFT have been delegated to the CEO of Mail.ru Group (Russia) – Boris Dobrodeev since October 2018  
MFT shareholder structure: MegaFon (45%), Sberbank (36%), Rostec (10%), USM (9%)

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