Mail.ru Group

Quarterly presentation (Q4/FY19)
MRG – growth story continues

- At ~80% internet penetration, Russia holds ~3% share of global unique internet users - 8th largest audience in the world and largest in Europe
- **Digital ad market is expanding** but digital has just surpassed TV in share in 2018, with advertising being our largest revenue stream
- Games are the largest entertainment market globally, with dominance of mobile. We are top-50 player & have an ambition to be top-25. Gaming is our second largest division
- We grew **revenues by 22% in 2019** and are well-positioned for continued **healthy growth** and **market share gains**

![Group revenue, RUBbn](image)

10 year CAGR: ~30%

Source: Internal data. Guidance is provided on ex ESF, ex Pandao and ex DC basis (management accounts, pro-forma and hence demonstrates purely organic growth)
MRG continues to gain digital ad share

- MRG has been growing its advertising revenues faster than overall market, having gained >3p.p of market share since 2015, including ~23% ad growth in 2019.
- We believe in further shift in advertising budgets from offline to online as well as to social within online, and hence see further room for market share gains for MRG from current ~16% of digital market.

Source: Internal data
## SME clients

**Goal:** Growth overall SME presence and related conversion to paying customers

### Recent developments

- **Ad quick launch & smart control in VK:**
  - Mobile launch of ad campaigns
  - Tool suggesting target audience and related budget
  - Automatic price control based on a budget limit

- **Assistance in campaign planning & analysis:**
  - Predictor of ad auction results in VK
  - Tracking efficiency improvement

### Key results

- > 1mn of SMEs have a presence on VK
- > 10% of them use paid promotion products (+13% YoY in Dec)

## Performance products

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

### Recent developments

- **High-yield model launched in VK:**
  - oCPM model matching campaigns to the advertiser’s CPL goal

- **Targeting mechanics & tools improved in myTarget:**
  - Improved product recommendations for dynamic product ads and updated Look-alike targeting
  - Facilitated setup of context targeting campaigns by bulk editing of the targeting lists from an account interface

### Key results

- Growing contribution of high-yield products to the total ad revenue in Q4:
  - +1.5x YoY in oCPM revenue share, with CTR at least 2x higher than that of other models, leading to comparable advantage in CPM
  - +1.7x YoY in dynamic remarketing revenue share with significant improvement in performance (+3x in CTR)
  - +2.2x YoY in context targeting revenue in Q4. Product is being developed on the basis of search queries on MRG platforms, growing with social commerce and classifieds evolution

Source: 1) myTarget and VK statistics; 2) excluding CPV models
<table>
<thead>
<tr>
<th>Focus area</th>
<th>Recent developments</th>
<th>Key results</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Ad network</strong></td>
<td>• Launch of Ad Exchange on both MRG and network platforms</td>
<td>• +1.7x YoY in the ad network revenue in Q4, with its share in total ads revenue at 10%+(^{(1)})</td>
</tr>
<tr>
<td><strong>Goal:</strong> Monetise ad</td>
<td>• Expansion of supported ad formats</td>
<td>• Video network has been outpacing all other inventory types by revenue growth</td>
</tr>
<tr>
<td><strong>inventory beyond Group’s assets</strong></td>
<td>• Comprehensive analysis of revenue for the network partners based on the funnel breakdown (User Level Data)</td>
<td>• # of partners providing ad inventory grew 1.3x YoY in Dec</td>
</tr>
<tr>
<td><strong>OMNI-channel sales</strong></td>
<td>• DOOH developments:</td>
<td>• Indoor ads campaign reached 350k+ clients during the test period, which lasted 42 days in 30 retail stores</td>
</tr>
<tr>
<td><strong>Goal:</strong> Strengthen leading position in brand advertising by offering new products with cross-frequency reach</td>
<td>- Regional network now covers 10+ Russian cities</td>
<td></td>
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<tr>
<td></td>
<td>- Partner list expanded with MAER Group supplying premium DOOH formats</td>
<td></td>
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<tr>
<td></td>
<td>- Indoor advertising market penetration:</td>
<td></td>
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<tr>
<td></td>
<td>- Entered the market in partnership with the Russian leading retail company</td>
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<td></td>
<td>- Loyalty terminals are placed inside stores aimed to maintain communication with reached audience across other digital channels, including myTarget</td>
<td></td>
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</tbody>
</table>

Source: 1) Management accounts
VK is focused on continuously developing **new features to grow its user base, support engagement** and **increase time spent** on the platform.
VK: on track vs. mid-term growth guidance

- VK revenue grew 4x between 2014 and 2018
- Our goal is to **further double VK revenue by FY22**. We are on track, with >20% in revenue growth in 2019, including 27.3% in Q4

- Revenue growth is stimulated by **increasing ad efficiency**
- In 2019 CTR grew 35% for CPC ads
- VK added new statistics, improved optimization algorithms, introduced ad auction predictions, launched QR code-based retargeting, and updated ad formats
- Advertisers’ **average ticket size grew by 12% and the number of advertisers by 17%** in 2019
- We see further potential in the growth of the number of advertisers as well as ARPU in 2020 and beyond

Source: Internal data. For 2014, 2015, and 2016, revenue is presented under IAS 18 standard, for 2017 and 2018, under IFRS 15
VK is competitive in key content consumption formats

- Engagement data suggests that our 200 product updates in 2019 have been well-received
- We are actively investing in our Stories and Video products, among others, in 2020 in order to continue to grow engagement and time spent

Source: Internal data
VK: user engagement and time spent growth continues (Q4, YoY)

- **+45%** Stories published monthly
- **+47%** Live streams posted daily
- **+27%** Video/audio calls made monthly
- **+15%** Messages delivered daily

- User engagement growth boosted total time spent, **up 12.5% YoY in 2019 to 36 minutes per day**, including **16% growth on mobile**
- VK’s most active user category remains the **12–24 year-olds**, who spent on average **68 minutes per day on the social network** in Dec. However, we are investing resources into making VK equally relevant to all age groups

Source: Internal data
Rollout of the new version of the VK mobile app

- VK has been rolling out a new version of its main mobile app, completely redesigned and full of new features. **New version will become available to all users in Q1 2020**
- Design and navigation were fully reimagined to provide more opportunities for communication and self-expression as well as quick access to most interesting content
- With this update, VK seamlessly integrated existing sections, placing special emphasis on some of them, and prepared the app for the addition of new ones
- Within the last year alone, features such as the VK Mini Apps platform, artist overviews, podcasts, story archives, new tabs, and more were introduced on VK. Now everything has its own place

Source: Internal data
The VK Mini Apps platform continues to grow:

- The number of active mini apps increased to > 13,000 in Q4 2019
- **MAU rose 14x to 23mn** between January and December 2019, with significant room for further increase in penetration
- **Average DAU increased 23% from 1.3mn in Q3 to 1.6mn in Q4**
  - Mini apps allow users to shop, communicate, order food, look for jobs, split the bill and much more all inside the VK ecosystem without having to download third-party apps
  - Entertainment and Shopping categories remain the most popular, with 15.8mn MAU including >3mn for the AliExpress mini app, which offers the full range of products available on the AliExpress marketplace, launched in August 2019
  - **MRG services Citymobil, Delivery Club, Worki are all available as mini apps**, with further integrations to come
  - Platform will be scaled beyond VK in 2020

Source: Internal data
VK Mini Apps – 2019 MAU dynamics

Source: Internal data
Focus on scaling VK’s payment offering

VK Pay
• VK payment service is crucial for driving further growth of the Mini Apps platform

QR Codes
• QR code usage continues to rise, with > 10.1mn QR code scans in Q4 vs 300k in Q1 2019
• Users can scan QR codes to launch mini apps, join communities, add friends, get cashback, etc

Source: Internal data
VK communities bring together people who share common interests in events, brands, news and creative works. In 2019, we focused on giving users and businesses more tools to help them develop their communities:

• Updated the design of communities as seen on mobile. The community interface looks neater and more informative now, and it’s easier than ever for users to find what they are looking for
• Released a new community menu where important articles, mini apps and links can be pinned
• Introduced community managers to new, useful tools through tips and recommendations on how to use various community features
• Added the ability to answer community messages in the main VK app for iOS and Android
• Launched community group chats

All of the above resulted in a **26% YoY growth in active communities**, including +37% in gaming, +32% in entertainment, +31% in music, +24% in sports, +21% in education, with 19% growth in the number of business communities

Source: Internal data
Multiple enhancements in VK’s messaging service

- In 2019, VK actively developed its messaging service. Posts are now displayed better in messages. The post sharing screen was updated and it became easier to interact with stories and videos. As a result, the **number of posts sent in messages grew by 32% YoY**
- Voice messages received many updates, including the launch of a new voice message player. The **number of voice messages sent in Q4 increased by 20% YoY**
- The mobile app search feature was greatly improved. Now users can find others even without the internet
- Major changes were made to the **business platform**. The toolkit for community-user interaction was expanded. Some of these new features include quick action buttons (such as those in chatbots) and interactive carousels that allow users to engage with various types of content, such as by making purchases
- **Community group chats** were launched in Q4, allowing communities to create group chats for their followers to use. This improved the synergy between the two services and showed good growth in the number of messages. The general **number of active chats rose 16% YoY**
- Overall, the number of **messages delivered rose 15% YoY, and the service’s DAU in Russia rose 7%**

Source: Internal data
Our music offering on VK, OK and Boom has >3.1mn in active subscribers

- VK launched a student subscription in Q4
- VK became the first Russian platform to launch music stickers in stories for users and communities. A platform to support independent artists was also launched. A special app gives users a simplified way to connect with record labels, helping them set up an artist overview and start monetizing their work. VK improved its personalized music recommendations.

- OK’s music service also went through a major update, launching a new design, catalog and navigation, improved recommendation algorithms, ML-based tools for searching similar music, with recommended tracks played 3x more often YoY and a 10% increase in the addition of tracks to playlists
- Music was added to our Combo loyalty program in December
OK — unique social and entertainment platform

- OK is one of the largest domestic social networks, with 43mn MAU in 2019, with 2.8% YoY growth in DAU, including +11% on mobile

- In 2019, OK continued its focus on enhancement of its differentiating features vs other social platforms as a communication services platform for sharing true emotions with friends and family through virtual gifts, friendship-related services, likes, calls, stickers, postcards etc

- As an example, OK users sent 45bn virtual gifts to each other in 2019, + 4x YoY

- Stickers that are used in direct messages and in comments also demonstrated robust growth, +5.4x YoY. Stickers attached to messages increased +6x YoY, the ones in comments grew by 3.8x YoY. Postcard usage increased by 5.3x YoY

4x in virtual gifts sent in 2019

5.4x in stickers sent in 2019

5.3x in postcards sent in 2019

Source: Internal data, Mediascope
Growing ad revenues – SMEs in the spotlight

Advertising:

- OK’s ad revenues increased its share in total revenue from low 20-s% in 2014 to >40% in 2019, with further increase expected in 2020
- 2019 brought a 33.4% increase in the number of advertisers, driven by the launches of new ad instruments and new creative mechanics

SME focus:

- In 2019, OK continued to expand SME ecosystem that resulted in SME-related ad revenues growth 2.2x YoY
- In Q4 2019 OK launched new business profiles for entrepreneurs, with 1mn users running business through OK
- OK launched a virtual phone system for groups in Nov 2019. It allows businesses to set up a call center
- Ads manager that was launched in Q4, with a SuperGeo ad instrument for location targeting within a range of 500m-10km. This feature is in a high demand among SMEs

Source: Internal data
• Thanks to AI, machine learning and neural networks-based algorithms of news feed, OK posted a record **240m daily likes** in 2019

• In 4Q OK also set a record of 6m new daily friendships. **AI-based friend recommendation algorithms** helped to increase monthly friend requests to 50% YoY

• User engagement growth was also driven by increased number of direct messages. OK users sent **8.8% more messages** to each other in 2019 YoY. Messages also saw an **11% pick up in engagement**, meaning that users expanded the number of contacts with whom they communicated through the platform

• An **average video viewing time increased by 27% YoY**, with OK continuing to successfully monetize own content

• OK has ~870mn in daily **video views** and 130mn **streams**, being the **largest local video platform on the Russian market**. Video views continue to pick up showing a 47.2% increase in 2019 YoY

Source: Internal data
OK Games — mobile-driven growth continues

- OK’s mobile gaming platform continues to grow
- OK made RUB3.2bn in payouts to games developers in 2019, including RUB600mn paid to mobile game developers, up by 2x YoY
- Payouts to mobile game developers are expected to triple to RUB1.8bn by 2022

Source: Internal data
Extracting synergies with the Group

• OK continues to ramp up synergies with the Group and developing products in collaboration with other MRG business units
• Atom browser now offers customization for OK with integration of OK services and instruments, which allow users to smoothly move to various OK pages
• In 2019, OK team launched some products for different business units based on neural networks:
  ✓ Automatic photo processing in ICQ public chats
  ✓ Control over websites changing in advertising for myTarget
  ✓ Recognition of drivers’ documents authenticity for Citymobil
  ✓ Texts on images and video calls in Youla ads

Source: Internal data
More than just email - in the center of users’ daily life

Our e-mail service remains to be the largest in Russia/CIS

Three major strategic focus areas:

• 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

Source: *Mediascope, Web Index, Russia 0+, 12+, December 2019, **Mediascope, Web Index, Russia 100+, 12-64, December 2019
Latest email product updates

- **Excellent user experience** with updated settings and design, introduced dark themes

- **Safety:**
  - Integrated Mail OAuth into Citymobil and DeliveryClub apps

- **Smart features** through integration with partners and improving AI classification, including:
  - Order tracking and product features for Top 35 ecommerce services in Russia, including AER
  - Additions to calendar, navigation and taxi booking for events, including through Citymobil
  - Improved search algorithm suggesting similar results
  - Improved web search UI by adding attachments details and quick access in the results list
  - Pay button for the messages containing bills, with Payment Center available to 100% of users (30k subscribers, number of monthly transfers +260% YoY)
  - Improved UI for sending messages to self and added "Letters to myself" metathread

Source: Internal data
MY.GAMES – driver of international revenues for MRG

- We continue our mobile-focused international expansion, including through partnerships with regional players and acquisitions.
- International gaming revenue share of MY.GAMES stood at 64% of total MMO revenue in Q4, accounting for 19% of Group’s total revenue.
- For the year, MY.GAMES international revenue share approached 68% with projected growth to 80%+ by the end of 2022 as well as planned 80+ share of mobile.
- Total number of users registered in our games continues to increase, up by 26% in 2019 to 605mn.
Gaming portfolio highlights – franchise titles

Mature as well as recently launched titles, including from MRGV studios, continue to deliver towards our strategic revenue and EBITDA goals.

**War Robots**
At >150M installs, title is in a mature phase of its lifecycle and hence is showing EBITDA improvement, which is expected to continue in 2020.

**Hustle Castle**
Revenue was +36% in 2019 with 55M downloads as of Dec. HC continues to be a strong margin generator. Product’s metrics remain consistent, and our development team has a full pipeline of updates, with the title remaining core in our portfolio.

**Warface**
The Warface franchise continues to perform well, being our top-3 revenue-generating game. A new mobile game within Warface franchise — Warface: Global Operations — developed by in-house studio Whalekit (Left to Survive) was launched on Jan 14 (delayed from H2 2019) and chosen as game of the month in the AppStore. Nintendo Switch version was launched in Feb 2020.

These games saw nearly 50% EBITDA growth in 2019, given their mature phase in the investment cycle.

Source: Internal data
Gaming – additional portfolio highlights

**Left to Survive**
Top-5 revenue generating title, with >20mn installs

**Tacticool**
Developed by recently acquired Panzerdog, with >10mn installs. Was chosen as one the Best Competitive Games in 2019 in Google Play Store

**Love Sick**
Developed by recently acquired SWAG MASHA. Was localized to new languages (RU, IT, ES, PT, TR) and released in Russia in Dec, which lead to strong growth

**American Dad! Apocalypse Soon**
Developed in partnership with FOX Next, launched on Oct 27 and supported by stores’s featuring

**Lost Ark**
Developed by Korean Smilegate in RU/CIS market. Has 1.7m registered users post launch on Oct 27

**Conqueror’s Blade**
with its 1.7m registered users in Dec, title continues to show strong potential for growth

Source: Internal data
MY.GAMES – 2020 pipeline snapshot

• We continue expanding Warface footprint by bringing it to new platforms including the recent 2020 releases on mobile and Nintendo Switch
• New console gaming project within Warface franchise, developed with the focus on European and US video game markets, will launch in Q2 for the PS4 and Xbox One
• Titles from our recently acquired studios SWAG MASHA and Panzerdog are showing a robust growth and slated for further expansion in 2020. These studios are a reflection of consistent MRGV strategy based on comprehensive support of the talents at early stage with our marketing and analytics expertise and expanding their portfolios as part of MY.GAMES. We remain developing our investment arm and keep looking for the new partners
• We will continue to scale up the success of War Robots, Hustle Castle and Warface this year applying its most performing assets for developing new gaming experiences
• Overall, we believe that our games portfolio, both existing and new releases, is well positioned, with ~100 titles in ongoing operation and >15 in development
• We have an effectively balanced pipeline of releases for 2020 complete with products driven by our top franchises and brand new titles
Youla – one of the world’s largest mobile-first classifieds platforms

- Launched in Q4 2015, Youla is already one of the world’s largest mobile-first platforms\(^{(1)}\)
- Monthly audience stands at 27m users\(^{(2)}\) (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
Solid initial monetization, more ahead

- Youla reached > RUB 1bn in revenue during the 1st year of monetization, or 3 years since launch, faster than any competitor did in Russia
- It delivered above the budget in 2019 with revenue grew 1.9x YoY
- Near-term focus will be on **deeper monetization of generals, jobs and services verticals** with further expansion beyond high-frequency verticals into higher average check ones. This will require further investment in 2020 with the target to deliver ~RUB 3.7-4bn in revenues in 2020, with proportion of EBITDA loss similar to 2019 level or better.

![Youla revenue, RUBbn](image)

<table>
<thead>
<tr>
<th>1st monetization tests in Q4</th>
<th>FY'17</th>
<th>FY'18</th>
<th>FY'19</th>
<th>FY'20 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>~RUB 1.1</td>
<td></td>
<td></td>
<td></td>
<td>~RUB 3.7-4</td>
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<tr>
<td>~RUB 2.1</td>
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</table>

- Youla delivered Q4 revenue of RUB 708mn, +1.7x YoY, with **RUB 2.1bn in revenues in 2019**, above the budget of RUB 2bn. Youla finished the year with a RUB 2bn EBITDA loss, in line with the budget.
- **Basic version of B2B platform was launched in late 1H19** - starting point for B2B revenue generation, which still accounts for a non-meaningful share in revenue.
- Further plans target **enhancement of B2B platform** with detailed data-driven analytics and performance management solutions.

Source: Internal statistics based on management accounts
Youla’s monthly ARPU
RUB per MAU, average for the period

- Gap between Youla and the market leader in ARPU remains significant, which we see as an opportunity
- Youla’s strategic goal is to remain a mobile-focused technological leader among domestic classifieds with deep attention to security and safety, differentiation through extensive social and ecommerce functionality, accessible through the Group

Source: Internal analysis based on publicly available data
Social network & safety features

• Launches of Stories, video and online P2P calls marked additional steps of Youla towards social commerce, which we aim to continue in 2020

In-app P2P and video calls: first-to-market

• Secure communication within the App. No spam
• Helps users to save time evaluating products remotely
• Free-of-charge from any location in the world
• Developed through collaboration with OK

Stories

• New promotion product for listers
• Users more actively subscribe to content creators
Worki – example of execution in verticals & cross-selling with the Group

- Since its acquisition in May 2019, the number of paying B2B clients in Worki has grown by 3x
- In Q4, Worki has continued realizing its unique competitive advantages and boosting social features through its integration into VK, where top-100 HR brand communities already have over 3.5 mn subscribers. First results are very encouraging, with conversion rate from registration to application of almost 90%
- Worki app on VK added interviewing job seekers functionality based on VK messenger. It aims to speed up the recruitment process, since users check VK messages more often than job boards

Source: Internal analysis
MRG Tech Lab – multiple ongoing experiments

- We continue to put more resources behind our initiatives in new technologies with special focus on **AI, speech and visual recognition** through MRG Tech Lab
- Unit includes teams from various units inside the Group

MRG Tech Lab product highlight:

- **Marusia**: Our virtual voice assistant now has more than 60 skills and will be more deeply integrated with the Group’s services throughout 2020. Capsule smart speaker, powered by Marusia, will be launched for sale in the near-term
- **Pulse**: Our personalized content recommendation platform, launched in January 2019, continues to expand, having reached **45mn MAU / 3.5mn DAU** in Q4. It is attracting users with its **>300,000 unique materials** coming from **>3,000 sources**, with time spent at **10 minutes** per user per day. 2020 should show initial monetization results
- **Vision**: We continue to enhance our B2B computer-based vision solution, which has already lead to industrial contracts as well as pilots with regional airport operators and retailers.
- The Tech Lab team has supported the launch of a number of products and functions within the Group, including our unified ID, bill payment center, notification algorithm, order tracker, and finger-print access in email, voice navigation in Hi-chef etc

Source: Internal data
Driving digital transformation – our instruments

- We focus on most relevant technologies, applicable to a broad pool of industries, with the use of open source, complex approach and ability to accommodate at any scale
- Our B2B-technology business has surpassed **RUB 1bn in revenues in 2019**, with 140% YoY growth

### Areas of transformation

<table>
<thead>
<tr>
<th>People and their communication</th>
<th>Intranet, e-mail, messenger</th>
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<tbody>
<tr>
<td>Infrastructure</td>
<td>Cloud, PaaS</td>
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<tr>
<td>Data processing</td>
<td>Tarantool, IoT, data dashboards</td>
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<tr>
<td>Big Data and AI</td>
<td>Predict, corporate AI</td>
</tr>
</tbody>
</table>

### Technologies

**Knowledge & Competences**

Consulting services of Mail.ru Group and its partners

Source: internal data

Our clients include: Aeroflot, Alfa bank, Nokia, Rosatom, VEB RF, Rosseti, Burger-King
MRG offers multiple Big Data and ML solutions

**Predictive analytics solutions for business**
Sophisticated predictive models, recommendations systems, segmentation and personalization tools based on MRG Big Data and proprietary technologies

**Cloud solutions for business**
Emerging player building cloud infrastructure and data storage as well as Kubernetes as a service, Cloud Databases and Big Data based on Hadoop and Spark, and GPU-based computing in the cloud for RU market

**TARANTOOL**
Data base management solution
Proprietary in-memory Data Base management solution with performance benchmarks* beating global analogs. Originally developed for internal MRG needs (used in 60%+ MRG products)

**Face and objects recognition solution**
Technology focused on recognition of any objects, faces, scenes within photo/video stream using AI and ML as well as documents stream recognition

Source: internal data * Based on performance-tests and benchmarks available in public access
MRG – diversified cloud platform

- MRG offers a software-platform, which helps accelerate creation of new products

**Virtual servers**
Development of virtual machines, with easy settings

**Object storage**
S3-compatible cloud storage with high speed of working with big data sets

**Graphic adapters**
Powerful cloud calculations based on NVIDIA GPU

**Kubernetes**
Reliable Kubernetes clusters in the cloud for data intensive websites and apps

**Big Data**
Scalable service for data analysis using Apache Hadoop and Apache Spark

**Cloud data bases**
Manageable and scalable data bases: PostgreSQL, MySQL, MongoDB, ClickHouse

**Machine learning**
Service for fast development of apps using machine learning

Source: internal data
MCS – innovative and internationally recognized

- Mail.ru Cloud Solutions (MCS) started their path on building not only public cloud services, but also private cloud
- It has become a strategic service for B2B customers and made its IoT platform available in PaaS

- As of the end of 1H19 MCS became a certified member of Cloud Native Computing Foundation (CNCF) and is now the only Russian holder of Certified Kubernetes – Hosted certification
- MCS expanded the range of PaaS and entered the Enterprise market of storage for business analytics and log management
- We launched a turnkey package that automates deployment process of MCS Private Cloud on customer’s premises through deployment wizard, which significantly speeds up time-to-market of digital transformation for enterprise customers
- We launched an IoT Platform, capable of handling efficiently millions of events from hundreds of thousands of internet-connected devices. The platform is designed for large enterprises

Source: internal data
Mail.ru Group invests:
- 100% stake in Delivery Club
- Minority investment in Citymobil
- ~RUB8bn in cash at closing and up to ~RUB5bn subject to Citymobil performance in the first 12 months post deal closure
- Minority investments in food-tech and mobility

Sberbank invests:
- ~RUB38–RUB51bn (including ~RUB38bn at closing and the rest linked to O2O Platform reaching KPIs for the 12 month after deal closing)
- Minority investment in Foodplex (35%)

O2O Platform aims to hold no less than 75% stake in Citymobil at deal closing

Transaction assumes an up to ~RUB64bn total capital injection into O2O by the two partners (incl ~RUB18bn is subject to KPIs fulfillment), sufficient for reaching break-even for DC and CM (ceteris paribus)

Ownership structure:
- 50% Mail.ru Group
- 50% Sberbank

In the future, the parties will consider the possibility of bringing in additional investors to facilitate the further development of the platform

Letter of intent has been signed, with the legally binding agreement planned to be signed by FY19

Valuation: >RUB52bn pre money and >RUB100bn post-money (if KPIs are fulfilled)

Source: Internal data, transaction announcement press release
DC is the food delivery market leader in terms of users...

Monthly active users, mln

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

Downloads, iOS and Android combined, ths

Source: AppAnnie
New benchmark of 3.5mn orders achieved in Jan 2020, with a balance between 3P and 1P

Source: Internal data
In 2019 DC has significantly accelerated its growth

**Geographic expansion**

<table>
<thead>
<tr>
<th>Cities of operation, 1P</th>
<th>Cities of operation, 3P</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q4 2018</td>
<td>Q4 2019</td>
</tr>
<tr>
<td>9</td>
<td>38</td>
</tr>
<tr>
<td>120+</td>
<td>150+</td>
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**Active users**

<table>
<thead>
<tr>
<th>DC active users, mln</th>
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</thead>
<tbody>
<tr>
<td>Q4 2018</td>
</tr>
<tr>
<td>1.3</td>
</tr>
<tr>
<td>Q4 2019</td>
</tr>
<tr>
<td>3.0</td>
</tr>
<tr>
<td>YoY x 2.3</td>
</tr>
</tbody>
</table>

**Restaurants**

<table>
<thead>
<tr>
<th>Number of restaurants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q4 2018</td>
</tr>
<tr>
<td>8,900</td>
</tr>
<tr>
<td>Q4 2019</td>
</tr>
<tr>
<td>13,700</td>
</tr>
</tbody>
</table>

**Revenue**

<table>
<thead>
<tr>
<th>Q1 2018</th>
<th>Q2 2018</th>
<th>Q3 2018</th>
<th>Q4 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>424</td>
<td>433</td>
<td>427</td>
<td>646</td>
</tr>
<tr>
<td>881</td>
<td>865</td>
<td>1,244</td>
<td>1,472</td>
</tr>
</tbody>
</table>

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
DC – Latest cross-selling examples with MRG

• As part of ongoing ecosystem development, we seek ways to boost cross-selling within the Group

VK Pay & tips

• In Jan we launched Tips for riders using VK Pay
• > 2,200 riders have already connected VK Pay wallets to receive tips
• > RUB200,000 in tips was transferred in one month directly to riders, which helps DC motivate riders in terms of customer behavior and speed of delivery

VK Mini Apps integration

• DC launched MVP version on VK Mini Apps platform at the end of December
• DC is currently collecting user feedback, with further tech and product investments into the integration expected in 2020

Source: Internal data
CM is gaining share in a growing market

Ride-hailing market continues to expand through organic growth as well as in-market consolidation

Russian taxi market size and share of aggregators, 2019-2030, RU

**Source:** Consensus is based on analysis of UBS, Goldman Sachs, VTB Capital, Otkritie, RU Government analytics, Citymobil Management
CM growth has significantly accelerated in 2019

Geographic expansion into 1M+ cities ...

Cities of operation¹

<table>
<thead>
<tr>
<th>Year</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td></td>
<td></td>
<td>x 6.3</td>
</tr>
</tbody>
</table>

... resulted in exponential growth in rides most of which was achieved in Q4 2019

CM rides by quarters, 2018-2019, mn units

YoY x 3.7

... combined with rising engagement across the entire platform ...

Avg monthly rides per user

<table>
<thead>
<tr>
<th>Year</th>
<th>Avg monthly rides per user</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>3.9 (+8%)</td>
</tr>
</tbody>
</table>

Avg monthly rides per driver

<table>
<thead>
<tr>
<th>Year</th>
<th>Avg monthly rides per driver</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>78 (+53%)</td>
</tr>
</tbody>
</table>

Source: Internal data, 1 – Moscow Region is counted as one city
In 2020 CM will continue growth, improve efficiency and further leverage synergies.

**Business priorities**

**Scale**
- Expansion into remaining 1M+ cities and a number of 500K+ cities
- Solid #2 player with at least 25% market share in all regions of operation

**Path to profitability**
- Continuous improvements in unit economics across all markets
- Positive unit economics in most 1M+ markets

**Synergies in the ecosystem**
- New marketing & product synergies with both ecosystems
- Leverage R&D capabilities of both ecosystems (e.g. AI, computer vision)
- Full-blown launch of a new fleet product in collaboration with SberLeasing

Source: Internal data
RDIF

- Cash investments

15.0%

MRG

- Synergies with MRG ecosystem
- Cash investments

AER JV

- Aliexpress Russia
- Cash investments

24.3%

MegaFon

- MegaFon swapped its 9.97% stake in MRG for a 24.3% stake in AER JV

12.9%

Alibaba

On Oct 9th MRG, Alibaba Group, MegaFon and RDIF announced the completion of the AliExpress Russia (AER) JV deal

MRG is contributing its Pandao e-commerce business and cash investments of $182 mn in exchange for a 15% stake in the AliExpress Russia JV

$100 mn contribution happened at closing, with the rest payable 12 months after

Alibaba Group became 9.97% shareholder in MRG at deal closing

Integrations on MRG’s social platforms have already started with the launch of AliExpress Mini App and Shopping Center within VK

Source: Internal data
Assuming RDIF’s exercise of its option to acquire 1.0% of the AliExpress Russia JV ordinary shares from Alibaba
In addition, RDIF has entered into an option agreement to purchase up to 4.0% of the AliExpress Russia JV common equity from MegaFon

AER JV deal created a market leader, with major ambitions in social e-commerce

Dmitry Sergeev, MRG Deputy CEO, is the Co-CEO of AER JV (along with Liu Wei)
Boris Dobrodeev, CEO of MRG (Russia), is the Chairman of the BoD of AER JV
MRG and AER aim to create a new shopping experience for local social networking users

Strategy:

- **Integrate shopping experience into the social context** by involving users into engaging mechanics
- **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
- **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
- **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
- **Test further AER-related integrations in 2020 and beyond**

Source: Internal data
Q4 2019 operating segments performance

- In Q4 S&C segment grew by 17.6% to RUB14.9bn, accounting for 58% of Group’s total. Growth was only marginally slower QoQ, mainly due IVAS. EBITDA came at RUB7.8bn (80% of Group’s total), with a 52.3% EBITDA margin.

- Games segment expanded by 10.3% (to RUB8.5bn, 33% of Group’s total) despite the 36.8% base effect and only two new games launches in 2H and both happening in late October. EBITDA margin was 33.2%, with Q4 being a typical seasonal profitability peal for our Games business.

- New Initiatives continues its rapid expansion with revenue growth of 85%, driven by Youla, B2B and online education. Segment remains in investment phase, with an EBITDA loss of RUB822mn for the quarter.

### Q4 2019 operating segments performance

<table>
<thead>
<tr>
<th>RUB MM</th>
<th>Communications and Social</th>
<th>Games</th>
<th>New initiatives</th>
<th>Eliminations</th>
<th>Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total segment revenue</td>
<td>14,914</td>
<td>8,478</td>
<td>2,349</td>
<td>(122)</td>
<td>25,620</td>
</tr>
<tr>
<td>Y-o-Y growth</td>
<td>17.6%</td>
<td>10.3%</td>
<td>85.0%</td>
<td>166.2%</td>
<td>18.6%</td>
</tr>
<tr>
<td>Total operating expenses*</td>
<td>7,113</td>
<td>5,660</td>
<td>3,171</td>
<td>(122)</td>
<td>15,823</td>
</tr>
<tr>
<td>Segment EBITDA</td>
<td>7,801</td>
<td>2,819</td>
<td>(822)</td>
<td>(0)</td>
<td>9,798</td>
</tr>
<tr>
<td>EBITDA margin</td>
<td>52.3%</td>
<td>33.2%</td>
<td>-35.0%</td>
<td></td>
<td>38.2%</td>
</tr>
<tr>
<td>Net profit</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>5,671</td>
</tr>
<tr>
<td>Net profitability</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>22.1%</td>
</tr>
</tbody>
</table>

Note 1: Pandao, ESforce and Delivery Club are excluded from all numbers on a pro-forma basis
Note 2: Total operating expenses include Group corporate expenses allocated to the respective segment.
Q4 and 12M 2019 revenue and profitability update

- Revenue growth was 18.6% in Q4, with 22.4% growth for the full year
- Online advertising delivered peak growth for the year during Q4, at 24.6%, with MMO games growing at 9.5% (14% in USD) solely due to high base effect (+37% YoY growth in Q4 2018) and few new launches
- EBITDA margin stood at 38.2% in Q4 and 34.2% for the year, with EBITDA stable YoY in Q4 despite ongoing investments
- Capex remained in the range of 10% of revenues

<table>
<thead>
<tr>
<th>Q4 and FY 2019 Revenue and profitability review</th>
<th>Q4 2018</th>
<th>Q4 2019</th>
<th>Y-o-Y, %</th>
<th>FY 2018</th>
<th>FY 2019</th>
<th>Y-o-Y, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>21,596</td>
<td>25,620</td>
<td>18.6%</td>
<td>71,164</td>
<td>87,070</td>
<td>22.4%</td>
</tr>
<tr>
<td>Online advertising</td>
<td>9,082</td>
<td>11,319</td>
<td>24.6%</td>
<td>29,782</td>
<td>36,505</td>
<td>22.6%</td>
</tr>
<tr>
<td>MMO games</td>
<td>7,108</td>
<td>7,781</td>
<td>9.5%</td>
<td>23,295</td>
<td>27,987</td>
<td>20.1%</td>
</tr>
<tr>
<td>Community IVAS</td>
<td>4,080</td>
<td>4,360</td>
<td>6.9%</td>
<td>15,005</td>
<td>16,371</td>
<td>9.1%</td>
</tr>
<tr>
<td>Other revenue*</td>
<td>1,326</td>
<td>2,160</td>
<td>62.9%</td>
<td>3,082</td>
<td>6,207</td>
<td>101.4%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>9,732</td>
<td>9,798</td>
<td>0.7%</td>
<td>27,137</td>
<td>29,752</td>
<td>9.6%</td>
</tr>
<tr>
<td>EBITDA margin, %</td>
<td>45.1%</td>
<td>38.2%</td>
<td>38.1%</td>
<td>34.2%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net profit</td>
<td>6,881</td>
<td>5,671</td>
<td>-17.6%</td>
<td>15,083</td>
<td>15,649</td>
<td>3.8%</td>
</tr>
<tr>
<td>Net profit margin, %</td>
<td>31.9%</td>
<td>22.1%</td>
<td>21.2%</td>
<td>18.0%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capex</td>
<td>-2,171</td>
<td>-2,314</td>
<td>24.1%</td>
<td>-6,462</td>
<td>-8,037</td>
<td>24.4%</td>
</tr>
<tr>
<td>% of revenue</td>
<td>-10.1%</td>
<td>-9.3%</td>
<td>-0.5%</td>
<td>-9.1%</td>
<td>-9.2%</td>
<td>-0.1%</td>
</tr>
</tbody>
</table>

Note 1: Group aggregate segment financial information for Q4 and FY 2018 has been retrospectively adjusted to account for pro-forma inclusion of Native Roll, Panzerdog, Relap, Worki, Swag Masha and Skillbox
Note 2: Group aggregate segment financial information for Q4 and FY 2018 has been retrospectively adjusted to account for pro-forma exclusion of Delivery Club and ESforce
Note 3: Net profit includes the impairment of Skyforge in the amount of RUB 630m in Q2 2019 and impairment of Armored Warfare in the amount of RUB 1,698m in Q2 2018
Note 5: Including Other IVAS revenues
FY 2019 operating segments performance

- **2019 revenue of RUB87bn came in the middle of set guidance of RUB86-88bn**, mainly due to launch of two out of five planned gaming titles, which we announced as of Q3 results. Business expanded by 22.4% for the year
- **EBITDA came at RUB29.8bn, in line with set guidance of “around RUB30bn”**. Profitability of the Group stood at 34.2%, including 54.1% margin for S&C and 17.1% margin for Games

<table>
<thead>
<tr>
<th>FY 2019 operating segments performance</th>
<th>Communications and Social</th>
<th>Games</th>
<th>New initiatives</th>
<th>Eliminations</th>
<th>Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total segment revenue</td>
<td></td>
<td>50,521</td>
<td>30,669</td>
<td>6,233</td>
<td>(352)</td>
</tr>
<tr>
<td>Y-o-Y growth</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>15.4%</td>
<td>23.4%</td>
<td>126.7%</td>
<td>79.0%</td>
</tr>
<tr>
<td>Total operating expenses*</td>
<td></td>
<td>23,186</td>
<td>25,425</td>
<td>9,060</td>
<td>(352)</td>
</tr>
<tr>
<td>Segment EBITDA</td>
<td></td>
<td>27,335</td>
<td>5,244</td>
<td>(2,827)</td>
<td>-</td>
</tr>
<tr>
<td>EBITDA margin</td>
<td></td>
<td>54.1%</td>
<td>17.1%</td>
<td>-45.4%</td>
<td></td>
</tr>
<tr>
<td>Net profit*</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net profitability</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note 1: Pandao, ESforce and Delivery Club are excluded from all numbers on a pro-forma basis
Note 2: Total operating expenses include Group corporate expenses allocated to the respective segment
Headcount evolution

- **Group’s headcount reached 5,943 as of FY 2019** given organic expansion of the Group as well as M&A
- Headcount was reduced by 564 as of June 2019 due to reclassification of DC and ESForce as assets held for sale

**Total headcount, eop**

<table>
<thead>
<tr>
<th></th>
<th>Mail.ru Group</th>
<th>DC, ESForce</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dec-16</td>
<td>3,317</td>
<td></td>
</tr>
<tr>
<td>Dec-17</td>
<td>4,141</td>
<td></td>
</tr>
<tr>
<td>Dec-18</td>
<td>5,167</td>
<td>5,167</td>
</tr>
<tr>
<td>Mar-19</td>
<td>5,560</td>
<td></td>
</tr>
<tr>
<td>Jun-19</td>
<td>5,831</td>
<td></td>
</tr>
<tr>
<td>Sep-19</td>
<td>5,879</td>
<td></td>
</tr>
<tr>
<td>Dec-19</td>
<td>5,943</td>
<td></td>
</tr>
</tbody>
</table>

Source: Internal data
Note: Group’s total is shown ex Pandao, Delivery Club, Esforce and Skillbox
IFRS revenue and EBITDA evolution

- Trend in key financials and profitability of our business in 2017-18 under IFRS has been adversely impacted mainly by Games segment, given the significant historical deferral period for revenue recognition in Games and segment’s very strong revenue growth of 30%+ during the period.

- As part of our effort to narrow differences between IFRS and management accounts, as of Q3 2019, the Group changed its estimates with respect to the life span of the in-game virtual items purchased by game players. The changes resulted from the fact that the Group accumulated sufficient data related to the patterns of how the in-game items are consumed by paying game players. As a result the Company refined its estimate of the period of satisfaction of the performance obligation in relation to virtual in-game items. The changes in estimates were recorded prospectively starting from July 1, 2019.

- Deferral period for Games has been reduced and IFRS and management account revenues are now more aligned.

Source: Internal data
FCF & ROIC normalization

- FCF of the Group has been affected in 2018 by active investment into high-growth and high-potential businesses like Delivery Club or Pandao. These are now developed under AER and O2O JVs, with FCF having normalized.
- ROIC in 2018 has been impacted by investment activity. 2019 ROIC benefits from a change in approach to deferred revenues for Games as well as asset deconsolidation (e.g. DC, Pandao). We will continue to focus on delivery of healthy revenue growth and attractive operating margins to ensure positive signaling through ROIC evolution.

Source: Internal data
Note 1: FCF is calculated w/o losses in associates
MRG is backed by leading global internet companies

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

Source: Public data
## MRG shareholder structure details

<table>
<thead>
<tr>
<th></th>
<th>prosus</th>
<th>Alibaba Group</th>
<th>Tencent</th>
<th>MFT</th>
<th>Freefloat</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Economic</strong></td>
<td>27.6%</td>
<td>10%</td>
<td>7.4%</td>
<td>5.2%</td>
<td>49.8%</td>
</tr>
<tr>
<td><strong>Voting</strong></td>
<td>12.3%</td>
<td>4.4%</td>
<td>3.3%</td>
<td>58.3%*</td>
<td>21.7%</td>
</tr>
</tbody>
</table>

Source: Public data as of December 31, 2019, 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%)
For further information please contact:

Tatiana Volochkovich
Mail.ru Group, Director of Investor Relations
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Mobile: +7 905 594 6604
E-mail: ir@corp.mail.ru / t.volochkovich@corp.mail.ru
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